

Customer Care, Credit Control and Debt Collection Policies

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ROADMAP TO CREDIT CONTROL

BYLAW

To be published to empower the Council to implement and enforce the policy

CUSTOMER CARE; CREDIT CONTROL AND DEBT COLLECTION POLICY

Public document outlining the rights and obligations of all parties concerned

CUSTOMER CARE POLICY OBJECTIVES

To focus on the client's need in a responsible and pro-active way, to enhance the payment for services and to create a positive and cooperative relationship between the persons responsible for the payment for services received, and the municipality, and where applicable, any service provider.

CREDIT CONTROL OBJECTIVES

To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt. To facilitate financial assistance and basic services for the community's poor and provide incentives for prompt payment as well as ensuring limited risk levels by means of effective management tools.

DEBT COLLECTION POLICY OBJECTIVES

To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

CUSTOMER CARE PROCEDURAL WORKBOOK

CREDIT CONTROL PROCEDURAL WORKBOOK

DEBT COLLECTION PROCEDURAL WORKBOOK

Guidelines for official use and practises for implementation of the policy.

P R E A M B L E

WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipality to adopt, maintain and implement a credit control-, debt collection and customer care policy;

AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;

NOW THEREFORE the Municipal Council of the Municipality of Karoo Hoogland adopts the policies as set out in this document.

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CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICIES

DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act” The Local Government : Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

“Authorized Representative”
 the person or institution legally appointed by the Council to act or to fulfill a duty on its behalf;

“Chief Financial Officer”
 the person appointed by Council to administer its finances;

“Council” the municipal council of the Municipality of Karoo Hoogland;

“customer” any occupier and/or owner 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;

“defaulter” a person who owes money to municipality after the due date has expired;

“equipment” a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

“interest” a charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on arrear monies;

“municipality” the institution that is responsible for the collection of funds and the provision of services to the customers of Karoo Hoogland;

“municipal account”

an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;

“Municipal Manager”

the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

“municipal services”

those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

“occupier” any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property,

“owner” –

- (a) the person in whose name the property is legally vested;
- (b) in the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;

- (c) in the case where the council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
- (d) in the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- (e) regarding:
 - (i) a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 van 1986), without limiting it to the developer or managing body to the communal property;
 - (ii) a portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a “sectional title, including the legally appointed representative of such person;
- (f) any legal entity including but not limited to :
 - (i) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust *inter vivos*, trust *mortis causa*, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984), and any voluntary organisation;
 - (ii) any provincial or national government department or local authority;
 - (iii) any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
 - (iv) any embassy or other foreign entity.

“property” any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality;

1 PRINCIPLES

- 1.1 The administrative integrity of the municipality must be maintained at all costs. The democratically elected councillors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- 1.2 All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as and when determined by the Municipal Manager.
- 1.3 A copy of the application form, conditions of services and extracts of the relevant council's customer care, credit control and debt collection policy and by-laws must be handed to every customer on request at such fees as may be prescribed by Council.
- 1.4 Billing is to be accurate, timeous and understandable.
- 1.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 1.6 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 1.7 Enforcement of payment must be prompt, consistent and effective.
- 1.8 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, penalties, loss of rights and criminal prosecutions.
- 1.9 Incentives and disincentives may be used in collection procedures.
- 1.10 The collection process must be cost-effective.
- 1.11 Performance results, will be regularly and efficiently reported by the Mayor to Council.
- 1.12 Application forms will be used to, *inter alia*, categorise customers according to credit risk and to determine relevant levels of services and deposits required.

- 1.13 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.
- 1.14 Where practically possible the debt collection and customer care policies would be handled independently of each other and the organisational structure will reflect the separate functions.
- 1.15 The principle of providing services in lieu of payment for arrear accounts is supported.

2. DUTIES AND FUNCTIONS

2.1 *Duties and Functions of Council*

To approve a budget consistent with the needs of communities, ratepayers and residents.

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

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

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.

To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.

To approve a reporting framework for customer care, credit control and debt collection.

To consider and approve by-laws to give effect to the Council's policy.

To monitor the performance of the Municipal Manager *via* the Mayor (Supervising Authority) regarding customer care, credit control and debt collection.

To revise the budget should Council's targets for customer care, credit control and debt collection not be met.

To take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies.

To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy to the Mayor and Municipal Manager and Service Provider respectively.

To provide sufficient capacity in the Municipality's Financial Directorate for customer care, credit control and debt collection. Alternatively to appoint a Service Provider, or debt collection agent.

To assist the Municipal Manager in the execution of his duties, if and when required.

To provide funds for the training of staff.

2.2 Duties and functions of the Mayor

2.2.1 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.

2.2.2 To monitor the performance of the Municipal Manager in implementing the policy and by-laws.

2.2.3 To review and evaluate the policy and by-laws in order to improve the efficiency of Council's customer care, credit control and debt collection procedures, mechanisms and processes.

2.2.4 To report to Council.

2.3 Duties and functions of the Municipal Manager

2.3.1 To implement good customer care management systems.

2.3.2 To implement council's customer care, credit control and debt collection policy.

2.3.3 To install and maintain an appropriate accounting system.

2.3.4 To bill customers.

2.3.5 To demand payment on due dates.

2.3.6 To raise penalties for defaults.

2.3.7 To appropriate payments received.

2.3.8 To collect outstanding debt.

- 2.3.9 To provide different payment methods.
- 2.3.10 To determine customer care, credit control and debt collection measures.
- 2.3.11 To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 2.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- 2.3.13 To set performance targets for staff.
- 2.3.14 To appoint staff to execute council's policy and by-laws in accordance with council's appointment policy.
- 2.3.15 To delegate certain functions to heads of departments.
- 2.3.16 To determine control procedures.
- 2.3.17 To monitor contracts with Service Providers in connection with credit control and debt collection
- 2.3.18 To report to the Mayor.

2.4 *Duties and functions of communities, ratepayers and residents*

- 2.4.1 To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 2.4.2 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality on or before the due date.
- 2.4.3 To observe the mechanisms and processes of the municipality in exercising their rights.
- 2.4.4 To allow municipal officials reasonable access to their property to execute municipal functions.
- 2.4.5 To comply with the by-laws and other legislation applicable to the municipality.
- 2.4.6 To refrain from tampering with municipal services and property.

2.5 Duties and functions of Councillors

2.5.1 To hold regular ward meetings (Ward Councillors).

2.5.2 To adhere to and convey council policies to residents and ratepayers.

2.5.3 To adhere to the Code of Conduct for Councillors.

3. PERFORMANCE EVALUATION

Council will create a mechanism wherein the following targets are assessed, performance is evaluated and remedial steps taken.

3.1 Income Collection Targets

Council to create targets that include:

3.1.1. Reduction in present monthly increase in debt in line with performance agreements determined by council.

In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, Karoo Hoogland municipality will have to strive to its utmost to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality – that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 90%.

3.2 Customer Service Targets

Council to create targets that would include:

3.2.1 Response time to customer queries.

3.2.2 Date of first account delivery to new customers.

3.2.3 Reconnection time lapse.

3.2.4 Meter reading cycle.

3.3 Administrative Performance

Council to create targets that will include:

- 3.3.1 Cost efficiency of debt collection.
- 3.3.2 Query and appeal periods.
- 3.3.3 Enforcement mechanism ratios.

4. Reporting

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

Cash collection statistics, showing summarised debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

Performance of all areas against targets agreed to in item 3 of this policy document.

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, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

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

5. CUSTOMER CARE POLICY

OBJECTIVE

To focus on the client's need in a responsible and pro-active way, to enhance the payment for services and to create a positive and cooperative relationship between the persons responsible for the payment for services received, and the municipality, and where applicable, any service provider.

5.1 Communication and feedback

5.1.1 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include revised targets for credit control.

5.1.2 Council's Customer Care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in English, and will be made available by general publication and on specific request, and will also be available for perusal at Council's offices and the official web site.

5.1.3 Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.

