

KAI !GARIB MUNICIPALITY

CREDIT CONTROL AND DEBT COLLECTION POLICY

DEFINITIONS

“credit control and debt collection” – means the function relating to the effective collection of any monies due and payable to the municipality.

“indigent policy” – means Kai !Garib Municipality: Indigent Policy

“rates policy” means Kai !Garib Municipality: Rates Policy

“tariff policy” means Kai !Garib Municipality: Tariff Policy

“consumer” means any occupier of any property to which the Municipality has agreed to supply services or already supplies services to, or failing such an occupier then the owner of the property.

“municipal services” means those services provided by the municipality as property rates, refuse removal, interest and or surcharges.

“free basic services” means free electricity up to a maximum of 50 kwh, and 10 kl of water.

“municipal valuation” means the value of the property as determined in terms of the Property Rates Act.

“property rates act” means the Local Government: Property Rates Act, 6 of 2004

“property” means any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality.

“rate or rates” means a municipal rate on property as envisaged in Section 229 f the Constitution.

“interest” means a charge levied, with the same legal priority as service charges, on arrear amount calculated at a standard rate equal to a interest rates which is one percent higher than the interest rate payable by the Council for bank overdrafts

“indigent threshold” means the total monthly gross income of all occupants in the household equivalent or less than two times the government pension grant

“indigent amount” means the applicable subsidy as determined by the municipality from time to time.

“child handed households” means a household where all occupants of a residential property are younger than 18 years of age, i.e. a child headed household is a household consisting only of child.

OBJECTIVES

The objectives of this policy are to:

- a) focus on all outstanding debt as raised on the debtor’s account
- b) provide a framework within which the municipality can exercise its executive and legislative authority with regard to credit control and debt collection;
- c) promote a culture of good payment habits amongst debtors and instill a sense of responsibility towards the payment of accounts and reducing municipal debt;
- d) subject to the principles provided for in this Policy, use innovative, cost effective, effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process;
- e) effectively and efficient deal with defaulters in accordance with the terms an conditions of this policy;

PRINCIPLES

The following principles should be considered;

- a) Credit control and debt collection policy must be understandable, uniform and implemented with equity, fairness and consistency;
- b) This policy must be effective, efficient and economical
- c) Billing must be accurate, timeous and understandable
- d) Debt and arrangements to repay debt will be treated holistically. The Director Finance shall determine different repayment periods or methods for different type of services, debtors or arrears.

- e) The consumers are entitled to reasonable access to pay points and to a variety of reliable payment methods
- f) The consumers are entitled to efficient, effective and reasonable responses to enquiries and appeals, and should suffer no disadvantages during the process of such request
- g) Consumers that meet the council's indigent criteria must be identified and supported

RENDERING OF ACCOUNTS

The municipality shall render a regular account for the amount owing by a debtor for rates, fees and service charges but failure by the municipality to render such accounts shall not absolve the debtor of his obligation to pay for rates, fees and/or services received.

Accounts must show the following:

- If measured, details of consumption for the period being charged and the amount due;
- If flat rate, the amount due in terms of services rendered;
- The amount due for other services rendered;
- The amounts due;
- The amounts due for property tax;
- The final date for payment of amounts due shall not be more than 14 days from date of invoice.

CREDIT CONTROL PROCEDURE

1. Rates and Services

The following provisions apply to rates and services:

- i) Monthly accounts will be issued to all property owners/consumers. These charges shall be payable within 14 days from date of invoice.
- ii) Interest will be raised on payments received after the due date, at the maximum rate commercial banks will charge plus 1%. The interest will be calculated on a monthly basis. Interest payment will not be applicable to customers who made payment arrangements.

