

NYANDENI LOCAL MUNICIPALITY

2015/16



CREDIT CONTROL AND DEBT COLLECTION POLICY

1. ROLES AND RESPONSIBILITIES

- It is the duty of Council to oversee and monitor the process of credit control.
- The Municipal Manager is responsible to implement and enforce the mechanisms to facilitate the credit control processes.
- The Municipal Manager is required to provide Council with monthly reports on the debtors.
- The Councilors are to receive information on the payment rates and the names of non-payers in their respective wards. From this information, they are required to find out the reasons for non-payment and encourage these consumers to pay.
- Monthly targets are to be set for each ward in order to increase the collection rate per ward.
- The communication of the collection policy to the community is the joint responsibility of the Councilors and the Municipal Manager.
- The Executive Committee or a Committee designated by and from Council with sufficient delegated authority is responsible and should review the performance of the Municipality in improving the efficiency of the credit control and revenue and debt collection services. This committee should comprise of the Municipal Manager, the Mayor and one Councilor.
- No Councilor is allowed to influence either the Municipal Manager or any municipal official not to enforce an obligation in terms of the Act and By-Laws, and if found guilty, may lose his/her Council position.

2. CREDIT CONTROL

2.1 Services Agreements

- Before the supply of a service, a consumer must enter into a contract of agreement with the Council.

OBLIGATION TO MEASURE

- The Council will ensure that every Municipal service provided to a consumer can either be metered, estimated or allocated at regular intervals and will establish a charge or tariff for the service.

RENDERING OF ACCOUNTS

- The Council will render an account for the amount due by a debtor.
- Account will reflect as follows:
 - a) Details of the consumption for a certain period of each service either by measuring, estimating or allocation.
 - b) The amount due in terms of consumption.
 - c) The amount due for each remaining service.
 - d) Other amount due.
 - e) The amount due for property tax.

- Failure of the Council to render an account shall not relieve a debtor of the obligation to pay the account.

FINAL DATE OF PAYMENT

- The invoice/account must state the final date of payment, which must not be more than 14{7} days after date of the invoice.{

RIGHT OF APPEAL

- An appeal must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount, and must contain full details of the specific item(s) on the account which is the subject of appeal, with full reasons.
- If there is a query to the billing process, the consumer is required to pay the average of the three months' account before they can submit their query. The debtor will be required to pay for all other services that do not form part of the query.
- The consumer will not be required to pay the average if their complaint is service related, i.e. if they are not receiving the service. Should, however, it be discovered that the consumer is in fact receiving the service, the service will be disconnected with immediate effect.
- The Municipal Manager is to ensure that all appeals are investigated within 7 (seven) days of the date of the query.
- If it is discovered that the amount billed by the Council is correct, the consumer will be liable to pay the difference of the average amount and the actual amount required and also for any costs incurred in respect of testing meters, etc.
- If it is discovered that the consumer is correct, the Council is liable to pay the costs of the account and the consumer will be credited with these costs of the account.

ADJUDICATION OF APPEAL

- If the appeal is in respect of a metered consumption, the metered instrument must be tested, within 14 days of lodgement of appeal to establish the accuracy thereof.
- The Municipal Manager will inform the debtor in writing of the results of the test of the instrument, and of any adjustment to the amount due, together with the costs of the test for which the debtor will be liable if no error could be found with the instrument. If a faulty meter or instrument is revealed, the Council will bear the costs thereof.

3. DEBT COLLECTION

The purpose is to ensure that credit control forms an integral part of the financial system of the local authority, and to ensure that the same procedure be followed for each individual case.

3.1 RATES

- Rates are to be levied on an annual basis, in accordance with the relevant legislation.
- Any resident who wishes to pay their rates monthly is required to enter into an agreement with the Council in this regard.
- Residents should be encouraged to enter into agreements to pay their rates monthly and those that have agreements will be billed on a monthly basis.
- The arrear rates accounts will be handed over to Council's Debt Collectors and they should follow the following procedure:
 - A. A final notice to be hand delivered or posted by registered mail.
 - B. Final Demand - 18 days
 - C. Summons - 14 days
 - D. Letter of Sheriff- serve summons - 30 days
 - E. Wait summons return - 30 days
 - F. Letter before Judgement - 20 days
 - G. Default Judgement - 30 days
 - H. Wait for Judgement details - 30 days
 - I. Notification of Judgement - 14 days
 - J. Make a decision i.e. sale of movable are fixed property.

ARREARS

- Ratepayers will be required to enter into an agreement with the Council for the payment of outstanding debts at the commencement of this policy.
- On balances that have been outstanding for more than 3 (Three) years, the ratepayer is required to pay 30% immediately to the Council, and the balance of the outstanding amount over a period of 24 (Twenty Four) months, together with the current rates.
- On balances that have been outstanding for less than 3 (three) years the consumer is required to pay 15% immediately to the Council and the balance of the amount over a 12 (Twelve) month together with the current rates.
- If the agreements are not complied with, the legal process which will result in attachment of the property will be instituted.

