



# *Nkomazi Municipality*

NKOMAZI LOCAL MUNICIPALITY  
MP324

## Credit Control and Debt Collection Strategy

# 1 Contents

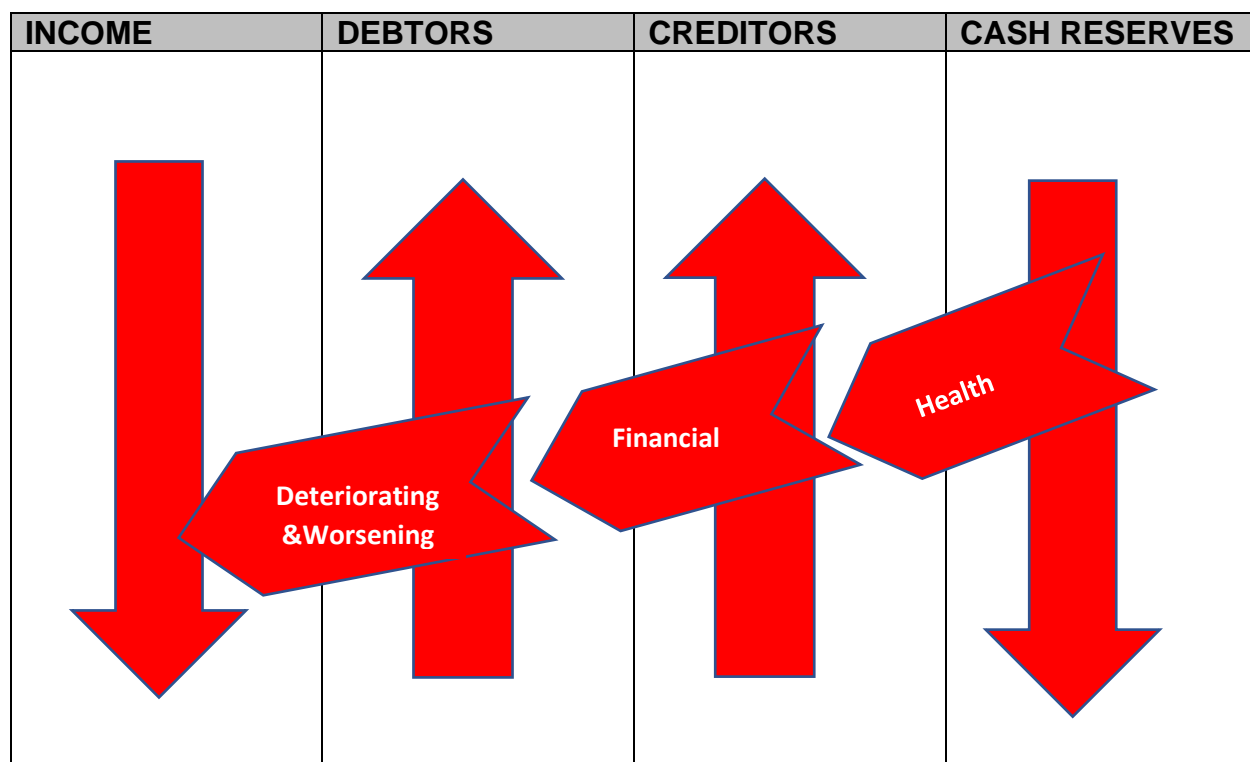
<b>1. Introduction</b> .....	2
<b>2 Strengthening the revenue base &amp; achieving accurate billing</b> .....	4
<b>3. SHORT TERM STRATEGY (SIX MONTHS)</b> .....	5
<b>3.1.1 Top owing Accounts</b> .....	5
1.1 business, .....	6
1.2 residential, .....	6
1.3 government .....	6
<b>1.3.1 Schools</b> .....	6
<b>1.3.2 Rural Development</b> .....	6
<b>1.3.3 National Public Works, etc.</b> .....	6
<b>4. Credit Control Measures</b> .....	<b>Error! Bookmark not defined.</b>
<b>5. Criteria for State of Disaster payment relief</b> .....	6
5.1.1 Illegal Connections .....	7
<b>6. MEDIUM TERM STRATEGY (SIX MONTHS)</b> .....	7
6.1.1 Meter reading process .....	7
<b>7. LONG TERM STRATEGY</b> .....	8

