



IMPACT COVID-19 ON MUNICIPAL REVENUE

PUBLIC SECTOR FINANCE SEMINAR 13 -
14 JULY 2021


PJA DU PLESSIS

HEAD REVENUE MANAGEMENT – ETHEKWINI METRO

“You need in the long run for stability, for economic growth, for jobs, as well as for financial stability, global economic institutions that make sure that growth to be sustained has to be shared, and are built on the principle that the prosperity of this world is indivisible.”

- GORDON BROWN

CONTENT

- Legislative Guidance on Relief
 - COVID-19
 - Public Demand
 - Municipal Sustainability
 - Municipal response
- 

LEGISLATIVE GUIDANCE

MUNICIPAL PROPERTY RATES ACT:

- SECTION 15(1) - ***A municipality may in terms of criteria set out in its rates policy-***
- Exempt; Rebates; Reductions

MUNICIPAL SYSTEMS ACT

- SECTION 96 - A municipality-
- (a) ***must collect all money that is due and payable to it, subject to this Act and any other applicable legislation***
- This will include Credit Control Policy

MUNICIPAL FINANCE MANAGEMENT ACT

- SECTION 28 – ADJUSTMENT BUDGETS
- (6) ***Municipal tax and tariffs may not be increased during a financial year.***

COVID-19 SURPRISE

- Did not feature on Risk register
- Total Lockdown unforeseen
- Lack of operational ability
- No water & electricity meter reading
- Communication limited
- Staff return – anxiety and fear
- Costs to prepare workplace in inline with regulations
- Drop in cash collected
- Public outcry on loss in revenue

COVID-19 ECONOMIC IMPACT

01

Job – Losses

02

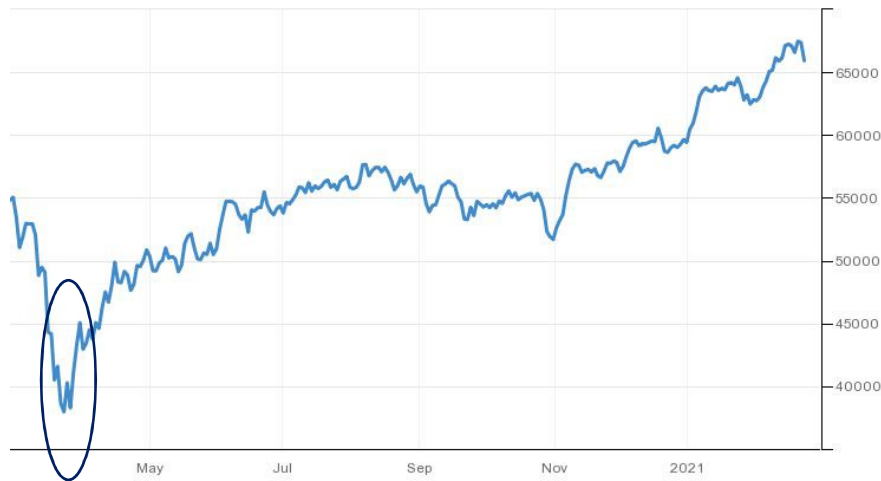
Closure of
Businesses

03

Drop in GVA

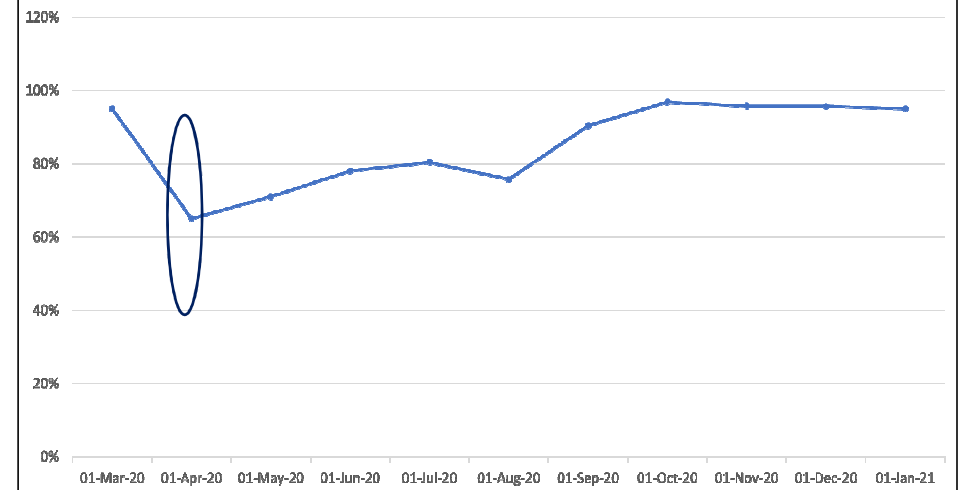
JSE AND LOCAL IMPACT

FTSE/JSE Africa All Share Index



SOURCE: TRADINGECONOMICS.COM

CASH COLLECTIONS



PUBLIC DEMAND

Draft response:

3.1.1. The city specifies that there will be no blanket deferral system to customer accounts. The city is of the view that there should be a payment plan entered with the customer and the customer should pay a certain amount as an expression of an intention of payment. Every case shall be treated on its merit. The credit control principles must be applied fairly.

3.1.2. The City is unable to defer all the commercial accounts for rates and taxes because everyone must be treated equally. Moving from this premise, the City cannot be able to shoulder the three months proposed flexible payment of the deferred rates and taxes. The municipality receives its one third income from rates and taxes and if this was employed it means the City must find elsewhere R2,5 billion that it receives from taxes, rates, and similar charges in the stated three months period. During this winter season that is May, June, and July our utilities charges are tricky the municipality pays R1 billion for the electricity and water accounts to Eskom and water board. You must remember that Eskom, Water board, and Salaries cannot be deferred.

3.2.2. There must be minimum payment for services rendered to keep the cash flowing.

the deferred rates, subject thereto that all rates and taxes ought to be up to date by 31 December 2020. 📌

It that actual
in April.

we therefore
just 2020, to

MUNICIPAL SUSTAINABILITY

- Cash Collections
- Liquidity – Cash days on hand
- Impact on Capital program
- Tariff Increases for the future
- Salary Increases
- General Affordability
- Specific Line Items that can be used as savings to provide assistance in adjustment budget (Interest)



COST CUTTING ITEMS

Rationalisation of photostat Machines

Rationalisation of printers

Landline Telephone & Cellphone Costs

Data Costs

Newspapers & Other Publications

Beverages & Refreshments

Tea & Coffee

Diaries & Desk Calendars

Use of Vehicles

Rationalisation of Drivers/Messengers

Printer Cartridge Controls

Stationery Controls

Security Costs

EPWP Costs

Overtime Costs

Printing: Time & Attendance, Salary Slips, Bills, Reports, Agendas, Applications, etc.
--

Use of Consultants

Filling of Vacancies

RESPONSE TO CUSTOMERS

Approach Council with some relief

- Permissible in terms of policies
 - Section 15 of MPRA
 - Credit Control and Debt Collection

Response should Indicate

- Financial sustainability
- Legislative requirements
 - Adjustment Budgets
 - Duty to collect debt
 - Policy imperatives what is possible and what is not



LESSONS LEARNED

- COVID-19 here for multi years
- Business Continue Plans needs to be re-drafted
- Cash management in Municipalities needs new process, Budget Staging?
- Insurance – Loss in revenue
- Re-design office operations – move to Digital processes
- Create an environment where staff could work from home with the necessarily performance monitoring capabilities

Thank you

