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UMZIMVUBU LOCAL MUNICIPALITY FINAL CREDIT CONTROL AND DEBT COLLECTION POLICY 2026-2027

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PREAMBLE

In terms of Section 152 (1) of the Constitution of the RSA, 1996 (Act 108 of 1996), hereinafter referred to as "the Constitution" states that the objects of local government are: -

a) To provide democratic and accountable government for local communities.
b) To ensure the provision of services to communities in a sustainable manner, T
c) To promote social and economic development.
d) To promote a safe and healthy environment.
e) To encourage the involvement of communities and community organizations in the matters of local government.

Section 152 (2) of the Constitution stipulates that a municipality must strive within its financial and administrative capacity to achieve the objectives as set out above.

Section 153 (a) Constitution, on developmental duties of the municipality stipulates that a municipality must:

a) Structure and manage its administration, budgeting, and planning process to give priority to the basic needs of the community, and to promote the social and economic needs of the community.

Section 96 (a) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), hereinafter referred to as the "Systems Act", obliges the Umzimvubu Local Municipality to collect all monies that is due and payable to it, subject to the provisions of that Act and other applicable legislation.

Section 96 (b) of the Systems Act requires the Umzimvubu Local Municipality to adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies, and complies with the provisions of the Act.

Section 97 (1) of the Systems Act stipulates what a credit control and debt collection policy must provide for, and

Section 98 (1) (2) of the Systems Act obliges the Umzimvubu Local Municipality to adopt by-laws to give effect to the policy.

1. DEFINITIONS

"Credit control and debt collection" – means the function relating to the effective collection of any monies due and payable to the municipality

"Due date" in relation to –

rates and services due in respect of any immovable property, means:-the thirtieth (30^{th}) day of September of the financial year for which such rate is made, in the case where rates and services are levied on an annual basis;(government account)

the date for payment indicated on the account, in the case where rates and services are levied on a monthly basis;

"Indigent policy" – means Umzimvubu Local Municipality: Indigent Policy
"rates policy" - means Umzimvubu Local Municipality: Rates Policy
"tariff policy" – means Umzimvubu Local Municipality: Tariff Policy
"Consumer" – means any occupier of any property to which the Municipality has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property
"Municipal services" – means those services provided by the municipality such as property rates, refuse removal, interest and or surcharges
"Free basic services" – means free electricity in areas with electricity up to a maximum of 50 khw, and free other sources of energy such as solar, paraffin etc. in areas with no electricity
"Municipal valuation"- means the value of the property as determined in terms of the Property Rates Act
"Property rates act"- means the Local Government: Property Rates Act, 6 of 2004 "property" – means any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality
"Rate or rates" – means a municipal rate on property as envisaged in Section 229 of the Constitution.
"Interest"- means a charge levied, with the same legal priority as service charges, on arrear amount calculated at a standard rate equal to an interest rate which is one percent higher than the interest rate payable by the council for bank overdrafts
"Indigent threshold"- means the total monthly gross income of all occupants in the household equivalent or less than two times the government pension grant
"Indigent amount" – means the applicable subsidy as determined by the municipality from time to time
"Child handed households" – means a household where all occupants of a residential property are younger than 18 years of age, i.e., a child headed household is a household consisting only of child

2. OBJECTIVES OF THIS POLICY

This policy serves to assist management and officials of Umzimvubu Local Municipality to implement and maintain consistent, efficient, and effective controls over their revenue receiving or income department to achieve and maintain high levels of revenue collection.

The objectives of this policy therefore are to: -

i Ensure that all money due and payable to Umzimvubu Local Municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due, and any collection charges are collected efficiently and promptly.
ii Provide for credit control procedures and mechanisms and debt collection procedures and mechanisms.
iii Provide for indigent debtors.
iv Provide for the setting of realistic targets consistent with generally recognized practices and collection ratios and the estimates of income set in the annual budget of Umzimvubu Local Municipality
v Provide for interest on overdue accounts.
vi Provide for collection charges on the payment of any overdue amount.
vii Provide for extension of time for the payment of overdue amounts.

viii Subject to the principles provided for in this Policy, use innovative, cost effective, effective, efficient, and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process.
ix Promote a culture of good payment habits amongst debtors and instill a sense of responsibility towards the payment of accounts and reducing municipal debt.
x Effectively and efficient deal with defaulters in accordance with the terms and conditions of this policy

3. PRINCIPLES

The following principles should be considered.

