

# **Quarterly financial statistics of municipalities December 2005**

**Embargoed until:  
30 March 2006  
13:00**

This new release contains selected financial information relating to municipalities, namely balance sheet and income and expenditure. At this stage the product is being released as a discussion document. We invite comment on this publication by the end of April 2006, to enable us to prepare for the next issue, which is planned for the end of June 2006.

Comments should be forwarded to Bheki Mpanza at [bhekim@statssa.gov.za](mailto:bhekim@statssa.gov.za), or by post.

### Key findings for the quarter ended December 2005

Item	Quarter ended			Percentage change between quarter ended September 2005 and quarter ended December 2005
	June 2005 R million	September 2005 R million	December 2005 R million	
Purchases of water	1 382	1 166	1 354	16,1
Purchases of electricity and gas	3 382	3 734	3 323	-11,0
Sales of water	2 451	2 399	2 632	9,7
Sales of electricity and gas	5 777	5 780	6 056	4,8
Total fixed assets	93 740	95 064	96 372	1,4

### Key findings for the quarter ended December 2005

Purchases of water increased by 16,1% between the quarters ended September 2005 and December 2005. Purchases of electricity decreased by 11,0% over the same period.

Sales of electricity and gas increased by 4,8% between the quarters ended September 2005 and December 2005. An increase of 9,7% was recorded in the sales of water over the same period. Fixed assets increased by 1,4% during reference period.

**PJ Lehohla**  
**Statistician-General**

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## Notes

<b>Forthcoming issues</b>	<b>Issue</b>	<b>Expected release date</b>
	March 2006	29 June 2006
<b>Purpose of survey</b>	The Quarterly Financial Statistics of municipalities is a quarterly survey that covers all the local, district and metropolitan municipalities in South Africa. The results are used to estimate Gross Domestic Product (GDP) and its components as well as to assist the public sector with policy formulation and the analysis of local government finances.	
<b>Publication format</b>	The Statistics Act, 1999 (Act No. 6 of 1999) prohibits the publication of information of individual respondents (in this case the local, district and metropolitan municipalities).	
<b>Response rates</b>	The percentage response for June 2005 was 81%. The percentage response for September 2005 was 81%. The percentage response for December 2005 was 83%.	

**Table 1 – Consolidated balance sheet of municipalities: Liabilities**

Liabilities	Quarter ended			Percentage change between quarter ended September 2005 and quarter ended December 2005
	June 2005	September 2005	December 2005	
	R million	R million	R million	
Endowment, land trust and other capital funds	15 075	15 927	15 610	-2,0
Accumulated reserves, other reserves and provisions	15 997	16 394	17 132	4,5
Other trust funds	1 213	1 186	1 276	7,6
Retained surplus	15 819	16 286	17 192	5,6
Marketable loan stock	3 944	4 111	6 071	47,7
External and other long-term loans	12 717	13 381	13 133	-1,9
External short-term loans	2 265	2 316	2 477	7,0
Loans redeemed and other capital receipts	43 676	43 301	39 980	-7,7
<b>Other liabilities</b>				
Bank overdraft	808	857	802	-6,4
Sundry creditors	11 711	11 028	11 945	8,3
Liabilities not shown elsewhere	19 998	19 873	21 600	8,7
<b>Total liabilities</b>	<b>143 223</b>	<b>144 660</b>	<b>147 218</b>	<b>1,8</b>

**Table 2 – Consolidated balance sheet of municipalities: Assets**

Assets	Quarter ended			Percentage change between quarter ended September 2005 and quarter ended December 2005
	June 2005	September 2005	December 2005	
	R million	R million	R million	
Fixed assets	93 740	95 064	96 372	1,4
External long-term loans and other deposits	7 750	7 723	7 895	2,2
Investments in marketable securities	2 250	2 258	2 153	-4,7
Accumulated deficit	463	478	439	-8,2
Short-term loans and other deposits	9 980	9 710	10 506	8,2
<b>Other assets</b>				
Inventory	922	935	1 012	8,2
Sundry debtors	21 365	22 185	22 591	1,8
Money market instruments	144	146	149	2,1
Cash in bank	4 116	4 178	4 188	0,2
Assets not shown elsewhere	2 493	1 983	1 913	-3,5
<b>Total assets</b>	<b>143 223</b>	<b>144 660</b>	<b>147 218</b>	<b>1,8</b>

