

CREDIT CONTROL AND DEBT COLLECTION POLICY

CONTENTS

	Page
Executive Summary	3
PART A: CREDIT CONTROL AND DEBT COLLECTION	4
1. The Present Situation	5
2. Public Involvement	6
3. The Constitutional and Legislative Framework	8
4. Supervising Authority	10
5. Implementing Authority	11
6. “Bhato Pele” Principles of Service Delivery	11
7. Credit Control and Debt Collection	12
7.1 Service delivery agreements	12
7.2 Metering / Measurement	13

7.3 Tampering and punishment	14
7.4 Billing	14
7.5 Consumer deposits	14
7.6 Arrears Collection	15
7.7 Involvement of employees	15
7.8 Debt incurred before 31 March 2001	16
7.9 Debt incurred from 1 April 2001	16
7.10 Handing over of accounts to collection agents	18
7.11 Consolidation of accounts	18
7.12 Access to premises	19
7.13 Customer Care	19
7.14 Death of owner of private property or tenant/beneficiary of municipal property	20
7.15 Property Related Debt	22
8. Recovery of Rates	20
9. Implementation	21

PART B: INDIGENT SUPPORT

1. Introduction	22
2. Service Delivery and Assistance	22
2.1 Service levels	22
2.2 Identifying the target group	23
2.3 Subsidy source	23
2.4 Design of the subsidy	23
2.5 Implementation of The Subsidy	23
2.6 Monitoring, Evaluation and Review	23
3. Implementation	23
3.1 Criteria for qualification	24
3.2 Identify beneficiaries	24
3.3 Design of the subsidy	25
3.4 Monitor progress against objectives	26

EXECUTIVE SUMMARY

Introduction

Notwithstanding existing credit control and indigent support policies, the problem of non payment for services is prevalent in Langeberg which resulted in the Minister of Local Government exercising his powers in terms of Section 10G(2)(m) of the Local Government Transition Act, 1993. The original instruction to Ashton to review the existing policy and to compile a formal indigent policy as part thereof has been substituted for Langebrg, and Munstel, as professional service provider to the Provincial Administration, was appointed to assist the Council to develop proper policy in respect of credit control and indigent support.

Methodology

A Steering Committee consisting of Councillors and senior officials was established to manage and monitor the process. The Consultants arranged an alignment meeting with the Committee at which certain aims and objectives, including those mentioned above, were identified.

An extensive public involvement process as set out in par. 2, Part A of the policy document was followed with remarkable success. Workshops were well attended and participants were allowed to participate in the language of their choice. Draft documents were referred to the Steering Committee on a regular basis.

PART A - CREDIT CONTROL AND DEBT COLLECTION

1. THE PRESENT SITUATION

- 1.1** ***Possible reasons for non-payment*** – At the Steering Committee meeting held on 19 September 2000, the undermentioned possibilities were discussed and were subsequently strongly confirmed at public meetings held at the community hall in Zolani on Wednesday 1 November 2000 and in the Town Hall as well as at similar meetings held in the other towns after the election on 5 December 2000.
- 1.2.1 *the lack of a credit control section with personnel trained for this purpose,*
- 1.2.2 *accounts that are not user friendly regarding language and specification;*
- 1.2.3 *seasonal income of a large component of consumers;*
- 1.2.4 *poor households that cannot pay;*
- 1.2.5 *a culture of non-payment that still exists;*
- 1.2.6 *the poor state of old municipal housing;*
- 1.2.7 *the lack of proper communication regarding any credit control measures;*
- 1.2.8 *the lack of legal clarity and/or communication around ownership (title deeds) and levies, rates and services in housing projects;*
- 1.2.9 *the lack of personal involvement of top management in residential areas*
- 1.2.10 *the “gravy train” perception connected to top management’s fringe benefits in the form of overtime paid and motor car allowances;*

- 1.2.11 *the refusal by the municipality to sell pre-paid electricity where other services are in arrears;*
- 1.2.12 *slow response by officials to complaints.*
- 1.2.13 *the confusion caused by old debt still appearing on monthly accounts;*
- 1.2.14 *the poor administration of salary deductions at the factories and the affordability of such deductions;*
- 1.2.15 *the lack of communication regarding the provision of services, e.g. the service levels, affordability, etc.*

These matters will all be dealt with in more detail under the different components of credit control and indigent support below. It is significant that the above-mentioned issues were identified as part of a public participation process referred to below, in which the Steering Committee, consisting of Councilor's and senior officials, and the different communities were involved.

