CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

Writing-off of Irrecoverable Debt Policy

Effective from 1 July 2026

Adopted in an Ordinary Council meeting held on 27 May 2026.

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1. INTRODUCTION

1.1 To ensure that **Chris Hani District Municipality (CHDM)** consumers with no or little income are not denied reasonable basic services and that the municipality is not financially burdened with non-payment of these basic services, the Council of CHDM approved policies on property rates, tariffs, customer care, credit control, debt collection and indigent support to be implemented.

1.2 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible writing-off of irrecoverable debt.

1.3 The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000), such as –

1.3.1 The insolvency of a debtor whose estate has insufficient funds;

1.3.2 A balance being too small to recover, for economic reasons, considering the cost of recovery; and

1.3.3 Where Council deems that a customer or group of customers are unable to pay for services rendered.

1.4 The municipality will have to maintain audit trails in such instances where bad debt is written-off and document the reasons for the abandonment of the actions or claims in respect of the bad debt.

2. PURPOSE OF THE POLICY

2.1 The purpose of this policy is to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalised to ensure that consumers (especially households) are relieved of their spiral of debt.

3. RESPONSIBILITY AND ACCOUNTABILITY

3.1 The Council has the overall responsibility and accountability for adopting and approving the Writing-Off of Irrecoverable Debt Policy.

4. POLICY PRINCIPLES

4.1 The following are the guiding principles for the implementing of the Writing-Off of Irrecoverable Debt Policy –

4.1.1 The policy will comply with the Local Government: Municipal Finance Management Act (No 56 of 2003), the Local Government: Municipal System Act (No 32 of 2000) and other related legislation.

4.1.2 Before any debt is written-off it must be proved that the debt has become irrecoverable. To ensure that recommendations for the writing-off of debt are consistent and accurate; irrecoverable debt will be defined as :

(a) Where the tracing of the debtors is unsuccessful;
(b) All reasonable steps, in terms of the Customer care, Credit Control and Debt Collection Policy, were taken by the administration to recover the debt; and
(c) Any debt defined by a committee of Council at their discretion as irrecoverable.
(d) Where debt has prescribed in terms of the Prescription Act, No.68 of 1969.

4.1.3 Bad debt to be written-off must be considered in terms of cost benefit.

4.1.4 Therefore, when it becomes too costly to recover and the chances of collecting the debt are very slim, a write-off should be considered.

4.1.5 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.

4.1.6 Differentiation must be made between those household consumers who cannot afford to pay for basic services (indigent households) and those who just do not want to pay for basic services.

4.1.7 Debt can only be written-off if the required provision for bad debts exists in the municipality's budget and/or reserves.

5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR INCENTIVES AND WRITING-OFF OF IRRECOVERABLE DEBT

5.1 Indigent household consumers

5.1.1 Upon approval for registration as an indigent household consumer, the debtor's outstanding balance as at the date of approval will be written-off.

5.1.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written-off and must be dealt with strictly in accordance with the municipality's Customer care, Credit control and debt Collection Policy. Therefore, these arrears can only accumulate for –

(a) The kiloliters of water consumed or to be consumed above the 6 kiloliters of free water per month by an indigent household who has an installed conventional and pre-paid water meter; and
(b) The sanitation charges are not subsidized in terms of the indigent policy.

5.2 Small balances

5.2.1 Where final accounts have been submitted and paid by the respective consumer, and the remaining balance after finalisation of any final readings, other administrative costs and consumer deposits taken into consideration results in a balance of one thousand rand (R 1,000) or less, or the amount determined by Council from time to time during the budget approval process, such amount must be written-off with the proviso that:

(a) When the balance amounts to R 300 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer for payment;
(b) When the balance amounts to R 600 or less, or the amount determined by Council from time to time during the budget approval process, the account must be forwarded once to the consumer with a follow-up reminder for payment;
(c) When the balance amounts to R 1,000 or less, or the amount determined by Council from time to time during the budget approval process,

the account must be forwarded once to the consumer with a follow-up reminder and a final reminder for payment.

