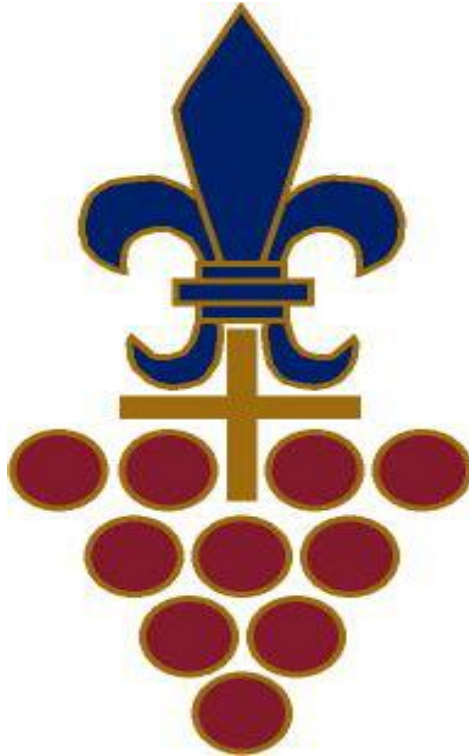


STELLENBOSCH MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

2013/2014

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PREAMBLE

In terms of Section 96 of the Local Government: Municipal Systems Act, Act 32 of 2000 a Municipality shall-

- (a) collect all money due and payable to it, subject to the provisions of said Act and any other applicable legislation; and
- (b) for this purpose, implement and maintain a credit control and debt collection system which is not in conflict with its Rates and Tariffs policies and which complies with the provisions of said Act.
- (c) In order to give effect to the afore going provisions of said Act, the Council of the Stellenbosch Municipality has adopted a policy relating to credit control and debt collection as set out hereinafter.

1. PRINCIPLES

This policy supports the following principles:

- (a) Human dignity must be upheld at all times.
- (b) The policy must be implemented with equity, fairness and consistency.
- (c) Endeavours shall be focused such that data related to debtors and accounts are correct at all times.
- (d) The implementation of the policy shall be based on sound business principles, which may include credit worthiness checks and assessments of the credit risks involved.
- (e) New services will only be provided if supported by the relevant service contract(s).
- (f) Interest on overdue accounts will be charged at rates approved by Council from time to time, and will be levied on accounts outstanding after the relevant due dates thereof. For the purposes of calculation, a portion of a month will be deemed to constitute a full month.
- (g) Deposits will be utilised to proactively mitigate the potential of unnecessary credit risk exposure to Council.
- (h) An administration fee and/or collection fee will be charged on overdue accounts according to Council's approved tariffs and the By-laws of Stellenbosch Municipality (WC024).

2. REMINDERS/DEMANDS

Notices and/or cell phone text messages (SMS) or any informative actions are issued to account holders immediately after the due date as a means to recover debt and to remind consumers/debtors/owners of their obligation to pay for services.

The aim of such reminders/SMS/informative actions is to get co-operation to settle accounts without the necessity to employ more drastic steps and to offer the opportunity to make arrangements to pay off such debt where the financial position of a consumer is such that relief is possible as per criteria in Council's Rates or Indigent Policies.

Failure to respond to a demand generated after a reminder will result in the disconnection and/or restriction of services.

2.1 Annual Services

Should any amount be outstanding after the due date in terms of an amount levied annually;

- (a) SMS/informative actions for the full settlement of the account are issued as a

first step in dealing with the recovery of debt.

- (b) This will be supported by a telephonic reminder where a contact number is available on Council's records.
- (c) Should debt not be settled within the period stipulated or a suitable arrangement not be concluded, legal action will be instituted after generation of a final demand (with the Municipality's rights reserved, notwithstanding the fact that services were disconnected/restricted or not) to recover such debt.

2.2 Monthly instalment accounts

2.2.1 *Property Rates, Refuse Removal and Sewerage levied annually but paid by means of monthly instalments:*

Should any instalment be outstanding after any due date in terms of an amount levied monthly;

- (a) SMS/informative actions followed by a final demand for the full settlement of the account are issued as a first step in the recovery process.
- (b) This will be supported by a telephonic reminder where it is possible to reach the defaulting debtor or owner.
- (c) In the event of arrears not being settled within the period stipulated in the final demand, or an arrangement not being concluded, legal action will be instituted (with the Municipality's rights reserved, notwithstanding the fact that services were disconnected/restricted or not) to recover the full outstanding debt.