2. PUBLIC INVOLVEMENT

The extent, to which any policy regarding credit control and indigent support can affect the lives of residents and consumers, necessitates a process whereby those affected should be given the opportunity for input and contributions towards an acceptable solution. Needless to say that without their co-operation, the successful implementation of any policy will be met with considerable difficulties.

The need for public participation in this instance was not only to get input from the community, but also to confirm certain important principles which form an important part of the credit control and indigent support process.

- The process followed is set out below:
 - Public notice in the local newspaper, "The Breede River Gazette."

- Personal invitation to organizations and employers;
- Distribution of flyers;
- Open workshops in all the towns.

The process of workshopping where communities were given the opportunity to speak their own language proved to be very successful, given the fact that between 350 – 400 residents attended meetings where the issues referred to in 1.2 above were extensively debated. The successful public involvement process resulted in the acceptance of the following principles by the communities:

That:

- 2.1 those who can afford to pay for services be subjected to the measures proposed for credit control;***
- 2.2 urgent steps be implemented to identify those who cannot pay and to separate them from those in 2.1 above;***
- 2.3 debt older than 120 days be removed from current accounts and be kept as a separate record;***
- 2.4 debt younger than 120 days be reflected on current accounts and be treated as current debt;***
- 2.5 Council contribute on a rand for rand basis towards the redemption of debt older than 120 days;***
- 2.6 the Equity Share from Central Government be applied to indigent households to its full extent;***
- 2.7 the installation of pre-paid water and electricity meters at all identified indigent households be investigated; provided that “free services” be incorporated into the tariffs for such households;***
- 2.8 service levels, tariff structures and policies be aligned with the above principles;***

It is however important to understand the Constitutional and legislative obligations of a Council in order to address the issues stated above.

3. THE CONSTITUTIONAL AND LEGISLATIVE FRAMEWORK

3.1 The Constitution – Chapter 7 of the Constitution and specifically Sections 152 and 153 spells out clearly the objects and obligations of Local Government. It follows that, in order to achieve these goals and to meet these obligations, a municipality will have to manage its financial affairs professionally.

This means that the present methods of service delivery and the financial management thereof will have to be investigated and adjusted if necessary. The developmental role attributed to local government by the Constitution dictates these changes, which is further supported by the White Paper on Local Government. The latter document addresses financial management and service delivery in great detail and at the same time recommends strong measures against households who can afford to pay for services but are not doing so.

3.2 *The Local Government Transition Act, 209 of 1993 (as amended)* – Section 10G of the Second Amendment Act prescribes the financial management of a municipality's affairs and budgetary procedures etc. It also specifies the role of Council and the Executive Officer with regard to collection of monies owed to the municipality.

3.3 *The Municipal Structures Act, 117 of 1998 (as amended)* – The Act provides for the establishment of new municipalities and to regulate the internal systems, structures and office-bearers of such municipalities. It also authorises the delegation of duties to committees and officials.

