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# Statistical release

## P9110

# Quarterly financial statistics of municipalities

## December 2013

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User Information Services  
27(12) 310 8600

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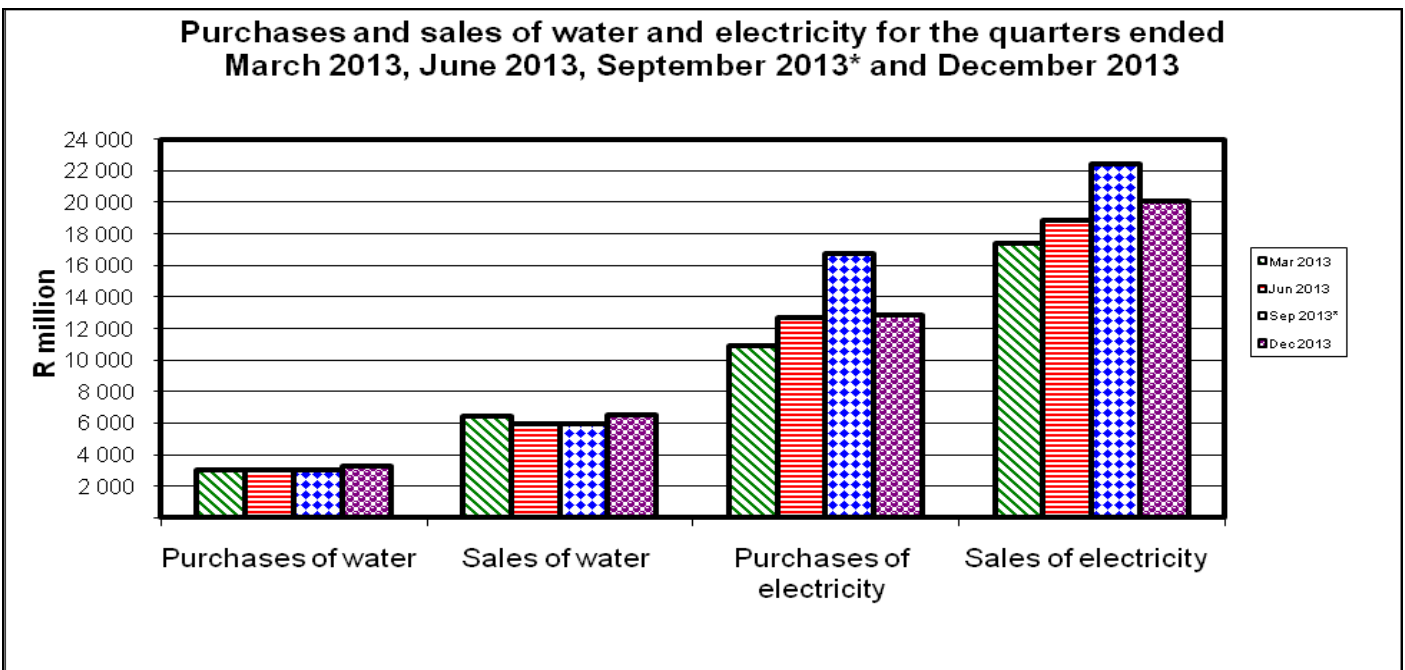
Item	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013	% change between quarters ended Sep. 2013 and Dec. 2013
	R million					
Purchases of water	3 060	3 069	3 014	3 275	261	8,7
Sales of water	6 411	5 981	5 980	6 509	529	8,8
Purchases of electricity	10 884	12 660	16 752	12 868	-3 884	-23,2
Sales of electricity	17 445	18 873	22 431	20 082	-2 349	-10,5
Property, plant and equipment (net carrying value)	356 971	418 249	425 120	426 805	1 685	0,4

\* Some figures have been revised.

Purchases of water increased by 8,7% between the quarters ended September 2013 and December 2013. Purchases of electricity decreased by 23,2% over the same period.

Sales of electricity decreased by 10,5% between the quarters ended September 2013 and December 2013. An increase of 8,8% was recorded in the sales of water over the same period.

