

CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY



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PREAMBLE

Whereas section 152 (1) (b) of the Constitution of the Republic of South Africa, Act 108 of 1996 (*'the Constitution'*) provides that one of the objects of local government is to ensure the provision of services to communities in a sustainable manner;

And whereas section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

And whereas section 195 (1) of the Constitution provides that public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

And whereas section 4 (1) (c) of the Local Government: Municipal Systems Act No. 32 of 2000 (*'the Systems Act'*) provides that the council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

And whereas section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly services fees, surcharges on fees, rates on property and other taxes, levies and duties imposed by the municipality;

And whereas section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of the local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

And whereas Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care and Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, supervisory authority and Implementing authority.

Hereby is adopted the Customer Care, Credit Control and Debt Collection Policy of the Kouga Municipality.

DEFINITIONS

For the purpose of this policy, the wording or any expression 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.

"Agent" - In relation to the owner of a property, means a person appointed by the owner of the property:

- i) to collect income in respect of the property on behalf of the owner; or
- ii) to effect payments in respect of the property on behalf of the owner

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

"Arrears" - Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

"Authorised Representative" - Person or institution legally appointed by the Council to act or to fulfil a duty on its behalf.

"CFO" - Person appointed as the Chief Financial Officer of the Municipality or his or her nominee.

"Council" - The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa, Act 108 of 1996, of the Kouga Municipality established by part 10 of provincial notice 110, dated 2 December 2000;

"Credit Control" - All the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

"Customer" - Any owner/landlord or occupier of a property to which property the Municipality has agreed to supply services or already supplies services, and any customer of a property not receiving services but for which property services had been made available, and any person liable to the Municipality for taxes, rates or other charges.

“Defaulter” - Any person owing the Council arrear monies in respect of rates and / or service charges;

“Engineer” - The person in charge of the civil and/or electrical component of Council

“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 all arrear monies;

“Municipal Account” - An account rendered specifying charges for services
Rendered specifying charges for services provided by the Municipality or any authorised and contracted service provider, and/or assessment rates levies.

“Municipality” - Includes a Municipality referred to in section 155 (6) of the Constitution;

“Municipal Manager” - The person appointed as Municipal Manager in terms of Section 82 of the Local Government: Municipal 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 regard to the title under which he or she occupies the property.

“Owner” - (a) The person in whom from time to time is vested the legal title to the premises;

(b) 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;

- (c) 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;
- (d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;
- (e) Regarding:-
 - i. A portion 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
 - ii. A section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;
- (f) 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;

 - i. Any State department;
 - ii. Any Council or Board established in terms of any legislation applicable to the Republic of South Africa; iii. Any Embassy or other foreign entity;

“Premises” (property) - Includes any piece of land, the external surface boundaries of which are delineated on-

- i) 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
- ii) 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;

“Supervisory Authority” - Means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Systems Act.

1. GENERAL OBJECTIVES

The objectives of this policy are to: -

- 1.1 provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection;
- 1.2 ensure that all monies due and payable to the Municipality are collected and used to deliver services in the best interest of the community; residents and customers; and, in a financially sustainable manner;
- 1.3 provide a framework for customer care;
- 1.4 describe credit control measures;
- 1.5 outline debt collection procedures and mechanisms; and
- 1.6 set realistic targets for debt collection.

2. PRINCIPLES

In the execution of its Customer Care, Credit Control and Debt Collection Policy, the Municipality will apply the following principles:

- 2.1 The administrative integrity of the municipality must be maintained at all times. The Council is responsible for the approval of policies, while it is the responsibility of the Municipal Manager to implement these policies.
- 2.2 All customers must complete an official application form, formally requesting the municipality to connect them to the service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.
- 2.3 Only owners' accounts will be opened, whilst all tenant accounts will be phased out over time.
- 2.4 A copy of the application form, conditions of supply and extracts of the relevant Council's customer care, credit control and debt collection policy and by-laws must be handed to every customer upon request, and at such fees as may be prescribed by Council from time to time.
- 2.5 Billing should be accurate, timeous and understandable.
- 2.6 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

- 2.7 The customer is entitled to efficient, effective and reasonable responses to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 2.8 Enforcement of payment must be prompt, consistent and effective.
- 2.9 Unauthorised consumption, illegal connections and reconnections, the tampering with or theft of meters and service supply equipment, will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 2.10 Incentives and disincentives may be used in the collection process.
- 2.11 The collection process must be cost-effective.
- 2.12 Performance should be regularly reported by the Municipal Manager and the Executive Mayor.
- 2.13 Non-payment of accounts will serve to, inter alia, categorize customers according to their credit risk and also to determine the relevant levels of services and deposits required.

