

**UMTSHEZI MUNICIPALITY**

**CUSTOMER CARE,**

**CREDIT CONTROL**

**AND**

**DEBT COLLECTION POLICY**

Approved on: 26 March 2013      Res No: 493.03.13

# ROADMAP TO CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION

**BYLAW**

*Outline the rights and obligations of roleplayers and empowers the municipality to enforce the policy*

**CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY**

*Public document outlining the roles, responsibilities, objectives and implementation procedures*

**CUSTOMER CARE OBJECTIVES**

**CREDIT CONTROL OBJECTIVES**

**DEBT COLLECTION OBJECTIVES**

*To focus on the client's needs in a responsible and pro-active way. To create a positive and cooperative relationship between customers responsible for the payment of services received, and the municipality, and where applicable, any service provider. To facilitate financial assistance and basic services for the community's poor.*

*To implement procedures which will ensure the collection of debt, and prevent the escalation in arrear debt. To limit risk by employing effective management tools.*

*To provide procedures and mechanisms to collect all the monies due and payable to municipality arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.*

**CUSTOMER CARE PROCEDURAL WORKBOOK**

**CREDIT CONTROL PROCEDURAL WORKBOOK**

**DEBT COLLECTION PROCEDURAL WORKBOOK**

***Guidelines for official use and practises for implementation of the policy.***

# **P R E A M B L E**

*WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipality to adopt, maintain and implement a credit control-, debt collection and customer care policy;*

*AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;*

*NOW THEREFORE the Municipal Council of the Municipality of Umtshezi adopts the policy as set out in this document.*

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# ***CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICIES***

## ***DEFINITIONS***

- 1. For the purpose of this policy, the wording or any expression used has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:***

“Act”           The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

“Authorized Representative”  
                  the person or institution legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer”  
                  the person appointed by Council to administer its finances;

“Council”       the municipal council of the Municipality of Umtshezi;

“customer”     any occupier and/or owner 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;

“defaulter”     a person who owes money to municipality after the due date has expired;

“equipment”    a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

“interest” a charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on arrear monies;

“municipality” includes a municipality referred to in section 155 (6) of the Constitution;

“municipal account”

an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;

“Municipal Manager”

the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

“municipal services”

those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

“occupier” any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property,

“owner” –

- (a) the person in whose name the property is legally vested;
- (b) in the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;

- (c) in the case where the council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
- (d) in the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- (e) regarding:
  - (i) a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 van 1986), without limiting it to the developer or managing body to the communal property;
  - (ii) a portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a “sectional title, including the legally appointed representative of such person;
- (f) any legal entity including but not limited to :
  - (i) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust *inter vivos*, trust *mortis causa*, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984), and any voluntary organisation;
  - (ii) any provincial or national government department or local authority;
  - (iii) any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
  - (iv) any embassy or other foreign entity.

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

## PRINCIPLES

2. (1) In the execution of its customer care, credit control and debt collection policy the municipality will apply the following principles:
- (a) The administrative integrity of the municipality will be maintained at all costs meaning that democratically elected councillors are responsible for the adoption of the policy, while the Municipal Manager must execute the policy.
  - (b) All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines.
  - (c) Changes to legislation, by-laws and policies may require existing customers to complete new application forms.
  - (d) A copy of the application form, conditions of services and extracts of the customer care, credit control and debt collection policy and by-law must be handed to every customer on request at such fees as may be prescribed.
  - (e) Billing is to be accurate, timeous and understandable.
  - (f) The customer is entitled to:
    - (i) reasonable access to pay points;
    - (ii) a variety of reliable payment methods; and
    - (iii) an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of such an appeal.
  - (g) Enforcement of payment must be prompt, consistent and effective.
  - (h) Unauthorised consumption, illegal connection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
  - (i) Incentives and disincentives may be used in collection procedures.
  - (j) The collection process must be cost-effective.
  - (k) The executive mayor must report the customer care, credit control and debt collection performance results, regularly and efficiently to Council.

