



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

STANDARD CHART OF ACCOUNT SPECIFIC TO LOCAL GOVERNMENT

SCOA for MUNICIPALITIES - mSCOA

**Annexure A: Legislative and
regulatory requirements for all
segments**

December 2021

Annexure A

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Project

The research and development into the project segment, categories and detail accounts were guided by the legislation and regulations read with circulars and guidelines issued by the National Treasury. Post 1 July 2017, the National Treasury also issued guidelines on *m*SCOA implementation through *m*SCOA and MFMA circulars

The legislation regulation and circulars pertaining to *m*SCOA are summarised in the table below:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on Project Segment |
|--|---|--|
| LEGISLATION | | |
| Local Government Municipal Property Rates Act, Act No 6 of 2004 | Section 22(3)(c): Special Rating Areas – “must establish separate accounting and other record-keeping system ...” | Provided for a classification for <u>special rating areas</u> for municipalities to define and add projects based on unique requirements. |
| Municipal Finance Management Act, Act No. 56 of 2003 | Section 19: Capital Projects | <u>Capital projects</u> and related operational cost provided for in this segment. |
| | Section 20: Matters to be Prescribed - <i>Matters to be Prescribed - (1)b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function”.</i> | Considered in the set-up of the <i>m</i> SCOA segments. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on Project Segment |
|---|---|---|
| | Section 21: Budget Preparation Process | <u>Integrated Development Plan</u> is the underlying principles applied in setting up the classification structure within this segment. |
| | Section 62(1)(b): General Financial Management Functions | Full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed <u>norms and standard</u> – The <i>mSCOA</i> Regulation provides for the Project segment as part of the <i>mSCOA</i> Classification. |
| | Section 123: Disclosures on Intergovernmental and Other Allocations | The projects as defined within the segment together with the funding and item segments provide information on how <u>funds have been spent</u> and on what. |
| Local Government Municipal Structures Act, Act No 11 of 1998 | Section 73: Establishment of Ward Committees | Provide for <u>“ward committees”</u> as a typical work stream within the operational projects section of this segment. |
| Constitution of the Republic of South Africa, 1996 | Section 216: Treasury Control | This segment as provided for in the <i>mSCOA</i> Regulation contributes to the responsibility of National Treasury in |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on Project Segment |
|---|--|---|
| | | prescribing measures to ensure both transparency and expenditure control in each sphere of government, by introducing <u>uniform expenditure classifications and treasury norms and standards.</u> |
| Electricity Regulation Act, Act No 4 of 1994 | Establishment of a National Energy Regulator | Refer to Design Principle 13. This segment provides for specific requirements for reporting in accordance with the <u>NERSA Regulatory Framework.</u> |
| Water Services Act, Act No 108 of 1997 | Gathering of information in a national information system and distribution of that information | Refer to Design Principle 14. This segment provides for specific requirements for reporting in accordance with the requirements of the <u>Department of Water & Sanitation (DWS).</u> |
| REGULATIONS | | |
| Municipal Budget and Reporting Regulations, 2009 | | Reporting tables to be expanded. |
| CIRCULARS | | |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on Project Segment |
|---|--|--|
| MFMA Circular 45 | Clear linkage between IDP and local economic development (LED) | Principle 14 links the IDP to “projects” to be defined within this segment. |
| MFMA Circular 48 | Municipal Budget Circular for the 2009/10 and 2011/12 MTREF | Focus on repairs and maintenance – provided for as an operational project within this segment. |
| mSCOA Circular 5 | mSCOA Implementation | Linking of Projects to the IDP |

Function

The research and development into the function segment, categories and detail accounts were guided by the legislation and regulations read with circulars and guidelines issued by the National Treasury. Post 1 July 2017, the National Treasury also issued guidelines on *mSCOA* implementation through *mSCOA* and MFMA circulars

The legislation regulation and circulars pertaining to *mSCOA* are summarised in the table below:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on Function Segment |
|---|--|--|
| LEGISLATION | | |
| | Section 15: Appropriation of Funds for Expenditure | <u>Functions and Sub-functions</u> provide the “votes” for setting limits for |

