

CREDIT CONTROL AND
DEBT COLLECTION POLICY
TABLE OF CONTENT

ITEM NUMBER	DESCRIPTION	PAGE NUMBER
	PREAMBLE	2
	PART A – CREDIT CONTROL PROCEDURES	
1.	DEFINITIONS	3
2.	PURPOSE	5
3.	REGISTRATIONS FOR MUNICIPAL SERVICES	5
4.	DEPOSITS FOR MUNICIPAL SERVICES	6
5.	ACCOUNTS MANAGEMENT	7
6.	PAYMENT OPTIONS	8
7.	CASH ALLOCATION PRIORITIES	9
8.	RESPONSIBILITY FOR AMOUNTS DUE AND PAYABLE	9
9.	TERMINATION / TRANSFER OF ACCOUNTS	10
10.	INTEREST / PENALTY CHARGES ON OUTSTANDING ACCOUNTS	10
11.	BUSINESSES WHO TENDER TO THE MUNICIPALITY	11
12.	MUNICIPAL CLEARANCE CERTIFICATES	11
13.	PROPERTY RATES	13
14.	UNALLOCATED CONSUMPTION	14
15.	TERMINATION OF ACCOUNTS	14
16.	ASSISTANCE TO THE POOR	15
17.	AGREEMENT WITH EMPLOYERS	15
18.	STAFF IN ARREARS	15
	PART B – DEBT COLLECTION PROCEDURES	
19.	ARREAR MESSAGE ON ACCOUNT	16
20.	ELECTRICITY	16
21.	WATER	17
22.	CREDIT AGREEMENTS	19
23.	PROPERTY RATES AND CONSOLIDATED BILLING	20
24.	LEGAL ACTION	20
	ANNEXURE	22

PREAMBLE

WHEREAS Section 95 of the Local Government: Municipal Systems Act obliges the Municipality to establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the Municipality;

AND WHEREAS Section 96 of the Local Government: Municipal Systems Act provides that that a Municipality must collect all money that is due and payable to it and for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies;

AND WHEREAS Section 97 of the Local Government: Municipal Systems Act provides that the credit control and debt collection policy must provide for credit control and debt collection procedures and mechanisms as well as provision for indigent debtors that is consistent with its rates and tariff policies and any national policies on indigents.

IT IS HEREBY ADOPTED: a Credit Control and Debt Collection Policy of the eThekweni Municipality.

CREDIT CONTROL AND

DEBT COLLECTION POLICY

PART A – CREDIT CONTROL PROCEDURES

1. **DEFINITIONS:**

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time, except where clearly indicated otherwise and means the following:

"account"	any account rendered for municipal services provided.
"Act"	the Local Government: Municipal Systems Act, 2000(Act No. 32 of 2000) as amended from time to time.
"arrears"	any amount due, owing and payable in respect of municipal services not paid by due date.
"Consolidated Account"	a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates and other municipal taxes, levies and duties.
"Credit Agreement"	arrangements made with customers with regards to arrears.
"customer"	Any person liable to the Municipality for taxation or other charges
"defaulter"	any customer in arrears.
"due date"	(i) <u>Monthly</u> The monthly date on which all customers' accounts become due and payable. (ii) <u>Annual</u>

Where the owner has entered into an agreement with the Municipality to pay property rates annually, the due date shall be as determined by the Municipality.

- "illegal connection" a connection to any system through which the municipal services are provided, which is not authorised or approved by the Municipality or its authorised agent.
- "owner"
- a. the person in whom from time to time is vested the legal title to premises;
 - b. in case where a person in whom the legal title to premises is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration and control of such premises is vested as curator, executor, administrator, judicial manager, liquidator or other legal representative;
 - c. in any case where the Municipality or its authorised agent is unable to determine the identity of such person, a person who is entitled to the benefit of the use of such premises or a building thereon;
 - d. in the case of premises for which a lease agreement of 30 years or longer has been entered into, the lessee thereof;
 - e. in relation to:
 - i A piece of land delineated on a sectional plan registered in terms of Sectional Title Act, 1986 (Act No. 95 of 1986), the developer or the body corporate in respect of common property; or
 - ii a section as defined in the Sectional Title Act, 1986 (Act No. 95 of 1986), the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such person; or
 - iii a 'Home Owners Association', all members of the Association.
 - f. the Ingonyama Trust, where the land is vested in the Trust by virtue of the provisions of the Ingonyama Trust Act.
 - g. any legal person including but not limited to:
 - i a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a close corporation registered in terms of Close Corporation Act, 1984 (Act 69 of 1984) and a voluntary association
 - ii any department of State;
 - iii any Council or Board established in terms of any legislation applicable to the Republic of South Africa;
 - iv any Embassy or other foreign entity.

