



# **MOHOKARE LOCAL MUNICIPALITY**

## **DEBT MANAGEMENT PLAN**

**2015/16**

## INDEX

1. Definitions
2. Object
3. Principles
5. Councillor and municipal staff arrears
6. Rates and services
8. Property management
9. Irrecoverable debt

## 1. Definitions

In this plan, unless the context indicates otherwise, a word or expression to which a meaning has been assigned to Mohokare Local Municipality: Debt Management Plan has the same meaning, and-

**“Child-headed household”** means a household where all occupants of a residential property are younger than 18 years old, i.e. a child-headed household is a household consisting only of children

**“Conversion of balances of old dormant accounts”** means accounts carried forward from the previous municipalities which now form part of Mohokare Local Municipality on which no further transactions, other than interest, if any has been recorded

**“Finance Management Act”** means the Local Government: Municipal Finance Management Act, 56 of 2003

**“Household income”** means the total gross income of both the debtor and the debtor’s spouse or partner and a percentage of the gross income of any other occupants of the property, where applicable

**“Indigent amount”** means the applicable indigent subsidy as determined by the Municipality from time to time

**“Municipal valuation”** means the value of the property as determined in terms of the Property Rates Act

**“Non-residential debtors”** means the state, owners and lessees of non-rebated properties and debtors who do not qualify for, or receive free basic services in terms of the indigent policy

**“Property Rates Act”** means the Local Government: Property Rates Act, 6 of 2004

**“Residential debtors”** means debtors who may qualify for and who may receive free basic services in terms of the indigent policy

**“Rate” or “rates”** means a municipal rate on property as envisaged in section 229 of the Constitution

**“Sundry debt”** means any debt other than rates, metered services, sewerage and refuse removal

**“Water management device”** means a device designed to manage the water flow, water consumption or water needs of a residential property or any other property as determined by Council

**“Rates Policy”** means Mohokare Local Municipality: Rates Policy

**“Tariff Policy”** means Mohokare Local Municipality: Tariff Policy

This plan is to be read together with the Credit Control & Debt Collection Policy of Mohokare Local Municipality as amended by council from time to time. In all instances below failure to respond to notices will result in normal credit control and debt collection processes as provided for in the policy.

## 2. Object

The object of the plan is to -

- (a) focus on all outstanding debt raised on the debtor's account
- (b) promote a culture of good payment habits amongst debtors
- (c) instill a sense of responsibility towards the payment of accounts
- (d) reducing municipal debt
- (e) use innovative, cost effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process and
- (f) effectively and efficiently deal with defaulters in accordance with Mohokare Local Municipality's Credit Control and Debt Collection Policy

## 3. Principles

The plan supports the following principles:

- (a) human dignity must be upheld at all times
- (b) the plan must be implemented with equity, fairness and consistency
- (c) details related to the debt and the account of the debtor should be correct at all times
- (d) debt and arrangement to repay debt will be treated holistically, but different repayment periods or methods may be determined for different types of service, debtors or areas within the general rule that the repayment period should be in sympathy with the instalments and the affordability of the debtor be proved
- (e) where alternatives are available the municipality may provide reduced levels of service to manage the debt growth
- (f) debtors may be referred to 3<sup>rd</sup> party debt collection agencies and may be placed on the National Credit Rating list
- (g) the implementation of this plan is based on sound business practices and applicable legislation

## 4. Councillor and Municipal Staff Arrears

Staff arrears will be dealt with in accordance with **Schedule 2 of the Local Government: Municipal Systems Act 32 of 2000** and in terms of any procedures, methods or actions referred to in the Credit Control and Debt Collection Policy. Notwithstanding any other procedure, method or action that may be taken in terms of the plan, the municipality shall deduct any outstanding amount from such staff members' salary after 3 (three) months

In accordance with **Schedule 1, item 12A of the Systems Act**, a Councillor of the municipality may not be more than 3 (three) months in arrears for municipal service fees, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the municipality. Notwithstanding any other

procedure, method or action that may be taken in terms of the plan, the municipality shall deduct any outstanding amount from such Councillor's remuneration after 3 (three) months

