
FINANCIAL SERVICES POLICIES

CREDIT CONTROL, DEBT COLLECTION & INDIGENT POLICY



BREEDDE VALLEY

MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

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A caring valley of excellence.

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1. DEFINITIONS AND ABBREVIATIONS

For this policy the following definitions will apply and any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in this Policy, 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,

apparatus: includes a building, structure, pipe, pump, wire, cable, meter, machine or any fitting,

billing: means proper formal notification on an account to persons liable for payment of amounts levied for assessment rates and other taxes by the municipality and the charges of the fees for municipal services and indicating the net accumulated balance of the account,

council: the municipal council of the municipality of Breede Valley,

credit control and debt collection: means the functions relating to the collection of all money that is 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, then the owner of the premises,

customer management: means focusing on the client's needs in a responsive and reciprocal relationship between persons liable for these payments and the municipality, and when applicable, a service provider, thereby limiting the need for enforcement,

defaulter: means a person owing the municipality money in respect of taxes and/or municipal service charges not paid on the due date for payment,

engineer: means a person in charge of the civil or electrical departments of the municipality,

interest: constitutes a levy equal in legal priority to service levies and is equivalent to the prime banking rate applicable from time to time.

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

- electricity consumption
- water consumption
- Refuse removal
- sewerage services
- rates and taxes
- interest, and
- Miscellaneous and sundry charge

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 includes any person *acting in such position, and to whom the municipal manager has delegated a power, function or duty in respect of such delegated power, function or duty*,

municipal services: those services, rates and taxes reflected on the municipal account for which payment is required by the municipality,

municipal treasurer: means a person appointed by the Council to manage the Council's financial administration,

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

owner: means:

- the person in whom the legal title to the premises is vested,
- 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,
- 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,
- in the case of premises for which a lease of 30 years or more has been entered, the lessee thereof,
- in relation to:
 - 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 the developer or the body corporate in respect of the common property, or
 - a section as defined in such Act, the person in whose name such section is registered under sectional title deed and includes the lawfully appointed agent of such a person,
- any legal person including but not limited to:
 - a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), Trust inter vivos, Trust mortis causa, a Closed Corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984), a Voluntary Association.
 - any Department of State.
 - any Council or Board established in terms of any legislation applicable to the Republic of South Africa.
 - any Embassy or other foreign entity.

policy document: means the approved customer care, credit control and debt collection policy of the Municipal Council as approved on 30 January 2002 and as amended from time to time,

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

- a general plan or diagram registered in terms of the Land Survey Act, 9 of 1927) or in terms of the Deeds Registry Act, 47 of 1937, or
- a sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

child-headed household: means a household where the main caregiver of the household is younger than 18 years of age or a registered scholar or student.

2. GENERAL OBJECTIVES

The objectives of this policy are to:

- 2.1. provide a framework for customer care.
- 2.2. provide a framework within which the municipality can exercise its executive and legislative authority with regard to credit control and debt collection.

- 2.3. ensure that all monies due and payable to the municipality are collected timeously, a humane and a cost-efficient manner and used to deliver services in the best interest of the community, residents and consumers and in financially sustainable manner.
- 2.4. describe credit control measures and sequence of events.
- 2.5. outline debt collection procedures and mechanisms: and
- 2.6. set realistic targets for debt collection.

3. PRINCIPLES SUPPORTED IN THIS POLICY:

The following principles are used for the policy:

- 3.1. Administrative Integrity must be maintained at all costs – policy and execution are legally separate and must also be practically separate.
- 3.2. Customer Care and Management, and Debt Collection, are entirely interrelated issues – debt collection is part of customer management.
- 3.3. Communications of policies, rights and responsibilities, and systems of appeal, must be understandable, effective and regular.
- 3.4. There must be legal causes between the municipality and its customer, and customer debt must arise out of a legal framework and must be legally collectable.
- 3.5. Billing is to be accurate, timeous and understandable.
- 3.6. The customer is entitled to an efficient, effective and reasonable access to pay points, and to a variety of reliable payment methods.
- 3.7. The customer is entitled to an efficient, effective and reasonable response to appeals, and to suffer no disadvantage during the process of a reasonable appeal.
- 3.8. Poor households are to be identified and supported, with appropriate policies and practices.
- 3.9. Enforcement of payment will be prompt, consistent, effective and humane.
- 3.10. Fraud and criminality will lead to loss of rights and severe penalties.
- 3.11. Incentives and disincentives can be used in collection and write-off procedures.
- 3.12. The collection process must be cost effective.
- 3.13. Collection best practices will be pursued.
- 3.14. Targets for performance in both customer service and debt collection will be set and strived for.
- 3.15. Results will be regularly and efficiently reported.
- 3.16. Consumers must pay their accounts on the due dates.
- 3.17. This policy will be agreed by Council and Management and supported thereafter by these parties.