**Table 3 – Selected income and expenditure items of municipalities: Rates and general services**

	Quarter ended			Percentage change between quarter ended September 2005 and quarter ended December 2005
	June 2005	September 2005	December 2005	
	R million	R million	R million	
<b>Income</b>				
Assessment rates	4 337	4 468	4 685	4,9
Levies	1 531	1 573	1 842	17,1
Intergovernmental transfers	2 725	2 907	2 936	1,0
Other taxes	171	170	164	-3,5
Fines and forfeitures	181	189	189	0,0
Interest	511	535	491	-8,2
Sewerage and cleansing	613	655	705	7,6
Other income	3 070	3 122	3 086	-1,2
<b>Expenditure</b>				
Salaries, wages and allowances	5 304	5 295	5 461	3,1
Interest	428	466	486	4,3
Redemption of loans	395	356	333	-6,5
Transfers to reserve funds and fixed assets	192	199	201	1,0
Payments and transfers to other government institutions	15	16	16	0,0
Other expenditure	6 213	6 047	6 546	8,3

**Table 4 – Selected income and expenditure items of municipalities: Housing and trading services**

	Quarter ended			Percentage change between quarter ended September 2005 and quarter ended December 2005
	June 2005	September 2005	December 2005	
	R million	R million	R million	
<b>Income</b>				
Sales of electricity and gas	5 777	5 780	6 056	4,8
Sales of water	2 451	2 399	2 632	9,7
Intergovernmental transfers	234	221	219	-0,9
Rent	81	80	84	5,0
Interest	49	48	49	2,1
Other income	734	848	826	-2,6
<b>Expenditure</b>				
Salaries, wages and allowances	1 355	1 394	1 425	2,2
Interest	228	221	226	2,3
Redemption of loans	112	113	111	-1,8
Transfers to reserve funds and fixed assets	41	44	44	0,0
Purchases of electricity and gas	3 382	3 734	3 323	-11,0
Purchases of water	1 382	1 166	1 354	16,1
Other expenditure	3 223	2 727	2 504	-8,2



## Explanatory notes

- Introduction**                    1    The purpose of the quarterly financial statistics survey of municipalities is to provide both stakeholders and users with information for allowing analysis and assessment of the state of local government finances. This publication contains results of the data of municipalities for the quarters ended June 2005, September 2005 and December 2005. The survey was designed to obtain financial information of local government institutions relating to:
- the consolidated balance sheet;
  - the income statement and appropriations for rates and general services as well as for housing and trading services.
- Scope of the survey**            2    This survey covers quarterly financial information of all municipalities.
- Classification and accounting standards**            3    For the purposes of classification of local government institutions according to activities, Statistics South Africa (Stats SA) used the *Standard Industrial Classification of all Economic Activities, Fifth Edition, Report No.09-90-02 of January 1993 (SIC)*. Activities of the local government institutions also adhere to the accounting standards and requirements in terms of the Institute of Municipal Finance Officers (IMFO).
- Collection of levies**            4    The information does not necessarily represent all levies, which should have been collected.
- levies paid to district and metropolitan municipalities are not necessarily for the reference period. Levies paid may be inclusive of accrued and prepaid amounts.
- 5    The statistical unit for the collection of information is the municipality.
- Survey methodology and design**            6    The historical method is used to impute for non-response. According to this method previous information is used to arrive at current figures, after being appraised for its suitability.
- The method is applied to this survey as follows: The population figures of the Balance Sheet patterns for the preceding quarter of the non-responding municipalities are transferred to the succeeding quarter. The population figures of the Income and Expenditure patterns of the preceding quarter for the non-responding municipalities are adjusted to impute for the succeeding quarter. This adjustment is done by assigning an adjustment factor that depends on the quarter to be imputed for.
- Revised figures**                7    Estimates for the previous quarters are preliminary. Revised figures are due to respondents reporting revisions or corrections to their figures and late submission of their data to Stats SA.

