



CREDIT CONTROL AND DEBT MANAGEMENT POLICY

REVIEWED: 30.05.2022

TABLE OF CONTENTS

1. BACKGROUND 3

2. PURPOSE..... 3

3. DEFINITIONS 3

4. LEGAL FRAMEWORK..... 4

5. SCOPE FOR APPLICATION..... 4

6. RESPONSIBILITIES 4

7. CREDIT CONTROL PROCEDURES AND MECHANISM..... 5

8. DEBT MANAGEMENT PROCEDURES 6

9. INTEREST CHARGES ON OUTSTANDING AMOUNTS 7

10. EXTENSION OF TIME FOR PAYMENT UNDER CERTAIN CIRCUMSTANCES 7

11. TERMINATION OR RESTRICTION OF SERVICES WHEN PAYMENTS ARE IN ARREARS
8

12. UNRECOVERABLE DEBT 8

13. CUSTOMER CARE 8

14. CONSOLIDATION OF ACCOUNTS 8

15. RELATED POLICIES..... 9

16. REVIEW..... 9

17. EFFECTIVE DATE..... 9

1. BACKGROUND

1.1 Credit control and debt management activities are aimed at minimising the risk of loss from bad debts by restricting credit to customers who are not a good credit risk and collecting outstanding amounts owed to the municipality.

2. PURPOSE

2.1 The policy provides for the following:

1. Credit control procedures and mechanisms;
2. Debt collection procedures and mechanisms;
3. Interest on arrears, where appropriate;
4. Extension on time under certain circumstances; and
5. The termination or restriction of services when payments are in arrears

3. DEFINITIONS

In this document, unless proven different within the context, the following terms mean-

“Arrangement” – means a written agreement entered into between the Council and the debtor where specific repayment parameters are agreed upon.

“Arrears” – means those rates and service charges that have not been paid by the due date and for which no arrangement have been made.

“Administration” – the MUNICIPAL MANAGER of the Council, his or her appointee, or any other official appointed by the Council for the implementation and enforcement of the Council’s Credit Control and Debt Collection Policy and any other decrees;

“Creditors Control” – means all the functions relating to the collection of monies owned by ratepayers and the users of municipal services.

“Creditors Control and debt Collection Policy” – means the municipality Credit Control and Debt Collection Policy as required by sections 96 (b) of the Systems Act;

“Customer” – means any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

“Council” – OVERBERG DISTRICT MUNICIPALITY or any of the Council’s committees or officials by virtue of authority, functions and duties delegated to them in terms of any existing law, ordinance or decree which is in force within the jurisdiction of the Council;

“MFMA” – refers to the Local Government: Municipal Finance Management Act (56 of 2003).

“Municipal account” – means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted services provider, and/or assessment rates levies.

“Municipal services” – means those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied.

“Person” – any natural person, local governing body or similar authority, a company or closed corporation incorporated under any law, a body of persons incorporated or not, a statutory body, public utility body, voluntary society or trust;

“Systems Act” – means the Local Government: Municipal Systems Act, 32 of 2000;

“Tariff” – means fees, charges, or any other tariffs levied by Council in respect of any function or service provided by the municipality.

4. LEGAL FRAMEWORK

4.1 Whereas section 62 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) (hereinafter referred ad the “MFMA”) determines that a municipality must introduce appropriate credit control and debt collection and

4.2 Whereas section 96(b) of the Local Government: Municipal System Act no 32 of 2000 (hereinafter referred as the “Systems Act”), obliges the Overberg District Municipality (hereinafter referred as the “ODM”) to collect all money that is due and payable to it, subject to the provisions of the Acts and any other applicable legislation and

4.3 Whereas section 62(1)(f)(3) of the MFMA states as follows:

The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure-

(f) That the municipality has and implements-

3.a Credit Control and Debt Collection Policy referred to in terms of section 96(b) of the Municipal Systems act, and

5. SCOPE FOR APPLICATION

5.1 This policy applies to all past, present and future customers of the Overberg District Municipality (the municipality) and all contract arrangements, customers and debtors of the municipality.

