

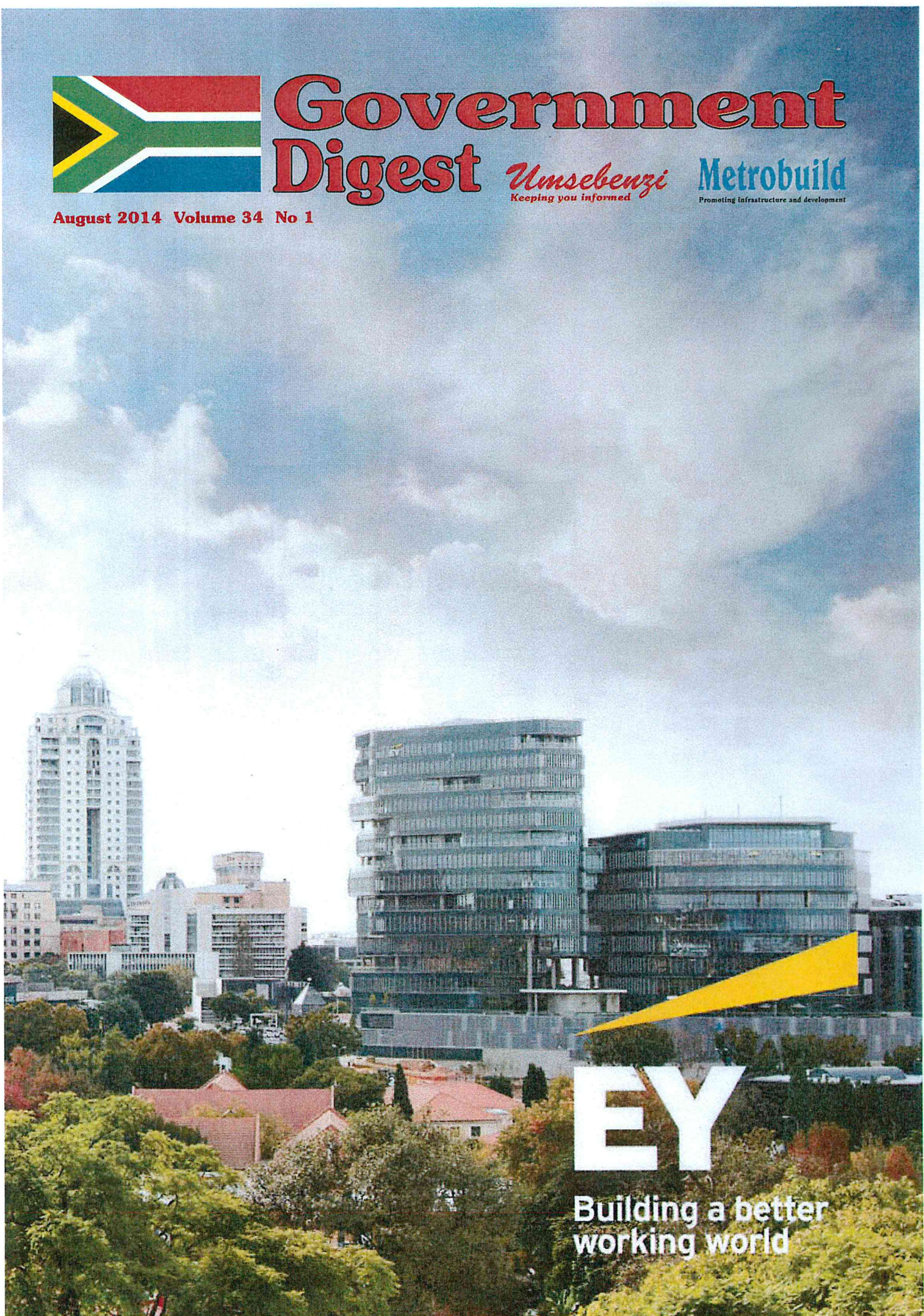


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Building a better
working world



A new vision for revenue generation in municipalities

Before the budget vote in Parliament, Cooperative Governance Minister Pravin Gordhan told reporters that Government would "enforce a back-to-basics approach for the country's 278 municipalities". He was quoted as saying, "We want every municipality in South Africa to ensure that it undertakes core basic functions as efficiently, as effectively, and as religiously as is humanly possible".

For many municipalities, the basic mandates for success will be challenging unless the necessary tools and skills are applied to overcome a legacy of historic challenges, inaccuracies and backlogs. Some of these challenges include:

- **Data:** When data is inaccurate, incomplete or both, there are significant implications in terms of revenue collection, user satisfaction and sentiment, administration and even larger sustainability issues. For municipalities, it is critical that the data sets within billing, the valuation roll and the spatial layer (ie physical properties) are aligned. Discrepancies between billing and valuation rolls can impact a municipality's revenue. Rates (based on valuations) are municipality's primary source of income and their means of operating autonomously and sustainably. If a property valuation is under-valued in the valuation roll, it will be under-billed accordingly. If properties are omitted in their entirety from billing, then accounts subsequently won't be issued and revenue will be lost.
- **Capacity issues:** There are challenges in respect of staff and physical resources. Vacancies exist within municipalities, along with insufficient budget to fill these vacancies. Staff positions are filled by candidates who do not have the competencies to fulfil the function, along with issues of high staff turnover, leading to the lack of institutional memory forming within a department or even an entire municipality. Physical capacity is a financial issue, but often monies which were allocated within a financial year remain unspent.

