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DEBT INCENTIVE SCHEME POLICY

POLICY NUMBER:	F 1
POLICY NAME	Debt Incentive Scheme Policy
POLICY STATUS	Active
VERSION	One
DATE OF APPROVAL	31 January 2018
DATE OF FIRST IMPLEMENTATION	1 February 2018
DATE OF LAST AMENDMENT	30 June 2018
DATE OF NEXT REVIEW	June 2018
PURPOSE	Guidance in Qualification Criteria
AIMS AND OBJECTIVES	Rehabilitation of delinquent debtors and improve the financial resources available to the Municipality.
POLICY CUSTODIAN	Chief Financial Officer
RELATED POLICIES AND LEGISLATION	MFMA
APPROVING AUTHORITY	City Council
APPLICABILITY	
POLICY BENCHMARK AND REFERENCES	
STAKEHOLDERS CONSULTED	YES

MAKANA LOCAL MUNICIPALITY



DEBT INCENTIVE SCHEME POLICY

2017-2018

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**MAKANA LOCAL MUNICIPALITY
DEBT INCENTIVE SCHEME**

1. Introduction

- 1.1. The Council of Makana Local Municipality resolves in terms of Chapter 9 of the Local Government: Municipal Systems Act (No 32 of 2000 as amended), read in conjunction with the provisions of section 64 of the Local Government Municipal Finance Management Act (No 56 of 2003) to adopt a policy on the implementation of a consumer debt incentive scheme.

2. Purpose of Policy

- 2.1. To provide for the uniform introduction of a consumer debt incentive scheme; to regulate eligibility criteria for participation within the scheme, and to define terms and conditions within which identified debts of participants to the scheme will be written-off in exchange for prompt and timeous payments of future accounts rendered by the Municipality; improve the ability of the Municipality to render services to the community in a sustainable manner, through focusing on mechanisms aimed at improving the financial viability of the organisation, grounded in educational awareness, improving tax compliance levels and cultivating a culture of payment amongst the citizenry.

3. Objectives

- 3.1. The objectives of the policy are inter alia:
- 3.1.1. To provide a framework for the rehabilitation of delinquent debtors;
 - 3.1.2. To provide a framework for the liquidation of long outstanding debts deemed impaired;
 - 3.1.3. To improve the financial resources available to the Municipality to deliver on its constitutional mandate ;
 - 3.1.4. To promote socio-economic cohesion under the theme “Let’s Build Makana Together”;
 - 3.1.5. Provide a framework for the improvement of tax compliance, through the development and implementation of an outreach programme aimed at educating communities on the importance of paying for rates and services, and providing requisite resources to empower communities on how resourcing of Municipalities actually work, with special emphasis on:
 - 3.1.5..1. Debt incentive scheme;
 - 3.1.5..2. How credit control and debt collection procedures work, and what can be expected;

- 3.1.5.3. Why debts are handed over to debt collectors, and what the community can expect to encounter in their dealings with collectors;
- 3.1.5.4. The importance of paying a municipal bill on time;
- 3.1.5.5. Importance of a municipal bill;
- 3.1.5.6. Understanding a municipal bill;
- 3.1.5.7. How the meter reading cycle of council works;
- 3.1.5.8. Frequently asked questions.

4. Debt incentive scheme

4.1. *Eligibility criteria*

- 4.1.1. The scheme is applicable to all account holders classified as domestic, commercial, agricultural, Non Profit Organisations and churches;
- 4.1.2. Account holder must be in arrears in excess of 120 days as date of application;
- 4.1.3. Duly completed application for participation in the scheme must be received and approved by the Municipality;
- 4.1.4. Debt Repayment plan must be fully complied with for the duration of the agreement period;

4.2. *Exclusions*

- 4.2.1. The scheme is not applicable to any state department or State Owned Entity (SOE);
- 4.2.2. All debts associated with applications received under the provisions of section 118(b) of the Local Government: Municipal Systems Act (No 32 of 2000);

4.3. *Eligibility criteria*

- 4.3.1. Notwithstanding any payment that may have been received in response to this offer/ scheme, any account holder that fails to furnish the Municipality with a duly completed application form for participation in this scheme, shall not be eligible for any discounts pursuant thereof;
- 4.3.2. Repayment plans duly entered into and approved, shall remain valid for the duration of the contract period; in instances wherein repayments are not received in compliance with repayment plan's terms and conditions, the Municipality reserves the right to forthwith terminate the agreement, and proceed with legal action for the recovery of debts.