3. DUTIES AND FUNCTIONS

3.1 Duties and Functions of Council:

- 3.1.1 To consider and approve by-laws to give effect to the Council's policy.
- 3.1.2 To be a supervisory authority to monitor the performance of the Municipal Manager /Executive Mayor regarding customer care, credit control and debt collection.

3.2 DUTIES AND FUNCTIONS OF EXECUTIVE MAYOR

- 3.2.1 To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- 3.2.2 To review and evaluate the policy and by-laws in order to improve the efficiency of customer care, credit control and debt collection mechanisms, processes and procedures.

3.3 DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER

- 3.3.1 To implement efficient customer care management systems.
- 3.3.2 To implement the customer care, credit control and debt collection policy.

- 3.3.3 To maintain an appropriate accounting system.
- 3.3.4 To bill customers.
- 3.3.5 To demand payment by due dates.
- 3.3.6 To raise penalties for defaulters.
- 3.3.7 To appropriate payments received.
- 3.3.8 To collect outstanding debt.
- 3.3.9 To provide different payment methods.
- 3.3.10 To determine customer care, credit control and debt collect measures.
- 3.3.11 To determine appropriate work procedures for, inter alia, public relations, reminders, final demands, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 3.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- 3.3.13 To monitor contracts with service providers in connection with credit control and debt collection.

3.4 DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

- 3.4.1 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality, on or before due dates.
- 3.4.2 To allow municipal officials reasonable access to their properties to execute municipal functions at a time that is agreeable to both the consumer and municipal officials.
- 3.4.3 To comply with the policy and by-laws and other legislation related to customer care, credit control and debt collection.
- 3.4.4 To refrain from damaging and or tampering with municipal services and property.
- 3.4.5 To inform the Municipality in writing of any changes in address or contact details.

3.5 DUTIES AND FUNCTIONS OF COUNCILLORS

- 3.5.1 To adhere to the Code of Conduct for Councillors.
- 3.5.2 To pay amounts owing in respect of municipal rates, taxes and services and not to default on payments. The Municipality may deduct any outstanding amounts from a Councillor if the Councillor is in arrears for more than three (3) months.
- 3.5.5 The normal credit control procedures will apply to any arrear account of a Councillor.
- 3.5.6 To support the Municipal Manager to implement the policy and to report any breaches of by-laws detected to the Municipal Manager.

3.6 DUTIES AND RESPONSIBILITY OF MUNICIPAL STAFF MEMBERS

- 3.6.1 To always pay amounts that are owed in respect of municipal rates, taxes and services and not to default on payments.
- 3.6.2 The municipality may deduct any outstanding amounts from a staff member, if the staff member is in arrears for more than three (3) months.
- 3.6.3 The normal credit control procedures will apply to any arrear account of a municipal staff member.
- 3.6.4 Where the Municipality provides temporary employment to members of the community who are in arrears with payments for Municipal rates and services, they will be required to enter into an agreement, to pay 20% of their gross remuneration towards the arrear debts.
- 3.6.5 To support the Municipal Manager to implement the policy and to report any breaches of by-laws detected to the Municipal Manager.

4. AREA OF APPLICATION

This policy applies throughout the area of the Municipality.

5. CUSTOMER CARE POLICY

5.1 OBJECTIVES

The objectives of the Customer Care Policy are:

- to focus on the needs of the consumer in an accountable and pro-active manner, to improve the payment of service fees and
- to establish a positive and cooperative relationship between the persons responsible for payment for services and the municipality and, where applicable, the service provider.

5.2 APPLICATION FOR SERVICES

- 5.2.1 Consumers who require a service must enter into a written service agreement with the municipality.
- 5.2.2 The application process must occur ten (10) days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to this timeframe may result in customers not having the services available when occupation is taken.
- 5.2.3 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.
- 5.2.4 Consumers who illegally consume services without a service agreement, will be subject to punitive action.

5.3 CUSTOMER SERVICE AGREEMENTS

- 5.3.1 Customer service agreements are those agreements that will be entered into from time to time between the customer and the municipality for the supply of municipal services.
- 5.3.2 The contents of the agreement include this policy, as well as:

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 non-receipt of an account does not stop the collection process;

An undertaking by Council:

- That it will deliver accounts to customers.
- That it will inform customers that they are required to request statements if they do not receive an account.

5.3.3 Only owners' accounts will be opened, and all tenant accounts will be phased out over time.

5.4 DEPOSITS

- Consumer Deposits

5.4.1 The deposits are payable when new customers sign-on and when existing customers move to a new supply address.

5.4.2 Customers must pay a deposit equivalent to an amount as determined by Council, from time to time.

5.4.3 The municipality may increase deposits to an amount equivalent to one month's billing.

5.4.4 Service deposits will be accepted in the form of cash and Electronic Funds Transfer (EFT) only.

- Building Deposits

5.4.4 Building deposits made by a customer is refundable, free of interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of Council's property or infrastructure.

