

**REPORT ON PROPERTY ENUMERATION AND ASSESSMENT  
BETWEEN 25TH JULY, AND MAY 2018 IN THE 33 LOCAL  
GOVERNMENTS OF OYO STATE**

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## SECTION ONE

### INCIDENCE OF PROPERTY TAXATION IN NIGERIA

The assessment practices now used in many developing countries were influenced heavily by these countries' colonial heritage but have developed over time into unique systems. Among the countries, which use capital value basis, there is a wide diversity in assessment practices. Each country has introduced its own variation on the basic assessment methods e.g. comparative sales, construction costs, or discounted cash flow.

Property tax policies often have long histories that are closely linked to complex systems of land ownership and property rights that have been developed over time . According to ESV. (Dr.) IRE-Okoli Chukemeka Romanus 2012, "Real estate connotes property consisting of land and buildings on it, along with its natural resources, such as crops, minerals, or water, immovable property of this nature, an interest in this is also an item at real property: (more generally) buildings or housing in general".

Nigeria as a nation from the amalgamation of 1914(the North and the Southern Protectorates) has been adopting Rental or Annual Methods of Valuation to determine the burden of tenement rates payable where land and buildings as a single entity formed the tax base. The approach is non-market based. In 1970s, Lagos State Government and some others changed to Market-based property valuation to determine the burden of tax payable by individuals and corporate bodies.

In year 2000,during the tenure of His Excellency, Asiwaju Bola Ahmed Tinubu the Governor of Lagos State, Nigeria, the Government adopted formula-based capital value to determine the amount of Land Use Charge payable integrating(i) Rates Payable on Crown Land, (ii) Neighborhood improvement charge, and (iii) Tenement Rate. In addition, land and buildings formed the tax base, valued separately.

Oyo state Government enacted the Land Use Charge Law in 2012 and adopted all the provisions of Lagos Land Use Charge, 2000 and transferred the State Rating & Valuation office to the Ministry of Lands, Housing and Survey to become Land Use Charge Department.

Contrary to the provisions of Land Use Act, 1978, Oyo state Government abolished **ground rent** in Oyo State. Whereas, **ground rent is the relationship between the lessors and the lessees usually contained in the registered titled documents** (Lease agreement; deed of conveyance or certificate of occupancy). There is clear evidence in the provisions of section one of the Land Use Acts, 1978 that the Governor is holding Land in THRUST for the people of the State and Nigeria in general, hence, he is not the OWNER of the Land in the Oyo State.

This government Land policy has affected the security of tenure of Land held by the lessees of Oyo State Property Development Corporation. In addition, it affects Federal Government and its Agencies, according to section 49 of the Land Use Act, 1978. It also affects Ibadan Local Government Properties Company Ltd. Private Estate Developers and Local Governments Estates, and Families' lease holders.

The major structural reform considered by the State Governments and Abuja (FCT) was a shift from Tenement Rating System based on rental valuation to capital value tax, because, the high-rise buildings and high value residences indicate more taxable capacity. To tax these properties would generate revenue and would be equitable since these properties are in the hands of higher-income individuals and businesses.

Property tax is a natural step in the development of market based economy because, when private property changes hands and new wealth is invested in real estate, with economic growth and development, the revenue capacity of a market value tax will increase with real estate prices. Such a tax can contribute to other important economic, political and legal objectives in developing new fiscal policies and new approach to property rights in a democratic dispensation.

Property rights vested in real estate are governed by the Land Use Act, 1978 and state Land Laws, which define real property, various possible tenancies, estate and interests, and ways to transfer the rights and obligations of real estate ownership. Taxpayers are therefore defined by law as “physical or legal persons, or organizational entities without legal status”, who are lease-holders, lessees, users, or occupiers of taxable property {land and building}.

Efficient reallocation of land assets and users will require financial incentives in the form of market based rents and carrying costs, improved methods for the transfer, registration, and protection of property rights, easier access to credit, and the reflection of the real value of real estate in taxation and infrastructure fees.

As market transaction in real estate increase, financial institutions grow stronger, and public policy formation on fiscal matters continues to mature, Nigeria is well positioned to develop an urban strategy that is economically efficient and equitable for various social and income groups.

## **1.2 FISCAL AFFAIRS AND PROPERTY TAX REFORM**

Two peculiar features of the Nigerian fiscal arrangements need immediate definition as follow:

- (i) Although taxing powers are constitutionally assigned to each level of government (i.e. federal, state and local governments) , there is not necessarily a convergence of legal and administrative jurisdictions over a tax in one level of government. Thus, one level of government may have power to make laws on a particular tax, while another level administers the tax.
- (ii) That a tax belongs to one tier of government by administration and collection does not necessarily imply its right to appropriate its proceeds to itself. Indeed, most federally administered taxes are collected on

behalf of entire Federation, to be shared among the various governments.

- (iii) A new trend in property tax administration in Nigeria is the introduction of Land Use Charge in both Lagos and Oyo States to replace the existing Tenement Rate by both legislation and centralized administration. The tax base is both land and improvements unlike tenement rate which is land with buildings. In addition, Land Use Charge is now a state government tax and local government approval of a reform policy and administration is not required. The proceeds of the Land Use Charge Revenue are to be shared between the state and local governments.

The implementation of property tax requires an assessment of policy and administrative functions. Policy issues include the types of property to be included in the tax base, the level of assessment, the valuation, and the tax rate. Administration is concerned with the property record-keeping, billing and collection of property tax and enforcement. Each country decides on which level of government will be responsible for each of these general areas.

Policymakers rarely consider reform of the entire property tax system, that is, rate and base structure, valuation principles, and administration. As a result, reform measures sometimes have offsetting effects unintended side effects and do not lead to the expected increase in revenue.

The concept of decentralization has given rise to four models of assigned policy and administration of property tax all over the world. In the Russian Federation (a unitary state), Senegal, France, and Indonesia, the three stages of property tax system (i.e. tax base identification, valuation and assessment) are carried out centrally while the tax revenues collection are assigned to the local governments.

Property tax in the **United States** is administered at the local government level. The tax amount is determined annually based on **market value** of each property on a

particular date, and most jurisdictions require redeterminations of value periodically which is done by a BOARD or Similar body. Many states impose limits on how local jurisdictions may tax property.

Urban property tax in **Brazil** is imposed on the **capital value of all land and buildings** within the legally designated urban areas of each municipality. Like the other local tax, urban property tax is administered by each municipal government, which enjoys total autonomy in legislating, charging, and collecting the tax and in bringing defaulters to trial. Each municipality, through its own laws, fixes its own rates. The tax rates is between 0.2 percent and 1.5 percent.

In the Philippines, India, Colombia and Kenya, Local Governments are responsible for the administrative aspects of property taxation (e.g. discovery, valuation, billing and collection), while central governments retain the control over policy such as: rate setting and review of valuation roll periodically.

Under the Fourth Schedule of the constitution of the Federal republic of Nigeria, the functions of Local Government Councils include “the assessment of privately owned houses of tenements for the purposes of levying such rates as may be prescribed by the House of Assembly of the state”.

Under part II of the Constitution on Concurrent Legislative List, Section 9 provides that “A House of Assembly may, subject to such conditions as it may prescribe, make provisions for the collection of any tax, fee or rate for the administration of the Law providing for such collection by a local government Council”.

As with any tax legislation, the relevant provisions should be clear, unequivocal and comprehensive, covering all aspects of the proposed local property tax system. Not only must the legislation deal with matters of liability, assessment, exemption etc. but it must also cover the various administrative matters.

A legal framework authorizing and stating the procedure for any tax administration is therefore, fundamental and is a basic requirement for any property-based tax and indeed other tax systems. The legal framework should among others, address the tax policy and tax administration.

### **1.3 VALUATION ISSUES IN THE CONTEXT OF PROPERTY TAX REFORM**

Valuation of property for taxation is necessary to determine the distribution of tax burden on the citizens. In this era of developing market economy even in the former communist countries where land has no value, market value-based property taxation is the current practice. Determination of property value is a critical aspect of property taxation, as such determines the amount of tax due payable by citizens or property owners.

There are two types of property tax systems in practice. Property tax can be levied on **annual or rental value** of the property, or the **capital value** of the land and buildings. Each system has a long history of association with the colonial heritage. The annual value form is a tax on the yearly income from properties. Whereas, **the capital and site value forms are partial wealth taxes.**

This section is to discuss the **advantages and disadvantages of annual and capital value systems** in the context of trends in property tax practices in developing countries. A change from annual value base and toward capital value reflects the fact that, as urbanization becomes rapid, the virtues of the annual value system become less and less important, and the comparative advantages of a capital value system become more apparent (Roy Bahl and Johnnes Linn 1998).

The move toward a capital value basis implies more than simply a change in the method of assessment. Capital value systems are administered centrally and are more technical requiring a larger staff of technical assessors than does rental value assessment currently practiced.

Moreover, the assessment of owner-occupied, rented, and non-residential properties (i.e. Commercial and Industries) on the same basis is not possible under annual value systems but is possible under capital value system. However, in some countries and cities, annual and capital value systems exist side by side.

Notwithstanding the so few advantages to the annual value system, many countries continue to use this system. The reasons are:

- (i) Where the annual value system is understood and accepted by the taxpayers and the government, a change appears to be costly and disruptive;
- (ii) The lower cost of assessing annual value is difficult to give up when there are so many other pressures on local government budgets;
- (iii) It is well known that qualified valuers are hard to attract because government salaries tend not to be competitive, a problem which has resulted in some capital value systems working rather badly;
- (iv) The rental system is likely to be more palatable to the influential interest groups, such as industrialists and owner-occupiers, and is acceptable to the courts; and
- (v) There is a fear that a capital value scheme will lead to centralized assessment and eventually to a loss in local control over the property.

