

NKANDLA MUNICIPALITY



CREDIT CONTROL & DEBT COLLECTION POLICY

Financial Year: 2019/20

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Approved

1. Introduction

1.1 The democratic right of the public to have access to basic services; water, sanitation, sewerage, refuse removal, and electricity, has

placed a tremendous responsibility on the responsible service providers – especially on the third sphere of Government.

1.2 First and Second spheres of Government have laws and acts to protect them as regards money owed by the public, the recovery of which can be effected via systems directly targeted at the point where payment of salaries and wages are calculated- for instance, PAYE Taxes, UIF, Workmen's' compensation and others.

1.3 Local Government does not have such protection, and has to either discontinue the service provided, which apart from being tantamount to depriving communities of life sustaining services can often result in long legal action procedures being taken to recover such monies due for services rendered.

1.4 It is as a result of these burdens placed on municipalities that the debt collection has deteriorated to such an extent that nationally, billions of Rands are outstanding and are not recoverable. This is now fast leading to the total breakdown and collapse of local government. Therefore, like all municipalities, Nkandla Municipality has to take urgent steps to protect their revenue base as follows:

1.4.1.1 Nkandla Municipality will collect all money that is due and payable to it.

1.4.1.1.2 For this purpose, it will, maintain and implement a Credit Control and Debt Collection policy, which gives the necessary revenue protection.

NOTE

In this document reference is made to “**Indigent**” and “**Indigent Relief**”. Please refer to the separate Indigent Support Policy for Nkandla Municipality.

2. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Council, Councillors, and the Municipal Manager with regard to Credit Control and Debt Collection are clarified as follows:

2.1 Responsible Authority

The Municipal Manager has overall responsibility, and will review the performance of the Municipality to endeavour to improve the efficiency of the Credit Control and Revenue and Debt Collection services.

2.2 Municipal Manager

2.2.1 The Municipal Manager will ensure that the Chief Financial Officer reports monthly to the Finance Portfolio Committee and full Council on the status of, and action taken against debtors. Furthermore, he will ensure:

2.2.1.1.1 that all decisions taken in this regard will be reported to Council, and

2.2.1.1.2 the bylaws and decisions made by Council are properly enforced.

2.2.2 The municipal manager and his/her designated (normally the Chief Financial Officer) will take effective and appropriate steps to collect all money due to the Nkandla Municipality.

2.2.1.1 Maintenance of proper accounts and records for all debtors, including amounts received in part payment; and

2.2.1.2 Applying law enforcement measures where it is considered economical, for legal proceedings to be taken.

2.2.3 Should any employee cause loss to the Municipality due to his failure to collect monies owing to the Municipality, the Municipal Manager will take such disciplinary action as is necessary, and in appropriate cases recover the loss.

2.3 Credit Control Forum

2.3.1 Credit Control Forum duty will be to serve as a channel of communication between the Municipality and the public. This forum will meet on a regular basis, and be informed where the normal level of indebtedness is exceeded. In this regard the forum will make realistic recommendations to Council for improved performance.

2.3.2 In the case of Nkandla Municipality the Finance Portfolio Committee acts as the Credit Control Forum.

2.3.3 Councillors will not act in any way that might influence either the Municipal Manager or any municipal official as regards the enforcement or non-enforcement of this policy and its relevant by-laws. Any breach of this rule will be dealt with in terms of the relevant Code of Conduct.

2.4 Public Offices and Staff

- 2.4.1 The Chief Financial Officer will ensure there are sufficient and convenient pay points and methods available to the public for paying their accounts.
- 2.4.2 The Nkandla Municipality will, within its financial and administrative capacity:
 - 2.4.2.1 Establish a sound Customer Management System that will create a positive relationship between its customers/consumers and itself;
 - 2.4.2.2 Establish mechanisms to provide customer feedback on the quality of service and performance;
 - 2.4.2.3 Inform customers/consumers of the costs of service provision, the reasons for the payment, and the manner in which they are utilised;
 - 2.4.2.4 In the case of metered services, ensure that the consumption is properly measured through accurate and verifiable metering systems;
 - 2.4.2.5 Ensure that accounts are accurate and sent out regularly;
 - 2.4.2.6 Provide information on (a) appeal procedures, (b) verification of accounts and (c) prompt action in respect of inaccurate accounts;
 - 2.4.2.7 Provide an effective complaints procedure;
 - 2.4.2.8 Provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services.

