

COJ : MAYORAL COMMITTEE 2019-03-06

FINANCE

111 **AMENDMENT OF TARIFF OF CHARGES FOR DISHONOURED / ELECTRONIC PAYMENTS: 2019/2020**

1 STRATEGIC THRUST

The City identified nine (9) Priority Areas that the SDBIP, IDP and budget aim to achieve. The applicable Priorities for this Report are:

- Priority 3: Create a culture of enhanced service delivery with pride and dignity; and
- Priority 6: Create a City that responds to the needs of citizens, customers, stakeholders and businesses.
- Priority 7: Financial Sustainability.

2 OBJECTIVE

The purpose of this report is to present to Council for approval for public comment the draft Tariff of Charges for Dishonored Payments in respect of the 2019 / 2020 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 in order 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 R312.56 (Excl. VAT) for each dishonored transaction. This amount should be increased by projected inflation. The projected CPI is 5.4%. Therefore, this tariff should be increased to R329.44 (Excl. VAT) for the financial year 2019 / 2020

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.

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Underlying budget principles

- Departments and MEs are required to justify their 2019/19 – 2020/21 medium term budget requests by providing detailed information of the cost.
- Ongoing costs should 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 make adjustments in the anticipated expenditures to compensate for the shortfall in revenue to protect the net operating margin.

Assumptions and Key Parameters:

- CPI is estimated at:
 - 5.4% - 2018/19
 - 5.4% - 2019/20
 - 5.9% - 2020/21

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 R329.44 (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 R329.44 (Excl. VAT).

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8 CONSTITUTIONAL AND LEGAL IMPLICATIONS

This report has been finalised 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 2018/2019 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 2019 / 2020 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

1That the Tariff of Charges for Dishonored Payments (Debit Orders) for the 2019 / 2020 financial year be increased to R329.44 (Excl. VAT) per transaction.

2That, in terms of Sections 11(3)(i) and 75A (1) of the Local Government: Municipal Systems Act 2000, (Act 32 of 2000) as amended, read with Section 16(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the City of Johannesburg declares its intention to amend its Tariff of Charges for Dishonoured Payments (Debit Orders) as set out in Annexure "A" with effect from 1 July 2019

3That, 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) and Sections 21, 21A(1) and 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, the City of Johannesburg:

(1)Display the notice and the documents and notice in the manner prescribed;
(2)Seek to convey to the local community by means of radio broadcasts covering the area of the City, the information contemplated in Section 21A(c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended; and
(3)Publish a notice in the manner prescribed and invites the local community to submit written comments or representations in respect of the City's declared intention to amend or determine Tariffs of Charges.

4That in terms of Section 22(b)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) a copy of the notice and documents be sent forthwith to the National and Provincial Treasury; MEC for local government; as well any other organ of state or municipality affected by the budget to solicit their views

5That the Executive Director: Finance in conjunction with Director: Legal and Compliance, in consultation with the Council's relevant Departments and all interested parties, report on the comments received in terms of paragraph 3

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above with recommendations on the final draft of the Tariffs of Charges for approval;

6That the report be submitted to a relevant Section 79 Committee for comment.

(FINANCE)
(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

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Annexure 'A'

CITY OF JOHANNESBURG

AMENDMENT OF TARIFF OF CHARGES FOR DISHONOURED / ELECTRONIC PAYMENTS: 2019/2020

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 2000 (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 2019.

The following tariffs shall be effective from 1 July 2019:

Fees Payable in respect of any dishonoured bank payments (Debit Order)	R329.44 (Excl. VAT) per transaction R378.85 (Incl. VAT) per transaction
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