In these cases, a conversion from annual to capital value system may in fact reduce duplication, clarify procedures, and increases equity across different uses of real property, but in both cases, the economic base of a city is probably the most important influence on the level and buoyancy of tax revenues for local governments where the properties are located as it defines the limit to the city's local government taxable capacity.

Tax systems are also differentiated by varying tax base definition (i.e. tax base coverage), different rate structures, and perhaps most important of all, different assessment practices. Preference for each system could therefore, lean more on

history, political acceptability, local situation, and administrative convenience. Each country or state should therefore, use the basis that will make the utmost use of the best reliable market data.

Tax assessors in the United States usually use a variety of techniques for determining the value of property that was not recently sold, that is, apart from comparable sales method, they use cost methods, income approach for income producing properties based on market values or (Capital Value). In the absence of market data, others use area-based method.

Property value standard is set by using the generally recognized principles and methods of real property valuation for tax assessment. The most common approach in determining this value standards are:

- (i) The rental value method, that is, imposing tax on the annual rental value of buildings, and depending on the market situation, if there is no rent control, annual rental value method becomes more buoyant as market rents increase.
- (ii) Capital Value method is a tax on the market value of the property which may be land alone, or land and improvements or building alone

Although, both capital value and rental value reflect the income to be derived from a property, they differ in distributional implication. The annual rental value (ARV) reflects the income from a property in its current use. Capital value reflects the market's assessment of the income to be derived from a property in the future.

As a result, the capital value definitions will tend to place a higher proportion of the property burden on “**under used property**” or vacant land ripe for development. However, only those in beneficial occupation pay tenement rates or property tax valued on rental basis.

The most unique aspect of capital value system is the possibility of assessing owner-occupied, rented and non-residential properties on the same basis. This is not

possible under the annual value system. Moreover, centralized valuation system is common in capital value system because of the complex technical nature which is beyond the capability of local officials.

Where real estate market transaction evidence is limited, the options available would be to consider basing the assessed value on measures of building use, location, building size and plot size known as **area-based taxes**. Thus, the taxable value is primarily a function of the land or building area in square metres rather than the market price. This nonmarket-based value system reflects the lack of a normally functioning real estate market and of professional property tax administrations. The system also reflects the traditional use of the property tax that was imposed on private residential, commercial and industrial properties before the property tax reform in the 1980s in Nigeria which is value-based property rating.

## SECTION TWO

### OYO STATE PROPERTY ENUMERATION AND ASSESSMENT PROJECT ORGANIZATION

#### **2.1 INTRODUCTION**

Project Planning is the business of many individuals in any organization. Property enumeration and assessments project seeks to provide accurate and up-to-date data on land prices and building costs, the supply of serviced estate land and various types of real estate for Land Use Charge (property taxation) to establish a sustainable property tax system.

Land management assessments were carried out by a team of professional Estate Surveyors and Valuers. Who are familiar with market survey techniques; GIS Consultants who are experienced in interpreting aerial photographic and satellite images; Specialists who are experienced in computing; and data base management (mostly Senior Estate Surveyors and Valuers who are experts in project management and valuation); data analysts for coding, data entry, fieldwork; and town planner. A set of computer system, was used to develop the data base conduct statistical analysis.

Project Planning also deals with the determination of what activities and what resources have to be utilized to ensure that the project is adequately executed; authority, responsibility and accountability have to be planned so that members of the project team know what their specific roles are and how they relate to other members of the project team who are involved in executing work package activity.

#### **Resource Management**

The institution saddled with the responsibility to execute property enumeration and assessments project also considered the efficient and effective management of the resources at its disposal such as financial resources, inventory of computer systems and office equipment, human skills and other production resources such as digital maps.

Purpose of this exercise is to improve the utilization of resource4s available which is critical to property enumeration and assessments projects.

The above project was conceived to carry out in a professional manner by the Nigerian Institution of Estate Surveyor and Valuers (NIESV), Oyo State Branch, Ibadan. The enumeration and assessment of taxable properties was aimed at taking advantage of great potential value for yielding appreciable Land Use Charge revenue to the State Government. In addition, the project was to put in place an established professional standard process of Land Use Charge administration in line with the Memorandum of Understanding (MOU) signed between the Oyo State Government and the NIESV, Oyo State Branch.

The growing effect of urbanization of Oyo State in Nigeria in terms of residential, commercial, industrial and community land, although not comparable to what is available in Lagos State, is escalating property and land values. Therefore, taxes on land and buildings will serve as economic, political, and legal objectives of Oyo State in developing new fiscal policies and new approached to property rights. Oyo State Government needs sustainable sources of revenue to finance its decayed infrastructure which is now witnessing regeneration and upgrading of infrastructure in Ibadan, the State Capital, and other-major urban centres of Iseyin, Oyo and Saki including Ogbomoso to promote sound economic investments and industrialization apart from other social benefits.

## **2.2 OBJECTIVES OF THE PROJECT**

1. To embark on property enumeration and assessment in order to assist the state, particularly, the Ministry of lands, Housing and Survey to:
  - (a) Collect data on identified properties such as ownership, address, size (length and breadth) and other features.
  - (b) To accurately record the area of land and building and their values with the aim of determining the Land-Use-Charge payable.

- (c) To effectively generation accurate reports from data collected for easy utilization in decision making.
- (d) Provide the basis for capacity building for the Ministry so as to promote intelligent and informed decisions of the government
- (e) The overall objective is a more efficient collection of properties taxes and other fees on land and buildings; and
- (f) For using the project as an efficient tool for urban management in general

### **2.3 TERMS OF REFERENCE OF THE PROJECT**

- i. To collate data on property ownership, occupation and general information for documentation in Oyo State.
- ii. To identify properties of different uses such as commercial, residential, mixed use, educational, health, industrial and agricultural purposes in each delineated enumeration zone/neighbourhood on streets to street basis in each town or city of Oyo State in the thirty three (33) Local Government and thirty five (35) Local Council Development Areas (LCDAS).
- iii. To undertake all necessary steps in terms of physical measurement of land and buildings belonging to a landlord and have the measurement recorded in the inspection Report Sheet.
- iv. To undertake and take the pictorial identities of all the properties under this exercise and indicate this in the final report sheet against each property.
- v. To undertake and carry out necessary valuation of all the properties under this exercise as contained in the provisions of the Land Use Charge Law of Oyo State (2012) to guide in determining the Land Use Charge (LUC) payable on all the properties covered by this exercise.
- vi. To undertake and prepare draft valuation List containing all the properties identified, enumerated and assessed, in Phases 1, 2 & 3
- vii. To prepare the Final Valuation List for submission after all the observations have been made by both the Consultant and the Oyo State Government.

### **2.3.1 Scope of Work and Logistics**

The Government is desirous of enumerating and valuing interests in the properties throughout the Thirty-three (33) Local Government Areas and 33 Local Council Development Areas of Oyo State for Land Use Charge (LUC) purposes. The Consultant agrees to carry out a thorough enumeration and assessment/valuation of all the properties in Oyo State, town by town, street by street with the guidance of the Township maps as sourced by our Institution in collaboration with the GIS Consulting Firm.

This exercise should include the following:

- Identification and Geocoding of properties within Oyo State;
- Numbering of all properties under the exercise with the use of the Property Identification Number (PIN) tag; (to be provided by the Ministry of Lands and Housing)
- Taking sketches of each sites/properties and the photograph of inspected properties under this exercise in the State;
- Compilation of field work on each of the properties inspected;
- Valuation/Assessment of each of the properties;
- Preparation of the valuation sheets for all the properties enumerated and valued/Assessed;
- Submission of the Draft copy of the valuation/Assessment report in phases.

### **2.3.2 Deliverable**

- i. Field Survey Sheets of all properties enumerated
- ii. Soft and hard copies of Valuation List on Local Government and Local Council Development Area basis.
- iii. Geocode of Streets and House Numbers of identified and Assessed Properties (for locality maps).
- iv. Sketches of the location/site of each property
- v. Photographs or pictorial identity of all inspected properties

### **2.3.3 Government's obligation**

Consequent upon the aforesaid, the Government is to make available to the consultant the following:

- (i) Adequate awareness and sensitization of the public in Oyo State of the exercise through print and electronic media;
- (ii) Letter of introduction of the Consultant to each landlord or occupier for ease of access to their properties.
- (iii) Production and provision of metal tag for Property Identification Number (PIN) to the consultant.
- (iv) Provision of the existing Base map for all Local Governments and the Local Council Development Areas.
- (v) Provision of an operating office within the Ministry of Lands, Housing and Survey for the coordination of the exercise.

### **2.4 ADVANTAGES OF THE PROJECT**

- (a) The project will provide information for public sector planning investment and decision making.
- (b) To evaluate government policies, actions and revenue potential accruable from Land-Use Charge and other land-based rates, fees and charge.
- (c) It could be used to undertake evidenced based NEEDS ASSESSMENT of the various communities through participatory approach.
- (d) It will help to know the spatial spread of residential land use in relation to other land uses and government facilities.
- (e) It can be used to challenge the National Population Commission (NPC) in the Census exercise concerning Oyo State.
- (f) The exercise will guarantee data for upgrading the status of Ibadan to a mega city
- (g) The exercise would allow for proper classification of urban Centres in the state based on evidence
- (h) It can be used to resolve the issue of housing deficit

- (i) It will facilitate easy location of properties and the owners and identify environment problems associated with the neighbourhood
- (j) Inconsistencies in property information have been identified as one of the main reasons for low collection of property taxes.