5.1.4 Ward councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.

5.1.5 The press will be encouraged to give prominence to Council's customer care and debt collection issues, and will be invited to Council or Committee meetings where these are discussed.

5.2 Handling of Complaints

5.2.1 Council aims to establish:

- a) A central complaints/feedback office;

- b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
- c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
- d) A communication mechanism to give council feedback on service, debt and other issues of concern.

5.3 Accounts and billing

- 5.3.1 Customers on the billing system will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.
- 5.3.2 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 5.3.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.
- 5.3.4 It is the customer's responsibility to ensure that postal address and other contact details are correct.
- 5.3.5 It is the customer's responsibility to ensure timeous payment in the event of accounts not received.
- 5.3.6 Settlement or due date will be as indicated on the statement.
- 5.3.7 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.
- 5.3.8 Where any payment made to the municipality or its authorised representative by negotiable instrument is later dishonoured by a bank, the municipality or its authorised agent:
 - (a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer.
 - (b) Shall regard such an event as default on payment.

5.3.8 The municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request, at a cost as determined by Council.

5.4 Metering

5.4.1 The municipality will endeavour, within practical and financial limits, to provide meters to every paying client for all consuming services.

5.4.2 All meters are to be read monthly, on the same date, if at all possible. If the meter is not read monthly the council will estimate the consumption in terms of council's operational procedures;

5.4.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.

5.4.4 Customers will be informed of meter replacement.

5.4.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for an estimated consumption the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

5.5 Payment facilities and methods

5.5.1 The municipality will operate and maintain suitable payment facilities, and which facilities will be accessible to all users.

5.5.2 The municipality will, at its discretion allocate a payment between service debts and a debtor who has overdue debt, may not specify that the payment is for a specific portion of the account.

5.5.3 The municipality may in terms of section 103 of the Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement. The municipality may provide for special incentives as contemplated in section 103 of the Systems Act.

5.5.4 The customer will acknowledge, in the customer agreements, that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment.

5.6 Enquiries, appeals and service complaints

5.6.1 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the municipality for investigation of this account, and where necessary the relevant alterations.

5.6.2 In the interim the debtor must pay the average of the last three months accounts where such history of the account is available. Where no such history is available, the debtor is to pay an estimate provided by the municipality before payment due date until the matter is resolved.

5.6.3 The relevant department will investigate and inform the debtor within the period specified herein, as determined by the Municipal Manager from time to time.

5.6.4 Failure to make such agreed interim payment or payments will result in the customer forming part of the normal credit control procedures.

5.6.5 A customer may appeal to the Municipal Manager or his delegation against the finding of the municipality or its authorised agent in terms of 5.6.2.

5.6.6 An appeal in terms of 5.6.5 must be made and lodged with the municipality within 21 (twenty-one) days after the notification of such finding referred to in 5.6.2 and must:

- (a) Set out the reasons for the appeal.
- (b) Be accompanied by any security determined for the testing of a measuring device, if applicable.

5.7 Customer Categories

Customers will be categorised according to specific classifications based on *inter alia* the type of entity and applicable tariffs and risk levels. Processes for credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the Chief Financial Officer.

5.8 *Priority Customer Management*

- 5.8.1 Certain customers will be classified as priority customers based on criteria determined by the Municipal Manager from time to time, such as the number of properties owned or volume of consumption.
- 5.8.2 The envisaged Priority Customer Liaison Officer will be responsible for the ongoing management of the customers so classified and will perform tasks such as the review of monthly accounts to ensure accuracy, the monitoring of prompt settlement of accounts and response to queries.

6. CREDIT CONTROL POLICY

OBJECTIVE

To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt. To facilitate financial assistance and basic services for the community's poor and provide incentives for prompt payment as well as ensuring limited risk levels by means of effective management tools.

6.1 Right of access to premises

6.1.1 The owner and or occupier of property is to allow an authorised representative of the municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.

6.1.2 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.

6.1.3 If a person fails to comply with sub paragraph 6.1.1 the municipality or its authorised representative may:

- (a) By written notice require such person to restore access at his/her own expense within a specified period.
- (b) If it is the opinion that the situation is a matter of urgency, without prior notice restore access and recover the cost from such person.

