

# NDLAMBE LOCAL MUNICIPALITY



## POLICY ON THE WRITE OFF OF IRRECOVERABLE DEBT 2026/2027

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## POLICY ON WRITE-OFF OF IRRECOVERABLE DEBT

### 1. DEFINITIONS

For the purposes of this policy the following definitions are applicable:

“**Debt**” - means an amount owing to the Municipality;

“**Debtor**” – means a person who owes the Municipality money for rates/services rendered;

“**Accounting Officer**” – the Municipal Manager appointed;

“**Council**” – means the council of the Municipality;

“**Municipality**” – means the Ndlambe Municipality.

“**First time**” – means from the 2026 / 2027 financial year and onwards.

### 2. PURPOSE OF POLICY

2.1. This policy provides guidelines on treatment of write-off of debtors.

The policy seeks that household consumers with no or lower income are not denied a reasonable service and that the municipality is not financially burdened with non-payment of services.

2.2. Section 96 of the Local Government: Municipal Systems Act, 32 Of 2000, provides that a municipality must collect all money that is due and payable to it, subject to the provisions of that Act and other applicable legislation. The Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can afford to pay for services.

2.3. It is recognized, however, that circumstances may arise which may make the recovery of certain debts impossible, impractical or financially unfeasible, and that such debts may have to be written off.

2.4. The purpose of this policy is to provide a framework for:

2.4.1. limiting the circumstances contemplated in 2.3;

2.4.2. determining, when such circumstances have arisen, whether to write-off any debts; and

2.4.3. the procedures for writing off such debts.

2.5. The municipality will maintain audit trails in such an instance and document the reasons for the abandonment of the action or claim in respect of the debt.

2.6. In addition, the policy further stipulated that “Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases.”

2.7. The effective management of debtors include, amongst others, the following processes:

- Implementation/ maintenance of the appropriate Information and Communication Technology (ICT) Systems and Business Processes;
- Accurate Billing;
- Customer Care and Accounts enquiry management;
- Effective and timeous Credit Control;
- Impairment of Debtors (Provision for Doubtful Debtors); and
- Write-off of uncollectable debtors.

2.8. The objective of this policy is to ensure that uncollectable debt is written off within guidelines of applicable policies and legislation.

2.9. Debtors are evaluated at the end of the reporting date and impaired in line with the impairment policy

### **3. RESPONSIBILITY / ACCOUNTABILITY**

The Council has the overall responsibility for approving the Writing Off of Irrecoverable Debt.

### **4. WRITE-OFF OF DOUBTFUL DEBTORS**

4.1 The following should be the guiding principles in implementing the Policy on Writing Off of Irrecoverable Debt:-

4.1.1 The policy is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal System Act 2000, as amended and other related legislation.

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

4.1.2.1 Where the tracing of the debtors is unsuccessful; and

4.1.2.2 All reasonable steps, at the discretion of the appointed write off committee, were taken by the officials to recover the debt.

4.1.3 Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered.

4.1.4 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.

4.1.5 Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for these services.

4.1.6 Debt can only be written off if the required provision exists in the Municipality's budget and/ or reserves.

## **6. CATEGORIES OF IRRECOVERABLE DEBT**

**6.1** Debt is regarded as irrecoverable if:

6.1.1 All reasonable notifications and cost effective measures to recover a specific outstanding amount have been exhausted; and/or

6.1.2 If the amount to be recovered is too small to warrant further endeavours to collect it; and/or

6.1.3 The cost to recover the debt does not warrant further action; and/or

6.1.4 The amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; and/or

6.1.5 A deceased estate has no liquid (cash) assets to cover the outstanding amount; and/or

6.1.6 It has been proven that the debt has prescribed; and/or

6.1.7 The debtor is untraceable or cannot be identified so as to proceed with further action; and/or

6.1.8 It is impossible to prove the debt outstanding; and/or

6.1.9 Recovery of the debt would cause undue hardship to the debtor and/or his/her dependents; and/or

6.1.10 It would be to the advantage of the Council to affect a settlement of its claim or to waive its claim; and/or

~~6.1.11 The outstanding amount is due to an administrative error.~~

6.1.11 The debt is a result of a section 118 rates clearance certificate shortfall.

6.1.12 Arrear debt as a result of the follow RDP house allocation matters:

6.1.12.1 occupation taken up by illegal occupant;

