

# MUNICIPALITY OF SWAKOPMUND



## CREDIT CONTROL AND DEBT COLLECTION POLICY AND PROCEDURE

Revised and approved in October 2017

**WHEREAS:**

The Local Authority Council of the Municipality of Swakopmund (“the Council”) is a statutory body, incorporated in terms of the provisions of the Local Authorities Act 23 of 1992;

The Local Authorities Act 23 of 1992 obliges the Council to give proper account for all funds received and spent;

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

**1. INTERPRETATION**

- 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 Swakopmund Municipality;
- 1.4 **“Property/ies”** shall mean immovable property/ies situated within the boundaries of the local authority of Swakopmund;
- 1.5 **“Rates and taxes”** shall mean the rates and taxes levied by Council, in respect of a rate able property and which are levied in terms of the provisions of Part XV of the Act;
- 1.6 **“Services”** shall mean the services rendered by Council in terms of the provisions of Parts VI to XI of the Act.

## **2. INTRODUCTION**

Outstanding debt due to Council, by Consumers, in respect of rates and taxes levied on or services rendered to properties are increasing every month. Due to the nature of its operations, Council has mandatory right to provide down payment arrangements to Consumer's, whose financial history is unknown and this seriously affect the cash flow of its operations.

## **3. SCOPE OF POLICY**

- 3.1 This policy applies to all the administration within the define boundaries of the Municipality of Swakopmund and all Consumers of this administration.
- 3.2 The Policy shall be enshrined in a Municipal-by-law in terms of the Local Authorities Act, 1992 (Act 23 of 1992) and that such policy shall be binding on the public, Officials, Councilors of the Municipality of Swakopmund and that no interference in the proceedings will be permitted.
- 3.3 The Policy shall remain in force until such time it is either repealed and or amended by Council.
- 3.4 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. OBJECTIVES OF THIS POLICY**

The objectives of this policy are:

- 4.1 To create, maintain and promote good payment habits amongst Consumers;
- 4.2 To reduce debt due to Council, by way of taking action in terms of the policy and to ensure that all monies due are payable to Council in terms of the provisions of Act are collected promptly and in an efficient manner.
- 4.3 To focus on all outstanding debt due to Council in respect of rates and taxes, service charges, consumption charges, collection charges levied in terms of the provisions of the Act, as well as interest which has accrued on any amounts due and payable;

- 4.4 To provide for extension of time for payment of overdue account in appropriate circumstances.
- 4.5 To provide for restriction or termination of services when payments on accounts are overdue.
- 4.6 To provide for matters relating to unauthorized consumption of services, theft and damages.

## **5. CREDIT CONTROL PRINCIPLES**

- 5.1 Responsible Officials must always ensure the completeness and accuracy of consumer information when entering into the financial system.
- 5.2 Outstanding debts and arrangements to repay those debts shall be treated holistically, but different repayments periods or methods may be determined for different types of services, debtors or arrears and the repayments periods shall be in sympathy with the installment/s that debtor can afford.
- 5.3 Credit control policy must be implemented with equity, fairness and consistency.
- 5.4 Balances on related accounts may be transferred to the new account of the same consumer, regardless of different properties.
- 5.5 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.
- 5.6 All new applications for the provision of services to a property shall be subject to the completion of a credit application and any outstanding amount/s may be transferred to such new account.
- 5.7 A payment of a deposit in terms of the promulgated tariffs will be required for all new accounts and additional deposit may be levied on bulk consumers.
- 5.8 Interest as per promulgated tariffs will be levied on all arrear amounts.
- 5.9 New services will only be provided if all outstanding amounts due in respect of municipal services, rates and taxes and other municipal taxes levies and duties at the previous Consumer address has been paid in full.

- 5.10 Debtors may be referred to third party debt collection agencies prior to being subjected to the legal process and might be placed on ITC.

## **6. CREDIT APPLICATION AND CONTROL**

- 6.1 All new applications shall be investigated for any previous accounts held with the Council. Any outstanding accounts shall first be settled in full before new application is forwarded for further processing or before a new account is opened.
- 6.2 All new applications shall be accompanied by the required documentation indicated on the application form, and must be signed by the owner or estate agent representing, if a tenant's account is not paid and has no new account the outstanding balance will be transferred to the Owner.
- 6.3 All new applications by Consumers for services to be rendered by the Council will be subject to the Consumer completing and signing the prescribed credit application form.
- 6.4 The amount of deposit payable for all new applications for the provision of services will be based on the payment history of the applicant including the minimum deposit as per the tariff for the particular financial year, and any adjustment to the basic deposit will be determined by the debtor's municipal payment record/s.

## **7. ACCOUNT PROCESSING**

Accounts will be sent out by the 15<sup>th</sup> of each month and payable on or before the 7<sup>th</sup> of the following month.

## **8. CUT-OFF DATE**

- 8.1 The cut-off date for unpaid accounts shall be the date immediately after the 17<sup>th</sup> of each month due date for payment of accounts and the actual cut-off process shall continue for as long as accounts remain unpaid.

