MEDIA RELEASE

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SALGA welcomes Financial Census of Municipalities for the ended June 2016

On Wednesday, Statistics of South Africa released the Financial Census of Municipalities for the ended June 2016. The report stated that municipalities across the country had received an income of R333 billion from all sources of income. While this represent an increase of R27 billion rand compared with the R306 billion in 2015, it also represents a growing and a local government sector into a transformative path towards a capable developmental state machinery.

In terms of the country's plan, the National Developmental Plan vision in 2030, the state will play a developmental and transformative role in South Africa. It will act to support and guide development to the benefit of all society – particularly the poor. Local government in South Africa has the trust of the people, being committed to working with communities to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.

Municipal revenue stream

For the year to 30 June 2016, the largest contributor to municipal revenue was "grants and subsidies received" (30,9%), followed by "electricity sales" (28,3%), "property rates received" (14,7%), "other revenue" (11,0%) (which consists of fines, licences and permits, public contributions and donations, etc.), "water sales" (8,9%), "sewerage and sanitation charges" (3,5%), and "refuse removal charges" (2,7%). Municipal expenditure patterns

In 2016, the largest contributor to municipal total operating expenditure was "employee-related costs" (26,3%), followed by "electricity purchases" (22,6%), "depreciation and amortisation" (8,9%), "other expenditure" (8,2%) (which consists of collection costs, loss on disposal of property, plant and equipment, impairment loss, etc.), 'bad debts' (6,7%), "contracted services" (5,9%), "water purchases' (5,6%), "general expenditure" (5,5%) (which consists of accommodation, travel and subsistence costs, audit fees, bank charges, consultancy and professional fees, fuel and oil, hiring of equipment, insurance costs, subscriptions and membership fees, telecommunication costs, etc.), "repairs and maintenance" (4,4%), "interest paid" (2,8%), "grants and subsidies paid" (2,0%), and "remuneration of councillors" (1,1%).

There is nothing out of the norm with the biggest slice of municipal revenue going to employee related costs. Local government is labour intensive, it needs warm bodies to fulfil its duties.

The 26% is within the norms and standards as stipulated by the National Treasury in terms of what percentage of the revenue should be spent on employee related costs.

The repairs and maintenance is currently at (4,4%), while the recommended norm should be 8%, the sector needs to improve its financial planning and procurement system to accommodate the pace required, particular that there is a problem of aging infrastructure.

Municipalities throughout the country recorded the acid test ratio of 1,1:1 during the two financial years ended 30 June 2015 and 30 June 2016.

Current ratio

In 2015, municipalities throughout the country recorded the current ratio of 1,2:1 and 1,1:1 in 2016.

END

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