Property, plant and equipment increased by 0,4% between the quarters ended September 2013 and December 2013.



\*Some figures have been revised.

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

**Part 1 – Consolidated statement of financial position of municipalities as at the end of March 2013, June 2013, September 2013 and December 2013 quarters**

Net assets and liabilities	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
<b>Net assets</b>					
Housing development fund	1 298	1 207	1 229	1 207	-22
Capital replacement reserve	17 385	17 750	18 045	18 292	247
Capitalisation reserve	2 466	1 397	1 300	1 239	-61
Government grant reserve	6 210	8 381	8 395	8 395	0
Donations and public contributions reserve	745	716	747	744	-3
Self-insurance reserve	267	295	240	239	-1
Revaluation reserve	6 690	11 683	11 618	11 398	-220
COID <sup>1</sup> reserve	147	158	176	176	0
Other reserves (including pre-GAMAP reserves and funds)	2 560	1 915	1 916	1 913	-3
Retained surplus/Accumulated deficit	297 345	351 900	359 742	360 795	1 053
<b>Outside shareholders' interest</b>					
<b>Non-current liabilities</b>					
<b>Domestic loan stock held by:</b>					
Other local government institutions	0	0	0	0	0
Public financial corporations	36	36	29	29	0
Public non-financial corporations	0	0	0	0	0
Other (includes: public/private companies, individuals etc.)	7 446	7 005	7 010	6 875	-135
<b>Bonds held by:</b>					
Other local government institutions	0	0	0	0	0
Public financial corporations	6 751	6 751	6 751	6 751	0
Public non-financial corporations	0	0	0	0	0
Other (includes: public/private companies, individuals etc.)	2 422	2 419	5 297	4 869	-428
<b>Long-term loans from:</b>					
National government	0	0	0	0	0
Provincial government	0	0	0	0	0
Local government institutions	5	5	5	5	0
Development Bank of Southern Africa (DBSA)	9 341	8 987	8 958	8 866	-92
Local authorities loans fund	1	0	0	0	0
Public financial corporations	292	274	287	278	-9
Public non-financial corporations	0	0	0	0	0
Banks	17 497	20 095	17 529	17 334	-195
Insurers	0	0	0	0	0
Pension funds	114	28	28	28	0
Other domestic sources (including INCA <sup>2</sup> )	5 661	6 034	6 717	6 677	-40
Long-term leases	617	460	818	809	-9
Non-current provisions	11 395	12 317	12 317	12 385	68
Retirement benefit obligations	10 998	12 221	12 788	12 849	61

\* Some figures have been revised.

**Part 1 – Consolidated statement of financial position of municipalities as at the end of March 2013, June 2013, September 2013 and December 2013 quarters (continued)**

Net assets and liabilities	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
<b>Current liabilities</b>					
<b>Short-term loans from:</b>					
National government	0	0	0	0	0
Provincial government	0	0	0	0	0
Local government institutions	0	1	1	1	0
Development Bank of Southern Africa (DBSA)	697	865	645	606	-39
Local authorities loans fund	2	0	0	0	0
Public financial corporations	5	5	5	5	0
Public non-financial corporations	0	0	0	0	0
Banks	1 225	1 423	1 946	1 907	-39
Insurers	1	0	0	0	0
Pension funds	2	2	2	2	0
Other domestic sources (including INCA <sup>2</sup> )	1 017	774	647	498	-149
Short-term leases	393	285	381	395	14
Current provisions	7 889	8 262	8 414	8 732	318
Retirement benefit obligations	1 892	2 318	2 397	2 395	-2
Unspent conditional grants	16 478	15 528	12 379	13 947	1 568
VAT <sup>3</sup> payable	2 714	1 903	1 767	1 994	227
Bank overdraft	4 667	1 685	1 706	1 940	234
<b>Creditors:</b>					
Trade creditors	24 595	36 027	27 973	30 842	2 869
Consumer deposits	4 011	4 373	4 669	4 708	39
Income received in advance	493	737	654	721	67
Other creditors	5 316	6 434	6 533	7 069	536
Liabilities not reflected elsewhere <sup>4</sup>	5 872	293	368	375	7
<b>Total net assets and liabilities</b>	<b>484 958</b>	<b>552 949</b>	<b>552 429</b>	<b>558 290</b>	<b>5 861</b>

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

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

<sup>3</sup> Value added tax.

