ANNEXURE C

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive || innovative || inspired

2022/2023 Budget-Related Policies

March 2022

CONTENTS

Policy C1:

Writing-off of Irrecoverable Debt Policy

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive || innovative || inspired

2022/2023 Writing-Off Of Irrecoverable Debt Policy

March 2022

TABLE OF CONTENTS

1. INTRODUCTION

1.1 To ensure that household consumers with no or little income are not denied reasonable basic services and that the Municipality is not financially burdened with non-payment of these basic services, the Council of Knysna Municipality approved policies on property rates, tariffs, customer care, credit control, debt collection and indigent support to be implemented.

1.2 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible writing-off of irrecoverable debt.

1.3 The Municipal Manager must ensure that all avenues are utilised to collect the Municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000), such as –

1.3.1 The insolvency of a debtor whose estate has insufficient funds;

1.3.2 A balance being too small to recover, for economic reasons, considering the cost of recovery; and

1.3.3 Where Council deems that a customer or group of customers are unable to pay for services rendered.

1.4 The Municipality will have to maintain audit trials in such instances where bad debt is written-off and document the reasons for the abandonment of the actions or claims in respect of the bad debt.

2. PURPOSE OF THE POLICY

2.1 The purpose of the Writing-Off of Irrecoverable Debt Policy is to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalised to ensure that consumers (especially households) are relieved of their spiral of debt.

3. RESPONSIBILITY AND ACCOUNTABILITY

3.1 The Council has the overall responsibility and accountability for adopting and approving of the Writing-Off of Irrecoverable Debt Policy.

4. POLICY PRINCIPLES

4.1 The following are the guiding principles for the implementing of the Writing-Off of Irrecoverable Debt Policy (hereafter called the Policy) –

4.1.1 The Policy will comply with the Local Government: Municipal Finance Management Act (No 56 of 2003), the Local Government: Municipal System Act (No 32 of 2000) and other related legislation.

4.1.2 Before any debt is written-off it must be proved that the debt has become irrecoverable. To ensure that recommendations for the writing-off of debt are consistent and accurate; irrecoverable debt will be defined as –

(a) Where the tracing of the debtors is unsuccessful;

(b) All reasonable steps, in terms of the Policy, were taken by the administration to recover the debt; and

(c) Any debt defined by a committee of Council at their discretion as irrecoverable.

4.1.3 Bad debt to be written-off must be considered in terms of cost benefit. Therefore, when it becomes too costly to recover and the chances of collecting the debt are very slim, a write-off should be considered.

4.1.4 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.

4.1.5 Differentiation must be made between those household consumers who cannot afford to pay for basic services (indigent households) and those who just do not want to pay for basic services.

4.1.6 Debt can only be written-off if the required provision for bad debts exists in the Municipality's budget and/or reserves.

5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR INCENTIVES AND WRITING-OFF OF IRRECOVERABLE DEBT

5.1 Indigent household consumers

5.1.1 Upon approval for registration as an indigent household consumer, the debtor's outstanding balance as at the date of approval will be written-off.

5.1.2 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 Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy. Therefore, these arrears can only accumulate for –

(a) The kWh units of electricity consumed or to be consumed above the fifty (50) units of free electricity per month by an indigent household who has an installed conventional electricity meter;

(b) The kilolitres of water consumed or to be consumed above the six (6) kilolitres of free water per month by an indigent household who has an installed conventional water meter; and

(c) Excess rates payable on the market value of a residential property that are not exempted from paying property rates and that does not qualify for a 100% indigent subsidy in terms of Council's Property Rates Policy.

5.2 Small balances

5.2.1 Where final accounts have been submitted and paid by the respective consumer, and the remaining balance after finalisation of any final readings, other administrative costs and consumer deposits taken into consideration results in a balance of two thousand rand (R 2,000) or less, or the amount determined by Council from time to time during the budget approval process, such amount must be written-off with the proviso that:

(a) When the balance amounts to R 500 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer for payment;

(b) When the balance amounts to R 1,000 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder for payment; and

(c) When the balance amounts to R 2,000 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder and a final reminder for payment.

5.2.2 Where such account is not paid by the respective consumer within a period of ninety (90) days, such amounts will automatically be written-off subject to the provisions of paragraph 6.1 below.

5.3 <u>Insolvent debtors and insolvent deceased estates</u>

5.3.1 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 must be written-off subject to the provisions of paragraph 5.5 and 6 below.

5.3.2 In case of the death of a debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds must be written-off subject to the provisions of paragraph 5.5 and 6 below.

5.4 <u>Untraceable debtors</u>

5.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such an account must be handed over to a collection agent for recovery of the debt (paragraph 5.2 cases excluded). 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 a 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.

5.4.2 Any amount owed by a debtor that has become untraceable must be written- off or may be sold to a debt collection agent at a discount.

5.4.3 Debt written-off in terms of paragraph 5.4.2 above will automatically result in the debtor being reported to a credit bureau by the Municipality.

5.5 <u>Clearance certificates</u>

5.5.1 In terms of Section 118 of the Local Government: Municipal Systems Act, Knysna Municipality may not issue a clearance certificate on any property unless all outstanding amounts that became due during the two years preceding the date of application are paid to date. However, outstanding debt older than two years have accumulated over a period of time and it may not be within the ability of the current owner or prospective new owner to pay such an amount in order to obtain a clearance certificate.

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

5.5.3 Such application, upon receiving, must be submitted to a committee of Council for consideration. In reviewing such application, the committee of Council must ensure that –

(a) All reasonable measures have already been taken to recover the outstanding amount from the current debtor;

(b) The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued; and

(c) 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.

5.6 Special incentives for household consumers

5.6.1 Notwithstanding the Municipality's Customer Care, Credit Control, Debt Collection, Indigent and Tampering 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 –

(a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments as determined per arrangement;

(b) The current monthly amount must be paid in full; and

(c) The written agreement has to be signed on behalf of the Municipality by a duly authorised official.

5.6.2 In order to determine monthly instalments; a declaration of the households monthly / or yearly income 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 (amount to be capped not to exceed 20% of gross income), taking into account that the payment of the monthly current account is a prerequisite for concluding a suitable arrangement.

5.6.3 Due to ineffective implementation of credit control measures in the past; the majority of household consumers have accumulated significant arrear amounts and 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 as from the effective date of the implementation of this policy.

5.6.4 To encourage household consumers to pay off arrear debt, Council will enter into a once-off arrangement with a household consumer to pay off his / her arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address affordable arrear payments on a consistent basis.

5.6.5 Writing-off any irrecoverable debt in terms of such an agreement will be strictly in accordance with a maximum repayment period of 36 months and the capped limitation of 20% of gross income referred to in paragraph 5.6.2 above.

5.6.6 Two suspended accounts may be created; one for the arrear debt to be paid of through arrangements (monthly instalments) and another one for the irrecoverable debt portion to be written-off. Levying of interest on suspended accounts will immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the suspended account balances.

5.6.7 As long as the agreement is honoured no further interest will be added to the suspended account/s. However, in the case of continuous default for a period of six months or more the suspended amount/s will be reversed to the monthly current account and interest will again be levied on the full outstanding debt from the date of reversal.

5.6.8 Should a household consumer have more than one account (suspended and handed over debt) and wants to make an arrangement in terms of this Policy; the household consumer's debt will be consolidated and a single arrangement be made with the Municipality. Handed over accounts will be withdrawn from collection agents (attorneys) and arrangements made with the Municipality on the household's consumer debt will be managed by the Municipality itself.

5.6.9 Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount/s, taking the limitations of paragraph 5.6.2 into consideration. Such arrangements (over a three-year period), must be honoured for at least a year where after one third of the irrecoverable debt will be written-off. If the arrangements are honoured for year two as well, another one third of the irrecoverable debt will be written-off. The same will apply for year three where after the household consumer should be out of his spiral of municipal debt.

5.6.10 When a debtor who does not want to make arrangements for the repayment of his / her arrear debt as set out in paragraph 5.6.2 above wants to pay 50% on their arrear debt through a once-off payment, the remaining 50% on their arrear debt will be written-off immediately. The arrear debt amount to be considered to be written-off on the 50% incentive basis will be the arrear debt amount (principal debt, interest levied and other costs) as at 28 February ~~2021~~ 2022.

5.6.11 Irrecoverable amounts to be written-off in terms of paragraph 5.6 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.7 Special incentives for churches, welfare organisations, sporting bodies, emerging farmers, etcetera

5.7.1 Notwithstanding the Municipality's Customer Care, Credit Control, Debt Collection, Indigent and Tampering 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 –

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

(b) The current monthly amount must be paid in full; and

(c) The written agreement has to be signed on behalf of the Municipality by a duly authorised official.

5.7.2 In order to improve the current payment levels from this category of consumers the Municipality has resolved to implement special incentives to address the arrear debt.

5.7.3 To encourage this category of consumers to pay off arrear debt, Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.

5.7.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 12 months.

5.7.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.

5.7.6 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 reversal.

5.7.7 When a debtor in this category of consumers who does not want to make arrangements for the repayment of their arrear debt as set out in paragraph 5.7.4 above pays 50% on their arrear debt through a once-off payment, the remaining 50% on the arrear debt will be written-off immediately. The arrear debt amount to be considered to be written-off on the 50% incentive basis will be the arrear debt amount (principal debt, interest levied and other costs) as at 28 February ~~2021~~ 2022.

5.7.8 Where debtors fail to honour their arrangements without prior consultation, the suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.7.9 Any amount to be written-off in terms of paragraph 5.7 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.8 <u>Special incentives for businesses, industrial and agricultural consumers</u>

5.8.1 Notwithstanding the Municipality's Customer Care, Credit Control, Debt Collection, Indigent and Tampering 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:

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

(b) The current monthly amount must be paid in full; and

(c) The written agreement has to be signed on behalf of the Municipality by a duly authorised official.

5.8.2 In order to improve the current payment levels from this category of consumers the

Municipality has resolved to implement special incentives to address the arrear debt.

5.8.3 To encourage this category of consumers to pay off arrear debt Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.

5.8.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 12 months.

5.8.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.

5.8.6 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.

5.8.7 When a debtor in this category of consumers who does not want to make arrangements for the repayment of their arrear account as set out in paragraph 5.8.4 above pays 50% on their arrear debt through a once-off payment, the remaining 50% on their arrear debt will be written-off immediately. The arrear debt amount to be considered to be written-off on the 50% incentive basis will be the arrear debt amount (principal debt, interest levied and other costs) as at 28 February ~~2021~~ 2022.

5.8.8 Where debtors fail to honour their arrangements without prior consultation, the suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.8.9 Any amount to be written-off in terms of paragraph 5.8 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.9 Special incentives for government departments and schools

5.9.1 Any incentive arrangement and amount to be written-off for this category of consumers will be reviewed by a committee of Council who will make a recommendation to the Executive Mayor and Mayoral Committee for consideration.

5.9.2 The Executive Mayor will have the discretion and the delegated powers to resolve on any amount to be written-off notwithstanding the recommendation of the committee of Council.

5.10 Irrecoverable debt not catered for in the Policy

5.10.1 Should there be any irrecoverable debt cases that the administration and the committee of Council cannot dispose of in terms of this Policy, particulars of the irrecoverable debt cases shall be submitted to the committee of Council who will make a recommendation to the Executive Mayor and Mayoral Committee for consideration.

5.10.2 The Executive Mayor will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

6. DELEGATIONS

6.1 Chief Financial Officer

6.1.1 The Chief Financial Officer will, after thorough review of any applications in terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.2 Municipal Manager

6.2.1 Any amount in excess of the delegation provided for in paragraph 6.1.1 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, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 40,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.3 Committee of Council

6.3.1 Council has established a Finance Portfolio Committee in terms of Section 80 of the Local Government: Municipal Structures Act (No 117 of 1998) to assist the Executive Mayor and Mayoral Committee. It is hereby determined that the Finance Portfolio Committee will be the committee of Council to monitor the implementation of this policy.

6.3.2 Any amount in excess of the delegation provided for in paragraph 6.2.1 above must be submitted together with a recommendation to the Finance Portfolio Committee for consideration. The Finance Portfolio Committee will, after thorough review of any recommendation by the Chief Financial Officer and Municipal Manager in terms of this Policy, have the delegated powers to write- off any irrecoverable debt in excess of R 40,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.4 Executive Mayor

6.4.1 All amounts to be written-off in terms of paragraph 5.9 and 5.10 above must be considered individually and each case on its own merits must be separately reported to the committee of Council who will make a recommendation to the Executive Mayor and Mayoral Committee.

6.4.2 The Executive Mayor will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

6.5 Debt Collectors / Attorneys

6.5.1 Outstanding debt handed over to debt collectors / attorneys may be written-off on instruction of the Municipality after approval by the Chief Financial Officer, Municipal Manager, Committee of Council and Executive Mayor in terms of their delegations above.

7. REPORTING AND DISCLOSURE

7.1 The Chief Financial Officer will report on a quarterly basis to Council on the irrecoverable debt amounts written-off. The report will include the following information –

(a) The total amount of irrecoverable debt written-off for indigent household consumers (a list of names, addresses and amounts per consumer written-off included as Annexure A to the report);

(b) The total amount of irrecoverable debt approved by the Chief Financial Officer to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure B to the report);

(c) The total amount of irrecoverable debt approved by the Municipal Manager to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure C to the report);

(d) The total amount of irrecoverable debt approved by the Finance Portfolio Committee to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure D to the report); and

(e) The total amount of irrecoverable debt approved by the Executive Mayor to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure E to the report).

7.2 The Chief Financial Officer will disclose the total amount of irrecoverable debt written-off as a note in the annual financial statements of the Municipality.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

1.1 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.

1.2 The Policy will be reviewed each year as part of the budget approval process.

ANNEXURES

<table>
<tr><td colspan="4">ANNEXURE A: APPLICATION FORM FOR A HOUSEHOLD TO CONSOLIDATE OUTSTANDING DEBT AND TO MAKE ARRANGEMENTS TO PAY OF OUTSTANDING DEBT IN TERMS OF THE WRITING-OFF OF IRRECOVERABLE DEBT POLICY</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td colspan="4">Particulars of breadwinner</td></tr>
<tr><td>Name and surname</td><td colspan="3"></td></tr>
<tr><td>ID Number</td><td colspan="3"></td></tr>
<tr><td>Phone/cellular number/s</td><td colspan="3"></td></tr>
<tr><td>Marital status</td><td colspan="3"></td></tr>
<tr><td>Employer / source of income</td><td colspan="3"></td></tr>
<tr><td>Monthly gross income</td><td colspan="3"></td></tr>
<tr><td colspan="4">Particular of spouse (husband or wife)</td></tr>
<tr><td>Name and surname</td><td colspan="3"></td></tr>
<tr><td>ID Number</td><td colspan="3"></td></tr>
<tr><td>Phone/cellular number/s</td><td colspan="3"></td></tr>
<tr><td>Marital status</td><td colspan="3"></td></tr>
<tr><td>Employer / source of income</td><td colspan="3"></td></tr>
<tr><td>Monthly gross income</td><td colspan="3"></td></tr>
<tr><td colspan="4">Particulars of property</td></tr>
<tr><td>Stand number of property</td><td colspan="3"></td></tr>
<tr><td>Street address</td><td colspan="3"></td></tr>
<tr><td colspan="4">Declaration under oath</td></tr>
<tr><td colspan="4">I/we the undersigned herewith declare under oath that my/our gross monthly income amounts to R ________________________(breadwinner R______________and spouse R______________) as the attached copies of my/our source/s of income (payslip, pension slip, etcetera) confirm.</td></tr>
<tr><td>Signature: Breadwinner</td><td></td><td>Signature: Spouse</td><td></td></tr>
<tr><td colspan="4">The above statement was read by me to the above declarer/s who under oath declared that his/her/their gross income is as confirmed by the attached copies to the application form.</td></tr>
<tr><td>Place</td><td></td><td>Date</td><td></td></tr>
<tr><td>Name</td><td></td><td colspan="2" rowspan="3"></td></tr>
<tr><td>Designation</td><td></td></tr>
<tr><td colspan="2">Signature and official stamp</td></tr>
</table>

ANNEXURE A1: ARRANGEMENT'S CALCULATION FORM FOR HOUSEHOLD CONSUMERS			
Calculation of 20% of gross income and affordable instalment on arrears			
Breadwinner gross monthly income (for season workers calculate a monthly average)			R
Spouse gross monthly income (for season workers calculate a monthly average)			R
Household gross monthly income (copies of ID's and income sources must be attached)			R
Affordable payments - capped at 20% of household gross income			R
Less: Average monthly current account (property rates, services charges and prepaid electricity			R
Affordable monthly instalment on arrears – monthly current account excluded			R
Calculation of consolidated outstanding debt			
Account No:		**Current / Suspended / Handed over**	R
Account No:		**Current / Suspended / Handed over**	R
Account No:		**Current / Suspended / Handed over**	R
Account No:		**Current / Suspended / Handed over**	R
Account No:		**Current / Suspended / Handed over**	R
Account No:		**Current / Suspended / Handed over**	R
Account No:		**Current / Suspended / Handed over**	R
		Grand Total =	R
Calculation of suspended account/s			
Grant total of consolidated outstanding debt			R
Less: Affordable monthly instalment on arrears x 36 months (suspended account 1)			R
Amount to be written-off in terms of Policy (suspended account 2)			R
Calculation of amounts to written-off			
Date:	**1/3rd of suspended account to be written-off after 12 months**		R
Date:	**1/3rd of suspended account to be written-off after 24 months**		R
Date:	**1/3rd of suspended account to be written-off after 36 months**		R
Suspended account 2 total to be written-off (if no default in paying current account and			R
Certification			
Calculations made by:		**Signature:**	**Date:**
Calculations verified by:		**Signature:**	**Date:**
The above calculations must be recorded in an arrangement agreement and in the financial system for audit			

ANNEXURE B: APPLICATION FORM FOR A CUSTOMER TO PAY 50% OF THE OUTSTANDING DEBT AND THAT COUNCIL WILL WRITE-OFF THE OTHER 50% OF THE OUTSTANDING DEBT IN TERMS OF THE WRITING-OFF OF IRRECOVERABLE DEBT POLICY			
Particulars of breadwinner			
Name and surname			
ID Number			
Phone/cellular number/s			
Particular of spouse (husband or wife)			
Name and surname			
ID Number			
Phone/cellular number/s			
Particulars of business / company / organisation			
Name			
Postal address			
Phone/cellular number/s			
Particulars of property			
Stand number of property			
Street address			
Certification			
I/we the undersigned herewith declare that the information on this application form is to the best of my knowledge the truth.			
Signature: Breadwinner		**Date:**	
Signature: Spouse		**Date:**	
Signature: Business / Company / Organisation Representative/s		**Date:**	

ANNEXURE B1: CALCULATION FORM TO PAY 50% OF OUTSTANDING DEBT AS AT 28/02/2022 SO THAT COUNCIL CAN WRITE-OFF THE OTHER 50% PORTION OF OUTSTANDING DEBT

Calculation of outstanding debt

Account No:	Current / Suspended / Handed over	R
	Outstanding Debt as at 28 February 2022: Total A =	R
	50% of Total A =	R

Proof that levies as from the March 2022 billing run is paid up to date

Outstanding debt as 28 February ~~2021~~ 2022 (Total A)	R
Plus: Levies as from 1 March ~~2021~~ 2022	R
Less: Payments made as from 1 March ~~2021~~ 2022	R
Plus / Minus: Journals corrections since 1 March ~~2021~~ 2022	R
Outstanding debt as on the day of this calculations being made (Total B)	R
Less: 50% of Total A	
Amount to have been paid before the 50% of Total A may be written-off (Total C)	

NB:

1. *Please note that if the outstanding debt (Total B) is more than the outstanding debt as on 28 February ~~2021~~ 2022 (Total A) then current debt is not serviced as per this Policy. Write-off of the 50% portion may only be made if all levies made as from 1 March ~~2021~~ 2022 has been serviced.*
2. *Please attach to the calculation form a printout/s of the Promun system as proof of the above calculations made. If necessary please attached a spread sheet or your handwritten calculations on how you arrived at the above figures.*

Proof that the amount of Total C has been paid

Date:		Receipt Number:		Amount:	R
Date:		Receipt Number:		Amount:	R
Date:		Receipt Number:		Amount:	R
Date:		Receipt Number:		Amount:	R
Date:		Receipt Number:		Amount:	R
Date:		Receipt Number:		Amount:	R
				Payments made must exceed or equal Total C=	R

Calculation of amount to be written-off

50% of Total A or the lessor amount =	R

Certification

Calculations made by:		Signature:	Date:
Calculations verified by:		Signature:	Date:

Policy C2:

Property Rates Policy

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive || innovative || inspired

2022/2023 Property Rates Policy

March 2022

TABLE OF CONTENTS

1. BACKGROUND

1.1 In 2016, the Knysna Municipality initiated a process to prepare a General Valuation Roll of all property situated within the geographical boundaries of the municipality in terms of the Local Government: Municipal Property Rates Act, 6 of 2004 (MPRA), which became operative on 2 July 2005. The General Valuation Roll 2017/22 came into effect on 01 July 2017 and remains valid until 30 June ~~2022~~ 2023.

1.2 This policy is formulated in terms of Section 3 of the Local Government: Municipal Property Rates Act, No 6 of 2004 (MPRA).

2. LEGISLATIVE CONTEXT

2.1 In terms of Section 229 of the Constitution, a municipality may impose rates on property.

2.2 In terms of Section 4(1)(c) of the Local Government: Municipal Systems Act, No 32 of 2000 (MSA), a Municipal Council has the right to finance the affairs of the Municipality by imposing, inter alia, rates on property.

2.3 In terms of Section 2(1) of the MPRA, a municipality may levy a rate on property in its area in accordance with the other provisions of the MPRA.

2.4 This Policy must be read together with, and is subject to the provisions of the MPRA and the Knysna Municipality's Property Rates By-Law.

2.5 In terms of Section 8(1) of the MPRA, the Municipality may, in terms of its Policy, levy different rates for different categories of rateable property, determined in subsection (2) and (3) of the MPRA, which must be determined to the –

(a) Use of the property; and

(b) Permitted use of the property; or a combination of (a) and (b).

3. DEFINITIONS & INTERPRETATION

3.1 In addition to the definitions contained in the MPRA and the Knysna Municipality's Property Rates By-Law, the following words and phrases bear the meanings assigned to them below

3.1.1 ***"Act"*** means the Local Government Municipal Property Rates Act, 2004 (No 6 of 2004).

3.1.2 ***"MPRA"*** means the Local Government Municipal Property Rates Act, 2004 (No 6 of 2004).

3.1.3 ***"Accommodation 1-8 bedrooms"*** means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the number of lettable bedrooms does not exceed 8.

3.1.4 ***"Accommodation 9+"*** means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the total number of lettable bedrooms exceeds eight or the property offers restaurant and/or bar and/or conference facilities.

3.1.5 ***"Agricultural property"*** means property that is used primarily for agricultural purposes but excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading hunting of game. The definition includes agricultural properties used for subsistence farming.

3.1.6 ***"Bona-fide farmers"*** means genuine or real farmer whose dominant income is generated from farming activities, on an agricultural property, within the Knysna municipal area, and is taxed by SARS as a bona-fide farmer.

3.1.7 ***"Business"*** means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.

3.1.8 ***"Category"*** (a) in relation to property, means a category of property determined in terms of Section 8(2) of the Act; (b) in relation to owners of property, means a category of owners determined in terms of Section 15(2) of the Act.

3.1.9 ***"Exemption"*** in relation to the payment of a rate, means an exemption granted in terms of Section 15 of the Act.

3.1.10 ***"Heritage"*** means a property containing a building or other heritage resource of national, provincial, or municipal significance.

3.1.11 **"Indigent person"** means a person whose household income does not exceed the minimum household income as predetermined by the Council;

3.1.12 ***"Market value"***, in relation to a property, means the amount the property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer as per Section 46 of the Act.

3.1.13 ***"New Business incentive rebate"*** means a rebate granted, on a declining scale, on a property used for a new business brought to the Knysna municipal area. The definition excludes existing business where:

(a) Change of ownership occurred;

(b) Name change occurred; and

(c) Current business operations are expanded.

3.1.14 ***"Household income"*** means the income accruing to all members of the household permanently residing at the address. It includes income of spouses.

3.1.15 ***"Industrial"*** means a building or usage, other than a noxious trade, which concurs with the meaning of factory as defined in the Machinery and Occupational Safety Act, 1983 and includes an office, caretaker's quarters, or other building, the use of which is incidental to, and such as would ordinarily be incidental to, or reasonably necessary in connection with the use of such factory on the same site, and included all light industrial uses, but does not include a service trade.

3.1.16 ***"Non-residential"*** means all property other than those defined as residential.

3.1.17 ***"Permitted use"***, in relation to a property, means the limited purposes for which the property may be used in terms of –

(a) Any restrictions imposed by –

(i) A condition of title;

(ii) A provision of a town planning or land use scheme; or

(iii) Any legislation applicable to any specific property; or

(b) Any alleviation of any such restrictions.

3.1.18 ***"Place of public worship"*** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium:

(a) Provided that the property is –

(i) Registered in the name of the religious community;

(ii) Registered in the name of a trust established for the sole benefit of a religious community; or

(iii) Subject to a land tenure right.

3.1.19 ***"Private Open Space"*** means any land in private ownership used primarily as a private site for play, rest, recreation without financial gain.

3.1.20 **"Property"** means –

(a) Immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

(b) A right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

(c) A land tenure right registered in the name of a person or granted to a person in terms of legislation; or

(d) Public service infrastructure.

3.1.21 ***"Protected area"*** means an area that is listed in the register referred to in Section 10 of the National Environmental Management: Protected Areas Act 2003.

3.1.22 ***"Public Benefits Organisation"*** means an Organisation conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities.

3.1.23 ***"Public Service Infrastructure"*** means publicly controlled infrastructure (as defined in the MPRA) may not be rated on the first 30% of market value in terms of Section 17(1)(a) of the MPRA.

3.1.24 ***"Public Service Purposes"*** in relation to the use of a property means property owned and used by an organ of state as per subsection 1(1)(a), (b), (c), (d), (e) and (f) of the Municipal Property Rates Act., but excludes property contemplated in the definition of "public service infrastructure".

3.1.25 ***"Rebate"***, in relation to a rate payable on a property, means a discount on the amount of the rate payable on the property.

3.1.26 ***"Reduction"***, in relation to a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of the property at that lower amount.

3.1.27 ***"Residential"*** means a property included in a valuation roll in terms of Section 48(2)(b) of the Act as residential in respect of which the primary use or permitted use is for residential purposes without derogating from Section 9 of the Act.

3.1.28 ***"State-owned"*** means property owned by the State, which are not included in the definitions of public service infrastructure or public service purposes in the Act. These properties are classified as follows –

(a) State properties that provide local services;

(b) State properties that provide regional/municipal district-wide/metro-wide services; or

(c) State properties that provide a provincial/national service.

3.1.29 ***"Vacant land"*** means land where no immovable improvements have been erected. Vacant land can be classified as follows –

(a) Residential vacant, means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as vacant.

(b) Business vacant means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as business vacant.

(c) Industrial vacant, means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as industrial vacant.

(d) Vacant State land means a property included in a valuation roll in terms of Section 8(2) of the Act read with Section 8(3) as State Owned vacant.

4. PRINCIPLES

4.1 The following principles ensure that the municipality treats persons liable for rates equitably:

4.1.1 Equity: The municipality will treat ratepayers with similar properties in a like manner.

4.1.2 Affordability: The ability of a person to pay rates will be taken into account by the municipality. The municipality may provide relief measures through specified exemptions, reductions or rebates to the poor or indigent as defined in Council's Indigent policy.

4.1.3 The Municipality may –

(a) Levy different rate tariffs on different categories of properties;

(b) Exempt a specific category of property from payment of rates; and/or

(c) Grant a rebate on, or a reduction in, the rate payment.

4.1.4 Council also pledges itself to limit each maximum annual increase, as far as is practicable, to the increase stipulated by National Treasury in the appropriate annual Budget Circular except when the approved Integrated Development Plan of Council requires a greater increase or there has been a significant change in the valuation of a property.

5. CATEGORIES OF RATEABLE

5.1 Properties will be categorised as follows:

Category A: Residential	1. Improved Residential ~~(8001,8009)~~ 2. Indigent ~~(8019)~~ 3. Pensioners (~~8020, 8022, 8076, 8077, 8079~~)
Category B: Industrial	1. Industrial ~~(8013)~~
Category C: Business and Commercial Properties	1. Business and Commercial (~~8003~~) 2. Lettable Accommodation 1 – 8 Rooms (~~8030~~) 3. Lettable Accommodation 9+ Rooms (~~8031~~)
Category D: Agricultural	1. Agricultural - Bona Fide Farming (~~8008~~)
Category E:	1. State (~~8007~~) 2. Vacant State Land (~~8041~~)

Properties owned by an Organ of State used for public service purposes	
Category F: Public Services Infrastructure	1. PSI (~~8011~~)
Category G: Properties owned by Public Benefit Organisations and used for specific public benefit activities	1. Public Benefit Organisations (~~8015~~)
Category H: Properties used for multiple purposes	Portions of property will be classified individually as per one of the other classifications with separate municipal valuations
Category I: Vacant Land	1. Residential (~~8035~~) 2. Business (~~8040~~)
Category J: Municipal Owned Properties	1. Municipal Buildings (~~8004~~) 2. Public Open Spaces (~~8006~~) 3. Municipal Improved Residential (~~8050~~) 4. Municipal Staff Housing (~~8056~~) 5. Municipal Vacant Residential (~~8036~~) 6. Municipal Vacant Public Open Spaces (~~8042~~) 7. Municipal Vacant Non-Residential (~~8034~~)
Category K: Places of Worship (Section 17(1)(i))	1. Place of Worship (~~8030~~) 2. Non-Developable (~~8069~~)
Category L: Properties	1. Acquired through Provision of Land and Assistance Act, 1993 (No. 126 of 1994); or 2. The Restitution of Land Rights Act, 1994 No 22 of 1994), or 3. Subject to the Communal Property Associations Act, 1996 (No. 28 of 1996).
Category M: Other	1. Any other category of property as Council may from time to time identify; or 2. As may be determined by the Minister or Council with the concurrence of the Minister of Finance by Notice in a Gazette.

6. EXCLUSION OF RATEABLE PROPERTY FROM THE PAYMENT OF RATES

6.1 The following properties will be excluded from the payment of rates –

(a) Properties of which the Municipality itself is the owner in terms of Section 7(2)(a) of the Act.

(b) The first 30% of the market value of public service infrastructure in terms of Section 17(1)(a) of the Act.

(c) Rights registered against immovable property in the name of a person.

(d) Property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community, which is occupied by the office-bearer of that community who officiates at services at that place of worship in terms of Section 17(1)(i) of the Act.

(e) The first R 50,000 (fifty thousand rand) of the valuation of a domestic property (excluding accommodation establishments and vacant land) in terms of Section 15(2)(e) of the Act will be exempted.

(f) Properties registered or recognised as private nature reserves in terms of relevant legislation, which are not developed or used for commercial, business, agricultural or residential purposes in terms of Section 17(1)(e) of the Act.

7. DIFFERENTIAL RATE TARRIFS

7.1 <u>General</u>

7.1.1 The following may be taken into consideration in determining differential rate tariffs –

(a) The use of the property, the permitted use of the property or a combination of use and permitted use.

(b) The nature of the property including the impact of rates on its operations e.g. agricultural properties used for farming purposes.

(c) The promotion of social and economic development of the municipality.

7.2 Multiple Use Properties

7.2.1 Property tax on properties used for multiple purposes will be determined by –

(a) Apportioning the market value of the property to the different purposes for which the property is used.

(b) Applying the relevant rate tariff, to the corresponding market value.

7.3 Accommodation Establishments

7.3.1 It is required that all properties within the definition of accommodation 1-8 or accommodation 9+ register with the municipality in order to be categorised in terms of use, by means of a supplementary valuation as provided for in the Act.

7.3.2 Properties that are no longer operating as accommodation establishment are required to provide proof of the following –

(a) That all signage is removed;

(b) That all links on accommodation websites are removed (safari now, sleeping out etc.);

(c) That any links or affiliation with any letting agents be removed;

(d) Home page website to be removed (should you wish to retain your home page domain name for email purposes, please ensure a generic page is loaded by your hosting company that does not show any accommodation);

(e) Any other form of marketing; and

(f) An inspection maybe carried out on the property by a municipal official or representative to verify details on the application.

7.3.3 Businesses including accommodation establishments 1-8 and accommodation establishments 9+ will be rated at business rates tariff.

7.3.4 Properties that are used as accommodation establishments 1-8 will be granted a 40% rebate on the business tariff.

7.3.5 A penalty fee will be levied, where the municipality detects/identify a property operating as an accommodation establishment, where the owners failed to register the property as an Accommodation Establishment with the municipality or in the event where owners supplied incorrect/false information.

8. RELIEF MEASURES RELATED TO CATEGORIES OF OWNERS

NOTE: IN ADDITION TO WHAT IS SET OUT BELOW, COUNCIL MAY ANNUALLY DETERMINE A BASE VALUE WHICH WILL BE DEDUCTED FROM THE MARKET VALUE SHOWN ON THE VALUATION ROLL, IN COMPUTING THE RATE LIABILITY.

8.1 Exemptions, Reductions and Rebates

8.1.1 When granting in terms of subsection 8.1 exemptions, rebates or reductions in respect of owners of categories of properties, a Municipality may determine such categories in accordance with Section 8(2) and when granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include –

(a) Indigent owners;

(b) Owners dependent on pensions or social grants for their livelihood;

(c) Owners temporarily without income;

(d) Owners of property situated within an area affected by –

(i) A disaster within the meaning of the Disaster Management Act 2002; or

(ii) Any other serious adverse social or economic conditions;

(e) Owners of residential properties with a market value lower than an amount determined by the Municipality; and

(f) Owners of agricultural properties who are *bona fide* farmers.

8.1.2 In addition to the categories of rateable property determined in terms of Section 8(2) of the MPRA a municipality may, subject to any ratio determined in terms of Section 19, for the purposes of granting exemptions, rebates and reductions, determine such property categories based on –

(a) Properties used for public service purposes; and

(b) Properties to which the provisions of the National Heritage Resources Act, 1999 (Act 25, of 1999), apply, or an institution that has been declared to be subject to the Cultural Institutions Act, 1998 (Act 119 of 1998).

8.2 Criteria for Exemptions, Rebates and Reductions

8.2.1 Sufficient proof of status / income of household / affidavits for proof of reasons / identity documents must be attached to all applications;

8.2.2 Applicants must be the owner and occupy the property and not own more than one property;

8.2.3 Where the owner is for acceptable reasons due to no fault of his/her own unable to occupy the property, the spouse or minor children may satisfy the occupancy requirements;

8.2.4 The Municipal Manager or his/her nominee must approve all applications;

8.2.5 Applications must reach the Municipality before the end of May preceding the start of the new municipal financial year for which relief is sought; and

8.2.6 The Municipality retains the right to refuse exemptions, rebates or reductions if the details supplied in the application form were incomplete, incorrect or false.

9. SPECIAL CASES

9.1 Public Benefit Organisations

9.1.1 All properties categorised as Public Benefit Organisations will be rated at the prescribed ratio as per the Municipal Property Rates Regulations.

9.1.2 Taking into account the effects of rates on Public Benefit Organisations performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, it is proposed that Public Benefit Organisations (PBOs) performing the following specified public benefits activities will be granted a rebate of 75% –

(a) Welfare and humanitarian, such as providing disaster relief.

(b) Health Care, such as the counselling, care and treatment of persons (and their dependants) afflicted with HIV and AIDS.

9.1.3 Applications for Public Benefit organizations must reach the municipality before end October preceding the start of the new municipal financial year in which relief is sought. A tax exemption certificate issued by the South African Revenue Services(SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act ,1962 No 58 of 1962. The Municipal Manager or his nominee must approve all applications.

9.2 Public Service Infrastructure

9.2.1 All public service infrastructure providing essential services to the community shall be rated at the prescribe ratio as per the Municipal Property Rates Regulations.

9.3 Agricultural Properties

9.3.1 Agricultural properties used primarily for agricultural activities will be categorised as Agricultural and shall be rated at a rate determined by applying the prevailing ratio as prescribed by Regulation. Agricultural properties not predominantly used for bona fide farming purposes shall be rated according to the category of the actual use thereof.

9.3.2 Proof of bona fide farming from SARS is required to request a change of category from other to Agricultural. Confirmation of subsistence farming is subject to in loco inspection to the property.

10. REBATES AND GRANTS

10.1 Rebates granted in terms of Section 4 of this Policy may be considered for the following categories of properties –

(a) Market value of residential property below a determined threshold;

(b) Retention and restoration of conservation worthy buildings; and

(c) Heritage areas.

10.2 Over and above the determinations contemplated in Section 17(1)(h) of the Act owners of property who depend on pensions or social grants for their livelihood may qualify for a rebate as determined by Council's Indigent policy.

11. CRITERIA FOR ANNUAL INCREASING RATE TARIFFS

11.1 Annual increase of rate tariffs will be done in accordance with Section 20 of the Act and the following will be taken into account for the purpose of increasing or decreasing of rates –

(a) Priorities of a municipality reflected in its Integrated Development Plan;

(b) The revenue needs of the municipality; and

(c) Affordability of rates to ratepayers.

11.2 The Municipality will consider the imposition of rates annually during the budget process.

11.3 All increases in property rates will be communicated to the community in terms of Section 21A of the Municipal Systems Act (Act no. 32 of 2000).

12. REDUCTIONS IN MARKET VALUES

12.1 A reduction in the municipal valuation as contemplated in Section 15(1)(b) of the MPRA, may be granted where the value of a property is affected by fire damage, demolition or flood.

12.2 The reduction will be granted by Council only after a valuer has carried out an inspection of the property concerned.

