CREDIT CONTROL
AND
DEBT COLLECTION MANUAL

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PART 1

Report Back on the Pilot Project
REPORT BACK ON THE PILOT PROJECT

1.1 Background

As part of its constitutional obligation to support municipalities the Department of Local Government and Traditional Affairs KwaZulu-Natal (DTLGA) has developed a Management Assistance Programme (MAP) to support local government. During the execution of this programme the following deficiencies in municipal systems and practices were identified:

- Lack of credit control.
- Lack of political will to act against defaulting debtors.
- Inadequate debtor information.
- Lack of workflow procedures.
- Insufficient control over staff and external contractors.
- Lack of a system to identify and support indigent consumers.
- Total dependency on external attorneys to execute legal actions.

The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and Local Government: Municipal Finance Management Act, 2003 (Act no 56 of 2003) place legal obligations on municipalities to install a credit control and debt collection system and deal with defaulting consumers. Chapter 9 of the Systems Act, 2000 deals specifically with the following credit control and debt collection requirements:

- The establishment of a sound customer management system.
- The adoption, maintenance and implementation of a debt collection and credit control policy which is consistent with the municipality’s rates and tariff policies.
- Adoption of by-laws to give effect to the policy.
- Entering into agreements with employers for the deduction from salary or wages any monies owed in respect of services.
- Making of ministerial regulations and guidelines to be followed by municipalities.

Section 64 (2)(a) of the Finance Management Act places a responsibility on the accounting officer to ensure that the municipality has an effective revenue collection system.

In support of the Hibiscus Coast and Umtshezi Municipalities the Department made funds available and selected service providers through a tendering process to assist the municipality to improve on its credit control and debt collection actions. The following objectives were agreed upon.
1.2 Objectives

- To develop a credit control and debt management model incorporating all institutional, organisational, financial and operational matters that affect the municipality.
- To do analysis of the municipality's financial status, debtors database, policies and procedures.
- To identify uncollectible debt with the view of writing it off.
- To identify indigent consumers and to establish whether they are supported.
- To install a credit control and debt collection system that can interface with the financial systems and software of the municipality.
- To facilitate an agreement between the service provider and the municipality to operate and maintain the system for at least three years with the view of building capacity within the municipality.
- To train municipal officials in the application of such a system.

1.3 Finance and Debt Collection and Credit Control Analysis

1.3.1 Finance

The financial data from each of the municipalities was entered into the EmmaPlus model and analysed. The results were given to each municipality. A summary of the results are given below:

The Umtshezi Municipality scored 60% out of a possible 100% which means that the municipality is marginally financially viable and will be able to access the capital market. The only areas of concern are as follows:

- Short-term debt as a % of total revenue amounted to 40.58% which is higher than the acceptable norm of 16,6%. This is mainly due to an amount of approximately R30m received in advance and included under creditors in the balance sheet instead of a trust fund. The results of this ratio can therefore be ignored.
- The increase in debtors expressed as a percentage of rates and service charges income amounted to 16,20% which is substantially higher than the norm of 7,5%. The situation is aggravated by the fact that insufficient provisions for bad debt and working capital were made.
- The creditors payment rate reflects a turnover of 149 days due to the amount incorrectly reflected under creditors. These results can therefore be ignored.
• The 2004/2005 operating budget was not cash funded due to the fact that insufficient provisions were made for bad debts and working capital. This situation will have to be rectified in future budgets.

• The municipality used a substantial portion of its statutory funds to finance their net current assets due to the fact that insufficient provisions for working capital were made in previous budgets. This matter needs to be addressed in future budgets while a portion of the statutory funds needs to be transferred to the accumulated surplus.

The Hibiscus Coast Municipality scored 67% out of a possible 100% which means that the municipality is financially viable and will be able to access the capital market. The only areas of concern are as follows:

• Short-term debt as a % of total revenue amounted to 20,3% which is higher than the acceptable norm. This was caused by the bank overdraft of R6.7m at the end of the financial year. This situation was unnecessary considering the investments of approximately R57,5m. The results of the ratio can therefore be ignored.

• The gross increase in debtors in relation to income generated from rates and service charges amounted to 7,8%. This is also higher than the national benchmark of 7,5%. The situation would have been acceptable if sufficient provisions for working capital and bad debts were made. The municipality will either have to increase the working capital and bad debt provisions or improve on credit control and debt collection.

• Staff cost as a percentage of total gross expenditure amounted to 43,5%. This is substantially higher than the norm of 35%. This does not necessarily mean that the municipality is overstaffed or over paid. Reasons for this situation may be found in a reluctance to provide for working capital and bad debts, expenditure cut backs or insufficient increases in rates and service charges.

• The 2004/2005 operating budget was not cash funded due to the fact that insufficient provisions were made for bad debts and working capital. This situation will have to be rectified in future budgets.

1.3.2 Policy and By-Laws

An analysis of the policies and by-laws of the Hibiscus Coast and Umtshezi Municipalities was done and the following gaps were found:

The Hibiscus Municipality has a Credit Control and Debt Collection Policy but still requires a by-law.
The policy consists of 6 sections which deal with the following aspects:

- Section 1 – Scope
- Section 2 – Objectives
- Section 3 and 4 – Customer care and management
- Section 5 – Principles
- Section 6 – Discretion: negotiable amounts

Over and above the preceding sections the policy deals separately with credit control and debt collection actions. Distinctions are made between the following services:

- Rates
- Electricity
- Sundries
- Housing
- Arrangements for all types of services

The municipality has a separate indigent support policy which deals with the following aspects:

- Objectives
- General conditions
- Financial restraints
- Indigent arrears
- Service levels
- Control measures

In general it can be concluded that the policy deals with most of the relevant aspects. It, however, can be improved by including the following matters:

- Indigent support is part of customer care and also forms an integral part of credit control and debt collection. The policy’s heading should be changed to include customer care, indigent support and credit control and debt collection.
- A separate section should be included to deal with the roles of the council, supporting committees, municipal manager and communities.
- The policy should include targets for both customer care and credit control and debt collection.
A separate enforceable by-law in support of the policy should also be promulgated.

The Umtshezi Municipality has a credit control and debt collection by-law but no policy. Included in by-law is an indigent policy which should be removed from the by-law and combined with the credit control and debt collection policy.

The by-law consists of the following sections:

- Preamble
- Chapter 1 – Definitions
- Chapter 2 – Duties and functions of the Council, Executive Committee, Municipal Manager, Committees already described in legislation. The abovementioned section does not belong in by-law and should be in policy.
- Chapter 3 – Deals with provision of services to consumers other than indigent customers. The by-law only deals with arrears between 1-60 days. It should apply to all arrears.
- Chapter 4 – Assessment rates
- Chapter 5 – Provision of services to indigent consumers.
- Chapter 6 – Businesses who tender to the municipality. This chapter does not belong in by-laws but can be part of the policy or procurement policy.
- Chapter 7 – Unauthorised services
- Chapter 8 – Deals with offences
- Chapter 9 – Deals with documentation
- Chapter 10 - Deals with general conditions

The municipality must adopt a policy which should be renewed annually during the budget process and adjust its by-law according to the abovementioned remarks.

To assist municipalities a draft credit control and debt collection policy and by-law are attached as Annexures “A” and “B”.

1.4 Data Cleansing

1.4.1 Methodology – Field Work on 400 properties

In accordance with the scope of work a requirement was that 400 properties be physically visited and information obtained with a view to:
• Determining the Accuracy of the data on the system
• Determining Accuracy of Indigency
• Developing a Local Economic Development Strategy and Policy

The following methodology was used within this section of the project:

• The Municipality selected 4 to 5 Wards to be used in this study
• Ward Councillors of these Wards were presented with the data in accordance with their Wards, as well as a graphical view of their jurisdiction
• Ward Councillors then identified areas within their wards to be visited
• PSU then extracted the information for these properties from the PSU Management Tool
• PSU then matched this information to the GIS, and prepared graphical documentation on the area and highlighted each property to be visited.
• It was requested that Ward Community meetings be held with each Ward associated to this investigation. Unfortunately only certain meetings were held.
• Documentation was then prepared to be used to collect the relevant information. This document can be seen as an annexure to this report and was made up of:
  o Part A: Customer Survey Form, where all relevant particulars of the Property, and Customer were collected, for both Owner and Tenants
  o Part B: Verification of Registration as a Municipal Customer
  o Part B: Household Economic Profile
  o Part C: Individual Skills Registration
• Flyers were produced in both English and Zulu for distribution into the Wards advising of the intended Field Visits, and can be seen in the annexures to this report
• Ward Councillors provided names of perspective unemployed individuals seeking employment.
• A condition was that only people from within the Ward selected for investigation be employed.
• These people were interviewed, and appointed the position of Field Surveyor on the grounds of having eligible hand writing, understanding the need for the Survey, and having numeracy skills.
• These Staff were then trained on how to complete the document, and were provided with maps of the area and properties to be visited.

• The field Workers distributed the flyers to the properties advising of the Field Visit, the day before the Survey commenced.

• The Field Visits commenced.

• Quality Control then took place on all the returned documentation. This was a lengthy process as each document per property was thoroughly investigated where critical information was verified with the Field Worker.

• All documents were then Captured into the PSU LED Management Tool

• From the Capturing of these documents, statistics were extracted and a report on the findings produced. Please see the annexures attached for the results of this Audit

• This LED Tool is installed into both the Municipalities.

1.4.2 Methodology – Desk Top Data Cleansing

The data of all properties (not only the 400 selected above) was imported into the PSU Management Tool. With the data in the Management Tool, and the cadastre and Aerial photography in the GIS section of the system, the data cleansing commenced. In order to undertake this task methodically it is critical that the one starts with the foundation layer being the Property.

Areas of Cleansing undertaken were:

Properties

• The Matching of the Property within the Financial System to the Cadastre. Any properties unmatched within the GIS could constitute revenue potential, and any properties within the Financial system which could not be matched to the cadastre warranted further investigation, as these properties could either be erroneously entered into the system, be consolidated, or taken over from a previous system incorrectly.

• The matching of the financial property to a Registered Deed, as well as the matching of the Cadastre to a Register Deed.

• Wards – due to the demarcation in 2000, all ward numbers differed. We were able to download the wards from the demarcation board, and physically match a property to a Ward.
• We analysed the newly incorporated properties within the system, these predominantly being Farms, and were able to advise the number of properties which fell into this category.

• Usage and Zoning – It was necessary to establish these to determine the correct Debtor Type, thus resulting in the correct tariff charged.

**Debt Analysis**

The following areas of the debt were analysed in order to determine the cleansing required

**Table 1: Methodology Debt Analysis for Data Cleansing**

<table>
<thead>
<tr>
<th>Debt Reports</th>
<th>Analysis</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt</td>
<td>This reflects the full ageing of the debt owed to the Municipality as received in the data extract. Analysis is done to determine possible redundant debt with a view to writing off this debt.</td>
<td></td>
</tr>
<tr>
<td>By Debtor Type</td>
<td>The debt is split into various Debtor Type categories, as per the data received – i.e Residential, Business etc</td>
<td></td>
</tr>
<tr>
<td>By Indigent Indicator</td>
<td>This highlights the number of Indigent Accounts, as well as the debt incurred by the Indigent debtors aged. Analysis of this section of debt can determine incorrect tariffs being charged to the Consumer, or old debt which could possibly be written off</td>
<td></td>
</tr>
<tr>
<td>By Service Type</td>
<td>The debt is split into various Service Type categories, as per the data received from the Municipality, i.e Rates, Water etc. Analysis of these services can also determine any possible service delivery problems.</td>
<td></td>
</tr>
<tr>
<td>By Owner Status</td>
<td>This indicates the number of Owners and Tenants within the system, linked to their associated debt. From this the proportion of debt per Owner/Tenant status can be determined. This is also exceptionally helpful when analysing debt, where Each Owners account should be connected to a Rates Service.</td>
<td></td>
</tr>
<tr>
<td>By Account Status</td>
<td>This report highlights the portions of debt associated to ACTIVE accounts and INACTIVE accounts. This in turn can assist with calculating possible redundant debt linked to inactive accounts.</td>
<td></td>
</tr>
<tr>
<td>By Suburb</td>
<td>Reports on EVERY Suburb/Township recorded in the Billing System. This in turn gives an Indication as to which Suburbs contain the larges portion of the Total Debt</td>
<td></td>
</tr>
<tr>
<td>By Ward</td>
<td>Reports on EVERY WARD associated to a property recorded in the system. This then indicates which Wards are responsible for a certain percentage of the debt.</td>
<td></td>
</tr>
<tr>
<td>Total Credit Balances</td>
<td>Investigation of all Consumers within the system where the Customer had a Credit Balance</td>
<td></td>
</tr>
</tbody>
</table>

**Customers**

With regard to cleansing of the Customers, the following areas were analysed to determine the way forward for the cleaning of the Customer Records:
• Possible erroneous names and surnames i.e. The Resident, The Customer, Default Customer etc
• ID Numbers
• Duplicate Accounts for a customer

1.4.3 Specific examples of difficulties

Some of the specific difficulties experienced in Hibiscus Coast and Umtshezi Municipalities with regards to data quality are given below:

Hibiscus Coast

• 1450 properties in Port Shepstone reflect an “unknown” suburb. 12184 accounts are affected, which appears to be incorrect as this accounts an average of 8 accounts per property. An amount of R6 million is owned under this category.
• Margate’s debt analysis reflects outstanding accounts from 30 days to 5 years old. As debt prescribes after three years investigation into possible write-offs is required.
• The debtors type of 76.9% of the outstanding debt is reflected as unknown.
• R61 million of the outstanding debt is included in the Unknown Debtor Type, which is represented by 38,000 accounts and in excess of 24 000 properties, this being 77% of the properties. These debtor types need to be classified correctly.
• 36% of properties representing 31% of the debt could not be matched to the demarcation GIS. This could be as a result of properties crossing over more than 1 Ward.
• The category debt marked Local Municipality has the highest Inactive Debt of R1,484,000.
• Rates – It would appear that there are a large number of properties not being charged rates.

Umtshezi

• The Suburb “Other” is made up of “Bulk properties” and “No Property Info”. No Property Info contains 1 490 accounts and a debt of R7 140 673 being 86% of the debt total of this Suburb.
• All “No Property Info” customers are flagged with an “Unknown” account status, meaning that they are neither active nor inactive customers.
• 18% of the debt falls under a classification of properties with NO Valuations. The corresponding figure for the previous extract was 19%. The largest portion of this
debt falls into the suburb called “Other”. This will have to be investigated as it could prove an opportunity where rates should be, but are not being charged.

- 77% of debt is not allocated to a Ward (Ward 0 & No Ward Info).
- Notwithstanding uThukela Water billing consumers for Water from August 2005, there have been monthly consumptions recorded up until January 2006.
- Government Debt (including SARS debt) totals R 8.141 mil (16.5% of total debt).
- Municipal Debt (including Uthukela debt) total R 5.712 mil (11.6% of total debt).

1.5 Steering Committee

A steering committee was formed which met once a month to discuss the progress and other issues related to the project. This committee was made up of representatives of the department of local government and local affairs, the municipal manager and CFO, as well as other officials from the municipality and representatives of PSU and ZMS.

1.6 Benefits

Hibiscus Coast Municipality

- 27,471 Properties have been correctly allocated Ward Numbers of the original 32,089 Properties. This being 85.61% of the Total Number of properties in the Hibiscus Coast Local Municipality
- In terms of the Municipal Finance Management Act (MFMA), Act 56 of 2003 The Municipality will now be in a position to report accurately on the Payment Ratio per Ward.
- This now gives integrity to the data per Ward, and with this comes the opportunity to enforce accountably upon the Ward Councillors.
- Registered Deeds were located and handed over to the Municipality.
- Access to these deeds reduces the Municipalities costs for the extraction of the information from external data sources.
- These Deeds will assist the Valuers in preparing the base Property Register, which is currently being prepared for Tender. And this will alleviate the cost of the Municipality having to obtain the deeds.
- The property structure at Hibiscus Coast Local Municipality was such that Portion numbers reflected property status, thus preventing any form of effective matching to financials and Deeds. The majority of these have been identified to the Municipality, and they will be submitting the PSU Findings to the Software Vendors of the
upgraded billing system to assist with electronic upload and correction during the conversion process.

- This also assists the Valuers with the Valuation of the properties, in being able to correctly and accurately identify the erven.

- PSU identified errors within the Marburg Settlement areas, where the Stand Number had been captured as the Extension and the Portion number was being reflected as the Stand Number. These have been provided to the Municipality and they are in the process of correcting same.

- Tenants were identified being billed Rates, and these were investigated and where necessary the amounts were written off.

- The Municipality had no Zones or Usages in their system. We were able to match 20,304 usages and zones data from the District Council (Ugu).

- Further to the above PSU captured ALL ZONES graphically into the GIS System

- The Debt decreased between March and June by R19 million, and this was partially due to Accounts PSU found which were brought across for Gamahalke and were duplicated, and required writing off, as well as write off of Indigent Debt.

- Gamahlake Accounts which were in credit were allocated correctly to the correct account.

- Indigent Consumers identified were passed the relevant credits.

- During the month of September in excess of R2 million collected on arrears accounts which would not have normally been collected.

- Revised and accurate Credit Control policy

**uMtshezi Local Municipality**

- 117 Accounts were found with No Name attached. All correct names according to Deeds found, and this is associated to R50,800 debt

- 19 Accounts were found which were linked to the Municipality name, and in fact the properties had been transferred into individual people’s names.

- 4879 ID Numbers were found with a total debt of R5 million to assist in the Credit Control Process

- A report of 1517 Accounts with no property information and zero balances was sent to the Municipality for confirmation that they could be archived, by Council.
• There were 181 accounts with debit balances marked inactive but with billings. These were investigated, and appear to be penalties and Interest. Council to make a decision on whether to mark these account Active as billings continue to take place.

• 1,550 Accounts were identified with Credit Balances totalling a debt figure of R1,9 million. These are under investigation with the Municipality. The first 3 credit balances investigated were in fact incorrect journals posted, amounting to in excess of R700,000. These were reversed accordingly. The balance of the Credit Balances have been worked on by the Municipality.

• A problematic suburb being Wembezi has been thoroughly investigated as to correct ownership. For Wembezi C, 68.7% of the accounts have the incorrect Owner attached to the property. This equates to debt of R2,7 million.

• The Municipality did not have a Credit Control Policy only a by-law. A credit Control Policy has been drawn up and workshoped, to be presented to Council.

• Wards have been correctly allocated, according to the demarcation. This now gives integrity to the data per Ward, and with this comes the opportunity to enforce accountably upon the Ward Councillors.

• In excess of 400 properties have been found in Wembezi where no Rates are being charged. These accounts are currently being created by the Municipality.

• The Municipality does not utilise the Pre Paid Meter functionality within the Billing System. This has been forwarded to the Software Vendor to provide training on this section of the system.

1.7 Challenges

• The greatest Challenges experienced within a project of this nature surround the constraining factors within the Municipal environment, common throughout the country of human resource capacity in order to undertake the necessary corrections within the system.

• With reference to uMtshezi Local Municipality there appeared to be problems surrounding the “support” to the project from their District Council.
• The Municipal Elections in March 2006, seriously delayed and hampered the LED process due to new Councilors and Ward Committees being elected and sworn in. There were at times no Councilors available to meet with, with regard to the project.

• uMtshezi Local Municipality have on numerous occasions highlighted concerns around the Water Service Delivery within their jurisdiction by the District Council. This could require Provincial and National intervention in this regard.

• Extreme difficulties in meeting with Heads of Departments namely Local Economic Development. Unsuccessful at uMtshezi Local Municipality.

• Poor support from Financial Software Vendor to affect changes towards system improvement with regard to uMtshezi Local Municipality.

1.8 Way Forward

It is strongly recommended that the Local Economic Development model which is now situate in both Municipalities be implemented and maintained with regard to Indigent Surveys, and Skill Analysis. This is an extremely effective tool which will enhance the Local Economic Development within both jurisdictions.

Indigent Registers should be developed and maintained in both areas, utilising the PSU LED Model and Tool. This then alleviates the current administrative resource capacity issues as the Municipalities.

Way forward strategies have been submitted to both Municipalities, highlighting the necessity to continue with the data cleansing, and commence preparation for the New Municipal Property Rates Act. Quarterly downloads should be extracted and populated into the PSU Data Analysis and Model to assist the Municipalities with the Management of the data within their jurisdictions.

The following section describes the Community Liaison Strategy followed in the pilot project:

Reason for community liaison

The fundamental purpose of community liaison is to:

• Inform the community of the project being undertaken.

• To obtain “buy-in” from the community.

• To get the community actively involved in the project.

• To obtain community participation and allow them to participate in decision making.

• To gain trust from the community with regard to their expectations.
It is important to note that whilst embarking on a Community Liaison Strategy, the ultimate goal is to provide the local municipality with a comprehensive Customer Care and Revenue Management Policy, which will ultimately lead to a better living environment for the community.

The positive side of this strategy will be evident to the community with the benefits coming out of the policy as well as the increasing payment levels.

Without the ongoing participation from the community, the project will be unable to proceed. If the community accepts that the Revenue Management Project is ultimately their responsibility and they can see the benefits that can be achieved, the project will be successful.

In addition, if the municipality is unable to deliver the service levels agreed upon with the community the entire process will fail, as the trust element will have been destroyed.

**Information to be given to the community**

- The aims and objectives of the project.
- The potential benefits.
- The need to pay for services.
- Balancing expectations with affordability.

**The benefits available to the community are:**

- Job creation for unemployed members of the community.
- A working Customer Care Policy.
- Transfer of skills.
- Improved services.
- Poverty Alleviation
- Community responsibilities.

**Information from community**

- Attitude toward payment.
- Reason for non payment.
- Expectations.
- Complaints.
- Queries.
- Levels of service
EXECUTIVE SUMMARY

South African councillors and officials are battling to improve access to municipal services and to simultaneously keep their municipalities financially afloat. While no one disputes the daunting development and redistribution challenges facing the country and the need to increase access to services, the fact remains that providing services costs substantial amounts of money. Councillors and officials must work together to create financial viable and effective municipalities that can meet their development targets.

Common problems encountered are the inability of the poor to pay for basic services; confusion between the officials and councillors about their respective roles and duties; and a pervasive culture of non-payment for services among some consumers.

This manual deals with credit control and debt collection and was compiled at the request of the Department of Local Government and Traditional Affairs, KwaZulu-Natal as part of its constitutional obligation to support local government. The manual forms part of a pilot project initiated by the department to improve credit control and debt collection throughout the province. The Hibiscus Coast and Umtshezi municipalities were selected to form part of this pilot project.

Chapter 1 examines the legal framework within which municipalities must operate. It covers amongst others:

- The South African Constitution.
- The Electricity and Water Service Act.
- The Housing Act.
- The Municipal Systems Act.
- The Municipal Structures Act.
- The Municipal Finance Management Act.
- Provincial legislation.
- Municipal by-laws.
- Delegations.
- The New Municipal Property Rates Act

Some of the most important facts and conclusions emanating from the examination of the abovementioned legislation are as follows:

- The executive and legislative authority of a municipality is vested in the municipal council, which may adopt by-laws to execute any of the constitutional functions allocated to it.
- Services must be provided in a sustainable manner, which implies that rates and service charges must be raised and collected.
• Municipalities must find ways and means to overcome conflicting provisions in the various acts relating to credit control and debt collection.
• It is absolutely essential that municipalities have legally binding credit control and debt collection by-laws in place.
• The municipal manager must effect a reduction in the annual operating budget if the municipality’s income targets are not met.