8.2 Business shall receive a 30 days warning notice for any arrears and water supply be suspended when in 60 days arrears.

## **9. CUT-OFF LIST**

9.1 The cut-off list shall contain all unpaid accounts on the cut-off date with the minimum balance of N\$ 400.00. All properties appearing on the cut-list and having water connections shall be subject to water cut-offs, irrespective of the account. In other words, water services shall be cut-off for outstanding balances on rates and taxes, refuse removal, sanitation and any other services rendered by the Council.

9.2 Where the account of a Tenant for services rendered is paid up to date and that of the owner is in arrear for rates, taxes and any related or other charges, the tenant's water services may not be cut-off.

9.3 Any accounts appearing on the cut-off list for which there are no water connections shall be subject to telephonic reminders where possible, followed by a written letter of demand for payment and eventually legal action.

## **10. CUT-OFF PROCEDURE**

10.1 A cut-off list shall be produced on the 17<sup>th</sup> every month. The cut-off list shall be scrutinized for correctness and completeness by the authorized staff members.

10.2 All accounts that remain unsettled and for which no alternative arrangements have been made with the Council shall be subject to the issuance of a summons letter after the expiry of thirty (30) days for loans and sixty (60) days for the services.

10.3 All accounts with an outstanding amount after the due date for payments shall be subject to a late payment fee as indicated on the Council approved and promulgated tariff schedule. In addition, monthly interest charges shall apply on accounts that remain unpaid for a month or part thereof.

10.4 Water supply will be disconnected for unpaid loan accounts.

10.5 All accounts where the outstanding balance exceeds N\$ 5 000.00 will be handed over for attachment, (this arrangements will only be applicable to Low Cost Housing Beneficiaries, as identified by Council).

## **11. EXTENTIONS OF PAYMENT**

11.1 Account holders may apply for extensions of payment to settle arrears under the following circumstances:

- Proof of no previous record of non-payment covering the preceding twelve months;
- Unusual high consumptions, e.g. where leakages, meter switching, etc. are involved;
- Any other circumstances Council may deem appropriate.

11.2 Extensions requested before the due date for payments shall be payable by the end of the month in which the due date for payments falls. No deposit is required for continued water supply services.

11.3 Extensions requested for which no water supply services are requested, i.e. where a Debtor wishes to pay off the outstanding balance, shall be granted at the discretion of the General Manager: Finance and upon recommendation from the Manager Finance and Accountant: Administration and Properties. The maximum period for such arrangements shall not exceed twelve months on condition 50% of the outstanding amount to be paid before reconnection of water supply.

11.4 Extensions where water leakages and / or abnormal water consumptions are involved shall be granted over a maximum period of six (6) months. The extension shall be granted at the discretion of the General Manager: Finance upon recommendation from the Manager: Finance and Accountant: Administration and Properties.

11.5 The current account balances as levied from period to period shall become payable on the respective due dates and does not form part of the extension agreement. Where the current account balances are not settled by the due date for payments, the extension shall be cancelled and the whole outstanding

balance shall become payable immediately. Telephonic and written reminders may be initiated followed by accounts being handed over to Debt Collectors.

11.6 The authority to approve extensions shall be vested in the following capacities and as per the following criteria:

- Extensions up to a maximum of six (6) months – Credit Controller.
- Extensions up to a maximum of ten (10) months – Accountant: Administration and Properties upon recommendation from the Credit Control.
- Extensions up to a maximum of twelve (12) months – Manager: Finance, upon recommendation from the Accountant: Administration & Properties
- Extensions of more than twelve (12) months – General Manager: Finance ,upon recommendation from the Manager: Finance

## **12. EXCLUSION FROM CUT-OFF LIST**

12.1 Accounts with valid extensions, outstanding queries, unprocessed water leakages and reported abnormal water consumptions shall be excluded from the cut-off list, but the Council approved and promulgated late payment charges and interest shall apply on such accounts.

12.2 All queries regarding abnormal water consumptions shall be channeled through Enquiries Clerks who in turn shall refer such cases to the Water and Sewerage Division for investigation. The Manager: Water and Sewerage shall upon conclusion of such investigation forward a recommendation to the General Manager: Finance for further consideration, approval and processing.

## **13. ADJUSTMENTS ON ACCOUNTS**

13.1 An official of Council, who attends to any adjustment on Consumer accounts should scrutinize such adjustment, and the proof of why such adjustment has to be done to a Consumer account should be attached and signed by the designated official. System generated proof of why adjustment has been done



might be kept in the computer. All adjustment should be processed immediately after the approval by the responsible official.

13.2 Approval of adjustments on Consumer / Debtor accounts shall be effected with reason for adjustments as follows:

<b>Maximum amount</b>	<b>Authorisation</b>
N\$1,000.00 – N\$ 9,000.00	Accountant: Revenue / Accountant: Administration & Properties
N\$10,000.00 – N\$ 15,000.00	Manager: Finance
More than N\$15,000.00	General Manager: Finance

#### **14. ILLEGAL CONNECTION/UNAUTHORIZED CONNECTION**

14.1 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 action being taken against the offender.

