



2021 GREETINGS

We hope that 2021 will be a safe and prosperous year for you all.

Covid-19 is a constant threat to our daily lives as we face the second wave of infections. The imminent roll out of the vaccine brings a sense of hope to the forthcoming year. The pandemic has presented many challenges. It has also provided space for reflection and time to think 'out of the box'. We have learned to be adaptable and to take these opportunities to be innovative in response to the needs of our clients. The API's with the various financial systems are finalised and operational, our technical support has moved on-line, we have hosted webinars and engaged on every virtual meeting platform available.

We look forward to continuing our relationships with you and walking the path together in 2021. It is no longer business as usual but it is business. The first important item is addressing the immediate requirements of the latest budgetary circular, Circular 107.



NATIONAL TREASURY

MFMA Circular No. 107

Municipal Finance Management Act No. 56 of 2003

Municipal Budget Circular for the 2021/22 MTREF

IMPORTANT EXTRACTS FOR PROPERTY RATES & VALUATIONS, MFMA CIRCULAR 107.

Prescribed Property Categories, MPRA

Section 8 of the Municipal Property Rates Act on the determination of categories of rateable properties has been revised. The new rateable property categorisation framework based on uses, provided these property categories exist within the municipality. All other discretionary property categories that are based on ownership, geographic location or any other basis fall away.

Municipalities must implement the new property categorisation framework by **1 July 2021**.

Category of property recommendations for implementation 1st July 2021

Prescribed property categories	MPRA reference	Comments
Agricultural properties	8(2)(d)	Note, no sub categories within the agricultural property category.
Business & Commercial	8(2)(c)	Split commercial and industrial property categories.
Industrial Properties	8(2)(b)	Split commercial and industrial property categories.
Residential Properties	8(2)(a)	Primary and permitted for residential purposes.
Multiple Purpose Properties	8(2)(i)	All property with more than a single use must be assigned to this category on an apportioned basis according to actual use of each 'portion'. The respective tariff codes are then aligned to each apportioned value.
Public Service Infrastructure	8(2)(g)	See extensive definition about exclusion classes for PSI.
Public Benefit Organization	8(2)(h)	Specified public benefit activities
Public Service Purpose, (PSP)	8(2)(f)	Properties owned and used by the State, as defined
Mining Properties	8(2)(e)	As defined in the Mineral & Petroleum Resources Development Act, 2002.
Prescribed property categories	MPRA reference	Comments
National Monument, Protected Areas and Heritage Properties, Section 17	17(1)(b)(e)	Impermissible properties except for areas developed and used for commercial, business, agricultural and residential purposes.
Place of Worship, Section 17	17(1)(i)	Primarily used by a religious congregation as a place of public worship.
Vacant land, all vacant land irrespective of zoning	8(3)	All vacant land irrespective of zoning within the general plan will be placed into a single property category.
Municipal owned property		As listed in the municipal asset register.
Illegal/unauthorised use		Properties where the zoning and the actual use of the property are not aligned.

Please contact MetGovis if you require any further support with re-mapping your existing categories to the prescribed property categories. We are also able to facilitate your annual rates policy review focussing on reducing your income foregone through the strategic application of discretionary rates relief.

The mSCOA chart Version 6.5 makes provision for the new and the old framework. However, the old framework will be retired in the next version of the chart, provisionally October 2021. Municipalities are advised to implement the new property categorisation framework as legislated.

Cautionary: Take care not to use both 6.4 and 6.5 frameworks to avoid duplication and overstatement of revenue from property rates.

Tariff setting for differential rating, budgetary processes

In terms of section 13 of the Municipal Property Rates Act, 2004 (MPRA) and sections 24 and 42 of the Municipal Finance Management Act, 2003 (MFMA), new tariffs for property rates, electricity, water and any other taxes and similar tariffs may be implemented from 1 July 2021.

This means that the municipal council must approve the relevant tariffs as part of the MTREF budget by 31st May 2021. The draft budget needs to be tabled by 30th March 2021.

MetGovis is able to support your rates tariff modelling and the compliance with the prescribed ratios for agricultural properties, public service infrastructure and public benefit organisations with our free on-line tool, MetRev.

Screenshots below showing tariff modelling reports generated by MetRev.