The second chapter deals with the difficulties experienced by South African municipalities. The following aspects are covered:
• Lack of policies and guidelines.
• Cumbersome process of identifying, managing and supporting indigent consumers.
• Unreliable data.
• Political interference.
• Customer care challenges.
• Lack of credit control and debt collection systems.

Solutions to most of these difficulties are available and can be resolved in-house by municipalities themselves. A major concern is the fact that the financial systems currently installed at most municipalities do not cater for all the required credit control and debt collection functions. At most these systems cater for the production of disconnection lists and for capturing of arrangements made. The Municipal Finance Management Act requires that a system for credit control and debt collection must be employed. This means that, due to the inability of the current financial systems to deal with credit control and debt collection matters, these functions must be outsourced.

Chapter 3 deals with the structure of the credit control and debt collection departments. It caters for different types of municipalities and provides suggested structures. At the same time it is emphasised that each municipality’s unique situation must be taken into account when deciding on the ideal structure.

Chapter 4 looks at the processes that need to be followed when debt collection and credit control is done. The most important aspect that comes out of this section is the fact that one must avoid a blanket approach. A differentiated approach should be followed where different strategies are used for consumers with diverse profiles.

Chapter 5 describes the characteristics of a system that can address the difficulties identified in Chapter 2, as well as other practical matters. All the different processes are described and integrated in a comprehensive workflow structure. It also caters for a document archive system to eliminate the constant search for documents related to credit control and debt collection. Municipalities can perform all legal functions and only need legal assistance with defended
cases and execution of judgements. All the processes required in credit control (customer care, restrictions and arrangements) and debt collection (final demands, summonses and judgements) need to be integrated in one system.

Chapter 6 briefly describes measures to improve the current situation at municipalities.
1 LEGAL FRAMEWORK

The legal framework, within which debt collection and credit control have to be implemented by municipalities, is set out in various laws at national, provincial and local government levels. This overview only deals with the provisions of the Acts relevant to credit control and debt collection.

1.1 National Legislation

1.1.1 The Constitution

The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), is the supreme law of the Republic. It provides that any law or conduct inconsistent with it is invalid. All obligations imposed by it must be fulfilled.

Several provisions in the Constitution are of direct relevance to municipalities. Of paramount importance is the fact that the executive and legislative authority of a municipality is vested in the municipal council, which means that a municipal council can execute any of the functions listed in part B of Schedule 4 and part B of schedule 5 of the Constitution and has the authority to make by-laws and to execute and administer the functions allocated to it. The functions listed in the Constitution include the provision of water, electricity, refuse removal and sewerage disposal. A municipality may also impose rates on properties and surcharges on fees for services provided. The raising of rates and fees for services is done on the accrual basis, which means that debtor’s accounts are raised to generate the income of municipalities. This automatically implies that credit control and debt collection must occur. One of the objectives of local government is to ensure the provision of services to communities in a sustainable manner. This also implies that rates and service charges must be raised and collected.

1.1.2 Electricity and Water Service Acts

Two other acts of particular relevance to municipalities are the Electricity Act, 1987 (Act No. 41 of 1987) and the Water Services Act, 1997 (Act No. 108 of 1997). These acts make specific reference to debt collection, credit control and the disconnection of services. Some of the provisions of these acts are inconsistent with the provisions of the newly adopted local government acts.

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1 Section 151
2 Section 156
3 Section 229
4 Section 152
5 Systems and Finance Management Acts
1.1.2.1 **Section 11 of the Electricity Act**

Section 11 of the Electricity Act provides that the licensee (the municipality) shall not, except for reasons beyond its control, reduce or discontinue the supply of electricity to a consumer unless:

(a) the consumer is insolvent; or

(b) the consumer has failed to pay the agreed charges, or to comply with the conditions of supply and has failed to remedy his/her default within 14 days after receiving from the licensee a written notice by post calling upon him/her to do so.

This is a very limiting clause. The legal position appears to be that, whenever electricity supply is disconnected or limited, this section remains in place and that a 14 days notice before disconnection is required. This provision is not in line with the general trend of Chapter 9 of the Systems Act.

One possible way to overcome this limitation is to enter into a service agreement with the consumer whereby the right to a notification is waived.

1.1.2.2 **The Water Services Act, 1997 (Act No. 108 of 1997)**

- Section 1 – defines inter alia “basic water supply”, and “basic sanitation”, and a “water services authority”. Basic water supply is defined as the minimum standard of water to support life and personal hygiene;

- Section 3 provides that everyone has the right of access to a basic water supply and basic sanitation. This means that the basic minimum supply of water can never be disconnected. A water service authority can only be a municipality which entrench the constitutional obligation to deliver services.

- Section 4 sets conditions for the provision of water services, as well as the procedures for the limitation and discontinuation of water services. One of the sub-sections provides for a reasonable notice of the intention to limit or discontinue the supply. To overcome this provision the service agreement with the consumer must provide for a waiver or acceptance of a shorter notice period;

1.1.3 **The Housing Act, 1997(Act 107 of 1997)**

The provision of housing (in terms of Sections 9 and 10 of the Housing Act) is one of the major developmental functions of provincial government in conjunction with municipalities. Recovery of debt related to housing and the collection machinery outlined in this manual can also apply to housing payments. Debt collection is sufficiently provided for in the proposed debt collection workflow processes.
Practical difficulties identified by several municipalities are that the Housing Divisions of municipalities tend to allocate subsidised housing indiscriminately to occupants, without taking into account the ability to pay for services and other housing-related expenditure. The Credit Control and Debt Collection Divisions are then faced with the difficult task of recovering rates and service charges from occupants who patently cannot afford to pay.

1.1.4 Local Government Legislation

1.1.4.1 Municipal Systems Act

Sections 75 A (1) and (2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) empower a municipality to levy and recover fees, charges or tariffs in respect of any function or service of the municipality and recover collection charges on any amount outstanding as long as the fees, charges and tariffs are approved through a resolution supported by the majority of the members of the council.

Chapter 9 of the Systems Act deals specifically with debt collection and credit control. This act is the most important legal source for debt collection and credit control issues. It should be noted, however, that certain actions would have to be taken by municipalities to ensure the effective and efficient implementation of the provisions contained in Chapter 9.

The Chapter deals with:

- establishing a sound customer management system;
- adopting, maintaining and implementing a debt collection and credit control policy consistent with rates and tariff policies (Section 94);
- adopting by-laws to give effect to such policies (Section 95);
- establishing supervisory and implementing authorities (Sections 99 and 100);
- ensuring the compilation and the posting of proper municipal accounts;
- entering into agreements with employers for the deduction from salaries or wages of consumers of any monies owed in respect of services; and
- formulating ministerial regulations and guidelines to be followed by municipalities.

The following sections in chapter 9 bestow additional powers on municipalities that previously did not exist.

Section 102 provides for the consolidation of accounts and the appropriation of payments by the municipality to any of the accounts of a consumer. It further provides for the implementation of any of the credit control and debt collection measures, contained in chapter 9 the municipality’s policy and by-law, related to arrears on any of the consumer’s accounts.
Section 103 provides for municipalities to enter into agreements with employer to deduct outstanding amounts from the salaries of employees with their consent. This means that emolument attachment order obtained through a court of law can be awarded with the subsequent legal costs associated with these orders.

Section 118 of the Systems Act introduces a strong measure to ensure that all amounts due in connection with a property are paid before the Registrar of Deeds registers the transfer of immovable property. Whereas similar sections in “old order” legislation referred to rates and taxes only, the new section includes all amounts due in connection with that property, including levies and duties during the two years preceding the date of application for the certificate. This particular provision in the Act has been tested in the Constitutional Court and found to be in line with the Constitution.

Section 118(3) also provides that an amount due for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with the amount owing and enjoys preference over any mortgage bond registered against the property.

Section 118(1) requires a prescribed certificate, in order that the transfer of property can be registered by the Registrar of Deeds. This certificate must be issued by the municipality in which the property is situated and must state that all amounts due in connection with the property, as stated in the above paragraph, relating to the two years preceding the date of application, have been paid in full.

1.1.4.2 Municipal Structures Act: Division of Powers and Functions

Parliament during 2000 adopted a series of important amendments to the Municipal Structures Act, by way of the Local Government: Municipal Structures Amendment Act, 2000 (Act No. 33 of 2000), which has far-reaching implications for local and district municipalities. Section 84 of the Structures Act sets out the powers and functions of district municipalities and makes a distinction between the powers and functions of district municipalities and those of local municipalities.

Due to the problems experienced in the application of this Section, amendments were introduced to promote legal certainty and also to provide for the division of functions regarding the provision of water, health, electricity and solid waste disposal services. In terms of these amendments, the bulk functions (water, sewerage and health) were in principle assigned to district municipalities. Subsequently the National Minister in conjunction with the Provincial Minister has reallocated these functions to local and district municipalities.
In each case it is important to know whether a specific function has been assigned to a District Municipality or a Local Municipality. If, for instance, a DM is the Water Services Authority, then only the DM can exercise the following functions:

- Approval of IDP & Water Services Development Plan.
- Approval of the Budget related to Water.
- Approval of Water Tariffs.
- Approval of Tariffs & Tariff Policy.
- Approval of Credit Control & Debt Collection Policy.

### 1.1.4.3 Municipal Finance Management Act, 2003 (Act 56 of 2003)

The newly adopted Municipal Finance Management Act places large responsibilities relating to revenue and credit control and debt collection on the accounting officer of South African municipalities. Section 60 of the Act establishes the municipal manager as the accounting officer of a municipality.

Section 62, which deals with financial management, determines that the accounting officer must ensure that:

- The municipality has implemented:
  - A tariff policy.
  - A rates policy.
  - A credit control and debt collection policy.

While the abovementioned Section deals with the institutional compliance regarding to credit control and debt collection, Section 64 deals specifically with the management of revenue. The most relevant issues are to ensure that:

- The municipality has an effective revenue collection system consistent with Section 95 of the Systems Act:
  - Revenue is calculated monthly.
  - Accounts are prepared.
  - The municipality maintains a finance and IT system which:

- Recognised revenue when it is earned.
- Accounts for debtors.
- Accounts for receipt of payments.
**Budget**

The Act also imposes the following duties on the municipal manager related to the budget:

- He/She must:-
  - Assist the mayor in performing the budgetary functions assigned to the mayor.
  - Ensure that spending is according to the budget and budget implementation plan and is reduced when revenue is less than projections.
  - Ensure that revenue and expenditure are monitored.
  - Report any shortfall in revenue.
  - Report steps taken to rectify shortfalls in income and overspending.

The abovementioned provisions are imposed on the municipal manager to ensure that the constitutional objective of sustainable service delivery is met.

The most important aspects relating to credit control and debt collection, contained in the Finance Management Act, can be summarised as follows:

- A system for credit control and debt collection must be in place.
- Income must be collected to prevent a reduction in expenditure and therefore service delivery.

### 1.1.4.4 Municipal Property Rates Act, 2004 (Act 6 of 2004)

In terms of this Act, the owner of a property is liable for rates\(^6\), but it may also be recovered from tenants or occupiers\(^7\) and agents\(^8\), subject to the provisions of Chapter 9 of the Municipal Systems Act.

The implementation of this Act is phased in. The Act also requires each municipality to adopt a Rates Policy which should also refer to credit control and debt collection.

### 1.1.5 Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)

The Access to Information Act prohibits the disclosure of certain personal information. A municipality, as a public authority, would be contravening the provisions of the Act if it discloses personal information regarding individual consumer debt. However, should the matter be handled by a private credit bureau, it would appear that the credit bureau is not prohibited from publishing the names of debtors or “blacklisting” these debtors.

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\(^6\) Section 24  
\(^7\) Section 29  
\(^8\) Section 29
Section 68 (Right to confidential treatment) and section 70 (Credit Bureau Information) in the National Credit Act No. 34 of 2005 will have to be adopted.

1.1.6 The National Credit Act No. 34 of 2005

The new National Credit Act (NCA) has certain legal consequences for municipalities.

An “incidental credit agreement” is defined in section 1 of the National Credit Act as follows:

“incidental credit agreement” means an agreement, irrespective of its form, in terms of which an account was tendered for goods or services that have been provided to the consumer, or goods or services that are to be provided to a consumer over a period of time and either or both of the following conditions apply:

(a) a fee, charge or interest became payable when payment of an amount charged in terms of that account was not made on or before a determined period or date; or

(b) two prices were quoted for settlement of the account, the lower price being applicable if the account is paid on or before a determined date, and the higher price being applicable due to the account not having been paid by that date”.

Any monies and interest due and payable in terms of municipal accounts will be regarded as “incidental credit” in terms of the Act.

Limited Application of the NCA

Section 5 provides that the Act has limited application to incidental credit agreements. Section 5(1) indicates which sections of the Act apply in respect of incidental credit agreements. In terms of section 5 (2) the parties to an incidental credit agreement are deemed to have made that agreement on the date that is twenty [20] business days after:

(a) the supplier of the goods or services that are the subject of that account, first charges a late payment fee or interest in respect of that account; or

(b) a pre-determined higher price for full settlement of the account first becomes applicable,

unless the consumer has fully paid the settlement value before that date.

In respect of charging a recovery fee, a charge or interest, section 5(3) of the National Credit Act provides that such charges in respect of a deferred amount under an incidental credit agreement, as provided for in section 101(d), (f) and (g), are subject to any maximum rates of interest or fees imposed in terms of section 105.

A municipality may charge a recovery fee, a charge or interest in respect of an “unpaid amount” referred to in the definition of “incidental credit agreement”, only if the credit provider (i.e. the
municipality) has **disclosed** and the consumer has **accepted** the amount of such fee, charge or interest or the basis on which it became payable, **before** the relevant goods or services were supplied. This should be part of the Consumer Agreement.

Some of the provisions of the NCA which are applicable to “incidental credit agreements” of which notice must be taken are:

**Chapter 4**

Part A: Consumer Rights

Part B: Confidentiality, Personal Information and Consumer Credit Records

**Chapter 5**

Part C: Consumer’s Liability, Interest, Charges and Fees

Part D: Statements of Accounts

Part E: Alteration of Credit Agreement

**Chapter 6**

Part A: Collection and Repayment Practices

Part C: Debt Enforcement by Repossession or Judgment

From the above it can be included that:

- Interest and fees are subject to the maximum fees imposed by the Act.
- Fees must be disclosed and accepted by the consumer.

**1.1.7 The Magistrates Court Act 32 of 1944**

Some of the more important sections in the Magistrates Court Act and Rules as it affects local government are set out hereunder.

**1.1.7.1 Appearance**

In terms of section 20 any advocate or attorney may appear in all Magistrates Courts in the Republic of South Africa without the need to be admitted in the particular division in which the court is situated. The effect of this section read with Rule 52 is that:

**1.1.7.2 Presentation of Parties**

(1)(a) A party may institute or defend and may carry to completion any legal proceedings either in person or by a practitioner.

(b) A local authority, company or other incorporated body in doing so may act through an officer thereof nominated by it for the purpose.
(c) A partnership or group of persons associated for a common purpose in doing so may act through a member thereof nominated by it for the purpose.

(d) No person acting under paragraphs (a), (b) or (c) other than a practitioner shall be entitled to recover therefor any costs other than necessary disbursements”.

A municipality in terms of Rule 52(1)(b) cannot become a party to legal proceedings unless a proper resolution is taken empowering some individual to act on its behalf.

In the event that a proper resolution is taken empowering same individual to act on behalf of the municipality, such person will perform the duties of an agent and/or debt collector and will be subject to section 22 and section 60(1) of the Magistrates Court Act and to section 19 of the Debt Collection Act 114 of 1998.

“22 Agents

(1) A person who, immediately prior to the commencement of this Act, was entitled to practise as an agent in any court may practise in any court in which he was so entitled, and shall be entitled to be enrolled and to practise in any other court in which he would have been entitled to be enrolled if this Act had not been passed.

(2) The Supreme Court shall possess in respect of any such agent the same powers as it possesses in respect of attorneys of the Supreme Court.

(3) The law society of any Province may bring to the notice of the Supreme Court any facts regarding the conduct of any such agent which, in the opinion of the said Society, ought to be brought to the notice of the Supreme Court, in the same manner as if such agent were an attorney of the Supreme Court.

60 Prohibition of recovery of fees or remuneration by certain persons in connection with the collection of debts

(1) Unless expressly otherwise provided in this Act or the rules no person other than an attorney or an agent referred to in section 22 shall be entitled to recover from the debtor any fees or remuneration in connection with the collection of any debt.

Recovery of money

19. (1) A debt collector shall not recover from a debtor any amount other than-

(a) the capital amount of a debt due and interest legally due and payable thereon for the period during which the capital amount remains unpaid; and

(b) necessary expenses and fees prescribed by the Minister in the Gazette after consultation with the Council.
(2) Upon request by a debtor and against payment of any prescribed fee, the clerk of a magistrate’s court or a costs committee of a provincial law society may tax or assess any account or statement of costs, interest and payments claimed to be owed by a debtor to a debt collector or his or her client.

(3) The provisions of subsection (2) shall not be construed as preventing the taxation or assessment of any further account or statement of costs reflecting further amounts which become payable by the debtor to the debt collector or his or her client and which arise from the same cause of debt as that from which amounts reflected in an already taxed or assessed account or statement of costs arose.

(4) A debt collector shall deliver to a debtor, upon request and against payment of a prescribed fee, a settlement account containing a complete exposition of all debits and credits in connection with a specific collection: Provided that a debtor shall be entitled to request a settlement account free of charge once in every six months”.

### 1.1.7.2 Debt Collection

The collection of monies due to the municipality as discussed supra must be performed in terms of the civil legislation procedure as determined by the Magistrates Court Act. Costs of this procedure i.e. Letter of Demand, Summons and Request for Default Judgment are limited in the event of an agent or debt collector performing this duty on behalf of the municipality.

In terms of section 56 of the Magistrates Court Act only an attorney may reclaim the costs of a Letter of Demand which reads as follows:

“56 Recovery of costs of letter of demand

If any person (in this section called the debtor) pays any debt due by him to any other person (in this section called the creditor) after the creditor has caused a registered letter of demand to be sent to the debtor through an attorney demanding payment of the debt, the creditor shall be entitled to recover from the debtor the fees and costs prescribed in the rules for a registered letter of demand: Provided that the amount of such fees and costs was stated in the letter of demand”.

Any additional costs, apart from the liquidation amount of the debt may only be claimed from the debtor in accordance with section 80(1) of the Magistrates Court Act read with Rule 33 of the Concise Rules of Court. Section 80(1) reads as follows:

“80 Costs to be in accordance with scales and to be taxed

(1) The stamps, fees, costs and charges in connection with any civil proceedings in magistrates’ courts shall, as between party and party, be payable in accordance with the scales prescribed by the rules”.
1.1.7.3 Admission of liability

Section 57 of the Magistrates Court Act and Rule 4 provides for a debtor to admit liability to the plaintiff for the amount of the debt and providing a written undertaking to pay the debt in installments and agree that when in default the matter may be referred to Court for judgment. Section 57 reads as follows:

“57 Admission of liability and undertaking to pay debt in instalments or otherwise

(1) If any person (in this section called the defendant) has received a letter of demand or has been served with a summons demanding payment of any debt, the defendant may in writing-

(a) admit liability to the plaintiff for the amount of the debt and costs claimed in the letter of demand or summons or for any other amount;

(b) offer to pay the amount of the debt and costs for which he admits liability, in instalments or otherwise;

(c) undertake on payment of any instalment in terms of his offer to pay the collection fees for which the plaintiff is liable in respect of the recovery of such instalment; and

(d) agree that in the event of his failure to carry out the terms of his offer the plaintiff shall, without notice to the defendant, be entitled to apply for judgment for the amount of the outstanding balance of the debt for which he admits liability, with costs, and for an order of court for payment of the judgment debt and costs in instalments or otherwise in accordance with his offer, and if the plaintiff or his attorney accepts the said offer, he shall advise the defendant of such acceptance in writing by registered letter.

(2) If, after having been advised by the plaintiff or his attorney in writing that his offer has been accepted, the defendant fails to carry out the terms of his offer, the clerk of the court shall, upon the written request of the plaintiff or his attorney accompanied by-

(a) if no summons has been issued, a copy of the letter of demand;

(b) the defendant's written acknowledgment of debt and offer and a copy of the plaintiff's or his attorney's written acceptance of the offer;

(c) an affidavit or affirmation by the plaintiff or a certificate by his attorney stating in which respects the defendant has failed to carry out the terms of his offer and, if the defendant has made any payments since the date of the letter of demand or summons, showing how the balance claimed is arrived at-

(i) enter judgment in favour of the plaintiff for the amount or the outstanding balance of the amount of the debt for which the defendant has admitted liability, with costs; and
(ii) order the defendant to pay the judgment debt and costs in specified instalments or otherwise in accordance with his offer, and such order shall be deemed to be an order of the court mentioned in section 65A (1).

(3) When the judgment referred to in subsection (2) has been entered and an order made, and if the judgment debtor was not present or represented when the judgment was entered by the clerk of the court and the order made, the judgment creditor or his or her attorney shall forthwith advise the judgment debtor by registered letter of the terms of the judgment and order.

(4) Any judgment entered in favour of the plaintiff under subsection (2) shall have the effect of a judgment by default”.

1.1.7.4 Consent to judgement

In terms of section 58 of the Magistrates Court the debtor unconditionally consents to judgment and the matter is immediately referred to the Clerk of the Court for judgment and, where applicable, an order for payment in instalments, which reads as follows:

“58 Consent to judgement or to judgement and an order for payment of judgment debt in instalments

(1) If any person (in this section called the defendant), upon receipt of a letter of demand or service upon him of a summons demanding payment of any debt, consents in writing to judgment in favour of the creditor (in this section called the plaintiff) for the amount of the debt and the costs claimed in the letter of demand or summons, or for any other amount, the clerk of the court shall, on the written request of the plaintiff or his attorney accompanied by-

(a) if no summons has been issued, a copy of the letter of demand; and

(b) the defendant's written consent to judgment-

(i) enter judgment in favour of the plaintiff for the amount of the debt and the costs for which the defendant has consented to judgment; and

(ii) if it appears from the defendant's written consent to judgment that he has also consented to an order of court for payment in specified instalments or otherwise of the amount of the debt and costs in respect of which he has consented to judgment, order the defendant to pay the judgment debt and costs in specified installments or otherwise in accordance with this consent, and such order shall be deemed to be an order of the court mentioned in section 65A (1).

(2) The provisions of section 57 (3) and (4) shall apply in respect of the judgment and court order referred to in subsection (1) of this section”.
1.1.7.5 Emoluments attachment orders

Section 65J and Rule 46 provides for Emoluments Attachment Orders. Section 65J(2) and (3) provides:

“65J Emoluments attachment orders

(2) An emoluments attachment order shall not be issued-

(a) unless the judgment debtor has consented thereto in writing or the court has so authorised, whether on application to the court or otherwise, and such authorisation has not been suspended; or

(b) unless the judgment creditor or his or her attorney has first-

(i) sent a registered letter to the judgment debtor at his or her last known address advising him or her of the amount of the judgment debt and costs as yet unpaid and warning him or her that an emoluments attachment order will be issued if the said amount is not paid within ten days of the date on which that registered letter was posted; and

(ii) filed with the clerk of the court an affidavit or an affirmation by the judgment creditor or a certificate by his or her attorney setting forth the amount of the judgment debt at the date of the order laying down the specific instalments, the costs, if any, which have accumulated since that date, the payments received since that date and the balance owing and declaring that the provisions of subparagraph (i) have been complied with on the date specified therein.

