

# Statistical release

**P9110**

## Quarterly financial statistics of municipalities

**December 2015**

**Note for users:**

In the Quarterly financial statistics of municipalities statistical release (P9110) for June and September 2015, Stats SA notified users about reviewing part 1 of this publication. The outcome of the review is that Stats SA will discontinue the publication of part 1 (Consolidated statement of financial position of municipalities) of this statistical release starting from next quarter (March 2016). For more information please contact:

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### Key findings

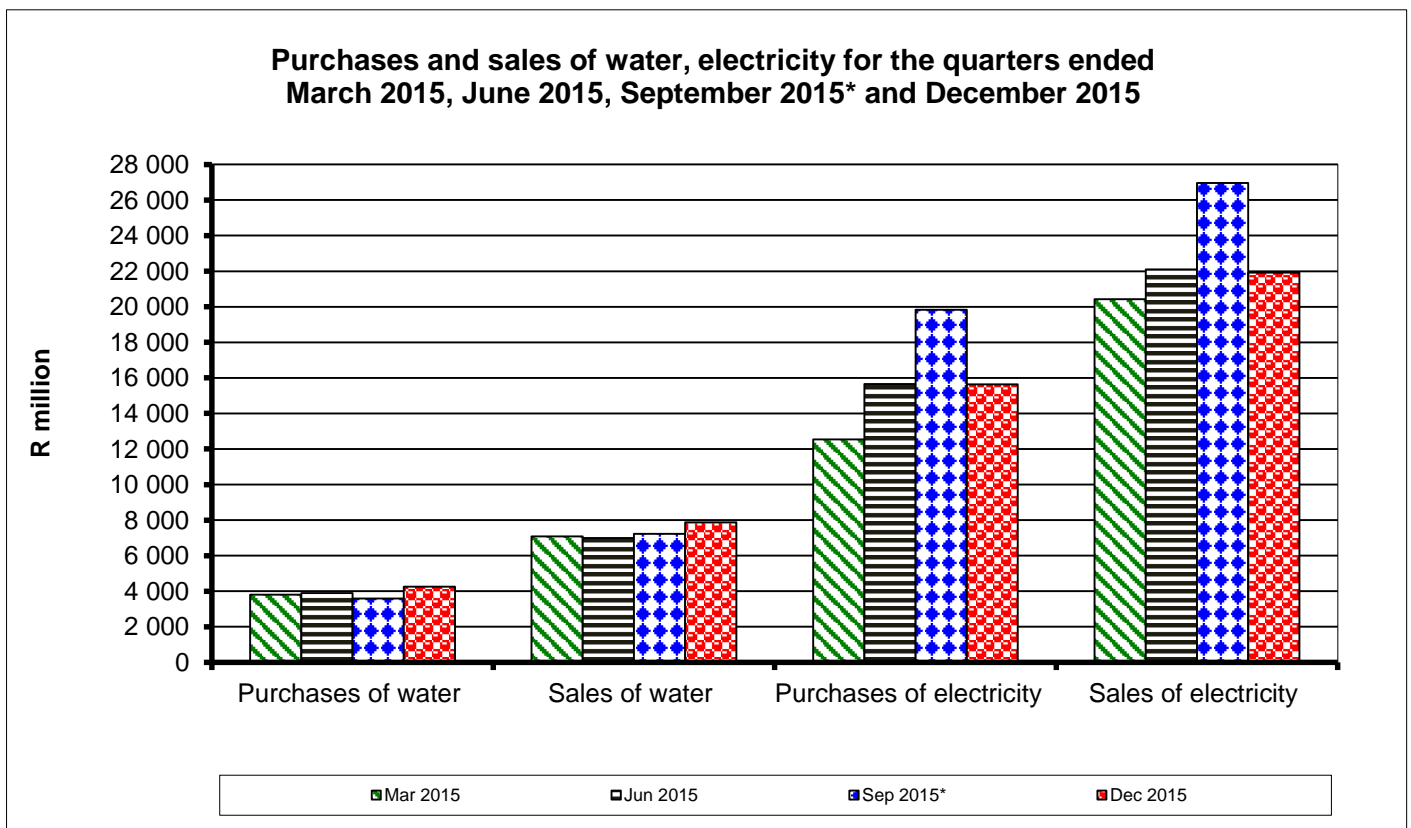
Item	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015	% change between quarters ended Sep. 2015 and Dec. 2015
	R million					
Purchases of water	3 814	3 899	3 587	4 260	673	18,8
Sales of water	7 092	6 996	7 228	7 870	642	8,9
Purchases of electricity	12 543	15 656	19 839	15 642	-4 197	-21,2
Sales of electricity	20 423	22 098	26 470	21 921	-4 549	-17,2
Employee-related costs	17 682	17 412	18 386	21 098	2 712	14,8

