

THE MSUNDUZI MUNICIPALITY

Credit Control & 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 that the provision of services to communities occurs 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 the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- 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 33 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 for services fees, surcharges on fees, 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 a 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 Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority.

1. DEFINITIONS

In this policy, unless the context indicates otherwise, the word or expression has the following meaning:

- 1.1 “ **Accounting Officer**” The Municipal Manager appointed in terms of Section 82(1)(a) or (b) of the Municipal Structures Act, 1998 (Act No. 117 of 1998);
- 1.2 “ **Actual consumption**” means the measured consumption of a consumer of a municipal service during a specified period;
- 1.3 “ **Arrangements**” means a formal agreement entered into between the Council and a debtor where specific repayment parameters are agreed to.
- 1.4. “ **Arrears**” means any amount due, owing and payable by a customer in respect of a municipal account not paid on the due date;
- 1.5. “ **Average consumption**” means the deemed consumption of a customer of a municipal service during a specific period, which consumption is calculated by adding the recorded monthly average consumption and the current actual consumption and dividing the total by 2;
- 1.6. “ **Bank guarantee**” refers to an 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;
- 1.7. “ **Calculated amounts**” refers to the amounts calculated by the Chief Financial Officer, in consultation with the relevant technical departments, 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. This shall normally be based on the

average consumption figures, if available, for the service rendered to the customer 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;

- 1.8. “ **Chief Financial Officer**” refers to the person so designated in terms of Section 75(2)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any person duly authorised to act on behalf of such person and shall have the same meaning as Strategic Executive Manager: Finance;
- 1.9. “ **Consolidated account**” refers to one combined account for all municipal services, housing rents and installments, rates and basic charges payable, and “ consolidated bill” has a corresponding meaning;
- 1.10 “ **C.D.U.**” shall mean a central distribution unit that distributes electricity from a central point to households;
- 1.11. “ **consumption**” means the ordinary use of municipal services, including water, sanitation, refuse removal, and electricity services for all categories of consumers;
- 1.12. “ **Conventional electricity and water meters**” means electricity and/or water meters, as the case may be, which are used to determine the supply of electricity and water and which are normally read on a monthly or other fixed interval basis;
- 1.13 “ **Council**” refers to The Msunduzi 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 this policy;

- 1.14 “ **Councillor**” refers to any member of a municipal council;
- 1.15“ **Credit Control**” refers to all functions relating to the collection of monies owed by customers and users of municipal services.
- 1.16 “**Customer**” includes consumer and refers to any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;
- 1.17 “**Defaulter**” refers to any customer who owes the Council arrear monies in respect of rates and / or service charges;
- 1.18 “ **Deposit**” refers to 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;
- 1.19 “ **Final date**” in the absence of any express agreement in relation thereto between the Council and the customer, refers to the date stipulated on the account and determined from time to time as the last date on which the account must be paid;
- 1.20 “**Equipment**” refers to any building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;?
- 1.21 “ **Estimated consumption**” arises when no actual reading can be taken and is equivalent to the existing average consumption;
- 1.22 “ **Existing customers**” refers to the customers who have already entered into an agreement for the supply of municipal services;

- 1.23 “ **Financial year**” refers to the period starting from 1 July in a year to 30 June the next year;
- 1.24 “**Implementing Authority**” means the Municipal Manager or his nominee, acting in terms of Section 100 of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000);
- 1.25 “**Interest**” is a charge levied and calculated at a rate determined by law from time to time on all arrear amounts owing;
- 1.27 “**market value**”, in relation to a property, means the value of the property determined in accordance with section 46 of the Act;
- 1.26 “ **Meter audits**” refers to an investigation to verify the correctness of the consumption and supply of electricity and water;
- 1.27 “**Municipality**” when referred to as:
- (a) a corporate body, means a municipality as described in Section 2 of the Municipal Systems Act, 2000 (Act No. 32 of 2000);
 - (b) a geographic area means a municipal area determined in terms of the Local Government Municipal Demarcation Act, 1998 (Act No. 27 of 1998).
- 1.28 “ **Municipal Manager**” means the person appointed as Municipal Manager in terms of Section 82 of the Local Government Municipal Structures Act, 1998, (Act No. 117 of 1998) and includes any person acting in that position or to whom authority has been delegated;
- 1.29 “ **Municipal services**” refers to any services provided by the municipality or any authorised and contracted service provider, 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;

1.30 “ **Normal office hours** “ means 08h00 to 16h00 on week days;

1.31 “ **Official**” refers to an employee of The Msunduzi Municipality

1.32 “**Occupier**” means any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

