

## ***GREATER TZANEEN MUNICIPALITY***



**POLICY**

**CONSUMER DEPOSIT**

## 1. PREAMBLE AND DEFINITIONS

### PREAMBLE

**Whereas Section 96(a)** of the Local Government: **Municipal Systems Act, No 32** of 2000 (hereinafter referred to as the “MSA”), obliges the municipality to collect all money that is due and payable to it, subject to the provisions of that Act and any other applicable legislation;

**And whereas** Section 96(b) of the Systems Act requires the Greater Tzaneen Municipality to adopt, maintain and implement a credit control and debt collection policy , which is consistent with its rates and tariff policies and complies with the provisions of the Act; and whereas Section 97(1) of the Systems Act stipulates what a credit control and debt collection policy must provide for ;

And in terms of the **Municipal Finance Management Act (MFMA)** , 2003 (Act No. 56 of 2003) sections 62 and 64 require the effective management of the municipality’s revenue;

The municipality require protection that service rendered will be paid for by the customer therefore it is equally appropriate that council adopt the deposit policy of Greater Tzaneen municipality (section 104(1) d).

### DEFINITIONS

**“Municipality”** refers to Greater Tzaneen Municipality,

**“Customer”** means the owner or occupier of the property or premises, liable to the council for payment of municipal account or part thereof,

**“Council”** means the municipal council of Greater Tzaneen municipality in terms of  
section 18 of Municipal Structures act and or section 157(1) of the Constitution,

**“Credit Control and Debt Collection Policy”** means the credit control and debt collection policy as adopted by Greater Tzaneen Municipal council in terms of section 96(b) of the Municipal Systems Act 2000 as amended,

**“Deposit”** an amount paid by customer, to be withheld by the municipality from the opening of an account till termination, and will be refunded on termination provided as prescribed by this policy and the customer does not owe the municipality on other accounts.

**“Financial Year”** means the municipality financial year starting on the 1<sup>st</sup> July and ending at 30 June of the following year.

**“Service agreement”** means a form to be completed by customer when applying for municipal services.

**“Termination of service”** means the form to be completed by the customer as a notice of closing the municipal account.

**“arrears”** means the debt that is overdue after missing one or more required payments.

**“Foreigner”** a person who comes from a foreign country and does not have a South African Bar-coded identity book issued by South African Department of Home Affairs.

**“Refund”** to return money, repayment of balancing account, or appropriation of deposit held by the municipality.

## **2. OBJECTIVES**

Section 64 of the Municipal Finance Management Act (MFMA) requires the Accounting officer of a municipality to take all reasonable steps to ensure that the municipality has and maintains effective revenue collection systems consistence with section 95 of the Municipal Systems Act (MSA) and the municipality’s credit control and debt collection policy and the requirements of section 104(1)d of MSA. As such the municipal service charges must be covered by a consumer deposit and this policy must provide for the management of such consumer deposit.

### **3. FORM OF DEPOSIT**

The deposit shall be in the form of cash/cheque deposit. Irrevocable bank guarantees will only be accepted after an application is made stating all reasons why deposit cannot be made in the form of cash or cheque and is approved by the Chief Financial Officer.

Deposits are payable on opening of accounts and will be held until the account is closed/terminated. At the time of registration as a customer, a deposit will be required based on the criteria set by the Chief Financial Officer from time to time.

### **4. AMOUNT OF DEPOSIT**

The minimum amount of deposit which is equivalent to an estimate of the customer's average monthly utility bill for service will be set annually with the review of the budget.

The deposit may vary according to the creditworthiness or the risk as determined by Council.

Deposit will be due and payable on registration of new customers and or upon the movement of existing customer to a new address.

The municipality may classify customers in terms of their credit risk profile into three groups;( Competence of the FMS)

- Good Customers – Customer with a good credit record and pose no credit risk to the municipality,
- Moderate Customers – Customers with a moderate credit record and pose a credit risk to the municipality, and
- Bad Customers – Customers with a bad credit record and pose a significant risk to the municipality.
- Foreign Customer – deposit can be different to the one on the table on the merit and approval of the Chief Financial Officer.
- Only the Chief Financial Officer has the right to approve the amount other than in the policy. The security deposit will accordingly vary according to credit rating of the customer as assessed by the municipality. Apart from the grouping above the municipality will categorise the customer type as per the Greater Tzaneen Municipality Tariff Policy.

