

RICHMOND LOCAL MUNICIPALITY



Draft Bad Debt Provision and Write off Policy Draft 2026/2027

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1.Preamble

Council accepts and acknowledges its Constitutional duties towards the community of the Richmond Local Municipality. Council further acknowledges that in order to deliver services in a sustainable manner, that revenue collection be managed in terms of Councils Debt Collection and Credit Control Policy having due regard of its limited financial resources and the need to manage cash flows. Council therefore accepts its duty to prepare financial statements that truly reflects the financial position of the Municipality.

2. Debt associated with property ownership (rates accounts)

Debt raised for assessment rates and for the rendering of services such as refuse removal and availability fees/ charges, will not be written off, except in cases where a property is disposed of in a liquidation process and the proceeds do not cover the outstanding debt.

3. Sundry Debt/ Direct Income

Debt owed to Council arising from auxiliary services rendered by Council or its agent will be regarded as irrecoverable in the following instances:

- In the event that the debtor is untraceable
- If the debt has been prescribed
- Insolvent estates

4. Requirements before writing off debt

Before any debt can be considered for writing-off, all applicable actions as contained in the approved Credit Control and Debt Collection Policy of Council must have been executed/ implemented. However, in special cases where the requirements in terms of

Council's Credit Control and Debt Collection Policy are impractical, the administration must motivate which other remedies were applied or auctioned.

5. Indigent households

The irrecoverable debt of registered indigent consumers may be written off in line with Paragraph 8 of the Indigent Policy.

6. Bad Debt Recovered

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

7. Amounts up to R 1 000 and above R 1 000

The writing off of individual debt above one thousand rand (R1 000.00) will take place only after the approval of Council, and the writing off of individual debt amounting to one thousand rand (R1 000.00) and below will be effected after the approval of the Municipal Manager or his delegate being the Chief Financial Officer.

8. Provision for irrecoverable debt

Annual provision for bad debt shall be provided for as follows:

100% of all outstanding debts 120 days and older based on the estimated age analysis of the financial year-end of which the financial statements are drawn up.

Provision for bad debt shall be provided for the following services:

- (a) Refuse
- (c) Rates

(d) Sundry Debtors

Debtors will be analyzed in terms of concentrations of individual risk classes showing each individual ageing.

9. Interest

Interest levied on accounts as a result of an error from Council's side will be written-off.

10. Meritorious Cases

Notwithstanding the framework provided in this policy for the writing-off of irrecoverable debt, Council mandates the CFO or his / her delegate to consider and recommend to Council meritorious cases and provide reasons for same on a quarterly basis.

11. POLICY APPROVAL

The policy has been considered and approved by the COUNCIL OF THE RICHMOND LOCAL MUNICIPALITY as follows:

• **Resolution No:**.....

• **APPROVAL DATE:**.....