\* Some figures have been revised.

Purchases of water increased by 18,8% between the quarters ended September 2015 and December 2015. Sales of water increased by 8,9% over the same period.

Purchases of electricity decreased by 21,2% between the quarters ended September 2015 and December 2015. Sales of electricity decreased by 17,2% over the same period.

Employee-related costs increased by 14,8% between the quarters ended September 2015 and December 2015.



\* Some figures have been revised.

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

**Part 1 – Consolidated statement of financial position of municipalities as at the end of March 2015, June 2015, September 2015 and December 2015 quarters**

Net assets and liabilities	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
<b>Net assets</b>					
Housing development fund	938	843	843	843	0
Capital replacement reserve	19 765	2 876	2 827	2 783	-44
Capitalisation reserve	1 728	292	317	317	0
Government grant reserve	6 675	930	944	944	0
Donations and public contributions reserve	369	124	124	124	0
Self-insurance reserve	293	633	631	631	0
Revaluation reserve	9 566	9 067	12 426	12 472	46
COVID <sup>1</sup> reserve	174	183	185	186	1
Other reserves (including Pre-GAMAP reserves and funds)	3 070	250	251	251	0
Retained surplus/Accumulated deficit	418 094	468 713	473 812	473 079	-733
Outside shareholders' interest	0	299	299	299	0
<b>Non-current liabilities</b>					
<b>Domestic loan stock held by:</b>					
Other local government institutions	0	0	0	0	0
Public financial corporations	0	0	0	0	0
Public non-financial corporations	0	0	0	0	0
Other (includes: public/private companies, individuals etc.)	6 595	17	18	18	0
<b>Bonds held by:</b>					
Other local government institutions	0	0	0	0	0
Public financial corporations	7 709	0	0	0	0
Public non-financial corporations	0	0	0	0	0
Other (includes: public/private companies, individuals etc.)	6 126	17 521	17 521	17 016	-505
<b>Long-term loans from:</b>					
National government	0	0	0	0	0
Provincial government	0	0	0	0	0
Local government institutions	2	104	104	104	0
Development Bank of Southern Africa (DBSA)	15 345	17 859	16 630	19 501	2 871
Local authorities loans fund	0	0	0	0	0
Public financial corporations	47	0	0	0	0
Public non-financial corporations	0	0	0	0	0
Banks	10 607	19 689	18 793	20 034	1 241
Insurers	0	0	0	0	0
Pension funds	19	0	0	0	0
Other domestic sources (including INCA <sup>2</sup> )	6 910	6 742	6 357	5 526	-831
Long-term leases	943	697	721	677	-44
Non-current provisions	16 905	15 250	15 742	16 109	367
Retirement benefit obligations	15 686	17 079	16 885	16 889	4

\* Some figures have been revised.