2.2.2 *Rental and Loan instalments:*

Actions against defaulters are regulated by the contracts involved.

All contracts must, where appropriate, include the following criteria/requirements:

- (i) Due date for payments.
- (ii) Defaulting of payment after due date or failure to conclude acceptable arrangements to pay off debt may lead to disconnection or limitation of services, or restriction of pre-paid services, where legislation does not allow the complete termination of services.
- (iii) Handover procedures.
- (iv) Eviction/right sizing.

2.2.3 *Water and Electricity:*

A note on the municipal account, stating that the supply will be discontinued without further notice if the accounts are not settled in full, serves as a warning to a defaulting consumer that services will be discontinued upon defaulting on payments.

SMS/demands/informative actions may be issued after the due date to remind defaulting consumers of any unpaid amounts.

In the event of a consumer other than a registered Indigent consumer regulated by

Council's Indigent Policy, failing to pay for services due and payable, and in the event of such consumer having been placed on the disconnection list 3 times within a financial year, Council will have the right to install pre-paid meters in a bid to limit credit risk.

2.2.4 *Other Services: Sundry Accounts;*

Reminders in respect of accounts in arrears are issued by means of notices, SMS, letters or telephonically as the information that must be supplied varies and is not always readily available for printing on a computerised reminder.

3. ARRANGEMENTS

Should account holders wish to make arrangements to pay off accounts in arrears, the following guidelines shall apply:

- (a) The main aim of arrangements must be to ensure that current accounts are at least paid in full, before entering into acceptable arrangements to pay off arrears.
- (b) Care must be taken to ensure that all reasonable financial and social assistance, as provided for in Council policy, is rendered to assist consumers before drastic action is taken to recover debt e.g. subsidies for Free Basic Services, rebates on property tax.
- (c) All arrangements must be accepted in writing and the debtor must be able to obtain a copy of it.
- (d) Arrangements must be entered into that are both affordable to the consumer and protect the Council's interest.
- (e) Arrangements must be final and debtors should not be allowed to re-arrange debt repayments at will. Minor rescheduling of one or two payments could be allowed in meritorious cases, but it should not affect the basis of the original arrangements.
- (f) It is of vital importance to ensure that the settlement of current accounts, together with the debt repayment instalment, is seen as the minimum requirement for any agreement.
- (g) Arrangements must be in a format that facilitates legal action, should it not be adhered to. Written arrangements should as far as possible be in the form of agreements in terms of Section 57 of the Magistrates' Courts Act, Act 32 of 1944 and as amended by the Jurisdiction of Regional Courts Amendment Act, Act 32 of 2008 (hereinafter referred to the Section 57 Agreements).

All debt repayment arrangements should be logged on the computer system to ensure maximum accessibility and to enable the effective administration of such repayments.

- (h) Arrears of Council Officials must be settled in full or arrangements to pay off such amounts, by means of salary deductions, may be entered into. This

includes the seizure of bonuses or any other additional allowances (this section must be read in conjunction with the relevant sections of the Systems Act, Act 32 of 2000).

Council is allowed to recover all arrears more than ninety days old of officials by means of salary deductions and proportionally from increases and/or the official's thirteenth cheque/performance bonus.

4. ADJUSTMENT OF DEPOSITS

Deposits may be increased to cover the additional risk as regulated in terms of the Municipality's By-Laws. Increases in deposits shall be utilised to cover the additional risk resulting from defaulting on payments.

