

DISCUSSIONS REGARDING JOHANNESBURG'S ACCOUNTS  
FOR THE YEAR ENDED 30th JUNE, 1970

PAGES 1 & 2

PROPERTY AND PERMANENT WORKS : R472 MILLION

(1) How is this expenditure made up ?

A broad subdivision of this expenditure under Rate Fund and other departments will be found in the Classified Aggregate Balance Sheet (Page 3). Under the heading "Capital Assets" see Column 2. A summary of these Assets is as follows :-

<u>RATE FUND</u>		Page	
	193,097,883	9	
European Housing	11,289,324	60	
Coloured and Asiatic Housing	9,325,969	64	
Bantu Revenue Account	66,121,989	68	
Abattoir and Livestock Market	3,132,119	78	
Electricity	166,035,319	82	
Gas	7,640,136	88	
Produce Market	3,778,368	92	
Transport	2,524,288	96	
Water	9,897,969	100	
	<u>472,843,364</u>		

(2) On what basis are the assets valued ?

In municipal accounting, assets are shown at their original cost until such time as they are written off or disposed of.

(3) When are assets written off ?

(4) What is the total valuation of land ?

VALUE OF MUNICIPAL LAND AS PER ABSTRACT OF ACCOUNTS

	<u>R'000's</u>
Rate Fund	18 660
European Housing	955
Coloured and Asiatic	593
Bantu	2 679
Abattoir	112
Electricity	2 164
Gas	21
Produce Market	363
Transport	229
Water	204
	<hr/>
	R25 980

OTHER CAPITAL OUTLAY : R30 MILLION

(6) What is the nature of this expenditure, and are any of the questions raised above relevant to these assets ?

OTHER CAPITAL OUTLAY : R30 MILLION

	R
Rate Fund (pages 1 and 2, Addendum)	14 755 598
European Housing (pages 60, Abstract)	26 646
Coloured & Asiatic (page 64, " )	87 688
Bantu Rev. Account (page 68, " )	1 851 294
Abattoir (page 78, " )	46 506
Electricity (page 82, " )	2 686 141
Gas (page 88, " )	949 500
Produce Market (page 92, " )	87 176
Transport (page 96, " )	8 090 380
Water (page 100, " )	1 426 174
	<hr/>
	R30 007 103

(5) How does this compare with the Municipal valuation of Land ?

VALUE OF MUNICIPAL LAND AS PER THE VALUATION ROLL

Rateable land	69 993
Non-rateable land	14 622
Municipal farms	11 798
	<hr/>
	R96 413
	<hr/>

For example, the book value of the land on which the City Hall and municipal offices are built, is shown as R85,602, but the latest municipal valuation is R9-million.

SUNDRY DEBTORS : R4.7-MILLION

(7) What is the nature of these debtors ?

The first broad sub-division of sundry debtors (which in this case are capital debtors) will be found in the Classified Aggregate Balance Sheet on Page 3, where they have been included along with investments and deferred charges. The debtors refer for the most part to the housing accounts and represent amounts outstanding for houses sold or advances for the improvement of properties. The deferred charges on capital account (R2 264 512) represent the cost of raising loans (refer to Page 107). These charges are written off over the life of each loan. The Rate Fund capital debtor (Page 9) of R109 642 represents the amount outstanding on the planetarium.

INVESTMENTS : R29-MILLION

(8) Where can one see details of this figure ?

Investments are referred to on Page XI of the Auditors' Report. From the total of R31 598 781 shown there, should be deducted those items which do not represent investments or have a direct bearing on the Consolidated Loans Fund, namely :-

Building Society Indefinite Paid-up Shares	R1 000
Loan to Randjeslaagte (Jhb) Jubilee Memorial	11 629
Loans to employees for purchase of motor cars	239 641
Cash at Bank	517 112
Cash on Hand	931 936
	<hr/>
	R1 701 318
	<hr/>

Further reference will be found at Page 103 where the Audit Report on the Consolidated Loans Fund appears. Refer also to the Consolidated Loans Fund Balance Sheet on page 106.

LIABILITIES : LOANS FROM EXTERNAL SOURCES : R195-MILLION

- (9) Why does the Council have investments when it needs money for its own purpose ?

CAPITAL LIABILITIES

- (10) What are the details of these loans, how are they repayable and at what interest rate has this money been borrowed ?

A broad breakdown of loans outstanding is shown on the income side of the Aggregate Capital Account on Page 4. Details of stock issues amounting to R144 464 222 and the outstanding annuity loans of the incorporated area of R3 596 044 (total R148 060 266) are shown on Page 108.

LOANS FROM COUNCIL'S FUNDS : R105-MILLION

- (11) What funds are these ?

These funds are made up as follows :-

Capital Development Fund:

Loans to Consolidated Loans Fund	R10 087 813	
Loans to Departments	47 675 466	57 763 279
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Fixed Property Sales Fund:

Loans to Consolidated Loans Fund		3 875 803
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Reserve and Trust Funds:

Loans to Consolidated Loans Fund	24 902 571	
Loans to Departments	1 601 619	
Loans for European Housing	353 643	
Loans for Bantu Housing	7 871	26 865 704
	<hr/>	5. .../

Redemption Fund : Mining House Loan No. 33:

Loans to Consolidated Loans Fund 1 675 599

Redemption Fund Mining House Loan No. 49:

Loan to Consolidated Loans Fund 53 759

Spacial Capital Fund:

Loan to Consolidated Loans Fund 15 078 334

R105 312 478

(See Page 10)

(12) How have they been created ?

(i) The Capital Development Fund was established in terms of by-laws promulgated under Administrator's Notice number 332 of 25th April, 1956. Instead of financing capital expenditure direct from the revenues of the Council, contributions are made to the fund each year and the fund makes advances to departments on a repayable basis. In this way the fund will be conserved for all time. Interest is charged on advances used for remunerative projects. If all advances were interest bearing the Rate Fund, which is responsible for making the annual contribution to the fund, would in the end result bear the charge for interest on unremunerative projects.

(ii) The Fixed Property Sales Fund is a requirement of Section 79(18) of the Local Government Ordinance. The proceeds of the sale of fixed property are credited to the account and may only be withdrawn with the approval of the Administrator.

(iii) The Reserve and Trust Funds include the tariff stabilisation funds, maintenance reserves, the insurance fund and the Bantu Services Levy Fund. Details are given on page 112 of the abstract. It is of interest to note that although many of the individual funds were established in terms of Council resolutions over the years, the Local Government Ordinance did not provide for reserve funds and the funds were held to be illegal by the Provincial Law Advisers. Our own law advisers did not agree with this view. A recent amendment to the ordinance

DISCUSSIONS REGARDING JOHANNESBURG'S ACCOUNTS  
FOR THE YEAR ENDED 30TH JUNE 1970.

Before turning to a detailed discussion of the accounts it may be advisable briefly to examine the form of municipal accounts.

The form of published accounts of local authorities differs greatly from those of private concerns. The private concern publishes a trading account, profit and loss account and balance sheet. At first glance this is not a great departure from the accounts of local authorities, which also comprise an income and expenditure account and balance sheet, as well as statutory accounts. The main difference lies in the procedure whereby capital and revenue accounts are strictly separated in local government accounts, and this is reflected not only in the balance sheet but in all stages of accounting, and is known as the double accounts system. The object is to show revenue and capital assets separately, and how they were financed, whether from loans raised, revenue contributions, grants etc.

On pages 9 and 10 of the Abstract of Accounts there appears the Summarized Rate Fund Capital Account. A capital account reduced to its simplest form is nothing more than a cash account. All moneys received from stockholders, the Government (by way of housing loans), the Council's own internal funds and temporary advances are entered on the income side of the capital account and the assets purchased, acquired or constructed with this money are shown on the expenditure side of the account. The capital account forms the basis of the capital balance sheet as shown on the top half of pages 7 and 8.

The Revenue Account, as with commercial undertakings, shows on the one side the current year's income and on the other side the current year's expenses in earning it; the surplus of such income over the expenses is transferred to the Appropriation Account and after certain amounts have been appropriated the remainder is carried forward into the new financial year. The Councils' Aggregate Revenue Account appears on pages 5 and 6 of the Abstract.

An interesting feature about municipal accounts is that depreciation in the commercial sense does not appear in the Revenue Accounts. Some assets are acquired from current revenue, in which case the full amount is charged to revenue account in the year of acquisition and the need for a depreciation charge falls away. Most assets, however, are acquired from loan funds, repayable over the life of the asset. The annual repayments appearing in the accounts as "redemption" represent a true straight-line method of depreciation.



DISCUSSIONS REGARDING JOHANNESBURG'S ACCOUNTS  
FOR THE YEAR ENDED 30th JUNE, 1970

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PAGES 1 & 2

PROPERTY AND PERMANENT WORKS : R472-MILLION

(1) How is this expenditure made up?

