

Statistical release

P9110

Quarterly financial statistics of municipalities

September 2011

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Enquiries:

Jacob Shai
+27(12) 310 8306

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Key findings

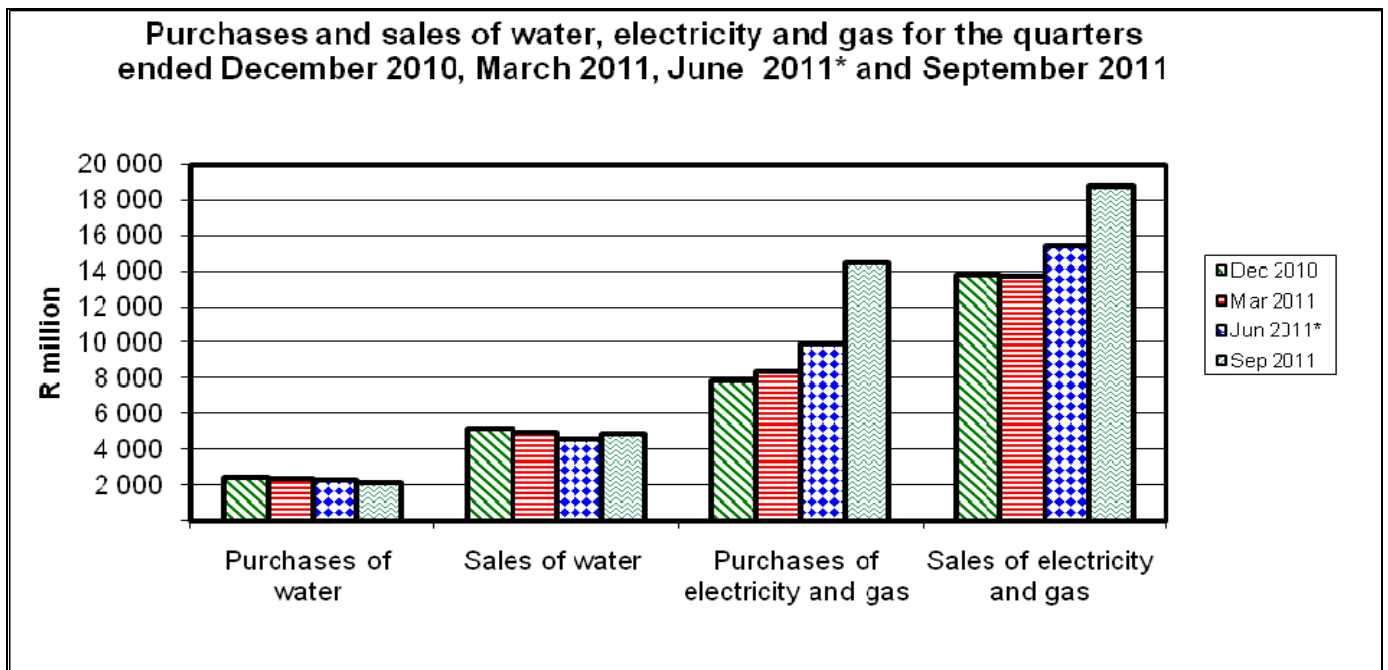
Item	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011	% change between quarters ended Jun. 2011 and Sep. 2011
	R million					
Purchases of water	2 474	2 376	2 283	2 185	-98	-4,3
Sales of water	5 178	5 003	4 618	4 895	277	6,0
Purchases of electricity and gas	7 853	8 373	10 000	14 492	4 492	44,9
Sales of electricity and gas	13 844	13 788	15 435	18 784	3 349	21,7
Property, plant and equipment (Net carrying value)	255 061	260 976	320 522	319 751	-771	-0,2

* Revised

Purchases of water decreased by 4,3% between the quarters ended June 2011 and September 2011. Purchases of electricity and gas increased by 44,9% over the same period.

Sales of electricity and gas increased by 21,7% between the quarters ended June 2011 and September 2011. An increase of 6,0% was recorded in the sales of water over the same period.

Property, plant and equipment decreased by 0,2% between the quarters ended June 2011 and September 2011.