## **5. REVISION OF DEPOSIT**

Once a year all deposits and guarantees shall be subject to revision and increased according to the average account of the preceding two months at date of revision. and

- If the consumer's account is regularly in arrears and the average account is far more than the deposit.
- If the consumer's service supply is regularly restricted or disconnected.

## **6. INTEREST**

The municipality will not pay any interest on deposits. All deposits paid shall not be regarded as being in payment of account due to the municipality, as such will be held by the municipality as its security until the account is closed (service terminated) and fully settled.

## **7. ALLOCATION OF PAYMENTS**

Should the municipality increase the deposit as in the revision of deposit above, the amount paid shall first be allocated to the deposit and then other services as per the municipality's credit control and debt collection policies and by-laws. This sequence of allocation shall be followed notwithstanding any instruction to the contrary given by the account holder.

## **8. REFUND OF DEPOSIT**

On the termination of the service agreement, the deposit held by the municipality shall be refunded to the debtor within 45 days of the termination of service and the submission of all the required information, provided that the customer has paid the account in full,  
-if the account has not been paid in full, the deposit will be applied to any outstanding amounts owed by the customer,

- if the deposit exceeds the amount due, the balance will be returned to the customer.

- If the deposit is not sufficient to cover the amount due, the customer shall remain liable and notice to that effect shall be given to the client to settle the account after which credit control shall be applied.

The municipality cannot be held responsible for not refunding the deposit that is not claimed, or paid out on time due to outstanding documents.

It remains the responsibility of the consumers to claim and follow up on the deposits held by the municipality.

## **9. UNCLAIMED DEPOSIT**

Only deposits which have been claimed by the customer will be refunded and these deposits will only be refunded to customers who can positively identify themselves as persons who have signed the agreement with Council, or

in the event that the customer passed away, the death certificate of such person. Guarantees will only be released upon the full settlement of the outstanding debt to Council and notice of such is made to the municipality.

Where the customer does not complete the termination of service agreement form, services will be disconnected when application is made by a new customer, it remain the responsibility of the previous occupant to claim their deposit.

The municipality may appropriate a consumer deposit on any account related to that customer.

Where a tenant has absconded leaving a debt on a property, an additional deposit equal to the debt on the property, may be raised on the tenants new account.

## **10. UNECONOMIC REFUNDS**

The municipality may deem it uneconomical to refund up to a certain amount decided by Council and such amounts will be consolidated and forfeited, and if considerable it may be paid over to charity by the Mayor of the municipality or set off against provision for bad debts.

Where the customer has another account with the municipality Credit can be transferred between accounts, same where the account is in arrears (Section 102(1) of the Municipal Systems Act)

## **11. IMPLEMENTATION AND REVIEW**

Council has discretion power to amend any clause, stipulation or tariff embodied in the deposit policy in the interest of the parties concerned.

## **12. PROCEDURES**

New Consumer Deposits/Guarantees Complete application for services.

Deposit payable based on average consumption charges of the specific stand for the two months preceding the date of application with a minimum deposit amount for the different categories mentioned below as determined yearly during the budget process:

Flats- electricity only ,

Flats – electricity and water,

Residential and agricultural properties – single phase and 3 phase

Businesses – single and 3 phase

The Chief Financial Officer or his delegate may charge up to six months average usage if the consumer pose a risk to council based on history on other accounts related to the applicant

The consumer deposit may be adjusted after three months based on the average usage of the consumer but may not be lower than the minimum as specified above.

The same will apply for guarantees, although any increase in the deposit amount will be payable in cash. Such guarantee will be an “Irrevocable Guarantee”.

### **13. Continuous Non –payment of consumer account**

Where a debtor's account remains outstanding for two consecutive months, Council may increase the deposit with a minimum amount determined during the budget process or an amount equal to the consumer charges for the preceding **three months**.

### **14. Unpaid Cheques /Debit Orders**

Where a cheque/debit order has been returned by the bank marked "R/D" Council may increase the deposit with a minimum amount determined during the budget process or an amount equal to the outstanding account.

### **15. SHORT TITLE AND COMMENCEMENT**

This policy will be known as the deposit policy of Greater Tzaneen Municipality and shall commence on the date of adoption by Municipal Council resolution

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<sup>i</sup> Reviewed 2013