"rates"	municipal tax levied on the valuation of property. The rate is expressed as cents in the rand.
“social housing tenant”	any person letting / leasing any residential premises from any public legal body for less than a full rack rental or letting / leasing residential premises from a private person and receiving from the National / Provincial Government a subsidy or other amount to empower the tenant to pay the full rack rental.

2. **PURPOSE**

This policy has been compiled as required in terms of Section 97 of the Local Government: Municipal Systems Act 32 of 2000 and is designed to provide credit control and debt collection procedures and mechanisms.

3.3.12

3. **REGISTRATIONS FOR MUNICIPAL SERVICES**

- 3.1 The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the municipality, into one consolidated account as provided for in Section 68 of Ordinance 18 of 1976.
- 3.2 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the Deputy City Manager: Treasury has been produced in each instance ; and

- 3.3 With respect to residential registrations, where the customer is the owner of the property the following documents must be produced:
- i. certified copy of identity document or passport;
 - ii. a letter from the transferring attorney confirming ownership or a copy of the Title Deed; and
 - iii. rateable details or rate number of the property, if available.
- 3.4 With respect to residential registrations, where the customer is the tenant of the property the following documents must be produced:
- i. certified copy of identity document or passport;
 - ii. a signed lease agreement or a letter of consent from the property owner indicating that he is aware of S118 of the Act;
 - iii. a Body Corporate levy statement, share certificate, purchase and sale agreement or a letter from the transferring attorney confirming the details of the property owner, or Title Deed.
- 3.5 With respect to commercial registrations the following documents must be produced:
- i. the Certificate of Registration or Incorporation of the Company, CC, Trust, or Partnership. In addition, in the case of company, the CM29;
 - ii. certified copy of the identity document or passport of one of the directors, members, trustees or owners in the case of a sole proprietor, who would open an account.
 - iii. Letters of authority in the case of a partnership or sole proprietor.
 - iv. the Council reserves the right to request personal sureties from one or more of the Directors / Members of a company or CC whenever it deems this to be appropriate.
 - v. Proof that the business is duly registered as a business levy payer or is exempted therefrom.
 - vi. VAT registration numbers if applicable
 - vii. landlords consent / lease agreement / agents mandate between landlord / agent
 - viii. proof of ownership of property
- 3.6 Customers who fail to register and who illegally consume services will be subjected to punitive measures as prescribed by Section 68 of Ordinance 18 of 1976 or such civil or criminal action as the Municipality deems appropriate.
- 3.7 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer to advise the Municipality of such change.

4. DEPOSITS FOR MUNICIPAL SERVICES

- 4.1 Deposits will be due and payable on registration of new customers and subject to review upon the movement of existing customers to a new address.

- 4.2 At the time of registration for water and / or electricity accounts, a cash deposit or a bank cheque will be required based on the following criteria:

4.2.1 **Property Owners**

- a) In an effort to encourage registration by property owners, such owners are requested to pay a consumption deposit based on:

two months projected consumption value; which can be either

- aa) reduced to **one month's** consumption value should the owner commit to direct debit payments at the time of registration: or
 bb) increased to **three months** consumption value at the Council's sole discretion based on the previous payment history on the property/customer concerned.

- b) Property owners may provide a guarantee from a Bank or other recognised financial institution acceptable to the Council in lieu of a cash deposit but no registration will be processed until either cash, or a guarantee is provided.