**Part 1 – Consolidated statement of financial position of municipalities as at the end of March 2015, June 2015, September 2015 and December 2015 quarters (continued)**

Net assets and liabilities	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
<b>Current liabilities</b>					
<b>Short-term loans from:</b>					
National government	0	17	17	17	0
Provincial government	0	0	0	0	0
Local government institutions	2	39	39	39	0
Development Bank of Southern Africa (DBSA)	1 666	2 530	2 316	2 576	260
Local authorities loans fund	0	43	43	43	0
Public financial corporations	0	88	88	88	0
Public non-financial corporations	0	0	0	0	0
Banks	672	2 414	2 863	1 373	-1 490
Insurers	0	0	0	0	0
Pension funds	1	0	0	0	0
Other domestic sources (including INCA <sup>2</sup> )	1 324	707	723	620	-103
Short-term leases	397	446	395	392	-3
Current provisions	9 270	4 022	4 540	4 975	435
Retirement benefit obligations	2 684	1 284	1 264	1 268	4
Unspent conditional grants	16 841	9 367	11 184	12 778	1 594
VAT <sup>3</sup> payable	2 295	1 434	1 819	1 970	151
Bank overdraft	1 705	1 045	1 040	1 049	9
<b>Creditors:</b>					
Trade creditors	37 755	43 440	38 973	39 811	838
Consumer deposits	5 080	5 482	5 516	5 564	48
Income received in advance	1 014	3 498	3 333	3 331	-2
Other creditors	9 720	18 301	15 114	15 135	21
Liabilities not reflected elsewhere <sup>4</sup>	213	1 993	2 097	1 823	-274
<b>Total net assets and liabilities</b>	<b>638 205</b>	<b>675 318</b>	<b>676 794</b>	<b>680 655</b>	<b>3 861</b>

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

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

<sup>3</sup> VAT - 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 2015, June 2015, September 2015 and December 2015 quarters (continued)**

Assets	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
<b>Non-current assets</b>					
Property, plant and equipment (net carrying value)	478 767	524 040	524 496	527 777	3 281
Investment property	24 308	19 905	19 544	19 534	-10
Intangible assets	2 705	3 363	3 174	3 105	-69
Biological (cultivated) assets	228	221	276	276	0
<b>Investments in marketable securities:</b>					
Municipal stock/shares	4 410	1	1	1	0
<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	406	457	457	457	0
Public financial corporations' stock	1	0	0	0	0
Public non-financial corporations' stock	996	1	1	1	0
Companies' shares	81	95	96	96	0
Investments in non-marketable instruments of spheres of government, government institutions and elsewhere	0	72	97	97	0
<b>Long-term receivables:</b>					
Car loans	0	0	0	0	0
Housing selling scheme loans	124	117	117	90	-27
Sewerage connection loans	0	0	0	0	0
Electricity appliance purchase scheme	4	0	0	0	0
Other (including local government institutions)	527	1 090	1 094	1 061	-33
<b>Long-term loans to:</b>					
Other local government institutions	0	0	0	0	0
Public financial corporations	24	0	0	0	0
Public non-financial corporations	0	0	0	0	0
Other companies/institutions	5	0	0	0	0
<b>Long-term deposits and other investments with:</b>					
Banks	7 356	6 275	7 774	6 674	-1 100
Public financial corporations	24	9	9	9	0
Public non-financial corporations	0	0	0	0	0
Other	1 402	3 736	3 830	3 894	64

\* Some figures have been revised.

**Part 1 – Consolidated statement of financial position of municipalities as at the end of March 2015, June 2015, September 2015 and December 2015 quarters (concluded)**

Assets	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
<b>Current assets:</b>					
Inventory	6 604	5 476	5 738	5 830	92
<b>Short-term loans, deposits and investments</b>					
<b>Short-term loans to:</b>					
Other local government institutions	0	0	0	0	0
Public financial corporations	0	0	0	0	0
Public non-financial corporations	0	1	1	1	0
Other companies/institutions	31	0	0	0	0
<b>Short-term deposits and other investments with:</b>					
Banks	16 362	36 206	32 746	35 801	3 055
Public financial corporations	2	2	2	2	0
Public non-financial corporations	0	0	0	0	0
Other	5 962	544	523	523	0
<b>Debtors:</b>					
Consumer debtors	40 831	36 566	38 801	38 782	-19
Other debtors (including short-term portion of long-term receivables)	15 132	17 486	20 082	17 727	-2 355
VAT <sup>1</sup> receivable	2 059	2 356	2 504	2 895	391
Prepaid expenses	202	89	94	92	-2
Petty cash and bank	29 522	16 718	15 035	15 640	605
Assets not reflected elsewhere <sup>2</sup>	130	492	302	290	-12
<b>Total assets</b>	<b>638 205</b>	<b>675 318</b>	<b>676 794</b>	<b>680 655</b>	<b>3 861</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 2015, June 2015, September 2015 and December 2015: Expenditure**