1.33 “**Owner**” means

(a) In relation to property referred to in paragraph (a) of the definition of “ property, means a person in whose name ownership of the property is registered;

(b) In relation to a right referred to in paragraph (b) of the definition of “ property” , means a person in whose name the right is registered;

(c) In relation to a land tenure right referred to in paragraph (c) of the definition of “ property” , means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

(d) In relation to public service infrastructure referred to in paragraph (d) of the definition of “ property” , means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “ publicly controlled” , provided that a person mentioned below

may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

- (i) A trustee in the case of a property in a trust excluding state trust land;
- (ii) An executor or administrator, in the case of a property in a deceased estate;
- (iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (iv) A judicial manager, in the case of a property in the estate of a person under judicial management;
- (v) A curator, in the case of a property in the estate of a person under curatorship;
- (vi) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viii) A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

1.34 “**Property**” means-

- (a) Immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- (b) A right registered against immovable property in the name of a person, excluding a mortgage bond registered against a property;
- (c) A land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- (d) Public service infrastructure;

1.35 “ **Rates**” means a municipal rate on property envisaged in section 229 (1)(a) of the Constitution;

1.36 “ **Service agreement**” refers to a written agreement for the consumption of electricity and/or water and other services as determined from time to time including a consolidated account.

1.37 “ **Terminated account**” refers to:

- (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 the service provisions of this policy and attendant municipal bylaws;

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

- 1.39 “ **Visitation fee**” refers to the fee charged for attendance and/or disconnection/reconnection of an electricity/water supply when the supply is been disconnected/reconnected due to non-payment and/or tampering, or where access to disconnect/restrict has not been gained, which fee shall be determined from time to time by the Council;
- 1.40 “ **Garnishee order/emoluments order**” refers to a court order for the deduction of an amount of money from the salary or other income of a customer.
- 1.41 “ **Municipal Pay-Point**” shall mean all Municipal Cash Offices and third party vendors who are authorized to collect monies on behalf of Council” .



2. INTRODUCTION

- 2.1. The Municipality cannot develop the local economy and provide acceptable services to its residents unless it receives payment, in full, of all bills raised for the services that it provides.
- 2.2. The Municipality must develop, maintain and implement a credit control and debt collection policy that is consistent and complies with the relevant legislation.
- 2.3. In regard to payments expected from registered indigents and Council tariffs, this policy is to be read in conjunction with The Msunduzi Municipality Indigent Policy and The Msunduzi Municipality Tariff Policy.

3. OBJECTIVES

The objectives of the Credit Control and Debt Collection Policy are:

- 3.1 To define a framework within which the municipality can develop an effective procedure to bill and collect its revenues;
- 3.2 To ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers and in a financially sustainable manner as prescribed by the Municipal Systems Act, 2000 (Act No. 32 of 2000), and other applicable legislation;
- 3.3 To maintain and implement a credit control and debt collection policy, which is consistent and complies with Section 97 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

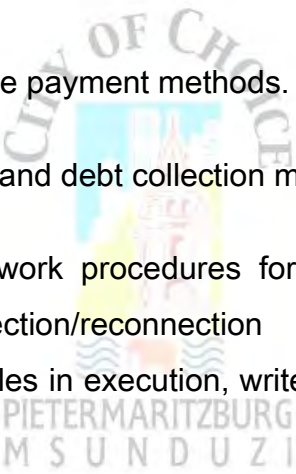
- 3.4 To ensure that the municipality develops credit control procedures and mechanisms that are considered to be consistent, fair and effective to all its consumers.

4 UNDERLYING PRINCIPLES OF THIS POLICY

- 4.1 The administrative integrity of the municipality must be maintained at all times. The democratically elected councillors are responsible for policy-making, while it is the responsibility of the Councillors, Municipal Manager and all staff to ensure the execution of these policies.
- 4.2 This policy shall take effect and be enforceable from the date of publication of the Credit Control By Laws.
- 4.3 The collection process must be cost-effective and enforcement of payment for services rendered must be prompt, consistent and effective.
- 4.4 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections and/or restrictions, penalties, loss of rights and criminal prosecutions.