## **2.5 ORGANISATION OF THE SECRETARIAT**

- Attendance/staffing and Record keeping unit
- Finance/Account and procurement unit
- Map production/Delineation and allocation unit
- Data collation/analysis and processing unit
- Planning/logistics and strategy unit
- Monitoring and Quality control unit

## **2.6 FUNCTIONS OF THE UNITS**

- **Attendance/Staffing and Record Keeping Unit**

It was agreed that there must be strict compliance with the laid down guidelines

- Daily attendance record, weekly attendance record, daily summary of properties enumerated and profile of individual participant are fundamental and should be documented
  - Prompt and adequate processing of information and feedback gathered within and outside the secretariat.
- **Finance/Account and Procurement Unit**
    - Responsible for the budgeting, cash-flow of the project for prudence, transparency and well documented record.
    - Preparation of remuneration plans for the participants
    - Coordination of purchases and receipt documentation
  - **Map Production/Delineation and Allocation Unit**
    - Identification of area to be covered for the project
    - Responsible for the mapping and delineation of area zone to be enumerated by the groups

- Planning for inspection and collection of property information in each enumeration area.
  - Proper documentation of record of the allocated and enumerated areas per groups
  - Preparation of logistics and proposal for allocation outside Ibadan city
  - ESV E.S Ojuawo, ESV Otitola, ESV Motori Tambou, ESV M.A. Tomori were selected to monitor and support the unit.
  - Professor Olatoye Ojo and ESV. Demola Otitola were the overall coordinator while the ESV (Alhaji) R.A. Quadri was the Chairman of NIESV, Oyo State Branch.
- **Data Collation/Analysis and Processing Unit**
    - There should be supervising head for this unit to monitor the proper entry of data into the systems. Mr. Adedokun (NIESV State Secretary) was in charge.
    - Determination of rate to be used for assessment (Government determined or Market determined rates)
    - Responsible for the standardized valuation format and report production
- **Planning/Logistics and Strategy Unit**
    - A committee was charged with the brainstorming on the success of the project
    - Responsible for the planning and other logistics for the success of the project
    - Liaising with the Government officers on matters relating to the project
    - Responsible for correspondences relating to the project
- **Monitoring and Quality Control Unit**
    - Responsible for field officers monitoring
    - Vetting and certification of documents remitted to the secretariat
    - Charged with fact finding on the project
    - Ensuring strict compliance with instructions on the field
    - Purchase of chalks for making on enumerated properties

## 2.7 ROLE OF GIS CONSULTANT

The ultimate goal was the utilization of locational/spatial information for planning development and management of the land use project in all the towns and cities of Oyo State.

- (a) Develop detailed maps of towns and cities showing the road networks of identified urban settlements such as Ibadan, Ogbomosho, Oyo, Iseyin, Saki etc.
- (b) Assist the NIESV in the delineation of Neighbourhoods and assignment of POSTCODES to each enumeration area in a manner that would promote intelligent informed decisions that would be essential for:
  - (i) Efficient identification, enumeration and recording of property;
  - (ii) Effective data collection of the city/urban areas by field staff;
  - (iii) Quality control, valuation and assessment
  - (iv) Preparation of Valuation Roll; and
  - (v) Provide access to GIS database directly from the field, using wireless links and mobile services
  - (vi) Create hyperlink with the photograph of the building identified attached to the parcel of landed property already digitized and input to the computer system.

Information about buildings, parcels, use, value, owners, tax rates and rates to be paid or assessed values can be stored in digital form and the information can easily be illustrated and identified in a digital map.

GIS makes a wealth of information, easily available from a spatial interface. It also helps to organize all relevant information, for project tracking when we initiate new projects; we are accountable for effective and efficient **project delivery**. Large projects are often complex, which require careful monitoring, coordination and management. GIS uses location project information.

## SECTION THREE

### CRITICAL FACTORS IN PROPERTY TAXATION

With the emergence of the modern industrial city in Britain in first half of the 19<sup>th</sup> century, the Municipal Corporation Act of 1837 which provided the basis for urban development in that country insisted not only that the boundaries of each Borough and Corporate town and their wards should be surveyed but also that;

*“in every street, the fullest information on the inhabited houses, and the rates paid was to be gathered, with detailed information on trade, manufacturers, markets, roads and other concerns of the town” (Beckinsale and Huston 1968:72).”*

Such detailed information about property units in a town or rural county is usually covered by what is known as a cadastre. It is a register indicating the details of the property, the date a house was developed on it, its market value and especially the name or names of its own/owners and addresses of each property in a town or rural county.

These property units represent the basic economic assets which the city can expect to generate much of the revenue needed to pay for these services and amenities knowledge of the number, size, location, ownership, value, use and occupancy characteristics of these buildings or property unit thus constitutes an essential factor not only in the effective land management but also the efficient governance of the city and property assessment and taxation.

The property units can also be classified into different residential patterns of development or urban fabrics that have the same physical and socio-economic characteristic. The zoning of a city based on a housing typology can be used as a base for geographic analysis of urban development in various applications with the aid of Geographic Information System (GIS) and digital map. The zoning of the city on a housing typology will facilitate property identification assessment procedure, collection of property rates, and also determine income structure of the property units and capacity to pay for infrastructural services such as electricity, waste disposal and water supply.

**(a) Property Tax Base Identification:**

A property tax system involves six major functions as shown in table 3 and these functions according to Roy Kelly (1999) are:

- (1) Tax base identification
- (2) tax base valuation
- (3) tax assessment
- (4) tax enforcement and;
- (5) dispute resolution and tax payer service.

Each of these functions is linked to the four critical ratios of coverage, valuation, tax and collection that were identified in the conceptual model of property tax revenue expressed as follow:

$$\text{Tax Revenue} = \text{Tax base} * \text{CR} * \text{VR} * \text{TR} * \text{CIR}$$

The knowledge of the size and number of individual buildings including the location valuer and type of use and the general occupancy characteristic of the data needed for property taxation and effective land management.

The administration of property taxes is based on the system of property – related information termed fiscal cadastre. Each record in the cadastre contains the following information:

1. tax identification number (or code) permitting the record to be linked to a parcel on the ground;
2. the data to be used in determining the property’s value; and
3. the data used for billing and tax collection.

The challenge is to ensure that the basic information on land, land and improvement, or land and improvement together with machinery/equipment depending on the policy choice regarding tax base definition, is up-to-date and accurate, that is to maintain the coverage ratio as close 100 percent as possible.

To carry out discovery and identification of tax base property, the city or an urban Local government area is divided into geographic zones depending on the political boundaries of the local government and the location of employment centre, population and built up areas and community patterns in the metropolis or a city. The arrangement of political wards is equally important as they form the basis of geographical zoning for data collection.

The geographical zone is defined in such a way that each zones provides a homogeneous pattern of land use and housing typology. The boundaries of the zones should be set in a way that the land use patterns within the zones are roughly. Similar in terms of social and economic activities.

### **3.2 VALUATION OF TAXABLE PROPERTY:**

The legal base of the property tax or (tenement rate) tax defined by the state tenement rate law and consists of land with or without building held or occupied for a beneficial purpose and includes open storage facility, wharf or pier within a local government area.

Value, for tax purposes (rateable value) is defined as the value at which the tenement is assessed in Nigeria, especially in Oyo and Ogun states except in Lagos state where land-use charge has been introduced since 2001.

The basis of valuation is the Gross value of the tenements which is the annual rent passing on the tenement or depreciated replacement cost method and any other authorized method. To arrive at the rateable value of the tenement, the appraiser shall deduct 25% from the Annual Gross Value of the tenement.

### **3.3 PROCEDURE FOR UPDATING ASSESSMENT LISTS:**

The need to discover and incorporate changes in property tax base is particularly acute in Nigeria. Due to the country's rapid urban growth rate, the tax base is rapidly changing, new land parcel are created through subdivision and expansion of the "urban zone", new buildings are constructed and existing ones improved; and changes in ownership occur.

To discover and incorporate changes in property characteristics, Nigerian urban local governments do not rely on regularly scheduled general revaluations. Several parallel strategies are instead used to discover and incorporate the various types of change in the tax base. The most common method is through regular field work or adjustment of the nominal tax rate or makes an across-the-board annual

adjustment in property assessment at a uniform percentage rate or in inflation rates supplied by the Central Bank of Nigeria.

### **3.4 PROPERTY TAX COVERAGE:**

Tax base identification is a continuous exercise and it goes along with tax Valuation in order to determine how the tax burden will be distributed among the tax payers. It is essential that property tax coverage is maximized with the tax base being as wide and inclusive as possible. Low levels of coverage can be attributable to several reasons such as:

- (i) the failure of taxable properties being identified and omitted From the valuation rolls as at the time of general exercise;
- (ii) political inference resulting in the failure to value properties; and
- (iii) numbers of exempt properties.

The wider the tax base, the lower the tax rate required to raise the equivalent level of revenue and the greater incentive for voluntary compliance. The number and range of exempt property and these entitled to exemption of favourable treatment needs to be strictly controlled especially government and quasi-government owned building.

### **3.5 INSTITUTIONAL ARRANGEMENTS FOR TAX ADMINISTRATION:**

Property tax is an instrument of denaturalization as well as a source of revenue for local governments. Developed and developing countries do formulate policies on which level of government that will be responsible for property taxation. A typology is offered in table 9 to illustrate the trade off in the countries so listed practicing urban property taxation.

In the United States of America and Japan, the property tax process has been decentralized completely to local governments for both policy and administrative issues. In Chech Republic, France and Sweden both functions have been centralized at the National level. However, property tax policy is decentralized while the administrative aspect is centralized. It is the other way round in the United Kingdom

where the property tax policy is centralized while tax collection (Administration) is assigned to local governments.

The new land Use Charge Law 2001 of Lagos State, Nigeria put both property tax policy and administration responsibilities in the Ministry of Finance as against the practices entrenched in the former tenement Rate Law of Lagos State, 1989 which created Lagos State Valuation Office that was responsible for policy issue while local governments were vested with the responsibility to collect Tenement Rate as provided in the 1999 constitution of Nigeria.

