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Statistical release

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Quarterly financial statistics of municipalities

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Contents

	Key findings	2
Part 1	Consolidated statement of financial position of municipalities as at the end of December 2007, March 2008 and June 2008 quarters.....	3
Part 2	Statement of financial performance of municipalities for rates and general services for the quarters ended December 2007, March 2008 and June 2008: Expenditure.....	7
Part 2	Statement of financial performance of municipalities for rates and general services for the quarters ended December 2007, March 2008 and June 2008: Income.....	8
Part 3	Statement of financial performance of municipalities for housing and trading services for the quarters ended December 2007, March 2008 and June 2008: Expenditure.....	9
Part 3	Statement of financial performance of municipalities for housing and trading services for the quarters ended December 2007, March 2008 and June 2008: Income	10
Part 4	Rebased tables for the financial year ended 30 June 2006 and 30 June 2007: Consolidated statement of financial position of municipalities	11
Part 5	Rebased tables for the financial year ended 30 June 2006 and 30 June 2007: Statement of financial performance of municipalities	12
	Notes.....	14
	Explanatory notes.....	15
	Glossary.....	16
	General information.....	20

Key findings

Item	Quarter ended			% change between quarter ended Mar 2008 and Jun 2008
	R million			
	December 2007*	March 2008*	June 2008	
Purchases of water	1 613	1 568	1 882	20,0
Purchases of electricity and gas	3 660	3 460	3 946	14,0
Sales of water	3 524	3 352	3 806	13,5
Sales of electricity and gas	6 683	6 489	7 271	12,1
Property, plant and equipment	103 896	104 550	108 952	4,2

* Revised

Purchases of water increased by 20,0% between the quarters ended March 2008 and June 2008. Purchases of electricity and gas increased by 14,0% over the same period.

Sales of electricity and gas increased by 12,1% between the quarters ended March 2008 and June 2008. An increase of 13,5% was recorded in the sales of water over the same period.

Property, plant and equipment increased by 4,2 % between the quarters ended March 2008 and June 2008.

PJ Lehohla
Statistician-General

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

Net assets and liabilities	Dec 2007*	Mar 2008*	Jun 2008	% change between quarter ended Mar 2008 and Jun 2008
	R million			
Housing development fund	1 494	1 361	1 363	0,1
Capital replacement reserve, capitalisation reserve, government grant reserve: Donations and public contribution reserve, self insurance reserve, revaluation reserve and COIDA ¹ reserve	46 487	47 604	48 897	2,7
Retained surplus/accumulated deficit	55 013	55 795	56 770	1,7
Outside shareholders interest	60	60	60	0,0
Non-current liabilities				
Marketable loan stock:				
Other local government institutions	322	322	325	0,9
Other	2 562	2 580	2 843	10,2
Bonds held by:				
Other	3 740	3 740	3 762	0,6
Other non-current liabilities				
Government housing loans to public welfare organisations and individuals sponsored by the respondent	4	4	4	0,0
Other long-term loans received from:				
National government	70	70	70	0,0
Provincial government	4	4	3	-25,0
Local government institutions	12	12	11	-8,3
Development Bank of Southern Africa	6 199	6 688	6 472	-3,2
Local authorities loans fund	10	10	10	0,0
Financial public corporations	92	95	79	-16,8
Non-financial public corporations	92	95	93	-2,1
Banks	6 922	6 219	5 733	-7,8
Insurers	103	99	95	-4,0
Pension funds	1	1	1	0,0
Public Investment Corporation	330	330	330	0,0
Other domestic sources (including INCA) ²	4 622	5 042	4 838	-4,0
Long-term leases	277	291	302	3,8
Non-current provisions	3 253	3 151	3 140	-0,3

