



CREDIT CONTROL AND DEBT MANAGEMENT POLICY

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1. BACKGROUND

1.1 Credit control and debt management activities are aimed at minimising the risk of loss from bad debts by restricting credit to customers who are not a good credit risk and collecting outstanding amounts owed to the municipality.

2. PURPOSE

2.1 The policy provides for the following:

1. Credit control procedures and mechanisms;
2. Debt collection procedures and mechanisms;
3. Interest on arrears, where appropriate;
4. Extension on time under certain circumstances; and
5. The termination or restriction of services when payments are in arrears

3. DEFINITIONS

In this document, unless proven different within the context, the following terms mean-

“Arrangement” – means a written agreement entered into between the Council and the debtor where specific repayment parameters are agreed upon.

“Arrears” – means those rates and service charges that have not been paid by the due date and for which no arrangement have been made.

“Administration” – the MUNICIPAL MANAGER of the Council, his or her appointee, or any other official appointed by the Council for the implementation and enforcement of the Council’s Credit Control and Debt Collection Policy and any other decrees;

“Creditors Control” – means all the functions relating to the collection of monies owned by ratepayers and the users of municipal services.

“Creditors Control and debt Collection Policy” – means the municipality Credit Control and Debt Collection Policy as required by sections 96 (b) of the Systems Act;

“Customer” – means any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

“Council” – OVERBERG DISTRICT MUNICIPALITY or any of the Council’s committees or officials by virtue of authority, functions and duties delegated to them in terms of any existing law, ordinance or decree which is in force within the jurisdiction of the Council;

“MFMA” – refers to the Local Government: Municipal Finance Management Act (56 of 2003).

“Municipal account” – means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted services provider, and/or assessment rates levies.

“Municipal services” – means those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied.

“Person” – any natural person, local governing body or similar authority, a company or closed corporation incorporated under any law, a body of persons incorporated or not, a statutory body, public utility body, voluntary society or trust;

“Systems Act” – means the Local Government: Municipal Systems Act, 32 of 2000;

“Tariff” – means fees, charges, or any other tariffs levied by Council in respect of any function or service provided by the municipality.

4. LEGAL FRAMEWORK

4.1 Whereas section 62 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) (hereinafter referred ad the “MFMA”) determines that a municipality must introduce appropriate credit control and debt collection and

4.2 Whereas section 96(b) of the Local Government: Municipal System Act no 32 of 2000 (hereinafter referred as the “Systems Act”), obliges the Overberg District Municipality (hereinafter referred as the “ODM”) to collect all money that is due and payable to it, subject to the provisions of the Acts and any other applicable legislation and

4.3 Whereas section 62(1)(f)(3) of the MFMA states as follows:

The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure-

(f) That the municipality has and implements-

3.a Credit Control and Debt Collection Policy referred to in terms of section 96(b) of the Municipal Systems act, and

5. SCOPE FOR APPLICATION

5.1 This policy applies to all past, present and future customers of the Overberg District Municipality (the municipality) and all contract arrangements, customers and debtors of the municipality.

6. RESPONSIBILITIES

6.1 Responsibilities of the Council

The Council must –

6.1.1 Ensure that all money which is owed and payable to the Council is collected;

- 6.1.2 For this purpose adopt, maintain and implement a Credit Control and Debt Collection Policy;
- 6.1.3 Monitor and supervise the implementation and enforcement of the Council's Credit Control and Debt Collection Policy;
- 6.1.4 Where necessary, evaluate or adapt the policy and any applicable decrees, or the implementation of the policy in order to improve the efficiency of its mechanisms, processes and procedures for debt collection; and
- 6.1.5 Keep a record of such policy, which any person may obtain or perusal.

6.2 Responsibilities of the Administration

The administration must –

- 6.2.1 Implement and enforce the Council's Credit Control and Debt Collection Policy and any applicable regulations;
- 6.2.2 Initiate effective administrative mechanisms, processes and procedures to collect any money that is owed and payable to the Council, in accordance with this Credit Control and Debt Collection Policy and such decrees and
- 6.2.3 Report the required on a regular basis at a meeting to council or an appropriate committee of council.

6.3 Responsibilities of the customer

- 6.3.1 The owners and/or occupants of premises must allow access to such premises to an authorized representative of the Council in order to read, inspect, install or repair any meter or services connection point, or to disconnect, stop or limit the provision of any.

7. CREDIT CONTROL PROCEDURES AND MECHANISM

- 7.1 The implementation of the procedures lies with the implementing administration and the authority will institute the administrative procedures and mechanisms to implement the following key procedures:

7.1.1 Services agreements

7.1.1.1 The signing of services agreements are important and key to the rendering of services;

7.1.1.2 Service agreements must be signed;

7.1.1.3 The agreement constitutes a legal binding document between Council and the owner of the property or the person for whom the service is rendered.

