



FETAKGOMO – GREATER TUBATSE
LOCAL MUNICIPALITY



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**GREATER TUBATSE
MUNICIPALITY**

South Africa's first democratic platinum city

FETAKGOMO-GREATER TUBATSE LOCAL MUNICIPALITY

FINAL POLICY AND PRINCIPLES ON THE WRITING OFF OF IRRECOVERABLE DEBT

2017/2018

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FETAKGOMO-GREATER TUBATSE LOCAL MUNICIPALITY
PRINCIPLES AND POLICY ON THE WRITING OFF OF IRRECOVERABLE DEBT

1. INTRODUCTION

- 1.1 To ensure that household consumers with no or lower income are not denied a reasonable service and that the municipality is not financially burdened with non-payment of services, the Council of Featakomo-Greater Tubatse Municipality approved a revised Indigent Policy yearly together with the budget
- 1.2 However, the Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can afford to pay for services. The Council approved a revised Credit Control and Debt Collection Policy yearly together with the budget
- 1.3 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt. To allow this the approved Credit Control Policy, inter alia, stipulated that:-
- 1.3.1 Par 5 (1) (c) - The Municipal Manager must establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.
- 1.4 In addition, the policy further stipulates that:-
- 1.4.1 Par 19 (2) - Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases.

2. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.

3. RESPONSIBILITY / ACCOUNTABILITY

- 3.1 The Council has the overall responsibility for adopting and approving the Policy on Writing Off of irrecoverable debt.

5. POLICY PRINCIPLES

5.1 The following are the guiding principles in implementing the Policy on Writing Off of Irrecoverable Debt:-

5.1.1 The policy is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal Systems Act 2000, as amended and other related legislation.

5.1.2 Before any debt is written off it must be proved that the debt has become irrecoverable. To ensure that recommendations for write off are consistent and accurate, irrecoverable debt will be defined as:-

5.1.2.1 Where the tracing of the debtors is unsuccessful; and

5.1.2.2. All reasonable steps, at the discretion of the appointed write off committee, were taken by the officials to recover the debt.

5.1.3 Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered.

5.1.4 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.

5.1.5 Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for these services.

5.1.6 Debt can only be written off if the required provision exists in the Municipality's budget and/ or reserves.

6. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR THE WRITING OFF OF IRRECOVERABLE DEBT

6.1 Approved Indigent Household Consumers in terms of the Municipality's Indigent Policy.

6.1.1 Upon approval for registration as an indigent household consumer, the debtor's outstanding balance as at the date of approval is written off

6.1.2. Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer,

will not qualify to be written off and must be dealt with strictly in accordance with the Municipality's Credit Control Policy and Indigent Household Policy.

6.2 Balances too small to recover considering the cost for recovery

6.2.1 Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalisation of any final readings and other administrative costs results in a balance of one hundred rand (R100) or less, such account must be forwarded once to the consumer for payment.

6.2.2 Where such account is not paid by the respective consumer within a period of hundred and twenty (120) days such amounts will automatically be written off subject to the provisions of Section 6.4 below.

6.3 Insolvency of the Debtor and Insolvent Deceased Estates

6.3.1 Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to an insolvent estate must, after notification, be written off subject to the provisions of Section 6.4 and 6.5 below.

6.3.2 In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to a deceased estate must, after notification, be written off subject to the provisions of Sections 6.4 and 6.5 below.

6.4 Untraceable Debtors

6.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such account must be handed over to a collection agent for recovery of the debt. The collection agent will be paid an all-inclusive fee of not more than 10% of the amount that was collected. The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor.

6.4.2 Any amount owed by a debtor that has become untraceable must, after notification, be written off

6.4.3 Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality.

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6.5 Special Arrangements in order to obtain a Clearance Certificate

6.5.1 In terms of legislation the Municipality will under normal circumstances not issue a clearance certificate on any property unless all outstanding amounts are paid to date. However due to the possible inefficiency of the Municipality to implement its credit control policy it might be possible that such a property may have accumulated such a significant outstanding balance over a period of time that it may not be within the ability of the new owner to pay such an amount in order to obtain a clearance certificate.