- 3.4** ***The Municipal Systems Act, (32 of 2000)*** – The Act deals extensively with service delivery, credit control, customer care, etc. It specifically refers to the debt collection responsibility of municipal councils and the responsibilities of the Municipal Manager.
- 3.5** ***The Municipal Finance Management Bill*** -The bill is entirely directed to the financial management of a municipality. It prescribes the total budgetary process, financial statements, auditing procedures, etc.
- 3.6** ***The Promotion of Access to Information Act, 2000*** – As credit control also deals with access to information; the requirement of this Act should be adopted in the policy.
- 3.7** ***The Promotion of Administrative Justice Act, 3/2000*** – The requirement of fairness and transparency in all local government matters calls for the inclusion of the principles of this Act in the proposed policy. Fair administrative procedures underlie trust and good communication and should be maintained throughout. It follows that the municipality will have to be very cautious of the rights of the individual in terms of this Act and the Constitution and to refrain from intimidation and unreasonable action in collecting outstanding debt.
- 3.8** ***The Water Services Act, 108/1997*** – The Act provides for the rights of access to basic water supply and sanitation and the duties of the different spheres of government to ensure sustainable supply services.
- 3.9** ***Electricity Act, 41/1987*** – the Act provides for electricity supply to consumers and the duties of a local authority as a licensee.

Against this background it should be clear that the Central Government is very serious in effecting the Constitutional obligations of municipalities and that much is expected from the politicians and officials to make it happen. It is therefore necessary to look at service delivery and the role of politicians and officials in an effort to give effect to the obligations set out above.

4. SUPERVISING AUTHORITY

Section 99 of the Municipal Systems Act provides as follows:

A municipality's executive committee or executive mayor or, if a municipality does not have an executive committee or executive mayor, the municipal council itself or a committee appointed by it, as the supervising authority must-

- (a) *Oversee and monitor –*
 - (i) *The implementation and enforcement of the municipality's credit control and debt collection policy and any by-laws enacted in terms of Section 98; and*
 - (ii) *the performance of the municipal manager in implementing the policy and any by-laws;*
- (b) *When necessary, evaluate or review the policy and any by-laws, or the implementation of the policy and any such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and*
- (c) *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 mentioned in paragraphs (a) and (b).*

The above wording makes it clear that the supervising authority's role is restricted to oversee, to monitor, to evaluate and to review. This means that the role of the councilor is restricted to policy making only.

5. IMPLEMENTING AUTHORITY

Section 100 of the Municipal Systems Act provides as follows:

The municipal manager or service provider must –

- (a) *implement and enforce the municipality's credit control and debt collection policy and any by-laws enacted in terms of Section 98;*
- (b) *in accordance with the credit control and debt collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due to the municipality; and*
- (c) *at such intervals as may be determined by the council, report the prescribed particulars to a meeting of the supervising authority referred to in Section 99.*

The above makes it clear that the Municipal Manager and his administration have the role of implementing and enforcing policy made by the supervising authority.

6. THE SERVICE DELIVERY PRINCIPLES OF BHATO PELE ("PEOPLE FIRST")

Like all Government departments, municipalities are also rendering services to the public, "the people". These "people" therefore also have a legitimate expectation to an acceptable standard of service delivery.

In an effort to find answers to the possible reasons as to why people do not pay for services, one certainly has to look at the principles of service delivery, because poor service delivery, or the absence of a proper communication strategy, proves to be some of the reasons for non-payment.

The culture of non-payment, which still exists, has much to do with the service delivery methods and communication (or the lack thereof)

of the past and can only be addressed by giving effect to the following eight principles of *bhato pele*:

- ❖ *Consulting users of services;*
- ❖ *Setting service standards;*
- ❖ *Increasing access;*
- ❖ *Ensuring courtesy;*
- ❖ *Providing more and better information;*
- ❖ *Increasing openness and transparency;*
- ❖ *Remedying mistakes and failures;*
- ❖ *Getting the best possible value for money;*

The adoption of these important principles are however of no use if it is not accepted as an objective by both councillors and officials.

Some of the principles might be new to some officials or councillors and it will therefore necessitate drastic changes of attitude and focus in many cases.

The following paragraphs will attempt to put these principles into practice.

7. CREDIT CONTROL AND DEBT COLLECTION

The following paragraphs describe what the municipality will be required to do, and it will also serve as Council's policy with regard to credit control and debt collection.