* Revised

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

Net assets and liabilities	Dec 2007*	Mar 2008*	Jun 2008	% change between quarter ended Mar 2008 and Jun 2008
	R million			
Current liabilities				
External short-term loans from and deposits from:				
Local government institutions	3	4	4	0,0
Development Bank of Southern Africa	339	361	371	2,8
Local authorities loans fund	7	7	7	0,0
Financial public corporations	0	0	0	0,0
Banks	404	405	420	3,7
Public Investment Corporation	1	1	1	0,0
Other domestic sources (including INCA) ²	211	241	258	7,1
Unspent conditional grants	4 984	5 481	5 109	-6,8
Current provisions	1 530	1 643	1 506	-8,3
Short-term leases	61	57	61	7,0
Value Added Tax payable	1 446	1 566	1 546	-1,3
Bank overdraft	3 118	2 799	2 733	-2,4
Creditors:				
Trade creditors	7 437	7 203	10 584	46,9
Consumer deposits	2 038	2 061	2 318	12,5
Income received in advance	1 817	1 790	1 978	10,5
Other creditors	7 194	7 145	7 389	3,4
Liabilities not reflected elsewhere ³	9 631	11 770	9 746	-17,2
Total net assets and liabilities	171 890	176 107	179 232	1,8

¹ COIDA: Compensation Commissioner for Occupational Injuries and Diseases

² INCA: Infrastructure Finance Corporation Ltd

³ Include suspense accounts and liabilities not shown separately

* Revised

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

Assets	Dec 2007*	Mar 2008*	Jun 2008	% change between quarter ended Mar 2008 and Jun 2008
	R million			
Property, plant, and equipment (net carrying value)	103 896	104 550	108 905	4,2
Investment property	317	316	339	7,3
Leased assets	56	55	59	7,3
Investments in marketable securities:				
Municipal stock/shares	42	44	46	4,5
Other marketable stock/shares:				
Government stock	23	23	23	0,0
Financial public corporations stock	4	4	4	0,0
Other	370	384	400	4,2
Investments in non-marketable instruments of other spheres of government and government institutions	1 583	1 616	1 654	2,4
Long-term receivables:				
Loans to controlled municipal entities	8	8	10	25,0
Car loans	21	21	21	0,0
Housing selling scheme loans	323	322	343	6,5
Sewerage connection loans	0	0	0	0,0
Electricity appliance purchase scheme	3	4	3	-25,0
Other	2 227	2 155	2 193	1,8
Sponsored government housing loans to public welfare and organisations and individuals	5	5	5	0,0
Loans and deposits:				
External long-term loans, deposits and investments:				
Long-term loans to:				
Other local government institutions	560	573	555	-3,1
Financial public corporations	16	16	16	0,0
Other companies	0	2	0	-100,0
Individuals	674	662	652	-1,5
Other	216	215	216	0,5

*Revised

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

Assets	Dec 2007*	Mar 2008*	Jun 2008	% change between quarter ended Mar 2008 and Jun 2008
	R million			
Long-term deposits and other investments with:				
Public Investment Corporation	4	4	4	0,0
Banks	7 085	7 254	8 035	10,8
Other	849	862	1 063	23,3
Current assets				
Inventory	1 562	1 556	1 633	4,9
External short-term loans, deposits and investments:				
Short-term loans to:				
Financial public corporations	63	63	63	0,0
Non-financial public corporations	0	0	0	0,0
Other companies	0	0	0	0,0
Individuals	14	14	13	-7,1
Other	57	58	71	22,4
Short-term deposits and other investments with:				
Public Investment Corporation	343	344	355	3,2
Banks	11 690	13 077	11 343	-13,3
Other	3 463	3 601	3 747	4,1
Other sundry debtors:				
Consumer debtors	14 804	15 117	15 207	0,6
Other debtors	6 322	7 570	8 038	6,2
Prepaid expenses	23	25	20	-20,0
Petty cash and bank	8 204	9 483	8 669	-8,6
Assets not reflected elsewhere ¹	7 063	6 104	5 527	-9,5
Total assets	171 890	176 107	179 232	1,8

