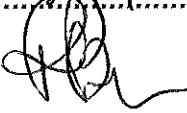
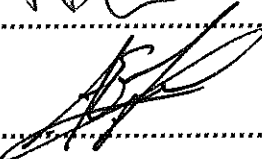




BAD DEBT WRITE-OFF POLICY

Council Resolution No : A63
Date : 29/05/2025
Municipal Manager : 
Executive Mayor : 
Reference No : 6/1/1/13
Municipal Code No : P-13-01.6

REVIEWED 29.05.2025

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1. BACKGROUND

- 1.1 Section 96 of the Local Government: Municipal Systems Act, 32 Of 2000, provides that a municipality must collect all money that is due and payable to it, subject to the provisions of that Act and other applicable legislation.
- 1.2 It is recognised, however, that circumstances may arise which may make the recovery of certain debts impossible, impractical or financially unfeasible, and that such debts may have to be written off.

2. PURPOSE

- 2.1 The purpose of this policy is to provide a framework for:
 - 2.1.1 Limiting the circumstances contemplated in 1.2;
 - 2.1.2 Determining, when such circumstances have arisen, whether to write off any debts; and
 - 2.1.3 The procedures for writing off such debts.

3. DEFINITIONS

For the purposes of this policy the following definitions are applicable:

“Accounting Officer” means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000) and includes any person to whom the Accounting Officer has delegated a power, function or duty in respect of such a delegated power, function or duty.

“Debt” - means an amount owing to the Municipality;

“Debtor” – means a person who owes the Municipality money for services rendered;

“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;

“GRAP” are standards of Generally Recognised Accounting Practice.

“Municipality” refers to the Overberg District Municipality.

4. LEGAL CONTEXT

- 4.1 The policy aims to give effect to the requirements and stipulations of –
- The Municipal Finance Management Act 56 of 2003 (MFMA);
 - Treasury regulations issued in terms of the MFMA; and
 - The Municipal Systems Act 32 of 2000.
 - Generally Recognised Accounting Practice (GRAP)

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.
- 5.2 All the applicable actions as contained in the Credit Control and Debt Collection Policy of the Municipality should have been executed and implemented.

6. STEPS TO BE TAKEN BEFORE WRITING OFF DEBT

Before consideration is given for the write-off of any debt the following steps should be taken:

6.1 CREDIT CONTROL AND DEBT COLLECTION POLICY ACTIONS

All the applicable actions as contained in the Credit Control and Debt Collection Policy of the Municipality should have been executed and implemented.

6.2 TRACING OF DEBTORS

In the event that the debtor's sufficient contact details for a debtor is not known, all reasonable steps must be taken to trace the debtor. A reasonable effort to trace the debtor must be followed.

The Accounting Officer shall consider all other economically viable avenues for debt recovery, including the use of tracing agents, factoring of debts, recourse against sureties, guarantors, or lessees, etc.

6.3 PREVENTION OF PRESCRIPTION OF DEBT

(a) Prevention:

Proceedings out of the appropriate court having jurisdiction for the recovery of a debt must be commenced as soon as is appropriate in order to prevent prescription of the debt. A summons process for payment of the debt must be successfully concluded as soon as possible to prevent prescription of the debt in terms of the Prescription Act.

(b) Prescription Act, 1969 (Act No. 68 of 1969):

Section 10 (1) of the Prescription Act provides that a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt. The Municipality cannot legally enforce payment of a debt once the debt has prescribed, but the period of prescription is interrupted:-

- (i) By the service on the debtor of any process whereby the creditor claims payment of the debt (Section 15). "Process" means a Summons or Notice of Motion, which must actually be served on the debtor and not simply issued by the court, and does NOT include a registered letter of demand.
- (ii) The debtor acknowledges liability, whether expressly or tacitly (Section 14); payment of a portion of the debt can constitute a tacit acknowledgement of liability.

The completion of prescription may also be delayed in certain circumstances (Section 13).