6. RESPONSIBILITIES

6.1 Responsibilities of the Council

The Council must –

6.1.1 Ensure that all money which is owed and payable to the Council is collected;

- 6.1.2 For this purpose adopt, maintain and implement a Credit Control and Debt Collection Policy;
- 6.1.3 Monitor and supervise the implementation and enforcement of the Council's Credit Control and Debt Collection Policy;
- 6.1.4 Where necessary, evaluate or adapt the policy and any applicable decrees, or the implementation of the policy in order to improve the efficiency of its mechanisms, processes and procedures for debt collection; and
- 6.1.5 Keep a record of such policy, which any person may obtain or perusal.

6.2 Responsibilities of the Administration

The administration must –

- 6.2.1 Implement and enforce the Council's Credit Control and Debt Collection Policy and any applicable regulations;
- 6.2.2 Initiate effective administrative mechanisms, processes and procedures to collect any money that is owed and payable to the Council, in accordance with this Credit Control and Debt Collection Policy and such decrees and
- 6.2.3 Report the required on a regular basis at a meeting to council or an appropriate committee of council.

6.3 Responsibilities of the customer

- 6.3.1 The owners and/or occupants of premises must allow access to such premises to an authorized representative of the Council in order to read, inspect, install or repair any meter or services connection point, or to disconnect, stop or limit the provision of any.

7. CREDIT CONTROL PROCEDURES AND MECHANISM

- 7.1 The implementation of the procedures lies with the implementing administration and the authority will institute the administrative procedures and mechanisms to implement the following key procedures:

7.1.1 Services agreements

7.1.1.1 The signing of services agreements is important and key to the rendering of services;

7.1.1.2 Service agreements must be signed;

7.1.1.3 The agreement constitutes a legal binding document between Council and the owner of the property or the person for whom the service is rendered.

7.1.2 Rendering of accounts

7.1.2.1 Accounts should be rendered promptly monthly to all consumers and debtors of the municipality;

7.1.2.2 Any other services that administration rendered and for which a service agreement exists should be rendered as soon as possible after the delivery of the service;

7.1.2.3 Accounts based on metering, should be accurate and read monthly.

7.1.3 Deposits

7.1.3.1 Deposits are payable and will be charged on every new application and for using of council's recreational facilities;

7.1.3.2 Deposits are calculated according to the formula determined from time to time;

7.1.3.3 Any increases in deposits will be in accordance with council's tariff structure as determined by council.

8. DEBT MANAGEMENT PROCEDURES

8.1 The implementation of the procedures lies with the implementing administration and the authority will institute the administrative procedures and mechanisms to implement the following key procedures:

8.1.1 Timelines

8.1.1.1 Debt collection procedures and mechanisms start as soon as the statement of account has been sent to the debtor.

8.1.2 Letter of Demand

8.1.2.1 A letter of demand will be sent to every owner or consumer who is in arrears with his account with Council;

8.1.3 Other debt collection procedures

8.1.3.1 Follow up phone call may be made by administrative personnel on outstanding amounts and

8.1.3.2 Where the consumer is not the owner of the property, the owner will be informed of the default of the consumer.

8.1.3.3 Accounts may be handed over to debt collection agencies at the discretion of the -CFO or his delegate.

8.1.4 Records of debt collection procedures

8.1.4.1 Officials should keep records of all the debt collection procedures taken on an account.

9. INTEREST CHARGES ON OUTSTANDING AMOUNTS

9.1 Council may decide to charge interest on outstanding amounts after disconnection and/or restriction of services.

9.2 Interest may be charged by the municipality notwithstanding the fact that extension of time was granted after entering into a pay-off arrangement.

9.3 The interest rate at which interest is charged will be determined from time to time within the legal limits.

10. EXTENSION OF TIME FOR PAYMENT UNDER CERTAIN CIRCUMSTANCES

10.1 Arrangements are permissible for debtors who experience difficulties in paying their accounts;

10.2 Any other request for extension which will be handled on merit of the individual cases.

10.3 Procedures for extension of payment:

10.3.1 The CFO or his delegate is authorized to enter into agreements with the debtors with arrears accounts or grant such debtors extensions for payment;

10.3.2 The terms applicable for the settlement of arrear debt as well as any upfront payments will be determined by the Head: Income;

10.3.3 The arrangement must be in writing and may be in the form of an Acknowledgment of debt.

10.3.4 One copy of the arrangement must be handed to the client;

11. TERMINATION OR RESTRICTION OF SERVICES WHEN PAYMENTS ARE IN ARREARS

- 11.1 The supply/rendering of services (e.g. electricity, will be terminated (where applicable) if debtors are in arrears for more than 30 calendar days;
- 11.2 Failure to honour the extension agreement will lead to immediate blocking/disconnection/restriction of services as well as further legal action where applicable;
- 11.3 Water may be restricted to the minimum level as determined by national legislation if a debtor's account is in arrears for more than 30 calendar days; and
- 11.4 The restriction of services may also be applicable where use is being made of a pre-paid metering service and where other services are in arrears.