*Revised

PJ Lehohla
Statistician-General

Part 1 – Consolidated statement of financial position of municipalities as at the end of December 2010, March 2011, June 2011 and September 2011 quarters

Net assets and liabilities	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Housing development fund	1 780	1 754	1 670	1 640	-30
Capital replacement reserve	17 647	17 526	15 566	16 418	852
Capitalisation reserve	6 445	6 393	9 709	9 525	-184
Government grant reserve	23 835	23 498	18 594	19 054	460
Donations and public contributions reserve	3 319	3 569	3 377	3 271	-106
Self-insurance reserve	1 150	1 152	1 008	1 088	80
Revaluation reserve	10 419	10 468	5 741	5 799	58
COID ¹ reserve	1 500	1 500	1 506	1 510	4
Pre-GAMAP reserves and funds	2 334	2 114	2 902	3 174	272
Retained surplus/Accumulated deficit	162 724	167 527	220 049	219 567	-482
Outside shareholders' interest	0	0	0	0	0
Non-current liabilities					
Marketable loan stock and bonds					
Domestic loan stock held by:					
Other local government institutions	30	30	0	0	0
Public financial corporations	0	0	0	0	0
Public non-financial corporations	0	0	0	0	0
Private companies	0	1	1	1	0
Other	5 749	5 761	5 649	5 621	-28
Bonds held by:					
Other local government institutions	0	0	0	0	0
Public financial corporations	0	0	7 451	7 451	0
Public non-financial corporations	0	0	0	0	0
Private companies	0	0	0	0	0
Other	7 493	8 292	1 659	1 672	13
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	0	0	0	0	0
Local government institutions	28	28	25	25	0
Development Bank of Southern Africa (DBSA)	9 045	9 400	9 532	9 584	52
Local authorities loans fund	1	1	1	1	0
Public financial corporations	187	187	725	724	-1
Public non-financial corporations	1	1	0	0	0
Banks	18 392	17 863	17 489	16 973	-516

* Revised

Part 1 – Consolidated statement of financial position of municipalities as at the end of December 2010, March 2011, June 2011 and September 2011 quarters (continued)

Net assets and liabilities	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Insurers	2	2	2	2	0
Pension funds	106	106	454	463	9
Public Investment Corporation (PIC)	338	338	330	340	10
Private companies	9	9	0	0	0
Other domestic sources (including INCA ²)	5 444	5 393	6 536	6 598	62
Long-term leases	389	387	456	528	72
Non-current provisions	10 089	10 403	13 586	13 996	410
Current liabilities					
External short-term loans and deposits from:					
Local government institutions	1	1	1	1	0
Development Bank of Southern Africa (DBSA)	263	260	460	449	-11
Local authorities loans fund	3	2	2	2	0
Public financial corporations	0	0	81	76	-5
Public non-financial corporations	0	0	0	0	0
Banks	861	1 012	983	1 026	43
Insurers	0	0	1	1	0
Pension funds	2	2	6	6	0
Public Investment Corporation (PIC)	21	21	20	20	0
Private companies	1	1	0	0	0
Other domestic sources (including INCA ²)	187	189	330	333	3
Unspent conditional grants	8 770	9 599	8 268	8 645	377
Current provisions	6 405	6 481	7 172	7 135	-37
Short-term leases	205	202	323	354	31
VAT ³ payable	1 948	2 269	2 470	2 812	342
Bank overdraft	2 119	2 241	4 033	6 813	2 780
Creditors:					
Trade creditors	17 836	16 577	24 982	22 489	-2 493
Consumer deposits	3 177	3 225	3 383	3 431	48
Income received in advance	447	482	467	494	27
Other creditors	10 002	9 472	6 937	6 730	-207
Liabilities not reflected elsewhere ⁴	4 531	4 623	6 648	8 244	1 595
Total net assets and liabilities	345 235	350 362	410 585	414 086	3 500

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 December 2010, March 2011, June 2011 and September 2011 quarters (continued)