(3) Any emoluments attachment order shall be prepared by the judgment creditor or his attorney, shall be signed by the judgment creditor or his attorney and the clerk of the court, and shall be served on the garnishee by the messenger of the court in the manner prescribed by the rules for the service of process’.

1.1.8 The Municipal Property Rates Act

The newly adopted Local Government Municipal Property Rates Act, 2004 (no 6 of 2004) provides that a municipality must adopt a policy on the levying of rates and rateable property in the municipal area.

Section 3(3)(c) determines that the municipality must adopt criteria for categories of properties for the levying of different rates for different categories and categories of owners or categories of property for the purpose of granting exemptions, rebates and reductions.

A municipality may not grant relief in respect of the payment of a rate to a category of owners or to the owners of a category of properties other than by way of an exemption, a rebate or a reduction provided for in its rates policy. (Section 3(6))
A municipality must furnish each person liable for the payment of a rate with a written specified account. (Section 27)

Owners are liable for the payment of rates (Section 24(1)) but arrears may also be recovered from a tenant or an occupier (Section 28(1)).

1.1.9 Institution of Legal Proceedings against certain Organs of State (Act 40 of 2002)

When a “debt” as defined in Act 40 of 2002 has to be collected from another “organ of state”, the provisions of Act 40 of 2002 must be complied with i.e. before legal proceedings are instituted notice must be given in terms of section 3(2).

Such notice must:-

- be served on the “organ of state” within six (6) months from the date on which the debt become due; and
- briefly set out:
  - the facts giving rise to the debt; and
  - such particulars of the debt as are within the knowledge of the creditor (the party claiming payment).

Notices can be served on the organ of state by delivering it by hand, or by sending it by certified mail or electronic mail or facsimile subject to certain conditions stipulated in section 4(1).

Note that “debt” as defined refers to a claim for “damages” (skadevergoeding) and would inter alia relate to claims arising from breach of contract and also delictual claims such as for bodily harm arising from accidents where the organ of state is liable.

Where such a claim for “damages” are instituted against the municipality, the party claiming payment will also have to comply with the Act and serve a notice on the municipality.

1.2 Provincial Legislation

At the provincial level, numerous pieces “old order” legislation, such as provincial ordinances, are still in force in terms of Item 2, Schedule 6 of the Constitution. It will be necessary for the provinces to amend or repeal some of the provincial provisions that are inconsistent with the Constitution or newly adopted local government legislation.

Some of the provinces have already adopted new legislation in this regard, such as the Gauteng Rationalisation of Local Government Legislation Act, 1998 (Act No. 10 of 1998). All such new legislation will have to be examined in the light of the newly adopted national legislation.
Provincial legislatures should be requested to attend to this matter and to rationalise the local government legislation so as to ensure that “old order” legislation and newly adopted legislation are complementary and not contradictory.

1.3 Municipal By-Laws

To effectively execute their debt collection and credit control/recovery functions, *it is absolutely essential that municipalities have legally binding by-laws in place*. Various acts presuppose that municipalities must have by-laws, for instance, Section 21 of the Water Services Act, and Section 98 of the Municipal Systems Act. A model credit control and debt collection by-laws were drafted and workshopped, adjusted and adopted at a number of municipalities throughout South Africa. Details are discussed in section 3.1 and a further adjusted version is attached as Annexure “B”.

1.4 Delegations

Chapter 7, Part 3 of the Systems Act requires municipal councils to develop a system of delegation that will maximize administrative and operational efficiency and provide for adequate checks and balances. This presupposes that appropriate powers be delegated to certain employees of the municipality to enable them to perform their tasks effectively. To implement a debt collection and credit control policy effectively, certain functions must be delegated to officials. Proposals in this regard are included in the draft policy on credit control and debt collection.

2 DIFFICULTIES EXPERIENCED BY MUNICIPALITIES

A study undertaken by the Department of Provincial and Local Government (formerly the Department of Constitutional Affairs) in 2000/2001 indicates that municipalities experience the following difficulties regarding credit control and debt collection:

- Lack of policies and by-laws.
- Cumbersome process of identifying, managing and supporting indigent consumers.
- Unreliable debtor’s data.
- Limited time to effect credit control and debt collection, and lack of staff.
- Political interference.
- Lack of proper customer care systems.
- Lack of a system that can deal with the complexities of credit control and debt collection at municipal level.
2.1 Gaps in Policies and By-Laws

The Municipal Systems Act\(^9\) determines that a municipality must collect all monies that are due and payable to it. A municipality must adopt, implement and maintain a credit control and debt collection policy\(^{10}\) that is consistent with its rates and tariff policies. The responsibility to collect outstanding debt is therefore allocated to the municipality which includes councillors, managers and the community. The Act also includes some general principles that must be included in the policy.

2.1.1 Contents of the policy

Section 97 determines that the policy must provide for:

- Credit control procedures and mechanisms.
- Debt collection procedures and mechanisms.
- Provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents.
- Realistic targets consistent with:
  - Generally recognized accounting practices and collection ratios.
  - The estimated income set in the budget, less an acceptable provision for bad debts.
- Interest on arrears, where appropriate.
- Extensions of time for payment of accounts.
- The termination of services or the restriction of the provision of services when payments are in arrears.
- Matters relating to the unauthorized consumption of services, theft and damages.
- Any other matters that may be prescribed by regulation in terms of Section 104 of the Systems Act.

Section 97 (2) further determines that a credit control and debt collection policy may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters as long as differentiation does not amount to unfair discrimination.

\(^9\) Section 96 (a)
\(^{10}\) Section 96 (b)
Other sections in the Act deal with a range of matters guiding councillors in adopting policies and by-laws. The most important ones are:

- A municipal council must adopt by-laws to give effect to the municipality’s credit control and debt collection policy, its implementation and enforcement\(^{11}\).
- The supervisory authority of the executive mayor, or executive committee or other committee appointed by council\(^{12}\).
- The appointment of a municipal manager or a service provider to implement the policy and by-law\(^{13}\).
- Right to access premises.\(^{14}\).
- The consolidation of accounts and authority to implement any credit control and debt collection actions regardless of the type of arrears\(^{15}\).
- Agreement with employers\(^{16}\).
- Regulations and guidelines that can be issued by the Minister of Provincial and Local Government on a range of subjects\(^{17}\).

The abovementioned legislation must be combined with other practical issues as well as the provisions that exist in other national legislation to draft, adopt and implement an effective credit control and debt collection policy. Issues not dealt with in legislation but that should be considered in a policy and/or by-law, are as follows:

- Specific policy objectives to gauge whether the municipality was successful in the implementation of the policy or by-law.
- The roles and responsibilities of the council, executive mayor, municipal manager and officials regarding credit control and debt collection.
- Reports to the council and executive mayor.

### 2.2 Cumbersome Process of Identifying, Managing and Supporting Indigent Consumers

An effective credit control and debt collection system requires that indigent consumers be identified and supported. These consumers must also be isolated from defaulting consumers to

\(^{11}\) Section 98  
^{12}\) Section 99  
^{13}\) Section 100  
^{14}\) Section 101  
^{15}\) Section 102  
^{16}\) Section 103  
^{17}\) Section 104
ensure that they are not subjected to the normal credit control and debt collection processes. No court of law will give judgement against a person who has been identified as indigent. This means that the normal credit control processes cannot apply. The only measures available to a municipality to ensure that the rates and service charges of indigent consumers do not escalate are as follows:

- the level of support must be sufficient to cover the cost of rates and/or service charges;
- special discounts to this category of consumers can be given through the municipal rates and tariff policies;
- consumers can be placed on a pre-payment system; and
- consumption can be restricted.

The high level of unemployment, poverty, national policy of free services, limited national support, service backlogs and lack of resources prohibit municipalities to give unlimited access to services. If the debt of indigent consumers is allowed to escalate, it will result in future write-offs which in turn will impact on the provision of working capital and bad debts and therefore on rates and service charges.

Privileges offered by municipalities should not be abused. A system to monitor and regulate the application thereof should therefore be introduced. This can be done by defining the qualifying rules and adopting measurable criteria. The public must be informed of the application and allocation processes. A detailed record of all qualifying consumers must be kept and managed. The following minimum details must be recorded:

- Name and address of the head of the household.
- Contact details.
- Names and addresses of occupiers.
- Income.
- Municipal account number.
- Services consumed.
- Proof of income and other qualifying criteria.
- Date applied.
- Re-audit date.
- Level of subsidy.
• Average account.
• Restriction measures.

Subsidies must be regular and reflected on the consumer’s account. Once an application has been approved, all other arrears must be parked, examined and possibly written off. Regular records and reports covering all indigents must be submitted to the monitoring authority to ensure the effective application of the policy and the regulation of outstanding debt. Details of a policy and an example of an application form are attached as Annexures “C” and “D”.

The policy deals with:
• The criteria for qualification
• Extent of indigent support
• Arrears on indigent accounts
• Non-compliance of households registered as indigent, and
• Reporting on indigents

It is important that the households of indigent consumers are visited on a regular basis. One cannot carry on subsidising a consumer if the situation has changed and the household does not qualify anymore. If resources to perform these audits are limited a staggered approach must be adapted. This implies that applications for indigents must be allowed all year round and a well controlled auditing system must be in place to audit a certain number of households per month.

2.3 Unreliable Data

Very few municipalities have updated their debtor’s databases since the consolidation and demarcation of cities and towns in South Africa. The quality of data relating to traditionally black cities and towns was questionable in the first place when originally transported into the consolidated debtor’s databases of the newly established municipalities. Consumers sell their houses through an informal process, without notifying the municipality or, for that matter, the Deeds Office. Rental stock is also exchanged without the necessary notification to municipalities or service providers.

Correct data is a prerequisite for any credit control and debt collection process. The following consumer details must be available:
• Consumer type (domestic, industrial, commercial, company, close corporation, trust, body corporate, etc.).
• Account holder.
• Name and identification number of accounting officer or account holder.
• Township, stand and portion number
• Unit (Sectional title)
• SG number
• Account number.
• Physical address.
• Postal address.
• Owner or consumer (tenant).
• Contact details:
  o Home telephone number.
  o Work telephone number.
  o Fax number
  o Cell phone number.
  o E-mail address.
  o Name, address and identification number of spouse or spouses.
  o Name, address and identification number of next to kin.
• Employment detail:
  o Name of employer.
  o Physical and postal addresses of employer.
  o Telephone number.
  o Fax number
  o E-mail address.
• Bank details.

The abovementioned detail can be captured from an application form when a new consumer applies for services. The application form can also be used for the following purposes:

• Identify the type of service required. Chargeable and ratable services are, for example, electricity, water, refuse removal, disposal of wastewater, and property tax. Services should be linked to each other if the municipality is capable of
rendering consolidated accounts. The information supplied can also be used to
determine whether the consumer has any other unpaid service accounts.

- Inform consumers of the conditions of supply (see example of Application form in
Annexure “E”). The application form (a copy of which must be handed to the
consumer) must contain references to:
  - the number of days within which services will be connected;
  - when meters will be read;
  - when accounts will be delivered and are payable;
  - default procedures;
  - enquiry procedures;
  - the municipality’s rights of access to premises;
  - office hours, pay points and payments options; and
  - key policy matters.

- To determine security deposits: It normally takes eight to ten weeks from the date
that a new consumer is connected to council’s supply lines before the first payment
is made. During this period, the municipality must provide its own working capital.
It is a generally accepted accounting practice that every consumer must contribute,
in cash, his/her own working capital. This can be recovered by a deposit equal to
the anticipated consumption of eight to ten weeks. Some municipalities may
require deposits for longer periods. Municipalities must also finance the working
capital requirements of irregular payers. This responsibility should be passed on to
these consumers by charging higher deposits.

All information supplied on the application form must be confirmed before it is
captured on the debtor’s database or before services are connected. Consumers
with little or no income should be referred to the Indigent Support Section for
assistance. Others with limited resources should be supplied with pre-payment
electricity meters to enhance debt collection. Certain relevant indicators can be
used to highlight doubtful payers.

The Application for Services form is a binding contract between the municipality
and its consumers and should be signed by both parties. In the event of a dispute
between the municipality and a customer/consumer, the application form can be
used to prove the liabilities of the parties involved. The application form must be
stored in such a manner that it can be retrieved, if required. If an imaging system is
available all Application for Services agreements should be scanned and stored electronically. Workflow processes for application forms are set out in Annexure “F”.

**Examples of the conditions that can be built into the agreement:**

“Prepayment services will be sold at selected outlets and will be subject to a certain minimum per transaction as determined from time to time. Client understands and agrees that, in the case of arrears relative to consumption of resource services, such arrears shall be paid by means of a suitable levy as determined by the Director Financial Services on the pre-paid tariffs. No refund /credit will be granted on pre-paid sales.”

“The client hereby accepts that should there be a default in the timeous settlement of the account, Council is entitled to refer the debt to its agents for collection, and the client accordingly accepts responsibility and liability for any collection costs incurred and/or commissions payable. The client further accepts that Council, or Council’s agents, may take any steps necessary for the collection of such arrear levies, in accordance with Council’s policies, including and not limited to the suspension of the supply of services, without any further notice.”

**2.4 Data Cleansing and Surveys**

To improve the quality of data on the debtor’s database in the shortest possible time, and with the least expense, a three-phase approach is recommended.

Firstly a desktop clean-up of the data is done using computer software packages and the data currently on the financial system. This process will identify all accounts that can be reasonably accepted as correct.

Secondly external databases, such as the deeds office and the surveyor general, can be accessed to find additional information and to confirm existing data.

After these two processes have been completed, the remaining method that can be used to get data on the remaining incomplete and inaccurate records is a house-to-house survey, where every single premise is visited to obtain the necessary detail.

This is a tedious and cumbersome process, but unfortunately the only way to ensure that accounts are sent to the correct consumers so that defaulting consumers can be held accountable in the event of non-payment.

GIS polygons and cadastral as well as aerial photographs should be used to identify whether all the appropriate services are billed for all the service points within the municipal area. By imposing the aerial photographs over the town plan, every single structure can be identified that should have a rates, water, electricity, refuse and sewerage service account (attached as Annexure “G”). By comparing the data with that of the debtor’s database, additional income can
be identified through the use of the GIS where financial information cannot be matched to a particular property.

Data cleansing, however, must be preceded by an awareness campaign to obtain the cooperation of consumers. A business plan for such a process is attached as Annexure “H”. If this process is linked to an indigent identification process, it will be far more cost- and time effective.

Community Liaison Process

In order for Community Liaison to be successful it is essential to form two Steering Committees. These are normally as follows:

1. Project Management Steering Committee.
2. Community Steering Committee.

The diagram below highlights the ideal structure to follow for the establishment of the Community Liaison Steering Committees, and how they are made up.
The following diagram is an alternative structure to the ideal diagram above. The alternative structure does away with one single Community Steering Committee, and instead has numerous community Steering Committees per various selected wards.

**ALTERNATIVE COMMUNITY LIAISON STRUCTURE**

![Diagram of Alternative Community Liaison Structure]

The diagram above is an example of how the Community Liaison Steering Committees can be formed.

**The Functions of the Various Steering Committees**

**Management Steering Committee**

The Management Steering Committee will decide on the overall strategy for the Community Liaison, as well as:

- Guiding and introducing the project to each individual structure.
- Ensuring that the Steering Committees have the support from the Management Committee.
- Obtaining the names of all relevant structures and groupings in the various communities which, once identified, will be approached to assist in the formation of the Community Steering Committees.
The Committee should consist of:

- Councillors of chosen jurisdictions.
- LM’s management representatives.
- Consultants.

**Community Steering Committee**

The Community Steering Committee is the liaison between the Management Steering Committee and the community.

This committee is a core component of the project and critical to the outcome of the project. It is here that the community at large is represented and where the community plays a role in project decision making and community involvement. The makeup of this committee is largely dictated by the structures but it is important to try and avoid committees that are too large and cumbersome and unable to function in the manner for which they were constituted.

Ideally members of the Steering Committee will be volunteers, community orientated and striving for the improvement of the community as a whole. As members they will be expected to attend all committee meetings and any gatherings of the community regarding matters associated with the project e.g. Mass meetings, ward meetings etc. Members of this committee will not receive payment for this function unless the municipality decides otherwise. From experience payment does not guarantee a specific level of performance as there is nothing to measure performance against. If they are being paid, their motive may only be one of enrichment without having the actual interests of the community at heart.

The Community Steering Committee should have representation from the community in the form of:

- Ward Councillors.
- Community representatives.
- Consultants.

The responsibilities of the Community Steering Committee will be to:

- Decide and manage dates, times and venue of meetings.
- Manage the contents of every meeting.
- Decide on the best vehicle for addressing the community:
  - Radio.
  - Public address systems.
- Leaflets / hand outs.
- Door to door.
- Mass meetings.

To represent the Structures within the Community i.e.
- Youth forums.
- Church forums etc.

It is imperative that all meetings be minuted and signed off by the Chairman of the Community Steering Committee’s, and then passed onto the Chairman of the Management Meeting.

### 2.5 Limited Time to Effect Credit Control and Debt Collection, and Lack of Staff

It is a constitutional right of every citizen of South Africa to have access to basic services. Municipalities, therefore, must supply electricity, water, sewerage, refuse and community services to every citizen. In most cases these services are billed on a monthly basis, which leaves little time to affect credit control and debt collection when consumers do not pay on the due date. A fourteen day grace period for payments is normally granted after accounts have been delivered, which leaves fourteen days for action before the new accounts are delivered. An average municipality produces approximately thirty thousand accounts per month, of which ten to thirty percent are not paid before the due date. This means that an average municipality must act against between three thousand to nine thousand consumers within fourteen days. It is estimated that a credit control and debt collection clerk can handle approximately three hundred files per month, which means that the average municipality must employ between twenty and sixty clerks to handle the number of defaulting consumers. The matter is complicated by the fact that these debts are not once-off, but recur monthly. Limited resources prohibit municipalities to employ the number of staff required. Councillors and managers prefer to focus on service delivery instead of credit control and debt collection, without which service delivery cannot be extended and sustained.

It is the council’s responsibility to ensure that the municipality has sufficient staff and resources (both systems and trained staff) within the employ of the municipality, in order to undertake effective credit control and debt collection processes.

### 2.6 Political Interference

Politicians are elected every five years to serve on the municipal council. Their re-election depends on their performance during the preceding period. A ward councillor is inundated by service and accounts complaints and tends to believe community members instead of the municipal officials acting against defaulting consumers. The lack of instantaneous access to
consumer records has led to many frustrations for officials, councillors and community members. Councillors are perceived to interfere in the administration process, while officials are perceived not to be executing their duties according to council’s policies and by-laws.

The roles of councillors and officials are clearly defined in Section 99 and 100 of the Local Government Municipal Systems Act, 2000 (No 32 of 2000). Section 99 determines that a municipality’s executive committee, or executive mayor must be appointed as the supervisory authority which must oversee and monitor the implementation and enforcement of the credit control and debt collection policy and by-law, and the performance of the municipal manager.

Section 100 determines that the municipal manager or a service provider must implement and enforce the policy and must establish effective administrative mechanisms, processes and procedures to collect money.

Councilors that interfere with the implementation processes are in breach with this provision and should be charged in terms of the municipality’s code of conduct.

2.7 Customer Care

The Local Government Municipal Systems Act is very specific about customer care and management\textsuperscript{18}. To give effect to the conditions contained in the Act, municipalities will have to establish specific customer care and management divisions. \textbf{A clear separation needs to be made between credit control and debt collection on the one hand and customer care on the other hand.} It is impossible for one division to do both (i.e. meet the debt collection target and maintain a positive and reciprocal relationship between the municipality and its customers).

The most important provisions in the Systems Act regarding customer care are:

- Establish mechanisms for users of services to give feedback regarding the quality of service and performance of the service provider.

  This can be achieved by:

  Creating a customer forum where representatives of the community can meet regularly with council members and service providers.

  Holding ward meetings where the service provider can meet with the community and its ward councillors.

- Ensure that users of services are informed of the costs involved in service provision, the reasons why they should pay for services, and the manner in which the monies raised are being utilised.

\textsuperscript{18} Chapter 9
This can be achieved during the budget process by:

Calling for public meetings, including all political parties, ratepayers and civic organisations; business chambers; trade unions; the general public; and other interested parties, at which meetings budget priorities, principles, frameworks and schedules will be outlined and debated.

Conducting need-identification workshops in all wards, with the objective of:

- identifying all the needs of the wards that are legitimately in the area of responsibility of the municipality;
- involving the community in prioritising these needs;
- involving the community in council's planning and providing information as to what the municipality does and what other levels of government do; and
- informing communities of the level of payment and non-payment in that ward and devising strategies in this regard.

Conducting draft budget meetings during a second round of meetings where the tariff implementations and manner in which the budget will be utilised will be explained.

Taking responsible steps to ensure that the consumption of services is measured through accurate and verifiable metering systems. Options to achieve this objective include:

- considering alternative service providers with access to capital funds to eliminate backlogs in metering;
- agreeing on a plan to eliminate backlogs where the municipal council prefers to render the service itself; and
- installing pre-payment meters (these meters must be inspected regularly to ensure that no tampering is taking place).

Accounts are a highly effective mode of communication and can be used to impart all types of information.

- Ensure that persons liable for payments receive regular and accurate accounts that indicate the basis on which the due amounts were calculated. Regular and accurate accounts require the following:

    An effective billing system.
Well-trained and motivated officials.

Clear policies.

Sufficient delegation of authority to officials to enable them to perform their functions.

Accounts should reflect:
- All amounts outstanding and the balance carried forward.
- The units consumed.
- Applicable tariffs.
- Amounts due.
- Total amount payable.
- Regular readings (phone-in readings can be accepted to ensure accurate accounts, but should be audited every six months)

- Ensure that consumers receive an accurate and timeous account.
- Provide accessible mechanisms for dealing with complaints. As previously mentioned, a dedicated customer care unit is required. All complaints must be recorded in a register and followed up to ensure prompt responses by the officials concerned.
- Customers must be allowed to pay an amount equal to the average consumption of the previous three months until the query has been resolved. Disconnection or legal action must be suspended until the query has been resolved.
- Award "good payer” status to regular payers – e.g. special queues to provide faster service.
- Enquiries received should be acknowledged in writing by the relevant department. After the query has been attended to, the consumer should again be informed in writing about the outcome and ensuing status of the account.
- The complaints register should be reviewed by members of senior management. Numerous complaints of a similar nature should be investigated internally.
- Accessible pay points and other mechanisms for settling accounts should be provided. Pay points should be located as close as possible to consumers. Municipalities should strive within their financial capacity to ensure that pay points are easily accessible. Offering various payment options can complement a lack of sufficient pay points. Most food chain stores and post offices accept municipal
payments. Direct payment to financial institutions, stop order facilities and other methods of transfer payments must be considered.

- A help-desk facility in the banking hall should be provided to assist consumers with documentation and information.
- Customer satisfaction should be tested by attaching a questionnaire to accounts. Copies of these questionnaires can be made available at enquiry counters.