- (l) Application forms will be used to, *inter alia*, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- (m) Targets for performance in both customer service, credit control and debt collection will be set and pursued and remedies implemented for non-performance.
- (n) Where practically possible customer care, credit control and debt collection should be handled independently and the organisational structure will reflect the separate functions.

## **DUTIES AND FUNCTIONS**

- 3. (1) The following duties and functions are assigned to the under mentioned roleplayers relating to the management, control and implementation of customer care, credit collection and debt collection.**

### ***Duties and Functions of Council***

- (a) To approve a budget consistent with the needs of communities, ratepayers and residents.
- (b) To impose service charges, rates on property and other taxes, levies and duties to finance the budget.
- (c) To source and provide sufficient funds to give access to basic services for the poor.
- (d) To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- (e) To set improvement targets for customer care, credit control and debt collection, in line with acceptable standards and the ability of the implementing authority.
- (f) To approve a reporting framework for customer care, credit control and debt collection.
- (g) To consider and approve a by-law to give effect to the policy.

- (h) To establish a supervisory authority to monitor the performance of the Municipal Manager regarding to customer care, credit control and debt collection.
- (i) To revise the budget should the targets for customer care, credit control and debt collection not be met.
- (j) To take disciplinary and/or legal action against councillors, officials and agents who do not execute the policy and by-law or act improperly in terms thereof.
- (k) To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy to the Executive Mayor, Municipal Manager and Service Providers respectively.
- (l) To provide sufficient capacity in the Finance Directorate to execute customer care, credit control and debt collection or alternatively appoint service providers, or debt collection agents.
- (m) To provide funds for the training of staff.

***Duties and functions of Executive Mayor***

- (n) To ensure that the budget, cash flow and targets for customer care, credit control and debt collection are met.
- (o) To monitor the performance of the Municipal Manager in implementing the policy and by-law.
- (p) To review and evaluate the policy and by-laws in order to improve the efficiency of customer care, credit control and debt collection procedures, mechanisms and processes.
- (q) To report to Council.

***Duties and functions of the Municipal Manager***

- (r) To implement a customer care management system.
- (s) To implement the customer care, credit control and debt collection policy and by-law.
- (t) To install and maintain an appropriate accounting system.
- (u) To bill customers.

- (v) To demand payment on due dates.
- (w) To raise penalties for defaults.
- (x) To appropriate payments received.
- (y) To collect outstanding debt.
- (z) To provide different payment methods.
- (aa) To determine customer care, credit control and debt collection measures.
- (bb) To determine relevant work procedures for, inter alia, public relations, reminders, final demands, arrangements, disconnections of services, summonses, judgements and write-off of debts.
- (cc) To instruct attorneys to proceed with the execution of judgements obtained.
- (dd) To set performance targets for staff.
- (ee) To appoint staff to execute the policy and by-law.
- (ff) To delegate certain functions to heads of departments.
- (gg) To determine control procedures.
- (hh) To monitor contracts with service providers in connection with credit control and debt collection
- (ii) To report to the Executive Mayor.

***Duties and functions of communities, ratepayers and residents***

- (jj) To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- (kk) To pay service charges, rates on property and other taxes, levies and duties imposed by the municipality on or before the due date.
- (ll) To observe the mechanisms and processes of the municipality in exercising their rights.
- (mm) To allow municipal officials reasonable access to their property to execute municipal functions.
- (nn) To comply with the policy and by-law and other legislation related to customer care, credit control and debt collection.
- (oo) To refrain from tampering with municipal services and property.

### ***Duties and functions of Councillors***

- (pp) To hold regular ward meetings.
- (qq) To adhere to and convey the policy and by-law to customers, residents and ratepayers.
- (rr) To adhere to the Code of Conduct for Councillors.

## **PERFORMANCE EVALUATION**

4. (1) The municipal Council will create a mechanism wherein the following targets can be assessed, evaluated and whereby remedial steps can be taken.

### ***Income Collection Targets***

- (2) The municipal Council will create income collection targets that will include:
- (a) The reduction in the monthly increase ~~in~~ of debt in line with the performance agreements for officials.