Assets	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Property, plant and equipment (net carrying value)	255 061	260 976	320 522	319 751	-771
Investment property	5 353	5 510	7 801	8 179	378
Intangible assets	1 848	1 878	1 913	1 931	18
Biological (cultivated) assets	48	48	82	84	2
Investments in marketable securities:					
Municipal stock/shares	2 418	2 293	1 176	1 174	-2
Other marketable stock/shares:					
Government stock	1	1	0	0	0
Treasury bills	0	0	0	0	0
Other local government institutions	39	39	39	39	0
Public financial corporations stock	2	2	0	0	0
Public non-financial corporations stock	0	0	0	0	0
Other companies	1 118	953	226	219	-7
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	740	740	737	754	17
Car loans	5	5	2	1	-1
Housing selling scheme loans	328	322	229	226	-3
Sewerage connection loans	6	6	6	6	0
Electricity appliance purchase scheme	4	4	6	6	0
Other	2 442	2 450	709	653	-56
Sponsored government housing loans to public welfare, organisations and individuals	0	0	0	0	0
External long-term loans, deposits and investments					
Long-term loans to:					
Other local government institutions	1	1	1	0	-1
Public financial corporations	28	28	28	28	0
Public non-financial corporations	0	0	0	0	0
Other companies	0	0	0	0	0
Individuals	36	36	6	6	0
Other	35	12	16	16	0
Long-term deposits and other investments with:					
Public Investment Corporation (PIC)	32	32	13	13	0
Banks	2 491	2 922	1 577	1 575	-2
Public financial corporations	1	1	49	49	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 December 2010, March 2011, June 2011 and September 2011 quarters (concluded)

Assets	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Other	450	1 350	4 366	4 365	-1
Current assets:					
Inventory	3 026	3 023	3 918	4 003	85
External short-term loans, deposits and investments					
Short-term loans to:					
Other local government institutions	1	1	2	2	0
Public financial corporations	264	264	113	113	0
Public non-financial corporations	0	0	0	0	0
Other companies	0	0	0	0	0
Individuals	1	1	0	0	0
Other	4 178	1 528	754	502	-252
Short-term deposits and other investments with:					
Public Investment Corporation (PIC)	215	215	118	118	0
Banks	18 579	20 399	14 265	14 104	-161
Public financial corporations	8	8	1	1	0
Public non-financial corporations	0	0	0	0	0
Other	1 466	1 214	1 487	1 482	-5
Debtors:					
Consumer debtors	26 135	24 318	27 770	29 322	1 552
Other debtors	7 718	6 595	8 444	8 939	495
VAT ¹ receivable	1 537	1 560	1 292	1 325	33
Prepaid expenses	29	29	59	68	9
Petty cash and bank	8 119	10 057	11 842	13 954	2 112
Assets not reflected elsewhere ²	1 472	1 541	1 016	1 078	61
Total assets	345 235	350 362	410 585	414 086	3 500

¹ Valued Added Tax

² Includes suspense accounts and assets not shown separately.

* Revised

Part 2 – Consolidated statement of financial performance of municipalities for rates and general services for the quarters ended December 2010, March 2011, June 2011 and September 2011: Expenditure

Expenditure	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Employee related costs	8 311	7 620	8 005	7 924	-81
Remuneration of board of directors/councillors	527	566	547	556	9
Property rates paid	113	124	213	256	43
Interest paid	960	699	870	839	-31
Loss on the disposal of property, plant and equipment	3	2	15	9	-6
Bad debts	476	699	1 237	501	-736
Contracted services	617	678	942	564	-378
Collection costs	96	95	103	80	-23
Depreciation and amortisation	1 124	906	1 211	1 127	-84
Impairment loss	0	0	4	3	-1
Repairs and maintenance	392	437	544	333	-211
Grants and subsidies paid to:					
Other local government institutions	124	138	282	103	-179
Tertiary institutions of higher learning	0	0	0	0	0
Other	1 498	1 063	1 276	895	-381
General expenditure:					
Accommodation, travelling and subsistence	100	82	94	108	14
Advertising	30	33	52	37	-15
Audit Fees	170	128	114	74	-40
Bank charges	43	57	46	51	5
Cleaning services	19	17	26	18	-8
Consultancy fees	167	149	236	153	-83
Entertainment costs	17	14	22	20	-2
Fuel and oil	97	110	151	139	-12
Hiring of plant and equipment	40	39	76	39	-37
Insurance costs	116	71	77	193	116
Membership fees	34	24	23	89	66
Pharmaceutical	26	21	18	14	-4
Postage and stamps	49	53	50	39	-11
Printing and stationery	83	84	90	77	-13
Rental of land, buildings and other structures	108	82	115	96	-19
Rental of office equipment	49	47	63	53	-10
Security fees	225	264	313	244	-69
Telecommunication services	160	180	197	141	-56
Training and education	79	83	115	63	-52
Transport costs	29	32	44	34	-10
Other expenditure	2 531	2 873	4 991	3 383	-1 608
Surplus	9 414	10 837	1 663	14 291	12 628
Total expenditure	27 827	28 307	23 825	32 546	8 721