5. FURTHER ACTIONS

- (a) Should arrangements not be made, or not be accepted or not be adhered to, services are discontinued or restricted; or pre-paid services are restricted, provided that a fair and equitable procedure including reasonable notice of the intention to discontinue or limit as provided for in the Municipality's By-Laws is followed. Where legislation does not allow for the complete termination of services, the Credit Control Section will determine the appropriate minimum level of service provision where after, all amounts owing become due and must be paid in full before services are restored to full capacity.
- (b) Should amounts owed not be settled by the final date, i.e. after the date for payment set out in a final demand, such accounts and the relevant Section 57 Agreements, where applicable, will be handed over to Council's Collection Attorneys for recovery and/or to institute further legal action.
- (c) Council shall at its own discretion and without limiting the measures provided for in the Municipality's By-Laws, be entitled to withhold the supply of services including the supply of water or electricity to a debtor who is found guilty of fraud, theft or any another criminal activity relating to the supply or unauthorised consumption of water and electricity or if it is evident that fraud, theft or any other criminal activity has occurred relating to such supply or consumption, until the total costs, penalties, other fees, tariffs and rates due and owing to Council have been paid in full.

6. NEW APPLICATIONS FOR SERVICES

- 6.1 No transfer of services from an owner to a tenant (Council property excluded) will be allowed from 01 July 2011.
- 6.2 The person applying for a service to be rendered must be positively identified by means of a generally acceptable means of identification as used by financial institutions. A copy of the identification details (such as a copy of the person's ID and proof of residence (for business users)) must be kept for reference purposes.
- 6.3 The payment of a service deposit, based on minimum tariffs as determined by the

Council or the applicant's payment, the expected consumption or the consumption record, if available, whichever is the greater.

- 6.4 Adjustments to deposits will be determined by the debtor's payment record of municipal accounts and consumption levels.
- 6.5 The provision of all services not regulated by acts and by-laws will be subject to the signing and acceptance of the conditions of supply contained in a service contract.
- 6.6 Should the applicant not be the owner of the property, where applicable, the applicant and the owner or his/her proxy must sign the contract. The owner accepts joint responsibility for the un-recovered debt of his/her tenant.
- 6.7 Where the applicant is not the owner of a property, the owner must, on his/her request, regularly be served with a copy of a statement of the amount due.
- 6.8 In order to enhance the effectiveness of credit checks, Council may subscribe to the services of a credit bureau.

7. THE RENDERING OF ACCOUNTS

- 7.1 Accounts must be rendered regularly and timeously to all property owners and consumers utilising municipal services.
- 7.2 Accounts must be consumer friendly and must clearly reflect the following minimum information:
 - (a) the name, address and contact numbers of Stellenbosch Municipality;
 - (b) the name and postal address of the account holder;
 - (c) details of the property in respect of which the account is issued;
 - (d) the contents of the account must be reflected in the language of the account holder . at present a choice between Afrikaans and English is offered;
 - (e) the balance brought forward from the previous account, as well as a summary of transactions for the present period;
 - (f) all services for which the account is rendered, as well as amounts billed for such services;
 - (g) the final amount payable;
 - (h) the final date for payment;
 - (i) soft reminders in respect of interest levies and discontinuation of services; and
 - (j) the situation of payment facilities, and modes of payment accepted and hours for payment.

8. ACCOUNT QUERIES

- 8.1 Consumers have the right to query accounts. In order to ensure the correctness of accounts and the satisfaction of consumers, all queries must be attended to swiftly and

effectively.

8.2 Claims of not having received an account do not constitute a valid reason for non-payment of accounts. Queries regarding such non-receipt must be followed up with the Revenue Section in order for same to be addressed.

8.3 Duplicate accounts shall be available upon request at a cost.

8.4 Accounts in Dispute

8.4.1 Should an account be disputed, the concerned consumer should at minimum pay the average of the previous 12 (twelve) months' accounts. This arrangement shall be applicable only for the month in which the dispute was raised. Subsequent accounts issued in months thereafter (barring any new dispute raised) shall be considered unrelated to the dispute in question.

8.4.2 The dispute in question shall be considered to be resolved after all actions have been taken by Stellenbosch Municipality:

- (i) to determine the correctness of the account;
- (ii) all relevant procedures were taken to adjust the account accordingly; and
- (iii) a written notice to such effect has been given to the concerned consumer.

9. DUE DATES OF ACCOUNTS

Accounts are payable by the 7th day of each month or the first working day thereafter, should it fall on a weekend or public holiday.

10. ALLOW SUFFICIENT TIME TO SETTLE ACCOUNTS

In order to allow sufficient time to settle accounts, the account should, where possible, be rendered at least two weeks before the due date.

