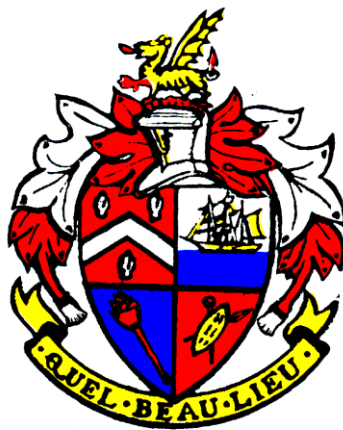


RICHMOND LOCAL MUNICIPALITY



DRAFT DEBT COLLECTION AND CREDIT CONTROL POLICY 2024/2025

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1 Key definitions

"Accounting Officer"-

Means the Municipal Manager;

"Arrangement"

A written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to

"Arrears"

Rates and service charges that have not been paid by the due

"Strategic Manager: Financial Services"

Means a person designated in terms of section 80(2) (a) of the MFMA;

"Councillor"

Means a member of a municipal Council;

"Credit control"

Functions relating to the collection of monies owed by ratepayers and the users of municipal services.

"Current year"

Means the financial year, which has already commenced, but not yet ended;

"Customer / Consumer"

Any occupier of any premises to which Council has agreed to supply or is supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality

"Defaulter"

Any person who owing the Council arrear monies in respect of rates and / or service charges

"Fair value"

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

"Financial year"

Means a twelve months period commencing on 1 July and ending on 30 June each year

"Financing agreement"

Includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

“GRAP”

The accounting standards applicable to municipalities
GRAP – Generally Recognised Accounting Practice

“IDP”

Integrated development Plan as part of chapter 5 of the Municipal Systems Act 2000

“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 all arrear monies

"Investment"

In relation to funds of a municipality, means-

- (a) The placing on deposit of funds of a municipality with a financial institution; or
- (b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

“Local Economic Development”, “LED”

A municipality’s initiatives to uplift the economy in its area

"Local community"

Has the meaning assigned to it in section 1 of the Municipal Systems Act;

“Municipal services”

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

"Municipal Structures Act"

Means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act"

Means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“Long-term debt”

Means debt repayable over a period exceeding one year;

"Municipal Council" or "Council"

Means the Council of a municipality referred to in section 18 of the Municipal Structures Act; (refer to the MSA for definition);

"Municipality"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) When referred to as a geographic area, means a municipal area determined terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

“MFMA”

The Local Government: Municipal Finance Management Act (No. 56 of 2003)

"Municipal Manager" “MM”

Means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"Municipal service"

Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"National Treasury" “NT”

Means the National Treasury established by section 5 of the Public Finance Management Act;

“Occupier”

Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property

"Official"

Means-

- (a) An employee of a municipality or municipal entity;
- (b) A person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) A person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee

“Owner”

- The person in whom from time to time is vested the legal title to premises;
- In a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
- In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon; and
- In the case of premises for where a lease agreement has been entered into

In relation to-

- A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or
- A section as defined in such Act, the person in whose name such as section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;

Any legal person including but not limited to-

- A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;
- Any department of State;
- Any Council established in terms of any legislation applicable to the Republic of South Africa;
- Any Embassy or other foreign entity

“Premises”

- Any piece of land, the external surface boundaries of which are delineated on
- A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of 1937); or
- A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

“PT”, “Provincial Treasury”

Means the Provincial Treasury branch established by section 5 of the Public Finance Management Act;

"Vote"

Means-

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

2 Debt Collection and Credit Control Policy Summary

Objectives	Key principles to be achieved
• To fulfil the municipality's constitutional obligations to develop the local economy and to provide acceptable services to its residents. • Ensure that all monies due to the municipality are collected • Provide a framework within which the municipality can exercise its executive and legislative authority for debt collection and credit control • Set realistic targets for debt collection	• Application process for services • Billing accurate, timely and understandable • Enforcing payment is prompt, consistent and effective • Reasonable terms for collection, payment of arrears and the imposition of penalties • In line with indigency support policy

Key performance areas (strategic intent)	
• Service contracts and deposits • Customer relationship • Arrear accounts, penalties and collection charges and sale in execution	• Exceptions to applying credit control and indigents

3 Debt Collection and Credit Control policy - detail

3.1 Service contracts and deposits

Objectives	Policy statement	Responsibilities/ High-level procedures
To ensure that: - The services delivery relationship with consumers and rate payers is legally formalised - Deposits are paid and correctly allocated to cover amongst other things, possible default	Service contracts - A service contract will be entered into with the municipality for each property to which the municipality is expected to provide all or any of the municipality's services: - Such contract shall: - set out the conditions on which services are provided and - shall require the signatory to note the contents of the municipality's credit control and debt collection policy and procedures, a copy of which shall be provided to such signatory - Where the signatory is not the owner of the property to which the services are to be provided, a properly executed letter from such owner indicating that the signatory is the lawful occupant of the property shall be attached to the service	Council - Review and decide on deposits payable at the same time which the tariffs and the annually budget is decided upon Strategic Manager: Financial Services - Seek legal advice where necessary to ensure that service contracts are legally enforceable - Take steps and implement procedures to ensure that service contracts are concluded with each new consumer - Collect all deposits due to the municipality and accurately and completely allocate it to the correct accounts and services

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Objectives	Policy statement	Responsibilities/ High-level procedures
	contract Deposits • The Council may, in any service agreement, determine and require a deposit from the customer, as security, equivalent to the charge for one month's estimated supply of the particular service to the particular customer, or as determined by the Council from time to time. • The form of the deposit is cash or bank guarantee, or as determined by the Council from time to time. • The municipality will render no service before a deposit has been paid in full. • The municipality may increase the deposit required from the customer for the supply of a service, to a greater amount, as may be determined by the Council. Payment of deposits Whenever a service contract is entered the signatory shall lodge a cash deposit with the	

Objectives	Policy statement	Responsibilities/ High-level procedures
	municipality as determined by Council from time to time. Allocation of part payments and appropriation of deposits Where an account holder pays only part of any municipal account due, the Municipal Manager shall allocate such payment in the following sequence: - • 1. to any unpaid charges levied by the municipality in respect of unacceptable cheques, notices, legal expenses and / or reinstatements of services in respect of the account or property concerned; • 2. to any unpaid interest raised on the account; • 3. to any unpaid refuse collection charges; • 4. to any unpaid property rates; • 5. to any unpaid service charges;	

Objectives	Policy statement	Responsibilities/ High-level procedures

3.2 Customer relationship

Objectives	Policy statement	Responsibilities/ High-level procedures
- To ensure that: - Council maintains a sound relationship with the community - Ensure that the community has reasonable access to the required information and assistance - This policy is fairly and equitably applied	Communication and feedback - The municipality's debt collection and credit control policy and By-Laws will be available in English, and will be made available upon specific request, and will also be available at Council's cash collection points. - The municipality will set up the following communication and dispute resolution mechanisms: - A central complaints/feedback office; - A centralised complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers; - Appropriate training for officials dealing with the public to enhance communications and service delivery; and	Council - Will annually review and approve the debt collection and credit control policy and By-Laws - Decide on the level and amounts of free basic service to be rendered (reviewed at least annually) Strategic Manager: Financial Services - Set up the complaints/feedback office and communication mechanisms for consumers - Maintain a simple database of complaints and forward details of such complaints to the relevant departments for resolution - Develop a training programme in

Objectives	Policy statement	Responsibilities/ High-level procedures
	- A communication mechanism to give Council feedback on service, debt and other issues of concern. Account queries - In the event of an account holder reasonably querying any item or items on the monthly municipal account, no action shall be taken against the account holder - This under the provision that the account holder has paid by due date an amount equal to the monthly average monetary value of the three most recent un-queried accounts in respect of the service under query Disputes - Except where there is a dispute between the municipality and a customer about any specific amount claimed by the municipality from that customer, the Council may: - Consolidate any of the accounts for any of the services rendered to any one customer - Credit a payment by the customer against any	consultation with the Strategic Manager: Corporate Services to ensure that officials dealing with the public are trained in customer service Set-up procedures for dealing with disputes and account queries

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Objectives	Policy statement	Responsibilities/ High-level procedures
	account of that customer • Implement any of the debt collection and credit control measures provided for in this policy in relation to any arrears on any of the accounts of the customer; • All amounts outstanding after the due date for payment bear interest at the standard rate of interest as from the due date for payment Free basic services • The municipality will provide free basic services to domestic debtors, on a monthly basis in quantities as approved by Council from time to time	

3.3 Arrear accounts, penalties, collection charges and sale in execution

Objectives	Policy statement	Responsibilities/ High-level procedures
To ensure that: Consumer accounts that fall into arrears are appropriately, consistently and dealt with	Arrears Any amount that has not been paid on the due date will be considered as amount in arrears. If a debtor fails to: - Pay by the due date the amount in arrears - Lodge an appeal - Conclude an agreement with the municipality for payment - The municipality shall dispatch to every defaulting account holder a notice stating: “Unless full payment is received, or an acceptable arrangement made to the Municipality within 14 (fourteen) calendar days, the account shall be handed over to the Municipal attorney for legal action.”	Council - Annually review interest and penalty charges as part of the annual budget process after consideration of the financial situation and level of outstanding debtors accounts Strategic Manager: Financial Services - Put mechanisms in place to ensure that regular monthly accounts and default letters are sent to consumers - Make written arrangements for the payment of arrear accounts with defaulting consumers - Put procedures in place to ensure that interest and penalty charges are fairly and equitably charged to defaulting debtors accounts

Objectives	Policy statement	Responsibilities/ High-level procedures
	Arrangements • Arrangements take the form of a written agreement between the Council and a customer for the payment in regular and consecutive monthly instalments of the outstanding balance, costs and interest • The contents of the agreement will include an undertaking by customers: - That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees - That any alleged non-receipt of an account does not stop the collection process • Allowing defaulting account holders to make arrangements for the payment of arrear accounts shall be at the discretion of the Municipal Manager. • If an account holder breaches any material term of an arrangement, the balance of the arrear account, together	

Objectives	Policy statement	Responsibilities/ High-level procedures
	with the balance of interest raised on such account, shall immediately become due and payable to the municipality, and if the account holder defaults on such payment, the Municipal Manager shall terminate or restrict services to the property in question and shall forthwith hand such account over for collection • An account holder who has breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts Undertaking by Council Council makes the following undertakings to consumers: • That it will deliver accounts to customers • That it will inform customers that they are required to request statements in the event that they do not receive an account Councillor intervention To save on legal costs and encourage arrear debtors to pay their outstanding accounts	

Objectives	Policy statement	Responsibilities/ High-level procedures
	councillors will assist in the following ways: • When the debt has been outstanding for 90 days or longer and will be handed over to attorneys for collection councillors will be given the details of these debtors in their designated wards. • Councillors will encourage these debtors to pay the outstanding fees or make an arrangement with the municipality and inform them of the implications of non-payment • Where the debt has not been collected after 120 days (30 days after councillor intervention) it will be handed over to attorneys for collection Appeals to Council • Any customer may appeal to the Council for an extension of time within which to pay any outstanding amount • The appeals will be made by way of written representations to the Council, accompanied by proof of income and	

