



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD
[REG. No: 2011/001221/07]

POLICY: CREDIT CONTROL

Administrative Responsibility:	Chief Executive Officer
Implementing Department / Departmental Unit	Budget and Treasury Office

CREDIT CONTROL POLICY

POLICY DOCUMENT CONTROL

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PREAMBLE

The Municipal Finance Management Act (MFMA), Act 56 of 2003, aims to modernise budget and financial management practices in municipalities in order to maximise the capacity of a municipality or municipal entity to deliver services to all residents and customers. It also gives effect to the principle of transparency as required by sections 215 and 216 of the Constitution.

The Council of the municipality or municipal entity, in adopting this policy on credit control and debt collection, recognises its constitutional obligations as set out in Chapter 7 of the Constitution and Chapter 9 of the Municipal Systems Act, Act No. 32 of 2000, to develop the local economy and to provide acceptable services to its residents.

1. INTERPRETATION OF THE POLICY

Except to the extent to which the context may otherwise require, this Policy shall be construed in accordance with the following provisions of this sub-paragraph:

1.1 Words importing the singular also include the plural, and *vice versa*, where the context requires.

1.2 The following words shall have the meanings hereby assigned to them –

“ACCOUNTING OFFICER” The Chief Executive Officer is the accounting officer of the municipality entity for the purpose of Act No. 56 of 2003: Local Government: Municipal Finance Management Act, 2003. (MFMA).

“CEO” shall mean the Chief Executive Officer of the Harry Gwala Development Agency (Pty) Ltd

“CHIEF FINANCIAL OFFICER” / “MANAGER: FINANCE” Means a person designated in terms of section 80(2)(a) of the MFMA.

“COMPANIES ACT” shall mean the Companies Act, 2008 (Act No 71 of 2008), as amended from time to time;

“COUNCIL” refers to the Municipal Council of the Harry Gwala District Municipality, as defined in Section 157 (1) of the Constitution of the Republic of South Africa, Act 108 of 1996, as amended from time to time;

“DAYS” this will be calendar days unless specifically mentioned otherwise.

“HEAD OF DEPARTMENT” a senior official in charge of a specific service or vote of the Council.

“HGDA” means the Harry Gwala Development Agency (Pty) Ltd, a company duly incorporated in terms of the laws of the Republic of South Africa with registration number: 2011/001221/07, in which the Harry Gwala District Municipality, as Parent Municipality, holds a sole interest.

“HGDM” means the Harry Gwala District Municipality, a Category C Municipality established in terms of Section 155(1)(c) of the Constitution of the Republic of South Africa, 1996 and in terms of Section 12(1) of the Municipal Structures Act, 32 of 2000 (as amended) and its successors in title. Includes duly authorised officials of the Municipality who have been delegated any powers, functions and duties necessary to give effect to this Policy and decide upon and administer the matters referred to herein.

“MANAGER” a senior manager as referred to in section 56 of the Municipal Systems Act.

“MEETING” shall mean any meeting of the board or any board sub-committees (portfolio committee) as well as any other General meeting meeting of the entity including meetings of Council, irrespective of the duration of such meeting.

“MFMA” shall mean the Municipal Finance Management Act 56 of 2003, as may be amended from time to time.

“MONTH” one of the twelve months of the calendar year.

“MSA” shall mean the Municipal Systems Act 32 of 2000, as amended from time to time.

“MUNICIPAL FINANCE MANAGEMENT ACT” Municipal Finance Management Act

“MUNICIPAL STRUCTURES ACT” the Local Government: Municipal Structures Act No. 117 of 1998, as amended.

“MUNICIPAL SYSTEMS ACT” the Local Government: Municipal

“MUNICIPALITY” a municipal council referred to in section 157 (1) of the Constitution of the RSA.

“NON-EXECUTIVE DIRECTOR” shall mean a non-executive director of the Agency appointed in terms of section 93E of the Municipal Systems Act, 32 of 2000, and

“SHAREHOLDER” shall mean the Harry Gwala District Municipality.

“THE MAYOR” the councillor elected as the mayor of the municipality in terms of Section 55 of Municipal Structures Act. No. 56 of 2003. Systems Act No. 32 of 2000, as amended.

