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Statistical release

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Quarterly financial statistics of municipalities

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Key findings

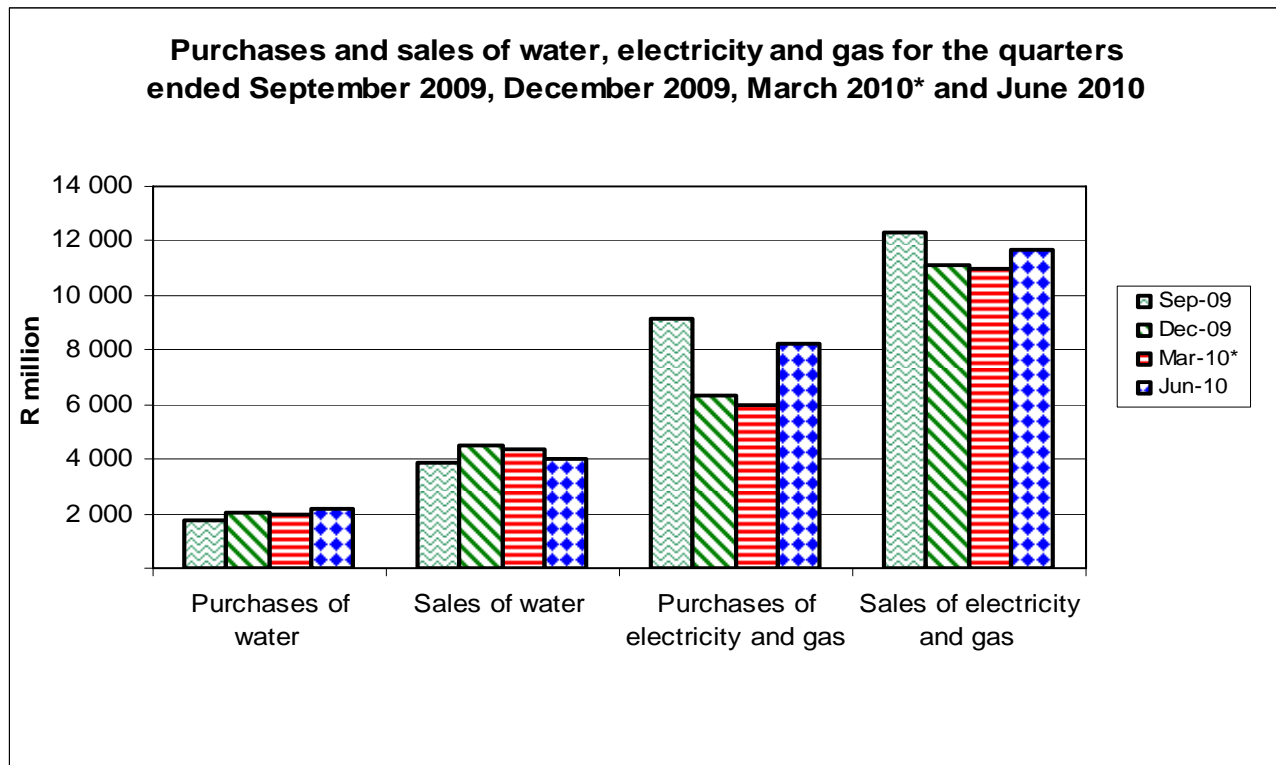
Item	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010	% change between quarters ended Mar. 2010 and Jun. 2010
	R million					
Purchases of water	1 733	2 057	1 975	2 171	196	9,9
Sales of water	3 903	4 536	4 383	4 018	-365	-8,3
Purchases of electricity and gas	9 165	6 319	5 959	8 209	2 250	37,8
Sales of electricity and gas	12 328	11 141	10 965	11 699	734	6,7
Property, plant and equipment (Net carrying value)	209 919	213 637	212 983	218 401	5 418	2,5

* Revised

Purchases of water increased by 9,9% between the quarters ended March 2010 and June 2010. Purchases of electricity and gas increased by 37,8% over the same period.

Sales of electricity and gas increased by 6,7% between the quarters ended March 2010 and June 2010. A decrease of 8,3% was recorded in the sales of water over the same period.

Property, plant and equipment increased by 2,5% between the quarters ended March 2010 and June 2010.



*Revised

PJ Lehohla
Statistician-General

Part 1 – Consolidated statement of financial position of municipalities as at the end of September 2009, December 2009, March 2010 and June 2010 quarters

Net assets and liabilities	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Housing development funds	1 880	1 922	1 882	1 875	-7
Capital replacement reserve	21 181	18 831	18 661	18 594	-67
Capitalisation reserve	4 492	6 503	7 393	7 013	-380
Government grant reserve	22 653	22 894	22 915	23 025	110
Donations and public contributions reserve	3 247	3 258	2 781	2 995	214
Self-insurance reserve	1 117	1 141	1 111	1 070	-41
Revaluation reserve	15 422	15 383	14 415	14 186	-229
COID ¹ reserve	264	260	260	271	11
Pre-GAMAP reserves and funds	2 142	2 310	2 234	2 234	0
Retained Surplus/Accumulated deficit	120 367	120 252	123 225	126 598	3 373
Outside shareholders' interest	0	0	0	0	0
Non-current liabilities					
Marketable loan stock and bonds	0	0	0	0	0
Domestic loan stock held by:					
Other local government institutions	294	15	15	15	0
Public financial corporations	0	0	116	116	0
Public non-financial corporations	0	0	0	0	0
Private companies	0	0	0	0	0
Other	4 490	4 487	6 486	6 076	-410
Bonds held by:					
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
Private companies	0	0	0	0	0
Other	9 348	9 689	9 689	9 689	0
Government housing loans to public welfare organisations and individuals sponsored by the respondent	0	0	0	0	0
Long-term loans received from:					
National government	0	0	0	0	0
Provincial government	1	1	1	1	0
Local government institutions	38	38	38	38	0
Development Bank of Southern Africa (DBSA)	11 051	10 934	10 968	11 166	198
Local authorities loans fund	1	1	1	1	0
Public financial corporations	59	3	207	168	-39
Public non-financial corporations	1	1	1	1	0
Banks	7 996	7 888	8 234	8 722	488

* Revised

Part 1 – Consolidated statement of financial position of municipalities as at the end of September 2009, December 2009, March 2010 and June 2010 quarters (continued)

Net assets and liabilities	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Insurers	2	2	2	2	0
Pension funds	2	2	2	2	0
Public Investment Corporation (PIC)	338	338	338	338	0
Private companies	0	0	0	0	0
Other domestic sources (Including INCA ²)	2 099	2 805	2 873	2 849	-24
Long-term leases	315	313	307	222	-85
Non-current provisions	8 886	8 156	7 916	7 924	8
Current liabilities:					
External short-term loans and deposits from:					
Local government institutions	1	1	1	1	0
Development Bank of Southern Africa (DBSA)	450	540	504	506	2
Local authorities loans fund	3	3	3	3	0
Public financial corporations	0	0	0	0	0
Public non-financial corporations	0	0	0	0	0
Banks	310	487	185	190	5
Insurers	0	0	0	0	0
Pension funds	0	0	0	0	0
Public Investment Corporation (PIC)	20	20	20	20	0
Private companies	1	1	1	1	0
Other domestic sources (including INCA ²)	94	113	87	98	11
Unspent conditional grants	8 160	10 762	11 146	10 847	-299
Current provisions	5 836	5 962	6 072	6 113	41
Short-term leases	208	214	215	216	1
VAT ³ payable	1 799	2 356	2 470	2 467	-3
Bank overdraft	2 123	2 662	1 652	1 737	85
Creditors:					
Trade creditors	17 797	15 285	16 942	18 139	1 197
Consumer deposits	2 533	2 942	2 977	2 991	14
Income received in advanced	2 305	2 251	2 196	2 210	14
Other creditors	7 574	7 898	8 117	8 094	-23
Liabilities not reflected elsewhere ⁴	3 902	5 165	3 083	3 396	313
Total net assets and liabilities	290 802	294 089	297 742	302 220	4 478

¹ COID: Compensation Commissioner for Occupational Injuries and Diseases

² INCA: Infrastructure Finance Corporation Ltd

³ Valued Added Tax

⁴ Includes suspense accounts and liabilities not shown separately

* Revised

Part 1 – Consolidated statement of financial position of municipalities as at the end of September 2009, December 2009, March 2010 and June 2010 quarters (continued)

Assets	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Property, plant and equipment (net carrying value)	209 919	213 637	212 983	218 401	5 418
Investment property	6 152	6 277	6 055	6 068	13
Intangible assets	1 115	1 331	1 326	1 418	92
Biological (cultivated) assets	36	45	58	55	-3
Investments in marketable securities:					
Municipal stock/shares	3 984	3 802	3 825	3 570	-255
Other marketable stock/shares:					
Government stock	0	1	1	1	0
Treasury bills	0	0	0	0	0
Other local government institutions	39	39	39	39	0
Public financial corporations stock	0	0	0	0	0
Public non-financial corporations stock	0	0	0	0	0
Other companies	362	431	372	362	-10
Investments in non-marketable instruments of spheres of government, government institutions and elsewhere	0	0	0	0	0
Long-term receivables:					
Loans to controlled municipal entities	23	23	23	23	0
Car loans	9	9	7	7	0
Housing selling scheme loans	535	520	515	511	-4
Sewerage connection loans	12	12	12	12	0
Electricity appliance purchase scheme	0	0	0	0	0
Other	2 372	2 362	2 250	2 195	-55
Sponsored government housing loans to public welfare, organizations and individuals	1	1	1	1	0
External long-term loans, deposits and investments:					
Long-term loans to:					
Other local government institutions	1	1	1	1	0
Public financial corporations	32	31	31	30	-1
Public non-financial corporations	0	0	0	0	0
Other companies	0	0	0	0	0
Individuals	32	36	36	36	0
Other	38	38	38	38	0
Long-term deposits and other investments with:					
Public Investment Corporation (PIC)	32	32	32	33	1
Banks	6 188	6 278	6 308	6 400	92
Public financial corporations	7	1	1	1	0
Public non-financial corporations	0	0	0	0	0

* Revised

Part 1 – Consolidated statement of financial position of municipalities as at the end of September 2009, December 2009, March 2010 and June 2010 quarters (concluded)

Assets	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Other	698	695	701	701	0
Current assets:					
Inventory	2 489	2 529	2 580	2 529	-51
External short-term loans, deposits and investments					
Short-term loans to:					
Other local government institutions	1	1	1	1	0
Public financial corporations	426	181	181	113	-68
Public non-financial corporations	0	0	0	0	0
Other companies	0	0	0	0	0
Individuals	2	2	2	2	0
Other	70	2 450	5 060	4 392	-668
Short-term deposits and other investments with:					
Public Investment Corporation (PIC)	211	217	215	215	0
Banks	13 921	13 465	13 552	12 596	-956
Public financial corporations	1	1	1	1	0
Public non-financial corporations	0	0	0	0	0
Other	3 233	1 118	1 144	1 139	-5
Debtors:					
Consumer debtors	23 749	22 680	22 388	22 767	379
Other debtors	6 892	6 699	6 576	6 788	212
VAT receivable	974	1 862	2 254	2 382	128
Prepaid expenses	35	42	41	40	-1
Petty cash and bank	6 684	6 818	8 107	8 220	113
Assets not reflected elsewhere ¹	527	422	1 025	1 132	107
Total assets	290 802	294 089	297 742	302 220	4 478

¹Includes suspense accounts and liabilities not shown separately

*Revised

Part 2 – Consolidated statement of financial performance of municipalities for rates and general services for the quarters ended September 2009, December 2009, March 2010 and June 2010: Expenditure

Expenditure	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Employee related costs	6 611	6 968	6 660	7 036	376
Remuneration of board of directors/councilors	447	482	516	537	21
Property rates	145	248	228	209	-19
Interest paid	582	912	527	907	380
Loss on the disposal of property, plant and equipment	2	2	4	8	4
Bad debts	299	443	462	438	-24
Contracted services	412	502	564	844	280
Collection costs	60	83	86	114	28
Depreciation	698	365	797	905	108
Impairment loss	0	0	0	189	189
Repairs and maintenance	614	357	453	572	119
Grants and subsidies paid to:					
Other local government institutions	665	727	721	849	128
Tertiary institutions of higher learning	0	0	0	0	0
Other	191	213	145	181	36
General expenditure:					
Accommodation, travelling and subsistence	71	88	76	97	21
Advertising	34	28	31	41	10
Audit Fees	39	151	104	83	-21
Bank charges	34	40	43	56	13
Cleaning services	15	17	17	19	2
Consultancy fees	105	153	158	203	45
Entertainment costs	17	17	18	18	0
Fuel and oil	78	64	101	123	22
Hiring of plant and equipment	56	47	52	52	0
Insurance costs	153	80	54	64	10
Membership fees	33	32	19	23	4
Pharmaceutical	12	11	11	12	1
Postage and courier services	34	55	48	49	1
Printing and stationery	77	69	86	94	8
Security fees	131	88	97	114	17
Rental of land, buildings and other structures	33	33	43	59	16
Rental of office equipment	160	210	210	237	27
Telecommunication services	124	150	169	170	1
Training and education	45	70	61	67	6
Transport	26	34	29	39	10
Other expenditure	3 022	3 389	2 982	3 817	835
Surplus	11 793	8 089	8 991	5 162	-3 829
Total expenditure	26 818	24 217	24 563	23 388	-1 175

* Revised

Part 2 – Consolidated statement of financial performance of municipalities for rates and general services for the quarters ended September 2009, December 2009, March 2010 and June 2010: Income

Income	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Taxes on property					
Property rates from:					
National government	18	13	13	11	-2
Provincial government	15	15	14	14	0
Local government institutions	1	2	1	1	0
Public corporations	0	10	13	8	-5
Property rates and other:					
Rates from individuals and private companies	7 097	6 973	6 631	5 967	-664
Property rates - penalties imposed and collection charges	197	83	82	102	20
Interest earned from:					
External investments	347	405	449	507	58
Outstanding debtors	303	286	358	430	72
Dividend received	0	0	0	0	0
Fines	266	197	247	386	139
Licenses and permits	103	83	103	128	25
Income for agency services	181	221	234	211	-23
Rental of facilities and equipment	122	86	131	117	-14
Bad debts recovered	0	0	0	0	0
Public contribution, donations/donated PPE	5	6	6	11	5
Gains on the disposal of property, plant and equipment	17	30	20	61	41
Subsidies from:					
National government	21	31	24	24	0
Provincial government	42	33	50	50	0
Local government	0	0	0	0	0
Other	10	8	191	144	-47
Grants from (including equitable share):					
National government	10 446	7 934	7 512	6 632	-880
Provincial government	240	336	155	214	59
Local government	4	5	5	5	0
Other	149	191	183	175	-8
Spent conditional grant	5	23	27	28	1
Other income	1 770	1 951	3 458	2 923	-535
Deficit	5 459	5 295	4 656	5 239	583
Total income	26 818	24 217	24 563	23 388	-1 175

* Revised

Part 3 – Consolidated statement of financial performance of municipalities for housing and trading services for the quarters ended September 2009, December 2009, March 2010* and June 2010: Expenditure

Expenditure	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Employee related costs	3 462	4 253	4 102	3 976	-126
Property rates paid	5	3	5	6	1
Interest paid	412	581	568	670	102
Loss on disposal of property, plant and equipment	1	1	8	8	0
Bad debts	667	872	772	1 017	245
Contracted services	655	865	832	1 203	371
Collection costs	18	19	19	27	8
Depreciation and amortisation	699	994	2 012	2 193	181
Impairment loss	0	0	0	4	4
Repairs and maintenance	1 425	1 985	1 734	2 363	629
Purchases of electricity and gas	9 165	6 319	5 959	8 209	2 250
Purchases of water	1 733	2 057	1 975	2 171	196
Grants and subsidies paid to:					
Other local government institutions	0	0	0	0	0
Tertiary institutions of higher learning	0	0	0	0	0
Other	201	293	276	234	-42
General expenditure:					
Accommodation, travelling and subsistence	12	18	17	18	1
Advertising	3	4	5	6	1
Audit fees	1	7	7	7	0
Bank charges	2	3	3	3	0
Cleaning services	12	7	10	10	0
Consultancy fees	41	40	41	51	10
Entertainment costs	0	0	0	0	0
Fuel and oil	92	121	145	161	16
Hiring of plant and equipment	80	59	81	105	24
Insurance costs	18	18	32	28	-4
Membership fees	0	0	0	0	0
Pharmaceutical	1	4	2	2	0
Postage and courier services	2	1	2	2	0
Printing and stationery	13	13	13	16	3
Rental of land, buildings and other structures	11	9	12	12	0
Rental of office equipment	8	4	13	17	4
Security services	32	52	59	69	10
Telecommunication services	21	21	23	30	7
Training and education	9	13	9	14	5
Transport costs	29	39	42	34	-8
Other expenditure	2 475	2 994	3 150	4 482	1 332
Surplus	3 688	3 639	3 311	990	-2 321
Total expenditure	24 993	25 308	25 239	28 138	2 899

* Revised

Part 3 – Consolidated statement of financial performance of municipalities for housing and trading services for the quarters ended September 2009, December 2009, March 2010 and June 2010: Income

Income	September 2009	December 2009	March 2010*	June 2010	Difference between quarters ended Mar. 2010 and Jun. 2010
	R million				
Interest earned from:					
External investments	58	19	23	28	5
Outstanding debtors	213	207	213	207	-6
Dividends received	0	0	0	0	0
Fines	7	10	10	10	0
Licenses and permits	38	54	57	54	-3
Income for agency services	91	121	93	105	12
Rental of facilities and equipment	148	159	154	159	5
Bad debts recovered	3	0	0	0	0
Public contributions and donations (including property, plant and equipment)	12	22	21	28	7
Gains on the disposal of property, plant and equipment	3	2	6	5	-1
Sales of electricity and gas	12 328	11 141	10 965	11 699	734
Sales of water	3 903	4 536	4 383	4 018	-365
Refuse removal	885	1 082	1 023	1 021	-2
Sewerage and sanitation	861	947	1 018	970	-48
Subsidies from:					
National government	48	112	139	118	-21
Provincial government	17	16	17	22	5
Local government	0	1	2	1	-1
Other	1	0	2	4	2
Grants from (including equitable share):					
National government	2 003	2 009	2 250	2 610	360
Provincial government	155	173	195	239	44
Local government	3	21	10	10	0
Other	115	189	179	216	37
Spent conditional grant	48	9	15	25	10
Other income	1 041	1 347	1 081	1 706	625
Deficit	3 012	3 131	3 383	4 883	1 500
Total income	24 993	25 308	25 239	28 138	2 899

* Revised

Notes**Forthcoming issue** **Issue** **Expected release date**

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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 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

September quarter 2009:	82%
December quarter 2009:	83%
March quarter 2010:	83%
June quarter 2010:	85%

Reasons for fluctuation:

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

Explanatory notes

Introduction	<p>1 The purpose of the quarterly financial statistics survey of municipalities is to provide both stakeholders and users with information for allowing analysis and assessment of the state of local government finances.</p> <p>This publication contains estimates for the quarters ended September 2009, December 2009, March 2010 and June 2010. The survey is designed to obtain financial information of local government institutions relating to:</p> <ul style="list-style-type: none"> • the consolidated statement of financial position of municipalities; • the statement of financial performance of municipalities – rates and general services; and • the statement of financial performance of municipalities – housing and trading services. 												
Scope of the survey	<p>2 This survey covers quarterly financial information of all 283 municipalities.</p>												
Classification and accounting standards	<p>3 For the purposes of classification of local government institutions according to activities, Statistics South Africa (Stats SA) used the <i>Standard Industrial Classification of all Economic Activities, Fifth Edition, Report No.09-90-02 of January 1993 (SIC)</i>. Activities of the local government institutions also adhere to the accounting standards and requirements in terms of the General Accepted Municipal Accounting Practice (GAMAP) and also General Recognised Accounting Practice (GRAP).</p>												
Survey methodology and design	<p>4 The statistical unit for the collection of information is the municipality.</p>												
Imputation	<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>												
Revised figures	<p>6 Estimates for the quarters 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).</p>												
Rounding off figures	<p>7 The figures in the tables have been rounded 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>												
Related publications	<p>8 Users may wish to refer to the following Stats SA publications:</p> <ul style="list-style-type: none"> • 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	<p>9</p> <table border="0"> <tr> <td style="padding-right: 10px;">GAMAP</td> <td>Generally Accepted Municipal Accounting Practice</td> </tr> <tr> <td>GRAP</td> <td>General Recognised Accounting Practice</td> </tr> <tr> <td>IMFO</td> <td>Institute of Municipal Finance Officers</td> </tr> <tr> <td>SIC</td> <td>Standard Industrial Classification</td> </tr> <tr> <td>Stats SA</td> <td>Statistics South Africa</td> </tr> <tr> <td>0</td> <td>nil or not applicable</td> </tr> </table>	GAMAP	Generally Accepted Municipal Accounting Practice	GRAP	General Recognised Accounting Practice	IMFO	Institute of Municipal Finance Officers	SIC	Standard Industrial Classification	Stats SA	Statistics South Africa	0	nil or not applicable
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 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 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>
COID reserve	This is money set aside for injuries, disablements, diseases and deaths caused by work related activities. It is usually transferred from accumulated surplus account.
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 reporting period.
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 of housing and trading services (excluding the surplus).
Current liabilities	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.
Current provision	Current provision is a liability or an obligation of uncertain timing or amount for an entity, payable within twelve months.
District municipality	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).

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.

Employee related costs

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

Employee related costs 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).

General expenditure

The following are included in general expenditure: accommodation, travelling and subsistence; advertising; bank charges; bad debts (see below) 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.

When debtors are uncollectible, they are written off as expenses and are recorded as bad debts in the books of an institution. In some instances, the bad debts are recovered (receipt of an amount, partially or in full, previously written off as uncollectible) are recorded as income in an institution's books.

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.

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).

Housing development fund	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.
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. Refer to the Local Government: Municipal Structures Act (Act No.117 of 1998).
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 the 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 deposit, 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).
Net carrying value	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.
Other expenditure	The following are included in other expenditure: <ul style="list-style-type: none">• administration charges/fees;• books and magazines;• consumables;• legal fees;• licences and trade licences;• professional fees;• refreshments; and• sundries.
Property, plant and equipment	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 period.

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 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>
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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