



## **MPRA NEWSLETTER: NOVEMBER 2020**

### The challenges and shortcomings of valuation rolls.

Despite 2020 being an unprecedented year in all other respects nothing appears to have changed within the MPRA landscape. The reality is that municipalities are confronting declining collections with escalating applications for indigency as households struggle to survive. We must become smarter and figure out different revenue models from alternate sources. The COVID-19 pandemic has prompted technology to take quantum leaps forward. The technical platforms exist, we must think differently about the solutions. This newsletter highlights some of the shortcomings and challenges currently experienced with MPRA implementation and draws our attention to proposed remedial actions.

Yunus Kader, CoGTA National, spent considerable time in his recent address to the members of the South African Institute of Valuers stressing that the use of a valuation roll management system (VRMS) is no longer a 'nice to have' but an essential tool. All municipalities need to deploy these systems and insist that their valuers use the VRMS licensed to the municipality. The VRMS system must be seamlessly integrated to the financial system. The maintenance processes necessary for updating records through the preparation of supplementary valuations must be captured directly into the VRMS, not uploaded from spreadsheets. Mr Kader stressed that supplementary valuations should be prepared whenever any of the section 78 provisions were triggered.

Section 78.1 Supplement Type		Section 78.4 Rates effective date from		Comment/ Explanation
a	Incorrectly omitted	a - aA	First day of the month following the posting of the notices, section 78(5)	If the supplementary notice is posted in August, then rates are due from 1 September.
b	Included after GV	B	Date that the property is included in municipality	Practitioners should strive to conduct the valuation as close to the date of the event as practical, whenever necessary
c	Subdivisions and consolidations	C	Date that the subdivision or consolidation is registered	Practitioners should strive to conduct the valuation as close to the date of the event as practical, whenever necessary
d	Market value increases or decreases	D	Date of the event	Section relates to the issuance of occupation certificates for new buildings - Practitioners should strive to conduct the valuation as close to the date of the event as practical.
e	Incorrectly valued	aA	(i) First day of the month following the posting of the notices - for value increase;	Corrections to value increases are not retrospective.
f	Incorrectly valued	aA	iii) Date incorrectly valued - for value decreases	Corrections to value decreases must advantage the ratepayer. There are interest implications for refunds to the ratepayer.
g	Revaluation for exceptional reasons	a - aA	First day of the month following the posting of the notice, section 78(5)	If the supplementary notice is posted in August, then rates are due from 1 September.
h	Category change	E	Date on which the category changed	Practitioners should strive to conduct the valuation as close to the date of the event as practical, whenever necessary.
i	Incorrectly in the roll - clerical error	a - aA	First day of the month following the posting of the notice, section 78(5).	If the supplementary notice is posted in August, then rates are due from 1 September. <b>Note:</b> There is an omission in the legislation in that this correction should also be retrospective for error decreases.

Mr Kadar proposed that the VRMS should report the age analysis of all incomplete tasks on a regular basis. Through this performance reporting municipal valuers will be under the spotlight. For example if a building completion certificate is issued the Building Inspector will log the requirement for a supplementary valuation to be prepared, the valuer will be obliged to review the improved value of the property in terms of section 78(1)(d) noting the escalated value of the property since the last general valuation. The section 78(5) notices must be sent timeously, and the property records updated on the financial system for accurate billing. This was the intention of the legislators when they drafted the roll updating provisions enacted in the MPRA amendments, 2015

National CoGTA recently surveyed 100 municipalities, 80% of those sampled didn't send out section 78(5) notices for their supplementary valuations. Few municipalities aside from the metros update their valuation rolls on a monthly basis. Too often smaller and less capacitated municipalities are accepting an annual updating service from their appointed valuers. There is also an alleged lack of collaboration between the municipal valuers and their clients, the municipalities. The risk with this irregular contract management is that if the section 78(5) notices aren't sent to the registered owners following the preparation of the supplementary valuation the entry in the published annually supplementary valuation roll may be considered invalid. There is still considerable industry confusion about section 78(5) supplementary valuation notices and the difference between these and the section 49 notices that are sent to all registered owners following the annual publication of the supplementary valuation roll. Scrutiny of the supplementary valuation section 49 notice indicates no provision for an effective date. The premise is that this updated supplementary valuation record will have already been billed during the financial year either from the first day of the month following the posting of the section 78(5) notice or from the date of the event, for example, the date of the sub division or the date of the issue of the building completion certificate. Municipalities are urged to check this compliance requirement and put the required remedial action in place if necessary.

Another challenge occurs with section 85, this addresses the copyright and ownership of ALL the data collected, captured and assembled for the preparation of the general and all subsequent supplementary valuation rolls. All information belongs to the municipality and despite the valuers having worked with it they must hand it over. The cost of re-collecting the property data every general valuation should be mitigated and reduced to gap filling and data validation. A ready excuse as to why, for instance, the GIS data is not handed over by the existing valuers is that the municipality doesn't have a GIS resource and therefore lacks the resources and probably the software to view this data set. The fact that subsequent valuers may find this data useful is conveniently ignored.

Other challenges are that the municipal valuer must consult the registered owner where an objection is lodged by a third party. Where the registered owner is not consulted the objection review may be considered invalid. Valuers are also re-directed to section 48 and the Annexures 1 & 2, Regulation 29304, October 2006, about the format of the valuation rolls and the certification by a municipal valuer that needs to be published on the last page of every published valuation roll. Failure to include these details placing question marks around the validity of the valuation roll. The MPRA is silent on how the decisions by Valuation Appeal Boards are communicated to the financial system. Section 67 provides for each board to determine its own internal procedures. Too often this doesn't occur prompting CoGTA to recommend and ultimately prescribe an outcomes report that must be signed off by the Chairman of the Valuation Appeal Board and the Municipal Valuer. This will be uploaded to the financial system as a formal record of the Board's decisions.

One of the questions that has been haunting us is how we address compliance with Protection of Personal Information Act (POPIA) effective from 1st July 2020 and the annual publication of Part B of the property register. The Part B reports show each property, the registered owner and whether they are receiving any discretionary rates relief. CoGTA National were confidently of the opinion that as this is a statutory requirement there is no infringement on the privacy of a person's rights and municipalities should continue to publish this detail within the public domain, section 23(5).

The last item mentioned was the requirement for market reports to support the preparation of the general valuation rolls. Draft rolls should be submitted to the municipality by no later than the end of October preceding the certification at the end of January. While there are currently no prescribed market report templates valuers were encouraged to provide the necessary details per group of properties (homogenous areas) with schedules of sales used in the determination of values together with details of why certain transactions were disregarded. Market economic data should include rentals, vacancy rates, capitalisation rates, costs, and depreciation schedules. In short, the market report ought to enable the officials reviewing the values within the draft rolls with adequate data to reach the same values as determined by the municipal valuer.

