



# TSWELOPELE

LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

## **DEPOSITS POLICY**

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## LEGISLATIVE COMPLIANCE

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 provision of that Act and other applicable legislation;

And whereas section 96(b) of the Systems Act requires Tswelopele 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; In terms of the Municipal Finance Management Act (MFMA), 2003 (Act No.56 of 2003) section 62 and 64 requires effective management of the municipal revenue;

The municipality requires protection that service rendered will be paid for by the service user therefore it is equally appropriate that council adopt a deposit policy of Tswelopele Local Municipality (section 104(1) (d).

## DEFINITIONS

**“Municipality”** refers to Tswelopele Local Municipality,

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

**“Council”** means the municipal council of Tswelopele Local Municipality in terms of section 18 of the 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 the Tswelopele Local Municipal council in terms of section 96(b) of the Municipal Systems Act 2000 as amended,

**“Deposit”** an amount paid by the customer, to be withheld by the municipality from 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 1 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,

**“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,

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

## OBJECTIVE

The objective of the deposit policy is to ensure that:

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 consistent with Section 95 of the Municipal Systems Act (MSA) and the municipality's credit control and debt collection policy
2. And the requirements of section 104(1) d of MSA. As such the municipalities charges and withhold consumer deposit and this policy must provide for the management of such consumer deposit.

## FORMS 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.

## AMOUNT OF DEPOSIT

The minimum amount of deposit which is equivalent to estimate of customer's average monthly utility bill for service will be set annually with the review of the policy. The deposit may vary according to the credit worthiness 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:

- 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.

Only the Chief Financial Officer has the right to approve the amount other than in the policy depending on special circumstances.

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 hereunder and the minimum amount payable:

Domestic Good Customer  
Business Good Customer  
Government Good Customer

The deposits above may still vary on the merit approved by the Chief Financial Officer.

#### REVISION OF DEPOSIT

The municipality may at its sole discretion increase the deposit by amount of the approved deposit as per the approved tariff list of the current year. The deposit may be increased on the following grounds:

If the consumer`s account is regularly in arrears, paid after due date.

- 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.
- When the debtor applies for extension of time to settle account.
- When payments by direct/negotiable instrument is dishonoured.
- If and when the debtor poses a payment risk to the municipality.
- When there is an increase in consumption of services.
- When reviewing the tariffs for the new financial year or such time when the municipality deems it necessary at its sole discretion.
- The municipality may increase the deposit up to 12 months average usage.

#### INTEREST

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 (service terminated) and fully settled.

#### 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 accountholder.

#### REFUND OF DEPOSIT

On the termination of the service agreement, the deposit held by the municipality shall be refunded to the debtor within 30 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 being 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 a notice to that effect shall be given to the customer to settle the account after which credit control shall be applied.

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 customers to claim and follow up on the deposits held by the municipality.

#### 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 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.

Where the customer does not complete the termination of service agreement form, services are disconnected by the application of the new customer, it remain the responsibility of such person to claim their deposits.

The municipality may appropriate a customer's 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 tenant's new account.

#### UNECONOMIC REFUNDS

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 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).