5.4.5 Deposits shall be forfeited to the Council if not claimed by the customer within 3 years of the occupation certificate issued to the customer.

5.4.6. The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.

5.4.7 All building deposits should be recorded in a suitable register to facilitate future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided.

5.5 ACCOUNTS AND BILLING

- 5.5.1 Customers will receive one consolidated bill for all services to a property, which is situated within the boundaries of the municipality.
- 5.5.2 Accounts are produced in accordance with the meter reading cycles.
- 5.5.3 An account will be rendered each month in cycles of approximately 30 days.
- 5.5.4 The Municipality will undertake to have the accounts delivered to all consumers. However, non-receipt of an account does not prevent interest charges and debt collection procedures. In the event of the non-receipt of an account, the onus rests on the account holder to obtain a copy of the account at a prescribed fee, before the due date. The applicable fee might be waived exceptional circumstances.
- 5.5.5 Accounts must be paid on the due date as indicated on the account. Interest on arrears will accrue after due date if the account remains unpaid, irrespective of the reason for non-payment.
- 5.5.6 Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the municipal bank account on or before the due date and not later than the close of business.
- 5.5.7 Where the Municipality provides temporary employment to members of the community who are in arrears with payments for Municipal rates and services, they will be required to enter into an agreement, to pay 20% of their gross remuneration towards the arrears of debts.
- 5.5.8 Where incorrect debits were raised on services, the accounts under query will be rectified with corrective billing up to a maximum period of 3 months.
- 5.5.9 Adjustments will be based on the consumption 6 months after the leakage took place or alternatively on the consumption 6 months before the leakage took place.

5.5.10 Adjustments made to the customer's services account, where the adjustment is in the customer's favour, will be made for a maximum period of 3 months from the date the dispute was registered.

5.5.11 Adjustments made to the customer's services account, where the adjustment is in the municipality's favour, will be made for a maximum period of 3 months.

5.5.12 Where the customer caused the adjustment, for example: the by-passing of meters or supplied incorrect metering information, then the punitive measure will be an adjustment made for the preceding three years.

5.5.13 In the case of multiple ownership, all owners are jointly and severally liable for the payment of the account.

5.5.14 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.

5.5.15 Where any payment is made by a negotiable instrument and is later dishonoured by a bank, the Municipality or its authorised agent:-

- Must recover the bank charges related to the transaction against the account of the customer; and
- Shall regard such an event as a default on a payment.

5.5.16 The Municipality or its authorised agent must, if administratively possible, issue a free current statement to a customer on request, and any other duplicate statements or history details at a cost as determined by Council and the tariff listing.

- After a finalisation of a customer's municipal account, there is credit/debit balance on the account:
- The municipality may transfer such balance to any other existing account on a property owned by that customer, without authorisation of that customer. If no other account exists, then the credit will be refunded to the customer, only on receipt of bank confirmation details of the customer's bank account.

5.5.17 Consumers will be notified of their unpaid accounts prior to the commencement of the debt collection process.

5.5.18 Non-payment of the account will result in debt collection action in terms of this policy, and the customer will be responsible for costs of collection.

5.6. METERING OF CONSUMABLE SERVICES

- 5.6.1 The municipality may introduce various metering equipment and customers may be encouraged to convert to a system preferred by the municipality.
- 5.6.2 Customers who default (fail to pay by a due date) may be required by the municipality to convert to a pre-paid system. Installation costs will be for the account of the accountholder.
- 5.6.3 Prepayment metering is the preferred installation for all new domestic accounts and where applicable, business accounts.
- 5.6.4 Meters (conventional) will be read monthly in cycles of approximately 30 days. Should circumstances prevent reading, the Municipality is entitled to estimate a reading that is within reason, comparable to past consumption for a maximum of four (4) successive months.
- 5.6.5 A Customer is responsible to ensure access to metering equipment at a time that is agreeable to the consumer and the municipal officials and will accept any cost to ensure access (such as relocating the meter), if satisfactory access is not possible.
- 5.6.6 Voluntary/Self readings will be permitted provided that:
 - 5.6.6.1 the readings are submitted monthly to the dedicated e-mail or municipal application, if available address accompanied by a clear picture of the meter number and reading.
 - 5.6.6.2 the convenience of submitting voluntary/self readings will be cancelled automatically without notice if the customer fails to submit the readings as per 5.6.6.1 above for two consecutive months.
 - 5.6.6.3 Routine or special maintenance of metering equipment will be communicated to the customer. The meter replacement advice will indicate the removal reading.

