



## **CONSUMER DEPOSIT POLICY**

**2017/18**

**Approved by Council on the 29<sup>th</sup> May 2017**

**POLOKWANE LOCAL MUNICIPALITY**  
**CONSUMER DEPOSIT POLICY**

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**POLOKWANE LOCAL MUNICIPALITY**  
**CONSUMER DEPOSIT POLICY 2016/2017**

**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 requires the effective management of the municipality’s revenue;

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

**Therefore** the Consumer Deposit Policy 2016/2017 is herewith adopted by Polokwane Municipality.

**1. DEFINITIONS**

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

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

**“Credit Control and Debt Collection By-law”** means 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”** means 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”** means a 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”** means the Municipal financial year commencing on 1<sup>st</sup> July and ending at 30 June of the following year.

**“Foreigner”** means 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”** refers to Polokwane Municipality,

**“Refund”** means to return or pay back money, repayment, or of a balancing account, appropriation of the deposit held by the Municipality.

**“Service agreement”** means 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”** means the form to be completed by a customer as a notification of the closing of a municipal account.

## 2. OBJECTIVES OF THIS POLICY

To reduce the risk and liability of the Municipality by ensuring that deposits held on consumer accounts are always equal to twice the average monthly consumption of any consumer, and may be adjusted to comply with the latter when and if the deposit is not equal to average the monthly consumption or as determined by CFO from time to time.

## 3. LEGISLATIVE FRAMEWORK

### 3.1 Local Government Municipal Finance 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 consistence 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, Electronic Transfers, credit and debit cards.
- 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 entering into a service agreement with the Municipality, payment of a deposit will be required in an amount calculated on the basis as per the Tariff of Charges By-Law.

#### **5. DEPOSIT AMOUNTS**

- 5.1 The minimum deposit amount payable, will be as per the approved Tariffs. And may be reviewed annually to be equal to twice the average monthly consumption.
- 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 by the Tariffs.
- 5.4 In the discretion of the Municipality, the deposit amount may vary according to the credit worthiness 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 to SA Citizens. The deposit amount for foreigners shall be determined annually.
- 5.7 Only the Chief Financial Officer has the powers 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, may be adjusted, in writing, by the Chief Financial Officer based on the consumption of services by a customer.
- 5.9 The security deposit amounts may vary according to the credit rating of the customer as assessed by the municipality.
- 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 twice the average consumption of any two consecutive month's actual verifiable consumption within the previous 12 month, regardless of 6.1 Above.**

- 6.4 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 R5 000 (five thousand rand) payable towards a consumer deposit shall be paid in cash 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 due by the applicant in respect of water and/or electricity consumption.

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 increase shall first be allocated to the deposit and then other services as per the municipality's Credit Control and Debt Collection By-law. The total amount adjusted will be levied on the account in one month.

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

## **8. APPROPRIATION OF DEPOSITS**

- 8.1 On termination of the service agreement, the deposit shall be appropriated to the account and;
- 8.2 Any credit due may be refunded to the customer provided that any other debt is paid in full.
- 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 returned 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 deposits held by the Municipality.

## **9. UNCLAIMED DEPOSIT /CREDIT**

- 9.1 Only credits claimed by customers will be refunded and these credits will only be refunded to customers who can positively identify themselves as the person who has 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 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, the debt should first be paid in full before a tenant is allowed to enter into a new agreement with the Municipality.
- 9.7 All the accounts linked to the stand must be paid in full or have approved arrangement before any consumer can be connected.
- 9.8 All unclaimed credits in excess of three years shall be deemed prescribed and may be recognised as revenue and transferred to accumulated surplus of the municipality.

## **10. UNECONOMIC REFUNDS**

Where the Municipal Council deems it uneconomic to refund a certain consolidated amount which accumulated out of unclaimed deposits as calculated and resolved annually by the Council, such amount will be forfeited, and set off against provision for bad debts.

**11. INTEREST**

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

**12. SHORT TITLE AND COMMENCEMENT**

This Policy will be known as the Consumer Deposit Policy of Polokwane Municipality and shall commence on the date of adoption thereof by the Municipal Council. And remain valid until reviewed.