### ***Customer Service Targets***

- (3) The municipal Council will create targets that will include:
- (a) Response time to customer queries.
  - (b) Date of first account delivery to new customers.
  - (c) Reconnection time lapse.
  - (d) Meter reading cycle.

### ***Administrative Performance***

- (4) The municipal Council will create targets that will include:
- (a) Cost efficiency of debt collection.
  - (b) Query and appeal periods.
  - (c) Enforcement mechanism ratios.

## **Reporting**

5. (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable him/her to report to the Executive Mayor as

supervisory authority in terms of section 99 of the Act, read in conjunction with section 100(c)

(2). The report contemplated in 5(1) will include :

- The total debt analysis as at month-end.
- Brought forward balances at month-end.
- Outstanding balance of indigent consumers.
- Number of new indigent applications.
- Cashflow improvement.
- Cash received versus debits raised.
- Attorneys brought forward balances.
- Arrangements made.
- Number of hand delivered final demands.
- Number of posted final demands.
- Electricity cuts versus reconnections.
- Water restrictions versus reconnections.
- Electricity and water revisits.
- Summonses.
- Judgements issued.
- Performance in all areas against targets agreed to in Annexure “B” of this policy document.

(3) If the actual cash receipts do not match the budgeted income the Chief Financial Officer must report this, with motivation, to the Municipal Manager who will, if he agrees and the trend continues, immediately move for a revision of the budget according to realistically realisable income levels.

(4) The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Act.

## **CUSTOMER CARE SECTION**

### **OBJECTIVES**

- (f) (1) The objectives of the customer care section are to -
  - (a) To focus on the client's needs in a responsible and pro-active way to create a positive and cooperative relationship between customers responsible for the payment of services received, and the municipality, and where applicable, any service provider.
  - (b) To facilitate financial assistance and basic services for the community's poor.

### ***Communication and feedback***

- (2) The municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include revised targets for customer care.
- (3) The Customer Care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in Xhosa, English and Afrikaans at the municipal office, the official website and on special request.
- (4) Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and related issues.
- (5) Ward councillors will be required to hold regular ward meetings, at which customer care and related issues will be given prominence.
- (6) The press will be encouraged to give prominence to customer care and related issues, and will be invited to Council or Committee meetings where these matters are discussed.

### ***Handling of Complaints***

- (7) Within its financial and administrative capacity the municipality will establish:-
  - (a) a central complaints/feedback office;

- (b) a centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
- (c) appropriate training for officials dealing with the public to enhance communications and service delivery; and
- (d) a communication mechanism to give feedback on service, debt and customer care and related issues.

### ***Accounts and billing***

- (8) Customers will receive an understandable and accurate bill from the municipality, which will consolidate all service charges for that property.
- (9) Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- (10) Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.
- (11) It is the customer's responsibility to ensure that postal address and other contact details are correct.
- (12) It is the customer's responsibility to ensure timeous payment in the event of accounts not received.
- (13) Settlement or due dates will be as indicated on the statement.
- (14) Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.
- (15) Where any payment is made by a negotiable instrument and is later dishonoured by a bank, the municipality or its authorised agent:-
  - (a) may recover the bank charges related to the transaction against the account of the customer; and
  - (b) shall regard such an event as a default on a payment.
- (16) The municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request, at a cost as determined by Council.

## ***Metering***

- (17) Within practical and financial limits the municipality will endeavour to provide meters for every consumable service.
- (18) All meters will be read monthly, on the same date, if possible.
- (19) If it is not possible to read all meters monthly the consumption will be estimated.
- (20) Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- (21) Customers will be informed of meter replacements.
- (22) If a service is metered but it cannot be read due to constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for an estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

## ***Payment facilities and methods***

- (23) The municipality will operate and maintain suitable and accessible payment facilities.
- (23) The municipality will, at its discretion allocate payments between service debts and debtors may not specify that payments are for specific portions of the account.
- (24) With the consent of a customer the municipality may in terms of section 103 of the Systems Act, approach an employer to secure a debit or stop order arrangement.
- (25) The municipality may provide for special incentives as contemplated in section 103 of the Systems Act.
- (26) The customer will acknowledge, in the customer agreement, if he/she uses agents to transmit payments to the municipality he/she is responsible for late and non-payments.