## 1. Introduction

Nkomazi Local Municipalities is at the forefront in the improvement of service delivery and must be able to deliver services in a sustainable way and therefore must be financially viable. Due to the State of Disaster the Municipality's revenue collection has been compromised as ratepayers are battling to pay rates and service charges while the number of indigent households is rising. Financial relief requests have been received from various clients affected by the state of disaster, especially business owners of guest houses. It is therefore imperative that the Credit Control and Debt Collection Strategy be done in phases, with the initial focus on short term gains, stabilizing the financial position, improving systems and processes and collecting what is realistic and collectable.

To counteract this situation and to ensure revenue collection viability, Nkomazi Local Municipality set out to perform an assessment of its collection capability to better understand the root cause and to make recommendation for corrective actions. The proposed strategy is therefore divided into three phases (short, medium and long term) where some activities can run parallel and others can be delayed.

The debt collection strategy and programme must be focused on rehabilitating the debtor, and not to punish him /her.



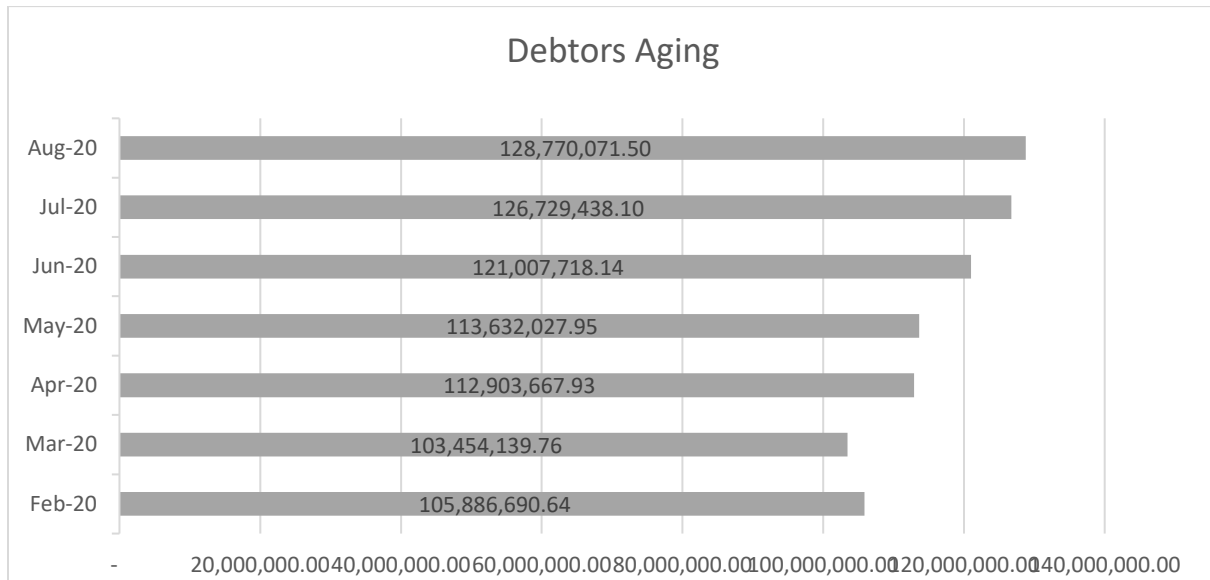
Due to the Covid-19 pandemic which has a long term adverse financial impact on the economy, municipalities are faced with the following challenges;

- a) The loss of employment and the fact that a number of individuals that were economically active and unable to work during the period, has caused strains in their financial health. this has led to businesses and individuals failing to honor in full their monthly municipal accounts and some are not able to pay at all.