7.1 Service delivery agreements – The delivery of services to all households should be subject to a service delivery agreement. It means that no service be rendered without an agreement having been signed between the consumer and the municipality.

7.2 Metering/Measurement – Means the determination of the extent of services rendered to each consumer in each category. The following steps shall apply:

That-

- 7.2.1 since most erven in the different towns are provided with water and electricity meters, service charges will be based on actual metered consumption,
- 7.2.1 that meters be installed at all new developments,
- 7.2.2 that, where possible, all services be metered;
- 7.2.3 that municipal staff undertake the monthly reading of meters;
- 7.2.4 that electronic hand-held reading devices be introduced where necessary to ensure more accurate readings and to eliminate guessing as far as possible;
- 7.2.5 that all meter readers be fully trained and equipped to undertake proper meter reading;
- 7.2.6 that all defect meters be repaired and calibrated to reflect accurate readings,

7.3 Tampering and punishment – Tampering with any metering equipment or damaging any such equipment should be regarded as serious and the following action shall apply:

- 7.3.1 removal of the meter and legal prosecution for damages;
- 7.3.2 recovery of costs including that of replacing meters;
- 7.3.3 the full outstanding amount being called up for immediate settlement with the normal credit control procedures being followed thereafter;
- 7.3.4 payment of reconnection fees as determined by Council from time to time,
- 7.3.5 that water services be suspended and electricity be disconnected until the outstanding amounts in 7.3.1 to 7.3.4 have been settled.

7.3.6 The engineer department must become evidence, such as photos, of the meter that was tampered. A notice must be left at the property and the notice must indicate that their meter has been tampered with, the penalties that are payable before and that they must object within one week. The ward councillor should be informed, if possible.

7.4 ***Billing*** – Refers to the process of preparing and presenting a claim or invoice to consumers based on the quantity of service consumed by, and delivered to a consumer in a specific period. The following steps shall apply:

That-

7.4.1 that the present software for billing be upgraded to achieve effective and accurate billing to be uniformly applied,

7.4.2 that, if necessary, the delivery of accounts from door to door be outsourced to members of the community, which can also include local organizations;

7.4.3 that the time of delivery of accounts be aligned with accounts delivered by other commercial undertakings such as Edgars, Foshini etc.

7.4.4 that accounts be printed in English, Afrikaans and Xhosa;

7.4.5 that accounts be simplified and the different services clearly indicated;

7.4.6 that the debt collection steps be reflected on accounts;

7.4.7 that addresses for delivery be checked for correctness;

7.5 ***Consumer deposits*** –

That-

7.5.1 that a deposit, as determined by Council from time to time, be paid before services to households are connected;

7.5.2 that the deposit be forfeited and used as payment where a consumer leaves the household address with unpaid accounts;

7.5.3 that consumer deposits may be increased to twice the amount in 7.5.1 in the event of discontinuation of services, to be paid by the consumer before reconnection;

7.6 ***Arrears Collection*** – Refers to the process followed to recover debt where consumers fail to pay monthly accounts. It is of major importance to ensure that proper software is in place to manage the following issues:

7.6.1 preparing accounts for printing,

7.6.2 identification of defaulters;

7.6.3 producing reminders;

7.6.4 registering arrangements;

7.6.5 producing arrangement documentation;

7.6.6 monitoring of arrangements;

7.6.7 dividing municipality in areas;

7.6.8 monitoring of payments in areas;

7.6.9 production of cut lists if necessary,

7.6.10 preparing the lists to be handed over for legal action;

7.6.11 keeping track of feedback from debt collection firms;

7.7 ***Involvement of employers*** – The present arrangement with major employers, such as the canning factories, in terms of which deductions in respect of arrears as well as current payments from weekly wages are made, should be encouraged, provided that employees participate on a voluntary basis and that deductions are subject to affordability. It should be extended to other employers with the following incentives for those who participate:

- 7.7.1 That a commission as determined by Council from time to time be paid to employers who participate and undertake the administration of such deductions;
- 7.7.2 That employees who participate be granted a discount to be determined by Council;
- 7.7.3 That a monthly cash bonus draw be devised exclusively for employees mentioned in 7.7.2 who are not in arrears on accounts.