Assignment of the valuation is a politically sensitive issue when competing Agencies vie for control or local governments. Estonia government assigned valuation responsibility for the Land Tax to the National Land Board and Tax administration and collection to the National tax Board. In other countries, property tax reforms generally have been led by the Finance Ministries as we have in Oyo State during the World Bank Project financed Oyo State Urban Projects (IDF II) including introduction of valuation based property tax. (i.e. Ad-volerem property tax) Where ministries and agencies compete for control, the creation of new departments or consolidation and reorganization of existing agencies may provide a solution. This policy of the World Bank provided ground for the creation of Oyo State Valuation Office in the Ministry of Local Government and Chieftaincy in 1996. the Ministry performed oversight functions over local governments in the state.

The Ministry of Local Government and Chieftaincy Matters in year 2006 established eight (8) Zonal Valuation Offices in the major urban local government areas of Oyo State namely, Ibadan, Oyo, Ogbomoso, Saki, Iseyin and Eruwa.

However, with the introduction of Land Use Charge in 2012, Oyo State was transferred to the Ministry of Lands, Housing and Survey as Land Use Charge Office headed by a Director of Land Use Charge, a Registered Estate Surveyor and Valuer. With the splitting of Local Governments, the 33 LGs and 35 LGDA headquarters should now become Tax Collection Centres with the status of zonal Land Use Charge Offices to be closer to Tax Payers and for administrative convenience.

### **3.6 SETTING REALISTIC TAX RATE STRUCTURE:**

The main purpose of progressively structured property tax rates is to put a higher share of the tax burden on the more valuable properties and therefore presumably on the wealthier population groups. As an owner invests in improvements to his property, its value increase as it will be pushed into a higher tax bracket.

Industrial and commercial properties are often more heavily taxed than residential properties. The justification is that owners of these properties have a greater ability to pay than owners of residential lots, in other words, the main objective is that of equity. If lower taxes are charged on industrial and commercial properties, it is usually with the purpose of encouraging and attracting business investment in a particular jurisdiction.

To achieve these objectives, property taxes must have constituted a significant part of the affected industry's costs and the tax break must be significant and sustained.

The common industrial and commercial properties found in both urban and rural local governments in the South Western zone of the Federal Republic of Nigeria are GSM masts, Petrol Filling Stations, Private Hospital and Educational institutions light industries (i.e. block making, sawmills etc.) while heavy industries are only found in few major urban centers especially the state capital where there are supporting facilities and ready-made markets for the products.

As an owner invests in improvement to his property, its value will increase and it will be pushed into a higher tax bracket. This is likely to act as disincentive to more intensive use and development of the land and as such implies a distortion in the allocation of resources.

The use of differential tax rates is a mechanism that, if properly applied, can adjust the tax incidence to better reflect the ability to pay particular actors. In addition, it can also be used as an adjustment factor to reflect the level of services

provided to specific classes of property in a neighbourhood. For example, commercial and industrial properties are taxed higher than residential property.

However, the inequity in the distribution of land and building has been regarded as the most important source of the ever-unending gap between the have and the have-nots. The objective of tax reform is therefore to reduce tax induced distortions in the allocation of resources arising from the narrow tax bases, multiplicity of rates and uneven enforcement and compliance. The initial goal of property tax reform was revenue neutrality (i.e. tax that avoids distortions of the market) in the short-term anticipation of broadening the tax base and lowering tax rates. It is envisaged that, the reform proposals would make the system capable of generation additional revenue through improved tax administration, tax compliance and a more effective land and building tax.

Property tax system also often exempt low value residential property due to administrative cost of assessment and collection. However, where small, low value properties constitute a large proportion of the real property assets in a city, tax administrative could adopt extremely simple valuation methods for typical units (e.g. point system or flat rate assessment), thus bringing the properties into the tax system at the lowest possible cost.

Many countries also permit preferential rates to owner occupied residential property or even adopt low assessment ratio. The rational for preferential treatment is either to encourage home-ownership or on ability-to-pay grounds. This category of property does not generate rental income hence the occupants are less able to pay recurrent rising property taxes. This preferential treatment does, however, represent a subsidy to middle and income groups, which account for the bulks of owner-occupants living in a city including the retired pensioners with limited income.

### **3.7 TAX COLLECTION AND ENFORCEMENT STRATEGY:**

Collection improvement is complicated as it involves a mixture of administrative, legal and political constraints. As a general rule, successful collection depends on adequate collections procedure, the structure of tax, making compliance convenient and non-compliance subject to swift, certain and costly penalties.

Collection can be made more convenient by decentralizing the collection to neighbourhood collections points (as in Ibadan, Lagos, Karachi, Pakistan) Collection can also be made more convenient by permitting tax payments into designated Commercial Banks as now the case in Lagos State under **Land Use Charge Law, 2001**.

In many countries, problem with collection procedures often grow out of a shortage of skilled staff in the Treasurer's Office of the Local Government. Other Problem includes:

- (i) Poor Coordination between the assessor's (Central Valuation Office) and Treasurer's Office in the Local Government.
- (ii) No follow-up mailing or visits to major tax delinquents; and
- (iii) Inadequate record of property owners and tax delinquents that could easily be identified for prosecution.

Legal liability for the property tax rests with property itself. The determination of legal ownership is not a precondition to imposing the tax.

The production of revenue ultimately depends on effective system of billing and collection. This aspect of property tax is often overlooked in favour of reforms in the discovery and evaluation system. The objective of a billing system is to fulfill the taxing authorities' legal obligation to notify the taxpayers of his liability. Success depends as much on the legal definition of liability as it does on the mechanics of producing and delivering the bill. In order to relieve the taxing or rating authority of the obligation to prove legal ownership, the law permits the rating authority to impose rate levy and the penalty on the owner/occupier in beneficial. Occupation at a particular point in time.

The mechanics of billing consist either of positing the list of assessments in a public place or attaching a bill to the physical premises of each property with concern for whether the bill has been received by an absentee owner.

Where property is being assessed for the first time, the assessor or appraiser is required to notify the owner or occupier, by having the notice of assessment or bill delivered directly or through registered mail. Inability to deliver the notice of assessment or bill to the owner does not relieve the property of tax liability

### **3.8 ENFORCEMENT MECHANISM:**

Lack of special courts for the Local Authority has been cited as a serious impediment in Lagos, Nairobi and Oyo State especially Ibadan South West Local Government, since the regular courts have been unable to dispose speedily of appeal or tax enforcement actions such as expropriation. Because of such delays, some Indian cities have in the past negotiated the amounts to be paid (Baw 1975). In Anambra State, Dillinger 1988 a: 35), Nigeria, property tax cases have been dismissed for want of a judge to try the case credible system of penalties is usually necessary for effective collection of rates. Such a system requires a timely method of discovering delinquencies and imposition of still penalties for non-payment. The Local Rating Authorities are legally authorized to take enforcement actions whose consequences would outweigh the cost of paying an outstanding property tax bill (e.g. detrainment of property or goods, imprisonment, sealing of premises).

One other difficulty, which inhabits enforcement, is that tax is not levied on property but on the owner or occupiers; that is, the tax is in persona not in rem. This means that the owner or occupiers has to be located and brought to court in order to institute proceedings for non-payment of taxes. To avoid prolonged litigation on disputed land title; the law usually imposes rate liability on occupier who enjoys beneficial occupation.

If taxpayers are aware that the body responsible for collecting the tax is both willing and able to enforce payments, compliance is likely to be considerably enhanced. Another possibility to increase collection rates is to provide a set of positive inducements. In many countries (Colombia and Philippines are examples). Cash discounts have been provided for early payments.

## SECTION FOUR

### PROPERTY ENUMERATION AND ASSESSMENT PROCEDURE USING GIS

GIS is a computer system for capturing, storing, quarrying, analyzing, and displaying Geographic data. GIS is a special class of information system, which can be divided into four components involving a computer system; GIS software, human expert, and the data. GIS activity can be grouped into **spatial data input, attribute data management**, data display, data exploration, data analysis, and GIS modeling.

GIS can handle both spatial and attribute data, spatial data relate to the geometry of the features, while attribute data describes the characteristics of the different features and stored in the tabular form. Each row of the table represents a feature while column represents the characteristics of features. The intersection of a column and a row shoe the value of particular characteristics of a feature.

#### **4.1 GEOGRAPHIC AREA DEMARCATION (GAD) FOR DATA COLLECTION**

GIS will allow Estate Surveyors and Valuers and different people involved in “property Enumeration and Assessment for land-based taxation project” with different backgrounds to get the information about the progress of the project and support and support decision making. **A GIS will provide basis of undertaking and communication among these people.**

**A GIS does in fact, as a tool, create high quality maps that communicate considerable amounts of information in an efficient and attention getting manner.** GIS can be integrated with project management for either construction progress visualization or property taxation process and an integrated information system.

The demarcation of geographic areas for property enumeration and assessment is a major technical aspect of property taxation of property process for property identification, assessment valuation and preparation of valuation roll before billing and collection exercise. This exercise involves the employment of available suitable

maps, such as Cadastral maps, Topographic Maps, and even Satellite Imageries in Delaminating the existing administrative boundaries of the local government area into small geographic units based on a threshold of between 600 and 750 or a maximum range of (750-1000) housing units for 5 gangs of 3 fields officers each and a coordinator who is a Registered Estate Surveyor and Valuer. That is, the size of the geographic area for property enumeration of 600-750 houses (or 750-1,000).

A geographic unit for property enumeration must be compact, clear in boundaries and not omitting any portion of the land area. To achieve this, one must contend with the issue of high quality maps produced by the office of the Surveyor General or Satellite Imageries produced by GIS experts or Google Maps.

In carrying out property enumeration exercise, property tax consultants, who should be Registered Estate Surveyors and Valuers, must be guided by the following principles;

- (a) That each geographic unit created for property enumeration and data collection must be compact, with clearly defined boundaries of existing neighborhoods, determined by the distance of existing neighborhood/communities/localities, accessibility, nature of terrain and physical features
- (b) Non-overlap and contiguous;
- (c) Features as roads, streets, footpaths, lanes stream, creeks, building number (PIN), power lines, railway lines etc. should be used as boundaries
- (d) The size of each geographic area should not be less than 40 hectares and 50 hectares with between 600 and 750 housing units or 1,800 households and 2,250 households.
- (e) Enumeration/geographic boundaries should not cross administrative boundaries of local government areas or political wards.
- (f) Large and special institutes such as universities, polytechnics, police/army barracks research institutes should be treated as special enumeration areas.