A broad sub-division of this expenditure under Rate Fund and other departments will be found in the Classified Aggregate Balance Sheet (page 3) under the main heading of Capital Assets, and the sub-heading "Property and Permanent Works" (column 2). A summary of these assets is as follows:-

Rate Fund	(Page 9)	R 193 097 883
European Housing	( " 60)	11 289 324
Coloured and Asiatic Division	( " 64)	9 325 969
Bantu Revenue Account	( " 68)	66 121 989
Abattoir and Livestock Market	( " 73)	3 132 119
Electricity	( " 62)	166 035 319
Gas	( " 88)	7 640 136
Produce Market	( " 92)	3 770 368
Transport	( " 96)	2 524 288
Water	( " 100)	9 897 969
		R 472 843 364
		R 472 843 364

Page 9 of the Abstract referred to above shows a break-down of the various types of assets vested in the Rate Fund. To find a division of assets amongst Rate Fund departments, one should turn to pages 1 and 2 of the Addendum to the Abstract where the amount of R193 097 883 is shown to be divided as follows:-

Art Gallery	R 191 033
City Hall	1 658 088
<u>City Engineer's Department:</u>	
Bridges, Subways and Culverts	298 742
Cleansing Branch	2 279 633
General	1 802 151
Industrial Sites	146 086
Road Construction	93 940 784
Sewerage	40 857 028

City Engineer's Dept: (cont'd)

Stormwater Drainage	R 7 005 407
City Health Department	1 581 901
<u>City Treasurer's Department:</u>	
Estates Branch	11 073 351
General	149 642
Clerk of the Council's Dept.	6 332 318
Fire Department	1 541 192
Licensing Department	471 270
<u>Parks and Recreation Dept:</u>	
Cemeteries	762 922
Community Services	1 107 218
General	9 127 157
Golf Courses	293 476
Swimming Pools	1 219 001
Zoological Gardens	1 390 372
Public Library	1 269 207
Rand Airport	949 037
Traffic Department	7 650 867
	<hr/>
	R 193 097 883
	<hr/> <hr/>

(2) On what basis are the assets valued?

In municipal accounting the broad principle which is followed is that assets are retained in the Capital Account at cost while they continue to be used and are written out of the Capital Account only when they are scrapped or disposed of.

(2)(a) Other Capital Outlay : R30-million (See page 2(a) ).

(3) When are assets written off? What is the meaning of the headings on the third column on pages 9 and 10 viz. "Written off or disposed of during year" and "Redeemed or written off during year".

The accounting transactions affecting the two columns can arise in any one of the following ways:-

- (i) An asset on which a loan is outstanding is transferred from one department to another:  
Debit Loans Outstanding Account  
Credit Asset Account
- (ii) An asset which is debt-free is transferred from one department to another:  
Debit Surplus Account  
Credit Asset Account
- (iii) A loan is wholly or partially redeemed:

Other Capital Outlay : R30 - million.

What is the nature of this expenditure, and are any of the questions relevant to these assets?

These are for the most part moveable assets. As with "property and permanent works", the assets remain in the capital accounts until they are written off or disposed of.

The sum of R30 007 103 is made up as follows:-

	R
Rate Fund (pages 1 and 2, addendum)	14 755 598
European Housing (Pages 60, Abstract)	26 646
Coloured & Asiatic (page 64, " )	87 688
Bantu Rev. Account (page 68, " )	1 851 294
Abattoir (page 78, " )	46 506
Electricity (page 82 " )	2 686 141
Gas (page 88, " )	949 500
Produce Market (page 92, " )	87 176
Transport (page 96, " )	8 090 380
Water (page 100, " )	1 426 174
	<hr/>
	R30 007 103
	<hr/>

Before leaving the question of assets, it is interesting to note the growth of the asset values over the years:-

	R
1944 - 45	76 645 381
1949 - 50	112 471 443
1954 - 55	163 685 861
1959 - 60	251 407 344
1964 - 65	333 785 541
1969 - 70	502 850 467

Debit Loans Outstanding Account  
Credit Surplus Account

- (iv) An asset is written off or disposed of:  
Debit Depreciation Account  
Credit Asset Account

"Written off or disposed of" therefore can mean the physical writing off of an asset or its transfer to another department.

"Redeemed or written off" can involve the actual redemption of a loan or the transfer of an asset and its loan source of finance to another department.

It should be noted that the "Surplus Account" is shown at its historic cumulative total, and that assets (physically disposed of) are written off the "Depreciation Account", which appears in the Capital Account as "less assets written off".

The amount of R264 448 which appears in the third column on page 10 arises from the transfer of debt-free assets from one department to another.

- (4) What is the total valuation of land?

The value of municipal land as per the Abstract of Accounts is as follows:-

Rate Fund	R 18 660 000
European Housing	955 000
Coloured and Asiatic	593 000
Bantu	2 679 000
Abattoir	112 000
Electricity	2 164 000
Gas	21 000
Produce Market	363 000
Transport	229 000
Water	204 000
	<hr/>
	R 25 980 000
	<hr/> <hr/>

- (5) How does this valuation compare with the municipal valuation of land?

According to the latest valuation roll, the value of municipal land was as follows:-

Rateable land	R 69 993 000
Non-rateable land	14 622 000
Municipal farms	11 798 000
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	R 96 413 000
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As has been stated before municipal assets, and this includes land, are shown at their original cost. The relationship between purchase price and municipal valuation will depend, of course, on the time that has elapsed since the land was purchased. For example, the book value of the land on which the City Hall and municipal offices are built is shown as R85 602, but the latest municipal valuation is R9 000 000.

The value of all the land vested in the Bantu Revenue Account, and this includes Soweto, is shown as R2 679 000.

SUNDRY DEBTORS : R4.7-MILLION

(6) What is the nature of these debtors?

The first broad sub-division of sundry debtors (which in this case are capital debtors) will be found in the Classified Aggregate Balance Sheet on Page 3, where they have been included along with investments and deferred charges. The debtors refer for the most part to the housing accounts and represent amounts outstanding for houses sold or advances for the improvement of properties. The deferred charges on capital account (R2 264 512) represent the cost of raising loans (refer to Page 107). These charges are written off over the life of each loan. The Rate Fund capital debtor (Page 9) of R109 642 represents the amount outstanding on the planetarium.

INVESTMENTS : R29-MILLION

(7) Where can one see details of this figure?

Investments are referred to on Page XI of the Auditors' Report. From the total of R31 592 781 shown there, should be deducted those items which do not represent investments or have a direct bearing on the Consolidated Loans Fund, namely:-

Building Society Indefinite Paid-up Shares	R 1 000
Loan to Randjeslaagte (Jhb) Jubilee Memorial	11 629

Loans to employees for purchase of motor cars	R 239 641
Cash at bank	517 112
Cash on hand	931 936
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	R 1 701 318
	<hr/> <hr/>

Further reference will be found at Page 103 where the Audit Report on the Consolidated Loans Fund appears. Refer also to the Consolidated Loans Fund Balance Sheet on page 106.

(8) Why does the Council have investments on such a large scale when it needs money for its own purposes?

The long term investments are for the most part the remainder of the redemption funds which had been established before the creation of the Consolidated Loans Fund. They can be expected to diminish as time goes by. The fixed and short-term deposits represent cash not immediately required for either capital or revenue purposes.

LIABILITIES : LOANS FROM EXTERNAL SOURCES : R195-MILLION

(9) What are the details of these loans, how are they repayable and at what interest has this money been borrowed?

A broad breakdown of loans outstanding is shown on the income side of the Aggregate Capital Account on Page 4. Details of stock issues amounting to R144 464 222 and the outstanding annuity loans of the incorporated area of R3 596 044 (total R148 060 266) are shown on page 108.

LOANS FROM COUNCIL'S FUNDS : R105 MILLION

(10) What funds are these?

These funds are made up as follows:-

Capital Development Fund:

Loans to Consolidated Loans Fund	R10 087 813	
Loans to Departments	47 675 466	57 763 279
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Fixed Property Sales Fund:

Loans to Consolidated Loans Fund		3 875 803
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Reserve and Trust Funds: (For constituents of fund see paragraph 11 (iii) below)

Loans to Consolidated Loans Fund	24 902 571	
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Reserve and Trust Funds: (cont'd)

Loans to Departments	R 1 601 619	
Loans for European Housing	353 643	
Loans for Bantu Housing	7 871	26 865 704
	<hr/>	
<u>Redemption Fund : Mining House Loan No. 33:</u>		
Loans to Consolidated Loans Fund		1 675 599
<u>Redemption Fund Mining House Loan No. 49:</u>		
Loan to Consolidated Loans Fund		53 759
<u>Special Capital Fund:</u>		
Loan to Consolidated Loans Fund		15 078 334
		<hr/>
		R 105 312 478
		<hr/> <hr/>

(See Page 110)

(11) How have they been created?

(i) The Capital Development Fund was established in terms of by-laws promulgated under Administrator's Notice number 332 of 25th April, 1956. Instead of financing capital expenditure direct from the revenues of the Council, contributions are made to the fund each year and the fund makes advances to departments on a repayable basis. In this way the fund will be conserved for all time. Interest is charged on advances used for remunerative projects. If all advances were interest bearing the Rate Fund, which is responsible for making the annual contribution to the fund, would in the end result bear the charge for interest on unremunerative projects.

(ii) The Fixed Property Sales Fund is a requirement of Section 79(18) of the Local Government Ordinance. The net proceeds of the sale of fixed property are credited to the account and may only be withdrawn with the approval of the Administrator.

(iii) The Reserve and Trust Funds comprise the following funds:-

Tariff Stabilization Funds:

Sewerage	R 2 616 702	
Electricity	4 045 122	R 6 661 824
	<hr/>	
Maintenance of Buildings		
<u>Reserve Funds:</u>		
Rate Fund	542 470	
Miscellaneous Funds	2 409 559	2 952 029
<u>Reserve Funds for Bad and Doubtful Debts:</u>		
Rate Fund	103 193	
Miscellaneous Funds	664 316	
Trading Departments	32 400	799 909
	<hr/>	

General Reserve Funds:

General Insurance Fund	R 5 988 404	
Abattoir Indemnity Fund	54 361	
Electricity Usage Fund	219 510	6 262 275
	<hr/>	
Town Planning Fund		504 027
Endowment Trust Funds		1 982 369
<u>Deposit Trust Funds:</u>		
Rate Fund	4 618 243	
Miscellaneous Funds	125 405	
Trading Departments	31 934	4 775 637
	<hr/>	
Bantu Services Levy Trust Fund		11 082 380
<u>General Trust Funds:</u>		
Rate Fund	970 614	
Miscellaneous Funds	682 671	1 653 285
	<hr/>	<hr/>
		R 36 673 735
		<hr/> <hr/>

Of this total R 26 865 704 had been temporarily advanced to Capital Account as set out in paragraph 10, and the balance of R9 808 031 to revenue account. It is of interest to note that although many of the individual funds were established in terms of Council resolutions over the years, the Local Government Ordinance did not provide for reserve funds and the funds were held to be illegal by the Provincial Law Advisers. Our own law advisers did not agree with this view. A recent amendment to the ordinance made the necessary provision and thereafter the Council formally established the reserve funds.