7.8 *Debt incurred before 31 March 2001* – The most important objective of any credit control policy is to ensure that current accounts are all paid on the due date. This should be given priority to maintain continuous cash flow while effort should still be made to collect arrears. Experience has also shown that large amounts of arrears that appear on accounts have a very negative impact on payment of current accounts. The following steps shall apply:

- 7.8.1 That all arrears incurred before 31 March 2001 be removed from current accounts and be held in a separate “suspense account”;
- 7.8.2 That Council make a contribution of R1 for each R1 paid by a consumer on a current account, towards the redemption of the arrears mentioned in 7.8.1;
- 7.8.3 That no interest be levied on the amounts in 7.8.1;
- 7.8.4 That the contribution made by Council in terms of 7.8.2 be withdrawn and the outstanding balance of the said debt be returned to the consumers’ current account where the consumer fails to pay the current account and that he/she be dealt with as a defaulter in terms of 7.9 below;

7.9 *Debt incurred as from 1 April 2001 and current debt*

All debt incurred as from 1 April 2001 remains on the current account of the consumer. The consumer remains responsible for payment

thereof together with the current account. In respect of normal current accounts the following steps shall apply:

- 7.9.1 In the case of normal current accounts, a reminder, giving the defaulter a maximum of 10 days to pay the full amount or the option of arrangement for settlement, is to be sent out immediately after the date of payment has passed and no payment has been received;
- 7.9.2 that water supply be restricted to trickle and electricity supply discontinued in case of normal supply and that sales be blocked in case of prepaid metering where no response to the first reminder is received;
- 7.9.3 that interest, at a rate determined by Council, be levied on all accounts older than 30 days, as from a date determined by Council;
- 7.9.4 That any arrangement for payment be standardized and reduced to writing. The following steps with regard to arrangements shall apply:
 - 7.9.4.1 When the services has been disconnected are the full current account, as well as the administrative fee, payable before the services are reconnected;
 - 7.9.4.2 That credit control officials be authorized to make affordable arrangements with consumers to pay off arrear debts and that an investigation into the financial position of the consumer be made to determine the maximum amount that the consumer can pay.
 - 7.9.4.3 Consumers can make a maximum of three arrangements in a period of three years, which will start on 1 July 2007.;
 - 7.9.4.4 That credit bureau listing be considered in respect of habitual defaulters;
 - 7.9.4.5 That the administrative fees, as determined by Council, be paid before any service is reconnected;

- 7.9.4.6 That information regarding residents who's services are going to be disconnected, be provided per list to ward councillors and be treated as confidential.
- 7.9.4.7 That the conventional electricity meter of an indigent with an outstanding electricity account be replaced by a pre-paid electricity meter, at no cost to the indigents.
- 7.9.4.8 In cases where consumers request that their outstanding electricity account be written off, it only be considered if such consumer agree that the conventional electricity meter be replaced with a pre-paid meter, at the cost of the municipality.

7.10 *Handing over of accounts to collection agents*

- 7.10.1 If a consumer remains in default after the implementation of the steps in 7.9 above, the account must be handed over for legal action;
- 7.10.2 Collection Agents to be authorized to apply all possible legal steps, including the sale of property in execution;
- 7.10.3 That attorneys/agents be invited to quote or tender for the rendering of debt collection services in an effort to reduce legal costs;
- 7.10.4 That the successful collection agent be required to report monthly on progress in a format provided by Council;
- 7.10.5 That Council's customer care principles be conveyed to the said collection agent to be complied with.