12. UNRECOVERABLE DEBT

- 12.1 Should the credit control procedures be ineffective in recovering outstanding amounts, the bad debts write-off policy must be followed.

13. CUSTOMER CARE

- 13.1 Employees shall conduct the credit control and debt management procedures whilst applying the determinations of the customer care policy.

14. CONSOLIDATION OF ACCOUNTS

- 14.1 The Council shall –
 - 14.1.1 Consolidate any account for any of the services rendered to any client;
 - 14.1.2 Credit a payment of the account by such client to his/her account;
 - 14.1.3 Use any payment by such client, firstly for any penalties and legal costs owed by the client to the Council, secondly for any interest owed to the Council by the client on any outstanding amount, and thereafter for such outstanding amount; and

14.1.4 Implement any credit control measures for which this policy makes provision, regarding any outstanding amounts on any client's account.

15. RELATED POLICIES

15.1 The following policies are related to this policy:

15.1.1 Customer care policy

15.1.2 Bad debts write-off policy

16. REVIEW

This policy will be reviewed at least annually and updated if needed.

17. EFFECTIVE DATE

This policy shall come into effect on 1 July 2022



EXTRACT FROM THE COUNCIL MINUTES HELD ON 30 MAY 2022

Item A63. 30.05.2022

MTREF BUDGET: 2022-2023 TO 2024/2025 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS (Ref.-.6/1/1/3)

N Kruger : Chief Financial Officer

(Ref.:6/1/1/B & 6/1/1/1)

PURPOSE

The purpose of the report is to submit the budget for 2022/2023 MTREF to Council for consideration of approval.

BACKGROUND

In terms of section 16 of the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003) Council must approve an annual budget before the start of the financial year.

LEGAL FRAMEWORK

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) stipulates as follows:

Municipal budgets

16. (1) The Council of a municipality must for each year approve an annual budget for the municipality before the start of the financial year.
(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Contents of annual budgets and supporting documentation

17. (1) An annual budget of a municipality must be a schedule in the prescribed format—
- (a) setting out realistically anticipated revenue for the budget year from each revenue source;
 - (b) appropriating expenditure for the budget year under the different votes of the municipality;
 - (c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
 - (d) setting out—
 - (i) estimated revenue and expenditure by vote for the current year; and (ii) actual revenue and expenditure by vote for the financial year preceding the current year; and
 - (e) a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.
- (2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
(3) When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:

- (a) Draft resolutions—

- (i) approving the budget of the municipality;
- (ii) imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and
- (iii) approving any other matter that may be prescribed;

(b) measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;

(c) a projection of cash flow for the budget year by revenue source, broken down per month;

(d) any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;

(e) any proposed amendments to the budget-related policies of the municipality;

(f) particulars of the municipality's investments;

(g) any prescribed budget information on municipal entities under the sole or shared control of the municipality;

(h) particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;

(i) particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;

(j) particulars of any proposed allocations or grants by the municipality to— (i) other municipalities;

(ii) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;

(iii) any other organs of state; (iv) any organisations or bodies referred to in section 67(1);

(k) the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—

(i) each political office-bearer of the municipality;

(ii) councillors of the municipality; and

(iii) the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;

(l) the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of— (i) each member of the entity's board of directors; and

(ii) the chief executive officer and each senior manager of the entity; and (m) any other supporting documentation as may be prescribed.

22. Publication of annual budgets —

(1) Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must—

(a) in accordance with Chapter 4 of the Municipal Systems Act—

(i) make public the annual budget and the documents referred to in section 17(3); and

(ii) invite the local community to submit representations in connection with the budget; and

(b) submit the annual budget—

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and

(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

23. Consultations on tabled budgets —

- (1) When the annual budget has been tabled, the municipal council must consider any views of—
 - (a) the local community; and
 - (b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- (2) After considering all budget submissions, the council must give the mayor an opportunity—
 - (a) to the submissions; and
 - (b) if necessary, respond to revise the budget and table amendments for consideration by the council.
- (3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.
- (4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

COMMENTS

The draft 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) report inclusive of the budget schedules, which have been compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), have been distributed after tabling it in the Council meeting of 28 March 2022, while a notice has been placed in the local newspapers to invite the public/community to submit comments on the draft/tabled budget.