### ***Enquiries, appeals and service complaints***

- (27) If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the municipality to investigate and adjust the account if found valid.
- (28) In the interim the debtor must pay an amount equal to the average of the last three month's consumption where such history of the account is available.
  - (a) Where no such history is available, the debtor must pay an estimated amount as calculated by the municipality until the matter is resolved.
- (29) The relevant department will investigate the query lodged in terms of section 6(27) and inform the debtor within the period specified in the policy targets.
- (30) Failure to make interim payments will subject the customer to the normal credit control and debt collection procedures.
- (31) A customer may appeal to the Municipal Manager against the finding of the municipality or its authorised agent in terms of 6.(29).
- (32) An appeal in terms of section 6.(31) must be made and lodged with the municipality within 21 (twenty-one) days after the notification of such finding has been received and must:-
  - (a) set out the reasons for the appeal; and
  - (b) be accompanied by any security determined for the testing of a measuring device, if applicable.

### ***Customer Categories***

- (33) Customers will be categorised according to specific classifications based on *inter alia* the type of entity and applicable tariffs and risk levels.
- (34) Processes for credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

### ***Priority Customer Management***

- (35) Certain customers will be classified as priority customers based on criteria determined by the Municipal Manager.
- (36) A priority customer liaison officer may be appointed to take care of priority customers.

- (37) The envisaged priority customer liaison officer will be responsible for the ongoing management of the customers so classified and will perform tasks such as the review of monthly accounts to ensure accuracy, the monitoring of prompt settlement of accounts and response to queries.

### ***Customer assistance programmes***

#### **Water leakages**

- (38) If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.
- (39) Where suitable proof of repair costs are provided, the Municipality may, at its sole discretion, provide relieve to a maximum of 80% of the charge raised for the water lost due to the leak, for a period not exceeding three months.
- (40) The customer has the responsibility to control and monitor his/her water consumption.

#### **Rate rebates**

- (41) Categories of property or owners may qualify for exemptions, rebates and reductions of rates as determined in the municipality's property rates policy.

#### **Arrangements for settlements**

- (42) Customers with consumption arrears must agree to the conversion to a prepayment meter.
- (43) When a prepayment meter is installed due to defaults on payments, the cost of the meter and all arrears can be paid off:-
- (a) monthly over an agreed period; and
  - (a) at the discretion of the Municipal Manager, by adding the debt as a surcharge to the prepaid electricity cost, and be repaid with each purchase of electricity until the debt is liquidated.
- (44) The municipality reserves the right to raise the deposit requirement of debtors who seek arrangements.
- (45) Where an arrangement is made outside of the conditions of payment as set out in Annexure "A", such payments will be accepted, subject to the normal credit control and debt collection procedures.

### **Rates by instalments**

- (46) Customers may elect to pay their property rates account monthly, at no interest cost on the condition that there are no rates outstanding in respect of a previous period and that the rates are paid in full prior to the next rates cycle.
- (47) Any arrangement for monthly rate instalments will be cancelled and all rates will become payable in full with immediate effect should any three instalments become overdue.

### **Indigent subsidy**

- (48) Customers may apply for an indigent subsidy on the conditions as stipulated in the municipality's Indigent Policy.

### **Free basic services**

- (49) Council may provide, free of charge to a customer, certain basic levels of services, as determined from time to time.

## ***CREDIT CONTROL SECTION***

### ***OBJECTIVES***

- 7. (1) The objectives of the credit control section are to -
  - (a) Implement procedures that will ensure the prevention of escalation in arrear debt.
  - (b) Limited risk by employing effective management tools.

### ***Service application and agreements***

- (2) All customers of services will be required to sign an agreement governing the supply and cost of municipal services.