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|---|--|---|
| Municipal Finance Management Act, 2003 (Act No. 56 of 2003) | Section 17: Contents of Annual Budgets and Supporting Documents | appropriations within an approved budget. |
| | Section 30: Unspent Funds | <u>Information</u> retained in this segment to assist in managing spending of funds within the context of the approved budget. |
| | Section 62(1)(b): General Financial Management Functions | Full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed <u>norms and standards</u> – The <i>mSCOA</i> Regulation provides for the “Function segment” as part of the <i>mSCOA</i> Classification. |
| | Section 71: Monthly Reporting Section 72: Mid-year Budget- and Performance Assessment | The basis for <u>reporting</u> on “votes” is derived from the information contained in the “Function segment”. |
| | Section 123: Disclosures on Intergovernmental and Other Allocations | The projects as defined within the “Project segment” together with the funding and item segments provide information on how <u>funds have been spent</u> and on what. |

| | | |
|--|---|---|
| <p>Local Government Transition Act, 1993 (Act No 209 of 1993)</p> | <p>Provide for functions in the following sections:</p> <p>5: Sewerage</p> <p>6: Electricity</p> <p>7: Roads</p> <p>8: Passenger Transport Service</p> <p>9: Traffic Matters</p> <p>10: Fresh Produce Markets</p> <p>11: Waste Disposal Facilities</p> <p>12: Cemeteries and Crematoria</p> <p>13: Airports</p> <p>14: Sport Facilities</p> <p>15: Promotion of Tourism</p> <p>16: Municipal Health Services</p> <p>17: Abattoirs</p> <p>18: Fire-fighting Services and Disasters</p> <p>19: Libraries</p> <p>20: Museums</p> <p>21: Environmental Management</p> <p>22: Municipal Law Enforcement</p> <p>Schedule 2 A:</p> <ul style="list-style-type: none"> • Water • Sewerage | <p>Considered in the set-up of functions and sub-functions in this segment.</p> |
|--|---|---|

| | | |
|--|---|--|
| | <ul style="list-style-type: none"> • Electricity • Roads • Traffic Mattes • Waste Disposal • Cemeteries and Funeral Parlours • Airports • Libraries • Amusement Facilities and Beaches • Public Nuisance • Environmental Affairs • Tourism • Municipal Health Service • Billboards and Advertisements • Building Control • Cleansing • Business Licensing • Animals • Markets • Pontoons, Ferries, Jetties, Piers and Harbours • Street Trading • Lighting • Public Places • Fireworks | |
|--|---|--|

| | | |
|---|--|---|
| | <ul style="list-style-type: none"> • Child Care Facilities • Municipal Law Enforcement Agency | |
| The Constitution | Section 216: Treasury Control | This Segment, as provided for in the <i>mSCOA</i> Regulation, confirms the responsibility of National Treasury in prescribing measures to ensure both transparency and expenditure control in each sphere of government, by introducing <u>uniform expenditure classifications and treasury norms and standards.</u> |
| Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) | <p>Section 84 - Division of Functions and Powers between District and Local Municipalities</p> <p>Section 85 - Adjustment of Division of Functions and Powers between District and Local Municipalities.</p> | Informing the classification of core versus non-core with the applicability indicators as per the table included in paragraph Error! Reference source not found.. |
| REGULATIONS | | |
| Municipal Budget- and Reporting Regulations, 2009 | | Reporting tables to be aligned. |
| CIRCULARS | | . |