13. LIABILITY FOR RATES

13.1 Annual Payment Arrangements

13.1.1 By prior arrangement Knysna Municipality will recover the rates levied in a single amount, which is due on or before 30 September of the year in which it is levied. ~~Applications must be submitted before 31 May for this option however the Chief Financial Officer may consider any applications after this date on merit.~~

13.2 Method and Time of Payment

13.2.1 Knysna Municipality will recover the rates levied in periodic instalments of equal amounts over twelve months. The instalment is payable on or before the last working day of every month, following the month in which it has been levied. Interest will be charged at 1% above the prime interest rate for any late payments received.

13.3 Recovery of Arrear Rates from Tenant, Occupiers and Agents

13.3.1 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of Section 26(2) of MPRA, the Municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. The Municipality may recover an amount only after the Municipality has served a written notice on the tenant or occupier.

13.3.2 The amount the Municipality might recover from the tenant or occupier of the property in terms of subsection above is limited to the amount of the rent or other money due and payable but not yet paid by the tenant or occupier to the owner of the property.

13.3.3 Any amount the Municipality recovers from the tenant or occupier of the property must be set off, by the tenant or occupier, against any money owed by the tenant or occupier to the owner.

13.3.4 The Municipality may recover the amount due for rates from an agent of the owner after it has given written notice to that agent or person. The amount the Municipality may recover from the agent or other person is limited to the amount of rent received by the agent or person, less the commission due to that agent or person, subject to the Estate Agents Act, 1976 (Act No. 112 of 1976). The agent or other person must, on request by the Municipality, furnish the Municipality with a written statement specifying all payments for rent on the property and any other money received by that agent or person during a period determined by the Municipality. Section 29(2) of the MPRA

13.4 <u>Ownership</u>

13.4.1 Properties, which vest in the Municipality during developments, i.e. open spaces and roads, will be transferred at the cost of the developer to the Municipality. Until such time, rates levied will be for the account of the developer.

13.5 <u>Interim Valuation Debits</u>

13.5.1 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the new owner will be held responsible from the date of registration for the settlement of the interim rates account.

13.6 <u>Developments</u>

13.6.1 The developer of a property will be liable for all rates raised on the development until the individual units are transferred to the new owners including properties which must be transferred to the Municipality in terms of the land use ordinance and development agreement.

13.7 Clearance Certificate

13.7.1 With the sale of a property within the municipal jurisdiction the Council shall withhold rates clearance certificate until all rates, services and sundry costs attached to the property is paid and an amount equal to four months' rates and service charges will be collected in advance as part of the rates clearance process. The rates clearance remains valid for 60 days from the date of issuing.

13.8 Levying of Rates on Property in Sectional Title Schemes

13.8.1 A rate on property, which is subject to a sectional title scheme, will be levied on the individual sectional title units in the scheme in terms of Section 10 of the Act. However, in valuing the sectional title unit there shall be included in that value the owners proportionate share of the value of the common use areas such as gardens, roads, swimming pools, passages etc.

14. COSTS OF EXEMPTIONS, REBATES AND REDUCTIONS

14.1 During the budget process the Chief Financial Officer must inform Council of all costs associated with exemptions, rebates and reductions.

14.2 Provision must be made on the operating expenditure budget for:

(a) The full potential income associated with property rates; and

(b) The full costs associated with exemptions, rebates and reductions.

15. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT

15.1 The Municipality may grant rebates to organisations that promote local, social and economic development based on the criteria determined in its local, social and economic development policy(s). The following criteria will apply –

(a) Job creation in the municipal area;

(b) Social upliftment of the local community; and

(c) Creation of infrastructure for the benefit of the community.

15.2 Rebates may be granted up to 100% of the rates payable and must be phased out within 3 years from the date that the rebate was granted for the first time.

16. REGISTER OF PROPERTIES

16.1 The Chief Financial Officer must cause to have drawn up and maintain a register of properties as contemplated as Section 23 of the Municipal Property Rates Act.

17. NOTIFICATION OF RATES

17.1 Council will give notice of all rates approved at least 30 days prior to the date that the rates become effective in the local media and by publishing a resolution in the provincial gazette. Accounts delivered after the 30 days' notice will be based on the new rates.

17.2 A notice stating the purport of the Council resolution, date on which the new rates shall become operational will be displayed by the municipality at places installed for that purpose.

18. CORRECTION OF ERRORS AND OMISSIONS

18.1 Where the property rates levied on a particular property have been incorrectly determined, because of an error or omission or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the property rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected, back to the date on which property rates were first levied in terms of the current valuation roll. Interest on the unpaid portion of the adjusted property rates payable shall be levied at the applicable prime interest rate plus 1% from the date the correction was made.

19. ROUNDING

19.1 The values of properties will be rounded off to the nearest R 10,000 value.

20. FREQUENCY OF VALUATIONS

20.1 The Municipality shall prepare a new valuation roll every 5 years. The MEC for local government may extend the period for which the valuation roll is valid to 7 years.

20.2 A supplementary valuation roll shall be prepared at least once a year, in terms of subsection 78(1) of the Act, in respect of any rateable property –

(a) Incorrectly omitted from the valuation roll;

(b) Included in a municipality after the last general valuation roll;

(c) Subdivided or consolidated after the last general valuation roll;

(d) Of which the market value has substantially increased or decreased after the last general valuation roll;

(e) Substantially incorrectly after the last general valuation roll;

(f) That must be revalued for any other exceptional reason;

(g) Of which the category has changed; or

(h) The value of which was incorrectly recorded in the general valuation roll as a result of a clerical or typing error.

20.3 An interim valuation request fee in respect of interim valuations submitted outside the prescribed objection period(s) will be payable and proof of payment must accompany the said interim form.

21. REVIEW OF THE POLICY

21.1 This Property Rates Policy is the sole Policy governing property rates in the Municipality. The Municipal Council must approve any reviews to this Policy.

21.2 The Mayor must submit any proposed changes to this Policy to the Council as part of the annual review of policies submitted with the budget documentation.

21.3 Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the Policy by means of legislation or requests, it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.

Policy C3:

Tariff Policy

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive || innovative || inspired

2022/2023

Tariff Policy

March 2022

TABLE OF CONTENTS

1. OBJECTIVE

1.1 The objectives of the Tariff Policy (Policy) are to ensure that –

(a) All consumers within a specific category are treated equally and reasonably.

(b) The income base of the municipality is optimally safeguarded by only approving exemptions, reductions and rebates that are reasonable and affordable.

(c) The principles supporting the Councils Mission, Vision and IDP are supported.

(d) Municipal tariffs are set in a manner that promotes the provision of reliable, sustainable and affordable services to all.

2. DEFINITIONS

2.1 In this Policy, unless the context otherwise indicates –

(a) **"Availability tariff"** means where vacant properties are not connected to the municipal infrastructure but can reasonably connect to the service.

(b) **"Accommodation 1-8 bedrooms"** means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the number of lettable bedrooms does not exceed 8.

(c) **"Accommodation 9+"** means a facility that provides for lettable residential and non-residential units or homes, holiday or self-catering accommodation on a regular, seasonal, continuous or occasional basis where the total number of lettable bedrooms exceeds eight or the property offers restaurant and/or bar and/or conference facilities.

(d) **"Basic charge"** also referred to as a minimum charge, is the recovery of the distribution and billing-related costs, which include having a distribution system in place, plus the cost of the meter, servicing and reading the meter, mailing the bills and maintaining customer records.

(e) **"Business"** means the activity of buying, selling or trading in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of agriculture, farming or, inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.

(f) **“Business unit”** in relation to any premises, means a building or section of a building occupied or used for shops, offices, hotel rooms and etcetera.

(g) **“Industrial consumers”** means industrial undertakings, factories, warehouses, workshops, scrap yards, wine cellars, abattoirs, dairy processing plants, fish markets and suchlike consumers.

(h) **“Community service”** means services in respect of which the tariffs are set at a level that the costs of the services are not recovered fully from public service charges and are of a regulatory nature.

(i) **“Consumer”** means the owner of a premises, regardless of whether it is domestic, commercial, industrial or any other type and who has entered into an agreement with the Municipality for the supply of a service. A consumer must only be the owner and not a tenant or lessee.

(j) **“Council”** means the Knysna Municipal Council, and "Municipal Council" shall have a corresponding meaning.

(k) **“Domestic consumers”** means residential properties, group housing, town houses, semi-detached houses and suchlike properties.

(l) **“Due date”**–

(i) In relation to accounts payable monthly on a recurring basis, the last day of the month which follows on the month during which an account is rendered;

(ii) In relation to accounts payable annually, 30 September unless otherwise provided by any other law; and

(iii) In all other instances, as and when demand for payment is made by the Municipality.

(m) **“Economic services”** means services in respect of which the tariffs are set at a level that the total costs of the services are recovered from customers.

(n) **“Educational institutions”** means schools and suchlike institutions.

(o) **“Fixed costs”** means costs which do not vary with consumption or volume produced.

(p) **"Indigent households"** means households that are registered at the Municipality as such and meet the municipality's criteria in terms of its Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy and occupying a property within the jurisdiction of the Municipality and "poor households" shall have a corresponding meaning.

(q) **"MFMA"** means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).

(r) **"Minimum charge"** shall refer to the minimum amount payable by the consumer in respect of a particular service irrespective of the extent to which the service is used during any given period of time.

(s) **"MSA"** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).

(t) **"Owner"** in relation to a property, means the person in whose name the property is registered in the Deeds Registry and such owner's successors.

(u) **"Premises"** means any erf, immovable property or property which is capable of receiving municipal services whether it is receiving such services or not and whether occupied or not.

(v) **"Property"** means –

(i) Immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

(ii) A right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

(iii) A land tenure right registered in the name of a person or granted to a person in terms of legislation; and

(iv) Public service infrastructure.

(x) **"Public benefit organisations"** means an organisation conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities.

(y) **"Resident"** means a person who ordinarily resides in the municipal area.

(z) **"Place of public worship"** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is –

(i) Registered in the name of the religious community;

(ii) Registered in the name of a trust established for the sole benefit of a religious community; or

(iii) Subject to a land tenure right.

(aa) **"Non-residential"** means all property other than those defined as residential.

(bb) **"Service charge"** means the charged levied for the provision of a service on a daily, monthly or annual basis.

(cc) **"Special agreements"** means special tariff agreements entered into with categories of consumers making significant economic contributions to the community and that create job opportunities.

(dd) **"Sport and recreation facilities"** means properties used exclusively for sport and recreation purposes including school sport fields which are metered separately for water and electricity consumption.

(ee) **"Total cost"** means the sum of all fixed and variable costs associated with a service.

(ff) **"Trading services"** means services referred to in Paragraphs 7.1(a), 9.2 and 9.3 in the Policy in respect of which the tariffs are set at a level that the Council makes a profit on the delivery of the services.

(gg) **"Units consumed"** means the number of units consumed of a particular service and are measured in terms of the tariff structure reflected in Paragraphs 9.2 and 9.3 in the Policy.

(hh) **"Variable costs"** means costs that vary with consumption or volume produced.

(ii) **"VAT"** means Value-Added Tax in terms of the Value-Added Tax Act, 1991, as amended.

3. ABREVIATIONS

Kg	Kilogram
Kl	Kilolitre or 1,000 litres
kVa	Kilovolt Ampere
kWh	Kilowatt Hour
m^3	Cubic Meter

4. PURPOSE OF THIS POLICY

4.1 The Knysna Municipality wishes to achieve the following objectives by adopting this Policy –

(a) To comply with the provisions of Section 62(1)(f) of the MFMA;

(b) To comply with the provisions of Section 74 of the MSA;

(c) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of Section 76(b) of the MSA; and

(d) To give guidance to the Executive Mayor regarding tariff proposals that must be submitted to the Council annually during the budget process.

5. TARIFF PRINCIPLES

5.1 In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

5.2 The Municipality wishes to record that the following tariff principles will apply –

(a) Service tariffs imposed by the municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the financial ability of the relevant user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the relief measures for poor households and deserving categories of users approved by the municipality from time to time); and

(b) The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

5.3 Tariffs for service charges rendered by the Municipality, namely –

(a) Electricity;

(b) Water;

(c) Sanitation; and

(d) Refuse;

And the Municipality shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff, which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

5.4 The Municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of service charges generate an operating surplus each financial year of between 1% to 10% or such percentage as the Council may determine at the time that the annual operating budget is approved. Such surpluses shall be applied for the future capital expansion of the service concerned, for the partial financing of general services and in relief of property rates and or both.

5.5 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the Municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

5.6 The Municipality's Policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be disclosed to users.

5.7 The Municipality shall ensure that its tariffs shall be readily understandable by all users affected by the Policy.

5.8 The Municipality undertakes to render its service costs effectively in order to ensure the best possible cost of service delivery.

5.9 The consumption of such services shall be properly metered by the Municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

5.10 The Municipality shall levy monthly availability or basic charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies. Generally, consumers of water and electricity shall therefore pay two charges: one, which is unrelated to the volume of consumption and is to recover the distribution on costs; and another directly related to the consumption of the service in question.

5.11 In considering the costing of its water, electricity and sewerage services; the Municipality shall take due cognisance of the high capital cost of establishing and expanding such services, and of the resultant high fixed costs, as opposed to variable costs of operating these services. The Municipality therefore undertakes to plan the management and expansion of the services carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may imply that the services may at times or for certain periods operate at less than full capacity, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

5.12 The Municipality shall, by adopting what is fundamentally a two-part tariff structure, namely a fixed minimum charge coupled with a charge based on consumption, endeavour to address the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

5.13 Part of the Municipality's Policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

5.14 A property used for multiple purposes must for purposes of these tariffs be assigned to a category determined by the Council for properties used for a purpose corresponding with the dominant use of the property if the Municipality cannot readily make an apportionment in relation to the services concerned and the categories of users.

5.15 In order to provide the Municipality with appropriate security for payment of amounts owing to it from time to time for services rendered, the Council shall impose a system of deposits payable by customers. The deposits shall be set with due regard to the potential financial risk associated with the amounts owing from time to time. The level of the deposits shall be revised annually depending on the defaults instances.

6. CATEGORIES OF CONSUMERS

6.1 Separate tariff structures may be imposed for the following categories of consumers (which the council may change) –

(a) Domestic consumers;

(b) Commercial consumers;

(c) Industrial consumers;

(d) Municipalities;

(e) Consumers with whom special agreements were made;

(f) Educational institutions;

(g) Public benefit organisations and suchlike institutions; and

(h) Places of worship.

6.2 Where substantially different demands are made on the infrastructure to provide a service to a specific group of users within a category or the standard of services required by such users, the Council may, after having considered a report by the Municipal Manager or the relevant Director, determine differentiated tariffs for the different consumers within the specific category.

6.3 The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service standards.

6.4 If, for purposes of determining the tariff applicable to a particular user or category of users, the user or category of users has not specifically by definition been included under a defined category of users, the Chief Finance Officer shall, by applying the closest match principle, determine the category under which the user or category of users fits in best taking into account the nature of the service concerned and the user or category of users involved.

7. SERVICE AND EXPENDITURE CLASSIFICATIONS

7.1 Service classification

The Chief Financial Officer may, subject to the guidelines provided by the National Treasury and the Mayoral Committee of the Council, make provision for the following classification of services:

(a) Trading Services:

(i) Water; and

(ii) Electricity.

(b) Economic Services:

(i) Solid Waste; and

(ii) Waste Water.

(c) Community services:

(i) Air Pollution;

(ii) Firefighting Services;

(iii) Local Tourism;

(iv) Town Planning;

(v) Municipal Public Works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;

(vi) Storm Water management system in built-up areas;

(vii) Trading Regulations;

(viii) Fixed Billboards and the display of advertisements in public places;

(ix) Cemeteries;

(x) Control of Public Nuisances;

(xi) Control of undertakings that sell liquor to the public;

(xii) Facilities for accommodation, care and burial of animals;

(xiii) Fencing and fences;

(xiv) Licensing and control of undertakings that sell food to the public;

(xv) Local Amenities;

(xvi) Local Sport Facilities;

(xvii) Municipal Parks and Recreation;

(xviii) Municipal Roads;

(xix) Noise Pollution;

(xx) Pounds;

(xxi) Public Places;

(xxii) Street Trading / Street Lighting;

(xxiii) Traffic and Parking;

(xxiv) Building Control;

(xxv) Licensing of Motor Vehicles and Transport Permits; and

(xxvi) Nature reserves.

(b) <u>Subsidised Services</u>:

(i) Libraries and Museums;

(ii) Proclaimed Roads; and

(iii) Street lights.

7.2 Expenditure classification

Expenditure will be classified in the following categories –

(a) <u>Subjective Classification as per mSCOA Chart</u>:

(i) Employee Related Costs;

(ii) Remuneration of Councillors;

(iii) Bad Debt Impairment;

(iv) Depreciation and Asset Impairment;

(v) Finance Charges;

(vi) Bulk Purchases;

(vii) Other Materials;

(viii) Contracted Services;

(ix) Transfers and Subsidies;

(x) Other Expenditure;

(xi) Loss on Disposal of Property, Plant and Equipment; and

(xii) Capital Expenditure for Capital Projects.

(b) <u>Objective Classification</u>:

(i) Cost centres will be created to which the costs associated with providing the service can be allocated per –

(aa) Department;

(bb) Division; and

(cc) Section.

(ii) The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

7.3 Cost elements

The following cost elements will be used to calculate the tariffs –

(a) Fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable and any other costs as determined by the Council from time to time;

(b) Variable costs: This includes all other variable costs; and

(c) Total costs: Consist of the fixed cost and variable cost.

8. TARIFF TYPES

8.1 In determining the type of tariff applicable to the type of service the municipality shall make use of the following options or a combination of the same.

(a) Single Tariff:

This tariff shall consist of a cost per unit consumed.

(b) Two to Three Part Tariff – Electricity:

This tariff shall consist of two to three parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.

(c) Inclining Block Tariff – Electricity:

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to subsidised free basic services and to prohibit the exorbitant use of a commodity.

The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

(d) Declining Block Tariff – Electricity:

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit, determined by council from time to time, by the volume consumed. This tariff will only be used for special agreements.

(e) Regulating Tariff – Electricity:

This tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service.

(f) Time-of-Use Tariff – Electricity:

This tariff is based on fixed charges and seasonally and time differentiated energy and demand charges.

9. TARIFF STRUCTURES AND METHODS OF CALCULATIONS

9.1 Calculation of Tariffs for Major Services

(a) In order to determine the tariffs, to be charged for the supply of water and electricity, the municipality shall endeavour to include at least the operational costs of the undertakings concerned.

(b) To determine the basic or minimum charge the following categories within the operating budget will be included as a basis for calculation –

(i) Capital costs (interest on loans);

(ii) Maintenance of infrastructure and other fixed assets;

(iii) Salary costs; and

(iv) Depreciation expenses.

(c) To determine the unit charges the following categories within the operating budget will be used as a basis for calculation –

(i) Cost of bulk purchases in the case of electricity;

(ii) Distribution costs (General Expenses);

(iii) Distribution losses;

(iv) Administration and service costs, including –

(aa) Service charges levied by other departments such as finance, human resources and legal services;

(bb) Reasonable general overheads, such as the costs associated with the office of the Municipal Manager;

(cc) Adequate contributions to the provisions for bad debts and obsolescence of stock; and

(dd) All other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area.

(d) The intended surplus to be generated for the financial year, such surplus to be applied –

(i) As an appropriation to capital reserves; and/or

(ii) Generally, in relief of rates and general services; and/or

(iii) The cost of approved indigent relief measures.