7.11 *Consolidation of accounts*

The following steps shall apply in accordance with Section 102 of the Municipal Systems Act, 32/2000:

- 7.11.1 any separate accounts of persons liable for payments to the

municipality may be consolidated;

7.11.2 a payment by such a person may be credited against any account of that person; and

7.11.3 any of the debt collection and credit control measures provided for in this policy may be implemented in relation to any arrears on any of the accounts of such a person.

7.11.4 subsections 7.11.1 – 7.11.3 shall not apply where there is a dispute between the municipality and a person referred to in those subsections concerning any specific amount claimed by the municipality from that person.

7.12 Access to premises

The following steps shall apply in accordance with Section 101 of the Municipal Systems Act, 32/2000.

7.12.1 The occupier of premises in a municipality must give and authorized representative of the municipality or of a service provider access at all reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict the provision of any service.

7.12.2 If the occupier of premises refuses or obstructs an authorized representative of the municipality to gain access to premises the matter shall be reported to the SA Police for prosecution and the SA Police shall be requested to accompany such representative to the premises in order to gain access.

7.13 Customer care – Customer care and management as prescribed in Section 95 of the Municipal Systems Act is strongly supported by the *Bhato Pele* principles as described above and will undoubtedly lay

the foundation for a positive and reciprocal relationship between people liable for payments and the municipality. The following steps shall apply:

- 7.13.1 that a proper communication strategy be developed;
- 7.13.2 that a fully equipped and trained credit control section be established to handle only credit control and indigent support;
- 7.13.3 that a user friendly “help desk” which is accessible on Saturdays be established in the section;
- 7.13.4 that a toll free number for account enquiries be provided;
- 7.13.5 that a consumer education campaign be instituted to educate consumers in respect of the following:
 - 7.13.5.1 service provision and maintenance thereof;
 - 7.13.5.2 why payment for services is necessary;
 - 7.13.5.3 how tariffs are determined;
 - 7.13.5.4 about the Council’s full credit control and indigent policy;
- 7.13.6 that pay points, which are accessible on Saturdays, be established in townships and other areas where such a need arises;
- 7.13.7 that a monthly newsletter be distributed in which payment issues are prominently addressed and reported on;
- 7.13.8 That the municipal area be divided into measurable units or areas for the purposes of measuring or comparing payments and that the following incentives be offered for regular payment of accounts:
 - 7.13.8.1 monthly cash draw as determined by Council in respect of all fully paid accounts;
 - 7.13.8.2 public recognition given to those areas that perform best with regard to payment;
 - 7.13.8.3 that annual rewards be given to the best paying performance of the traditional non-paying areas;

7.14. Procedures to register accounts in the name of the person who is responsible for a property

- 7.14.1 As transitional arrangement households will be granted a period of three (3) months as from 1 July 2011 to ensure that accounts are registered in the name of the person who is responsible for the property and use the services of the municipality
- 7.14.2 After the transitional period as per paragraph (a) above, households must register the account in the name of the person responsible for a property within a period of one (1) month after the death of the owner of the property.
- 7.14.3 The person responsible for the property must certify that he/she accepts the conditions as indicated on a declaration form before he/she can apply for services of the municipality.
- 7.14.4 The following conditions must be included in the declaration form as per paragraph (b) above and the person responsible for the property must certify that he/she:
- (i) occupy the property legally
 - (ii) is responsible for the property.
 - (iii) take responsibility for the outstanding services account of the owner who has died
 - (iv) take responsibility for rates and taxes
- 7.14.5 A death certificate or any other proof must be provided that the owner of the property has died
- 7.14.6 Both the declaration form and application form for services must be completed and certified before services will be connected.
- 7.14.7 With regards to municipal properties the Housing Department will give written approval that the account can be registered in the name of the applicant to ensure control over municipal properties.
- 7.14.8 The community and households must be informed by means of notices and public meetings of their responsibility to register the account in the name of the person responsible for the property.
- 7.14.9 Transitional arrangement as per paragraph (a) - After a period of three (3) months services will be disconnected to enforce households to apply for services to ensure that households take responsibility for services that are used
- 7.14.10 After the transitional period - If the declaration and application forms is not completed within a period of one (1) month services will be disconnected to enforce households to apply for services to ensure that households take responsibility for services that are used.
- 7.14.11 If services have been disconnected and no person has taken responsibility for the outstanding account after a period of one(1) month after the services have been disconnected, the outstanding amount will be provided to the attorneys / legal adviser for sale of execution.

