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STRATEGY BUILDING BLOCKS

Lesson 1

Lesson 2

- Rules of the Game – Key Legislation
 - Municipal Systems Act
 - Municipal Finance Management Act
 - Property Rates Act
 - Insolvency Act
 - STMA
 - Magistrates Court Act
 - Prescription Act





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KEY COURT CASES



- Mkontwana vs NMMM CCT57/03 – Owner Liability
- Chantelle Jordaan vs Tshwane CCT – Interdicting Transfers
- PA Pearson vs eThekweni SCA – Section 102 – Receipt Transfer
- Croftdene Mall vs eThekweni SCA – Section 102 – Nature of Dispute/Jaftha v Schoeman & Others 2004 JDR 0601 (CCT 74/03) (Housing Sale)
- Mkhize v Umvoti Municipality (Housing Sale)
- Hartzenberg and 8 others vs. Nelson Mandela Metropolitan Municipality (Pre-paid no By-law))
- B G Beck & Others v Kopanong local Municipality (Pre-paid, Service provider, By-Law))
- Joseph v City of Johannesburg and others CCT 43/09 (14 days notice Tenant)
- Mazibuko vs COJ – disconnection of water



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JUDGES ARE.....

- Referee of the game



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WHAT CAN BE DONE TO IMPROVE?



• INNOVATIVE THINKING AND BROAD UNDERSTANDING OF LEGISLATION & COMMON LAW

- Adopt broad principles:
 - Try to shortened collection process by using S 58 of the Magistrates Court Act – Consent to Judgment
 - Defend all cases initiated by Debt Counselor
 - Don't entertain business rescue of Tenants (Businesses)
 - Don't submit claims at an Insolvent Estate if there is change of contribution
 - Always hold the owner responsible for the debt S118 (3)
 - Disconnect Services for non payment including pre-paid electricity
 - Consolidate payment to different accounts
 - Implement your own blacklist to determine future deposits
 - Profile customers based on risk exposure to the Municipality



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KNOW YOUR CUSTOMER



- Profile customers according to:

- Payment history
- Consumption Patterns
- Consumer type
- No properties per Customer
- Keep record of "Bad Apples"



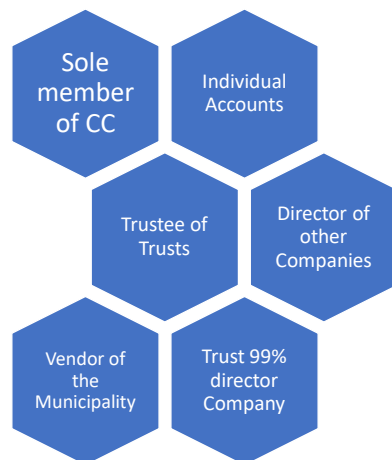
- Indigent customers

- Re-look registration/targeting approach
- Be aware of Fraud

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CUSTOMER PROFILE ON RISK



Determine total properties & Accounts

Establish total debt
Manage total Debt

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STRATEGY CONCEPTS APPLIED



- **ARREST A DEBT**

- The approach is to prevent the debt to escalate and is an automated process of sending redline letters, redlining customers and final demands for all accounts that fall into arrears. This is to get the customers to pay whilst the debt is still affordable. Issued summonses.

- **CONSOLIDATION OF ACCOUNTS ACCESS RISK PROFILE**

- This process is ongoing where separate accounts belonging to one property are consolidated customer is linked with all accounts across multiple properties and business associates for effective credit control.

- **STERILISE PROPERTY AND PERSON**

- This process endeavors to prevent services to a property if there is outstanding debt s118(3) and the second part is to get judgment debt ASAP.



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STRATEGY

CONT..



- **MAJOR DEBTORS TEAM**

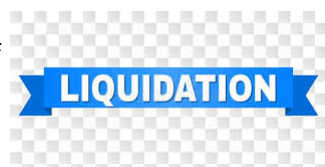
- Major debtors are generally customers with 50 or more accounts eg. Transnet. These are companies that are willing and able to pay for services and rates but outstanding as a result of unresolved queries. There is a person/team dedicated to these customers.

- **TOP DEBTS TEAM**

- This person/team is totally dedicated to high value, generally single debtors. Started at debt above R1m and working down from these.

- **GOVERNMENT TEAM**

- There is also a team working with Government departments to resolve outstanding issues and ensure payment of those accounts.



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IMPLEMENTATION PLANS - TENANTS



- Tenants
 - Notice – Owner and Tenants
 - Breach Contract
 - 7 days to remedy
 - Non compliance cancel agreements – transfer debt to owner
 - Business rescue – Cancel Agreement transfer debt
- Owner Rates Only
 - Attach rental
 - Section 28/29 notices MPRA
 - Non – compliance Disconnect



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IMPLEMENTATION PLANS - OWNERS



- Sterilise Owners
- Receipt Transfers between services and Accounts
- Disconnection of Services – Credit and Pre-paid
- Multi property Owners
 - Receipt transfer at S118 stage
 - Foreclose on properties
- Body Corporate Debts
 - Appoint Administrator S16 STMA
- Set-off as principle with vendors



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EVALUATING SUCCESS OF CREDIT CONTROL POLICY



- Success is evaluated by comparing actual results against set objectives and targets
- It is vital to the long term financial viability of any municipality that it collects the revenues due to it for services rendered
- Credit control and debt collection policy therefore aims at defining and providing the framework, mechanisms, procedures etc. to facilitate the timely collection of the revenues due to the municipality.



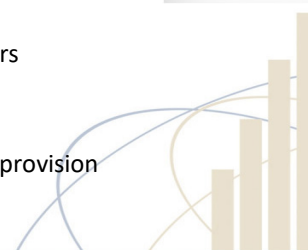
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EVALUATING SUCCESS OF CREDIT CONTROL POLICY (CONT.)



- To evaluate success of your credit control policy, you should have set targets (consistent with the policy) against which to measure, e.g. monitoring
 - Debtor payment days on monthly basis against debtors days target.
 - Success/improvement will be indicated by a reduction in your debtors days
- Trends in defaulters.
 - Indication of success/improvement will be the reduction in defaulters
- Trends in debts written off or provided for.
 - Indication of success/improvement is the reduction in bad debts or provision thereof



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EVALUATING SUCCESS OF CREDIT CONTROL POLICY (CONT.)



- Trends in interest levied on arrear accounts.
 - Indication of success/improve is the reduction in interest as this means that debtors are complying with payment terms
- Trends in cash in/outflows.
 - Indication of success/improvement is positive cash inflows as this means you collecting more than you are payments
- Trends in the number of termination of services.
 - Indication of success/improvement is a reduction in the number of service terminations as this means debtors are complying with payment terms



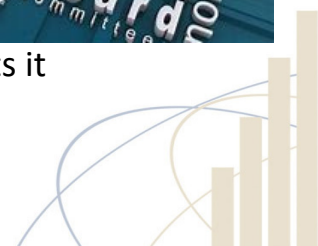
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IMPAIRMENT OF DEBTORS



- Ensure Impairment Policy
- Compliance with GRAP 104
- Review policy if not adequate
- Have clear set rules to do write off
- Report to Council (s71)
- Understand prescription of debt and what interrupts it



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