(e) The Municipality shall provide the first 50 kWh of electricity per month to registered indigent, pensioners and disabled consumers free of charge. The Municipality shall further consider relief in respect of the tariffs for sewerage, water and refuse removal for such registered indigents, pensioners and disabled persons to the extent that the Council deems such relief affordable in terms of each annual budget. Multiple step inclining block tariffs are utilised to enable the consumer to exercise control over the cost to themselves.

9.2 Water

(a) Fixed costs plus rising block tariffs will apply to all consumers.

(b) The following blocks will apply:

DOMESTIC PROPERTY :-		
Residential Indigent, Pensioners and People with Disabilities		
Consumption Charge : First 0 - 6 Kl	per kl	As per Tariff Book
Consumption Charge: >6kl - <= 12 Kl	per kl	As per Tariff Book
Consumption Charge: >12kl - <= 25 Kl	per kl	As per Tariff Book
Consumption Charge : >25kl - <= 40 Kl	per kl	As per Tariff Book
Consumption Charge : >40kl - No limit	per kl	As per Tariff Book
Residential Other		
Consumption Charge : > 0 - <=3 Kl	per kl	As per Tariff Book
Consumption Charge: >3kl - <= 12 Kl	per kl	As per Tariff Book
Consumption Charge: >12kl - <= 25 Kl	per kl	As per Tariff Book
Consumption Charge : >25kl - <= 40 Kl	per kl	As per Tariff Book
Consumption Charge : >40kl - No limit	per kl	As per Tariff Book
BUSINESS :-		
Service Charge per annum	per premises / per business unit/per shop unit /per Hotel room /per annum	
COMMERCIAL CONSUMPTION CHARGE		
Consumption Charge : > 0 - <=24 Kl	per kl	As per Tariff Book
Consumption Charge: >24kl - <= 50 Kl	per kl	As per Tariff Book
Consumption Charge: >50kl - <= 100 Kl	per kl	As per Tariff Book
Consumption Charge : >100kl - No limit	per kl	As per Tariff Book

(c) <u>Tariff structure</u>

(i) Properties connected to the water supply system

(ii) Size of the building (per square metre) per premises/ per business unit/ per shop/ per annum

BUSINESS :-		
Basic Charge per annum	per premises / per business unit/per shop unit /per annum	Rebate
Commercial Building size	0 - 50 m^2	100%
Commercial Building size	51 – 75 m^2	75 %
Commercial Building size	76 – 100 m^2	50%
Commercial Building size	101 and above	

(d) Method of calculation

(i) Indigent, pensioners and people with disability consumers will receive the appropriate 6 Kl free water.

(ii) The fixed costs of the service shall consist of the costs indicated as such by the council per premises/per unit/ per dwelling.

(iii) The number of users and estimated volume consumed per category will be used to determine the fixed tariff per category.

(iv) Where properties are not connected to the water service but can reasonably be connected to the service an **availability tariff** will be payable.

(v) Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.

(e) Drought tariffs

(i) Drought Situation Stage 1

An additional 10% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 60% or the river flow is at 200 litres per second and **when consumption is more than 25kl per month**. The 10% increase will be charged from 25kl of consumption.

(ii) Drought Situation Stage 2

An additional 15% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 40% or the river flow is at 200 litres per second and **when consumption is more than 25kl per month**. The 15% increase will be charged from 25kl of consumption.

(iii) Drought Situation Stage 3

An additional 25% of the approved water consumption tariff will be applied only if **AkkerKloof** Dam is at 30% or the river flow is at 200 litres per second and **when consumption is more than 25kl per month**. The 25% increase will be charged from 25kl of consumption.

9.3 Electricity

(a) Tariff structure

(i) Maximum demand (kVA) plus fixed tariff plus kWh consumed.

(ii) Fixed tariff plus kWh consumed.

(iii) Unit tariff (KWh consumed) (Pre-payment meters).

(b) Method of calculation

(i) Guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.

(ii) To recover the capital cost of supplying electricity through a fixed charge will make electricity unaffordable to many low consumption users. Cross subsidisation between and within categories of consumers will be allowed based on the load factors of the categories and consumers within the category. Portions of the fixed costs will be recovered through an energy or time-of-use charge. To apply the abovementioned principle, the cost allocation basis, cost groupings, tariff components and tariff types reflected in the following tables will be used.

Cost groupings	**Underlying cost-allocation bases**		
	Capacity costs: expressed as Rands/kVa/month	Variable costs: expressed as Cents/kWh	Customer specific costs: expressed as rands/ customer/month
Purchase cost	√	√	
Capital costs	√	√	√
Support costs	√		√

	Tariff components			
Tariff types	Fixed charge (rands/ customer/ month)	Energy charge (cents/kWh)	Time-of-use energy charge expressed as (cents/kWh)	Capacity charge expressed as (rands/kVa/ month)
One-part single energy		√		

rate tariff (Lifeline tariff)				
Two-part tariff	√	√		
Two-part time-of-use tariff	√		√	
Three-part tariff	√	√		√
Three-part time-of-use	√		√	√

(iii) The one-part single energy rate tariff:

For the one-part single energy rate tariff, all costs are expressed in a single cents/kWh charge. The recommended methodology for allocating costs into this tariff is as follows:

(aa) The rands/kVa/month cost must be allocated into a cents/kWh charge through consideration of the average load factor of the types of customer who are likely to use the one-part single energy rate tariff.

(bb) The rands/customer/month fixed cost should also be allocated into the cents/kWh charge and allocated to the kWh purchase costs in such a way as to ensure that at a level of monthly consumption of 400 kWh, the full amount of the fixed costs would have been recovered through the cents/kWh charge.

(iv) The two-part tariff:

(aa) The rands/kVa/month charge must be allocated into a cents/kWh charge through consideration of the average load factor of the types of customer who are likely to choose the two-part tariff. This reallocated charge must then be added to the kWh purchase charge.

(bb) The rands/customer/month charge is not reallocated into other tariff elements.

(cc) The tariff then consists of a fixed monthly charge plus a variable charge related to metered kWh consumption.

(v) The two-part time-of-use tariff:

(aa) The rands/kVa/month charge must be reallocated into different time-of-use cents/kWh charges through consideration of the load curve of the customer in relation to the load curve of the supplier. Such reallocated charges must then be added to the kWh purchase charges, as appropriate.

(bb) The rands/customer/month charge is not reallocated.

(vi) The three-part tariff:

(aa) The rands/kVa charge recovers the capital cost elements. Some of this cost must be reallocated into different tariff elements.

(bb) The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa costs.

(cc) The rands/customer/month charge is not reallocated.

(vii) The three-part time-of-use tariff:

(aa) As with the standard three-part tariff, a portion of the rands/kVa/month charge is reallocated into the various time-of-use cents/kWh charges. The amount of the reallocation takes place with regard to the customer's load factor. The time-variation of the capacity costs is taken into account in the reallocation of the rands/kVa charge into the various time-of-use cents/kWh charges.

(bb) The cents/kWh charge therefore recovers the full variable costs as well as a portion of the reallocated rands/kVa charges.

(cc) The rands/customer/month charge is not reallocated.

(viii) Where council decides to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.

(ix) Where properties are not connected to the electricity service but can reasonably be connected to the service an availability tariff will be payable. The Town Electrical Engineer will annually determine the tariff.

9.4 Solid Waste (Refuse removal)

(a) <u>Tariff structure</u>

(i) Wheelie Bin (volume 140 and 240 litre) per number of removals per week.

(ii) Bulk Container (volume 770 litre) rental per month.

(b) <u>Method of calculation</u>

(i) The costs per unit of measurement will be determined by dividing the total costs of the service by the total volume of refuse disposed of during the year. The total cost of the service includes the removal cost plus the operating cost associated with the service.

(ii) The cost associated with the removal of bulk containers will be determined by calculating how many of the smallest removal units will be absorbed by a specific container.

(iii) A monthly rental for the usage of a bulk container will be determined by discounting the purchase price of a bulk container over 5 years at an interest rate applicable to municipal loans. An additional 15% will be charged as an administration charge.

(iv) After council has consulted with owners or occupiers of commercial and industrial undertakings which do not make use of the standard black bags or mass containers, tariffs will be determined based on the estimated volume that will be removed per month.

(v) Costs for once-off removals will be calculated per truckload.

(vi) Private dumping at the disposal site will be allowed after a tariff based on the estimated volume of the dumping has been paid.

(vii) A refuse removal tariff will be raised and is payable by all owners or occupiers of each situated on the waste removal network, irrespective of whether they making use of the service of the council or any other service provider or those who have applied to be connected whether such owner or occupier uses the refuse removal service or not or those who are not connected to the distribution networks to whom a refuse removal service is rendered on request.

(viii) No refuse removal tariffs will be raised in areas where council has not introduced a refuse removal service.

(c) Reallocation of consumers due to excessive consumption

(i) Where a consumer is found exceeding the tariff applicable to their category of solid waste for which they are levied –

(aa) They will be moved to the appropriate corresponding tariff category.

(bb) They may approach Council for reinstatement to the original tariff. Subject to evidence provided.

9.5 Waste Water (Sewerage/emptying of conservancy tanks)

(a) Tariff structure

(i) Properties connected to the sewerage reticulation network.

(ii) Tanker vehicle per load.

(iii) Size of the building (per square metre) per premises/ per business unit/ per shop/ per annum.

BUSINESS :-		
Service Charge per annum	per premises/per business unit/per shop unit/per annum	Rebate
Commercial Building size	0 - 50 m^2	100 %
Commercial Building size	51 – 75 m^2	75 %
Commercial Building size	76 – 100 m^2	50%
Commercial Building size	101 and above	

(b) Method of calculation

(i) A fixed basic charge will be payable for each property connected to the sewerage reticulation network irrespective of number of toilets or size of business units. Per dwelling/ per unit/ per premises –

(aa) Domestic

(bb) Business

(ii) Where properties are not connected to the sewerage network but can reasonably be connected to the service an **availability tariff** will be payable. The tariff will be calculated by adding a surcharge to the fixed costs applicable to connected consumers per category.

(iii) An effluent charge will be charged to promote more efficient use of council's sewerage infrastructure.

(iv) The cost of emptying conservancy tanks will be based on the load, including an additional charge per kilometre for areas in excess of 10 kilometres from the Treatment Works.

(v) For the operation of the septic tank effluent drainage system [STED] in Smutsville and Sizamile an annual sewerage charge shall be levied for the effluent discharged into the Council's sewer system.

(vi) In respect of the vacuum tanker removals from the STED system no charge shall be levied by Council for such service.

9.6 Calculation of minor tariffs

(a) All minor tariffs (being tariffs in respect of services and facilities other than the major services referred to in Paragraphs 9.1 to 9.5 above) shall be approved by the Council in each annual budget, and shall, when deemed appropriate by the Council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

(b) All minor tariffs over which the Municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

(c) The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned –

(i) Burials and cemeteries;

(ii) Rentals for the use of municipal sports facilities;

(d) The following services shall be considered as community services, and no or subsidised tariffs shall be levied for their use –

(i) Municipal museum and art gallery;

(ii) Municipal reference library;

(iii) Municipal lending library (except for fines set out below);

(iv) Maintenance of graves and garden of remembrance (cremations);

(v) Rentals for the use of municipal halls and other premises (subject to the proviso set out below).

(vi) Building plan fees;

(vii) Clearance certificates for purposes of property transfers; and

(viii) Town planning fees.

(e) The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned –

(i) Housing rentals;

(ii) Sales of plastic refuse bags;

(iii) Sales of refuse bins;

(iv) Cleaning of stands;

(v) New connection fees: electricity, water, sewerage; and

(vi) Photostat copies and fees.

(f) The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined at a reasonable level (with due regard to direct and indirect costs involved, need for discouraging undesirable practices and advantages enjoyed by user) in each annual budget –

(i) Fines for lost or overdue library books;

(ii) Advertising sign fees;

(iii) Pound fees;

(iv) Disconnection and reconnection fees: electricity, water;

(v) Penalty and other charges imposed in terms of the approved policy on credit control and debt collection; and

(vi) Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

(g) Market-related rentals shall be levied for the lease of municipal properties defined as investment assets. Not to be applied at Curlew Court.

(h) In the case of rentals for the use of municipal halls and premises, if the Municipal Manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may allow a discount on the rental that would otherwise have applied.

(i) The Municipal Manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality sustaining damages as a result of the use of the facilities concerned.

(j) Tariff structure:

(i) The unit of measurement as reflected in the separate list of tariffs approved annually will be used to determine regulatory community and subsidised services.

(k) Overdue Amounts

(i) The municipality shall be entitled to levy an administration fee on a month to month basis on all overdue accounts subject to such maximum amount per month as the Council may determine.

(ii) The municipality may at its discretion enter into a repayment schedule with a consumer in respect of overdue amounts, which repayment schedule will be incorporated into an acknowledgment of debt in favour of the municipality and signed by the consumer. Upon signature of such an acknowledgment of debt, the consumer will become liable for payment of an administration fee in such amount as the Council may determine for attending on the debtor and entering into the acknowledgment of debt with the consumer.

10. CAPITAL CONTRIBUTIONS

10.1 For purposes of these tariffs the under mentioned words and expressions shall have the following meanings assigned to them unless the context otherwise requires –

(a) **"capital contributions"** means the tariffs (augmentation fees) payable in respect of the water, electricity, sewerage, storm water, roads and refuse removal infrastructure of the Municipality as determined by Council and which amounts exclude amounts payable towards the operational and maintenance costs of such infrastructure.

11. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

11.1 The tariffs will be approved as part of the annual budget.

11.2 The tariffs will come into effect as and when determined by the Council.

12. IMPLEMENTATION OF THE POLICY

12.1 The principles contained in this Policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in Section 75 of the Systems Act.

12.2 The Council may determine conditions applicable to community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

13. ADJUSTMENT OF ACCOUNTS

13.1 Where incorrect debits were raised, the accounts under query will be rectified as necessary.

13.2 Where the property rates levied on a particular property have been incorrectly billed or omitted or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the property rates payable shall be appropriately adjusted. Property rates will be adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll. Interest on the unpaid portion of the adjusted property rates payable shall be levied at the applicable prime interest rate plus 1% from the date the correction was made. This section does not prevent the Municipality from retrospectively levying rates where the Municipality is able to prove the claim in a normal legal process.

13.3 Where the service charges levied on a particular property have been incorrectly billed to the detriment of the consumer, the correction will be made retrospectively for the current financial year only. Where the service charges levied on a particular property have been incorrectly billed or omitted to the detriment of the Municipality, the correction will not be made retrospectively unless it has to do with an incorrect or estimated meter reading. This section does not prevent the Municipality from retrospectively levying service charges where the Municipality is able to prove the claim in a normal legal process.

14. SHORT TITLE

14.1 This policy is called the Tariff Policy of the Knysna Municipality.

Policy C4:

Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive || innovative || inspired

2022/2023

Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy

March 2022

TABLE OF CONTENTS

1. INTRODUCTION

1.1 This policy is established in terms of Chapter 9 of the Municipal Systems Act (Act no.32 of 2000) and Section 62(f) (iii) of the Municipal Finance Management Act (Act no. 56 of 2003) which requires that a Municipality establish and maintain a credit control and debt collection policy.

2. SCOPE OF THE POLICY

2.1 This Policy applies to the Knysna Municipality and all persons of this administration.

2.2 This Policy as approved by Council, has been passed to give effect to the Municipal By-law in terms of the Local Government: Municipal Systems Act (Act no. 32 of 2000), Privacy Policy of the Municipality and such Policy will be binding on the public, officials and Councillors of the Municipality of Knysna and no interference in the process will be permitted.

2.3 The Policy is applicable until such time as it is reviewed and Council approves the revisions. All acts performed in terms of the above approved Policy, and the existing Municipal By-law, will not be invalidated due to the timing differences between approval and promulgation.

2.4 All acts performed as mentioned in the previous paragraph will be ratified with the promulgation of the related Municipal By-law.

3. OBJECTIVES OF THE POLICY

3.1 The objectives of this Policy are to –

(a) Define a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection and to develop an effective procedure to bill and collect its revenues;

(b) Ensure that all monies due and payable to the Municipality are collected in full and used to deliver municipal services in the best interest of the community, residents and ratepayers and in a financially sustainable manner as prescribed by the Municipal Systems Act, 2000 (Act No, 32 of 2000), and other applicable legislation;

(c) Ensure that the principles applied, as a result of this Policy, will enhance and support a healthy working capital position for the Knysna Local Municipality;

(d) Provide a framework for consumer care and indigent support;

(e) Set realistic targets for credit control and debt collection;

(f) Enable the implementation of this Policy throughout the Knysna Municipality;

(g) Effectively and efficiently deal with defaulters in accordance with the terms and conditions of this Policy; and

(h) Promote a culture of payment and instil a sense of responsibility towards the payment of Municipal accounts and reduction of Municipal debt.

4. PRINCIPLES

4.1 The administrative integrity of the Municipality must be maintained at all times. The democratically elected Councillors are responsible for policy-making, while it is the responsibility of the Accounting Officer to ensure the execution of these policies.

4.2 All customers must complete an official application form, formally requesting municipal services. Existing customers may be required to complete new application forms from time to time, as determined by the Accounting Officer. The most important rights and obligations of the consumer and the Municipality must be included in the service application form.

4.3 A copy of the application form including conditions of services must be handed to every new customer on date of application for services. All customers must be informed of the contents of the Council's Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy and a copy made available to any customer on request.

4.4 Billing is to be accurate, timeous and understandable.

4.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

4.6 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.

4.7 Enforcement of payment must be prompt, consistent and effective.

4.8 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of Municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.

4.9 Incentives and disincentives may be used in collection procedures.

4.10 The collection process must be cost effective.

4.11 Results will be regularly and efficiently reported and monitored.

4.12 There must be legal cause between the Municipality and its customer, and customer debt must arise out of a legal framework and must be legally collectable.

4.13 Debtors may be referred to third party debt collection agencies and may be placed on the National Credit Bureau.

4.14 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

4.15 Consumers that meet Council's indigent criteria must be identified and supported.

4.16 The Municipality shall not conduct any business activity with or provide any services to any persons with arrear municipal accounts except as provided for in this Policy and as determined by the Municipality from time to time, nor will any refunds of credits be made to any debtor who is in arrears with their Municipal account.

5. DEFINITIONS

5.1 In this Policy any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act, has that meaning, unless the context, indicates otherwise –

5.1.1 ***"Account"*** means a notification by means of a statement of account to a ratepayer or customer who is liable for payment of any amount to the Municipality and any authorised service provider in respect of the following –

(a) Electricity that is consumed by a consumer based on a meter reading or an estimated consumption and any service fee;

(b) Water that is consumed by a consumer based on a meter reading or an estimated consumption or water availability fees;

(c) Refuse removal and disposal;

(d) Sanitation services and sanitation availability fees;

(e) Property rates;

(f) Interest;

(g) Connection fees;

(h) Collection charges, miscellaneous;

(i) Sundry fees;

(j) Default administration charges; and

(k) Housing, rentals and instalments.