Expenditure	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
Employee-related costs	11 228	10 877	11 395	13 307	1 912
Remuneration of board of directors/councillors	773	926	808	825	17
Interest paid	915	1 302	968	1 270	302
Loss on the disposal of property, plant and equipment	3	853	0	17	17
Bad debts	1 371	1 964	804	881	77
Contracted services	1 355	1 801	769	1 568	799
Collection costs	185	317	116	222	106
Depreciation and amortisation	1 725	1 879	870	1 600	730
Impairment loss (PPE)	23	156	0	1	1
Repairs and maintenance	653	889	406	675	269
<b>Grants and subsidies paid to:</b>					
Other local government institutions	29	51	76	17	-59
Tertiary institutions of higher learning	1	3	0	0	0
Households or individuals	195	224	290	392	102
Non-profit institutions serving households	0	0	3	1	-2
Other	1 036	1 236	1 329	1 540	211
<b>General expenditure:</b>					
Accommodation, travelling and subsistence	149	195	171	245	74
Advertising, promotions and marketing	91	125	62	93	31
Audit fees	223	168	131	432	301
Bank charges	68	71	89	93	4
Cleaning services	52	48	32	42	10
Consultancy and professional fees	308	422	242	327	85
Entertainment costs	19	24	17	28	11
Fuel and oil	194	223	126	187	61
Hiring of plant and equipment	47	160	92	144	52
Insurance costs	146	109	376	181	-195
Pharmaceutical	33	27	30	36	6
Postal and courier services	62	62	49	63	14
Printing and stationery	138	163	120	128	8
Rebates for property rates	937	863	1 796	1 361	-435
Rental of land, buildings and other structures	95	105	113	115	2
Rental of office equipment	120	199	63	90	27
Security services	449	510	335	455	120
Subscriptions and membership fees	43	100	156	73	-83
Telecommunication services	205	209	140	183	43
Training and education	135	185	115	163	48
Transport costs	40	50	37	34	-3
Other expenditure	3 761	5 906	4 322	5 040	718
Surplus	14 295	1 238	25 130	14 620	-10 510
<b>Total expenditure</b>	<b>41 102</b>	<b>33 640</b>	<b>51 578</b>	<b>46 449</b>	<b>-5 129</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 2015, June 2015, September 2015 and December 2015: Income**

Income	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
<b>Taxes on property</b>					
<b>Property rates from:</b>					
Residential	8 377	6 678	10 139	8 242	-1 897
Commercial or business	3 018	2 429	2 655	2 558	-97
State	128	260	1 047	673	-374
Other (includes agricultural, municipal, etc.)	1 544	1 500	2 111	1 552	-559
Property rates – penalties imposed and collection charges	78	61	71	65	-6
<b>Interest earned from:</b>					
External investments	962	1 301	870	1 004	134
Outstanding debtors	770	724	717	827	110
Dividends received	0	0	0	0	0
Fines	1 566	1 118	589	695	106
Licences and permits	126	136	101	97	-4
Income for agency services	221	241	182	343	161
Rental of facilities and equipment	189	224	214	228	14
Bad debts recovered	2	2	69	11	-58
Public contributions and donations (including property, plant and equipment)	14	33	3	23	20
Gains on the disposal of property, plant and equipment	51	67	25	59	34
<b>Grants and subsidies from:</b>					
National government	12 973	6 547	19 910	15 183	-4 727
Provincial government	168	161	336	340	4
Local government	2	8	1	2	1
Other	72	44	259	309	50
Spent conditional grants	162	368	1 320	2 070	750
Other income	3 913	3 076	2 751	3 197	446
Deficit	6 766	8 662	8 208	8 971	763
<b>Total income</b>	<b>41 102</b>	<b>33 640</b>	<b>51 578</b>	<b>46 449</b>	<b>-5 129</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 2015, June 2015, September 2015 and December 2015: Expenditure**