2.5 Obligation to Measure

- 2.5.1 The Municipality will ensure that all its debtors that fall under residential category have prepaid meters, the tariff for such service provision will be properly assessed as per annually NERSA guideline,
- 2.5.2 Consumers will be charged at regular intervals – preferably monthly in arrears.
- 2.5.3 As far as possible all business/commercial, government departments and municipality electricity meters will be metered. A fixed monthly charge will be added to the customer's account to cover the maintenance and programmed replacement of meters.

2.6 Agreement

- 2.6.1 Prior to the Municipality commencing provision of a service, a consumer will enter into a service contract, which shall provide for a

deposit to be paid as security. In the event of services being provided already without an agreement, the Credit Control Forum members and councillors/officials will take action to issue and obtain the completed and signed agreements.

2.6.2 If an existing consumer refuses to sign an agreement, he will be disconnected until such time as an agreement has been made and signed. The service agreement will contain, amongst other things, the following clauses:

2.6.2.1 An understanding that it is a criminal offence to tamper with meters (in case of Convectional Meters debtors) and/or other related equipment and that he is responsible for the meter on the property where the service is rendered.

2.6.2.2 An understanding that failure to pay for services will result in either disconnection or a restricted level of service (based upon the prescribed level of free basic services) being provided to the consumer, at the discretion of the Municipality.

2.6.2.3 Consumers who continue to default will have to pay **tempering fee, disconnection fee, reconnection fee** and if the meter is damaged will have to pay the **Connection fee** as per the approved municipal tariffs that are updated annually from 1 July

2.7 Deposits

2.7.1 New Consumers

2.7.1.1 For Rental debtors, the deposit will be equal to one month average account and each new consumer will be required to pay this before occupying the municipal property

NOTE: This does not apply to municipal employees occupying municipal accommodation.

2.7.1.2 For Conventional electricity debtors, the deposit will be equal to one month average account and each new consumer will be required to pay this before the connection is made

2.7.2 Existing Consumers

2.7.2.1 For all existing consumers as mentioned in 2.7.1.1 and 2.7.1.2 the increase in deposit will only apply if there is non-payment or any other justifiable cause.

2.8 Control over Deposits

2.8.1 The total sum of deposits received will constitute a short-term liability in the books of the Nkandla Municipality. Upon termination of the debtor's agreement with the Municipality, the deposit will first be offset against any outstanding balance (if any) and the balance remaining refunded to the consumer.

2.9 Rendering of Accounts

2.9.1 Failure of the Municipality to render an account for the amount due by a debtor **will not** relieve a debtor of the obligation to pay the account.

2.9.2 The different accounts to be rendered will contain the following information as applicable:

2.9.2.1 Details of the consumption for a certain period of each service either by measuring or estimating.

2.9.2.2 The amount due in terms of consumption.

2.9.2.3 The amount due for each remaining service.

2.9.2.4 Other amounts due.

2.9.2.5 The amount due for assessment rates.

2.9.2.6 Valuation of the property.

2.9.2.7 Applicable and due dates for rates (the accounts will be worded in such a way so as to negate the need for a separate rates assessment to be sent).

2.9.2.8 Balances brought forward/arrear amounts.

2.9.2.9 Capital amounts due.

2.9.2.10 Deposits etc.

2.9.3 Consumer statements will be sent to consumers monthly on or before the 7th of each month

2.9.4 The statement will reflect the due date which is usually the 25th of each month,

2.9.5 The statement will reflect interest and or penalties that are charged on overdue accounts.

2.9.6 For all consumers in arrears the municipality will give 7 working days' notice before a consumer is liable for disconnection.

3. CREDIT CONTROL – THE OBJECTIVE

3.1 The objective of the credit control and debt collection policy is to ensure that

Credit Control forms an integral part of the financial system of the Nkandla Municipality. All monies due and payable will be collected promptly and that procedures will be in place to identify defaulters. The Municipality will take appropriate action to recover amounts due; and the same procedure will be followed in each individual case.