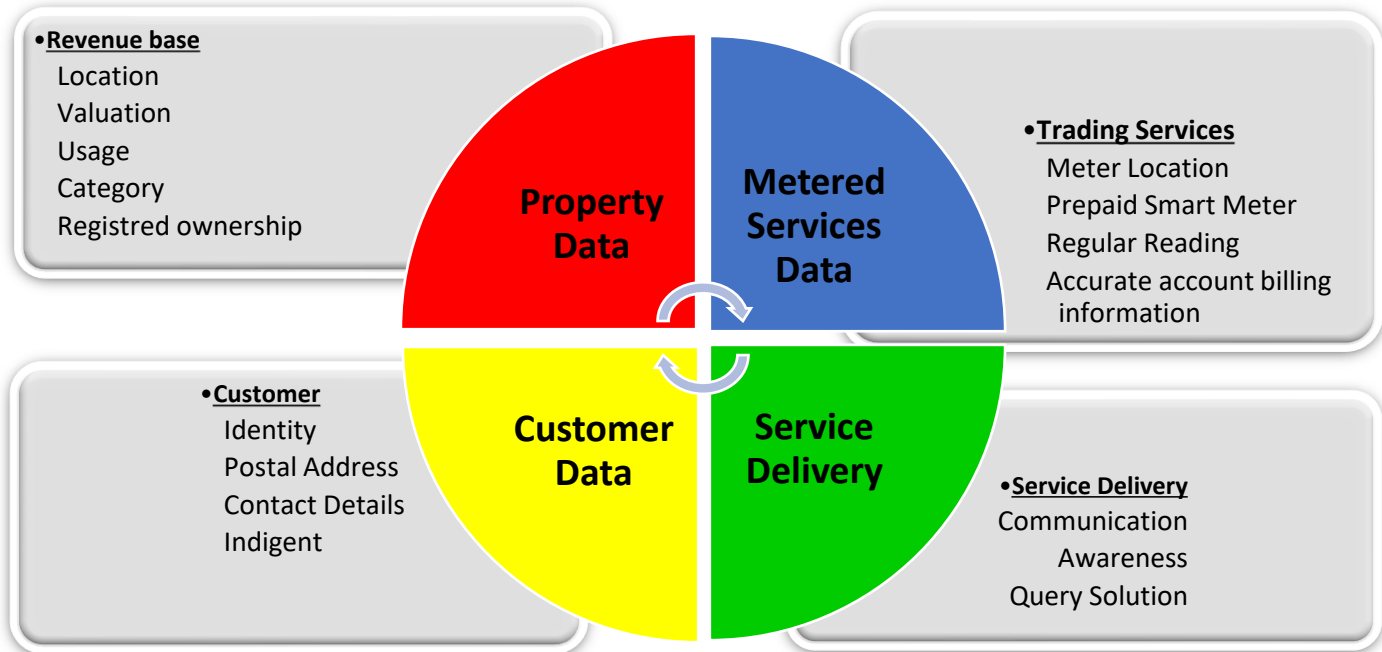
As at the end of March 2020, the municipality experienced a favorable collection of income compared to February 2020.

however the collection of revenue was negatively impacted by the Covid-19 pandemic, which then resulted in a massive drop in revenue collection, hence increasing the amount owed by clients in the Municipality's debtors book.

Since the pandemic started , the municipality has been experiencing an ongoing increase in the debtors book as it depicted by the below chart.



## 2 Strengthening the revenue base & achieving accurate billing



The provision of sustainable municipal services is based on the processes and categories as outlined by the chart above in the following manner;

### **Property Data**

#### **Step 1**

In any revenue value chain there should be a property which is identified and valued through the valuation process.

#### **Step 2**

The valuation process identifies ownership and categorises properties in terms of residential, business, agricultural and government.

#### **Step 3**

once the property has been categorised and valued, then the property tax should be charged as per the Property Rates Act No. 6 of 2004.

#### **Step 3**

Usages such as water, refuse removal, sewage and electricity where applicable are thereafter billed and invoiced on a monthly basis.

### **Metered Services data**

#### **Step 1**

To effectively measure consumption by clients the municipality should install meters(the municipality must consider investing in smart meters).

## **Step 2**

The installation of meters is done on all identified and categorised properties as per the valuation roll.

## **Step 3**

Meter readings of all consumptions are taken on a monthly basis for billing and invoicing purposes.

## **Step 4**

Exception reports are generated from the financial system and reviewed to ensure accurate billing.

