

7 Tips to Financial Competence

SARPA Convention

11 – 12 July 2013

Discussion Points

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- 2** • Debt Breakdown
- 3** • Municipality Challenges
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Municipalities Tightening Up On Rates

Posted by PropertyWheel On May 27, 2013 0 Comment

Debt owed to municipalities

SA's petrol price to rise 6.8%

Reuters and Times LIVE | 28 June 2013 12:56
MUNICIPAL

Minister says m
risk

BY PAUL VECCHIATTO, 12 DECEM

Billing p

Billing problems
disconnection c

Gauten

First ai

GAUTENG municipali
ding three metros, are owed more
than R26 billion.

The DA in Gauten
municipalities were
"financial abvss" beca
growth in debt

Bad management in E
Metropolitan Municipi
has been blamed for t
R3-billion bad debt.

02 October 2012 | Brian Mchunu

Billions owed to municipalities

Municipalities in the province
are owed approximately R3.3
billion in unpaid bills for rates
and services.

PATRICI
METRO REPORTER

THE TSHWANE Metro is writing
off more than R700 million in interest
on the arrears of residential
consumers in a bid to encourage
residents to settle their debt.

The municipality is currently
owed R3 billion, with R2.5bn of the
amount owed for 90 days.

According to a report compiled
by chief financial officer Andile
Dyakala and tabled before the coun-
cil's monthly meeting on Thursday
last week, the unpaid interest on
residential debtors' accounts as at
R11.2bn, outstanding for more

but not paying; and Category D
represents customers that are
unable to pay

It is estimated that 40 percent of
the debt is owed by Category B cus-
tomers who are willing but unable to
pay their municipal accounts.

All interest on arrears as at
June 30, 2011, will be reversed so
that the municipality can enter into
arrangements for the settlement of
the arrears over 48 months.

In special instances, the repay-
ment period will be extended to 60
months.

In the case of Category C con-



Billions in
unpaid rates
hindering
electricity
development

Mr Mahlawe said that municipal-
ities' contribution to capital expendi-
ture was now less than 50% of
total capital spending.

He said municipalities needed to
pay attention to the integrity of
their billing information. Their
services were generally underpriced
and their tariffs needed to reflect
the cost of providing a service. "We
ave instances where some
municipalities were cutting off a
consumer's electricity for not
having paid their water bills," he
aid.

a council issued

re plan to create regional

debt collectors

ntitled to offer. However, he said
not an alternative had not been out

ermination notices are hand-

1 notices as

1 the metro day

and councillors
[who are in]ling queries say
The DA ened before.

Today, the story
all new built
solar panel
houses.

he said that before
terminations were
"Municipi days, but this
introduce s, shortened to
existing b due date.
install, pre- it is not true that revenue is

Eskom owed more than R1bn for electricity

West Rand — The city last month said it would
have resolved about 200 000 billing-related queries
by the end of June, in line with its November
promise. Thousands of residents had issues with
their statements after the city moved its disparate
systems onto a SAP platform through a project
codenamed Phakama. The move cost at least
R580m.

In March, according to itweb.co.za there were

idents and the public in ger

Cahill say
backlog as i
residents and civil society.
However, she adds: "It's cl
billing crisis is far from ove

Asked for comment by
phologela, deputy directo
nications in the city's rev

R100.18 charge for pre-termina-

Municipality warn that they can cut services

The Stars Metrowatch sud-
denly started getting complaints
from residents and councillors
about this charge being added on
accounts in credit, paid on due
date or just a few days after due
date.

It is not true that the city is
using the levied amount to boost
its cash flow - the truth is that
we have appointed Attcol Panel
to distribute pre-termination
notices and we have to pay the
companies," he said.

About Us



- Andre Du Toit - Operations
- Public Sector Business Unit
- MBD Credit Solutions

Leading independent provider of credit management solutions in Southern Africa, specifically focusing on the collection of accounts receivables – 15 Year Experience

Analytical Team

Infrastructure

Governance

Employees

Technology



PUBLIC SECTOR BUSINESS UNIT

Provincial Debt Breakdown

Province	Total Debt	Major Towns
Gauteng	R37.3 billion	City of Johannesburg, City of Tshwane, Ekurhuleni
KwaZulu Natal	R10.6 billion	EThekweni, Msunduzi, Newcastle
Western Cape	R8.4 billion	City of Cape Town, Drakenstein
Free State	R6.8 billion	Mangaung, Matjabeng
North West	R5.9 billion	Rustenburg, City of Matlosana
Eastern Cape	R5.8 billion	Nelson Mandela Bay, Buffalo City
Mpumalanga	R3.9 billion	Emalahleni, Govan Mbeki, Mbombela
Limpopo	R3.5 billion	Ba-Phalaborwa, Polokwane
Northern Cape	R1.6 billion	Sol Plaatje

