

**LEKWA-TEEMANE  
LOCAL MUNICIPALITY  
“NW396”**



***BAD DEBT PROVISION  
AND WRITE OFF POLICY***

**ADOPTED BY COUNCIL  
31 MAY 2013  
RESOLUTION NUMBER: 130/2013**

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## **Bad Debt Provision and Write-Off Policy**

### **1. Preamble**

Council accepts and acknowledges its Constitutional duties towards the community of the Lekwa-Teemane Local Municipality.

Council further acknowledges that in order to deliver services in a sustainable manner, that revenue collection be managed in terms of Councils Debt Collection and Credit Control Policy having due regard of its limited financial resources and the need to manage cash flows.

Council therefore accepts its duty to prepare financial statements that truly reflects the financial position of the Municipality.

## **2. Debt associated with property ownership (rates accounts)**

Debt raised for assessment rates and for the rendering of services such as refuse removal, sewerage and water availability fees/ charges, will not be written off, except in cases where a property is disposed of in a liquidation process and the proceeds do not cover the outstanding debt.

## **3. Metered services Debt**

Debt owed to Council resulting from consumed metered services, i.e water/electricity consumption will only be regarded as irrecoverable in the following instances:

- In the event that the consumer/s is untraceable
- If the debt has prescribed
- Insolvent estates

## **4. Sundry Debt/ Direct Income**

Debt owed to Council arising from auxiliary services rendered by Council or its agent will be regarded as irrecoverable in the following instances:

- In the event that the debtor is untraceable
- If the debt has prescribed
- Insolvent estates

## **5. Requirements before writing off debt**

Before any debt can be considered for writing-off, all applicable actions as contained in the approved Credit Control and Debt Collection Policy of Council must have been executed/ implemented. However, in special cases where the requirements in terms of Council's Credit Control and Debt Collection Policy are impractical, the administration must motivate which other remedies were applied or actioned.

Debt will be considered for write off only in the following instances:

- 5.1. The debtor cannot be traced
- 5.2. All legal and other measures have been exhausted, but there is still a balance of the debt remaining
- 5.3 Recovery of the debt will be un-economical
- 5.4 If the recovery would cause undue hardship to the debtor or his/her dependents
- 5.5. If it would be an advantage to the Municipality to effect a settlement or to waive the claim.

## **6. Indigent households**

The irrecoverable debt of registered indigent consumers may be written off in line with the Free Basic Services and Indigent Support Policy.

## **7. Bad Debt Recovered**

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as bad debt recovered.

## **8. Amounts up to R 1 000 and above R 1 000**

The writing off of individual debt above one thousand rand (R1 000.00) will take place only after the approval of Council, and the writing off of individual debt amounting to one thousand rand (R1 000.00) and below will be effected after the approval of both the Municipal Manager and Chief Financial Officer.

## **9. Provision for irrecoverable debt**

Annual provision for bad debt shall be provided for as follows:

100% of all outstanding debts 90+ days and older based on the estimated age analysis of the financial year end of which the financial statements are drawn up for

and 50% for debt from 30 days up to 60 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for.

Provision for bad debt shall be provided for the following services:

- a) Rates
- b) Sewerage/Vacuum Tanker Services
- c) Electricity: basic & consumption charges
- d) Water: basic & consumption charges
- e) Refuse
- f) Irrigation Water
- g) Interest on arrear Accounts
- h) Sundry Debtors
- i) Housing Services

Debtors will be analyzed in terms of concentrations of individual risk classes showing each individual ageing.

## **10. Interest**

Interest levied on accounts as a result of an error from Council's side will be written-off.

## **11. Meritorious Cases**

Notwithstanding the framework provided in this policy for the writing off of irrecoverable debt, Council mandates the CFO or his / her delegate to consider and recommend to Council meritorious cases and provide reasons for same on a quarterly basis.

## **12. Review of Policy**

This policy will be reviewed annually as part of the budget approval process.