| | | |
|--|---|---|
| MFMA Circular 12: Definition of Vote in MFMA | | Content considered in the classifications provided for in this segment. |
| MFMA Circular 45: MTREF Budget | Budget by Vote | Content considered in the classifications provided for in this segment. |
| MFMA Circular 74: MTREF Municipal Budget Circular for the 2015/16 | Budgeting for unfunded/underfunded mandates | Content emphasised in the “background to the segment”. |
| GUIDELINES | | |
| VAT 419 Guide for Municipalities | Guidance on VAT | Function is key in determining the VAT classification of revenue and expenditure transactions. |
| STANDARDS OF GRAP | | |
| ASB Research Paper on Accounting for City Improvement Districts | City Improvement Districts (CIDs) have been formed in recent years as a local business response to declining municipal budgets and services. CIDs are defined geographic areas in which the majority of property owners determine and agree to fund supplementary and complementary services in | Provided for as a sub-function to planning and development. <u>In terms of this guideline City Improvement Districts (CIDs) might meet the requirements of significant influence, resulting therein that the municipality may be required to prepare</u> |

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|---|--|---|
| | <p>addition to those normally provided by a municipality to maintain and manage the public environment at a superior level and thus maintaining or increasing their investment. These supplementary services might include safety and security patrol officers, pavement cleaning, litter collection, maintenance of public spaces, removal of illegal posters etc. The type and the scope of services that are delivered by the CID are based on the needs of the area and the property owners within the area, which can result in improved sales, rents and increased property value.</p> | <p>consolidated financial statements in terms of section 122(3) of the MFMA. Further to note is that the “sub-function” provides for the department within the municipality dealing with City Improvement Districts and does not deal with the CID’s as a separate legal entity as such.</p> |
| <p>Standards of GRAP 109 Accounting by Principles and Agents</p> | <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets</p> | |

| | | |
|--|---|--|
| | <p>and/ or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/ or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.</p> | |
|--|---|--|

Item Revenue

The research and development into the item: revenue segment, categories and detail accounts were guided by the legislation and regulations read with circulars and guidelines issued by the National Treasury. Post 1 July 2017, the National Treasury also issued guidelines on *m*SCOA implementation through *m*SCOA and MFMA circulars

The legislation regulation and circulars pertaining to *m*SCOA are summarised in the table below:

| Act, Guideline or Circular | Regulations, | Section and Requirement | Impact on SCOA |
|---|-------------------|-------------------------------|---|
| LEGISLATION | | | |
| Local Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and its Regulations | Government | Section 8: Differential Rates | This section of the Act informed the <u>posting level accounts</u> provided for in the SCOA classification for “property rates”. |

| Act, Regulations, Section and Requirement Guideline or Circular | Section and Requirement | Impact on SCOA |
|---|---|---|
| | <p>Section 15: Exemptions, Reductions and Rebates – <i>Projections regarding revenue to be forgone for a financial year in relation to subsection (3)(b) must be reflected in the municipality’s annual budget for that year as a) income on the revenue side and b) expenditure on the expenditure side.</i></p> | <p>Provision is made for this requirement in the “<u>contra account</u>”.</p> |
| | <p>Section 22: Special Rating Areas</p> | <p>Special rating areas separately identified in the SCOA classification to comply with the requirement to provide for this in the <u>accounting and other record keeping systems</u>.</p> |
| <p>Local Government: Municipal Property Rates Amendment Act, 2014 (Act No. 29 of 2014)</p> | <p>To amend the Local Government: Municipal Property Rates Act, 2004, so as to provide for the amendment and insertion of certain definitions; to delete the provisions dealing with district management areas; to provide that a rates policy must determine criteria for not only the increase but also for the</p> | <p>The impact of the changes made have been considered and provided for in <i>mSCOA</i> Version 5.4 already.</p> |

| Act, Guideline or Circular | Regulations, Section and Requirement | Impact on SCOA |
|-------------------------------|--|----------------|
| | <p>decrease of rates; to delete the provisions of section 3(4) and to provide for a rates policy to give effect to the regulations promulgated in terms of section 19(1)(b); to provide that by-laws giving effect to the rates policy must be adopted and published in terms of the Municipal Systems Act, 2000; to provide for the determination of categories of property in respect of which rates may be levied and to provide for a municipality to apply to the Minister for authorisation to sub-categorise property categories where it can show good cause to do so; to regulate the timeframe of publication of the resolutions levying rates and what must be contained in the promulgated resolution; to provide for the Minister to make a decision in terms of section 16(2) with the concurrence of the Minister of Finance; to provide for the exclusion from rates of certain categories of public service infrastructure as well as mining rights or mining permits, to</p> | |