* Revised

Part 2 – Consolidated statement of financial performance of municipalities for rates and general services for the quarters ended December 2010, March 2011, June 2011 and September 2011: Income

Income	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Taxes on property					
Property rates from:					
National government	13	15	13	14	1
Provincial government	18	26	19	24	5
Local government institutions	1	1	1	1	0
Public corporations	5	10	7	5	-2
Property rates and other:					
Rates from individuals and private companies	7 090	7 231	6 886	8 978	2 092
Property rates – penalties imposed and collection charges	449	682	339	86	-253
Interest earned from:					
External investments	319	412	680	335	-345
Outstanding debtors	354	363	350	332	-18
Dividends received	0	0	0	0	0
Fines	286	295	290	274	-16
Licences and permits	117	128	117	123	6
Income for agency services	226	227	273	222	-51
Rental of facilities and equipment	123	146	157	174	17
Bad debts recovered	0	0	0	0	0
Public contributions and donations (including property, plant and equipment)	9	11	43	6	-37
Gains on the disposal of property, plant and equipment	22	51	23	40	17
Subsidies from:					
National government	44	29	32	37	5
Provincial government	50	39	41	19	-22
Local government	0	0	0	0	0
Other	95	25	89	11	-78
Grants (including equitable share) from:					
National government	10 220	8 738	5 665	13 208	7 543
Provincial government	242	172	99	104	5
Local government	18	13	7	7	0
Other	134	74	51	65	14
Spent conditional grants	119	102	205	25	-180
Other income	2 006	3 004	2 554	2 469	-85
Deficit	5 867	6 513	5 884	5 987	103
Total income	27 827	28 307	23 825	32 546	8 721

* Revised

Part 3 – Consolidated statement of financial performance of municipalities for housing and trading services for the quarters ended December 2010, March 2011, June 2011 and September 2011: Expenditure

Expenditure	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Employee related costs	4 948	4 524	4 542	4 522	-20
Property rates paid	3	3	3	1	-2
Interest paid	679	407	578	293	-285
Loss on disposal of property, plant and equipment	0	2	3	0	-3
Bad debts	894	1 063	984	925	-59
Contracted services	1 168	1 081	1 312	1 004	-308
Collection costs	25	25	31	18	-13
Depreciation and amortisation	1 619	1 698	2 154	1 708	-446
Impairment loss	0	0	0	0	0
Repairs and maintenance	1 981	1 719	2 192	1 407	-785
Purchases of electricity and gas	7 853	8 373	10 000	14 492	4 492
Purchases of water	2 474	2 376	2 283	2 185	-98
Grants and subsidies paid to:					
Other local government institutions	8	7	0	0	0
Tertiary institutions of higher learning	0	0	0	0	0
Other	235	266	429	266	-163
General expenditure:					
Accommodation, travelling and subsistence	16	11	16	13	-3
Advertising	4	5	6	3	-3
Audit fees	10	5	8	2	-6
Bank charges	1	2	3	2	-1
Cleaning services	11	11	14	9	-5
Consultancy fees	45	53	110	33	-77
Entertainment costs	1	1	1	0	-1
Fuel and oil	128	133	200	131	-69
Hiring of plant and equipment	110	86	134	78	-56
Insurance costs	19	15	20	25	5
Membership fees	0	0	2	1	-1
Pharmaceutical	3	3	3	2	-1
Postage and courier services	3	2	3	2	-1
Printing and stationery	14	15	16	14	-2
Rental of land, buildings and other structures	23	20	32	13	-19
Rental of office equipment	26	30	37	13	-24
Security services	50	76	66	54	-12
Telecommunication services	20	25	29	17	-12
Training and education	12	10	13	7	-6
Transport costs	35	46	62	30	-32
Other expenditure	3 694	3 365	4 148	3 195	-953
Surplus	4 119	6 177	4 091	5 569	1 478
Total expenditure	30 231	31 635	33 525	36 034	2 509

* Revised

Part 3 – Consolidated statement of financial performance of municipalities for housing and trading services for the quarters ended December 2010, March 2011, June 2011 and September 2011: Income

