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# Statistical release

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### Quarterly financial statistics of municipalities

September 2007

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## Key findings for the quarter ended September 2007

Item	Quarter ended			Change between quarter ended June 2007 and Sept 2007 %	Change between quarter ended Sept 2006 and Sept 2007 %
	R million				
	Sept 2006	June 2007	Sept 2007		
Purchases of water	1 205	1 634	1 551	-5,1	28,7
Purchases of electricity and gas	3 708	3 955	4 120	4,2	11,1
Sales of water	2 487	3 336	3 638	9,1	46,3
Sales of electricity and gas	6 339	6 310	7 159	13,5	12,9
Fixed Assets	96 464	100 678	103 123	2,4	6,9

### Key findings

Purchase of water decreased by 5,1% between the quarters ended June 2007 and September 2007. Purchases of electricity and gas increased by 4,2% over the same period.

Sales of electricity and gas increased by 13,5% between the quarters ended June 2007 and September 2007. An increase of 9,1% was recorded in the sales of water over the same period.

Fixed assets increased by 2,4% during the reference period.

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

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

	Quarter ended			Change between quarter ended June 2007 and Sept 2007 %	Change between quarter ended Sept 2006 and Sept 2007 %
	R million				
	Sept 2006	June 2007	Sept 2007		
<b>Non-current assets</b>					
Fixed Assets	96 464	100 678	103 123	2,4	6,9
External long-term loans and other deposits	9 168	9 555	9 173	-4,0	0,1
Investments in marketable securities	1 973	1 996	2 015	1,0	2,1
<b>Current assets</b>					
Inventory	1 009	1 052	1 094	4,0	8,4
Sundry debtors	20 713	21 024	21 445	2,0	3,5
Short-term loans, investments and deposits	12 082	14 558	15 034	3,3	24,4
Money market instruments	135	112	111	-0,9	-17,8
Cash in bank	4 191	4 696	4 878	3,9	16,4
Assets not shown elsewhere <sup>1</sup>	1 894	2 108	2 157	2,3	13,9
<b>Total assets</b>	<b>147 629</b>	<b>155 779</b>	<b>159 030</b>	<b>2,1</b>	<b>7,7</b>
<b>Non-current liabilities and reserves</b>					
Endowment, land trust and other capital funds	14 802	16 100	16 776	4,2	13,3
Accumulated reserves, other reserves and provisions	17 820	20 064	20 316	1,3	14,0
Other trust funds	1 324	1 280	1 308	2,2	-1,2
Retained surplus <sup>3</sup>	18 880	21 052	25 044	19,0	32,6
Marketable loan stock	5 637	6 621	6 869	3,7	21,9
External and other long-term loans	13 688	15 720	16 412	4,4	19,9
Loans redeemed and other capital receipts	36 028	32 687	29 635	-9,3	-17,7
<b>Current liabilities</b>					
External short-term loans	2 619	2 504	2 487	-0,7	-5,0
Bank overdraft	767	709	723	2,0	-5,7
Sundry creditors	13 771	16 489	15 939	-3,3	15,7
Liabilities not shown elsewhere <sup>2</sup>	22 293	22 553	23 521	4,3	5,5
<b>Total liabilities and reserves</b>	<b>147 629</b>	<b>155 779</b>	<b>159 030</b>	<b>2,1</b>	<b>7,7</b>

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.

3. Retained surplus has been combined with accumulated deficit.

**Table 2 – Selected income and expenditure items of municipalities: Rates and general services, and Housing and trading services for quarters ended September 2006, June 2007 and September 2007**