- (c) In terms of Section 11 of the Prescription Act, 1969 (Act 68 of 1969), the periods of prescription of debts are as follows:

- (i) **Thirty years** in respect of -
 - any debt secured by a mortgage bond;
 - any judgment debt;
 - any debt in respect of any taxation imposed or levied by or under any law; and
 - any debt owed to the State in respect of any share of the profits, royalties or any similar consideration payable in respect of the right to mine minerals or other substances.
- (ii) **Fifteen years** in respect of any debt owed to the State and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor, unless a longer period applies in respect of the debt in question in terms of paragraph (i) above.
- (iii) **Six years** in respect of a debt arising from a bill of exchange or other negotiable **instrument** or from a notaries contract, unless a longer period applies in respect of the debt in question in terms of paragraph (i) or (ii) above.
- (iv) **Three years** in respect of all other debts, save where an Act of Parliament provides otherwise.

6.4 GENERAL

Should all the above efforts prove to be unsuccessful and the debtor cannot be traced or it would be uneconomical to take the matter any further, only then must a submission be made requesting the write-off of the debt. This submission must detail all steps taken and the Municipality must maintain audit trails in such instances, and document the reasons for the abandonment of the actions or claims in respect of the debt.

7. WRITE OFF DEBTS OWING TO THE MUNICIPALITY

7.1 GENERAL CONDITIONS

The Municipality will consider debts for write-off in the following general circumstances:

- (a) When debts have prescribed, as contemplated in paragraph 6.3 above;
- (b) When debts have not been recovered from the deceased, where their estates have been finalized, and recovery of the debts from the heirs is not possible;
- (c) When debts are owed by debtors who cannot be traced, notwithstanding compliance with the provisions in paragraph 6 above;
- (d) When no source documentation is available to substantiate or prove the claims, provided that the Accounting Officer must have satisfied him/herself that all reasonable steps have been taken to locate the source documents;
- (e) When the debtor has emigrated without paying the debts, leaving no assets available for attachment and the debtors' whereabouts are unknown;
- (f) When it is not economical to pursue the debt further.

Note: Unless affordable arrangements can be made with tracing agents or attorneys, the costs associated with the tracing of a debtor and subsequent legal costs occasioned thereby, could exceed the amount claimed. It would therefore not be in the Municipality's interest to attempt recovery of debts where the prospects of recovery are remote, and where the possibility exists that the costs associated with recovery may exceed the debt.

7.2 SPECIFIC CONDITIONS

The Municipality will consider debts for write-off in the following specific circumstances:

7.2.1 Metered Services Debt:

Debt owed to Council due to consumed metered services, i.e. Water and Electricity consumption will be regarded as irrecoverable in the following instances:

- If the debt has prescribed;
- In circumstances contemplated in 7.1 (a) to (f) above

4.2.2 Sundry Debt:

Debt owed to Council arising from auxiliary services rendered by Council will be regarded as irrecoverable in the following instances:

- If the debt has prescribed;
- In circumstances contemplated in 7.1 (a) to (f) above

7.3 FINAL ACTION

Whenever all the legal avenues, procedures and steps listed above have been exhausted, the arrear amounts should be classified as irrecoverable and should be written off by the person to whom the authority to do so has been delegated under the Municipality's system of delegations.

As soon as possible, after 30 June each year, or more regularly if requested by Council, the Accounting Officer must present to the Council a report listing the following:

- (a) For noting – details of the debts that was written off during the year ending 30 June under delegated authority, together with the reasons for the write offs; and
- (b) For consideration – details of any debt, not included under (a) above, which is believed to be irrecoverable, together with the reasons for this conclusion. The council shall then approve the write-off of such arrears, if it is satisfied with the reasons provided.

8. DELEGATED AUTHORITY

The Council be given the delegated authority to write-off debt above R50 000 and the Accounting Officer the delegated authority to sub-delegate to write-off debt up to the amount of R50 000 under the following circumstances:

- (a) The debt not exceeding the amount as per Council's System of Delegation; and
- (b) All reasonable steps have been taken to recover the debt as stipulated under paragraph 6 above; and
- (d) The debt is considered to be irrecoverable in terms of any one of the conditions stipulated in paragraph 7 above.