5 ROLE AND RESPONSIBILITY OF MUNICIPAL MANAGER

- 5.1 In terms of Section 100 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Municipal Manager is responsible for implementing the credit control and debt collection policy and accordingly shall be, inter alia, responsible for the following:

- 
- 5.1.1 install and maintain an appropriate accounting system.
- 5.1.2 bill customers.
- 5.1.3. demand payment on due dates.
- 5.1.4. raise penalties and interest for defaulters.
- 5.1.5 appropriate payments received.
- 5.1.6. collect outstanding debt.
- 5.1.7. provide different/alternate payment methods.
- 5.1.8 determine credit control and debt collection measures.
- 5.1.9 determine all relevant work procedures for, inter alia, public relations, arrangements, disconnection/reconnection of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 5.1.10 instructs attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).
- 5.1.11 appoint staff to execute Council's policy and by-laws.
- 5.1.12 determine internal control procedures.
- 5.1.13 monitor contracts with service providers in connection with credit control and debt collection.
- 5.1.14 The Municipal Manager may delegate these responsibilities to the Chief Financial Officer. However, this delegation does not absolve the Municipal Manager from being held accountable for implementing this policy.

5.1.15 The Municipal Manager is to report monthly to the Executive Committee, and quarterly to the Council, on the actions taken in terms of this policy, and on the payment levels for the periods concerned.

5.1.16 Although the Municipal Manager is held accountable for implementing this policy, it is the responsibility of all officials of the municipality to promote and support this credit control and debt collection policy.

6 ROLE AND RESPONSIBILITY OF THE COUNCIL

6.1 To approve budgets consistent with the needs of communities, ratepayers and residents.

6.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.

6.3 To facilitate sufficient funds to give access to basic services for the poor.¹

6.4 To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.²

6.5 To, together with the Chief Financial Officer, set an annual improvement target for debt collection (refer Section 9), in line with acceptable accounting ratios and the ability and performance of any appointed external service providers.³

6.6 To approve a reporting framework for credit control and debt collection.

¹ Preferably, a portion of the equitable share should be set aside for this purpose.

² The bad debt provision should at least reflect the increase in debtors during the previous financial year.

³ A realistic target would be to improve on the previous year's result by approximately 3% - 5%.

- 6.7 To consider and approve by-laws to give effect to the Council's policy.
- 6.8 To revise the budget should Council's targets for credit control and debt collection not have been met.
- 6.9 To assist the Municipal Manager in the execution of his duties.
- 6.10 To approve funds for the training of staff in connection with credit control and debt collection.
- 6.11 In terms of Section 99 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Executive Committee, is to monitor and supervise the application of this policy, and is to report to Council on the extent and success of the municipality' s credit control actions.

7 DUTIES AND FUNCTIONS OF COUNCILLORS

- 7.1 To adhere to and convey Council policies to residents and ratepayers.
- 7.2 To adhere to the Code of Conduct for Councillors.
- 7.3 The ward committees will act in terms of roles and functions as approved by Council.
- 7.4 The ward committees are encouraged to actively promote this policy, and to ensure, at the same time, that the municipality' s customer service is of a standard acceptable to the community.

8 DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

By accessing services provided by the Municipality, customers have a duty, inter alia,:

- 8.1 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality on or before the due date for payment.
- 8.2 To observe the mechanisms and processes of the municipality in exercising their rights.
- 8.3 To allow municipal officials access to their property to execute municipal functions.
- 8.4 To comply with the by-laws and other legislation of the municipality.
- 8.5 To refrain from tampering with municipal services and property.

9 AREA OF APPLICATION

- 9.1 This policy shall apply and be enforceable throughout the entire area of jurisdiction of The Msunduzi Municipality and other areas of supply and in signing an agreement, the customer acknowledges that should he fall into arrears, the Municipality may implement such credit control measures as it deems necessary.
- 9.2 The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying this policy. The Council will, on application of this policy, avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

10 APPLICATION FOR SERVICES AND SERVICE AGREEMENTS

10.1 Before being provided with electricity, water and/or other customer services, and prior to taking occupation of premises, every customer shall enter into a service agreement for the provision of such services.

10.2 A new service agreement will only be entered into once **all amounts** owed by the consumer are settled in full.

10.2.1A new Service Agreement will only be entered into in respect of a property, once all outstanding accounts owed in respect of the property are settled in full.

10.3 Where the owner or consumer has failed to enter into an agreement for the provision of services;

the owner/consumer responsible for the payment of rates on the property will be billed for the consumption of all municipal service charges applicable to the property.

10.4 Application forms are available at the municipal offices and the application process must occur at least ten (10) working days prior to taking occupation of the premises. This will ensure that services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken. Once the application has been approved, a service agreement will be entered into and services will commence.

10.5 The Municipality will render the first account after the first meter reading cycle following the date of signing the service agreement or as soon as is administratively possible.