2. VISION

The vision of this policy is:

- To ensure that all consumers pay for the rental of facilities and other services provided for by the Agency.
- To ensure that all consumer account related enquiries are attended to promptly and diligently.
- To attend to all the consumers' needs regarding debt and credit control.
- To ensure that municipal entity's credit control officials are sufficiently trained and that they will be able to attend to all credit control related functions and enquiries.
- To ensure sufficient notification of outstanding debt to consumers in default.
- To provide consumers timeously with monthly statements in order to allow a fourteen (14) calendar day payment period before due date.
- To ensure sufficient and effective interaction with defaulters and to allow for the conclusion of arrangements for the payment of arrears over agreed periods of time.

3. STATEMENTS

Harry Gwala Development Agency believes that in order to promote social and economic development and to provide services to communities in an efficient and sustainable manner, a credit control and debt collection policy should be adopted to collect all money due and payable to the municipal entity. It is further recognised that credit can not be granted for a long-term period other than what is resolved by the board of directors, Council and delegated for execution by the relevant officials.

4. OBJECTIVES

This policy aims to set down principles for the implementation and enforcement of credit control and collection of all collectable debt.

The objectives of this policy are to provide for:

- Credit control procedures and mechanisms.
- Debt collection procedures and mechanisms.
- The termination or restriction of services when payments are in arrears.
- Guidelines and procedures for the rendering of accounts.
- Realistic targets/benchmarks as set by the municipal entity which is consistent with:
 - General Recognised Accounting Practices (GRAP) and collection ratios.
 - The estimate income set in the budget minus an acceptable provision for bad debts.

5. CUSTOMER ACCOUNTS

A customer account is opened only after a consumer agreement has been entered into and the billing process will assume soon after the finalisation of the agreement which will be in advance.

An upfront deposit will be required equivalent to the rental amount for rental of facilities and other services.

The responsibility to advise the entity of any address change remains with the Customer and the fact that an account was not received does not exempt the customer from paying the account.

The responsibility remains with the consumer to see to it that all payments reach the municipal entity on or before the last date of payment (called the due date).

6. MONTHLY ACCOUNTS

Distribution of Accounts

All accounts must be sent out to consumers by approximately the 7th of the month. Due date for payments accounts is payable when levied and the final payment date will be as reflected on the account issued.

All payments received by the Budget and Treasury Office will be allocated on different accounts in a manner prescribed by the Chief Financial Officer.

The consumer has no right to prescribe the sequence of allocation of payments made.

7. EXTENSION OF PAYMENTS

Extension of payment can be approved as follows:

7.1 A formal repayment agreement as well as an acknowledgement of debt agreement in the prescribed format must be entered into. The signature must be that of the account holder, his identity must be verified, and a copy of his identification document must be attached.

7.2 The total amount in arrears for the previous months must be paid in full unless arrangements were made.

7.3 50% of the current account must be paid.

7.4 The balance can be repaid no later than the end of the specific month.

7.5 Should extension be granted as a result of:

7.5.1 The death of a family member within the household – a death certificate must be obtained.

7.5.2 Unemployment of the breadwinner – proof must be obtained that he/she is registered with the Department of Labour. The possibility to enter the municipality's Indigent Support Programme must be offered to the consumer.

7.5.3 A maximum of three (3) extensions per year is allowed.

7.5.4 The attention of the consumer must be drawn to all of the conditions mentioned above.

8. NON-PAYMENT OF ACCOUNTS (ACCOUNTS IN ARREARS)

7.6 Amounts in Arrears

All amounts not received on the final payment date will be reckoned as to be in arrears, interest rate to be charged at Prime plus 1%.

7.7 Amounts not paid on the due Date.

All accounts not paid on the due date and for which arrangements for extensions have not been made; a letter of reminder will be sent to the customer for the account that is 30 days overdue followed by another letter of demand for accounts that are 60 days overdue.

7.8 Final Notice and Legal Action

Should an active account remain outstanding for a period of ninety (90) days a final notice will be sent to the customer wherein they will be given another period of fourteen (14) days to pay the outstanding amount or make acceptable arrangements for settling the account.

8.4 Handing over of Accounts to Debt Collectors

After the fourteen (14) day period, the account will be handed to the debt collectors for collection. They will have a period of thirty (30) days for collection of the amount due or a portion thereof.