Approximately R85 billion

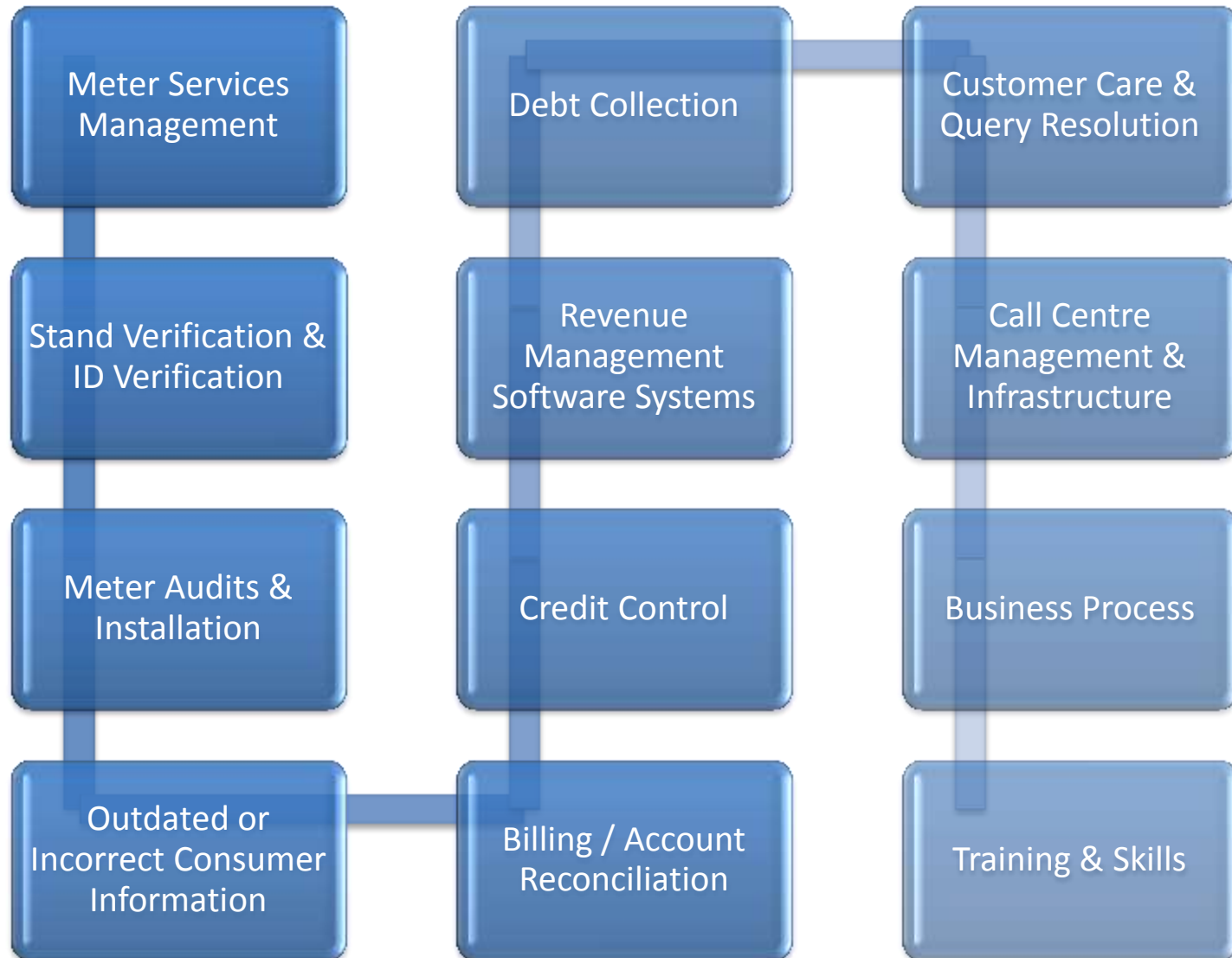
National Debt Breakdown

'000	0 – 30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Water	2 719 801	870 720	953 394	18 626 392	23 170 307
Electricity	5 283 554	821 741	699 124	8 444 368	15 248 787
Property Rates	3 039 683	549 561	841 657	14 225 433	18 656 334
Sanitation	1 051 833	269 331	318 100	6 681 937	8 321 202
Refuse Removal	578 634	188 036	279 060	5 188 812	6 234 543
Other	433 769	319 593	343 288	11 432 122	12 528 772
Total	13 107 275	3 018 983	3 434 623	64 599 064	84 159 944