(iv) The redemption funds have been established by the Non-European Affairs Department to provide for the repayment of the loans from the mining houses. The proceeds of these loans were used for the construction of houses in Soweto.

(v) The Special Capital Fund was established in terms of the Municipal Consolidated Loans Fund Ordinance. The initial contribution to the fund came from the surplus which was available when the Consolidated Loans Fund was established. Further contributions, also in terms of the ordinance, have been made when assets have been sold.

(12) What are the funds used for?

As set out in (10) and (11) above.

(13) Do these funds earn interest?

Interest is credited to the funds at the undermentioned rates:



- (i) Capital Development Fund loan to Consolidated Loans Fund and
- (ii) Reserve and Trust Funds receive interest at the call rates ruling at 30th June and 31st December.
- (iii) The Fixed Property Sales Fund, the Redemption Funds and the Special Capital Fund are paid interest at the same rate the Consolidated Loans Fund charges departments on advances. This rate also applies to the advances made by the Capital Development Fund.

TEMPORARY ADVANCE FROM REVENUE ACCOUNT : R18-MILLION

- (14) Is interest paid on this loan?

Interest is not charged on the temporary advance from the revenue account for the reason that any interest charged would find its way back to the revenue account in the increased deficits or reduced surpluses transferred to it by the departments. In effect the same account would be debited and credited with the interest charged.

- (15) Is the amount of cash on hand of R931 936 not unduly high?

The Council maintains its own central banking system. Substantial sums are brought in from the various collection points and cash payments are made mostly in respect of European and Bantu wages.

- (16) Stores and Materials and Livestock : R5 838 879 (Page 2).  
Where is the livestock to be found? Does it include the Zoo animals?

The livestock comprises the cattle to be found on the sewerage farms and at 30th June, 1970, was valued at R235 388. Because they are purchased for breeding, fattening and re-sale, they are classed as revenue assets. Net proceeds from the sale of livestock amounted to R199 634 in 1969/70 (page 30). The value of Zoo animals is not shown in the books of account. This arises from the fact that the animals cannot be regarded as "stock-in-trade". Furthermore, difficulty would be experienced in the valuation of animals obtained through breeding.

SURPLUS : R220-MILLION

- (17) How does this surplus arise?

As was mentioned earlier, municipal fixed assets remain in the books of account at original cost until written off or disposed of. If in the meantime the loans from which they were acquired have been redeemed, a capital surplus is created. Assets which have been purchased from revenue or acquired by public donation are similarly classed as "surplus" assets. The amount of R220-million is therefore a measure of the debt-free assets vested in the Council.

The following table shows the growth of the surplus over the years:-

1944 - 45	R 23 871 000
1949 - 50	29 361 000
1954 - 55	77 499 000
1959 - 60	107 336 000
1964 - 65	146 345 000
1969 - 70	220 529 000

REVENUE ASSETS : INVESTMENT OF SPECIAL FUNDS AND ADVANCES : R9.8-MILLION

(18) Can some further information be given regarding this item?

The capital investments of the Council's Special Funds were dealt with in a previous paragraph. The revenue investments of the Funds are the remaining items of the classified schedule on page 110. These are as follows:-

Reserve and Trust Funds:

Loan to Randjeslaagte (Jhb.) Jubilee Memorial	R 11 629
Building Society Paid-up Shares	1 000*
Motor Car Loan Debtors	239 641

Advances to the Rate Fund:

Ex Bantu Services Levy Fund	9 480 761	
Ex Re-Development Fund : Brft. West	75 000	9 555 761

*A Mr. Winter donated this amount to the Library Department in memory of his late parents.		R 9 808 031
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REVENUE LIABILITIES : SUNDRY CREDITORS - DEFERRED ACCOUNTS : R12-MILLION

(19) What is this?

Differentiation is made between ordinary creditors in the commercial sense, and credit balances arising from the creation of reserves to meet future liabilities, for example, leave wages reserves

for Europeans and Bantu, proceeds from the sale of fixed property and of scrap which are still to be credited to their respective statutory accounts, and interest accrued on municipal public loans.

SPECIAL FUNDS : R115-MILLION

(20) How is this made up?

It is made up of loans to capital account (R105 312 476) and other loans and advances (R9 808 033). The detailed breakdown of these amounts was dealt with under questions (10) and (16).

SURPLUS ON REVENUE ACCOUNT : R3.9-MILLION

This figure represents the accumulated surplus on revenue account and is made up as follows:-

Rate Fund Surplus	R 2 390 535
Bantu Revenue Account (Unallocated Bantu Beer and Liquor Profits)	268 423
Produce Market (Accumulated Profits)	1 319 877
	<u>R 3 978 835</u>

Refer to the Classified Aggregate Balance Sheet (page 3), the Aggregate Revenue Account (pages 5 and 6), the Bantu Beer and Liquor Distribution Two-thirds Profit Appropriation Account (Pages 71 and 72), and the Produce Market Appropriation Account (pages 93 and 94).

PAGE 5 : AGGREGATE REVENUE ACCOUNT AND APPROPRIATION ACCOUNT

(21) An amount of R2 252 000 is shown as a contribution to the Capital Development Fund, on page 5. Who determines the amount and how is it made up?

The Council by resolution or in its approval of the Estimates and Abstract of Accounts determines the amounts to be appropriated to the Capital Development Fund. The appropriations are for specific purposes and for 1969/70 were made up as follows:-

Major Roads	R 1 781 424
Net proceeds : Parking meters	409 379
Art Gallery : Works of Art	30 000

Net proceeds : Zoo parking and admission	R 30 197
South African Paintings	1 000
	<hr/>
	R 2 252 000
	<hr/> <hr/>

PAGE 7 : RATE FUND BALANCE SHEET

(22) How is the temporary advance from revenue account of R21 153 881 to capital account made up?

Capital expenditure is financed initially from revenue account, and twice-yearly, that is in May and November, the temporary advances are converted to their permanent loan sources. The R21-million represents for the most part capital expenditure of Rate Fund Departments incurred during the months of May and June (for 1969/70) and which was funded in the November following.

(23) There are temporary loans on revenue account amounting to R16 746 923. These are made up of loans from Special Funds (R9 555 761), temporary advance from Consolidated Loans Fund (R1 856 232) and temporary advances from Miscellaneous Funds and Trading Departments (R5 336 930). How do these loans arise?

Turning first to the last item, the amount of R5 336 930 represents the net cash balances and bank overdrafts (if separate bank accounts had been maintained) of the miscellaneous funds and trading undertakings. Similarly, the amount of R1 856 232 represents a temporary advance to the Rate Fund of the (cash) balance of the Consolidated Loans Fund Revenue Account (Refer to page 106).

The temporary loan from Special Funds of R9 555 760 is made up of the following advances to the Rate Fund:-

Ex Bantu Services Levy Fund	R9 480 761	
Ex Re-Development Fund : Braamfontein West	75 000	
	<hr/>	
	R 9 555 761	(See Page 109)
	<hr/> <hr/>	

PAGE 9 : CAPITAL ASSETS : PROPERTY AND PERMANENT WORKS, RATE FUND : R193-MILLION

(24) Where can one find details?

Details are to be found on pages 1 and 2 of the Addendum to the Abstract of Accounts.

CONSOLIDATED LOANS FUND

The fund was created in terms of the Municipal Consolidated Loans Fund Ordinance No. 9 of 1952. It is a capital pool into which moneys raised by public loan issues are paid and from which advances are made to departments for capital purposes. The difference between the expenses of the fund and the interest earned is charged to departments on a proportionate basis according to the advances outstanding. The amount paid by a department if expressed as a percentage of the amount outstanding is well below the current interest rate on long-term loans. Interest on advances to departments is calculated at the average borrowing rate of the Fund (refer to the Revenue Account of the fund on Page 108).

Advances to departments are repayable to the fund over the estimated life of the asset. The need to establish redemption and renewals funds is done away with.

The money borrowed by the fund is repayable on the dates fixed in the prospectus of each loan (refer to the Capital Account of the fund on page 108).

The average rate of interest charged by the fund on advances to departments during 1969/70 was 5.551%

BORROWING POWERS:

(25) What are borrowing powers? By whom are they granted?

Section 52(1)(a) of the Local Government Ordinance No. 17 of 1939 provides as follows:-

"A Council may by a majority of the councillors present at a meeting specially convened for the purpose (provided the number of members voting in the majority is equal to a majority of the full council) from time to time apply to the Administrator for authority for borrowing powers and the Administrator may, subject to the provisions of this Ordinance, grant such authority in such amounts and subject to such conditions as he may approve ....."

This section of the Ordinance is amplified by Sections 12(1) and 13 of the Council's Financial Regulations which provide that:-

"Expenditure which is to be met from the Consolidated Loans Fund shall not be incurred until borrowing powers sufficient to cover the full estimated cost of the relevant project have been sanctioned by the Administrator."

AND

"Application for borrowing powers shall be considered by the Council only in the month of July each year, and only in respect of projects or capital works included in the estimates for the ensuing financial year, except in cases of emergency or in special cases of necessity, the existence of which shall be determined as a fact by the Council on a report from the Management Committee."

(26) Are borrowing powers refused, if so, on what occasions?

