



# Government Digest

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## Valuation practices

Professional valuer Janet Channing's controversial paper at the South African Institute of Valuer's Northern Branch MPRA Seminar has promoted strong debate. Her presentation which highlighted good and bad practices within General Valuation (GV) projects and made a strong case for professional collaboration, is agitating for the raising of standards of the service.

"Municipal valuers have an ethical commitment to the profession and an obligation to deliver a quality product and services to clients. We all subscribe to a professional code of conduct through our professional registration," says Channing. "We also live in Africa where corporate governance, especially in the public sector, is bedevilled with fraud and corruption. This is inadequate justification for unprofessional conduct."

The Local Government: Municipal Property Rates Act, No 6 of 2004 (MPRA), including its amendments and regulations, is complex. A more sophisticated approach is required by the valuer profession, local municipalities and their ratepayer constituencies. This starts with general valuation bid specifications. Poorly drafted "cut and paste" bid specification will be interpreted differently by each bidder.

Initial MPRA general valuations were costly but subsequent GVs ought to have a diminishing cost. Projects should use the municipality's existing property attribute data, building on the accuracy and integrity of the data. Data collected and captured through GV projects belong to the municipality. The resistance of certain municipal valuers to hand over property data for which they have been paid is unprofessional conduct.

Another fundamental issue is poor procurement planning by municipalities and delayed Supply Chain Management. In most municipalities bid evaluation and bid adjudication processes take around 120 days. Objections to the recommended award are becoming the norm, adding further time delays to the project start dates.

"We are all familiar with the 90:10 (bids over R1 million in value) and 80:20 (bids under R1 million in value) points split reflected in the Preferential Procurement Framework legislation. Various court judgments support price as the ultimate determinant for award. The inception of the two-envelope system for GV projects will protect municipalities. This approach secures adequately capacitated service providers with solid track records and experience. A prescribed threshold, say 75 points, for the functionality evaluation sorts the 'men from the boys', eliminating the chancers and 'fly by nights,'" continues Channing.

Section 45 of the MPRA provides for "generally recognised valuation practices, methods and standards and the provisions of the MPRA", to guide the valuation methodology selected by municipal valuers. There are currently no mass appraisal standards to differentiate between a good or poor valuation roll and limited disciplinary action by the statutory professional council despite complaints to the SACPV. Channing recommends that the valuer profession develops a transparent "tool kit" to adjudicate roll deliverables by the valuer profession to local municipalities.

Janet Channing



Roll review is a critical phase of the general valuation project scope. An internal draft value sample should check all properties owned by councillors municipal officials. If possible municipalities should broaden this sampling review to include local property practitioners and representatives of the respective ratepayers' associations and chambers of business. The point is to limit the exposure of the municipalities to the expense of objections. Another consideration is the budgetary implications for municipalities through objection reviews, as a property in the roll at R36 million, which is reduced to R4 million on review, is a cause for revenue concern.

The MPRA says objections should take place "promptly" but different time frames arise. Some municipalities are including the cost of objection reviews within the fixed valuation price. This practice will certainly curb certain valuers' practice of using the objection phase to "clean up" the general valuation roll with the municipality paying for this privilege.

"The MPRA is primarily about property rates and revenue for local government. Municipalities are reliant on our profession to provide credible, complete and equitable valuation rolls from which to platform their rates revenue. It is our responsibility to collaborate and step up to this task in a manner which elevates our profession," ends Channing.