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mSCOA countdown and the implications for the MPRA

Our Constitution provides for a democratic, accountable local government which prioritises the needs of the poor and promotes socio-economic development. Managing property rates and processes is a key function of local government where 10 to 45% of budgets are funded through property rates revenue. Most municipalities collect 20 to 30% of their annual revenue from property rates. mSCOA has implications for the Municipal Property Rates Act (MPRA) and there is confusion and inconsistent interpretation within the market. This article aims to identify and clarify the way forward.

Procurement of the Valuation Roll Management System (VRMS)

Traditionally the scope for a Valuation Roll Management System (VRMS) has been included within the bid specifications for the preparation and maintenance of general valuation rolls for municipalities. National Treasury's Circular 80 recommends use of the transversal contract and associated panel of vendors for the supply of financial management and internal control systems. Should a municipality not do so, it is required to write a motivation to the National Treasury for a written response and recommendation.

The risk of continuing to include the VRMS specifications within the General Valuation bids is that valuation service providers may use applications/systems which don't enable mSCOA compliancy. These applications may meet MPRA specifications, but aren't able to interface seamlessly with financial systems as mSCOA prescribes. This may result in contractual confusion, fruitless and wasteful expenditure, notwithstanding qualifications from the Auditor-General.

Automated programmatic interface requirements between the financial system and the sub-systems

Circular No 80, 8th March 2017 prescribes that all sub-systems which affect the general ledger must interface seamlessly with the municipal financial system across all mSCOA segments, its core system and sub-systems. This has implications for how municipal valuers work. All work on the valuation roll and supplementary valuations must be conducted on the VRMS at the client site or through a web enabled solution which meets mSCOA requirements. Appointed municipal valuers continuing to use spread sheets, flash drives or CDs will be non-compliant.

Segment reporting: Valuation roll

Section 48 of the MPRA prescribes the contents of the valuation roll which must now include the mSCOA prescribed particulars.

The concern is that the Item segment was aligned to the original MPRA, prior to its 2015 amendments.

The MPRA amendments, effective 1st July 2015, prescribes property categories. Section 8(2):

(a) Residential properties;	(b) industrial properties;
(c) business and commercial properties;	(d) agricultural properties;
(e) mining properties;	(f) properties owned by an organ of state and used for public service purposes;
(g) public service infrastructure properties;	(h) properties owned by public benefit organisations and used for specified public benefit activities;
(i) properties used for multiple purposes, subject to section 9; or	(j) any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by Notice in the Gazette.

There is a further provision for a vacant land category in section 8-(3). Municipalities may determine additional categories and sub-categories, section 8-(4a), through application to the Minister. Various municipalities have already moved to the prescribed selection of property categories.

The mSCOA chart, version 6.1, uses the original discretionary section 8 property categories. Municipalities must align their discretionary property categories contained within their 2017/2018 rates policies with those prescribed. There is a property category for 'other' on the existing chart which may assist as an interim solution but reporting accuracy may be compromised.

The prescribed categories are enforceable from 1st July 2022.

Segment reporting: Regional segment

The MPRA provides for the establishment of a register in respect of all properties situated within the municipality, section 23(1). Best practice recommends the finalisation of the geospatial Municipal Register of Properties as a preparatory project for the general valuation rolls.

A spatial property data base is required in order to meet the regional reporting requirements. All property transactions must include the Surveyor-General's key or unique spatial identifier to enable regional segment reporting. Spatial registers should be in place by 1st July 2017.

Contact MetGovis for more information on mSCOA and MPRA requirements. The MetVal VMRS participated in the RT-25 transversal procurement process and is listed as a recommended vendor with Vesta Technologies.

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