



**CREDIT CONTROL POLICY FOR THE LOCAL  
AUTHORITY COUNCIL OF THE  
MUNICIPALITY OF HENTIES BAY**

# CREDIT CONTROL POLICY

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**WHEREAS:**

- A. The Local Authority Council of the Municipality of Henties Bay (“the Council”) is a statutory body, incorporated in terms of the provisions of the Local Authorities Act 23 of 1992;
- B. The Local Authorities Act 23 of 1992 obliges the Council to give proper account for all funds received and spent;
- C. The Council is not able to give a proper account of funds received and spent, without having due regard to a credit control and debt collection procedure.

**NOW THEREFORE THE FOLLOWING DOCUMENT IS ADOPTED AS A CREDIT CONTROL AND DEBT COLLECTION POLICY:**

**1. INTERPRETATION:**

In this policy document:

- 1.1 “*Act*” shall mean the Local Authorities Act 23 of 1992, as amended and any regulation or by-law made in terms thereof;
- 1.2 “*Consumer*” shall include the owner or tenant of immovable property, in respect of which municipal services are rendered and/or in respect of which rates and taxes are levied.
- 1.3 “*Council*” shall mean the Local Authority Council of the Henties Bay Municipality;
- 1.4 “*Property/ies*” shall mean immovable property/ies situated within the local authority boundaries of the Henties Bay municipality;
- 1.16 “*Rates and taxes*” shall mean the rates and taxes levied by the Council, in respect of a ratable property and which are levied in terms of the provisions of Part XV of the Act;

- 1.17 “*Services*” shall mean the services rendered by the Council in terms of the provisions of Parts VI to XI of the Act.
- 1.5 “*Blacklisting*” means the handing over of a debtor to ITC Bureau for listing due to non-payment of an account. Blacklisting includes any internal arrangements implemented that may be used to deny service connections and delivery or any business relationships.
- 1.6 “*Credit check*” refers to the process of determining the creditworthiness of an existing or prospective consumer/ customer which includes confirmation on ITC listing and examining internal record for unsettled commitments.
- 1.7 “*Credit control*” refers to the process of determining the creditworthiness of a consumer/ customer, management and administration of consumer/ customer accounts and debt collection and management.
- 1.8 “*Debt Collector*” refers to a duly registered person or entity as such and appointed by Council to administer and collect debts on its behalf.
- 1.9 “*Debtor*” means any person or entity who owes Council money for good or services supplied or delivered.
- 1.10 “*Destitute*” refers to an individual or group within a society that is or are commonly regarded as the “poorest of the poor” and shall include pensioners and disabled persons who are solely depended on government old-age and social pension payments to make a living.
- 1.11 “*Due date*” means the date appearing on the consumer/ customer statement, invoice or letter of demand on which payment is required to be made.
- 1.12 “*Manager*” means the Manager: Finance.
- 1.13 “*Illegal connections*” means any service connections for which no Council approval has been obtained and shall include: tampering with service delivery infrastructure, unauthorized re-connection of services after cut-off, direct connections from neighbors and bypass connections.
- 1.14 “*ITC*” means the Investment Trust Company (Pty) Limited, a duly registered credit bureau.
- 1.15 “*MC*” means the Management Committee of Council.

## **2. INTRODUCTION**

The Municipality of Henties Bay is continuously confronted with challenges of effective and efficient service delivery towards its community when addressing social and economic development related activities and programs.

The aim of this credit control policy is to make staff members aware of the importance of credit control in practice and to establish a policy to ensure effective financial control. Overall the credit control policy is aimed at monitoring the payments levels of the consumer accounts thereby ensuring improvements in cash flow position as well as timely collection of funds due to Council.

The implementation of Council's much needed capital projects is heavily depending on availability of funds. Thus, non-payments of accounts would have spiraling effect that could hamper the implementation of these projects. This policy shall be enshrined in terms of the Local Authorities Act, 1992, (Act 23 of 1992) as amended.

This policy will be binding on the public, officials and Councilors' of the Municipality of Henties Bay and that no interference with the implementation of the policy will be permitted. The Credit Control Policy shall be reviewed periodically to deal with changes in procedures, legal and social imperatives.

## **3. POLICY STATEMENT**

The Local Authorities Act, 1992, (Act 23 of 1992) as amended, makes provision for local authority councils to supply a range of services within its areas of jurisdiction. These services are offered to the consumers on credit and therefore, the risk of non-payments is in most cases very high.