## **5. Rates and Services**

The following provisions shall apply to rates and services:

- (a) If the account is not paid by the due date as displayed on the account, a notice shall be issued showing the total amount owed to the municipality
- (b) If the account is not settled or there is no response from the debtor to make acceptable arrangements to repay the debt, summons may be issued and legal process followed
- (c) The debtor must be warned on a monthly account of a possible disconnection if payment is not received by the due date
- (d) If payment is not received or suitable payment arrangements are not made by the due date, a notice shall be hand-delivered or posted to the physical address warning of an imminent disconnection after 7 (seven) days from the date as stated on the notice
- (e) If payment is not received or suitable payment arrangements are not made by the due date as shown on the notice, the supply will be disconnected and or restricted
- (f) A notice shall be left at the property advising that the supply has been restricted or disconnected
  - (i) The notice must also advise that the supply will only be reconnected after the amounts specified on the notice or any other debt including the reconnection fee, have been paid or an arrangement acceptable to the municipality has been made
- (g) The above notice must also warn of the consequences of unauthorised reconnection
- (h) All residential consumers whose water supply has been restricted will have access to a basic water supply of at least 6kl per month either by means of a restricted water flow to their property or where a water supply has been disconnected as a result of, but not limited to, illegal reconnections and tampering, a water management device will be installed
  - (i) The Municipal Manager has the sole discretion to insist on water management device being installed to a property where the water supply is regularly restricted for non-payment
  - (ii) The Municipal Manager deems the debtor to be a credit risk to the Municipality

## **6. Arrangements**

Principles for Residential Debtors

- (1) Current charges must be paid in full
- (2) The debtor may be required to prove levels of income and must agree to a monthly payment towards arrears based on such debtors ability to pay or based on such debtors total liquidity if the Municipality so requires

- (3) All negotiations with the debtor should strive to result in an agreement that is in the interest of both parties and is sustainable
- (4) Interest will be charged on all arrears
- (5) Interest on –
  - (i) arrears in respect of all rates and services may be suspended, whilst the debtor adheres to the conditions of the arrangement
- (6) Debtors who default on (3) three occasions in respect of arrangements made will be denied the privilege of making further arrangements and the full amount becomes payable
- (7) All arrangements may be subject to periodic review

#### Principles for Non-residential Debtors

- (8) In cases where non-residential debtors wish to make arrangement to liquidate their arrears, the following criteria, inter alia, will apply -
  - (a) debtors may be required to furnish the Municipality with their latest audited financial statements and other supporting documentation relevant to their financial position in order to negotiate a settlement arrangement acceptable to the Municipality
  - (b) all negotiations with debtors should strive to result in an agreement that is in the best interests and is sustainable
  - (c) interest will be charged on all arrears at an interest rate that shall be determined by Council from time to time
  - (d) interest on -
    - (i) arrears in respect of all rates and services may be suspended, whilst the debtor adheres to the conditions of the arrangement
  - (e) all arrangements may be subject to periodic review

### **7. Property Management**

- (1) Rental is payable in advance by the due date
- (2) The property management debt management process begins when a lessee falls into arrears in respect of rental which constitutes a breach of the lease contract
- (3) The property management division may contact a property leases debtor either telephonically or in writing noting the requirements to make the payment against an overdue property leases contract
- (4) No response to this initial contact may (where applicable) lead to restriction (residential) / disconnection (commercial) of the water /electricity supply for that property

- (5) Where a debtor is in contractual default, “a first letter” requesting payment, and offering the debtor the opportunity to make an arrangement within 30 (thirty) days of the date of the “first contact letter” is submitted to the debtor
- (6) Failure by the debtor to respond to the “first contact letter” within the requisite 30 (thirty) day period will automatically result in the institution of the required legal related proceedings by way of “a legal letter” demanding payment within a stipulated period being sent to the debtor.

#### **8. Irrecoverable debt**

- (1) To be dealt with in terms of the Debt Write-Off Policy

#### **9. Review of this Plan**

- (1) This Plan shall be reviewed annually as and when necessary