10.6 Consumers who illegally consume services without a valid service agreement will be subject to disconnection and/or removal of the service and may be prosecuted.

10.7 The service agreement shall set out the conditions under which the services are provided and shall require the signatories thereto to agree to abide by the provisions of the Municipalities credit control policy and Bylaws.

10.8 Where a signatory is not the owner of the property to which the services are to be provided, a letter from the owner indicating that the signatory is the lawful occupant of the property and where a lessor/lessee arrangement exists between the parties, a copy of such agreement shall be attached to the service agreement.

10.9 The owner of the property shall be jointly and severally liable with the consumer in respect of all amounts due for the municipal services provided to the property.

10.10 The services agreement shall not be entered into with any consumer who is not the owner unless the owner acknowledges in writing that he shall be jointly and severally liable in respect of any amounts owing for the services provided to the property.

11 DEPOSITS AND GUARANTEES

11.1 Any customer, **including** the registered owners of the property, is to pay a deposit on application for the provision of municipal services before the municipality renders any service to the property. Deposits are payable when new customers sign service agreements and when existing customers move to a new supply address. All deposits shall be paid at least 10 (ten) 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 clause 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.

11.2 Subject to the provisions of clauses 11.3, 11.4 and 11.5 hereunder, the calculation for deposits shall be determined by consideration of the following:

11.2.1 Three months average consumption of services;

11.2.2 An amount equal to two months of rates;

11.2.3 Deposit on rental as reflected in the lease agreement between the Municipality and the lessee;

11.2.4 Any other relevant charges

11.2.5 In determining the deposit described in Section 12.2, the Chief Financial Officer may differentiate between areas to give cognizance to differences in service standards and usage.

11.3 The Chief Financial Officer may re-assess customer deposits for new domestic, commercial and industrial customers three months after the initial

deposit date and may, as a result of this reassessment, require an additional deposit from the customer.

11.4 The Chief Financial Officer may review and increase deposits annually and, in the case of a customer's service being **disconnected or restricted as a result of non-payment or tampering**, may notwithstanding the provisions of clause 11.3 above, **increase or impose a deposit**. Should the deposit be increased as a result of this review the customer must make payment of the increased amount in line with the instruction from the Chief Financial Officer. When the increase results from the services being disconnected or restricted as a result of any payment/nonpayment or tampering, the CFO may demand immediate payment of the increased amount of the deposit

11.5 The outcome of the review contemplated in clause 11.4 shall be communicated to the customer in the event of any variation in the deposit arrangements being required.

12 ACCESS TO PROPERTY TO READ METERS

12.1 If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible, the municipality shall estimate the consumption of the service concerned and thereafter bill the consumer for the monetary value of such estimated consumption.

12.2 In the event that the Council continues to be unsuccessful in obtaining access to the property or meter for a period of 3 months and, therefore, is unable to obtain an accurate meter reading, the Chief Financial Officer or his authorised representative may disconnect the supply via the Central Distribution Unit (CDU).

12.3 Voluntary readings:

- These will be permitted provided the municipality obtains any final reading should the consumer move to another supply address.
- Consumers may be liable for a fee to cover the costs of obtaining a reading if no advance warning is given and special arrangements are required to obtain a reading.
- The Municipality is entitled to make suitable adjustments to the readings should a consumer fail to ensure that a final reading is obtained.
- An audit reading during the normal reading cycles must be obtained at least once every 6 months. If a special audit reading becomes necessary this will be done at the cost of the consumer.
- The consumer may elect to supply voluntary readings subject to compliance with this policy and Bylaws. The Chief Financial Officer may, however, cancel this facility if the consumer fails to render readings on two or more consecutive occasions.

13 ACCOUNTS, BILLING AND PAYMENT

13.1 The Council shall produce and post one consolidated monthly bill to consumers for services supplied or available (inter alia, electricity, water, refuse and sewerage charges) and for rates levied on property within the municipal area unless, for whatever reason, the rates account has not been consolidated with the services account in which case separate monthly accounts will be posted. These accounts will be produced in accordance with meter reading cycles at regular intervals or as prescribed by law. In the case of indigents where the net account after rebates amounts to zero, these will only be posted bi-annually and not on a monthly basis.