The Council acknowledges the costs relating to the non-payment administration and collection of debts and therefore an effective credit control policy must be implemented to ensure collection of all funds due to the Council.

Whilst addressing the collection of funds due, the Council also wish to take cognizance of the benefits arising from granting credit. The benefits include:

- Increased revenue levels through continued access to services, and
- Improved customer relations, amongst others

## **4. OBJECTIVES OF THIS POLICY**

Uncollectable or bad debts may negatively affect the cash flow position of council. The implementation of an effective credit control policy is aimed at:

- To focus on all outstanding debt due to the Council in respect of rates and taxes, service charges, consumption charges and collection charges levied in terms of

the provisions of the Act, as well as interest which has accrued on any amounts due and payable;

- To ensure that all monies due are payable to the Council in terms of the provisions of Act are collected promptly and in an efficient manner. Thereby improving the cash flow position of Council;
- To provide for the setting of realistic targets consistent with generally recognized practices and collection ratios.
- To provide for interest on overdue amounts.
- To provide for extension of time for payment of overdue account in appropriate circumstances.
- To provide for restriction or termination of services when payments on accounts are overdue.
- To provide for matters relating to unauthorized consumption of services, theft and damages.
- Minimizing the risk of financial losses through bad debt write-offs
- Communicating the credit control processed and procedures

#### **4. SCOPE AND LEGAL PROVISIONS**

4.1 This policy shall apply to all consumers, within the local authority boundaries of the Henties Bay municipality.

4.2 Where it is clear that any of the clauses in this policy are inconsistent with the provisions of the Act, the provisions of the Act shall take precedence.

4.3 The policy shall be in force, until such time that it is reviewed and/or amended and approved by the Council.

## **5. CREDIT CONTROL PRINCIPLES**

- 5.1 Completeness and accuracy of consumer's information captured on Council's systems must be ensured.
- 5.2 Outstanding debts and arrangements to repay those debts shall be treated collectively. Payment arrangements may be determined for different types of services.
- 5.3 All New Applications shall be verified for any previous accounts held with the Council. Any outstanding accounts shall first be settled in full before the new application is forwarded for further processing or before a new account is opened.
- 5.4 Any information supplied by a customer may be verified with any other institutions, as the Council may in its sole discretion deem necessary.
- 5.5 Consumers that are in arrears for more than 90 (*ninety*) days will be handed over to Council's legal practitioner, a debts collection agency or any third party for collection and all cost relating thereto shall be recovered from the Consumer.
- 5.6 The outstanding balance owed by the tenant of a property may be transferred to the account of the owner of the same property, should the tenant become untraceable or the debt uncollectible from the tenant.
- 5.7 All new applications for the provision of services to a property shall be subject to the completion of a credit application and a payment of a Consumer deposit.
- 5.8 Interest will be levied on all arrear accounts.
- 5.9 Different types of outstanding debts relating to the same property need to be identified by the Head: Strategic Executive Finance & Administration, who shall use his/her discretion to consolidate the debts into one or more debts by way of adjusting journal entries.

## **6. CREDIT APPLICATION**

- 6.1 All new applications shall be accompanied by the required documentation indicated on the application form, e.g. identity documentation, company/ business registration form, company/business resolutions, employment details, proof of ownership/lease agreement.

- 6.2 The level of deposit payments for new applications shall be as per the Council approved and promulgated tariffs for the particular financial year. However, applicants with existing unpaid account balances at the time of the application may be required to update their consumer deposit.
- 6.3 Any outstanding accounts shall first be settled in full before the new application is forwarded for further processing or before a new account is opened.

**7. METER READING**

- 7.1 Consumer's accounts are dispatched by the 15th of each month, (25 days) to give Consumers time to settle their accounts on or before the 7<sup>th</sup> of the following month.
- 7.2 If water meter readings cannot be obtained, due to closed gates, or any access difficulties, the meter readers should make notes on the cards and move the water meters outside the yards. In case no readings were taken for other reasons, the readings will be estimated.  
If it cannot be accessed for at least more than three months, the revenue section should write a letter to the consumers to contact the council finance department.

