



# Statistical release

## D9144

### Quarterly financial statistics of municipalities

**March 2008**

This document contains selected financial information relating to municipalities, namely the consolidated statement of financial position of municipalities and statement of financial performance of municipalities for rates and general services, and housing and trading services. Statistics South Africa presents, for the first time, the quarterly financial statistics of municipalities in accordance with the new accounting standards (GRAP/GAMAP). We invite comments on this publication to enable us to prepare for the next issue, which will become an official statistical release.

Comments should be forwarded to Jacob Shai at [Jacobs@statssa.gov.za](mailto:Jacobs@statssa.gov.za).

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## Key findings

Item	Quarter ended			Change between quarter ended December 2007 and March 2008 %
	R million			
	September 2007	December 2007	March 2008	
Purchases of water	1 446	1 613	1 568	-2,8
Purchases of electricity and gas	4 804	3 525	3 352	-4,9
Sales of water	3 920	3 660	3 460	-5,5
Sales of electricity and gas	7 376	6 683	6 489	-2,9
Property, plant and equipment	101 760	103 896	104 550	0,6

Purchases of water decreased by 2,8% between quarters ended December 2007 and March 2008. Purchases of electricity and gas decreased by 4,9% over the same period.

Sales of electricity and gas decreased by 2,9% between the quarters ended December 2007 and March 2008. A decrease of 5,5% was recorded in the sales of water over the same period.

Property, plant and equipment increased by 0,6 % between the quarters ended December 2007 and March 2008.

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

**Part 1 – Consolidated statement of financial position of municipalities as at the end of September 2007, December 2007 and March 2008 quarters**

Net assets and liabilities	Sept 2007*	Dec 2007*	Mar 2008	% change between quarter ended Dec 2007 and Mar 2008
	R million	R million	R million	
Housing development fund	1 379	1 494	1 361	-8,9
Capital replacement reserve, capitalisation reserve, government grant reserve: Donations and public contribution reserve, self insurance reserve, revaluation reserve and COIDA <sup>1</sup> reserve	46 106	46 487	47 604	2,4
Retained surplus/accumulated deficit	53 783	55 013	55 795	1,4
Outside shareholders interest	67	60	60	0,0
<b>Non-current liabilities</b>				
<b>Marketable loan stock:</b>				
Other local government institutions	322	322	322	0,0
Other	2 249	2 562	2 580	0,7
<b>Bonds held by:</b>				
Other	3 908	3 740	3 740	0,0
<b>Other non-current liabilities</b>				
Government housing loans to public welfare organizations and individuals sponsored by the respondent	4	4	4	0,0
<b>Other long-term loans received from:</b>				
National government	73	70	70	0,0
Provincial government	4	4	4	0,0
Local government institutions	16	12	12	0,0
Development Bank of Southern Africa	6 489	6 199	6 688	7,9
Local authorities loans fund	9	10	10	0,0
Financial public corporations	93	92	95	3,3
Non-financial public corporations	92	92	95	3,3
Banks	5 942	6 922	6 219	-10,2
Insurers	47	103	99	-3,9
Pension funds	1	1	1	0,0
Public Investment Corporation	330	330	330	0,0
Other domestic sources (Including INCA) <sup>2</sup>	4 558	4 622	5 042	9,1
Long-term leases	272	277	291	5,1
Non-current provisions	2 792	3 253	3 151	-3,1

\* Revised

**Part 1 – Consolidated statement of financial position of municipalities as at the end of September 2007, December 2007 and March 2008 quarters**