This necessitates proper scheduling of all processes leading to the issuing of accounts to meet Council's commitment to its consumers.

11. CONSOLIDATION OF ACCOUNTS

In order to reduce cost and to enhance credit control and debt collection measures, separate accounts for services rendered in respect of a property or separate accounts of a debtor will be consolidated as far as possible.

12. PAYMENT OF ACCOUNTS – GENERAL

12.1 In order to promote the payment of accounts, payment facilities and hours for payment must be convenient to consumers, but the establishment of such facilities should still be subject to normal business principles and the economy of the provision of such

services.

- 12.2 The following facilities are presently available . with the office hours and modes of payment indicated. Facilities are extended on an ongoing basis.

<i>Facility</i>	<i>Hours</i>	<i>Payment methods accepted</i>
Cash offices at Stellenbosch, Franschhoek and Priel	Office hours: Monday to Friday	Cash, cheques
Receipting agents at shops in Klapmuts	Trading hours	Cash, cheques
Debit orders	Application during office hours	Bank transfers
EasyPay: Countrywide outlets of Pick n Pay, Shoprite/Checkers and other stores	Trading hours: 7 days per week	Cash, cheques, credit cards, debit cards
@ Pay: Shoprite/Checkers, PnP, OK, U Save and Spar	Trading hours 7 days per week	Cash, cheques, credit cards, debit cards
Internet payments	All hours	Bank transfers
Direct bank deposits	Banking hours	Bank transfers
Personnel deductions	Office hours	Direct deductions from earnings
24 hour Utility shops at petrol stations	All hours	Cash, cheques, credit cards, debit cards
Itron Vending Agents	Trading hours	Cash, cheques

Software packages providing the facility to effect deduction of municipal service accounts from the earnings of participating employers are available.

The use of correct account references for electronic payments is to be encouraged to ensure correct allocation of payment and to avoid any penalties and admin costs.

13. DISHONoured PAYMENTS

- 13.1 Receipts issued in respect of dishonoured cheques and ACB deductions must be written back upon receipt of such notices. Interest on arrears must be raised where applicable and admin costs be debited to debtors account. Debtors must be notified and debt recovery actions be instituted where necessary.
- 13.2 Should payments be dishonoured twice, the debtors system must be encoded not to accept cheques or debit order transactions of such a debtor and he/she must be informed thereof in writing.
- 13.3 If payments are dishonoured twice in a financial year, consumer deposits will be adjusted to mitigate increased financial risk.

14. PENDING LEGAL ACTIONS AGAINST CONSUMERS

Legal actions, such as notices of intended sales in execution, press releases regarding pending insolvency, etc. shall be followed up to evaluate the credit rating of such debtors in order to take steps to minimize the risk of financial loss for Council.

15. INTEREST

- 15.1 Interest is raised on all balances of all services (excluding housing services) remaining unpaid after the due date of such accounts.
- 15.2 A once-off penalty may be raised on all water and electricity balances for a specific month, remaining unpaid after the due date for that month.
- 15.3 In both instances (paragraphs 15.1 and 15.2 above) a portion of a month is deemed to be a full month for the purposes of calculation.
- 15.4 Interest and penalty rates on outstanding accounts after the due date will be charged at a rate of prime plus one percent.
- 15.5 In cases where merit exists for the writing back of interest, that the Manager: Treasury Office consider such cases for approval and accordingly be limited to cases where all arrears are recovered and/or over a specified period of three months.

16. CONDITIONS RELATING TO RATES AND CONSUMER SERVICES

16.1 Property Rates and other Annual Fees:

- 16.1.1 This policy also applies to annual levies/fees in respect of sewerage and refuse removal.
- 16.1.2 This includes the granting and withdrawal of monthly instalment facilities, rebates, exemptions and grants in aid.
- 16.1.3 The final demands as prescribed by the Municipal Property Rates Act, Act 6 of 2004 must be issued immediately after the due date of annual accounts. The final demand shall be augmented by a telephonic reminder where practically possible.
- 16.1.5 Extension to settle accounts by not later than three months after the original due date of the annual accounts, may be given by personnel of the rates section in consultation with Credit Control.
- 16.1.6 In the event of debtors not reacting to final demands, or make arrangements to pay off arrears over an agreed period, those accounts will be handed over to Council's Collection Attorneys for collection.

