

# UTHUKELA DISTRICT MUNICIPALITY



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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## 1. DEFINITIONS

### 1.1. In these bylaws, unless the context otherwise indicates

*“bank guarantee”* means an unconditional undertaking by a registered financial institution whereby it guarantees a specified maximum amount to be paid if the principal debtor (“the consumer”) fails to pay;

*“calculated amounts”* means the amounts calculated by the Chief Financial Officer to be due to the Council by a consumer in respect of the supply of the applicable municipal services for any period during which the exact quantity of the supply cannot be determined accurately for reasons beyond the control of the Chief Financial Officer, and shall be based on the average consumption figures, if available, for the service rendered to the customer over the three months immediately prior to any such period commencing or, failing the availability of such data, on the average consumption figures applicable to one or more properties of similar size and nature in the area in which the customer resides or carries on business;

*“Child headed household”* means a household where both parents are deceased and where all occupants of the property are children of the deceased and are all under the legal age to contract for services and are considered as minors in law by the state;

*“Chief Financial Officer (Strategic Executive Manager: [Finance])”* means the City Treasurer responsible for Council’s financial affairs or any person duly authorised to act on behalf of such person;

*“consolidated account”* means one combined account for all municipal services, housing rents and installments, rates and basic charges payable, and “consolidated bill” has a corresponding meaning;

*“consumer”* means a customer;

*“conventional water meters”* means water meters, as the case may be, which are used to determine the supply of water and which are read on a monthly or other fixed interval basis;

*“Child headed household”* means a household where both parents are deceased and where all occupants of the property are children of the deceased and are all under the legal age to contract for services and are considered as minors in law by the state;

*“consumption”* means the ordinary use of municipal services, including water, sanitation for domestic or household purposes;

*“Flat rate”* means the standard charge imposed on customer accounts irrespective of the use of municipal services

*“Council”* means The Uthukela District Municipality and its successors in law and includes the Council of that municipality or its Executive Committee or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee has delegated any powers and duties with regard to these bylaws;

*“customer”* means any person to whom a service is, or has been, rendered by the Council and includes an occupier;

*“deposit”* means a minimum sum of money specified by the Chief Financial Officer and payable by the consumer to the Municipality prior to occupation of the property or prior to the date on which services to the property are required;

*“due date”* means, in the absence of any express agreement in relation thereto between the Council and the customer, the date stipulated on the account and determined from time to time as the last date on which the account shall be paid;

*“existing customers”* means customers who have already entered into an agreement for the supply of municipal services;

“*financial year*” means the period starting from 1 July in a year to 30 June the next year;

“free basic water” means the maximum amount, volume or consumption of water determined by resolution of the Council from time to time that will be provided free of charge as reflected in the Council’s Tariffs;

“income level” means the total, combined income, from any source whatsoever, of the residents, tenants, owner and/or all occupiers of a property, as determined according to national policy and guidelines and reflected in the Council’s Tariffs;

“Indigents – Automatic” means owners and/or occupiers of residential property where the combined municipal value of the land and buildings or the vacant land value of such property is equal to, or less than, the values determined by resolution of the Council or households where verified total gross monthly income of all occupants over 18 years of age does not exceed the amount determined by Council per month i.e. two current monthly social assistance grant payable per person by the Department of Social Development;

Any household which is responsible for the payment of services and rates, earning a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development or in line with the National Indigence Framework issued by the Department Local Government (DLG), who qualify, according to the policy, for rebates/remissions or a services subsidy. The said criteria hereof include pensioners, the unemployed and child-headed families who are unable to fully meet their obligations for municipal services consumed and property taxes on their monthly accounts. Any other Government grants received by such households will not be considered as additional income.

