

**NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 233 [CW318E]
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233. Ms E C van Lingen (Eastern Cape: DA) to ask the Minister of Finance:

Whether, with reference to a reply to Question 215 on 12 November 2014 by the Minister of Cooperative Governance and Traditional Affairs, the budget approved on 30 June 2014 would be (a) valid and (b) legal without a finalised valuation roll; if not; what is the position in this regard; if so, (i) what risks does an approved budget with an incomplete valuation roll pose to a municipality's financial management processes, (ii)(aa) what processes must be followed and (bb) by whom in each case and (iii) what are the further relevant details?

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REPLY:

- (a) In terms of section 12(2) of the Local Government: Municipal Property Rates Act (MPRA) the levying of rates must form part of a municipality's annual budget process as set out in Chapter 4 of the Municipal Finance Management Act (MFMA). The budget of a municipality may only include realistically anticipated revenues to be collected in terms of section 18(1) of the MFMA. This means that the budgeted revenue is calculated based on factual figures (such as is contained in the valuation roll) or on historical data (in a case where a valuation roll has lapsed and a new valuation is not yet been finalised). A budget approved without an updated valuation roll is therefore valid.
- (b) See response in (b).
- (i) The risk of an incomplete valuation roll on a municipality's financial management processes would be that a municipality could face possible litigation which could adversely impact on revenue collection and service delivery. It is therefore in the best interest of a municipality to comply with the requirements of section 32 of the MPRA.
- (ii)(aa) Section 32(2) of the MPRA makes provision for a municipality to request for extension of the period for which a valuation roll remains valid to five years (i) on request by the municipality in exceptional circumstances and (2) if the provincial executive intervenes in a municipality in terms of section 139 of the Constitution either before or after that date.
- (ii)(bb) Relevant provincial legislature.
- (iii) None.