6.1.12.2 failure to inform the rightful owner about the allocation

6.1.12.3 Alternation of allocation not effected

## **7. ESTABLISHMENT OF A COMMITTEE TO MONITOR, EVALUATE AND RECOMMEND THE DEBT WRITE-OFFS TO COUNCIL**

7.1 Council has established and appointed a Rates and Valuation Committee to monitor the implementation of this Policy.

7.2 The Committee consist of the following members:-

7.2.1. The Municipal Manager (Chairperson) or delegated authority.

7.2.2. Chief Financial Officer (Alternative Chairperson).

7.2.3. Chairperson of the Finance Committee.

7.2.4. A member of each Political Party.

7.2.5. One member of the Finance Committee to be nominated by the Finance Committee.

7.3. The Committee shall meet at least quarterly to receive, evaluate, and consider applications for debt write-offs submitted by the Chief Financial Officer, in accordance with Section 6 of this Policy. Such applications must include full details of all actions taken by officials. The Committee may also consider relevant information or representations provided by consumers, as well as any circumstances not expressly provided for in this Policy, and shall make appropriate recommendations to Council for approval.

7.4. The quorum for the Committee shall be 50% of the members plus one.

7.5. Formal minutes of Committee meetings must be prepared and submitted to Council for approval

## **8. DELEGATED POWERS ON WRITING-OFF INTEREST AND PENALTIES ON RECOVERABLE DEBTS**

Delegated authority is granted to the Deputy Director Finance and the Chief Financial Officer to write off interest and penalties in cases where a consumer applies for a settlement discount, subject to the condition that the full outstanding capital amount has been paid prior to the write-off being effected.

The following limits shall apply:

- In the case of a household consumer:
  - Deputy Director Finance: up to R10 000 per submission
  - Chief Financial Officer: up to R20 000 per submission
- In the case of a business consumer:
  - Deputy Director Finance: up to R20 000 per submission
  - Chief Financial Officer: up to R50 000 per submission

Any amounts exceeding these limits must be submitted to the Rates and valuation committee for evaluation and recommendation to Council for write-off approval.

## **9. DEBT PRESCRIPTION PERIODS**

- a. Thirty (30) years in respect of municipal property rates and related taxes imposed in terms of applicable legislation.

- b. Three (3) years in respect of municipal service charges, including electricity, water, refuse removal, and other exchange services, unless otherwise provided for by law.

## **10. SUBMISSION OF WRITE-OFF APPLICATIONS TO THE COMMITTEE**

All applications for debt write-offs must be submitted to the Rates and Valuation Committee for evaluation and recommendation to Council. Applications will be categorized into two types:

1. Rates Write-Offs – relating to municipal property rates and related taxes.
2. Municipal Service Charges Write-Offs – relating to electricity, water, refuse removal, and other exchange services.

### **10.1 Rates Write-Offs**

(i) Municipal property rates are deemed recoverable in all instances.

(ii) All requests to write off rates debt must be presented as individual items by the Chief Financial Officer to Rates and valuation committee

(iii) Each rates write-off submission must contain:

- Debtor's account number
- Account holders details
- Details of the property address and erf number;
- Details of the outstanding amount;
- Details of all steps taken to recover the debt from previous and current owners;
- A full explanation of the reasons for the proposed write-off; and
- Details of all costs incurred in recovering the debt.

### **10.2 Municipal Service Charges Write-Offs**

(i) Schedules of municipal service charges considered irrecoverable must be compiled and submitted to the Committee and Council for consideration.

(ii) Each schedule must include:

- Debtor's account number;
- Debtor's name;
- Physical address for which the debt was raised;
- Details of the amount per account category;
- Steps taken to recover the debt; and
- Reasons supporting the proposed write-off.

10.3 Council retain sole discretion to approve or reject any write-off, and are under no obligation to approve any particular submission.

## **11. BAD DEBTS RECOVERED**

The approval by Council for the write-off of any debt does not preclude the possibility of recovery. While no active collection efforts will generally be initiated, any debt that is subsequently recoverable may be collected, and amounts recovered will be recorded in the Council's financial records. Further action to recover the debt will be considered only if it is cost-effective.

## **12. EFFECTIVE DATE**

This policy shall be applicable to annual financial statements periods commencing on the after 1 July 2026. All future submissions for the writing off of debt must be considered in accordance with this policy.