1. **INTRODUCTION**

The Debt Collection policy must be read with the Customer Care and Management Policy.

2. **OBJECTIVE**

The objective of the Debt Collection Policy is to ensure that all revenues, rates and taxes, service levies, rentals and any other revenue due to the municipality is collected timeously and in a humane and a cost efficient manner.

3. **ARRANGEMENT FOR SETTLEMENT**

3.1 If the domestic household’s total financial income of owners/tenants all occupants over 18 years of age is less than the threshold, as determined by council annually, such household is regarded as indigent and the indigent policy will apply.

3.2 If a domestic household’s total income exceeds the threshold, as determined by council annually, and should that household refuse or neglect to pay his/her bill with the municipality by the due date, and is not willing to:

i. pay the current portion of the account in cash and sign an acknowledgement of debt; or

ii. provide a garnishee order/emolument order/stop order (if he or she is in employment);

iii. sign Consent to Judgement;

iv. acknowledge that interest will be charged at the prescribed rate;

disconnection of water and electricity may follow immediately, as will legal proceedings, the municipality may not enter into an extended term of payment with this customer and reserve it’s right to restrict, block, disconnect or suspend the supply of water and electricity or other municipal services.

3.3 All business customers must pay their accounts in full on due date – exception can only be considered on a case-by-case basis after written application from the individual businesses has been received. The Chief Financial Officer or his nominee will consider and approve such applications for arrangements from business within his/her discretion to a maximum of twelve instalments

3.4 Down payments and instalments will be scaled depending on the income of the household, and the size of the down payment and the terms of the repayment will be determined by the CFO or his nominee.

3.5 The Chief Financial Officer or his nominee will consider and approve such application for arrangement, should such terms stated in the schedule be exceeded.

Customers whose conventional meters is disconnected due to non-payment may be converted to a prepayment meter, the cost of which will be paid off by adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase, at not less than 20% of electricity until the debt is liquidated.

Should the defaulter be a tenant, the owner will be held liable for the cost of conversion to a prepayment meter.
3.7 Customers wishing to apply for arrangements for the settling of their accounts must provide:
   i) proof of income, such as a pay slip of the owners/tenants; or a state grant slip, etc;
   ii) proof of unemployment as attested by the Department of Labour; or affidavit from SAPS
   iii) if not occupying the premises, proof of address, physical and postal (if any), such as a telephone account, consumer account; and
   iv) personal details as required by Council on the municipality’s prescribed form.
   v) proof of identity

3.8 Customers with valid arrears arrangements will not be charged interest while agreed arrangements are met – should one such instalment not be met, interest will be charged on all arrear instalments as in clause 4.2.2 of this policy.

3.9 Should a customer fall into arrears,
   i) the full amount outstanding may become due and immediately payable;
   ii) restriction, disconnection, blocking or suspension of services processes will immediately begin;
   iii) the arrears arrangement may be enforced and legal action may immediately begin;
   iv) if the customer has a pre-paid meter installed, such outstanding amount will be collected by adding it as a surcharge to the prepaid electricity cost at not less than 50% of each electricity purchase until the debt is liquidated or the payment of the current account and the conclusion of arrangement for term payments.

3.10 Council Employees and Councillors

   i. Employees and Councillors earning a net salary less than R 800 must make affordable arrangements to pay off outstanding amounts and are automatically subject to an internal debit order to pay their monthly account.
   ii. Employees and Councillors earning a net salary of between R 800 and R 1 500 per month be subjected to a minimum deduction of R 250 per month until the outstanding arrears is paid off.
   iii. Employees and Councillors earning a net salary of over R 1 500 pm, be treated according to a sliding scale based on the criteria that for every additional R 500 nett income earned, an additional R 50 be deducted to pay off the balance outstanding
   iv. All employees and councillors in arrears for 90 days and over will automatically be subject to an internal debit order for their monthly accounts.
   v. Any outstanding amounts longer than 3 months, after the above arrangements were put in place, will automatically be deducted from the next salary.
   vi. The above payments will automatically be deducted from monthly salaries.
   vii. All previous arrangements will be replace by above.
4 ENFORCEMENT MECHANISMS

4.1 INTERRUPTION OF SERVICES

4.1.1 Customers that are in arrears with their municipal bill will have their supply of electricity and water, and other municipal services, restricted, blocked, suspended or disconnected.

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

4.1.3 Upon the liquidation of arrears, or the conclusion of arrangements for term payment, the restricted service will be reconnected as soon as conveniently possible, thereafter the conventional meter may will be replaced by a pre-paid meter and the cost of the meter will be recovered through a deduction of not less than 20% of pre-paid sales or cash payment.