7.15 Property Related Debt

An amount due for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property and shall be for the account of the registered owner regardless of who incurred such debt.

8. RECOVERY OF RATES

Rates levied on properties which become due and payable on 1st July each year shall be recovered as follows:

- 8.1 If any rates, other than rates which are being paid in installments, remain unpaid after a period of three months from the date on which such rates became due and payable, the treasurer shall, cause legal proceedings to be instituted for the recovery thereof;
- 8.2 If rates which are being paid in installments have not been paid in full after the expiration of a period of twelve months from the date on which such rates became due and payable, the treasurer shall-
 - 8.2.1 cause to be served on the owner a demand in writing requiring him to pay the amount due and payable by him within a period of fourteen days after the service thereof, and
 - 8.2.2 if after expiration of the aforementioned period of fourteen days such rates have not been paid, cause legal proceedings to be instituted for the recovery thereof.
 - 8.2.3 if not less than three installments, whether consecutive or not, are so

unpaid or paid in arrear during any financial year, by notice in writing served on the owner withdraw his right to pay rates by installments and be subjected to the normal debt collection procedures.

9. IMPLEMENTATION OF POLICY

The importance of credit control necessitates urgent attention to the implementation of the principles and suggestions above and the following steps should be put into operation:

- 9.1 That a structure for the credit control section be designed;
- 9.2 That existing staff be identified to be transferred to the credit control section;
- 9.3 That training of such staff be undertaken as a matter of urgency;
- 9.4 That all documentation to be used in the process be prepared;
- 9.5 That the new policy in respect of credit control and indigent support be communicated to the public;
- 9.6 That the identification of indigent households be commenced with as soon as possible;

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PART B - INDIGENT SUPPORT

1. INTRODUCTION

To enable council to fulfil its constitutional mandate to promote social and economical development, National Government makes annual contributions to local authorities in terms of the Division of Revenue Act. Such contributions inter alia provide for infrastructure and

restructuring. In respect of indigent support government however makes an unconditional grant better known as “Equitable Share”.

Council is therefore expected to identify the poor households that require assistance from the said fund. In assisting such households they should be separated from those referred to in Part A above and specific policy to address them is therefore necessary.

There are however certain issues and principles associated with subsidies to the poor, which are discussed below:

2. SERVICE DELIVERY AND ASSISTANCE

In choosing the right options for service delivery and assistance there are certain principles of which the most important are dealt with below:

- 2.1** ***Service levels*** – The municipality must assess the levels of services to those who cannot afford to pay. They might prefer a lesser service than that available.
- 2.2** ***Identifying the target group*** – Possibly the most difficult part of the process. Various options will have to be explored to ensure that all poor households are identified.
- 2.3** ***Subsidy sources*** – Because of very limited internal sources, if any, the municipality is largely dependent on external sources such as Equity Share, CMIP, and other capital grants. The maximum amount per household in terms of Equity Share is restricted to R86 per month. It is however just a guideline and Council can decide otherwise.

- 2.4** ***Design of the subsidy*** – Various options are available, e.g. cash payments, vouchers or monthly accounting on the consumer's account. It has to be considered very carefully, however, and should be as transparent as possible.
- 2.5** ***Implementation of the subsidy*** - Successful implementation of the scheme will depend largely on the institutional capacity and the resources of the municipality to do so.
- 2.6** ***Monitoring, evaluation and review*** – This is a crucial part of the process where certain patterns will emerge which will have to be analysed. Monitoring ensures that the scheme runs optimally within the rules laid down.
- 2.7** ***Household income*** – Household income means the income of the all the people that are staying on the property and that are utilizing the municipal services of that property.