(g) Finally, when a single geographic area contains many localities, the EA. Zone should bear the name of the largest or prominent features e.g. AGBOWO, OLD BODIJA ESTATE, OKE-ADO, MOKOLA etc.

And their wards but also that, they have base maps. They also need to have a cadastral map that comprising both the surveyed map showing location and actual addresses of each property in a town or rural community and a register indicating the details of the property, the date a house was developed on it, its market value, and especially the name or names of its owner lowers.

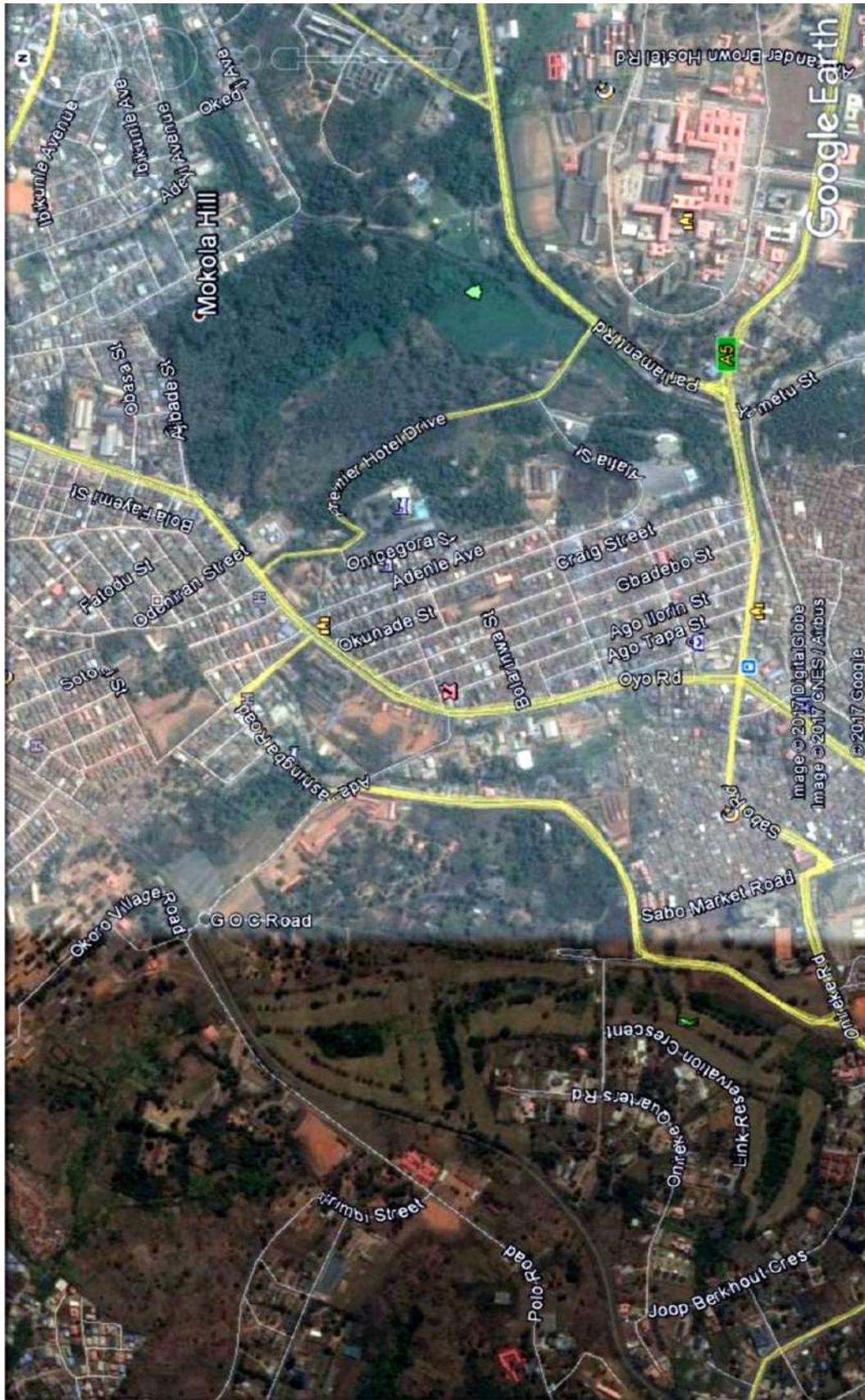
## **4.2 DIGITAL MAPPINGS**

This entails the digitization of the outline of every property in town taken from a map or an aerial photography.

Digitalization could also be produced through the use of the global. Positioning system (GPS) for tracing the boundaries of every property in a town or rural community.

Once the resulting map is produced on an acceptable scale, it is no great taste ensuring that all the roads, street and lanes, however significant are named and the properties numbered. The ownership of each property is then ascertained and entered in the register often, the purpose of all this is to be able not to have detailed management information but also enhanced capacity for collecting revenue from all taxable properties within each neighborhood or wards.

Digital mapping is however, only a part of a geographical information system (GIS). The later can help a local government have, apart from a cadastral map, a more comprehensive database about different aspects of its environment and socio economic circumstances (Mat, 1993). It can also provide facilities for the analysis of these data to answer vital management and policy questions.



### 4.3 UTILIZATION OF POSTCODE SYSTEM

The Oyo postcode system is designed to facilitate properly enumeration land-use charge collection, household enumeration, refuse collection and other public service delivery.

It is made up of six (6) digits code 200101 where the first three represents the local government areas in each geopolitical zones based on the old district councils and last three digits represent the properly enumerated areas.

The postcode system divides Nigeria into nine (9) postcode zones, each of which is identified by figure one (1) to nine (9) in the first digits. A postcode zone is further divided into postcode areas as explained above; each of which is identified by a postcode zone two(2) while Lagos and Ogun state are in zone one (1). See map of Oyo State Postcodes for the 33 LGAs

**Table: Oyo State Districts Postcode Zones**

S/NO	DISTRICTS	LOCAL GOVERNMENT AREAS(S)	POST CODE
1	IBADAN	ELEVEN LGAS	200
2	IBARAPA	ONE LGA	201
3	IFELOJU	TWO LGAS	201
4	ISEYIN	TWO LGAS	202
5	KAJOLA	TWO LGAS	202
6	IFEDAPO	THREE LGAS	203
7	IREPO	THREE LGAS	212
8	OGBOMOSO	FIVE LGAS	210
9	OYO/AFIJO	FOUR LGAS	211

## SECTION FIVE

### REAL ESTATE CONCENTRATION DETERMINES THE TOTAL ASSESSED VALUE AND PER CAPITA TAX BASE OF AN URBAN AREA

#### **5.1 PREAMBLE**

Property units represent the basic economic assets from which the city or an urban area can expect to generate most of the revenue sources. Property tax (or Land Use Charge) as it is called in Lagos and Oyo States, is market based. As property changes hands, a new wealth is invested in real estate. With economic growth and development, the revenue capacity of a market value tax will increase with real estate prices.

Therefore, property tax base valuation carried out by the Nigerian Institutions and Estate Surveyors (NIESV). Oyo State Branch was to determine how the tax (or Land Use Charge) burden will be distributed among the tax payers in Oyo State. Whereas, tax assessment exercise was to determine how much property tax (or Land Use Charge) will be levied based on the statutory formula in the Land Use Charge Law. The Land Use Charge payable is based on the assessed value of each property after multiplying it with statutory tax rate.

Thus, following property identification and enumeration exercise, then valuation and assessment of each property was carried out; a property tax system was therefore established to be enforced against non-compliance.

Phases I & II (A and B) covered Ibadan Metropolitan Area, the largest in the country and the capital of Oyo State with eleven (11) Local Government Areas. It had a population of 2,559,853 according to the National Population census (2006) and projected 6 million in 2015 according to the World Bank who prepared the Master Plan. It currently has over 880,000 Residential properties which constitute 14.88% of the area of Ibadan, that is, 3,145.96 sq. km (see the table). This is about 11% of the area of Oyo State.

**Table: Trend in the Amount of Average Assessed Value per  
Local Government (No 6-11 to be up-dated)**

S/N	LOCAL GOVT AREA	NO OF PROPERTY ENUMERATED	NO OF BUILDINGS ON VALUATION	PERCENTAGE TREATED	TOTAL ASSESSED VALUE	AVERAGE ASSESSED VALUE
1.	IBADAN NORTH	17,438	12,984	74.45%	234,271,849,807	
2.	IBADAN NORTH EAST	3,984	1,946	48.85%	31,396,965,943	16,134,103.77
3.	IBADAN NORTH WEST	4,662	3,621	77.67%	78,279,041,093	21,618,072.66
4.	IBADAN SOUTH EAST	3,601	4,370	121.36%	90,465,237,077	20,701,427.25
5.	IBADAN SOUTH WEST	11,551	8,409	72.80%	162,949,765,757	19,378,019.47
6.	AKINYELE	12,346	17,539	142.06%	43,784,125,050	2,496,386.63
7.	IDO	13,096	4,794	36.61%	14,422,322,514	3,008,411.04
8.	OLUYOLE	9,115	11,057	121.31%	100,396,044,771	9,008,082.26
9.	ONA-ARA	6,011	4,481	74.55%	13,282,483,707	2,964,178.47
10.	LAGELU	9,061	4,059	44.80%	5,376,406,750	1,324,564.36
11.	EGBEDA	16,829	14,437	85.79%	77,595,317,512	5,374,753.56
	<b>TOTAL</b>	107,694	87,697	81.43%	996,713,257,047	11,365,420.22

Large cities and metropolitan areas in Oyo State are different from smaller urban or rural municipalities, because of the size of their population, the high degree of concentration of population, and the presence of a heterogeneous population in terms of social and economic circumstances. In particular, Ibadan, Oyo and Ogbomoso major towns serve as regional hurb for people from neighboring communities, who come to shop or use public services that are not available in their own communities.