Input from Provincial Treasury

Provincial Treasury has submitted their 2022 SIME/ LG MTEC Assessment Report on 26 April 2022 and the municipal response was discussed with Provincial Treasury on 6 May 2022. The following aspects were highlighted by the Province Treasury and herewith the issues raised as well as the respective response from ODM Management :

The Municipality's budget reflects funded, but the nett surplus after the application of cash is on a declining trajectory over the MTREF indicating risks to future sustainability

- a) The Municipality tabled an operating surplus budget over the 2022/23 MTREF period which is commendable. As a district municipality, the Municipality has limited revenue sources, but great effort is noted in identifying additional revenue sources. Tariffs are proposed above inflation and may influence the revenue growth assumptions.
- b) The Municipality has over the last two (2) financial years shown great resilience to remain financially stable under exceptionally uncertain economic conditions. The Municipality's continued success depends on its ability to recognise when to adapt and adjust plans during any uncertainty. The Municipality is encouraged to continue with ongoing assessments of assumptions to ensure that revenue, expenditure projections and policy decisions to be accurately informed over the MTREF. It should be noted that based on the prior year audited outcomes, the Municipality has reported a deficit budget in 2018/19 but managed to achieve operating surpluses in 2019/20 and 2020/21 financial years. It has been noted on the Municipality's performance that in the 2021/22 financial year, operational expenditure has increased by two (2) per cent whilst the operating revenue has also increased by six (6) per cent.

- c) It is clear from the budgetary allocation to the strategic objectives that the bulk of the 2022/23 MTREF allocation is focused towards Strategic Goal (1): 'To ensure the well-being of all in the Overberg through the provision of efficient basic services and infrastructure'; this includes an operating budget allocation of R180.9 million (71.2 per cent) and a capital allocation of R7.5 million (73.7 per cent) in 2022/23. It is evident that the Municipality's 2022/23 budget prioritised spending towards delivering on its service delivery mandate.
- d) Annual growth in operating expenditure is below projected inflation in 2023/24 and 2024/25, while capital expenditure declines from a high of R10.2 million 2022/23 over the MTREF, to R3.4 million in 2024/25.
- e) This largest of the allocations, for road transport, will mainly be directed towards refurbishment and rehabilitation as well as upgrades and additions to existing road transport infrastructure, the biggest of these for 2022/23 being for the Hermanus-Gansbaai project (R130.0 million), the reseal of the Stanford-Riviersonderend road (R105.0 million), refurbishment of the Caledon-Sandbaai road (R93.8 million), upgrades and additions to the Draaiberg road and refurbishment of the Barrydale – Ladismith road (R60.0 million).
- f) The District has allocated R20.8 million towards its municipal health function (operating budget) and as well as a capital budget allocation of R40 000 (mostly office equipment) in 2022/23. Districts are mandated to provide municipal health services, which includes the surveillance and prevention of communicable diseases such as the current COVID-19. The allocation for municipal health is part of an investment in future health provision. The importance of strengthening this function and providing it with adequate resources is crucial to attaining and maintaining levels and safety standards with regards to our physical environment. The District has significantly increased its municipal health operating budget allocation in the 2022/23 financial year (21.2 per cent) compared to its 2021/22 allocation.
- g) The District has allocated a total operating budget of R36.0 million to the provision of fire-fighting services for 2022/23. This represents a 7.2 per cent increase from its 2021/22 allocation. A capital budget of R2.6 million is geared primarily towards vehicle replacement (R2.2 million) and vehicle upgrades/refurbishment (R300 000). In total, allocations towards fire-fighting services equates to 14.6 per cent of the overall 2022/23 budget.
- h) For 2022/23, the District has allocated R16.2 million of its operational expenditure budget to 'Sport and Recreation'; the corresponding capital allocation for the year is R1.4 million. If resorts are well managed and maintained, upgraded, and appropriately marketed, it can play a role in promoting domestic and international tourism within the region. The Municipality must consider if the allocation for this function is sufficient given the 1.9 per cent drop in operating expenditure in 2022/23.
- i) Firefighting and health services remain an essential part of the Municipality's service delivery to its community, however huge deficits are incurred in the process of providing these services. The Municipality must identify efficiencies within these functions to minimise the cost and negative financial impact. In this regard, ODM raised the Health Service funding issues at the Cabinet and Municipalities "Meet & Greet Sessions" on 22 April 2022 and ODM was advised to approach Provincial Treasury to make a submission to National Treasury. This was to motivate sufficient funding through an Equitable Share formula review for District Municipalities which would provide a framework for funding of Municipal Health Workers in line with required norms and standards. Currently ODM reflects a deficit of EHP's based on population figures (1 EHP/10 000). An item was placed on the next CFO Forum for 10 June 2022 to discuss this issue with District CFO's.