The Municipal Systems Act highlights some of the aspects that need to be included in a customer care system. Consumers are often frustrated by the inconsiderate manner in which credit control officials collect outstanding debt. These officials normally follow predetermined work procedures and set instructions. It is not always possible to deviate from these policies/procedures/instructions. It is therefore important that consumers are informed about the municipality policies, by-laws, credit control and debt collection policy, their rights and obligations, help desk and enquiry facilities.

2.8 Lack of an Electronic System That Can Deal With the Complexities of Credit Control and Debt Collection at Municipal Level

It is a legal requirement that municipalities must employ a system for credit control and debt collection. Municipal accounting systems are designed to produce bills, record debtor transactions, effect creditor payments, keep records of stores transactions, record income and expenditure transactions, and produce financial statements. Credit control and debt collection in these accounting systems are often limited to producing arrears and disconnection lists. Credit control and debt collection are therefore restricted to the discontinuation of electricity and water services. All other arrears are normally isolated after ninety days and handed over to a legal firm for collection. Legal firms will issue final demands and follow the normal debt collection processes until the debt is recovered, while the municipality will continue supplying services to the consumers handed over. Consumers will normally react once a summons has been received. Payments to legal firms will result in further municipal default, which is the beginning of a never-ending cycle of events.

Refer to Chapter 5 for the basic functionality that such a system should have.

2.9 Inability of the Local Sheriff and Courts to Deal With the Number of Legal Cases

The number of defaulting consumers makes it impossible for the local Sheriff to deliver summonses and the courts to issue judgements and handle the number of cases required.

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19 Local Government: Municipal Finance Management Act, 2003 (Act no 56 of 2003) Section 64 (1)(a)
before judgements can be executed. Cases are booked for years in advance and in the meantime the municipality must still deliver services.

The abovementioned difficulties can be solved by introducing some of the following suggestions:

- Introduce a municipal court that will only deal with municipal cases. The municipality will have to sponsor the personnel and administrative cost involved.
- Municipal controlled social and financial assessments can be undertaken to determine whether a case should be handed over for the execution of judgements.
- Service consumption should be restricted to avoid debt to escalate to unaffordable portions.

3 CREDIT CONTROL AND DEBT COLLECTION DEPARTMENT STRUCTURE

3.1 Introduction

Credit control and debt collection at municipal level are processes that require a holistic approach due to the complexity of these matters. This draft structure has been drawn up to cater for three very critical aspects in any municipality, namely Credit Control, Debt Collection, and Customer Care. Customer Care is included since most queries and complaints are of a financial nature.

The needs of municipalities differ due to their size, the nature and profile of the debtors, the history of demarcation and several other factors. This section only caters for three scenarios, but it must be understood that within each scenario several models can apply and the proposed structures must be used as guidelines only.

3.2 Staff Roles and Tasks

There are several tasks that need to be allocated to staff members in the credit control and debt collection environment. In smaller municipalities a single staff member will have to multi-task and can be expected to fulfill many different roles, while at the same time a larger municipality can have one task divided between several staff members.

Large municipality:

<table>
<thead>
<tr>
<th>Staff</th>
<th>Task allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Member 1</td>
<td>Make arrangements</td>
</tr>
<tr>
<td>Staff Member 2</td>
<td></td>
</tr>
<tr>
<td>Staff Member 3</td>
<td></td>
</tr>
<tr>
<td>Staff Member 4</td>
<td></td>
</tr>
</tbody>
</table>
Small municipality:

Staff

<table>
<thead>
<tr>
<th>Task allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocate electricity cuts</td>
</tr>
<tr>
<td>Make arrangements</td>
</tr>
<tr>
<td>Handle queries and complaints</td>
</tr>
<tr>
<td>Print and post final demands</td>
</tr>
</tbody>
</table>

When assigning work to users, it is important to keep in mind the dissemination of duties. In many cases the system allows you to distribute the tasks in such a way that one person does not have all the power to control the debt collection process, but especially in smaller municipalities certain checks and balances must be built into the process.

Below are some of the tasks that need to be allocated.

**TASKS**

1. Manage and control debt collection process.
2. Allocate accounts to different credit controllers.
3. Telephone consumers.
4. Send reminder letters.
5. Grant extensions.
6. Field inspection to verify data.
7. Generate electricity cut job cards.
8. Monitor electricity cuts.
9. Generate pre-paid meter installation job cards.
10. Generate pre-paid meter block instruction.
11. Generate water restriction job cards.
12. Monitor water restrictions.
13. Print final demands.
14. Make arrangements with consumers.
15. Take action on defaulted arrangements.
17. Deliver summons – Sheriff allocation.
18. Generate request for judgement.
19. Hand account over to attorneys for external debt collection.
20. Attend to queries and administration requests.
21. Investigate and correct account queries.
22. Tracing.
23. Credit Bureau checks.
25. Attend to specific accounts (businesses, government, Top100).
26. System administration (Import data, export files, maintenance, etc).
27. Cashier functions.
28. Attend to indigent applications.
29. Liquidation, sequestration, death and administration.

3.3 Models

3.3.1 Large municipalities (See Organogram 1)

In this category we have municipalities with more than 50 000 accounts.

Several divisions function separately, but it is important that they do not function independently.

More than one staff member will work on the time intensive actions such as contacting consumers and making arrangements.

3.3.2 Medium municipalities (See Organogram 2)

Although it is not a steadfast rule, municipalities with typically around 30 000 accounts fall into this category.

More actions are combined to one person and in some cases the same person must take responsibility for more than one task.
3.3.3 Small municipalities (See Organogram 3)

With smaller municipalities with approximately 10 000 accounts, the personnel must multi-task and need to be more skillful. A lot of tasks are combined and it becomes more difficult to keep track of all the actions.

A workflow system such as Zeus helps to organize all items into different queues and this enables the user to ensure that all the necessary actions are taken at the right time.
Organogram 2: Medium Municipalities

FINANCE

CFO

INCOME

Head of Income

System Administrator

EXPENDITURE

Head of Exp

Credit Control and Debt Collection

Head of Division

Credit Control Clerks

Connection/Disconnection Clerks

Tracing Clerks

Legal Clerks

Customer Care

Head of Division

Enquiry Clerks

Admin Clerks for Arrangements & Indigents

Billing

Head of Division

Internal or External Resources

Contractors for Electricity Cuts, Water Restrictions, Reconnections

Wardens for the delivery of Final Demands

Sheriff for Summons, Judgements
Organogram 3: Small Municipalities

FINANCE CFO

INCOME
Head of Income

Credit Control Clerks for Connection/Disconnection Tracing Enquiries Legal

Admin Clerks for Enquiries Arrangements & Indigents

EXPENDITURE
Head of Exp

Billing Head of Division

Internal or External Resources

Contractors for Electricity Cuts, Water Restrictions Reconnections

Wardens for the delivery of Final Demands

Sheriff for Summons Judgements
It is important to note that these are just guidelines. A local municipality with mainly rural areas with very limited water and electricity supplies will differ greatly from a similar sized municipality with an affluent urban environment.

Each case must be evaluated on merit and the model must then be customised according to the specific needs of that authority. It is however essential that all the tasks are allocated to ensure a comprehensive effort.

4 CREDIT CONTROL AND DEBT COLLECTION PROCESS

4.1 Introduction

The most crucial aspect of a credit control and debt collection process is that it must be planned thoroughly, controlled well and followed diligently. It is important that everyone involved are aware of their roles and of their place in the overall plan.

It is further essential that the correct procedures and by-laws are adapted by the municipality and that these are implemented.

The process should also be integrated, combining credit control, debt collection and customer care in one system, even though these are handled by different departments.

It has been proven that the best practice is not a blanket approach, where all consumers in arrears are treated in the same way, but rather a differentiated approach where debtors are categorised and different strategies are followed for the different categories.

In this document it is assumed that the municipality has a computerised debt collection system similar to the Zeus system.
4.2 High level generic process

4.3 Details on some phases

4.3.1 Importing and exporting data
**Step 1:**

The details of the consumers in arrears must be extracted from the financial system and imported into the Credit Management System.

**Step 2:**

All transactions pertaining to these accounts must be transferred from the billing system to the Credit Control system on a daily basis. This is done to ensure that the arrangements can be monitored and that paid-up accounts are removed.

**Step 3:**

Financial systems require data feedback such as information on Municipal costs, arrangements, indigents, summonses, and accounts handed over to attorneys.

### 4.3.2 Pre-Filtering and cleaning data

Data is pre-filtered to ensure that only applicable data is brought into the debt collection system.

Incomplete data, for example data without name or surname, without contact details or without address details can be filtered out and referred back to the Billing department.

Accounts that, for some reason, will not form part of the collection process, such as municipal accounts, specific areas, certain government accounts, or any such examples can be filtered out.

The accounts that are not filtered out are cleaned up before importing it into the debt collection system. For example unnecessary spaces and strange characters are removed, amounts are all changed to the same format, etc. This is necessary since the data will be used on documents such as final demands, summonses and requests for judgement.
Thereafter the data is imported into the Debt Collection System.

4.3.3 Categorising

The next step is to categorise the data in the debt collection system. The following are examples of categories that could be identified:

- The Top 100 accounts.
- Government accounts.
- Select different areas to target, such as the ward with the most debt or the ward with the highest number of defaulting arrangements, etc.

The reason for categorising data is to enable you to follow different strategies for the different categories of accounts.

4.3.4 Consumer contact

Actions that can be taken to contact consumers:

- Telephone.
- SMS.
- E-mail.
- Reminder letter.
- Final demand.

All of these steps have one of two purposes: To get the consumer to pay the full amount or to get the consumer to come in and to either make an arrangement to pay, or to apply for indigent assistance.

The specific method of contact will differ from municipality to municipality, as well as the profile of the consumer. Certain customers will react immediately to a telephone call whereas other might need a final demand or even more serious actions.

4.3.5 Actions and Legal

Further actions that can be taken are as follows:

- Electricity cut.
- Pre-paid meter block.
- Water restriction.
- Summons.
- Judgement.
To be effective it is important that actions such as the electricity cut or the water restrictions are carried out diligently and timeously. There should also be a monitoring process to ensure that tampering is noticed and reported.

If the restriction of services does not have the desired effect, the next process should automatically kick in, namely summons and judgement.

The basic credit control and debt collection process ends after Judgement was granted. The next step will be to hand this account over to an attorney, but before this is done a Social Assessment step has been introduced to determine whether it is viable to hand this consumer over. In many cases the total the assets are less than the outstanding debt and an alternative action should be taken, such as applying for indigence or writing off some of the debt to enable the consumer to make a suitable arrangement.

4.3.6 Other processes

At any stage during the process a consumer can make contact to do one of the following

- Make an arrangement.
- Apply for Indigent assistance.
- Query the account or lodge a complaint.
- Inform the municipality of liquidation, sequestration, death or administration.

Arrangement

The arrangement process should involve making the arrangement, monitoring the arrangement and following up on defaults. The success of the arrangement process depends on the time lapse between a consumer defaulting and your follow-up actions.
Indigent

Apply for indigence → Do physical audit if required → Evaluate application → Unsuccessful → Back to normal process

Successful → Wait for next audit → Do indigent audit

Still Indigent

Not indigent anymore

Account queries and complaints

Scan query/complaint and send for evaluation → Evaluate query/complaint

Not valid or no action required → File without any action

Valid complaint

Stop all credit control actions and reverse actions taken → Send to financial department to handle

More detail on the different processes is given in the next section.
5 CREDIT CONTROL AND DEBT COLLECTION SYSTEM

The preceding chapters highlight the complexities of credit control and debt collection at municipal level. The requirements of a system that can deal with the abovementioned complexities and regulations of the recommended policy and by-law can be summarized as follows:

It must:

- Be specifically designed for municipalities and include all the required processes.
- Have pre-determined workflow processes.
- Have a built-in document management system.
- Interface with the municipal financial system.
- Retrieve the arrears list from the financial system.
- Contain a filter programme to target specific areas or outstanding accounts.
- Enable users to make telephone reminders.
- Provide final demands.
- Produce dis- and reconnection orders.
- Issue summonses.
- Allow arrangements and keep track of arrangements made.
- Issue judgements.
- Contain a process for indigent support and management.
- Handle account queries.
- Perform soft and hard tracing.
- Cater for the management of estates, liquidations, sequestrations and administrations.
- Produce management reports and statistics.
- Have password control, allowing different levels of access to information to different users.
5.1 Designed for Municipalities

Municipalities in South Africa provide a range of different services on credit to consumers with the constitutional right of access to these services. Many of these consumers are poor and cannot afford to pay for services. Assistance through the national equitable share of income is inadequate to cover the total costs of services provided. Service charges are accrued on a monthly basis, which leaves little time for credit control and debt collection before the new charges are raised. The normal credit control and debt collection systems available on the market were designed for attorneys to whom fixed amounts are handed over from time to time. These types of debt include hire purchase agreements for motor vehicles and furniture and specific items and are captured in a single contract. The recurring nature of municipal debt makes it far more difficult to restrict and collect than normal commercial debt. Municipalities therefore require a specifically designed system.

5.2 Workflow Processes

As previously indicated, credit control and debt collections at municipal level encompass a wide range of processes. It is impossible to complete these processes within the limited time available during a billing cycle. The system therefore will have to be designed in such a way that these processes follow each other in a predefined manner without manual interferences. This can only be achieved by a workflow process. Workflow means that every case in the process is converted into an electronic work item that can be sent to multiple or individual users. Each step requires a specific action from the receiver before it can be advanced to the next step in the workflow process. It normally caters for specific waiting periods to enable the receiver to complete the task at hand. If the task is not completed within the predetermined time, it escalates automatically to a higher level (e.g. supervisor).

Automated waiting steps should also be used to allow the consumer time to react on a specific action. If no reaction (such as a payment or arrangement) is noted, the case is automatically escalated to the next step.

5.3 Scanning and Indexing

Work items are created by making electronic images of documents (scanning) and passing these onto a workstation where the operator indexes the document. This process involves the entering of relevant data to enable the document to be identified through various fields. It should also determine what type of document this is to enable it to follow a predetermined route to cater for the various credit control and debt collection processes.
All documents generated in the system, such as reminder letters, job cards (e.g. for electricity cuts), summonses and judgements, must be automatically filed in the consumer's folder.

The system should also create its own work items (for example, an electricity disconnection).

5.4 Built In Document Management System

The large number of defaulting consumers at municipal level requires an automated document management system. Every single document generated through or imported into the system must be filed automatically in a folder designed for the defaulting consumer. Electronic images of all documents must be kept in the folder and be available on demand. Access to these documents should occur through the name of the account holder, identification number, account number, stand number or physical address. Foldering should occur automatically against an account number but electronic files should also be retrieved through other fields.

The same document management system should also be used to accommodate all service agreements. This allows the all users to have immediate access to the contract between the consumer and the municipality.

5.5 Municipal Interface

The credit control and debt collection system must interface with the financial billing system of the municipality and be able to extract and transport detail from and to both systems. To generate an extract from the billing system and to facilitate the import of detail from the credit control and debt collection system will require the cooperation of both IT service providers. The arrear situation in the credit control and debt collection system must be a mirror image of the financial system which requires daily imports of payments, account adjustments and costs to prevent uncalled for actions against consumers. Debtor’s balances should be updated daily, regardless where the item is in the workflow process.

5.6 Arrears List

An arrears list should be generated after every due date\(^1\). Consumers within the same category must be subjected to the same credit control and debt collection processes. The list should also separate consumers qualifying for indigent support from those that do not.

Consumers qualifying for indigent support should theoretically not appear on the arrears list. If they do, it simply means that their consumption is more than the basic services

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\(^1\) Normally by the 15\(^{th}\) day of each month
stipulated in the indigent support programme and that they should be dealt with according to the provisions of the indigent policy.

A typical municipal account will reflect current, arrears and future portions to indicate amounts raised but not yet due, unpaid amounts and amounts deferred to future periods (such as arrangements). The extract must obtain details of all the abovementioned circumstances to prevent consumers paying only the arrears portion when action is taken against them. By splitting current, arrears and future balances, consumers will only pay amounts demanded, which will mean that current balances will simply move to the arrears section month after month. The stabilisation of debts will never occur under such circumstances.

5.7 Filter Programme

Once the arrears list has been extracted, the data should be filtered to isolate accounts without names, physical addresses, consumer types, indigent consumers, already handed over and unattached accounts. These accounts should be isolated from those imported into the credit control and debt collection system. Details of these accounts should be made available to the municipal staff for the necessary corrections. If these accounts are still in arrears after being corrected, they should be reintroduced and subjected to the normal credit control and debt collection processes.

One of the basic methodologies of debt collection is the use of profiles and strategies. Due to the number of defaulting consumers, the filter system should be used to categorise the consumers according to different profiles and to target these categories with different strategies.

5.8 Telephone, E-mail and/or SMS Reminders

Once the arrears list has been imported, an automatic telephone reminder process could be activated, subject to the availability of numbers. Similar processes for e-mail and SMS reminders must be available. Messages and arrangements should be captured on the system to monitor payments for a predetermined period. If the consumer pays within the pre-determined period, the work item should automatically be removed from the process. If the consumer does not react, the next step in the workflow process should be activated.

Please ensure that legislation with regards to SMS’s are adhered to.

5.9 Final Demands

After the telephone reminder process has been concluded, hand-delivered final demands should be issued to all consumers still in arrears. Pre-determined timeframes for payments must be agreed upon upfront before the next step in the credit control process
is activated. During this period, the system must follow up outstanding debt until the grace period has expired. Final demands will hopefully result in payments or encourage consumers to make arrangements in terms of the municipality’s policy. Accounts paid before the expiry date should move out of the system, while all arrangements made should move to a separate workflow process where payments will be monitored on a monthly basis. The officials or contractors delivering these final demands should be trained in communicating the consequences of non-payment. Their main task should be to encourage consumers to make arrangements and avoid disconnection and other legal costs.

5.10 Dis- and Reconnection Orders

Once the final demand period has expired, disconnection orders for credit electricity meters should be issued automatically. (In the event of a prepayment meter, an order to deny access to electricity purchase should be issued if such a process is part of the municipality’s credit control policy.) The service provider responsible for the disconnection should record a meter reading, condition of the meter and relevant information to confirm that the work was carried out. An electronic image of the completed order should be scanned in and filed electronically in the debtor’s file. Relevant management information regarding meters should be captured and sent to the engineer’s department for further actions. Consumers should be disconnected to encourage payment or arrangements for payment. Reconnections should occur immediately after arrangements or payments have been made. Regular “still-off” inspections and re-inspections should be generated by the system to prevent tampering with supply services. Successful arrangements should escalate the work item to a monitoring cycle until full payment is made, where after the work item should be removed from the system.

5.11 Summonses

After the above mentioned processes have been followed and the expiry dates have been reached without the necessary reaction from the consumer, summonses should automatically be issued for all accounts still in arrears. Successful arrangements should eliminate the issuing of summonses. Consumers should still be allowed to make arrangements after summonses have been issued. The system should also monitor the signing of summonses by municipal staff, obtaining case numbers by the magistrate’s court, and delivery by the sheriff.

5.12 Arrangements

A consumer should be allowed to make an arrangement at any stage of the credit control process. Defaults on an arrangement should automatically result in further legal action,
depending on the policy. Municipalities should not agree to an arrangement without a written admission of liability or consent to judgement in terms of Sections 57 or 58 of the Magistrates Court Act.

The arrangement should not be for an extended time period with very small monthly payments, therefore a limit must be placed on the minimum instalment amount. Also note that the arrangement amount should be the sum of the instalment plus the current value for that month.

Section 57 provides for a written admission of liability by the defendant and an undertaking by the defendant to pay the debt in instalments or otherwise. This admission of liability is coupled with an agreement that in the event of the failure of the debtor to carry out the terms of the offer, the plaintiff may refer the matter to the Clerk of the Court for judgement to be entered against him/her. Under Section 57, judgement is therefore not entered until the debtor has failed to carry out the terms that were offered and accepted by the creditor.

Under Section 58, the debtor unconditionally consents to judgement. The matter is immediately referred to the Clerk of the Court, who grants judgement. Where applicable, an order for payment in installments is made. Under this Section, the debtor therefore consents to judgement, and judgement is immediately entered into. It is recommended that municipalities use Section 58 as far as possible.

Judgement by default entered in terms of either Section 57 or 58 by the Clerk of the Court will be deemed a judgement of the court. The effect thereof is that execution may be levied thereon under the provisions of Chapter IX of the Act. Judgement is also applicable under Section 83 of the Act.

The documents that need to be signed by the debtor to enable the creditor (municipality) to successfully take steps in terms of either Section 57 or 58 depends on the requirements of the specific Magistrate Court. The requirements may also differ between different Magistrates, based on their interpretation of the Law.

Annexures “J [Example1]” to “N” is a set of documents as required by a specific court to successfully enforce a Section 58 arrangement

- Admission of liability and undertaking to pay debt in terms of Section 58 of Act No. 32 of 1944 (Annexure "J", Example 1)
- Agreement to pay off debt (Annexure "K")
- Consent to use documents for purpose of Section 58 of Act 32 of 1944 (Annexure "L")
• Request for judgement where the defendant consented to judgement in terms of Section 58 of the Magistrate’s Court Act, 1944 (Act 32 of 1944) (Annexure “M”)
• Certificate by or on behalf of plaintiff (Annexure "N").

Annexure “J [Example 2]” is a single page combination required by another Magistrate Court. In this case Annexure “K” to “N” is not required.

Consumers further need to be encouraged to pay as much as possible as a deposit before instalments are allowed. The period allowed to pay off arrears should also be restricted to the remaining period of the financial year. In the event of debt that has been accrued over a number of years and has already been financed by the municipality, a longer period can be considered. Municipalities, however, must be aware that any arrangements will impact on the cash flow, working capital requirements and therefore on rates and service charges. The payment arrangement should be captured in the accounting system and deferred to a future payment file from where monthly payments over and above current consumption should be debited to the consumer account and monitored.

5.13 Judgements

As a final step in the credit control and debt collection process, judgements should be taken against consumers not responding to any one of the previous processes. Consent to judgements should form part of any arrangement process. Once a judgment has been obtained, a file should be handed over to the municipality’s attorneys for execution. This should however only be done once a Social Assessment has been done to determine the viability of the hand over.

5.14 Indigent Support

As described previously, indigent consumers must be isolated from the normal credit control and debt collection processes. If these consumers are flagged in the normal billing system, they can be discarded when imported into the credit control and debt collection system. A major difficulty with such a process is that the escalation of debt cannot be controlled by following the above action. A process should be introduced where the monthly accounts can be compared to the subsidies granted. Restriction and re-audit orders can be issued, if required.

5.15 Account Queries

All queries logged on the credit management system should be forwarded to the relevant department in the municipality with recommendations on how these can be resolved.
Correspondence addressed to and queries logged at the municipal customer service desk should at the same time be imported into the credit control and debt collection system. It is important that the customer care department and the debt collection department work independently, but in close relation to one another. All actions against accounts under query should be suspended until the query has been resolved. A parameter should be set within the system to follow up queries outstanding after pre-determined times. Unresolved queries should escalate automatically to a supervisor after the pre-determined time limit has been reached. Provision should be made for the following types of queries:

- Rates
- Water
- Electricity
- Sewerage
- Refuse removal
- Housing
- Meter reading
- Engineering services

Queries that need to be directed to more than one department simultaneously should be kept on hold until all departments have responded.