6.2 Incentives for prompt payment

6.2.1 The Council may, to encourage prompt payment and/or to reward regular payers, consider from time to time incentives for the prompt payment of accounts or payment by debit or stop order.

6.2.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure. Such incentives can be in the form of a rebate and will be credited to the municipal account of that consumer.

6.3 Enforcement Mechanisms

6.3.1 When the due date for payment has lapsed as reflected on the monthly accounts, the consumer is notified in writing that he/she has default to pay

the municipal account and that if no payment is received within 14 days of the date on the notice, the services to the premises will be disconnected or restricted.

If the account was still not paid within the 14 days, a disconnection list with a notice to the consumer is prepared and the services to the premises are limited or disconnected.

A process of legal action will commence after another 30 days have passed and no payments have been received.

A notice will be served informing the consumer that his/her account was handed-over due to the non payment.

This process will however depend on the cost –effectiveness thereof. Individual inspection of accounts will be performed by the officials and only cases where the CFO and the Municipal Manager are in agreement to hand-over such accounts, then only will the process of legal action commence.

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

6.4 *Theft and fraud*

- 6.4.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, as well as theft of and damage to Council property, will be prosecuted and/or liable for penalties as determined from time to time. (Such penalties will be included in the tariff structure of the Municipality)
- 6.4.2 Council will immediately terminate the supply of services to a customer should such conduct as outlined above, be detected.

- 6.4.3 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.
- 6.4.4 Council will maintain monitoring systems in order to identify customers who are undertaking such illegal actions.
- 6.4.5 Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- 6.4.6 Any person failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.
In addition, all metered consumption since the date of the illegal reconnection, or the estimated consumption if a reliable meter reading is not possible, shall also be paid in full before any reconnection or reinstatement is considered.

6.5 *Service application and agreements*

- 6.5.1 All customers of services will be required to sign an agreement governing the supply and cost of municipal services. Owners may allow a tenant to sign a separate agreement with the municipality, which the municipality may at its own discretion accept or reject. On default by a tenant, the owner will be the debtor of last resort.
- 6.5.2 Prior to signing these agreements, customers will be entitled to receive the policy document of the Council on request at a cost determined by Council.
- 6.5.3 On the signing of the agreement, customers will receive a copy of the agreement for their records.
- 6.5.4 Customers are responsible for costs of collection, interest and penalties in the event of delayed and/or non payment.
- 6.5.6 Existing customers of services will be required to sign new agreements as determined by the Municipal Manager from time to time.

Current consumers and users of the municipality's services who have not entered in a service contract as envisaged above, must do so within 2 years 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 part 3 above.

6.6 Customer screening and securities

- 6.6.1 All applicants for municipal services will be checked for credit-worthiness including checking information from banks, credit bureaux, other local authorities, trade creditors and employers. On application consumers will be grouped into high, medium or low risk consumers. Consumers will have low risk for no defaults or judgements, medium risk for defaults only and high risk if any judgements were taken.
- 6.6.2 Deposits either in cash or any other security acceptable to the municipality will be required, and may vary according to the risk as determined by the Municipality. These deposits will be determined for each of the risk groups as per the tariff policy approved by Council from time to time.
- 6.6.3 Deposits can be increased by the municipality at any time and at the sole discretion of the municipality to a maximum of three months average consumption.
- 6.6.4 Deposits can vary according to the credit-worthiness or legal category of the applicant subject to paragraph 6.6.
- 6.6.5 The municipality will not pay any interest on deposits.
- 6.6.6 On the termination of the agreement the amount of the deposit, less any outstanding amount due to the municipality, will be refunded to the consumer.

6.7 Persons and Business who tender to the Municipality

The Supply Chain Management Policy of the Municipality will include the following:

- 6.7.1 When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer

obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.

6.7.2 No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period.

6.7.3 A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.

6.8 Customer assistance programmes

6.8.1 Water leakages

6.8.1.1 If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.

6.8.1.2 Where suitable proof of repair costs are provided, the Municipality may, at its sole discretion, provide relieve to a maximum of 80% of the charge raised for the water lost due to the leak, for a period not exceeding three months.