Net assets and liabilities	Sept 2007*	Dec 2007*	Mar 2008	% change between quarter ended Dec 2007 and Mar 2008
	R million	R million	R million	
<b>Current liabilities</b>				
<b>External short-term loans from and deposits from:</b>				
Local government institutions	5	3	4	33,3
Development Bank of Southern Africa	337	339	361	6,5
Local authorities loans fund	6	7	7	0,0
Financial public corporations	0	0	0	0,0
Banks	402	404	405	0,2
Public Investment Corporation	1	1	1	0,0
Other domestic sources (including INCA) <sup>2</sup>	216	211	241	14,2
Unspent conditional grants	4 204	4 984	5 481	10,0
Current provisions	1 483	1 530	1 643	7,4
Short-term leases	71	61	57	-6,6
Value Added Tax payable	1 289	1 446	1 566	8,3
Bank overdraft	2 528	3 118	2 799	-10,2
<b>Creditors:</b>				
Trade creditors	8 153	7 437	7 203	-3,1
Consumer deposits	1 946	2 038	2 061	1,1
Income received in advanced	1 667	1 817	1 790	-1,5
Other creditors	6 899	7 194	7 145	-0,7
Liabilities not reflected elsewhere <sup>3</sup>	11 393	9 631	11 770	22,2
<b>Total net assets and liabilities</b>	<b>169 136</b>	<b>171 890</b>	<b>176 107</b>	<b>2,5</b>

<sup>1</sup> COIDA: Compensation Commissioner for Occupational Injuries and Diseases

<sup>2</sup> INCA: Infrastructure Finance Corporation Ltd

<sup>3</sup> Include suspense accounts

\* Revised

**Part 1- Consolidated statement of financial position for municipalities as at the end of September 2007, December 2007 and March 2008 quarters**

Assets	Sept 2007*	Dec 2007*	Mar 2008	% change between quarter ended Dec 2007 and Mar 2008
	R million	R million	R million	
Property, plant, and equipment (net carrying value)	101 760	103 896	104 550	0,6
Investment property	117	317	316	-0,3
Leased assets	54	56	55	-1,8
<b>Investments in marketable securities:</b>				
Municipal stock/shares	24	42	44	4,8
<b>Other marketable stock/shares:</b>				
Government stock	18	23	23	0,0
Financial public corporations stock	4	4	4	0,0
Other	374	370	384	3,8
Investments in non-marketable instruments of other spheres of government and government institutions	1 607	1 583	1 616	2,1
<b>Long-term receivables:</b>				
Loans to controlled municipal entities	8	8	8	0,0
Car loans	22	21	21	0,0
Housing selling scheme loans	347	323	322	-0,3
Sewerage connection loans	0	0	0	0,0
Electricity appliance purchase scheme	7	3	4	33,3
Other	2 247	2 227	2 155	-3,2
Sponsored government housing loans to public welfare and organizations and individuals	5	5	5	0,0
<b>Loans and deposits:</b>				
<b>External long-term loans, deposits and investments:</b>				
<b>Long-term loans to:</b>				
Other local government institutions	564	560	573	2,3
Financial public corporations	16	16	16	0,0
Other companies	0	0	2	0,0
Individuals	678	674	662	-1,8
Other	283	216	215	-0,5

\*Revised

**Part 1- Consolidated statement of financial position for municipalities as at the end of September 2007, December 2007 and March 2008 quarters (concluded)**

Assets	Sept 2007*	Dec 2007*	Mar 2008	% change between quarter ended Dec 2007 and Mar 2008
	R million	R million	R million	
<b>Long-term deposits and other investments with:</b>				
Public Investment Corporation	6	4	4	0,0
Banks	6 848	7 085	7 254	2,4
Other	365	849	862	1,5
<b>Current assets</b>				
Inventory	1 421	1 562	1 556	-0,4
<b>External short-term loans, deposits and investments short-term loans to:</b>				
Financial public corporations	194	63	63	0,0
Non-financial public corporations	0	0	0	0,0
Other companies	1	0	0	0,0
Individuals	13	14	14	0,0
Other	58	57	58	1,8
<b>Short-term deposits and other investments with:</b>				
Public Investment Corporation	255	343	344	0,3
Banks	10 886	11 690	13 077	11,9
Other	2 902	3 463	3 601	4,0
<b>Other sundry debtors:</b>				
Consumer debtors	14 803	14 804	15 117	2,1
Other debtors	5 816	6 322	7 570	19,7
Prepaid expenses	70	23	25	8,7
Petty cash and bank	7 946	8 204	9 483	15,6
Assets not reflected elsewhere <sup>1</sup>	9 417	7 063	6 104	-13,6
<b>Total assets</b>	<b>169 136</b>	<b>171 890</b>	<b>176 107</b>	<b>2,5</b>

