



KARIBIB TOWN COUNCIL

CREDIT & DEBT CONTROL POLICY

Policy Number: FIN-01/2020(R)	Approval Date:
Compiled by: Manager- Finance	Compilation Date: 2020/02/10

Notwithstanding this review as necessitated for ease of operations, this revised policy with Policy number **FIN-01/2020(R)** shall remain effective until approved otherwise by Council and may be reviewed further on an earlier date as deemed necessary.

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1. INTERPRETATION:

In this policy document:

- 1.1. “**Act**” shall mean the Local Authorities Act 23 of 1992, as amended and any regulation or by-law made in terms thereof;
- 1.2. “**Consumer**” shall include the owner or tenant of immovable property, in respect of which municipal services are rendered and/or in respect of which rates and taxes are levied.
- 1.3. “**Council**” shall mean the Local Authority Council of the Karibib Town Council;
- 1.4. “**Property/ies**” shall mean immovable property/ies situated within the local authority boundaries of Karibib Town Council;
- 1.5. “**Rates and taxes**” shall mean the rates and taxes levied by the Council, in respect of a rateable property and which are levied in terms of the provisions of Part XV of the Act;
- 1.6. “**Services**” shall mean the services rendered by the Council in terms of the provisions of Parts VI to XI of the Act.
- 1.7. “**Arrears**” shall mean any amount due to council, unpaid by the due date.
- 1.8. “**Applicant**” shall mean any natural or legal person that applies for services, the connection and supply of services by council thereof.
- 1.9. “**Billing**” shall mean the process of charging for services rendered by issuing accounts

- 1.10. “**Debt collection**” shall mean the debt recovery process and includes sanctions (warnings, disconnection, adverse credit rating, legal process and/or eviction, etc.) to be applied in the event of non-payment of accounts
- 1.11. “**Disconnection**” shall refer to the interrupting supply of all municipal services including water to a debtor as a consequence of ignoring the final notice for payment.
- 1.12. “**Effective Disconnection**” Shall include, inter alia, the removal of connections and/or equipment as a consequence of unauthorized reconnection (tampering/or bypassing) of the disconnected services as described in clause 1.11.
- 1.13. “**Interest on overdue accounts**” shall refer to the percentage charge to the overdue account.
- 1.14. “**Payment**” shall refer to any form of redemption acceptable to council from time to time for settling an account
- 1.15. “**Supply**” shall refer to any metered provision of water, also extended to any municipal services to consumers
- 1.16. “**Tampering**” shall refer to any unauthorized reconnection of supply that has been disconnected for non-payment, the interference with the supply mains or bypassing of the metering equipment to obtain unmetered service.
- 1.17. “**Debtor**” shall refer to a natural or legal person who owes council.
- 1.18(A) “**Attorneys**” shall refer to the office of the Attorney General and/or the designate thereof

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2. BACKGROUND:

The aim of a credit control policy is to make sound suitable revenue collection that is to the advantage to the council, consumers, council's stake holders, and to the community at large. It is also to provide council's staff members the best practice with regard to revenue collection, to be aware of the importance of credit control in practices and to ensure a sound financial control. Overall, the credit control policy is aimed at monitoring the payments levels of the consumer accounts thereby ensuring improvements in the cash flow position of the council and timely collection of funds due to Council.

Outstanding debt due to the Council, by consumers, in respect of rates and taxes levied on or services rendered to consumers and property owners are at an alarming stage and are increasing every month. While the Council remains committed to its principles of business management, it relies on understanding, support and co-operation from all consumers and stakeholders, to enable it to render an effective and efficient service delivery. Due to the nature of its operations, the Council is forced to provide credit to consumers, whose financial history is unknown and this may seriously hamper the cash flow of its operations.

3. OBJECTIVES OF THIS POLICY

The objectives of this policy are to -

- 3.1. ensure that all money due and payable to Council in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly;
- 3.2. provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;
- 3.3. create and promote good payment habits amongst consumers, thereby reducing debt due to Council, by way of action taken in terms of the policy; and
- 3.4. ensure that all monies due are payable to the Council in terms of the provisions of Act are collected promptly and in an efficient manner.
- 3.5. provide for the setting of realistic targets consistent with generally recognized practices and collection ratios and of income set in the annual budget of the Council, less and acceptable provision for bad debts.

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- 3.6. provide for interest on overdue amounts.
- 3.7. provide for extension of time for payment of overdue account in appropriate circumstances.
- 3.8. provide for restriction or termination of municipal services when payments on accounts are overdue.
- 3.9. provide for matters relating to unauthorized consumption of services, theft and damages.
- 3.10. To ensure financial control and stability by dealing with defaulters in accordance with the terms and conditions of the policy.