4. RESPONSIBILITIES AND DELEGATED AUTHORITY

4.1. Council:

- 4.1.1. Council must create, evaluate, review and adapt the Credit control and Debt collection policy and related by-laws.
- 4.1.2. This political structure must oversee and monitor the implementation and enforcement of the municipality's policies in this regard.
- 4.1.3. To maintain the credibility in the implementation of the policy and the attendant by-laws councillors should lead by example by ensuring that their own accounts will not fall into arrears.
- 4.1.4. Ward committees, through their ward councillor, be involved in communicating the credit control and debt collection programme and ensure that customer relations are of an acceptable standard to the community.

4.2. Accounting Officer:

- 4.2.1. The Municipal Manager (MM), as accounting officer, must implement and enforce this policy and any relevant by-laws.
- 4.2.2. The Municipal Manager must establish and control the administration necessary to fulfil this policy, and report efficiently and regularly to the Mayor and Mayoral Committee in this regard.
- 4.2.3. The Municipal Manager must collect all money that is due and payable to the Municipality.
- 4.2.4. The Municipal Manager may delegate authority in this regard to the Chief Financial Officer.

4.3. The Applicant Indigent:

- 4.3.1. must apply annually to be considered for the indigent equitable share, subsidy or rebate in terms of this and any other policy in this regard of council; and
- 4.3.2. must report any change in his/her circumstances which moves his/her household out of the eligibility brackets of clause 6.1.2.

5. CUSTOMER CARE AND MANAGEMENT

5.1. Communication and feedback

- 5.1.1. Council's Credit Control and Debt Collection Policy, must be available in suitable formats, including all locally used languages, and must be made available on specific request, and will also be available at Council's Cash Collection Points.
- 5.1.2. The municipality will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.
- 5.1.3. Ward Councillors will be required to hold regular ward meetings, at which customer care and debt issues will be given prominence.

- 5.1.4. The press will be encouraged to give prominence to Council's Customer Care and Debt issues and will be invited to Council meetings where these are discussed.
- 5.1.5. Council aims to establish, within its financial means:
 - 5.1.5.1. a central complaints/feedback office;
 - 5.1.5.2. a centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
 - 5.1.5.3. appropriate training for officials dealing with the public to enhance communications and service delivery;

5.2. Customer sign-on and agreements

- 5.2.1. All prospective tenants will be required to sign a lease agreement prior to occupation of the property.
- 5.2.2. All prospective buyers will be required to sign a purchase agreement prior to occupation of the property, unless the prospective buyer is the current tenant.
- 5.2.3. All owners of property and tenants of municipal property will be required to sign agreements governing the supply of, and cost of, municipal services.
- 5.2.4. The Municipality will not allow a tenant to sign a separate agreement with the Municipality for water and electricity services, excluding Municipal and State properties.
- 5.2.5. Only one (1) account per property in the name of the registered owner will be maintained, excluding Municipal, Schools on privately owned land and state properties.
- 5.2.6. Existing tenant accounts must be phased out.
- 5.2.7. Services, including occupation of property, where applicable, will only be rendered after the signing of the agreement.
- 5.2.8. Within a specified period (in the agreement) of change of ownership, meters will be read and an account posted.
- 5.2.9. In the agreement, customers will acknowledge liability for costs of collection and interest, in the event of delayed payment.
- 5.2.10. Deceased Estates.
 - 5.2.10.1. Deceased Estates need to be registered at the Master of the High Court if,
 - 5.2.10.2. Value of the property exceeds the amount of R250 000 if less it may be registered at the Local Court.
 - 5.2.10.3. The municipality reserves the right to terminate all services after the death of the registered owner and a reasonable period expired which is to be determined by the CFO or if the account fall into arrears or no new application for services is received.
 - 5.2.10.4. The application for services needs to be accompanied by the registered owner's death certificate.

5.2.10.5. No indigent subsidy will be approved if the registered owner is deceased, unless the tenants/occupants qualify in terms of the Indigent Policy provided application and acceptable arrangements are made.

5.2.11. The prescribed consumer deposit is payable on application of municipal services.

5.2.12. Consumer deposits may be increased or decreased upon written notice to customers.

5.2.13. On termination of services, the deposit amount less any amount due to the municipality will be refunded to the account holder.

5.2.14. Existing consumers moving to a new address must pay the prescribed consumer deposit on application for services at the new address.

5.3. Accounts and Billing

5.3.1. Customers will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.

5.3.2. Accounts will be produced in accordance with the meter reading cycle and due dates are similarly linked.

5.3.3. Accounts will be rendered monthly in cycles of approximately 30 days.

5.3.4. As the municipality does not control delivery of accounts, it is the owner's, customer's and/or consumer's responsibility to ensure timely payment in the event of a bill not received.

5.3.5. It is the owner's, customer's and/or consumer's responsibility to ensure that the postal address and other contact details are correct.

5.3.6. Settlement or due date is the Third (3rd) of each month or at least 10 days from date of statement. If the due date is on a Saturday, Sunday or public holiday, the due date shall be the first working day thereafter.

5.4. Metering

5.4.1. The municipality may endeavour, within practical and financial limits, to provide adequate meters to every paying customer for all measurable services.