In such cases, the reason for each write-off be listed in the report against each individual item, and audit trails for each write-off must be kept for control purposes.

9. CREDIT BUREAU LISTING

Debtors whose debts are written off due to any of the following reasons may be listed with the Credit Bureaus:

- Untraceable;
- Prescription;
- Insolvent;
- Emigration.

10. REPORTING OF BAD DEBTS

10.1 Bad debts written off must be reported in the financial reports under the relevant account as per the municipal standard chart of accounts.

10.2 Bad debts considered for write-off should be reported to the Accounting Officer on a regular basis.

10.3 Bad debts written off must be reported according to the GRAP requirements in the financial statements taking note of the accounting policies

10.4 Bad debts reports and calculations should be retained for audit purposes.

11. BAD DEBTS RECOVERED

11.1 The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

12. RELATED POLICIES

12.1 The following policies are related to this policy:

12.1.1 Credit control and debt collection policy

12.1.2 Calculation of provision for impairment of debtors

13. REVIEW

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

14. EFFECTIVE DATE

This policy shall come into effect on 1 July 2025.



EXTRACT FROM THE COUNCIL MINUTES HELD ON 29 MAY 2025

Item A63, 29.05.2025

MTREF BUDGET: 2025-2026 TO 2027/2028 OPERATING AND CAPITAL BUDGET, IDP AND POLICY DOCUMENTS

S Stanley: Chief Financial Officer

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

PURPOSE

The purpose of the report is to submit the Final budget for 2025/2026 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

- (a) The Council of a municipality must for each year approve an annual budget for the municipality before the start of the financial year.
- (b) 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

16. (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

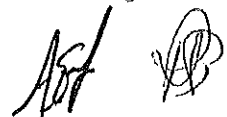
- (ii) the chief executive officer and each senior manager of the entity; and
- (m) any other supporting documentation as may be prescribed.

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 respond to the submissions; and
 - (b) if necessary, 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 2025/26 Medium Term Revenue and Expenditure Framework (MTREF) report inclusive of the budget schedules have been tabled to Council on the 31 March 2025. The budget documentation has been compiled in terms of the Municipal Budgeting and

Reporting Regulations (MBRR). After tabling of the budget, a notice has been placed in the local newspapers to invite the public/community to submit comments on the draft/taled budget. The due date for the submission of these comments was 26 April 2025.

Input from Provincial Treasury

The Provincial Treasury as part of their legislative oversight and support function also engage the municipality on the tabled budget as part of the Public participation process. A formal engagement with the municipality was held on the 5th of May 2025 whereby the assessment report was tabled and discussed as part of this oversight functions. This engagement is classified as the SIME / LGMTECT engagement, and the Provincial departments issue a formal report to the municipality for considering as part of the final budget compilation process.

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.

- (a) The Municipality tabled an operating surplus budget over the 2025/26 MTREF period including the Capital grant transfers received. A surplus budget should reflect before the Capital grants are considered. As a district municipality, the Municipality has limited revenue sources, but great effort is noted in identifying additional revenue sources. Tariffs are proposed slightly above inflation and may influence the revenue growth assumptions.
- (b) The Municipality's tabled budget is funded over the 2025/26 MTREF, however sacrifices were required, suggesting that the Municipality is compliant with section 18 of the Municipal Finance Management Act, No. 56 of 2003 (MFMA).
- (c) Over the last few financial years, the municipality has 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 deficit budgets but managed to achieve operating surpluses in prior financial years.
- (d) It is clear from the budgetary allocation to the strategic goals that the bulk of the 2025/26 MTREF allocation is focused toward SG1 'To ensure the health and safety of all in the Overberg through the provision of efficient basic services and infrastructure'. This SG incorporates many of the functional work areas, including waste



management, municipal health services (including water quality monitoring, food control, health surveillance), environmental management services (including coastal and catchment management, solid waste management, spatial planning), emergency (fire) services and roads. This SG comprises of an operating budget allocation of R215.618 million (70.28 per cent of total Operational expenditures) and a capital allocation of R13.008 million (87 per cent of total Capital expenditures) in 2025/26.