3.2 Provided there is not unfair discrimination, the policy may differentiate between different categories of customers.

3.3 The Credit Control Policy for Nkandla Municipality will ensure:

- 3.3.1 Credit control procedures and mechanisms;
- 3.3.2 Debt collection procedures and mechanisms;
- 3.3.3 Provision for indigent persons consistent with its rates and tariff policies and any national policy;
- 3.3.4 Realistic targets for debt collection;
- 3.3.5 Interest on arrears, where appropriate;
- 3.3.6 Extensions of time for payment of accounts;
- 3.3.7 Termination of services or the restriction of services when payments are in arrears;
- 3.3.8 Matters relating to unauthorised consumption of services, theft and damages; and
- 3.3.9 Any other matters that may be prescribed by regulation in terms of section 104 of the Local Government Municipal Systems Act, 2000.

3.1 Arrears

3.3.1 An amount due after the due date for payment will be considered as an amount in arrears. The account following the month when the arrears occurred will reflect the amount in arrears with a demand that the amount in arrears be paid immediately to avoid disconnection.

3.2 Default

3.2.1 In the event of non-payment by the due date, the debtor will have the following options:-

- 3.2.1.1 pay the arrears amount;
- 3.2.1.2 to lodge an appeal (query the amount of the account);
- 3.2.1.3 to make an agreement with the Nkandla Municipality for payment of the arrears in instalments.

3.2.2 Failing which the Nkandla Municipality will, after seven days written notice –

- 3.2.2.1 immediately disconnect, discontinue or restrict the supply of any service to the debtor,
- 3.2.2.2 institute legal action (only if all reasonable efforts by the Municipality fail) for the recovery of the arrears amount,
- 3.2.2.3 raise interest, penalty and collections charges where applicable.

3.3 Right of Access

3.3.1 Designated officials will have the right of access to premises at all reasonable times occupied by a debtor for the purpose of reading or inspecting meters, or making connections or disconnections, or to discontinue or restrict supply of any service by the Nkandla Municipality **(Municipal officials will provide proof of identification on request from a consumer).**

3.4 Right of Appeal

3.4.1 Prepaid Meters/ Conventional Meters (Trading Services)

3.4.1.1 An appeal with respect to trading services (electricity) will be submitted in writing on a pre-numbered prescribed form, available at enquiries at the main reception office of the Nkandla Municipality prior to the final due date for payment of the contested amount.

3.4.1.2 The appeal will contain details of the specific item(s) on the account, which are the subject of appeal, with full reasons. The Municipal Manager will ensure a register is kept of all completed appeal forms. The debtor will still have to pay the amount shown on the account less the amount in represented by the appeal (Refer to sub-paragraph 3.7.1 below).

3.4.2 Refuse Removal (Trading Services)

3.4.2.1 An appeal with respect to Refuse Removal will be submitted in writing prior to the final due date for payment of the contested amount. The Municipal Manager will ensure that a register is kept of all completed Refuse Removal Complaints. The debtor will still have to pay the full amount shown and the appeal must be addressed within 3 months, failing which reasons for the delay will be submitted to Council.

3.4.3 Rates

3.4.3.1 An appeal with respect to rates will be submitted in writing prior to the final due date for payment of the contested amount. The Municipal Manager will ensure that a register is kept of all completed appeal forms. The debtor will still have to pay the full amount shown and the appeal must be addressed within 3 months, failing which reasons for the delay will be submitted to Council.

3.5 Payment during Appeal

3.5.1 Trading Services

3.5.1.1 Once an appeal is lodged with the Nkandla Municipality, the debtor's obligation to pay that portion of the total amount due represented by the items appealed against, is suspended until the appeal has been finalised. The debtor will however immediately pay the balance of the account together with an amount representing the average cost of the item appealed against over the preceding three months, or an amount determined by the Chief Financial Officer. If the dispute is in respect of a faulty meter the consumer will be charged a set fee to cover the cost of testing the meter if this is necessary to establish its disputed accuracy. In the meantime, the person will remain liable for all other amounts falling due during the adjudication of the appeal. The meter-testing fee will be refunded only if it is found that the meter is faulty

3.5.2 Rates

3.5.2.1 If a ratepayer wishes to appeal against the valuation of their property, the full amount with respect to assessment rates will still have to be paid until such time as the appeal is held.

3.6 Adjudication of Appeal

3.6.1 If the appeal is in respect of a metered consumption, the metered instrument will be tested, within 14 days of lodgement of appeal (payment of test fee), to establish the accuracy thereof

3.6.2 Meter audits will be run at least every month for all prepaid meters that the Conlog System shows that they have not bought any electricity in above 60 days.

