

**STATISTICAL RELEASE**  
**P9110**

**Quarterly financial statistics of municipalities**

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## Notes

<b>Forthcoming issue</b>	<b>Issue</b>	<b>Expected release date</b>
	June 2019	September 2019
<b>Purpose of survey</b>	The <i>Quarterly financial statistics of municipalities</i> (QFSM) (Statistical release P9110), is a quarterly survey that covers local, district and metropolitan municipalities in South Africa. The results are used as inputs into the gross domestic product (GDP) calculation as well as to assist the public sector with policy formulation and the financial analysis of municipalities.	
<b>Response rates</b>	September 2018 quarter:	80% (of 257)
	December 2018 quarter:	89% (of 257)
	March 2019 quarter:	84% (of 257)
<b>Rebasing</b>	Data for the QFSM for the year ended 30 June 2018 are aligned to the annual financial census of municipalities for the respective year (which is verified by using the annual financial statements from municipalities). Refer to <i>Financial census of municipalities</i> (P9114).	
<b>Imputation</b>	Imputation was performed for 41 municipalities (16%) that did not respond or whose responses were not usable.	
<b>Cautionary note</b>	The Quarterly financial statistics of municipalities (QFSM) survey provides quarterly updates based on preliminary figures from municipalities. For a more complete report please refer to the annual Financial census of municipalities (Statistical release P9114) which, in most cases, is based on audited figures.	

### Reporting of negative figures by municipalities

Some municipalities pass adjusting journal entries to correct previously recorded figures. In some cases this results in municipalities reporting negative income or expenditure figures.

### Implementation of Municipal Standard Chart of Accounts (MSCOA)

The implementation of MSCOA resulted in some municipalities experiencing difficulties with their newly upgraded or acquired systems. Amongst others, the following are the most common issues across all municipalities:

- i. Municipalities not being able to integrate the old systems (such as a payroll system) into the newly upgraded MSCOA-compliant system; and
- ii. Municipalities struggling and being behind with the capturing of figures into the new system – this is a problem for municipalities which had to move to a new system altogether.

These difficulties have resulted in the following issues for QFSM:

- i. Some municipalities could not provide employee-related figures. This was also seen in the income and expenditure reports generated by the municipalities and sent to Statistics South Africa (Stats SA);
- ii. Some municipalities recorded very low figures as they had not finished capturing all the three months of the quarter;
- iii. The systems of some of the municipalities were generating reports with erroneous figures that could not be used; and
- iv. There were municipalities who could not provide figures at all. Some of them faced challenges with their new system and could not yet generate reports, while others did not yet have figures captured into their new system.

**Stats SA is working with the affected municipalities and other stakeholders to address the issues described above.**

## Explanatory notes

<b>Introduction</b>	<b>1</b>	<p>The purpose of the <i>Quarterly financial statistics of municipalities</i> survey is to provide stakeholders with information for analysis and assessment of the state of local government finances.</p> <p>This publication contains estimates for the quarters ended September 2018, December 2018 and March 2019. The survey is designed to obtain financial information of local government institutions relating to:</p> <ul style="list-style-type: none"> <li>• the consolidated statement of financial performance of municipalities;</li> <li>• the consolidated statement of financial performance of municipalities – rates and general services; and</li> <li>• the consolidated statement of financial performance of municipalities – housing and trading services.</li> </ul>
<b>Scope of the survey</b>	<b>2</b>	<p>This survey covers quarterly financial information of all 257 municipalities. Actual (Unadjusted) data for all municipalities are available with effect from September 2007. Only water (sales and purchases) and electricity (sales and purchases) have seasonally adjusted estimates, and these are available at the national level only (not at provincial or municipal level).</p>
<b>Classification and accounting standards</b>	<b>3</b>	<p>For the purposes of classification of local government institutions according to activities, Stats SA used the <i>Standard Industrial Classification of All Economic Activities (SIC)</i>, Fifth Edition, Report No.09-90-02 of January 1993. Activities of local government institutions also adhere to the accounting standards and requirements in terms of the Generally Recognised Accounting Practice (GRAP).</p> <p>The Municipal Standard Chart of Accounts (MSCOA) was initially rolled out (piloted–tested) in 2016 in some municipalities. MSCOA was implemented in all municipalities from the beginning of the 2017 municipal financial year. This is a multi-dimensional classification framework providing the method and format for recording and classifying financial transaction information in the general ledger forming part of the books of account containing a standard list of all available accounts.</p>
<b>Survey methodology and design</b>	<b>4</b>	<p>The statistical unit for the collection of information is the municipality.</p>
<b>Imputation</b>	<b>5</b>	<p>The historical method is used to impute for non-response. According to this method previous information is used to arrive at current figures, after being appraised for its suitability.</p>
<b>Revised figures</b>	<b>6</b>	<p>Estimates for the current quarter are preliminary. Figures will be revised if respondents report revisions or corrections to their figures and also if the data were received late by Stats SA (after the cut-off date for submitting their questionnaires).</p>
<b>Rounding off figures</b>	<b>7</b>	<p>The figures in the tables have been rounded off to the nearest digit shown, and as a result there may be slight discrepancies between the sums of the constituent items and the totals shown.</p>
<b>Related publications</b>	<b>8</b>	<p>Users may wish to refer to the following Stats SA publications:</p> <ul style="list-style-type: none"> <li>• P9101            <i>Capital expenditure of the public sector;</i></li> <li>• P9114            <i>Financial census of municipalities;</i></li> <li>• P9119.4        <i>Financial statistics of consolidated general government;</i></li> <li>• P0441            <i>Gross domestic product; and</i></li> <li>• P0277            <i>Quarterly employment statistics.</i></li> </ul>