Expenditure	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
Employee-related costs	6 454	6 535	6 991	7 791	800
Interest paid	692	1 177	674	1 040	366
Loss on disposal of property, plant and equipment	0	4	0	2	2
Bad debts	1 294	1 541	1 478	1 323	-155
Contracted services	1 279	1 990	1 163	1 977	814
Collection costs	20	25	15	22	7
Depreciation and amortisation	2 647	3 203	2 629	3 373	744
Impairment loss (PPE)	26	19	0	0	0
Repairs and maintenance	2 426	3 047	2 062	2 898	836
<b>Bulk purchases:</b>					
Purchases of water	3 814	3 899	3 587	4 260	673
Purchases of electricity	12 543	15 656	19 839	15 642	-4 197
Other bulk purchases	136	206	23	33	10
<b>Grants and subsidies paid to:</b>					
Other local government institutions	5	28	3	2	-1
Tertiary institutions of higher learning	0	0	0	0	0
Households or individuals	169	164	391	496	105
Non-profit institutions serving households	0	0	0	0	0
Other	454	470	524	871	347
<b>General expenditure:</b>					
Accommodation, travelling and subsistence	20	34	25	30	5
Advertising, promotions and marketing	17	24	16	33	17
Audit fees	13	8	8	25	17
Bank charges	4	5	5	5	0
Cleaning services	14	21	25	43	18
Consultancy and professional fees	129	194	81	129	48
Entertainment costs	1	1	1	1	0
Fuel and oil	247	257	184	242	58
Hiring of plant and equipment	78	96	58	99	41
Insurance costs	29	26	62	47	-15
Pharmaceutical	2	4	1	1	0
Postal and courier services	2	2	2	2	0
Printing and stationery	74	78	31	31	0
Rebates for service charges	245	219	133	93	-40
Rental of land, buildings and other structures	16	28	20	40	20
Rental of office equipment	166	195	288	174	-114
Security services	140	219	137	207	70
Subscriptions and membership fees	1	5	3	3	0
Telecommunication services	34	43	31	31	0
Training and education	20	20	27	30	3
Transport costs	47	59	79	204	125
Other expenditure	4 266	6 004	3 534	4 912	1 378
Surplus	7 974	6 291	10 884	6 251	-4 633
<b>Total expenditure</b>	<b>45 498</b>	<b>51 797</b>	<b>55 014</b>	<b>52 363</b>	<b>-2 651</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 2015, June 2015, September 2015 and December 2015: Income**

Income	March 2015	June 2015	September 2015*	December 2015	Difference between quarters ended Sep. 2015 and Dec. 2015
	R million				
<b>Interest earned from:</b>					
External investments	115	130	115	111	-4
Outstanding debtors	299	309	382	442	60
Dividends received	0	0	0	0	0
Fines	16	12	207	212	5
Licences and permits	122	101	238	234	-4
Income for agency services	172	183	74	78	4
Rental of facilities and equipment	224	245	215	244	29
Bad debts recovered	2	1	1	2	1
Public contributions and donations (including property, plant and equipment)	40	140	37	58	21
Gains on the disposal of property, plant and equipment	5	4	3	2	-1
<b>Service charges:</b>					
Sales of water	7 092	6 996	7 228	7 870	642
Sales of electricity	20 423	22 098	26 470	21 921	-4 549
Refuse removal charges	2 215	1 915	2 614	2 314	-300
Sewerage and sanitation charges	2 989	2 686	3 286	3 090	-196
Other service charges (e.g. fresh produce market)	89	86	94	108	14
<b>Grants and subsidies from:</b>					
National government	6 254	8 787	5 529	5 972	443
Provincial government	277	125	199	396	197
Local government	0	1	0	0	0
Other	14	36	213	379	166
Spent conditional grants	153	789	743	1 863	1 120
Other income	1 354	2 083	787	916	129
Deficit	3 643	5 070	6 579	6 151	-428
<b>Total income</b>	<b>45 498</b>	<b>51 797</b>	<b>55 014</b>	<b>52 363</b>	<b>-2 651</b>

\* Some figures have been revised.

