

# **PORT ST JOHN'S MUNICIPALITY**



**PORT ST JOHNS**  
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OUR HERITAGE, OUR PEOPLE

## **CONSUMER PAYMENT INCENTIVE POLICY**

## **1. BACKGROUND**

- ❖ The domestic debt has been growing at an alarming rate despite the implementation of the credit control and debt management policy.
- ❖ The municipality is still to attach the properties for non-payment of debt in line with the municipality's bylaws.
- ❖ Several consumers have defaulted on their arrangements as such the normal agreements are not effective hence the need to introduce the incentive schemes.
- ❖ The Policy also aims to promote municipal systems Act 32 of 2000, Sec 97(F) which relates to the extension of time for payment of services.
- ❖ The focus of the policy is to institute incentive schemes to encourage prompt payment of debtor accounts.

## **2. OBJECTIVES OF THE SCHEME**

- ❖ To outline the parameters, criteria and procedures within which arrear debts of the participants to the scheme is written off in exchange for prompt a timeous payment of future accounts rendered by the municipality.
- ❖ The purpose of the policy is to encourage the residents Port St Johns' to pay for rates and services and to promote the culture of payment amongst its citizens.
- ❖ The policy also aims to promote the Municipal Systems Act 32 of 2000, sec 97(F) which relates to the extension of time of payment.
- ❖ The main focus of the policy is to institute incentive schemes to encourage prompt payment of debtor's accounts.

## **3. SETTLEMENT DISCOUNTS ON ARREAR AMOUNTS**

### **3.1 ARRANGEMENT FOR SETTLEMENT OF ARREAR AMOUNTS ABOVE THREE (3) MONTHS**

- ❖ 5% discount upon payment of 25% of the outstanding debt.
- ❖ 10% discount upon payment of 50% of the outstanding debt.
- ❖ 15% discount upon payment of 75% of the outstanding debt.
- ❖ 20% discount upon payment of 100% of the outstanding debt.

- ❖ 5% discount to be allowed for early settlement of current.
- ❖ 50% discount at the discretion of the council.

### **3.2 QUALIFICATION CRITERIA**

- ❖ Settlement discount applies to domestic debtors.
- ❖ The debtor to honour/pay the current account to ensure debt does not increase
- ❖ The debtor not to default on the arrangement

### **3.3 DISQUALIFICATION**

- ❖ Transfer of properties (clearance of accounts before transfer)
- ❖ Commercial/business debtors do not qualify
- ❖ Institutions and government debtors do not qualify
- ❖ Consumers utilizing domestic premises to operate businesses. (Dominant use versus zoning)
- ❖ Consumers are in a process of selling their properties and that are applying for rates clearance certificate.
- ❖ The discount will be reinstated if the consumer defaults on the arrangement

### **4. BENEFIT TO COUNCIL**

- ❖ The arrear debt that has been growing over a number of years will decrease significantly
- ❖ Improved cash flows will improve the liquidity of the municipality, and thereby allowing municipality to finance service delivery projects.
- ❖ The municipality could increase reserves for asset replacement and budget for repairs and maintenance
- ❖ Promote sustainable and reliable revenue for the council for future years.

### **5. CONDITIONS APPLICABLE TO THE SCHEME**

- ❖ The arrangement for debt settlement should not exceed six (6) months.
- ❖ The account must be paid before or on the due date.
- ❖ Participant to honour the acknowledgement of debt entered into for the debt not identified for write off, failing which it invalidates the application on the incentive policy

## **6. PUBLICATION OF THE INCENTIVE SCHEME**

- ❖ The incentive scheme will be advertised in different mediums- newspapers, road shows and monthly statements.

## **7. PARTICIPANTS TO THE SCHEME THAT DEFAULT**

7.1 Participants, who default will not automatically be removed from the scheme, however the participation will be automatically suspended by the financial system that council is using should they be in fault for by a month or more.

7.2 The participants, in order to be reinstated on the Incentive Policy, must pay all outstanding amounts from the last account which was paid.

7.3 The incentive portion will only be affected if the participant has fully complied with the said conditions referred to in section 3.2 of the scheme.

## **8. REVIEW**

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulations.

## **ADOPTION OF THE POLICY**

Policy adopted by Council of Port St Johns Local Municipality for implementation.

Approved by: Council On

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Date

Resolution No.

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Confirmed by the Honourable Speaker

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Signature

Cllr C.S Mazuza