¹. Include suspense accounts and assets not shown separately

* Revised

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

Expenditure	Dec 2007*	Mar 2008*	Jun 2008	% change between quarters ended Mar 2008 and Jun 2008
	R million			
Employee related costs	5 444	5 372	5 383	0,2
Remuneration of board of directors/councillors	318	308	379	23,1
Property rates	121	125	154	23,2
Interest paid	345	335	442	31,9
Loss on the disposal of property, plant and equipment	3	3	32	966,7
Bad debts	144	148	193	30,4
Contracted services	559	509	588	15,5
Collection cost	38	40	43	7,5
Depreciation	615	623	419	-32,7
Repairs and maintenance	504	470	479	1,9
Grants and subsidies paid to:				
Other local government institutions	81	84	98	16,7
Tertiary institutions of higher learning	0	0	0	0,0
Other	421	393	518	31,8
General expenditure:				
Accommodation	8	9	11	22,2
Advertising	16	20	25	25,0
Bank charges	20	20	18	-10,0
Cleaning services	6	7	9	28,6
Consultancy fees	41	36	46	27,8
Fuel and oil	55	55	64	16,4
Hiring of plant and equipment	7	5	7	40,0
Insurance costs	45	47	43	-8,5
Membership fees	13	13	15	15,4
Pharmaceutical	4	4	3	-25,0
Postage and stamps	16	20	21	5,0
Printing and stationery	30	34	39	14,7
Security fees	35	28	34	21,4
Rental of land, buildings and other structures	29	28	23	-17,9
Rental of office equipment	19	20	25	25,0
Telecommunication services	66	72	102	41,7
Training and education	26	27	36	33,3
Transport	24	19	27	42,1
Travelling and subsistence	34	35	57	62,9
Other expenditure	4 356	3 820	3 361	-12,0
Surplus	8 853	8 543	7 891	-7,6
Total expenditure	22 296	21 272	20 585	-3,2

* Revised

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

Income	Dec 2007*	Mar 2008*	Jun 2008	% change between quarters ended Mar 2008 and Jun 2008
	R million			
Taxes on property				
Property rates from:				
National government	84	76	69	-9,2
Provincial government	41	43	34	-20,9
Local government institutions	4	5	6	20,0
Public corporations	21	21	17	-19,0
Property rates and other:				
Rates from individuals and private companies	5 595	4 483	4 598	2,6
Service levies	52	45	33	-26,7
Establishment levies	9	9	10	11,1
Property rates - penalties imposed and collection charges	61	63	66	4,8
Interest received from:				
Interest earned: External investments	482	463	698	50,8
Interest earned: Outstanding debtors	560	582	534	-8,2
Dividend received	0	0	0	0,0
Fines	251	261	263	0,8
Licences and permits	54	57	58	1,8
Income for agency services	113	116	135	16,4
Rental of facilities	118	109	86	-21,1
Bad debts recovered	23	23	25	8,7
Public contribution, donations/donated PPE	37	38	36	-5,3
Gains on the disposal of property, plant and equipment	16	16	20	25,0
Subsidies from:				
National government	508	552	431	-21,9
Provincial government	418	425	338	-20,5
Local government	5	5	5	0,0
Other	67	68	70	2,9
Grants (including the equitable share) from:				
National government	5 465	5 990	4 872	-18,7
Provincial government	302	309	271	-12,3
Local government	82	85	70	-17,6
Other	144	151	127	-15,9
Spent conditional grant	118	118	99	-16,1
Other income	2 768	2 274	2 410	6,0
Deficit	4 898	4 885	5 204	6,5
Total income	22 296	21 272	20 585	-3,2

* Revised

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

Expenditure	Dec 2007*	Mar 2008*	Jun 2008	% change between quarters ended Mar 2008 and Jun 2008
	R million			
Employee related costs	2 698	2 592	2 606	0,5
Property rates	6	6	7	16,7
Interest paid	277	280	360	28,6
Bad debts written off	331	286	419	46,5
Collection cost	17	17	17	0,0
Depreciation	468	448	437	-2,5
Repairs and maintenance	964	895	1 158	29,4
Purchases of electricity, gas and water	5 138	4 920	5 828	18,5
Loss on disposal of property, plant and equipment	2	2	2	0,0
Contracted services	429	412	525	27,4
Grants and subsidies paid to:				
Other local government institutions	39	38	38	0,0
Tertiary institutions of higher learning	0	0	0	0,0
Other	61	61	64	4,9
General expenditure:				
Accommodation	4	4	4	0,0
Advertising	1	1	1	0,0
Bank charges	0	0	2	
Cleaning services	3	4	4	0,0
Consultancy fees	4	3	39	1200,0
Fuel and oil	36	42	137	226,2
Hiring of plant and equipment	20	21	68	223,8
Insurance costs	22	21	10	-52,4
Membership fees	0	0	1	
Pharmaceutical	0	0	2	
Postage and stamps	2	3	3	0,0
Printing and stationery	6	5	8	60,0
Security fees	15	13	18	38,5
Rental of land, buildings and other structures	5	5	3	-40,0
Rental of office equipment	6	6	6	0,0
Telecommunication services	9	9	12	33,3
Training and education	4	4	3	-25,0
Transport	19	20	13	-35,0
Travelling and subsistence	6	6	8	33,3
Other expenditure	2 932	2 544	3 228	26,9
Surplus	2 508	3 075	3 819	24,2
Total expenditure	16 032	15 743	18 850	19,7

