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**Transvaal Students' Society****JOHANNESBURG'S NATIVE REVENUE ACCOUNT**

By Councillor P. R. B. LEWIS, Chairman, Non-European Affairs Committee

In order to get perspective regarding Johannesburg's Native Revenue Account, it is necessary to sketch the task with which Johannesburg has been faced in endeavouring to provide for its Native people.

At the turn of the century, the Non-European population was 72,279, of whom 61,153 were males and 5,100 were females, and there were 6,016 children. Of the Non-European population 59,605 were Natives. The ratio of males to females was 12 to 1. By 1911 the Native population had grown to 101,971 and ten years later it was 116,120. By 1927 (when the Non-European Affairs Department was first established) the population had increased to 136,700 of whom only 19,000 were females and 117,700 were males, the ratio being 6 males to 1 female. At the commencement of the War in 1939 the male population had increased since 1927 by 50% to 179,000; but the female population had increased by over 300% to 65,000. By 1946 the population was 395,231 of whom 211,322 were males, 100,000 females and 83,909 children. In 1959 the estimated Native population was 560,408 of whom 241,344 were males, 143,579 females and 175,485 children. In addition to this population within Johannesburg's boundary, the estimated population in the Peri-Urban Areas North and South of Johannesburg, including Alexandra, amounted to 165,000 so that in the metropolitan area of Johannesburg the total Native population is approximately 725,400.

It is particularly necessary to note not only the increase in the population but the change in the population from a predominantly male one to the present pattern when the ratio of men to women is five to three, and where the children form approximately one-third of the total population.

**Building of Houses**

You are no doubt aware of the provisions of the Urban Areas Act placing an obligation on local authorities to house natives employed within their boundaries. Johannesburg's first housing scheme took form in 1919, when some 2,000 houses were built at Western Native Township. In 1925 and 1930 a further 628 houses were built at Eastern Native Township. In 1930 the Orlando scheme was started. During the next four years 2,800 houses were built, and in 1939 a further 3,091, so that at the commencement of the War in 1939 approximately 8,700 houses had been put up.

It was during and immediately after the War that the large migration of family units to the cities took place. These were the days of squatter camps and appalling living conditions owing to a shortage of materials and labour as a result of the concentration on the war effort. The task of providing decent living conditions seemed impossible, not only because of the

cost of houses, but also because of the cost of the provision of services which, in many instances, was more than the cost of the house.

Then followed the passing of the Native Building Workers Act in 1951 and the Native Services Levy Act in 1952; the Site and Service Scheme; and the establishment, in 1954, of the Council's Housing Division. At the end of 1953 the Johannesburg Council had built 17,814 houses, and had Hostel accommodation for 14,120 men. By the 30th June, 1960, the houses built had increased to 52,183 and the Hostel accommodation was 24,398. In addition, sites allocated in the Site and Service Schemes, on which the building of houses was awaited, amounted to 4,667. The present programme is to build 5,000 houses a year. The Council is now faced with a shortage of suitable sites on which to build.

In addition to the housing loans provided by the Government, a great stimulus was given to Johannesburg in 1956 by the Mining Houses' agreeing to lend Johannesburg £3 million to provide homes for the slum dwellers of Moroka and Shantytown. 12,649 houses have been built to date from these funds, enabling the removal of 73,304 persons from the slums.

It is against this background of the task confronting the Council that I want to present to you some aspects of the financing of this large enterprise.

**Native Revenue Account**

Under the Urban Areas Act of 1923, as amended, later Act 25 of 1945, the responsibility was placed on local authorities for housing natives employed within their boundaries. Under the same Act it became obligatory for local authorities to keep a separate account, to be called the Native Revenue Account, in which had to be reflected the income and expenditure in connection with native affairs. It would appear that the reason for this legislation was that some local authorities were using the income from their locations to subsidise European ratepayers. The Act lays down the categories of income which have to be credited to the Native Revenue Account, and what expenditure may be charged thereto. An important provision of the Act is that before any appropriations are made from the Native Revenue Account, estimates of expenditure must be passed by the local authority, and the estimates must be approved in writing by the Minister of Bantu Administration and Development, subject to such conditions as he may deem fit.

The Native Advisory Boards must be given an opportunity of considering the estimates, and their comments must be considered by the local authority, and transmitted to the Minister. The Act also provides that no immovable property belonging to the

Native Revenue Account can be disposed of without the approval of the Minister, or contrary to any condition which he may impose when granting such approval.

