

9.
IRRECOVERABLE INTEREST ON ACCOUNT: MH ABDULLAH

5/17/1

EM Hooneberg
 17 January 2017

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Hermanus Administration

1. Executive Summary

The purpose of the report is to consider the write-off of irrecoverable interest on the account of MH Abdullah.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate Finance
 Department Revenue

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
 Provision and maintenance of municipal services

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Systems Act, Act 32 of 2000
 Customer Care, Credit Control & Debt Collection Policy
 Indigent Policy

6. Background/Discussion/Evaluation/Conclusion

6.1 Background/Discussion

Mr MH Abdullah is the owner of two vacant plots (erf 822 & erf 823) situated in Stanford. The accounts have been in arrears since 19 April 2007 to the amounts of R97 384.75 and R93 719.26 respectively, totalling R191 104.01.

Prior to October 2016, all legal actions were taken in terms of the **Overstrand Customer Care, Credit Control and Debt Collection Policy**, including a warrant served to attach movable property, such as fridge, furniture, motor vehicle, etc. After receiving documentation from the sheriff, indicating that the owner has nothing of value (nulla bona) to sell, the Municipality proceeded with the auction process. The auction was held on 31 July 2015 and no offers were received thus the action was unsuccessful.

It needs to be noted that the outstanding amount of R191 104.01 (October 2016) exceeded the total municipal valuation of the two properties. The value of the two plots are R68 000.00 & R92 000.00 respectively, totalling R160 000.00.

Section 8.4.1 of the Overstrand Customer Care, Credit Control and Debt Collection Policy (the Policy) reads as follows:

“The Municipality may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and, as last resort, sales in execution of property.”

Section 8.7.1 of the Policy furthermore provides as follows:

“Debt will only be considered as irrecoverable if it complies with the following criteria:-

(a) all reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount;”

A third party came to Mr Abdullah’s rescue and he paid an amount of R161 950.94 on 10 October 2016 to settle more than 84% of the outstanding amount. He requested the write-off of R29 153.07 (which amounts to 50% of the interest at that stage).

With the history of this account, inclusive of following the prescripts of the **Overstrand Customer Care, Credit Control and Debt Collection Policy**, inclusive of legal actions, it is the submission that the request of Mr Abdullah be submitted to Council for consideration. The municipality had no other avenue left to collect the outstanding amount, prior to the offer of the third party to settle the debt to an amount of R161 950.94 on 10 October 2016, representing more than 84% of the debt, exclusive of 50% of the interest on the account.

7. Financial Implications

Source of Funding eg. Capital/Operating Budget Provisions

Unique Key	Cost Account	Item Description
20150612090853	4 02 0630 028 1	Impair Service Charges

Budget Provision 2016/2017	:	R2 142 670.59
Spent to Date/Committed	:	R 533 490.32
Balance Available	:	R1 609 180.27
Funds Required	:	R 29 153.07

8. Staff Implications

N/A

9. Comments from other Departments, Divisions and Administrations

N/A

10. Annexures

None

RECOMMENDATION TO THE COUNCIL:

that interest to the value of R29 153.07 of Mr MH Abdullah be written off as Irrecoverable debt:

- i. Account Number 450000002908 (Erf 822): R14 052,07; and
- ii. Account Number 450000008423 (Erf 823): R15 101,00

RESPONSIBLE OFFICIAL :**EM HOONEBERG****TARGET DATE FOR IMPLEMENTATION :****31 JANUARY 2017**