14.2 Illegal connections shall include:

14.2.1 Tempering with service delivery infrastructure;

14.2.2 Unauthorized re-connection of service after cut-off;

14.2.3 Direct connection from neighbours and

14.2.4 Any other connections for which no Council approval was obtained

#### **15. MUNICIPAL EMPLOYEES AND COUNCIL MEMBERS**

Staff members are required to settle their Municipal service accounts within 30 days, and if not settled monthly cut off list must be maintained after the due date 7<sup>th</sup> of each month and water supply for those in arrears must disconnected on monthly basis, if there are no arrangements in place.

#### **16. DESTITUTE AND GOVERNMENT ACCOUNTS**

16.1 All Destitute and Government accounts shall be subject to the Credit Control Policy without any differentiation or discrimination.

16.2 The Council acknowledges the humanitarian and sensitive nature of the operations of hospitals, clinics and schools. Water supply services to these institutions shall not be suspended or disconnected for non-payment. Arrears on the accounts of these institutions shall be followed up through the office of General Manager Finance.

## **17. LEASE AGREEMENT ACCOUNTS**

17.1 All procedures regarding the application, allocation and cancellation of rental agreements shall be administered by the Corporate Services and Community Development Services respectively, and details thereof shall be submitted to the General Manager: Finance for further account processing and administration.

17.2 In the event of any outstanding debts resulting from unpaid accounts of a previous Tenant on a private property, Council reserves the right to refuse any service connections on such property.

## **18. LOANS**

18.1 Council administers a series of Low-cost Housing Schemes for the benefit of the community in Swakopmund. The loans granted are transacted through various internal funds and the redemptions are intended for financing future housing projects. Any defaults on transactions arising from these schemes are dealt with in accordance with the agreements entered into with the beneficiaries.

18.2 The *Decentralized Built-Together Scheme* was set up to finance low-cost housing with initial and subsequent funding from Government and is administered in accordance with prescribed guidelines from the Ministry Urban and Rural Development. All income accrued are credited to the Decentralized Built-Together Revenue Fund and serves as a revolving fund to cater for future needs.

18.3 With regard to housing loans, Section 61 of the Local Authorities Act, 1992 (Act 23 of 1992) as amended, stipulates as follows:

*“If any person to whom a housing loan has been granted fails to comply with any terms or conditions on which such loan was granted to him or her, the local authority council may –*

(a) *in addition to any other steps which the local authority council may lawfully take, by notice in writing of at least one month, require such person to make such additional payments, not exceeding four per cent per annum, calculated on the initial amount of the housing loan in question, or such amount as supplemented by any further loan granted under Section 60, as the case may*

*be, as may be determined by the local authority council, in reduction of the capital amount owing;*

- (b) by notice in writing of at least three months, claim the capital amount and any interest owing in respect of the housing loan, including any such further loan, from such person and take such legal steps as the local authority council may deem fit to recover such amount and interest.”*

## **19. HANDING OVER OF ACCOUNTS TO ATTORNEYS**

- 19.1 Accounts must be settled in full on or before the due date, as quoted on the relevant monthly consumers' accounts.
- 19.2 Water supply is discontinued immediately to all premises where the Consumers' accounts have not been settled by the due date.
- 19.3 “Letters of Demand” are mailed to all Consumers in arrears, requesting payment of the arrears and quoting a due date for payment. Letters should clearly state that legal action will be taken if the arrears are not settled on the due date quoted.
- 19.4 Down payments on arrears are allowed but the water supply will only be reconnected once the accounts are settled in full and reconnection fees have been paid.
- 19.5 In cases where no reaction to the “Letters of Demand” has been received, the accounts will be handed over for collection.
- 19.6 Consumer / Service accounts will be handed over to the attorneys for collection should no payment received over a period of 12 months.
- 19.7 Accounts are allowed to escalate to an amount of N\$ 5 000.00 applicable to only to low cost housing Beneficiaries as identified by Council.
- 19.8 When an account is handed over for collection it is stated that the arrears, including all legal costs, should be recovered over an acceptable period. When such an account has escalated to an amount more than N\$ 5 000.00, the Attorneys will be requested to commence with attachment procedures. It has been experienced that once attachment procedures have been started, the relevant consumers react and make arrangements for payment of the arrears.

19.9 The most cases where attachment has taken place occurred in the Meduletu Scheme where Council acts as “Guarantor” and Bank Windhoek requested full settlement of the relevant loan granted due to non-payment of installments.

19.10 These cases were handed over for attachment and the property sold at a public auction.

## **22. POLICY MAINTENANCE**

The General Manager: Finance shall be responsible for annual revision and updating of this Policy.

## **23. Last Review**

**The Policy was reviewed and approved accordingly by Council on 26 October 2017.**