



# Government Digest

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# Using your municipal balance sheet towards full revenue potential

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Municipalities recently received their Auditor General reports for the 2013/2014 financial year. Some results are better than others, but for most not much has changed.

**T**he global economy is still struggling, which affects our local economy. We also have to contend with Eskom and the reality that no economy can grow without power. This has material implications for the social, political and financial fabric of the country.

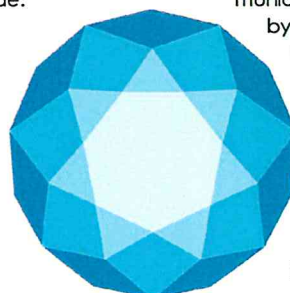
How does this affect local government and municipal revenue? Low growth means low tax receipts by central government. National Treasury will have less in the kitty, and more pressure to deliver services with a lower income base. Now more than ever, local government needs to be innovative with strategies towards maximising its revenue potential.

## Step 1: Ensure that the municipalities are billing completely and correctly

To achieve this, municipalities must establish and maintain an accurate property register. This spatial data base should be aligned with the billing system and the consolidated valuation roll. By aligning the existing data bases, discrepancies can be identified and remedial action implemented. Revenue management is about data integrity.

Revenue protection is focused on utilities and the revenue which these trading services bring into municipalities. Looking after the utility infrastructure is a key focus area. Many municipalities overlook the fact that property rates generate between 25 and 30% of their revenue. All of this revenue (electricity, water, refuse and property rates) are linked to a spatial reference. In technical terms, every property parcel has a unique identifier, a Surveyor General's code.

This SG code enables practitioners to map one property separate from any other. If you can map the properties then you can generate a spatial report of arrears across the municipality. You can map water consumption, you can develop a map showing electricity usage or you can consolidate the debt. This business intelligence is useful for credit control.



This model is easy to apply across established suburbs but generally most non-technical losses are experienced within informal areas of any municipality. In order to pinpoint the consumption of the household, a grid reference is imposed on top of the cadastral layer. If you go the extra step, you are able to pinpoint consumption per household and identify where households are possibly tampering with utility connections.

## So, what is Step 2?

Generally municipalities don't make effective use of their balance sheets for the purposes of financing. The current practice is to review municipal asset registers annually, and invariably there are problems with this, such as lack of accurate information or integrated computerised systems. The establishment of automated value assessment tools will provide accurate valuations without the need for the municipality to regularly update the valuation information with physical assessments. This is a more cost-effective option for municipalities.

## Making it easier

Metgovis has a solution to these difficulties. We would recommend the establishment and maintenance of an accurate property register, aligned to the billing system and the valuation rolls. We propose an accurate current municipal asset register using revised techniques at a reduced cost. An improved value attached to the balance sheet will be achieved through this exercise. If we then apply a treasury risk assessment to the municipality, we would find that the municipality is now not such a liability as initially assumed by the private sector financial institutions. In fact, with their improved credit rating, they are eligible for financial support.

For the municipalities that have the vision to embrace this strategy there is the opportunity to unlock funds for extending service delivery. Further, and more importantly, there is a reduced reliance on the central government as municipalities realise their full revenue potential.