13.2 The account/invoice will, inter alia, reflect all requirements specified in the Municipal Property Rates Act and the following details:

- Consumer name;
- Consumer account number;
- Consumer postal address;
- Residence/Erf details to which the services have been supplied;
- The consumption or estimated consumption for each metered service within a specified period;
- The applicable service tariff;
- The monthly amount due for property rates and the total annual amount due;
- The valuation of the property;
- The amount due on any other service charges;
- The total amount due and payable;
- The amount in arrears, if any;
- The final date for payment
- The method, name and location of any municipal offices and authorised agents where payments may be made, and
- A notification that failure to settle the total amount due by final date will result in termination or restriction of services.

13.3 The Municipality shall furnish the consolidated account to the consumer address, in South Africa, as specified by each customer in the services agreement. However, non-receipt of an account does not negate the responsibility of the customer to pay the amount owing by final date nor prevent interest charges and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the most recent account, before the final date.

13.4 The consumer shall notify the Municipality in writing of any change of address, including an e-mail address, and contact details and the Municipality shall acknowledge such notification in writing. Notwithstanding

the fact that a consumer 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. Any change of address only becomes effective when the notification of the change is acknowledged by the Municipality.

13.5 Accounts must be paid in full on or before the final date as indicated on the account. Failure to comply with this section shall result in credit control measures being instituted against the consumer. Interest on arrears at the legal rate will accrue after final date if the account remains unpaid irrespective of the reason for non-payment.

13.6 Payments for accounts must be received at a Municipal Pay-Point by close of business on or before the final date. In the case of any electronic payments the money must be received in the municipal bank account no later than the close of business on the final date. In the case of monies paid to agents, the money must be deposited with the agent prior to the close of business on final date and proof thereof may be required to validate any claims.

13.7 The following methods of payment and payment points can be used:

Municipal pay points

- Cash and cheque payments can be made at the municipality' s cash offices, any South African Post Office and their agencies, First National Bank and Easy pay Outlets e.g. Pick & Pay, Checkers, etc.
- VISA and MASTERCARD credit card payments can be made at the municipality' s pay points;
- Electronic banking payments directly into the municipality' s account;

- Post;

14 PROPERTY RATES

14.1 In terms of the Council Rates Policy and in accordance with the Tariff of Charges Schedule, Property Rates will be raised and charged on a monthly basis and will be reflected on the Councils monthly bill.

14.2 All Property Rates not paid by final date will, in addition to any procedures as prescribed by law, be subject to credit control and debt collection procedures as stipulated in this policy.

15 INTEREST ON ARREARS AND OTHER PENALTY CHARGES

15.1 Interest shall be charged for a full month on all arrear amounts at the legal rate irrespective of when payment is made.

15.2 For purposes of determining arrear amounts, all amounts that are unpaid after final date, excluding interest, penalty charges previously raised including collection charges and Value Added Taxation, shall be taken into account.

15.3 The Chief Financial Officer will be entitled to raise the following charges in addition to the interest charge contemplated in clause 18.1:

- in the case of arrear rates, a collection charge equal to 10% will be raised on all arrear rates installments, after the last working day of the second month succeeding the final date for payment of the twelfth monthly installment.
- charges for disconnection or reconnection of electrical services
- Charges for restriction or removal of water services

- charges for reconnection or reinstatement of water services
- charges for notices of default and other correspondence
- penalty charges for illegal reconnections
- penalty charges for dishonoured cheques

15.4 Other than those penalty charges prescribed by legislation, the value of each of these charges will be determined on an annual basis by Council when considering its annual budget and shall be contained in the Msunduzi Municipality Tariff Register.

16 AGREEMENTS AND ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

16.1 The Chief Financial Officer is authorised to enter into agreements with customers in arrears with their accounts and to grant customers extensions of time for settlement of the amounts due to Council.

16.2 Where a customer in arrears is a business or commercial concern, a **minimum of 50% of the total overdue amount and the current amount due**, as an initial payment, shall be paid, and the balance of the account shall be paid in equal installments over a maximum period of six months. Any future monthly current accounts shall be paid on or before the final dates for the month in question. In respect of business or commercial consumers who are in arrears, interest will be raised in terms of this by law.

16.3 Where a customer in arrears is a domestic consumer, **10% of the total overdue balance and the current amount due**, as an initial payment, and the balance of the account shall be paid in equal intallments over a maximum period of twelve months. Upon written application by a customer the maximum repayment period may be extended to sixty months and a percentage lower than the 10% at the discretion of the Consolidated Billing

Manager. Any future monthly accounts shall be paid on or before final the date.

16.4 Where the municipality has for any reason been unable to bill the customer and a debt accrues in excess of his normal average account, a further extension of time, in addition to the 12 month period mentioned in 16.3 above may be granted by the Chief Financial Officer, which shall not exceed the maximum period equivalent to the period over which the incorrect charge was applied.

