



BAD DEBT PROVISION POLICY

Council Resolution No :

Date :

Municipal Manager :

Executive Mayor :

Reference No :

Municipal Code No :

REVIEWED 25.05.2026

1. PURPOSE OF POLICY

The purpose of the policy is to —

provide guidelines for the calculation of provision for bad debt;

2. DEFINITIONS

In this policy —

"**Accounting Officer**" means the Municipal Manager acting in his or her capacity as accounting officer of the Municipality;

"**Chief Financial Officer**" means the Chief Financial Officer acting in his or her capacity as the Head of the finance department of the Municipality

"**Council**" means mean the Council of the Municipality;

"**Current assets**" comprise debtors, cash, inventories and the short-term portions of investments and long-term debtors of the Municipality;

"**Current liabilities**" consist of creditors, bank overdrafts and the short-term portion of long-term loans [liabilities] of the Municipality;

"**Net operating capital**" means the difference between current assets and current liabilities of the Municipality;

"**Unfunded funds, reserves and provisions**" mean those funds, reserves and provisions not represented by cash.

3. MANAGEMENT OF BAD DEBTS

a. The accounting officer must make an annual contribution to the bad debts provision in the operating budget of the Municipality.

b. Impairment calculations will be based on applying the General Recognised Accounting Practices (GRAP) 104 financial instruments that governs recognition, measurement and presentation disclosure. The revised version effective 1 April 2025 focusing on the Expected Credit Loss (ECL) will be applied and aligns with the IFRS 9 standard.

The municipality will categorise/classify its debtors by type (e.g. domestic, business, government etc.) and will then apply the GRAP 104 assessment per category to assess impairment calculations.

Special consideration to be given to debtors with agreed arrangements.

c. If the total provision for bad debts as required in terms of subparagraph 3(b) exceeds ten percent (10%) of the operating budget of the Municipality, the accounting officer must submit a report to the Council in which he or she must report on how the net current assets of the Municipality are managed and therein pay special attention to —

- i the debtors turnover rate, inventories and creditors;
- ii. credit management and debt collection; and
- iii. the bank overdraft.

d. The Council may approve the writing-off of bad debts as per the Bad Debt Write-Off policy,

4. DELEGATION OF POWER

The accounting officer may delegate his/her responsibilities in terms of this policy to the Chief Financial Officer of the Municipality.

EFFECTIVE DATE

This policy shall come into effect on 1 July 2026.