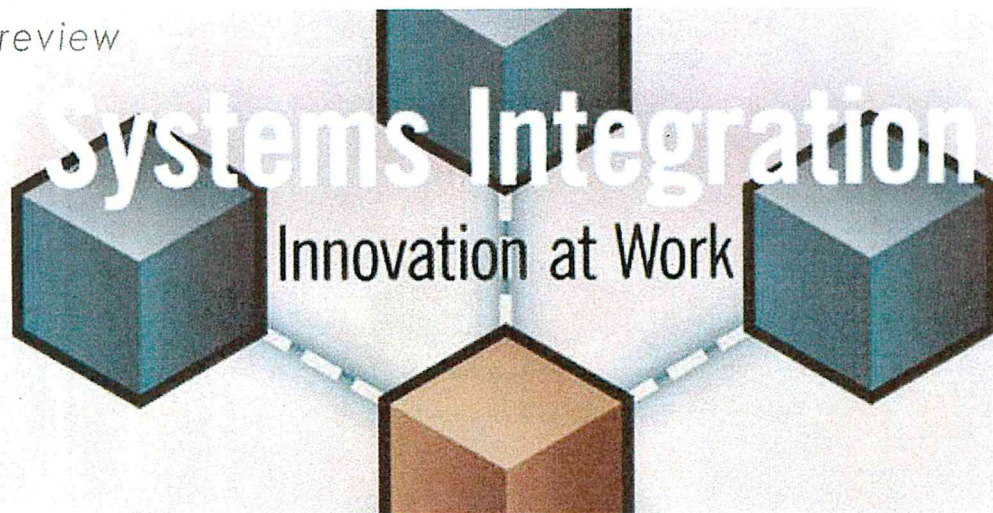
- **Time management:** Deadlines crowd in, management calls for exhaustive reports, and endless crises and ratepayer queries accumulate. This contributes to a loss of morale, as well as staff turnover.
- **Poor systems integration:** A valuation management system should be able to integrate seamlessly with billing, and the municipal asset management system with the property management system, so that all systems reflect the same complete data set. If systems can't integrate, they require manual input – which leaves the margin for human error.

Municipalities have the responsibility to deliver a mix of public infrastructure and user services. They have the fiscal powers to levy or raise property rates and user charges. It is significant that all user services are directed to a property rather than a person or entity. The water and electricity meters stay with the property, irrespective of ownership changes. By using a spatial reference for these user services, municipalities are able to accurately and effectively map their service delivery reports. This is referred to as the Geographic Information Systems (GIS) advantage.

The following principles should be adhered to:

- **Protecting and building the accurate property register**
Municipalities should acknowledge that their data is a critical asset. They need to understand it, own it and maintain it. An accurate property database is an essential tool to sustainability and good governance.

to page 44 >>



<< from page 42

All land parcels fall into one or another municipality's jurisdiction and while property may be immovable, it is not static.

Property is dynamic – it is bought and sold, sub-divided and consolidated. Vacant land is developed, land is re-zoned. All of these events trigger movement in the spatial register and must be documented accordingly so that accurate revenues can be generated.

The naming protocol for property in South Africa is the Surveyor General Unique Code, known as the "SG key". This is a property parcel's identity number, which differentiates one property from another and which enables property data to be mapped.

All changes in property data must be captured for the data integrity and accuracy to be maintained. The more municipal users there are, the more complete the data sets will be. Messaging functionality between users keeps inter-departmental business units up to date about developments pertaining to specific properties.

- **Maintaining an accurate property register**

The establishment and maintenance of an accurate property register is critical to the financial success of any municipality. Without this database, billing and revenue collection from water, electricity, waste and other services are virtually impossible to manage. The key is to align municipal data sets from various sources (billing, deeds, a consolidated valuation roll, cadastral layer and town planning). An accurate municipal register of properties is a consolidated, aligned property master file with no mismatches/ discrepancies across any of the data sets. This cleansed property register is the property of and resides with the municipality, not with an outside service provider.

Another aspect of the solution is to have documents and records readily available at all times – hard copy records are high risk. Invariably these filing systems are bespoke to the few officials who have worked with these files over many years. A clear and well indexed electronic document management system assures all users that the documents related to a specific property are accessible. These include rates clearance certificates, objection forms, photographs of the property, building plans, data capture forms and other essentials.

- **Better Integration**

Municipalities use a number of different financial systems. Valuers have developed their own tool kits for their processes and techniques required to prepare and maintain valuation rolls. It is not enough for data to be accurate but disparate across different channels or that data should lie with a third party provider. Data should remain the property of the municipality – not only due to reasons of confidentiality but also in order for the municipality to use data across various channels. The same data should be accessible by cashiers at a service desk that is used to compile high-level management reports.

- **Revenue management**

Revenue management is the enabler for fiscal sustainability. This is part and parcel of what it means to "get back to basics". Establishing what the challenges are is the first step. There are consultancy services available to support the implementation of relevant and appropriate diagnostic tool kits. Clear spatial referenced reports provide municipal management with intelligent dashboards upon which to make strategic decisions.

- **Capacity building**

The Institute of Municipal Officers and the South African Institute of Valuers recently signed a Memorandum of Understanding. The purpose of the initiative is to collaborate towards developing a real estate qualification for municipalities. This curriculum would embrace all the property-related processes within a municipality. These range from property data management and understanding how the registrar of deeds works, to being able to process a new sub-division or consolidation. The Institute of Valuers (SAIV) has also initiated a working committee to develop a set of relevant and appropriate standards for valuation for the purposes of municipal rating. These locally developed professional standards aim to create a much needed benchmark for municipal valuers.

Concluding remarks

The issues are complex, but the solutions are relatively simple. Creating an accurate property register and vigilantly maintaining the property data within each and every municipality, and using the GIS advantage to inform a strategic revenue management strategy, will ensure the municipalities are not only meeting their mandates – but exceeding them.