The Native Revenue Account consists of three portions

1. The Ordinary Native Revenue Account.
2. The Kaffir Beer Sub-Account.
3. Native Services Levy Fund.

I do not propose to detail the provisions of the Act regarding the Native Revenue Account, but to give some of the facts which emerge from a study of Johannesburg's Accounts.

### Capital Expenditure

In order to give some idea of the comparative capital expenditure, I have extracted figures from the Balance Sheets as at 30th June, 1940, 30th June, 1952 and 30th June, 1959. These reflect the following total book values:

	30/6/40 £	30/6/52 £	30/6/59 £
Land .....	122,185	1,309,561	1,302,603
Buildings .....	823,062	3,801,110	9,516,821
Machinery and Plant .....	18,035	18,548	105,230
Tools .....	204	102,324	118,928
Motor Vehicles .....	8,334	62,278	119,392
Furniture .....	17,043	49,187	110,370
Layout .....	3,345	35,390	112,969
Fencing .....	46,073	91,705	144,051
Livestock .....	2,388	12,248	—
Tennis Courts .....	190	3,966	4,544
Stormwater Drainage & Sewerage .....	33,698	100,163	2,565,910
Railway Siding .....	4,297	4,861	4,861
Water Supply .....	33,233	74,353	1,258,947
Roads .....	12,967	181,677	736,076
Tramway Extension .....	1,750	1,750	—
Lighting .....	12,781	60,900	587,148
Medical Appliances ...	17	16	5,790
Swimming Pool .....	768	741	3,407
Orlando Govt. Housing Scheme .....	430,472	—	—
Bridges .....	—	26,817	38,759
Gas Supply .....	—	3,843	3,843
Playing Fields .....	—	18,132	100,648
Office Machinery ...	—	4,296	36,232
Sundry Debtors, House Selling Schemes .....	—	5,044	1,155,057
Meters .....	—	—	2,500
	<u>£1,570,842</u>	<u>£5,968,910</u>	<u>£18,034,086</u>

This reflects the tremendous expansion which has taken place in recent years. It may be of interest to give details of some of these items. For instance, of

the expenditure of £9,516,821 on buildings to the 30th June, 1959, the amount spent on erecting eight Hostel buildings amounted to £957,347; and the amount spent on housing schemes amounted to £8,195,536.

### Investment in Land

Of the land costing £1,302,603, some £50,513 represents the cost of land for Hostels; £574,051 represents the amount spent on ground for housing schemes; £474,405 represents expenditure on ground for as yet undeveloped or partially completed schemes; and £166,640 represents what is termed in the Accounts "General Land". Of this last figure, £150,448 was the cost of the Bantu Sports Ground in Von Weilligh Street. In order to comply with Government policy, certain ground in the city area was transferred at cost from the Native Revenue Account to the City's Estates Branch, the value of this property being approximately £240,000; and that is why the expenditure on land is reflected at a lower amount in 1959 than in 1952. In examining the price at which ground has been purchased, it is interesting to find that the 1,120 acres at Orlando East were purchased at an average cost of £6 14s. 4d. per acre and the 1,146 acres at Orlando West was purchased at £7 9s. 3d. per acre, whereas the 4,428 acres in the Site and Service schemes were purchased at an average of £87 18s. 3d. per acre.

The purchases of ground in the areas to the south-west of Johannesburg are reflected in the following table of the areas of ground owned from time to time:

1910 .....	69.7 morgen
1920 .....	69.7 morgen
1930 .....	1,349 morgen— 4.4 sq. miles
1940 .....	1,972 morgen— 6.5 sq. miles
1950 .....	5,208 morgen—17.2 sq. miles
1958 .....	6,936 morgen—23 sq. miles

(This table excludes the area of ground purchased by the Resettlement Board in Diepkloof and Meadowlands, adjacent to the Council's housing schemes.)

Where did the money come from to finance this expenditure? As at 30/6/59, the following figures appeared:—

Government Loans .....	£7,737,346
Loans from Native Services Levy Fund .....	608,999
Loans from outside bodies (Mining Houses and Soldiers' Housing Organisations) .....	2,545,556
Advance from Council's Consoli- dated Loans Fund .....	1,523,707
Advance from Council's Capital Development Fund .....	175,734
	<u>12,591,342</u>
Less: Temporary Advance to Rate Fund .....	317,680
	<u>12,273,662</u>
Accumulated Surplus .....	5,760,424
	<u>£18,034,086</u>

Of the money borrowed from the Government, £3,359,589 was lent at  $\frac{3}{4}\%$  interest, £55,707 at  $3\frac{1}{2}\%$ , £719,646 at  $4\frac{1}{2}\%$ , £930,623 at  $4\frac{3}{4}\%$ , and £2,671,781 at  $4\frac{7}{8}\%$  interest.

