

City of Johannesburg Council 2021-08-26

COJ : MAYORAL COMMITTEE 2021-08-20

GROUP FINANCE

28 PROPOSAL FOR AN EXTENSION OF ONCE-OFF DEBT-WRITE OFF FOR THE REHABILITATION OF DEFAULTING DEBTORS – PHASE TWO (2)

1 STRATEGIC THRUST

The City identified eleven (11) Priority Areas that the SDBIP, IDP and budget aim to achieve. The applicable priorities for this Report are:

Priority 1- Good governance.

Priority 2- Financial sustainability

2 OBJECTIVE

The objective of this report is to seek approval for an extension of the Debt Rehabilitation program-phase 2 that is currently in place and will be ending on the 31st July 2021 to the 30th December 2021.

3 BACKGROUND

(1) DEBT REHABILITATION PROGRAM.

On the 26 April 2021, the City of Johannesburg's Metropolitan Council approved the Debt Rehabilitation Program. The registration period for the programme was for the period of three months ending in July 2021.

The program aimed to rehabilitate defaulting customers while bringing their arrear's City municipal accounts back into good standing. The program is focusing primarily on the rehabilitation of residential, small businesses, churches and non-profit organizations customers, whose property market value does not exceed R1,5 million.

Through this program, the City introduced a two-part write off process that would see an initial 50% of the capital debt (rates, refuse, water, sewer and electricity); 100% of interest charges on outstanding debt; and any other collection charges (i.e. disconnection fees, etc.) levied, written off upon successful application.

The remaining 50% (balance) was to be written off incrementally over a period of three years. This was further dependent on:

- Customers keeping to their agreements to pay their current municipal accounts.
- Customers signing an AOD on debts below 90 days and keeping to this agreement.
- Customers allowing for routine water and electricity meter inspections.

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- Customers allowing City meter readers access to their properties for the purpose of meter reading, device checks, and where applicable for the installation of a smart electricity prepaid, or the normalisation of a current prepaid meter

Qualifying municipal account holders who met these conditions will see their remaining municipal arrears being reduced by one third on an annual basis until the debt is completely written off in the third year.

(a) DEBT REHABILITATION APPLICATIONS TO DATE

In summary, the City received a total number of 4 009 applications as at 30 June 2021 through e-mails, online and customers visiting Revenue Shared Services Centres across the City. Of the 4 009 applications received 3 065 applications were captured on the SAP/CRM system, 554 were duplication and 390 were rejected due to not meeting the programme conditions.

The available data on the city's database there is approximately 300 000 customers whose property falls within these qualifying criteria, where the property market value is not exceeding R1,5 million. The above indicates that only 1.4% of the targeted customers have applied.

(i) ONLINE APPLICATIONS:

<https://www.joburg.org.za/services/Pages/Customer%20Service/Debt-rehabilitation-program.aspx>

- 2 623 online applications received since the inception of the Debt Rehabilitation program
- Of the 2 623 applications received, 390 applications were rejected due to no supporting documents attached, and 554 were duplications.
- Customers whose applications were rejected have been informed of the final outcome by emails,
- 1 679 applications met the qualifying criteria and were captured on SAP/CRM system and customers issued with reference numbers. Please refer to tables below:

Online application status:

Received	Captured	Rejected	Duplications
2 623	1 679	390	554

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Online applications captured per Region:

Region A	Region B	Region C	Region D	Region E	Region F	Region G
157	317	419	71	111	465	139

(ii) EMAIL APPLICATIONS: (DEBTREHAB@JOBURG.ORG.ZA)

- 485 application received via email since the inception of the Debt Rehabilitation program,
- Of the 485 applications received, 277 applications rejected for not meeting the criteria and not attaching relevant documents,
- 208 applications met the qualifying criteria and were captured on SAP/CRM system and customers issued with reference numbers

Break down of captured email applications per Region:

Region B	Region C	Region D	Region E	Region F	Region G
17	28	58	28	8	52

(iii) WALK IN CENTERS APPLICATIONS:

- 1 178 applied for debt rehabilitation via walking centers since the inception of the Debt Rehabilitation program,
- The entire 1 178 applications met the qualifying criteria and were captured on SAP/CRM system and customers issued with reference numbers

Break down of application received in the Walk-in Centers per region.