- iii) Payment arrangements on arrears will only be applicable to individual households.
- iii) Final demands will be issued to defaulters outstanding for a period exceeding 30 days. Failure to respond to the Final Demand by the due date (21 days) will result in Legal Action.
- iv) Legal Action – If the defaulter fails to adhere to the conditions of the Final Demand, a copy thereof will be handed to the credit control clerk (responsible official) who will institute legal proceedings for the recovery of debt, interest and legal cost.
- v) Clearance Certificates all monies including any estimated amounts for the duration of the validation period of a certificate in terms of section 118, of the Systems Act, or Section 89 of the Insolvency Act, 24 of 1936, are for the purpose of Section 118, deemed to be due and must be paid in full prior the issuing of any clearance certificate.

PROCEDURE FOR COLLECTING ARREARS

- Current charges must be paid in full
- The debtor may be required to prove levels of income and must agree to a monthly payment toward arrears on such debtors ability to pay of based on such debtors liquidity if the Municipality so requires.
- Arrangement for payment of arrears should be made as follows but only after an acknowledgement of Debt (the agreement), has been signed by the debtor who should provide positive proof of identity or an authorized agent with Power of Attorney.

The agreement must be completed entailing details of all arrangements for paying off arrear account as set out below. A copy of the agreement must be handed to the client and a copy filed in the debtor's file by the Finance Manager.

1. If the overdue balance contains amounts which have been outstanding for longer than 12 months-the first payment shall be a minimum of ten percent (10%) limited to a maximum amount of R3000, of the total overdue balance as an initial payment. The Director Finance shall decide on an arrangement to settle the balance in equal installments over a period of twelve months, not exceeding 24 months.
2. If the overdue balance contains amounts which have been outstanding for less than 12 months-the first payment shall be a minimum of twenty percent (20%), of the total overdue balance as an initial payment. The

Finance Manager shall decide on the arrangement to settle the balance in equal installments over a maximum period of six (6) months;

3. The first payment (initial payment) to be made after the signing of the agreement shall be made within 30 days, services will not be reconnected until payment is received. Agreement will lapse if first payments are not received within 30 days;
4. No interest will be charged on arrear amount from the time the agreement is entered into provided that the agreement is honored by the debtor.
5. The Director Finance when notified by a debtor of his failure to comply with the arrangement shall consider the merit of the debtor's circumstances in reviewing the repayment; or increase the monthly repayments to maintain the repayment period, or temporarily freeze repayments until the debtor's circumstances improve provided the debtor keeps the finance manager informed on a month to month basis of his circumstances, The Director Finance in conjunction with the Municipal Manger shall either consider freezing further services or allowing the services to continue for a limited period to be agreed upon depending upon the circumstances. Merit cases must be dealt with individually and could amongst others include the following categories:
 - a) Unemployed persons
 - b) Deceased estates
 - c) Indigents
 - d) Private persons under administration
 - e) Pensioners
6. Any of the above arrangements will automatically include the condition that all future monthly accounts are paid by the debtor on due date except in case of merit will be at the discretion of the Finance Manager.
7. A debtor who fails to comply with any of the above arrangements without notifying the Finance Manager, automatically forfeits the benefit of the arrangement made and shall have his/her services discontinued with immediate effect and will be dealt with. A "refer for drawer" cheque shall be regarded as a failure to comply.
8. No person will be allowed to enter into a second agreement if the first agreement was dishonored.
9. The Director Finance Manager is not obliged to notify the debtor of the failure to comply.

10. Should a debtor not settle his/her account in full, after having made the arrangements, fail to comply with the arrangements, council shall take all necessary legal steps to recover amount owing including such as attachment of the debtor's assets as per the litigation procedure.

INCENTIVES FOR PROMPT PAYMENT

1. During the budget process Council may, to encourage prompt payment and/or to reward regular payers, consider from time to time incentives for the prompt payment of accounts or payment by debit or stop order.
2. The cost associated with the incentive scheme, if introduced, will be reflected in annual budgets as additional expenditure.

REVIEW AND AMENDMENT OF THE POLICY

This policy shall be reviewed annually.