- Rounding off figures**      **8**    The figures in the tables have, where necessary, been rounded to the nearest digit shown. There may, therefore, be slight discrepancies between the sums of the constituent items and the totals shown.
- Related publications**      **9**    Users may wish to refer to the following Stats SA publications:
- *P9101.1 Capital expenditure of the public sector;*
  - *P9114 Financial census of municipalities;*
  - *P9149 Quarterly survey on remuneration of employees and turnover of institutions according to the levies received by district and metropolitan municipalities by province;*
  - *P9119 Consolidated expenditure by general government sector;*
  - *P0441 Gross domestic product; and*
  - *P0271 Survey of employment and earnings.*
- Symbols and abbreviations used**      **10**    IMFO      Institute of Municipal Finance Officers  
Stats SA    Statistics South Africa  
SIC        Standard Industrial Classification  
0          nil or not applicable

## Glossary

<b>Aggregate or consolidated balance sheet</b>	The aggregate or consolidated balance sheet covers all assets and liabilities of local government institutions. All internal loans were excluded in the calculation of the Balance Sheet. The particulars of all the assets and liabilities of the various services of local government institutions are not collected separately by Stats SA.
<b>District municipality</b>	District municipality means municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality. (Refer to Local Government: Municipal Structures Act, Act No. 117 of 1998).
<b>General expenditure</b>	General expenditure includes: <ul style="list-style-type: none"><li>• assessment rates expenditure;</li><li>• other transfers to reserve fund;</li><li>• donations, subsidies/grants-in-aid;</li><li>• advertising and hire charges;</li><li>• administration charges, e.g. town clerk/ town secretary and treasurer's departments;</li><li>• lease financing charges (where the asset will be acquired by the local authority on termination of the lease);</li><li>• legal expenditure;</li><li>• printing, stationery and telephone;</li><li>• rent;</li><li>• stores and materials; and</li><li>• transport.</li></ul>
<b>Housing services</b>	Housing services include approved housing projects and can be subdivided in respect of various economic, sub-economic, complexes or other types of housing. Where dwellings form part of the general organisation of a particular department, and are normally occupied by employees of the department, they are included in the relative statement and not under housing services. Likewise, where properties are purchased for a specific purpose, such as a street widening, and existing houses are demolished; the annual expenditure and income of these dwellings do not appear in the housing service.
<b>Investment in marketable securities</b>	Investment in marketable securities includes: <ul style="list-style-type: none"><li>• own stock;</li><li>• stocks of other local government institutions;</li><li>• government stock and treasury bills;</li><li>• public corporation stock; and</li><li>• investment in non-marketable instruments.</li></ul>

<b>Local municipality</b>	Local municipality means municipalities that share municipal executive and legislative authority in its area with a district municipality within which area it falls, that is described in section 155(1) of the Constitution as a category B municipality.
<b>Long-term loans</b>	<p>Long-term loans are loans with an outstanding maturity of one year or longer. Long-term loans include:</p> <ul style="list-style-type: none"><li>• housing loans;</li><li>• loans for the development of industrial areas;</li><li>• other loans from local government departments, provincial and national government; and</li><li>• government housing loans to public welfare organisations;</li></ul> <p>and loans from:</p> <ul style="list-style-type: none"><li>• local authority loan funds;</li><li>• Development Bank of Southern Africa;</li><li>• public corporations;</li><li>• banks;</li><li>• insurers;</li><li>• pension funds;</li><li>• other domestic sources; and</li><li>• foreign sources.</li></ul>
<b>Marketable loan stock</b>	<p>Marketable loan stock refers to stocks, debentures and similar debt instruments that are freely marketable, i.e., securities for which transfer registers are kept and which are usually listed on the stock exchange. Discounts originating with the issue of stocks below par are included in the stock liability. Marketable loan stock includes:</p> <ul style="list-style-type: none"><li>• foreign issues; and</li><li>• domestic issues held by:<ul style="list-style-type: none"><li>○ local government institutions and</li><li>○ other</li></ul></li></ul>
<b>Metropolitan municipality</b>	Metropolitan municipality means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category A municipality. (Refer to Local Government: Municipal Structures Act, Act No. 117 of 1998.)
<b>Money market instruments</b>	Money market instruments include bankers' acceptance, trade bills, promissory notes, capital project bills, bridging debentures, negotiable certificates of deposits, Land Bank bills, Land Bank and the South African Reserve Bank's debentures, and buy-back agreements.
<b>Municipality</b>	Municipality is a generic term describing the 'unit' of government in the local spheres responsible for local government in a geographically demarcated area and including district, local and metropolitan municipalities. Municipalities as an institution consisting of municipal council (elected political representatives) and the municipal administration (appointed officials).

