

City of Johannesburg Council 2024-03-19/20

COJ : MAYORAL COMMITTEE 2024-03-13

GROUP FINANCE

75 AMENDMENT OF TARIFF CHARGES DISHONOURED / ELECTRONIC PAYMENTS: 2024/2025

1 STRATEGIC THRUST

The City identified eleven (11) Priority Areas that the SDBIP, IDP and budget aim to achieve. The applicable priorities for this Report are:

Good Governance
Financial Sustainability.

2 OBJECTIVE

The purpose of this report is to present to Council for public participation purposes for Dishonored Payments tariff in respect of the 2024/ 2025 financial year.

3 BACKGROUND

When an account holder's banker dishonors a payment by an account holder, the bank charges the party presenting payment (the Council) a levy. This levy is then passed to the account holder to create a deterrent to account holders not to make a payment when funds are not available to honor that payment. The amount levied by Council is not only the amount charged by the banker to the Council, but also incorporates the costs incurred by the Council in reversing the payment received from the account holder.

The Council is presently charging R399.65 (Excl Vat) for each dishonored transaction. This amount is proposed to be increased in line with projected inflation. The projected CPI is 4.8%. Consequently, this tariff is proposed to be increased to R418.83 (Excl Vat) for 2024/2025 financial year.

(1) Legislative Requirements

The Municipal Finance Management Act (MFMA) provides a framework for the preparation of municipality's budgets, section 21 of the MFMA is the primary provision relating to the municipal budget process. It requires the mayor to coordinate the processes for preparing the annual budget and for reviewing the Integrated Development Plan (IDP) and budget related policies to ensure that the tabled budget and any revisions of the IDP and budget-related policies are mutually consistent and credible.

(2) Underlying budget principles

- Departments and MEs are required to justify their 2024/25 medium term budget requests by providing detailed information of the cost.

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- Ongoing costs be funded with ongoing revenues. Align continuing expenditures with continuing revenues, on a level that can be reasonably sustained and reduce reliance on one-time funding.
- Revenue forecasts should be neither overly optimistic nor overly conservative. Should economic downturns develop which could result in revenue shortfalls; the city will adjust in the anticipated expenditures to compensate for the shortfall in revenue to protect the net operating margin.

(3) Assumptions and Key Parameters:

CPI is estimated at:

4.80% - 2024/25
4.50%- 2025/26
4.50% - 2026/27

4 POLICY IMPLICATIONS

The proposal is in line with the City of Johannesburg's guiding principles on the determination of

Tariffs in that tariffs should be equitable and affordable.

5 FINANCIAL IMPLICATIONS

The tariff is increasing and the recovery of costs from consumers will be R418.83 (Excl. Vat) per dishonoured payment.

6 ECONOMIC IMPLICATIONS

The content of this report has no economic implications.

7 COMMUNICATION IMPLICATIONS

The relevant information regarding the amended tariffs will be communicated to all the role players in the manner as prescribed by law.

In addition to the statutory requirements concerning the amendment of tariffs, it will be necessary to advise all account holders by means of a statement message that the tariff for dishonored payments will increase to R418.83 (Excl. Vat).

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8 CONSTITUTIONAL AND LEGAL IMPLICATIONS

This report has been finalized in conjunction with Legal and Compliance to ensure compliance with all relevant Legislation. It should though be kept in mind that by virtue of Section 28 (6) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), once the new tariffs have been determined in respect of the 2024/2025 financial year, it may not be further increased during that financial year, except when required in terms of a financial recovery plan as contemplated in the Act.

For that reason, it is essential to ensure that the proposed increases comply with the budgeted needs of the Council in respect of the 2024/2025 financial year.

9 OTHER BODIES/DEPARTMENTS CONSULTED

Cash Management, Rates and Taxes, Billing and Revenue Management were consulted in the development of this document. MOEs are being contacted with a view to aligning the Council's various entities. Legal and Compliance were consulted in finalizing the report.

IT IS RECOMMENDED

- 1 That the Tariff Charges for Dishonoured Payments (Debit Orders) for the 2024 / 2025 financial year be increased to R418.83 (Excl. Vat) per transaction be approved.**
- 2 That the report be submitted to the relevant Section 79 Committee for comment.**

(GROUP FINANCE)
(Ms. C Raganya)
(Tel. (011) 628-4002)

THE NEXT ITEM FOLLOWS THE ANNEXURES TO THIS ITEM

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Annexure 'A

CITY OF JOHANNESBURG

AMENDMENT OF TARIFF OF CHARGES FOR DISHONoured PAYMENTS

In terms of Sections 17(3)a(ii) and 22(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) read with Sections 21 and, 21A(1) and (2) of the Local Government : Systems Act 2000 (act 32 of 2000) as amended; and also in terms of 11(3)(i) and 75A(1) and (2) of the Local Government : Municipal Systems Act 200 (Act

32 of 2000) as amended, read with section 16 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), as amended it is hereby notified that the City of Johannesburg declares its intention to amend its Tariff of Charges for Dishonoured Payments with effect from 1 July 2024

The following tariffs shall be effective from 1 July 2024

Fees Payable in respect of any dishonoured bank payments (Debit Order)	R418.83 (Excl. Vat) per transaction
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Annexure 'B'

AMENDMENT OF TARIFF OF CHARGES FOR DISHONoured PAYMENTS

Major benefits to the Communities of Johannesburg

This is to discourage communities from paying their accounts with bad cheques and thus incurring additional costs. This will improve the city's liquidity and reduce the debtors' book.

Communities that will benefit

All citizens of the City will not incur additional costs if they do not pay their accounts with bad cheques.

Implementation starts.

1 July 2024.

Implementation completion

On-going.

Cost of implementation

Nil.

How will communities be informed of the contents of this report?

The report is submitted to the Shareholder Mayoral Committee and the Section 79 Committee for Finance, which then becomes public information.

How can communities be involved in the implementation of this report?

Communities are encouraged to use channels that the city offers to report all service delivery related matter with regards to this report.

Contact information

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What other information can be given to assist Councillors to communicate the contents of this report to communities?

The report is presented in the format as provided for ease of standardization throughout the city.