- (e) The District has allocated R22.648 million towards its municipal health function (operating budget) and as well as a capital budget allocation of R1.87 million (furniture and office equipment) in 2025/26. The municipal health operating budget allocation in the 2025/26 financial amounts to R23.806 million.
- (f) The road allocation for the 2025/26 financial year amounts to R131.694 million or a sizeable 43 per cent of the District's total operating budget.
- (g) The District has allocated a total operating budget of R46.060 million to the provision of fire-fighting services for 2025/26.
- (h) For 2025/26, the District has allocated R22.250 million of its operational expenditure budget to 'Recreational facilities'; the capital allocation for LED, tourism, resorts and EPWP for the same year totals R250 000,
- (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. The respective equitable share allocation in the community service component will be allocated proportionally to each service and combined with the revenue for own sources, it will reflect the shortfall in rendering the service.
- (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) The budget data strings over the MTREF period indicates that the Municipality is not exposed to a liquidity risk.

Comments received from the public on the proposed tariff increases at the municipal resorts (semi-permanent).

A total of 180 objections were received on the advertised budget and tariffs on the Uilenkraalsmond resort's rental of plots.

The administration analyses and review the comments and a outcome decision was taken to reduce the proposed tariff. This was done based on the affordability of the tariffs as per input received.

Other necessary amendments based on changed assumptions and additions were made in the 2025/26 budget document, as proposed, and tabled to the Budget Steering Committee for consideration on 19 May 2025.

The 2025/26 Medium Term Revenue and Expenditure Framework (MTREF) report, inclusive of the budget schedules, which are compiled in terms of the Municipal Budgeting Reporting Regulations (MBRR), will be distributed prior to the Council meeting of 29 May 2025.

RESOLVED: (Proposed by Ald. A Franken and seconded by Ald. H Coetzee)


- 1) The consolidated budget of **R306 811 902**, consisting of an **Operating budget of R306 766 992** (resulting in a **surplus R 544 909** after tariff increases). Capital transfers amounts to R500 000 in addition, and a **Capital budget of R14 877 500** 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 2025/2026 financial year as well as the medium term (indicative) budgets for the 2026/2027 and 2027/2028 financial years.
- 2) The tariffs as per tariff list was approved per attached schedules to the budget document.
- 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 and that accompany the budget document, is approved.
- 4) That all grant allocations in the 2025 Division of Revenue Bill published on 21 May 2025, are included in the 2025/26 MTREF budget.
- 5) That the measurable performance objectives for 2025/2026 for operating revenue by source and by vote, is approved.
- 6) Cognisance was taken that the final budget information may be reviewed and updated with the final report distributed, in the event that changes are communicated to the municipality via Provincial and National DORA allocations.

7) That the following budget related policies are approved as unchanged or reviewed/amended.

No	Detail	Unchanged	Reviewed
(i)	Asset Management Policy	X	
(ii)	Credit Control and Debt Collection Policy	X	
(iii)	Bad debt provision Policy	X	
(iv)	Bad debt write-off Policy	X	
(v)	Cash Management and Investment Policy	X	
(vi)	Tariff Policy	X	
(vii)	Supply Chain Management Policy		X
(viii)	Virement Policy	X	
(ix)	Borrowing Policy	X	
(x)	Funding and Reserves Policy	X	
(xi)	Budget Policy	X	
(xii)	Customer Care Policy	X	
(xiii)	Demand Management Policy	X	
(xiv)	Infrastructure investment and Capital projects Policy	X	
(xv)	Liquidity Policy	X	
(xvi)	Long term Financial Planning Policy	X	
(xvii)	Management and Admin of Immovable Assets Policy	X	
(xviii)	Payroll Management and Administration Policy	X	
(xix)	Preferential Procurement Policy	X	
(xx)	Cost containment Policy	X	
(xxi)	Travelling and Subsistence Policy	X	

That the budget summary document, as presented to Council, be included as part of the budget documentation of the items tabled to Council.

CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 29 MAY 2025.



**R BOSMAN
MUNICIPAL MANAGER**

