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City of Johannesburg Council 2015-08-27

COJ : FINANCE COMMITTEE 2015-07-22

COJ : MAYORAL COMMITTEE 2015-06-11

FINANCE

3 PROPOSED AMENDMENTS TO THE CREDIT CONTROL & DEBT COLLECTION POLICY

1 STRATEGIC THRUST

Service Excellence and Good Governance.

2 OBJECTIVE

To obtain approval:

- (1) For the adoption of the proposed amendments to the CREDIT CONTROL & DEBT COLLECTION POLICY (the Policy) in terms of the Municipal Systems Act 32 of 2000.
- (2) To repeal the existing CREDIT CONTROL & DEBT COLLECTION Policy adopted by the Council in November 2009 in as far as it relates to delegation of the GCFO powers and functions.

3 SUMMARY

(1) BACKGROUND

The regulations that govern a municipality state that a municipal council must adopt its by-laws as a specific competency of Local Government to make by-laws for effective administration of the matter, which it has the right to administer in terms of Section 156(1) and (2) of the Constitution, read with Parts B of Schedules 4 and 5 thereto.

To give effect to the by-laws amendment, the Revenue Shared Service Centre is required to amend its current municipal credit control and debt collection policy, with any necessary amendments that might have occurred over the past period, since the previous amendment, to aid the by-laws implementation and enforcement.

Present Credit Control & Debt Collection Policy was approved in 2009. This credit control and debt collection policy should undergo regular reviews in order to maintain this Policy in line with the obligations placed on the City in terms of Section 98 of the Municipal Systems Act and this will be done in line with any changes effected to the Municipal Systems Act 32 of 2000 and / or the Municipal Finance Management Act 56 of 2003 and updated in 2008.

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Accordingly, we attach hereto Annexure A thereof, which is our suggested amended Policy. The Policy has been reviewed in line with the suggested SALGA guidelines and has been circulated to all internal, external stakeholders and Municipal Entities for comment and input. Such comment and input has been included in the amended draft Policy. (Refer to Annexure A)

(2) FACTORS NECESITATING REVIEW

- Need for review of the Policy has been identified by the Auditor General;
- Alignment with Section 79 of Municipal Systems Act 32 of 2003;
- Implementation of the Amended National Credit Act;
- FICA-Cash payments;
- Implementation of the commercial terms of the policy to enhance revenue collections;
- Changing financial & economic climate;
- Changing methods of payment;
- Technological advances;
- Required improvement in the revenue collections of the City;
- KMPG Gap Analysis report (RSCP).

(3) IDENTIFIED POLICY GAPS

- Opening of Tenant Accounts for accounts under administration (Deceased Estates, Liquidations etc.)
- Excessive cash payments
- Hijacked and Abandoned Buildings
- Indigents
- Interim readings
- Arrear debt paid through Pre-paid meter purchases
- Refunds policy statement
- Clearances policy statement
- Disconnections / Reconnections policy statement
- Interest Reversals
- Process of Legal Collections – explanation
- Appeals Mechanisms
- Review mechanism for policy
- Review of payment methods
- Procurement of goods and services
- Pro Bono assistance

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4 POLICY IMPLICATIONS

The policy implication is that the existing credit control and debt collection policy will now be superseded by the revised Policy and will be effective immediately upon approval thereof by Council. It should be noted that this policy will be reviewed periodically as and when various Acts and Case Law may dictate.

5 FINANCIAL IMPLICATIONS

There are no financial implications as a result of this Policy, however there will be costs involved in implementing the Policy in the new By Law. A request for a communication plan will be requested upon approval of the amended Policy. The revised policy is expected to improve the revenue collection over time.

6 ECONOMIC IMPLICATIONS

The approval of this report will enable the Credit Management directorate of the RSSC to contribute to the City's large capital programmes and also contribute to the attainment of the City's Financial Development Plan targets as the collection of arrear debt will enable collection of additional cash needed to fund these programmes and projects which will aid economic growth and job creation within the City.

7 COMMUNICATION IMPLICATIONS

Once the amended policy (See Annexure A) has been approved by the Mayoral Committee, the officials in the Legal Department of the Revenue Shared Services Centre, in consultation with the Group Legal and Contracts department will prepare an amended / draft set of by-laws for review.

The Group Head of the Revenue Shared Service Centre or mandated officials will, through the Office of the MMC, request engagement with the Office of the Speaker on the legal framework for converting the amended Policy into the amended / draft by – laws.

We will then follow the stages that take place before a by-law comes into operation, namely the drafting stage (which is the current formulation of the amended credit control and debt collection policy see Annexure A), the public comment stage and the promulgation stage, as set out in the report attached as Annexure B.

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8 LEGAL AND CONSTITUTIONAL IMPLICATIONS

The revision of this policy is consistent with other applicable legislation.

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9 OTHER DEPARTMENTS CONSULTED

Group Legal and Contracts
Internal, external stakeholders and Municipal Entities

10 RECOMMENDATIONS

Ensure efficiency of the collection of monies owed to the City:

IT IS RECOMMENDED

1 That the amended credit control and debt collection policy be approved and adopted for immediate implementation.

2 That the previous Staff accounts policy be repealed with immediate effect upon the approval of this policy.

3 That the previous credit control and debt collection policy be repealed with immediate effect upon the approval of this the amended policy.

4 That the amended policy be translated into amended by-laws.

(FINANCE)
(Christopher Ntshingwa)
(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM