

NDLAMBE LOCAL MUNICIPALITY



THE MANAGEMENT OF ACCUMULATED SURPLUS/DEFICIT AND BAD DEBTS POLICY 2024/2025

(1) **PURPOSES OF POLICY**

The purpose of the policy is to –

- (a) provide guidelines for the management of the accumulated surplus/deficit and bad debt provision;
- (b) recommend corrective steps; and
- (c) record procedures for the writing-off of bad debts.

(2) **DEFINITIONS**

In this policy –

“Accounting Officer” means the Municipal Manager acting in his or her capacity as accounting officer of the Municipality;

“Council” means the Council of the Ndlambe Municipality;

“Current assets” comprise debtors, cash, inventories and the short-term portions of investments and long-term debtors of the Ndlambe Municipality;

“Current liabilities” consist of creditors, bank overdrafts and the short-term portion of long-term loans [liabilities] of the Ndlambe Municipality;

“Municipality” means the Ndlambe Municipality;

“Net operating capital” means the difference between current assets and current liabilities of the Ndlambe Municipality;

“Unfunded funds, reserves and provisions” mean those funds, reserves and provisions not represented by cash.

(3) **MANAGEMENT OF THE ACCUMULATED SURPLUS/DEFICIT**

- (1) The surplus/deficit that arises annually in the appropriation account must be accrued in the accumulated surplus/deficit of the Municipality.
- (2) Unfunded funds, reserves and provisions may be transferred to the accumulated surplus/deficit of the Municipality.
- (3) If an accumulated deficit exists, a contribution equal to three percent [3%] of the total trading income must be made in the operating budget of the Municipality until the accumulated funds balance is at a surplus.
- (4) Any unallocated funds in the accumulated surplus may be transferred to the provision for bad debts.

- (5) If the Municipality has a bank overdraft, the accounting officer must indicate how and when the overdraft will be redeemed and which funds will be employed for this purpose.
- (6) Prior year expenditure less than R100 000 must be processed in the new year.

(4) **MANAGEMENT OF BAD DEBTS**

- (1) The accounting officer must make an annual contribution to the bad debts provision in the operating budget of the Municipality.
- (2) The total bad debts provision of the Municipality shall be calculated based on Treasury factors assigned to each debtor based on each debtor's payment history equal to the total debts outstanding for longer than 90 days excluding such amounts owed by government department. Staff, councilor's and consumers paying arrangements regularly in accordance with council policy.
- (3) After the consideration of the report contemplated in subparagraph (3), the debt collection, credit management and indigent relief policies of the Municipality must be reviewed and new targets for debt collection must be determined by the Council.
- (4) The Council may approve the writing-off of bad debts after it has considered a report by the accounting office containing –
 - (a) the steps taken to collect particular outstanding debts which must be listed;
 - (b) the success or otherwise of such steps;
 - (c) the solvency status of the listed debtor;
 - (d) the probability of a substantial dividend payment from the insolvent estate of a listed debtor;
 - (e) the possibility of payment from the estate of a deceased debtor; and
 - (f) that the outstanding amount is so insignificant that it is not worthwhile to take further steps to collect the outstanding debt concerned.

(5) **COUNCIL RESOLUTION**

Any resolution by the Council to write-off debt must clearly state the account number, the name of the debtor and amount written off.

(6) **DELEGATION OF POWER**

The accounting officer may delegate his/her responsibilities in terms of this policy to the Chief Financial Officer of the Municipality.