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**Notes**

<b>Forthcoming issue</b>	<b>Issue</b>	<b>Expected release date</b>
	March 2016	June 2016
<b>Purpose of survey</b>	The <i>Quarterly financial statistics of municipalities</i> is a quarterly survey that covers local, district and metropolitan municipalities in South Africa. The results are used as inputs into the gross domestic product (GDP) calculation as well as to assist the public sector with policy formulation and the financial analysis of municipalities.	
<b>Response rates</b>	March quarter 2015:	100%
	June quarter 2015:	100%
	September quarter 2015:	97%
	December quarter 2015:	99%

**Reasons for fluctuations:**

- Revisions due to late response and corrections reported by respondents; and/or
- Differences in response rates between the quarters; and/or
- Seasonality of variables in the survey

## Explanatory notes

<b>Introduction</b>	<p>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.</p> <p>This publication contains estimates for the quarters ended March 2015, June 2015, September 2015 and December 2015. 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>• the consolidated statement of financial performance of municipalities – rates and general services; and</li> <li>• the consolidated 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 278 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</i>, Fifth Edition, and 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 Recognised Accounting Practice (GRAP).</p> <p>The Standard Chart of Accounts for Municipalities and Municipal entities (MSCOA) is currently being pilot-tested in some municipalities including all eight metropolitan municipalities by National Treasury. This is a multi-dimensional classification framework providing the method and format for recording and classifying financial transaction information in the general ledger forming part of the books of account containing a standard list of all available accounts. This revised accounting practice accounts in part for fluctuations when comparing variables over different quarters.</p>
<b>Survey methodology and design</b>	<p>4 The statistical unit for the collection of information is the municipality.</p>
<b>Imputation</b>	<p>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.</p>
<b>Revised figures</b>	<p>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 were received late by Stats SA (after the cut-off date for submitting their questionnaires).</p>
<b>Rounding off figures</b>	<p>7 The figures in the tables have been rounded off to the nearest digit shown, and as a result there may be slight discrepancies between the sums of the constituent items and the totals shown.</p>
<b>Related publications</b>	<p>8 Users may wish to refer to the following Stats SA publications:</p> <ul style="list-style-type: none"> <li>• P9101 <i>Capital expenditure of the public sector;</i></li> <li>• P9114 <i>Financial census of municipalities;</i></li> <li>• P9119.4 <i>Financial statistics of consolidated general government;</i></li> <li>• P0441 <i>Gross domestic product; and</i></li> <li>• P0277 <i>Quarterly employment statistics</i></li> </ul>

**Symbols and abbreviations used**

<b>9</b>	GRAP	Generally Recognised Accounting Practice
	QES	Quarterly Employment Statistics
	SIC	Standard Industrial Classification of All Economic Activities
	Stats SA	Statistics South Africa
	0	nil or not applicable

**Glossary of selected variables used in this publication**

<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>	On the implementation of 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.
<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 (previously referred to as income statement) 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 (previously referred to as balance sheet) 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 those that can be converted into cash within one year. 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 refer to debts or obligations that are due within one year. 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, 1998 (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> <li>• also refer to the Quarterly Employment Statistics (QES, P0277) which measure employment and gross earnings of all employees on a given municipal payroll.</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 municipal 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).

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<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, 1997 (Act No. 107 of 1997).
<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, 1998 (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, 1998 (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). Refer to the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998).
<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.

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<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>
<b>Value Added Tax</b>	<p>This is taxation imposed in respect of the supply of goods and services. It is collected in stages by enterprises but is ultimately charged in full to the final purchasers.</p>
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