4. SCOPE AND LEGAL PROVISIONS

- 4.1. This policy shall apply to all consumers, within the local authority boundaries of the Karibib Town Council.
- 4.2. Where any of the clauses in this policy are inconsistent with the provisions of the Act, the provisions of the Act shall take precedence.
- 4.3. The policy shall be in force; until such time that it is reviewed and/or amended and approved by the Council.

5. CREDIT CONTROL PRINCIPLES

- 5.1. Completeness and accuracy of consumer's information, captured on Council's systems, must be ensured.
- 5.2. Outstanding debts and arrangements to repay those debts shall be treated holistically, but different repayments periods or methods may be determined for different types of services.
- 5.3. New services to a property will be provided, only, if all amounts outstanding, in respect of all rates leviable in respect of such immovable property in terms of the Act and all the fees, charges and other moneys due to the Council in respect of any service, amenity or facility supplied to such property in terms of the Act,

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inclusive of any availability charge and minimum charge provided for in section 30(1) (u) have been paid in full.

- 5.4. Any information supplied by a customer may be verified with any other institutions, as the Council may in its sole discretion deem necessary.
- 5.5. Human dignity shall always be upheld.
- 5.6. The policy must be implemented with equity, fairness and consistency unless council directs otherwise through a council resolution for specific groups of the community.
- 5.7. Debtors may be referred to third party debt collection agencies prior to being subjected to legal process and may be placed on the ITC Bureau.

(5.7 A) Debtors may not be required to be referred to the third party debt collectors prior to the legal process. Council at its discretion and based on the merits of each debtors may subject debtor(s) to a legal process after engaging such debtor(s) at least two times to remedy their dues or make arrangement and subsequently may be placed on the ITC bureau.

- 5.8. Balances on related accounts may be transferred to the new account of the same consumer, regardless of different properties.
- 5.9. The outstanding balance owed by the tenant of a property may be transferred to the account of the owner of the same property, should the tenant become untraceable or the debt uncollectible from the tenant.
- 5.10. All new applications for the provision of services to a property shall be subject to the completion of an application form, a payment of a security deposit and a service connection fee. An additional deposit may be levied on bulk consumers. Security deposits are charged on application at rates that are subject to review annually and shall be collected in accordance with approved tariffs of the Council for each financial year.
- 5.11. All charges due to council in relation to connection, disconnection and reconnection of services shall be paid by the consumer upon application in line with the applicable rates for that specific financial year.

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5.12. INTEREST CHARGES

- All arrears on service accounts shall be levied with late fee as determined by the Council.
- Arrear accounts of deceased persons shall not be levied interest charges from the date of reporting the death to the office until legitimate owner is found.
- Interest charges on Build Together Programme shall be levied in accordance with approved rates from the Ministry of Urban and Rural Development.

5.13. Special rates or exemptions shall be set aside and be indicates in the council's tariff structure as to be approved by council for Pensioners, Orphanage home, Old age Home, churches, charity organizations or not for gain business based on the discretion of the council upon application, after seeking ministerial approval and/or in line with the delegation of power

5.14. Special rates or exemptions to Pensioners, Orphanage home, Old age Home, churches, charity organizations or not for gain business based on the discretion of the council upon application, shall be only be afforded for by council only with a written proof of such as a Pensioners, Orphanage home, Old age Home, churches, charity organizations or not for gain business based on the discretion of the council upon application after seeking ministerial approval, and/or in line with the delegation of power.

5.15. Application for new connections for applicants with outstanding or overdue accounts shall only be approved and connected upon payment of 40% down payment on the overdue amount on residential properties and 60% on all other zonings, and in both cases, a payment arrangement should be signed.

6. APPLICATION FOR MUNICIPAL SERVICES

All new applications by consumers for services to be rendered by the Council will be subject to the consumer completing and signing the prescribed application form.

6.1. Upon application for services an applicant must complete the Prescribed application form. All application for municipal services shall be effected after the approval by the Manager: Finance & Asset management or any designated

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person authorized by him or her. It must be checked properly for Completeness and the creditworthiness of the applicant shall be Determined as follows:

- Check internally whether there are any previous records of non-payments.
- Credit reference verification.
- Check Credit Bureau that is ITC (optional).
- Verify identification and the name on the application form must correspond with the produced identification.
- In case of a Legal person, the ID of the proxy and a founding statement of the business shall be attached