5.16 Soft and Hard Tracing

Unattached and undelivered accounts and summonses should automatically be directed to a tracing work step. These accounts should firstly be matched to the existing debtor’s database to establish whether other accounts are held by the same person for possible consolidation. Where account owners cannot be traced in this manner, the matter should be referred to the local sheriff for comparison to his/her database. Addresses obtained in this manner should be handed over to the municipality for capturing onto the billing system and rerouting to the credit control and debt collection system, whereafter the normal processes should be followed. It is important that the financial system remain the main database.

Accounts that cannot be traced in this manner should be directed to the accounting officer for direction on whether a hard tracing process must be introduced. Normal practice will be to reward the tracer for successful tracings, whereafter the debt should be subjected the normal credit control and debt collection processes.
5.17 Liquidations, Sequestrations, Administrations and Estates

The system ensures that all attorneys handling the abovementioned matters are managed to provide feedback on the progress and funds retrieved in the interest of the municipality. Cyclical feedback requests are generated for these attorneys or administrators to ensure continuous feedback on progress. The system also caters for the withdrawals of firms where the administrator wishes to withdraw from a specific case. Municipal feedback is generated when any of these accounts are settled or when a withdrawal is reported, in which case a write-off recommendation may be generated. In other cases where the normal credit control actions can be resumed, feed-back is generated to redirect the account to the normal credit control workflow process.

5.18 Management and Reporting

To manage the success achieved through the system the following reports must be available. Payments per ward are required by national treasury, as well as the billing, debt, and debtor type per ward.

Depending on the management requirements the following reports should be generated:

- Domestic ITC enquiries (monthly/quarterly/annually).
- Business ITC enquiries (monthly/quarterly/annually).
- Indigent applications (monthly/quarterly/annually).
- Recommended write-off report (monthly/quarterly/annually).
- Cash receipts, including cash receipts per pay-point (daily and monthly/quarterly/annually).
- Arrangements made for domestic, businesses and indigent (monthly/quarterly/annually).
- Final demands issued (delivered and posted) (monthly/quarterly/annually).
- Billing and account queries (monthly/quarterly/annually).
- Electricity cuts/reconnections (monthly/quarterly/annually).
- Water restrictions/reconnections (monthly/quarterly/annually).
- Electricity and water revisits (monthly/quarterly/annually).
- Handed-over statistics (monthly/quarterly/annually).
- Payment level statistics (monthly/quarterly/annually).
- Arrears extract statistics (monthly/quarterly/annually).
• Workflow statistics for:
• Final demands.
• Electricity restrictions.
• Electricity reconnections.
• Water restrictions.
• Water reconnections.
• Summonses orders.
• Judgments.
• Handovers (monthly/quarterly/annually).
• Brought forward versus month-end totals.
• Arrears statistics (monthly/quarterly/annually).
• Fully recovered accounts.
• Growth in indigent accounts.
• Cashflow improvements.
• Net effect on arrears.
• Collection on arrangements.
• Cash receipts.
• Attorneys brought forward balances.
• Impact of arrangements of brought forward balances.

Section 71 of the MFMA states that:

(1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality’s budget reflecting the following particulars for that month and for the financial year up to the end of that month:

Included in this list, and applicable to debt collection, are:

(a) Actual revenue, per revenue source;

(b) when necessary, an explanation of-

(i) any material variances from the municipality’s projected revenue by source, and from the municipality’s expenditure projections per vote;
(ii) any material variances from the service delivery and budget implementation plan; and

(iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality’s approved budget.

(2) The statement must include-

(a) a projection of the relevant municipality’s revenue and expenditure for the rest of the financial year. and any revisions from initial projections; and

(b) the prescribed information relating to the state of the budget of each municipal of the financial year. and any revisions from initial projections; and entity as provided to the municipality in terms of section 87(10)

5.19 Security

All access to the credit control and debt collection system should be password controlled. The system administrator should be the only person with unlimited access. He/She should control all the work flowing to the various users. Access to management information should be given to the credit control and debt collection officer of the municipality. The municipal staff should have access to all queries logged and successfully resolved. Each process operates separately but is interlinked with the other processes to form the total requirements of municipalities under current legislation and businesses practices required for successful credit control and debt collection.
6  PROCESS TO IMPROVE CURRENT FINANCIAL SITUATIONS

Municipalities currently involved in service delivery should assess their current situation and take the steps outlined in this chapter to improve their credit control and debt collection.

6.1  Financial Assessment

As part of the EMMA Plus Programme, the Department of Local Government and Traditional Affairs in KwaZulu-Natal has a tool to assess the financial viability of municipalities in the Province. Twelve different ratios are used to assess the ability of municipalities to access the capital market and borrow externally (copy attached as Annexure “P”). A number of these ratios can be used to measure the success of a municipality’s credit control and debt collection actions. These ratios are:

- Debtor’s turnover, which is calculated by expressing total outstanding debtors (before write-offs and provision for bad debts) as a percentage of possible accruable income which consists of rates, electricity and water sales, sewerage and refuse service charges. This ratio can also be expressed as the number of days required to collect debt by multiplying the result with 365 days.

  The formula is:
  \[(\text{Outstanding debt / accruable income}) \times 365\].

  The results obtained can be measured against a norm of between 42 - 56 days. Due to the existence of long outstanding debt inherited through amalgamation and demarcation, this norm may not be relevant any more and can be replaced by the following ratio.

- Debtors movement, which is calculated by expressing the growth in debtors during the last financial year as a percentage of potential accruable income from rates and service charges. The growth in debtors is measured by subtracting the gross debtor’s balance at the beginning of the financial year (before write-offs and provision for bad debts) from the gross debtor’s balance at the end of the financial year. Accruable income is calculated by adding the potential income for rates and service charges together. The result should be measured against a norm of 7.5% if the result exceeds 7.5% the municipality is not doing well and should consider remedial actions.

- Option employed to finance net current asset, which is calculated by expressing the funding sources available for net current assets requirement.
The only funding source available to finance net current assets for municipalities is the accumulated surplus. Consumer deposits should be available in cash in the event that a reimbursement is required, but due to the long-term nature of the relationship between the consumer and municipality and the fact that deposits are used as working capital by municipalities it can be regarded as a funding source for net current assets. Net current is the difference between assets and current liabilities. The requirements, however, need to be adjusted, as cash and short-term investments and bank overdraft are included under current assets and liabilities. The formula is:

\[
\frac{\text{consumer deposits} + \text{accumulated surplus}}{\text{net current assets} - \text{cash} - \text{short-term investments} + \text{bank overdraft}} \times 100.
\]

Once a financial assessment has been made, it needs to be followed by a system analysis. Issues that need to be addressed are as follows:

- Database analysis.
- Credit control and debt collection system employed.
- Indigent support system.

### 6.2 Database Analysis

The service provider of the billing system should be able to do an analysis to identify the following vital information:

- Number of accounts without names.
- Number of accounts without postal addresses.
- Number of accounts without physical addresses.
- Number of inactive accounts.
- Arrears outstanding.
- Number of irregular payers.
- Number of indigent consumers and level of their indebtedness.
- Number of owners.
- Number of non-owners.
- Number of stands without all services charges attached to it.
- Tariff analysis
• An action plan to correct the database must be developed and implemented. If required, a house-to-house survey must be conducted.

This information is vital to enable the municipality to prepare the correct legal documents and find the correct consumer for actions. It is also vital for the correct analysis of the debtor’s book and the planning of appropriate measures.

As previously stated such an exercise is time consuming and complicated. Experienced officials should be employed. A special unit to do this work must be established as the normal billing staff will be required to perform their day-to-day administrative tasks. An example of a business plan for a house-to-house survey and a data cleansing exercise is attached as Annexure “H”.

6.3 Indigent Support

As previously stated, the monthly consumption of indigent consumers must be covered by the subsidy received or otherwise consumption must be restricted. This aspect of indigent management is often neglected, but is mutually important. This exercise will require a revision of the:

• Indigent Policy.
• Level of support.
• Number of qualifying consumers.
• Implementation strategy, including restrictions and cost recovery

The amount by which the indigent consumers are subsidised must be reconciled with the actual grant received on a regular basis.

6.4 System Analysis

The system employed by the municipality should be compared to the requirements included in Chapter 5. If the supplier of the billing software does not offer the services required for an effective credit control and debt collection system, the municipality must employ an external service provider with the necessary expertise and infrastructure. A service specification is attached as Annexure “Q”.

PREAMBLE

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 consumer 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 --------- adopts the policies as set out in this document.
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8 DEFINITIONS

1. 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:


“Authorized Representative” - Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer” - the person appointed by council to administer its finances regardless of the designation or title attached to the post;

“consumer” - 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;

“council” - the municipal council of the Municipality of .................;

“credit control and debt collection” - means the functions relating to the collection of any monies due and payable to the Municipality;

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

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

“households” - all matured persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

“interest” - a charge levied, with the same legal priority as service charges, on arrear amounts calculated at a standard rate equal to a interest rate which is one percent higher than the interest rate payable by council for bank overdrafts;

“municipality” - the institution that is responsible for the collection of funds and the provision of services to the consumers of;

“municipal account” - shall include levies or charges in respect of the following services and taxes:

(a) electricity consumption,
(b) water consumption,
(c) refuse removal,
(d) sewerage services,
(e) rates,
(f) interest and/or surcharges,
(g) housing rentals and installments,
(h) miscellaneous and sundry charges.

“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, usufructuary, servitude holder 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, 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.

(g) owned by a council and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and

(h) owned by or under the control or management of a council while held under a lease or any express or tacit extension thereof or under any other contract or under a servitude or right analogous thereto, the person so holding the immovable property.

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

9 GENERAL OBJECTIVES

2. (1) The objectives of this policy are to:-

(a) provide a framework within which the municipality can exercise its executive and legislative authority with regard to credit control and debt collection;

(b) ensure that all monies due and payable to the municipality are collected and used to deliver services in the best interests of the community, residents and consumers and in a financially sustainable manner;

(c) provide a framework for consumer care and indigent support;

(d) describe credit control measures and sequence of events;

(e) outline debt collection and credit control procedures and mechanisms; and

(f) set realistic targets for credit control and debt collection;
10 PRINCIPLES

3. (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.

(2) All consumers must complete an official application form, formally requesting the municipality to connect them to service supply lines. The most important rights and obligations of the consumer and municipality must be included in the service application form.

(3) A copy of the application form, conditions of services and extracts of the relevant council’s consumer care, credit control and debt collection policy and by-laws must be handed to every consumer on request at such fees as may be prescribed by Council.

(4) Billing is to be accurate, timeous and understandable.

(5) The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

(6) The consumer is entitled to efficient, effective and reasonable responses to enquiries and appeals, and should suffer no disadvantage during the processing of such requests.

(7) Enforcement of payment must be prompt, consistent and effective.

(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.

(9) Incentives and disincentives may be used in collection procedures.

(10) The collection process must be cost-effective.

(11) Results will be regularly and efficiently reported and monitored.

(12) Application forms will be used to, inter alia, categorise consumers according to credit risk and to determine relevant levels of services and deposits required.

(13) Targets for performance in both consumer service and debt collection will be set and pursued and remedies implemented for non-performance.

(14) Where practically possible the debt collection and consumer care policies would be handled independently of each other and the organisational structure will reflect the separate functions.
(15) Consumers that meet council’s indigent criteria must be identified and supported.

11 DUTIES AND FUNCTIONS

11.1 Duties and Functions of Council

4. (1) To approve a budget consistent with Council’s Integrated Development Plan.

(2) To impose rates and service charges to finance the budget.

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

(4) To provide for a bad debt provision, in line with the payment record of consumers as reflected in the financial statements of the municipality.

(5) To set an improvement target for debt collection, in line with acceptable accounting ratios and resources available to the Municipal Manager.

(6) To approve a reporting framework for consumer care, credit control and debt collection.

(7) To consider and approve by-laws to give effect to the Council’s policy.

(8) To revise the budget should Council’s targets for consumer care, credit control and debt collection not be met.

(9) 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 and by-laws.

(10) To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.

(11) To delegate the required authorities to monitor and execute the consumer care, credit control and debt collection policy and by-law to the Executive Mayor and Municipal Manager.

(12) To provide sufficient capacity in the Municipality’s Financial Department for consumer care, credit control and debt collection. Alternatively to appoint a Service Provider, or debt collection agent.

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

(14) To provide funds for the training of staff.

11.2 Duties and functions of Councillors

(15) To hold regular ward meetings.

(16) To adhere to and convey council policies to consumers and ratepayers.
(17) To adhere to the Code of Conduct for Councillors.

(18) To give inputs regarding indigent applications.

11.3 Duties and functions of Executive Mayor

(19) 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.

(20) To monitor the performance of the Municipal Manager in implementing the policy and by-laws.

(21) To review and evaluate the policy and by-laws in order to improve the efficiency of Council’s consumer care, credit control and debt collection procedures, mechanisms and processes.

(22) To report to Council.

11.4 Duties and functions of the Municipal Manager

(23) To implement good consumer care management systems.

(24) To implement council’s consumer care, credit control and debt collection policy.

(25) To install and maintain appropriate accounting and credit control systems.

(26) To bill consumers.

(27) To demand payment on due dates.

(28) To raise interest and collection fees for payment defaults.

(29) To appropriate payments received.

(30) To collect outstanding debt.

(31) To provide different payment methods.

(32) To determine consumer care, credit control and debt collection measures.

(33) 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.

(34) To instruct attorneys to proceed with legal processes.

(35) To set performance targets for staff.

(36) To appoint staff to execute council’s policy and by-laws in accordance with council’s appointment policy.

(37) To delegate certain functions to heads of departments.
(38) To determine control procedures.

(39) To monitor contracts with Service Providers in connection with credit control and debt collection.

(40) To report to the Executive Mayor.

11.5 Duties and functions of communities, ratepayers and residents

(41) To fulfill certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

(42) To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality on or before due date.

(43) To obtain a duplicate account at the municipal help desk if an account is not delivered during the normal billing cycle.

(44) To notify the municipality when services are not longer required at a particular service delivery point and of address changes.

(45) To safeguard and maintain service meters in a readable condition.

(46) To observe the mechanisms and processes of the municipality in exercising their rights.

(47) To allow municipal officials reasonable access to their property to execute municipal functions.

(48) To comply with the by-laws and other legislation of the municipality.

(49) To refrain from tampering with municipal services and property.

(50) To maintain credit and pre-payment meters.

12 PERFORMANCE EVALUATION

5(1) The municipal council in consultation with the municipal manager must establish a mechanism to set targets for debt collection, consumer care and administrative performance, evaluate performances and take corrective actions on an regular basis to enhance credit control and debt collection.

12.1 Income Collection Targets

(2) Council to create targets that include:

(a) Reduction in present monthly increase in debt in line with performance agreements determined by council from time to time.
12.2 Consumer Service Targets

(3) Council to create targets that would include:

(a) Response time to consumer queries.
(b) Date of first account delivery to new consumers.
(c) Reconnection time lapse.
(d) Meter reading cycle.

12.3 Administrative Performance

(4) Council to create targets that will include:

(a) Cost efficiency of debt collection.
(b) Query and appeal periods.
(c) Enforcement mechanism ratios.

13 REPORTING

6.(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 Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

(a) Cash collection statistics, showing high-level debt recovery information (numbers of consumers; 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.

(b) Performance of all areas against targets agreed to in item 5 of this policy document.

(2) If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of 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.

(3) The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.
14 CONSUMER CARE AND INDIGENT POLICY

14.1 Objective

7.(1) 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.

14.2 Communication

(4) The municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include targets for credit control and debt collection.

(5) Council’s Consumer Care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in Xhosa, English and Afrikaans, and will be made available by general publication and on specific request, and will also be available for perusal at Council’s offices.

(6) Council will endeavor to distribute a regular newsletter, which will give prominence to consumer care and debt issues.

(7) Ward councillors will be required to hold regular ward meetings, at which consumer care and debt collection issues will be given prominence.

(8) The press will be encouraged to give prominence to Council’s Consumer Care, Credit control and Debt Collection policies, and will be invited to Council or Committee meetings where these are discussed.

14.3 Metering

(9) The municipality will endeavor, within practical and financial limits, to provide meters to every paying consumer for all services.

(10) All meters will be read monthly, if at all possible. If the meter is not read monthly the council will estimate the consumption in terms of council’s operational procedures;

(11) Consumers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.

(12) Consumers will be informed of meter replacement.

(13) 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 consumer 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.

14.4 Accounts and billing

(14) Consumers on the billing system will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.

(15) Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.

(16) Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.

(17) It is the consumer’s responsibility to ensure that postal address and other contact details are correct.

(18) It is the consumer’s responsibility to make enquiries and ensure timeous payments in the event of accounts not received.

(19) Settlement or due dates will be as indicated on the statement.

(20) 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.

(21) Where any payment made to the municipality or its authorised representative by negotiable instrument is later dishonored 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 consumer.

   (b) Shall regard such an event as a default on payment.

   (c) May insist on cash payments for all future accounts.

(22) The municipality or its authorised agent must, if administratively possible, issue a duplicate account or any acceptable alternative to a consumer on request, at a cost determined by Council from time to time.

14.5 Payment facilities and methods

(23) The municipality will operate and maintain suitable payment facilities, and which facilities will be accessible to all users.
24. The municipality will, at its discretion allocate a payment between service debts and a consumer who has overdue debt, may not specify that the payment is for a specific portion of the account.

25. The municipality may in terms of section 103 of the Systems Act, with the consent of a consumer, approach an employer to secure a debit or stop order arrangement.

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

14.6 Incentives for prompt payment

27. During the budget process 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.

28. The cost associated with the incentive scheme, if introduced, will be reflected in annual budgets as additional expenditure.

14.7 Enquiries, appeals and service complaints

29. Within its administration and financial ability the municipality will 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 consumers;

(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 the application of the policies on consumer care and management, credit control and debt collection and other issues of concern.

30. If a consumer 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.

31. 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 must pay without prejudice of rights an estimate provided by the municipality before payment due date until the matter is resolved.
(32) The relevant department will investigate and inform the debtor within one month of the outcome of the investigation.

(33) Failure to make such agreed interim payment or payments will result in the consumer forming part of the normal credit control procedures.

(34) A consumer may appeal against the finding of the municipality or its authorized agent in terms of 7(30).

(35) An appeal in terms of 7(32) must be made and lodged with the municipality within 21 (twenty-one) days after the consumer became aware of the finding and must:
   (a) Set out the reasons for the appeal.
   (b) Pay any security determined for the testing of a measuring device, if applicable.

(36) After the appeal has been investigated by the Chief Financial Officer it must be submitted with comments to the Executive Mayor for a final ruling where after the consumer must be informed.

14.8 Consumer assistance programmes

14.9 Water leakages

(37) If the leakage is on the consumer’s side of the meter, the consumer will be responsible for the payment of all water supplied to the property.

(38) Where suitable proof of repair costs are provided, the municipality may provide relieve.

(39) The consumer has the responsibility to control and monitor his/her water consumption.

14.10 Rate rebates

(40) Subject to certain criteria the municipal council may grant rate rebates annually to certain categories of ratepayers in accordance to the municipality’s rates policy and by-law.

14.11 Arrangements for settlements

(41) If required consumers with arrears must convert to a prepayment meter, and when implemented the cost of the conversion and the arrears total, will be paid off either by
   (a) adding the debt to the arrears bill and repaying it over the agreed period; or
(b) adding the debt as a surcharge to the prepaid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.

(42) Council reserves the right to raise the deposit requirement of debtors who seek arrangements.

(43) The full amount of all rates outstanding will become due with immediate effect should any ratepayer’s monthly installments become overdue for more than three months.

(44) All arrangements for settlements will be in accordance to the processes contained in an implementation manual compiled by the municipal manager from time to time in pursuance of the credit control and debt collection targets set by council.

14.12 Indigent subsidy

(45) A basic level of services will be provided to qualifying households with a total gross income level which is below a determined amount, and according to further specified criteria as determined by Council from time to time.

(46) Indigence subsidies will be funded from the equitable share contribution made from the national government’s fiscus and as provided for in the municipal budget.

(47) Subsidised services may include water, sewerage, refuse removal and assessment rates.

(48) If a consumer’s consumption or use of the municipal service is less than the subsidised service, the unused portion may not be accrued by the consumer and will not entitle the consumer to cash or a rebate in respect of the unused portion.

(49) If a consumer’s consumption or use of a municipal service is in excess of the subsidised service, the consumer will be obliged to pay for such excess consumption at the applicable service charges.

(50) All consumers who qualify for an equitable share subsidy must agree to the installation of a prepaid electricity meter and will be placed on restricted service levels in order to limit further escalation of debt.

(51) Where applicable, these consumers may be exonerated from a portion of their arrear debt.

(52) Where a qualifying consumer’s account is paid in full at the date of application, or regularly maintains a paid up account after receiving the subsidy, the restriction on service levels will be waived.
(53) An indigent consumer must immediately request de-registration by the municipality or its authorised agent if his/her circumstances have changed to the extent that he/she no longer meet the criteria.

(54) An indigent consumer may at any time request de-registration.

(55) A list of indigent consumers will be maintained and may be made available to the general public.

14.13 Additional subsidy categories

(56) Subject to the extent of the equitable share contribution received and affordability levels council may provide, free of charge to consumers, certain basic levels of water and electricity.

(57) Further grants may be provided as determined from time to time in council’s policies and by-laws.

14.14 Consumer Categories

(58) Consumers will be categorised according to specific classifications based on inter alia the type of entity, applicable tariffs and risk levels. Processes for credit control, debt collection and consumer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

14.15 Priority Consumer Management

(59) Certain consumers will be classified as priority consumers based on criteria determined by the Municipal Manager from time to time, such as the number of properties owned or volume of consumption.

(60) A Priority Consumer Liaison Officer or person nominated by the Municipal Manager will be responsible for the ongoing management of the consumers 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.

15 CREDIT CONTROL POLICY

15.1 Specific Objective

8.(1) To implement procedures that will restrict the unauthorized use of municipal services, escalation of debt and limit municipality’s risks.

15.2 Service application and agreements

(2) All consumers of services will be required to sign an agreement governing the supply and cost of municipal services. Owners may allow tenants to sign separate
agreements with the municipality, which the municipality may at its own discretion accept or reject.

(3) All consumers shall pay a deposit as determined from time to time by Council and which may be increased by the Municipal Manager in the event of non payment.

(4) Prior to signing these agreements, consumers will be entitled to receive the policy document of the Council on request at a cost determined by Council.

(5) On the signing of the agreement, consumers can insist on a copy of the agreement for their records if required.

(6) Consumers are responsible for costs of collection and interest in the event of delayed and/or non payment.

(7) Existing consumers of services may be required to sign new agreements as determined by the Municipal Manager from time to time.

(8) If a consumer fails or refuses to sign a new service agreement or pay the deposit stipulated in subsection 8(3) the municipality may discontinue services until the necessary agreement has been signed or deposit been paid.

(9) The consumer will also be held accountable for services already provided, costs incurred and any other costs associated with the collection of service fees and cost incurred.

15.3 Right of access to premises

(10) 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.

(11) The owner is responsible for all the cost associated with the relocation of a meter if satisfactory access is not possible.

(12) If a person fail to comply with the provisions set out in 8(10) 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.
15.4 **Enforcement Mechanisms**

(13) Interest can be raised as a charge on all accounts not paid by the due date.

(14) Consumers 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, restricted or disconnected.

(15) Council reserves the right to deny or restrict the sale of electricity or water to consumers who are in arrears with their rates or other municipal charges.

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

(17) The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council, and will be payable by the consumer.

(18) The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council.

15.5 **Theft and fraud**

(19) 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.