- (a) Owners may allow tenants to sign separate agreements with the municipality, which the municipality may at its own discretion accept or reject.
  - (b) On default by a tenant, the owner will be the debtor of last resort.
- (3) Prior to signing these agreements, customers will be entitled to receive the policy document of the municipality on request at a cost determined by Council.
- (4) On the signing of the agreement, customers will receive a copy of the agreement for their records.
- (5) Customers are responsible for costs of collection, interest and penalties in the event of delayed and/or non payment.
- (6) Existing customers of services will be required to sign new agreements as determined by the Municipal Manager from time to time.

***Customer screening and securities***

- (7) All applicants for municipal services will be checked for credit-worthiness including checking information from banks, credit bureaux, other local authorities, trade creditors and employers.
  - (a) On application consumers will be grouped into high, medium or low risk consumers.
  - (b) A consumers will be granted a low risk status if he/she/it has not defaulted on any payment to the municipality, medium risk for defaults on payments and high risk if any legal action and judgements were taken.
- (8) Based on the risks assessment deposits either in cash or any other security acceptable to the municipality will be charged for any new connection or any default on existing payment arrangement.
- (9) Deposits can be increased at the discretion of the municipality to a maximum of three months average consumption.
- (10) Deposits can vary according to the credit-worthiness or category of the applicant subject to paragraph 7.(7)-(12).
- (11) The municipality will not pay any interest on deposits.

- (12) On the termination of the agreement the amount of the deposit, less any outstanding amount due to the municipality, will be refunded to the consumer.

### ***Right of access to premises***

- (13) The owner and or occupier of property must allow an authorised representative of the municipality access at reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.
- (14) The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.
- (15) If a person fails to comply with 7.(13) the municipality or its authorised representative may:-
- (a) by written notice require such person to restore access at his/her own expense within a specified period; and
  - (b) as a matter of urgency, without prior notice restore access and recover the cost from such person.

### **Personal contact**

- (16) Within the constraints of affordability Council will endeavour to notify customers of their arrears situation by telephonic contact or by delivering a final demand notices.
- (17) During the contact customers will be informed of their rights and obligations in terms of the customer care, credit control and debt collection policy including making arrangements and applying for indigent support.
- (18) Such contact is not a right and disconnection of services and other collection proceedings may continue in the absence of such contact.

### **Interruption of service**

- (19) Customers who are in arrears with their municipal account and who have not made arrangements with the municipality will have their supply of electricity and water, and other municipal services, suspended or disconnected.

- (20) The disconnection of services may happen when the municipal account is 1(one) day overdue.
- (21) Council reserves the right to deny or restrict the sale of electricity or water to customers who are in arrears with their rates or other municipal charges.
- (22) Upon the liquidation of arrears, or the conclusion of acceptable arrangements, the service will be reconnected as soon as conveniently possible.
- (23) All costs related to notices, the restrictions or dis- and reconnections, will be determined by tariffs approved by the municipal Council, and will be payable by the customer.
- (24) The deposit of any defaulter will be adjusted and brought into line with the policy and tariff structure of the municipality.

### ***Rates clearance***

- (25) On the sale of any property in the municipal jurisdiction, the municipality will withhold the transfer until all rates, services and consumption charges are paid by withholding a rates clearance certificate as contemplated in section 118 of the Systems Act.

### ***The Pre-payment System***

- (26) The municipality may use its pre-payment system to recover arrears in respect of accrued municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewerage.
- (27) A customer with arrears, incurred after 30 June 1999 who applies for a pre-payment system, will be required to repay all arrears in full before a pre-payment electricity meter is installed or, if the amount outstanding is large and/or the customer's ability to pay is limited the arrears can be repaid by allocating 50% of all purchases before any electricity credit is given.

### ***Incentives for prompt payment***

- (28) To encourage prompt payment and/or to reward regular payers the municipality may consider incentives for the prompt payment of accounts or payment by debit or stop orders.
- (29) If introduced such an incentive scheme will be reflected in the operating budget~~s~~ as an additional expenditure.

### ***Interest***

- (30) Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.