5.4.2. All meters will be read monthly, if at all possible. If a meter is not read, the consumption will be estimated in terms of council's operational procedures. 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 adjustment.

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

5.4.4. Customers are to be informed of meter replacement.

5.4.5. Consumers can provide voluntary readings, but final readings and actual readings are the responsibility of the municipality.

5.4.6. An actual reading may be obtained once every six months.

- 5.4.7. Council may introduce various metering equipment and may obligate consumers to convert to pre-payment metering or convert to a system that is beneficial to the municipality's functioning and operations.
- 5.4.8. Council's preferred metering system for electricity is the pre-payment system for domestic consumers and certain businesses.
- 5.4.9. If a reading, calculation or meter error is discovered, the correction shall only apply for three years preceding the date on which the error was discovered and shall be based on the applicable tariff for that period. This shall not prevent a consumer to claim overpayment for a longer period.
- 5.4.10. If a final reading is not possible, an estimation of the consumption may be made and the final account rendered accordingly.
- 5.4.11. Credits remaining on a pre-payment meter will not be refunded when a premise is vacated by a consumer.
- 5.4.12. Council shall not reinstate credit on a pre-payment meter that is lost due to meter tampering, credit on a faulty meter will only be reinstated, if possible, to verify the units with electronic probe device.
- 5.4.13. The customer is responsible to ensure access to metering equipment for obtaining meter readings for billing purposes.
- 5.4.14. The Municipality may apply all the debt collection functions available on the pre-payment systems to collect all arrear debt on the account of the customer.

5.5. Back Charges

- 5.5.1. Council may, if it is found that the relevant consumer of services has been undercharged for a period, charge the consumer for a period as determined but not exceeding three financial years. (This excludes meter tempering).
- 5.5.2. If no readings or consumption is available, consumption will be based on the average of three months consumption.
- 5.5.3. Consumers may settle back charges in instalments as per paragraph 7 of this policy.

5.6. Right of access to premises

- 5.6.1. The customer agreement, signed by the customer and the municipality, must include a clause in which the owner and the occupier of premises give an authorized representative of the municipality access at all reasonable hours to the premises 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. The customer will accept the cost of relocating a meter if satisfactory access is not possible.

5.7. Payment facilities and methods, and stop orders and debit orders

- 5.7.1. The municipality must operate and maintain suitable banking and cash facilities. The municipality is permitted to consider the costs and benefits of such facilities, which facilities should be accessible to all users.
- 5.7.2. The municipality will offer a range of payment options to customers, which will include cash, credit cards, electronic payments, debit and stop orders.

- 5.7.3. The municipality may, at its sole discretion allocate a payment received between service debts and/or overdue debt. A debtor may not specify that the payment be for a specific portion of the account.
- 5.7.4. The municipality may, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.
- 5.7.5. The customer will acknowledge, in the customer agreements that the use of agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment. Customers must ensure that 3rd party account payments (including EFT) reach Council on or before the due date, to prevent credit control actions.
- 5.7.6. All accounts rendered are due and payable on the due date.
- 5.7.7. A dishonoured debit order will be handled as a non-payment and may lead to disconnection of electricity or water meter. Charges, including administration fees, will be levied against the client's account.
- 5.7.8. Should a debit order be returned for three (3) consecutive months, the Municipality will have the right to cancel the debit order with immediate effect.
- 5.7.9. In cases where the client uses third party payment methods and submits the incorrect reference numbers the Municipality cannot be held liable for any penalties or interest imposed or credit control processes that might take place.

5.8. Enquiries, appeals and service complaints

- 5.8.1. If a customer is convinced that his or her account is inaccurate, he or she can lodge an appeal in writing with the Department of Finance for recalculation of this account.
- 5.8.2. The customer must clearly state the basis of his dissatisfaction on his or her account and the desired outcome.
- 5.8.3. The lodging of an appeal shall not defer liability to settle the account.
- 5.8.4. In the interim the debtor must pay the average of the last three months' account where history of the account is available. Where no such history is available the debtor is to pay an estimate provided by the Chief Financial Officer or nominee before payment due date until the matter is resolved.
- 5.8.5. The relevant department must investigate and inform the debtor within one month.
- 5.8.6. Failure to make such agreed interim payment or payments may lead to the disconnection of electricity or the restriction of water.

5.9. Ombudsperson

- 5.9.1. Council should, if financially possible, employ an Ombudsperson, and working under the direct control of the Municipal Manager.
- 5.9.2. This person's duties are to attend to complaints routed to his or her office by Councillors or the community, and to access these complaints, ensure readdress or resolution thereof, and make recommendations on improvements of Council's systems as and when he/she believes such changes to be necessary.