Within the above-mentioned thirty (30) days period another opportunity is afforded to the consumer to make full payment or arrangements to be entered into.

9. ONCE OFF INCENTIVE SCHEMES

The municipal entity can from time to time decide on an incentive scheme or schemes that will have the purpose to decrease the outstanding debts to the municipal entity and depending on available funds. This will only be done to the advantage of the municipal entity and to improve the municipal entity's cash flow situation. This policy can not dictate such incentive schemes.

10. UNCOLLECTABLE ARREARS

10.1 The effective implementation of the present policy also implies a realistic review of the municipal entity's debtors' book at the conclusion of each financial year. The Chief Executive Officer shall as soon as possible after 30 June each year present to the board of directors and council structures a report indicating the amount of the arrears which it is believed is uncollectible, together with the reasons for this conclusion.

10.2 The board of directors and council shall then approve the write off of such arrears, if it is satisfied with the reasons provided.

11. QUERIES BY ACCOUNTHOLDERS

In the event of an accountholder reasonably querying any item or items on the monthly municipal entity account, no action shall be taken against the accountholder as contemplated in part 3 provided the accountholder has paid by due date an amount equal to the monthly average monetary value of the three most recent un-queried accounts in respect of the service under query, as well as all un-queried balances on such account, and provided further

such query is made in writing by the accountholder or is recorded in writing by the chief executive officer on behalf of the accountholder on or before the due date for the payment of the relevant account.

12. ROLE OF ACCOUNTING OFFICER

12.1 Section 100 of the Municipal Systems Act 2000 assigns the legal responsibility for implementing the credit control and debt collection policies and by-laws to the Accounting Officer.

12.2 In practice, however, the Accounting Officer will inevitably delegate some or many of the responsibilities as it will be administratively impossible for the Accounting Officer to perform the numerous other functions of this office as well as attend to frequently recurring administrative responsibilities. However, such delegation does not absolve the Accounting Officer from final accountability in this regard, and the municipal manager will therefore have to ensure that a proper internal reporting structure is established and consistently implemented so that the day-to-day actions of and results from the credit control and debt collection programme are properly monitored and supervised.

12.3 It is also an integral feature of the present policy that the municipal manager shall report monthly to the executive mayor or the executive committee, as the case may be, and quarterly to the council on the actions taken in terms of the by-laws, and on the payment levels for the periods concerned. Such reports shall, as soon as practicably possible, provide the required information both in aggregate and by municipal ward.

12.4 In addition, such monthly report shall indicate any administrative shortcomings, the measures taken or recommended to address such shortcomings, and any actions by councillors, which could reasonably be interpreted as constituting interference in the application of the by-laws.

12.5 Notwithstanding all the foregoing references to the accountability of the municipal manager in regard to these by-laws, it is incumbent on all the officials of the municipality, certainly all those who are at management level, as well as more junior officials who are directly or indirectly involved with the community and the municipality's general customer relations, to promote and support both this credit control and debt collection policy and the application of the attendant by-laws. The responsibilities of all officials include reporting to the municipal manager any evident breaches of these by-laws, whether by members of the community, other officials or councillors of the municipality.

13. LEGAL PRESCRIPTIONS AND REQUIREMENTS

LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 95: CUSTOMER CARE AND MANAGEMENT

A municipality or municipal entity must, in relation to the charging of fees for municipal entity's services, within its financial and administrative capacity, do the following:

- Establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for these payments and the municipal entity itself or (where applicable) a service provider.
- Establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service provider with regard to the quality of the services and the performance of the 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 moneys raised from the service are utilised.
- Ensure that persons liable for payments receive regular and accurate accounts which indicate the basis for calculating the amounts due.
- Provide accessible mechanisms for those persons to query or verify accounts, as well as appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- Provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality.
- Provide mechanisms to monitor the response time and efficiency in complying with the aforementioned requirements; and
- Provide accessible pay points and other mechanisms for settling accounts or for making prepayments for services and rental of facilities.

SECTION 96: DEBT COLLECTION RESPONSIBILITY OF MUNICIPALITIES

A municipality or municipal entity must collect all moneys that are due and payable to it, subject to the requirements of the present Act and any other applicable legislation. For this purpose, the municipal entity must adopt, maintain and implement a credit control and debt collection policy which is consistent with any other aligned policies, and which complies with the provisions of the present Act.