7. METER READING

- 7.1. Meter readings are taken from the 01st -7th of each month. Readings are captured into the Council's computer network for checking, processing and accounts are dispatched by the 18th of each month. This is done to give Consumers time to settle their accounts on or before the 10th of the following month.
- 7.2. If a water or electricity meter reading cannot be obtained, due to closed doors, or any access difficulties, the meter reader should record that fact on the card and give reasons why readings were not taken. In this case, the readings will be estimated. If it cannot be accessed for at least more than three months, the income section should write a letter to the Consumer to contact/approach Council's offices.
- 7.3. Although the Council must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay this amount

8. REMINDER MESSAGE

- 8.1. A reminder message shall be printed on the Consumer's original monthly tax invoice that reads as follows: *"IF ACCOUNT IS NOT PAID ON OR BEFORE THE DUE DATE, SERVICES WILL BE DISCONNECTED WITHOUT ANY FURTHER NOTICE"* This message gives customers (30) days cycle to settle their accounts before credit control measures are taken.

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- 8.2. Accounts shall be paid in full on or before the due date of every month following the month in which the account was rendered. If the due date is not a working day, then the first working day of the following week will be considered as the last day for payments.
- 8.3. Consumers who realize that they will not be able to pay their accounts on due date, shall consult with the Manager: Finance or his designate for an extension of the due date.
- 8.4. The Manager: Finance may consider an extension of the due date under the following conditions:
 - 8.4.1 Where Loan/Water services have been in arrears down payments of at least (40%) thirty percent of the outstanding amount for residential property and (60%) fifty percent for businesses or industrial property shall be paid before written agreements are entered into. The remaining balance is to be settled as per the decision of the Manager: Finance or his designate; or
 - (8.4.1A) in addition to clause 8.4.1 above, the Manager: Finance or his/her designate based on the merits presented by an individual may determine the qualifying percentile for down payment and set conditions on such a decision; or
 - 8.4.2 Where legal action has been instituted for collection of outstanding accounts, services will only be restored on full settlement of consumers account; or
 - 8.4.3 Unusual high usage (e.g. Water leakages or electricity meter faulty).

9. TENANT DEBTORS

If a tenant intends to disconnect water, the disconnection form has to be completed and pay all related charges. If he/she leaves the property, without filling out the disconnection form, he/she will be liable for all charges that accrue to the property. If a tenant cannot be traced or the debt becomes uncollectible from the tenant, then the owner of the property in question will be held liable.

10. SUSPENSION OF SERVICE

- 10.1. Services in respect of any property, in respect of which an account is in arrears, for more than 60 (sixty) days, with a minimum outstanding balance of N\$1,000.00 will be suspended without any further notice to the consumer.
- (10.1A)** services in respect of any property, in respect of which an account is in arrears for more than sixty (60) days, regardless of the outstanding balance, will be suspended without any further notice to the consumer.
- 10.2. As long as the consumer's property appears on the final cut-off list, he/she will be liable to pay the disconnection and reconnection charges.
- 10.3. If outstanding accounts are not settled, within three months after the suspension of service, legal proceedings may be instituted against the defaulting consumer.
- 10.4. The account of a consumer (business or residential) in arrear shall not be handed over for collection, unless consumer has breached the agreement entered into (in terms of clause 8.4 above), and the reasons therefore are unacceptable to Council or unless final notice has been ignored.
- (10.4A)** in addition to clause 10.4, all consumers who have made arrangements with Council and breach such arrangement for thirty (30) days without communicating with the Council shall have their services disconnected and will be required to settle their outstanding balance in full plus disconnection and reconnection charges.

11. ADJUSTMENTS ON ACCOUNTS

An authorized official of Council, who attends to any adjustment on a consumer's account should scrutinize such adjustment and provide reasons as to why such adjustment has to be made which reasons must be attached and signed by the designated official. System generated proof of adjustments be stored on the computer. All adjustment should be processed immediately after the approval by the Manager: Finance or his/her designate.

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11.1. DEBIT AND CREDIT ADJUSTMENTS

Adjustments on consumer accounts related to: incorrect levies, wrong allocations, swapped meters, incorrect readings etc. shall be processed upon approval by the CEO or his/her designate.

(11.1A) Adjustments on consumer accounts related to: Incorrect levies, wrong allocations, swapped meters, incorrect readings etc. shall be processed upon approval by the Manager: Finance or his/her designate.