(20) The Municipal Manager will immediately terminate the supply of services to a consumer should such conduct as outlined above, be detected.

(21) The total bill owing, including interest and collection fees, assessment of unauthorised consumption, discontinuation and reconnection fees, and increased deposits as determined by the Municipal Manager, if applicable, will be due and payable before any reconnection can be sanctioned.

(22) The Municipal Manager will maintain monitoring systems in order to identify consumers who are undertaking such illegal actions.

(23) Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
15.6 Consumer screening and securities

(24) All applicants for municipal services will be checked for credit-worthiness including banking details and information from credit bureaus, other local authorities, trade creditors and employers.

(25) Deposits will be required, and may vary according to the risk. A minimum deposit will be payable equal to the largest of two months average consumption or the amount determined by Council from time to time.

(26) At the discretion of the municipal manager deposits can be increased to a maximum of three months average consumption when the account falls into arrears.

(27) Deposits can vary according to the credit-worthiness or service or user category of the applicant.

(28) The municipality will not pay any interest on deposits.

(29) 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.

15.7 Persons and Business who tender to the Municipality

(30) The Procurement Policy and Tender Conditions of the Municipality will include the following:

   (a) 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.

   (b) 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.

   (c) A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.
16  DEBT COLLECTION POLICY

16.1  Objective

9. 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.

16.2  Personal contact

(2) Telephonic contact, agents calling on clients:

(a) Council will endeavour, within the constraints of affordability, to make personal, electronic or telephonic contact 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.

16.3  Legal Process/Use of attorneys/Use of credit bureaus

(3) Municipal Manager may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, disconnections, restrictions, summonses, judgements, garnishee orders and as a last resort sales in execution of property.

(4) Municipal Manager 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.

(5) Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding debtors.

(6) 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) All steps in the consumer care and credit control procedure will be recorded for Council’s records and for the information of the debtor.

(8) Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus.
(9) Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters.

(10) 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.

(11) Appropriate measures will be taken to inform consumers what the responsibilities of service providers will be regarding customer care, credit control and debt collection.

16.4 Rates clearance

(12) On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges in connection with a property are paid by withholding a rates clearance certificate.

16.5 Cost of collection

(13) All costs of legal process, including interest, service discontinuation costs and costs associated with consumer care or credit control, wherever applicable, are for the account of the debtor.

16.6 The Pre-payment meter System

(14) The municipality will use its pre-payment system to-

(a) link the provision of electricity by the Municipality to a “pre-payment” system comprising, first, a pre-payment of electricity kWh and;

(b) raise and recover payments in respect of arrear municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewage.

(c) to enforce satisfactory arrangements with consumers in arrears by blocking access to prepayment meters.

16.7 Abandonment of Claims

(15) The Municipal Manager must ensure that all avenues are utilised to collect the municipality’s debt from arrear debtors.

(16) Circumstances whereby a municipal council may validate the termination of debt collection procedures as contemplated in section 109(2) of the Act, are as follows:

(a) The insolvency of the debtor, whose estate has insufficient funds.
(b) A balance being too small to recover, for economic reasons considering the cost of recovery.

(c) Where a consumer or groups of consumers are unable to pay for services rendered.

(17) The Municipal Manager must maintain audit trials in such instances document the reasons for the abandonment of the actions or claims in respect of debts.
MUNICIPALITY

CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION BY-LAWS
PREAMBLE

Whereas the Council has adopted a credit control and debt collection policy on------
----------------------------------,

And whereas section 98 of the Local Government: Municipal Systems Act, 2000
(Act No. 32 of 2000) provides that a municipal council must adopt Customer Care
and Management, Credit Control and Debt Collection Policy and By-laws to give
effect to that policy, and its implementation and enforcement;

Now therefore the Council resolved to adopt the following by-laws:
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CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION BY-LAWS

17 DEFINITIONS AND MISCELLANEOUS PROVISIONS

17.1 Definitions

1. For the purpose of these by-laws any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in these by-laws, and unless the context indicates otherwise –
   “Act” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), as amended from time to time;
   “authorised officer” is any person in the service of the municipality charged with the necessary authority to perform certain actions on behalf of the municipality
   “equipment” includes a building, structure, pipe, pump, wire, cable, meter, machine or any fitting.
   "billing" means proper and formal notification by means of a statement of account to persons liable for monies levied for assessment rates and other taxes and the charges or the fees for municipal services and indicating the net accumulated balance of the account;
   “council” is the municipal council of the Municipality;
   "credit control and debt collection" means the functions relating to the collection of any monies due and payable to the Municipality;
   “customer” means any occupier of any premises to which the Municipality has agreed to supply or is actually supplying services, or if there is no occupier, the owner of the premises;
   "customer care” means focusing on the client's needs in a responsible and proactive way to encourage payment and to create a positive and reciprocal relationship between persons liable for the payment of services and the Municipality, and when applicable, a service provider, thereby limiting the need for enforcement, as far as practicably possible;
   "defaulter" means a person owing the Municipality money in respect of taxes and/or services rendered after the final date of payment;
   “chief financial officer” means a person appointed by the Council to manage the Council's financial administration;
   "interest" constitutes a levy equal in legal priority to service levies and is calculated on all amounts in arrears in respect of annual levies or service charges, at a standard rate equal to an interest rate one per cent higher than the interest rate the Council has to pay its bank in respect of an overdraft.
"municipal account" shall include levies or charges in respect of the following services and taxes:
(a) electricity consumption,
(b) water consumption,
(c) refuse removal,
(d) sewerage services,
(e) rates,
(f) interest;
(g) surcharge;
(h) collection fees;
(i) housing rentals and installments,
(j) miscellaneous and sundry charges.

"Municipal Manager" means the person appointed by the Municipal Council as the Municipal Manager of the Municipality in terms of Section 82 of the Local Government Structures Act, 1998 (Act 117 of 1998) and also includes any person:
(a) acting in such position; and
(b) to whom the Municipal Manager has delegated a power, function or duty;

"occupier" means any person who occupies any premises or part thereof, without any regard to the title under which he or she so occupies;

"owner" means -
(a) the person in whom the legal title to the premises is vested;
(b) in a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
(c) in any case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises or a building thereon;
(d) in the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;
(e) in relation to -
   (i) a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above provisions, the developer or the body corporate in respect of the common property; or
(ii) a section as defined in such Act, the person in whose name such section is registered under a sectional title deed, including the lawfully appointed representative of such person;

(f) any legal person including but not limited to:


   (ii) any government department

   (iii) any council or board established in terms of any legislation applicable to the Republic of South Africa.

   (iv) any Embassy or other foreign entity.

(g) owned by a council and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and

(h) owned by or under the control or management of a council while held under a lease or any express or tacit extension thereof or under any other contract or under a servitude or right analogous thereto, the person so holding the immovable property.

"premises" includes any piece of land, the external surface boundaries of which are delineated on -

   (a) a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act 9 of 1927) or in terms of the Deeds Registry Act, 1937 (Act 47 of 1937); or

   (b) a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act 95 of 1986), which is situated within the area of jurisdiction of the Municipality;

17.2 Signing Of Notices and Documents

2.(1) A notice or document issued by the Municipality in terms of this by-law and signed by an official of the Municipality shall be deemed to be duly issued and shall on its mere production be accepted by a court as evidence of that fact.

17.3 Authentication of Documents

3.(1) Every order, notice or other document requiring authentication by the Municipality shall be deemed to be sufficiently authenticated if signed by the Municipal Manager or by a duly authorised officer of the Municipality; such authority being conferred by a resolution of council or by a regulation.
(2) Delivery of a copy of such document shall be deemed to be delivery of the original.

17.4 Full and Final Settlement of an Amount

4.(1) The chief financial officer may appropriate any monies received in respect of any municipal services as he/she deems fit;

(2) Where the amount due and payable to the Municipality has not been paid in full, any lesser amount tendered to and accepted by any municipal employee shall not be deemed to be in final settlement of such an amount.

(3) The provisions in 4(2) above shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.

(4) The chief financial officer or his or her delegate shall consent in writing before the lesser amount can be accepted as full settlement for the amount owing.

17.5 Interest Charges/Surcharge Levies

5.(1) The chief financial officer shall charge and recover interest/surcharges in respect of any arrears due and payable to the Municipality.

17.6 Prima Facie Evidence

6.(1) In legal proceedings instituted by the Municipality, a certificate reflecting the amount due and payable to the Municipality, signed by the Municipal Manager, or suitably qualified municipal official authorised by the Municipal Manager, shall upon mere production thereof be accepted by any court of law as prima facie evidence of the indebtedness of that amount.

18 POWER OF MUNICIPALITY TO RECOVER COSTS

18.1 Dishonoured Payments

7.(1) Where any payment made to the Municipality by negotiable instrument is later dishonoured by a bank, the chief financial officer may levy all related costs against the account of the defaulter. Following successive dishonoured payments, the relevant instrument may be refused by the chief financial officer or his/her proxy.

18.2 Cost of Collection and Service Fees

8.(1) All costs of legal process, including interest, penalties, service discontinuation costs and costs associated with consumer care or credit control, where ever applicable, are for the account of the debtor.
18.3 Cost Incurred In Reminding Debtors of Arrears

9. (1) A charge may be levied against the account of a debtor at a rate determined by council from time to time in respect of any action taken in demanding payment from a debtor or reminding a debtor, whether by means of telephone, fax, e-mail, letter or otherwise, that his or her payments are in arrear.

18.4 Disconnection and Reconnection Fees

10. (1) Where any service appears on the disconnection list for disconnection as a result of non-compliance with this by-law by the person liable for the payments, the chief financial officer shall levy and recover the standard disconnection fee as determined by the council from time to time, irrespective of whether the service has been disconnected / terminated or not.

(2) Where any service appears on the reconnection list to be reconnected, after the person liable for the payment of the service has paid the full outstanding account or made a satisfactory arrangement for the payment thereof, or has applied for a new service, the chief financial officer must levy and recover the standard re-connection fee, as determined by the Council from time to time.

18.5 Accounts

11. (1) The chief financial officer may, in respect of accounts of the Municipality, take any steps contemplated in Section 102(1) of the Act.

19 SERVICE AGREEMENTS AND GENERAL TERMS AND CONDITIONS FOR THE PROVISION OF MUNICIPAL SERVICES

19.1 Provision of Services to New Customers

12. (1) No services shall be supplied to new applicants unless and until application for such services has been made and a service agreement has been entered into between the applicant and the Municipality and an amount equal to the amount fixed by the council from time to time, in full cash, has been deposited as security.

19.2 Provision of Services to Defaulters

13. (1) No supply of services to previous defaulters shall be rendered unless and until application has been made and a service agreement has been entered into between the applicant and the Municipality and a cash deposit as security equal to an amount determined by Council from time to time, has been paid. Should monies be outstanding in respect of previous agreements, the applicant must settle such
monies in full or conclude an acceptable installment payment agreement before such services will be rendered.

19.3 General Terms and Conditions for the Provision of Municipal Services

14.(1) The general terms and conditions for the supply of municipal services set out in Council’s policy document, shall apply to the provision of municipal services to customers.

19.4 New Applications and Deposits by Existing Customers

15.(1) Existing municipal customers may be required by the Municipal Manager to enter into new service agreements and to deposit moneys as contemplated in Sections 12 and 13 or submit guarantees.

19.5 Notice of Intension to Terminate the Service Agreement

16.(1) The municipality and consumer must give written notice of intention to terminate the service agreement.

19.6 Failure to Comply With a Request to Enter Into a Service Agreement or to Make a Deposit

17.(1) If a consumer of municipal services fails or refuses to comply with a request to enter into a new service agreement or to make a deposit as contemplated in Sections 13 and 14, any municipal service to such consumer may be terminated until the required agreement has been entered into and the deposit paid in full.

(2) The consumer will also be liable for services already used, cost incurred and any other further cost resulting from the collection from service fees and cost incurred.

20 COLLECTION OF ARREARS

20.1 Power to Restrict or Terminate Supply of Services

18(1) An authorised officer or any duly appointed agent may, on request by the Municipal Manager or his/her delegate, restrict, disconnect or terminate the supply of water and electricity or discontinue any other service to any premises whenever a user of any service:

(a) fails to make full payment on the final date of payment or fails to make acceptable arrangements for the repayment in installments of the municipal account;

(b) fails to comply with the conditions of the provision of services, as imposed by the Municipality;
(c) obstructs the effective supply of electricity, water or any other municipal service to another customer or allows such supply to be obstructed;

(d) supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;

(e) causes a situation, which in the opinion of the municipal engineer, is dangerous or constitutes a contravention of any relevant legislation;

(f) in any way bridges the supply of previously disconnected services or allows such supply to be bridged;

(g) is placed under provisional sequestration, liquidation or judicial management, or has been declared insolvent in terms of the Insolvency Act, 1936 (No. 24 of 1936);

(h) is subject to an administration order granted in terms of Section 74 of the Magistrates Court Act, 1944 (Act 32 of 1944) in respect of such user.

(2) An authorised officer or any duly appointed agent shall have the power to reconnect or restore full levels of supply of any of the restricted or discontinued services on the instruction of the chief financial officer after the full amount outstanding, including the costs of such disconnection and reconnection, if any, have been paid in full or arrangements have been made in terms of the Municipality’s Customer Care, Credit Control and Debt Collection Policy.

(3) The authority of an authorised officer or any duly appointed agent to restrict water to any premises or customer shall be subject to the provisions of section 4 of the Water Services Act, 1997 (Act 108 of 1997), this bylaw and the service agreement entered into between the consumer and the municipality.

(4) The right of the Municipality to discontinue the provision of electricity to any consumer shall be subject to the provisions of the Electricity Act, 1987 (Act No. 41 of 1987), this bylaw and the service agreement entered into between the consumer and the municipality.

(5) The right of the Municipality to restrict, disconnect or terminate any services due to non-payment for any other service or assessment rates shall be valid in respect of any service rendered by the Municipality, and shall also prevail notwithstanding the fact that payment has purportedly been made in respect of any specific service, notwithstanding the fact that the person who entered into agreement for supply of services with the Municipality and the owner are different entities or persons, as the case may be.
20.2 Municipality's Right of Access to Premises

19.(1) The Municipality may exercise its right of access to premises in terms of Section 101 of the Act through its authorised officer or agent of the Municipality authorised thereto in writing by any of the aforementioned officials after the written authority has been presented to the consumer or owner.

20.3 Arrangements to Pay Outstanding and Due Amounts in Consecutive Instalments

20.(1) The chief financial officer may enter into a written agreement with a consumer to repay any outstanding and due amounts under the following conditions:
   (a) the outstanding balance, collection costs and any interest shall be paid in regular and consecutive monthly installments on or before the final date of payment;
   (b) the written agreement has to be approved and signed by both the consumer and an authorised officer on behalf of the Municipality.

(2) Should any dispute arise as to the amount owing by an owner or consumer in respect of municipal services, the owner or consumer shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal account of the owner/consumer for the preceding three months or the similar usage in the same period in the preceding year prior to the arising of the dispute, taking into account interest and collection costs as well as the annual amendments of tariffs of the Municipality.

20.4 Reconnection of Services

21.(1) The chief financial officer or his/her proxy shall authorise any reconnection of services or reinstatement of service delivery after satisfactory arrangements for payment of amounts in arrear have been made according to the Municipality’s Customer Care, Credit Control and Debt Collection Policy.

21 INDIGENT SUPPORT

21.1 Indigent Consumers

22(1) Indigent consumers who qualify for support in terms of the Municipality’s Indigent Policy shall apply in writing by completing, signing and submitting of the prescribed form.

(2) The Conditions of subsidies to poor households, as determined by Council from time to time shall be attached to the application for subsidies for poor households, and shall apply to all households that qualify for such subsidy.
(3) An authorised municipal official or any legally pointed agent shall counter-sign the application and attest that the consequences of the declaration made by the applicant were properly explained to him/her and that he/she indicated that-
   (a) the contents of the declaration was understood; and
   (b) that if the statement were found to be untrue, he/she would automatically be disqualified from receiving any subsidy and would also be liable for the immediate repayment of any subsidy received and may have criminal proceedings instituted against him/her.

(4) The chief financial officer shall ensure that regular random on site audits are carried out by authorised municipal officials or any duly appointed agents to verify the information supplied by applicants on application forms, by visiting the properties occupied by the households receiving support for the poor and by gathering the relevant information by completing the prescribed form.

22 ASSESSMENT RATES AND ANNUAL SERVICE LEVIES

22.1 Amount Due in Respect of Assessment Rates and Annual Service Levies

23(1) All assessment rates and annual service levies due by property owners are payable on the final date of payment.

(2) Joint owners of property shall be jointly and severally liable for payment of assessment rates and annual service levies.

(3) Property rates must be paid monthly over a maximum period of twelve months at no interest cost.

22.2 Claim on Rental for Payment of Assessment Rates and Annual Service Levies in Arrears

24.(1) The Municipal Manager or his/her proxy may apply to Court for the attachment of any rent, that is or may become due in respect of rateable property, to cover in part or in full any amount outstanding in respect of assessment rates and annual service levies for a period longer than three months after the fixed date.

22.3 Liability of Company Directors for Payment of Assessment Rates and Annual Service Levies

25.(1) Where a company, trust, close corporation or a body corporate in terms of the Sectional Titles Act, 1986 (Act 95 of 1986) is responsible for the payment of any arrears to the Municipality, the liability for the payment of such amounts shall be extended to the directors, trustees or members of the body corporate jointly and/or severally, as the case may be.
22.4 Disposal of Municipality’s Property and Payment of Assessment Rates and Annual Service Levies

26(1) The purchaser of Municipal property is pro rata liable for the payment of assessment rates and annual service levies on the property as from the date of the signing of the purchase agreement or from the date of registration in the name of the purchaser in respect of the financial year in which the purchaser becomes the new owner, in terms of the provision of the purchase agreement.

(2) In the event that the Municipality repossesses the property, any outstanding in respect of assessment rates shall be recovered from the purchaser.

22.5 Assessment Rates and Annual Service Levies Payable on Municipal Property

27. (1) The lessee of municipal property is responsible for payment of any general assessment rates and annual service levies payable on the property for the duration of the lease, as if the lessee were the owner of such property.

(2) Council may suspend the condition contained in 27(1) in certain cases.

(3) The chief financial officer shall have the power to include the assessment rates and annual service levies in respect of municipal property in the rent payable by the lessee, instead of billing it separately as in the case of owners of properties.

23 PROVISION IN RESPECT OF THE PAYMENT OF ACCOUNTS

23.1 Fees

28. (1) Tariffs are determined by the Council in terms of Section 75(a) of the Local Government: Municipal Systems Act, Act 32 of 2000, or any other valid legislation in this regard.

(2) The fees as determined by the Council are due and payable by the customer to whom a service is provided or, should he or she default on payment, by the owner of the fixed property.

(3) Where fixed property, or a section thereof which is occupied separately, is separately serviced, the minimum fees as determined by the Council shall be payable by the occupier or, should he or she default on payment, by the owner in respect of such fixed property or section thereof that is occupied separately.

23.2 Payment of Accounts

29. (1) The amount payable to the Council in respect of rates and/or services rendered, shall be payable on or before 15:00 on the last date of payment, failing which interest and collection costs shall be levied on such monies.
(2) Payment, excluding payments made at Council’s offices, such as bank deposits and
electronic transfers directly deposited into the Council’s bank account, shall be
deemed to have been received before 15:00 if the transaction is reflected on the
Council’s bank account on the last date of payment.

(3) Payments received by agents appointed to receive payments on behalf of the
Council, shall be deemed to have been received before 15:00 on the last date of
payment if such transactions are received by the Council from the relevant agent on
the morning following the last date of payment.

(4) The fact that an account does not reach a consumer, shall not exempt him/her from
making a payment on or before the last date of payment.

(5) If the correctness of an account is queried the consumer must pay the average
consumption over the last three months until the dispute has been examined and
settled.

(6) If an account is not settled on the last date of payment, the provisions of Section 19
shall apply.

24 DIFFERENTIATION

24.1 Power to differentiate between different categories of rate payers

30.(1) The municipality may differentiate between different categories of ratepayers, users
of services, customers, debtors, taxes, services, service standards and other
matters.

24.2 Conditions for differentiation

31.(1) Any such differentiation intended in Section 29 shall be upon such conditions as the
Council may deem fit to impose, if it is of the opinion that the application or
operation of that provision in that instance would be unreasonable.

25 MIXED PROVISIONS

25.1 Reporting of defaulters

32.(1) The Municipal Manager or his proxy may in his or her discretion report any debtors
who owes the Municipality monies to bodies, such as credit bureaus, that collate
and keep such information. The information be included in such a report shall be the
available personal information on the defaulter, or in the event of a legal person, the
available statutory details, including information pertaining to the responsible officer
of such legal person.
25.2 Repeal of by-laws

33. (1) The provisions of any by-law of the Municipality relating to the control of credit and debt collection, are hereby repealed insofar as they deal with matters that are regulated in these by-laws and those provisions are in conflict with any provision contained in these by-laws.

25.3 Offences

34. (1) Any person who –
   (a) fails to give access required by an authorised officer or duly appointed agent in terms of this by-law;
   (b) obstructs or hinders an authorised officer or duly appointed agent in the exercising of his/her powers, functions or duties under this by-law;
   (c) illegally uses or interferes with municipal equipment or wastes the services supplied;
   (d) tampers or breaks any seal on a meter or on any equipment belonging to the Municipality or in any way causes a meter not to properly register the services used or allows such tampering, breakage or action that causes a meter not to register properly;
   (e) fails or refuses to give an authorised officer or duly appointed agent of the Municipality such information as may reasonably be required for the purpose of exercising the powers or functions under these by-laws or gives such an officer or agent false or misleading information, knowing it to be false or misleading;
   (f) contravenes or fails to comply with a provision of this by-law;
   (g) fails to comply with the terms of a notice served upon him/her in terms of the provisions of these by-laws;
(2) Shall be guilty of an offence and liable upon conviction for community service for a period not exceeding six months or a fine not exceeding R20 000 or a combination of the aforementioned.
(3) Any person convicted for contravening subsection (1)(d), shall be charged for usage of the service concerned, estimated by the chief financial officer based on the estimated average usage of such service, to be determined as stated in Section 21(b), as well as for the cost of the repair or replacement of the service.

25.4 Conflicting laws

35. (1) This by-law recall any proceeding credit control and debt collection by-law promulgated.
(2) When interpreting a provision of these by-laws, any reasonable interpretation which is consistent with the purposes of the Act as set out in Chapter 9, on customer care, credit control and debt collection shall be preferred over any alternative interpretation that is inconsistent with the purposes contained in the Act.

(3) If there is any conflict between the provisions of these by-laws and any other by-laws of the Municipality, the provisions of these by-laws shall prevail.

25.5 Short Title

36. These by-laws are called the **Customer Care and Management, Credit Control and Debt Collection By-laws: Municipality of_______________________**
MUNICIPALITY

INDIGENT POLICY
PREAMBLE

Whereas the municipality receives an equitable share contribution from National Treasury annually;

and whereas the National Department of Provincial and Local Government has issued guidelines regarding indigent support;

and whereas the municipal council wishes to give access to basic services for all of its communities;

now therefore the municipal council of ________________________ adopts the following Indigent Policy.
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26 PURPOSES OF THE INDIGENT POLICY

1.(1) The purposes of the indigent policy are to:

   (a) provide basic services to the community within the financial and administrative capacity of the municipality;
   (b) provide procedures and guidelines for the subsidisation of basic service charges to indigent households using the equitable share allocation received from Central Government and other budgetary provisions; and
   (c) ensure affordability by subsidising tariffs calculated in terms of the municipality's tariff policy and by setting appropriate service levels in terms of the municipality's service delivery plan.