The loan from the Native Services Levy Fund bears interest at  $\frac{1}{8}\%$ . The loans from the Mining Houses are at  $4\frac{7}{8}\%$ , and from the Soldiers Housing Organisation at  $1\frac{1}{4}\%$ . The rate charged by the Consolidated Loans Fund and the Capital Development Fund varies from year to year, depending upon the average paid by the Council during that year. In 1958/59 the rate was 4.446%.

**Surplus**

As you are aware, municipal accounting is different from commercial accounting, and the amount shown as the "Surplus" in the Capital Account represents the excess of the original cost of the assets over the loans outstanding. In the case of Johannesburg, the Surplus represents mainly loans redeemed and grants from the Native Services Levy Fund. In the books of the Council assets are maintained at their original cost, and are not progressively depreciated. They are written off against the Surplus only when they are disposed of. The Surplus therefore represents the difference between the historic cost of the assets and the outstanding part of any loans which were raised to finance them. Of the Surplus of £5,760,424, the amount represented by grants from the Native Services Levy Fund is £3,184,722. The balance of £2,575,702 represents the amount of loans redeemed. The assets belong to the Council; but, as was previously stated, the assets of the Native Revenue Account may only be disposed of with the approval of the Minister of Bantu Administration and Development, and on conditions laid down by him.

It is interesting to speculate what the real value of the assets of the Native Revenue Account is, and the real amount of the Surplus. For instance, the 11 acres of land on which the Wemmer Hostel is situated stands in the Assets Register at £13,937; i.e. £1,280 an acre. But the municipal valuation of this ground is £200,000, or approximately £20,000 per acre. The value would be more but for the present restriction that the ground may only be used for hostel purposes. Ground adjacent to this hostel is valued in some cases at £40,000 per acre, in some at £60,000 per acre, and in others at £80,000 per acre.

The 71 acres on which Eastern Native Township is built cost £5,618, or £79 per acre, whereas the 40 acres adjoining this area recently purchased for the Eastern Native Township Hostel cost £61,837, or £1,550 an acre. The municipal valuation of the ground on which Eastern Native Township is situated is £128,000.

The ground on which the Municipal Brewery is situated cost £1,096; but it has a municipal valuation of £50,000. The ground on which the Wolhuter Men's Hostel stands erected cost £5,103, and it now has a municipal valuation of £40,000.

I have already referred to the difference in the price of ground at Orlando and in the Site and Service schemes. We may notice, too, that the 666 acres in Pimville cost £19,185 or £29 an acre. The 252 acres in Western Native Township cost £24,249, and the municipal valuation of this ground is £190,000.

While the value of much of the land may have increased, other areas may be worth less than the book value. For instance, the ground on which the Bantu Sports Ground is situated cost £150,448, but it has a valuation of only £70,000. It might be quite an interesting innovation to insert the Municipal Valuation of the land in Balance Sheets.

An interesting question arising out of the real and book values of land, is the price at which the ground in Western Native Township should be transferred from the Native Revenue Account when Western Native Township is converted into a Coloured Housing Scheme. Should it be at cost, which to my mind would be unfair to the Native Revenue Account? And if not cost, what should the price be, and how would the purchase be financed?

**Arrear Rents**

Over the past four years arrear rents have increased very substantially as the following table reflects:

<i>Year ended 30th June</i>	<i>Annual Rents</i>	<i>Arrears</i>	<i>% of Annual Rents</i>
	£	£	
1956	669,943	10,807	1.6
1957	857,060	22,512	2.6
1958	1,174,131	105,827	9
1959	1,436,943	214,923	15

The Council's experience has been that the percentage of arrears is higher in the sub-economic housing schemes than in the economic housing schemes. In June, 1959, the arrears in the sub-economic housing schemes amounted to an average of  $3\frac{1}{2}$  months' rental, whereas in the economic schemes it was equal to rents for a month and three-quarters. It appears to me that one of the causes of the arrears in the sub-economic schemes is the operation of the formula whereby the rent is based on the tenant's income for the previous year. In the formula no provision is made for the size of the families; nor has the £15 income limit, fixed in 1952, been increased notwithstanding that the cost of living has gone up since then. The Johannesburg City Council has fixed the sum of £20 as being the sub-economic limit.