<sup>1</sup>: Assets not shown elsewhere include suspense accounts

\* Revised

**Part 2 - Statement of financial performance of municipalities for rates and general services for the quarters ended September 2007, December 2007 and March 2008: Expenditure**

Expenditure	Sept 2007*	Dec 2007*	Mar 2008	% change between quarters ended Dec 2007 and Mar 2008
	R million	R million	R million	
Employee related costs	5 109	5 444	5 372	-1,3
Remuneration of board of directors/councillors	249	318	308	-3,1
Property rates	96	121	125	3,3
Interest paid	412	345	335	-2,9
Loss on the disposal of property, plant and equipment	0	3	3	0,0
Bad debts	149	144	148	2,8
Contracted services	348	559	509	-8,9
Collection cost	29	38	40	5,3
Depreciation	597	615	623	1,3
Repairs and maintenance	280	504	470	-6,7
<b>Grant and subsidies paid to:</b>				
Other local government institutions	66	81	84	3,7
Tertiary institutions of higher learning	0	0	0	0,0
Other	406	421	393	-6,7
<b>General expenditure:</b>				
Accommodation	7	8	9	12,5
Advertising	33	16	20	25,0
Bank charges	14	20	20	0,0
Cleaning services	3	6	7	16,7
Consultancy fees	30	41	36	-12,2
Fuel and oil	38	55	55	0,0
Hiring of plant and equipment	7	7	5	-28,6
Insurance costs	56	45	47	4,4
Membership fees	12	13	13	0,0
Pharmaceutical	1	4	4	0,0
Postage and stamps	12	16	20	25,0
Printing and stationery	22	30	34	13,3
Security fees	32	35	28	-20,0
Rental of land, buildings and other structures	23	29	28	-3,4
Rental of office equipment	12	19	20	5,3
Telecommunications services	45	66	72	9,1
Training and education	22	26	27	3,8
Transport	15	24	19	-20,8
Travelling and subsistence	37	34	35	2,9
Other expenditure	4 264	4 356	3 820	-12,3
<b>Surplus</b>	<b>9 554</b>	<b>8 853</b>	<b>8 543</b>	<b>-3,5</b>
<b>Total expenditure</b>	<b>21 980</b>	<b>22 296</b>	<b>21 272</b>	<b>-4,6</b>

\* Revised



**Part 2 - Statement of financial performance of municipalities for rates and general services for the quarters ended September 2007, December 2007 and March 2008: Income**

Income	Sept 2007*	Dec 2007*	Mar 2008	% change between quarters ended Dec 2007 and Mar 2008
	R million	R million	R million	
<b>Taxes on property</b>				
<b>Property rates from:</b>				
National government	92	84	76	-9,5
Provincial government	36	41	43	4,9
Local government institutions	3	4	5	25,0
Public corporations	12	21	21	0,0
<b>Property rates and other:</b>				
Rates from individuals and private companies	5 973	5 595	4 483	-19,9
Service levies	49	52	45	-13,5
Establishment levies	10	9	9	0,0
Property rates-penalties imposed and collection charges	60	61	63	3,3
<b>Interest received from:</b>				
Interest earned: External investments	386	482	463	-3,9
Interest earned: Outstanding debtors	363	560	582	3,9
Dividend received	0	0	0	0,0
Fines	262	251	261	4,0
Licenses and permits	35	54	57	5,6
Income for agency services	92	113	116	2,7
Rental of facilities	79	118	109	-7,6
Bad debts recovered	23	23	23	0,0
Public contribution, donations/donated PPE	33	37	38	2,7
Gains on the disposal of property, plant and equipment	8	16	16	0,0
<b>Subsidies from:</b>				
National government	413	508	552	8,7
Provincial government	323	418	425	1,7
Local government	5	5	5	0,0
Other	65	67	68	1,5
<b>Grants (including the equitable share) from:</b>				
National government	4 972	5 465	5 990	9,6
Provincial government	292	302	309	2,3
Local government	64	82	85	3,7
Other	121	144	151	4,9
Spent conditional grant	84	118	118	0,0
Other income	3 042	2 768	2 274	-17,8
<b>Deficit</b>	<b>5 083</b>	<b>4 898</b>	<b>4 885</b>	<b>-0,3</b>
<b>Total income</b>	<b>21 980</b>	<b>22 296</b>	<b>21 272</b>	<b>-4,6</b>