6.5.2 Where such circumstances may prevail the prospective new owner may apply to the Municipality for relief of such outstanding debt or a portion thereof.

6.5.3 Upon receiving, such application must be submitted to the committee for consideration. In reviewing such application, the committee must ensure that:-

6.5.3.1 All reasonable measures have already been taken to recover the outstanding amount from the current debtor.

6.5.3.2 The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued.

6.5.3.3 It is not in the interest of the municipality and/ or the community to withhold a clearance certificate before the outstanding debt is fully paid.

6.6 Special Incentives introduced by Council for Household Consumers in terms of the Credit Control and Debt Collection Policy

6.6.1 Notwithstanding the Municipality's Credit Control Policy a debtor may enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:-

6.6.1.1 The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;

6.6.1.2 The current monthly amount must be paid in full; and

6.6.1.3 The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

6.6.2 In order to determine monthly instalments, a comprehensive statement of assets and liabilities and income and expenditure, must be provided by the debtor and reviewed by a finance official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer (i.e. amount not to exceed 25% of gross income), taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

6.6.3 Due to ineffective implementation of credit control measures in the past, the majority of household consumers have accumulated significant arrear amounts and that these consumers are not in a position to pay off these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the Municipality has resolved to implement special incentives to address the arrear debt.

6.6.4 To encourage consumers to pay off arrear debt Council will write off all outstanding interest at that time on condition that the outstanding capital amount be settled in full

6.6.5 Writing off any debt in terms of such an agreement will be strictly in accordance with the provisions set out in the Municipality's Credit Control and Debt Collection Policy.

6.6.7 As long as the agreement is honoured no further interest will be added. However, in case of default the suspended amount will be reversed and interest will again be levied from the date of default.

6.6.8 Where a debtor pays 100% of the principal portion of his/her arrear account or settles the principal portion of the arrear account in full through a once-off payment, all interest penalties on arrear amounts will be written off immediately.

6.6.9 Where arrangements are made to pay off the principal portion of the arrear amount in instalments, such instalments should be determined on the outstanding amount excluding arrear interest. This arrangement will imply that upon payment of the final instalment all interest on arrear amounts will have been written off.

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- 6.6.10 Where debtors fail to honour their arrangements without prior consultation interest will be reinstated and added to the original debt amount.
- 6.6.11 The arrangement referred to in paragraph 6.6.5 may be extended to other Poverty Alleviation & Job Creation Strategies that the Municipality may implement. Such strategies may include:-
- 6.6.11.1 The casual/contract employment of a debtor in a particular Municipal project (i.e. refuse collection, road maintenance, verge cutting etc.)
- 6.6.11.2 A 50% cash payment to the debtor and 50% payment that will be credited against the debtor's arrear account.
- 6.6.11.3 The accounting treatment shall be that the project or programme will be debited (charged) full 100% as this will be the input cost of the labour (100% cost paid out as 50% cash paid to the debtor and 50% credited against the debtor's arrear account as though it were a cash payment).
- 6.6.12 The purpose of the above strategy/arrangement is to instil a sense of pride to the customers of the Municipality that cannot pay off their arrears, whilst extending services delivery, creating jobs, and alleviating poverty, and at the same time reducing the Debtors Book and enhance the financial status and image of the Municipality.
- 6.6.13 Any amount to be written off in terms of paragraph 6.6 above must be subject to the provision of Section 7.4 and 7.5 below.

7. ESTABLISHMENT OF A COMMITTEE TO MONITOR ANY DEBT TO BE WRITTEN OFF

- 7.1 Council will establish and appoint a Committee to monitor the implementation of this Policy.
- 7.2 The Committee will consist of the following members:-
- 7.2.1 The Municipal Manager (Chairperson).
- 7.2.2 Chief Financial Officer (Alternative Chairperson).
- 7.2.3 Chairperson of the Portfolio Committee for Finance.
- 7.2.4 One member of the Portfolio Committee for Finance to be nominated by the Portfolio Committee for Finance.
- 7.3 The above Committee will meet at least quarterly to receive and review a report from the Chief Financial Officer containing full details of any actions taken by officials with respect to this Policy, and to consider any circumstances not covered by this Policy.
- 7.3.1 The quorum for the Committee shall be 50% of the members plus one.