<sup>4</sup> Includes suspense accounts and liabilities not shown separately.

\* Some figures have been revised.

**Part 1 – Consolidated statement of financial position of municipalities as at the end of March 2013, June 2013, September 2013 and December 2013 quarters (continued)**

Assets	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
<b>Non-current assets</b>					
Property, plant and equipment (net carrying value)	356 971	418 249	425 120	426 805	1 685
Investment property	13 590	17 885	18 373	18 419	46
Intangible assets	2 095	2 662	2 630	2 694	64
Biological (cultivated) assets	55	56	55	73	18
<b>Investments in marketable securities:</b>					
Municipal stock/shares	1 084	825	834	833	-1
<b>Other marketable stock/shares:</b>					
Government stock	0	0	0	0	0
Treasury bills	0	0	0	0	0
Other local government institutions' stock	39	64	64	64	0
Public financial corporations' stock	0	0	0	0	0
Public non-financial corporations' stock	0	1 075	1 075	1 075	0
Companies' shares	264	111	108	108	0
Investments in non-marketable instruments of spheres of government institutions and elsewhere	0	0	0	0	0
<b>Long-term receivables:</b>					
Car loans	1	0	0	0	0
Housing selling scheme loans	192	177	170	162	-8
Sewerage connection loans	0	0	0	0	0
Electricity appliance purchase scheme	0	4	4	4	0
Other (including local government institutions)	1 425	447	469	427	-42
<b>Long-term loans to:</b>					
Other local government institutions	0	0	0	0	0
Public financial corporations	34	34	34	34	0
Public non-financial corporations	0	0	0	0	0
Other companies/institutions	15	22	22	22	0
<b>Long-term deposits and other investments with:</b>					
Banks	7 091	4 419	4 995	5 068	73
Public financial corporations	25	22	23	22	-1
Public non-financial corporations	0	0	0	0	0
Other	2 583	1 971	2 039	2 156	117

\* Some figures have been revised.

**Part 1 – Consolidated statement of financial position of municipalities as at the end of March 2013, June 2013, September 2013 and December 2013 quarters (concluded)**

Assets	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
<b>Current assets:</b>					
Inventory	3 773	5 561	4 360	4 303	-57
<b>Short-term loans, deposits and investments</b>					
<b>Short-term loans to:</b>					
Other local government institutions	1	0	0	0	0
Public financial corporations	63	0	0	0	0
Public non-financial corporations	0	0	0	0	0
Other companies/institutions	36	30	30	33	3
<b>Short-term deposits and other investments with:</b>					
Banks	16 528	15 327	15 346	15 634	288
Public financial corporations	13	37	50	43	-7
Public non-financial corporations	0	0	0	0	0
Other	10 699	8 927	6 648	8 672	2 024
<b>Debtors:</b>					
Consumer debtors	33 545	37 738	36 140	35 780	-360
Other debtors (including short-term portion of long-term receivables)	9 692	9 739	10 526	10 153	-373
VAT <sup>1</sup> receivable	1 216	1 702	1 849	1 776	-73
Prepaid expenses	51	221	220	217	-3
Petty cash and bank	23 171	25 440	21 037	23 485	2 448
Assets not reflected elsewhere <sup>2</sup>	706	204	208	228	20
<b>Total assets</b>	<b>484 958</b>	<b>552 949</b>	<b>552 429</b>	<b>558 290</b>	<b>5 861</b>

<sup>1</sup> Value added tax.

<sup>2</sup> Includes suspense accounts and assets not shown separately.

\* Some figures have been revised.