### ***Theft and fraud***

- (31) Any natural or juristic person found to:-
- (a) be illegally connected to municipal services;
  - (b) has tampered with meters, the reticulation network or any other supply equipment
  - (c) has committed any unauthorised act associated with the supply of municipal services, and
  - (d) be involved in theft of and fraudulent activity will be prosecuted and/or held liable for penalties as determined from time to time.
- (32) Council will immediately terminate the supply of services to a customer should such conduct as outlined in 7(31), be detected.
- (33) The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.
- (34) The municipality will maintain monitoring systems in order to identify customers who are undertaking illegal actions.
- (35) The municipality reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- (36) Any person failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.

## **DEBT COLLECTION SECTION**

### **OBJECTIVE**

- (g) (1) The objectives of the debt collection section are to -
  - (a) Provide procedures and mechanisms to collect all the monies due and payable to the municipality arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

### **Legal Process/Use of attorneys/Use of credit bureaus**

- (2) The municipality may, when all other credit control actions have been exhausted, commence legal process against debtors which process could involve summonses and judgements.
- (3) The municipality will exercise strict control over this process, and will require regular reports on progress from service providers.
- (4) The municipality will establish procedures and codes of conduct with these outside parties.
- (5) Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the municipality's system of debt collection.
- (6) All steps in credit control and debt collection procedures will be recorded for the municipality's records and for the information of the debtor.
- (7) Individual debtor account information is protected and not the subject of public information.
- (8) The municipality may release debtor information to credit bureaus.
- (9) The municipality may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.
- (10) The municipality may consider the use of agents as service providers and innovative debt collection methods and products.
- (11) Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

- (12) Any agreement concluded with an agent, service provider or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute a breach of the contract.

***Cost of collection***

- (13) All costs associated with credit control and debt collection including interest, penalties, service discontinuation costs and legal costs are for the account of the debtor and should reflect at least the cost of the particular action.

***Abandonment of Claims***

- (14) The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.
- (15) The valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, may be considered under the following circumstances:-
- (a) the insolvency of the debtor, whose estate has insufficient funds;
  - (b) a balance being too small to recover, for economic reasons, considering the cost of recovery; and
  - (c) where the municipality deems that a customer or group of customers are unable to pay for services rendered.
- (16) The municipality must maintain audit trails in such instances, and document the reasons for the abandonment of the actions or claims in respect of the debt.

## ANNEXURE "A"

### **Arrangements**

If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer according to the applicable category of the customer. The customer must:

- i. Sign an acknowledgement of debt;
- ii. Sign a consent to judgement;
- iii. Provide a garnishee order/emolument order/stop order (if he or she is in employment);
- iv. Acknowledge that interest could be charged at the prescribed rate;
- v. Pay the current portion of the account;
- vi. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings.
- vii. Acknowledge liability of all costs incurred.

### **CATEGORIES OF DEBTORS**

#### **DOMESTIC CUSTOMERS**

<b>DEBT</b>	<b>PAYMENT OF ARREARS</b>
R1,00 to R2 500,00	<b>10%</b> of outstanding debt plus the cost of the credit control actions. The balance over maximum 12 months
R2 501,00 to R5 000,00	<b>10%</b> of outstanding R2 500,00 <b>5%</b> over R2 500,00 plus the cost of the credit control actions. The balance of the outstanding amount over maximum 18 months
R5 000,00 and more	<b>10%</b> of the first R2 500,00 outstanding <b>5%</b> of the second R 2 500,00 outstanding <b>2,5%</b> above R5 000,00 outstanding plus the cost of the credit control actions. The balance of the outstanding amount over maximum 24 months

In all cases deposit to be increased to 3 times the average monthly consumption or a minimum as determined annually and published in the tariff list.

**BUSINESS**

	<b>PAYMENT OF ARREARS</b>
1 <sup>st</sup> default in any twelve month cycle:	<b>25%</b> of outstanding amount plus current account. Balance over maximum of 3 months Deposit adjusted to 3 months consumption.
2 <sup>nd</sup> default in any twelve month cycle:	Full outstanding plus current account. No arrangements. Deposit adjusted to 3 months consumption.
3 <sup>rd</sup> default in any twelve month cycle:	Deposit adjusted to 3 months consumption. Weekly cash payments based on consumption plus contribution to increased deposit.