## **Service Delivery**

### **Step 1**

The municipality has availed a platform for direct interactions with clients through the use of the municipal call center which operates for 24hrs and seven days a week (013 790 0990) and inquiries platform through email [Account.Enquiries@nkomazi.gov.za](mailto:Account.Enquiries@nkomazi.gov.za))

### **Step 2**

Awareness of all municipal services is done through community public participation during the Budget and IDP consultative process.

### **Step 3**

A customer may lodge a query or complaint in respect of the accuracy of an amount due and payable in respect of a specific municipal service as reflected on the account rendered.

## **Customer Data**

Accurate customer data is an essential element of credit control as obtain through the consumer agreement form which is filled on application for services( **solar will be requested to reprogramme the system to have mandatory field for clients information**)

This will assist to ensure that the complete and accurate information is gathered through the opening of new accounts.

### **3. SHORT TERM STRATEGY (SIX MONTHS)**

#### **3.1.1 Top owing Accounts**

the short term strategy must provide for quick gains by selecting the “top 100” accounts; representing debtors owing the municipality more than R183 000 upwards.

The municipality may, to encourage payment, and to reward good payers consider from time to time incentives for the payment of accounts. .

customers who pay 50 % of the total outstanding debt will be granted a 5% discounting and the remaining balance of the debt is payable to a maximum period of 12 months interest free arrangement.

customers who pay 100% of their debt will once on a financial year be granted a onetime 10 % discount of the total debt.

If for a period of three months the customer keeps the account up to date by maintaining a good payment record will be entitled to apply for a 5% rebate of the current account total balance for the fourth month.

The above debtors should be approached as follow:-

1. Start with the priority areas, in the following sequence
  - 1.1 business,
  - 1.2 residential,
  - 1.3 government
    - 1.3.1** Schools
    - 1.3.2** Rural Development.
    - 1.3.3** National Public Works, etc.
2. issue letters of demand after 10 working days upon approval of the Credit Control and Debt Collection Strategy by Council.
3. Failure to pay within 14 days, terminations of municipal services including disconnect of electricity in areas were the municipality supplies.
4. after 28 days' of none payment despite the issued letter of demand, a notice to handover accounts for collection by debt collectors will be issued.
5. Reconnection of electricity supply can only be done if arrangement is made to settle the account within three-twelve months.
6. Follow ups and spot checks must be done to ensure electricity supply has not been illegally connected.

Outstanding debts for government institutions should be followed up vigorously and where these departments show any lack of co-operation their accounts should continue be subjected to stringent credit control measures, which include termination of municipal services and be handed over for debt collection.

#### **4. Criteria for State of Disaster payment relief**

- a) Motivation letter for the request stating how the business or customer was affected by the State of Disaster,
- b) Residential customers, to submit Employer's confirmation letter of unemployment, if retrenched or salary cuts or proof of UIF payout.
- c) Establish a panel made up of the following representatives;
  - i. Chief Financial Officer
  - ii. Budget and Treasury Managers and
  - iii. preventatives from credit control section.
  - iv. Cllr. Ngomane LP
  - v. Cllr. Shisane TC
- d) The panel will evaluate submissions for the application of financial relief from clients and take a final decision.
- e) All qualifying submissions for the payment relief will be delt with as follows
  - i. A twelve months interest free payment arrangement will be entered into between the client and the municipality.

- ii. failure to honour the arrangement in two consecutive months will result in the whole process being nullified, and the normal credit control procedures will be executed with immediate effect.(termination of municipal services, i.e. electricity disconnection)

#### 4.1.1 Illegal Connections

Systems and processes needs to be improved to ensure that disconnection instructions are implemented and those consumers don't reconnect themselves. A system where periodic spot checks are conducted is needed, and if found that illegal reconnections were made the following will apply;

**First offence-** the tempering fine as per the tariffs will be charged

**Second offence-**the electricity cable will be removed and the consumer must pay for a new connection plus a penalty fee.

### 5. Credit Control Measures

- a) Issue and publish a notice for the State of Disaster payment arrangement of rates and municipal services.
- b) Upon submission of the required documents, consider an extended period of up to 12 months interest free repayment terms of the current outstanding amount.
- c) The payment relief is only for the outstanding debt as at the date of the application.
- d) The monthly billing for the rates and municipal services should be paid and kept up to date on a monthly basis after the arrangement has been entered into.

