

MATJHABENG LOCAL MUNICIPALITY



DEPOSIT POLICY

Effective: 01 July 2016

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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 Matjhabeng Local 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 Matjhabeng municipality (section 104(1) d).

DEFINITIONS

"Municipality" refers to Matjhabeng Local 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 Matjhabeng Local 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 as adopted by Matjhabeng 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 s year starting at 1st July and ending at 30 June of the following year.

"Service agreement" means a form to be completed by customer when applying for municipal service /account,

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“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, a person who does not have South African Bar-coded identity book issued by South African Department of Home Affairs.

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

1. OBJECTIVES

1.1. 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 municipality charges and withhold consumer deposit and this policy must provide for the management of such consumer deposit.

2. FORM OF DEPOSIT

2.1. 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.

3. AMOUNT OF DEPOSIT

3.1. The minimum amount of deposit which is equivalent to estimate of customer`s average monthly utility bill for service will be set annually in the tariff book. The deposit may vary according to the credit worthiness or the risk as determined by council.

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

3.2.1. Good Customers – Customer with a good credit record and pose no credit risk to the municipality,

3.2.2. Moderate Customers – Customers with a moderate credit record and pose a credit risk to the municipality, and

3.2.3. Bad Customers – Customers with a bad credit record and pose a significant risk to the municipality.

3.2.4. Foreign Customer – deposit can be different to the one on the table on the merit and approval of the Chief Financial Officer.

3.3. Only the Chief Financial Officer has the right to approve the amount other than in the policy.

3.4. The security deposit will accordingly vary according to credit rating of the customer as assessed by the municipality.

4. REVISION OF DEPOSIT

4.1. The municipality may at its sole discretion increase the deposit by not less than 10% of the approved deposit as per the approved tariff list of the current year. The deposit may be increased on the following grounds:

4.2. If the consumer`s account is regularly in arrears

4.3. If the consumer s account is regularly in arrears and the average account if far more than the deposit.

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- 4.4. If the consumer `s service supply is regularly restricted or disconnected
- 4.5. When the debtor applies for extension of time to settle account
- 4.6. If and when the debtor poses a payment risk to the municipality
- 4.7. When reviewing the tariffs for the new financial year or such time when the municipality deems it necessary at its sole discretion.

5. INTEREST

- 5.1. The municipality will not pay any interest on deposits. All deposit 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 and fully settled.

6. ALLOCATION OF PAYMENTS

- 6.1. 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.
- 6.2. This sequence of allocation shall be followed notwithstanding any instruction to the contrary given by the accountholder.

7. REFUND OF DEPOSIT

- 7.1. 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.
- 7.2. 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.
- 7.3. The municipality cannot be held responsible for not paying out 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.

8. UNCLAIMED DEPOSIT

- 8.1. 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 councils, or in the absence of the person the death certificate of such person. Guarantees will only be released upon the full settlement of the outstanding debt to council and the notice of such is made to the municipality.
- 8.2. Where the customer does not complete the termination of service agreement form, services are disconnected by the application of the new customer, it remains the responsibility of such person to claim their deposits.

9. UNECONOMIC REFUNDS

- 9.1. Where the municipality deem uneconomic to refund a certain amount to be decided annually by council, such amounts will be consolidated and forfeited, if considerable paid over to charity by the Mayor of the municipality or set off against provision for bad debts.
- 9.2. 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]

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10. IMPLEMENTATION AND REVIEW

- 10.1. Council has discretion power to amend any clause, stipulation or tariff embodied in the deposit policy in the interest of the parties concerned.
- 10.2. This policy shall be reviewed annually during March of the year preceding the new budget commencing on 01 July and be amended, if necessary.

11. SHORT TITLE AND COMMENCEMENT

- 11.1. This policy will be known as the deposit policy of Matjhabeng Municipality and shall commence on the date of adoption by municipal council resolution.