Borrowing powers are not refused in the normal course of events. The last occasion was in 1966, when the Council's application for borrowing powers of R39 479 000 for a new power station at Liefde and Vrede, was turned down.

(27) At what stage does one apply for borrowing powers? At the commencement of the project?

Yes, except when the original cost is exceeded and further borrowing powers are required.

(28) What is the effect of cancelling of borrowing powers?

When a capital project has been completed and the final cost is known, or where it is not intended to proceed with the project, any balance of the borrowing power remaining is reported to Council for cancellation, thus bringing the transaction to finality. The effect of cancellation is simply to cancel the authority for the project. The Council's finances are not affected in any way.

(29) Does one need to apply for borrowing powers for expenditure from the Capital Development Fund?

The Capital Development Fund was built up from the Council's own internal resources and borrowing powers need not be applied for. The only constraint on the use of the funds, is the ceiling placed on capital spending by the State Treasury, when it is generally prescribed that expenditure from the two sources taken together, namely the Con-

solidated Loans Fund and the Capital Development, shall not exceed a certain level.

It is interesting at this stage to note the growth of the fund as shown below, since its inception in 1956.

1956 - 57	R 11 266 000
1961 - 62	25 080 000
1966 - 67	44 502 000
1967 - 68	48 583 000
1968 - 69	52 810 000
1969 - 70	57 763 000

Expenditure

Written off or Disposed of during year

Land: R988 702

A) Transfers between Estates Branch and the undermentioned departments:

	R
Parks	105 698
Fire	33 524
Traffic	210 550
Electricity	393 057
Sewerage	451
Roads	5 867
C.E.D. General	35 705
	<u>R 784 852</u>

B) Transfers between Cleansing and European Housing:

R20 900

C) Transfers between Parks Department and undermentioned departments:

Roads	2 469
Estates	1 679
	<u>R 4 148</u>

D) Transfers between Traffic Department and Roads Branch:

R143 428

E) Written off:

Conversion Price of Stands Newtown written off:

R12 040

F) Written off:

Write off 100 Stands in Westdene sold to National Housing Commission:

R22 982

Sale of Stand 719 Westdene:

R352

Grand Total

	R
	784 852
	20 900
	4 148
	143 428
	12 040
	22 982
	352
	<u>R 988 702</u>



Redeemed or Written-off during year

1) Amounts repaid by Rate Fund Departments on their loans:

	R
Consolidated Loans Fund	2 692 118
Capital Development Fund	2 018 002
Govt. Housing Loans	8 217
	<u>          </u>
	R 4 718 337
	<u>          </u>

2) Transfers of assets (Land) between  
Estates Branch and other  
departments and other adjustments R 902 887

Total R 5 621 224

(1) What does closing a vote mean?

Section 16 of the Financial Regulations provides as follows:-

"When work under a capital vote has been completed the Committee concerned shall report forthwith to the Management Committee, recommending that the vote be reduced by the amount of the saving or that funds be voted to meet any excess on the vote and that the vote be closed; and the Management Committee shall make a report thereon to the Council in such terms as it sees fit."

Councillors and others are thus kept informed of the final costs of capital projects for which moneys have been voted.

(2) What is the procedure before capital moneys can actually be spent?

The steps to be followed are:-

- (i) Provision must exist in the current capital estimates or Council must have approved an excess vote.
- (ii) If the expenditure is to be met from the Consolidated Loans Fund, borrowing powers must first be obtained.
- (iii) The proposed expenditure must be voted by Council.
- (iv) If the work is to be undertaken by an outside firm, and the cost is in excess of R500, tenders will have to be called for and accepted by the Management Committee.

(3) Earlier mention was made of the valuation of municipal properties. Is Soweto included in the total?

The value of the land on which Soweto has been established, is not included in the municipal valuation roll.

DISCUSSIONS REGARDING JOHANNESBURG'S ACCOUNTS  
FOR THE YEAR ENDED 30th JUNE 1970

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INTRODUCTION

Before turning to a detailed discussion of the accounts it may be advisable briefly to examine the form of municipal accounts.

The form of published accounts of local authorities differs greatly from those of private concerns. The private concern publishes a trading account, profit and loss account and balance sheet. At first glance this is not a great departure from the accounts of local authorities, which also comprise an income and expenditure account and balance sheet, as well as statutory accounts. The main difference lies in the procedure whereby capital and revenue accounts are strictly separated in local government accounts, and this is reflected not only in the balance sheet but in all stages of accounting, and is known as the double accounts system. The object is to show revenue and capital assets separately, and how they were financed, whether from loans raised, revenue contributions, grants etc.

On pages 9 and 10 of the Abstract of Accounts there appears the Summarized Rate Fund Capital Account. A capital account reduced to its simplest form is nothing more than a cash account. All moneys received from stockholders, the Government (by way of housing loans), the Council's own internal funds and temporary advances are entered on the income side of the capital account and the assets purchased, acquired or constructed with this money are shown on the expenditure side of the account. The capital account forms the basis of the capital balance sheet as shown on the top half of pages 7 and 8.

The Revenue Account, as with commercial undertakings, shows on the one side the current year's income and on the other side the current year's expenses in earning it; the surplus of such income over the expenses is transferred to the Appropriation Account and after certain amounts have been appropriated the remainder is carried forward into the new financial year. The Council's Aggregate Revenue Account appears on pages 5 and 6 of the Abstract.

An interesting feature about municipal accounts is that depreciation in the commercial sense does not appear in the Revenue Accounts. Some assets are acquired from current revenue, in which case the full amount is charged to revenue account in the year of acquisition and the need for a depreciation charge falls away. Most assets, however, are acquired from loan funds, repayable over the life of the asset. The annual repayments appearing in the accounts as "redemption", represent a true straight-line method of depreciation.

SUMMARISED AGGREGATE BALANCE  
DIE SAAMGEVATTE GESAMENTLIKE

SHEET AT 30th JUNE, 1970.  
BALANSSTAAT OP 30 JUNIE 1970.

CAPITAL LIABILITIES—KAPITAALLASTE	R	R
<b>Loans Outstanding—Uitstaande Lenings:</b>		
From External Sources—Uit eksterne bronne .. .. .	R195 517 305	
From Council's Funds—Uit Raadsfondse .. .. .	105 312 476	
	<u>300 829 781</u>	
Temporary Advance from Revenue Account—Tydelike voorskot uit die Inkomsterekening .. .. .		18 355 875
Surplus—Oorskot .. .. .		<u>319 185 656</u>
		<u>220 528 632</u>
		<u>539 714 288</u>
 <b>REVENUE LIABILITIES—INKOMSTELASTE</b>		
<b>Temporary Loans—Tydelike Lenings:</b>		
Temporary Advance from Special Funds—Tydelike voorskot uit Spesiale Fondse .. .. .		9 555 761
<b>Sundry Creditors—Diverse Skuldeisers:</b>		
Current Accounts—Lopende rekeninge .. .. .	10 540 053	
Deferred Accounts—Uitgestelde rekeninge .. .. .	12 056 402	
	<u>22 596 455</u>	
Special Funds—Spesiale Fondse .. .. .		115 120 509
Surplus—Oorskot:		
Balance as per Aggregate Revenue Account—Saldo op die Gesamentlike Inkomsterekening .. .. .		3 978 835
Less—Temporary Advance to Capital Account—Min tydelike voorskot aan die Kapitaalrekening .. .. .		<u>151 251 560</u>
		18 355 875
		<u>132 895 685</u>
		<u>R672 609 973</u>

CAPITAL ASSETS—KAPITAALBATE	R	R
<b>Capital Outlay—Kapitaalbesteding:</b>		
Property and Permanent Works—Eiendom en permanente werke .. .. .	472 843 364	
Other Capital Outlay—Ander kapitaalbesteding .. .. .	30 007 103	
	<u>502 850 467</u>	
Sundry Debtors—Diverse Skuldenaars .. .. .		4 701 846
Investments—Beleggings .. .. .		29 897 463
Deferred Charges—Uitgestelde Koste .. .. .		<u>2 264 512</u>
		<u>539 714 288</u>
 <b>REVENUE ASSETS—INKOMSTEBATE</b>		
Stores and Materials on Hand and Livestock—Voorraad en materiaal voorhande en vee .. .. .		5 838 879
Sundry Debtors—Diverse Skuldenaars .. .. .		10 395 430
Suspense Accounts and Works in Progress—Afwagrekeninge en werk wat aan die gang is .. .. .		91 819
Investments of Special Funds—Belegging van geld uit Spesiale Fondse:		
Loans to Capital Account—Lenings aan die Kapitaalrekening .. .. .	105 312 476	
Other Loans and Advances—Ander lenings en voorskotte .. .. .	9 808 033	
	<u>115 120 509</u>	
Cash—Kontant:		
At Bank—In Bank .. .. .	517 112	
On Hand—In besit .. .. .	931 936	
	<u>1 449 048</u>	
		<u>132 895 685</u>
		<u>R672 609 973</u>

Johannesburg,  
27th November, 1970.  
27 November 1970.

E. M. PENROSE,  
City Treasurer.  
Stadstesourier.

Referred to in our report of 27th November, 1970, to the Local Government Auditor,  
STEWART, STEYN & CO.  
Auditors,  
Appointed by the Administrator.  
Gemeld in ons verslag van 27 November 1970 aan die Ouditeur van Plaaslike Bestuur,  
STEWART, STEYN EN KIE.  
Ouditeure,  
Aangestel deur die Administrateur

THE CAPITAL BALANCE SHEET

(Pages 1 and 2)

PROPERTY AND PERMANENT WORKS : R472-MILLION

(1) How is this expenditure made up?