\* Revised

**Part 3 – Statement of financial performance of municipalities for housing and trading services for the quarters ended September 2007, December 2007 and March 2008: Expenditure**

Expenditure	Sept 2007*	Dec 2007*	Mar 2008	% change between quarters ended Dec 2007 and Mar 2008
	R million	R million	R million	
Employee related costs	2 445	2 698	2 592	-3,9
Property rates	7	6	6	0,0
Interest paid	251	277	280	1,1
Bad debts written off	361	331	286	-13,6
Collection cost	7	17	17	0,0
Depreciation	396	468	448	-4,3
Repairs and maintenance	763	964	895	-7,2
Purchases of electricity, gas and water	6 250	5 138	4 920	-4,2
Loss on disposal of property, plant and equipment	0	2	2	0,0
Contracted services	319	429	412	-4,0
<b>Grant and subsidies paid to:</b>				
Other local government institutions	11	39	38	-2,6
Tertiary institutions of higher learning	0	0	0	0,0
Other	62	61	61	0,0
<b>General expenditure:</b>				
Accommodation	3	4	4	0,0
Advertising	1	1	1	0,0
Bank charges	0	0	0	0,0
Cleaning services	1	3	4	33,3
Consultancy fees	6	4	3	-25,0
Fuel and oil	24	36	42	16,7
Hiring of plant and equipment	14	20	21	5,0
Insurance costs	25	22	21	-4,5
Membership fees	0	0	0	0,0
Pharmaceutical	0	0	0	0,0
Postage and stamps	2	2	3	50,0
Printing and stationery	3	6	5	-16,7
Security fees	14	15	13	-13,3
Rental of land, buildings and other structures	3	5	5	0,0
Rental of office equipment	4	6	6	0,0
Telecommunication services	6	9	9	0,0
Training and education	3	4	4	0,0
Transport	28	19	20	5,3
Travelling and subsistence	5	6	6	0,0
Other expenditure	2 783	2 932	2 544	-13,2
<b>Surplus</b>	<b>3 817</b>	<b>2 508</b>	<b>3 075</b>	<b>22,6</b>
<b>Total expenditure</b>	<b>17 614</b>	<b>16 032</b>	<b>15 743</b>	<b>-1,8</b>

\* Revised

**Part 3 – Statement of financial performance of municipalities for housing and trading services for the quarters ended September 2007, December 2007 and March 2008: Income**

Income	Sept 2007*	Dec 2007*	Mar 2008	% change between quarters ended Dec 2007 and Mar 2008
	R million	R million	R million	
<b>Subsidies from:</b>				
National government	61	64	67	4,7
Provincial government	20	23	24	4,3
Local government	0	0	0	0,0
Other	4	6	6	0,0
<b>Grants from (include equitable share):</b>				
National government	415	718	792	10,3
Provincial government	152	181	201	11,0
Local government	25	28	30	7,1
Other	41	51	51	0,0
Spent conditional grant	50	100	104	4,0
Rental of facilities and equipment	88	110	121	10,0
<b>Interest received from:</b>				
Interest received from: External investments	21	24	25	4,2
Interest received from: Outstanding debtors	209	278	276	-0,7
Sales of electricity, gas and water	11 296	10 343	9 949	-3,8
Refuse removal, sewerage and sanitation charges	1 615	1 487	1 562	5,0
Fines	5	7	9	28,6
Gains on the disposal of property, plant and equipment	2	2	2	0,0
Bad debts recovered	5	5	5	0,0
Licenses and permits	26	26	28	7,7
Income for agency services	151	154	156	1,3
Public contributions, donated/contributed PPE	5	9	9	0,0
Other income	1 899	1 413	1 432	1,3
<b>Deficit</b>	<b>1 524</b>	<b>1 003</b>	<b>894</b>	<b>-10,9</b>
<b>Total income</b>	<b>17 614</b>	<b>16 032</b>	<b>15 743</b>	<b>-1,8</b>

\*Revised

**Notes**

<b>Forthcoming issue</b>	<b>Issue</b>	<b>Expected release date</b>
	June 2008	30 September 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.