* Revised

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

Income	Dec 2007*	Mar 2008*	Jun 2008	% change between quarters ended Mar 2008 and Jun 2008
	R million			
Subsidies from:				
National government	64	67	71	6,0
Provincial government	23	24	25	4,2
Local government	0	0	1	
Other	6	6	6	0,0
Grants from (include equitable share):				
National government	718	792	685	-13,5
Provincial government	181	201	164	-18,4
Local government	28	30	38	26,7
Other	51	51	52	2,0
Spent conditional grant	100	104	120	15,4
Rental of facilities and equipment	110	121	107	-11,6
Interest received from:				
Interest received from: External investments	24	25	21	-16,0
Interest received from: Outstanding debtors	278	276	144	-47,8
Sales of electricity, gas and water	10 343	9 949	11 077	11,3
Refuse removal, sewerage and sanitation charges	1 487	1 562	1 569	0,4
Fines	7	9	9	0,0
Gains on the disposal of property, plant and equipment	2	2	3	50,0
Bad debts recovered	5	5	5	0,0
Licences and permits	26	28	42	50,0
Income for agency services	154	156	24	-84,6
Public contributions, donated/contributed PPE	9	9	8	-11,1
Other income	1 413	1 432	2 737	91,1
Deficit	1 003	894	1 942	117,2
Total income	16 032	15 743	18 850	19,7

*Revised

Part 4 – Rebased tables for the financial year ended 30 June 2006 and 30 June 2007: Consolidated statement of financial position of municipalities

Assets	R million							
	Sept 2005	Dec 2005	Mar 2006	Jun 2006 ³	Sept 2006	Dec 2006	Mar 2007	Jun 2007 ⁴
Fixed assets	75 582	79 384	79 416	82 448	88 328	94 034	95 303	97 355
Securities and redemption funds	4 828	4 623	4 672	4 520	4 551	4 873	5 054	4 551
Long-term loans	7 628	7 790	8 373	8 393	10 101	10 546	10 909	10 536
Cash deposits and short-term loans	19 776	20 924	21 039	21 891	19 180	19 968	21 528	22 693
Inventories	1 093	1 183	1 255	1 217	1 328	1 228	1 263	1 384
Sundry debtors	19 374	18 703	21 002	20 727	22 588	23 208	22 837	22 977
Assets not shown elsewhere ¹	1 909	2 827	3 274	642	650	661	688	724
Total assets	130 190	135 434	139 031	139 838	146 726	154 518	157 582	160 220
Liabilities and reserves								
Accumulated funds	42 115	41 277	41 004	39 202	39 441	42 473	44 453	42 899
Accumulated surplus/(deficit)	32 841	34 665	36 740	36 785	41 066	42 572	43 582	45 746
Loan stock	3 331	4 919	4 888	4 610	3 925	4 746	4 827	4 610
Long-term loans from:								
Banks	3 642	3 606	3 469	3 564	3 185	3 365	3 871	3 729
Insurers and pension	9	10	9	8	2	3	2	2
Other institutions	16 284	17 314	17 668	17 315	17 213	17 458	17 454	20 465
Short-term loans and bank overdraft	10 100	10 439	9 861	11 827	13 383	13 059	13 051	12 699
Sundry creditors	15 265	16 535	18 569	19 786	19 219	20 074	20 751	23 012
Liabilities not shown elsewhere ²	6 603	6 669	6 823	6 741	9 292	10 768	9 591	7 058
Total liabilities and reserves	130 190	135 434	139 031	139 838	146 726	154 518	157 582	160 220

