



POLOKWANE LOCAL MUNICIPALITY
CONSUMER DEPOSIT POLICY

REVIEWED

First Draft

2018/2019

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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, 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;

And whereas the municipality requires assurance that services rendered will be paid for by the customer,

Therefore the Consumer Deposit Policy 2016/2017 is hereby adopted by Polokwane Municipality

For the purpose of this policy, any word or expression to which a meaning has been assigned by the MSA shall bear that meaning in this policy unless the context indicates otherwise.

1. DEFINITIONS

TERM	DEFINATION
Arrears	The debt that is overdue after missing one or more or a part thereof required payments.
Council	the municipal council of Polokwane municipality in terms of section 18 of Municipal Structures Act and section 157(1) of the Constitution,
Credit Control and Debt Collection By-law	the Credit Control and Debt Collection By-law as adopted by Polokwane Municipal Council in terms of section 96(b) of the Municipal Systems Act 2000 as amended,
Customer	the owner or occupier of property or premises or any municipal debtor, liable to the council for payment of municipal account or part thereof,
Deposit	Determinable amount payable by a customer (on application for municipal services), to be withheld by the municipality (from the date of opening of an account until the date of termination thereof), which amount will be refunded to the customer on termination of the consumer account (within the discretion of the Municipality), provided that the customer does not have any other outstanding accounts with the Municipality.
Financial Year	The Municipal financial year commencing on 1 st July and ending at 30 June of the following year.
Foreigner	A person who comes from a foreign country, a person who is not in possession of a South African bar-coded identity book issued by the South African Department of Home Affairs.
Municipality	Refer to Polokwane Municipality
Refund	To return or pay back money, repayment, or of a balancing account, appropriation of the deposit held by the Municipality or forfeiture of deposit.
Service agreement	A written agreement in a standard format entered into between the Municipality and the customer applying for municipal services, to be completed by customer upon applying for a municipal service /account,

Termination of service application	The form to be completed by a customer as a notification of the closing of a municipal account.
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2. OBJECTIVES OF THIS POLICY

The objective of this policy is to provide a policy framework for the circumstances under which deposit must be paid, the determination of the amount of the deposit that must be paid and the refund or forfeiture of deposit.

3. LEGISLATIVE FRAMEWORK

3.1 Local Government Municipal Management Act, Act 56 of 2003

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 By-law and the requirements of **section 104(1)(d)** of the MSA.

4. DEPOSITS OUTLINED

4.1 The deposit payable by a customer on application for municipal services shall be in the form of a cash deposit.

4.2 Irrevocable bank guarantees will only be accepted after a duly motivated application, approved in writing by the Chief Financial Officer, is made in this regard, stating all reasons why the applicant cannot make a deposit in the form of cash or bank guaranteed cheque.

4.3 Deposits are payable on opening of accounts and will be held until the account is closed, subject to the provisions of this Policy.

4.4 At the time of registration as a customer, payment of a deposit will be required in an amount determined and approved by the council from time to time to be done as part of tariff setting as per the tariff policy of the Municipality. The deposit may be differentiated based on the proclaimed township as per the council and customer profile.

5. DEPOSIT AMOUNTS

5.1 **The minimum deposit amount payable, shall be as per the tariff of structure by-law.**

5.2 No deposit is payable on any prepaid users. All deposit held on customers converting to prepaid should be appropriated and accounts closed.

5.2 A deposit will be due and payable on all new applications/registrations of customers and includes applications for services by such existing customer for services at an alternative address in the event that he/she moves to a new address.

5.3 Further to 5.2 above, deposits will not automatically be transferred from a terminated application to a new application by the same consumer at an alternative address. Each new application shall be treated as such and will require a deposit as determined.

5.4 In the discretion of the Municipality, the deposit amount may vary according to the creditworthiness of the customer and/or the risk as determined by Council from time to time.

5.5 The Municipality may classify customers in terms of their credit risk profile into three groups:-

- (a) Good Customers – Customers with a good credit record and who do not pose any credit risk to the Municipality;
- (b) Moderate Customers – Customers with a moderate credit record and who may pose a credit risk to the Municipality, and
- (c) Bad Customers – Customers with a bad credit record who pose a significant credit risk to the Municipality.

5.6 Foreign Customers, in the discretion of the Municipality, the deposit amount payable for municipal services by foreigners may vary from the deposit amount payable by SA Citizens. The deposit amount for foreigners shall be determined annually as per tariff of structure by-law.

5.7 Only the Chief Financial Officer has the power to approve a deposit amount other than the amounts stated in the deposit structure to the policy.

5.8 Any deposit amount, whether new or existing, or as a result of credit control and debt collection may be adjusted, to twice the average of monthly consumption.

Financial Officer based on the consumption of services by a customer.

5.9 The security deposit amounts may not vary from tariff of structure by-law.

5.10 Apart from the grouping contained in sub-clause 5.5 the Municipality will categorise the customer type and minimum amount payable per type as contained in the Municipal Tariff Schedule: Consumer Deposits & Consumer Categories under the annual Municipal Budget.

6. REVISION OF DEPOSITS & ADDITIONAL DEPOSITS:

6.1 The Municipality may in certain circumstances and in its sole discretion increase the deposit of a customer by not more than 10% (ten percent) of the approved deposit amount as per the approved tariff list of the current year.