Objectives	Policy statement	Responsibilities/ High-level procedures
	expenditure • In the process of investigating an appeal, the Council is entitled to take all steps necessary to determine the customer's financial status • The implementing authority endeavours to investigate and decide any appeal within 7 days of receipt of the customer's representations Interest on arrears and other penalty charges • Interest shall be charged on all arrear accounts at the prevailing overdraft rate offered by the municipality's bankers. • Interest shall be calculated on a monthly basis • For purposes of determining arrear amounts, all amounts unpaid including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account Annual budget	

Objectives	Policy statement	Responsibilities/ High-level procedures
	In considering each annual budget Council shall: • Review the adequacy of its interest charges, and shall determine the following for the financial year concerned: - Charges for notices of default - Penalty charges for dishonoured payments Incentives Council may grant incentives to facilitate payment of rates and services from time to time. These incentives will be in line with the applicable legislation	

3.4 Exceptions to applying credit control and indigents

Objectives	Policy statement	Responsibilities/ High-level procedures
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Objectives	Policy statement	Responsibilities/ High-level procedures
Indigents Because of the level of unemployment and subsequent poverty in the municipal area, there are households which are unable to pay for normal municipal services. The municipality therefore adopts this indigency management policy to ensure that these households have access to at least basic municipal services.	Uncollectible arrears - The effective implementation of the present policy also implies a realistic review of the municipality's debtor book at the conclusion of each financial year. - Municipal Manager shall as soon as possible after 30 June each year present to the Council a report indicating the amount of the arrears which it is believed is uncollectible, together with the reasons for this conclusion. - The Council shall then approve the write off of such arrears, if it is satisfied with the reasons provided. Indigence Management - In regard to registered indigents, and the credit control and debt collection actions contemplated in respect of such residents, this policy must be read in conjunction with the municipality's approved Indigent support policy	Municipal Manager - Municipal Manager shall as soon as possible after 30 June each year present to the Council a report indicating the amount of the arrears which it is believed is uncollectible, together with the reasons for this conclusion Strategic Manager: Financial Services - Implement a process and internal controls to ensure that the debt collection and credit control policy is not applied to indigents and for these exceptions

Objectives	Policy statement	Responsibilities/ High-level procedures
	Qualifying criteria • An account holder (customer) may apply in the prescribed manner, to be regarded as indigent provided that the following conditions are adhered to: - The gross household income must not exceed 2 old age state pensions per month - The applicant should not own more than one fixed property - The applicant must be a resident on the property to qualify for the indigent subsidy - The application to be regarded as indigent must be renewed annually • To register as an indigent, the relevant property owner or account holder must personally complete and sign the registration form provided by the municipality for this purpose and furnish such further documentation as the municipality specifies.	

Objectives	Policy statement	Responsibilities/ High-level procedures
	- The Municipality will provide assistance to persons who cannot read or write, at such times and places as are specified in the notices published to indicate that the registration programme is to take place. Registration will take place on dates and at times and places determined by the Council but shall generally be undertaken during January and/or February each year. - The successful applicant will receive a monthly indigent subsidy as determined by Council from time to time - If the total monthly charges are more than the subsidy the balance must be paid by the customer Application The following application procedures must be followed to be regarded as an indigent customer: - Where the applicant is employed, a copy of the latest payslip must be produced or any other proof of income	

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Objectives	Policy statement	Responsibilities/ High-level procedures
	• The applicant must provide a copy of his/her identity document • A sworn affidavit to confirm the correctness of the information on the form • The Council will approve the application and ensure the implementation of the indigent subsidy to the consumer • The application and subsidy will be valid for as long as funds are available, and the circumstances of the household have not changed • The applications for the subsidies shall be reviewed every six months, that is, changes in the circumstances shall be taken into account • The Municipality may inspect the property occupied by the applicant and in respect of which municipal services are rendered to assess the merits of the application • The Council may implement any other procedures as may be deemed necessary	

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Objectives	Policy statement	Responsibilities/ High-level procedures
	from time to time as long as it is communicated with the public. • The indigent support policy • Further details on the municipality's indigent support programme can be found in the Indigent Support Policy document	