

**ITEM 1:** Incentives schemes on improving cash flow and providing assistance to the community during the Covid-19 pandemic

### **PURPOSE**

To improve municipal cash flow and assist all communities in lightening the burden of municipal debt during the different stages of the national lockdown period.

### **BACKGROUND/INTRODUCTION**

The municipality has been experiencing difficulty in generating cash flow during the different stages of the lockdown period that started on the 27<sup>th</sup> of March 2020 and came as a result of government's response to fighting the Covid-19 pandemic, therefore the finance office has developed incentives aimed at increasing the cash flow of the municipality whilst at the same time assisting the community during these hard times of the lockdown period. The following are the interventions needed from a finance perspective in order to assist the greater community and allow for the municipality to generate positive cash flow.

### **INDIGENT CONSUMER'S AND DECEASED INSOLVENT AND INTERSTATE ESTATES ARREAR DEBT**

All arrear debts owed to council by approved indigent households for the 2019/20 financial year should be written off on approval of the accounting officer as a result of the drought and the covid-19 pandemic. All current successful indigent households' expiry dates be extended up until 30 June 2021 for renewal to the impracticality of renewing the applications during the covid-19 pandemic. Deceased estates arrear debt be written off in the event that the family or a member on behalf of the family issue an affidavit that the occupier is the legal beneficiary of the estate and if the occupier qualifies as an indigent. All households that have become indigent during the lockdown period should be encouraged to apply for indigent status.

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## **INCENTIVE SCHEME FOR PAYMENT OF ARREAR DEBTS TO BE INSTITUTED**

Council should embark on a debt reduction incentive scheme to encourage consumers to pay for their arrear municipal debts. The incentive scheme should aimed at reducing municipal debt by assisting qualifying consumers to bring their accounts into good standing by writing off a portion of their debt in exchange for prompt and timeous payment of all arrear debts owed to the municipality before 31 May 2020.

The following incentives on cash settlement of arrear debts before 31 May 2020 should be offered:

Ageing of debt	Payment	Incentive amount write off	Expire date of incentive
All debts prior to 30 April 2020	R1	R1	31 December 2020

The table effectively translates to, for every one rand paid on arrear debt owed to the municipality before 30 April 2020, a one rand will be written off on the arrear debt owed and will be effective immediately upon approval of the accounting officer and is to end on 30 October 2020.

The incentive scheme should however be limited to:

- Domestic households
- Farmers
- Businesses on application (those that were not open to operate as essential services under lockdown level 5)

## **CASH RECOVERING ON ARREAR DEBTS OWED TO THE MUNICIPALITY ON A 60:40 BASIS**

The municipality should instruct Utilities (prepaid electricity service providers) to implement a method of recovering arrear debts owed to the municipality through deducting 40% of all prepaid electricity purchases as payment towards arrear debts owed and provide 60% worth of electricity to all owing consumers. This will assist greatly in recovering arrear debts owed to the municipality and should be implemented starting immediately on approval of the accounting officer.

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## **FINANCIAL IMPLICATIONS**

The total amount owing for indigent households for the current financial year up until 30 April 2020 to be written off against the bad debt votes, as it has been done on a yearly basis. All indigents are accordingly financed through the Equitable Share.

## **LEGAL FRAMEWORK**

- The Municipal Finance Management Act, 2003 (Act 56 of 2003) as amended
- Credit Control Debt Collection policy

## **COMMENTS FROM THE CHIEF FINANCIAL OFFICER**

## **CONCLUSION**

The incentives as set out above will serve as the municipality providing assistance to struggling households and businesses whilst increasing municipal cash flow.

## **IT IS RECOMMENDED THAT**

- All arrear debts owed to council by indigent households for the 2019/20 financial year should be written off on approval of the accounting officer.
- Deceased insolvent and interstate estates arrear debt be written off in the event that the family or a member on behalf of the family issue an affidavit that the occupier is the legal beneficiary of the estate and if the occupier qualifies as an indigent.
- Incentives on cash settlement of arrear debts before 30 April 2020 be implemented immediately upon approval of the accounting officer.
- Cash recovering method on electricity sales of 60:40 be implemented immediately upon the approval of the accounting officer as per council approved credit control and debt collection policy.

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**SIGNED OFF BY:**

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**CHIEF FINANCIAL OFFICER**

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**DATE**

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**MUNICIPAL MANAGER**

\_\_\_\_\_  
**DATE**

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