6.8.1.3 The customer has the responsibility to control and monitor his/her water consumption.

6.8.2 Rate rebates

6.8.2.1 Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council.

6.8.2.2 A rate rebate may be granted according to certain qualifying criteria to social pensioners or the receiver of a State disability grant and/or any category of customer, as determined by Council from time to time.

6.8.3 Arrangements for settlements

6.8.3.1 Customers with consumption arrears must agree to the conversion to a prepayment meter, if and when implemented the cost of which, and the arrears total, will be paid off either by:

- a) adding the debt to the arrears bill and repaying it over the arrangement period; or
- b) at the discretion of the Municipal Manager, adding the debt as a surcharge to the prepaid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.

6.8.3.2 Council reserves the right to raise the deposit requirement of debtors who seek arrangements.

6.8.3.3 Where an arrangement is made outside of the conditions of payment as set out in Annexure "A" to this policy, such payments will be accepted, however the service levels will still be restricted and further credit control procedures followed.

Each defaulting accountholder shall be allowed a maximum period of 3 (three) months within which to pay an arrear account, together with the interest raised on such account, and it shall be a condition for the conclusion of any arrangement that the accountholder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends.

If an accountholder breaches any material term of an arrangement, the balance of the arrear account, together with the balance of interest raised on such an account, shall immediately become due and payable to the municipality, and if the accountholder defaults on such payment, the municipal manager shall terminate or restrict services to the property in question and shall forthwith hand such account over for collection as envisaged in part 8.

An accountholder who has breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts, but shall be proceeded against, after the dispatch of the initial notice of default as envisaged in part 3 and failure by the accountholder to pay the arrear account, together with interest raised on such arrears as required in terms of such notice, as though such accountholder had breached a material term of an arrangement.

6.8.4 Rates by instalments

- 6.8.4.1 Customers may elect to pay the property rates account monthly, over a maximum period of 12 months at no interest cost, on the condition that there is no rates outstanding in respect of a previous period and that the rates are paid in full prior to the next rates cycle.
- 6.8.4.2 Any arrangement for monthly rate instalments will be cancelled by the Municipality and all rates will be payable in full with immediate effect should any three instalments become overdue.

6.8.5 Indigent subsidy

The municipality approved a separate policy stipulating the rules and procedures to be implemented and maintained regarding indigent subsidy.

6.8.6 Additional subsidy categories

- 6.8.6.1 Council may provide, free of charge to a customer, certain basic levels of water and electricity, as determined from time to time.
- 6.8.6.2 Council may provide grants in lieu of rates to certain categories of owners of domestic properties to alleviate poverty.
- 6.8.6.3 Rebates may be granted to sporting bodies for consumption but tariffs would at least cover the cost of the service.
- 6.8.6.4 Rebates may be granted to large customers to attract business to Karoo Hoogland that would benefit the community of Karoo Hoogland.

6.9 Cost of collection

All costs of legal process, including interest, penalties, service discontinuation costs and legal costs associated with customer care or credit control, where ever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

6.10 Abandonment of Claims

- 6.10.1 The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.

- 6.10.2 There are some circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, such as:
- 6.10.2.1 The insolvency of the debtor, whose estate has insufficient funds.
 - 6.10.2.2 A balance being too small to recover, for economic reasons considering the cost of recovery.
 - 6.10.2.3 Where Council deems that a customer or group of customers are unable to pay for services rendered.
- 6.10.3. The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

6.11 *The Pre-payment System*

- 6.11.1 The main purpose of the pre-payment system is to link the future provision of electricity by the Municipality to a “pre-payment” system comprising, first, a pre-payment of electricity kWh and, secondly, a payment in respect of arrears comprising a “package” of accrued municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewage.
- 6.11.2 A customer with arrears incurred after 30 June 1999 who opts for the pre-payment system, will be required to repay all arrears in full before any amount is allocated to an electricity pre-payment or, if the amount outstanding is large and/or the customer’s ability to pay is limited (because of low income, cash flow problems etc), to pay the arrears at a rate of 50% of all purchases before any electricity credit is given.