Part of the difficulty in collection of the rentals is the delay in Court procedure; but nevertheless it is very significant of the times in which we are living that a large number of tenants find it extremely difficult to make ends meet. The Council has been considering the advisability of invoking the provisions of Section 20(3) of the Urban Areas Act, under which the employer may be required to pay the rental. In Southern Rhodesia it is the employer who pays the rental, but this presents certain difficulties, one of

which is that if a person loses employment he often loses his house simultaneously.

### The Maintenance Reserve

In effect, provision is made for writing off the capital cost of the houses over the period of the loans raised to finance their construction. At the same time, provision is made not only for the maintenance of those houses, but also for the creation of a maintenance reserve. It has sometimes been asked in consequence whether the Council's policy is not too conservative; and it may be useful to look at some of the figures.

The loan raised for the establishment of Eastern Native Township was £119,475; and the amount remaining outstanding at 30th June, 1959, was £25,121. But the municipal valuation of the land which cost £5,618 is now £128,000. The loans raised will be fully redeemed in the near future, and the value of the assets will in all probability far exceed their original cost, but will then have been paid for in full. Similarly, the cost of the establishment of the Western Native Township was £388,034, of which the loan outstanding at the 30th June, 1959, amounts to £35,318. As previously stated, the municipal valuation of the ground, which cost £24,249, is £190,000. It is true that the houses in both these schemes are old, but they will be habitable for many years to come. These instances are of townships situated within the city where land has appreciated considerably in the last thirty to forty years.

Take another example: the cost of buildings at Orlando West was £1,571,328. At the 30th June, 1959, the amount standing to the credit of the Maintenance Reserve for this township amounted to £273,052. The cost of maintenance of the houses during the three years ended 30th June, 1959, amounted to approximately £36,000. Of the loans raised, £186,107 had been redeemed at that date, so that the provision for maintenance and redemption of loans amounted to about one-third of the total cost. The final balance of the loans will only be redeemed in 1992. In this case it is hard to guess what the maintenance bill will be during the next thirty years, and whether at the end of the time that standard of house will be acceptable to the population. The Council's experience with the older townships, such as Eastern Native Township and Western Native Township, does show that at the end of the normal loan period a value still attaches to the houses. It is the Council's policy to endeavour to maintain the houses in good condition, and if the Maintenance Reserve should prove inadequate, maintenance would be charged against current revenue.

Research is being carried out regarding the costs and methods of maintaining houses. The Council is experimenting with a new method in Orlando East, where a start has been made on a complete renovation of houses in a section of the township, and it is proposed to do this at regular intervals. Another factor to be taken into consideration regarding the adequacy of provisions and reserves is that Government loans

are now redeemed over a thirty-year period instead of over forty years.

I think it advisable at this stage to dispel any impression that the loans have been redeemed from the rents paid by the tenants in places such as Western Native Township, and that the rents cover the purchase of the properties. This is not so. In Western Native Township the costs of administering the township during the last eight years alone amounted to £608,167, of which the loan redemption charges were £74,019. That is to say that expenditure, excluding redemption charges, was £534,148, whereas the rents paid during this period amounted to £223,293. The loss, excluding redemption charges, was therefore £310,855, so that it cannot be said that the rents paid by the tenants covered the loan redemption.

### Southern Rhodesian Commission

In the Report of the Urban African Affairs Commission of Southern Rhodesia, which was published in 1958, paragraph 313 reads:

"We recommend that the Native Revenue Account be recast and that the following general principles should be observed:

- (a) The Native Revenue Accounts should not be charged with interest on and redemption of funds borrowed from the local authorities and still have no assets when the loans have been redeemed. As the assets belong to the municipalities, the redemption of the loans should fall upon the municipalities. On the other hand, the Accounts should properly be charged with interest on the loans and a suitable rate of depreciation.
- (b) The costs of administering the native urban areas should be borne by the municipalities but the Accounts should be required to make a reasonable contribution to the municipalities in lieu of rates. The method of assessing this contribution should be standardized and fixed by government. Even if in some cases the amount of this contribution should not be significantly different from what it happens to be at present we think it important that the principles by which the assessment is fixed should be clear and uniform. And having determined the appropriate rateable values of the native urban areas we think that the poundage rates to be applied should be the same as those which operate within the municipalities proper.
- (c) A suitable contribution from profits on water and electricity supplies should be made to the Account.
- (d) We think it important that the rent charges should be clearly separated from the charges for services so that the African in the urban areas should be able to understand more clearly for what he is paying."

These suggestions involve a fundamental departure from the present system. I like the idea of divorcing payments, for example for medical services, water, sanitary and refuse removal, from rents. What we commonly call rent is much more than rent; and I think we could perhaps bring about a change in attitude to rents if many of the other amenities provided were the subject of a separate charge, and a better appreciation of the services being provided might result. Regarding principle (a) set out above, in view of the capital appreciation on land in some of the older townships, the Native Revenue Account might be better off in the long run paying redemptions but retaining capital appreciation.

**Fines**

Questions are often asked as to what fines accrue to the Native Revenue Account. Fines are recovered in respect of contraventions of the provisions of the following:

- (i) Native Urban Areas Act No. 25 of 1945.
- (ii) Curfew Proclamations under Section 19, Act 25 of 1930.
- (iii) Native Administration Act No. 38 of 1927.
- (iv) Location Regulations framed under Act 25 of 1945.
- (v) Emergency Camp Regulations: Govt. Notice 890 of 1927.
- (vi) Registration Regulations: Govt. Notice 1032 of 1949.
- (vii) Native Services Levy Act No. 64 of 1952.
- (viii) Native Transport Services Levy Act No. 53 of 1957.

Fines received in respect of the last two items are credited to the respective funds.

**Significant Changes**

The most significant developments revealed by a review of the financing of the Native Revenue Account in the last ten years may be dealt with under the following headings:

- 1. The terrific achievements in the re-housing of the population, and the improvement in the services provided for the welfare of the Native people.
- 2. The reduction in the cost of housing.
- 3. The increase in the cost of administration.
- 4. The benefits which have accrued from the introduction of the Native Services Levy.
- 5. Dependency upon Kaffir Beer profits.

6. The change in conception as to where the responsibility lies for shouldering the financial burden of providing housing for the sub-economic groups.

The figures indicating the extent of achievements in re-housing have already been discussed. Perhaps something may usefully be said regarding some of the other five headings set out.

*Reduction in Cost of Housing*

The first houses erected by the Council were in the Western Native Township in 1919, when 2,192 houses were built. The two-roomed house cost £120, the three-roomed £140, and the four-roomed £170. The next scheme was at Eastern Native Township where the two-roomed houses cost £115 each and the three-roomed houses £135. In 1932-1935 the Council started the Orlando East Scheme, where the two-roomed house of 397 sq. feet cost £95. The three-roomed house varied between £252 and £500, and the four-roomed house cost from £354 to £664. The 125 houses built in Pimville in 1944-1945 cost £494 each for the three-roomed and £599 for the four-roomed dwellings. When these costs are considered, and the fact that since that date costs of materials have been continuously rising, it seems little short of a miracle that the houses built since the establishment of the Council's Housing Division, with the use of native labour, have cost between £160 and £185 for a 527 sq. ft. house.

Because of the difference in sizes of the houses, a truer comparison is to state costs in prices per square foot. In 1930 the price varied from 4/3d. to 5/3d. In 1938 it had increased to 9/3d., and in 1944 the houses at Orlando West cost 10/5d. to 11/5d. per square foot. In 1946 the price had increased to 12/3d., and the Jabavu houses built in 1947 cost 10/2d. Then came the establishment of our own Housing Division, and the training of Native building workers. At a time when costs generally were much higher than in earlier years, our building costs were decreased to from 6/1d. to 6/9d. per sq. ft. The materials used over the years were not always the same, of course. Nevertheless, in weighing up the recent achievements in housing, consideration must not only be given to the number of houses that have been erected, but also to the cost at which they have been built, and the transformation in the lives of the labourers who have become trained artisans in the process.

*Increase in Cost of Administration*

As an example of the increase in the cost of administration, I quote the figures for one of our older townships, in which the number of houses has been the same during the whole period.

Year:	51/52	52/53	53/54	54/55	55/56	56/57	57/58	58/59
Total Expenditure .....	£69,635	£74,624	£78,493	£78,546	£77,773	£80,153	£95,622	£83,321
% of 51/52 .....	100	106	112	112	111	114	137	119
Rents, etc. ....	£25,507	£25,589	£25,716	£25,672	£25,847	£25,905	£32,171	£37,183
% of 51/52 .....	100	100	101	101	102	102	126	146
Deficit for year	£44,128	£49,035	£52,777	£52,874	£51,926	£54,248	£63,451	£46,138
% of 51/52 .....	100	111	119	120	117	123	143	105

When it is said that the cost of administering this township in 1940 was £45,589, it will be realised what a large increase has taken place during the period. Part of this increase, of course, is due to the fact that better services are provided.

#### *Benefits from Native Services Levy*

The Native Services Levy was introduced in 1953 because it was felt that those employers of Native labour who did not house their labourers should make a direct contribution to the cost of providing housing. In many instances the cost of providing the services for a house was as much as the house itself. For instance, in the Noordgesig houses built in 1938, the services were estimated to cost £262 per dwelling and the house £254. In Orlando West in 1944 the estimated cost of the services was £338, and the house cost £441. For the houses built in 1946 the services were estimated at £415 per dwelling for a house at £546. Because of the high cost of services, some have not as yet been provided.

The Service Levy was inaugurated to provide the funds for sewage disposal works, main access roads, water towers, main water reticulations, sub-outfall sewers, and lighting. The Services Levy Fund makes grants to local authorities and loans at 1/8% interest.

The net total received by the Johannesburg Native Revenue Account for the Services Levy Fund to 30th June, 1959, was £4,133,458, of which £3,209,497 was expended on services by way of direct charges and grants, and a further £600,000 by way of loans. Approved projects for which funds were not yet available came to over £1 million. However, income of the Fund is well over £600,000 per year.

The grants received from the Native Services Levy have proved a real boon to local authorities. They have provided the funds for essential services at no cost to the local Councils; and have helped the Natives directly, for in the calculation of economic rentals no cost has had to be included for the services provided from the Service Levy Fund.

#### **Dependency Upon Kaffir Beer Profits**

Since the establishment of the beerhalls, the profits have been very considerable, and have been as follows:

Year	Kaffir Beer	
	Revenue	Profit
	£	£
1937/38	15,534	7,093
1938/39	59,250	32,768
1939/40	94,447	63,752
1940/41	112,767	62,547
1941/42	101,519	53,699
1942/43	100,946	47,272
1943/44	169,780	99,061
1944/45	229,485	121,477
1945/46	128,489	57,276
1946/47	208,779	47,952
1947/48	286,689	121,837

	Kaffir Beer	
	Revenue	Profit
	£	£
1948/49	327,047	181,215
1949/50	372,445	174,724
1950/51	414,023	175,131
1951/52	499,420	201,576
1952/53	614,830	239,835
1953/54	701,534	366,230
1954/55	823,203	427,156
1955/56	892,196	407,846
1956/57	1,029,041	525,101
1957/58	1,108,528	539,538
1958/59	1,294,856	645,495
1959/60 Est.	1,270,750	581,340
<b>TOTAL</b>	<b>£10,855,558</b>	<b>£5,179,921</b>

It is hard to visualise how the development of housing and other services could have been provided without these profits. Yet this source of income could fluctuate. For instance, there might be a boycott of the beerhalls, and more important still, there are moral issues involved. The Johannesburg City Council recently voted £14,000 for research regarding Kaffir Beer, to ascertain, amongst other things, what the food value is, what the relative intoxicating effects of Kaffir Beer and other liquors are, and what its effect on work competency is. Many people, while realising the evil effects of illicit liquors, are still uneasy about the extent to which the financing of the Native Revenue Account is dependent on sales of Kaffir Beer.

Two-thirds of the profits derived from the sale of Kaffir Beer may be used, (a) to make up the losses on housing schemes, (b) to make up any amount required to offset the loss to the Native Revenue Account resulting from the reduction of rentals in force at any location, native village or hostel, and (c) the capital expenditure on housing schemes or works or services in connection with a location, native village or hostel, and interest and redemption charges and maintenance costs in connection with any location, native village or hostel. One-third of the profits may be spent on any service, expenditure or grant which may be certified in writing by the Minister of Bantu Administration and Development as being calculated to improve the social or recreational amenities for native residents within the area of the urban local authority, or otherwise to promote the social welfare of such residents.