5.2.2 Where such account is not paid by the respective consumer within a period of ninety (90) days, such amounts will automatically be written-off subject to the provisions of paragraph 6.4 below.

5.3 Insolvent, and financially distressed debtors and insolvent deceased estates

5.3.1 Where a debtor becomes insolvent the municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds must be written-off subject to the provisions of paragraph 5.5, 6.4 and 6.5 below.

5.3.2 In case of the death of a debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds must be written-off subject to the provisions of paragraph 5.5, 6.4 and 6.5 below.

5.3.3 Where a company has initiated a compromise or a renegotiation process in terms of section 155 of the Companies Act, No. 71 of 2008, any shortfall resulting from this process may be written- off in terms of paragraph 6.4 of the Policy.

5.4 Untraceable debtors

5.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such an account must be handed over to a collection agent for recovery of the debt (paragraph 5.2 cases excluded). The collection agent will be paid an all-inclusive fee of not more than 10% of the amount that was collected or consultancy fees. The terms of reference for such a collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the municipality on the actions that were taken to attempt to trace the debtor.

5.4.2 Any amount owed by a debtor that has become untraceable may be sold to a debt collection agent at a discount, before it is written-off.

5.4.3 Debt written-off in terms of paragraph 5.4.2 above will automatically result in the debtor being reported to a credit bureau by the municipality.

5.5 Clearance certificates

5.5.1 In terms of section 118 of the Local Government: Municipal Systems Act, Chris Hani District Municipality may not issue a clearance certificate on any property unless all outstanding amounts that became due during the two years preceding the date of application are paid to date. Outstanding debt accumulated prior to the section 118 period will be treated in terms of the Customer care, Credit Control and Debt Collection Policy where after all avenues in terms of the policy have been exhausted, this debt may be written-off in terms if paragraph 6.4.

5.6 Special incentives for household consumers

5.6.1 Notwithstanding the municipality's customer care, credit control and debt collection policy, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

(a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments as determined per arrangement;
(b) The current monthly amount must be paid in full; and
(c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

5.6.2 In order to determine monthly instalments; a declaration of the households monthly / or yearly income must be provided by the debtor and reviewed by a finance official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer (amount to be capped not to exceed 20% of gross income), taking into account that the payment of the monthly current account is a prerequisite for concluding a suitable arrangement.

5.6.3 Due the current economic circumstances; the majority of household consumers have accumulated significant arrear amounts and these consumers are not in a position to pay off these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the municipality has resolved to implement special incentives to address the arrear debt as from the effective date of the implementation of this policy.

5.6.4 To encourage household consumers to pay off arrear debt,

Council will enter into a once-off arrangement with a household consumer to pay off his/her arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address affordable arrear payments on a consistent basis.

5.6.5 Writing-off any irrecoverable debt in terms of such an agreement will be strictly in accordance with a maximum repayment period of 36 months and the capped limitation of 20% of gross income referred to in paragraph 5.6.2 above.

5.6.6 Two suspended accounts may be created; one for the arrear debt to be paid of through arrangements and another one for the irrecoverable debt portion to be written-off. Levying of interest on suspended accounts will immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the suspended account balances.

5.6.7 As long as the agreement is honoured no further interest will be added to the suspended account/s. However, in the case of continuous default for a period of six months or more the suspended amount/s will be reversed to the monthly current account and interest will again be levied on the full outstanding debt from the date of reversal.

5.6.8 Should a household consumer have more than one account (suspended and handed over debt) and wants to make an arrangement in terms of this policy; the household consumer's debt will be consolidated and a single arrangement be made with the municipality. Handed over accounts will be withdrawn from collection agents (attorneys) and arrangements made with the municipality on the household's consumer debt will be managed by the municipality itself.