3.6.3 The debtor will be informed, verbally or in writing, of the results of the test of the instrument, and of any adjustment (if applicable) to the amount due.

3.6.4 If tests prove the meter to be faulty, the testing fee will be refunded. The fee will be retained if the meter is found not to be defective.

3.6.5 If the meter is faulty, the average daily quantity supplied will be calculated by looking at:

3.6.5.1 two meter readings after replacing the meter

3.6.5.2 period in previous year corresponding to period when meter is defective

3.6.5.3 three months subsequent to meter being faulty.

3.7 Meter Tampering and Remedial Action (Prepaid Meters and Convectional Meters)

3.7.1 Detecting Meter Tampering

3.7.1.1 Meter readers will read every meter at the prescribed intervals.

3.7.1.2 A procedure will be in place to produce error reports showing all inconsistent readings.

3.7.1.3 Meter audits will be run at least every month for all prepaid meters that the Conlog System shows that they have not bought any electricity in above 60 days.

3.7.1.4 When they take readings, Meter Readers will examine and report on meter tampering (check for broken seals etc).

If tampering is detected and verified, the Departmental Manager(AD: Electrical Services and AD: Revenue Management or any immediate supervisor thereof) will take the following action:

3.7.1.5 **First offence:**

- Disconnect the meter;
- Charge the tempering fee (as per approved municipal tariff for the year in question);
- Recover arrears in full in case of metered electricity;
- Charged for replacement cost of meter if meter has been damaged (often the case with tampered meters)

3.7.1.6 **Second offence:**

- Disconnect service completely by removing meter and connections to main;
- Charge an administration fee (as per approved municipal tariff for the year in question);
- Charge reconnection fee (as per approved municipal tariff for the year in question)
- Recover arrears in full;
- Charge for replacement cost of meter if meter has been damaged (often the case with tampered meters)

3.7.1.7 **Third Offence**

- Remove service completely and no service to be supplied even if payment are made.
- Seek legal advice with regard to the prosecution of the perpetrator

4. EXTENSION FOR PAYMENT

4.1 Policy

4.1.1 Requests for extensions of time for payment giving reasons for non-payment, and time periods for payment will be made to the Municipal Manager in writing. The Municipal Manager, or person designated by him, will judge each case on its merit. Interest will be charged on outstanding rates according to applicable legislation.

4.2 Continuous Default

4.2.1 If a debtor fails to comply with the terms of any agreement providing for an extension of time for payment, then the total of all amounts due including interest and costs, will immediately become payable without any further notice to the Nkandla Municipality. Services will be disconnected until a payment is made.

4.2.2 Legal action will be taken after the steps, mentioned under debt collection below, have been followed. Garnishee orders will be utilised wherever possible.

4.3 Extended Repayment Periods

4.3.1 If the amount is overdue, the repayment period will not exceed six months.

4.3.2 When the debt is overdue, the debtor will first be instructed to make a minimum down payment of 50% of the arrear amount and the balance is to be paid to the Nkandla Municipality over a period not exceeding 6 months together with monthly dues as per the monthly billing.

4.3.3 When the debt is handed over to attorneys, the attorney is to be instructed to obtain a minimum down payment of 50% and the balance is to be paid to the Nkandla Municipality over a period not exceeding 12 months.

4.3.4 The debtor will be advised to request such arrangement and agree to the conditions attached thereto.

4.3.5 If the conditions, as agreed, are not adhered to, the Nkandla Municipality will implement punitive credit control procedures.

4.3.6 When a debtor applies for further extension/arrangement, services will be discontinued, until final payment is received.

4.3.7 All future current accounts must be paid on due date.

5. COMMENCEMENT AND RESUMPTION OF SERVICES

5.1 New Service Connections

5.1.1 Connections and supply of a new service will only be made after all charges in respect of deposits and connection fees have been paid.

5.2 Resumption of Discontinued Services

5.2.1 Resumption of discontinued services is dependent on the following:

If the debtor has:

- 5.2.1.1 Paid the full amount outstanding and applicable reconnection fees.
- 5.2.1.2 Paid an increased deposit where applicable.
- 5.2.1.3 Signed an agreement to pay arrears.