#### **Responsibility for Sub-economic Housing**

The National Housing Formula was introduced in 1945. Under the Formula interest on loans for sub-economic schemes was charged at 3¼%, on the understanding that losses incurred on such schemes should, within defined limits, be borne in the ratio of three parts by the Government and one part by the Council. The Council first submitted its claim for losses in respect of Orlando East and West and Jabavu in 1950. Up to the 30th June, 1953, the losses incurred on these schemes amounted to £1,079,173, and of this

sum it was calculated, on the Council's understanding of the Formula, that £502,320 was recoverable from the Government, but only £234,727 was recovered at that time.

In 1951 the 3¼% formula was suspended. In that year local authorities, in submitting claims for losses on the National Housing Formula, were required to certify that tenants' incomes did not exceed £25 on loans prior to 1.10.46 and £30 thereafter. In 1952 differential incomes were laid down, and were fixed at £15 for natives. Local authorities were advised that a fully economic rate of interest would have to be paid on a pro rata share of the loans in respect of tenants with incomes in excess of those limits, and that the increased cost could be recovered by way of increased rentals. Legal opinion given to this Council doubted the Commission's power to do this. In 1954 the National Housing Commission agreed that the sub-economic rentals should be increased by 3/- for every 10/- of the income over £15. In 1954 the Council, because of its unhappy experience under the National Housing Formula, agreed to convert the 3¼% loans to ¾% loans, thereby cancelling the sharing of losses on the schemes, but insuring the benefit of the lower rate of interest.

In 1957 the Council's claim for over £400,000 under the old 3¼% scheme was finally settled for £125,000. The £125,000 was paid into the Capital Development Fund and earmarked for street lighting in the Native Townships.

The application of the Government's policy of economic housing has had the effect of shifting the financial burden from the State on to the shoulders of the poor, the local authority and the employers, through the Native Services Levy Fund. Local authorities are obliged to accept full responsibility for economic housing, while the role of the State, from the financial point of view, is limited to the advance of loans at economic rates of interest. By shortening the period of repayment of loans from forty to thirty years, and by increasing the rate of interest from ¾% to 4⅞%, the rental on a house costing £200 has been increased by 15/- per month. The Government bears the loss of interest on those funds lent to the Council at less than economic rates.

Subsidies received from the Government and credited to the Native Revenue Account, over the last seven years amounted to £184,746.

#### **Role of the Manager of the Non-European Affairs Department in Relation to the Native Revenue Account**

While the estimates of the Non-European Affairs Department are ostensibly put forward by the Manager of that Department, he has very little direct control of the expenditure of a large portion of these funds. For instance, the medical services, the cost of which during this year is estimated to be over £1m., are under the control of the Medical Officer of Health. The maintenance of buildings at a cost of £192,095 and the provision of refuse removal and sanitary

services costing £346,518, are under the control of the City Engineer. The City Treasurer controls the treasury staff whose salaries and allowances amount to £179,488. It is hard to get an accurate figure, but I estimate that two-thirds of the expenditure of the Native Revenue Account is under the control of officials of other departments. The sources of income of the Native Revenue Account are restricted, and the department is in the unenviable position of having to accept debits for large sums which, although provided for the Estimates, are not known to the department until the year end. This contrasts with the system employed in other towns, where all sections of the administration of the department except, I understand, for the work done by the Medical Officer of Health, fall directly under the control of the Manager. It may be that the very size of operation in Johannesburg warrants this difference.

I think it is human nature to be more careful in spending one's own money than somebody else's, and as a generalisation I would suggest that a department which can pass on the whole of its expenditure to another department at the year end would tend to be less watchful than if the expenditure had to be met out of its own budget.

#### **Conclusion**

I am afraid I may have given you mental indigestion by quoting so many figures. You no doubt appreciate the difficult role of councillors who are entrusted with the task of taking decisions on matters of considerable importance. How can these decisions be taken unless the implications are understood? These days financial considerations are often the most important aspect in determining what can or cannot be done—at least finance committees think so! It was for this reason that I have tried to understand the financing of Johannesburg's huge undertaking in Native Administration. I often get lost in all these figures, and then a glimmer of understanding shines through. I hope I have cast some light on it for you—at least I am sure that the million pounds of this and million gallons of that will have impressed you!