**Part 2 – Consolidated statement of financial performance of municipalities for rates and general services for the quarters ended March 2013, June 2013, September 2013 and December 2013: Expenditure**

Expenditure	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
Employee-related costs	9 228	9 390	9 576	10 974	1 398
Remuneration of board of directors/councillors	718	728	689	708	19
Interest paid	680	970	830	1 149	319
Loss on the disposal of property, plant and equipment	4	79	23	409	386
Bad debts	587	1 107	338	572	234
Contracted services	940	1 657	671	1 457	786
Collection costs	100	196	81	122	41
Depreciation and amortisation	1 137	2 131	1 044	1 198	154
Impairment loss (PPE)	20	22	66	0	-66
Repairs and maintenance	468	714	323	545	222
<b>Grants and subsidies paid to:</b>					
Other local government institutions	131	229	30	33	3
Tertiary institutions of higher learning	1	0	0	0	0
Households or individuals	149	167	175	172	-3
Non-profit institutions serving households	0	0	0	0	0
Other	1 249	1 393	1 000	947	-53
<b>General expenditure:</b>					
Accommodation, travelling and subsistence	123	180	139	176	37
Advertising, promotions and marketing	55	101	57	92	35
Audit fees	169	160	103	294	191
Bank charges	61	104	58	74	16
Cleaning services	31	41	29	37	8
Consultancy and professional fees	293	344	205	278	73
Entertainment costs	27	28	21	22	1
Fuel and oil	168	207	173	199	26
Hiring of plant and equipment	52	105	119	224	105
Insurance costs	170	131	279	157	-122
Pharmaceutical	17	33	7	32	25
Postal and courier services	61	69	72	80	8
Printing and stationery	84	123	89	111	22
Rebates for property rates	1 925	652	944	693	-251
Rental of land, buildings and other structures	114	101	102	143	41
Rental of office equipment	52	50	39	46	7
Security fees	368	443	301	426	125
Subscriptions and membership fees	15	67	142	91	-51
Telecommunication services	164	208	155	173	18
Training and education	113	192	108	130	22
Transport costs	41	45	32	48	16
Other expenditure	3 649	5 668	3 181	4 623	1 442
<b>Surplus</b>	<b>10 324</b>	<b>5 862</b>	<b>19 775</b>	<b>12 266</b>	<b>-7 509</b>
<b>Total expenditure</b>	<b>33 488</b>	<b>33 697</b>	<b>40 976</b>	<b>38 701</b>	<b>-2 275</b>

\* Some figures have been revised.



**Part 2– Consolidated statement of financial performance of municipalities for rates and general services for the quarters ended March 2013, June 2013, September 2013 and December 2013: Income**

Income	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
<b>Taxes on property</b>					
<b>Property rates from:</b>					
Residential	6 291	6 885	7 505	6 710	-795
Commercial or business	685	660	2 964	2 584	-380
State	106	15	287	218	-69
Other (includes agricultural, municipal, etc.)	2 517	2 946	1 329	1 026	-303
Property rates – penalties imposed and collection charges	101	59	62	77	15
<b>Interest earned from:</b>					
External investments	554	922	682	615	-67
Outstanding debtors	551	566	472	645	173
Dividends received	0	0	0	0	0
Fines	203	355	266	250	-16
Licences and permits	134	108	117	109	-8
Income for agency services	218	237	190	205	15
Rental of facilities and equipment	193	228	174	218	44
Bad debts recovered	1	6	44	1	-43
Public contributions and donations (including property, plant and equipment)	8	44	41	29	-12
Gains on the disposal of property, plant and equipment	40	71	25	41	16
<b>Grants and subsidies from:</b>					
National government	11 214	7 763	15 694	14 864	-830
Provincial government	150	223	128	115	-13
Local government	7	6	9	17	8
Other	156	144	74	125	51
Spent conditional grants	35	51	29	55	26
Other income	3 474	3 847	3 208	2 478	-730
<b>Deficit</b>	<b>6 850</b>	<b>8 561</b>	<b>7 676</b>	<b>8 319</b>	<b>643</b>
<b>Total income</b>	<b>33 488</b>	<b>33 697</b>	<b>40 976</b>	<b>38 701</b>	<b>-2 275</b>

\* Some figures have been revised.