“Indigents – Application” means a resident in charge of a household and who is responsible for payment of municipal charges and whose combined household income is equal to or less than the amount as determined by the Council to qualify for indigent status and has made application to the Council and is accepted to be classified as an indigent;

“*meter audits*” means an investigation to verify the correctness of the consumption and supply of water;

“municipal value” means the total combined value of land and buildings on a property, as reflected in the municipal valuation roll;

“*municipal services*” means any services provided by the Municipality, available or applied for, or provision made for any service, for which it is entitled to charge a fee or formulate a tariff, payable by a customer or user, thereof;

“*normal office hours*” means the hours when the Chief Financial Officer’s offices are open to the public from Mondays to Fridays, excluding public holidays;

“occupier” includes any person in actual occupation of a property without regard to the title under which he/she occupies, if any;

“owner” means the person in whom from time to time is vested the legal title to the property.

“*service accounts*” means accounts in respect of electricity and/or water consumption;

“*service agreement*” means an agreement for the consumption of electricity and/or water;

“sewage charge” means the monthly charge levied by the municipality for the disposal of domestic sewage;

“*terminated account*” means (a) the final account for services after the customer has left the premises, whether or not the customer has given notice to terminate the supply of service; or (b) the final account for services if the customer has contravened service provisions of the municipal bylaws;

“*variable flow-restricting device*” means a device that is coupled to the water connection that allows the water supply to be restricted or closed;

*“visitation fee”* means the fee charged for attendance and/or disconnection/reconnection of water supply when the supply has been disconnected due to nonpayment, which fee shall be determined periodically by the Council and shall form part of the municipal tariff of charges;

*“voluntary garnishee order/emoluments order”* means a court order for the deduction of an amount of money from the salary or other income of a customer.

## 2. SERVICE AGREEMENTS

- 2.1. Before being provided with water and/or other customer services, and prior to taking occupation of premises, every customer shall enter into a service agreement with the Council in which, inter alia, the customer agrees that the water and/or other services, supplied by either the Prepaid or Credit meter systems, may be used for credit control purposes to collect arrears in respect of all outstanding debt and shall include rates if the customer is the owner of the property.
- 2.2. Where a consumer has failed to enter into a service agreement with the Council, water shall be restricted or disconnected, as the circumstances may require, until such time as a service agreement has been entered into and the applicable deposits have been paid. Such consumer is liable for the calculated amounts.
- 2.3. Where municipal services are used/consumed or made use of, and the owner, tenant, or occupants of a property, have not entered into nor completed an agreement for such services, the owner responsible for the payment of rates on the property shall be billed for the metered consumption and all municipal service charges applicable to the property.
- 2.4. The municipal services used, where the property owner or legal occupant is the beneficiary in the suburb or area declared as flat rate area as resolved by Council, the responsibility to pay the bill lies with the consumer of course at the flat rate.
- 2.5. The service agreement shall indicate that transfer of the property may not be

registered until the Municipality issues a certificate which certifies that all amounts due in connection with that property for municipal service fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate, have been fully paid.

### 3. ACCOUNTS

- 3.1. The Council shall bill the inhabitants of, and property owners and property occupiers within its area for municipal services supplied or available to them by the Council, at regular intervals or as prescribed by law. All applications (irrespective of whether is a legal owner or not) shall be considered based on credit worthiness and necessity to access basic water. The Council shall open services accounts where customers failed to do so as required by law.
- 3.2. The customer shall also be liable for, sewerage charges.
- 3.3. The Council shall post the consolidated account to the customer at the address notified and preferred by each customer. Settlement or due dates will be as indicated on the statement. Any change of address becomes effective only when the notification of the change is received and acknowledged by the Council.
- 3.4. The consumer shall, in writing, notify the Council of any change of address, including an e-mail address, and contact details. Notwithstanding the fact that a customer has not received an account as a result of his failing to notify the Council of his change of address or due to delays on the part of external service providers, the customer is nevertheless liable for payment of such account.
- 3.5. The customer shall pay, in full, the account rendered, on or before the due date. Failure to comply with this section shall result in debt collection action being instituted against the customer, and interest at 10%, may be charged from the date



upon which the amount of the account was due for payment. However the Council has approved that any debt older than three years (prescribed debt) be interest free, in other words not to bear interest charges.