5.10. Businesses who tender to the Municipality

- 5.10.1. The Supply Chain Management Policy must, inter alia, include the following:
- 5.10.1.1. When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Chief Financial Officer a certificate stating that all relevant municipal accounts owing by the tenderer 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;
 - 5.10.1.2. A municipal account to mean any municipal service charge, tax or other fees, fines and penalties, due in terms of a contract or approved tariff or rate, which is outstanding after the due date normally appearing on the consolidated bill or overdue in terms of the contract or any other due date that has passed.
 - 5.10.1.3. Tender conditions must contain a condition allowing the Chief Financial Officer to deduct moneys owing to the Municipality from contract payments in terms of a reasonable arrangement with the debtor.
- 5.10.2. Council's Grants-in-Aid Policy must, inter alia, include that consideration thereof will be subject to the applicant obtaining from the Chief Financial Officer a certified letter reflecting the status of the applicant's municipal debt, if any, and that the awarding of grants-in-aid will be subject to payment thereof or an arrangement to pay any arrear municipal account.

5.11. Incentives for prompt payment

- 5.11.1. The municipality may, to encourage prompt payment and to reward good payers, assess incentives for prompt payment. Should such incentives prove to be financially sustainable and of mutual benefit to the municipality and its customers, the municipality will commission such incentives.
- 5.11.2. Such incentive schemes, if introduced, will be part of write-offs as reflected in annual budgets.
- 5.11.3. Incentives may be introduced in the writing-off of debt should such incentives prove to be financially viable in terms of budgetary provision.

5.12. Customers assistance programmes

- 5.12.1. Water Leaks Rebates
- 5.12.1.1. A customer will qualify for a water leak rebate if:
 - 5.12.1.1.1. the leak occurred and was not easily discernible from above ground;
 - 5.12.1.1.2. the leak had been repaired after detection;
 - 5.12.1.1.3. the customer had only applied for one rebate in a 24-month cycle;
 - 5.12.1.1.4. a certificate from a registered plumber, or a sworn affidavit from any other person who has repaired the leak, and a copy of the account holders ID document must reach the Chief Financial

Officer within 30 working days of the repair, and contain the following details:

- the date on which the leak was repaired;
- confirmation that the leak was not discernible from above ground;

5.12.1.2. The adjustment will be calculated based on the difference between the greater of the average consumption (kl) for the previous year's corresponding periods or three months' average usage after the leakage has been fixed and the consumption of period of the leakage for a maximum period of three years. The rebate will be limited to a maximum period of 3 months.

5.12.2. Faulty, Stolen, Removed and Tampered Meters.

5.12.2.1. No Consumption Registered

5.12.2.1.1. An estimated consumption will be calculated monthly based on the average consumption (kl) for the previous year's corresponding periods, until meter is replaced. If found tampered with, the relevant penalty will be imposed and must be paid, otherwise the service will be restricted, blocked, disconnected or suspended.

5.12.2.1.2. If no estimated consumption was calculated an adjustment consumption will be calculated by using the average consumption for the first three months on the new meter for the period the meter was not registering, for a maximum period of three years.

5.12.2.1.3. If it is found that a meter has been removed or stolen, or that it is damaged and not connected, the owner of the property shall be liable to pay availability charges until the connection to the property has been restored or a new meter has been installed at the cost of the owner, provided the following will apply:

5.12.2.1.3.1. If the meter is outside the premises, it will be for the account of the municipality and if it is inside the premises it will be for the account of the owner, and

5.12.2.1.3.2. If the client is on the approved indigent consumers' register no costs will be charged against the owner if no replacement has been made in 24 months, except if negligence is proven and the section does not contravene any municipal by-law.

5.12.2.1.4. Arrangement for down payment for the replacement of stolen/damaged meters can be approved by the Director Technical Service or his nominee, or the Chief Financial Officer or his nominee.

5.12.2.1.5. Arrangement for down payment for the reconnection of electricity services and replacement of prepaid meters for indigent households may be approved by the Director Finance or his/her nominee if damaged by fire/disaster. If the replacement is caused by a disaster or fire fees for the reconnection of electricity will be waived.

5.12.2.2. Assumed Faulty Meters

5.12.2.2.1. Customers may request the testing of a meter, and should the result of the test indicate the meter to be faulty, an adjustment of the levy will be made in accordance thereof.

5.12.2.2.2. Should the result of the testing indicate the meter not to be faulty, tested within the limit of 2,5% in respect of an electricity meter and 5% in respect of a water meter, the customer will be liable for the cost of the applicable tariff, payable in advance.

5.12.2.2.3. The adjustment will be calculated based on the difference between the average consumption (kl) for the previous year's corresponding periods and the period of the faulty metering, for a maximum period of three years.

5.12.2.3. Tampered Meters

5.12.2.3.1. Arrangement for down payment for the replacement of tampered meters for indigent clients, only 1st and 2nd offences, can be approved by the Chief Financial Officer or his/her nominee, where the amount can be recovered through electricity purchases.

5.12.2.3.2. The Accounting Officer may appoint an independent person to investigate a meter tampering when requested.

5.12.2.3.3. Any other down payments and arrangements will be as per the tariffs approved by Council for these offences.

5.12.3. Rates and Instalment

5.12.3.1. The property rates are levied monthly and are payable on due date, but customers may apply to pay annually on or before 31 May in the previous financial year.