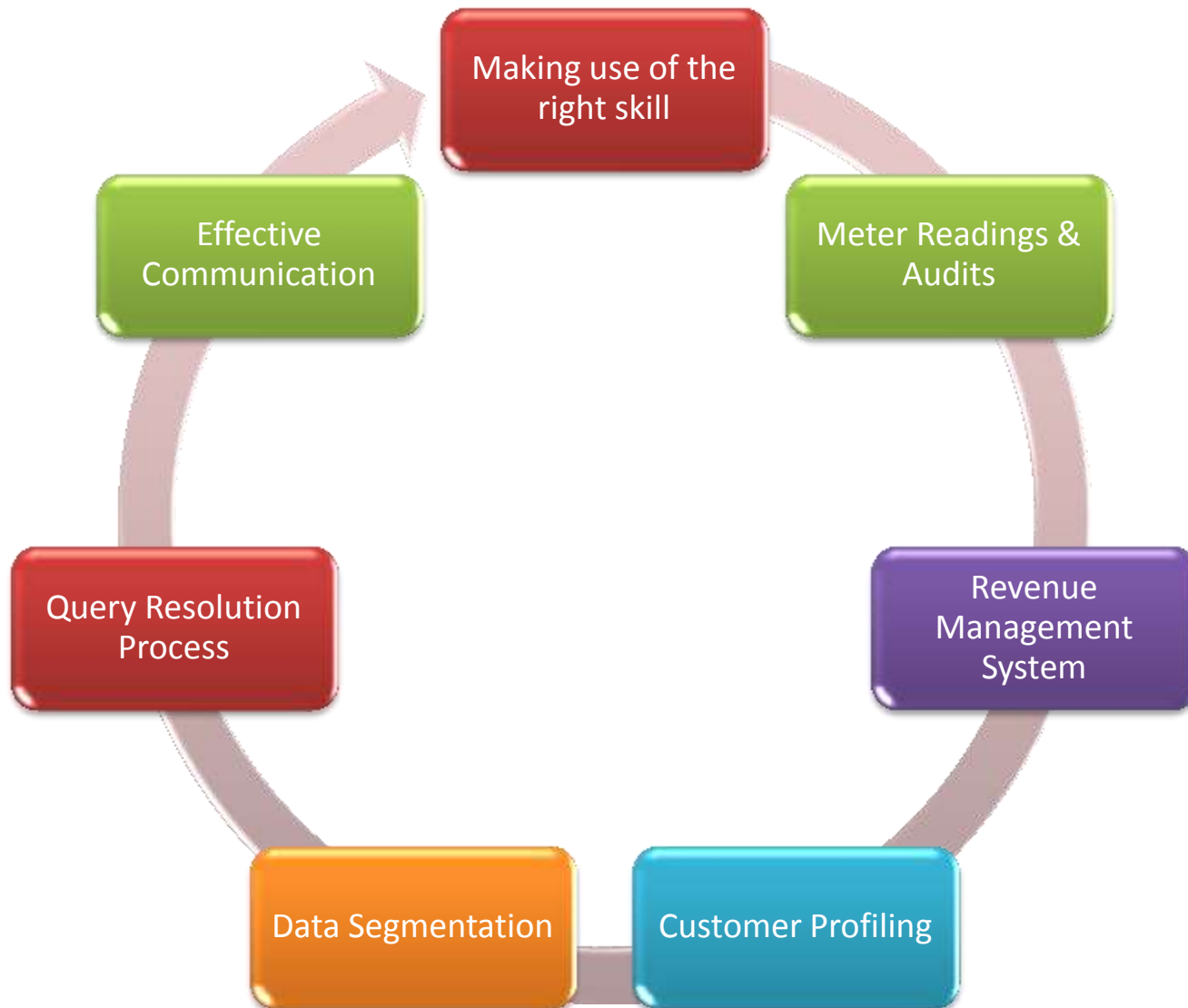
Government	Business	Households	Other	Total by Customer Group
4.7%	21.7%	64.1%	9.5%	100%

Approximately R85 billion

Municipality Challenges



7 Tips to Financial Competence



Making use of the right skill



- Imperative to the success and implementation of any strategy
- Fully trained and skilled to deal with the queries and revenue management
- Fully aware and have processes in place with regard to the applicable legislation
- Outsourcing non-core functions

Meter Readings & Meter Audits



- Audits and analysis to check if readings have been captured correctly
- Innovative methods for meter reading - Outsourcing
- Audits should ascertain which meters need to be updated and or fixed
- Meter audits should be conducted on a regular basis

Revenue Management System



- Making use of an effective and working revenue management system will lead to efficiency and profitability
- Integration with current municipal systems is important
- If outsourced, make use of the right revenue management company
- Due diligence must occur

Customer Profiling




- Provides key customer insight that can assist municipalities to better understand and service their consumers
- Ensure accurate data at account origination stage;
- Regularly cleanse and identify customer information
- Regularly enrich consumer information with third-party information
- Apply market analytics that are able to predict future consumer behaviour.