5.7. VALUATION

All properties within the boundaries of the Kouga Municipality are to be valued in terms of the legislation, applicable to the valuation of properties for the purpose of levying property rates.

5.8 CUSTOMER ASSISTANCE PROGRAMMES

These are programmes that the Municipality has designed to assist customers to meet their obligations, such as:

5.8.1 WATER LEAK REBATE

Charges due to water leaks on the account of a domestic consumer will be reduced by 90% of the excess (above average consumption) in respect of water and sewerage provided that the following conditions are applied:

- 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. This, however, does not apply to Indigent customers.
- That a certificate from a registered plumber or, in the event that the leak was repaired by someone other than a registered plumber, a sworn affidavit must reach the Municipality within twenty-one (21) days of the leak having been repaired with proof of the leak in the form of pictures etc. The technical department must firstly investigate and report on such instances.
- Excess will be calculated based on the consumption 6 months before the leakage took place.
- Relief on a water leak will only be considered once within a 12 month cycle, which is from 1 July to 30 June each year.
- If the customer experienced multiple leaks within the financial year the application will be sent to the Municipal Manager or The Chief Financial Officer for review.
- The customer has the responsibility to control and monitor his/her water consumption.

5.8.2 RATES REBATE

Rebates on rates may be granted by Council in terms of Council's approved Property Rates policy.

5.8.3 ARRANGEMENTS FOR SETTLEMENT

5.8.3.1 Arrangements are permissible for debtors who experience difficulties in paying their accounts, and they must agree to the conversion to a prepayment meter.

5.8.3.2 Where a prepayment meter is installed and there are defaults on payments, the arrears can be collected;

- monthly over an agreed period; or
- by adding the debt as a surcharge to the prepaid electricity cost, and be repaid by allocating an amount, as approved by council from time to time, of each purchase of prepaid electricity until the debt is fully recovered:

5.8.3.4 The Municipality reserves the right to raise the deposit requirements of customers who seek arrangements.

5.8.3.5 Where there is a tenant account, the municipality may consolidate that account with the owner's account.

5.8.3.6 The terms applicable for the settlement of arrear debt will be as approved by Council from time to time.

5.9 PAYMENT OF RATES ANNUALLY

5.9.1 Owners may pay the property rates annually on or before the 30th of September each year but must apply in writing.

5.9.2 Interest shall accrue on all annually paid rates accounts if they are not paid by the due date as indicated on the account.

5.10 INDIGENT ASSISTANCE SCHEME (should be read in conjunction with the Indigent Policy)

An account holder may apply to the Municipality, in the prescribed manner, as per the approved Indigent Support Policy.

5.11 FREE BASIC SERVICES

Council will provide free basic services to indigent debtors, as determined in the Indigent Support Policy.

5.12 COMMUNICATION

- 5.12.1 The approved Customer Care, Credit Control and Debt Collection policy will be available to the community at all revenue enquiry offices, the municipal website and offices of the ward councillors.
- 5.12.2 Councillors may from time to time, address ward committees on the contents of the policy and any amendments thereto. Other platforms such as social media may also be utilized.
- 5.12.3 It is the responsibility of the consumer to ensure that his/her postal address and other contact details are correct.

5.13 PAYMENT FACILITIES AND METHODS

- 5.13.1 Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Municipal Manager or his/she designate has the discretion to open and close offices as required. The decision to open or closing of any office must be reported to the ward councillors.
- 5.13.2 The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. in addition, the consumer must take into account the transfer time of the particular agent.
- 5.13.3 A range of payment methods are available and may be extended as required, subject to financial implications. The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.
- 5.13.4 The Chief Financial Officer shall allocate payments according to pre-determined priorities with the aim to clear the oldest debt first.

5.14 ENQUIRIES, APPEALS AND DISPUTES

5.14.1 Any resident or consumer who may feel aggrieved concerning his/her account may address a grievance / appeal to the Municipal Manager or

Chief Financial Officer or visit any Customer Care Office provided by the municipality.

5.14.2 A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment of the account. An interim payment similar to the average account must be paid by the due date, pending finalisation of the enquiry. Failure to make a payment will result in debt collection action being instituted against the customer.

5.14.3 Depending on the nature of the enquiry and the resources available, the enquiry must receive a response within 10 days.

5.14.4 If a customer has received a response and is still convinced that the account is not correct; the customer may approach the relevant Ward Councillor to assist with the enquiry.

5.14.5 As a last resort an accountholder may lodge a dispute, in writing, on the formal Section 102 Dispute Form available at the municipal offices upon request.