27 CRITERIA FOR QUALIFICATION

2.(1) In order to qualify for indigent support the following criteria must be met:

   (a) The verified gross monthly income of all occupants over 18 years of age may not exceed the amount approved by Council from time to time during the budget process.
   (b) The accountholder or property owner has completed an official application form.
   (c) The registered indigent must be the full-time occupant or owner of the property concerned, and may not own any other property, whether in or out of the municipal area.
   (d) Consumption may not exceed a three month average of 10 kilolitres of water and 250 units of electricity, inclusive of the free basic service grant.
   (e) The subsidy will only be valid for 12 months whereafter the consumer who occupy or own the property must reapply.
   (f) Only occupiers or owners of housing stock financed by a state subsidy may apply.
   (g) The application has been approved by the municipality.

28 EXTENT OF INDIGENT SUPPORT

3.(1) Subsidised service charges will be limited to water, refuse removal, electricity and sewerage disposal.

   (2) Subsidies will be determined during the compilation of the annual budget.

   (3) The source of funding of the indigence subsidy is that portion of the equitable share contribution by National Treasury and any additional provisions made by council as provided for in the annual operating budget.
(4) The subsidy will be calculated by dividing the budget provision for indigent support less 10 percent by the number of applications already approved.

(5) The ten percent of the provision held back may be used to finance applications received after the budget date. When this amount is exhausted no further support will be considered unless provided for in an adjustment budget.

(6) The subsidy will only be credited to the qualifying customer’s accounts until the amount provided on the budget by the municipality has been exhausted whereupon no further credits will be made.

(7) In respect of water, a 100% subsidy up to 6 kilolitres per household per month will apply.

(8) In respect of electricity, a 100% subsidy up to 50 kWh per month will apply.

(9) If consumption exceeds any of the norms stated in (7) and (8) per metering period (month), the consumer will be charged normal tariffs on the quantity exceeding the above mentioned limits.

(10) If a customer’s consumption or use of municipal service is less than the subsidised service, the unused portion may not be accrued and the customer will not be entitled to a cash rebate in respect of the unused portion.

(11) Annual service charges on the indigent’s account will automatically be converted to monthly instalments.

29 ARREARS ON INDIGENT ACCOUNTS

4. (1) Council may from time to time decide to write-off indigent arrears. No further legal action will be taken on indigent arrears.

(2) Customers who qualify for an equitable share subsidy will be placed on restricted service levels in order to limit further escalation of debt.

(3) Where a qualifying customer’s account is paid in full at the date of application, or after receiving the subsidy regularly maintains a paid up monthly account including any arrangements made, the restriction on service levels will be waived.

(4) Customers who qualify for equitable share subsidy and are still in arrears, will be placed on the pre-paid services system whereafter 50% of electricity purchases be allocated to the arrear debt.

(5) Where a qualifying customer’s account is paid in full at the date of application, or regularly maintains a paid up monthly account, after receiving the subsidy, the pre-paid services will upon request be removed.
5.(1) When a property owner or accountholder who has registered as an indigent fails to comply with any arrangements or conditions materially relevant to the receipt of indigency relief, such person will forfeit his or her status as a registered indigent with immediate effect, and will thereafter be treated as an ordinary accountholder for the financial year concerned.

(2) The onus is on each registered indigent to advise the municipal manager of such failure to comply.

(3) If an indigent household falls into arrears the property owner or accountholder concerned will have to make arrangements with the municipal manager to pay off these arrears. If these arrangements are not made, no subsidies will be paid or free services provided, and services may be terminated in terms of the municipality’s credit control and debt collection policy.

(4) The indigent status of a customer will be reviewed from time to time, at intervals as determined by Council. This could be done by either physical audit or external verification check (e.g. ITC – Credit Bureau). Should the requirements not be met, the subsidy for that consumer will be cancelled.

(5) If a registered indigent is found to have provided fraudulent information to the municipality in regard to any material condition for registration as an indigent, such person shall immediately be removed from the register of indigents, and shall be liable to repay the municipality with immediate effect all indigency relief received from the date of such fraudulent registration. Moreover, such person may not again be considered for indigency relief for a period extending for five years beyond the financial year in which the misdemeanour is detected.

31 REPORTING REQUIREMENTS

6. (1) The municipal manager shall report on a monthly basis to the executive mayor for the month concerned and by municipal ward:

(a) the number of households registered as indigents and a brief explanation of any movements in such numbers;
(b) the monetary value of the actual subsidies and rebates granted;
(c) the budgeted value of the subsidies and rebates concerned; and
(d) the above information cumulatively for the financial year to date.

(2) The executive mayor shall submit the above reports on a quarterly basis to the council.
7. This policy shall be called the Indigent Policy of the _______________ Municipality.
INDIGENT APPLICATION FORM

SECTION A – ACCOUNT INFORMATION:

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SECTION B - TERMS AND CONDITIONS:

- Households have to limit their consumption in order to qualify for the monthly subsidy. Water is limited to a maximum of 12 kiloliters per month and electricity purchases to a maximum of 300 units per month. If consumption is in excess the subsidy will be cancelled.
- The total household income should not exceed R#### (as per 20YY/20YY tariffs). It is the responsibility of the consumer to inform the Municipality of any change in financial status.
- This application is only valid for a period of one year. Should the consumer still qualify at that time, the consumer should re-apply for the subsidy. Should the application be approved, re-application date is: ________________
- External verification will be done using the ITC as well as physical audits to confirm the household’s financial status. Upon signing of this application, the consumer gives consent to such checks.
- Due to the uncertainty of the availability of funds, the amount of allocation as well as the period of payment cannot be guaranteed by George Municipality.
- False information or the withholding of information will disqualify anyone from further participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;
- Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.
- The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.
- The successful applicant could also qualify for certain debts to be written off on their account.
- The George Municipality reserves the right to collect any outstanding debts on the account by means of the pre-paid services, in a portion not excessive in relation to the purchases made by the accountholder.

I, hereby declare that I am the registered owner/lessee of the above erf and that the said...
property is inhabited and controlled by me. I further declare that I fully realize that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I confirm that I have read, understood and accepted the terms and conditions stated above.

Declared and signed at ......................... on the ............ day of ............................ 20.........

........................................................   …… …………………………………
SIGNATURE OF APPLICANT     WITNESS
SECTION C - PERSONAL INFORMATION:

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<td>Husband:</td>
<td>Wife:</td>
</tr>
<tr>
<td>Birth date:</td>
<td>Birth date:</td>
</tr>
<tr>
<td>D D / M M / C C Y Y</td>
<td>D D / M M / C C Y Y</td>
</tr>
<tr>
<td>ID number:</td>
<td>ID number:</td>
</tr>
<tr>
<td>Pension number:</td>
<td>Pension number:</td>
</tr>
</tbody>
</table>

SECTION D – FINANCIAL INFORMATION

<table>
<thead>
<tr>
<th>Details of Gross Monthly Income (in Rands)</th>
<th>Husband</th>
<th>Wife</th>
<th>Children living with parents</th>
<th>Other</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Salary</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>b) Wage</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>c) Interest</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>d) Dividends</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>e) Pension : Employer</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Disablity</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Old Age</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>War</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>f) Board / Rental</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>g) Child support</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>h) Informal / Casual work</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>i) Other</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Total Gross Monthly Income</strong></td>
<td></td>
<td></td>
<td></td>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>
### SECTION E - CHECKLIST:

<table>
<thead>
<tr>
<th>ID document</th>
<th>Please Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentary proof of total gross income of household namely account holder, spouse and persons older than 18 years of age (including children) residing on the premises.</td>
<td></td>
</tr>
<tr>
<td>List of all residents on premises. (Ages must be specified, and copies of Identity Documents attached).</td>
<td></td>
</tr>
<tr>
<td><strong>Proof of pension/grants.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Proof of unemployment.</strong> Department of manpower and/or unemployment insurance certificate original letter of religions leader to confirm unemployment and sworn affidavit by applicant.</td>
<td></td>
</tr>
<tr>
<td>Birth certificates / ID documents of dependant children as well as a court order which confirms guardianship.</td>
<td></td>
</tr>
<tr>
<td>If owner of motor vehicle, full particulars as well as means of finance.</td>
<td></td>
</tr>
<tr>
<td>Latest municipal rates and services account.</td>
<td></td>
</tr>
<tr>
<td>Copy of Pre-paid electricity slip</td>
<td></td>
</tr>
<tr>
<td>Others: (Specify)</td>
<td></td>
</tr>
</tbody>
</table>

**Office Use Only:**

<table>
<thead>
<tr>
<th>Approved</th>
<th>Declined</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Reason if declined:**

**Indigent Register Number:**

**Date of Letter:**

**Water Consumption:**

**Electricity Consumption:**
TAKE NOTE: Applicants must note that the gross income of all occupants of the premises in respect of which application is being made for an allocation, must be stated irrespective of the conditions of marriage agreements. In this regard “Income” means all monies derived by occupants from salary, wage, interest, dividends, board/rental, child support and pensions - (Employers, old-age, war veteran and disability). Certificates of gross income must be attached, Sworn declarations will be accepted in exceptional cases.

I, the undersigned, hereby apply for an equitable share allocation and declare the following information to be true and correct :-

<table>
<thead>
<tr>
<th>Surname:</th>
<th>Christian Names:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residential Address:</th>
<th>Postal Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contact Number:</th>
<th>Marital Status: Mark with an X</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Married</td>
</tr>
</tbody>
</table>

HUSBAND: Birth date: WIFE: Birth date:

<table>
<thead>
<tr>
<th>D D / M M / C C Y Y</th>
<th>D D / M M / C C Y Y</th>
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<tr>
<th>ID number:</th>
<th>ID number:</th>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Pension number:</th>
<th>Pension number:</th>
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<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
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<tr>
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<th>Wife</th>
<th>Children living with parents</th>
<th>Other</th>
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<td>R</td>
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<td>i) Other</td>
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<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>

Example 2
Details of Gross Monthly Income (in Rands) | Husband | Wife | Children living with parents | Other | TOTAL
---|---|---|---|---|---
Total Gross Monthly Income | | | | | |

Situation of erf in respect of which allocation is claimed:
Erf no.: .................... Streetname:................................................  House no.: ............
Account No: .................................................. Pre-Paid Meter No: ..............................

I, hereby declare that I am the registered owner/lessee of the above erf and that the said property is inhabited and controlled by me. I further declare that I fully realise that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I accept and understand that due to the uncertainty of the availability of funds, the amount of allocation as well as the period of payment cannot be guaranteed by Municipality.

Declared and signed at ............................................................. on the ............ day of ......................... 20........

______________________________________________________________
SIGNATURE OF APPLICANT

______________________________________________________________
Sworn before me this ............ day of ........................................ 20........

______________________________________________________________
COMMISSIONER OF OATH / PEACE OFFICER

CONFIRMATION BY RELIGIOUS LEADER OR COUNCILLOR OR SCHOOL PRINCIPAL
To the best of my knowledge the abovementioned information is correct.
Signed by me this ............ day of ................................. 20 .......

______________________________________________________________
RELIGIOUS LEADER / COUNCILLOR/SCHOOL PRINCIPAL
APPLICATION FORM CONTINUED

CHECK LIST

1. ID document

2. Documentary proof of total gross income of household namely account holder, spouse and persons older than 18 years of age (including children) residing on the premises.

3. List of all residents on premises. (Ages must be specified, and copies of Identity Documents attached).


5. Proof of unemployment. Department of manpower and/or unemployment insurance certificate original letter of religions leader to confirm unemployment and sworn affidavit by applicant.

6. Birth certificates / ID documents of dependant children as well as a court order which confirms guardianship.

7. If owner of motor vehicle, full particulars as well as means of finance.

8. Latest municipal rates and services account.

IMPORTANT NOTICE

Due to the uncertainty of the availability of funds, the amount of allocation as well as the period of payment cannot be guaranteed by Municipality.

False information or the withholding of information will disqualify anyone from further participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;

Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.

The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.

Any accountholder qualifying for the allocation of these funds will be placed on limited supply of services, for example the restriction of the supply of water to 6 000 litres per month.

The successful applicant could also qualify for certain debts to be written off on their account.

The Municipality reserves the right to collect any outstanding debts on the account by means of the pre-paid services, in a portion not excessive in relation to the purchases made by the accountholder.
### Annexure “E”

#### Application for Supply of Resource Services

<table>
<thead>
<tr>
<th>Form</th>
<th>Project</th>
</tr>
</thead>
</table>

#### Municipality

### Identification of Property

<table>
<thead>
<tr>
<th>Spatial ID</th>
<th>Area Ward/Nr</th>
</tr>
</thead>
</table>

#### Person's Details

<table>
<thead>
<tr>
<th>Personal Details</th>
<th>Address</th>
</tr>
</thead>
</table>

#### Telephone and/or Other Contact Information

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
</table>

#### Employer Information

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
</table>

#### Previous Municipal Account

<table>
<thead>
<tr>
<th>Previous</th>
<th></th>
<th></th>
</tr>
</thead>
</table>

---

Credit Control and Debt Collection Manual v7 Page 134 Compiled by and
1. Documentation and information requirements.

This form (IRIS 03.02) must be accompanied with the following documents.
- Photostat copy of the ID document of the client.
- Photostat copy of the last account statement from the previous Municipality.
- If the client is a TENANT then a letter of confirmation from the OWNER is required. The letter must clearly identify the owner, with postal address and physical address as well as contact telephone number(s), and that the owner grants the tenant permission to open a services account on the property.
- If the legal entity is a company / close corporation / trust then:-
  - A copy the CERTIFICATE OF INCORPARATION / FOUNDING STATEMENT / LETTERS OF AUTHORITY as the case may be.
  - an official letter authorising a person who will sign this agreement on behalf of the company / close corporation / trust.
  - the authorised person must complete the part ‘Private individual’ with his/her personal details as well as photostat copy of his/her ID document.

2. Conditions of Supply.

The client hereby declares that the information furnished in this application is correct and hereby applies for the supplying of resource services for the purpose specified in the application and agrees to pay for such supply at the rates determined by the Council.

The client further undertakes the liability to pay in accordance with the charges laid down for such rates in Council’s services tariff structure, as amended from time to time, for all resource services consumed. If client wishes to terminate the use of services he/she must submit a completed form ‘Request for discontinuance of resource services’ (IRIS 03.03) to the Directorate Financial Services.

The authorised person who signs this agreement on behalf of a company / close corporation / trust, by his/her signature to this agreement hereby warrants that the company / close corporation / trust will comply with all its obligations in term of this agreement and the signatory hereby indemnifies George Municipality against all losses and damages the Council may suffer as a result of any failure to do so.

Council does not enter into agreement with “to be incorporated” companies / close corporations / trusts for the supply of resource services.

The supply of resource services as applied for is governed by the Council’s by-laws, as amended from time to time.

Routine monthly reading of meters will be done on pre-determined dates. Metering equipment is subject to regular meter inspections and shall be suitably placed and protected and at all times be made accessible to officials of the Council.

Metering equipment is the property of Council and cannot be sold or made part of any business deal in the sale of property.

Only metering equipment known to Council’s configuration management can be installed and meters will be issued only to legal installation contractors that have made themselves known to Council.

Tampering of metering equipment is an offence and punishable in terms of the by-laws as amended from time to time.

Council offers a reward for the reporting of meter tampering.
Prepayment services will be sold at selected outlets and will be subject to a certain minimum per transaction as determined from time to time. Client understands and agrees that, in the case of arrears relative to consumption of resource services, such arrears shall be paid by means of a suitable levy as determined by the Director Financial Services on the pre-paid tariffs. No refund /credit will be granted on pre-paid sales.

The client hereby accepts that should there be a default in the timeous settlement of the account, Council is entitled to refer the debt to its agents for collection, and the client accordingly accepts responsibility and liability for any collection costs incurred and/or commissions payable. The client further accepts that Council, or Council’s agents, may take any legal steps necessary for the collection of such arrear levies, in accordance with Council’s policies, including and not limited to the suspension of the supply of services.

Should any term or condition of this agreement conflict with any statute or by-law, such statute or by-law shall apply.

3. Policy issues (for official use only).

This form must be completed in the following cases.
- by all new clients applying for existing/new resource services.
- by existing clients in the event of any change of services profile.
- by existing clients in the event of defaulted credit payment disconnection/re-connection.
- by existing clients in the event of tamper disconnection.

In the event of installation of new RDP (Resource Dispensing Points) the form must have cross-reference to the installation project number.

In the event of change of service profile i.e. conversion from credit to prepayment form ‘Request for discontinuance of resource services’ IRIS 03.05 must be completed with cross-reference to the original application number.

This form must show the amounts due/received and receipt number.

This form must be signed by an authorised person on behalf of the Council.
### Credit Control and Debt Collection Manual v7

#### Page 137

Compiled by [ZMS] and [BSU]
Work processes: Application form

The following workflow processes are recommended regarding the application form:

G

Consumer completes request for services form.

Is this new account?

Yes

Credit rating to determine level of deposit

No

A

Check database to establish whether monies are not owed under an old account number i.e. previous address, closed account which has never been settled

Select type of account:
- New house
- New owner
- New consumer

New House

Instruct electricity/water department to install new meters

Department updates database

Capture new meter numbers

Determine deposit

Create route number

Create account number

Determine tariffs

Establish whether work is completed

Instruct rates division to value property if new house

Send reminder to department after 5 days

New Consumer

Instruct meter readers to take readings for water and electricity and reconnect disconnected supplies

Instruct meter readers to take readings at reconnect disconnected supplies

New Owner
Instruct department to update deposit, link to new account and new route.

Instruct department to take final readings.

Instruct department to amend as requested.

Department updates database.

Send reminder to department after 5 days.

Work is completed.

Transfer, termination or amendment of services.

Transfer

Amendment

Termination
AERIAL PHOTOS

UNIQUE CADASTRAL, WATER AND ELECTRICITY NUMBERS
BUSINESS PLAN FOR THE CUSTOMER DATA VERIFICATION FOR ________________
MUNICIPALITY

33 BACKGROUND

During the amalgamation of the various towns and management areas the data on the debtor’s database was taken over electronically to expedite the delivery of accounts. Consumers in the new incorporated areas were not used to municipal procedures and informal exchanges of houses without registration were common practice. Debts and new claims against houses were not registered with the municipality making the administration thereof difficult. Efforts to effect credit control and debt collection have been complicated due to the incorrect data on the database.

The campaign has the following objectives:

- To identify indigent consumers.
- To collect information regarding consumers.
- To update the debtors database.
- To hand out indigent and consumer application forms.
During the survey the following data will be focused upon:

- Names of occupier and or owner.
- Identity numbers.
- Postal addresses.
- Meter numbers (water and electricity).
- Meter readings.
- Telephone numbers.
- Type of services delivered (refuse removal and sewerage).

34 INTRODUCTION

The focuses of the data survey are twofold. Firstly to identify indigent consumers and to assist these consumers where possible. To qualify for indigent support the consumers must provide proof of income, welfare support or supply affidavits to support their applications. It is not possible for the surveyor to collect and wait for this information. At the most the surveyors can hand out indigent and service application forms and show consumers how to complete the forms. A support process must be put in place to receive and verify the correctness of data. The municipality will have to decide whether this function is going to be contracted out or whether in-house capacity exists to manage this function.

The second focus area will be to obtain the correct information regarding consumers currently occupying the properties, and therefore the people using the services, as well as the correct meter and other related information in order to verify and correct the data on the billing system. For these two purposes the full support of all councillors, interest groups and individual consumers are vital. The survey therefore needs to be preceded by an awareness campaign.

35 PROCESSES

The following processes are proposed:

35.1 AWARENESS CAMPAIGN

1. Identify officials that will form part of the campaign. For example: Chief Financial Officer, Officials from the Income and Credit Control sections.

2. A briefing session for all councillors on what their involvement will entail, their responsibilities regarding indigent identification and how to assist field workers with political issues.

3. The municipality must agree on the content of the forms that will be used for the project.
4. All the ward councillors from the survey areas must be available for mass meetings in
   the townships.
5. Inform the community about the survey project and the purposes by means of:
   • A press release in the local paper in all local languages.
   • Distributing leaflets in the affected areas in all local languages (Same as press
     release, providing the mass meeting dates and venues).
   • Holding mass meetings in the affected areas.
6. Identify venues accessible to the community for the mass meetings.
7. Decide on dates for the meetings and make sure that the relevant ward councillors and
   officials are available.
8. Use a public announcement system vehicle to announce meeting dates and venues a
day before the meeting.
9. Ward councillor to introduce the people involved and address the meeting

35.2 SURVEY PREPARATION
   • Finalise the documentation that will be used in the survey.
   • Advertise for surveyors. (The surveyors must be appointed from the community.)
   • Appoint surveyors.
   • Train surveyors.
   • Prepare documentation.

35.3 DATA CATURING PREPARATION
   • Download erf numbers from the financial system.
   • Obtain area maps and prepare area routes.
   • Finalise survey form.
   • Prepare capture programme.

35.4 PHYSICAL SURVEY
   • Deploy surveyors in the wards.
   • Implement control procedures to monitor the quality of work produced by the
     surveyors.
   • Audit the forms submitted by the surveyors.
• Capture valid survey information.
• Identify and report on the differences.

35.5 COMPARE THE SURVEY DATA WITH DATABASE
• Develop plan to update and capture data information.
• Follow up on the forms that are different from the data on the financial system.
• Update billing system with correct information.

35.6 INDIGENT APPLICATIONS
• Sort and verify indigent applications.
• Evaluate indigent applications.
• Capture successful applications on billing system as well as debt collection system if applicable.

35.7 REPORT BACK
It is suggested that a credit control and debt collection task team monitor the survey.

36 EQUIPMENT NEEDED
• A printer is required to print forms.
• Area maps are required to ensure that all stands are surveyed.

37 THREATS
5.1 The particular ward councillors must support the project and be available for meetings and assist if consumers do not want to supply information.

5.2 The municipality may not be able to investigate, correct and effect changes once deviations have been pointed out.

5.3 Ensure that sufficient resources are available to handle the number of indigent applications that are going to flow from the survey.
38  PROVISIONAL PROJECT PLAN

The table below reflects the provisional plan and delivery dates. These dates may change once all the role-players have provided inputs.

<table>
<thead>
<tr>
<th>Task</th>
<th>Timeframe</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve project plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop survey, service application and indigent forms.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Print forms.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write press statement and draft leaflets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meet with ward councillors to determine roles and support.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schedule ward meetings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribute leaflets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use public announcement system to inform public.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hold mass meetings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertise for surveyors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appoint surveyors.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Train surveyors.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Download data from financial system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluate extracted data.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write capturing programme.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deploy surveyors in ward.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish control office.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit forms submitted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop a plan to capture and update data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capture survey information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Point out differences.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investigate the differences.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make adjustments.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capture data on billing system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task</td>
<td>Timeframe</td>
<td>Responsibilities</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-----------</td>
<td>------------------</td>
</tr>
<tr>
<td>Create capacity to verify indigent applications.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Verify applications.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approve indigent consumers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Update database.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reschedule re-inspections.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

39 **CONCLUSION**

It is expected that the survey will reach the following objectives:

- *Data on the billing system will be at least 90% correct.*
- *All consumers will have a service agreement.*
- *Indigent consumers will be identified.*
- *Faulty meters numbers will be identified.*
- *Services that are consumed on the stands will be charged to the correct consumer.*
- *Meters not currently on the billing system will be identified.*

The above-mentioned actions will have a positive impact on the cash flow and will improve credit control and debt collection and the customer care of the municipality.
Ref : Consumer Account Number Case No

IN THE MAGISTRATE’S COURT FOR THE DISTRICT OF………………………………………
HELD AT ……………………………………………………..