5.3 Unauthorised Consumption, Theft, Damages and Penalties (Prepaid Meters and Conventional meters)

5.3.1 Severe penalties will be implemented for unauthorised consumption, theft and damages to property of the Nkandla Municipality.

5.3.1.1 Where a meter has to be replaced as a result of unauthorised consumption, theft and damages to municipal property, the consumer will be charged a meter replacement fee at cost as per approved municipal tariff for the financial year in question

5.3.1.2 The Municipality will disconnect the supply to unauthorised connections or illegally by-passed meters and estimated consumption charges will be calculated and levied.

5.3.1.3 No reconnection is to take place until service agreements, deposits and reconnection fees have been paid.

5.3.2 Nkandla Municipality Service Agreements will have a clause included, which indicates that it is a criminal offence to

tamper with meters; and the consumer will be responsible for the meter on the property.

5.3.3 Where any evidence of tampering or illegal connections is detected, the terms of the bylaws will be administered immediately.

5.3.4 The service will only be resumed once all amounts have been paid and a service agreement is in place

6. FINAL DEBT PROCEDURES

6.1 The following will facilitate this concept:

6.1.1 Contractual agreements (**Arrear Arrangement Agreement**) will be made between the Nkandla Municipality and the consumer.

6.1.2 If no contract exists, then there will be no duty to provide a service.

6.1.3 The contract must provide for:

6.1.3.1 Change of address to be notified within 14 days.

6.1.3.2 The above address will be the *domicilium citandi et executandi*.

6.1.3.3 The debtor accepts that the amount owed is a consolidated amount and Council may allocate payments to any of the services.

6.1.3.4 Services to be disconnected or discontinued.

6.1.3.5 Tampering and theft is a criminal offence.

6.2 Writing Off of Arrears/Bad Debts

6.2.1 The process will follow that laid down in the Municipal Finance Management Act and there will be no write-off of any debt until all reasonable steps have been taken to recover the debt, in accordance with this policy, and/or Council has convinced itself that:

6.2.1.1 Recovery of the debt will be uneconomical;

6.2.1.2 Recovery will cause undue hardship to the debtor or his/her dependants; and

6.2.1.3 It would be an advantage to the Municipality to effect a settlement of its claim or to waive the claim.

6.2.2 The policy guidelines in this respect are as follows:

6.2.2.1 A limit, below which summons will not be issued, to be determined (recommended R500).

6.2.2.1 Where the amount remains outstanding and judgement has not been granted, the Municipal Manager will ensure that details of the debt will be listed on the National Credit Bureau database.

7. DEBT COLLECTION

7.1 The Nkandla Municipality will have procedures for the collection of debt and protection of Revenue as follows:

7.1.1 Current monthly accounts:

Trading Services

- 7.1.1.1 Ensure that meters have been read accurately.
- 7.1.1.2 Ensure prompt printing of accounts, with a final date for payment printed thereon.
- 7.1.1.3 Ensure that an exception report record is in place to be used to assist with identifying errors on accounts, unacceptable high accounts, and mis-readings.
- 7.1.1.4 Ensure that all accounts are posted by the due date.
- 7.1.1.5 Ensure easy accessible pay points or offices for consumers to pay.
- 7.1.1.6 Ensure extreme care on control of payments at various pay-points.
- 7.1.1.7 Ensure correct and accurate recording of payments received, by reconciling receipts and cash banked on a daily basis.

Rates

- 7.1.1.8 Ensure each account is made out correctly by reference to the valuation roll.

7.1.2 Account in Arrears

Trading Services

- 7.1.2.1 If current accounts are not paid on or before the final due date printed on the account, a written notice indicating that the consumer services will be disconnected must be sent to consumers
- 7.1.2.2 Ensure that a list of all outstanding accounts from the previous month is available.
- 7.1.2.3 Ensure that the accounts listed in 7.1.2.1 above are disconnected if no arrear arrangement agreement is made within the grace period given.

Rates

- 7.1.2.4 If current accounts are not paid by the due date, as printed on the account, then the account is in arrears. Interest, penalties and collection charges will have to be raised on the next account.
- 7.1.2.5 Ensure that a list of all outstanding accounts from the previous month is available.
- 7.1.2.6 Ensure that the necessary charges are raised before the next month's accounts are sent out.
- 7.1.2.7 Ensure these accounts are followed up and debt collection procedures implemented.