<b>Response rates</b>	September quarter 2007:	80%
	December quarter 2007:	82%
	March quarter 2008:	84%

**Reason for fluctuation:**

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

## Explanatory notes

<b>Introduction</b>	<p>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.</p> <p>This publication contains estimates for the quarters ended September 2007, December 2007 and March 2008. The survey is designed to obtain financial information of local government institutions relating to:</p> <ul style="list-style-type: none"> <li>• the consolidated statement of financial position of municipalities;</li> <li>• statement of financial performance of municipalities – rates and general services; and</li> <li>• statement of financial performance of municipalities – housing and trading services.</li> </ul>												
<b>Scope of the survey</b>	<p>2 This survey covers quarterly financial information of all municipalities.</p>												
<b>Classification and accounting standards</b>	<p>3 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>												
<b>Collection of levies</b>	<p>4 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>												
<b>Survey methodology and design</b>	<p>5 The statistical unit for the collection of information is the municipality.</p>												
<b>Imputation</b>	<p>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.</p>												
<b>Revised figures</b>	<p>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.</p>												
<b>Rounding off figures</b>	<p>8 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>												
<b>Related publications</b>	<p>9 Users may wish to refer to the following Stats SA publications:</p> <ul style="list-style-type: none"> <li>• P9101 Capital expenditure of the public sector;</li> <li>• P9114 Financial census of municipalities;</li> <li>• P9119.4 Financial Statistics of consolidated general government;</li> <li>• P0441 Gross domestic product; and</li> <li>• P0277 Quarterly employment statistics.</li> </ul>												
<b>Symbols and abbreviations used</b>	<p>10</p> <table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 10px;">GAMAP</td> <td>Generally Accepted Municipal Accounting Practice</td> </tr> <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>	GAMAP	Generally Accepted Municipal Accounting Practice	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
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SIC	Standard Industrial Classification												
Stats SA	Statistics South Africa												
0	nil or not applicable												

## Glossary

### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/deficit to the CRR in terms of a council resolution. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

### Capitalisation reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a capitalisation reserve instead of the accumulated surplus/deficit in terms of a directive (budget circular) issued by National Treasury. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the capitalisation reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the capitalisation reserve to the accumulated surplus/deficit. When an item of property, plant and equipment is disposed, the balance in the capitalisation reserve relating to such item is transferred to the accumulated surplus/deficit.

### Consolidated statement of financial position

The aggregate or consolidated statement of financial position reports the institution's financial position at a specific point in time (the end of the reporting period). This statement covers all assets, net assets and liabilities at the end of the financial year.

### Current assets

Current assets consist of inventories; external short-term loans, deposits and investments; debtors; prepaid expenses; petty cash and bank.

### Current expenditure

Current expenditure refers to transaction that decrease the net worth of the institution, including interest paid, compensation of employees, grants and subsidies paid, and depreciation, but excluding the consumption of fixed capital. It consists of the total expenditure of rates and general services (excluding the surplus), the total expenditure on housing and trading services (excluding the surplus).

### Current liabilities

Current liabilities consist of external short-term loans from and deposits; unspent conditional grants; current provisions; short term leases; Value Added Tax; bank overdraft; and creditors

### District municipality

District municipality refers to 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 C municipality. (Refer to Local Government: Municipal Structures Act, No.117 of 1998).

**Donation and public contribution reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

**Employee related cost**

Compensation of employees includes payment to full-time and part-time employees irrespective of whether the remuneration is paid out of revenue, capital or any other account.