4.1.4 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the consumer before reconnection. If a meter could not be disconnected due to no access, the disconnection fee is still payable.

4.1.5 Households, classified as indigent, will be treated as per indigent policy.

4.1.6 Council may recover arrear amounts of pre-paid customers through the deduction of a percentage of sales until the debt is liquidated.

4.1.7 If services have been disconnected or restricted for an account that is in arrears and such arrears has not been paid or acceptable arrangement has not been made within 30 days after disconnection or restriction, legal processes may commence which could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

4.2 INTEREST

4.2.1 Interest will be raised as a charge on all accounts older than 30 days, not paid by the due date.

4.2.2 Interest will be charged on the total outstanding balance older than 30 days of the accounts, at a rate determined by Council annually as per tariff policy and will not exceed 2% per month.

4.2.3 The decision to waive interest in specific instances can only be taken by the Chief Financial Officer.

4.3 CONTACT

4.3.1 Council may at a cost as determined annually, within the constraints of affordability, make personal or telephonic contact with all arrears debtors to encourage their payment, and to inform them of their arrears state, and their rights (if any) to conclude arrangements or to indigence subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.

4.3.2 Department of Finance shall maintain a schedule of debtors with large amounts outstanding and will maintain intensive contact with these debtors as in 4.3.1
4.4 LEGAL PROCESS

4.4.1 INTERNAL LEGAL PROCESS

The municipality will, after all enforcement mechanisms, as referred to in 4.1 to 4.3 above, have failed, proceed with the legal process of issuing final demands and summonses. Should these actions fail, the legal process will be continued with the use of attorneys as referred to in 4.4.2.

4.4.2 USE OF ATTORNEYS/ CREDIT BUREAUS

i The Chief Financial Officer will, when a debtor falls in arrears, immediately commence the debt collection process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

ii The Municipal Manager will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from the Chief Financial Officer.

iii The Chief Financial Officer will establish procedures and codes of conduct with outside parties, be they attorneys, the courts, the sheriff and others and will require regular reports on progress from them.

iv Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the Municipality’s armoury of debt collection procedures.

v All steps in the credit control procedure will be recorded for the Municipality’s records and for the information of the debtor.

vi All costs of this process are for the account of the debtor.

vii Individual debtor accounts are protected and are not the subject of public information. However the Municipal Manager may release debtor information to Credit Bureau. This release will be in writing, and this situation will be included in the Municipality’s agreement with its customers.

viii Council will receive and consider reports on relevant matters, including cost effectiveness, of this process.

ix The Chief Financial Officer may consider and approve the reversal of hand-overs of individual accounts to attorneys or debt collectors.

4.5 USE OF COLLECTION AGENTS

4.5.1 The Chief Financial officer will consider the use of agents, 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 both part of the agreement the Municipality might conclude with such agents or product vendors; and will be closely monitored by the Municipal Manager.

4.5.2 Customers will be informed of the powers and duties of such agents, and their responsibilities including their responsibility to observe agreed codes of conduct.

4.5.3 Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.
5 **THEFTS AND FRAUD**

5.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised service associated with the supply of municipal services, as well as theft and damage to Council property, will be liable for penalties as determined from time to time.

5.2 The Municipality will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.

5.3 The Municipality will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.

5.4 Council may distinguish in its penalties between cases of vandalism and cases of theft.

5.5 Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.

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

6 **COST OF COLLECTION**

All costs of legal process, including interest, penalties, service discontinuation costs and legal costs associated with credit control are for the account of the debtor and should reflect at least the cost of the particular action. This onus is to be specifically outlined in Council’s credit agreement with a future customer.

7 **ABANDONMENT**

7.1 The Municipal Manager, through delegation, the Chief Financial Officer, must ensure that all avenues are utilized to collect the municipality’s debt.

7.2 There are some circumstances that allow for the valid termination of debt collection procedures:
   
   i. the insolvency of the debtor, whose estate has insufficient funds; and
   
   ii. a balance being too small to recover, for economic reasons, considering the cost of recovery.

7.3 The decision to terminate the debt collection procedures in specific instances will only be taken by the Chief Financial Officer.

7.4 The Chief Financial Officer will maintain audit trials in such an instance, and document the reasons for the abandonment and the writing-off of the abandoned debt.

8 **WRITE-OFF**

8.1 Council will consider, on an annual basis, the writing-off of arrears, after the Chief Financial Officer has submitted a report with valid the reasons.

8.2 The Chief Financial Officer may recommend the writing-off of legal and or collection costs to Council.

8.3 When a case is lost in court the CFO can authorise the writing-off of debts as contained in the outcome of the court case.
9 BY-LAWS

The principle contained in this policy will be reflected in the various service by-laws as promulgated and adjusted by Council from time to time.