11.2. OTHER DEBT & GENERAL

11.2.1. Sanitation, Sewerage and Property rates

11.2.1.1. charges of the above items will be reflected on the monthly debtor account

11.2.1.2. Interest will be charged on all overdue accounts at an interest rate in clause

12. ILLEGAL CONNECTION/UNAUTHORIZED CONNECTION

12.1. Unauthorized connection/reconnection of water to a property, tampering with the water or electricity meter or the illegal connection of water or electricity to a property are criminal offences, which shall result in legal action being taken against the offender. In case where there are no consumption records, the records of average consumption of at least three consumers in the same neighborhood shall apply. Unauthorized connections of water or electricity shall be subject to a penalty of N\$2,000.00 (Two thousand Namibia Dollar) as per section 55(1) for contravening section 37 of the Local Authority Act [Act 23 of 1992], and the Amendment Act [Act 24 of 2000] plus average consumption.

(12.1A) Unauthorized connection/reconnection of water to a property, tampering with the water or electricity meter or the illegal connection of water or electricity to a property are criminal offences, which shall result in legal action being taken against the offender. In case where there are no consumption records, the records of average consumption of at least three consumers in the same neighborhood shall apply. Unauthorized connections of water or electricity shall be subject to a penalty of N\$10,000.00 (Ten thousand Namibia Dollar) or imprisonment not exceeding two (2) years or to both such fine and such imprisonment as per section 55(1) and for contravening section 37 of the Local Authority Act [Act 23 of 1992], and the Amendment Act [Act 24 of 2000] plus average consumption.

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12.2. In addition to the backdated averaged charges, a penalty fee for tampering is applicable as per gazette tariffs.

12.3. Illegal connections shall include but not limited to:

12.3.1. Tampering with service delivery infrastructure;

12.3.2. Unauthorized re-connection of service after cut-off;

12.3.3. Direct connection from neighbors; and

12.3.4. Any other connections for which no Council approval was obtained.

12.3.5. Any attempt to execute any of the above shall be deemed to be tampering or unauthorized connection

13. MUNICIPAL EMPLOYEES AND COUNCIL MEMBERS

If a municipal employee, council member or temporary employee is in arrear with his/her municipal/consumer account, an applicable deduction will be effected by the salary office. The division of revenue in consultation with the Manager: Finance shall forward such deductions to the salary office together with the approval from the employee/ council member in question for the deduction to be made. In case that employee/council member refuses to authorize such deduction from his/her salary the water will be disconnected and remain disconnected until the total amount in arrears or total amount per arrangement has been paid.

14. LOANS

14.1. The provisions of this clause 14 are subject to the provisions of the Act and the National Housing Development Act 28 of 2000.

14.2. The following steps may be taken against a Consumer, who defaults on any payments relating to property bought or constructed in terms of the Decentralized Build Together Program and Low-Cost Housing Scheme.

14.2.1. If the consumer is in arrears with payments for three months, a written notice stipulating the payments in arrears and the due date for such payments will be send. Such written notice may include a warning that legal procedures

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will be followed in case of non-response. If the consumer responds, the possibility of debt rescheduling or voluntary surrender of the property concerned may be discussed with the consumer, but no debt rescheduling may be considered if permanent employment cannot be proven.

14.2.2. If the consumer is in arrears with his/her payments for more than six months, summons will be issued, which in turn will be followed by default judgment.

14.3. The Division of Properties will liaise with the Department of Finance to ascertain the outstanding amounts or existing loans, before applications are made to the Ministry for new loans.

15. COST TO REMIND DEBTORS FOR ARREARS

Any action taken in requesting payment from the consumer or reminding the consumer by means of telephone, fax, registered mails or otherwise that his/her payments are due will attract an administrative fee which amount may be levied against the account of the debtor charged at 2.5% of the amount due.

16. WATER LEAKAGES

16.1. If the Consumer has evidence of a water leakage, he/she can report such leakage to the Council and request an adjustment on his/her account.

(16.1A) if the consumer has evidence of a water leakage on the municipal infrastructure, s/he can report to the Council and request for an adjustment if such leakage affected the metering, contrary to that, Council shall not be liable for any leakages that are not on municipal infrastructure.

16.2. The adjustment on a consumer account should be calculated as follows:

16.2.1 All leakages with the monetary value of below N\$ 1,000.00 should be treated per council tariff based on average usage of at least the previous twelve months.

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(16.2.1A) All leakages, regardless of the monetary value shall be treated as per Council gazette tariff based on average usage of at least the previous three (3) months.

16.2.2 All leakages in units excluding average usage with the monetary value of N\$ 1,000.00 and above are charged in accordance with the council's gazetted tariffs against the number of units which is representing a leakage.

(16.2.2A) delete the clause (review 1 of 2020 of the policy)

17. UNCOLLECTABLE DEBT

17.1. Debts will be regarded as uncollectable, if the Council's legal practitioner issues a certificate to certify that;

17.1.1 All reasonable notifications and cost-effective legal actions to recover a specific outstanding amount have been exhausted or the amount to be recovered is too small to warrant further endeavors to collect it.