16.2 Monthly accounts in respect of Water, Electricity, Sewerage, Refuse removal and other Consumer Services:

- 16.2.1 Debtors' records must be coded correctly and timeously to ensure the rendering of accurate accounts to consumers.

- 16.2.2 The supply of water and electricity must conform to the conditions of supply set out in the By-Laws for Stellenbosch Municipality, as promulgated in the Provincial Gazette.
- 16.2.3 Due to the step rate tariffs employed for these services, care must be taken to ensure meter readings are taken accurately and at intervals as close as possible to 30 days. Should this not be possible, consumption may be estimated as set out in the Municipality's By-Laws. As a general rule it is accepted that deviations in consumption periods exceeding 10% should be guarded against.

16.3 Sundry Services:

- 16.3.1 Accounts for recovery of cost encountered by the Council in respect of sundry services rendered are issued if and when such services are rendered to consumers.
- 16.3.2 As these services are usually not based on formal service contracts, it is essential that it be billed as soon as possible and the recovery of such debt must receive priority. The risk of a loss to Council is more eminent than in the case of other services.
- 16.3.3 Care should be taken to obtain full and accurate information of such debtors and to obtain prepayment for such services where possible.
- 16.3.4 Actions applied to follow up unpaid accounts will be determined by the nature and size of the debt and the cost effectiveness of such actions.

17. CONDITIONS RELATING TO RENTAL AND PURCHASING OF COUNCIL PROPERTY

- 17.1 Council property may only be leased or sold after approval of such transactions and the signing of a rental or purchase agreement. Such approvals may be by way of specific Council resolutions or in the form of delegations.
- 17.2 The conditions for payment of instalments and deposits are regulated by the contents of the rental and purchase agreements and Council explicitly reserves its rights to discontinue services for non-payment not only limited to the leased property but any other property of the lessee within the jurisdiction of Stellenbosch Municipality (WC024).
- 17.3 Other specific rental and purchase agreements are tailored to the specific nature and requirements of such transactions.
- 17.4 As a general rule, instalments are payable in advance. Full details of remedies for defaulting lessees and purchasers and procedures to address such defaults must be contained in the relevant contracts, but must not have the effect of limiting Council in terms of this or any other policy regulating arrears.
- 17.5 These remedies usually commence with written reminders, leading to the cancellation of the contracts and the institution of further legal action where necessary.
- 17.6 Rental and purchase agreements represent formalised individual contracts that form the basis of all actions by the parties involved. Both parties are bound to such conditions, failing which may lead to the cancellation of such contracts by the parties

involved and claims for damages.

- 17.7 Lessees whom may qualify for rental subsidies must be referred to the housing office to apply for such subsidies in an effort to make rentals more affordable.

18. RENTALS IN RESPECT OF COUNCIL EMPLOYEES

Apart from the general conditions applicable to general rental and purchase agreements the following conditions will also be applied:

- (a) Instalments will be based on the principle of market related rentals as required by Municipal Supply Chain Management (SCM) Regulation 40.
- (b) Instalments, as well as rates and service charges, where applicable, may only be paid by means of salary deductions. A specific clause to this effect must form part of the contract.
- (c) The Chief Financial Officer, or his nominee, must co-sign purchase and rental agreements of employees to ensure that financial conditions are met.

19. INDIGENCE

- 19.1 The recovery of debt from indigent consumers and the provision of Free Basic Services are treated in terms of Council's Indigent Policy.

- 19.2 Council supports the principle of providing support to indigent consumers by way of providing free basic services in accordance with the provisions of Council's Indigent Policy, but to registered consumers only and all effort must be made to limit the re-occurrence or accumulation of indigent debt of such consumers.

- 19.3 The collection targets consistent with generally recognised accounting practices and collections ratios and the estimates of income set in the budget less an acceptable provision for bad debts are as regulated and set out in the relevant policies of Council including the Irrecoverable Debt Policy read with Council's Accounting Policy.

20. SHORT TITLE

This policy is the Credit Control and Debt Collection Policy of the Stellenbosch Municipality.