5.12.3.1.1. Matters related to rates are more comprehensively dealt with in the property rates policy in accordance with the Local Government: Property Rates Act 2004, (Act no 6 of 2004) including any amendments and regulations.

5.12.3.1.2. Sewerage and Refuse removal

5.12.3.1.3. The sewerage and refuse removal are levied monthly and are on due date, but customers may apply to pay annually on or before 31 May of the previous financial year.

5.13. Clearance certificates

5.13.1. Are issued after receipt of the applicable fees and receipt of the clearance certificate application form.

5.13.2. Are issued when all amounts due in connection with that property for municipal fees, surcharges on fees, property rates and other municipal taxes, levies and duties have been fully paid.

5.13.3. All monthly and metered services are payable 120 days (4 months) in advance.

5.13.4. A rates clearance certificate will be issued in terms of Section 118 of the Local Government: Municipal Systems Act, 2000, (Act No. 32 of 2000), and will be

valid for 120 days or the days determined by the registering authority (COGTA), following the date of issue.

- 5.13.5. If an amount liable for rates and services in respect of a property is outstanding and the property needs to be transferred, a rates clearance certificate will only be issued to the owner after receiving an undertaking, by the transferral attorney situated in the jurisdiction of Breede Valley Municipal area, that the agreed amount, plus any other additional amount which may occur, will be payable on the date of registration of property in the new owner's name. If the set amount is not paid to the Municipality after registration the transferral attorney will personally be held liable for the outstanding amount.
- 5.13.6. If an amount liable for rates and services in respect of a property is outstanding and the property needs to be transferred, a rates clearance certificate will only be issued upon payment of the current account and after completion of an agreement by the new owner for any municipal services in arrears, subject to Council's Credit Control and Debt Collecting Policy. Transfers affected may be one of the following:
 - 5.13.6.1. Transfer of a property from the Breede Valley Municipality to the new owner;
 - 5.13.6.2. Transfer of a property from one spouse to the other;
 - 5.13.6.3. Transfer of a property from the owner (parent) to a child.

6. INDIGENT DEBTORS

6.1. Criteria

- 6.1.1. Council will supply an indigent subsidy, in line with national government regulations and guidelines, to assist the poorest households in the community to receive a basket of basic municipal services either free or rebated, to thereby make basic municipal services available to all.
- 6.1.2. Indigent subsidies are available only to domestic households where the total income of owners/tenants (Only municipal rental units), spouses and every adult older than 18 residing on the premises, is equal or less than the eligible brackets (threshold), as contained in the tariff schedule, as determined by Council annually.
- 6.1.3. The subsidy will be available only to households legally occupying municipal premises and legally consuming municipal services.
- 6.1.4. The beneficiary must be the registered owner of the property or must be a legal tenant in the case of properties owned by the Municipality.

6.2. Funding

- 6.2.1. The source of funding for the indigent subsidy is the Equitable Share contribution to the municipality made by the government from the national exchequer. In exceptional circumstances this can be supplemented from other revenues. Council will determine the subsidy amount or percentage, per service category, per household, on a year-to-year basis taking into account the Equitable Share allocation. The subsidy allocation must be contained in

the tariff schedule and must be reviewed annually with the annual budget and tariffs.

6.2.2. The subsidy will be widely publicised by Council.

6.3. Services

6.3.1. Subsidised services, on a rebate (percentage basis), will be the following:

6.3.1.1. Assessment Rates

6.3.1.2. Refuse Removal

6.3.1.3. Sewerage

6.3.2. Subsidised services, on a free basic service (consumption basis) will be the following:

6.3.2.1. Electricity

6.3.2.2. Water

6.3.3. Subsidised services, on a rebate (percentage basis), will be the following:

6.3.3.1. Rental

6.3.4. Households that qualify for an indigent subsidy:

6.3.4.1. Will be required to consent to a pre-payment electricity meter, the cost of which will be covered by Council.

6.3.4.2. Households that exceed 20 kl of water per month and are in arrears may have a restriction apparatus fitted to their water supply.

6.3.4.3. Should there be a water leakage on the side of the indigent client the Municipality will assist with the repair of the leakage.

6.3.5. The indigent debtor will be responsible for payment of the difference between the subsidy received and the standard tariff determined by Council annually.