17.1.2 The cost to recover the debt does not warrant further action i.e. summons in another country or the deceased estate has no liquid assets to recover the outstanding amount or it has been proven that the debt has prescribed or the debtor is untraceable or cannot be identified as to proceed with further action.

17.2. Debt can only be written off as bad debt, if, and when, Council receives the certificate referred to in 18.1. and with the approval of the line Ministry.

17.3. WRITE-OFF OF BAD DEBTS

Write-offs shall be considered under the following scenarios:

- Inadequate estate assets to settle the debt.
- Insolvent company and no claims could be recovered from any asset.
- Where there is proven record beyond reasonable doubt that debt is irrecoverable.

18. (A) PREPAID METERING

- 18.1. Karibib Town Council will introduce a prepaid water metering system in an effort to manage debts. The meters and token will be sold at a cost-recovery basis with a minimal inflation increment percentile of 5% every Financial Year.
- 18.2. Applications for such services shall be done on the formal form of Council and shall be completed in full.
- 18.3. All Applicants that owe Council shall:
 - Enter into an agreement with Council on the outstanding debts;
 - Pay for the Prepaid Meter and the Token;
 - Settle their monthly accounts;
 - Minimum purchase amount will be N\$100.00 per purchase;
 - 50% of their purchasing amount will be credited to their arrears;
- 18.4. All consumers that default on their arrangement without prior notice to the office shall not purchase water from Council until they fulfil their obligations

19. DEBT RECOVERY STRATEGIES

- 19.1. Ongoing community education, which includes an informative program set up by Council with the community through monthly meetings, radios, and newsletters.
- 19.2. Conduct house-to-house survey;
- 19.3. Ascertain the whereabouts of consumers and their employer's details.
- 19.4. It is the responsibility of the debt collection section to make sure that corporate accounts / bulk suppliers settle their accounts on or before due date. To ensure this, age analysis should be copied on a monthly basis, just after the levies on an excel spreadsheet. Debts should be sorted in different types and or categories of debt and bulk suppliers should be identified and noted accordingly.
- 19.5. Implement more cut-off and follow up constantly;
- 19.6. Follow up by physical checkup of active and inactive meters as appears on monthly cut-off list for the certain period, and check illegal connections.
- 19.7. Check on a monthly basis those debtors who agree to pay off on a specific date, and record the payment on debtor's agreement file if he/she fails to pay on that date follow it up immediately.
- 19.8. Write reminder letters to debtors who have outstanding amount by sending first, second and final notice.
- 19.9. Handing over for collection to third party(s).

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19.10. Officials in charge of Debt Collection can hand over the debtors to attorneys after all collection steps have been explored and applicable authorization has been obtained.

20. BLACKLISTING

To prevent future financial losses, consumers shall be blacklisted under the following cases.

- Outstanding account involving legal proceedings
- Dishonored payment or R/D cheques
- Tampering/damaging of service delivery infrastructures
- Breach of contract
- Write-offs

21. Issuing of Clearance Certificates

- 21.1. In terms of Section 78 [a] of the Local Authorities Act 1992 [Act 23 of 1992] as amended by Act 24 of 2000 a Local Authority shall include all outstanding debt on the clearance certificate.
- 21.2. A clearance certificate shall also include any amount due and payable to any other supplier of municipal services including the supply of electricity.
- 21.3. A clearance certificate shall only be issued once all the departments of Council has confirmed any outstanding balances that may be due to Council and shall further only be issued once the amount has been paid in full or an undertaking to pay same by transferring legal practitioners have been received.

22. METHOD OF PAYMENTS

- 22.1. (A) in compliance with the Financial Intelligent Act, Act 13 of 2012 and any regulations thereof, Council shall not accept cash payments at its cashier points in excess of N\$50,000.00;
- 22.2. (A) Such cases, council shall withhold the funds and determine the source of the funds until its satisfied that it's not proceeds of money laundering or does not contravene the Prevention of Organized Crime Act, Act 29 of 2004.
- 22.3. The following methods of payment shall be accepted for settlement of accounts:
- Cash (Namibia Dollar/South African Rand)
 - Stop order
 - (A) Electronic Funds Transfer (EFT)
 - (A) Direct Deposits


23. POLICY REVIEW

The Head: Finance shall be responsible for annual revision and updating of this Policy.


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24. APPROVAL

Approved by Council as per the following Council Resolution: **CM/0020/19/03/2020**




CHIEF EXECUTIVE OFFICER


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CHAIRPERSON OF COUNCIL


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