- No dispute will be registered verbally whether in person or over the telephone;
- The debtor must furnish full personal particulars including all their account numbers held with the Municipality, direct contact telephone

numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipality;

- The full nature of the dispute must be described in the correspondence referred to above;
- A written acknowledgement of receipt of the dispute must be provided to the debtor.
- All disputes must be concluded by the Chief Financial Officer;
- The Chief Financial Officer's decision is final and will result in the immediate implementation of any debt collection and credit control measures after the debtor is provided with the outcome of the dispute; and the same debt will not be regarded as a matter of dispute.
- The outcome of the dispute must be communicated to the ward councillor.

5.14.6 A consumer may appeal against the finding of the municipality or its legal agent in terms of sub-paragraph 5.14.5.

- 5.14.7 An appeal and request in terms of sub-paragraph 5.14.6 must within twenty one (21) days after notification of the findings mentioned in sub-paragraph 5.14.5 be addressed to and submitted to the office of the municipal manager and must:
- (a) set out the grounds for the appeal; and
 - (b) be accompanied of any security determined for the testing of the metering device, if applicable.
- 5.14.8 The appeal must be finalized within 14 working days of receipt of an appeal.

5.15 TENDERS FOR BUSINESS

The Procurement Policy and Tender Conditions of the Municipality will include the following:

- 5.15.1 When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtains from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of noncompliance) have been made for payment of any arrears.
- 5.15.2 No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during the contract period.
- 5.15.3 A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.

5.16 BUILDING PLANS

- 5.16.1 Building plan applications will be rejected if municipal accounts are in arrears, this includes arrears on payment arrangements.
- 5.16.2 No arrangements to settle the debt will be accepted after an application was declined.

6. CREDIT CONTROL

SECTION 6.1 OBJECTIVES

The objectives of the credit control section are to –

- Implement procedures that will arrest the escalation in arrear debt;
- Limiting financial risk, by implementing effective controls.

6.2 PERSONAL CONTACT

6.2.1 Within its affordability constraints, Council will endeavour to notify customers of their arrears situation by telephonic means, electronic contact or by delivering a final notice.

6.2.2 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.

6.2.3 Such contact is not a right and disconnection of services and other collection proceedings may continue, in the absence of such contact.

6.3 DISCONNECTION OF SERVICE(S)

6.3.1 Customers who are in arrears with their municipal account(s) and who have not made arrangements with the Municipality will have their supply of electricity and water, and other Municipal services, restricted or disconnected;

6.3.2 Pending indigents will not be subjected to credit control measures as per 6.3.1 above. Outstanding debt prior approval will be collected via auxiliary payments through pre-paid purchases on a 70:30 ratio.

6.3.3 The Municipality may disconnect municipal services after issuing a fourteen (14) day written notice to the Owner and providing the relevant ward Councillor with the property listing.

6.3.4 Council reserves the right to deny the sale of electricity or restrict the sale of water to customers who are in arrears with their rates or other municipal charges;

6.3.5 Upon the payment of all arrears, or the conclusion of acceptable arrangements and the disconnection/blocking and reconnection/unblocking fee the service will be reconnected as soon as conveniently possible;

- 6.3.6 All costs related to notices such as restrictions, disconnections reconnections and pre-paid blocks will be determined by the tariffs approved by the Municipal Council, and will be payable by the customer.
- 6.3.7 The deposit of any defaulter will be adjusted and brought into line with the policy and tariff structure of the Municipality.
- 6.3.8 No disconnections of services on a Friday

6.4 TERMINATION OF SERVICE(S)

- 6.4.1 It is the responsibility of the customer to notify the Municipality when the Municipal services are required or no longer required due to the sale/purchase of the property or other reasons.
- 6.4.2 The Municipality will not get involved in disputes between an owner and a tenant or occupier in respect of the disconnection of services. Services will only be disconnected in terms of the Credit Control Policy, and will be reconnected on payment of outstanding debt, by any party, irrespective of who the accountholder is. An owner may not disconnect services to evict a tenant or occupier.
- 6.4.3 Failure to comply with the conditions above renders the customer liable for all service charges and interest thereon accumulated from the date when the premises are vacated to the date when Council becomes aware of such vacation.
- 6.4.4 A customer may terminate an agreement for the supply of municipal services by giving at least 21 (twenty-one) days written notice to the municipality of such termination.
- 6.4.5 The Municipality may terminate an agreement for the supply of municipal services by giving at least 21 (twenty-one) days written notice to a customer where:
- Municipal services were utilised by such customer for a consecutive period of 2 months and without an agreement.
 - Premises have been vacated by the customer concerned and no arrangement for the continuation of the agreement has been made with the Municipality provided that, in the event of the customer concerned not being the registered owner of the premises, a copy of the aforesaid notice shall also be served on such registered owner.

