Municipal Revenue Sources and Borrowing Focus Group Notes

Valuation

- Municipal, market and bank valuation = huge discrepancies (effect on the poor)
- Substantial revenue losses in the property valuation process – firm was not good enough
- Valuers not properly trained (desktop studies), incorrect methodology, no physical inspection – these factors necessitate supplementary valuation (cost implications)
- Do valuations match to the deeds register?

Non-payment

- Perception that municipalities are not delivering services results in non-payment
- MPRA implementation – communities do not pay (create accounts and tell municipalities what to do with that money – perception that municipalities do not do anything)
- Effectiveness of public participation – not used to paying property rates, complaints to the municipalities
- Communication (lack thereof) - what the tax is about, what the funds from the tax will be used for, etc.(communities engaging with the local municipalities can encourage payment)
- Effective public participation vs. compliance with legislation.

Tariff setting

- Tariff setting, LED issues, service improvement = challenge, municipalities thumb-suck how they raise tariffs (uniform guide)?

Rural areas

- MPRA the way that it is structured does not take into account the “ruralness” of some of the municipalities
- Financial sector also excludes rural areas (banks do not approve the loan for building property in a rural area, for example) - participation of rural people in the mainstream economy is a problem

Traditional areas

- Traditional councils (4th tier of government) - the effect of ignoring the collection or non-collection .

- Wall to wall municipalities (traditional areas incorporated in municipal areas) this is an assumption and they do not necessarily work together (assumption has been challenged on several occasions)

- Role of traditional leaders: data is a challenge, no (very little) information on the traditional challenges – brings us closer to understanding these challenge and has implications for effective and efficient revenue collection.

Capacity

- Is this a challenge and if so is there any support from the rest of the government to municipalities?

- Revenue challenge – municipalities are not collecting enough because of poor financial management systems. Capacity and proper financial management systems... Is this an assumption or do we know that?

Level of cross-subsidisation

- Level of cross-subsidisation that is required. In-migration to cities is huge – electricity payers cross-subsidise the in-migrants and the infrastructure suffers

Electricity as a main revenue source

- Proposal on this?

- Compliance with the Systems Act; NERSA approves tariffs at the end of June.

Other revenue sources

- Infrastructure – municipalities must have an understanding why it is there and communicate to the community to direct the infrastructure ICT networks revenue sources. Cost-benefit and return on investment needs to be looked at. Replacement of the RSC levy, etc.

- What is the tax base – reviewing it? More research on that, what the current exemptions are in the National Property Act, etc.

- Interest charges – some municipalities do not do this.

Over-taxing

- Over-taxing of the haves for the have-nots, what can the municipalities expect from the national government to assist with this?

Fiscal gap

- Fiscal gap – was there or was there not one? If not, go back to RSC levy. Was the RSC levy the cause or did it exacerbate the fiscal gap? Viable own source revenue for municipalities (metro and district) to deal with infrastructure challenges (building and maintenance).