1. Enforcement of this policy is a local matter only to relevant legislation
2. Credit control and debt collection policy must be understandable, uniform and implemented with equity, fairness, and consistency.
3. This policy must be effective, efficient, and economical
4. Billing must be accurate, timeous, and understandable
5. Debt and arrangements to repay debt will be treated holistically, but different repayment periods or methods may be determined for different types of services, debtors, or arrears within the general rule that the repayment should take into consideration the financial capacity of the debtor.
6. The consumers are entitled to reasonable access to pay points and to a variety of reliable payment methods
7. The consumers are entitled to efficient, effective, and reasonable responses to enquiries and appeals, and should suffer no disadvantages during the process of such request
8. Debtors may be referred to 3rd party debt collection agencies and may be placed on the National Credit Rating List
9. If an account is not paid by the due date, interest will be charged on overdue accounts.
10. All legal costs, including attorney and own client costs incurred in the recovery of arrears, shall be levied against the debtor's account
11. Consumers that meet the council's indigent criteria must be identified and supported.
12. Debtors found to have misrepresented themselves to benefit from any of the Municipality's relief or any benefit will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time, and all relief or benefits that have been received, will be reversed

4. RENDERING OF ACCOUNTS

The municipality shall render a regular account for the amount owing by a debtor for rates, fees, and service charges but failure by the municipality to render such accounts shall not absolve the debtor of his obligation to pay for rates, fees and/or services received.

Accounts must show the following:

i If measured, details of consumption for the period being charged and the amount due.
ii If flat rate, the amount due in terms of services rendered.
iii The amount due for other services rendered.
iv Other amounts due.
v The amounts due.
vi The amount due for property tax
vii The final date for payment of amount due, which shall not be more than 14 days from date of invoice.

5. CREDIT CONTROL PROCEDURE

1. Rates and Services

The following provisions apply to rates and services:

1.1 Monthly accounts will be issued to all property owners/consumers.

1.2 All subdivided properties that are not registered at the deed's office will be billed to the main owner until a clear sale agreement with clear ownership details of the new owner have been submitted. Also, for the Municipality to bill tenants instead of the owner, a clear lease agreement must be submitted to the Municipality.

1.3 These charges shall be payable within 14 days after the last day of each month in which such account was rendered. The fourteen-day period needs to be adopted by the Council and promulgated in the Provincial Gazette. Until such time the status quo will remain.

1.4 Interest will be raised on payments received after the due date, at 10% per annum.

1.5 Reminder letters, notices and SMS's will be issued to the consumers of the amounts owed to the municipality for a period more than 30 days.

1.6 The Chief Finance Officer shall in 7(seven) calendar days after each monthly due date for payment of municipal accounts for property rates and /or service charges, dispatch to every defaulting account holder, that is, every account holder who as at the date of the notice has not paid the monthly account in full or has not made an acceptable arrangement with the municipal manager for partial or late payment, a notice stating that unless full payment is received or an acceptable arrangement made with the municipal manager for partial or late payment, the account of the debtor to the property to which the account in arrears relates shall be handed over for collection 14(fourteen) calendar days after the date of the notice concerned.

1.7 Final demands will be issued to defaulters outstanding for a period exceeding 90 days. Failure to respond to the Final Demand by the due date (21 days) will result in Legal Action.

1.8 Legal Action – If the defaulter fails to adhere to the conditions of the Final Demand, a copy thereof will be handed to the credit control clerk (responsible official) who will institute legal proceeding for the recovery of debt, interest, administration and legal cost.

1.9 A RM2 summons document will be compiled and submitted to Court for endorsement. Thereafter, the legal documents are handed to the Messenger of the Court for service on the defaulters. Defaulters are allowed five days, after the summons has been served upon them to settle the debt.

1.10 Failure to respond the summons will result in an Application for Default Judgement being applied for with the Court. This results in blacklisting of the defaulter. Thereafter, a Warrant of Execution is compiled and submitted to the Court for endorsement and handed to the Sheriff who in execution of the Warrant, attaches goods to the value of the debt to be sold by Public Action.

1.11 Expenses in respect of the handover and notices thereof shall be borne by the account holder

1.12 Clearance Certificates- All monies including any estimated amounts for the duration of the validation period of a certificate in terms of section 118, of the Systems Act, or Section 89 of the Insolvency Act, 24 of 1936, are for the purpose of Section 118, deemed to be due and must be paid in full prior the issuing of any clearance certificate. Upon sale in execution of immovable property, the purchaser shall be responsible for payment of all costs and charges necessary to effect transfer including conveyancing costs, rates, taxes and other like charges necessary to procure a rates clearance certificate. Transfer of property from one owner to another does not extinguish the security created by section 118 (3) of Municipal Systems Act.