5.1.2 ***"Accounting Officer"*** means the person appointed by the Council as the Accounting Officer of the Municipality in terms of Section 82 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) and being the head of the administration and Accounting Officer in terms of Section 60 of the Local Government: Municipal Systems Act 200 (Act No 32 of 2000). It will also include any person to whom the Accounting Officer has delegated a power, function or duty but only in respect of that delegated power, function or duty.

5.1.3 ***"Act"*** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time.

5.1.4 ***"Actual consumption"*** means the measured consumption by a customer of a municipal service.

5.1.5 ***"Agreement"*** means a contractual relationship between the Municipality and a customer that arises, either as a result of the Municipality's approval of a written application for municipal services, including any subsequent variation that may be made to that agreement in conformity with this Policy, or that is deemed to be an agreement.

5.1.6 ***"Agricultural Property"*** means a property that is used primarily for agricultural purposes but, without derogating from Section 9, of the Municipal Property Rates Act (Act 6 of 2004) excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game.

5.1.7 ***"Applicable charges"*** means the rate (including assessment rates), charges, tariffs or subsidies determined by the Council.

5.1.8 ***"Area of supply"*** means any area within or partly within the area of jurisdiction of the Municipality to which a service is provided.

5.1.9 ***"Arrears"*** means any amount that is due, owing and payable by a customer in respect of a municipal service provided to such customer that has not been paid on or before the due date reflected on an account rendered in respect thereof.

5.1.10 ***"Arrangements"*** means a written agreement or an acknowledgement of debt in terms of which a Municipality agrees to the payment over a period of time of a debt that is outstanding;

5.1.11 ***"Authorised agent"*** means –

(a) Any person authorized by the Council to perform any act, function or duty in terms of or to exercise any power under this Policy;

(b) Any person to whom the Council has delegated responsibilities, duties or obligations in respect of the provision of revenue collection services; or

(c) Any person appointed by the Council, in a written contract, as a service provider for the provision of revenue collection services or a municipal service to customers on its behalf, to the extent authorized by that contract.

5.1.12 ***"Average consumption"*** means the average consumption by a customer of a municipal service during a specific period, which consumption is calculated by dividing the total measured consumption of that service over that period, by the number of periods.

5.1.13 ***"Back yard dwellers"*** the portion of a building site behind a house, structure, where somebody lives or stay as a permanent resident.

5.1.14 ***"Billing"*** refers to the process of charging for services provided by issuing accounts.

5.1.15 ***"By-law"*** means a legislation that is made by a decision taken by the Council of the Municipality binding in the Municipality on the persons to whom it applies and is published in terms of the Municipal Systems Act.

5.1.16 ***"Chief Financial Officer (CFO)"*** means the official of the Municipality appointed by Council to administer its finances regardless of the designation or title attached to the post. He/she is responsible for the collection of moneys owed to the Municipality and/or any other staff member to whom he/she has delegated specific duties and responsibilities in terms of this Policy.

5.1.17 ***"Collection costs"*** means an amount that the Municipality can charge with regard to the enforcement of a consumer's monetary obligations.

5.1.18 ***"Commercial customer"*** means a customer other than a domestic customer and an indigent customer, including, but not limited to, a business or an industrial, governmental or an institutional customer.

5.1.19 ***"Connection"*** means the point at which a customer gains access to municipal services.

5.1.20 ***"Consolidated"*** refers to the combining of all debt in order to establish the total obligation the debtor has to the Municipality.

5.1.21 ***"Consumer"*** means any occupier of a property to which the Municipality has agreed to supply services or already supplies services to, or when the occupier is not the responsible person, then the owner of the property.

5.1.22 ***"Continuous service"*** means the supply for consideration of a municipal service with the intent that so long as the agreement to supply the service remains, the Municipality will make the service continuously available to be used by the consumer.

5.1.23 ***"Council"*** means the Council of the Local Municipality of Knysna. A structure or person exercising delegated authority and power or carrying out an instruction in terms of these by-laws or a service provider fulfilling the responsibility under these by-laws.

5.1.24 ***"Credit control and debt collection"*** refers to the action/s required to safeguard revenue including disconnections, reconnections, normalizing installations and follow-up procedures and data integrity.

5.1.25 ***"Customer"*** means a person with whom the Municipality has concluded or is deemed to have concluded an agreement for the provision of a municipal service.

5.1.26 ***"Default administration charges"*** means a charge that may be imposed by the Municipality to recover administration costs incurred as a result of a consumer's default.

5.1.27 ***"Defaulter"*** means a customer who owes money to the Municipality after the due date for payment has expired.

5.1.28 ***"Debt collection"*** refers to the debt recovery process and includes sanctions (warning, disconnection, adverse credit rating, legal process and/or eviction, etc.) to be applied in the event of non-payment of accounts.

5.1.29 ***"Disconnection"*** means interrupting the supply of water or electricity to a debtor as a consequence of ignoring a notice for payment.

5.1.30 ***"Domestic customer"*** means a customer who, primarily for residential purposes, occupies a dwelling, structure or premises.

5.1.31 ***"Due date"*** means the date on which an amount payable in respect of an account becomes due, owing and payable by a customer, which date shall be the last day of the month following the monthly debit raising.

5.1.32 ***"Effective disconnection"*** includes, inter alia, the physical removal of connections and/or equipment as a consequence of unauthorised reconnection (tampering and/or by-passing) of the disconnected service.

5.1.33 ***"Emergency situation"*** means a situation that would, if allowed to continue, pose a substantial risk, threat, impediment or danger to the present or future financial viability or sustainability of the Municipality or to a specific municipal service.

5.1.34 ***"Estimated consumption"*** means the consumption that a customer, whose consumption is not measured during a specific period, is deemed to have consumed and that is estimated by taking into account factors that are considered relevant by the Municipality and which may include the consumption of municipal services by the totality of the users of a service within the area where the service is rendered by the Municipality, at the appropriate level of service, for a specific time.

5.1.35 ***"Equipment"*** means a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories.

5.1.36 ***"Financial year"*** means the period starting from 1 July of one year and ending 30 June of the next year.

5.1.37 ***"Household"*** means all occupants older than 18 years within the jurisdiction of the Council regardless whether the person rents or owns the property. The family unit is determined by the Municipality to be traditional by taking into account the number of persons in the unit, the relationship between the members of a household, their ages and any other factor that the Municipality considers to be relevant.

5.1.38 ***"Illegal connection"*** means a connection to any system through which a municipal service is provided and that is not authorized or approved by the Municipality.

5.1.39 ***"Indigent amount"*** refers to the applicable value of the indigent subsidy as determine by the Council of the Municipality from time to time.

5.1.40 ***"Indigent household"*** means a household with a total monthly income of not more than two (2) times the monthly Government old age pension plus 10% rounded off to the next R 100.

5.1.41 ***"Infrastructure"*** means the facilities, installations or devices required for the rendering of a municipal service or for the functioning of a community including but not limited to facilities, installation or devices relating to water, power, electricity, transport, sanitation, gas and waste disposal.

5.1.42 ***"Interest"*** means a charge levied on all arrear accounts calculated at a rate of 1% higher than the prime interest rate and will be based on a full month where a part of a month shall also be deemed to be a full month.

5.1.43 ***"Multiple purposes"*** in relation to a property, means the use of a property for more than one purpose, subject to Section 9 of the Municipal Property Rates Act (Act 6 of 2004).

5.1.44 ***"Municipal consumer debt"*** refers to the non-payment or late payment by consumers of property rates and municipal services (water, electricity, sanitation, refuse removal) traffic fines and rental housing payments and includes any amounts considered as irrecoverable.

5.1.45 ***"Municipal Property Rates Act"*** means the Local Government: Municipal Property Rates Act, (Act No 6 of 2004).

5.1.46 ***"Municipality"*** means –

(a) The Municipality of Knysna, a local Municipality established in terms of paragraph 12 of the Local Government: Municipal Structures Act, (Act No. 117 of 1998) and its successors-in-title; or

(b) Subject to the provisions of any other law and only if expressly or impliedly required or permitted by this Policy, the Accounting Officer or his/her delegated, in respect of the performance of any function, or the exercise of any duty, obligation, or right in terms thereof or any other law; or

(c) An authorized agent of the Municipality.

5.1.47 ***"Municipal services"*** for purposes of this Policy, means services provided by the Municipality, including refuse removal, water supply, sanitation, electricity services and rates either collectively or singularly.

5.1.48 ***"Non-residential debtors"*** are classified as those debtors who do not qualify for or receive free-water.

5.1.49 ***"Occupier"*** means any person who resides on and/or occupies any premises to which municipal services are supplied.

5.1.50 ***"Office bearer"*** in relation to places of worship, means the primary person who officiates at services at that place of worship.

5.1.51 ***"Official residence"*** in relation to places of public worship means –

(a) A portion of the property used for residential purposes; or

(b) One residential property, if the residential property is not located on the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer.

5.1.52 ***"Owner"*** refers to the definition as defined in the Property Rates Act.

5.1.53 ***"Payment"*** refers to any form of settlement acceptable to the Council of Knysna from time to time towards the balance on an account.

5.1.54 ***"Person"*** means –

(a) Any natural person; or

(b) Any legal entity or institution considered by law to have contractual capacity in its name and capacity to sue or be sued in a court of law, and includes but is not limited to –

(i) A private or public company established in terms of the Companies Act, 1973 (Act 61 of 1973), as amended from time to time;

(ii) A trust in terms of the Trust Property Control Act, 1988 (Act 57 of 1988);

(iii) The state or any of its organs as defined in Section 239 of the Constitution of the Republic of South Africa, 1996;

(iv) A Co-operative registered in terms of the Co-operatives Act, 2005 (Act 14 of 2005);

(v) A community-based organisation or voluntary association or any other non-governmental organisation or voluntary association with legal competence;

(vi) Governments of foreign countries and includes their Embassies occupying property within the Municipality's jurisdictional area;

(vii) A curator of an insolvent estate appointed in terms of the laws of South Africa;

(viii) An administrator of a deceased estate appointed in terms of the laws of South Africa; or

(ix) Such other person or legal entity, as the case may be, recognised by law;

5.1.55 ***"Place of public worship"*** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium; provided that the property is –

(a) Registered in the name of the religious community;

(b) Registered in the name of a trust established for the sole benefit of a religious community; or

(c) Subject to a land tenure right.

5.1.56 ***"Poor households"*** means a household (including pensioners) which qualifies for financial assistance as determined by Council in this Policy.

5.1.57 ***"Premises"*** means any piece of land, the external surface boundaries of which are delineated on –

(a) A general plan or diagram registered in terms of the Land Survey Act (Act No 9 of 1927) or in terms of the Deeds Registries Act, (Act No 47 of 1937);

(b) A sectional plan registered in terms of the Sectional Titles Act, (Act No 95 of 1986);

or

(c) A register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority; and, where the text so requires, includes any building, structure or the like erected on such land.

5.1.58 ***"Prescribed tariff or charge"*** means a charge prescribed by the Municipality.

5.1.59 ***"Principle debt"*** means a debt that is owed to the Municipality in respect of property rates and services. It may include interest, collection charges, default administration charges, connection charges and any other charges.

5.1.60 ***"Private Towns, Developments and/or complexes"*** means properties where services such as water, electricity or sewerage networks and/or streets and open spaces has not been taken over by the municipality and a body corporate has been appointed by the individual owners to ensure sufficient levies are raised on the individual owners to cover these expenses.

5.1.61 ***"Public Service Infrastructure Property"*** refers to an organ of state that owns or controls that public service infrastructure as contemplated in the definition of "publicly controlled", provided that a person will, for the purposes of the By-law, be regarded by the Municipality as the owner of a property in the following cases –

(a) A trustee in the case of a property in a trust, excluding state trust land;

(b) An executor or administrator in the case of a property in a deceased estate;

(c) A trustee or liquidator in the case of a property in an insolvent estate or a property in liquidation;

(d) A judicial manager in the case of a property in the estate of a person under judicial management;

(e) A curator in the case of a property in the estate of a person under curatorship;

(f) A person in whose name a usufruct or other personal servitude is registered where the property is subject to a usufruct or other personal servitude;

(g) A lessee in the case of a property that is registered in the name of the Municipality and is leased by it;

(h) A buyer in the case of a property that was sold by the Municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

(i) In the case of property occupied by provincial or national government the relevant department of such government; or

(j) In the case of property occupied by an embassy of a foreign country, then such embassy; or in the case of the Municipality being unable to establish the identity of such person, the person who is entitled to derive benefit from the property or any buildings thereon or his or her legally appointed representative.

5.1.62 ***"Public notice"*** means publication in the media including one or more of the following –

(a) Publication of a notice, in at least two of the official languages in general use within the Province or area in question and, where possible, the notice shall be published in a newspaper appearing predominantly in the language utilised in the publication of the notice –

(i) In any local newspaper or newspapers circulating in the area of supply of the Municipality;

(ii) In the newspaper or newspapers circulating in the area of supply of the Municipality determined by the Council as a newspaper of record;

(iii) On the official website of the Municipality; or

(iv) By means of radio broadcasts covering the area of supply of the Municipality;

(b) Displaying a notice in or at any premises, office, library or pay-point of either the Municipality or of its authorized agent and to which the public has reasonable access; and

(c) Communication with customers through public meetings and ward committee meetings.

5.1.63 ***"Public service purposes"*** in relation to the use of a property means property owned and used by an organ of state as –

(a) Hospitals or clinics;

(b) Schools, pre-schools, early childhood development centres or further education and training colleges;

(c) National and provincial libraries and archives;

(d) Police stations;

(e) Correctional facilities; or

(f) Courts of law;

but excludes property contemplated in the definition of *"public service infrastructure"*.

5.1.64 ***"Residential debtors"*** are classified as those debtors who qualify for and receive free water.

5.1.65 ***"Residential Property"*** means a property included in a valuation roll in terms of Section 48(2)(b) of the Local Government Municipal Property Rates Amendment Act 2014 as residential in respect of which the primary use or permitted use is for residential purposes without derogating from Section 9 of the Municipal Property Rates Act (Act 6 of 2004); and which includes the following –

(a) Used predominantly (60% or more) for residential purposes;

(b) A unit registered in terms of the Sectional Titles Act, 95 of 1986, used predominantly (60% or more) for residential purposes, and includes any unit in the same Sectional Title Scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters. (Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or

(c) Owned by a share block company and used predominantly (60% or more) for residential purposes but will be considered as one Residential property as set out in Paragraph 5.1 of the Property Rates Policy;

5.1.66 ***"Service"*** means a municipal service rendered by the Municipality and includes the supply of electricity, water, sanitation and refuse removal.

5.1.67 ***"Subsidised service"*** means –

(a) A municipal service which is provided to a customer at an applicable rate which is less than the cost of actually providing the service and includes services provided to customers at no cost;

(b) An area, as determined by the Council, within which all customers are provided with services from the same bulk supply connection; and

(c) The receipt, use or consumption of any municipal service which is not in terms of an agreement or authorised or approved by the Municipality;

5.1.68 ***"Sundry debt"*** refers to any debt other than for rates, housing, metered services, sanitation and refuse removal;

5.1.69 ***"Supply"*** means any metered supply of water or electricity;

5.1.70 ***"Tariff"*** means the levying of fees, rates or taxes for municipal services provided by the Municipality itself and that complies with the Municipal Systems Act, (Act no. 32 of 2000);

5.1.71 ***"Tampering"*** means the unauthorised interference with a service rendered by the Municipality, or to damage or make unauthorised changes to the equipment or property of the Municipality used in connection with the provision of Municipal services. Reconnection of a supply that has been disconnected for non-payment, the interference with the supply mains or bypassing of the metering equipment to obtain an un-metered service;

5.1.72 ***"Total household income or household income"*** refers to the total formal and informal gross income of all people living permanently or temporarily on the property on which the account is based.

5.1.73 **"Unauthorised service"** means the receipt, use or consumption of any municipal service which is not in terms of an agreement with or approved by the Municipality.

6. LEGISLATIVE FRAMEWORK

6.1 This Policy is designed and implemented with the framework of the following legislation:

(a) The Constitution of the RSA, 1996;

(b) The Municipal Systems Act, 2000 (Act 32 of 2000);

(c) The Municipal Finance Management Act, 2003 (Act 56 of 2003);

(d) The Promotion of Administration Justice Act, 2000 (Act 3 of 2000);

(e) The Promotion of Access to information Act, 2000 (Act 2 of 2000); and

(f) The Property Rates Act 2000 (Act 6 of 2004).

(g) Protection pf Personal Information Act (2020)

6.2 The framework also covers the duties and functions of Council, Executive Mayor all councillors, Accounting Officer, municipal staff, communities, rates payers and residents.

7. CUSTOMER CARE

7.1 Objective

7.1.1 To focus on the client's needs in a responsible and pro-active way, to enhance the payment for services and to create a positive and cooperative relationship between the persons responsible for the payment for services received, and the Municipality, and where applicable, any service provider.

7.1.2 In terms of Section 95 of the Local Government Municipal Systems Act 2000, in relation to the levying of property rates and other taxes by a Municipality and the charging of fees for municipal services, a Municipality must, within its financial and administrative capacity provide for the following as discussed in paragraphs 7.2 to 7.19 below.

7.2 Service Delivery

7.2.1 Establish a sound Customer Management System that aims to create a positive and reciprocal relationship between persons liable for these payments and the Municipality itself.

7.3 Communication

7.3.1 Establish mechanisms for users of services and ratepayers to provide feedback to the Municipality or other service provider regarding the quality of the services and the performance of the service provider.

7.3.2 Take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from the service are utilised.

7.3.3 Within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which may include targets for credit control and debt collection.

7.3.4 Make available Council's Customer Care, ~~Indigent,~~ Credit Control, Debt Collection, Indigent and Tampering Policy by general publication, on specific request, and which will also be available for perusal at the Municipality.

7.3.5 Endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.

7.3.6 Require ward councillors to hold regular ward meetings, at which Customer Care and Debt Collection issues will be given prominence.

7.3.7 Encourage the press to give prominence to Council's Customer Care, Credit control, Debt Collection, Indigent and Tampering Policies.

7.4 <u>Personal contact</u>

7.4.1 Telephonic contact, agents calling on clients –

(a) The Municipality will endeavour, within the constraints of affordability and available capacity, to make personal, electronic or telephonic contact with certain arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigent subsidies, other related matters and will provide information on how and where to access such arrangements or subsidies; and

(b) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings may continue in the absence of such contact for whatever reason.

7.5 <u>Metering</u>

7.5.1 The Municipality will, endeavour, within practical and financial limits, to provide meters to every paying consumer for all services.

7.5.2 Where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems.

7.5.3 All meters will be read monthly, if at all possible. If the meter is not read monthly the Council will estimate the consumption in terms of Council's operational procedures.

7.5.4 Consumers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.

7.5.5 Consumers will be informed of meter replacement.

7.5.6 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Municipality or its authorised agent, and the consumer is charged for an estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

7.5.7 If an electricity meter cannot be read due to no access for six consecutive months, the meter may be replaced with a pre-paid meter at the cost of the owner.

7.5.8 The occupier can give the readings through telephonically but at least every six months a true reading must be obtained by the meter reader.

7.5.9 In the case of holiday houses, average consumption will not be levied monthly. A true reading must be obtained by the meter reader at least once a year if possible.

7.5.10 If no reading on a water meter can be obtained for more than six consecutive months, the meter may be moved at the cost of the owner/tenant.