16.5 Should a customer breach the arrangement in any way, the balance of the arrear account, together with the balance of interest outstanding on the account, shall immediately become due and payable to the municipality.

16.6 A customer who fails to comply with any credit arrangement **shall not be permitted to enter into any further arrangement or extension of time** for payment and shall have his services terminated, however 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.

16.7 A customer who fails to comply with any arrangement of debt shall have his service agreement terminated, services disconnected/restricted, and his deposit and interest on any outstanding amounts set off against any arrear debt.

16.8 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.

16.9 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.

16.10 Recovery of rates in arrears from tenants and occupiers, Section 28 of the Municipal Property Rates Act will be enforced.

17 ALLOCATION OF PAYMENTS AND PART-PAYMENTS

17.1 Receipt of the total outstanding monies will be allocated to the credit of the account in full. If a debtor pays only part of any amount due, the Chief Financial Officer shall allocate such payment in the following order:

- to any unpaid interest raised on the account;
- to any other sundry debtors (miscellaneous);
- to housing rents and installments;
- to any unpaid refuse collection charges;
- to any unpaid sewerage charges;
- to any unpaid water charges;
- to any other unpaid electricity charges;
- to any unpaid property rates.

17.2 A customer shall not be entitled to allocate any payment made to any portion of the total debt due to the Council.

18 DISHONoured AND OTHER UNACCEPTABLE CHEQUES

18.1 Refusal by banks to honour payments by cheque is regarded as non-payment, upon which the relevant debtor is subject to credit control measures.

18.2 The municipality shall, at the earliest opportunity, be entitled to disconnect or restrict, as the case may be, the electricity and/or water supply of a customer who has offered a cheque as payment for municipal services if such cheque or debit order is returned or dishonoured by the financial institution.

18.3 A consumer tendering a cheque referred to in Clause 18.2 shall be liable for all administration charges and bank fees incurred as a result of such transaction.

18.4 Dishonoured cheques are to be kept on file and copies thereof will only be issued to account holders on request if the account, including legal costs, if any, is paid up to date after the reversal of the dishonoured payment.

18.5 A consumer who has tendered three dishonoured cheques in any 12 month period will not be allowed to make further payments by cheque for a period of at least one year. A bank guaranteed cheque may be accepted by the Chief Financial Officer.

19 QUERIES IN RESPECT OF ACCOUNTS

19.1 The enquiries counters at the municipality's service centres can be contacted for all account queries.

19.2 An enquiry clerk stationed at the municipality' s service centres shall be available to assist consumers with account balance queries as well as the opening and closing of accounts.

19.3 The municipality endeavors to investigate any query and respond thereto as soon as is reasonably practicable.

19.4 Any query in respect of the amount due and payable on the consolidated bill must be lodged, preferably in writing, at the municipality.

19.5 A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment on his account. In the event of an account holder providing reasonable grounds as a basis for a query on any item or items on the monthly municipal account, no action shall be taken against the account holder provided the accountholder has paid, by due date, an amount equal to the monthly average of the three most recent undisputed accounts in respect of the service in dispute, as well as all undisputed balances on such account.

19.6 If a consumer has received a response to a query referred to above, the customer will still be liable for the full outstanding amount and will be subject to credit control action. If it is established that the customer has been overcharged, the customer will be entitled to a refund.

20 DISCONNECTIONS/RESTRICTIONS OF SERVICE

20.1 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.

- 20.2 The consolidated account , if in arrears for 30 days or more ,shall reflect a warning message which shall be deemed to be proper and sufficient notification to the customer that his services shall be disconnected or restricted unless payment is received on or before due date.
- 20.3 In the event that full payment of the consolidated account, including any accumulated arrears, is not received on or before due date, the electricity supply and thereafter the water supply shall be disconnected/restricted, unless a formal acknowledgement 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.
- 20.4 Even though a customer may have concluded satisfactory credit arrangements, the Council is not obliged to effect a reconnection of services on the day that payment is received or the agreement has been signed but shall do so as soon as possible after such arrangement have been approved by the Chief Financial Officer.
- 20.5 Where a customer' s services are disconnected/reconnected, the customer shall be charged a visitation fee, as determined by the council from time to time, which shall be paid prior to services being reconnected.
- 20.6 Where a customer or owner' s account is in arrears 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, regardless of whether the service agreement is terminated or not, implement the procedures for debt collection as set out in Section 23 of this policy, if such action is deemed by the Chief Financial Officer to be in the best interests of the Council.