Income	December 2010	March 2011	June 2011*	September 2011	Difference between quarters ended Jun. 2011 and Sep. 2011
	R million				
Interest earned from:					
External investments	26	34	31	24	-7
Outstanding debtors	195	210	199	213	14
Dividends received	0	0	0	0	0
Fines	10	11	9	11	2
Licences and permits	42	76	72	48	-24
Income for agency services	137	112	159	105	-54
Rental of facilities and equipment	199	175	182	169	-13
Bad debts recovered	0	0	0	0	0
Public contributions and donations (including property, plant and equipment)	45	80	65	27	-38
Gains on the disposal of property, plant and equipment	6	5	2	5	3
Sales of electricity and gas	13 844	13 788	15 435	18 784	3 349
Sales of water	5 178	5 003	4 618	4 895	277
Refuse removal charges	1 149	1 242	1 226	1 300	74
Sewerage and sanitation charges	1 185	1 264	1 399	1 325	-74
Subsidies from:					
National government	60	45	32	77	45
Provincial government	20	25	20	25	5
Local government	0	0	0	0	0
Other	0	0	0	0	0
Grants (including equitable share) from:					
National government	2 726	3 112	3 547	3 352	-195
Provincial government	150	185	92	91	-1
Local government	0	0	0	0	0
Other	241	1 547	340	50	-290
Spent conditional grants	65	35	33	32	-1
Other income	1 045	1 378	2 255	1 582	-673
Deficit	3 908	3 308	3 809	3 919	110
Total income	30 231	31 635	33 525	36 034	2 509

* Revised

Notes

Forthcoming issue	Issue	Expected release date
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	December 2011	March 2012
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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

December quarter 2010:	83%
March quarter 2011:	82%
June quarter 2011:	87%
September quarter 2011:	86%

Reasons for fluctuation:

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

Explanatory notes

Introduction	<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 December 2010, March 2011, June 2011 and September 2011. 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 consolidated statement of financial performance of municipalities – rates and general services; and • the consolidated statement of financial performance of municipalities – housing and trading services. 												
Scope of the survey	<p>2 This survey covers quarterly financial information of all 278 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 current quarter are preliminary. Figures will be revised if respondents report revisions or corrections to their figures and also if the data was received late by Stats SA (after cut-off date).</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" style="margin-left: 20px;"> <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
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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 performance	The aggregate or consolidated statement of financial performance reports the institution's financial performance during a specific period in time. This statement covers all the revenue and expenditure of an entity over a specific period in time.
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 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).
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	<p>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.</p> <p>Employee related costs also includes:</p> <ul style="list-style-type: none"> • 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; 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.
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	Housing includes all activities associated with the provision of housing. Trading services are services for which the tariffs are determined in such a way that the provision of the service should yield a trading profit (market-related goods and services). Trading services include waste management (refuse removal, solid waste disposal (landfill sites), street cleaning, recycling etc.), waste water management (sewerage, storm water management and public toilets), road transport (roads, public buses, parking garages, vehicle licensing and testing), water (water distribution, water storage), electricity (electricity distribution, electricity generation, street lighting.) and other trading services which includes environmental protection like pollution control, biodiversity & landscape and other like coastal protection etc., air transport, abattoirs, tourism, forestry, markets and licensing & regulation like licensing of food and liquor sales to the public and licensing of street traders (hawkers control) and business.

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"> • departmental charges/fees; • books and magazines; • consumables; • licences and trade licences; • workshops • 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 executive & council (all costs for mayoral, councilors and committee expenses, municipal manager, town secretary and chief executive) finance & admin (finance, human resources, information technology, property services, other admin like security services, legal services, fleet management, asset management, procurement etc, planning and development(economic planning and development, town planning, corporate wide strategic planning (IDPs LEDs etc), building regulations and enforcement, city engineer) health (clinics, ambulance, other including health inspection) community & social services (libraries and archive, museums & art galleries etc, community halls and facilities, cemeteries & crematoriums, child care, aged care and other community) public safety (police includes police forces and traffic, fire, civil defence, other like disaster management), sport and recreation (includes community parks (including nurseries), sports grounds and stadiums, swimming pools, beaches, lakes, dams and jetties for recreation, camping sites etc.). These services are not economically self-supporting and are financed by imposing property rates, the receipt of grants and 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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E-mail: info@statssa.gov.za (user information services)
distribution@statssa.gov.za (orders)
Postal address: Private Bag X44, Pretoria, 0001

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