A broad sub-division of this expenditure under Rate Fund and other departments will be found in the Classified Aggregate Balance Sheet (page 3) under the main heading of Capital Assets, and the sub-heading "Property and Permanent Works" (column 2). A summary of these assets is as follows:-

Rate Fund	(Page 9)	R 193 097 883
European Housing	( " 60)	11 289 324
Coloured and Asiatic Division	( " 64)	9 325 969
Bantu Revenue Account	( " 68)	66 121 989
Abattoir and Livestock Market	( " 78)	3 132 119
Electricity	( " 82)	166 035 319
Gas	( " 88)	7 640 136
Produce Market	( " 92)	3 778 368
Transport	( " 96)	2 524 288
Water	( " 100)	9 897 969
		<hr/>
		R 472 843 364
		<hr/> <hr/>

Page 9 of the Abstract referred to above shows a break-down of the various types of assets vested in the Rate Fund. To find a division of assets amongst Rate Fund departments, one should turn to pages 1 and 2 of the Addendum to the Abstract where the amount of R193 097 883 is shown to be divided as follows:-

Art Gallery	R 191 033
City Hall	1 658 088
<u>City Engineer's Department:</u>	<hr/>
Bridges, Subways and Culverts	298 742
Cleansing Branch	2 279 633
General	1 802 151
Industrial Sites	146 086
Road Construction	93 940 784
Sewerage	40 857 028

139,324,428  
4/ ...

City Engineer's Dept: (cont'd)

Stormwater Drainage

139324328  
 R 7 005 407 746,329935  
 1 581 901

City Health Department

City Treasurer's Department:

Estates' Branch

11 073 351

General

149 642

Clerk of the Council's Dept.

6 332 318

Fire Department

1 541 192

Licensing Department

471 270

Parks and Recreation Dept:

Cemeteries

762 922

Community Services

1 107 218

General

9 127 157

Golf Courses

293 476

Swimming Pools

1 219 001

Zoological Gardens

1 390 372 13900.146

Public Library

1 269 207

Rand Airport

949 037

Traffic Department

7 650 867

R 193 097 883

On pages 1 and 2 of the addendum to the accounts there is a further analysis of capital expenditure on property and permanent works under each of the headings shown above, for example:-

Art Gallery

R 191 033

(This was the cost of the buildings which are on land (Joubert Park) vested in the Parks Department)

City Hall

1 658 088

Buildings 1 511 361

Land 85 602

Organ and organ case 26 290

Paving 3 562

Plant and Machinery 31 273

Golf Courses

293 476

Buildings 153 153

Land 55 765

Layout 55 901

Water Supply 28 657

Zoological Gardens

Buildings	R 468 671	R 1 390 372
Bronze statuary	1 700	
Land	62 106	
Layout,	796 618	
Plant and machinery	2 959	
Stormwater drainage	22 000	
Water supply	36 318	

It will thus be seen that this figure of R193 097 883 is analyzed twice : first on page 9 of the abstract where a breakdown into classes of assets is shown, and again on pages 9 and 10 of the addendum where these assets have been allocated to various departments or sub-divisions of those departments.

(2) On what basis are the assets valued?

In municipal accounting the broad principle which is followed is that assets are retained in the Capital Account at cost while they continue to be used and are written out of the Capital Account only when they are scrapped or disposed of.

Other Capital Outlay : R30-million

(3) What is the nature of this expenditure, and are any of the questions relevant to these assets?

These are for the most part moveable assets. As with "property and permanent works", the assets remain in the capital accounts until they are written off or disposed of.

The sum of R30 007 103 is made up as follows:-

Rate Fund (pages 1 and 2, addendum)		R 14 755 598
European Housing (pages 60, Abstract)		26 646
Coloured and Asiatic (page 64, Abstract)		87 688
Bantu Rev. Account (page 68, " )		1 851 294
Abattoir (page 78, " )		46 506
Electricity (page 82, " )		2 686 141
Gas (page 88, " )		949 500
Produce Market (page 92, " )		87 176
Transport (page 96, " )		8 090 380
Water (page 100, " )		1 426 174
		<u>R 30 007 103</u>

The total for the Rate Fund of R14 755 598 is detailed on pages 1 and 2 of the addendum as follows:-

Art Gallery		R 643 829
City Hall		100 492
<u>City Engineer's Department</u>		6 836 442
Cleansing Branch	R 772 042	
Construction	74 344	
General	5 656 515	
Sewerage	333 541	
City Health Department		745 795
<u>City Treasurer's Department</u>		544 188
Estates	68 124	
General	421 973	
Stores and Buying	54 091	
Clerk of the Council's Department		384 455
Fire Department		937 568
Licensing Department		153 236
Organization and Methods		13 069
<u>Parks and Recreation Department</u>		1 725 015
Cemeteries	54 175	
Community Services	145 043	
General	1 306 861	
Golf Courses	43 032	
Swimming Pools	87 134	
Zoological Gardens	88 770	
Public Library		893 724
Rand Airport		137 741
Staff Board		62 899
Traffic Department		1 577 145
		<u>R 14 755 598</u>

Again, as in the case of expenditure on property and permanent works, there is a further analysis under each sectional heading, for example:-

<u>Art Gallery</u>		R 643 829
Exhibits	R 628 430	
Furniture	10 653	
Office Machines	845	
Tools and Loose gear	3 901	



<u>The Public Library</u>		R 893 724
Africana Collection	R 258 206	
Furniture	555 357	
Motor Vehicles	45 173	
Office Machines	13 740	
Theatre Equipment	3 023	
Tools and loose gear	18 225	
	<hr/>	
<u>Traffic Department</u>		1 577 145
Fencing	4 435	
Furniture	30 540	
Motor Vehicles	297 474	
Office Machines	55 415	
Parking meters	288 903	
Traffic signals	825 890	
Tools and loose gear	74 488	
	<hr/>	

What then are the Rate Fund departments in which capital is invested to the extent of R207 963 123, consisting of property and permanent works - R193 097 883, other capital outlay - R14 755 598 and capital debtors of R109 642.

They are as follows:-

Art Gallery		R 834 862
City Hall		1 758 580
<u>City Engineer's Department</u>		153 166 273
Bridges, subways and culverts	R 298 742	
Cleansing Branch	3 051 675	
Construction	74 344	
General	7 458 666	
Industrial Sites	146 086	
Road Construction	93 940 784	
Sewerage	41 190 569	
Stormwater	7 005 407	
	<hr/>	
City Health		2 327 696
<u>City Treasurer's Department</u>		11 876 823
Estates	11 251 117	
General	571 615	
Stores and Buying Branch	54 091	
	<hr/>	
Clerk of the Council's Department		6 716 773
Fire Department		2 478 760
Licencing Department		624 506
Organization and Methods		13 069

<u>Parks and Estates</u>		R 15 625 161
Cemeteries	R 817 097	
Community Services	1 252 261	
General	10 434 018	
Golf Courses	336 508	
Swimming Pools	1 306 135	
Zoological Gardens	1 479 142	
	<hr/>	
Public Library		2 162 931
Rand Airport		1 086 778
Staff Board		62 899
Traffic Department		9 228 012
		<hr/>
		R 207 963 123
		<hr/>

(4) When are assets written off? What is the meaning of the headings on the third column on pages 9 and 10 viz. "Written off or disposed of during year" and "Redeemed or written off during year"?

The accounting transactions affecting the two columns can arise in any one of the following ways:-

- (i) An asset on which a loan is outstanding is transferred from one department to another:  
Debit Loans Outstanding Account  
Credit Asset Account
  
- (ii) An asset which is debt-free is transferred from one department to another:  
Debit Surplus Account  
Credit Asset Account
  
- (iii) A loan is wholly or partially redeemed:  
Debit Loans Outstanding Account  
Credit Surplus Account
  
- (iv) An asset is written off or disposed of:  
Debit Depreciation Account  
Credit Asset Account

"Written off or disposed of" therefore can mean the physical writing off of an asset or its transfer to another department.

"Redeemed or written off" can involve the actual redemption of a loan or the transfer of an asset and its loan source of finance to another department.

It should be noted that the "Surplus Account" is shown at its historic cumulative total, and that assets (physically disposed of) are written off the "Depreciation Account", which appears in the Capital Account as "less assets written off".

The amount of R264 448 which appears in the third column on page 10 arises from the transfer of debt-free assets from one department to another.

(5) What is the total valuation of land?

The value of municipal land as per the Abstract of Accounts is as follows:-

Rate Fund	R 18 660 000
European Housing	955 000
Coloured and Asiatic	593 000
Bantu	2 679 000
Abattoir	112 000
Electricity	2 164 000
Gas	21 000
Produce Market	363 000
Transport	229 000
Water	204 000
	<u>R 25 980 000</u>

(6) How does this valuation compare with the municipal valuation of land?

According to the latest valuation roll, the value of municipal land was as follows:-

Rateable land	R 69 993 000
Non-rateable land	14 622 000
Municipal farms	11 798 000
	<u>R 96 413 000</u>

As has been stated before municipal assets, and this includes land, are shown at their original cost. The relationship between purchase price and municipal valuation will depend, of course, on the time that has elapsed since the land was purchased. For example, the book value of the land on which the City Hall and municipal offices are built is shown as R85 602, but the latest municipal valuation is R9 000 000.

The value of all the land vested in the Bantu Revenue Account, and this includes Soweto, is shown as R2 679 000.

SUNDRY DEBTORS : R4.7-MILLION

(7) What is the nature of these debtors?

The first broad sub-division of sundry debtors (which in this case are capital debtors) will be found in the Classified Aggregate Balance Sheet on Page 3, where they have been included along with investments and deferred charges. The debtors refer for the most part to the housing accounts and represent amounts outstanding for houses sold or advances for the improvement of properties. The deferred charges on capital account (R2 264 512) represent the cost of raising loans (refer to Page 107). These charges are written off over the life of each loan. The Rate Fund capital debtor (Page 9) of R109 642 represents the amount outstanding on the planetarium.