4.2.2 **Tenants**

Tenants who wish to register for electricity and water consumption will be required to pay a deposit based on minimum **three months** not exceeding **twelve months** consumption value at the time of registration and will **not** be able to reduce this amount by committing to direct debit payments. They may provide a guarantee from a Bank or other recognised financial institution acceptable to the Council in lieu of a cash deposit but no registration will be processed until either the required payment or a guarantee is provided.

This provision does not apply to social housing tenants.

4.2.3 **Increase in Deposits**

The value of the original deposit paid or a guarantee held will be reviewed on a regular basis;

- a) **Business Accounts**
 Consumption patterns are reviewed whenever meter readings are received and, should the amount of deposit / guarantee held be deemed inadequate, the customer is contacted requesting an increase in deposit which is then added to the next monthly account.
- b) **Residential Accounts**
 Deposits held are reviewed if an irregular and unacceptable payment pattern is identified (currently 3 late payments in 5). In such cases the relevant customer is sent an additional deposit request letter whereafter his account is debited.

4.2.4 **Interest Payable on Cash Deposits**

Interest on cash deposits held, shall accrue 6 months from date of deposit at a rate of 3% per annum simple interest as determined by the Chief Financial Officer from time to time. The deposit, plus interest accrued, shall be taken into account upon closure or termination of an account or paid annually against the customers account if requested.

5. ACCOUNTS MANAGEMENT

- 5.1 With the exception of Government Accounts, assessment rates shall be billed on a monthly basis, and may only be billed annually by prior written agreement.
- 5.2 Monthly rates shall be levied in eleven equal installments, and subject to change as determined by the Chief Financial Officer from time to time.
- 5.3 The Municipality will undertake to have the accounts posted to all customers. However, failure to receive or accept accounts does not relieve a customer of the obligation to pay any amount due and payable. The onus is on the customer to make every effort to obtain a copy account for payment.
- 5.4 The Municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request. Landlords may request copies of their tenants accounts.
- 5.5 The Accounts shall reflect at least:
 - a. The services rendered
 - b. The consumption of metered services or average, or estimated consumption.
 - c. The applicable charges
 - d. The amount due
 - e. property rates payable
 - f. surcharges
 - e. Value Added Tax
 - f. Any rebates
 - g. The adjustments, if any, to metered consumption that has been previously estimated.
 - h. The arrears
 - i. The interest payable on arrears
 - j. The final date of payment
 - k. The methods, places and approved agents where payment may be made.
 - l. Collection charges
 - m. Payments received.
- 5.6 The Municipality may post an annual rates assessment.

6. PAYMENT OPTIONS

- 6.1 The Municipality must endeavour to establish a payment network to ensure that, wherever practically possible, customers in receipt of accounts have access to a payment site within a reasonable distance of their home.
- 6.2 Every effort will be made to ensure that all payments, particularly from third-party agents, are received within a maximum of 5 days of the original payment date. However, the onus is on the customer to make allowance for delays in respect of such payments. Customers must ensure that payments made through third party agents (post-office; easy pay; etc.) are received into the Municipalities bank account by due date. The Municipality will not accept responsibility for delays in receipt of payments.
- 6.3 Where any payment made to the Municipality or its authorised agent by negotiable instrument, is later dishonoured by the bank, the municipality or its authorised agent:
- a. will recover the average bank charges incurred relating to a dishonoured negotiable instrument against the account of the customer;
 - b. shall regard such an event as default on payment and shall be dealt with as an arrear account;
 - c. reserves the right to take legal action.
- 6.4 The methods of payment shall be pronounced by the Chief Financial Officer from time to time.

7

9. CASH ALLOCATION PRIORITIES

- 7.1 When part payments are received against a Consolidated Account, the Municipality shall allocate such payments in terms of the following table of priorities as determined from time to time:

PRIORITY NO	STATUS	SERVICE
1	Arrears	Water Charges
2	Arrears	i) Monthly Rates ii) Credit Agreement Instalments
3	Arrears	Additional Deposits

4	Arrears	Housing Charges
5	Arrears	All other Municipal charges including interest and collection charges (excluding Electricity).
6	Arrears	Electricity Charges
7	Arrears	Private Charges (Water Insurance, Cemetery Insurance, Metro Club etc.)
8	Current	Water Charges
9	Current	i) Monthly Rates ii) Credit Agreement Installments
10	Current	Additional Deposits
11	Current	Housing Charges
12	Current	All other Municipal charges (including interest and collection charges but excluding Electricity)
13	Current	Electricity Charges
14	Current	Private Charges (Water Insurance, Cemetery Insurance, Metro Club etc.)

