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Statistical release

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Quarterly financial statistics of municipalities

December 2006

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Key findings for the quarter ended December 2006

Item	Quarter ended			Change between quarter ended September and December 2006 %	Change between quarter ended December 2005 and December 2006 %
	December 2005	September 2006	December 2006		
	R million				
Purchases of water	1 354	1 205	1 323	9,8	-2,3
Purchases of electricity and gas	3 323	3 708	3 651	-1,5	9,9
Sales of water	2 632	2 487	2 939	18,2	11,7
Sales of electricity and gas	6 056	6 339	6 482	2,3	7,0
Fixed assets	96 372	96 464	98 588	2,2	2,3

Key findings for the quarter ended December 2006

Purchases of water increased by 9,8 % between quarters ended September and December 2006. Purchase of electricity and gas decreased by 1,5% over the same period.

Sales of electricity and gas increased by 2,3% between the quarters ended September and December 2006. An increase of 18,2 % was recorded in the sales of water over the same period.

Fixed assets increased by 2,2 % during the reference period.

PJ Lehohla
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Notes

Forthcoming issue	Issue	Expected release date
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	March 2007	28 June 2007
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Purpose of survey The Quarterly Financial Statistics of municipalities is a quarterly survey that covers 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 financial analysis of municipalities.

Response rates

December quarter 2005:	83%
September quarter 2006:	80%
December quarter 2006:	82%

Reason for fluctuation:

- Change of accounting standards from IMFO to GRAP
- Revisions and corrections reported by respondents

Table 1 – Consolidated Balance Sheet of municipalities as at the end of December 2005, September and December 2006 quarters.

	Quarter ended			Change between quarter ended September and December 2006 %	Change between quarter ended December 2005 and December 2006 %
	December 2005	September 2006	December 2006		
	R million				
Non-Current Assets					
Fixed assets	96 372	96 464	98 588	2,2	2,3
External long-term loans and other deposits	7 895	9 168	9 573	4,4	21,3
Investments in marketable securities	2 153	1 973	2 132	8,1	-1,0
Current Assets					
Inventory	1 012	1 009	933	-7,5	-7,8
Sundry debtors	22 591	20 713	20 521	-0,9	-9,2
Short-term loans, investments and deposits	10 506	12 082	13 046	8,0	24,2
Money market instruments	149	135	125	-7,4	-16,1
Cash in bank	4 188	4 191	3 896	-7,0	-7,0
Assets not shown elsewhere ¹	1913	1 894	1 927	1,7	0,7
Accumulated deficit	439	458	430	-6,1	-2,1
Total Assets	147 218	148 087	151 171	2,1	2,7
Non- Current Liabilities and Reserves					
Endowment, land trust and other capital funds	15 610	14 802	15 940	7,7	2,1
Accumulated reserves, other reserves and provisions	17 132	17 820	19 271	8,1	12,5
Other trust funds	1 276	1 324	1 283	-3,1	0,5
Retained surplus	17 192	19 338	20 047	3,7	16,6
Marketable loan stock	6 071	5 637	6 816	20,9	12,3
External and other long-term loans	13 133	13 688	14 047	2,6	7,0
Loans redeemed and other capital receipts	39 980	36 028	34 124	-5,3	-14,6
Current Liabilities					
External short-term loans	2 477	2 619	2 563	-2,1	3,5
Bank overdraft	802	767	741	-3,4	-7,6
Sundry creditors	11 945	13 771	14 384	4,5	20,4
Liabilities not shown elsewhere ²	21 600	22 293	21 955	-1,5	1,6
Total Liabilities and Reserves	147 218	148 087	151 171	2,1	2,7

1. Assets not shown elsewhere include pre-paid expenses, petty cash, VAT receivable.

2. Liabilities not shown elsewhere include accrued expenses, vat payable, income received in advance.

Table 2 – Selected income and expenditure items of municipalities: Rates and general services, and Housing and trading services for quarters ended December 2005, September and December 2006.