7.6 <u>Accounts and billing</u>

7.6.1 Consumers on the billing system will receive an understandable and accurate bill from the Municipality, which bill will consolidate all rates and service costs for that property.

7.6.2 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.

7.6.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Municipality or its authorised agent.

7.6.4 It is the consumer's responsibility to ensure that the postal address and other contact details are correct.

7.6.5 It is the consumer's responsibility to make enquiries and ensure timeous payments in the event of accounts not received.

7.6.6 Settlement or due dates will be as indicated on the statement.

7.6.7 Where any payment is made to the Municipality or its authorized representative by negotiable instrument and it is later dishonoured by the bank, the Municipality or its authorized agent –

(a) May recover an admin fee as determined by Council relating to dishonoured negotiable instruments against the account of the consumer;

(b) Shall regard such an event as a default on payment; and

(c) May insist on cash payments for all future accounts.

7.6.8 The Municipality or its authorised agent must, if administratively possible, issue a duplicate account or any acceptable alternative to a consumer on request, at a cost determined by Council from time to time.

7.7 <u>Payment facilities and methods</u>

7.7.1 The Municipality will operate and maintain suitable payment facilities, which facilities will be accessible to all users.

7.7.2 The Municipality will, at its discretion allocate a payment between service debts. A consumer who has overdue debt, may not specify that the payment is for a specific portion of the account.

7.7.3 The Municipality may in terms of Section 103 of the Systems Act, with the consent of a consumer, approach an employer to secure a debit or stop order arrangement.

7.7.4 The consumer will acknowledge, in the consumer agreements that the use of consumer agents in the transmission of payments to the Municipality is at the risk of the consumer – also for the transfer time of the payment.

7.7.5 Postal orders must be crossed and be made payable to Knysna Municipality.

7.7.6 Payments will always be appropriated to the oldest account (notwithstanding the kind of service), where after it will be appropriated in order of a predetermined priority as approved by the Municipality.

7.7.7 Payments can be made:

(a) At Knysna Municipal Customer care offices from Mondays to Fridays (public holidays excluded) 08h00 to 16h00 (Satellite Offices) and Mondays to Thursdays 08h00 to 16h00 and Fridays 08h00 to 13h00 (Sedgefield, Karatara and Rheenendal);

(b) At any of the Easy Pay, Pay@ Snap scan, Zapper, Spar and Post Office pay points as approved by Council. Please note that at least 48 hours should be allowed for processing of all third-party payments; However, payments made at a third party will be done at own risk. It also remains the responsibility of the person making the payment, to ensure that the receipt is correct;

(c) By direct Bank – and/or electronic payments to the Municipal bank account using Knysna Municipality as beneficiary. The Municipal account number must at all times be used as the reference number; ~~or~~ It also remains the responsibility of the person making the payment to ensure that, at least 48 hours should be allowed for processing of all direct bank and /or electronic payments.

(d) By way of an automatic debit order. These forms are available at any of the Municipal Offices.

7.8 Enquiries, appeals and service complaints

7.8.1 Within its administration and financial ability, the Municipality will establish –

(a) A central complaints/feedback office;

(b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with consumers;

(c) Appropriate training for officials dealing with the public to enhance communications and service delivery;

(d) A communication mechanism to give Council feedback on the application of the policies on customer care and management, credit control debt collection and other issues of concern;

(e) Accessible mechanisms for those persons to query or verify accounts and metered consumptions, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts; and

7.9 Water leakages – Non-indigent consumers

7.9.1 If the leakage is on the consumer's side of the meter, the consumer will be responsible for the payment of all water supplied to the property. The consumer has the responsibility to control and monitor his/her water consumption.

7.9.2 A consumer may qualify for a reduction in levy as determined by Council on his/her account in the event of a water leakage, if –

(a) The leakage was underground or under the foundation of the building and not easily detectable;

(b) The leakage was repaired within 48 hours after detection / notification by the Municipality;

(c) The consumer submits a sworn affidavit by him/herself;

(d) The consumer has not applied for discount on water leakages within the previous 12 months; and

(e) An authentic certificate issued by a registered plumber must reach the Municipality within 10 days after completion of repairs done with respect to a water leakage and must contain the following –

(i) The date of the invoice and repair work as well as the receipt; and

(ii) Confirmation that surface leakage was not visible; or

(f) If repairs were done by the consumer themselves, his/her sworn affidavit must reach the Municipality within 10 days after completion of repairs done with respect to a water leakage and must contain the following –

(i) The date of the invoice and repair work as well as the receipt and/or date stamped photos proving that the leak was underground and repaired by themselves;

(ii) That the reading has normalised; and

(iii) Confirmation that surface leakage was not visible.

7.9.3 Once the Accounting Officer declares that the AkkerKloof dam volume has dropped to below 30%, no water charges in respect of water losses because of leakages will be reduced.

7.9.4 Water lost due to the meter being stolen, defective irrigation, broken geyser, leaking toilet or leaking tap cannot be considered for reduction.

7.9.5 Council will only allow a reduction up to the difference between the levied amount of the leakage and the recalculated amount calculated as follows –

(a) The consumer's daily average consumption for the 1st month after the leakage was repaired will be used to do the recalculations.

(b) The consumer's daily average billed consumption up to a maximum of six (6) months may be used to determine the correction to the consumer's account.

(c) The consumer's account will be corrected by charging 50% of the usage above the average consumption at the cost price per kilolitre for water.

7.9.6 Any applications that do not comply with points in 7.8.1 (a) (iv) and 7.8.1 (a) (v) above, may be referred to a special water leakage committee for further consideration of possible reductions.

7.10 Leakages -Indigent consumers

7.10.1 If the leakage is on the indigent or poor household consumer's side of the meter, the consumer will be responsible for the payment of all water supplied to the property. The indigent or poor household consumer has the responsibility to control and monitor his/her water consumption.

7.10.2 An indigent or poor household consumer may qualify for a reduction as determined by Council on his/her account in the event of a water leakage, if –

(a) The indigent or poor household consumer submits a sworn affidavit by him/herself confirming the leakage was reported and repaired and that the reading has normalised; and

(b) The indigent or poor household consumer has not applied for discount on water leakages within the previous 12 months.

7.10.3 Council will only allow a reduction up to the difference between the levied amount of the leakage and the recalculated amount calculated as follows –

(a) The consumer's daily average consumption for the 1st month after the leakage was repaired will be used to do the recalculations.

(b) The consumer's daily average billed consumption up to a maximum of six (6) months may be used to determine the correction to the consumer's account.

(c) The consumer's account will be corrected by charging 50% of the usage above the average consumption at the cost price per kilolitre for water.

7.11 Clients in correctional care or clients who were imprisoned

7.11.1 Must obtain a letter from correctional services, which indicates the date of release.

7.11.2 If a lodger occupies the dwelling while the owner is imprisoned, such lodger should accept responsibility for the account.

7.11.3 If no tenant is occupying the dwelling the services should be restricted until the owner is released from prison.

7.12 Temporary suspension of actions for special reasons

7.12.1 The written approval of the Chief Financial Officer (CFO) or his/her delegate to temporary suspend actions must at all times be obtained for special reasons. If the suspension of actions in terms of this Policy exceeds 3 months, it must be reported to Council.

7.13 Restricted water

7.13.1 If a person is in arrears and his/her water has been restricted, such person should negotiate a settlement agreement to redeem the debts.

7.13.2 The water restriction however cannot be restored until the arrear debt is paid in full (unless payment arrangements are in place);

7.13.3 Once the account has been paid in full, the water flow can be restored.

7.14 Process regarding disabled persons or persons who are linked to a respirator or life supporting machine

7.14.1 All collection actions can be suspended where needed with the Chief Financial Officer or his/her delegated officials' consent.

7.14.2 A medical certificate to confirm the client's health condition must be obtained at regular intervals to qualify for this support.

7.15 Inheritor of an insolvent estate

7.15.1 Where the inheritor of a property, with no/or an insolvent estate, qualifies for an indigent subsidy, the outstanding debt can be written off by Council in order for clearance to be given and the property to be transferred.

7.16 Property Rates rebates

7.16.1 Subject to certain criteria the Municipal Council may grant rate rebates annually to certain categories of ratepayers in accordance to the Municipality's Property Rates Policy and By-law.

7.16.2 The following properties will be excluded from the payment of rates –

(a) Properties of which the municipality itself is the owner;

(b) First 30% of the market value of public service infrastructure in terms of Section 17(1)(a) of the Act;

(c) Rights registered against immovable property in the name of a person –

(i) On property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community, which is occupied by the office-bearer of that community who is, officiates at services at that place of worship in terms of Section 17(1)(i) of the Act;

(d) On the first R 15,000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined as residential property or multiple used property provided that one or more component is used for residential purposes in terms of Section 17(1)(h);

(e) An additional R 35,000 of the valuation of domestic property (excluding accommodation establishments and vacant land) will be exempted from paying property rates.

(f) Businesses including accommodation establishments 1-8 and accommodation establishments 9+ will be rated at business rates tariff. Properties that are used as accommodation establishments 1-8 will be granted a 40% rebate on the business tariff;

(g) Properties registered or recognised as private nature reserves in terms of relevant legislation, which are not developed or used for commercial, business, agricultural or residential purposes in terms of Section 17(1)(e) of the Act.

7.16.3 Rebates granted in terms of Section 4 of the Property Rates Policy may be considered for the following categories of properties –

(a) Market value of residential property below a determined threshold;

(b) Retention and restoration of conservation worthy buildings; and

(c) Heritage areas

7.16.4 Over and above the determinations contemplated in Section 17(1)(h) of the Act owners of property who depend on pensions or social grants for their livelihood may qualify for a rebate as determined by Council's Indigent Policy.

7.17 Arrangements for settlements

7.17.1 If required, consumers with arrears must convert to a prepayment meter, and when implemented the cost of the conversion and the arrears total, will be paid off either by –

(a) Adding the debt to the arrears bill and repaying it over the agreed period; or

(b) Adding the debt as a surcharge (auxiliary) to the pre-paid electricity cost, and repaying it with each purchase of electricity until the debt is settled; or

(c) Installation of pre-paid meter is free of charge if a person is indigent.

7.17.2 Council reserves the right to increase the deposit requirement of debtors who seek arrangements.

7.17.3 If an arrangement is not honoured the arrangement will be cancelled.

7.17.4 All arrangements for settlements will be in accordance with the processes and guidelines approved by the Accounting Officer or Chief Financial Officer from time to time in pursuance of the credit control and debt collection targets set by Council.

7.18 Restriction of services

7.18.1 If the Accounting Officer, or his/her delegated authority, is of the opinion that the termination of services, in the case of a particular property in respect of which the account is in arrear, is not in the best interests of the community, specifically because of the potential endangerment of the life of any person, whether resident in or outside the property concerned, the Accounting Officer, or his/her delegated authority, may appropriately restrict rather than terminate the services in question.

7.19 Estate Account Collection

7.19.1 Estates with legal status –

(a) The accounts of debtors who are declared insolvent, or are under administration or deceased are dealt with according to normal legal practices by collection staff of the Municipality.

(b) Unsuccessful claims must be submitted to Council for approval to be written off.

7.19.2 Estates without formalised legal status –

(a) In numerous cases the head of a household has died without leaving a will indicating to whom ownership of the family residence is to be transferred upon the event of his or her death OR the owner of the property has abandoned his or her family to fend for themselves. As these exceptions are not provided for in the normal legal practice, the following process will be followed in such cases:

(i) The remaining family must report the situation to the Municipality's collection office, who will require the relevant documentation to be obtained by the family, i.e. a death certificate and an order of the local magistrate allocating right of ownership to a member of the surviving family in the case of a deceased estate OR an order of the local magistrate allocating right of ownership to a member of the abandoned family.

(ii) In all of these cases, extension for the payment of the arrears (arrangements to pay debt over a period of up to 12months) as at the date of notification will be given by the debt collectors of the Finance Department. Disconnected electricity will also be reconnected and the remaining family will be expected to pay all amounts levied on monthly current accounts in excess of the amount of the extension until such time as the matter has been finalised. This will prevent any further service restrictions or collection actions at the residence while the family are legalising ownership of the property.

(iii) As soon as ownership has been officially allocated by the magistrate, the documents concerned must be presented to the Municipality's debt collection office, which will then change the name of the account to that of the new owner. They will also **instruct** the new owner to make an arrangement for the payment of the arrears to prevent credit control and collection action by the Municipality. Alternatively, if the family qualifies to be registered for assistance in terms of the Municipality's Indigent Policy, they **must** apply for it. After registration, their arrears can be dealt with in terms of the Policy. Child headed families, where the parents are deceased and there are only unemployed minor children living in the dwelling, may qualify for the debt being written off.

(iv) A reduced burial fee, as determined by Council is charged for an indigent grave.

(v) Unsuccessful claims must be submitted to Council for approval to be written off.

(vi) In the event where the applicant is a tenant, the application must be accompanied by a copy of the rental agreement.

8. CREDIT CONTROL

8.1 Specific objectives

8.1.1 To implement procedures that will restrict the unauthorised use of municipal services, escalation of debt and limit the Municipality's risks.

8.2 Application for Municipal Services

8.2.1 All consumers of services will be required to sign an agreement governing the supply and cost of Municipal services.

8.2.2 The process must occur at least seven days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken.

8.2.3 Applicants for municipal services may be checked for creditworthiness including banking details and information from credit bureaus, other local authorities, trade creditors and employers. This will require the provision of, an Identity Document, binding lease agreement, title deed and other supporting documents as required by Council from time to time.

8.2.4 An applicant must provide all the information and documentation which the Municipality requires.

8.2.5 If an applicant for Municipal service is an existing customer of the Municipality in respect of any other municipal service and such customer has an outstanding amount that is due and payable to the Municipality –

(a) The arrears must be paid on this property or any other property within the municipal boundaries; or

(b) An agreement for payment of arrears must be concluded with the Municipality before an application for services can be approved.

8.2.6 If a consumer fails or refuses to sign a new service agreement or pay the deposit, the Municipality may discontinue services until the necessary agreement has been signed and/or deposit been paid.

8.2.7 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.

8.2.8 Consumers who illegally consume services without this agreement will be subject to punitive action.

8.3 <u>Property Developments</u>

8.3.1 A property developer must inform the Municipality of the nature and extent of the municipal services or services that will be provided as well as the measuring devices that will be used.

8.3.2 A property developer who fails to comply with the provisions of paragraph (a) shall be liable for the payment of all the applicable charges that would have been payable by customers in respect of municipal services that have been used or consumed by such customers.

8.4 Termination of Services

8.4.1 It is the responsibility of the consumer to notify the Municipality when municipal services are no longer required due to the sale of the property or other reasons.

8.4.2 Failure to comply with the provision of paragraph (a) above renders the consumer liable for all service charges and interest thereon accumulated from the date when the premises are vacated to the date when Council becomes aware of such vacation.

8.4.3 A customer shall remain liable for all arrears and applicable charges that are payable for Municipal services rendered prior to the termination of an agreement.

8.4.4 An owner may request for the disconnection of services where the meters are on his name, under the following conditions –

(a) The meter must be removed from the property by our Technical Department;

(b) Availability will be charged; and

(c) Normal new connection fees and procedures will be applicable for reconnection.

8.5 Payment of a Deposit

8.5.1 Every consumer must, on application for the provision of Municipal services pay a deposit to the Municipality, prior to the provision of any Municipal services. A minimum deposit will be payable equal to the amount determined by Council from time to time.

8.5.2 The Council may require a consumer to whom services are provided and who was not previously required to pay a deposit, for whatever reason, to pay a deposit on request, within a specified period.

8.5.3 The Council may from time to time review the sum of money deposited by a consumer in terms of this Section and, in accordance with such review require that an additional amount be deposited by the consumer. The deposit will also be reviewed where any change in service connection is done. This adjustment will be in line with the amount determined by Council for that specific financial year.

8.5.4 The Municipality shall give the owner or occupier of the premises, where Municipal services are rendered reasonable notice of any increase of the deposit.

8.5.5 An amount deposited with the Municipality in terms of this paragraph shall not be regarded as being in payment or part payment of an account due for services rendered except in the case of a final account where the final amount will first be cleared before the remaining portion of the deposit can be paid back.

8.5.6 No interest shall be payable by the Municipality on the amount of a deposit held by it in terms of this paragraph.

8.5.7 An agreement for the provision of services ~~may~~ must contain a condition that a deposit shall be forfeited to the Municipality or its authorised agent if it has not been claimed within twelve months of the termination of the agreement.

8.5.8 The Municipality may accept a bank guarantee as a deposit.

8.5.9 Only on the termination of the agreement the amount of the deposit, less any outstanding amount due to the Municipality, will be refunded to the consumer or transferred to any other outstanding account of the client.

8.5.10 For any changes to a connection type, the deposit will be adjusted in accordance with the approved tariff list.

8.5.11 In case of lowering of amps or supply, the deposit will not be adjusted on the municipal account.

8.5.12 Any inactive deposit that is correctly recognised in the financial statements as payable and has not been claimed back within a period of three years after the service has been delivered completed or finalised, will be forfeited –

(a) The only exception to this is when a block booking has been made and the deposit is carried over for the next booking. This is only applicable within a financial year. The deposit must be repaid and revised at the beginning of a new financial year.

(b) A request for repayment of an inactive deposit after the three-year period can be made after which the CFO will consider each case on its own merit.

8.5.13 Commercial, Business and Industrial –

(a) Deposits for businesses will be levied according to twice the highest bill during the previous 12 months for similar businesses or the deposit as specified in the tariff list, whichever is the highest.

(b) New connections at new extensions of businesses will be as specified in the tariff list for the current financial year.

8.5.14 Payment of a deposit is not applicable to properties where the property has been identified as an indigent household.

8.5.15 For any changes requested on the connection type the deposit will be adjusted accordingly and in accordance with the current approved tariff list. All outstanding debt on this premises or any other property of the consumer must be paid in full. The deposit will not be decreased with the lowering of amps or supply.

8.6 <u>Recovery of Additional Costs</u>

8.6.1 The Municipality may, in addition to any charge, tariff, levy or payment of any kind referred to in this Policy, recover from a customer any reasonable costs incurred by it in implementing this Policy, including all legal costs, including attorney and client costs incurred in the recovery of arrears which shall be debited against such customer as arrears in his/her account.

8.7 <u>Payment for Municipal Services Provided</u>

8.7.1 A customer shall be responsible for the payment of all Municipal services accounts rendered to him/her from the commencement date of the agreement until the account has been paid in full and the Municipality shall be entitled to recover all payments due to it from the customer concerned.

8.7.2 Payments will always be appropriated to the oldest account (notwithstanding the kind of service), where after it will be appropriated in order of a priority as determined by the Municipality.

8.7.3 If a customer uses a Municipal service for a use other than that for which it is rendered by the Municipality in terms of an agreement and if he is charged an amount lower than the applicable prescribed charge, the Municipality may alter the amount so charged and recover from him/her the difference between the altered charge and the amount initially charged to him/her.

8.7.4 Discontinuation of services and rendering of a final account will always be between two debit raisings. Thus, any request for discontinuation of services after the 01st of a month (or if on a weekend or public holiday the first working day thereafter) will only be finalised with the next debit raising of the following month and the basic charges for that period will be payable.