7.2 Where various services share a priority, payments made to that priority will be apportioned equitably between these services.

8. RESPONSIBILITY FOR AMOUNTS DUE AND PAYABLE

- 8.1 In terms of Section 118 (3) of the Act an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.
- 8.2 Accordingly, all such Municipal debts shall be a charge upon the property, the subject thereof, and shall be payable by the owner of such property.
- 8.3 Any person who purchases or otherwise acquires or leases immovable property from the Municipality shall be deemed to be the owner thereof from the date of such purchase or other acquisition by him or from the commencement of such lease, as the case may be.
- 8.4 Where the property is owned by more than one person, each such person shall be liable jointly and severally for all Municipal debts charged on the property.
- 8.5 Except for property rates, owners shall be held jointly and severally liable, with their tenants who are registered as customers, for debts on their property.
- 8.6 Tenants and/or agents may be held liable for arrear rates in terms of Section 28 of the Municipal Property Rates Act.

9. TERMINATION / TRANSFER OF WATER AND ELECTRICITY ACCOUNTS

- 9.1 When a customer terminates an account with no intention of consuming services elsewhere within the eThekweni Municipality, a 14 days notice period will apply and a stipulated forwarding address must be supplied.
- 9.2 On the indicated date of cancellation of services a final reading will be taken as soon as is reasonably possible and the customer will be billed for the consumption until the date of the final reading.
- 9.3 The customer deposit together with any accrued interest thereon, shall be appropriated against the account. Should a credit balance remain on the account, after appropriation of the deposit, such credit balance shall be refunded to the customer.
- 9.4 A debit balance that remains unpaid 30 days shall be pursued through debt collection procedure.
- 9.5 When a customer moves from one premises to another within the eThekweni Municipality a request for transfer of services must be initiated, which must include a forwarding address of the customer and the date of cancellation of service, in any event not less than 14 days from date of request.

10. INTEREST / PENALTY CHARGES ON OUTSTANDING ACCOUNTS

- 10.1 Interest charges are raised on arrear amounts which appear on the Municipal accounts.
- 10.2 The interest rate is determined by the Chief Financial Officer and is reviewed from time to time.
- 10.3
A 10% administrative charge shall be levied on arrear rates where the Municipality has instituted legal action to recover same.
- 10.4 Arrears outstanding on Business Levy accounts are subject to the interest rate specified in terms of the applicable legislation.

11. BUSINESSES WHO TENDER TO THE MUNICIPALITY

- 11.1 When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for the payments of arrears. To this end, copies of the following documents will be required:
- 11.1.1 rates account;
 - 11.1.2 water account;
 - 11.1.3 electricity account;
 - 11.1.4 identity documents of all directors, members, partners.
- 11.2 No tender will be allocated to a person / contractor until suitable arrangement for the repayment of arrears over the duration of the contract, has been made. The tenderer must maintain arrangements and pay current installments as provided for in any contract with the Municipality.
- 11.3 Where payments are due to a contractor in respect of goods or services provided to the Council, any arrear amount owing to the Council may be offset as a first charge against such payments as provided for in the contract with the Municipality.

12. MUNICIPAL CLEARANCE CERTIFICATES

Subject to Sections 118(1) and (1A) of the Act, the following shall apply to the issue of a Municipal Clearance Certificate for the purpose of effecting transfer of a property to a new owner.

12.1 Assessments

- 12.1.1 Application shall be made by the conveyancing attorney, in the prescribed format, providing the following information in respect of the property in question:
- i. Present owner of the property;
 - ii. Property description;
 - iii. Physical address;
 - iv. Rates Account No's;
 - v. Electricity Account No's. (Or electricity meter no's.);
 - vi. Water Account No's. (Or water meter no's.);
 - vii. Purchasers details; identity numbers and postal address;
 - viii. with respect to Vacant Land, an Affidavit from the seller that the property does not have a water supply connection and an undertaking from the purchaser that should a water supply connection be discovered on the property and such account is in arrears, then the purchaser accepts liability for such arrears.