INVESTMENTS : R29-MILLION

(8) Where can one see details of this figure?

Investments are referred to on Page XI of the Auditors' Report. From the total of R31 598 781 shown there, should be deducted those items which do not represent investments or have a direct bearing on the Consolidated Loans Fund, namely:-

Building Society Indefinite Paid-up Shares	R 1 000
Loan to Randjeslaagte (Jhb) Jubilee Memorial	11 629
Loans to employees for purchase of motor cars	239 641
Cash at bank	517 112
Cash on hand	931 936
	<hr/>
	R 1 701 318
	<hr/> <hr/>

Further reference will be found at page 103 where the Audit Report on the Consolidated Loans Fund appears. Refer also to the Consolidated Loans Fund Balance Sheet on page 106.

(9) Why does the Council have investments on such a large scale when it needs money for its own purposes?

The long term investments are for the most part the remainder of the redemption funds which had been established before the creation of

the Consolidated Loans Fund. They can be expected to diminish as time goes by. The fixed and short-term deposits represent cash not immediately required for either capital or revenue purposes.

Before leaving the question of assets, it is interesting to note the growth of the asset values over the years:-

1944 - 45	R 76 645 381
1949 - 50	112 471 443
1954 - 55	163 685 861
1959 - 60	251 407 344
1964 - 65	333 785 541
1969 - 70	502 850 467

LIABILITIES : LOANS FROM EXTERNAL SOURCES : R195-MILLION

(10) What are the details of these loans, how are they repayable and at what interest has this money been borrowed?

Consolidated Loans Fund:

Stock Issues	R 144 464 222
Annuity Issues	3 596 044
Government Housing Loans	40 631 846
Loans outside bodies (B.E.S.L.)	75 193
Stock Issues (Mining Houses)	6 750 000
	<u>R 195 517 305</u>

CONSOLIDATED LOANS FUND

The fund was created in terms of the Municipal Consolidated Loans Fund Ordinance No. 9 of 1952. It is a capital pool into which moneys raised by public loan issues are paid and from which advances are made to departments for capital purposes. The difference between the expenses of the fund and the interest earned is charged to departments on a proportionate basis according to the advances outstanding. The amount paid by a department if expressed as a percentage of the amount outstanding is well below the current interest rate on long-term loans. Interest on advances to departments is calculated at the average borrowing rate of the Fund (refer to the Revenue Account of the fund on page 108).

Advances to departments are repayable to the fund over the estimated life of the asset. The need to establish redemption and renewals funds is done away with.

The money borrowed by the fund is repayable on the dates fixed in the prospectus of each loan (refer to the Capital Account of the fund on page 108).

The average rate of interest charged by the fund on advances to departments during 1969/70 was 5.551%.

The loans outstanding at the end of the year were (refer to page 108):-	R 144 464 222
The annuity loans taken over from the northern areas were:-	1 787 334
The annuity loans taken over from the southern areas were:-	1 808 710
SUB-TOTAL	R 148 060 266

Additional funds from the Council's own funds were lent to the Consolidated Loans Fund as follows (see page 110, and Auditors' Report page 103):-	55 673 879
Capital Development Fund	R 10 087 813
Fixed Property Sales Fund	3 875 803
Reserve and Trust Funds	24 902 571
Redemption Funds Mining House Loan No. 33	1 675 599
Redemption Funds Mining House Loan No. 49	53 759
Special Capital Fund	15 078 334
TOTAL	R 203 734 145

On page 107 it is shown how this sum was allocated:-

Investments	R 29 897 463
Deferred Charges (cost of raising loans)	2 264 512
*Loans to departments of the Council	161 300 594
Temporary advance to Rate Fund	10 271 576
	R 203 734 145

\*For details of departmental analysis of these loans, turn to page 56 of the addendum, where the following details are set out:-

RATE FUND

Art Gallery	R 10 735
City Hall and Municipal Offices	61 942
<u>City Engineer's Department:</u>	
Bridges, Subways and Culverts	75 079

City Engineer's Department: (cont'd)

General	R 963 230
Cleansing Branch	796 241
Industrial Sites	6 787
Road Construction	18 368 418
Sewerage Branch	19 526 105
Stormwater Drainage	511 962
City Health Department	378 211

City Treasurer's Department:

Estates Branch	6 023 698
General	
Stores and Buying Branch	
Clerk of the Council's Department	3 796 542
Fire Department	1 000 611
Licensing Department	134 719

Organization and Methods Division

Parks and Recreation Department:

Cemeteries	80 574
Community Services	289 121
General	1 357 462
Golf Courses	7 427
Swimming Pools	135 794
Zoological Gardens	797 699
Public Library	134 479
Rand Airport	80 506
Staff Board	
Traffic Department	532 066

TOTAL RATE FUND

R 55 069 408

MISCELLANEOUS FUNDS

European Housing	R 220 402
Coloured and Asiatic Division	692 475

Non-European Affairs Department:

Bantu Revenue Account	9 394 119
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TOTAL MISCELLANEOUS FUNDS

R 10 306 996

TRADING DEPARTMENTS

Abattoir and Livestock Market	R 416 913
Electricity	85 062 918
Gas	3 021 407
Produce Market	727 211
Transport	2 979 677
Water	3 716 063

TOTAL TRADING DEPARTMENTS

R 95 924 189

TOTAL ALLOCATION

R 161 300 593

LOANS FROM COUNCIL'S FUNDS : R105-MILLION

(11) What funds are these?

These funds are made up as follows:-

Capital Development Fund:

Loans to Consolidated Loans Fund	R 10 087 813	
Loans to Departments	47 675 466	57 763 279

Fixed Property Sales Fund:

Loans to Consolidated Loans Fund		3 875 803
----------------------------------	--	-----------

Reserve and Trust Funds: (For constituents of fund see paragraph 11 (iii) below)

Loans to Consolidated Loans Fund	24 902 571	
Loans to Departments	1 601 619	
Loans for European Housing	353 643	
Loans for Bantu Housing	7 871	26 865 704

Redemption Fund : Mining House Loan No. 33:

Loans to Consolidated Loans Fund		1 675 599
----------------------------------	--	-----------

Redemption Fund Mining House Loan No. 49:

Loan to Consolidated Loans Fund		53 759
---------------------------------	--	--------

Special Capital Fund:

Loan to Consolidated Loans Fund		15 078 334
---------------------------------	--	------------

R 105 312 478

(See Page 110)

(12) How have they been created?

(i) The Capital Development Fund was established in terms of by-laws promulgated under Administrator's Notice number 332 of 25th April, 1956. Instead of financing capital expenditure direct from the revenues of the Council, contributions are made to the fund each year and the fund makes advances to departments on a repayable basis. In this way the fund will be conserved for all time. Interest is charged on advances used for remunerative projects. If all advances were interest bearing the Rate Fund, which is responsible for making the annual contribution to the fund, would in the end result bear the charge for interest on unremunerative projects.

The loans from this fund to departments are reflected on page 56 of the addendum and are as follows:-



RATE FUND

Art Gallery R 143 919  
 City Hall and Municipal Offices 19 108

City Engineer's Department:

Bridges, Subways and Culverts  
 General 1 483 774  
 Cleansing Branch 248 487  
 Industrial Sites 53 402  
 Road Construction 23 087 537  
 Sewerage Branch 2 880 381  
 Stormwater Drainage 3 250 795

City Health Department 190 876

City Treasurer's Department:

Estates Branch 550 383  
 General 143 634  
 Stores and Buying Branch

Clerk of the Council's Department 59 041

Fire Department 128 854

Licensing Department 50 294

Organisation and Methods Division

Parks and Recreation Department:

Cemeteries 40 210  
 Community Services 215 580  
 General 2 469 887  
 Golf Courses 128 752  
 Swimming Pools 443 645  
 Zoological Gardens 124 922

Public Library Department 507 032

Rand Airport 252 453

Staff Board

Traffic Department 5 683 204

TOTAL RATE FUND R 42 156 170

MISCELLANEOUS FUNDS

European Housing R 17 033

Coloured and Asiatic Division 370 197

Non-European Affairs Department:

Bantu Revenue Account 676 892

TOTAL MISCELLANEOUS FUNDS R 1 064 122

TRADING DEPARTMENTS

Abattoir and Livestock Market R 330 003

Electricity 2 404 780

Gas 440 877

TRADING DEPARTMENTS (cont'd)

Produce Market	
Transport	R 156 667
Water	1 122 846
	<hr/>
TOTAL TRADING DEPARTMENTS	R 4 455 173
	<hr/>
TOTAL ALLOCATION	R 47 675 465
	<hr/> <hr/>

It is interesting at this stage to note the growth of the fund as shown below, since its inception in 1956.

1956 - 57	R 11 266 000
1961 - 62	25 080 000
1966 - 67	44 502 000
1967 - 68	48 583 000
1968 - 69	52 810 000
1969 - 70	57 763 000

(ii) The Fixed Property Sales Fund is a requirement of Section 79(18) of the Local Government Ordinance. The net proceeds of the sale of fixed property are credited to the account and may only be withdrawn with the approval of the Administrator.