Compensation of employees also includes:

- basic compensation;
- allowances;
- contribution to other benefit funds of employees such as medical aid, pension fund contributions, group life, etc. (excluding unemployment insurance and workmen's compensation, etc., which contributions may be looked upon as a form of insurance and would appear under general expenditure) and other benefits such as housing subsidy etc.;
- uniform clothing and allowances (clothing, boots, overalls, etc., supplied to uniformed employees).

**Government grant reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit. When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

**Housing development funds**

The housing development fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a housing development fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the housing development fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the housing development fund. Monies outstanding to the credit of the housing development fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

<b>Housing and trading services</b>	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 abattoirs, electricity and gas, markets, passenger transport, water and other trading services (forestry, agriculture, airports, mineral baths, stone crushing and sand supply services).
<b>Levies</b>	Levies include both regional service and regional establishment levies collected by the districts and metropolitan municipalities. Regional service levy is the payroll tax paid by registered levy payers on total remuneration of their employees in terms of the Local Government Act (LGTA) of 1993. Regional establishment levy is the turnover tax paid by businesses on their total turnover in terms of the relevant legislation.
<b>Local municipality</b>	Local municipality refers to municipalities that share municipal executive and legislative authority in its area with a district municipality within whose area it falls, that is described in section 155(1) of the Constitution as a category B municipality.
<b>Long-term loans</b>	Long-term loans are loans with an outstanding maturity of more than one year.
<b>Marketable loan stock</b>	Marketable loan stock refers to stocks, debentures and similar debt instruments that are freely negotiable, 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.
<b>Metropolitan municipality</b>	Metropolitan municipality means an institution 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, and promissory notes, capital project bills, bridging debentures, negotiable certificates of deposits, Land Bank bills, Land Bank and the South African Reserve Bank's debentures.
<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>	The following are included in other expenditure: <ul style="list-style-type: none"><li>• administration charges/fees;</li><li>• audit fees;</li><li>• books and magazines;</li><li>• consumables;</li><li>• legal fees;</li><li>• licenses and trade licenses;</li><li>• professional fees;</li><li>• refreshments; and</li><li>• sundries.</li></ul>



<b>Provision</b>	<p>Provision is any amount set aside for the purpose of meeting the following:</p> <ul style="list-style-type: none"><li>• specific requirements where the amounts thereof can be closely estimated; and</li><li>• specific commitments and contingencies as at the date of the balance sheet, where the amounts involved cannot be determined with significant accuracy.</li></ul> <p>Provision includes:</p> <ul style="list-style-type: none"><li>• bad debts; and</li><li>• leave payouts</li></ul>
<b>Rates and general services</b>	<p>Rates and general services include ambulance, fire control (or fire fighting), health (clinics, old age homes), roads and storm-water, parks and recreation (libraries, cultural activities, museums, sport administration, community halls, swimming pools, sports grounds, nature reserves, etc.), sewerage and cleansing, traffic (licensing offices) 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>
<b>Repairs and maintenance</b>	<p>Repairs and maintenance include all expenditure on repairs and maintenance of the various assets of the department. Where considered necessary, the cost of repairs in respect of the various types of assets, e.g. buildings, plant, may be subdivided. Where repairs and maintenance have been charged to a 'provision for repairs account', the actual expenditure incurred during the current year has been reflected under this sub-division and the amount chargeable to the 'provision for repairs' is reflected as a deduction from the actual cost. Any balance of expenditure still remaining is treated as a charge against the current year.</p>
<b>Reserve</b>	<p>Reserve denotes amounts set aside out of surpluses that are not designed to meet any liability, contingency, commitment or diminution in the value of assets known to exist as at the date of the balance sheet.</p>
<b>Revaluation reserve</b>	<p>The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on devalued amounts, are credited or charged to the Statement of Financial Performance</p>
<b>Self-insurance reserve</b>	<p>The municipality has a self-insurance reserve amount set aside to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances). The balance of the self-insurance reserve is determined based on 5% of the insurance risk carried by the municipality.</p>

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