Copies of all the accounts must accompany the application. If the relevant information is not provided, the application will be returned to the conveyancer.

12.1.2 Every effort will be made to issue an assessment within five days of receipt of application. Certain delays may be experienced in respect of:

- i. New sub-divisions;
- ii. Pending building plans;
- iii. Special investigations.

With respect to the aforesaid, the following is required to be submitted to the valuers or consultant valuers:

- a. a copy of the survey diagrams/general plans;
- b. a copy of the sale agreements;
- c. a copy of the relevant proclamation notices;
- d. seller contact details; and
- e. building plans on request.

Conveyancers will be notified of possible delays.

12.1.3 **The assessment shall include the following:**

- i. Rates for the balance of the year (to 30 June) still outstanding. Where application is made after 31 January, the assessment shall be for a period of six (6) months until the rate increases for the new financial year have been finalized and approved. Thereafter the assessment will revert to the end of the new financial year.
- ii. Water and Electricity
Actual balance outstanding at date of assessment being approved less any deposit on hand.
- iii. Other
Actual balance outstanding at date of application.
- iv. Assessment Fee
As per the prescribed tariff.

12.1.4 **Period of validity**

The assessment shall remain valid for a period of 60 days. If payment has not been received within this period, a re-assessment may be required and payment of a further assessment fee will apply.

12.1.5 **The onus rests with the seller to ensure:**

- i. that all buildings on the property are in accordance with the building plans approved by the Municipality;
- ii. the premises in question are being utilised in accordance with its zoning;

- iii that all outstanding debts accruing to the Municipality in respect of the property is fully paid.

12.1.6 Any discrepancies in respect of the above may result in delays in issuing of a clearance certificate, and in addition may result in levying of additional backdated rates and / or penalties and / or service charges.

12.1.7 Any amounts paid shall be appropriated to the oldest debt first.

12.1.6 Clearance Certificates

- i Every effort will be made to issue a Municipal Clearance Certificate within five days of receiving payment;
- ii Payment on the assessment must be made in cash or by bank guarantee cheque;
- iii Only in exceptional circumstances, which must be fully motivated, and for assessments over R10,000.00, may an unconditional guarantee be accepted in lieu of cash payment;
- iv The guarantee must be :
 Issued by the Conveyancing Attorney, in the prescribed format;
 Unconditional;
 For the full amount outstanding; and
 For a specified period of time acceptable to the Municipality

12.1.6.1 Bank Guarantees shall not be accepted.

12.1.6.2 An Attorney's Trust cheque may be accepted in lieu of cash payment.

12.1.6.3 There

12.1.6.4 shall be no refunds on the cancellation of a sale.

12.1.6.5 The Certificate shall be valid for a period of 120 days from date of issue.

13. PROPERTY RATES

13.1 All properties within the boundary of the eThekweni Municipality are to be valued in terms of the legislation applicable to the valuation of properties for the purposes of levying property rates.

13.2 Rebates on rates may be granted by Municipality in terms of the Municipality's rating policy.

13.3 That with regard to pensioners who are in arrears with rates, the existing rates policy regarding the deferment of rates is applicable to allow pensioners to defer their payments.

- 13.4 Owners must pay the property rates in eleven equal monthly installments or over a period as determined by Council. Regular monthly installment payments must be maintained.

14.UNALLOCATED CONSUMPTION

- a) When electricity and water consumption is recorded on a property during a period for which there is no registered customer against whom a bill can be raised , the relevant charges shall be raised against the registered owner.
- b) When a customer terminates a consumption account and no new customer registers, a property is deemed to be vacant. The account shall be forwarded to the owner until he advises the Municipality to the contrary: -
- i) **for business premises** - instructions to disconnect the electricity and water supplies to the property must be issued immediately and actioned;
- ii) **for residential premises** - a courtesy letter is forwarded to the new occupier or owner within 7 days advising of the need to register as a customer and indicating the registration procedures that need to be followed. Failure to respond to that letter within a 7 day period will result in the issue of supply disconnection instructions.