7.3.2 Formal minutes of Committee meetings must be prepared and submitted to Council.

7.4 **The Chief Financial Officer** will, after thorough review of any applications in terms of this Policy, be delegated to write off any amounts to the **maximum of:-**

7.4.1 in the case of a household consumer an amount of R10,000 (excluding interest and penalties) per submission; and

7.4.2 in the case of a business consumer an amount of R20,000 (excluding interest and penalties) per submission.

7.5 Any amount in excess of the delegation provided for in paragraph 7.4 above must be submitted together with a recommendation to the Municipal Manager for consideration. **The Municipal Manager** will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this Policy, be delegated to write off any amounts to the **maximum of:-**

7.5.1 in the case of a household consumer an amount of R30,000 (excluding interest and penalties) per submission; and

7.5.2 in the case of a business consumer an amount of R50,000 (excluding interest and penalties) per submission.

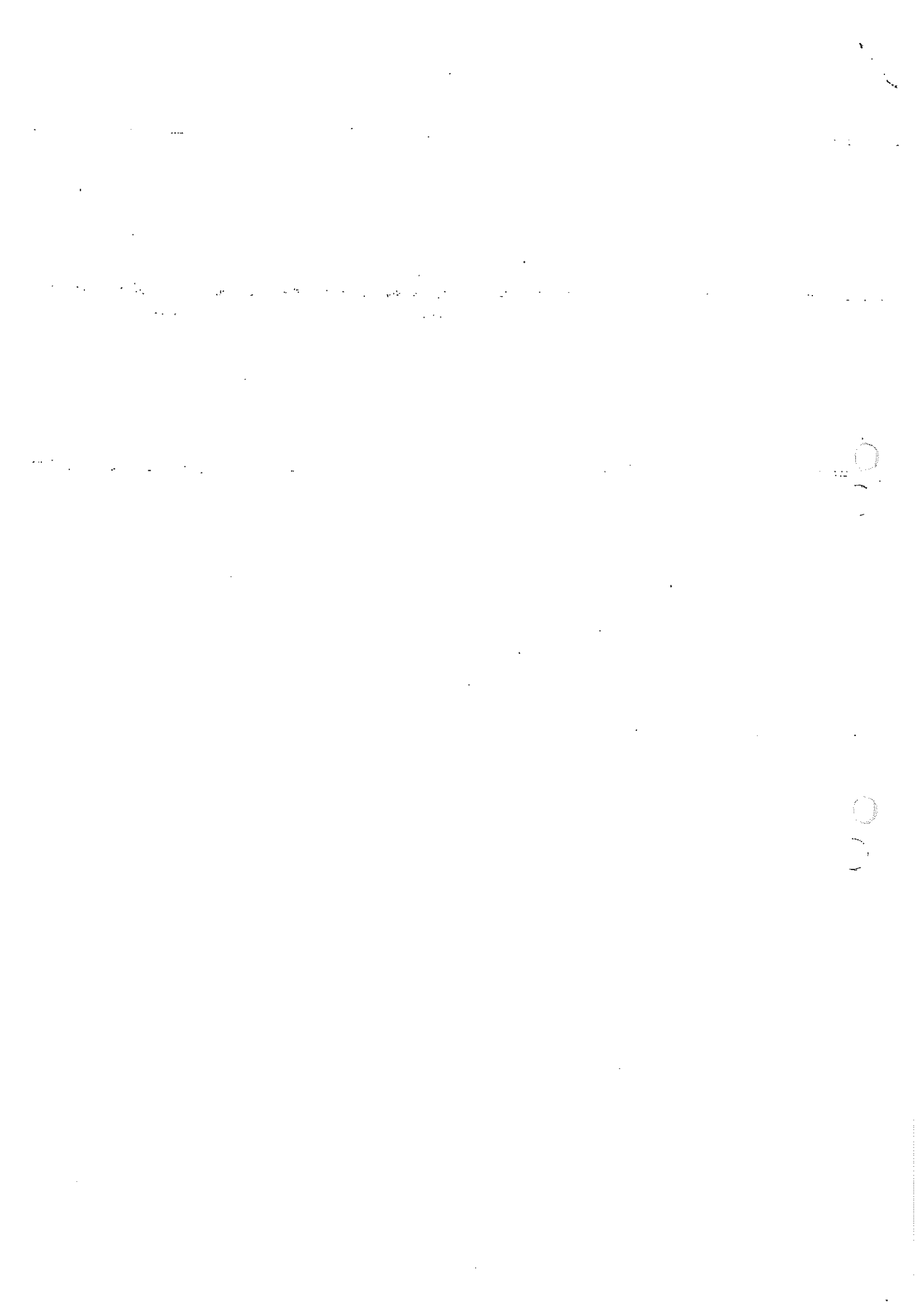
7.6 Any amount in excess of the delegation provided for in paragraph 7.5 above may only be reviewed by the Executive Mayor and must be submitted together with a recommendation to Council for consideration.