7. DEBT COLLECTION POLICY

OBJECTIVE

To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

7.1 Various options are available to enforce the collection of debts and include inter alia:

7.1.1 Interruption of service

7.1.2 Customers who are in arrears with their municipal account and who have not made arrangements with the council will have their supply of electricity and water, and other municipal services, suspended or disconnected.

7.1.3 The disconnection of services may happen when the municipal account is 1(one) day overdue.

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

7.1.5 Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the service will be reconnected as soon as conveniently possible.

7.1.6 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council, and will be payable by the customer.

7.1.7 The deposit of any defaulter will be adjusted to bring into line with relevant policies.

Whenever a service contract is entered into in terms of part 6, the signatory shall lodge a cash deposit with the municipality, such deposit to be determined as follows:

- In the case of the signatory's being the registered owner or spouse of the registered owner of the property concerned, an amount equal to one quarter

of the aggregate monetary value of the relevant service(s) provided to the property over the immediately preceding 12 (twelve) month period, or – where no such information is available – one quarter of the aggregate monetary value of the relevant service(s) provided to a comparable property over the immediately preceding 12 (twelve) month period;

- In the case of the signatory's not being the registered owner or spouse of the registered owner of the property concerned, an amount equal to one third of the aggregate monetary value of the relevant service(s) as determined above.

7.1.2 **Personal contact**

7.1.2.1 Telephonic contact, agents calling on clients:

- a) Council will endeavour, within the constraints of affordability, to make personal contact, telephonic contact and by delivery of final demand notices.

with all arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigence subsidies, other related matters and will provide information on how and where to access such arrangements or subsidies.

- b) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings may continue in the absence of such contact for whatever reason.

7.1.3 **Legal Process/Use of attorneys/Use of credit bureaus**

7.1.3.1 Council may, when a debtor is 45 days in arrears, commence legal process against that debtor, which process could involve summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

7.1.3.2 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.

7.1.3.3 Council will establish procedures and codes of conduct with these outside parties.

- 7.1.3.4 Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.
- 7.1.3.5 All steps in the customer care and credit control procedure will be recorded for Council's records and for the information of the debtor.
- 7.1.3.6 All costs of this process will be for the account of the debtor.
- 7.1.3.7 Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus. This release will be in writing or by electronic means.
- 7.1.3.8 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.
- 7.1.3.9 Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council
- 7.3.9.10 Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.
- 7.1.3.11 Any agreement concluded with an agent, service provider or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute a breach of the contract.

7.2 Rates clearance

On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates, service: and consumption charges are paid by withholding a rates clearance certificate contemplated in section 118 of the Systems Act.

8. BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement.

Such by-laws may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

The by-laws must comply with the requirements of the Municipal Systems Act 2000, the Water Services Act 1997 and the Municipal Finance Management Act 2003.

ANNEXURE “A”

Arrangements

If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer according to the applicable category of the customer. The customer must:

- i. Sign an acknowledgement of debt;
- ii. Sign a consent to judgement;
- iii. Provide a garnishee order/emolument order/stop order (if he or she is in employment);
- iv. Acknowledge that interest could be charged at the prescribed rate;
- v. Pay the current portion of the account;
- vi. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings.
- vii. Acknowledge liability of all costs incurred.

CATEGORIES OF DEBTORS

DOMESTIC CUSTOMERS

DEBT	PAYMENT OF ARREARS
R1,00 to R2 500,00	10% of outstanding debt plus the cost of the credit control actions. The balance over maximum 12 months
R2 501,00 to R5 000,00	10% of outstanding R2 500,00 plus the cost of the credit control actions. The balance of the outstanding amount over maximum 18 months
R5 000,00 and more	10% of the first R2 500,00 outstanding plus the cost of the credit control actions. The balance of the outstanding amount over maximum 24 months

In all cases deposit to be increased to 3 times the average monthly consumption or a minimum as determined annually and published in the tariff list.