15.TERMINATION OF ACCOUNTS

- a) When a customer gives notice of termination of an account, departments who are providing a service to a customer must have been instructed within a period of 21 days wherever practically possible, to take final meter readings, process account adjustments etc. to allow a final account to be produced without unreasonable delay.
- b) Once a final account has been calculated, duly authorised and a credit balance results, every effort will be made to refund the amount due to the customer within a reasonable period - providing the Municipality is satisfied that all payments made by the customer have been duly honoured.
- c) Likewise, should a debit balance occur as a result of the final account calculation, the account must be placed immediately into the Debt Collection process.

16. ASSISTANCE TO THE POOR

Assistance to the poor shall be dealt with in accordance with the attached.

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17. AGREEMENT WITH EMPLOYERS

17.1 Section 103 of the Act reads as follows: -

" A Municipality may:

17.1.1 with the consent of a person liable to the municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with that person's employer to deduct from the salary or wages of the person-

17.1.1.1 any outstanding amounts due by that person to the municipality;

or

17.1.1.2 such regular monthly amounts as may be agreed."

17.2 the onus to introduce such arrangements remains with each employer / employee.

18. STAFF IN ARREARS

18.1 Item 10 of Schedule 2 to the Act states that: - "A staff member of the Municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months and a municipality may deduct any outstanding amounts from a staff members salary after this period."

18.2.

a) The Municipality, shall liaise with the relevant staff and their departmental representatives and issue the necessary salary deduction instruction where appropriate after compliance with the provisions of the Basic Conditions of Employment Act.

PART B – DEBT COLLECTION PROCEDURES

19. ARREAR MESSAGE ON ACCOUNTS

- 19.1 When a monthly account is in arrears, the next account will clearly highlight an appropriate reminder message.

20. ELECTRICITY

- 20.1 No disconnection orders are issued within 10 days of the last arrear account. This extended period allows for agency payments to be fully processed and provides a minimum period of 40 days from the original bill date to the earliest possible date of disconnection. This period will be reduced over time; on a basis to be determined by the Deputy City Manager: Treasury from time to time.
Where arrears are brought forward, the above may not apply.
- 20.2 No disconnection orders are produced unless the value of the arrears reaches a stipulated amount, as determined by the Deputy City Manager: Treasury.
- 20.3 Re-connection instructions are issued as soon as:
- a) payment is received at an on-line facility;
 - b) proof of payment at an off-line facility is received; or
 - c) satisfactory credit arrangements have been entered into and we are accordingly advised of such payment.

Re-connection action is not guaranteed to be effected on that same day.

- 20.4 Follow-up meter readings within one month are taken for all customers who fail to respond to the physical disconnection to ensure that the supply has, in fact, been disconnected and no payment received.
- 20.5 Where instances of illegal reconnection of supplies are detected by eThekweni Electricity, the supply is again disconnected by a more stringent method. Reconnection thereafter will only be effected if the relevant penalty tariff charges / disconnection fees are paid and satisfactory arrangements have been made for the settlement of the outstanding arrears.
- 20.6 Further instances of tampering will result in the disconnection of the electricity supply and the removal of the relevant metering and connection equipment. Customers in such instances will then need to pay for the full costs of the new connection and all outstanding arrear charges before replacement of the equipment and the reconnection of the supply will be considered.
- 20.7 Electricity metering and connection equipment remain the property of the Municipality at all times and anyone involved in instances of tampering, damaging or theft thereof is committing a criminal offence and will be liable for prosecution and or civil claims/penalties by the Municipality.

21. WATER

21.1 Arrears

Non- Domestic

- 21.1.1 Water customers who accumulate arrears in excess of a determined value as determined by the Chief Financial Officer from time to time are subject to the disconnection of their water supply.
- 21.1.2 Failure to pay the outstanding arrears as highlighted on the monthly account or to conclude a credit agreement for these arrears within the specified period will result in the total disconnection of the water supply. A disconnection fee then becomes payable. Confirmation of tampering or self-reconnection will result in the removal of the entire water connection. The water supply will only be re-instated on payment of the entire debt in full plus the payment for a new connection and a revised deposit amount.
- 21.1.3 Non domestic customers have 2 payment options in order to have their water supply restored.
- a) Pay the outstanding arrear amount plus all relevant charges in full; or
 - b) Sign a Credit agreement (on approval by management) and pay the relevant charges (i.e. disconnection orders and / or reconnection fee if applicable).