¹ Assets not shown elsewhere includes suspense account

² Liabilities not shown elsewhere includes suspense account

³ Value of consolidated statement as at 30 June 2006

⁴ Value of consolidated statement as at 30 June 2007

Part 5 – Rebased tables for the financial year ended 30 June 2006 and 30 June 2007: Statement of financial performance of municipalities

Income	Rates and general services									
	R million									
	Sept 2005	Dec 2005	Mar 2006	Jun 2006	Total 2006 ³	Sept 2006	Dec 2006	Mar 2007	Jun 2007	Total 2007 ⁴
Property rates received	4 013	4 210	4 315	4 389	16 927	4 431	4 627	4 609	4 761	18 428
Interest received	824	752	822	816	3 214	759	790	793	1 327	3 669
Fines	145	145	152	163	605	244	259	256	256	1 015
Levies										
Regional service levies	959	1 126	1 388	1 013	4 486	121	24	19	4	168
Regional establishment levies	655	737	637	823	2 852	141	86	15	0	242
Grants and subsidies from:										
National, provincial government and other bodies	3 098	3 149	3 836	3 204	13 287	4 638	4 999	5 925	5 937	21 499
Local government	27	27	28	35	117	54	56	62	13	185
Other income ¹	4 170	4 103	3 552	3 988	15 813	2 861	2 840	2 559	1 962	10 222
Total	13 891	14 249	14 730	14 431	57 301	13 249	13 681	14 238	14 260	55 428
Expenditure										
Employee related costs	4 540	4 686	4 693	4 712	18 631	4 685	5 003	5 112	5 264	20 064
Property rates paid	89	93	95	99	376	56	58	58	62	234
Interest paid	542	554	555	553	2 204	531	528	513	536	2 108
Grants paid	777	694	720	697	2 888	604	628	639	256	2 127
Other expenditure ²	6 421	7 044	7 067	7 411	27 943	5 038	5 246	5 257	6 737	22 278
Surplus/(deficit)	1 522	1 178	1 600	959	5 259	2 335	2 218	2 659	1 405	8 617
Total	13 891	14 249	14 730	14 431	57 301	13 249	13 681	14 238	14 260	55 428

¹ Includes all income items not shown separately

² Includes all expenditure items not shown separately

³ The total of Sept 2005, Dec 2005, Mar 2006 and Jun 2006 quarters

⁴ The total of Sept 2006, Dec 2006, Mar 2007 and Jun 2007 quarters

Part 5 – Rebased tables for the financial year ended 30 June 2006 and 30 June 2007: Statement of financial performance of municipalities

Income	Housing and trading services									
	R million									
	Sept 2005	Dec 2005	Mar 2006	Jun 2006	Total 2006 ³	Sept 2006	Dec 2006	Mar 2007	Jun 2007	Total 2007 ⁴
Interest received	146	146	147	150	589	192	192	184	210	778
Grants and subsidies from:										
National, provincial, local government and other bodies	809	793	748	767	3 117	1 674	1 661	1 857	2 275	7 467
Sales of water	2 378	2 598	2 462	2 617	10 055	2 441	2 885	2 958	3 274	11 558
Sales of electricity and gas	5 716	5 985	5 483	6 125	23 309	6 429	6 574	6 262	6 399	25 664
Other income ¹	4 328	3 313	3 809	3 633	15 083	2 759	2 579	2 633	3 613	11 584
Total	13 377	12 835	12 649	13 292	52 153	13 495	13 891	13 894	15 771	57 051
Expenditure										
Employee related costs	1 933	1 977	1 997	2 005	7 912	2 423	2 471	2 510	2 566	9 970
Property rates paid	31	32	32	32	127	3	3	3	3	12
Interest paid	340	346	352	350	1 388	207	209	221	230	867
Purchases of water	1 230	1 430	1 296	1 380	5 336	1 287	1 414	1 632	1 746	6 079
Purchases of electricity and gas	4 135	3 680	3 419	3 656	14 890	3 883	3 823	3 496	4 141	15 343
Other expenditure ²	5 351	4 981	5 178	5 495	21 005	5 262	5 384	5 413	7 101	23 160
Surplus/(deficit)	357	389	375	374	1 495	430	587	619	-16	1 620
Total	13 377	12 835	12 649	13 292	52 153	13 495	13 891	13 894	15 771	57 051