Debtor Book Analysis Case Study



Municipality approached MBD Credit Solutions to conduct a debtor book analysis

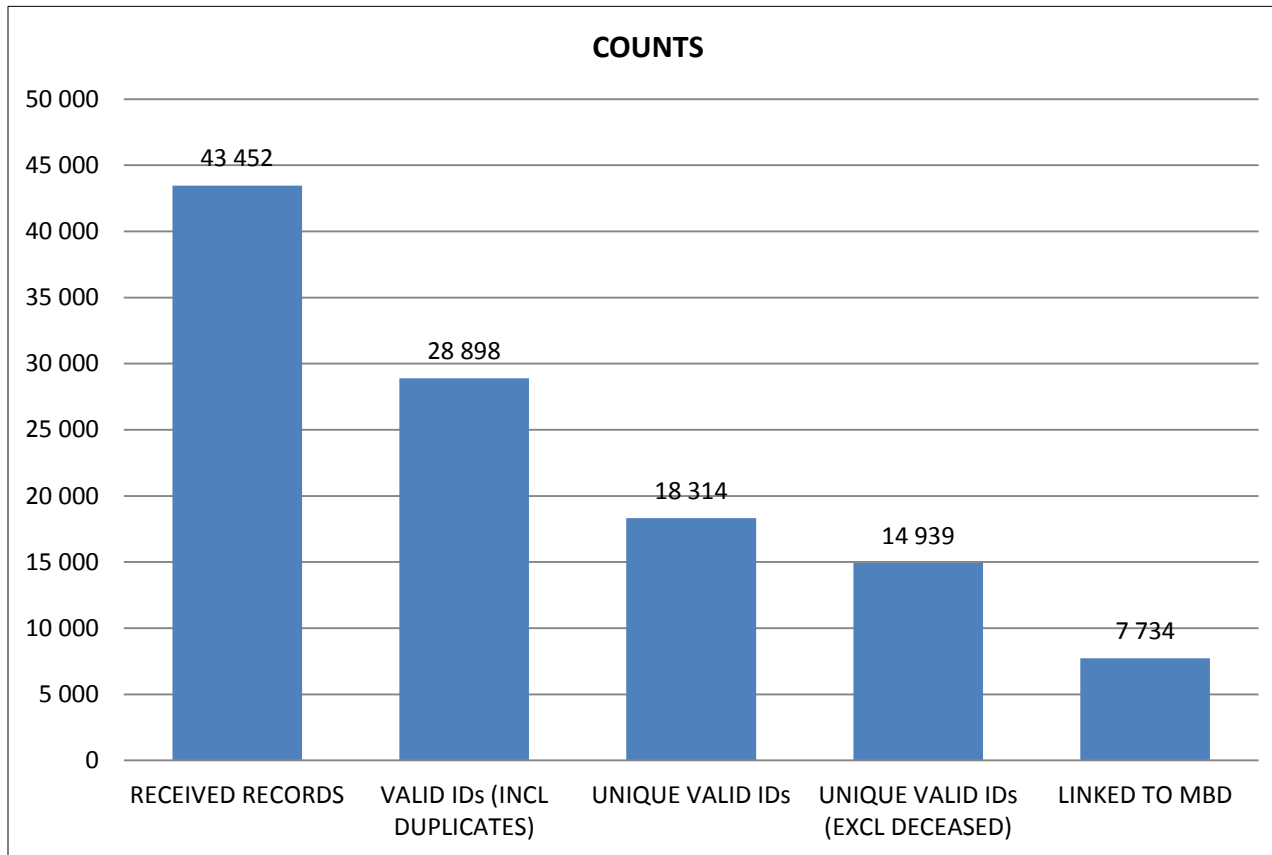


Analysis on current book revealed generic patterns and information on debtors



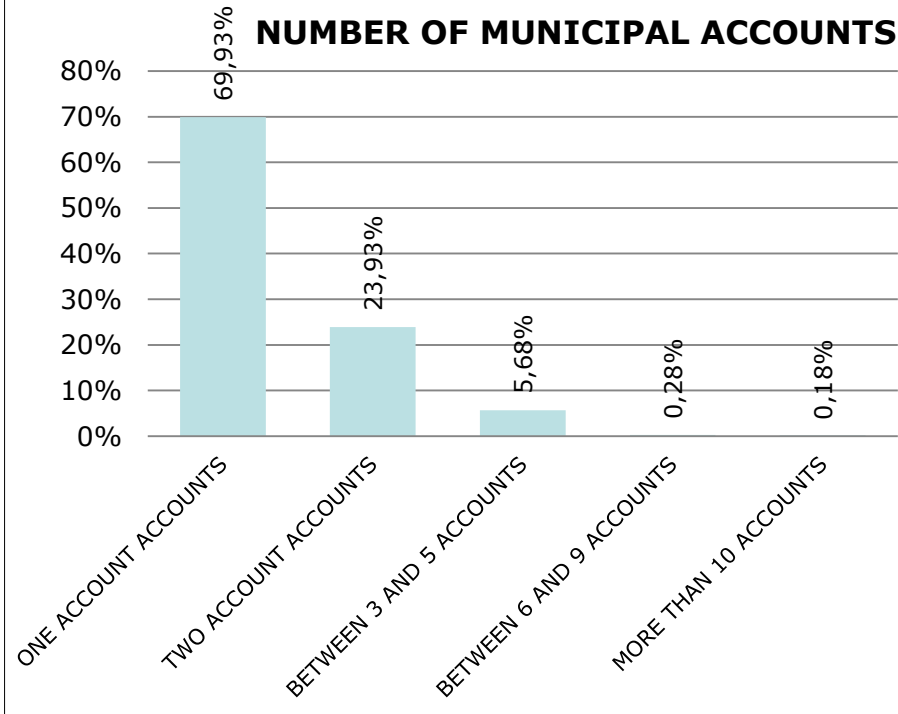
Feedback to municipality