**GOVERNMENT DEPARTMENTS**

**SCHOOLS/HOSPITALS ETC.**

	<b>PAYMENT OF ARREARS</b>
1 <sup>st</sup> default in any twelve month cycle:	3 weeks notice – no arrangements. Deposit adjusted to 3 months consumption.
2 <sup>nd</sup> default in any twelve month cycle:	2 weeks notice – no arrangements. Deposit adjusted to 3 months consumption.
3 <sup>rd</sup> default in any twelve month cycle:	48 hour notice. Deposit adjusted to 3 months consumption.

<b><u>SPORT CLUBS</u></b>	Cash payments in advance based on consumption
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## **OLD AGE & DISABILITY PENSIONERS**

<b>DEBT</b>	<b>PAYMENT OF ARREARS</b>
R1,00 to R2 500,00	<b>5%</b> of outstanding debt plus the cost of the credit control actions. The balance over maximum 18 months
R2 501,00 to R5 000,00	<b>5%</b> of outstanding R2 500,00 <b>3%</b> over R2 500,00 plus the cost of the credit control actions. The balance of the outstanding amount over maximum 24 months
R5 000,00 and more	<b>5%</b> of the first R2 500,00 outstanding <b>3%</b> above R2 500,00 outstanding plus the cost of the credit control actions. The balance of the outstanding amount over maximum 36 months

Arrangements for this category of debtor will be free of interest, should the payment arrangement be maintained regularly.

## **ADMINISTRATIONS**

Where a person has been placed under administration the following procedures will be follows:

1. The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- ii. The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1944).
- iii. Until such time as this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter, should one not already be in place. The

Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.

- iv. Should there be any default on the current account – the supply of services is to be limited or terminated, and the administrator handed over for the collection of this debt.

### **INDIGENT**

All customers qualifying as indigent and having remaining arrear debt after any relief has been granted, will repay that debt as follows:

Over 36 months, in addition to monthly service charges, with immediate payment of the cost of the credit control action taken. Such arrangements for this category of debtor will be free of interest should the payments be regularly maintained.

**UMTSHEZI MUNICIPALITY**

**INCOME COLLECTION TARGETS**

- (i) Payment level on current accounts

Increase level by 5% every 3 months to 98% payment level of all customers who can afford to pay;

- (ii) Recovery of arrears (accumulated before 01/01/2003)

To collect all arrears over a maximum period of three years.

To achieve this goal the level of recovery should be:

Within	-	6 months	-	20%
		12 months	-	20%
		18 months	-	20%
		24 months	-	20%
		36 months	-	20%

- (iii) Recovery of arrears (accumulated after 01/01/2003)

To collect all arrears over a maximum period of two years, save for those specific categories where the period is extended to three years.

To achieve this goal the level of recovery should be:

Within	-	6 months	-	40%
		12 months	-	30%
		18 months	-	20%
		24 months	-	10%

**CUSTOMER SERVICE TARGETS**

- (i) Response time to customer queries: - Initial response within 10 working days.
- (ii) Resolution of Queries: - 45 working days to resolve queries and appeals.
- (iii) Date of first account delivery of new customers: - By second billing cycle after date of application or occupation which even is the latest.

- (iv) Reconnection time: - within 24 hours after appropriate payment / arrangement.
- (v) Meter reading cycle: - 95% of meters being read on monthly basis on a similar date with a maximum of 3 consecutive months estimated.
- (vi) Equity application: - within 2<sup>nd</sup> billing cycle response for approval of disapproval, as well as provision of subsidy.

### **ADMINISTRATIVE PERFORMANCE TARGETS**

- (i) Cost efficiency of debt collection :
  - Cost of collection not to exceed the capital debt amount;
  - All reasonable steps to be taken to limit cost to Council or the customer;
  - Cost of collection is to be recovered from the defaulting customers;
  - Total cost of collection to be recovered by means of applicable credit control tariffs.
- (ii) Enforcement mechanism ratio's :
  - 95% of total number of arrear customers being successfully notified / disconnected;