1.13 The owner of the property, if he/she is subdividing his/her plot, must first clear up his/her account before the subdivision can take place and clearance certificate issued for the subdivision.

1.14 Consolidation of plot, the outstanding balance on rates and services must first be paid in full before the consolidation can take place.

1.15 Building plan approvals- No building plan must be issued before clearance of oustanding balance on rates and services.

1.16 Indemnity- No refund will be made if the claimant/applicant is owing rates and taxes

1.17 The Municipality shall not conduct any business activity with or provide any service to any persons / company who are/is in arrears with municipal accounts except as provided for in legislation or arrangement should be made by such person that the Council may deduct a certain percentage from his/her payment.

1.3 Service Contract

1.2.1 A service contract shall henceforth be entered into with the municipality for each property to which the municipality is expected to provide all or any of the following services:

(a) Water
(b) Electricity
(c) Refuse

1.2.2 Such contract shall set out the conditions on which services are provided and shall require the signatory to note contents of the municipality's credit control and debt collection policy, a copy of which shall be provided to such signatory, as well as the provisions of the Municipal Systems Act regarding the municipality's right of access to property.

1.2.3 Where the signatory is not the owner of the property to which the services are to be provided, a properly executed letter from such owner indicating that the signatory is the lawful occupant of the property shall be attached to the service contract.

1.2.4 Current consumers and users of the municipality's services who have not entered a service contract as envisaged above, must do so within 6 months from the date on which the by-laws to implement the present policy are published, and failure to do so shall be considered as a default equivalent to non-payment in terms of below in notice of default.

2 Arrangements for Payment of Arrear Account

Debt arrangements shall be made in a differential approach for different customer catergories as follows:-

1. Residential Customers

i. 50%paid in full.

ii. Remaining 50% to be arranged for maximum period of 12 months

2. Businesses

i. 50%paid in full

ii. Remaining 50% to be arranged for maximum period of 6 months

6. QUERIES BY ACCOUNT HOLDERS

i. In the event of an account holder reasonably querying any item/s in his/her monthly municipal account, no action shall be taken against the account holder as contemplated in part notice of default above provided the account holder has paid by the due date an amount equal to the monthly average monetary value of the three most recent un-queried accounts in respect of the service under query, as well as all un-queried balances on such account, and provided further such query is made in writing by the account holder or is recorded in writing by the Municipal Manager on behalf of the account holder on or before the due date for the payment of the relevant account i.e. notwithstanding any query on any account the account must still be paid, in terms of the provisions contained in this policy, pending the outcome of the query.

ii. Any query raised by an account holder in the circumstances contemplated in part interest on arrears and other penalty charges below shall not constitute a reasonable query for the purpose of the present paragraph.

7. INTEREST ON ARREARS AND OTHER PENALTY CHARGES

i. Normal Terms: All categories of consumers are required to effect payment of their rates and services accounts on or before the due date advised on account statements.

ii. As a guide to the Municipal Manager interest shall be charged on all arrear accounts at 10% per annum.

(1) Account balances which remain unpaid after the due date shall attract interest 10% per annum irrespective of the reason for non-payment.

(2) The following categories of arrear debt shall not attract interest on arrears: -

(a) Indigent debt.

(b) Closed accounts/dormant accounts

(c) Accounts with dispute

(d) Accounts with arrangements provided the customer honors the arrangement.

8. METHODS FOR DEBT RECOVERY

Umzimvubu Local Municipality will apply the following means to collect all monies due and payable to it:

i. Current charges must be paid in full.
ii. The debtor may be required to prove levels of income and must agree to a monthly payment toward arrears on such debtor's ability to pay based on such debtor's liquidity if the Municipality so requires.
iii. Arrangement for payment of arrears should be made as follows but only after an acknowledgement of Debt (the agreement), has been signed by the debtor who should provide positive proof of identity or an authorized agent with Power of Attorney.
iv. The agreement must be completed entailing details of all arrangements for paying off arrear account as set out in clause 5 (2) above. A copy of the agreement must be handed to the client and a copy filed in the debtor's file by the Finance Manager.
v. No interest will be charged on arrear amount from the time the agreement is entered into provided that the agreement is honored by the debtor.
vi. The Finance manager when notified by a debtor of his failure to comply with the arrangement shall consider the merit of the debtor's circumstances in reviewing the arrangement. This could result in either an extension of the period of repayment; or increase the monthly repayments to maintain the repayment period.
vii. A written agreement will be signed with the service providers that do business with the Municipality, that owe municipality for rates and services, to pay in part or in full the debt owed to the Municipality using an agreed amount on the invoice that is payable to them. Note that Persons that qualify for indigent status under the criteria detailed in Umzimvubu Local Municipality's Indigent Policy Document are not subject to any credit control and debt collection procedures.
viii. Any of the above arrangements will automatically include the condition that all future monthly accounts are paid by the debtor on due date except in case of merit which will be at the discretion of the Finance Manager.
ix. No person will be allowed to enter into a second agreement if the first agreement was dishonored
x. The Finance Manager is not obliged to notify the debtor of the failure to comply.
xi. Should a debtor not settle his/her account in full, after having made the arrangements, fail to comply with the arrangements, Council shall take all necessary legal steps to recover amount owing including such as attachment of the debtor's assets as per the litigation Procedure In terms of the Magistrate's Court Act No. 32 of 1944 (as amended) and/or listing with credit bureau.
xii. The Municipality may attach the rental or any other payments due to debtors who are in arrears with their municipal accounts
xiii. If any debt levied in respect of a property is unpaid by the owner of the property the Municipal Manager may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier.
xiv. The Municipal Manager may recover an amount only after a written notice has been served on the tenant or occupier.
xv. The amount the Municipal Manager may recover from the tenant or occupier of a property is limited to the amount of the rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property.
xvi. Any amount the Municipal Manager recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owed by the tenant or occupier to the owner.
xvii. The tenant or occupier of the property must, on request by the Municipal Manager, furnish the Municipal Manager with a written statement specifying all payments to be made by the tenant or

occupier to the owner of property for rent or other money payable on the property during a period determined by the Municipal Manager.

xviii. The Municipal Manager may recover the amount due for debt on a property in whole or in part from the agent of the registered owner, if this is more convenient for the Municipal Manager

xix. The Municipal Manager may recover the amount due for debt from the agent of the registered owner only after a written notice has been served on the agent,

xx. The amount the Municipal Manager may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the registered owner less any commission due to the agent.

xxi. The agent must, on request by the Municipal Manager, furnish the Municipal Manager with a written statement specifying all payments for rent on the property and any other money received by the agent on behalf of the owner during a period determined by the Municipal Manager.

9. MUNICIPAL EMPLOYEES AND COUNCILLORS

- S10 of Schedule 2 of the Systems Act states that "a staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from the staff member's salary after this period."
- Schedule 1, item 12A of the Systems Act states that "a Councilor of the Municipality may not be more than 3 months in arrears for municipal services fees, surcharges fees on fees, rates or any other municipal taxes, levies and duties levied by the Municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this policy, the Municipal Manager shall deduct any outstanding amount from such Councilor's remuneration after this 3-month period has elapsed.
- A stop order arrangement shall be signed by Councilors and Employees even if there is no old outstanding debt.
- Manager Revenue and Debt Collection in conjunction with Human Resources Department shall notify such employees and councilors in writing of the steps that the Municipality will take to recover the debt.
- The policy shall apply to all employees irrespective of their level or position within the Municipality.

10. INDIGENTS

Indigents are defined as those people, who due to several factors, are unable to make a full monetary contribution towards basic services, Typical examples are, pensioners, students, unemployed, disabled persons etc.

Municipalities are expected to institute an indigent support policy that will on an individual basis, subsidize those who are unable to pay the full charges for the services rendered to them provided they have applied for the relief and are approved in terms of the Municipality's Indigent Register.

11. CERTIFICATES REQUIRED FOR TENDERS

(1) A person or an institution reacting to a tender published by the municipality or wishing to enter into a contract to either provide services or goods to the municipality must produce a certificate, on the prescribed form, which states that regular payment of rates and services accounts are maintained and that the account is currently up to date.

(2) A person who fails to provide such a certificate shall be disqualified from the tendering process.

A person who has an existing arrangement with the municipality for the payment of arrears shall be exempted from (1) and (2) to the extent of the arrears provided that person is honoring payment arrangement

12. INCENTIVES FOR PROMPT PAYMENT

- During the budget process Council may consider from time-to-time incentives for the prompt payment of accounts or payment by debit or stop order, to encourage prompt payment and/or to reward regular payers,
- The cost associated with the incentive scheme, if introduced, will be reflected in annual budgets as additional expenditure.

APPROVAL OF THE POLICY

The Municipal Council has approved the amendments thereof.

AUTHENTIFICATION

The amendments of the policy and or the new policy was adopted by the Council on the

28 May 2016

As per Council Resolution number: ULMC' 088

SIGNED BY:

MR. G.P.T. NOTA

MUNICIPAL MANAGER

COUNCILLOR N.G. MDZINWA

SPEAKER OF THE COUNCIL