- The Municipality may terminate services to a property immediately when it receives notice or verified information that the customer has been placed under provisional sequestration, provisional liquidation, or deregistered or deceased, or execution of notice of sale, unless suitable arrangements have been made for the payment of services after the date of sequestration, liquidation, deregistration, death or date of sale.

6.5 RATES CLEARANCE

- 6.5.1 On the sale of any property in the Municipal jurisdiction, the Municipality will withhold the transfer until all rates, services and consumption charges and any other charges are paid, by withholding a rates clearance certificate as contemplated in section 118(1) of the Municipal Systems Act.
- 6.5.2 When a property is sold, the previous owner must terminate the services and the new owner must register the services in his/her own name and pay the required deposit.
- 6.5.3 The Municipality may hold both the accountholder and the new owner liable for services rendered to the property, if the above is not complied with.
- 6.5.4 An advance payment equal to 4 (four) months' rates, consumption and basic charges will be collected as part of the rates clearance processes. No undertakings will be accepted in respect of payments prior issuing of clearance.**
- 6.5.5 Extension of clearances will not be allowed.
- 6.5.6 All tenant accounts will be closed on the registration date and all future charges will be the responsibility of the new owner upon application of services or termination of services by the seller.

6.6 RATES CLEARANCE CERTIFICATE

- 6.6.1 The municipality will not issue a rates clearance certificate in terms of Section 118(1) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000), if the preceding two years' municipal services charged to the property, and any associated charges for interest and legal costs from the date of application has not been paid.
- 6.6.2 In terms of section 118 (3) of the Municipal Systems Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal rates levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.
- 6.6.3 All debt is deemed to be collectable by the municipality despite a Clearance Certificate issued in terms of section 118 (1)(b) of the Municipal Systems Act and remains charge against the property, which the municipality may collect by attaching the property.

- 6.6.4 Where an owner receiving an indigent subsidy sells his property within one year of receiving an indigent write-off, the amount payable in terms of Section 118(1) of the Municipal Systems Act will be determined by the municipality as all amounts levied in the preceding two years, irrespective of whether such amounts were written off as part of the indigent relief.

6.7 PRE-PAYMENT METER SYSTEM

6.7.1 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

- 6.7.2 No refund for pre-paid electricity tokens will be given to customers that move to another address, with a different prepaid electricity meter.

6.8 SOCIAL ASSESSMENTS

6.8.1 After all Internal Credit Control procedures have been followed, a social assessment investigation should be done to determine whether it is viable to hand the customer over, before legal action is instituted.

6.8.2 In cases where the assets of the customer are less than the outstanding debt an alternative action should be considered, such as applying for an indigent subsidy or, writing off a portion of the debt to enable the customer to make a suitable arrangement.

6.9 INCENTIVES FOR PROMPT PAYMENT

6.9.1 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.

6.9.2 If introduced, such an incentive scheme will be reflected in the operating budget as an additional expenditure.

6.10 INTEREST

- 6.10.1 Interest will be raised monthly as a charge on all accounts not paid by the due date in accordance with applicable legislation.
- 6.10.2 Interest on overdue accounts will be charged at prime rate plus 1 percent.
- 6.10.3 Interest charged on overdue accounts will be equivalent to a full month from the billing date each month, or part thereof that the account is overdue.
- 6.10.4 Irrespective of interest charged or any other penalty, the Municipality shall

have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any customer, owner or property.

6.11 THEFT AND FRAUD

- 6.11.1 Any natural or juristic person found to:
- be illegally connected to municipal services;
 - have tampered with meters, the reticulation network or any other supply equipment;
 - have committed any unauthorised act associated with the supply of municipal services; and
 - have been involved in theft and fraudulent activity, will be prosecuted and/or held liable for penalties as determined from time to time.
- 6.11.2 Any person that provides information with regards to any illegal actions as set out in paragraph 6.11.1 above, and where such information when verified is found to be true in a court of law, will upon conviction of the guilty party and authorisation by the Municipal Manager be rewarded as determined by Council from time to time. The name of the informant and the information provided will at all times be kept confidential, so as to protect the informant against any retaliatory action.
- 6.11.3 Council will immediately terminate the supply of services to a customer should such conduct as outlined in paragraph 6.11.1, above be detected and conventional meters will immediately be converted to pre-paid. Installation costs will be for the account of the accountholder.

- 6.11.4 The total account owing, including penalties, assessment of unauthorised consumption, disconnection and reconnection fees, and increase deposits as determined by Council will be due and payable before any reconnection can be sanctioned.
- 6.11.5 The Municipality will maintain monitoring systems in order to identify customers who are undertaking illegal actions.
- 6.11.6 The Municipality reserves the right to lay criminal charges and/or to take any other legal action against both vandalism and theft.
- 6.11.7 The municipality will determine the consumption debt at the rates charged for electricity during the current financial period during which the theft or fraud was discovered or detected.
- 6.11.8 The responsibility for outstanding costs for meter tampering and penalties will be the responsibility of the owner of the property in cases where the occupier tampered with the prepaid meter.