(iii) The Reserve and Trust Funds comprise the following funds:-

Tariff Stabilization Funds:

Sewerage	R 2 616 702	
Electricity	4 045 122	R 6 661 824
	<hr/>	

Maintenance of Buildings

Reserve Funds:

Rate Fund	542 470	
Miscellaneous Funds	2 409 559	2 952 029
	<hr/>	

Reserve Funds for Bad and Doubtful Debts:

Rate Fund	103 193	
Miscellaneous Funds	664 316	
Trading Departments	32 400	799 909
	<hr/>	

General Reserve Funds:

General Insurance Fund	5 988 404	
Abattoir Indemnity Fund	54 361	
Electricity Usage Fund	219 510	6 262 275
	<hr/>	

Town Planning Fund		504 027
Endowment Trust Funds		1 982 369

Deposit Trust Funds:

Rate Fund	4 618 248	
Miscellaneous Funds	125 405	

Deposit Trust Funds: (cont'd)

Trading Departments	R 31 984	R 4 775 637
Bantu Services Levy Trust Fund		11 082 380
<u>General Trust Funds:</u>		
Rate Fund	970 614	
Miscellaneous Funds	682 671	1 653 285
		<u>R 36 673 735</u>

Of this total R26 865 704 had been temporarily advanced to Capital Account as set out in paragraph 10, and the balance of R9 808 031 to revenue account. It is of interest to note that although many of the individual funds were established in terms of Council resolutions over the years, the Local Government Ordinance did not provide for reserve funds and the funds were held to be illegal by the Provincial Law Advisers. Our own law advisers did not agree with this view. A recent amendment to the ordinance made the necessary provision and thereafter the Council formally established the reserve funds.

(iv) The redemption funds have been established by the Non-European Affairs Department to provide for the repayment of the loans from the mining houses. The proceeds of these loans were used for the construction of houses in Soweto.

(v) The Special Capital Fund was established in terms of the Municipal Consolidated Loans Fund Ordinance. The initial contribution to the fund came from the surplus which was available when the Consolidated Loans Fund was established. Further contributions, also in terms of the ordinance, have been made when assets have been sold.

(13) What are the funds used for?  
As set out in (10) and (11) above.

(14) Do these funds earn interest?

Interest is credited to the funds at the undermentioned rates:-

- (i) Capital Development Fund loan to Consolidated Loans Fund and
- (ii) Reserve and Trust Funds receive interest at the call rates ruling at 30th June and 31st December.

(iii) The Fixed Property Sales Fund, the Redemption Funds and the Special Capital Fund are paid interest at the same rate the Consolidated Loans Fund charges departments on advances. This rate also applies to the advances made by the Capital Development Fund.

TEMPORARY ADVANCE FROM REVENUE ACCOUNT : R18-MILLION

(15) Is interest paid on this loan?

Interest is not charged on the temporary advance from the revenue account for the reason that any interest charged would find its way back to the revenue account in the increased deficits or reduced surpluses transferred to it by the departments. In effect the same account would be debited and credited with the interest charged.

SURPLUS : R220-MILLION

(16) How does this surplus arise?

As was mentioned earlier, municipal fixed assets remain in the books of account at original cost until written off or disposed of. If in the meantime the loans from which they were acquired have been redeemed, a capital surplus is created. Assets which have been purchased from revenue or acquired by public donation are similarly classed as "surplus assets. The amount of R220-million is therefore a measure of the debt-free assets vested in the Council.

(17) How is the "surplus" figure of R220-million made up?

The amount is allocated as follows:-

Rate Fund	R89 260 600	Addendum pages 1 & 2
European Housing	1 451 077	59
Coloured and Asiatic	1 967 180	63
Bantu Revenue Account	28 409 711	67
Abattoir and Livestock	1 758 632	77
Electricity	77 120 504	81
Gas	5 039 001	87
Produce Market	1 988 515	91
Transport	7 401 679	95
Water	6 131 733	99
	<u>R 220 528 632</u>	

A more detailed break-down of this figure and of the net value of capital outlay is shown on pages 19 and 20 which follow.

	1	2	3	4	5
	ACCUMULATED TOTAL	LESS ASSETS WRITTEN OFF	NET SURPLUS	TOTAL CAPITAL OUTLAY EXCLUD- ING CAPITAL DEBTORS	NET VALUE OF CAPITAL OUTLAY (EXCLUDING CAPITAL DEBTORS) i.e. ORIGINAL COS LESS NET SURPLUS (COLUMN 4 MINUS COLUMN 3)
<u>RATE FUND</u> (See Adden- dum pgs. 1 and 2)					
<u>Art Gallery</u>	R 767 235	R 99 884	R 667 351	R 834 862	R 167 511
<u>City Hall</u>	2 125 286	491 185	1 634 101	1 758 580	124 479
<u>City Engineer's Dept:</u>					
Bridges, Subways and Culverts	1 375 890	1 152 227	223 663	298 742	75 079
Cleansing Branch	2 811 825	993 321	1 818 504	3 051 675	1 233 171
Construction	77 041	2 697	74 344	74 344	-
General	7 527 943	2 955 954	4 571 989	7 458 666	2 886 677
Industrial Sites	85 897	-	85 897	146 086	60 189
Road Construction	44 822 571	7 351 627	37 470 944	93 940 784	56 469 840
Sewerage	24 565 391	7 775 603	16 789 788	41 190 569	24 400 781
Stormwater Drainage	6 595 834	3 551 761	3 044 073	7 005 407	3 961 334
<u>City Health Department</u>	2 117 800	506 822	1 610 978	2 327 696	716 718
<u>City Treasurer's Dept:</u>					
Estates Branch	6 847 804	2 847 987	3 999 817	11 141 475	7 141 658
General	663 166	235 185	427 981	571 615	143 634
Stores and Buying Branch	95 254	41 163	54 091	54 091	-
<u>Clerk of the Council's Dpt.</u>	1 044 414	123 833	920 581	6 716 773	5 796 192
<u>Fire Department</u>	1 946 144	677 402	1 268 742	2 478 760	1 210 018
<u>Licensing Department</u>	468 056	56 772	411 284	624 506	213 222
<u>Organisation &amp; Methods</u>	13 913	844	13 069	13 069	-
<u>Parks &amp; Recreation Dept:</u>					
Cemeteries	694 371	52 568	641 803	817 097	175 294
Community Services	905 698	173 487	732 211	1 252 261	520 050
General	7 697 173	1 287 491	6 409 682	10 434 018	4 024 336
Golf Courses	224 621	25 439	199 182	336 508	137 326
Swimming Pools	800 257	110 512	689 745	1 306 135	616 390
Zoological Gardens	473 190	45 328	427 862	1 479 142	1 051 280
<u>Public Library</u>	1 647 758	140 091	1 507 667	2 162 931	655 264
<u>Rand Airport</u>	763 100	36 461	726 639	1 086 778	360 139
<u>Staff Board</u>	66 076	3 177	62 899	62 899	-
<u>Traffic Department</u>	3 453 747	678 034	2 775 713	9 228 012	6 452 299
<u>MISCELLANEOUS FUNDS</u>					
<u>Ref.Pq.</u>					
European Housing 60	2 681 513	1 230 436	1 451 077	11 315 970	9 864 893
Coloured & Asiatic Div. 64	2 559 320	592 140	1 967 180	9 413 657	7 446 477

	1	2	3	4	5	
	ACCUMULATED TOTAL	LESS ASSETS WRITTEN OFF	NET SURPLUS	TOTAL CAPITAL OUTLAY EXCLUD- ING CAPITAL DEBTORS	NET VALUE OF CAPITAL OUTLAY (EXCLUDING CAPITAL DEBTORS) i.e. ORIGINAL COS LESS NET SURPLUS (COLUMN 4 MINUS COLUMN 3)	
<u>MISCELLANEOUS FUNDS cont.</u>						
	<u>Ref.Pg.</u>					
Bantu Revenue Account	68	R31 961 260	3 551 549	28 409 711	67 973 283	39 563 572
<u>TRADING DEPARTMENTS</u>						
Abattoir & Livestock Market	78	2 067 989	309 357	1 758 632	3 178 625	1 419 993
Electricity	82	84 362 735	7 242 231	77 120 504	168 721 460	91 600 956
Gas	88	6 900 957	1 861 956	5 039 001	8 589 636	3 550 635
Produce Market	92	2 067 026	78 511	1 988 515	3 865 544	1 877 029
Transport	96	13 509 155	6 107 476	7 401 679	10 614 668	3 212 989
Water	100	8 652 377	2 520 644	6 131 733	11 324 143	5 192 410
<b>GRAND TOTAL</b>		<b>275 439 787</b>	<b>54 911 155</b>	<b>220 528 632</b>	<b>502 850 467</b>	<b>282 321 835</b>

The following table shows the growth of the surplus over the years:-

1944 - 45	R 23 871 000
1949 - 50	29 361 000
1954 - 55	77 499 000
1959 - 60	107 336 000
1964 - 65	146 345 000
1969 - 70	220 529 000

THE REVENUE BALANCE SHEET

REVENUE ASSETS : INVESTMENT OF SPECIAL FUNDS AND ADVANCES : R9.8-MILLION

(18) Can some further information be given regarding this item?

The capital investments of the Council's Special Funds were dealt with in a previous paragraph. The revenue investments of the Funds are the remaining items of the classified schedule on page 110. These are as follows:-

RESERVE AND TRUST FUNDS:

Loan to Randjeslaagte (Jhb.) Jubilee Memorial	R 11 629
Building Society Paid-up Shares	1 000*
Motor Car Loan Debtors	239 641

ADVANCES TO THE RATE FUND:

Ex Bantu Services Levy Fund	R 9 480 761	
Ex Re-Development Fund : Brft. West	75 000	9 555 761
		<u>R 9 808 031</u>

\*A Mr. Winter donated this amount to the Library Department in memory of his late parents.

REVENUE LIABILITIES : SUNDRY CREDITORS - DEFERRED ACCOUNTS : R12-MILLION

(19) What is this?

Differentiation is made between ordinary creditors in the commercial sense, and credit balances arising from the creation of reserves to meet future liabilities, for example, leave wages reserves for Europeans and Bantu, proceeds from the sale of fixed property statutory accounts, and interest accrued on municipal public loans.

SPECIAL FUNDS : R115-MILLION

(20) How is this made up?