6.4. Household eligibility

6.4.1. Households become eligible for the indigent subsidy/rebate by an approved application, annually, on a specific Municipal application form, after which screening and ongoing auditing may occur. Pensioners and disabled clients will apply once and only a verification should be done annually. Approval of the indigent subsidy will only occur once the information provided by the applicant has been verified. The application form will require at least the following data:

6.4.1.1. Information of owner of household;

6.4.1.2. Physical and postal address;

6.4.1.3. Telephone details (if applicable);

6.4.1.4. Listed gross monthly income of all adults (over 18), with proof (pay slip, grant proof, or any available proof of income);

6.4.1.5. Ownership of business or second properties;

6.4.1.6. Applicant must sign that he/she has had Municipality's Indigent subsidy explained to them; that they are aware that the provision of fraudulent information is an offence;

- 6.4.1.7. In the case of claims of unemployment amongst adults, proof attested by the Department of Labour or an affidavit from the SAPS in this regard must be attached;
- 6.4.1.8. Three months' bank statement (If available);
- 6.4.1.9. Consent to verify information externally;
- 6.4.2. If the owner is deceased, the following is required to be eligible for a subsidy:
 - 6.4.2.1. owner's death certificate.
 - 6.4.2.2. The total income of the heir or those legally occupying the house must be less than the eligible brackets (threshold), as contained in the tariff schedule, as determined by Council annually.
 - 6.4.2.3. If the heir is less than 18 years and have a guardian.
 - 6.4.2.4. Child headed household (minor or students).
 - 6.4.2.5. Child-headed Households is eligible for a subsidy.
 - 6.4.2.6. Where the parents of the household have died.
 - 6.4.2.7. The main caregivers are younger than 18 years of age or are a registered scholar or student.
 - 6.4.2.8. The total income of the main tenants/occupants of the house must be less than the eligible brackets (threshold), as contained in the tariff schedule, as determined by Council annually.
 - 6.4.2.9. In the case where an executor of the estate is appointed and has jurisdiction over minor children, the executor would be required to make provision for payment of the account.

6.5. Exclusion

A household will be excluded from the subsidy if:

- 6.5.1. the household head owns a business or a second property (except if the second property is a vacant plot) or there is a business operated in the property;
- 6.5.2. the application was filled in dishonestly;
- 6.5.3. applicant reports a change in his/her circumstances which moves his/her household out of the eligibility brackets of clause 6.1.2;
- 6.5.4. ongoing audits suggest improvements in the financial circumstances of the household moving it out of the eligibility brackets of clause 6.1.2.

6.6. Investigation

- 6.6.1. The Municipality reserves the right to verify the details provided in 6.4.1
- 6.6.2. The Municipality may undertake an ongoing inspection of the applicant household and any changes in that household's circumstances must be reported.
- 6.6.3. Applicant must attest to the above before a Commissioner of Oaths.
- 6.6.4. The municipality may use the service of outside service providers including, but not limited to, the use of reputable Credit Bureaus.

6.7. Auditing

The indigent subsidy will be activated after the indigent application has been received. An initial inspection of the applicant household by the Municipality's designated officials may be done within three months of implementation. Follow up inspections may be performed, within nine months to determine changes in household circumstances. Such inspections will be conducted by individuals appointed by the Chief Financial Officer to do so, and they will make recommendations on whether the subsidy should be continued or discontinued. The Chief Financial Officer/or nominee shall decide on the discontinuation of a subsidy.

7. ARRANGEMENT FOR SETTLEMENT

- 7.1. If a domestic household refuse or neglect to pay his/her bill with the municipality by the due date, and is not willing to:
 - 7.1.1. Pay the current portion of the account in cash and sign an acknowledgement of debt; or
 - 7.1.2. provide a garnishee order/emolument order/stop order (if he or she is in employment);
 - 7.1.3. sign Consent to Judgement;
 - 7.1.4. acknowledge that interest will be charged at the prescribed rate; disconnection of water and electricity may follow immediately, as will legal proceedings, the municipality reserve it's right to restrict, block, disconnect or suspend the supply of water and electricity or other municipal services.
- 7.2. All business customers must pay their accounts in full on due date – exception can only be considered on a case-by-case basis after written application from the individual businesses has been received. The Chief Financial Officer or his nominee may consider and approve such applications for arrangements from business within his/her discretion to a maximum of instalments as per 7.3.
- 7.3. Down payments and instalments will be scaled depending on the income of the household, and the size of the down payment and the terms of the repayment will be 36 months for non-indigent households, 12 months for indigent households and 12 months for Businesses.
- 7.4. The Chief Financial Officer or his nominee may, on application, consider and approve such application for arrangement, should the terms stated in paragraph 7.3 be exceeded.
- 7.5. Customers whose conventional meters is disconnected due to non-payment will be converted to a prepayment meter, the cost of which will be paid off by adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase, at not less than 30% of electricity until the debt is liquidated. The conversion from conventional to pre-paid electricity meters is free of charge for indigent consumers. Should the defaulter be a tenant, the owner will be held liable for the cost of conversion to a prepayment meter.
- 7.6. Customers wishing to apply for arrangements for the settling of their accounts must provide:

- 7.6.1. proof of income, such as a pay slip of the owners/tenants; or a state grant slip, etc.
- 7.6.2. proof of unemployment as attested by the Department of Labour; or affidavit from SAPS.
- 7.6.3. if not occupying the premises, proof of address, physical and postal (if any), such as a telephone account, consumer account; and
- 7.6.4. personal details as required by Council on the municipality's prescribed form.
- 7.6.5. proof of identity.
- 7.6.6. Only two (2) extensions for payment per year will be granted.
- 7.6.7. Only one arrangement may be allowed for a client in a financial year.
- 7.7.** Customers with valid arrears arrangements will not be charged interest while agreed arrangements are met – should one such instalment not be met; interest will be charged on all arrear instalments.
- 7.8.** Should a customer fall into arrears,
 - 7.8.1. the full amount outstanding may become due and immediately payable;
 - 7.8.2. restriction, disconnection, blocking or suspension of services processes will immediately begin;
 - 7.8.3. the arrears arrangement may be enforced, and legal action may immediately begin;
 - 7.8.4. if the customer has a pre-paid meter installed, such outstanding amount will be collected by adding it as a surcharge to the prepaid electricity cost at not less than 60% for non-indigent clients and 30% for indigent clients of each electricity purchase until the debt is liquidated or the payment of the current account and the conclusion of arrangement for term payments.
 - 7.8.5. In the cases where clients do not pay the account after the restriction in 7.8.4 the Municipality may, after authorization by the CFO or his/her nominee, impose a 100% restriction in order force the client to make arrangements or pay the arrear amount.
- 7.9. Council Employees**
 - 7.9.1. Employees earning a net salary less than R 2 500 per month a minimum amount of R 500 must be deducted.
 - 7.9.2. Employees earning a net salary of over R 2 500 pm, be treated according to a sliding scale based on the criteria that for every additional R 500 net income earned, an additional R 60 be deducted to pay off the balance outstanding.
 - 7.9.3. All employees will automatically be subject to an internal debit order for their monthly accounts.
 - 7.9.4. Any outstanding amounts after the above arrangements were put in place will automatically be deducted from the next salary.
 - 7.9.5. The above payments will automatically be deducted from monthly salaries.
 - 7.9.6. All previous arrangements will be replaced by above.

- 7.9.7. R60 to be deducted for the first R500 paid to Ward Committee members whose accounts are in arrears. For every additional R 500 net income earned, an additional R 60 be deducted to pay off the balance outstanding.

7.10. Councillors

- 7.10.1. Councillors earning a net salary up to R 10 000 per month be subjected to a minimum deduction of R 1 600 per month or period equal to term of office, whichever is the greatest amount, until the outstanding arrears is paid off.
- 7.10.2. Councillors earning a net salary of over R 10 000 pm, be treated according to a sliding scale based on the criteria that for every additional R 500 net income earned, an additional R 60 be deducted to pay off the balance outstanding.
- 7.10.3. Notwithstanding the above the arrangement period shall not exceed the term of office.
- 7.10.4. All councillors will automatically be subject to an internal debit order for their monthly accounts.
- 7.10.5. Any outstanding amounts after the above arrangements were put in place will automatically be deducted from the next salary.
- 7.10.6. The above payments will automatically be deducted from monthly salaries.
- 7.10.7. All previous arrangements will be replaced by above.

8. ENFORCEMENT MECHANISMS

8.1. Interruption of services

- 8.1.1. Customers that are in arrears with their municipal bill will have their supply of electricity, and other municipal services, restricted, blocked, suspended or disconnected.
- 8.1.2. Council reserves the right to restrict or deny the sale of electricity or water coupons to customers who are in arrears with their rates or any other municipal charges or fees.
- 8.1.3. Upon the liquidation of arrears, or the conclusion of arrangements for term payment, the restricted service will be reconnected as soon as conveniently possible, there after the conventional meter will be replaced by a pre-paid meter and the cost of the meter will be recovered through a deduction of not less than 20% of pre-paid sales or cash payment.
- 8.1.4. The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the consumer before reconnection. If a meter could not be disconnected due to no access, the disconnection fee is still payable.
- 8.1.5. Council may recover arrear amounts of pre-paid customers through the deduction of a percentage of sales, of not less than 30% for indigent consumers and 60% for non-indigent consumers until the debt is liquidated.
- 8.1.6. If services have been disconnected or restricted for an account that is in arrears and such arrears has not been paid or acceptable arrangement has not been made within 30 days after disconnection or restriction, legal

processes may commence which could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

8.2. Personal Contact

- 8.2.1. The municipality will endeavour, within the constraints of affordability, to make personal or telephonic contact with all arrears debtors to encourage their payment, and to inform them of their arrears state, and their rights (if any) to conclude arrangements or to indigent subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.
- 8.2.2. The cost of the contact, by telephone, e-mail or short message service (SMS), will be determined by tariffs agreed by Council, and will be payable by the consumer.
- 8.2.3. Department of Finance shall maintain a schedule of debtors with large amounts outstanding and will maintain intensive contact with these debtors.
- 8.2.4. Such contact is not a right for debtors that debtors enjoy – disconnection of services, and other collection proceedings, will continue in the absence of such contact for whatever reason.