### 6. MEDIUM TERM STRATEGY (SIX MONTHS)

The strategy over the medium term will be to implement the improved systems, processes and policies. Data quality should be a priority and also to ensure that all users of municipal services are billed accurately and timeously for all services consumed. Lastly the data cleansing exercise should continuously be done to ensure that debtor's details are accurate.

#### 6.1.1 Meter reading process

The meter reading process should be automated for both water and electricity through the replacement of the current manual meters with smart meters in the four urban towns including businesses in rural areas in order to eliminate a possible omission, illegal connections or human error in the reading process.

The project will be piloted and targeted as follows;

- Target 1-Malelane
- Target 2-Komatipoort
- Target 3-Hectorspruit
- Target 4- Marloth park

This will ensure the enhancement of the existing revenue base.



### **6.1.2 Replacement of conversional meters with prepaid smart meters**

In order to assist the client not to accumulate excessive debt due to the conversional meter which is not having any form of restrictions or limitations on consumption, the municipality will replace the conversional meter with a prepaid smart meter at no cost to the client.

All customers with high arrears of electricity, will be identified and immediately converted to prepaid smart meters.

The prepaid meter account will thereafter be linked to the rates and taxes account and all purchases for prepaid electricity will be dealt with as follows;

- For customers with overdue accounts - purchase value of electricity units reduced to 80 % with the other 20 % going towards their outstanding debt.

This will assist clients in ensuring that they don't accumulate high outstanding debts.

### **6.1.3 Profiling of customers.**

The municipality should device a strategy of promoting and encouraging customers to timeously pay their municipal rates and services accounts through the use of the following schemes;

- **“Gold Star”** – keeping the account up to date for a period of twelve consecutive months and the client will be granted 10% discount upon receipt of the application and payment of the 13<sup>th</sup> months bill.
- **“Silver Star”** – keeping the account up to date for a period of ten consecutive months the client will be granted 8% discount upon receipt of the application and payment of the 11<sup>th</sup> month bill..
- **“Bronze Star”** keeping the account up to date for a period of eight consecutive months the client will be granted 6% discount upon receipt of the application and payment of the 9<sup>th</sup> month bill.
- **“Grey Star”** – keeping the account up to date for a period of six consecutive months the client will be granted 4% discount upon receipt of the application and payment of the 7<sup>th</sup> month bill.

In addition to the above the onus will be on the client to apply for the benefit of the schemes as mentioned. Once a customer has claimed on one of the above schemes, it should be noted that the months are not accumulative after claiming for any of the stars, which means that the customer should start afresh earning for any other stars.

## **7. LONG TERM STRATEGY**

In order to simplify access to monthly statements which is currently a serious challenge, the municipality will develop a municipal mobile app for customers to view, download statements, and make payments. The app will have a function for clients to log queries which will be forwarded to the designated officials at the credit control and debt collection section.

The app will require on first use that each customer provide the following details,

- i. The Municipal account number
- ii. Owner's Identity number
- iii. Email address
- iv. Mobile contact

This information will enable the enhancement of the clients database



9 Park Street -  
Malalane  
Private  
Bag X101  
Malalane,  
1320

Tel: (013) 790 0245

Fax: (013) 790 0886

Customer Care No. (013) 790 0990

REF NUMBER: .....

**PAYMENT RELIEF APPLICATION FORM (COVID-19)**

I hereby wish to apply for repayment relief on my  
municipal account.

<b>MUNICIPAL ACCOUNT NUMBER</b>	
<b>ACCOUNT-HOLDER NAME</b>	
<b>ID NUMBER</b>	
<b>NAME OF TOWN</b>	
<b>PHYSICAL ADDRESS</b>	
<b>CONTACT NUMBER</b>	
<b>EMAIL ADDRESS</b>	

**Relief questionnaire**

- Did your income/revenue decrease due to COVID? (Y/N)
- Was the account in arrears prior to lockdown (26/03/2020)? (Y/N)
- Do you have an existing arrangement in place? (Y/N)
- Do you require the arrangement to be restructured – extended? (Y/N)
- Indicate number of additional repayment months required


**Documents required with application:**

- Legible/ readable ID
- Letter of Authority if not account-holder
- Proof of income of all household occupants
- Proof of loss of income (e.g. 3 months bank statements, employer letter, etc)
- Motivation letter for the request stating how the business or customer was affected by the State of Disaster.