7.1.2 Rendering of accounts

7.1.2.1 Accounts should be rendered promptly on a monthly basis to all consumers and debtors of the municipality;

7.1.2.2 Any other services that administration rendered and for which a service agreement exists should be rendered as soon as possible after the delivery of the service;

7.1.2.3 Accounts based on metering, should be accurate and read on a monthly basis.

7.1.3 Deposits

7.1.3.1 Deposits are payable and will be charged on every new application and for using of council's recreational facilities;

7.1.3.2 Deposits are calculated according to the formula determined from time to time;

7.1.3.3 Any increases in deposits will be in accordance with council's tariff structure as determined by council.

8. DEBT MANAGEMENT PROCEDURES

8.1 The implementation of the procedures lies with the implementing administration and the authority will institute the administrative procedures and mechanisms to implement the following key procedures:

8.1.1 Timelines

8.1.1.1 Debt collection procedures and mechanisms start as soon as the statement of account has been sent to the debtor.

8.1.2 Letter of Demand

8.1.2.1 A letter of demand will be sent to every owner or consumer who is in arrears with his account with Council;

8.1.3 Other debt collection procedures

8.1.3.1 Follow up phone call may be made by administrative personnel on outstanding amounts and

8.1.3.2 Where the consumer is not the owner of the property, the owner will be informed of the default of the consumer.

8.1.3.3 Accounts may be handed over to debt collection agencies at the discretion of the Director Management Services/CFO or his delegate.

8.1.4 Records of debt collection procedures

8.1.4.1 Officials should keep records of all the debt collection procedures taken on an account.

9. INTEREST CHARGES ON OUTSTANDING AMOUNTS

9.1 Council may decide to charge interest on outstanding amounts after disconnection and/or restriction of services.

9.2 Interest may be charged by the municipality notwithstanding the fact that extension of time was granted after entering into a pay-off arrangement.

9.3 The interest rate at which interest is charged will be determined from time to time within the legal limits.

10. EXTENSION OF TIME FOR PAYMENT UNDER CERTAIN CIRCUMSTANCES

10.1 Arrangements are permissible for debtors who experience difficulties in paying their accounts;

10.2 Any other request for extension which will be handled on merit of the individual cases.

10.3 Procedures for extension of payment:

10.3.1 The Director Management Services/CFO or his delegate is authorized to enter into agreements with the debtors with arrears accounts or grant such debtors extensions for payment;

10.3.2 The terms applicable for the settlement of arrear debt as well as any upfront payments will be determined by the Head: Income;

10.3.3 The arrangement must be in writing and may be in the form of an Acknowledgment of debt.

10.3.4 One copy of the arrangement must be handed to the client;

11. TERMINATION OR RESTRICTION OF SERVICES WHEN PAYMENTS ARE IN ARREARS

11.1 The supply/rendering of services (e.g. electricity, will be terminated (where applicable) if debtors are in arrears for more than 30 calendar days;

11.2 Failure to honour the extension agreement will lead to immediate blocking/disconnection/restriction of services as well as further legal action where applicable;

11.3 Water may be restricted to the minimum level as determined by national legislation if a debtor's account is in arrears for more than 30 calendar days; and

11.4 The restriction of services may also be applicable where use is being made of a pre-paid metering service and where other services are in arrears.

12. UNRECOVERABLE DEBT

12.1 Should the credit control procedures be ineffective in recovering outstanding amounts, the bad debts write-off policy must be followed.

13. CUSTOMER CARE

13.1 Employees shall conduct the credit control and debt management procedures whilst applying the determinations of the customer care policy.

14. CONSOLIDATION OF ACCOUNTS

14.1 The Council shall –

14.1.1 Consolidate any account for any of the services rendered to any client;

14.1.2 Credit a payment of the account by such client to his/her account;

14.1.3 Use any payment by such client, firstly for any penalties and legal costs owed by the client to the Council, secondly for any interest owed to the Council by the client on any outstanding amount, and thereafter for such outstanding amount; and

14.1.4 Implement any credit control measures for which this policy makes provision, regarding any outstanding amounts on any client's account.

15. RELATED POLICIES

15.1 The following policies are related to this policy:

15.1.1 Customer care policy

15.1.2 Bad debts write-off policy

16. REVIEW

This policy will be reviewed at least annually and updated if needed.

17. EFFECTIVE DATE

This policy shall come into effect on **1 July 2026**.