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Statistical release

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Quarterly financial statistics of municipalities

December 2007

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Key findings for the quarter ended December 2007

Item	Quarter ended			Change between quarter ended Sept 2007 and Dec 2007 %	Change between quarter ended Dec 2006 and Dec 2007 %
	R million				
	Dec 2006	Sept 2007	Dec 2007		
Purchases of water	1 323	1 551	1 530	-1,4	15,6
Purchases of electricity and gas	3 651	4 120	4 278	3,8	17,2
Sales of water	2 939	3 638	3 897	7,1	32,6
Sales of electricity and gas	6 482	7 159	6 831	-4,6	5,4
Fixed assets	98 588	103 123	106 328	3,1	7,9

Key findings

Purchases of water decreased by 1,4% between the quarters ended September 2007 and December 2007. Purchases of electricity and gas increased by 3,8% over the same period.

Sales of electricity and gas decreased by 4,6% between the quarters ended September 2007 and December 2007. An increase of 7,1% was recorded in the sales of water over the same period.

Fixed assets increased by 3,1% between September 2007 and December 2007.

PJ Lehohla
Statistician-General

Table 1 – Consolidated balance sheet of municipalities as at the end of December 2006, September 2007 and December 2007 quarters

	Quarter ended			Change between quarter ended Sept 2007 and Dec 2007 %	Change between quarter ended Dec 2006 and Dec 2007 %
	R million				
	Dec 2006	Sept 2007	Dec 2007		
Non-current assets					
Fixed assets	98 588	103 123	106 328	3,1	7,9
External long-term loans and other deposits	9 573	9 173	8 789	-4,2	-8,2
Investments in marketable securities	2 132	2 015	2 029	0,7	-4,8
Current assets					
Inventory	933	1 094	1 135	3,7	21,7
Sundry debtors	20 521	21 445	20 944	-2,3	2,1
Short-term loans, investments and deposits	13 046	15 034	15 582	3,6	19,4
Money market instruments	125	111	111	0,0	-11,2
Cash in bank	3 896	4 878	5 500	12,8	41,2
Assets not shown elsewhere ¹	1 927	2 157	2 241	3,9	16,3
Total assets	150 741	159 030	162 659	2,3	7,9
Non-current liabilities and reserves					
Endowment, land trust and other capital funds	15 940	16 776	16 786	0,1	5,3
Accumulated reserves, other reserves and provisions	19 271	20 316	21 589	6,3	12,0
Other trust funds	1 283	1 308	1 310	0,2	2,1
Retained surplus ²	19 617	25 044	29 126	16,3	48,5
Marketable loan stock	6 816	6 869	7 076	3,0	3,8
External and other long-term loans	14 047	16 412	16 511	0,6	17,5
Loans redeemed and other capital receipts	34 124	29 635	26 979	-9,0	-20,9
Current liabilities					
External short-term loans	2 563	2 487	2 441	-1,8	-4,8
Bank overdraft	741	723	825	14,1	11,3
Sundry creditors	14 384	15 939	15 530	-2,6	8,0
Liabilities not shown elsewhere ³	21 955	23 521	24 486	4,1	11,5
Total liabilities and reserves	150 741	159 030	162 659	2,3	7,9

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

2. Retained surplus has been combined with accumulated deficit.

3. 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 the quarters ended December 2006, September 2007 and December 2007