- j) The Municipality is reliant on own funding to contribute to capital budget and must consider the return on investment to ensure ongoing sustainability. The main fiscal challenge facing the Municipality is the limited revenue base and the identification of revenue opportunities within a cost-efficient governance model of service delivery. Balancing affordability and increasing spending demands is key to maintain a healthy funding position with active contributions to the capital replacement reserve fund.
- k) The liquidity ratios of the Municipality indicate that the Municipality can take care of their financial commitments.
- l) (l) The draft budget data strings over the MTREF period indicates that the Municipality is not exposed to a liquidity risk.

FURTHER COMMENTS

No other comments or inputs had been received on the advertised budget and tariffs.

Other necessary amendments based on changed assumptions and additions were made in the 2022/23 budget document, as proposed and tabled to the Budget Steering Committee for consideration on 17 May 2022.

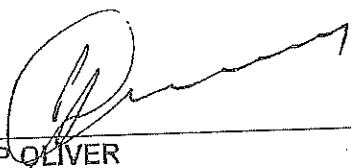
The 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) report, inclusive of the budget schedules, which are compiled in terms of the Municipal Budgeting and Reporting Regulations (MBRR), will be distributed prior to the Council meeting of 30 May 2022.

RESOLVED : (Proposed by Ald A Franken and seconded by Ald J Nieuwoudt)

- 1) The consolidated budget of **R253 440 054**, consisting of an **Operating budget of R253 345 851** (resulting in a **surplus R 94 203** after tariff increases) and a **Capital budget of R10 273 000** and budgeted cash flows, as set out in the Municipal Budget is adopted and approved by Council and that it constitutes the Budget of the Council for 2022/2023 financial year as well as the medium term (indicative) budgets for the 2023/2024 and 2024/2025 financial years.
- 2) The tariffs as per tariff list be approved. That an application for waiver of tariffs be considered by the Municipal Manager, on written application.
- 3) That all other matters prescribed in sections 17(1) (a-e); 17(2) and 17(3) (a-m) of the Municipal Finance Management Act 56 of 2003, are included in or that accompany the budget document be approved.
- 4) The measurable performance objectives for 2022/2023 for operating revenue by source and by vote is approved.
- 5) That the following budget related policies are approved:
 - i Asset Management Policy (as amended)
 - ii Credit Control and Debt Collection Policy (as amended)
 - iii Cash Management and Investment Policy (as amended)
 - iv Tariff Policy (as amended)
 - v Supply Chain Management Policy (as amended)
 - vi Virement Policy (as amended)
 - vii Borrowing Policy (as amended)
 - viii Funding and Reserves Policy (as amended)

- ix Budget Policy (as amended)
- x Customer Care Policy (as amended)
- xi Demand Management Policy (as amended)
- xii Infrastructure and delivery Management Policy (Repealed)
- xiii Infrastructure investment and Capital projects Policy (as amended)
- xiv Liquidity Policy (as amended)
- xv Long term Financial Planning Policy (as amended)
- xvi Management and Admin of Immovable Assets Policy (as amended)
- xvii Payroll Management and Administration Policy (as amended)
- xviii Preferential Procurement Policy (Repealed)
- xix Cost containment Policy (as amended)
- xx Travelling and Subsistence Policy (as amended)

**CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD
ON 30 MAY 2022.**



**P. OLIVER
MUNICIPAL MANAGER (ACTING)**