- 21.1.3.1 if either of these payment options are effected on the date of disconnection, the disconnection and reconnection order fee will be reversed provided that there is no disconnection order history for the three months preceding the current disconnection order date.
- 21.1.3.2 If either of these payment options are effected on any day following the disconnection order date and the customer is prepared to wait for the following day to have the water supply re-instated, the reconnection fee will not apply provided that there is no disconnection order history for the three months preceding the current disconnection order date.
- 21.1.3.3 If either of these payment options are effected on any day following the disconnection order date and the customer requests re-instatement of the water supply on the same date, the disconnection order fee and the reconnection fee becomes due and payable immediately.

Domestic

- 21.1.4 In the case of **domestic** customers, the following procedures apply:
- 21.1.4.1 If no response is received to the warning notice on the monthly bill, a letter is then posted to the customer re-affirming the Council's intention to disconnect the supply should they not respond.
- 21.1.4.2 If there is no response to this letter, the water supply is then **restricted** by installing a restrictive washer and a card is left with the customer to inform them of the consequences of tampering with this washer. This washer permits a daily consumption of approximately 500 litres in a 6-hour period but at an extremely low flow rate. Although the flow is restricted, the outstanding balance will increase with the recorded consumption and interest charges will continue to accrue.
- 21.1.4.3 Confirmation of tampering of a restricted supply on three occasions may result in the entire water connection being removed. Customers have two options to facilitate the re-instatement of the water supply:
- i) Pay the outstanding debt in full (including all charges) plus the prevailing costs of a new connection;
 - ii) Apply for a flow limiter and sign an acknowledgement of debt, which would include the connection costs.
- 21.1.4.4 On restriction of the water supply, customers have the following payment options:
- a) Pay the outstanding arrear amount plus all relevant charges in full;
 - b) Apply for a flow limiter and sign an Acknowledgment of Debt;
 - c) Sign a Credit Agreement;

- 21.1.4.5 If either of the payment options are effected on the date of disconnection the disconnection order fee and reconnection fee will be reversed provided that there is no disconnection order history for the three months preceding the current disconnection order date.
- 21.1.4.6 If either of the payment options are effected on any day following the disconnection order date and the customer is prepared to wait for the following day to have the water supply re-instated the reconnection fee will not apply provided there is no disconnection order history for the three months preceding the current disconnection order date.
- 21.1.4.7 If either of these payment options are effected on any day following the disconnection order date and the customer requests re-instatement of the water supply on the same date, the disconnection order fee and the reconnection fee becomes due and payable immediately.
- 21.1.5 Confirmation of tampering with the flow limiter device may result in the entire water connection being removed. The water supply will only be re-instated on payment of the outstanding debt which would include the Acknowledgement of Debt amount plus the prevailing cost of a new connection.
- 21.1.6 In the event of a funeral, an application may be made for temporary relief whereby the flow limiter may be removed for a specific period of up to seven days only. This may be done upon payment of a prescribed fee of R300.00 to be reviewed annually. The flow limiter will be reinstated after seven days.

22. CREDIT AGREEMENTS

- 22.1 The Municipality may, at its discretion, enter into a Credit Agreement with customers in arrears with municipal service fees, surcharges on fees, property rates and other municipal taxes, levies, duties and community charges. Such agreement must include maintenance of the current monthly charges.
- 22.2 The owner of a property must consent in writing to a Credit Agreement with the municipality and his tenant, whereby he acknowledges that he is jointly and severally liable for all arrears should his tenant default.
- 22.3 Re-connection and disconnection fees, where applicable, must be paid in full before any Credit Agreement can be entered into.
- 22.4 By entering into a Credit Agreement the customer acknowledges that failure to meet any installment will result in prompt disconnection action being taken. This does not preclude any legal action that the Municipality may take.