7.1.3 Implementation of Debt Collection

Trading Services

7.1.3.1 The debt collection process starts when the consumer has ignored the warning of arrear amounts as referred to in 7.1.2 above; the following procedure will then be implemented:

- a) A disconnection should be printed from the computer and disconnections carried out accordingly.
- b) With respect to electricity, the supply should be disconnected.
- c) If the consumer does not call in after disconnection –
 - a follow-up will be made to immediately check for illegal reconnections;
 - send final demand to pay within 14 days (send registered mail) or hand deliver.

- if the consumer has still not responded, then the account will be handed over to attorneys for collection.

7.1.3.2 Services will only be reinstated after either full payment of arrears and connection fees are paid or an arrangement for payment is made.

7.1.3.3 Dishonoured cheques will be regarded as non-payment and in such cases disconnection procedures will be implemented.

7.1.3.4 The Nkandla Municipality will undertake the following procedures to try and recover the debt before legal action is taken, either through the use of attorneys or in-house –

7.1.3.4.1 Where tampering has been detected, the service will be completely terminated and procedures implemented as per the bylaws;

7.1.3.4.2 All defaulters will be contacted to enter into an acknowledgement of debt agreement and consent to judgement;

7.1.3.4.3 If the consumer defaults on the arrangement, the Municipality will proceed with an emolument attachment order against the consumer's salary, where applicable;

7.1.3.4.4 Use of the NATIS system and a terminal linked directly to ITC to assist them in locating the defaulter;

7.1.3.4.5 Use debt collectors working on a commission basis to collect debt

7.1.3.4.6 Investigations made to establish the means of the consumer and whether it is economically viable to hand the account over or whether the consumer is in fact indigent;

7.1.3.4.7 Have the consumer sign an acknowledgement of debt agreement or proceed with an emolument attachment order.

7.1.3.4.8 A database of non-payers to be established in the event that a consumer applies for services in the future.

Rates

7.1.3.4.9 The debt collection process starts when the ratepayer has failed to pay the account by the due/final date; the following procedures will be implemented –

7.1.3.4.9(a) All necessary charges should be raised.

7.1.3.4.9(b) The Nkandla Municipality to undertake the following procedures before legal action is taken, either through the use of attorneys or in-house –

- All defaulters will be contacted as soon as their accounts fall into arrears and asked to settle their account or to make arrangements in terms of the extended repayment periods method;
- If the debtor defaults on the arrangement, the Municipality will contact the consumer's employer or proceed with an emolument attachment order against the ratepayer's salary, where applicable;
- If after the ratepayer has been contacted and still refuses to pay, a final demand will be issued;
- If the final demand process is unsuccessful, the balance will be handed over
- If the debt is still outstanding after one year has lapsed, the attorneys will recover the money as follows:
 - (i) If the debt is less than 5% of the Municipal valuation of the property, then the debt will be recovered through the attachment and sale of the consumer's moveable property;

- (ii) Where the debt is more than 5% of the Municipal valuation of the property, then the debt will be recovered through the attachment and sale of the consumer's moveable and immovable property. Moveable property should be attached and sold first.

7.1.4 Procedures with respect to attorneys

- 7.1.4.1 The Municipal Manager will ensure that a panel of attorneys is selected to handle debt collection.
- 7.1.4.2 This should be a standard panel of attorneys with a proven track record.
- 7.1.4.3 Each attorney must sign a contract with Council setting out the terms and conditions of the appointment.
- 7.1.4.4 Should any attorney not keep to the above-mentioned contract or be unsuccessful with debt collection, based on a monitoring system determined by Council, they will be removed from the panel.
- 7.1.4.5 The Chief Financial Officer in consultation with the Municipal Manager will allocate the work to the attorneys on an area basis.
- 7.1.4.6 The attorneys will be instructed to collect the debt as per the uniform credit control policy.

7.1.5 Termination of Services

- 7.1.5.1 The termination of services can be interpreted to be a penalty in itself and it is important that this be imposed only under certain predetermined conditions.
- 7.1.5.2 Termination of services can only take place once the steps in accordance with the credit control policy have been affected – e.g., consumers who fail to pay should be given a warning of disconnection via a written notice hand delivered to them.