BUSINESS

	PAYMENT OF ARREARS
1 st default in any twelve month cycle:	25% of outstanding amount plus current account. Balance over maximum of 3 months Deposit adjusted to 3 months consumption.
2 nd default in any twelve month cycle:	Full outstanding plus current account. No arrangements. Deposit adjusted to 3 months consumption.
3 rd default in any twelve month cycle:	Deposit adjusted to 3 months consumption. Weekly cash payments based on consumption plus contribution to increased deposit.

GOVERNMENT DEPARTMENTS

SCHOOLS/HOSPITALS ETC.

	PAYMENT OF ARREARS
1 st default in any twelve month cycle:	3 weeks notice – no arrangements. Deposit adjusted to 3 months consumption.
2 nd default in any twelve month cycle:	2 weeks notice – no arrangements. Deposit adjusted to 3 months consumption.
3 rd default in any twelve month cycle:	48 hour notice. Deposit adjusted to 3 months consumption.

<u>SPORT CLUBS</u>	Cash payments in advance based on consumption
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OLD AGE & DISABILITY PENSIONERS

DEBT	PAYMENT OF ARREARS
R1,00 to R2 500,00	5% of outstanding debt plus the cost of the credit control actions. The balance over maximum 18 months
R2 501,00 to R5 000,00	5% of outstanding R2 500,00 plus the cost of the credit control actions. The balance of the outstanding amount over maximum 24 months
R5 000,00 and more	5% of the first R2 500,00 outstanding plus the cost of the credit control actions. The balance of the outstanding amount over maximum 24 months

Arrangements for this category of debtor will be free of interest, should the payment arrangement be maintained regularly.

ADMINISTRATIONS

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

1. The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
2. The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1944).
3. Until such time as this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.

4. Should there be any default on the current account – the supply of services is to be limited or terminated, and the administrator handed over for the collection of this debt.

INDIGENTS

All customers qualifying as indigent and having remaining arrear debt after any relief has been granted, will repay that debt as follows:

Over 36 months, in addition to monthly service charges, with immediate payment of the cost of the credit control action taken. Such arrangements for this category of debtor will be free of interest should the payments be regularly maintained.

MUNICIPAL STAFF MEMBERS (Refer to Schedule 2,Section 10 of the Municipal Systems Act no 32 of 2000)

Paragraph 10 of this Code of Conduct stipulates that if any staff member of a municipality is in arrears to the municipality for rates and service charges for a period longer than 3 months, the municipality may deduct any outstanding amounts from such staff member's salary after this period.

CODE OF CONDUCT FOR COUNCILLORS

Section 6A of this code requires councillors to pay all rates, tariffs, rents and other moneys due to the municipality promptly and diligently.

The municipal manager is further required to notify the speaker of the council and the MEC for Local Government, in writing, whenever a councillor has been in arrears with any of these payments for a period exceeding 30 days.

COUNCILLORS (Refer to Schedule1, Section 12A, 13 & 14 of the Municipal Systems Act no 32 of 2000)

12A COUNCILLOR IN ARREARS

A councillor may not be in arrears to the municipality for rates and service charges for a period longer than 3 months. [Item 12A inserted by s. 45 of Act 51 of 2002.]

13. DUTY OF CHAIRPERSONS OF MUNICIPAL COUNCILS

- (1) *If the chairperson of a municipal council, on reasonable suspicion, is of the opinion that a provision of this Code has been breached, the chairperson must-*
 - (a) *authorise an investigation of the facts and circumstances of the alleged breach;*
 - (b) *give the councillor a reasonable opportunity to reply in writing regarding the alleged breach; and*
 - (c) *report the matter to a meeting of the municipal council after paragraphs (a) and (b) have been complied with.*
- (2) *A report in terms of subitem (1) (c) is open to the public.*
- (3) *The chairperson must report the outcome of the investigation to the MEC for local government in the province concerned.*
- (4) *The chairperson must ensure that each councillor when taking office is given a copy of this Code and that a copy of the Code is available in every room or place where the council meets.*