7.7 All amounts to be written off in terms of Section 7.4 and Section 7.5 above must be considered individually and each case on its own merits must be separately reported to the Committee.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

8.1 This policy shall be implemented once approved by Council. All future submissions for the writing off of debt must be considered in accordance with this policy.

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FETAKGOMO/TUBATSE MUNICIPALITY

FINAL PRINCIPLES AND POLICY ON INDIGENT CONSUMERS

Final policy to be implemented 1 July 2017

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FETAKGOM-GREATER TUBATSE LOCAL MUNICIPALITY

PRINCIPLES AND POLICY ON SUBSIDY SCHEME FOR INDIGENT HOUSEHOLDS

1. INTRODUCTION

- 1.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economical development of the community and ensure that all residents and communities in the municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1) (b) and 153(b) of the Constitution.
- 1.2 Basic services are generally regarded to be access to electricity, access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads.
- 1.3 The Constitution recognises Local Government as a distinct sphere of Government and as such also entitles Local Government to a share of nationally raised revenue, which will enable it to perform their basic function of providing essential services to the community within their boundaries.
- 1.4 The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the Municipality is not financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.
- 1.5 To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
- 1.6 The consumer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Fetakgomo-Greater Tubatse Municipality.

2. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial management system of Fetakgomo-Greater Tubatse Municipality and to ensure that the same procedure is followed for each individual case.

3. CRITERIA USED FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT

- 3.1 Grants-in-aid may, within the financial ability of the Municipality, be allocated to household owners or tenants of premises who receive electricity (directly from Eskom), refuse removal, water and sewer (rendered per service level agreement for Greater Sekhukhune DM) and assessment rate services, in respect of charges payable to the Municipality for such services.

3.2 These grants may be allocated if such a person or any other occupier of the property concerned can submit proof or declare under oath that all occupants over 18 years of age or in the case of child headed household consumers had no income or a verified total gross monthly income of less than the amount indicated in terms of the definitions below for the preceding three consecutive months.

3.2.1 Definition of an Indigent.

3.2.1.1 If the total monthly income of all occupants is not more than an amount as determined by Council from time to time. These amounts will be determined at the beginning of every financial year and will be applied for the duration of that particular financial year. Currently the income amount is deemed to be equal to 2(two) times the social pension.