	Quarter ended			Change between quarter ended September and December 2006 %	Change between quarter ended December 2005 and December 2006 %
	December 2005	September 2006	December 2006		
	R million				
Rates and general services					
Income					
Assessment rates	4 685	4 941	5 137	4,0	9,6
Levies	1 842	391	161	-58,8	-91,3
Intergovernmental transfers	2 936	5 047	5 500	9,0	87,3
Other taxes	164	156	159	1,9	-3,0
Fines and forfeitures	189	226	242	7,1	28,0
Interest	491	519	541	4,2	10,2
Sewerage and cleansing	705	729	775	6,3	9,9
Other income	3 086	3 029	2 937	-3,0	-4,8
Expenditure					
Salaries, wages and allowances	5 461	5 542	5 919	6,8	8,4
Interest	486	430	429	-0,2	-11,7
Transfers to reserve funds and fixed assets	201	180	192	6,7	-4,5
Payments and transfers to other government institutions	16	15	16	6,7	0,0
Other expenditure	6 546	7 019	7 244	3,2	10,7
Housing and trading services					
Income					
Sales of electricity and gas	6 056	6 339	6 482	2,3	7,0
Sales of water	2 632	2 487	2 939	18,2	11,7
Intergovernmental transfers	219	234	233	-0,4	6,4
Rent	84	81	82	1,2	-2,4
Interest	49	55	54	-1,8	10,2
Other income	826	895	971	8,5	17,6
Expenditure					
Salaries, wages and allowances	1425	1 396	1 422	1,9	-0,2
Interest	226	216	213	-1,4	-5,8
Transfers to reserve funds and fixed assets	44	40	39	-2,5	-11,4
Purchases of electricity and gas	3 323	3 708	3 651	-1,5	9,9
Purchases of water	1 354	1 205	1 323	9,8	-2,3
Other expenditure	2 504	2 697	2804	4,0	12,0

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 December 2005, September 2006 and December 2006. The survey is designed to obtain financial information of local government institutions relating to:
- the consolidated balance sheet;
 - the income and expenditure statement for both the 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 N.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) and also General Recognised Accounting Practice.
- Collection of levies** 4 Although regional council levies were abolished with effect from 1 July 2006, income in respect of these funds are amounts which are still due to municipalities.
- Survey methodology and design** 5 The statistical unit for the collection of information is the municipality.
- 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.
- Revised figures** 7 Estimates for the previous quarters are preliminary. Figures will be revised if respondents report revisions or corrections to their figures and late submission of their data to Stats SA.

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- 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 Capital expenditure of the public sector;*
 - *P9114 Financial census of municipalities;*
 - *P9119 Consolidated expenditure by general government sector;*
 - *P0441 Gross domestic product; and*
 - *P0271 Survey of employment and earnings.*
- Symbols and abbreviations used** **10** GRAP General Recognized Accounting Practice
IMFO Institute of Municipal Finance Officers
Stats SA Statistics South Africa
SIC Standard Industrial Classification
0 nil or not applicable

Glossary

Consolidated balance sheet	Consolidated balance sheet covers all assets, liabilities and reserves 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.
District municipality	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, No 117 of 1998).
Housing services	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.
Investment in marketable securities	Investment in marketable securities includes: <ul style="list-style-type: none">• own stock;• stocks of other local government institutions;• government stock and treasury bills;• public corporation stock; and• investment in non-marketable instruments.
Local municipality	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.

Long-term loans	<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">• housing loans;• loans for the development of industrial areas;• other loans from local government departments, provincial and national government; and• government housing loans to public welfare organisations; and loans from:<ul style="list-style-type: none">• local authority loan funds;• Development Bank of Southern Africa;• public corporations;• banks;• insurers;• pension funds;• other domestic sources; and• foreign sources.
Marketable loan stock	<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">• foreign issues; and• domestic issues held by:<ul style="list-style-type: none">○ local government institutions and○ other.
Metropolitan municipality	<p>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 No 117 of 1998).</p>
Money market instruments	<p>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.</p>
Municipality	<p>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).</p>

Other expenditure	<p>Other expenditure includes:</p> <ul style="list-style-type: none">• assessment rates expenditure;• donations, subsidies/grants-in-aid;• advertising and hire charges;• administration charges, e.g. town clerk/ town secretary and treasurer's departments;• legal expenditure;• printing, stationery and telephone;• rent; and• transport.
Provision	<p>Provision is any amount set aside for the purpose of meeting either:</p> <ul style="list-style-type: none">• specific requirements where the amounts thereof can be closely estimated; and• 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. <p>Provision includes amounts set aside for:</p> <ul style="list-style-type: none">• bad debts; and• leave payouts.
Rates and general services	<p>Rates and general services include ambulance, fire control, health (clinics and 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.</p>
Salaries, wages and allowances	<p>Salaries and wages include payments to full-time and part-time employees irrespective of whether the remuneration is paid from revenue, and any other account or fund.</p> <p>Salaries, wages and allowances include:</p> <ul style="list-style-type: none">• salaries and wages;• allowances;• contributions to other benefit funds of employees such as medical aid, group life, etc, (excluding unemployment insurance and workmen's compensation, etc.);• other benefits e.g. housing loan subsidy;• pension fund contributions;• quarters, rations and other expenditure (accommodation, food, medical expenditure, etc, whether provided in cash or in kind); and• uniform clothing and allowances (clothing, boots, overalls, etc, supplied to uniformed employees).

Short-term loans

Short term loans includes:

- 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).

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