<b>Symbols and abbreviations used</b>	<b>9</b>	GRAP Generally Recognised Accounting Practice MSCOA Municipal Standard Chart of Accounts QES Quarterly Employment Statistics SIC Standard Industrial Classification of All Economic Activities Stats SA Statistics South Africa 0 Nil or not applicable
<b>Seasonal adjustment</b>	<b>10</b>	Seasonally adjusted estimates are generated each quarter using the X-12 Seasonal Adjustment Program developed by the US Bureau of the Census. Seasonal adjustment is a means of removing the estimated effects of normal seasonal variation from the series so that the effects of other influences on the series can be recognised more clearly. Seasonal adjustment does not aim to remove irregular or non-seasonal influences which may be present in any particular quarter. Influences that are volatile or unsystematic can still make it difficult to interpret the movement of the series, even after adjustment for seasonal variations. Therefore, the quarter-to-quarter movements of seasonally adjusted estimates may not be reliable indicators of trend behaviour. The X-12-ARIMA procedure for purchases and sales of water and electricity is described in more detail on the Stats SA website.

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

<b>Consolidated statement of financial performance</b>	The aggregate or consolidated statement of financial performance (previously referred to as income statement) reports the institution's financial performance during a specific period in time. This statement covers all the revenue and expenditure of an entity over a specific period in time.
<b>District municipality</b>	District municipality refers to a municipality that has a municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality. Refer to the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998).
<b>Employee-related costs</b>	<p>Employee-related costs include payment to full-time and part-time employees irrespective of whether the remuneration is paid out of revenue, capital or any other account.</p> <p>Employee-related costs also include:</p> <ul style="list-style-type: none"><li>• basic compensation;</li><li>• allowances;</li><li>• contribution to other benefit funds of employees such as medical aid, pension fund contributions, group life, etc. (excluding unemployment insurance and workmen's compensation, etc., which may be looked upon as a form of insurance and would appear under general expenditure) and other benefits such as housing subsidy, etc.; and</li><li>• uniform and clothing allowances (clothing, boots, overalls, etc. supplied to uniformed employees).</li><li>• also refer to the Quarterly employment statistics (QES) (Statistical release P0277) which measure employment and gross earnings of all employees on a given municipal payroll.</li></ul>
<b>General expenditure</b>	The following are included in general expenditure: accommodation, travelling and subsistence; advertising; audit fees; bank charges; cleaning services; consultancy fees; fuel and oil; hiring of plant and equipment; insurance costs; membership fees; pharmaceutical expenses; postage and stamps; printing and stationery; security fees; rental of land, buildings and other structures; rental of office equipment; telecommunication services; training and education; and transport costs.
<b>Housing</b>	Housing includes all activities associated with the municipal provision of housing.
<b>Local municipality</b>	Local municipality refers to municipalities that share municipal executive and legislative authority in its area with a district municipality within whose area it falls, that is described in section 155(1) of the Constitution as a category B municipality. Refer to the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998).
<b>Metropolitan municipality</b>	Metropolitan municipality refers to an institution that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category A municipality. Refer to the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998).
<b>Municipality</b>	Municipality is a generic term describing the 'unit' of government in the local spheres responsible for local government in a geographically demarcated area and includes district, local and metropolitan municipalities. A municipality is an institution consisting of a municipal council (elected political representatives) and the municipal administration (appointed officials). Refer to the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998).

**Other expenditure**

The following are included in other expenditure:

- departmental charges/fees;
- books and magazines;
- consumables;
- licences and trade licences;
- workshops;
- refreshments; and
- sundries.

**Rates and general services**

Rates and general services refer to municipal services that are not economically self-supporting and are financed by imposing assessment and other rates, the receipt of subsidies and other contributions. These includes ambulance services, fire control (or fire-fighting), health services (clinics, old-age homes), roads and storm water drainage, parks and recreation (libraries, cultural activities, museums, sport administration, community halls, swimming pools, sports grounds, nature reserves, etc.), sewerage and cleansing, traffic (licensing offices) and other services (city engineers, administration, personnel, legal services, city treasurer, etc.).

**Repairs and maintenance**

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 and 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.

**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). These include waste management (refuse removal, solid waste disposal (landfill sites), street cleaning, recycling etc.), waste water management (sewerage, storm water management and public toilets), water (water distribution, water storage), electricity (electricity distribution, electricity generation, street lighting) etc.

## General information

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