



REVENUE MANAGEMENT POLICY GUIDELINE

MUTALE LOCAL MUNICIPALITY

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1. Credit and debt collection policy

Introduction

In order to ensure that all funds due to Mutale Municipality are collected timeously and efficiently, an effective Credit Control policy must be in place. Debt collection is a crucial element of credit control which, if not controlled, impacts negatively on cash balances, borrowing capacity, capital expenditure, and service delivery etc.

Section 96 of the Municipal Systems Act, No 32 of 2000 states that a municipality –

- must collect all money that is due and payable to it, subject to this Act and any other applicable legislation for this purpose, must adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provisions of this Act.

Section 97 of the Municipal Systems Act, No 32 of 2000 stipulates what a credit control and debt collection policy must provide for.

Definitions

Accounting Officer	-	Municipal Manager of Mutale Municipality
Councilor	-	Member of Mutale Municipality Municipal Council;
Municipal Manager	-	A person appointed by the Municipality in terms of Section 82 of the Municipal Structures Act, and who is the Head of Administration and also the Accounting Officer for the Municipality.
Municipal tariff	-	A tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

Scope of Application

This policy is applicable to all employees and Councilors of Mutale Municipality.

Objective

The Objective of this Policy is to:

- Ensure that all money due and payable to Mutale municipality in respect of fees for service, rental, tariffs and interest which has accrued on any amounts due and payable in respect of the aforementioned and any collection charges are collected efficiently and timeously.
- Provide for credit control procedures and mechanisms and debt collection procedures and mechanisms.
- Provide for setting of realistic targets consistent with generally recognized accounting practices for income in the annual budget of Mutale Municipality less an acceptable provision for bad debts
- Provide for interest on overdue amounts
- Provide for collection charges on the payment of overdue amounts, if not recovered from the debtors.

Credit Control Principles

Section 64 of the Local Government Municipal Finance Management Act, No 56 of 2003 states that the accounting officer is responsible for the determination and execution of credit control measures. The following principles should be adhered:

- The main purpose of the credit control policy is to ensure efficient and effective revenue collection – to ensure that all revenue is realized in the period for which it has been budgeted, or with reasonable deviation.
- To improve cash flow of the municipality.
- To serve as a guidance to officials handling credit control and debt collection
- Credit Control must be understandable, uniform, fair and consistently applied under no circumstances should the duty to collect be compromised. The credit control policy should be applied with all fairness; uniformity and consistency in respect of all debtors, in order to ensure long run sustainability.
- All possible income must be collected within the budgeted cycle or financial year.
- Establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to Mutale Municipality.

Code of Ethics

All Mutale Municipality officials shall embrace the spirit of Batho Pele and treat all debtors with dignity and respect at all times. Employees shall execute their duties in a honest and transparent manner whilst protecting the confidentiality of information in accordance with the Access To Information Act.

Duties and responsibilities:

- It is the responsibility of the municipal manager to determine and apply credit control measures. It is however, the responsibility of the manager finance's or his/her designate to handle the day-to-day credit control and debtors, If there is any interference by a council or councilor, which prohibits the municipal manager from executing his responsibility in this regard, he should report this to this to the relevant MEC.
- The municipal manager and his/her designate must take effective and appropriate steps to collect all money due to the council including as necessary:
 - Maintenance of proper accounts and records for all debtors, including amounts received in part payments; and
 - Referral of a matter to the attorney, where economical, to consider a legal demand and possible legal proceeding in a court law.

Opening of debtor's accounts and credit checking.

Before a new account is opened the consumer must present the relevant documentation and credit checking as set out in the detailed procedures must be carried out to assess the risk attached to the account.

Risk status must be periodically reviewed and deposits adjusted, in line with the detailed procedures, where appropriate.

Indigent status

Those consumers who achieve indigent status should be subject to separate procedures as laid out in the indigent policy.

Existing unpaid debts with the council

Before opening a new account, an arrangement must be made with the debtor to settle existing unpaid debts.

Billing

Complete, accurate, regular and timely bills must be dispatched to all consumers.

The consumer will be held liable for all disconnection and reconnection charges.

A consumer's supply may not be reconnected until such time as the consumers account is settled in full including any reconnection/disconnection charges and interest that may have been accrued or an acceptable arrangement to pay has been entered into.

Should a consumer fail to pay their account even once the service has been terminated, the credit control and debt collection policy must be implemented to recover the outstanding amounts due.

Collections and arrear accounts.

Amounts due from debtors shall be collected and banked timeously.