20.7 Should the Chief Financial Officer be of the opinion that the termination of services, in respect of which the account is in arrear, could result in the endangerment of the life of any person, the Chief Financial Officer may appropriately restrict rather than terminate the services in question.

21 RECONNECTION/REINSTATEMENT OF TERMINATED/RESTRICTED SERVICES

21.1 Services which have been terminated or restricted shall be reconnected or reinstated by the municipality only when all the following conditions have been met:

- (A) the arrear account has been paid in full, including the interest raised on such account; or an acceptable arrangement has been entered into with the municipality for the payment of the arrear account, including the interest raised on such account; or a query, as contemplated in Section 19, has been resolved and arrangements for payment as approved by the Chief Financial Officer have been concluded;
- (B) a revised service agreement has been entered into or an existing one reinstated with the municipality, as contemplated in Section 10 of this policy; and
- (C) a cash deposit, as determined by the Chief Financial Officer in terms of Section 11, has been paid to the municipality.

21.2 Where consumers using prepaid meters have arrear amounts in respect of other services rendered by the municipality the Council may allocate fifteen

(15) percent of any future prepaid purchases to arrear amounts until such time as the arrears have been brought up to date.

22 PERIOD FOR RECONNECTION OR REINSTATEMENT

22.1 The municipality shall endeavour to reconnect or reinstate terminated or restricted services within 3 (three) working days after the date on which the conditions set out in Section 21 of this policy have been met, unless unable to do so because of circumstances beyond the control of the municipality.

23 PROCEDURE FOR DEBT COLLECTION AND WRITE OFF

Where consumer accounts are in arrears, the Chief Financial Officer is authorised to institute any remedy available in law for the purposes of recovering such debt.

23.1 The Chief Financial Officer may withhold payment to suppliers whose accounts are in arrears in terms of the Supply Chain Management policy.

23.2 The Accounting Officer may direct the Chief Building Inspector to withhold/ reject the approval of building plans relating to improvements on properties if there are arrears on that property.

23.3 Arrear rates may be recovered from tenants/occupiers and or agents as set out in sections 20 and 29 of the Municipal Property Rates Act no 6 of 2004.

23.4 The Chief Financial Officer, in terms of the Council' s financial regulations, has authority to write off individual irrecoverable debts in amounts not exceeding R 50 000.

23.5 The Executive Committee, in terms of its delegated authority, is authorised to write off individual irrecoverable debts in amounts exceeding R 50 000.

- The Chief Financial Officer shall as soon as possible after 30 June each year, or more regularly if requested by Council to do so, present to the Council a report indicating the amount of the arrears that have been written off during the financial year, together with the reasons for the write off.

24 ILLEGAL TAMPERING WITH AND/OR THEFT OF SERVICES

The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities. Furthermore,

24.1 Water and electricity metering and connection equipment remain the property of the municipality and anyone involved in instances of tampering, damaging or theft thereof will be liable for criminal prosecution.

24.2 With regard to electricity services, if tampering of any nature or theft of such services is identified, the electricity supply to the property may be discontinued by the removal of the meter and the cable and the water supply may be restricted and/or discontinued.

24.3 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.

24.4 Once Council becomes aware that any terminated or restricted service has been irregularly reconnected or reinstated, the necessary action to remedy the situation, which could include the Municipal Manager reporting such action to the South African Police Service, will be implemented.

24.5 All outstanding amounts, including all metered consumption since the date of the illegal reconnection, or the estimated consumption if a reliable meter reading is not possible, shall be paid in full together with the required deposit, before any reconnection/reinstatement and new services agreements are considered. However, the receipt of payment will not necessarily impact on nor prejudice any legal or criminal proceedings against the customer.

24.6 Cost related charges, as reflected in the applicable Tariff Registers will be imposed where illegal use of water and electricity is detected.

24.7 An amount equal to an average of three months normal consumption in the case of water or electricity will be levied on the account in the interim for the unmetered period and is payable before the service is reinstated.

24.8 If the Council is of the reasonable opinion or is in possession of prima facie evidence indicating alleged tampering/illegal use, the Council may publish the names of the consumer, person or entity responsible for such activity.

25 UNOCCUPIED PREMISES

25.1 When a consumer terminates a services agreement and no new service agreement is entered into with the municipality, the property shall be deemed to be unoccupied.

25.2 Whenever water and/or electricity consumption is recorded at a property that is deemed to be unoccupied, an account will be raised and forwarded to the owner of the property for payment.