7.1.5.3 It is also imperative that a system be in place to control reinstatement.

7.1.6 Discontinuation of Services

7.1.6.1 Debtors, who have ceased to make further use of services and still have an outstanding amount, are classified as inactive debtors.

7.1.6.2 Follow-up and collection of amounts will be done to ensure that the debt does not become irrecoverable.

7.1.6.3 Upon discontinuation, the deposit held would immediately be appropriated against any outstanding debt and a letter demanding payment immediately for the balance will be sent

7.1.6.4 If no payment is received, follow-up procedures will be promptly instituted to try and recover the money.

7.1.6.5 If this is not successful, legal action and the use of Garnishee orders will be instituted.

7.2 **Actions against Defaulters**

7.2.1 Any payments received from debtors for service delivery by the Nkandla Municipality will be used to off-set debts in the following order:

7.2.1.1 Instalment – dwelling;

7.2.1.2 Instalment – stand;

7.2.1.3 Sundries;

7.2.1.4 Additional – deposit;

7.2.1.5 Rates;

7.2.1.6 Penalty on arrear rates;

7.2.1.7 Collection charges on arrear rates;

7.2.1.8 Interest on arrear sewerage;

7.2.1.9 Refuse removal;

8. **Debt Collection Principles**

8.1 The enforcement of payment for services will be ineffective if it is not based on acceptable principles.

8.2 Nkandla Municipality will always bear in mind the following principles:

- 8.2.1 The policy and its application will cater for the specific circumstances of the community to which it relates.
- 8.2.2 The Municipal Manager will report to the Council to ensure that local measures are consistent with national initiatives.
- 8.2.3 For the purposes of accountability, enforcement and policymaking will, as far as possible, be kept separate.
- 8.2.4 Credit control and debtors procedures will be understandable, uniform, fair and consistently applied.
- 8.2.5 Credit control will be effective, efficient and economical and will result in the improvement of the recovery rate of the debts.

9. Debtors Control

9.1 Debtors

9.1.1 It is imperative that all monies owing to the Nkandla Municipality are correctly reflected in the debtors system. In this regard the following control measures will be taken:

- 9.1.1.1 Ensure there is a well-managed debtors and banking control system;
- 9.1.1.2 Ensure the proportion of debtors outstanding in relation to total turnover is closely monitored

9.2 Debtor Collections:

9.2.1 The Council's attorneys will take legal steps to dispose of the property of debtors with outstanding amounts for rates, service charges and other sundry charges.

9.2.2 Individuals with outstanding land and dwelling instalments will be served eviction orders and deed of sale or lease agreements will be cancelled. Outstanding amounts will be recovered through legal action and/or listing with the Information Trust Corporation (Credit Bureau);

9.3 Consumer Deposits

9.3.1 Consumer deposits shall on an ongoing basis be adjusted/recalculated to cover at least one estimated monthly consumption. The minimum deposits required shall be calculated in accordance with the debtors and deposits ratio as applicable during a specified month of each year.

9.4 Debtors other than Consumer Debtor

9.4.1 Amounts due to the Nkandla Municipality for any service rendered shall be due and payable when the service is rendered. Notwithstanding any disputes that may arise, the outstanding amounts will bear interest and all amounts outstanding after 90 days shall be handed over for collection.

9.5 Interest

9.5.1 Interest at the rate as determined by the Nkandla Municipality will be charged on all arrear amounts, on the day following the final date for payment indicated on the account. For this purpose part of a month will be treated as a full month.

9.6 Credit Bureau Listing

9.6.1 The names of debtors in accordance with the records of the Municipality will automatically be listed with credit bureaus simultaneously with the handing over of amounts for collection.

9.7 Agents, attorneys and other collection agents

9.7.1 All external agents acting on behalf of the Nkandla Municipality will be named, together with their details and contact information. Under no circumstances will agents negotiate terms, extend payment periods or accept cash on behalf of the Municipality, unless specifically instructed in writing to do so. The liability for the cost of legal action and other credit control actions will, as far as is legally possible, be for the account of the debtor.

10. Implementation and review of this policy

- 10.1 The policy has been reviewed and approved by the Nkandla Municipality in terms of Council resolution number NMC: 35/2018/2019
- 10.2 This policy shall be implemented once approved by Council.
- 10.3 This policy may be reviewed on an annual basis and be tabled to Council for approval.

Approved