CASE NO: …………………

In the matter:-

The Municipality of……………………………

and

__(Consumer’s full name and surname)_____

Defendant

ADMISSION OF LIABILITY AND UNDERTAKING TO PAY IN INSTALMENTS
(IN TERMS OF SECTION 57 OF ACT 32 OF 1944)

I, the undersigned,

<table>
<thead>
<tr>
<th>I.D. Number:</th>
<th>Consumer’s ID Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Address:</td>
<td>Consumer’s Address Line 1  Consumer’s Address Line 2 Consumer’s Address Line 3</td>
</tr>
<tr>
<td>Monthly Income</td>
<td>Consumer’s Monthly Income</td>
</tr>
<tr>
<td>Employers Name</td>
<td>Consumer’s Employer Name</td>
</tr>
<tr>
<td>Business Address:</td>
<td>Consumer’s Work Address</td>
</tr>
<tr>
<td>Pay or Work Number:</td>
<td>Consumer’s PAY/Employee Number</td>
</tr>
</tbody>
</table>

1. acknowledge that I am indebted to the Plaintiff (also referred to hereunder as Creditor) in the sum of R Total Amount Due and R Legal Costs costs to date, being the amount claimed in the Letter of Demand / Summons which I received;

2. offer to pay the said amount in monthly installments of R Monthly Installment from 1st Payment Due Date plus interest thereon calculated at the rate of [ ] % per annum reckoned from Account Due Date plus all costs incurred by the creditor in the collection of this debt, which shall include attorney and client costs where the matter was handed over to the Council’s Attorneys at the offices of the Council’s Attorneys’;

3. agree that amounts paid by me shall first be apportioned to the payment of costs, secondly interest and thereafter capital or as determined by the Director : Financial Services from time to time;

4. agree that, should I fail to make payment in terms of this offer, or in the case of my death, sequestration (provisional or final), or any act of insolvency committed by me, or institution of any legal action against myself by a third party, or the sale of the property where services are rendered, the full capital amount plus interest, collection costs, and commission will become payable immediately and the Plaintiff may, without any notice to me apply in the Magistrate’s Court of George for-

4.1 judgement for the amount of the outstanding balance of the debt in terms of this acknowledgement, together with costs of a request for judgment; and/or
4.2 an order for payment thereof in accordance with this offer; and/or

4.3 an Emoluments Attachment Order as per paragraph 5 below.

5. consent to an Emoluments Attachment Order in the amount of R Amount to be deducted by Employer being issued and undertake to pay any commission, which my employer may deduct. I confirm that I have considered my financial situation and that I can afford the abovementioned amount. I further confirm that nobody influenced me improperly to agree to the abovementioned amount;

6. consent that, in the event where I do not keep the terms of this agreement, the Plaintiff shall be entitled to stop or restrict the supply of services (water and/or electricity supply) without giving me any further notice.

7. hereby renounce all benefits of the exceptions, "non numeratae pecuniae", “non causa debiti”, “error calculi”, “revision of accounts” and I declare myself to be fully acquainted with the meaning and effect of these exceptions.

8. acknowledge that this Acknowledgment of Debt is no novation and that it does not affect any other right or rights of the Creditor.

9. acknowledge that a certificate by the Creditor’s Attorneys will be conclusive evidence of the balance owed by me at any time and I agree to the jurisdiction of the Magistrate’s Court _______ if any legal action arises from this Acknowledgement of Debt.

10. declare that this document comprises the entire agreement between me and the Creditor and no amendment hereof shall be valid or binding unless it is in writing and signed by both parties concerned together with two witnesses.

11. denote my domicilium citandi et executandi as stipulated in the beginning of this document.

Dated at .........................................on this .............. day of .......................... 20....

AS WITNESSES:

DEFENDANT

1. ..............................................
2. ..............................................

Your Ref / U Verw ......................

Our Ref / Ons Verw......................
Date / Datum ..............................

Sir/Madam
Meneer/Mevrou/Mejuffrou
We refer to the Acknowledgement of Dept and Arrangement Agreement in terms of Section 57 of Act 32 of 1944 which was signed by yourself and hereby wish to inform you that this agreement has been accepted.

Ons verwys na die Erkening van Skuld en Afbetalingsaanbod in term van Artikel 57 van Wet 32 van 1944 wat u onderteken het en stel u hiermee in kennis dat u aanbod aanvaar is.

Therefore payments must be made from (……………….) the amount of R(…………………) monthly at our offices.

U moet derhalwe vanaf (……………….) die bedrag van R(…………………) maandeliks by ons kantore betaal.

Yours faithfully
Die uwe

Date : ………………………………………

Datum : ………………………………………

Signature : ………………………………………

Handtekening: ………………………………………

ANNEXURE
IN THE MAGISTRATE’S COURT FOR THE DISTRICT
OF…………………………..
HELD AT ……………………………………….

CASE NO: ……………

In the matter:-

The Municipality of………………………..

Plaintiff

and

__________________________________

Defendant

ADMISSION OF LIABILITY AND UNDERTAKING TO PAY DEBT IN TERMS OF
SECTION 58 OF ACT NO. 32 OF 1944

I, the undersigned,

FULL NAMES:

_________________________________________________________________

RESIDENTIAL ADDRESS:

________________________________________________________

EMPLOYMENT ADDRESS:

________________________________________________________

IDENTITY NO:  _________________________________________

ACCOUNT NUMBER: _________________________________________

EMPLOYMENT NUMBER/PENSION NUMBER:

________________________________________________________

do hereby:

1. Admit that I own the municipality the following amounts:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. In terms of Service Charges</td>
<td>R _________</td>
</tr>
<tr>
<td>b. Cost of Demand</td>
<td>R _________</td>
</tr>
<tr>
<td>c. Arrear interest</td>
<td>R _________</td>
</tr>
<tr>
<td>d. Other</td>
<td>R _________</td>
</tr>
</tbody>
</table>

Total Amount R _________

2. Offer to pay the said debt, by allowing the municipality to allocate …% of all future electricity purchases to the outstanding amount.

3. Agree that the Plaintiff shall without any further notice to me be entitled to apply for Judgement for the amount of the outstanding balance of the said debt with costs in
installments or otherwise if the outstanding amount is not paid within ... months from the date of this offer.

4. Consent to the issue of an Emoluments Attachment Order against my employer for payment of the installments as undertaken by me herein, after judgement and further consent that Plaintiff may apply for such Emoluments Attachment Order in the said amount without notice to me of such application.

5. For the purpose of executing any judgement as may be obtained against me pursuant hereto, waive:
   i. the requirement of notice of judgement by registered letter as is provider for in Section 65A(2) of Act 32 of 1944 as amended; and
   ii. for the purposes making application to court for an order as is anticipated in paragraph 6 above, the requirements of service of notice by Sheriff, upon myself, of such application.

6. Declare that despite my offer, I shall still be in a financial position to meet my monthly commitments.

7. Confirm that I have read through this document and understand the contents and effect hereof.

_Dated at ________________________________ on _____ day of___________________ 20___._

_________________________________  DEFENDANT

_Offer accepted by or on behalf of Plaintiff on ______ day of ______________ 20__._

_________________________________  PLAINTIFF
OR HIS/HER ATTORNEYS

I, the above named defendant hereby confirm that I have been notified of the above-mentioned acceptance on this ______day of ___________________ 20____.

_________________________________  DEFENDANT
IN THE MAGISTRATE’S COURT FOR THE DISTRICT OF ………………………………
HELD AT ……………………………

CASE NO: ………………………

In the matter:
…………………………. MUNICIPALITY

and

Surname and Initials

DEFENDANT

__________________________

CONSENT TO JUDGMENT AND ORDER OF COURT TO PAY IN INSTALMENTS
IN TERMS OF SECTION 58 OF ACT 32 OF 1944

I, the undersigned,
Date of birth/ID :- .............................
Residential address: ................................................................
Residential Tel/Cell:- .............................
Business address :- .............................
Tel :- .............................
Occupation: ............................. Salary: R.............................

1. Consent to Judgment being granted in favour of Plaintiff for payment of the sum of
R$TotalDept.

Capital R.............
Costs to date R.............
 R.............

Plus costs and interest @ ........% per annum calculated from ........... to date of final payment.

2. Consent to a Court Order whereby I shall pay the amount stated in paragraph 1 above in
instalments of R............. per month, the first of which is payable on or before
Date of FIRST Payment and thereafter on or before the last day of every consecutive
month to ...........(Name of municipality or service provider)....................

3. Undertake to pay Attorney and Client costs;

4. Consent to an Emolument Attachment Order being issued and undertake to pay any
commission which my employer may deduct;

5. Agree that amount paid by me shall first be offset to the payment of costs, collection
commission and interest and thereafter the payment of capital.

Dated at .................................on this ............. day of ............................. 20.....

__________________________
DEFENDANT
TO: The Clerk of the Court
Magistrate’s Court

AS WITNESSES:

1. ......................................................
2  ..................................................................
IN THE MAGISTRATE’S COURT FOR THE DISTRICT OF…………………………………..
HELD AT ………………………………………. CASE NO: ………………….

In the matter:-

The Municipality of …………………. Plaintiff
and
…………………………………………. (Consumer’s full name and surname) Defendant

AGREEMENT TO PAY OFF DEBT

I, the undersigned,

39.1 NAME: _____________________________________________________

39.2 RESIDING AT: ________________________________________________

hereby consent to the issue and service upon my employers of an Emoluments Attachment Order in the sum of R ___________________ per week/month from __________________ 20__ and, thereafter on the last day of each and every succeeding week/month.

SALARY PER WEEK/MONTH _____________________________________________

I undertake to pay all costs on an Attorney/client scale including Collection Commission of ___% to which my employers are entitled to in terms of Section 56J (10) of the Magistrates Court Act No 32 of 1944.

For the purpose of executing any judgement as may be obtained against me pursuant hereto I waive:

(i) the requirement of notice of judgement by registered letter as is provided for in Section 65A(2) of Act 32 of 1944 as amended; and

(ii) for the purposes of making application to court for an Emoluments Attachment Order as is anticipated above, the requirement of service of notice by Sheriff, upon myself, of such application.

I AM EMPLOYED BY _____________________________________________

AT _____________________________________________

AS _____________________________________________

EMPLOYEE NUMBER _____________________________________________

IDENTITY NO _____________________________________________

ADDRESS _____________________________________________

TELEPHONE NUMBERS (H)______________________(W)__________________

(CELL) _____________________________________
I, the undersigned, do hereby state:

that should I not pay to the Municipality of ___________________________ within 14 (fourteen) days from due date as stated in the contract (Application for Services read with the Municipal By-laws) I consent as follows:

That the Acknowledgement of Debt and Consent to Judgement signed by myself, post-dated, be used in an Application in terms of Section 58 of the Magistrate’s Court Act, No 32 of 1944, as if I signed these documents on those specific days in the presence of two witnesses and I confirm that I understand and acknowledge the contents of these documents and the consent to the utilisation thereof, on condition that I did not perform.

SIGNED AT __________________________ on ___________________ 20___.

____________________
DEBTOR / DEFENDANT

WITNESSES:

1. _________________________

2. _________________________
In the Magistrate’s Court for the District of ___________ CaseNo. ___________

Held at: ______________________________________________

In the matter between:-

The Municipality of ___________________________________ Plaintiff

and ___________________________________________________ Defendant

Plaintiff requests that judgement in the abovementioned matter in terms of Section 58(1) of the Magistrate’s Court Act, 1944, be noted in his/her/its favour against the Defendant as follows:

<table>
<thead>
<tr>
<th>Judgement Debt</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Debt (Section 58(1)(i))</td>
<td></td>
</tr>
<tr>
<td>Court fees (Rev. stamp hereon – Sec. 59 of Act 32 of 1944, as amended)</td>
<td></td>
</tr>
<tr>
<td>Letter of demand, if no Summons has been issued (Sec. 56)</td>
<td></td>
</tr>
<tr>
<td>Summons, if any (attorney’s charges, court fees, Sheriff’s fees) (Sec. 58(1))</td>
<td></td>
</tr>
<tr>
<td>Request for Default Judgement (Section 58(1))</td>
<td></td>
</tr>
<tr>
<td>Consent to Judgement (Section 58)</td>
<td></td>
</tr>
<tr>
<td>Attorney and Client charges</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL

Plus interest at ____% per annum as from ________ to date of final payment

Plus Collection Commission as legally stipulated in the Defendant’s Offer.

The plaintiff attach the following

(A) A copy of letter of demand sent to Defendant in terms of Section 58 of the Magistrate’s Court Act, 1944 (only if no summons is issued).

(B) Defendant’s written Consent to Judgement and costs and interest including an offer and acceptance of such offer.

(C) Certificate signed by Plaintiff’s Attorneys.

DATED AT ________________________________ 20___.

PLAINTIFF’S ATTORNEY
Judgement noted on the ________________ day of ________________ in favour of the
Plaintiff for the amount of R ____________ with R _______________ for costs as well as
interest @ __% from ________________, collection commission @ __% on each and every
payment. The Defendant is further ordered to pay the said judgement debt with costs in
monthly/weekly installments of R ____________ with effect from _______________20__ in
accordance with the offer until judgement Debt and costs have been paid in full.

____________________________
CLERK OF THE COURT

The defendant:

1. Also agree to pay the costs of drawing this document and the stamp duty hereon, in the
   amount of R _________________.
2. Consent to the issue of an Emoluments Attachment Order against my employer for
   payment of the installments as undertaken by me herein, after judgement and further
   consent that Plaintiff may apply for such Emoluments Attachment Order in the said
   amount without notice to me of such application.
3. For the purposes of executing any judgement as may be obtained against him/her
   pursuant hereto waive:
   (i) the requirements of notice of judgement by registered letter as is provided for in
       Section 65A(2) of Act 32 of 1944 as amended; and
   (ii) for the purposes of making application to court for an order as is anticipated in
       paragraph 5 above, the requirement of service of notice by Sheriff, upon myself,
       of such application.
4. Is convinced that despite his/her offer, he/she shall still be in a financial position to meet
   his/her monthly commitments.
5. Confirms that he/she has read through this document and understand the contents and
   effect hereof.

DATED AT ____________________ on ____________________ 20__

____________________________
DEFENDANT

Offer accepted by or on behalf of Plaintiff on __________ day of __________20__.

____________________________
PLAINTIFF
OR HIS ATTORNEY
I, the abovenamed defendant hereby confirm that I have been notified of the abovementioned acceptance on this ________ day of ___________________20__.  

______________________  
DEFENDANT
IN THE MAGISTRATE’S COURT FOR THE DISTRICT OF ……………………………
HELD AT …………………………………………………

CASE: ………………………

In the matter between:-

The Municipality of _____________________ Plaintiff
and
__________________________ Defendant

CERTIFICATE BY OR ON BEHALF OF PLAINTIFF

I, the undersigned,

hereby certify as follows:

1. That the Defendant signed an Acknowledgement of Debt and an Agreement to pay-off the debt on ________________________________

2. Plaintiff has accepted Defendant’s offer to pay on ________________________________

3. The outstanding balance is as calculated in the Consent to Judgement to which this Certificate will be affixed.

DATED AT ____________________ on ____________________ 20___.

______________________________
BY OR ON BEHALF OF PLAINTIFF

______________________________
CLERK OF THE COURT
Impact of New Monthly Deferments on Balance BFWD

Nett effect of Payments/Journals/Debits. Cashflow Improvement Managed
Nett Effect on Arrears

<table>
<thead>
<tr>
<th>Month</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2004</td>
<td>3,984,259</td>
</tr>
<tr>
<td>Aug 2004</td>
<td>5,406,668</td>
</tr>
<tr>
<td>Sept 2004</td>
<td>4,540,210</td>
</tr>
<tr>
<td>Oct 2004</td>
<td>6,731,637</td>
</tr>
<tr>
<td>Nov 2004</td>
<td>8,341,855</td>
</tr>
<tr>
<td>Dec 2004</td>
<td>6,695,573</td>
</tr>
</tbody>
</table>

Effect on Arrangement Payments

<table>
<thead>
<tr>
<th>Month</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2004</td>
<td></td>
</tr>
<tr>
<td>Aug 2004</td>
<td>6,893,183</td>
</tr>
<tr>
<td>Sept 2004</td>
<td>5,893,027</td>
</tr>
<tr>
<td>Oct 2004</td>
<td>5,202,865</td>
</tr>
<tr>
<td>Nov 2004</td>
<td>1,026,841</td>
</tr>
<tr>
<td>Dec 2004</td>
<td>1,168,057</td>
</tr>
</tbody>
</table>

Cash Receipts Ex SAMRAS

<table>
<thead>
<tr>
<th>Month</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2004</td>
<td>14,762,005</td>
</tr>
<tr>
<td>June 2004</td>
<td>14,922,300</td>
</tr>
<tr>
<td>July 2004</td>
<td>16,929,812</td>
</tr>
<tr>
<td>Aug 2004</td>
<td>21,388,917</td>
</tr>
<tr>
<td>Sept 2004</td>
<td>23,966,339</td>
</tr>
<tr>
<td>Oct 2004</td>
<td>28,984,252</td>
</tr>
<tr>
<td>Nov 2004</td>
<td>18,749,840</td>
</tr>
<tr>
<td>Dec 2004</td>
<td>15,648,084</td>
</tr>
</tbody>
</table>
Domestic Application for Services
ITC Checks

Annexure I

Domestic Application for Services
ITC Risk Levels

High Risk | Medium | Low | NO Record


164 | 119 | 156 | 130 | 136 | 109

High Risk
Medium
Low
NO Record


132 | 88 | 140 | 96 | 115 | 95

High Risk
Medium
Low
NO Record
Number of Hand Delivered Final Demands

Annexure L2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>393</td>
<td>986</td>
<td>738</td>
<td>653</td>
<td>683</td>
<td>1655</td>
</tr>
</tbody>
</table>

Posted Final Demands

Annexure L1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>195</td>
<td>197</td>
<td>272</td>
<td>3139</td>
<td>325</td>
<td>183</td>
</tr>
</tbody>
</table>

Cash Collection at Pay Points

Annexure J4

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>763,124</td>
<td>906,385</td>
<td>804,885</td>
<td>1,146,409</td>
<td>1,411,348</td>
<td>1,006,599</td>
</tr>
<tr>
<td>No</td>
<td>Ratio</td>
<td>Method to calculate</td>
<td>Standard</td>
<td>Target</td>
<td>Result</td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------</td>
<td>--------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Cash available for operating purposes</td>
<td>[\frac{(\text{Cash and cash equivalent} + \text{Short and long-term investments} \ - \text{Bank overdraft}) \ - (\text{Capital replacement reserve} + \text{Unspent national and provincial grants} + \text{Provisions} + \text{Consumer deposits}) + \text{Calculated payment level (Income)} )}{\text{Expenditure}} \geq 100%</td>
<td>15</td>
<td>[95]</td>
<td>[85]</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Short-term debt as % of revenue</td>
<td>[\frac{(\text{Bank-overdraft} + \text{STPLTL} + \text{Call loans} + \text{Creditors})}{\text{Total income/revenue}}] \leq 16%</td>
<td>5</td>
<td>[16]</td>
<td>[19]</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Consumer Debtors movement</td>
<td>[\frac{(\text{Gross increase in consumer Debtors})}{\text{Total income/revenue from Rates and Service Charges}}] [\leq 7.5%]</td>
<td>7</td>
<td>[8]</td>
<td>[10]</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Debtors turnover (days)</td>
<td>[\frac{(\text{Gross rates and service charge debtors})}{\text{total income/revenue}}] \leq 45 days</td>
<td>8</td>
<td>[45]</td>
<td>[60]</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Creditors turnover (days)</td>
<td>[\frac{(\text{Creditors})}{\text{Total net expenditure}}] \leq 60 days</td>
<td>5</td>
<td>[60]</td>
<td>[75]</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Capital Cost as % of revenue</td>
<td>[\frac{\text{Total capital cost}}{\text{Total income/revenue}}] \leq 15%</td>
<td>8</td>
<td>[15]</td>
<td>[18]</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Total long-term debt as % of total operating income</td>
<td>[\frac{(\text{Total long-term liabilities})}{\text{Total income/revenue}}] \leq 40%</td>
<td>7</td>
<td>[40]</td>
<td>[47.5]</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Staff cost as % of gross expenditure</td>
<td>[\frac{(\text{Salaries/Employee related costs})}{\text{Total gross expenditure}}] \leq 30%</td>
<td>5</td>
<td>[30]</td>
<td>[33]</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Cash funded</td>
<td>[\frac{(\text{Surplus for the financial year} + \text{Bad debt provision for the year})}{\text{Gross increase in consumer debtors}}] [\geq 100%]</td>
<td>10</td>
<td>[100]</td>
<td>[85]</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Maintenance as % of expenditure</td>
<td>[\frac{\text{Maintenance cost}}{\text{Expenditure}}] [\geq 10%]</td>
<td>7</td>
<td>[10]</td>
<td>[7]</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Grant dependency</td>
<td>[\frac{(\text{National and Provincial grants})}{\text{Income}}] \leq 25%</td>
<td>6</td>
<td>[25]</td>
<td>[28]</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Funding Options employed for:</td>
<td>[\frac{\text{Net current assets}}{\text{Cash available for operating purposes} - \text{Short-term investments} - \text{Bank overdraft}}] [\geq 100%]</td>
<td>10</td>
<td>[100]</td>
<td>[97]</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Funding Options employed for:</td>
<td>[\frac{(\text{Long-term liabilities} + \text{Housing funds} + \text{Capital Replacement Reserve} + \text{Capitalisation reserve} + \text{Government grant reserve} + \text{Donations and public contributions reserve} + \text{Revaluation reserve})}{\text{(Long-term receivables + property plant and equipment + investment property)}}] [\geq 100%]</td>
<td>7</td>
<td>[100]</td>
<td>[97]</td>
<td></td>
</tr>
</tbody>
</table>
SERVICE SPECIFICATIONS

AUTOMATED ONLINE DEBT MANAGEMENT SYSTEM

The successful tenderer must make use of a sophisticated computer system to manage the debt collections process on behalf of the municipality and an appropriate electronic interface to maintain the debt collection process and enable online reporting and access to different features.

The successful tenderer must pay for, use and supply access to this online debt management system which will manage and control various administrative functions including the following:

- Cut-off and remedial action lists.
- Pre-legal collections.
  - Telephone, email and SMS reminders.
  - Hand delivered final demands.
  - Dis- and reconnection services and restrictions.
- Soft and hard tracing.
- Listing and de-listing of debtors.
- Promise to pay arrangements.
- Legal collections including:
  - Summons.
  - Judgements.
- Hand over and control of attorneys.
- Hand over to and control of debt collecting contractors.
- Success management and reporting.
- Password control and access management.
- Indigent registration and management.
- Query and maintenance management.
- Estate, liquidation, administration and sequestration management.

The online debt management system must also facilitate a debt recovery diary and workflow and indigent campaign management.