¹ Includes all income items not shown separately

² Includes all expenditure items not shown separately

³ The total of Sept 2005, Dec 2005, Mar 2006 and Jun 2006 quarters

⁴ The total of Sept 2006, Dec 2006, Mar 2007 and Jun 2007 quarters

Notes

Forthcoming issue	Issue	Expected release date
	September 2008	18 December 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.	
Response rates	December quarter 2007:	82%
	March quarter 2008:	84%
	June quarter 2008:	81%
Reason for fluctuation:	<ul style="list-style-type: none"> • Change of accounting standards from IMFO to GRAP/GAMAP • Revisions and corrections reported by respondents 	
Rebasing	Data for Quarterly financial statistics of municipalities for the years ended 30 June 2006 and 30 June 2007 are aligned to the annual Financial census of municipalities for the respective year (which is verified using the annual financial statements from municipalities). Refer to <i>Financial census of municipalities P9115</i> .	

Explanatory notes

- Introduction** 1 The purpose of the quarterly financial statistics survey of municipalities is to provide both stakeholders and users with information for allowing analysis and assessment of the state of local government finances.
- This publication contains estimates for the quarters ended December 2007, March 2008 and June 2008. The survey is designed to obtain financial information of local government institutions relating to:
- the consolidated statement of financial position of municipalities;
 - statement of financial performance of municipalities – rates and general services; and
 - statement of financial performance of municipalities – housing and trading services.
- Scope of the survey** 2 This survey covers quarterly financial information of all municipalities.
- Classification and accounting standards** 3 For the purposes of classification of local government institutions according to activities, Statistics South Africa (Stats SA) used the *Standard Industrial Classification of all Economic Activities, Fifth Edition, Report no.09-90-02 of January 1993 (SIC)*. Activities of the local government institutions also adhere to the accounting standards and requirements in terms of the Institute of Municipal Finance Officers (IMFO) and also General Recognised Accounting Practice.
- Collection of levies** 4 Although regional council levies were abolished with effect from 1 July 2006, income in respect of these funds are arrear amounts based on taxes on payroll and turnover collected by local authorities to fund mainly infrastructural development projects.
- Survey methodology and design** 5 The statistical unit for the collection of information is the municipality.
- Imputation** 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.
- Revised figures** 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.
- Rounding off figures** 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.
- Related publications** 9 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;
 - P0277 Quarterly employment statistics; and
 - D9144 Quarterly financial statistics of municipalities.
- Symbols and abbreviations used** 10
- | | |
|----------|--|
| GAMAP | Generally Accepted Municipal Accounting Practice |
| GRAP | General Recognised Accounting Practice |
| IMFO | Institute of Municipal Finance Officers |
| 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	<p>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.</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>
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; and petty cash and bank.
Current expenditure	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 consumption of fixed capital. It consists of the total expenditure of rates and general services (excluding the surplus), and 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.; and
- 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.

Housing and 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 abattoirs, electricity and gas, markets, passenger transport, water and other trading services (forestry, agriculture, airports, mineral baths, stone crushing and sand supply services).
Levies	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.
Local municipality	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.
Long-term loans	Long-term loans are loans with an outstanding maturity of more than one year.
Marketable loan stock	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.
Metropolitan municipality	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).
Money market instruments	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.
Municipality	Municipality is a generic term describing the 'unit' of government in the local spheres responsible for local government in a geographically demarcated area and 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).
Other expenditure	The following are included in other expenditure: <ul style="list-style-type: none">• administration charges/fees;• audit fees;• books and magazines;• consumables;• legal fees;• licences and trade licences;• professional fees;• refreshments; and• sundries.

Provision	<p>Provision is any amount set aside for the purpose of meeting the following:</p> <ul style="list-style-type: none"> • specific requirements where the amounts thereof can be closely estimated; and • specific commitments and contingencies as at the date of the balance sheet, where the amounts involved cannot be determined with significant accuracy. <p>Provision includes:</p> <ul style="list-style-type: none"> • bad debts; and • leave payouts.
Rates and general services	<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>
Repairs and maintenance	<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>
Reserve	<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>
Revaluation reserve	<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>
Self-insurance reserve	<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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