- 22.5 Credit Agreements negotiated on business accounts shall require the agreement to be signed by a duly authorised Director / Member of the business. Personal sureties to the value of the debt plus current accounts are also required. **Under no circumstances are agreements to be completed without such sureties.**
- 22.6 Details of the original amount of the Credit Agreement, the monthly installments and the current balance outstanding thereon are included on each subsequent account until such time as the Credit Agreement is liquidated by full payment of the debt.
- 22.7 Credit Agreements may **not** be granted where:
- a. Arrears have arisen due to dishonoured cheques, direct debit reversals etc;
 - b. Instances of repeat meter tampering have been identified, or
 - c. The services have been removed.

23. PROPERTY RATES AND CONSOLIDATED BILLING

- 23.1 Property rates shall form part of the Consolidated Bill as provided for in Section 68 of Ordinance 18 of 1976.
- 23.2 Arrear rates or any other consolidated debt may result in disconnection of services.
- 23.3 The Municipality may, in terms of Section 28 of the Municipal Property Rating Act, recover arrear rates from tenants / managing agents in occupation of the relevant property but only to the extent of the rent payable or amount due by the tenant but not yet paid to the owner of the property. This does not preclude further legal action against the owner.
- 23.4 The Municipality may make application to court for judgment, costs and the summary sale of the property in appropriate circumstances. Legal costs shall be debited to the relevant debtors accounts.
- 23.5 Once judgment is obtained the properties will be advertised and sold through public auction.

23.6 The municipality shall follow the legal process to recover any portion of the debt outstanding for more than three months. The municipality shall assess annually, the appropriate minimum amount below which it will not attach homes. Currently, this amount is R2500,00.

24. LEGAL ACTION

24.1 Legal steps may be taken to collect arrears such as in the following cases;

- Where cut-off action yielded no satisfactory result;
- Where no cut off action is possible due to the nature of the services for which the account has been rendered
- Where the arrears are older than 90 days

A pre-investigation into the account and debtor details is carried out before the preparation of a summons. The data of an appointed Credit Bureau is utilized. Telephonic Contact is made with the debtor before summons is issued to curb costs.

Guidelines, as tabulated, must be set and reviewed at least on an annual basis to ensure that they remain relevant:

DEBT VALUE RAND	RECOVERY ACTION
Up to R500	Send final notice, if no response , submit to credit bureau.
from R501 to R1000	Proceed to the issue of summons should the debtor appear to be of sufficient financial stature.
From R1000 onwards	Assess the likely financial stature of the debtor, incur tracing costs where appropriate and proceed along the legal route reviewing at each stage whether it is viable to continue incurring costs.

24.2 All Offers of Compromise, out of court settlement offers and/ or settlement offers for full and final payment received, are to be approved by the Head: Legal Services and decisions taken without undue delay.

24.3 The City Manager is authorized to write off bad debts in accordance with the provisions of Section 113 of Ordinance 25 of 1974 and on instructions of the Executive Committee.

24.4 The Municipality may enforce any other rights or exercise any power conferred on it by any other legislation.

ANNEXURE1. **ASSISTANCE**

- a) This policy document aims to ensure that this Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic area.
- b) The Municipality has taken cognisance of the high level of poverty and unemployment, which is prevalent in various areas of the City and has developed various initiatives to assist those customers who are economically unable to meet normal rates and service charges.

- c) This has led Municipality to formulate the following measures to assist the poor.

2. **ELECTRICITY**

A special tariff has been designed to assist customers who need and use little electricity. Those who select this tariff receive the first 50 kwhs per month free/and up to 140 kwhs each month at advantageous rates.

3. **WATER**

The first 200 litres of water consumed each day are free to all domestic customers. However there are three levels of service availability to Domestic Customers based on certain conditions.

- a) The Ground Tank service provides a maximum supply of 200 litres of water per day which is free;
- b) The semi-pressure service offers a reduced tariff for consumption between 200 litres and 1000 litres per day and are also not charged any fixed charges irrespective of consumption;
- c) The full-pressure service customers who reside in residential properties with a specified rateable value which is presently R40 000 or less are also not charged any fixed charges.

4. **ASSESSMENT RATES**

Residential properties with a combined land and building value of R30 000 or less are exempt from property rates.

Residential Properties valued between R30 001 and R100000 are subject to a graduated tariff structure.