

22.

EXTENSION OF VALIDITY PERIOD: MUNICIPAL VALUATION ROLL

5/B

S Reyneke-Naude
11 May 2020

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Corporate Head Office

1. Executive Summary

The purpose of this report is to obtain approval for applying to the Minister of Local Government for the extension of the validity period of the Overstrand Municipal Valuation Roll (OMVR).

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Finance
Department: Finance

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)
Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA)

6. Background/Discussion/Evaluation/Conclusion

The current OMVR was compiled after the municipality awarded Tender SC1531/2014 during 2015 for the Compilation & Maintenance of a 5-year General Valuation Roll and Supplementary Valuation Rolls, in terms of the MPRA.

The current General Valuation Roll's valuation date is 2 July 2015 and was implemented on 1 July 2016. It is valid until 30 June 2021.

In order to comply with the provisions of the MPRA, a new OMVR must be compiled with a new valuation date of 2 July 2020, in order for the General Valuation Roll to be implemented on 1 July 2021.

Section 32 of the MPRA however provides as follows:

“(2) The MEC for local government in a province may extend the period for which a valuation roll remains valid

(a) in the case of—

ii) a local municipality, to seven financial years, on request by the municipality, in other exceptional circumstances which warrant such extension.”

The cost estimate for the compilation of a new roll amounted to R7.5 million. A tender process for this process is currently initiated, but no award was made yet.

The impact of the Covid-19 pandemic has already proven to have far reaching consequences for the country, resulting in an economic, health, and humanitarian crisis. This will also result in a loss in revenue which is also foreseen with regard to the allocation of grants by the national and provincial spheres of government to municipalities. The closure of businesses and the inability of consumers to maintain monthly payments of their municipal accounts, will also result in a loss of income. It is also anticipated that individuals will reduce consumption (water & electricity) due to reduced income.

The Budget Steering Committee had to consider increased expenditure directly related to the effect of the COVID-19 lockdown and implementation of regulated requirements to provide costly Personal Protective Equipment (PPE) and related materials to employees (Hazmat suits, sanitizer, routine decontamination of public areas, municipal offices, et cetera).

The Budget Steering Committee also took cognisance of the major financial risks and constraints facing the municipality at this point in time, the duration and extent of a worsening scenario currently not predictable, expenditure items that contributed to a substantial increase in expenditure and revenue projections that had to be adjusted downwards.

If further extension is granted by the Minister of Local Government for a period of two (2) years for the compilation of a new OMVR, it will result in a downward adjustment of estimated expenditure to the amount of R7.5 million for the 2020/21 financial year. Following the municipality's obligation to cut back on costs where opportunities might exist and where the impact of these considerations will not impact negatively on the service rendering to the community, the extension for the compilation of an OMVR is a definite option.

It can furthermore be argued that the compilation of a new OMVR will present a skewed position due to multiple factors that will probably impact on the local market conditions over the intended period of compilation of the roll.

It is thus recommended that the Minister for Local Government be requested to grant approval for the extension of the OMVR for a period of two (2) years.

7. Financial Implications

As mentioned above, an extension for a period of two (2) years for the compilation of a new OMVR, will result in a downward adjustment of estimated expenditure to the amount of R7.5 million for the 2020/21 financial year.

8. Staff Implications

N/A

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

None

RECOMMENDATION TO THE COUNCIL:

that, in terms of section 32(2)(a)(ii) of the Local Government Property Rates Act No 6 of 2004, an application for the extension for a period of two (2) years of the validity of the Overstrand Municipal Valuation Roll, be submitted to the Minister of Local Government.

RESPONSIBLE OFFICIAL :**S REYNEKE-NAUDE****TARGET DATE FOR IMPLEMENTATION :****1 JUNE 2020**