However, to be competitive, other cities need to provide services such as parks, recreational facilities, and cultural institutions in addition to transportation disposal, police and fire protections. The high concentration of special needs within large cities and metropolitan areas also requires higher expenditures on social services, social housing, and public health.

Large cities and metropolitan areas are better able to levy property taxes than smaller cities and rural areas. The former rely on property tax revenues, for example, larger, more densely populated cities or rural areas, where property values are generally lower.

Moreover, since commercial and industrial properties are always taxed at a higher rate than residential properties, large cities with a high proportion of commercial and industrial properties have greater ability to levy property taxes.

Whereas, land-based taxes are the fees, dues, charges, levies, rates and rents paid on land, either developed or undeveloped to governments for wealth redistribution and as a form of government control over land. It is the responsibility of land-owners to pay taxes on them.

Sales taxes generate significant revenue for large cities that attract people from neighboring municipalities who come to shop or work there. Indeed, sales taxes are one way to capture the benefits that commuters and visitors enjoy from using services in the municipality.

## **5.2 PATTERN OF LAND AND PROPERTY VALUES**

Commercial and similar uses are located in city centres, as they are able to pay the high land prices and secure the benefits of maximum accessibility and convenience. Hence rents serve to act as sorters and arrangers of land use patterns, and planning control alone does not decide land use.

It has been suggested that the outgrowth of this market process of competitive bidding for sites among the potential users of land is an orderly pattern of land use specially organized to perform most efficiently the economic functions that characterized urban life.

Generally commercial and industrial uses can attract land away from residential uses. Competition between firms to be in the desired positions will force the land values above those of the surrounding land used for residential purposes for complementary purposes this is likely to enhance the land values, whereas if they are incompatible, this may lower the land values. For example, if there is a residential

district well served by schools, open spaces and transport, people will wish to live there and both property and land values will be higher than the area that lacked these facilities.

Moreover, since commercial and industrial properties are almost always taxed at a higher rate than residential properties, larger cities with a high proportion of commercial and industrial properties have greater ability to levy property taxes. These large cities and metropolitan areas rely on property tax revenues because they are more densely populated. Hence, they have higher per capital tax base than smaller cities and rural areas, where property values are generally lower.

The rapid urbanization rate in Oyo State over the past 27 years (1991-2018) would have exacerbated further the relative shifts in market value between sectors and locations. If those relative shifts were captured in the valuation rolls, there would be a major reallocation of tax burden among rate payers between 1996-2000, Regions or Geo-political

Zones in Oyo State with rapidly increasing land values. Be required to pay a higher proportion of the tax burden like Ibadan, Oyo, Ogbomosho and Saki situated along the same urban corridor of Lagos – Ilorin, while regions with less rapid growth (e.g. Ibarapo, Iseyin, Saki and Towns) would reduce their native contribution. See the table (2005-2009)

The former approach as at 2010 of relying on Tenement Rate did not pick up these relative changes in values Under The Land-Use Charge and the resulting shifts in tax burden. Unless these relative property value changes can be captured during the current property enumeration exercise 2017/2018 and through frequent revaluations taxpayer equity cannot be maintained.

In addition to the equity implications, in frequent revaluations typically cause massive political outcry as newly assessed values typically cause dramatic shifts in relative values and thus relative tax. Burdens, more frequent revaluations, accompanied by an effective public relations campaign would increase equity and considerably reduce possible political costs.

The only way to improve the accuracy and level of the assessments ratio is to systematically update the valuation rolls to reflect changes in the relative and absolute changes in property market values. This can be done through a combination of simplifying the valuation system ( shifting it to mass valuation ), computerizing the maintenance of the fiscal cadastral and the valuation process, and increasing the amount of manpower and financial resources allocated to valuation roll maintenance (Roy Kelly, June 199)

Below is the breakdown of the analysis of assessed values and number of enumerated properties classified into geopolitical zones in Oyo State. The population and concentration of economic activities affected the level of urbanization of each settlement as indicated below. Initially, there were 33 Local Governments in Oyo State before the creation of Local Council Development Areas numbering 35 (see the table)

### **5.3 SUMMARY OF FIELD WORK ACROSS THE STATE**

**PURPOSE:** The purpose of the property enumeration and assessment of property in the 33 LGAs and 35 LCDAs in Oyo State of Nigeria was to develop basis for Land Use Charge.

#### **PHASE I**

##### **IBADAN METROPOLIS**

70% of the city was covered excluding the core traditional areas and 42,005 Taxable Properties were enumerated and assessed while valuation rolls had been prepared and submitted to the ministry. The Five Local Government Areas were covered namely: Ibadan North, Ibadan North East, Ibadan North West, Ibadan South East and Ibadan South West.

#### **PHASE II**

##### **IBADAN OUTER CITY**

This comprised six Local Government Areas of Akinyele, Egbeda, Ido, Lagelu, Oluyole and Ona-Ara. 73,593 Taxable properties were enumerated and assessed while valuation roll had been prepared and submitted to the Ministry

### **PHASE III**

The exercise covered four major Towns/Cities of Oyo, Ogbomoso, Iseyin and Saki. The breakdown is follows as:

- i. Oyo/Awe: covering minimum of 9,594 taxable properties.
- ii. Ogbomoso Township (North and South) covering a minimum of 7,102 taxable properties.
- iii. Iseyin Township covering a minimum of 5,627 taxable properties.
- iv. Saki Township covering a minimum of 5,939 taxable properties.

The total number of properties enumerated and assessed was therefore 28,262

### **PHASE IV**

Eleven teams worked at the following towns of Igbo-Ora, Eruwa, Okeho/Ilero, Kisi and Igbeti. A total of 11,807 taxable properties were enumerated and assessed.

### **PHASE V**

The fifth phase of the exercise covered rural towns within Local Governments Areas where taxable properties are located. These were:

- |       |  |                                   |
|-------|--|-----------------------------------|
| i.    | Ayete/Tapa/Igangan (Ibarapa North LGA) | - 983 taxable properties          |
| ii.   | Tede/Ago Are (Atisbo LGA)              | - 800 taxable properties          |
| iii.  | Oje-Owode/Sepeteri/Ago Amodu           | - 1138 (Saki East LGA)            |
| iv.   | Out/Ipado/Okaka/Igbojaye               | - 994 (Itesiwaju LGA)             |
| v.    | Iwere ile/Iganna (Iwajowa LGA)         | - 992 taxable properties          |
| vi.   | Ajawa/Odo-Oba (Ogo-Oluwa LGA)          | - 831 taxable properties          |
| vii.  | Ikoyi/Iluju/Tewure (Orire LGA)         | - 1,420 taxable properties        |
| viii. | Iresa Adu/Iresa Apa/OKo                | - 1,006 (Surulere LGA)            |
|       | <b>TOTAL</b>                           | <b>= 8,164 taxable properties</b> |

### **PHASE VI**

Five groups comprising one leader with a vehicle and four others were mandated to enumerate and assess Petrol/Gas Filling Stations along 19 major routes within Ibadan Metropolitan Areas to capture these class of special properties springing up every day. They would certainly generate high property tax rates and

contribute much to the State Government Revenue in terms of Land Use Charge, At the end of the exercise, there were 583 Petrol/Gas Filling Stations along the listed major Roads.

## PHASE VII

Additional exercise was carried out in three(3) Ibadan Less City Local Government Areas of Lagelu (5 zones), Ido (3 zones), and Akinyele(3 towns of Alabata, Ijaiye-Orile and Olorisa-Oko). Reports in respect of four (4) zones have been received for processing with total number 5,418 taxable properties. Other Zones are being expected

**Table I: Distribution of LGA/LCDAs in Oyo State, 2018**

S/N	Geopolitical Zone	Population 2006	No of LGAs 2006	No of LGAs/LCDAs	Percentage of Total	Total Assessed Value of Tax Base 2017/2018
1	IBADAN	2,550,853	11	25	45.87%	₦996.713 Billion
2	IBARAPA	320,718	3	5	5.75%	₦21.981 Billion
3	OGBOMOSO	654,183	5	12	11.72%	₦53.903 Billion
4	OKE-OGUN	1,485,158	10	18	26.61%	₦93.251 Billion
5	OYO	560,928	4	8	10.05%	₦65.469 Billion
	<b>TOTAL</b>	<b>5,580,894</b>	<b>33</b>	<b>68</b>	<b>100%</b>	

*Sources: National Population Commission (NPC) 2009 Ministry of Lands, Housing and Urban Development and Ministry of Local Government & Chieftaincy Matters*

**TABLE II: PROPERTY ENUMERATION AND ASSESSMENT  
WITHIN IBADAN METROPOLIS ZONE**

### PHASE I

S/NO	LOCAL GOVERNMENT AREA	TOTAL NO OF NEIGHBOURHOOD COVERED	TOTAL NO OF BUILDING ENUMERATED	TOTAL ASSESSED VALUE OF TAX BASE ₦:k	AV. ASSESSED VALUE OF TAX BASE ₦:k
1	IBADAN NORTH LOCAL GOVERNMENT	50	17,438	234,271,849,807	13.435 BILLION
2	IBADAN NORTH EAST LOCAL GOVERNMENT	5	3,984	31,396,965,943	7.881 BILLION
3	IBADAN NORTH WEST LOCAL GOVERNMENT	10	4,662	78,279,041,093	16.791 BILLION

4	IBADAN SOUTH EAST LOCAL GOVERNMENT	6	4,370	90,465,237,077	20.701 BILLION
5	IBADAN SOUTH WEST LOCAL GOVERNMENT	13	11,551	162,949,765,757	14.107 BILLION
	<b>TOTAL</b>	<b>84</b>	<b>42,005</b>	<b>597,362,859,677</b>	<b>14.221 BILLION</b>