8.7.5 The basic fee for water and/or electricity will only be levied on accounts with active meters or active tariffs. This is to ensure that the basic fee is not duplicated where one consumer vacates a property and a new consumer moves in. For example, if a final account is requested during a period as mentioned in (d) above, the meter will stay active until the following debit raising when the account will be finalised and transferred to the new consumer. Although the new consumer will be liable for the water usage from date of the final reading the basic fee will only be levied from the following debit raising when the meter becomes active on the new account.

8.7.6 "Full and final settlement" of an amount: Where an account is not settled in full, any lesser amount tendered to and accepted by the Municipality shall not constitute a full and final settlement of such an account despite the fact that the payment was tendered in full and final settlement unless the Accounting Officer or his/her nominee or the manager of the Municipality's authorized agent expressly accepts such payment in writing as being in full and final settlement of the amount reflected on the relevant account.

8.7.7 Responsibility for payment of amounts due and payable –

(a) Notwithstanding any other provision in this Policy, an owner of premises shall be liable for the payment of any amount that is due and payable to the Municipality by a customer who is a lessee or occupier of such premises to which municipal services have been provided, if the Municipality, after having taken reasonable steps to recover from such customer any amount due and payable by him/her, could not do so.

(b) Sub-Paragraph (a) must not be construed as absolving the Municipality from its responsibility to collect outstanding amounts in respect of Municipal services provided to premises from the customer who has benefited from it.

8.7.8 Dishonoured payments –

(a) If the payee or the consumer is an existing consumer of Council, the reversal and penalty fee may be debited to an account of the drawer or beneficiary.

(b) If the consumer who received value from the payment is not an existing debtor of Council, a sundry debtor account is opened and the debit and penalty is raised. Once the account is submitted and the debtor fails to honour the payment including the penalty within 14 days of receipt, a final demand is generated and submitted.

(c) If the debtor who received value from the payment is an existing debtor of Council, the reversal and penalty fee may be debited to an account of the drawer or beneficiary and a letter of notification must be sent to the debtor. Such fee shall be deemed to be a tariff charge and shall be recovered from the debtor. Council reserves the right to institute legal action which may include criminal charges against the offender.

8.7.9 The Council may, by resolution, approve incentive schemes to encourage prompt payment of charges for services rendered and to reward customers who pay their accounts regularly and on time.

8.7.10 The aforementioned incentive schemes may include the conclusion of a written agreement with the employer of a customer in terms of which such employer undertakes to deduct outstanding rates and service charges or to settle regular monthly accounts, through deductions from the relevant customer's salary or wages, in exchange for a monetary reward either by way of payment of a commission or the grant of a rebate on the charges owing by the employer concerned to the Municipality in respect of services rendered to such employer.

8.7.11 Pay points and payment methods –

(a) A customer must pay his account at pay points specified by the Municipality or by an approved agent of the Municipality.

(b) The Municipality will inform customers of the location of specified pay-points and the identity of approved agents who may receive payments on its behalf in respect of services rendered to customers.

(c) Subparagraphs (a) and (b) must not be construed as prohibiting a customer from paying amounts due to the Municipality or its authorized agent by means of electronic payment methods provided that the date of receipt of a payment shall be the date such payment appears on or is reflected in the banking account of the Municipality.

8.8 Payment of Interest

8.8.1 Except where expressly provided to the contrary in this Policy, the Municipality will levy interest on all arrear accounts at a rate of prime plus 1%.

8.8.2 Interest on arrear debt shall be calculated for each month for which such payment remains unpaid and part of the month shall be deemed to be a month.

8.8.3 The interest that is payable cannot exceed the capital amount that is owed by the consumer.

8.9 Accounts and Billing

8.9.1 The Municipality shall provide every person liable to pay for Municipal services assessments rates and taxes with an account in respect of every property for which that person is liable and all services rendered in respect of that property at the address last recorded with the Municipality.

8.9.2 Failure by the Municipality to render an account does not relieve a consumer of the obligation to pay any amount due and payable. The onus shall be on the consumer to obtain a copy of the account before the due date.

8.9.3 If no account has been received before the 10th of a month, a copy should be obtained from the Municipality. The account must at all times be produced when payments are done or enquiries are made. The request of copies of monthly accounts for a whole financial year, will be charge at the prescribed tariffs.

8.9.4 An account rendered by the Municipality for services provided to a consumer shall be paid not later than the last date for payment specified in such account which date will not be more than 21 days after the date of the account.

8.9.5 Accounts will be rendered on a monthly basis in cycles of 30 days and shall be payable on the due date as indicated on the account.

8.9.6 Payments shall be deemed to be late unless received on or before the due date as determined by the Municipality. Electronic payments and payments made through agents must be received in a Municipal bank account by the close of business on the due date.

8.9.7 The Municipality may :~~consolidate any separate accounts for the municipality will~~ –

(a) Consolidate any separate accounts of a person(s) or entity liable for payments to the municipality.

(b) Credit a payment by such a person against any account of that person.

(c) Implement any of the debt collection and credit control measures provided for in this Policy in relation to any arrears on any of the accounts of such a person.

(d) Subsection (a) to (c) above does not apply where there is a dispute between the Municipality and a person referred to in that subsection concerning any specific amount claimed by the municipality from that person.

8.9.8 Accounts must contain at least the following –

(a) The consumption or estimated consumption of water and electricity;

(b) Property rates and services; and

(c) Interest and arrears.

8.9.9 Accounts may be accompanied by a notice stating that –

(a) Legal action may be instituted against any consumer for the recovery of any arrear amount in terms of the Policy contained herein;

(b) The defaulting consumer's name may be listed with a credit bureau or any other equivalent body as a defaulter; and

(c) The account may be handed over to a debt collector for collection.

8.10 <u>Disputes, Queries and Complaints</u>

8.10.1 In this Section "Dispute" refers to when a consumer questions the correctness of any account rendered by the Municipality to such consumer and the consumer lodges an appeal with the Council in accordance with this Section. A consumer may lodge a query or a complaint in respect of any amount that is due and payable by him/her before or on the due date for payment specified in the account concerned or as soon as reasonably possible thereafter.

8.10.2 Procedure to be followed. In order for a dispute to be registered with the Municipality, the following procedures must be followed:

(a) *<u>By the Consumer</u>*

(i) The consumer must submit the dispute in writing to the Accounting Officer of the Municipality before or on the due date for payment specified in the account concerned or as soon as reasonably possible thereafter;

(ii) It must clearly state that it is a dispute;

(iii) No dispute will be registered verbally whether in person or over the telephone;

(iv) The consumer must furnish his full personal particulars including the account number, direct contact telephone number, fax, e-mail addresses and any other relevant information as may be required by the Municipality;

(v) The full nature of the dispute must be described in the correspondence referred to above;

(vi) The onus will be on the consumer to ensure that he receives a written acknowledgement of receipt of the dispute from the Municipality; and

(vii) In the interim the debtor must pay 30% of the outstanding amount until the matter is resolved.

(b) *By the Council*

On receipt of the query or dispute, the following actions are to be taken –

(i) All incoming queries or disputes must be registered on the Collaborator system and a reference number obtained. Within 14 days after receipt of a query it must be answered via e-mail, telephonically or by normal mail depending on the contact details available.

(ii) If the client is not satisfied with the reply or the corrective actions regarding the query and a formal written dispute is received, the authorised official must ensure that the dispute is taken to the Chief Financial Officer for a final decision.

(iii) A written acknowledgement of receipt of the dispute must be provided to the consumer within 7 days.

(iv) The Municipality should not institute enforcement proceedings against the consumer for an amount or an account entry that is in dispute until it has resolved the dispute.

(v) All investigations regarding disputed amounts must be concluded by Council's Chief Financial Officer or his/her delegate within 21 calendar days from receipt thereof.

(vi) The consumer shall be advised in writing of the findings.

8.11 Appeals against Findings

8.11.1 A consumer may, in writing, appeal against a finding of the Municipality.

8.11.2 An appeal shall be in writing and shall clearly state that it is an appeal, set out the reasons for the appeal and be lodged with the Accounting Officer within 21 days from the date the consumer was advised of the findings of the dispute investigation.

8.11.3 An appeal must be decided by the Council of the Municipality at its first ordinary meeting held after the appeal was lodged.

8.11.4 The decision of the Council shall be final and the consumer must pay any amounts due and payable in terms of such decision within 14 days from the date of the letter of him/her being advised of the Council's decision.

8.11.5 The Council may, in its sole discretion, condone the late lodging of an appeal or other procedural irregularity.

8.11.6 If the consumer is not satisfied with the outcome of the appeal, he/she may, under protest, pay the amount in dispute and redress his/her action in a court of law.

8.12 Agreement for the Payment of Arrears in Instalments

8.12.1 The offer by the consumer to payment arrangements for arrear amounts plus accrued interest thereon shall be embodied in a written agreement signed by the parties. The aforesaid agreement shall include an acknowledgement of debt signed by the consumer and a copy of the agreement shall be made available to the consumer.

8.12.2 The Municipality may, on an individual basis, allow a longer period than twenty-four months for the payment of arrears if special circumstances prevail that, in the opinion of the Head: Income, warrants such an extension and which the consumer reasonably could not prevent or avoid. Documentary proof of any special circumstances must be furnished by the consumer on request by the Municipality.

8.12.3 In concluding an agreement with a consumer, the arrangement criteria referred to in other sections of this policy shall be applied and, as far as possible, be incorporated into the agreement referred to in this Section.

8.12.4 The Municipality may, in exercising its discretion have regard to a consumer's –

(a) Credit record;

(b) Consumption;

(c) Level of service;

(d) Previous breaches of agreements for the payment of arrears in instalments; and

(e) Any other relevant factors.

8.12.5 Should a consumer fail to comply with an agreement for the payment of arrears in instalments, the total of all outstanding amounts, including the arrears, any interest thereon, administration fees, costs incurred in taking relevant action, and penalties, including payment of a higher deposit, will immediately be due and payable, without further notice or correspondence.

8.12.6 A consumer may, in the sole discretion of the Head: Income, be allowed to enter into a new agreement for the payment of arrears in instalments where that consumer has failed to honour a previous agreement for the payment of arrears in instalments, entered into after the receipt of a discontinuation notice. In the event of such further agreement been permitted, then the arrangements mentioned in 9.4(f) below shall be applied to such consumer on the basis of primary arrangements.

8.12.7 Where a body corporate is responsible for the payment of any arrear amount to the Municipality in respect of a sectional title development, other development, private town or complex the liability of the body corporate shall be extended to the members thereof, jointly and severally and the agreement shall reflect this status accordingly.

8.12.8 A copy of the agreement will, on request, be made available to the consumer.

8.12.9 If water is already restricted, the restriction cannot be restored until the arrear debt is paid.

8.13 <u>Unauthorised Reconnection of Water/Electricity Supply Tampering</u>

8.13.1 The unauthorised reconnection of, or tampering with a service supply is prohibited and shall constitute a criminal offence that will result in legal action being taken against the person responsible for such unauthorised reconnection or tampering. Where this happens, the service reconnected without authorisation or tampered with will be effectively disconnected.

8.13.2 The full amount of arrears plus any unauthorised consumption, and any applicable reconnection tariffs, interest and increased deposit will be payable prior to reconnection. Should exceptional circumstances exist, adequate payment arrangements may be permitted at the discretion of the Accounting Officer in consultation with the Chief Financial Officer.

8.13.3 Tampering at indigent/subsidy household will be handled the same as with normal households and removed from the list of indigents.

8.14 Unoccupied Premises

8.14.1 When a consumer terminates a services agreement and no new service agreement is entered into with the Municipality, the property shall be deemed to be unoccupied.

8.14.2 Whenever water and/or electricity consumption is recorded at a property that is deemed to be unoccupied, an account will be raised and forwarded to the owner of the property for payment. A written notice in this regard will also be mailed to the owner.

8.15 Installation of Prepaid Meter

8.15.1 If required consumers with arrears must convert to a pre-payment meter, and the arrears total, will be paid off either by –

(a) Adding the debt to the arrears bill and repaying it over the agreed period; or

(b) Adding the debt as a surcharge (auxiliary) to the pre-paid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.

8.15.2 The first installation of pre-paid meter is free of charge for indigent and subsidised households; however, this is not applicable for more than one meter per property.

8.15.3 The cost of the conversion must first be paid before the actual conversion can be done.

8.15.4 Cancellation of prepaid electricity tokens with a value of R500 or more, must first be inspected before cancellation of the token.

8.16 Allocation of Prepaid Purchases to Arrears

8.16.1 The Municipality will use its pre-payment system to –

(a) Link the provision of electricity by the Municipality to a "prepayment" system comprising, first prepaid kWh electricity;

(b) Raise and recover payments in respect of arrear municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal and sanitation via a percentage as determined by Council, of the value of units purchased for electricity allocated to any arrears; and

(c) To enforce satisfactory arrangements with consumers in arrears by blocking the prepaid meter in order to prevent purchasing of electricity and also enforce the consumer to enter into a service agreement with Council and pay the necessary fees as per the Policy.

8.16.2 Pre-paid electricity tokens must be inserted into the meter within three months after the purchase date as the tokens can expire after three months and no refund or replacement of the tokens are allowed.

8.17 Right of Access

8.17.1 An authorised representative of the Municipality must, at all reasonable hours, be given unrestricted access to the consumer's premises in order to read, inspect, install or repair any meter, service or service connection for reticulation, or to disconnect, reconnect, stop or restrict the provision of any service.

8.17.2 The owner will be responsible for all the cost associated with the relocation of a meter if satisfactory access is not possible.

8.18 Employer Deductions

8.18.1 The Council may, enter into a written agreement with any employer within the Council's area of jurisdiction to deduct outstanding rates and service charges or to settle regular monthly accounts through deductions from salaries or wages of its employees.

8.19 Property Rates

8.19.1 Property rates (and other annual levies)

(a) Where rates, sanitation and availability fees (on vacant erven) are paid on a monthly basis or annually, such payment must be made before the due date for payment. Failing this, interest at the standard rate of prime plus 1%, will be levied on the outstanding amount.

(b) If an account is not paid by the due date as displayed on the account, a notice shall be issued showing the total amount owed to Council.

(c) If an account is not settled or there is no response from the consumer to make acceptable arrangements to repay the debt, summons shall be issued and the legal process followed.

(d) At any stage while the debt is outstanding, all reasonable steps shall be taken to ensure that the ultimate sanction of a sale-in-execution is avoided or taken only as a last resort. The Council, however, has total commitment to a sale-in execution should the consumer fail to make use of the alternatives provided for by the Council from time to time.

(e) All rate payers will be placed on the annually rates payment arrangement, but on application can be changed to a monthly rates payment.

8.19.2 Monthly Rates

(a) Interest will be charged on all overdue accounts at an interest rate of Prime plus 1%;

(b) The monthly amount payable for current annual rates will be calculated to allow the total balance of such amount to be paid in equal instalments by the end of that financial year.

8.19.3 Rates Clearance Certificate

(a) With the sale of a property within the municipal jurisdiction the Council shall withhold rates clearance certificate until all rates, services and sundry costs attached to the property is paid and an amount equal to four months' rates and service charges will be collected in advance as part of the rates clearance process. The rates clearance remains valid for 60 days from the date of issuing.

8.19.4 Persons and Businesses Who Tender to the Municipality

(a) The Procurement Policy and Tender Conditions of the Municipality will include the following –

(i) Reject any bid from a bidder if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the Municipality, or to any other Municipality or Municipal entity, are in arrears for more than three months, unless an ~~suitable~~ agreement has been made between the supplier and the municipality that the outstanding debt will be paid off in three consecutive months. This will be recovered directly from the supplier's invoice. ~~payments be recovered directly from the suppliers Invoice~~.

9. DEBT COLLECTION

9.1 Objective

9.1.1 To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and any levies, in order to ensure financial sustainability and delivery of Municipal services in the interest of the community.

9.2 Disconnection / Restriction of Services

9.2.1 Consumers who are in arrears with their Municipal account and who have not made arrangements with the Council will have their supply of electricity and water, and other Municipal services, suspended, restricted or disconnected.

9.2.2 Council reserves the right to deny or restrict the sale of electricity to consumers who are in arrears with their rates or other Municipal charges.

9.3 Restoration of Services

9.3.1 Upon the liquidation of arrears, or the conclusion of an acceptable arrangements for term payment, the service will be reconnected as soon as conveniently possible.

9.4 Discretion: Negotiable Amounts

9.4.1 Discretion in terms of the agreement amounts as per this Policy is delegated to the Chief Financial Officer with the right to sub-delegate.

9.4.2 Officials with delegated powers may use discretion as a final tool by which decisions can be made in accordance with this Policy.

9.4.3 At all times, and at all levels, discretion will only be used so as to apply the principles embodied in the Policy and to ensure that some form of payment acceptable to Council is forthcoming from negotiations with the consumer.

9.5 Arrangements

9.5.1 Principles for Residential Debtors

(a) Notwithstanding that all debts should be treated the same, certain categories of debt may be subject to category specific repayment parameters.

(b) Current charges must be paid in full and cannot be negotiated.

(c) The consumer may be required to prove levels of income and must agree to a monthly payment towards arrears based on his ability to pay or based on his total liquidity if Council so requires.

(d) All negotiations with the consumer should strive to result in an agreement that is sustainable and is most beneficial to Council.

(e) Debtors, excluding housing debtors, who default on two occasions in respect of arrangements made, will be denied the privilege of making further arrangements and the full amount becomes due and payable.

(f) All arrangements should be subject to periodic review.

(g) All services may be disconnected or restricted and legal action will be taken against consumers as provided for in this Policy and/or such debt may be referred to third party debt collectors, for recovery.

9.5.2 Arrangement Criteria for Residential Debtors

(a) All consumers who are in arrears and apply to make arrangements to reschedule their debt will, be obliged to make the following minimum payment requirements at the time of entering into such arrangement –

(i) Current account;

(ii) Plus, an initial payment towards arrears with the minimum payment being 50% of the arrear amount; and

(iii) A monthly instalment which will liquidate the arrear amount plus accrued interest thereon within a period of ~~12~~ 36 months.

9.5.3 Arrangement Criteria for Non-Residential Debtors

(a) Non-residential debtors may make arrangements to liquidate their arrears where it would be financially beneficial to the Council for them to do so.

(b) The final decision to make these arrangements will rest with the Chief Financial Officer with the authority to sub-delegate.

9.6 Listing of Debtor with Credit Bureau

9.6.1 Where an account rendered to a consumer remains outstanding for more than 60 days –

(a) The defaulting consumer's name may, at the option of the Municipality, be listed with a credit bureau or any other equivalent body as a defaulter; and

(b) May be handed over to a debt collector or an attorney for collection.

9.7 Termination, Limitation and Discontinuation of Services

9.7.1 A consumer may terminate an agreement for the provision of services by giving to the Municipality not less than seven days' notice in writing of the consumer's intention to do so.

9.7.2 The Municipality may, after having given notice, terminate an agreement for services if a consumer has vacated the premises to which such agreement relates.

9.7.3 The Municipality may, subject to the conditions contained in this Policy, limit or discontinue services provided in terms of this Policy –

(a) On failure by the consumer to pay the prescribed tariffs or charges on the date specified and after the final demand referred to in this Policy has been issued and there has been no response from the consumer.

