

# **KGATELOPELE LOCAL MUNICIPALITY DEBT INCENTIVE SCHEME POLICY**

## **1. INTRODUCTION**

Kgatelopele Local Municipality recognizes the growing challenge of collecting outstanding municipal debts, particularly those aged 120 days and older. In line with the principles of sound financial management and customer-centric service delivery, this Debt Incentive Scheme Policy is introduced to encourage debt repayment while providing relief to qualifying customers.

This policy is established in terms of Section 96 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), which mandates municipalities to collect all money due to them while considering the circumstances of customers and their ability to pay. Furthermore, the policy aligns with Section 64 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), which requires municipalities to implement effective revenue collection systems.

## **2. OBJECTIVES OF THE POLICY**

The objectives of this policy are to:

- Reduce the outstanding municipal debt by providing structured repayment options.
- Promote a culture of payment among municipal consumers.
- Provide incentives to consumers who commit to settling their municipal debts.
- Support financially distressed consumers within the legal framework.

## **3. APPLICABILITY AND QUALIFYING CRITERIA**

- The scheme is open to all residential customers whose municipal accounts have been in arrears for 120 days or more as of 2024.
- Consumers must register for the scheme to qualify for the debt relief benefits.
- Indigent consumers do not qualify for Option 1 or Option 2, as their debt is subject to an annual write-off per the Municipality's Indigent Policy. However, they may qualify for the "Pay Up and Win" incentive if they maintain an up-to-date account.
- Payments under the scheme will be strictly monitored, and agreements will be canceled if the consumer defaults.

## **4. INCENTIVE OPTIONS**

### **4.1 OPTION 1: RAND FOR RAND INCENTIVE**

- The consumer must settle the current account, 30-day and 60-day balances, plus 60% of the arrears aged 90 days or more (including handed-over debt and existing arrangements).

- The remaining 40% of the arrears balance (90 days+) will be written off upon adherence to these conditions.
- Any debt handed over for collection will be recalled, and no further legal fees will be added once the agreement is signed and payment is made.

**Example:**

If a consumer owes R12,000, including R300 (current), R320 (30 days), R300 (60 days), and R11,080 (90+ days), they must pay R7,568 (including 60% of the 90+ days debt). The remaining R4,432 will be written off.

#### **4.2 OPTION 2: WRITE-OFF OF DEBT OVER A 12- OR 24-MONTHS PERIOD**

- Consumers unable to pay their 60-day debt in full may enter an arrangement.
- A probationary period of three months will be implemented to assess commitment.
- Consumers must settle their current, 30-day, and 60-day balances over three months.
- After three months, for every R1 paid toward arrears (90+ days), R0.40 will be written off.
- The repayment term for arrears will be structured over 12 to 24 months.

**Example:**

If a consumer owes R52,000, including R3,000 (current), R3,200 (30 days), R3,000 (60 days), and R42,800 (90+ days), they will pay R34,880, and R17,120 (40%) will be written off.

#### **5. PAY UP AND WIN INCENTIVE**

All residential consumers who pay their full municipal accounts on or before the due date will be automatically entered into a draw to receive a discount equivalent to the value of their payment, up to a maximum of R5,000.

#### **6. IMPLEMENTATION AND MONITORING**

- The Municipality's Finance Department will oversee the implementation of this policy.
- Agreements under this scheme will be monitored monthly.
- Defaulting consumers will be disqualified from the scheme, and standard debt collection processes will resume.
- Annual reports on the scheme's effectiveness will be submitted to the Municipal Council.
- The implementation of this scheme, once approved by the Council, will be executed based on the recommendations of the Accountant, Chief Financial Officer (CFO), and with the final approval of the Municipal Manager.

#### **7. LEGISLATIVE FRAMEWORK**

This policy is developed in accordance with:

- The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
- The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- The Credit Control and Debt Collection Policy of Kgatelopele Local Municipality
- The Indigent Policy of Kgatelopele Local Municipality

## **8. EFFECTIVE DATE AND REVIEW**

This policy shall take effect from the date of adoption by the Kgatelopele Local Municipality Council and will be subject to an annual review.

## **9. APPROVAL**

This Debt Incentive Scheme Policy was approved by the Council of Kgatelopele Local Municipality on **[29 May 2025 Resolution SC 35/05/2025]** and shall remain in force until repealed or replaced by a subsequent policy.

**Mayor:** \_\_\_\_\_

**Municipal Manager:**  \_\_\_\_\_



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## APPLICATION FORM: DEBT INCENTIVE SCHEME

### KGATELOPELE LOCAL MUNICIPALITY DEBT INCENTIVE SCHEME APPLICATION FORM

#### 1. APPLICANT DETAILS

- Name: \_\_\_\_\_
- ID Number: \_\_\_\_\_
- Municipal Account Number: \_\_\_\_\_
- Property Address: \_\_\_\_\_
- Contact Number: \_\_\_\_\_
- Email Address: \_\_\_\_\_

#### 2. DEBT INCENTIVE OPTION SELECTED

- ☐ Option 1: Rand for Rand Incentive
- ☐ Option 2: Write-off of Debt Older than 5 Years

#### 3. ACKNOWLEDGEMENT AND AGREEMENT

I, the undersigned, confirm that I have read and understood the terms and conditions of the Debt Incentive Scheme Policy and agree to abide by them. I further understand that failure to comply with the agreed-upon payment arrangement will result in the termination of my participation in the scheme and the reinstatement of normal debt collection processes.

**Applicant Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

#### FOR MUNICIPAL USE ONLY

- Recommended by Accountant: \_\_\_\_\_ Date: \_\_\_\_\_
- Recommended by CFO: \_\_\_\_\_ Date: \_\_\_\_\_
- Approved by Municipal Manager: \_\_\_\_\_ Date: \_\_\_\_\_

#### OFFICIAL STAMP

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