7. DEBT COLLECTION

7.1 OBJECTIVE

The objectives of the debt collection section are to 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, to ensure financial sustainability and delivery of Municipal services in the interest of the community.

7.2 LEGAL PROCESSES/USE OF ATTORNEYS/USE OF CREDIT BUREAUS

- 7.2.1 The Municipality may, when all other credit control actions have been exhausted, commence legal process against customers, which processes could involve summonses, judgments and execution actions.
- 7.2.2 The Municipality will exercise strict control over this process and will require regular reports on progress from service providers.
- 7.2.3 The Municipality will establish procedures and codes of conduct with these outside parties.
- 7.2.4 All steps in the credit control and debt collection procedures will be recorded in the Municipality's records and for the information of the customer.

- 7.2.5 Individual customer account information will be protected.
- 7.2.6 The Municipality may release customer information to credit bureaus.
- 7.2.7 The Municipality may consider the cost effectiveness of the legal process, and will request reports on relevant matters, including cost effectiveness.
- 7.2.8 The Municipality may consider the use of agents as service providers and other debt collection methods.
- 7.2.9 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.
- 7.2.10 Any agreement concluded with a service provider shall include a clause whereby breaches of the code of conduct by the service provider will constitute a breach of the contract.
- 7.2.11 Where an owner is a company or close corporation, which has been deregistered by the Companies and Intellectual Property Commission, the municipality may make application to the High Court to reinstate the registration of the company or close corporation, and the owner will be liable for payment of these legal costs on the scale as between attorney and client.

7.3 COST OF COLLECTION

- 7.3.1 All costs associated with credit control and debt collection ,penalties, service discontinuation costs and legal costs are for the account of the customer and should reflect at least the cost of the particular action. No interest will be levied on handed over accounts.
- 7.3.2 All legal cost, including attorney and customer costs incurred in the recovery of arrears shall be debited against such customer's account.
- 7.3.3 The registered owner shall remain liable for all legal and the collection costs charged in collection of the municipal debt of an occupier.

7.4 ABANDONMENT OF CLAIMS

- 7.4.1 The Municipal Manager must ensure that all avenues are utilised to collect the Municipality's debt.
- 7.4.2 The valid termination of debt collection procedures as contemplated in section 109(2) of the Municipal Systems Act, may be considered under the following circumstances: -
- the insolvency of the customer, whose estate has insufficient funds;
 - A balance being too small to recover, for economic reasons, considering the cost of recovery; and
 - where the Municipality deems that a customer is unable to pay for services rendered.
- 7.4.3 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.

7.5 ARRANGEMENTS

- 7.5.1 If a consumer cannot pay his/her municipal account, the municipality can enter into an extended payment term whereby the consumer must:
- 7.5.1.1 sign an acknowledgement of debt agreement
 - 7.5.1.2 sign permission to take judgment;
 - 7.5.1.3 sign to be included on the municipal debit order run if employed
 - 7.5.1.4 provide the latest proof of household income if employed
- alternatively provide a three months bank statement if not employed or self-employed.
- 7.5.1.5 sign an admission that should the agreement not be adhered to, no further arrangements will be possible and that the disconnection of water and electricity, as well as legal proceedings, will immediately be implemented without notice;
- 7.5.1.6 accept liability for all costs; and
- 7.5.1.7 provide annually on 31 May new proof of income, which return, shall serve at the same time for purposes of indigent assistance.
- 7.5.2 When an account holder defaults on an arrangement the arrangement may be reinstated provided that all unpaid instalments as well as current amounts are paid in full.
- 7.5.3 No accountholder will be allowed to enter into a new arrangement if an arrangement was dishonoured unless the person agrees to install a prepaid electricity meter, at their own cost, where the accountholder does not have a prepaid meter installed. Where the accountholder has a prepaid meter installed, a new arrangement can only be entered into if approved by the Chief Financial Officer. Where, the Chief Financial Officer does not approve the new arrangement, the account will be handed over for collection to either an Attorney or a Debt Collection Agency appointed by the Municipality.

7.5.4 No interest will be levied on accounts with valid payment arrangements.

7.5.5 When disconnection and/or restriction of electricity and/or water supply takes place due to non-payment, the consumer's deposit will be adjusted to the current minimum.