3. IMPLEMENTATION STRATEGY

It is extremely important that a clear set of rules be laid down for the implementation of a subsidy scheme like this. The rules should be clear on who qualifies for subsidy, who can change the rules and when, who administers the system and what sanctions apply to those found cheating. People need to be educated on how the scheme works to enable them to take up the subsidy. The following steps shall apply:

3.1 Criteria for qualification

The following criteria for qualification shall apply:

- 3.1.1 Consumers with a monthly household income of less than R 3000;
- 3.1.2 Households with no income for the period during which the major factories are not operating – application to be lodged with Council prior to termination of employment;

3.2 Identify beneficiaries

The identification of recipients should be undertaken as part of the municipality's overall strategy for alleviation of poverty with special effort to identify as many as possible of the poor households. The indigent policy shall be communicated to residents in as many as possible ways, inviting households to apply for assistance. The following ways of communicating the scheme could be applied:

- 3.2.1 Public notices at strategic points such as clinics, pay points, businesses, banks, municipal offices, libraries etc,
- 3.2.2 Messages on municipal accounts;
- 3.2.3 Newsletters;
- 3.2.4 Local newspapers;
- 3.2.5 Communications to local community organizations or ward committees;
- 3.2.6 Information from municipal records and accounts;
- 3.2.7 Liaison with health and welfare departments, churches and community organizations;
- 3.2.8 Information received from agents handling debt collection.

The process of evaluating applications can be time consuming and sensitive information could be revealed and the services of a welfare worker should be engaged if necessary to assist the municipality with decision-making.

3.2.9 The following process for applying and evaluating/approval of indigent subsidy must be followed:

- (i) Notice must be given to residents to apply on a prescribed form for indigent subsidy not later than 31 May of a year.
- (ii) All applications for indigent subsidy received timeously must be referred to the relevant ward councillor for evaluation, whereafter it will be approved/disapproved by the Chief Financial Officer and be implemented as from 1 July of a year.
- (iii) Indigents as approved will be effective for a medium term of three years.
- (iv) Applications for indigent subsidy received and approved during a year/month will be implemented as from the date that the application was received.
- (v) List of approved indigents will be referred on a six-monthly basis to the Ward Committees for evaluation. Such information must be treated as confidential and may not be discussed in public.

3.3 *Design of the subsidy*

Subsidy from the Equitable Share will be paid as follows:

That -

- 3.3.1 an subsidy amount of 100% of the basic charges of indigents with a household income of less than R 3000 be deducted from the identified household's monthly bill;
- 3.3.2 the subsidy amount be reduced pro-rata where the Equitable Share is not enough to cover the subsidy demand;
- 3.3.3 pre-paid water and electricity meters be installed with subsidized tariffs in respect of sewage and refuse removal;
- 3.3.4 reduced rates (to a maximum valuation) be considered where beneficiaries are the owners of their property;
- 3.3.5 all arrears be written off against Council's provision for working capital as soon as a person/household has been approved as a

indigent and that the Municipal Manager be authorized to approve such write-offs.;

3.3.6 that 50Kwh free electricity be allocated to indigent cases with an household income of less than R 3000 per month, including indigents in the rural area who is not accountholders.

3.3.7 that approved indigents receives free 6 kiloliter of water per month.

3.4 Monitor progress against objectives

The final step is to establish whether the subsidies have reached the households it was intended for, to announce the results and to explain the reasons where the scheme has fallen short of what was intended. The following steps shall apply:

That –

3.4.1 an electronic register be kept of all recipients;

3.4.2 all subsidies be reviewed half yearly;

3.4.3 regular spot checks for changes in income or living conditions be undertaken;

3.4.4 those found cheating be disqualified from any future subsidy or assistance and that normal debt collection procedures be instituted;