Summary of Drop-offs



Usage

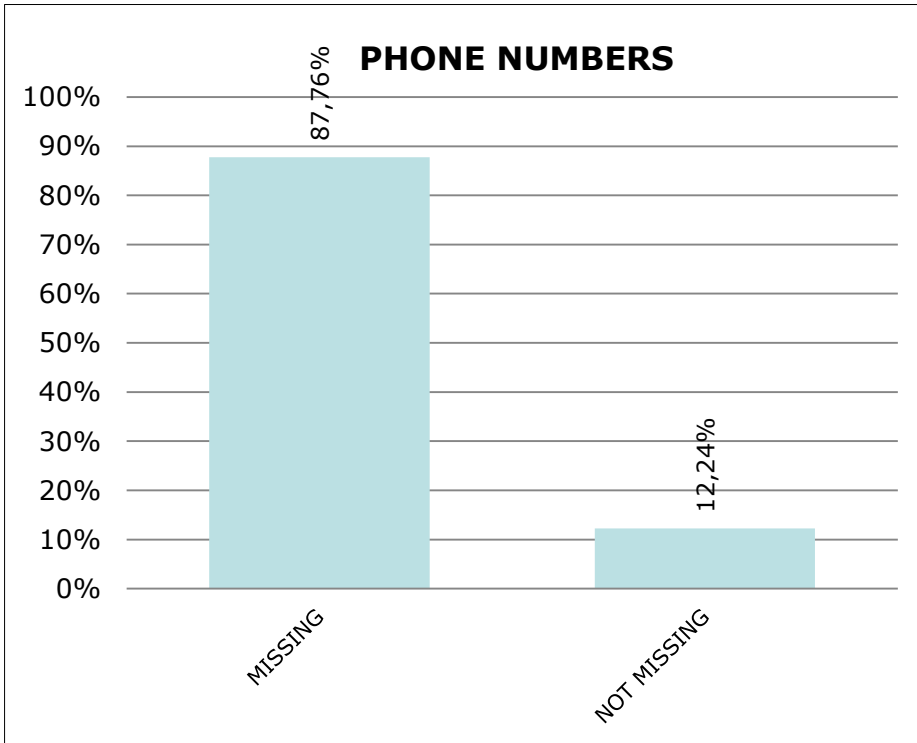
NUMBER OF MUNICIPAL ACCOUNTS



VALID ID NUMBERS

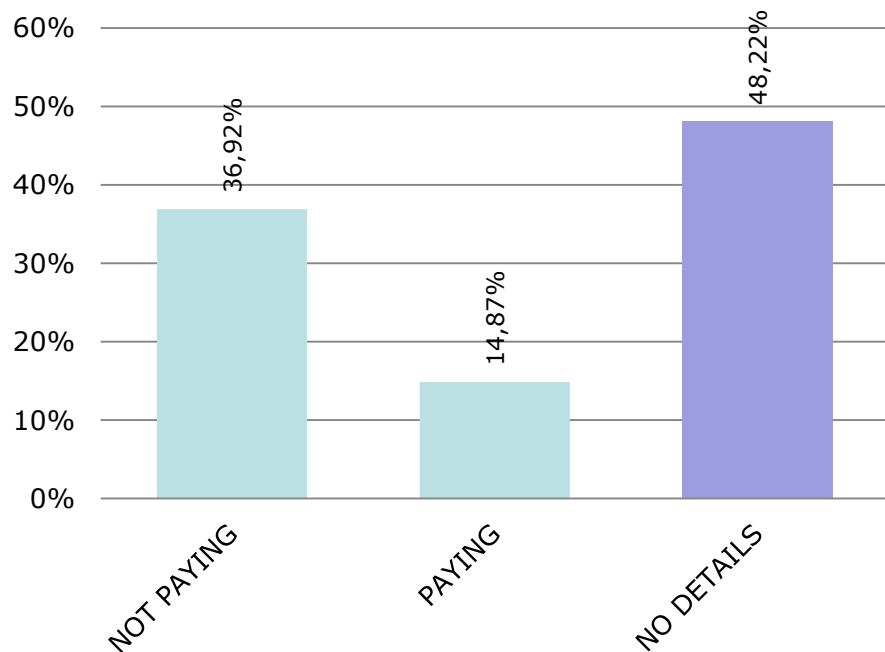


Usage

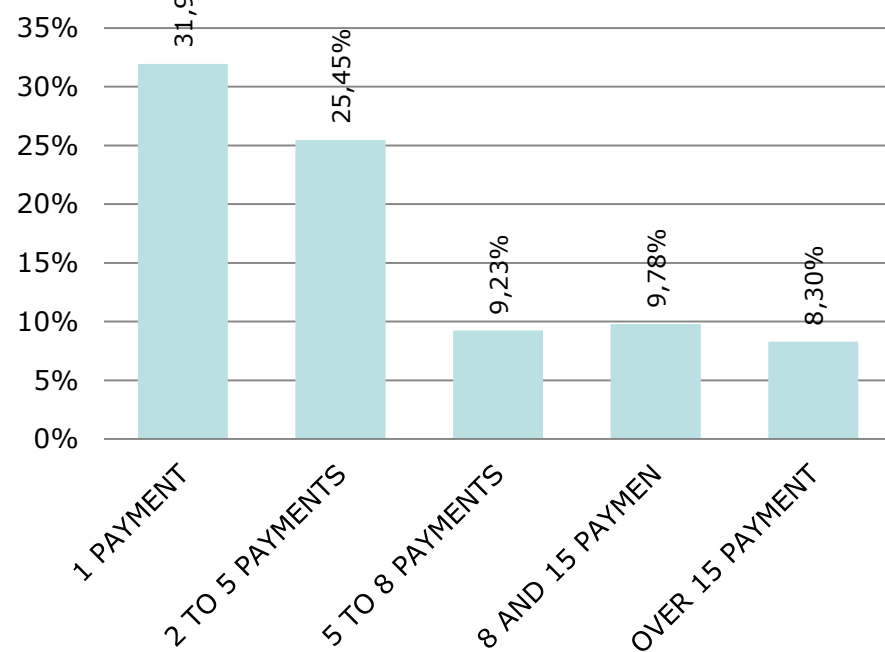


Linked

PAYING INDICATOR

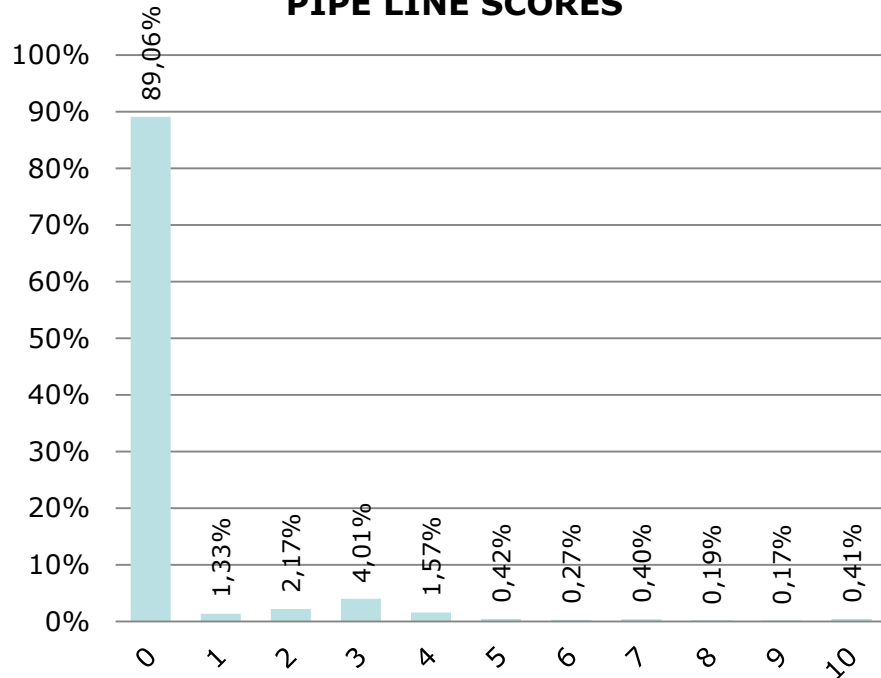


