

# FRANCES BAARD DISTRICT MUNICIPALITY



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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## 1. DEFINITIONS

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

### ***“Act”***

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

### ***“Arrangement”***

A written agreement entered into between the municipality and the debtor where specific repayment parameters are agreed to.

### ***“Arrears”***

Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

### ***“CFO”***

Person appointed as the Chief Financial Officer of the municipality, or his or her nominee.

### ***“Council”***

The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996. “Credit Control”

### ***“debtors”***

Those persons or institutions owing money to the municipality for:

- Contributions made to medical aid on behalf of ex-employees in terms of benefits conferred by their conditions of service;
- Councillors and officials owing the municipality for unauthorised, irregular or fruitless and wasteful expenditures; and
- Expenditure incurred on behalf of third parties which relates to services provided by the municipality for which expenses, administrative costs and levies are to be recovered from such beneficiaries; or any other debt.

### ***“Interest”***

A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies.

***“Municipality”***

Means the Frances Baard District Municipality.

***“Municipal Manager”***

The person appointed as Manager in terms of section 54A of the Municipal Systems Act.

***“Supervisory Authority”***

Means the Executive Mayor and the Speaker of the municipality or nominees, acting in terms of Section 99 of the Municipal Systems Act.

***“The Act”***

The Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

## **2. INTRODUCTION**

The primary objective of sound municipal debtors management, or credit control, is to ensure that all monies owed to the municipality are collected in a reasonable period and all debtors owing money to the municipality are treated in a fair and equitable manner.

This credit control and debt collection policy is a mechanism designed to assist the municipality in collecting outstanding debts from the consumers and improve the municipality's cash flow.

The purpose is to ensure that credit control and debt collection forms an integral part of the revenue collection process of the municipality and to provide a framework to link the municipal budget to the Tariff policy.

## **3. LEGAL FRAMEWORK**

This policy will be implemented within the legal framework of the constitution and relevant national legislation outlined hereunder:

- *Constitution of the RSA, (Act 108 of 1996);*
- *The Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000); and*
- *The Local Government Municipal Finance Management Act, 2003 (Act No.56 of 2003).*

Chapter 9 of the Municipal Systems Act deals with debt collection and credit control. It requires that a municipality must:

- collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- adopt, maintain and implement a credit control and debt collection policy which is consistent with its tariff policies and complies with the provisions of this Act.

## **4. GENERAL PRINCIPLES**

In relation to the levying fees for the rental of municipal buildings and contribution of fees for post medical aid benefits, a municipality must, within its financial and administrative capacity:

- establish a sound financial management system that aims to create a positive and reciprocal relationship between persons liable for payments towards the municipality, and where applicable, a service provider;
- take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from the service are utilised;

- ensure that persons liable for payments receive regular and accurate accounts;
- provide accessible mechanisms for those persons to query or verify accounts;
- provide accessible mechanisms for dealing with complaints from such persons; together with prompt replies and corrective action by the municipality; and
- reasonable terms for collection, payment of arrears and the imposition of penalties and possible legal action.

## **5. OBJECTIVE**

This policy aims to assist the municipality in the implementation of relevant legislation regarding credit control and debt control in the municipal sphere by:

- Providing a framework within which the municipality can exercise its executive and legislative authority with regard to credit control and debt collections;
- Ensuring that all money due and payable to the municipality is collected and used to deliver municipal services in a financially sustainable manner;
- Setting realistic targets for debt collection;
- Outlining credit control and debt collection policy procedures and mechanisms; and
- Providing a framework to link the municipal budget to tariff policy.

## **6. AREAS OF APPLICATION**

This policy applies within the jurisdiction area of the France Baard District Municipality.

## **7. SPECIFIC EXCLUSIONS**

Any agreements entered into between the municipality and any organ of state will be dealt with in terms of the said agreements, which agreement will not be affected by this policy.

## **8. SUPERVISORY AUTHORITY**

The Executive Mayor of the municipality has the supervisory authority to:

1. oversee and monitor:
  - 1.1. the implementation and enforcement of the municipality's credit control and debt collection policy and any other relevant by-law; and
  - 1.2. the performance of the municipal manager in implementing the policy and the by-law in accordance with the approved delegation of powers.
2. when necessary, evaluate and review the policy and the by-law, or assess the implementation of the policy and the by-law, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.

## **9. IMPLEMENTING AUTHORITY**

The municipal manager must:

- implement and enforce the municipality's credit control and debt collection policy and by-law enacted in terms of the Municipal Systems Act, 2000;
- establish in accordance with the credit control and debt collection policy and its by-law, the effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.