3.2.1.2 **Must only have one property in the country and the property must be occupied as his/her normal residence. Property value of the property must not be more than R100000-00 . If a house is built for the parents with a valuation more than R100000-00 the parents will not qualify to be seen as indigent**

3.2.2 Definition of Child Headed Families. Families headed by children qualify for special rebates according to monthly household income. To qualify for the rebate the head of the family must:-

- a. **Only have one property in the Country and the property must be occupied as his/her normal residence. Property value must not be more than R100000-00**
- b. Not be older than 18 years of age.
- c. Still be a student or jobless.
- d. Be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality.
- e. Entry level amount for the 2017/2018 financial year is determined as equal to two times the social pension.

3.3 Only one application per person (household consumer) in respect of one property shall qualify for consideration. A business, school, body association, club or governing body shall not qualify for consideration.

3.4 The subsidy will apply to the owner or tenant of the property concerned.

3.5 **The subsidy will not apply in respect of households owning more than one property and will therefore not be classified as indigent.**

4.1 **APPLICATION AND AUDIT FORM**

- 4.1 An application form for Indigent Household Subsidy must be completed by all consumers who qualify in terms of this policy.
- 4.2 The account holder must apply in person and must present the following documents upon application:-
- 4.2.1 The latest Municipal account in his/her possession.
- 4.2.2 The account holder's identity document.
- 4.2.3 An application form indicating the names and identity numbers of all occupants/residents over the age of 18 years, who reside at the property.
- 4.2.4 Documentary proof of income where possible or an affidavit of financial status.
- 4.2.5 Statement of monthly income and expenditure.
- 4.3 **All applications must be verified by an official or municipal agent appointed by Council. The relevant Ward Councillor must be involved during the evaluation process and must verify the application together with the relevant officials and local community leaders or ward committee members appointed by Council in this regard.**
- 4.4 Application forms must be read in conjunction with the policy proposed and form part of Council's indigent policy.
- 4.5 The list of indigent households may be made available at any time to the Information Trust Corporation (ITC) for the purpose of exchanging credit information. Households qualifying for consumer credit elsewhere will not be regarded as indigents. Indigents with pensioner status are excluded.
- 4.6 If an application is favourably considered, a subsidy will only be granted during that municipal financial year and the subsequent twelve (12) month budget cycle. The onus will rest on the approved account holders to apply for relief on an annual basis.
- 4.7 Any aggrieved person who was not successful in the application to be recognised as indigent may lodge an appeal with the Chief Financial Officer within a period of ten (10) days from the date on which the aforesaid decision was communicated to the applicant.
- 4.7.1 The Appeals Board whose composition shall be approved by council shall review all appeals within thirty (30) days from receipt of the appeal.
- 4.8 For the purposes of transparency, on an annual basis, the following key information of the recipient's indigent support will be made available to the public for scrutiny:-
- Names of household consumers receiving relief for the prescribed period;
 - Stand number where services are rendered to the recipients; and
 - Number of dependants residing on the property.

- 4.9 Any resident may query the qualification of a recipient in writing, within 30 days from the date of publication, to the Council.

5. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

- 5.1 The Chief Financial Officer will be responsible to compile and administer the database for households registered in terms of this policy.
- 5.2 Registration will take place on dates and at times and places determined by the Council, but shall generally be undertaken during February and /or March each year. The Municipal Manager or his/her delegate will provide assistance to persons who cannot read or write, at such times and places as are specified in the notices published to indicate that the registration programme is to take place.
- 5.3 Council reserves the right to send officials or its agents to premises/households receiving relief from time to time for the purpose of conducting an on-site audit of the details supplied.

6. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

- 6.1 Applicants will be required to sign and submit a sworn affidavit, to the effect that all information supplied is true and that all income, i.e. from formal and/or informal sources, is declared.
- 6.2 Any person who **supplies false information will be disqualified** from further participation in the subsidy scheme. He/she will also be liable for the immediate repayment of all subsidies received and all debts including arrears that have previously been written off, and the institution of criminal proceedings, as Council may deem fit.
- 6.3 The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigence status.