NO OF PAYMENTS

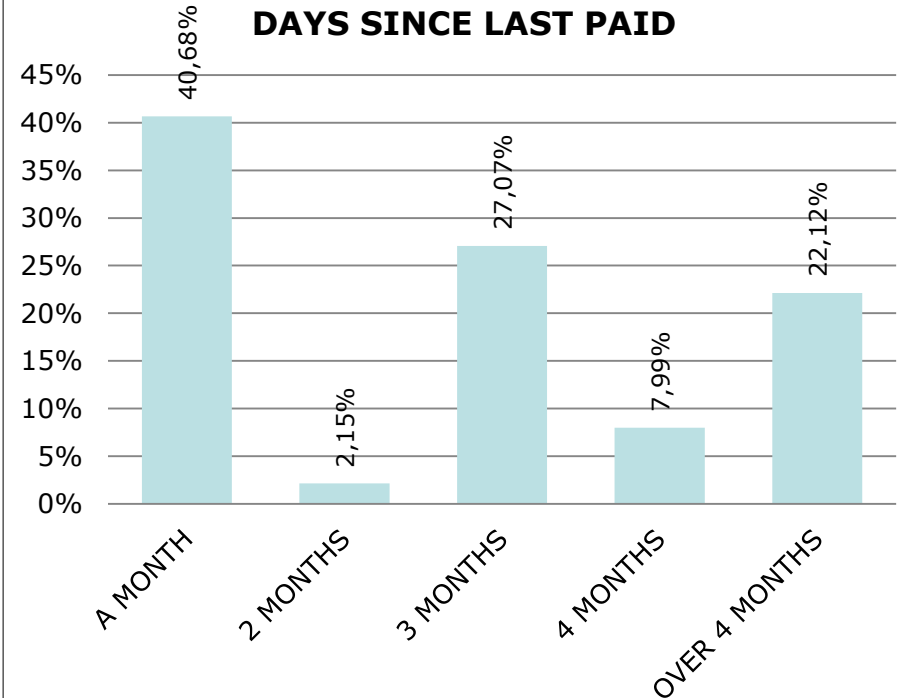


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PIPE LINE SCORES

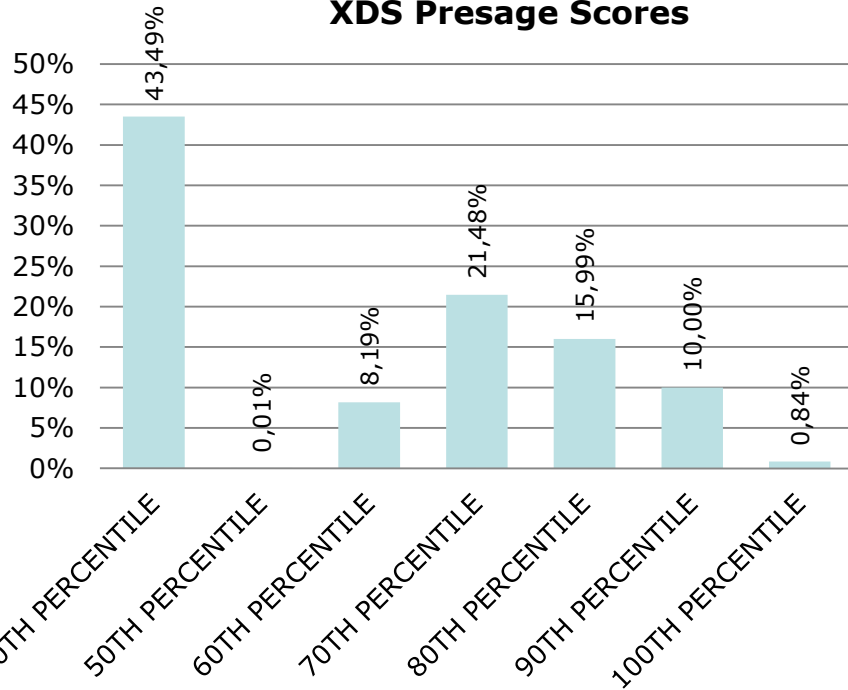


DAYS SINCE LAST PAID



Linked

XDS Presage Scores



Debt Review Status - 1

NUMBER

A	80
B	3
C	53
D	62
F	2
G	54
H	91

Debt Review Status - 2

NUMBER

A	1
C	5
F	1

Data Segmentation



- Data integrity, enhancement and segmentation are the cornerstones of effective collection and revenue management.
- Data should be segmented according to debtor group, age analysis, geographical area, financial status and debt type.