## **10. SERVICE CATEGORIES**

### *10.1. Sundry Payments*

Recovery of sundry payments will be dealt with in accordance with applicable rules and regulations. The municipality does not charge any interest on debtors. The person authorising such disbursement will be responsible for the recovery of that disbursement.

### *10.2 Post-Service Medical Aid Benefits*

The retiring permanent employees of the municipality are entitled to post medical aid fund benefits for the rest of their (or their spouse's) natural life. Contributions payable by the member is a fixed percentage of the total medical aid premium as may be determined by the municipality. The beneficiaries of this arrangement must pay their contributions direct to the medical aid scheme upon approval of the amendments to the policy.

Until all the beneficiaries pay their contributions directly to their respective medical aid schemes, it is standard practice to encourage members to keep their contributions paid up in advance of payments to the medical aid fund. All reasonable attempts must be made to collect arrears contributions without jeopardising the member's medical aid fund status. Termination of membership is a drastic step and will only be contemplated by the municipality once all other remedies have failed. If a beneficiary falls into arrears, credit control measure will be as follows:

- the beneficiary will be informed in writing by registered mail within 15 (fifteen) days of the amount in arrears;
- if the amount in arrears is still unresolved, the beneficiary will be contacted in writing by registered mail within 30 (thirty) days, informing the beneficiary of the intension to suspend medical aid premium payments and the medical aid fund benefits if the amount in arrears have not been rectified within 45 (forty-five) days;
- suspension of medical aid premium payments and medical aid coverage if payment if not received within 60 (sixty) days from date of arrears; and
- termination of membership of the medical aid fund and cessation of all benefits at 75 (seventy-five) days from date of arrears.

The municipality accepts the risk of incurring potentially irrecoverable debts while bearing the burden of a beneficiary's medical aid contributions for the 60 (sixty) day period preceding suspension. Irrecoverable debts will only be written off upon approval by Council.

### *10.3 Recovery of section 32 expenditures*

A municipality must recover unauthorised, irregular or fruitless and wasteful expenditures from the person liable for that expenditure unless the expenditure-

- a) the expenditure is authorised in an adjustment budget or certified by council as irrecoverable or written off in the case of unauthorised expenditure; or
- b) the expenditure is certified by council as irrecoverable and written off by council.

The section 32 expenditures by either a councillor or an official are dealt with by Municipal Public Accounts Committee (MPAC) and the decision of the committee is approved by council.

## **11. ACCOUNTS AND BILLING**

Accounts must be paid at the offices of Frances Baard District Municipality where a cash receipting facility is available without deduction and free of exchange on or before the date specified in the account as the date before which payment must be made.

The municipality may in its discretion arrange with any debtor about alternative methods of payment of any monies due to it. Alternative methods of payment may complement pay points and may include direct payments to financial institutions, stop order facilities and other methods of transfer payments.

In accordance with the Municipal Systems Act, except where there is a dispute between the municipality and a debtor about any specific amount claimed by the municipality from that customer, the municipality may:

- implement any of the debt collection and credit control measures provided for in this policy in relation to any arrears on any of the accounts of debtors; and
- all amounts outstanding after the due date for payment bear interest at the standard rate of interest as from the due date for payment.

## **12. ARREARS**

Any amount that has not been paid on the due date will be considered as amount in arrears. If a debtor fails to:

- pay by the due date the amount in arrears,
- lodge an appeal; or



- to conclude an agreement with the municipality for payment.

The municipality will send:

- monthly the bill to debtors as a reminder to pay arrears;
- final written warnings to pay arrears; and
- hand the account in arrears to attorneys for legal action.

The municipality may levy the following costs against the account of the debtor:

- all legal costs, including attorney and own client costs, incurred in the recovery of amounts in arrears;
- a penalty fee, under the municipality's tariff provisions, for action taken in demanding payment from the debtor, or reminding the debtor, by means of telephone, fax, e-mail, letter or otherwise, that their payments are overdue; and
- costs and administration fees, under the municipality's tariff provisions, where any payment made to the municipality is later dishonoured by the bank.

### **13. ARRANGEMENTS**

Payment arrangement will be determined solely by the discretion of the municipality upon such a request received from a debtor.

### **14. APPEAL PROCEDURES**

Any aggrieved debtor may appeal against any decision taken by the municipality concerning the recovery of debt as set in accordance with the provisions of section 62 of the Municipal Systems Act.

### **15. APPLICATION OF THE POLICY**

The policy applies to all debtors of the municipality.

### **16. IMPLEMENTATION OF THE POLICY**

The policy is implemented upon approval of the amendments by Council.