

Quarterly financial statistics of municipalities

March 2006

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11:00**

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 July 2006, to enable us to prepare for the next issue, which is planned for the end of September 2006.

Comments should be forwarded to Bheki Mpanza at bhekim@statssa.gov.za, or by post.

Key findings for the quarter ended March 2006

Item	Quarter ended			Percentage change between quarter ended December 2005 and quarter ended March 2006
	September 2005 R million	December 2005 R million	March 2006 R million	
Purchases of water	1 166	1 354	1 227	-9,4
Purchases of electricity and gas	3 734	3 323	3 087	-7,1
Sales of water	2 399	2 632	2 494	-5,2
Sales of electricity and gas	5 780	6 056	5 547	-8,4
Total fixed assets	95 064	96 372	96 582	0,2

Key findings for the quarter ended March 2006

Purchases of water decreased by 9,4% between the quarters ended December 2005 and March 2006. Purchases of electricity decreased by 7,1% over the same period.

Sales of electricity and gas decreased by 8,4% between the quarters ended December 2005 and March 2006. A decrease of 5,2% was recorded in the sales of water over the same period. Fixed assets increased by 0,2% during reference period.

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Notes

Forthcoming issues	Issue	Expected release date
	June 2006	28 September 2006
Purpose of survey	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.	
Publication format	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).	
Response rates	September quarter 2005:	81%.
	December quarter 2005:	83%.
	March quarter 2006:	81%.

Table 1 – Consolidated balance sheet of municipalities: Liabilities

Liabilities	Quarter ended			Percentage change between quarter ended December 2005 and quarter ended March 2006
	September 2005	December 2005	March 2006	
	R million	R million	R million	
Endowment, land trust and other capital funds	15 927	15 610	15 507	-0,7
Accumulated reserves, other reserves and provisions	16 394	17 132	17 731	3,5
Other trust funds	1 186	1 276	1 278	0,2
Retained surplus	16 286	17 192	18 221	6,0
Marketable loan stock	4 111	6 071	6 033	-0,6
External and other long-term loans	13 381	13 133	13 035	-0,7
Loans redeemed and other capital receipts	43 301	39 980	37 545	-6,1
Other liabilities				
External short-term loans	2 316	2 477	2 318	-6,4
Bank overdraft	857	802	779	-2,9
Sundry creditors	11 028	11 945	13 414	12,3
Liabilities not shown elsewhere	19 873	21 600	22 430	3,8
Total liabilities	144 660	147 218	148 291	0,7

Table 2 – Consolidated balance sheet of municipalities: Assets

Assets	Quarter ended			Percentage change between quarter ended December 2005 and quarter ended March 2006
	September 2005	December 2005	March 2006	
	R million	R million	R million	
Fixed assets	95 064	96 372	96 582	0,2
External long-term loans and other deposits	7 723	7 895	8 503	7,7
Investments in marketable securities	2 258	2 153	2 180	1,3
Accumulated deficit	478	439	434	-1,1
Short-term loans and other deposits	9 710	10 506	10 441	-0,6
Other assets				
Inventory	935	1 012	1 074	6,1
Sundry debtors	22 185	22 591	22 749	0,7
Money market instruments	146	149	147	-1,3
Cash in bank	4 178	4 188	4 335	3,5
Assets not shown elsewhere	1 983	1 913	1 846	-3,5
Total assets	144 660	147 218	148 291	0,7

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

	Quarter ended			Percentage change between quarter ended December 2005 and quarter ended March 2006
	September 2005	December 2005	March 2006	
	R million	R million	R million	
Income				
Assessment rates	4 468	4 685	4 804	2,5
Levies	1 573	1 842	1 781	-3,3
Intergovernmental transfers	2 907	2 936	3 602	22,7
Other taxes	170	164	168	2,4
Fines and forfeitures	189	189	199	5,3
Interest	535	491	537	9,4
Sewerage and cleansing	655	705	711	0,9
Other income	3 122	3 086	3 020	-2,1
Expenditure				
Salaries, wages and allowances	5 295	5 461	5 468	0,1
Interest	466	486	485	-0,2
Redemption of loans	356	333	331	-0,6
Transfers to reserve funds and fixed assets	199	201	184	-8,5
Payments and transfers to other government institutions	16	16	17	6,3
Other expenditure	6 047	6 546	6 585	0,6

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

	Quarter ended			Percentage change between quarter ended December 2005 and quarter ended March 2006
	September 2005	December 2005	March 2006	
	R million	R million	R million	
Income				
Sales of electricity and gas	5 780	6 056	5 547	-8,4
Sales of water	2 399	2 632	2 494	-5,2
Intergovernmental transfers	221	219	215	-1,8
Rent	80	84	88	4,8
Interest	48	49	51	4,1
Other income	848	826	889	7,6
Expenditure				
Salaries, wages and allowances	1 394	1 425	1 440	1,1
Interest	221	226	230	1,8
Redemption of loans	113	111	104	-6,3
Transfers to reserve funds and fixed assets	44	44	42	-4,5
Purchases of electricity and gas	3 734	3 323	3 087	-7,1
Purchases of water	1 166	1 354	1 227	-9,4
Other expenditure	2 727	2 504	2 710	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 September 2005, December 2005 and March 2006. 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 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).
- 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

Aggregate or consolidated balance sheet	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.
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, Act No, 117 of 1998).
General expenditure	General expenditure includes: <ul style="list-style-type: none">• assessment rates expenditure;• other transfers to reserve fund;• donations, subsidies/grants-in-aid;• advertising and hire charges;• administration charges, e.g. town clerk/ town secretary and treasurer's departments;• lease financing charges (where the asset will be acquired by the local authority on termination of the lease);• legal expenditure;• printing, stationery and telephone;• rent;• stores and materials; and• transport.
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; <p>and loans from:</p> <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	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).
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	Other expenditure includes payments by district municipalities to national and provincial government and other local government institutions for development aid.
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;• repairs and maintenance; and• loss of rent.
Rates and general services	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.
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, capital 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 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).

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