Region A	Region B	Region C	Region D	Region E	Region F	Region G
146	7	134	290	26	447	128

(b) APPLICATIONS PROCESSED

143 applications to the value of R1.9 million will be processed and finalised on Monday, the 12th July 2021 and remainder applications will be processed by the 31 July 2021.

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(2) CHALLENGES DURING THE APPLICATION PROCESS:

Due to the ongoing Covid19 pandemic and the increase in the number of positive cases, customers are reluctant to visit Customer Service Centre's to apply, though the program is available on line, the current poor economic state of the country has led to many customers losing their jobs and salaries being cut. This resulted in customers not being able to afford data and can therefore not access the City's website to apply online.

(3) EXTENTION OF PROGRAMME CLOSING DATE:

When Bad Debt Rehabilitation Phase 2 report was approved it was stated that the debtors that will qualify for write off must be old as of 31 December 2020. As indicated in the above Paragraph 3(2) that Covid 19 has impacted customers resulting in them reluctant to visiting the Customer Service Centre's and not able to afford data to access the City website. In the last 6 months billing of services has taken place in the customer account's resulting in the increased debts in the 90 days plus. To be effective on this program, the date of the qualifying debt that is 90 days plus must be changed to be the date the extraction of age analysis to be considered. This will have a positive effect on the implementation of this program main aim of getting customers to start on the clean state and be able to pay for what they consume monthly.

4 POLICY IMPLICATIONS

This framework is proposed in terms of the Credit Control and Debt Collection Policy of the City and its By-laws. Section 17.1 refers "The City has discretion to write off debts if it is deemed irrecoverable"

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

Section 96 of the Local Government Municipal System Act, 32 of 2000, provides that a Municipality must collect all monies that are due and payable to it, subject to the provision of that Act and other applicable legislation.

Section 97 of the Local Government Municipal Systems Act,32 of 2000 does make provision for bad debts where circumstances arise which may make the recovery of certain debts impossible, impractical or financially unfeasible, and such debts may have to be written off in order to improve efficiency of its credit control and debt collection mechanisms.

6 FINANCIAL IMPLICATIONS

As at change to balance as at 31 December 2020, a total of three hundred and forty three thousand nine hundred and ninety seven (343, 997) customers with a total book value of R13 144 432 739 had their properties valued less than R1 500 000.00.

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The projected write off all debts older than 90 days are R11 702 767 398. The program will ease the debt burden for qualifying customers and provides a basis for the rehabilitation of debtors over the next three years; the City will benefit improved collections and liquidity.

7 COMMUNICATIONS IMPLICATIONS

In terms of the above programme the following marketing campaigns were held:

No.	Name	Objective
(i)	Educational campaign through public meetings from Regions A-G were held.	Inform and educate residents about the campaign
(ii)	Meter inspections as and when required	Inform residents about the timing of the meter audits

Additional campaigns will be run as and when the need arise.

8 OTHER DEPARTMENTS/ BODIES CONSULTED

Legal Department
City Power
Property Branch
Johannesburg Water
Pikitup

IT IS RECOMMENDED

- 1 That the Debt Rehabilitation Program – Phase Two be extended to the 30th December 2021 as outlined in the body of the report.**
- 2 That an extensive communication campaigns be embarked upon to inform the customers of the extension period for the debt rehabilitation programme.**
- 3 That the date of the qualifying debts that is 90 days plus is based on the day the age analysis is extracted from the system for processing.**

(GROUP FINANCE)
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(tc)