**8. REMINDER MESSAGE**

- 8.1 A reminder message shall be printed on the Consumer's original monthly tax invoice that reads as follows: *"IF ACCOUNT IS NOT PAID ON OR BEFORE THE DUE DATE, SERVICES WILL BE DISCONNECTED WITHOUT ANY FURTHER NOTICE"*.
- 8.2 Accounts shall be paid in full on or before the 7<sup>th</sup> of every month following the month in which the account was rendered. If the 7<sup>th</sup> is not a working day, then the last working day of that week will be considered as the last day for payments.



- 8.3 Consumers who realize that they will not be able to pay their accounts on due date, he/she may make payment arrangements with the finance department for an extension of the due date.
- 8.4 The payment arrangements and extension of the due dates may be considered under the following terms and conditions:
- 8.4.1 Where Loan/Water services have been in arrears down payments of at least thirty-five (35%) percent of the outstanding amount for residential property and seventy (70%) for businesses or industrial property shall be paid before written agreements shall be entered into.
- 8.4.2 Where legal action has been instituted for collection of outstanding accounts, services will only be restored on full settlement of consumers account.
- 8.4.3 Unusual high usage (e.g. Water leakages).

## **9. AUTHORITY TO APPROVE PAYMENTS ARRANGEMENT AND EXTENSIONS**

This should range from single (1) payment arrangements to maximum of (12) months payments arrangements depending on the amounts in arrears involved and the affordability of debtors concerned based on the following guidelines:

- Up to a maximum of (3) months – Revenue/Billing Clerk/Assistant Credit Controller
- Up to a maximum of N\$ 10,000.00 in (12) months – Revenue Accountant
- From a maximum of N\$ 10,001.00 to N\$ 20,000 in (24) months – Manager Finance & Administration
- Above N\$ 20,001 in (54) months – SE: Finance in consultation with the CEO

## **10. SUSPENSION OF SERVICE**

- 10.1 Services in respect of any property of which an account is in arrears, for more than thirty (30) days, with arrears more than consumer deposit as per financial year approved tariffs amount will be suspended without any further notice.

- 10.2 All disconnected accounts will be liable to pay the disconnection and reconnection charges.
- 10.3 If outstanding accounts are not settled, within three months after the suspension of service, legal proceedings may be instituted against the defaulting consumer (in terms of 5.5 above).

**11. ILLEGAL CONNECTION/UNATHORIZED CONNECTION**

- 11.1 Unauthorized reconnection of water to a property, tempering with the water meters or the illegal connection of water to a property are criminal offences, which shall result in legal actions being taken against the offender.
- 11.2 Water supply shall immediately be disconnected and will only be reconnected upon full settlement of any outstanding/arrear amounts for all municipal services and charges.
- 11.3 Illegal connections shall be subject to penalty fees as provided for in the Council's tariff for each financial year.
- 11.4 Illegal connections shall include:
  - 11.4.1 Unauthorized re-connection of service after cut-off;
  - 11.4.2 Direct connection from neighbours
  - 11.4.3 Any other connections for which no Council approval was obtained

**12. MUNICIPAL EMPLOYEES AND COUNCIL MEMBERS**

- 12.1 If a municipal employee, council member or temporary employee is in arrear with his/her municipal/consumer account, an applicable deduction will be affected by the salary office.

- 12.2 The revenue section in consultation with the Head: Strategic Executive Finance & IT shall forward such deductions to the salary office together with the approval from the employee/ council member in question for the deduction to be made.
- 12.3 In case that employee/council member refuses to authorize such deduction from his/her salary the water will be disconnected and remain disconnected until the total amount in arrears or total amount per arrangement has been paid.
- 12.4 Staff and Councilors accounts shall at all times be kept up to date and therefore, no arrears shall be allowed on these categories all our local contractors who have tenders from the Council their accounts must checked before payment is made out them.

#### **14. LOANS**

- 14.1 The provisions of this clause 14 are subject to the provisions of the Act and the National Housing Development Act 28 of 2000.
- 14.2 The following steps may be taken against a Consumer, who defaults on any payments relating to property bought or constructed in terms of a Low Cost Housing Scheme.
  - 14.2.1 If the consumer is in arrears with payments for three months, a written notice will be issued to a consumer stipulating the payments in arrears and the due date for such payments. Such written notices must include warnings, demands and legal procedures to be undertaken in case of non-response.
  - 14.2.2 If the consumer is in arrears with his/her payments for more than three (3) months, summons will be issued in respect to the default amount.
  - 14.2.3 If the default amount is not recovered from the consumer after all process has been under taken the property will be sold to recover all money owing on rates, services, sundries, housing, legal fees and other costs incurred.