7.5.6 When services are illegally restored, criminal action will be taken if Possible.

7.5.7 After a debtor has been handed over for collection, the case will not be withdrawn unless there was an oversight on the part of the Kouga Municipality;

7.5.8 All arrangements must be reported to the Portfolio committee monthly.

7.6 ARRANGEMENTS WILL BE CONCLUDED ON THE FOLLOWING BASIS BY CATEGORY TYPE:

7.6.1 Domestic Account Holders for first time defaulters:

Total gross household income per month	Initial down- payment	Minimum payment per month
R0 to amount equal to two state pensions (Indigents)	Minimum of R100	60 equal monthly instalments-plus current account
amount from two state pensions to R8 000	Minimum of R1000	48 equal monthly instalments plus current account
R8 001 to R12000	Minimum of R1500	36 equal monthly instalments plus current account
R12000 and above	Minimum of R2500	24 equal monthly instalments plus current Account

Arrangements will not be granted on outstanding debt less than the minimum down payment.

7.6.2 Business Account Holders

7.6.2.1 Business account holders (includes all types of commercial, hospitality and industrial activities and instances of multiple dwelling units) will only be given repayment terms if they pay the reassessed security deposit up front;

7.6.2.2 A down payment of at least 25% or such other higher percentage as the Chief Financial Officer (CFO) may approve, of the amount in arrears including any fees or penalties or other charges owing plus the current account;

7.6.2.3 A maximum repayment period of **12** months with a minimum monthly repayment of R1 000 per month plus payment of the current account; if approved by the CFO or the person acting in that position in the absence of the CFO.

7.6.2.4 All agreements entered into with this category of account holder will only be valid if approved by the CFO or the delegated official.

7.6.2.5 The account holder agreeing to set-off being applied to any amounts owing to the account holder by the municipality currently.

7.6.2.6 Arrangements will not be granted on outstanding debt less than the minimum down payment.

7.6.2.7 Where the account holder defaults on the arrangement entered into, the account will be handed over for collection to either an Attorney or a Debt Collection Agency appointed by the Municipality.

7.6.3 Churches, crèches, sports clubs, welfare and any other welfare or NGO's will be treated as follows:

7.6.3.1 This category of account holder will only be allowed to enter into an arrangement for the repayment of arrears after the up front payment of the reassessed security deposit ;

7.6.3.2 A minimum down payment of R1500.00 plus the current account;

7.6.3.3 Arrears to be paid within 24 equal instalments.

7.6.3.4 Arrangements will not be granted on outstanding debt less than the minimum down payment.

7.6.3.5 Where the account holder defaults on the arrangement entered into, the account will be handed over for collection to either an Attorney or a Debt Collection Agency appointed by the Municipality.

7.6.7. Where water and electricity accounts remain outstanding or unpaid for more than 2 (two) months, the account will be handed over to debt collectors for collection and/or for legal action by the attorneys. These debtors will have to make further arrangements at the attorney and/or debt collectors, for the arrear account. The current monthly account must be paid directly to the Kouga Municipality.

7.6.8. After a debtor has been handed over for collection, the case will not be withdrawn unless there was an oversight on the part of the Kouga Municipality;

7.7. **Administrations:**

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

- 7.7.1. The debt as at the date of the administration court order will be placed on hold, and be collected in terms of the court order by the administrator.
- 7.7.2. The administrator is to open a new account on behalf of the Customer, with a new deposit – No account is to be opened/ operated in the customer's name as the customer is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1994).
- 7.7.3. Until such time as this new account is opened, the customer is to be placed on limited services levels. The customer will be compelled to install a prepaid electricity meter, should one not already be installed.
- 7.7.4. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid electricity meter.
- 7.7.4. Should there be any default on the current account – the supply of services are to be limited or terminated, and the administrator handed over for the collection of this debt.

8. PERFORMANCE MANAGEMENT

The council must institute the necessary mechanisms to set and measure performance against targets with regard to debt collection, customer care and administrative performance and take corrective steps in order to promote credit control and debt collection.

8.1 Income Collection Targets

The council must set targets that include the following:

- The council wants to collect all monies owed to the municipality.
- The collection rate per annum.

8.2 Customer Care Targets

The council must set targets that include the following:

- response times with regard to enquiries by clients;
- the date on which the first account must be rendered to customers;
- the time frame for the reconnection of services; and
- The meter reading cycle

8.3 Administrative Performance

The council must set targets that include the following:

- cost effectiveness of debt collection;
- enquiry and appeal procedures; and
- Implementation mechanism relationships.

9. REPORTING

9.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority, in terms of section 99 of the Municipal Systems Act, read with section 100(c).

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

10. APPLICATION OF THE POLICY

10.1 The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy.

10.2 Deviation from this policy can only be approved in terms of council's system of delegations; and

10.3 Deviations must be reported to council.



C DU PLESSIS
MUNICIPAL MANAGER

DATE