3.6. All payments received by the Chief Financial Officer shall be allocated to the services listed below in the descending sequence indicated where interest is deemed allocated first:

- a) Interest
- b) Other Sundry debtors (miscellaneous)
- c) Sewage
- d) Water

3.7 The Council authorized water account opening on behalf of property owners who failed to do so within reasonable period, since ownership changed.

3.8 A customer, or owner, shall not be entitled to allocate any payment made to any portion of the total debt due to the Council.

#### 4. DEPOSITS AND ADMINISTRATION FEES

4.1. Subject to Subsections (4) and (5) hereof, the calculation for deposits shall be based on two months' consumption of metered services together with any charges for other municipal services, or a minimum amount specified by the Chief Financial Officer.

4.2. In determining the deposit described in Section 4(1), the Chief Financial Officer may differentiate between areas to give cognisance to differences in service standards and usage.

4.3. The Chief Financial Officer may re-assess customer deposits for new commercial and industrial customers three months after the initial deposit date and may, as a result of this reassessment, require an additional deposit from any such customer.

4.4. The Chief Financial Officer may review deposits annually or when a customer's service is either disconnected or restricted as a result of non-payment and may if deemed necessary as a result of this review increase the deposit.

- 4.5. Should the customer's services be disconnected twice during any twelve month period due to non-payment, the customer's deposit shall be adjusted the following month to conform with Section 4(4).
- 4.6. The outcome of this review shall be communicated to the customer in the event of any variation in the deposit arrangements being required. Should the deposit mentioned in Section 4(2) or 4(3) be found to be inadequate, the customer may make arrangements with the Chief Financial Officer for the payment of the additional amount within a period of three months.
- 4.7. All service accounts opened by Council shall be charged administration fees as set in the tariffs instead of the deposit. Subsequently charge deposits as the customer become more risky due to unpaid arrears, when disconnection are done. In the tariffs these deposits are referred to as additional deposits
- 4.8. All deposits shall be paid at least two days prior to occupation of the property or prior to the date on which the services are required, if not required on date of occupation. Failure to comply with this bylaw may result in a delay in the connection of services and the Council shall not be liable for any loss or prejudice suffered by a customer as a result thereof.

## 5. INCENTIVE DISCOUNTS

The Council has approved,

1. The 1/3 write-off on consumer/households accounts as follows:
  - 1/3 of the total debt to be paid up front;
  - 1/3 to be written off by Council; and the balance of
  - 1/3 to be paid over 12 months maximum period plus current charges (arrangement to be signed between Council and customers)

The Council will effect this on basis of budget availability, businesses are not catered on the above provision, however arrangements are open to all customers

2. The 50% discount to all consumer categories with strict terms and conditions pertaining to the duration as may be specified. The Council shall decide on the duration over which this will have to run in a specified financial year. When 50% incentive is actively running the one on paragraph 1, will be on hold as they can never run concurrently!

## **6. DISCONNECTIONS**

- 6.1. The Council shall not be obliged to issue any final request notices or other reminders to customers whose accounts are in arrears, prior to disconnection.
- 6.2. The consolidated account shall reflect a warning message which shall be deemed to be proper and sufficient notification to the customer that his services may be disconnected or restricted unless payment is received on or before the due date.
- 6.3. In the event that full payment of the consolidated account, including any accumulated arrears, is not received on or before the due date, the water supply shall be disconnected/restricted, unless a formal acknowledgment of debt has been signed by the customer and the necessary arrangement for an extension of payment has been approved by the Chief Financial Officer.
- 6.4. Although a customer might have concluded satisfactory credit arrangements in terms of Section 6, the Council is not obliged to effect a reconnection of services on the day that payment is received but shall do so as soon as possible after such arrangements have been approved by the Chief Financial Officer.
- 6.5. Where a customer's services are disconnected, the customer shall be charged for all costs related to notices, the restrictions or disconnection and reconnections fees, will be determined by tariffs approved by the Municipal Council and will be payable by the customers.
- 6.6. Where a customer's account and/or service agreement has been terminated and is in arrears and no credit arrangement has been entered into, the Council may at the customer's cost proceed to collect such amount as is outstanding and due.