**Part 3 – Consolidated statement of financial performance of municipalities for housing and trading services for the quarters ended March 2013, June 2013, September 2013 and December 2013: Expenditure**

Expenditure	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
Employee-related costs	5 686	5 614	5 930	6 669	739
Interest paid	295	1 348	436	719	283
Loss on disposal of property, plant and equipment	19	19	1	4	3
Bad debts	1 103	1 721	1 082	1 001	-81
Contracted services	1 345	1 719	891	1 462	571
Collection costs	26	33	18	33	15
Depreciation and amortisation	2 498	2 009	2 028	2 212	184
Impairment loss (PPE)	15	17	103	2	-101
Repairs and maintenance	1 892	3 055	1 765	2 341	576
<b>Bulk purchases:</b>					
Purchases of water	3 060	3 069	3 014	3 275	261
Purchases of electricity	10 884	12 660	16 752	12 868	-3 884
Other bulk purchases	131	128	132	133	1
<b>Grants and subsidies paid to:</b>					
Other local government institutions	12	17	30	49	19
Tertiary institutions of higher learning	0	0	0	0	0
Households or individuals	191	222	134	167	33
Non-profit institutions serving households	0	0	0	0	0
Other	409	459	314	499	185
<b>General expenditure:</b>					
Accommodation, travelling and subsistence	17	23	23	25	2
Advertising, promotions and marketing	9	22	21	28	7
Audit fees	10	14	10	23	13
Bank charges	12	21	4	3	-1
Cleaning services	16	15	15	23	8
Consultancy and professional fees	59	122	82	95	13
Entertainment costs	4	4	2	2	0
Fuel and oil	217	299	158	218	60
Hiring of plant and equipment	131	139	50	84	34
Insurance costs	13	19	43	34	-9
Pharmaceutical	4	3	2	3	1
Postal and courier services	2	3	2	2	0
Printing and stationery	17	27	92	59	-33
Rebates for services charges	172	195	228	207	-21
Rental of land, buildings and other structures	22	23	219	134	-85
Rental of office equipment	8	18	5	6	1
Security services	65	97	116	103	-13
Subscriptions and membership fees	2	4	3	2	-1
Telecommunication services	26	34	33	32	-1
Training and education	27	35	20	31	11
Transport costs	50	53	63	60	-3
Other expenditure	4 214	5 417	3 493	4 253	760
<b>Surplus</b>	<b>5 473</b>	<b>4 114</b>	<b>8 552</b>	<b>7 585</b>	<b>-967</b>
<b>Total expenditure</b>	<b>38 136</b>	<b>42 791</b>	<b>45 866</b>	<b>44 446</b>	<b>-1 420</b>

\* Some figures have been revised.

**Part 3 – Consolidated statement of financial performance of municipalities for housing and trading services for the quarters ended March 2013, June 2013, September 2013 and December 2013: Income**

Income	March 2013	June 2013	September 2013*	December 2013	Difference between quarters ended Sep. 2013 and Dec. 2013
	R million				
<b>Interest earned from:</b>					
External investments	33	41	69	75	6
Outstanding debtors	249	240	301	296	-5
Dividends received	0	0	0	0	0
Fines	17	9	14	15	1
Licences and permits	102	93	116	125	9
Income for agency services	222	185	119	120	1
Rental of facilities and equipment	173	200	233	300	67
Bad debts recovered	0	15	0	0	0
Public contributions and donations (including property, plant and equipment)	79	155	76	49	-27
Gains on the disposal of property, plant and equipment	1	29	11	9	-2
<b>Services charges:</b>					
Sales of water	6 411	5 981	5 980	6 509	529
Sales of electricity	17 445	18 873	22 431	20 082	-2 349
Refuse removal charges	1 516	1 613	2 166	2 354	188
Sewerage and sanitation	1 799	1 858	2 584	2 624	40
Other services charges (e.g. fresh produce market)	12	34	22	21	-1
<b>Grants and subsidies from:</b>					
National government	4 595	5 710	4 645	5 737	1 092
Provincial government	163	272	190	279	89
Local government	0	0	0	2	2
Other	151	171	110	245	135
Spent conditional grants	21	54	49	140	91
Other income	1 875	2 044	1 785	1 601	-184
<b>Deficit</b>	<b>3 272</b>	<b>5 214</b>	<b>4 965</b>	<b>3 863</b>	<b>-1 102</b>
<b>Total income</b>	<b>38 136</b>	<b>42 791</b>	<b>45 866</b>	<b>44 446</b>	<b>-1 420</b>

\* Some figures have been revised.