4.4. Incentives on cash settlements and Arrangements

- 4.4.1. The following discounts shall be offered in exchange for prompt and timeous payments of future accounts rendered by the Municipality:

Residential consumers, commercial, agriculture, NPO's and Churches

Ageing of Debt	Cash Payment (Debt Incentive %)	Payment through Instalments (Debt Incentive %)		
		1-3 months	4-6 months	6-12 months
120 days – 365 days	50%	30%	25%	20%
365 days and older	50%	40%	35%	30%
Interest(All)	70%	50%	50%	50%

4.5. Terms and conditions of scheme

- 4.5.1. The debt incentive scheme shall commence on the date determined by Council, and shall remain valid for the duration of the validity period as may be determined by Council;
- 4.5.2. All applications received pursuant of this debt incentive scheme, must be received within the validity period as may be prescribed by Council;
- 4.5.3. Repayment plans entered into shall be authorised for a maximum period of 12 months;
- 4.5.4. Interest accruals on all debt subject to an authorised repayment plan will be suspended for the duration of the agreement period;
- 4.5.5. All debts current to 90 days, together with the first arranged instalment are to settled at the commence of the agreement;
- 4.5.6. It is specifically recorded that all consumers are expected to maintain their current accounts in good standing, through paying their monthly bill presented on time and in full, together with the arranged instalment;
- 4.5.7. Discounts will be processed after receipt of an application, and on receipt of cash payment as agreed;
- 4.5.8. Discounts applicable to repayment through instalments will be processed on receipt of the final instalment;
- 4.5.9. All debts associated with consumers eligible for participation in the Municipality's Indigent Support Programme (social assistance package) will be assessed strictly in accordance with the Indigent Support policy; any residual debts that may exist after the assessment for eligibility and write off pursuant of the irrecoverable debt policy, will be subject to the debt incentive policy;

5. Outreach Programme

- 5.1.1. Council is mandated to initiate such communication mechanisms as deemed necessary for the promotion of this policy; for purposes of this policy print media, sms communications, emails, telephone, radio broadcasts and

outreach programmes should be considered as part of an holistic communications programme aimed at educating communities on the importance of paying for rates and services, the advantages of participating in the limited time offer incentive scheme; the terms and conditions applicable to the scheme; how the improvement within levels of tax compliance impacts on the ability of the Municipality to render quality services that are sustainable to the community;

5.1.2. Special consideration must be given to the development of an educational awareness programme, as part of the budget outreach programme, wherein Councillors with technical assistance of the administration will endeavour to educate the community with regards to the following:

5.1.2..1. Debt incentive scheme;

5.1.2..2. How credit control and debt collection procedures work, and what can be expected;

5.1.2..3. Why debts are handed over to debt collectors, and what the community can expect to encounter in their dealings with collectors;

5.1.2..4. The importance of paying a municipal bill on time;

5.1.2..5. Importance of a municipal bill;

5.1.2..6. Understanding a municipal bill;

5.1.2..7. How the meter reading cycle of council works;

5.1.2..8. Frequently asked questions.

6. Delegated authority

6.1. The Chief Financial Officer will after thorough review of all applications received pursuant of this policy, be delegated to write off any amounts deemed to be in compliance with this policy;

6.2. All write off applications approved and processed are to be reported monthly to the Standing Committee on Finance for notation;

6.3. All debts authorised for write down may only be authorised subject to confirmation that sufficient resources are held within the impairment provision to meet the anticipated cost associated with the write down;

7. Implementation and review of this policy

7.1. This policy shall be implemented once approved by Council. All future submissions for the writing off of debt must be considered in accordance with the policy on impairment of debts and the writing off of irrecoverable debts.