8.3. Legal process

- 8.3.1. Internal legal process

The municipality will, after all enforcement mechanisms, have failed, proceed with the legal process of Summonses.
- 8.3.2. Use of attorneys/Credit bureaus
 - 8.3.2.1. The Chief Financial Officer will, when a debtor falls in arrears, immediately commence the debt collection process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.
 - 8.3.2.2. The Municipal Manager will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from the Chief Financial Officer.
 - 8.3.2.3. The Chief Financial Officer will in consultation with the Director Strategic Support Services establish procedures and codes of conduct with outside parties, be the attorneys, the courts, the sheriff and others and will require regular reports on progress from them.
 - 8.3.2.4. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the Municipality's armoury of debt collection procedures.
 - 8.3.2.5. All steps in the credit control procedure will be recorded for the Municipality's records and for the information of the debtor.
 - 8.3.2.6. All costs of this process are for the account of the debtor.
 - 8.3.2.7. Individual debtor accounts are protected and are not the subject of public information. However, the Municipal Manager may release debtor information to Credit Bureau. This release will be in writing,

and this situation will be included in the Municipality's agreement with its customers.

- 8.3.2.8. Council will receive and consider reports on relevant matters, including cost effectiveness, of this process.
- 8.3.2.9. The Chief Financial Officer may consider and approve the reversal of handovers of individual accounts to attorneys or debt collectors.
- 8.3.2.10. After a judgement request has been issued, no further arrangements can be made by the consumer unless there is full settlement or arrangement agreed to by the CFO.

8.4. Use of collection agents

- 8.4.1. The Chief Financial officer will consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct, and the success of such agents and products will be both part of the agreement the Municipality might conclude with such agents or product vendors; and will be closely monitored by the Municipal Manager.
- 8.4.2. Customers will be informed of the powers and duties of such agents, and their responsibilities including their responsibility to observe agreed codes of conduct.
- 8.4.3. Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.

9. INTEREST

- 9.1.1. Interest will be raised as a charge on all accounts older than 30 days, not paid by the due date.
- 9.1.2. Interest will be charged on the total outstanding balance older than 30 days of the accounts, at a rate determined by Council annually as per tariff policy and will not exceed 2% per month.
- 9.1.3. The decision to waive interest in specific instances can only be taken by the Chief Financial Officer.

10. THEFTS AND FRAUD

- 10.1.1. Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised service associated with the supply of municipal services, as well as theft and damage to Council property, will be liable for penalties as determined from time to time.
- 10.1.2. The Municipality will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.
- 10.1.3. The Municipality will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.

- 10.1.4. Council may distinguish in its penalties between cases of vandalism and cases of theft.
- 10.1.5. Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.
- 10.1.6. The Municipality reserves the right to lay charges and to take any other legal action against both vandals and thieves.

11. COST OF COLLECTION

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

12. ABANDONMENT

- 12.1. The Municipal Manager, through delegation, the Chief Financial Officer, must ensure that all avenues are utilized to collect the municipality's debt.
- 12.2. There are some circumstances that allow for the valid termination of debt collection procedures:
 - 12.2.1.1. the insolvency of the debtor, whose estate has insufficient funds; and
 - 12.2.1.2. a balance being too small to recover, for economic reasons, considering the cost of recovery.
- 12.3. The decision to terminate the debt collection procedures in specific instances will only be taken by the Chief Financial Officer.
- 12.4. The Chief Financial Officer will maintain audit trails in such an instance and document the reasons for the abandonment and the writing-off of the abandoned debt.

13. PERFORMANCE EVALUATION

13.1. CUSTOMER SERVICE TARGETS

- 13.1.1. Council to create targets that would include:
 - 13.1.1.1. Response time to customer queries.
 - 13.1.1.2. Date of first account delivery to new customers.
 - 13.1.1.3. Reconnection time lapse.
 - 13.1.1.4. Meter reading cycle.

13.2. ADMINISTRATIVE PERFORMANCE

- 13.2.1. Council to create targets that will include:
 - 13.2.1.1. Cost efficiency of debt collection.
 - 13.2.1.2. Query rates.
 - 13.2.1.3. Enforcement mechanism ratios.

- 13.3.** The performance measure will be to identify the number of indigent households and to measure the percentage of these households to whom the municipality offers help.
- 13.4.** Council will create a forum wherein these targets are assessed, the Municipality's performance evaluated.

14. REPORTING TO COUNCIL

- 14.1.** The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council and other interested parties. This report shall reflect on:
 - 14.1.1. cash flow information for the capital and operating accounts, and combined, showing Council's actual performance against its cash flow budgets;
 - 14.1.2. cash collection statistics, showing high-level debt recovery information (numbers of customer; enquires; default arrangement; growth or diminishing of arrear debtors; ideally divided into wards, business (commerce and industry) and domestic, state, institutional and other such divisions; and names and quantum's) of major outstanding individual debtors;
 - 14.1.3. Performance of all areas against targets agreed to in item 1 of this policy document; and
 - 14.1.4. Council's ongoing income and expenditure statements, comparing both billed income, and cash receipt income, against ongoing expenditure in both the capital and operating accounts. 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 realizable income levels;
 - 14.1.5. Number of indigent households applied;
 - 14.1.6. Amount of subsidy allocated per service category;

15. BY-LAWS

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