25.3 Notwithstanding the above, the municipality shall have the power to invoke the relevant provisions of section 24.

26 MUNICIPAL STAFF AND COUNCILLORS

26.1 Any member of staff/ Councillor of the Municipality may not be in arrears with the Municipality for rates and/or service charges for a period longer than three months. The Municipality may deduct any outstanding amounts from the salary of such member of staff after this period, in accordance with the Municipal Systems Act, 2000 (Act No. 32 of 2000).

26.2 If the employee/ Councillor provides reasonable grounds as a basis for a query on his account, no action shall be taken against such employee provided that he has paid, by due date, an amount equal to the monthly average of the most recent undisputed accounts in respect of the service in dispute as well as any undisputed balances on such account.

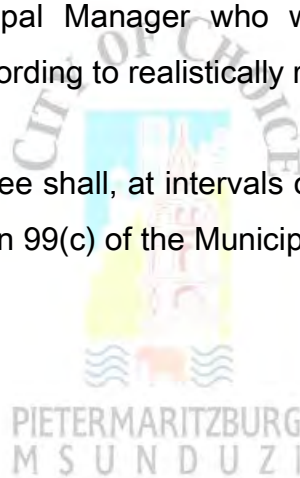
26.3 A Councillor may not be in arrears with regard to any of his accounts with the municipality for rates and service charges for a period in excess of 3 months.

27 REPORTING AND PERFORMANCE MANAGEMENT

27.1 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 Committee as supervisory authority in terms of Section 99 of the Municipal Systems Act, 2000 (Act No.32 of 2000), read with section 100(c).

27.2 If, in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent to the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will immediately move for a revision of the budget according to realistically realisable income levels.

27.3 The Executive Committee shall, at intervals of 3 months, report to Council as contemplated in Section 99(c) of the Municipal Systems Act.



28 COMMUNICATION OF POLICY TO CONSUMERS

28.1 The municipality will, at its own cost, publish the Credit Control and Debt Collection Policy in the local media. The Chief Financial Officer operating under delegated authority will publish the policy on whatever basis is to the Council' s best advantage. A copy of the policy will be posted on the municipality' s website and hardcopies will be made available on request at the service centers. Any amendments may be communicated on the website and in a newsletter from time to time.

28.2 Councillors must, from time to time, address ward committees on the contents of the policy and any amendments thereto.



29 BY-LAWS TO BE ADOPTED

29.1 By-laws shall be adopted to give effect to the Council' s credit control and debt collection policy.

29.2 The by-laws are to comply with the requirements of the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Water Services Act, 1997 (Act No. 108 of 1997), the Electricity Act, 1987 (Act No. 41 of 1987) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

29.3 The by-laws deal severely with defaulters, and their application requires a considerable degree of commitment from the Municipal Manager and his or her administration, as well as from the municipality's political structures. For the by-laws to ensure the avoidance of financial misfortunes for the municipality, and to lead to sustained financial stability, their application will have to receive the constant attention of all the municipality's key role-players and decision makers. If the by-laws are not constantly and consistently applied, from "month to month" and from "year-to-year", the municipality's political and administrative credibility will be severely impaired, and it may not be able to ensure financial sustainability in the long run.

29.4 Although the by-laws envisage even the termination of basic services for defaulting account holders this will not, in itself, no matter how harsh it may seem to those councillors and officials who are disposed to greater leniency, prevent the accumulation of arrears. The monthly billing for property rates, sewerage charges and refuse removal fees will continue in respect of defaulting account holders, even though their consumption of electricity and water may have been terminated or restricted. The termination or restriction of services must therefore be seen merely as a vital first step in the credit control programme, and the commitment by the municipality to follow up such actions with the full force of the law at the municipality's disposal is an essential further step if the accumulation of debts is to be meaningfully curtailed.

30 ENFORCEMENT OF OTHER LEGISLATION

30.1 In addition to the credit control and debt collection provisions contained in this policy and the published by-laws relating hereto, the Council may enforce any other rights or exercise any power conferred upon it by the Municipal Systems Act, 2000 (No. 32 of 2000), the Water Services Act, 1997 (Act No. 108 of 1997), the Property Rates Act, 2004 (Act No. 6 of 2004) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and any other applicable legislation.

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

31 INCORPORATION OF RATES POLICY PROVISION

A provision of the Council' s Property Rates Policy as it affects the Council' s ability to enforce the Council' s Credit Control and Debt Collection Policy shall, where such provision has been omitted from the Credit Control and Debt Collection Policy, be deemed to be incorporated into the Credit Control and Debt Collection policy.