Follow up of outstanding amounts that are not paid by due date will be carried out in accordance with the procedures approved by council from time to time.

Interests on overdue accounts

Interests will be charged on accounts that have been outstanding for more than 30 days in accordance with rates approved by council from time to time.

2. Bad debt written off policy.

2.1. Introduction

Collection of revenues is vital to the long-term financial viability of any Municipality. For the purpose appropriate credit control and debtors mechanisms must be maintained. This document is provided to assist management and employees of Mutale Municipality to implement and maintain consistent, effective and efficient revenue management principles, to contribute towards effective decision making in the area of credit control and debt management and to facilitate the planning and control of debtors.

The policy supersedes all financial policy instructions that have previously been issued.

Failure to comply with the prescribed policies will result in the institution of disciplinary procedures in terms of the stipulated human resources policies and procedures of Mutale Municipality

2.2. Purpose of the bad debt written off policy

The purpose of the bad debt write off policy is to ensure that:
Collection of debt remains cost effective;
Write offs are authorized at an appropriate level within council.

2.3. Written off of bad debts

Debts may only be written off after the council has convinced itself that:

Recovery of the debt would be uneconomical; OR

Recovery would cause undue hardship to the debtor or his/her dependants; OR

It would be an advantage to the municipality to effect a settlement of its claim or to waive the claim.

A monthly review of the detailed debtors ledger should be carried out and write offs effected in line with this policy any other guidelines approved by council from time to time.

Notwithstanding the fact that a debt may have been written off, a separate list of all debts written off should be maintained and further action taken where appropriate.

This list should be referred to when new accounts are opened, and any amounts outstanding recovered from applicants, in line with the credit and collection policy.

All collection actions should be exhausted before an account is considered for write off. No account should be written off where services are currently being supplied, cut off procedures should be instituted with immediate effect. Debtors should only be considered for write off if there has been no movement on the account for at least six months.

All debtors whose accounts are written off should be listed with credit bureaus

Reports of all amounts written off in an appropriate level of detail should be made to council, at least quarterly.

Notwithstanding any other provision contained within this policy document, it should be noted that rates accounts may not be written of

2.4. Limits of authority

Bad debt write offs should be authorized in accordance with the following table.

Value of debt	Action required	Authority required
Less than R10	None	Chief Credit Controller
Greater than R10 and less than R1000	Add to list of bad debts	Chief Credit Controller

Greater than R1000 and less than R2500	Add to list of bad debts Institute legal action	Chief Credit Controller
Greater than R2500 and less than R5000	Add to list of bad debts Institute legal action	Chief Credit Controller Head of Revenue
Greater than R5000 and less than R7500	Add to list of bad debts Institute legal action	Chief Credit Controller Head of Revenue Manager Finance
Greater than R7500 and less than R10000	Add to list of bad debts Institute legal action	Chief Credit Controller Head of Revenue Manager Finance Municipal Manager
Greater than R10000	Add to list of bad debts Institute legal action	Chief Credit Controller Head of Revenue Manager Finance Municipal Manager Executive Committee

3. Checklist for credit control and debt collection policies in terms of the local Government Municipal Systems Act 2000.

In terms of Section 97 of the Local Government Municipal System Act 2000, a credit control and debt collection policy must provide for the following;

Credit control procedures and mechanisms	
Debt collection procedures and mechanisms	
Provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents	
Realistic targets consistent with:	

Generally recognized accounting practices and collection ratios; and The estimates of income set in the budget less an acceptable provision for bad debts.	
Interest on arrears, where appropriate	
Extensions of time for payment of accounts	
Termination of services or the restriction of the provision of services where payments are in arrears	
Matters relating to unauthorized consumption of services, theft and damages; and	
Any other matters that may be prescribed by regulation in terms of section 104 of the Local Government Municipal Systems Act 2000	

4. Guideline credit control and account opening procedures

In order to open a new account a consumer must present the following:

- A completed application form
- His/her original identity documents;
- Copies of the last 4 weeks pay slips (in case of weekly paid) or three months pay slips (In case of monthly paid)
- Payment of the deposit in terms of council policy; and
- An application for indigent status if applicable.

Credit controllers will perform the following checks on the new account prior to opening.

- Ensure that the application form has been completed in full and signed;
- Copy the identity document and ensure that it is in the same name as the account application;
- Review existing outstanding debts at the municipality to ensure that any outstanding amounts on other accounts have been settled;
- An ITC or other credit check as deemed necessary;
- Any checks necessary in terms of the indigent policy if applicable; and
- An assessment of the credit risk attached to the account.