	Quarter ended			Change between quarter ended Sept 2007 and Dec 2007 %	Change between quarter ended Dec 2006 and Dec 2007 %
	R million				
	Dec 2006	Sept 2007	Dec 2007		
Rates and general services					
Income					
Assessment rates	5 137	5 424	5 800	6,9	12,9
Levies	161	28	28	0	-82,5
Intergovernmental transfers	5 500	6 445	7 120	10,5	29,5
Other taxes	159	54	55	1,9	-65,4
Fines and forfeitures	242	242	251	3,7	3,7
Interest received	541	639	662	3,6	22,4
Sewerage and cleansing	775	1 182	1 163	-1,6	50,1
Other income	2 937	3 746	4 254	13,6	44,8
Expenditure					
Salaries, wages and allowances	5 919	6 150	6 841	11,2	15,6
Interest paid	429	419	430	2,6	0,2
Transfers to reserve funds and fixed assets	192	27	27	0	-85,9
Payments and transfers to other government institutions	16	12	17	41,7	6,3
Other expenditure	7 244	7 110	8 069	13,5	11,4
Housing and trading services					
Income					
Sales of electricity and gas	6 482	7 159	6 831	-4,6	5,4
Sales of water	2 939	3 638	3 897	7,1	32,6
Intergovernmental transfers	233	451	461	2,2	97,7
Rent received	82	82	79	-3,7	-3,7
Interest received	54	54	55	1,9	1,9
Other income	971	1 230	1 259	2,4	29,7
Expenditure					
Salaries, wages and allowances	1 422	1 455	1 523	4,7	7,1
Interest paid	213	224	222	-0,9	4,2
Transfers to reserve funds and fixed assets	39	16	8	-50,0	-79,5
Purchases of electricity and gas	3 651	4 120	4 278	3,8	17,2
Purchases of water	1 323	1 551	1 530	-1,4	15,6
Other expenditure	2 804	3 683	3 176	-13,8	13,3

Notes

Forthcoming issue	Issue	Expected release date
	March 2008	26 June 2008
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 2006:	82%
	September quarter 2007:	80%
	December quarter 2007:	82%
Reason for fluctuation:	<ul style="list-style-type: none"> • Change of accounting standards from IMFO to GRAP/GAMAP • Revisions and corrections reported by respondents 	

Explanatory notes

Introduction	1	<p>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 2006, September 2007 and December 2007. The survey is designed to obtain financial information of local government institutions relating to:</p> <ul style="list-style-type: none"> • 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	<p>For the purposes of classification of local government institutions according to activities, Statistics South Africa (Stats SA) used the <i>Standard Industrial Classification of all Economic Activities, Fifth Edition, Report N.09-90-02 of January 1993 (SIC)</i>. 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.</p>										
Collection of levies	4	<p>Although regional council levies were abolished with effect from 1 July 2006, income in respect of these funds are amounts which are based on taxes on payroll and turnover collected by local authorities to fund mainly infrastructural development projects.</p>										
Survey methodology and design	5	The statistical unit for the collection of information is the municipality.										
Imputation	6	<p>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.</p>										
Revised figures	7	<p>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.</p>										
Rounding off figures	8	<p>The figures in the tables have been rounded to the nearest digit shown. There may be slight discrepancies between the sums of the constituent items and the totals shown.</p>										
Related publications	9	<p>Users may wish to refer to the following Stats SA publications:</p> <ul style="list-style-type: none"> • <i>P9101 Capital expenditure of the public sector;</i> • <i>P9114 Financial census of municipalities;</i> • <i>P9119.4 Financial Statistics of consolidated general government;</i> • <i>P0441 Gross domestic product; and</i> • <i>P0271 Survey of employment and earnings.</i> 										
Symbols and abbreviations used	10	<table border="0"> <tr> <td>GRAP</td> <td>General Recognized Accounting Practice</td> </tr> <tr> <td>IMFO</td> <td>Institute of Municipal Finance Officers</td> </tr> <tr> <td>SIC</td> <td>Standard Industrial Classification</td> </tr> <tr> <td>Stats SA</td> <td>Statistics South Africa</td> </tr> <tr> <td>0</td> <td>nil or not applicable</td> </tr> </table>	GRAP	General Recognized Accounting Practice	IMFO	Institute of Municipal Finance Officers	SIC	Standard Industrial Classification	Stats SA	Statistics South Africa	0	nil or not applicable
GRAP	General Recognized Accounting Practice											
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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 into 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.
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	Long-term loans are loans with an outstanding maturity of one year or longer. Long-term loans include: <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.
Marketable loan stock	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.
Metropolitan municipality	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).

Money market instruments	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.
Municipality	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).
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	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.
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, or 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 include:

- 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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