	Quarter ended			Change between quarter ended June 2007 and Sept 2007 %	Change between quarter ended Sept 2006 and Sept 2007 %
	R million				
	Sept 2006	June 2007	Sept 2007		
<b>Rates and general services</b>					
<b>Income</b>					
Assessment rates	4 941	5 277	5 424	2,8	9,8
Levies	391	7	28	300,0	-92,8
Intergovernmental transfers	5 047	6 484	6 445	-0,6	27,7
Other taxes	156	148	54	-63,5	-65,4
Fines and forfeitures	226	250	242	-3,2	7,1
Interest received	519	985	639	-35,1	23,1
Sewerage and cleansing	729	1 180	1 182	0,2	62,1
Other income	3 029	3 743	3 746	0,1	23,7
<b>Expenditure</b>					
Salaries, wages and allowances	5 542	6 228	6 150	-1,3	11,0
Interest paid	430	438	419	-4,3	-2,6
Transfers to reserve funds and fixed assets	180	29	27	-6,9	-85,0
Payments and transfers to other government institutions	15	17	12	-29,4	-20,0
Other expenditure	7 019	9 018	7 110	-21,2	1,3
<b>Housing and trading services</b>					
<b>Income</b>					
Sales of electricity and gas	6 339	6 310	7 159	13,5	12,9
Sales of water	2 487	3 336	3 638	9,1	46,3
Intergovernmental transfers	234	337	451	33,8	92,7
Rent received	81	85	82	-3,5	1,2
Interest received	55	53	54	1,9	-1,8
Other income	895	1 267	1 230	-2,9	37,4
<b>Expenditure</b>					
Salaries, wages and allowances	1 396	1 465	1 455	-0,7	4,2
Interest paid	216	230	224	-2,6	3,7
Transfers to reserve funds and fixed assets	40	31	16	-48,4	-60,0
Purchases of electricity and gas	3 708	3 955	4 120	4,2	11,1
Purchases of water	1 205	1 634	1 551	-5,1	28,7
Other expenditure	2 697	3 814	3 683	-3,4	36,6

**Notes**

<b>Forthcoming issue</b>	<b>Issue</b>	<b>Expected release date</b>
	December 2007	27 March 2008
<b>Purpose of survey</b>	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 analyses of municipalities.	
<b>Response rates</b>	September quarter 2006:	83%
	June quarter 2007:	82%
	September quarter 2007:	80%
<b>Reason for fluctuation:</b>	<ul style="list-style-type: none"> <li>• Change of accounting standards from IMFO to GRAP/GAMAP</li> <li>• Revisions and corrections reported by respondents</li> </ul>	

## Explanatory notes

<b>Introduction</b>	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 September 2006, June 2007 and September 2007. The survey is designed to obtain financial information of local government institutions relating to:</p> <ul style="list-style-type: none"> <li>• the consolidated balance sheet;</li> <li>• the income and expenditure statement for both the rates and general services as well as for housing and trading services.</li> </ul>
<b>Scope of the survey</b>	2	This survey covers quarterly financial information of all municipalities.
<b>Classification and accounting standards</b>	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>
<b>Collection of levies</b>	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>
<b>Survey methodology and design</b>	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.
<b>Revised figures</b>	7	<p>Estimates are preliminary. Figures may 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>	8	<p>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.</p>
<b>Related publications</b>	9	<p>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>• P0271 Survey of employment and earnings.</li> </ul>
<b>Symbols and abbreviations used</b>	10	<p>GAMAP Generally Accepted Municipal Accounting Practice          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</p>

## Glossary

<b>Consolidated balance sheet</b>	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.
<b>District municipality</b>	District 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 C municipality. (Refer to Local Government: Municipal Structures Act, No 117 of 1998.)
<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; and</li><li>• public corporation stock.</li></ul>
<b>Local municipality</b>	Local municipality means a municipality that shares 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, 1996 as a category B municipality.
<b>Long-term loans</b>	Long-term loans are loans with an outstanding maturity of one year or longer. Long-term loans include: <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;</li><li>• government housing loans to public welfare organisations and loans from:<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; and</li><li>○ other domestic sources.</li></ul></li></ul>
<b>Marketable loan stock</b>	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.



<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, 1996 as a category A municipality. (Refer to Local Government: Municipal Structures Act No 117 of 1998.)
<b>Money market instruments</b>	Money market instruments include bankers' acceptances, 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 consist of the municipal council (elected political representatives) and the municipal administration (appointed officials).
<b>Other expenditure</b>	Other expenditure includes: <ul style="list-style-type: none"> <li>• assessment rates expenditure;</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>• repairs and maintenance;</li> <li>• legal expenditure;</li> <li>• printing, stationery and telephone;</li> <li>• rent; and</li> <li>• transport.</li> </ul>
<b>Provision</b>	Provision is any amount set aside for the purpose of meeting either: <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> Provision includes amounts set aside for: <ul style="list-style-type: none"> <li>• bad debts; and</li> <li>• leave payouts.</li> </ul>
<b>Rates and general services</b>	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**

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.

Salaries, wages and allowances include:

- 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; and
- other domestic 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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