6.2 The increase of consumer deposits in sub-clause 6.1 may be effected based on the following grounds:-

- (a) Where a consumer's account is regularly in arrears or paid after due date.
- (b) Where a consumer's account is regularly in arrears and the average account balance is far in excess of the original deposit amount.
- (c) Where a consumer's service supply is restricted or disconnected.
- (d) When a debtor applies for extension of time to settle an account.
- (e) When payments by direct/negotiable instrument is dishonoured.
- (f) If and when the debtor poses a payment risk in the discretion of the municipality.
- (g) When there is an increase in consumption of services.

6.3 The municipality may increase the deposit amount based on average consumption of a period up to any 2 months average usage, subject thereto that the increase will not exceed 10% of the initial existing deposit amount per one time increment.

6.5 i.) Every consumer of water and/or electricity shall, on application and before such supply is given, deposit with the Municipality a sum of money based on a calculation made by the Chief Financial Officer, of the cost of the maximum consumption of water and/or electricity which the applicant is likely to consume within a period of any 2 (two) consecutive months, further provided that such deposit shall not be less than the prescribed tariff.

ii.) The first R10 000 (tenthousand rand) payable towards a consumer deposit shall be paid in cash (EFT, EPOS) or bank guaranteed cheque payable to the Municipality. In the event of a balance payable remaining in terms of such a deposit, the Municipality may, in its sole discretion, accept a bank guarantee in the form prescribed by the Municipality, as surety for payment of any future amount that may become

6.3 Apart from the provisions contained in clause 6, consumer deposits shall be revised annually on approval of the municipal budget.

7. ALLOCATION OF PAYMENTS

7.1 In the event where the Municipality increases a deposit as in the revision of deposits in Clause 6 above, the amount paid towards the services shall first be allocated to the deposit and then other services as per the municipality's Credit Control and Debt Collection By-law.

7.2 This sequence of allocations shall be followed notwithstanding any instruction to the contrary given by the account holder.

8. DEPOSIT REFUNDS

8.1 On termination of the service agreement, the deposit held by the Municipality shall be refunded to the debtor within 60 (sixty) days of the termination of service and the submission of all the required information.

8.2 Refunding of a deposit shall be done, provided that the customer's services account has been paid in full up to date of termination of service.

8.3 In the event that a customer's services account has not been paid in full, the deposit will be applied to any outstanding amounts owed by the customer. Should the deposit exceed the amount due on the account, the balance will be refunded to the customer.

8.4 If the deposit is not sufficient to cover the amount outstanding on the consumer account, the customer shall remain liable for the outstanding balance and notice to that effect shall be given to the client to settle the account within 14 (Fourteen) days of such notice, after which credit control measures shall be applied.

8.5 The Municipality shall not be liable for non-payment of unclaimed deposits, or delayed payments due to outstanding documents and information requested for that purpose.

8.6 It remains the responsibility of the customer to ensure that a deposit is claimed back and to follow up on any deposit held by the Municipality.

9. UNCLAIMED DEPOSIT

9.1 Only deposits claimed by customers will be refunded and these deposits will only be refunded to customers who can positively identify themselves as the persons who have signed the consumer agreement in terms of which the deposit was paid initially with the Municipality.

9.2 In the event of the death of a customer who has entered into a service agreement and paid a deposit, application for a refund of the deposit shall only be considered upon submission of the following documents:

a. A written request for the refund by the Executor of the deceased estate;

b. A certified copy of the court appointment of the Executor; and c.

A certified death certificate of the deceased customer.

9.3 Guarantees shall only be released on written confirmation by the Municipality's Manager Revenue and customer care that the outstanding debt of the consumer has been settled in full.

9.4 Where a customer does not complete a termination of service request form, services shall be disconnected by application of the new customer. It will then remain the responsibility of such disconnected consumer to claim their deposits.

9.5 The Municipality may appropriate a customer's deposit to any account related to that customer, including rates in arrears by tenants and occupiers in terms of section 28 of the Local Government Municipal Property Rates Act 2004 (Act 6 of 2004) and other legislation.

9.6 Where a tenant has absconded leaving a municipal services debt on a property, an additional deposit amount equal to the debt on the previous property, may be raised on the tenant's new account.

9.7 Should a customer terminate a service agreement but not claim the deposit for a period of **three (3) years**, then the money paid for deposit will be forfeited to the Municipality.

10. UNECONOMIC REFUNDS

Where theMunicipalCouncildeemsituneconomic to refund a certainconsolidated amountwhichaccumulated outofunclaimed depositsascalculatedand resolved annuallybytheCouncil,suchamountwillbeforfeited,andset offagainst provisionfor bad debts.

11. INTEREST

The municipalitywillnotpayanyinterestondeposits.Alldepositspaidshallnotbe regardedasbeinginpaymentofanaccountdue totheMunicipality,andassuchwill beheld bytheMunicipalityas securityuntil theaccountisclosed (service terminated) andfullysettled.

12. SHORTTITLEANDCOMMENCEMENT

ThisPolicy willbe knownas theConsumer DepositPolicyofPolokwaneMunicipality andshallcommence on the date ofadoptionthereofby the MunicipalCouncil.And remain valid until reviewed.