- 6.7. Where a customer or owners account is in arrears and whether the service agreement is terminated or not, and no credit arrangement for the settlement of any outstanding debt has been entered into, and whether the services to the property have been disconnected / restricted or not, the Council may implement debt collection measures for recovery of debt, if it is deemed by the Chief Financial Officer to be in the best interests of the Council to do so.

## **7. AGREEMENTS AND ARRANGEMENTS WITH CUSTOMERS IN ARREARS**

- 7.1. The Chief Financial Officer is authorised to enter into agreements with customers in arrears with their accounts and to grant such persons extensions of time for settlement of the amounts due to Council.
- 7.2. Where a customer in arrears is a business concern, a minimum of 50% of the total overdue amount, as an initial payment, shall be paid, and the balance of the account shall be paid in equal installments over a maximum period of twelve months. Such an arrangement shall automatically include a condition that any future monthly current accounts shall be paid on or before their respective due dates. In respect of business or commercial consumers who are in arrears, interest will be raised in terms of Section 3(5).
- 7.3. Where a customer is a state organ or trust, a minimum of 30% of the total overdue amount, as an initial payment shall be paid and the balance then in equal instalments over the maximum period of 12 months. The amount of arrears under arrangement should not bear interest unless the arrangement terms are infringed thus leading to cancellation.
- 7.4. Where a customer is an organization other than all those mentioned in the above paragraphs (7.2 and 7.3), a minimum of 15% of the total overdue amount, as an initial payment shall be paid and the balance then in equal instalments over the maximum period of 12 months. The amount of arrears under arrangement should not bear interest unless the arrangement terms are infringed thus leading to cancellation.

- 7.5. In respect of domestic consumers, 10% of the total overdue balance or as an initial payment, shall be paid, and the balance of the account in equal installments over a maximum period equal to the number of months that the outstanding amount has accumulated. Such an arrangement shall automatically include the condition that any future monthly accounts are paid by due date. Notwithstanding the provisions of Section 3(5), domestic consumers who honour their agreements and arrangements to pay, will not be charged interest from the date of the agreement on municipal service arrears, with the exception of rates arrears where statutory provisions may apply. Should they default on their credit extension for whatever reason, interest shall be raised from the date of default on the full outstanding debt in terms Section 3(5) of these bylaws.
- 7.6. A customer who fails to comply with any credit arrangement shall not be permitted a further arrangement or extension of time for payment and shall have his services terminated, but a customer who brings his credit arrangement up to date by an immediate payment shall have his services reconnected as soon as is practically possible.
- 7.7. Further, a customer who fails to comply with any credit arrangement shall have his service agreement terminated, services disconnected, and his deposit and interest on any outstanding amounts set off against any arrear debt. Any outstanding balance shall then be handed over for debt collection subject to the provisions of Section 5(7).
- 7.8. Only debtors with positive proof of identity or an authorised agent with a Power of Attorney shall be permitted to enter into an Acknowledgment of Debt agreement with the Council.
- 7.9. Where a debtor is a close corporation, trust, or a company, the person who signs an acknowledgment of debt on behalf of such close corporation, trust or company, shall produce written proof that he is authorised to sign such acknowledgment on behalf of all members and/or directors of the close corporation, trust, or the company.