The debtor's details, including the assessment of credit risk, will then be loaded onto the debtors system and the deposit banked.

The credit risk attached to the account will be assessed in terms of the table below

Risk assessment	Indicators of risk	Deposit required
High	Poor recent credit history Unpaid past debts with the council	An amount equal to 3 months average consumption
Medium	Poor recent credit history, but no recent problems Secure well paid employment No unpaid past debts with the council	An amount equal to 2 months average consumption
Low	Clean credit history Secure well paid employment No unpaid past debts with the council	An amount equal to 1 months average consumption

5. Guideline billing procedures and controls

Monthly invoices should be printed that contain the following information:

- Consumer name;
- Consumer account No;
- Consumer postal address;
- Residence/Erf details to where the service(s) have been supplied;
- All details of services that have been supplied i.e. electricity, Water, rates, refuse, removal,etc.;
- Any outstanding balance from the previous month;
- Any connection/disconnection charges that may have been charged; and
- Any interest or fines that may have accrued.

The total value of invoices printed shall be reconciled to the amount posted to the debtors and general ledgers. Any difference must be reconciled immediately and corrected.

An age analysis must be printed monthly.

Monthly reconciliation's of the age analysis and the general ledger must be carried out and differences analyzed and appropriate corrections carried out where applicable.

6. Guideline controls over meter reading

Management reports comparing the number of stands, per assessment rates database with stands where water consumption are metered and/or levied, taking into account stands without improvements and follow up of exemptions

Strict control on the issuing of water meters (installation purposes), with exception reports of water meters not on databases to be followed up.

Independent follows up of water meter reading variances (per variances report)

Follow up on nil meter reading, not attended to by engineers

Controls to adjust meter reading via journals to ensure valid adjustments

Controls to ensure that maximum demand reading are valid, as it should be reset after reading

Make use of controls meters, especially at areas not metered, and compare estimates readings with actual consumption. Where these relate to communal stands pipes, the amount of water supplied to the community should be metered, and where readings are in excess of the 6kl per household, the cost should be divided amongst the community as agreed in a community consultation process.

7. Guideline collection procedures and controls

Collection

- All amounts collected should be banked daily
- Amounts collected should be reflected accurately in the debtors system.
- Official receipts should be issued for all collections

Arrear accounts

When an account has not been paid by the due date the following procedures apply:

Initial contact with the debtor by telephone;

Where this fails, Or where no phone numbers are available, a letter or post card to the debtor;

A final notice if no contact is made with the debtor within 30 days;

If no contact is made with the debtor 14 days after a final notice is issued by hand then cut off procedures will be implemented and legal action started.

Arrangements to pay arrears accounts

Arrangements to pay arrear amounts are to be made in terms of the following guidelines.

Any arrangements that fall outside of the guidelines are to be approved by the head of revenue

Debtors entering into arrangements must also pay the current amounts due or they will be considered to be in default of the arrangement

Amount outstanding	Initial payment	Maximum payment period
Less than R1000 OR less than six months	½ of outstanding balance	Six months
More than R1000 and less than R5000 OR greater than six months but less than 12 months	1/3 of outstanding balance	Twelve months
Greater than R5000 OR greater than 12 months	¼ of outstanding balance	24 months

Written confirmation of all arrangements will be obtained. This Confirmation will be on the standard form designed for this purpose and will list:

The debtor's details;

The initial payment;

The monthly amount to be paid and the length of the arrangement;

Action to be taken if the debtor defaults against the arrangement;

Arrangements to pay must be entered onto the debtors system to prevent further expense being incurred in additional, unnecessary follow up action.

8. Guideline for customer care responsibility

In terms of section 95 of the Local Government Systems Act 2000, in relation to the to the levying of rates and other taxes by the Municipality and charging of fees for Municipal Services, a Municipality must, within its financial and administrative capacity:

Establish a sound Customer Management System that aims to create a positive and reciprocal relation between persons liable for these payments and the Municipality itself;
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 services provider;

Take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reason for the payment of service fees, and the manner in which monies raised from the service are utilized;

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

Ensure that person liable for payments, receive regular and accurate accounts and indicate the basis for calculating the amounts due;

Provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;

Provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the Municipality;

Provide mechanisms to monitor the response time and efficiency in complying with the above point; and

Provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services.

9. Conclusion

This policy aims to ensure effective and efficient revenue collection by the Mutale Municipality. It should be viewed as a dynamic instrument on those aspects of the policy which are informed by legislation and generally accepted accounting practices and will be subject to revision in response to changes, as and when they occur.