- Proof of application for UIF or any other relief programmes
- Residential customers, to submit Employer's confirmation letter of unemployment, if retrenched or salary cuts or proof of UIF pay-out.

**The following terms and conditions will apply subject to approval by the municipality:**

- (1) Credit control measures will be temporarily suspended for the duration of the arrangement.
- (2) No interest will be charged on the capital amount under the arrangement
- (3) The arrangement is for a minimum period of three and a maximum period of twelve months after which credit control measures will be applied.
- (4) failure to honour the arrangement in two consecutive months will result in the whole process being nullified, therefore the normal credit control procedures will be executed with immediate effect.(termination of municipal services, i.e. electricity disconnection).
- (5) The payment relief is only for the outstanding debt as at the date of the application.
- (6) The monthly billing for the rates and municipal services should be paid and kept up to date on a monthly basis during the arrangement has been entered into.

**Queries and submissions of the application forms can be directed to-**

<b>Area of responsibility</b>	<b>Contact person</b>	<b>Contact number</b>	<b>Email address</b>
Komatipoort	Thandi Sibiya	068 5840 260	<a href="mailto:thandi.sibiya@nkomazi.gov.za">thandi.sibiya@nkomazi.gov.za</a>
Malalane	Ellen Sibiya	067 1303 104	<a href="mailto:ellen.sibiya@nkomazi.gov.za">ellen.sibiya@nkomazi.gov.za</a>
Hectorspruit & Marloth Park	Precious Ngobeni	076 5855 058	<a href="mailto:precious.ngobeni@nkomazi.gov.za">precious.ngobeni@nkomazi.gov.za</a>
Themba Mashabane Contact 076 0204526 ( Revenue Manager)			

Full name of

applicant-----Signature-----Date:-----

**Approved/ Not Approved - Signature:** .....

**NKOMAZI LOCAL MUNICIPALITY**

**Nkomazi Municipality  
Budget and Treasury Department  
22 Impala Street  
Malalane  
1320  
South Africa**



**Private Bag X 101  
Malelane  
1320  
Tel: +27 (0) 13 790-0386  
Fax: +27 (0) 13 790-0147  
email:ellen.sibiya@nkomazi.gov.za**

**APPLICATION FORM FOR ACCOUNT INCENTIVES SCHEME FOR THE FINANCIAL YEAR 2020/2021**

Please Tick Type of Scheme applying for.

TYPE OF SCHEME	DESCRIPTION	TICK
<b>Gold Star</b>	keeping the account up to date for a period of twelve consecutive months and the client will be granted 10% discount upon receipt of the application and payment of the 13 <sup>th</sup> months bill.	
<b>Silver Star</b>	keeping the account up to date for a period of ten consecutive months the client will be granted 8% discount upon receipt of the application and payment of the 11 <sup>th</sup> month bill.	
<b>Bronze Star</b>	keeping the account up to date for a period of eight consecutive months the client will be granted 6% discount upon receipt of the application and payment of the 9 <sup>th</sup> month bill.	
<b>Grey Star</b>	keeping the account up to date for a period of six consecutive months the client will be granted 4% discount upon receipt of the application and payment of the 7 <sup>th</sup> month bill.	

The effective date of the incentive will be the date when the Municipality approves the application.

Kindly complete the following and return by hand to the Municipal Finance Office or by email. Please note that the onus lies with the applicant to confirm that his/her application has been received by the municipality.

ACCOUNT No: .....SUBURB NAME: ..... ERF NO: ..... PTN: .....

APPLICANT NAME: ....., ID NO: .....

E-MAIL: ..... TELEPHONE NO: .....

CELLPHONE NO: ..... POSTAL ADDRESS: .....POSTAL CODE.....

I the undersigned: ..... (NAMES AND SURNAME) in my

capacity as..... do hereby certify that the information provided is correct.

signed at: .....on this ..... day of ..... 20.....

SIGNATURE OF APPLICANT

APPROVED	NOT APPROVED
----------	--------------

THOBELA TS  
CHIEF FINANCIAL OFFICER

DATE