- 14.3 The property department will liaise with the department of finance to ascertain as to the outstanding amounts or existing loans, before applications are made to the ministry for new loans.

## **15. LEGAL FEES**

All legal fees incurred in requesting payment from the consumers or sending demands to the consumers by means of telephone, fax, registered mails or otherwise will attract legal fees which will be levied against the account of the debtor.

## **16. WATER LEAKAGES**

- 16.1 If the Consumer has evidence of a water leakage, he/she can report such leakage to the Council and request an adjustment on his/her account.

- 16.2 The adjustment on a consumer account should be calculated as follows:

16.2.1 All leakages with the monetary value of below N\$ 1000.00 should be treated as per Council approved tariffs based on average usage of at least the previous three (3) months.

16.2.2 All leakages in units excluding average usage with the monetary value of N\$ 1000.00 and above are charged at the second tariff with the number of units, which is representing leakage, or at bulk supplier tariff, whichever is beneficial to the Council.

## **17. REFER TO DRAWER CHEQUES/DISHONoured CHEQUES**

Cheques referred to drawer will be debited against the consumer's account with the amount of the cheque and dishonored fees as per the Council approved tariff, by a means of a debit note. A designated official will contact the consumer to request payment of such amount.

## **18. UNCOLLECTABLE DEBT**

18.1 Debts will be regarded as uncollectable, if the Council's legal practitioner issues a certificate to certify that;

18.1.1 All reasonable notifications and cost effective legal actions to recover a specific outstanding amount have been exhausted or the amount to be recovered is too small to warrant further endeavors to collect it.

18.1.2 The cost to recover the debt does not warrant further action i.e. summons in another country or the deceased estate has no liquid assets to recover the outstanding amount or it has been proven that the debt has prescribed or the debtor is untraceable or cannot be identified as to proceed with further action.

18.2 Debt can only be written off as bad debt, if, and when, Council receives the certificate referred to in 18.1.

18.3 All arrear service accounts shall be levied and interest charged at a rate approved by Council as contained under the promulgated tariffs for a particular financial year.

18.4 Arrear accounts of deceased persons shall not be levied interest charges from the date of death. Supply of services in the name of the deceased shall be terminated immediately upon notification of death. Temporary connections shall only be considered upon presentation of relevant application documentation.

## **19. DEBT RECOVERY STRATEGIES**

19.1 Ongoing community education, which includes an informative program set up by Council with the community through monthly meetings, radios, and newsletters.

19.2 Conduct house-by-house survey;

19.3 Ascertain the whereabouts of consumers and their employer's details.

- 19.4 It is the responsibility of the debt collection section to make sure that corporate accounts / bulk suppliers settle their accounts on or before due date. To ensure this, age analysis should be copied on monthly basis, just after the levies on excel spreadsheet.
- 19.5 Implement more cut-off and follow up constantly.
- 19.6 Follow up by physical checkup of active and inactive meters as appears on monthly cut-off list for the certain period, and check illegal connections.
- 19.7 Check monthly those debtors who agree to pay off on a specific date, and record the payment on debtor's agreement file if he/she fails to pay on that date follow up immediately.
- 19.8 Write reminder letters to debtors who have outstanding balances.
- 19.9 Handing over for collection to Council debt collector.
- 19.10 Officials in charge of collection can hand over the debtors to attorneys after all collection steps have been explored and applicable authorization has been obtained.

**20. POLICY MAINTENANCE**

The Head: Strategic Executive: Finance and IT shall be responsible for annual revision and updating of this Policy, as the economic circumstances in the country and the town are volatile, to adapt measures, procedures and guidelines in order to minimise risk and to maximise revenue collection.

The Council, in Council this Resolution  
 No.....adopted this policy  
 on.....

Let us all bide by this policy

By order of the Council

**Hon Mayor H H /HONEB**  
 Chairperson of the Council  
 Municipal Council of Henties Bay

## **21. ANNEXURES**

Annexure A: First notice letter

Annexure B: Second notice letter

Annexure C: Final notice letter

Annexure D: Arrangements to settle accounts

Annexure E: Application forms

Annexure F: Credit application