**TABLE III: PROPERTY ENUMERATION AND ASSESSMENT**  
**WITHIN IBADAN OUTER CITY LOCAL GOVERNMENT ZONE**  
**PHASE 2**

S/NO	LOCAL GOVERNMENT AREA	TOTAL NO OF NEIGHBOURHOOD COVERED	TOTAL NO OF BUILDING ENUMERATED	TOTAL ASSESSED VALUE OF TAX BASE ₦:k	AV. ASSESSED VALUE OF TAX BASE ₦:k
1	AKINYELE LOCAL GOVERNMENT	9	18,490	46,095,853,917	2,496,386.63
2	EGBEDA LOCAL GOVERNMENT	13	18,144	19,981,568,436	1,101,276.92
3	IDO LOCAL GOVERNMENT	11	11,057	100,396,044,771	9,079,862.96
4	OLUYOLE LOCAL GOVERNMENT	8	6,011	13,282,483,707	2,209,696.17
5	LAGELU LOCAL GOVERNMENT	12	17,375	10,309,575,963	593.356.89
6	ONA-ARA LOCAL GOVERNMENT	3	16,829	77,595,317,512	4,610,809.76
	<b>TOTAL</b>	<b>56</b>	<b>87,908</b>	<b>282.761,710,461</b>	<b>3,216,564.03</b>

*Note:* Reports of the exercise from Ibadan Less city covering Lagelu, Ido, and Akinyele LGAs are being awaited for submission to the Control Unit for processing. It involved nine (9) zones out of which two reports have been received comprising 5,418 taxable properties.

**TABLE IV: PROPERTY ENUMERATION AND ASSESSMENT OUTSIDE IBADAN**  
**METROPOLITAN AREA LOCAL GOVERNMENT ZONES**  
**OYO ZONE**

S/NO	LOCAL GOVERNMENT AREA	TOTAL NO OF NEIGHBOURHOOD COVERED	TOTAL NO OF BUILDING ENUMERATED	TOTAL ASSESSED VALUE OF TAX BASE ₦:k	AV. ASSESSED VALUE OF TAX BASE ₦:k
1	ATIBA LOCAL GOVERNMENT AREA	9	1,840	5,056,291,868	2,747,987.71
2	AFIJO LOCAL GOVERNMENT AREA	7	532	6,353,278,916	7,795,434.25
3	OYO EAST LOCAL GOVERNMENT AREA	10	3,389	19,787,732,073	6,543,562.19
4	OYO WEST LOCAL GOVERNMENT AREA	9	3,815	34,271,676,134	8,983,401.34
	<b>TOTAL</b>	<b>35</b>	<b>9,594</b>	<b>65,468,978,991</b>	<b>6,823,950.28</b>

**TABLE V: ISEYIN ZONE**

S/NO	LOCAL GOVERNMENT AREA	TOTAL NO OF NEIGHBOURHOOD COVERED	TOTAL NO OF BUILDING ENUMERATED	TOTAL ASSESSED VALUE OF TAX BASE ₦:k	AV. ASSESSED VALUE OF TAX BASE ₦:k
1	ISEYIN LOCAL GOVERNMENT AREA	13	5,627	23,488,204,819	4,174,196.70
2	ITESIWAJU LOCAL GOVERNMENT AREA	3	993	3,338,777,836	3,362,314.03
3	KAJOLA LOCAL GOVERNMENT AREA	OKEHO & ILERO (2)	1,999	5,840,237,250	2,921,579.41
4	IWAJOWA LOCAL GOVERNMENT AREA	IWERE-ILE IGANNA (2)	992	5,320,973,191	5,363,884.27
	<b>TOTAL</b>	<b>20</b>	<b>9,611</b>	<b>37,988,192,646</b>	<b>3,952,574.41</b>

**TABLE VI: PROPERTY ENUMERATION AND ASSESSMENT OUTSIDE IBADAN**  
**METROPOLITAN AREALocal GOVERNMENT ZONES**

**SAKI ZONE**

<b>S/NO</b>	<b>LOCAL GOVERNMENT AREA</b>	<b>TOTAL NO OF NEIGHBOURHOOD COVERED</b>	<b>TOTAL NO OF BUILDING ENUMERATED</b>	<b>TOTAL ASSESSED VALUE OF TAX BASE ₦:k</b>	<b>AV. ASSESSED VALUE OF TAX BASE ₦:k</b>
1	SAKI EAST LOCAL GOVERNMENT AREA	3	1,128	3,186,904,024	2,825,269.52
2	SAKI WEST LOCAL GOVERNMENT AREA	15	5,939	34,271,676,134	5,770,613.93
3	ATISBO LOCAL GOVERNMENT AREA	2	800	2,212,363,700	2,765,454.63
4	ORELOPE LOCAL GOVERNMENT AREA	9	1,820	5,141,990,535	2,825,269.52
5	IREPO LOCAL GOVERNMENT AREA	11	1,998	5,594,554,745	2,800,077.45
6	OLORUNSOGO LOCAL GOVERNMENT AREA	9	1,045	4,854,744,210	4,645,688.24
	<b>TOTAL</b>	<b>49</b>	<b>12,730</b>	<b>55,262,233,348</b>	<b>4,341,102.38</b>

**TABLE VII: OGBOMOSO ZONE**

<b>S/NO</b>	<b>LOCAL GOVERNMENT AREA</b>	<b>TOTAL NO OF NEIGHBOURHOOD COVERED</b>	<b>TOTAL NO OF BUILDING ENUMERATED</b>	<b>TOTAL ASSESSED VALUE OF TAX BASE ₦:k</b>	<b>AV. ASSESSED VALUE OF TAX BASE ₦:k</b>
1	OGBOMOSO NORTH LOCAL GOVERNMENT AREA	10	4,515	32,914,471,256	7,290,026.86
2	OGBOMOSO SOUTH LOCAL GOVERNMENT AREA	7	2,487	10,539,010,158	4,237,639.79
3	ORIRE LOCAL GOVERNMENT AREA	3	1,420	3,821,373,860	2,691,108.35
4	OGO-OLUWA LOCAL GOVERNMENT AREA	2	831	2,925,951,100	3,521,000.12

5	SURULERE LOCAL GOVERNMENT AREA	3	1,006	3,702,609,020	3,680,525.86
	<b>TOTAL</b>	<b>25</b>	<b>10,259</b>	<b>53,903,415,394</b>	<b>5,254,256.30</b>

**TABLE VIII: PROPERTY ENUMERATION AND ASSESSMENT OUTSIDE  
IBADAN METROPOLITAN AREALOCAL GOVERNMENT ZONES  
IBARAPA ZONE**

S/NO	LOCAL GOVERNMENT AREA	TOTAL NO OF NEIGHBOURHOOD COVERED	TOTAL NO OF BUILDING ENUMERATED	TOTAL ASSESSED VALUE OF TAX BASE	AV. ASSESSED VALUE OF TAX BASE
1	IBARAPA CENTRAL LOCAL GOVERNMENT AREA	13	2,064	9,302,286,423	4,506,921.72
2	IBARAPA EAST LOCAL GOVERNMENT AREA	18	2,881	9,648,585,920	3,349,040.58
3	IBARAPA NORTH LOCAL GOVERNMENT AREA	3	1,002	3,030,103,305	3,024,055.19
	<b>TOTAL</b>	<b>34</b>	<b>5,947</b>	<b>21,980,975,648</b>	<b>3,696,145.22</b>

## SECTION SIX

### MEASURES TO ACHIEVE SUSTAINABLE PROPERTY TAX SYSTEM

In the last thirty-years, international donor agencies and central governments have made numerous efforts to increase property tax revenues in developing countries. More recently, the World Bank projects have also financed implementation costs of property tax reforms. In Jakarta (Indonesia) the Bank financed a new valuation of high-value property and a pilot programme in collection administration. In Accra (Ghana) the Bank financed a remapping and revaluation exercise (William Dillingham, 1992). A similar financing implementation costs of property tax reforms was undertaken in Lagos in 1989 and Ibadan Municipal Government in 1991. The Brazilian government similarly is the sponsor of a remapping and revolution programme that has been implemented in more than one thousand, two hundred Brazilian municipalities.

The available evidence suggests that these interventions have had relatively limited impact revenues. Detailed studies of the Philippine and Brazilian programme and Oyo State in Nigeria, suggests that even where administrative reforms have been carried out, these have had little long term revenue impact. At best, projects have improved the fairness of property tax administration by increasing comprehensiveness of coverage and increasing the accuracy of property information used in deriving valuations. But the revenue effects of these implements have been reduced by how tax rates and low collection efficiency. Thus, record provides several lessons for future property tax reform as follow:

#### **6.1 Clarification of Objectives**

The inherent political abilities of the property tax suggest that any effort at reform should begin, first, with a clarification of objectives, that is, whether reform is aimed solely at increasing revenues or whether it is intended to promote wider efficiency objectives.

The property tax is only one of several means of increasing local government revenues. Intergovernmental transfer and local indirect taxes are also used to finance

the non-chargeable services provided by municipal government. Therefore, if the objective of intervention is simply to increase recurrent revenues, then revenue sharing from federation account and indirect taxes, which constitutes 70percent of local government revenue, may be better targets.

Revenue sharing provides local governments with a means of exploiting the less politically sensitive central government tax instruments, while local indirect taxes share the political advantages of central indirect taxes. However, rather neither revenue sharing nor local indirect taxes provides the efficiency benefits of local property taxation. Revenue sharing cannot reflect willingness to pay while property tax is a benefit tax paid by those who enjoy the infrastructure services by the local governments because it enhances the value of their property.