## Notes

<b>Forthcoming issue</b>	<b>Issue</b>	<b>Expected release date</b>
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	March 2014	June 2014
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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 the 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>	March quarter 2013:	84%
	June quarter 2013:	87%
	September quarter 2013:	84%
	December quarter 2013:	86%

**Reasons for fluctuation:**

- Change in accounting practices and standards adopted by the respondents.
- Revisions due to late response and corrections reported by respondents.

## Explanatory notes

- Introduction** 1 The purpose of the *Quarterly financial statistics survey of municipalities* is to provide stakeholders with information for allowing analysis and assessment of the state of local government finances.
- This publication contains estimates for the quarters ended March 2013, June 2013, September 2013 and December 2013. The survey is designed to obtain financial information of local government institutions relating to:
- the consolidated statement of financial position of municipalities;
  - the consolidated statement of financial performance of municipalities – rates and general services; and
  - the consolidated statement of financial performance of municipalities – housing and trading services.
- Scope of the survey** 2 This survey covers quarterly financial information of all 278 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 No.09-90-02 of January 1993 (SIC). Activities of local government institutions also adhere to the accounting standards and requirements in terms of the Generally Accepted Municipal Accounting Practice (GAMAP) and also Generally Recognised Accounting Practice (GRAP).
- Survey methodology and design** 4 The statistical unit for the collection of information is the municipality.
- Imputation** 5 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** 6 Estimates for the current quarter are preliminary. Figures will be revised if respondents report revisions or corrections to their figures and, also, if the data was received late by Stats SA (after cut-off date).
- Rounding off figures** 7 The figures in the tables have been rounded to the nearest million and as a result there may be slight discrepancies between the sums of the constituent items and the totals shown.
- Related publications** 8 Users may wish to refer to the following Stats SA publications:
- P9101 *Capital expenditure of the public sector;*
  - P9114 *Financial census of municipalities;*
  - P9119.4 *Financial statistics of consolidated general government;*
  - P0441 *Gross domestic product;* and
  - P0277 *Quarterly employment statistics.*
- Symbols and abbreviations used** 9
- |          |  |
|----------|--|
| GAMAP    | Generally Accepted Municipal Accounting Practice |
| GRAP     | Generally Recognised Accounting Practice         |
| IMFO     | Institute of Municipal Finance Officers          |
| SIC      | Standard Industrial Classification               |
| Stats SA | Statistics South Africa                          |
| 0        | nil  |

## Glossary

<b>Capital Replacement Reserve (CRR)</b>	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 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.
<b>Capitalisation Reserve</b>	<p>On the implementation of GAMAP/GRAP, the balances 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.</p> <p>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.</p>
<b>COID Reserve</b>	This is money set aside for injuries, disablements, diseases and deaths caused by work related activities. It is usually transferred from accumulated surplus account.
<b>Consolidated statement of financial performance</b>	The aggregate or consolidated statement of financial performance reports the institution's financial performance during a specific period in time. This statement covers all the revenue and expenditure of an entity over a specific period in time.
<b>Consolidated statement of financial position</b>	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 reporting period.
<b>Current assets</b>	Current assets are assets that can easily be converted into cash within one year during the normal course of business. Current assets consist of inventories, external short-term loans, deposits and investments, debtors, prepaid expenses, and petty cash and bank.
<b>Current expenditure</b>	Current expenditure refers to transactions that decrease the net worth of the institution, including interest paid, compensation of employees, grants and subsidies paid, and depreciation, but excluding the acquisition of fixed capital. It consists of the total expenditure of rates and general services (excluding the surplus), and the total expenditure of housing and trading services (excluding the surplus).
<b>Current liabilities</b>	Current liabilities consist of external short-term loans and deposits, unspent conditional grants, current provisions, short-term leases, value added tax, bank overdraft and creditors.
<b>Current provision</b>	Current provision is a liability or an obligation of uncertain timing or amount for an entity, payable within twelve months.