14. BREACHES OF CODE

- (1) *A municipal council may-*
 - (a) *investigate and make a finding on any alleged breach of a provision of this Code; or*
 - (b) *establish a special committee-*
 - (i) *to investigate and make a finding on any alleged breach of this Code; and*
 - (ii) *to make appropriate recommendations to the council.*
- (2) *If the council or a special committee finds that a councillor has breached a provision of this Code, the council may-*
 - (a) *issue a formal warning to the councillor;*
 - (b) *reprimand the councillor;*
 - (c) *request the MEC for local government in the province to suspend the councillor for a period;*
 - (d) *fine the councillor; and*
 - (e) *request the MEC to remove the councillor from office.*
- (3) (a) *Any councillor who has been warned, reprimanded or fined in terms of paragraph (a), (b) or (d) of subitem (2) may within 14 days of having been notified of the decision of council appeal to the MEC for local government in writing setting out the reasons on which the appeal is based.*
 - (b) *A copy of the appeal must be provided to the council.*

- (c) *The council may within 14 days of receipt of the appeal referred to in paragraph (b) make any representation pertaining to the appeal to the MEC for local government in writing.*
- (d) *The MEC for local government may, after having considered the appeal, confirm, set aside or vary the decision of the council and inform the councillor and the council of the outcome of the appeal.*
- (4) *The MEC for local government may appoint a person or a committee to investigate any alleged breach of a provision of this Code and to make a recommendation on whether the councillor should be suspended or removed from office.*
- (5) *The Commissions Act, 1947 (Act 8 of 1947), or, where appropriate, applicable provincial legislation, may be applied to an investigation in terms of subitem (4)
[Subitem (5) substituted by s. 46 of Act 51 of 2002.]*
- (6) *If the MEC is of the opinion that the councillor has breached a provision of this Code, and that such contravention warrants a suspension or removal from office, the MEC may-*
 - (a) *suspend the councillor for a period and on conditions determined by the MEC;*
or
 - (b) *remove the councillor from office.*
- (7) *Any investigation in terms of this item must be in accordance with the rules of natural justice.*

ANNEXURE "B"

KAROO HOOGLAND MUNICIPALITY

INCOME COLLECTION TARGETS

- (i) Payment level on current accounts

Increase level by 5% every 3 months to 90% payment level of all customers who can afford to pay;

- (ii) Recovery of arrears (accumulated before 01/01/2003)

To collect all arrears over a maximum period of three years.

To achieve this goal the level of recovery should be:

Within	-	6 months	-	20%
		12 months	-	20%
		18 months	-	20%
		24 months	-	20%
		36 months	-	20%

- (iii) Recovery of arrears (accumulated after 01/01/2003)

To collect all arrears over a maximum period of two years, save for those specific categories where the period is extended to three years.

To achieve this goal the level of recovery should be:

Within	-	6 months	-	40%
		12 months	-	30%
		18 months	-	20%
		24 months	-	10%

CUSTOMER SERVICE TARGETS

- (i) Response time to customer queries: - Initial response within 10 working days.
- (ii) Resolution of Queries: - 45 working days to resolve queries and appeals.
- (iii) Date of first account delivery of new customers: - By second billing cycle after date of application or occupation which even is the latest.

- (iv) Reconnection time:
 - within 24 hours after appropriate payment / arrangement.
- (v) Meter reading cycle:
 - 95% of meters being read on monthly basis on a similar date with a maximum of 3 consecutive months estimated.
- (vi) Equity application:
 - within 2nd billing cycle response for approval of disapproval, as well as provision of subsidy.

ADMINISTRATIVE PERFORMANCE TARGETS

- (i) Cost efficiency of debt collection :
 - Cost of collection not to exceed the capital debt amount;
 - All reasonable steps to be taken to limit cost to Council or the customer;
 - Cost of collection is to be recovered from the defaulting customers;
 - Total cost of collection to be recovered by means of applicable credit control tariffs.
- (ii) Enforcement mechanism ratio's :
 - 95% of total number of arrear customers being successfully notified / disconnected;