Dashboard All properties Scenario reports

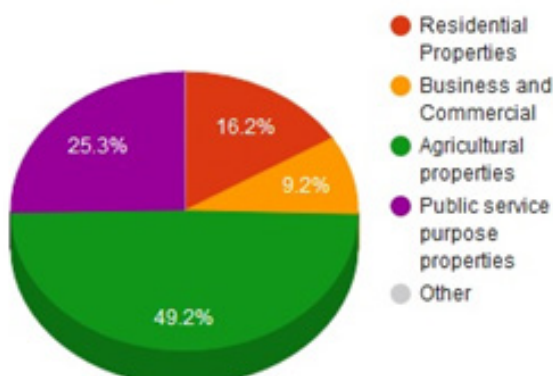
Proposed tariffs unchanged.

Change property tariffs: (←back to report list)

Category	No. properties	Total value	Rateable income	Tariff	Actual income	NEW Tariff	Prescribed	NEW Income	% Increase
Communal Land	1	20,000,000	20,000,000	0.00013000	2,600	0.00013000	-	2,600	0.00%
Residential Properties	504	93,718,000	86,158,000	0.01267000	1,091,622	0.01343000	-	1,157,102	6.00%
Business and Commercial	36	48,805,000	48,805,000	0.01267000	618,359	0.01343000	-	655,451	6.00%
Agricultural properties	607	1,043,825,000	1,043,825,000	0.00317000	3,308,925	0.00336000	✖0.00335750	3,507,252	5.99%
Public service purpose properties	50	133,971,000	133,971,000	0.01267000	1,697,413	0.01343000	-	1,799,231	6.00%
Public service infrastructure properties	2	730,000	511,000	0.00317000	1,620	0.00336000	✖0.00335750	1,717	5.99%
Public benefit organisations	3	2,730,000	2,730,000	0.00000000	0	0.00000000	✖0.00335750	0	0.00%
Multiple purpose properties	33	0	0	0.00000000	0	0.00000000	-	0	0.00%
Places of worship	5	6,122,000	6,122,000	0.00000000	0	0.00000000	-	0	0.00%
Vacant land	251	15,992,000	15,992,000	0.00000000	0	0.01343000	-	214,773	0.00%
Municipal properties	22	36,025,000	36,025,000	0.00000000	0	0.00000000	-	0	0.00%
Protected areas	17	78,917,000	78,917,000	0.00000000	0	0.00000000	-	0	0.00%
TOTALS:	1,531	1,480,835,000	1,473,056,000		6,720,539			7,338,125	9.19%

Scenario summary	Billed Income	Collect ratio	Collected income
CURRENT	R6,720,539	85.00%	R5,712,458
PROPOSED	R7,338,125	90.00%	R6,604,313
change%	9.19%		15.61%

Actual Income by category



Please contact your dedicated consultant or the office for log in details and let us know if you require additional support.

Impact of municipal elections

If the elections take place after the start of the financial year, the outgoing council will be responsible for approving tariffs for the 2021/22 MTREF and the newly elected council for the implementation thereof as section 28(6) of the MFMA. There is no provision for the increase in tariffs during the financial year.

MFMA Circular No. 93 reconciliation reports

The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their budgets from realistically anticipated revenues. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities not attaining their desired collection rates.

Municipalities are required to submit a reconciliation report of the consolidated valuation roll to the billing system to ensure that revenue anticipated from property rates are accurate.

The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates. In accordance with the MFMA Circular No. 93, municipalities must submit the reconciliation of the valuation roll to the financial system to the National Treasury by no later than 05 February 2021.

We recommend that municipalities use the updated report template that MetGovis workshopped with National Treasury. ***See the report template attached.***



Screenshot of the category discrepancy report using InSight X.

mSCOA compliance

To date, the NT analysis of mSCOA implementation highlighted that municipalities are not using the FUND, REGION and COSTING segments correctly. If the municipality does not have a current geospatial property register and the financial system data is unable to link the accounts to the property parcels this reporting will continue to be a challenge from a compliance perspective. Municipalities are encouraged to update their geospatial data as the 'single version of the truth' for all property data within the municipality. This will enable both accurate regional segment reporting and timeous instructions for the preparation of supplementary valuations, whenever necessary, section 78(1), MPRA. The intention of the legislators is that property attribute changes, that materially change the value of any property, must be processed as a supplementary valuations as close to the change event as possible. The section 78 notices should be sent out promptly to avoid incurring financial prejudice to the ratepayers.

Screenshot of the VRMS supplementary valuation entry



2021

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