<b>District municipality</b>	District municipality refers to a municipality that has a 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 the Local Government: Municipal Structures (Act No.117 of 1998).
<b>Donation and Public Contribution Reserve</b>	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.
<b>Employee-related costs</b>	<p>Employee-related costs include payment to full-time and part-time employees irrespective of whether the remuneration is paid out of revenue, capital or any other account.</p> <p>Employee-related costs also include:</p> <ul style="list-style-type: none"> <li>• basic compensation;</li> <li>• allowances;</li> <li>• 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 may be looked upon as a form of insurance and would appear under general expenditure) and other benefits such as housing subsidy, etc.; and</li> <li>• uniform and clothing allowances (clothing, boots, overalls, etc. supplied to uniformed employees).</li> </ul>
<b>General expenditure</b>	The following are included in general expenditure: accommodation, travelling and subsistence; advertising; audit fees; bank charges; cleaning services; consultancy fees; fuel and oil; hiring of plant and equipment; insurance costs; membership fees; pharmaceutical expenses; postage and stamps; printing and stationery; security fees; rental of land, buildings and other structures; rental of office equipment; telecommunication services; training and education; and transport costs.
<b>Government Grant Reserve</b>	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.
<b>Housing and trading services</b>	Housing includes all activities associated with the provision of housing. 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 waste management (refuse removal, solid waste disposal (landfill sites), street cleaning, recycling etc.), waste water management (sewerage, storm water management and public toilets), road transport (roads, public buses, parking garages, vehicle licensing and testing), water (water distribution, water storage), electricity (electricity distribution, electricity generation, street lighting) and other trading services which include environmental protection (such as pollution control, biodiversity & landscape and coastal protection etc.), air transport, abattoirs, tourism, forestry, markets and licensing & regulation (such as licensing of food and liquor sales to the public and licensing of street traders (hawkers control) and business).

<b>Housing Development Fund</b>	Housing Development Fund is a fund into which all proceeds from housing developments, which include rental income and sales of houses, are paid, as per the Housing Act (Act No. 107 of 1997). <b>Note:</b> 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. 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>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. Refer to the Local Government: Municipal Structures Act (Act No.117 of 1998).
<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 refers to 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 the Local Government: Municipal Structures Act (Act No.117 of 1998).
<b>Money market instruments</b>	Money market instruments include bankers' acceptance, trade bills, promissory notes, capital project bills, bridging debentures, negotiable certificates of deposit, Land Bank bills, and Land Bank and South African Reserve Bank 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 includes district, local and metropolitan municipalities. A municipality is an institution consisting of a municipal council (elected political representatives) and the municipal administration (appointed officials).
<b>Net carrying value</b>	Net carrying value (also known as the book value or carrying value) is the value of an asset according to its balance sheet, which is the original acquisition cost less accumulated depreciation, amortisation or impairment costs made against the asset and disposals if any.
<b>Other expenditure</b>	The following are included in other expenditure: <ul style="list-style-type: none"> <li>• departmental charges/fees;</li> <li>• books and magazines;</li> <li>• consumables;</li> <li>• licences and trade licences;</li> <li>• workshops;</li> <li>• refreshments; and</li> <li>• sundries.</li> </ul>
<b>Property, plant and equipment</b>	Property, plant and equipment are tangible assets which are not easily convertible into cash, and held by entities for their own use and as income generators or for rental to others that the entities anticipate using during more than one financial year.



<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 refer to municipal services that are not economically self-supporting and are financed by imposing assessment and other rates, the receipt of subsidies and other contributions. This includes ambulance services, fire control (or fire-fighting), health services (clinics, old-age homes), roads and storm water drainage, 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.).</p>
<b>Repairs and maintenance</b>	<p>Repairs and maintenance include all expenditure on repairs and maintenance of the various assets of the municipality. 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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