<b>Other expenditure</b>	Other expenditure includes payments by district municipalities to national and provincial government and other local government institutions for development aid.
<b>Provision</b>	<p>Provision is any amount set aside for the purpose of meeting either:</p> <ul style="list-style-type: none"><li>• specific requirements where the amounts thereof can be closely estimated; and</li><li>• specific commitments, known contingencies and diminutions in values of assets existing at the date of the balance sheet, where the amounts involved cannot be determined with significant accuracy.</li></ul> <p>Provision includes amounts set aside for:</p> <ul style="list-style-type: none"><li>• bad debts;</li><li>• repairs and maintenance; and</li><li>• loss of rent.</li></ul>
<b>Rates and general services</b>	Rates and general services include ambulance, fire control, health (clinics, old age homes), roads and storm water drains, parks and recreation (libraries, cultural activities, museums, sport administration, community halls, swimming pools, sports grounds, nature reserves, etc.), sewerage and cleansing, traffic and other services (city engineers, administration, personnel, legal services, city treasurer, etc.). These services are not economically self-supporting and are financed by imposing assessment rates, other rates, the receipt of subsidies and other contributions.
<b>Salaries, wages and allowances</b>	<p>Salaries and wages include payments to full-time and part-time employees irrespective of whether the remuneration is paid from revenue, capital or any other account or fund.</p> <p>Salaries, wages and allowances include:</p> <ul style="list-style-type: none"><li>• salaries and wages;</li><li>• allowances;</li><li>• contributions to other benefit funds of employees such as medical aid, group life, etc. (excluding unemployment insurance and workmen's compensation, etc.);</li><li>• other benefits e.g. housing loan subsidy;</li><li>• pension fund contributions;</li><li>• quarters, rations and other expenditure (accommodation, food, medical expenditure, etc., whether provided in cash or in kind); and</li><li>• uniform clothing and allowances (clothing, boots, overalls, etc., supplied to uniformed employees).</li></ul>

**Short-term loans**

Short term loans includes loans from:

- local authorities loans fund;
- local government institutions;
- Development Bank of Southern Africa;
- public corporations;
- banks;
- insurers;
- pension funds;
- other domestic sources; and
- foreign sources.

**Sundry debtors**

Sundry debtors include:

- personal housing loans
- other housing loans:
  - mortgages
  - selling agreements
  - hire-purchases
- sponsored government housing loans to welfare.

**Trading services**

Trading services are services for which the tariffs are determined in such a way that the provision of the service should yield a trading profit (market related goods and services). Trading services include abattoir, electricity and gas, market, passenger transport, water and other trading services (forestry, agriculture, airport, mineral baths, stone crushing and sand supply services).

## General information

### Language

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### Enquiries

Telephone number: (012) 310 8600/8390/8351/8496/8095 (user information services)  
(012) 310 8306 (technical enquiries)  
(012) 310 8161 (orders)  
(012) 310 8490 (library)

Fax number: (012) 310 8332

email: [info@statssa.gov.za](mailto:info@statssa.gov.za) (user information services)  
[distribution@statssa.gov.za](mailto:distribution@statssa.gov.za) (orders)

Postal address: Private Bag X44, Pretoria, 0001