5.6.9 Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount/s, taking the limitations of paragraph 5.6.2 into consideration. Such arrangements (over a three year period), must be honoured for at least a year where after one third of the irrecoverable debt will be written-off. If the arrangements are honoured for year two as well, another one third of the irrecoverable debt will be written-off. The same will apply for year three where after the household consumer should be out of his spiral of municipal debt.

5.6.10 Irrecoverable amounts to be written-off in terms of paragraph 5.6 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.7 Special incentives for churches, welfare organisations, sporting bodies, emerging farmers, etcetera

5.7.1 Notwithstanding the municipality's Customer care, Credit control and Debt collection Policy, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

(a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
(b) The current monthly amount must be paid in full; and
(c) The written agreement has to be signed on behalf of the municipality by a duly authorised officer.

5.7.2 In order to improve the current payment levels from this category of consumers the municipality has resolved to implement special incentives to address the arrear debt.

5.7.3 To encourage this category of consumers to pay off arrear debt, Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.

5.7.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 12 months.

5.7.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.

5.7.6 As long as the agreement is honoured no further interest will be added. However, in case of default the suspended amount will be reversed and interest will again be levied from the date of reversal.

5.7.7 Where debtors fail to honour their arrangements without prior consultation,

the suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.7.8 Any amount to be written-off in terms of paragraph 5.7 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.8 Special incentives for businesses, industrial and agricultural consumers

5.8.1 Notwithstanding the municipality's customer care, credit control, debt collection and indigent support policies, a debtor may enter into a written agreement with the municipality to repay any outstanding and due amount to the municipality under the following conditions:

(a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
(b) The current monthly amount must be paid in full; and
(c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

5.8.2 In order to improve the current payment levels from this category of consumers the Municipality has resolved to implement special incentives to address the arrear debt.

5.8.3 To encourage this category of consumers to pay off arrear debt Council will enter into a once-off arrangement with this category of consumers to pay off their arrear debt over a period of time in terms of specific incentives. The main aim of an agreement will be to promote full payment of the current account and to address the affordable arrears on a consistent basis.

5.8.4 Suitable and acceptable arrangements in terms of such an agreement will be strictly in accordance with a maximum repayment period of 6 months.

5.8.5 Levying of interest on arrear accounts (arrear account to be created separately from the current account) should immediately be suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts as continued payments will reflect a decrease on the arrear account balances.

5.8.6 As long as the agreement is honoured no further interest will be added.
However, in case of default the suspended amount will be reversed and interest will again be levied from the date of default.

5.8.7 Where debtors fail to honour their arrangements without prior consultation, the suspended debt will be reversed to their current account and interest will be reinstated and added to their current account from date of reversal.

5.8.8 Any amount to be written-off in terms of paragraph 5.8 above shall be subject to the provisions of paragraph 6.1, 6.2 and 6.3 below.

5.9 Special incentives for government departments and schools

5.9.1 Any incentive arrangement and amount to be written-off for this category of consumers will be reviewed by a committee of Council who will make a recommendation to the Mayoral Committee for consideration.

5.9.2 The Executive Mayor will have the discretion and the delegated powers to resolve on any amount to be written-off notwithstanding the recommendation of the committee of Council.

5.10 Irrecoverable debt not catered for in the policy

5.10.1 Should there be any irrecoverable debt cases that the administration and the committee of Council cannot dispose of in terms of this policy, particulars of the irrecoverable debt cases shall be submitted to the committee of Council who will make a recommendation to the Executive Mayor and Mayoral Committee for consideration.

5.10.2 The Mayoral Committee will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

5.10.3 Should there be any irrecoverable debt cases that the Mayoral Committee cannot dispose of in terms of this policy, particulars of the irrecoverable debt cases shall be submitted to the Mayoral Committee who will make a recommendation to Council for consideration.

5.10.4 Council will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the Mayoral Committee.

6. DELEGATIONS

6.1 Chief Financial Officer

6.1.1 The Chief Financial Officer will, after thorough review of any applications in terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 10,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.2 Municipal Manager

6.2.1 Any amount in excess of the delegation provided for in paragraph 6.1.1 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this policy, have the delegated powers to write-off any irrecoverable debt to the maximum amount of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.3 Committee of Council

6.3.1 The council has established a Finance Standing Committee in terms of section 80 of the Local Government: Municipal Structures Act (No 117 of 1998) to assist the Mayoral Committee. It is hereby determined that the Finance Standing Committee will be the committee of Council to monitor the implementation of this policy.

6.3.2 Any amount in excess of the delegation provided for in paragraph 6.2.1 above must be submitted together with a recommendation to the Finance Standing Committee for consideration. The Finance Standing Committee will, after thorough review of any recommendation by the Chief Financial Officer and Municipal Manager in terms of this policy, have the delegated powers to write- off any irrecoverable debt in excess of R 20,000 per consumer (current, suspended and handed over amounts consolidated) per submission or the amount determined by Council from time to time during the budget approval process.

6.4 Mayoral Committee

6.4.1 All amounts to be written-off in terms of paragraph 5.9 and 5.10.1 above must be considered individually and each case on its own merits must be separately reported to the committee of Council who will make a recommendation to the Mayoral Committee.

6.4.2 The Mayoral Committee will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the committee of Council.

6.5 Council

6.5.1 All amounts to be written-off in terms of paragraph 5.10.3 above must be considered individually and each case on its own merits must be separately reported to the Mayoral Committee who will make a recommendation to Council.

6.5.2 Council will have the discretion and the delegated powers to resolve on any amount to be written-off in these instances notwithstanding the recommendation of the Mayoral Committee.

7. REPORTING AND DISCLOSURE

7.1 The Chief Financial Officer will report on a quarterly basis to Council on the irrecoverable debt amounts written-off. The report will include the following information:

(a) A summary of all debt written-off in terms of paragraph 6 of this policy (included as Annexure A in the report).

(b) The total amount of irrecoverable debt approved by the Chief Financial Officer to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure B to the report);

(c) The total amount of irrecoverable debt approved by the Municipal Manager to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure C to the report)

(d) The total amount of irrecoverable debt approved by the Finance Portfolio Committee to be written-off (a list of names, addresses and amounts per consumer written-off included as Annexure D to the report);

and

(e) The total amount of irrecoverable debt written-off for indigent household consumers by the Mayoral Committee (a list of names, addresses and amounts per consumer written-off included as Annexure E to the report);

(f) The total amount of irrecoverable debt approved by the Mayoral Committee to be written-off in terms of paragraph 5.9 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure ~~E~~ F to the report).

(g) The total amount of irrecoverable debt approved by the Mayoral Committee to be written-off in terms of paragraph 5.10 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure G to the report).

(h) The total amount of irrecoverable debt approved by Council to be written-off in terms of paragraph 5.11 of the policy (a list of names, addresses and amounts per consumer written-off included as Annexure H to the report).

7.2 The Chief Financial Officer will disclose the total amount of irrecoverable debt written-off as a note in the annual financial statements of the municipality.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

8.1 This policy shall be implemented once approved by Council. All future submissions for the writing-off of debt must be considered in accordance with this policy.

8.2 The policy will be reviewed each year as part of the budget approval process.

9. EFFECTIVE DATE

This Policy takes effect on the 01st July 2026

Policy Adopted at the Chris Hani District Municipality council meeting, dated

27 May 2026.

Council Resolution:

Resolution No: C163

2026-2027.

Signed by Municipal Manager: G. Mashiyi — ***Initial and Surname*** — ***Signature*** — 09-07-2026 — ***Date***

Signed by Speaker of Council: J. CENGANI — ***Initial and Surname*** — ***Signature*** — 09-07-2026 — ***Date***