You have all, no doubt, heard of Parkinson's Law—"Work expands so as to fill the time available for completion." Professor Parkinson has now written a second book, "The Law and the Profits," in which the second law is enunciated—"Expenditure rises to meet income." Parkinson is a very caustic critic of the administration of Public Services. His theory is that to eliminate public waste an essential step is to reduce the total revenue. He says: "Officials are less likely to squander what is not there." Now, I am not suggesting there has been any squandering of money, but I do think it is wise to review what has been happening over a period, to ascertain that we appreciate the results of what we have been doing, and to be sure we know where we are heading. For instance, should expenses of administering the townships increase at the same rate as during the last twenty years, serious consequences would result, as an



increase in income is difficult to obtain. This is often the case, not because of the merits of the proposals to increase income, but because of the possibility of organised opposition and even organised boycotts, which has to be taken into account. Large scale unemployment could also send estimates haywire.

I hope that in my analysis I have contributed to your understanding of what has been happening.

I would commend to your reading Professor Parkinson's book. You are bound to recognise some of the characters portrayed—councillors and officials alike! You will get some good laughs, and I hope some cause for reflection.

I would like to close with a vote of thanks to those officials of my Council who have met, with great patience, my requests for more and yet more information. I am deeply indebted to them for their assistance.

## INSTITUTE NEWS

THE following items of news arise out of the proceedings of the meeting of the Institute Council held on the 27th September, 1960:—

### (1) Membership.

#### (a) Admissions.

##### (i) Fellows.

Messrs. H. Rode and C. C. Wigg, City Treasurers of Pretoria and Bulawayo respectively, were elected to Fellowship of the Institute, while Mr. O. D. Gorven, Deputy City Treasurer (Accounting and Finance), Durban, was elevated from Associate to Fellow as from 1st November, 1960, in recognition of his services to the Institute generally and particularly in the field of decimalisation.

##### (ii) Associates.

The following were admitted to Associate Membership of the Institute:—  
Victor Blyth—*Bulawayo*.

Peter Arthur Littlefield—*Cape Town*.

Hermanus Hendrik Steyn Venter —  
*Johannesburg*.

Louis Atkinson Waldron—*Johannesburg*.

Vernon Dennis Callanan—*Salisbury*.

Joseph Hornby—*Salisbury*.

Cornelis Kuyper Steyn—*Vanderbijlpark*.

##### (iii) Student Membership.

The following were admitted to Student Membership of the Institute:—

Willem Jacobus Nel—*Benoni*.

Leslie Richard Keats—*Durban*.

Thomas Frederick Pickerill —

*East London*.

William John Bull—*Johannesburg*.

Daniel Johannes Flemming—

*Johannesburg*.

Frederick Roux—*Johannesburg*.

Peter Ronald Biggs—*Kitwe*.

Frank Herbert le Count—*Kitwe*.

Hermanus Steyn —

*Roodepoort-Maraisburg*.

Antonie Johannes Botes—*Uitenhage*.

#### (iv) Honorary Life Membership.

On his resignation from the service of the Durban City Council, Mr. F. Stewart was transferred to Special Class Associate Membership and made an Honorary Life Member. Mr. Stewart is a foundation member of the Institute and has rendered good service, particularly in matters connected with the Institute's inauguration and the original "Report on the Standardisation of the Abstracts of Accounts of Local Authorities in South Africa."

#### (v) Fellowship of British Institute.

The Institute Council expressed their appreciation of the honour conferred by the British Institute in electing Messrs. H. R. Martin and C. C. Wigg, City Treasurers of Salisbury and Bulawayo respectively, to Fellowship of that Institute.

Since the holding of the meeting, news has been received that this honour has also been conferred on Mr. B. S. Glover, Town Treasurer, Umtali.

### (2) Institute Examination Prize.

Commencing with the November, 1960, examinations, the prize awarded by the Institute to the candidate securing first place in the Final examination has been increased from £5 5s. to £10 10s.

### (3) Service Qualifications for Examinations.

The various periods of service required as qualifications for writing the Institute's examinations have been shortened by the amendment of Regulations Nos. 11, 14 and 15 of the Regulations relating to the Examinations.

Briefly, the effects of these amendments are:—

(a) that, in future, candidates will be allowed to write Part I of the Intermediate examination on the completion of one year's qualifying service, the second part on the completion of two years' qualifying service, Part I of the Final examination on the completion of three years' qualifying service and the second part on the completion of four years' qualifying service; and

(b) that graduates in Commerce, Economics or Administration of any South African, British or Dominion University, who are admitted to the Final examination direct, will be permitted to proceed to Part I of the examination on the completion of one year's qualifying service and the complete examination on completion of two years' qualifying service.

The first examinations to be affected by the above amendments of the Regulations will be those which are to be held in 1961.

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