Query Resolution Process

A screenshot of a credit management software interface. At the top, it displays account information for "MR. STACK" with ID # 7207275135089 and status "VIRGIN ACTIVE". Below this, a table shows financial data: Capital (R 2235.49), Interest (R 46.49), Loan Fees (R 439.80), Payments (R 1450.60), and Settlement (R -6.88). The interface includes fields for "Appoint Manager" (9204031288), "Client" (VIRGIN ACTIVE), "Date", and "Document Type". A "Transactions" tab is selected, showing a list of events such as "20-May-2008 TYPE OF DOCUMENT - CONSENT LTR WITH NO LISTING SENT VIA LETTER FILE CLOSED - FREQ UP" and "19-May-2008 CLOSURE (SUSPENSE) - COUNTY NAMED - REQUEST CLOSURE FILE *". At the bottom, a "FILE CLOSED" message is displayed above the "CHEETAH Client Care" logo. A "Respond" button is visible in the bottom left corner.

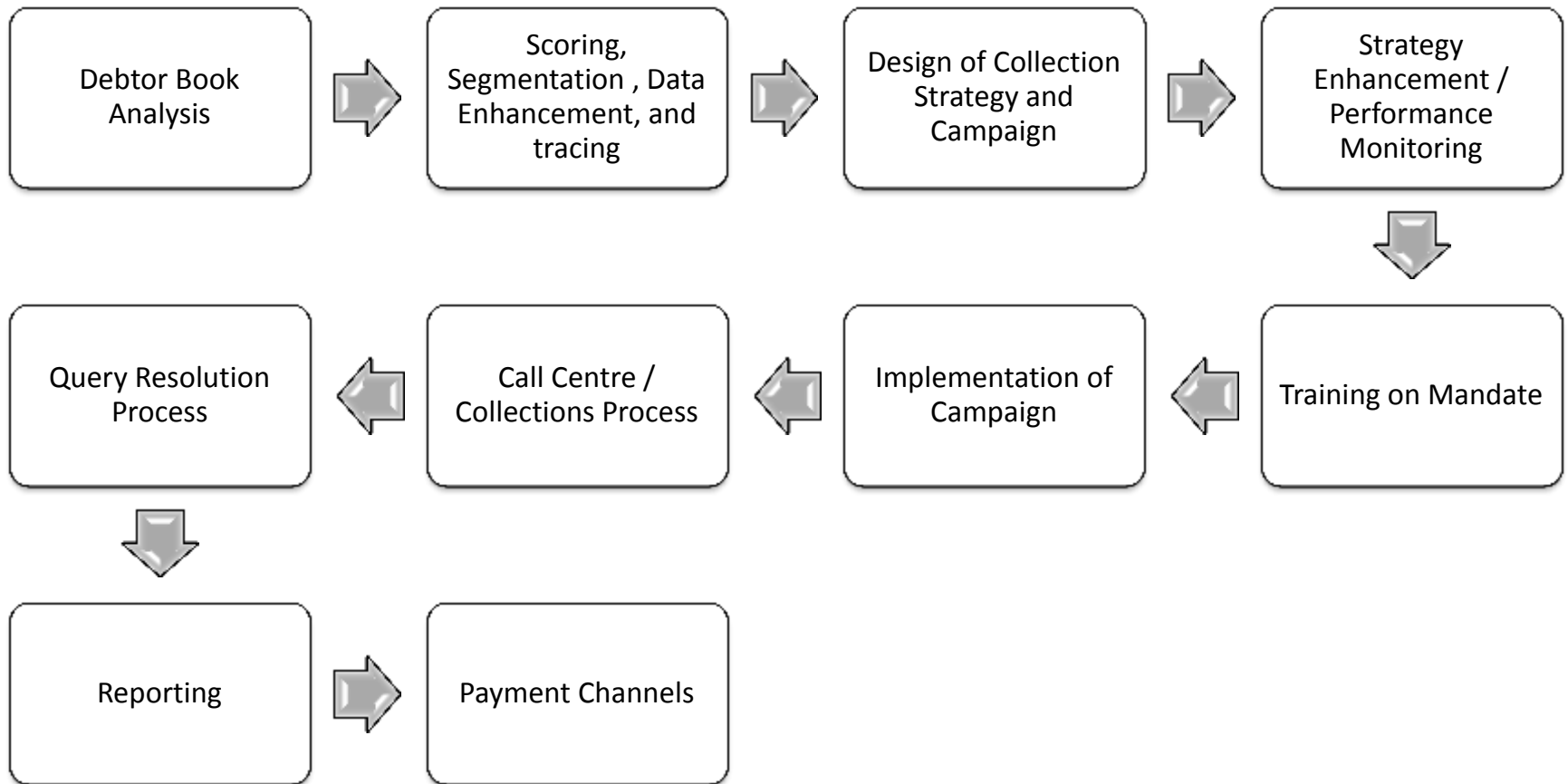
- Effective query resolution processes should be put in place in all municipalities
- Reference Numbers
- Tracking and Tracing
- Reports
- End to end solutions

Communication



- Effective communication strategy to be put in place
- Internal & External
- The various media that can be used

Collection Strategy





**IMPROVING YOUR REVENUE IS
OUR BUSINESS**