- 7.10. An Acknowledgment of Debt agreement shall contain all arrangements for paying off arrear accounts, which may include interest. One copy of the agreement shall be handed to the customer and another filed with the Chief Financial Officer.
- 7.11. In instances where a customer is employed, the Council may obtain a voluntary garnishee order or emoluments attachment order.
- 7.12. Where any debt has arisen as a result of the Council having applied an incorrect charge and/or tariff, the consumer may arrange to pay the debt over a maximum period equivalent to the period over which the incorrect charge was applied.
- 7.13. In the event of the customer unable to raise the minimum required, a delegated official (*the Manager Revenue Services in this case*) shall grant an alternative solution that benefit both the customer (*human basic need*) and the municipality (revenue collections). A substantive evidence (*status report*) from the authorized financial institutions may be the minimum required confirmation on behalf of the customer.

## **8. DISHONOURED CHEQUES**

- 8.1. The Council shall, at the earliest opportunity, be entitled to disconnect or restrict, as the case may be, the water supply of a customer who has offered a cheque as payment for municipal services if such cheque is for any reason returned or dishonoured by the financial institution on which it is drawn.
- 8.2. A customer tendering a cheque referred to in Section 7 (1) shall be responsible for all administration charges and bank fees as determined by Council as a result of such transaction.
- 8.3. A customer who has offered three dishonoured cheques in any 12 month period shall not be allowed to make further payments by cheque for a period of at least one year, though a bank guaranteed cheque may be accepted by the Chief Financial Officer.

## **9. ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS**

9.1. If an accountholder pays only part of any municipal account due, the Accounting Officer shall allocate such payment as follows:

- a) Firstly, to any unpaid charges levied by the Municipality in respect of unacceptable cheques, notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
- b) Secondly, to any unpaid interest raised on the account;

9.2. This sequence of allocation shall be followed notwithstanding any instructions to the contrary given by the accountholder.

## **10. TAMPERING AND/OR THEFT OF SERVICES**

10.1. In respect of water services, if tampering of any nature or theft of such services is identified, fines will be imposed on customer accounts. The applicable fines will be included on annual approved tariffs per financial year. If the tampering continues after all fines have been imposed restrictions will be effected. In addition, the customer's service agreement with the Council may be cancelled and the customer's deposit may be offset against any amounts owed to the Council.

10.2. If the restricted water supply is tampered with or any variable flow-restricting device removed, the water supply may be discontinued, the service connection removed and the customer's service agreement with the Council may be cancelled. The customer's deposit may be offset against any amounts owed to the Council.

10.3. All amounts owing by the customer must be paid prior to any services being reconnected and a new services agreement being entered into together with the required deposit.

10.4. The Municipality reserves the right to lay criminal charges and to take any other legal action against both vandals and thieves.

## **11. MUNICIPAL STAFF**

A member of staff of the Council may not be in arrears with the Council for rates and/or service charges for a period longer than three months, and the Council may deduct any outstanding amounts from the salary of such member of staff after this period, in accordance with item 10 of Schedule 2 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

## 12. ENFORCEMENT OF OTHER LEGISLATION

In addition to the provisions of these bylaws, the Council may enforce any other rights or exercise any power conferred upon it by the Water Services Act, 1997 (Act No. 108 of 1997), Council's Water Supply Bylaws.

## 13. INCONSISTENCIES BETWEEN DIFFERENT BY-LAWS

In the event of an inconsistency between the provisions of these and any other bylaws, the provisions of these by-laws shall prevail.

## 14. COMPLIANCE ENFORCEMENT

- a) Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken as per the Municipality's disciplinary code of conduct.
- b) It will be the responsibility of Chief Financial Officer to enforce compliance with this policy.

## 15. EFFECTIVE DATE

The policy shall come to effect upon approval by Council of Uthukela District Municipality.

## 16. POLICY APPROVAL

This policy has been considered and approved by the COUNCIL OF UTHUKELA DISTRICT MUNICIPALITY as follows:

Resolution No:

Approval Date: **03/2020**