SECTION 97: CONTENTS OF POLICY

The municipal entity's credit control and debt collection policy must provide for all of the following:

- Credit control procedures and mechanisms.
- Debt collection procedures and mechanisms.
- realistic targets consistent with generally recognised accounting practices and collection ratios, and the estimates of income set in the budget less an acceptable provision for bad debts.
- Interest on arrears (where appropriate) at 10% per annum.
- Extensions of time for payment of accounts.
- Termination of services or the restriction of the provision of services when payments are in arrears.
- Matters relating to unauthorised consumption of services, theft and damages; and
- Any other matters that may be prescribed by regulation in terms of the present Act.

The municipality, within its discretionary powers, may differentiate in its credit control and debt collection policy between different categories of users of services, debtors, services,

and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

SECTION 99: SUPERVISORY AUTHORITY

A municipality's executive mayor or executive committee, as the case may be, or – if the municipality does not have an executive committee or executive mayor – the council of the municipality itself, or a committee appointed by the council as the supervisory authority, board of directors in a case of a municipal entity must do all of the following:

- oversee and monitor the implementation and enforcement of the municipality's credit control and debt collection policies and any by-laws enacted in terms of the foregoing requirements, and the performance of the accounting officer in implementing the policies and by-laws;
- where necessary, evaluate or review the policies and by-laws, and the implementation of such policies and by-laws, in order to improve the efficiency of its credit control and debt collection mechanisms, processes and procedures; and
- at such intervals as may be determined by the council, report to a meeting of the council, except when the council itself performs the duties of the supervisory authority.

SECTION 100: IMPLEMENTING AUTHORITY

The Chief Executive Officer, must:

- implement and enforce the municipal entity's credit control and debt collection policies and by-laws enacted in terms of the foregoing requirements.
- in accordance with the credit control and debt policies and any by-laws, establish effective administrative mechanisms, processes and procedures to collect moneys due and payable to the municipality; and
- at such intervals as may be determined by the board of directors, report the prescribed particulars to a meeting of the supervisory authority referred to previously.

SECTION 101: MUNICIPALITY'S RIGHT OF ACCESS TO PREMISES

The occupier of premises in a municipal entity must give an authorised representative of the municipal entity or of a service provider access at all reasonable times to the premises in order to read, inspect, install or repair service connexion for reticulation, or to disconnect, stop or restrict the provision of any service.

SECTION 102: ACCOUNTS

Except where there is a dispute between the municipality or municipal entity and the person from whom the municipal entity has claimed any specific amount, a municipal entity may:

- consolidate any separate account of such person.

- credit a payment by such person against any account of that person; and
- Implement any of the debt collection and credit control measures provided for in the present Act in relation to any arrears on any of the accounts of such person.

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003

SECTION 64: REVENUE MANAGEMENT

The accounting officer of the municipal entity is responsible for the management of the municipality's entities revenues, and must, for this purpose, take all reasonable steps to ensure:

- that the municipal entity has effective revenue collection systems consistent with Section 95 of the Municipal Systems Act 2000 and the municipal entity's credit control and debt collection policies.
- that revenues due to the municipal entity are calculated on a monthly basis.
- that accounts for municipal entity's charges for services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical.
- that all moneys received are promptly deposited in accordance with the requirements of the present Act, into the municipality's primary and other bank accounts.
- that the municipal entity has and maintains a management, accounting and information system which recognises revenues when they are due, accounts for debtors, and accounts for receipts of revenues.
- that the municipal entity has and maintains a system of internal control in respect of debtors and revenues, as may be prescribed.
- that the municipal entity charges interest on arrears, except where the board of directors has granted exemptions in accordance with its budget related policies and within a prescribed framework; and
- that all revenues received by the municipal entity, including revenues received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

The accounting officer must immediately inform the national treasury of any payments due by an organ of state to the municipal entity in respect of municipal taxes or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

14. COMMENCEMENTS

This policy will be effective on 1 July 2023, and must be reviewed annually together with the budget related policies.

APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
MS ACR Whyte		Chief Executive Officer	25 April 2024