(b) On the failure of the consumer to comply with the provisions of any agreement entered into with the Municipality in terms of this Policy.

(c) On failure by the consumer to comply with any other provisions of this Policy and after due notice has been given to the consumer.

(d) If the agreement for the provision of services has been terminated and the Municipality has not received an application for subsequent services to the premises after a period of 30 days of such termination, transfer the services to the account of the owner. After 3 months, a deposit will be levied on the owners account.

(e) If the building on the premises to which services were provided has been demolished.

(f) If the consumer has interfered with a limited or discontinued service; or

(g) Obstructs the efficient supply of electricity, water or any other municipal services to another customer.

(h) Supplies such municipal service to a consumer who is not entitled thereto or permits such service to continue.

(i) Causes a situation, which in the opinion of the Municipality is dangerous, or a contravention of relevant legislation.

9.7.4 The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council.

9.7.5 The cost of the restriction or disconnection and the reconnection, will be payable as per the tariffs approved by Council.

9.7.6 The Municipality will not be liable for any damages or claims that may arise from the limitation or discontinuation of services provided in terms of this Section.

9.8 Services Not Reconnected or Reinstated

9.8.1 If services have been terminated or restricted in the case of a property in respect of which the account is in arrear, and the accountholder has not paid such arrears, including the interest raised on such account, or made an acceptable arrangement with the Accounting Officer for the payment of the arrear account, including the interest raised on such account, within a period of 28 (twenty eight) calendar days after the date of termination or restriction of the service(s) concerned, the Accounting Officer or the Municipality's Debt Collection Agent shall forthwith proceed with legal actions collection and such further action as is deemed necessary.

9.8.2 Such further action shall include if necessary, the sale in execution of such property to recover arrear property rates and service charges (if the accountholder is also the owner of the property). All legal expenses incurred by the Municipality shall be for the account of the defaulting accountholder.

9.9 Notices and Documentation

9.9.1 An order, notice or other document issued by the Municipality in terms of this Policy shall be deemed to be duly authorised by the Council of the Municipality if signed by the Accounting Officer or by a duly authorised employee of the Council.

9.9.2 Any notice or other document served on a person by the Municipality in terms of any other legislation is regarded as having been served by –

(a) Delivering the notice to him/her personally or to his duly authorised agent; or

(b) Delivering the notice at his residence or place of employment to a person apparently not less than sixteen years of age and apparently residing or employed there.

(c) If he has nominated an address for legal purposes, by delivering the notice to such an address; or

(d) If he has not nominated an address for legal purposes, delivering it to the address given by him/her in his application for the provision of water services, for the reception of an account for the provision of water services.

(e) Sending it by pre-paid registered or certified post addressed to his last known address.

(f) In the case of a body corporate, by delivering it to the registered office or the business premises of such a body corporate.

(g) If service cannot be effected in terms of the aforesaid subsections by affixing it to the principal door of entry to the premises, or displaying it on a conspicuous place.

9.9.3 In the case where compliance with a notice is required within a specified number of working days, such period shall be deemed to commence on the date of delivery or sending of such notice.

9.9.4 Delivery of a copy of the document shall be deemed to be delivery of the original.

9.10 <u>Legal Processes / Use of Attorneys / Use of Credit Bureaus</u>

9.10.1 The Accounting Officer may, when a debtor is in arrears for a period of more than 60 days, commence legal process against that debtor, which process could involve final demands, disconnections, restrictions, summonses, judgements, execution of loose assets, garnishee orders and as a last resort, sales in execution of property.

9.10.2 The Accounting Officer will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.

9.10.3 Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding debtors.

9.10.4 Emolument Attachment order, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

9.10.5 All steps in the consumer care and credit control procedure will be recorded for Council's records and for the information of the debtor.

9.10.6 Individual debtor accounts are protected and are not the subject of public information. However, Council may release debtor information to credit bureaus.

9.10.7 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters.

9.10.8 Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council.

10. INDIGENT, SENIOR CITIZENS ~~AND~~ PEOPLE WITH DISABILITY AND POOR HOUSEHOLDS

10.1 Objectives of this Policy

10.1.1 The objectives of this Policy is to –

(a) Determine the criteria for qualification of indigent and poor households;

(b) Ensure that the criteria are applied correctly and fairly to all applicants;

(c) Allow the Municipality or its authorised agent to conduct in local visits to the premises of applicants to verify the actual status of the household;

(d) Allow the Municipality to maintain and publish the register of names and addresses of account holders receiving subsidies;

(e) Ensure the provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council; and

(f) Ensure the provision of procedures and guidelines for the subsidisation of basic service charges to indigent households.

10.2 <u>Principles of this Policy</u>

10.2.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected Councillors are responsible for making the Policy, while it is the responsibility of the Accounting Officer to ensure the execution of this Policy.

10.2.2 All applicants qualifying for an indigent subsidy, due to the valuation of the property being less than the amount determined by Council, must complete an official application form, which is to be submitted together with the supporting documents as specified in this Policy.

10.3 <u>Criteria for Indigent or Poor Households</u>

10.3.1 <u>*Indigent Income Households*</u>

(a) To qualify as an Indigent Income Household, a household must comply with the following criteria –

(i) For an Indigent subsidy the verified gross household monthly income, may not exceed the sum of two times the amount of state funded social grant plus 10% rounded up to the next R 100. For the 2022/2023 ~~2021/2022~~ financial year the indigent household threshold will be ~~R 4,200 per month ((R 1,890 x 2 = R 3,780) plus 10%) = R 4,158 rounded up to R 4,200 per month~~. R 4,975 per month ((R 1,990 x 2 = R 3,780) plus 25%) = R 4,975 per month.

(ii) The registered indigent must be the full-time occupant of the property concerned.

(iii) Owners may only qualify for one property/household. Should the indigent household's owner/s of a property do have another property registered in his/her name/s; the owner will not qualify for indigent subsidy on the property not occupied by the owner. The occupants of the second property may, subject to the provisions of paragraph 10.6.7 qualify for the full indigent subsidy or alternatively receive only 50 kWh units of free electricity and 6 kl of free water per month if they meet the criteria of being registered as an indigent household.

10.4 <u>Application for Indigent Income Households</u>

10.4.1 The account holder must apply in person at all Municipal Finance Offices of the Municipality on the prescribed application form. The following items must accompany the application –

(a) The latest municipal account of the household;

(b) Certified copy of the account holder's identity;

(c) Proof of income (SASSA Affidavit, Salary Slip, Bank Statement etc.) of the total household income; and

(d) Sworn affidavit if unemployed.

10.5 Consequence of a false sworn affidavit

10.5.1 If a sworn affidavit is false, the following will happen –

(a) The indigent benefit will be cancelled;

(b) All previous discounts for the current financial book year will be reversed; and

(c) Local Audit (Verification) of Indigent Household Income.

10.5.2 The Municipality reserves the right to send officials and/or representatives of the Municipality to the property/household or site of the applicant(s) at any reasonable time, with the aim of carrying out a local verification of the accuracy of the information provided by the applicant(s).

10.5.3 The Municipality also reserves the right to contact employers in Knysna to verify whether a person applying for subsidy is employed by them.

10.6 Subsidy

10.6.1 Indigent subsidies will be funded from the equitable share contribution made from the national government's fiscal policy and as provided for in the municipal budget.

10.6.2 Subsidised services may include water, electricity, sanitation, refuse removal and assessment rates or any other sundry levies.

10.6.3 If a consumer's consumption or use of the municipal service is less than the subsidised service, the unused portion will not be accrued by the consumer and will not entitle the consumer to cash or a rebate in respect of the unused portion.

10.6.4 All consumers who qualify for a subsidy must agree to the installation of a prepaid electricity and water meter and will, if in arrears, be placed on restricted service levels in order to limit further escalation of debt. Installation of a pre-paid meter is free of charge for indigent and subsidised households.

10.6.5 When a household qualifies for a subsidy for the first time, the arrear account will be written-off in terms of Council's Writing-off of Irrecoverable Debt Policy.

10.6.6 Where a qualifying consumer's account is paid in full at the date of application, or regularly maintains a paid-up account after receiving the subsidy, the restriction on service levels will be waived. If the account is cleared due to the arrear debts being written off, the restriction on service levels can only be waived after usages normalised and during which the account was paid in full every month.

10.6.7 Where the household qualifies for the subsidy but is not the owner or account holder of the property and the owner cannot be traced, a tenant account can be opened for the occupier. A deposit must be paid as stipulated in the Tariff Policy.

10.6.8 A subsidised consumer must immediately request deregistration by the Municipality or its authorized agent if his/her circumstances have changed to the extent that he/she no longer meet the criteria.

10.6.9 A subsidised consumer may at any time request deregistration.

10.6.10 A list of subsidised consumers will be maintained and audited on a regular basis and the info may be supplied to the general public.

10.7 Rates and Services Subsidies per Category

10.7.1 *Indigent Households*

(a) 6 kl free Water and the basic charge per month;

(b) 50 kWh Electricity and no basic charge per month. An indigent household should have a 20 ampere prepaid meter. If the pre-paid meter is a 30 ampere or more pre-paid meter, the applicable basic charge will not be subsidised;

(c) Refuse removal – no basic charge per month;

(d) Sewerage – no basic charge per month and 2 free sewer removals (septic tank) per year;

(e) Property Rates – property rates up to a maximum municipal valuation of R ~~350,000~~ R 700,000;

(f) Other Indigent Household Subsidies –

(i) Water leakages where water leakages occur at indigent or pensioner's households, such leakages must be reported in accordance with the water leakage policy, after which the remaining debt may be written off and recovered from the equitable share grant, on condition that a pre-paid water meter was installed.

(ii) Fire Brigade Fees –

(aa) All fire brigade fees may be written off that was levied on indigent income households and pensioner's households.

(bb) In cases where the client is an indigent valuation household or pensioner household, an audit must be performed to determine whether the client would have qualified as an indigent income household or pensioner household, before the debt will be presented to Council for write off.

(g) Blocked Drains and Sewerage –

(i) All fees relating to blocked drains and sewerage may be written off that was levied on indigent income households and pensioner households.

(ii) In cases where the client is an indigent valuation household or pensioner household, an audit must be done to determine whether the client would have qualified as an indigent income household or pensioner household, before the debt will be presented to Council for write off.

10.7.2 Pensioners (Senior Citizens) / People with Disability

(a) 6 kl free Water per month as per Council approved tariffs;

(b) 50 kWh free Electricity per month as per Council approved tariffs;

(c) Refuse removal – as per Council approved tariffs;

(d) Sanitation – as per Council approved tariffs and two free sewer removals (septic tank) per year; and

(e) Property Rates – a property rates subsidy based on the additional financial assistance categories referred to in paragraph 10.7.3 below.

10.7.3 Additional financial assistance categories

(a) Additional financial assistance will be given to households in the following income groupings above the indigent household's threshold –

~~(i)~~	~~Group A:~~	~~R 4,201 – R 5,200~~	~~= 80%;~~
~~(ii)~~	~~Group B:~~	~~R 5,201 – R 6,200~~	~~= 60%;~~
~~(iii)~~	~~Group C:~~	~~R 6,201 – R 7,200~~	~~= 40%;~~
~~(iv)~~	~~Group D:~~	~~R 7,201 – R 8,200~~	~~= 20%.~~

(i)	Group A:	R 4,976 – R 5,975	= 80%;
(ii)	Group B:	R 5,976 – R 6,975	= 60%;
(iii)	Group C:	R 6,976 – R 7,975	= 40%;
(iv)	Group D:	R 7,975 – R 8,975	= 20%

(b) The financial assistance through the percentages quoted in sub-paragraph (a) above to be provided through the equitable share allocation will apply to all basic service charges (water, sanitation, refuse and electricity) levied as per the income groups quoted above.

(c) The financial assistance through the percentages quoted in sub-paragraph (a) above to be provided through the equitable share allocation will apply to property rates levied up to a maximum municipal valuation of R 700,000 as per the income groups quoted above.

(d) The financial assistance in this section must be read together with paragraph 10.7.1 and 10.7.2 of this Policy. No double-dipping will be allowed and the ratepayer/consumer will have to make a choice when applying for indigent status, pensioner relief or financial assistance.

11. IRRECOVERABLE DEBT

11.1 Irrecoverable debt will be written-off in terms of Council's Writing-Off of Irrecoverable Debt Policy.

11.4 Debt Will Be Regarded as Irrecoverable If

11.4.1 The Accounting Officer has ensured that all avenues were utilized to collect the arrear debt.

11.4.2 Circumstances whereby a Council may validate the termination of debt collection procedures as contemplated in Section 109(2) of the Municipal Systems Act:

(a) All reasonable notifications and cost-effective measures to recover a specific outstanding amount have been exhausted; or

(b) If the amount to be recovered is too small to warrant further endeavours to collect it; or

(c) The cost to recover the debt does not warrant further action, i.e. to summons in another country; or

(d) Inactive accounts where all the necessary steps have been taken with no success and/or the debtor has no assets; or

(e) The amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate, sequestration, liquidation; or

(f) A deceased estate has no liquid assets to cover the outstanding amount; or

(g) Poor household with no liquid assets (*nulla bona*) to cover the outstanding debt; or

(h) It has been proven that the debt has prescribed; or

(i) The consumer is untraceable or cannot be identified so as to proceed with further action; or

(j) It is impossible to prove the debt outstanding; or

(k) The outstanding amount is due to an administrative error by Council; or

(l) If the debtor qualifies as an indigent or poor household and are receiving a subsidy; or

(m) Clients in correctional care or clients who are imprisoned and there is no way of recovering the debt; or

(n) Water leakages resulting in high water levies at registered indigent or poor households; or

(o) Fire brigade fees at registered indigent or poor households; or

(p) Blocked drains and sewerage at registered indigent or poor households.

11.5 Criteria for the Determination of the Recoverability or Non-Recoverability of Debt

11.5.1 All cases with the following classification "summons, judgment or execution" should be tested prior to the taking of action, with regard to the following –

(a) Asset's Survey. To undertake a home visit to make a survey of the type of house, its contents and other assets like vehicles registered in the name of the account holder; and

(b) As well as the combined income of the household. The result of this survey will determine whether further action is to be taken.

11.5.2 If the survey however reveals that the debt is still not recoverable after all necessary steps have been taken, it should be tabled together with the "write off compliance report" for consideration by Council to write off the debts.

12. OFFENCES AND PENALTIES

12.1 The Council acknowledges that, in terms of Section 119 of the Local Government: Municipal Systems Act of 2000 it is an offence for any person who –

(a) Fails to give the access required by a duly authorised representative of the Municipality in terms of this Policy as refers to in clause 8.17 above;

(b) Obstructs or hinders a duly authorised representative of the Municipality in the exercise of his or her powers or performance of functions or duties in terms of this Policy;

(c) Unlawfully uses or interference with municipal equipment or the consumption of services supplied to any customer;

(d) Tampers with or breaks any seal on a meter or on any equipment belonging to the Municipality, or causes a meter not to register properly the service used;

(e) Fails, or refuses, to give a duly authorised representative of the Municipality such information as he or she may reasonably require for the purpose of exercising or performing his or her powers or functions in terms of this Policy, or gives such representative false or misleading information, knowing it to be false or misleading; or

(f) Contravenes, or fails to comply with, a provision of this Policy, shall be guilty of an offence.

12.2 When any of the above-mentioned offences is detected, a tamper fee will be payable. Services will only be reconnected once this fee and outstanding debt is paid.

12.3 Council may decide on further prosecution through the court, where the court will determine further penalties or imprisonment.

13. TAMPERING POLICY

13.1 Objective

13.1.1 Section 97(1) (h) of the Act stipulates that a Municipality's Credit Control and Debt Collection Policy must provide for matters relating to unauthorised consumption of services, theft and damages.

13.1.2 The objective of this Policy is to provide in this Policy an extension of Credit Control and Debt Collection Policy for the matters referred to in that section.

13.2 Implementing Authority

13.2.1 The Accounting Officer must implement and enforce this Policy and any By-laws enacted to give effect to this Policy.

13.3 Unauthorised use of property of the Council

13.3.1 No one may tamper with any municipal equipment or property.

13.3.2 An authorised officer must inspect the equipment and property of the Municipality when he or she suspects tampering –

(a) That any illegal connections were attached to such equipment or property; or

(b) That any unauthorised consumption or use of services is taking place; or

(c) Any theft of such equipment or property; or

(d) Any damage to such equipment or property.

13.4 Municipality's right of access to premises

13.4.1 In terms of Section 101 of the Act the occupier of premises in a Municipality must give an authorised officer access at all reasonable hours to the premises in order to read, inspect, repair; any meter or service connection for reticulation, or to stop or restrict the provision of any service.

13.5 Power to restrict or terminate supply of services

13.5.1 Where the Municipality has suffered any loss or damage as a result of any act contemplated in paragraph 13.3 a penalty equal to the amount of damages or loss may be imposed on the occupier of the premises concerned.

13.5.2 The occupier must be notified of the amount of damage or loss by means of a notice which is hand delivered, or sent per mail, to the latest recorded address of the occupier, and such notice must also stipulate the date on or before which such amount must be paid to the Municipality.

13.5.3 The Council may in addition to the steps contemplated in paragraph (2) limit or discontinue the supply of water and electricity in terms of the prescribed disconnection procedures or discontinue any other service to any premises.

13.5.4 The Council may hand deliver or send per mail to the latest recorded address of the consumer a discontinuation notice informing such consumer –

(a) That the provision of the service will be, or has been discontinued on the date stated on the discontinuation notice; and

(b) Of the steps which can be taken to have the service reconnected.

13.5.5 The Council shall reconnect or restore full levels of supply of any of the restricted or discontinued Municipal services only after the full amount of the penalty, including the costs of such disconnection and reconnection, if any, have been paid in full, or any other relevant condition or conditions of the Council's Credit Control Policy as it may deem fit have been complied with.

13.5.6 The right of the Council or any duty appointed agent to limit or discontinue water to any premises or customer, shall be subject to the provisions of Sections 3 and 4 of the Water Service Act, (Act No. 108 of 1997).

13.6 Illegal reconnections and/or tampering

13.6.1 The Accounting Officer shall, as soon as it comes to his/her attention that any terminated or restricted service has been irregularly reconnected or reinstated, instate one, some or all of the following enforcement actions –

(a) Not reinstate such service(s) until the arrear account, including the interest raised on such amount, the charges for the notice sent and the charges for both the original and subsequent reconnection or reinstatement of the service(s) and the revised deposit and penalty have been paid in full for normal meters and prepaid electricity meters;

(b) Laying criminal charges with the police;

(c) Cancel the contract; or

(d) In the event of a second tampering of an electricity installation or where the meter has been damaged with the tampering, the meter will be removed, and only be replaced with a prepaid split meter, after the cost of the meter as well as the fine has been paid.

13.6.2 All indigent households shall be visited by a person or firm delegated by Council on a regular basis to investigate tampering and illegal connection cases and or to inspect the status of meter's connections and restrictions and/or flow limiters.

14. COMMENCEMENT

14.1 In the event of an inconsistency between the English, Afrikaans or Xhosa text, the English text shall prevail.

14.2 This Policy will come into effect on 1 July 2022.