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VALUING GREEN BUILDINGS

mSCOA and
the MPRA –
countdown to
1 July 2017

Groundwater
and the
land valuer

TRIBUTE TO EMIL WEICHARDT

IT'S ALL SYSTEMS GO: mSCOA AND THE MPRA, COUNTDOWN TO 1 JULY 2017

INTRODUCTION

Our constitution provides for democratic and accountable local government. Administration, planning and budgeting processes must prioritise the needs of the poor and promote social and economic development. Managing property rates and property processes is a key function of local government. Between 10% and 45% of local government budgets are funded through property rates revenue.

Inconsistencies in local government financial and other data, poor data integration and irregular reporting have prompted policy change. National Treasury regulated generally recognised accounting practices (GRAP), and more recently uniform expenditure classification and general ledger through Section 168(1), Local Government: Municipal Finance Management Act, 2000. This sweeping business reform is known as mSCOA.

Municipalities were required to submit their Integrated Development Plans by November 2016 in the prescribed format. All draft budget data strings had to be submitted to National Treasury by 31 March 2017. The next deadline is the final budgets, 31 May 2017. mSCOA goes 'live' on 1 July 2017.

mSCOA has implications for the Municipal Property Rates Act, MPRA. Most municipalities collect between 20-30% of their annual revenue from property rates. There is both confusion and inconsistent interpretation of the mSCOA requirements for the MPRA within the market. This article aims to identify and clarify the way forward.

PROCUREMENT OF THE VALUATION ROLL MANAGEMENT SYSTEM (VMRS)

ISSUE

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. Most municipalities outsource this function. In terms of National Treasury's Circular, 80 municipalities are recommended to make use of the transversal contract and associated panel of vendors for the supply of financial management and internal control systems. Should a municipality decide not to do so, it is required of them to write formally to the

National Treasury (Chief Directorate: Local Government Budget Analysis) prior to going out on a supply chain management process, giving clear reasons and motivation in support of the decision, after which National Treasury will provide a written response and clear recommendations.

RISK

The risk of continuing to include the VRMS specifications within the General Valuation bids is that generally the bidders (valuation service providers) use applications/systems which do not enable mSCOA compliancy. While these valuer applications may meet the bid specifications from an MPRA perspective, these aren't able to interface seamlessly at a transaction level with the financial systems as mSCOA prescribes. This may inadvertently 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

ISSUE

mSCOA prescribes that all sub-systems which affect the general ledger must interface seamlessly with the municipal financial system (National Treasury MFMA Circular No 80, 8 March 2017). Technically, for a municipality to be regarded as mSCOA compliant on 1 July 2017 it must be able to transact across all the mSCOA segments and its core system and all sub-systems must seamlessly integrate. All valuation roll management systems used by municipalities must comply with this functionality. This requirement has implications for the manner in which municipal valuers work on the various VMRSs. mSCOA precludes the use of spread sheets. This means that all work on the general valuation roll and the subsequent maintenance of the valuation roll through supplementary valuations must be conducted on the VRMS at the client site or through a web-enabled solution which meets the mSCOA requirements.

RISK

The risk of appointed municipal valuers continuing to use spread sheets or to update/upload supplementary valuations via flash drives or CDs will be non-compliant with mSCOA.

SEGMENT REPORTING: VALUATION ROLL ISSUE

For a municipality to achieve mSCOA compliance on 1 July 2017 it must be able to transact across all the mSCOA segments. 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 1 July 2015, prescribes property categories. Section 8(2) “A municipality must determine the following categories of rateable property in terms of subsection (1): Provided such property category exists within the municipal jurisdiction:”

(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 vacant land in section 8(3). Municipalities may determine additional categories which do not circumvent the prescribed categories. There is also the option of applying to the Minister for sub-categories, section 8(4)(a).

Various municipalities have already moved to the prescribed selection of property categories.

The challenge is that the mSCOA chart, version 6.1, was locked down using the original section 8 property categories. There is a property category for ‘other’ on the existing chart. This may assist as an interim solution until the next budget circular is released. The prescribed categories are enforceable from 1 July 2022.

RISKS

Municipalities must align their discretionary property categories contained within their rates policies with those prescribed in the mSCOA chart. The ‘other’ category will

be populated with a ‘mixed bag’ of actual use and property categories which may cloud the accuracy of reporting

SEGMENT REPORTING: REGIONAL SEGMENT ISSUE

The Local Government: Municipal Property Rates Act, 6 of 2004, 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. The investment in data cleansing and the alignment of the Consolidated Valuation Roll (the version which is uploaded to Billing) and GIS data sets form the basis of the property register. The records required for the preparation of the general valuation roll are platformed from this consolidated data set.

A spatial property data base is required for mSCOA compliance. Reporting on the regional segment is required for the mSCOA chart. This means that all property transactions must include the Surveyor General’s key or unique spatial identifier to facilitate regional segment reporting. Spatial registers should be in place by 1 July 2017 to enable mSCOA compliancy.

RISKS

There is a misconception that smaller municipalities are not able to afford spatial property registers. They use a tabular version which does not include the spatial references. These municipalities could be found to be non-compliant with mSCOA if this is not rectified and in place ahead of 1 July 2017. ■

Please do not hesitate to contact MetGovis for any further information or clarification with respect to mSCOA and the 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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