It is made up of loans to capital account (R105 312 476) and other loans and advances (R9 808 033). The detailed breakdown of these amounts was dealt with under questions (10) and (18).

SURPLUS ON REVENUE ACCOUNT : R3.9-MILLION

This figure represents the accumulated surplus on revenue account and is made up as follows:-

Rate Fund Surplus	R 2 390 535
Bantu Revenue Account (Unallocated Bantu Beer and Liquor Profits)	268 423
Produce Market (Accumulated Profits)	<u>1 319 877</u>
	<u><u>R 3 978 835</u></u>

Refer to the Classified Aggregate Balance Sheet (page 3), the Aggregate Revenue Account (pages 5 and 6), the Bantu Beer and Liquor Distribution Two-thirds Profit Appropriation Account (Pages 71 and 72), and the Produce Market Appropriation Account (pages 93 and 94).

(21) Is the amount of cash on hand of R931 936 not unduly high?

The Council maintains its own central banking system. Substantial sums are brought in from the various collection points and cash payments are made mostly in respect of European and Bantu wages.

(22) Stores and Materials and Livestock : R5 838 879 (Page 2). Where is the livestock to be found? Does it include the Zoo animals?

The livestock comprises the cattle to be found on the sewerage farms and at 30th June, 1970, was valued at R235 388. Because they are purchased for breeding, fattening and re-sale, they are classed as revenue assets. Net proceeds from the sale of livestock amounted to R199 634 in 1969/70 (page 30). The value of Zoo animals is not shown in the books of account. This arises from the fact that the animals cannot be regarded as "stock-in-trade". Furthermore, difficulty would be experienced in the valuation of animals obtained through breeding.

It is also customary here and elsewhere not to regard the books purchased for the Public Library as revenue assets.



SOME GENERAL OBSERVATIONS AND EXPLANATIONS

PAGE 5 : AGGREGATE REVENUE ACCOUNT AND APPROPRIATION ACCOUNT

(23) An amount of R2 252 000 is shown as a contribution to the Capital Development Fund, on page 5. Who determines the amount and how is it made up?

The Council by resolution or in its approval of the Estimates and Abstract of Accounts determines the amounts to be appropriated to the Capital Development Fund. The appropriations are for specific purposes and for 1969/70 were made up as follows:-

Major Roads	R 1 781 424
Net proceeds : Parking meters	409 379
Art Gallery : Works of Art	30 000
Net proceeds : Zoo parking and admission	30 197
South African Paintings	1 000
	<u>R 2 252 000</u>

The earmarking of the funds for the various purposes indicated above does not mean that the amounts or their accumulated totals automatically become available for spending. The tempo of spending is determined by priorities and by the amounts the Council can afford to set aside each year in the Estimates.

PAGE 7 : RATE FUND BALANCE SHEET

(24) How is the temporary advance from revenue account of R21 153 881 to capital account made up?

Capital expenditure is financed initially from revenue account, and twice-yearly, that is in May and November, the temporary advances are converted to their permanent loan sources. The R21-million represents for the most part capital expenditure of Rate Fund Departments incurred during the months of May and June (for 1969/70) and which was funded in the November following.

(25) There are temporary loans on revenue account amounting to R16 748 923. These are made up of loans from Special Funds (R9 555 761), temporary advance from Consolidated Loans Fund (R1 856 232) and temporary advances from Miscellaneous Funds and Trading Departments (R5 336 930). How do these loans arise?

Turning first to the last item, the amount of R5 336 930 represents the net cash balances and bank overdrafts (if separate bank accounts had been maintained) of the miscellaneous funds and trading undertakings. Similarly, the amount of R1 856 232 represents a temporary advance to the Rate Fund of the (cash) balance of the Consolidated Loans Fund Revenue Account (Refer to page 106).

The temporary loan from Special Funds of R9 555 760 is made up of the following advances to the Rate Fund:-

Ex Bantu Services Levy Fund	R9 480 761
Ex Re-Development Fund : Braamfontein West	<u>75 000</u>
	<u>R 9 555 761 (See Page 109)</u>

BORROWING POWERS:

(26) What are borrowing powers? By whom are they granted?

Section 52(1)(a) of the Local Government Ordinance No. 17 of 1939

provides as follows:-

"A Council may by a majority of the councillors present at a meeting specially convened for the purpose (provided the number of members voting in the majority is equal to a majority of the full council) from time to time apply to the Administrator for authority for borrowing powers and the Administrator may, subject to the provisions of this Ordinance, grant such authority in such amounts and subject to such conditions as he may approve ....."

This section of the Ordinance is amplified by Sections 12(1) and 13 of the Council's Financial Regulations which provide that:-

"Expenditure which is to be met from the Consolidated Loans Fund shall not be incurred until borrowing powers sufficient to cover the full estimated cost of the relevant project have been sanctioned by the Administrator."

AND

"Application for borrowing powers shall be considered by the Council only in the month of July each year, and only in respect of projects or capital works included in the estimates for the ensuing financial year, except in cases of emergency or in special cases of necessity, the existence of which shall be determined as a fact by the Council on a report from the Management Committee."

(27) Are borrowing powers refused, if so, on what occasions?

Borrowing powers are not refused in the normal course of events. The last occasion was in 1966, when the Council's application for borrowing powers of R39 479 000 for a new power station at Liefde and Vrede, was turned down.

(28) At what stage does one apply for borrowing powers? At the commencement of the project?

Yes, except when the original cost is exceeded and further borrowing powers are required.

(29) What is the effect of cancelling of borrowing powers?

When a capital project has been completed and the final cost is known, or where it is not intended to proceed with the project, any balance of the borrowing power remaining is reported to Council for cancellation, thus bringing the transaction to finality. The effect

of cancellation is simply to cancel the authority for the project.  
The Council's finances are not affected in any way.

The Council's unexercised borrowing powers are set out as follows on pages 56 and 57 of the addendum:-

	UNEXERCISED BORROWING POWERS	
	Committed to Consolidated Loans Fund	Not Yet Committed
<b>RATE FUND:</b>		
<u>Art Gallery</u>	R 8 839	R 24 152
<u>City Hall and Municipal Offices</u>		533 000
<u>City Engineer's Dept:</u>		
Bridges, Subways and Culverts		
General	64 000	607 245
Cleansing Branch	1 149 219	1 302 904
Industrial Sites		
Road Construction	12 152 775	12 000 000
Sewerage Branch	3 790 149	51 313 896
Stormwater Drainage		
<u>City Health Dept.</u>	347 737	436 162
<u>City Treasurer's Dept:</u>		
Estates Branch	1 477 559	1 844 859
General		
Stores and Buying Branch		6 571
<u>Clerk of the Council's Dept.</u>	8 872 292	2 069 224
<u>Fire Department</u>	31 653	81 867
<u>Licensing Department</u>	15 250	95 000
<u>Organization and Methods Division</u>		
<u>Parks and Recreation Dept:</u>		
Cemeteries	49 079	105 000
Community Services	106 730	159 439
General	39 798	167 575
Golf Courses		
Swimming Pools	34 791	
Zoological Gardens	212 024	740 900
<u>Public Library Department</u>	143 683	
<u>Rand Airport</u>		
<u>Staff Board</u>		
<u>Traffic Department</u>	100 076	
<b>TOTAL RATE FUND:</b>	<b>R 28 595 654</b>	<b>R 71 487 794</b>

UNEXERCISED BORROWING POWERS		
	Committed to Consolidated Loans Fund	Not Yet Committed
<b>MISCELLANEOUS FUNDS:</b>		
<u>European Housing</u>	R 43 457	R 8 597 495
<u>Coloured and Asiatic Division</u>	32 356	16 959 001
<u>Non-European Affairs Dept:</u>		
Bantu Revenue Account	1 642 126	11 080 510
<b>TOTAL MISCELLANEOUS FUNDS:</b>	<b>R 1 717 939</b>	<b>R 36 637 006</b>
<b>TRADING DEPARTMENTS:</b>		
<u>Abattoir &amp; Livestock Market</u>	R 1 020 612	R 12 085 325
<u>Electricity</u>	20 783 560	7 777 627
<u>Gas</u>	164 965	841 550
<u>Produce Market</u>	6 750 579	
<u>Transport</u>	1 513 358	164 384
<u>Water</u>	488 879	2 812 500
<b>TOTAL TRADING DEPARTMENTS:</b>	<b>R 30 721 953</b>	<b>R 23 681 386</b>
<b>TOTAL ALLOCATION:</b>	<b>R 61 035 546</b>	<b>R131 806 186</b>

(30) Does one need to apply for borrowing powers for expenditure from the Capital Development Fund?

The Capital Development Fund was built up from the Council's own internal resources and borrowing powers need not be applied for. The only constraint on the use of the funds, is the ceiling placed on capital spending by the State Treasury, when it is generally prescribed that expenditure from the two sources taken together, namely the Consolidated Loans Fund and the Capital Development, shall not exceed a certain level.

(31) What does closing a vote mean?

Section 16 of the Financial Regulations provides as follows:-

"When work under a capital vote has been completed the Committee concerned shall report forthwith to the Management Committee, recommending that the vote be reduced by the amount of the saving or that funds be voted to meet any excess on the vote and that the vote be closed; and

the Management Committee shall make a report thereon to the Council in such terms as it sees fit."

Councillors and others are thus kept informed of the final costs of capital projects for which moneys have been voted.

(32) What is the procedure before capital moneys can actually be spent?

The steps to be followed are:-

- (i) Provision must exist in the current capital estimates or Council must have approved an excess vote.
- (ii) If the expenditure is to be met from the Consolidated Loans Fund, borrowing powers must first be obtained.
- (iii) The proposed expenditure must be voted by Council.
- (iv) If the work is to be undertaken by an outside firm, and the cost is in excess of R600, tenders will have to be called for and accepted by the Management Committee.

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