7. SERVICES TO BE SUBSIDISED

7.1 Water

- 7.1.1 Not function of the Municipality and therefore applicants have to registered as indigent with the Sekhukhune District Municipality as well

7.2 Sewerage

- 7.2.1 Not a function of the Municipality therefore the applicants have to registered as indigent with the Sekhukhune District Municipality

7.3 Refuse Removal

- 7.3.1 All registered indigents shall be subsidised for refuse removal services as determined and provided for by the Council in the annual budget from time to time. A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.4 Electricity

- 7.4.1 This service is not rendered by the Municipality but by Escom directly

7.5 Property Rates

- 7.4.1 All registered indigents shall be subsidised for property rates services as determined and provided for by the Council in the annual budget from time to time. A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

8. TARIFF POLICY

- 8.1 The Local Government Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003 stipulates that a Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements and which complies with the provisions of the Act and with any other applicable legislation.
- 8.2 A tariff policy must reflect, amongst others, at least the following principles, namely that:-

8.2.1 The amount individual users pay for their services should generally be in proportion to their use of that service;

8.2.2 Poor households must have access to at least basic services through-

- tariffs that cover only operating and maintenance costs;
- special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
- any other direct or indirect method of subsidisation of tariffs for poor households; and

8.2.3 The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

9 SOURCES OF FUNDING

9.1 The amount of subsidisation will be limited to the amount of the equitable share received on an annual basis. This amount may be varied on a yearly basis according to the new allocation for a particular financial year.

9.2 If approved as part of the tariff policy the amount of subsidisation may at any time be increased through cross subsidisation, i.e. step tariff system in which case paragraph 8.2.3 shall apply.

10 METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

10.1 No amount shall be paid to any person or body, but shall be transferred on a monthly basis as a credit towards the approved account holder's municipal services account in respect of the property concerned.

10.2 Arrear amounts shall not qualify for any assistance and shall not be taken into consideration. Calculations shall be based on the monthly current accounts only and in accordance with the approved tariff policy.

11 ARREAR ACCOUNTS

11.1 The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.

11.2 The arrears on the accounts of households, approved as indigent, will be submitted to the CFO (for amounts less than R20000-00) to be written off in full (including any interest charged) or to the Municipal Manger if the amount is between R20001 and R50000 or to Council if the amount is more than R50000 to be written off in full. This will be done after the expiry of 3 months from the date of being registered as an indigent.

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This submission will only be valid as a once-off exercise after approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.

12 RESTORING SERVICES TO QUALIFIED HOUSEHOLDS

12.1 If an application is approved services will be restored free of charge. If services are to be suspended thereafter in terms of the approved credit control policy the approved tariff for reconnection will be payable.

13 SERVICES IN EXTENT TO AVAILABLE FUNDING

13.1 Not function of the Municipality.

14 CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

14.1 Aim of the Credit Control Policy

14.1.1 The credit control policy aims to achieve the following:-

- To distinguish between those who can and cannot genuinely pay for services;
- To get those who cannot pay to register with the municipality so that they are given subsidies;
- To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures; and
- To establish an indigent directory of all persons who comply with the policy.

14.2 Obligation to Pay

14.2.1 The policy on provision of services should endeavour to provide services in accordance with the amount available for subsidisation.

14.2.2 It is however important to note that if the subsidy received does not cover the full account the consumer is still responsible for the balance between the full account and the subsidy received.

14.2.3 Where applicable, credit control must still be applied, in accordance with the approved credit control policy, for these outstanding amounts.

15. REPORTING REQUIREMENTS

15.1 The municipal manager shall report on a monthly basis to the Executive Committee for the month concerned and by municipal ward:-

15.1.1 The number of households registered as indigents and a brief explanation of any movements in such numbers;

15.1.2 The monetary value of the actual subsidies and rebates granted; and

15.1.3 The budgeted value of the actual subsidies and rebates concerned; and the above information cumulatively for the financial year to date.

15.2 The Executive Committee shall submit the above reports on a quarterly basis to Council and to the municipalities ward committees if so requested.

16 IMPLEMENTATION AND REVIEW OF THIS POLICY

16.1 This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.

16.2 In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

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