## **6.2 Proactive Property Tax Policy:**

Property tax policies concern the decision on rate structure and the method of valuation which are the key determinants of the level of buoyancy of the property tax. If nominal tax rates remain at low levels, administrative improvements will have little revenue impact in absolute terms.

In Oyo and Ogun States (Nigeria), are basing the valuation on annual rental value of rateable property (ARV), while Lagos state (Nigeria) and Abuja (FCT, Nigeria ) determine the property value according to its expected sales price (termed capital or market value). In practice, ARV methods attract higher tax rates (e.g. 10% of rateable value) while capital value method attracts very low tax rates structure (e.g. 1.5% of Capital Value).

In part, this policy issue, as it influences distribution of the burden of the tax. Although both capital value and rental value reflect the income to be derived from a property, their distributional implications differ. ARV reflects the income from a property in its current use while capital value (CV) reflects the market's assessment of the income to be derived from a property in the future, including income generated by more intensive use of the property. As a result, the capital value definition will tend to place a higher proportion of the property tax burden on "under-used property", that

is, vacant land or built upon properties that the market perceives as ripe for conversion to more intensive use.

In ARV systems adopted by Oyo and Ogun States in Nigeria, classes of property for which no rental market exists are valued on a capital basis and then converted to rental value using a capitalization factor or statutory factors or percentages as provided for in most of the tenement rates edicts in Nigeria. In capital value systems, similarly, rental income is capitalized to yield a capital value for classes of property for which offer methods of determining capital value cannot be used.

This suggests that political credibility and administrative feasibility rather than the more abstract economic arguments, should be the overriding consideration in choosing definition of value. Where renting is the most common form of tenure, and rental values are well known and easily accessible to the taxing authority, ARV may be the most appropriate way to define value. Where owner occupancy is the more common tenure form, and particularly where an active real estate market exists, capital value may be more appropriate.

### **6.3 Broader Definition of Tax Base:**

Broadening the definition of what is taxable can also increase the yield of the tax exemptions and favourable treatment for particular types of property can remove significant contributions from the property tax base.

There is no justification for exempting taxation of vacant land in Nigeria based on the assumption that vacant land receives no services or that there is no occupier to enjoy the services provided by the local council. On the contrary, vacant land in the urban centres continues to increase in value as a result of development going on in the neighbourhood and the network of roads, street light and public utilities provided by public authorities.

In Jamaica, the legal basis of the property tax is the unimproved market value of the land, that is, the value of land as it would be if there were no improvement (structure) on the site.

The definition of tax base in Oyo State (Nigeria) is “land with or without building held or occupied for a beneficial purpose and includes open storage facility, wharf or pier”. However,, this definition does not provide for rating of vacant land in the local government area not held for a beneficial purpose, that is, not in use for any purpose at the time of valuation.

#### **6.4 Billing and Collection Efficiency:**

Success at collection is essentially a matter of information management and leverage, that is, knowing who owes what, and having the means and incentive to include them to pay. There are two targets for reform: (i) the legal framework defining what is liable, what constitutes notification and what penalties may be imposed; and (2) collection administration in managing the production of bills, the monitoring of payments, and the pursuit of delinquents.

##### **(i) Defining Tax Liability:**

For tax purpose, the sole objective in defining tax liability is to make the tax collectable and to find a person to whom the taxing authority can apply sufficient leverage to extract the tax. The first decision to be made is whether to designate the owner or the occupant as liable. In Brazil and Nigeria, the owner is defined as liable, but ownership usually includes anyone in beneficial occupation of the property (W. Dillinger, 1992).

##### **(ii) Define Notification as Delivering the Bill to the Property:**

If the law requires the owner to be notified in person, finding the owner can be a major obstacle to the imposition of the tax. In Abidjan, for example, an estimated 40 percent of tax bills are uncollectible because the owner’s address is not known (Dillinger, 1992).

Two measures can address this problem. First, the taxing authority can be absolved of the legal obligation to personally notify the taxpayer as a condition of imposing the tax, by defining legal notification as delivery of a bill to the taxable property. In Nigeria, the tenement law provides for the delivery of a tax bill to the

taxable property, even to the extent of pasting it to the door if no person is willing to accept receipt constitutes legal notification.

A secondary level of liability can be imposed upon the occupants of the property. Tenants have the virtue of being on site. In Oyo state, a beneficial occupier of a property is primarily liable to pay tenement rates while that of owner is secondary unless the owner occupies the property; then, he becomes primarily liable to pay the rates.

**(iii) The Carrot and Stick Strategy:**

Kelly (1998), suggested that a comprehensive collection and enforcement system needs to rely on a combination of three mechanisms, firstly, incentives to pay, secondly, sanctions and thirdly, penalties.

The principal objective must be to provide incentives so that the majority of taxpayers comply by the due date. The incentives can range from discounts for prompt or early payment to visible signs of the expenditure of revenue locally. That is, expending property tax proceeds on physical development of infrastructure services in areas where the tax is collected.

Sanctions need to be applied to those taxpayers who have not paid by the due date and as such can include the withholding of tax clearance certificate and denial of enjoying the services provided by the local council.

Where sanctions have failed, the next stage in the enforcement process is to initiate action in a special court to impose penalties and fines for breaching property rate offences and ultimately seizure of personal and real property.

For the collection and enforcement system to be effective, timely and rigorous implementation of the three enforcement mechanisms, which should create an environment for greater compliance, is critical.

**6.5 Improve Coverage of Taxable Properties:**

It is essential that property tax coverage is maximized with the tax base being as wide and as inclusive as possible. Low levels of coverage can be attributable to several reasons such as the failure of taxable properties being identified and omitted

from the valuation rolls, political interference resulting in the failure to value properties; numbers of exempt properties. The wider the tax base, the lower the tax rate required to raise the equivalent level of revenue and the greater incentive for voluntary compliance.

Coverage of taxable properties necessitates the requirement to gather data on each property that can be used within the valuation and collection process. Such data relates to the physical characteristics of the property and details on ownership and occupancy. The real challenge for the central valuation office that is directly involved with the property tax assessment is to ensure that this data is kept current and up-to-date.

The number and range of exempt property and those entities entitled to exemption or favourable treatment needs to be strictly controlled. In particular, the concept of exempt public property needs special consideration given that government and quasi-government bodies in developing countries still own significant numbers of buildings. Granting government full exemption based on ownership can and does impact significantly on municipal revenues. Exempt buildings still use local services and generate costs to local government authorities. *Where government bodies retain exempt status there should be payments in lieu of taxes made to the municipality.*

## **6.6 Utilization of Computer Technology:**

The property tax is a tax that must utilize computer technology in all of its facets from data collection, valuation, billing, collection and enforcement. The property tax base are so numerous, with each property having a significant number of attribute data.

There now available, directly off-the-shelf, property tax administrative systems that can undertake the whole property tax process such as Computer Assisted Mass Appraisal (CAMA) and the development of the methodology has radically altered the way in which property tax valuation are done. It is an imperative that the administration of the property tax be computerized and as many of the functions be automated as is possible.

## **6.7 Taxpayers Education Programme:**

Tax collection at local government level has a number of advantage including the incentive to collect the incentive to enforce against delinquent taxes, local knowledge and local accountability.

The collection system requires the development of an effective information management system that can handle the taxpayers database. It is essential to know accurately that all taxpayers have been sent a tax bill by the statutory date (i.e. January 1), who have paid what has been paid, the level of delinquent taxes, accrual of penalties and what enforcement mechanisms have been involved. This is the reason why Rating Units are being established in all the local governments in the State and Valuation Courts are set up to enforce rate payments.

Local government therefore, has the responsibility and sacred duty to print rate bills receipts and record books ahead of January each year when officers and rate collectors are supposed to be in the field to inform taxpayers of their rate liabilities.

In this era of free education and other social services from the government, people may not understand the rational for paying property tax. Councilors and even enlightened members of the community themselves are sometimes ill-informed about the rational for property taxation. Therefore, taxpayers' education programme is an important component in the mobilization of the taxpaying community.

## **6.8 Political Will:**

Despite the potential of property tax as the most lucrative local taxes for urban local government, it is extremely prove to political interference and corruption. The reason is that, tax would tend to fall most heavily on wealthier property owners (given progressive rates) who normally are more politically active. Therefore, strong political commitment and capacity building for key political functionary are essential if the property tax is going to have public credibility.

Political interference can significantly affect the operation of the property tax to the extent that ordinary taxpayers lose confidence in the fairness of the tax. This can result in wide spread unrest and ultimately encourage the taxpayers in deciding to

withhold payment. Governments therefore need to balance the need to maintain political legitimacy with the fiscal imperative to raise revenue (Rosengard, 1998).

### **6.9 Capacity Building for the Staff:**

Capacity refers to the knowledge, skills and attitudes of individuals or groups and their competence to perform responsibilities assigned to them.

Healy (2001) contends that the role of training in building broad based capacity within public service organization has never been disputed. However, it is essential that the design of training programmes must meet the objectives of delivering appropriate knowledge skills that can enhance the effectiveness of staff.

For example, capacity building in property tax administration and property management at the local government level should focus on method of billing and collection. Revenue accounting and reporting, Revenue collection monitoring and evaluation project preparation and feasibility analysis, land management.

Generally speaking, Local Government Authorities need to develop the skills and capabilities of key secretarial staff in managerial, regulatory, technical and financial skills required for effective environmental planning and management. The local staff should be able to have access to capacity building in planning operations and maintenance in key areas of urban environmental management and municipal finance.

The staff in the treasury and all professional departments require training in capitals budgeting municipal accounting, setting tariff and tax structures, establishing revenue collection procedure and monitoring and Evaluation of Local Government expenditure and disbursement patterns. This training will afford the staff the opportunity to contribute to the preparation of local government proper business and working plans usually monopolized by the Senior Management Staff (SMS) the Executive Council and local government legislative Council.

Individual staff members often have good ideas, however, staff initiative stifled or lost in an environment where they are not capable or allowed to contribute to local government development plans and financial plans.