3.2 TRADING SERVICES

Commencement and resumption of Services

New Service Connections

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

RESUMPTION OF DISCONTINUED SERVICES

Resumption of discontinued services will be effected

- if the debtor has:
 - (i) Paid the full amount outstanding (this includes connection fees and increased deposit)
 - (ii) Made an agreement with the Council for the payment of the account in arrears on the following terms:
 - (a) 50% of the outstanding amount must be paid and the balance of the amount owing must be paid within three months.
 - (b) A further agreement will not be entered into should the first agreement not be settled.

UNAUTHORIZED CONSUMPTION, THEFT DAMAGES AND PENALTIES

- As the unauthorized consumption, theft and damage to municipal property, for example, meters, have become more and more a problem, severe penalties will be implemented.
- The By-Laws of the Council define what constitutes unauthorized consumption of services, connections or reconnections, tempering or theft of meter, equipment or reticulation network and fraudulent activity in connection with the supply of services, and must provide that such activity constitutes an offence.
- Where any of the conduct described above is detected, supply to the debtor will be immediately terminated.
- The debtor will be responsible for all charges in respect of the deemed or calculated consumption on a basis determined in the BY-Laws of the Council.
- The debtor will also be responsible for pre-determined penalties. And such penalties will be in addition to any penalties imposed by a court arising in the conviction of a debtor of an offense.
- An amount due after the final due date for payment shall be an amount in arrears. The account following the month when arrears occurred should reflect the amount with a demand that the amount in arrears should be paid within 7 (Seven) days of statement.
- {The council will levy interest on overdue accounts }

ACTION AFTER FAILURE TO PAY

- If a debtor fails by the demand date:
 - (i) To pay the arrears amount
 - (ii) To lodge an appeal (query the amount of the account)
 - (iii) To conclude an agreement with the Council for payment of the arrears in installments:
 - The Council may, without further notice
 - (a) Immediately disconnect, discontinue or restrict the supply of any service to the debtor.
 - (b) Institute legal action for the recovery of the arrears amounts within a period not exceeding thirty days from the demand date.

RIGHT OF ACCESS

- Municipal officials have the right of access to any property occupied by a debtor for the purposes of reading or inspecting meters or connections or disconnect, discontinue or restrict the supply of any services.

PAYING OFF OF DEBT

- The council will ensure that proper administration system exist to control payments where arrangements have been made to pay off debt.

EXTENDED REPAYMENT PERIODS

At the commencement of this policy: if the overdue amount is outstanding for longer than 12 months, a minimum down-payment of 50% shall be payable and the repayment period shall not exceed 12 months.

- If the overdue balance is outstanding for less than 12 months, a minimum down-payment of 25% is required and the balance to be paid over a period not exceeding 6 months.
- The debtor should request such arrangement at a rate of 18% per annum and shall agree to the conditions attached thereto. Administration fees will be payable by the debtor.
- If the conditions as agreed to, are not adhered to, normal credit control procedure will be implemented.
- When a debtor applies for further extension/arrangement, services will be discontinued until final payment is received.
- All future current accounts must be paid on the due date.

CONTINUOUS DEFAULTS

- 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 cost shall immediately become payable without further notice to the debtor.

DEDICATED RESERVE

- A reserve for the purpose of funding amount due in terms of such extended payment agreements will be formed.
- Such reserve will be created annually, setting aside in the revenue estimates, an amount of not more than 5% of the operation income of the Council. It must also be noted that the aggregate of the arrear debts for which extended repayment agreement have been concluded, may not exceed the dedicated reserve provided for.

WORKING CAPITAL RESERVE

- A provision for non-cash revenue not exceeding 25% of the anticipated cash to be received for services will be made and must be separate from the provision for bad debts.

PROCEDURE OF FINAL RESORT

- Only liquidable amounts due will be collected. If the amount to be collected is less provided in the annual operating budget.
- Contractual agreements between Council and the consumer must exist. If no contract exists, or if there is any breach of contract, there will be no duty to provide a service.
- The contract must provide for the following:
 - (a) Any change of address must be notified within 14 days
 - (b) The above address will be the domicilium citandi et executandi
 - (c) The debtor must accept that the amount owed is a consolidated amount and that Council allocate payments to any of the services.
 - (d) As payments are allocated, services may be disconnected or discontinued.
 - (e) Residual responsibility lies with the owner of the property and not the lessee.
 - (f) In the case of introducing credit control procedures, a set administration fee will be added to the debtor's account.

WRITING OFF OF ARREARS

- The Council set a limit below which summons will not be issued in its By-Laws.
- Where the amount is not collectable and judgement has not been granted, the debt will be listed on the National Credit Bureau's database, and the debtor will remain listed for period of 3 (three) years.
- In the case where judgement was taken, such case will be recorded for a period of 5 (five) years.

Incentive Scheme

An incentive scheme for ratepayers and consumers who paid their accounts in full by the due date is hereby implemented:

1) Assessment Rates:

A public lucky draw where the account holder will receive the following discount: Commercial and other 10%

Domestic Dwelling 80% { 10 }

2) Service Consumers:

A public monthly lucky draw where the account holder will receive an item supplied by Council, i.e. TV, Hi-fi

Councilors and Municipal Staff members and their immediate families will not qualify for such incentive. Immediate family is regarded as Spouse, Children, Mother or Father.

GENERAL

Except for the items mentioned above, the credit control policy is to be implemented with immediate effect and all the necessary By-Laws resolved immediately.