| Act, Guideline or Circular | Regulations, Section and Requirement | Impact on SCOA |
|-------------------------------|---|----------------|
| | <p>provide that infrastructure above the surface in respect of mining property is rateable and the rates are payable by the holder of the mining right or mining permit; to provide that the exclusion from rates in respect of land belonging to a land reform beneficiary is extended to the spouse and dependants; to provide that an exclusion from rates in respect of the seashore lapses if any part thereof is alienated; to provide that a municipality may levy different rates on vacant residential property; to provide that a municipality may not recover rates in respect of a right of exclusive use registered against a sectional title unit from the body corporate; to provide that a person liable for a rate must furnish the municipality with his or her postal address; to provide that municipalities are not required to value properties fully excluded from rates; to provide for the period of validity of a valuation roll to be four years in respect of a</p> | |

| Act, Guideline or Circular | Regulations, Section and Requirement | Impact on SCOA |
|-------------------------------|---|----------------|
| | <p>metropolitan municipality and five years in respect of local municipalities; to provide for the MEC for local government to extend the period of validity of valuation rolls by two additional years where the provincial executive has intervened in terms of section 139 of the Constitution and by one financial year and two financial years for metropolitan and local municipalities respectively on request by a municipality in any exceptional circumstances; to provide that a body corporate, share block company or managing association is required to provide information to a valuer; to delete the requirement for the payment of interest in specific instances; to delete the requirement for the establishment of a valuation appeal board in every district municipality; to provide that a professional associated valuer may be appointed to the valuation appeal board if a professional valuer cannot be appointed; to amend the</p> | |

| Act, Guideline or Circular | Regulations, Section and Requirement | Impact on SCOA |
|-------------------------------|--|----------------|
| | <p>quorum of an appeal board to include the valuer member of the valuation appeal board; to amend the dates on which a supplementary valuation takes effect; to provide for the notification of owners of property affected by a supplementary valuation; to limit coadunation by the MEC for local government through the framework to municipalities only; to provide for more effective monitoring and reporting by municipalities and provinces on critical areas of the implementation of the Act; to extend the Minister's regulatory powers; to provide for the phasing in of certain regulations; to provide for the phasing in of the prohibition on the levying of rates on certain types of public service infrastructure; to provide for transitional arrangements in respect of municipalities that have been affected by a redetermination of municipal boundaries; to provide for transitional arrangements for the implementation of section</p> | |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|--|
| | 8; and to provide for matters connected therewith. | |
| Municipal Management (Act No. 56 of 2003) | Finance Act, 2003 Section 20: Matters to be Prescribed - <i>Matters to be Prescribed - (1)b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function”.</i> | Considered in the set-up of the SCOA segments. |
| | Section 64: Revenue Management | The SCOA classification structure within the component contributes to a <u>management, accounting and information system</u> which recognises revenue when it is earned, accounts for debtors and accounts for receipts of revenue. |
| | Section 68: Budget Implementation | The SCOA classification structure within the component contributes to the proper <u>monitoring of revenue</u> . |

| Act, Regulations, Section and Requirement Guideline or Circular | | Impact on SCOA |
|---|--|---|
| | Section 71: Monthly Budget Statements | The SCOA classification structure within the component contributes to providing “ <u>actual revenue, per revenue sources</u> ”. |
| | Section 72: Mid-year Budget and Performance Assessment | The SCOA classification structure within the component provides the revenue classification to inform the municipalities’ <u>performance during the first half of the</u> year. |
| | Section 121: Preparation and Adoption of Annual Reports | The SCOA classification structure within the component informs the compilation of the <u>Statement of Financial Performance and the budget versus actual results.</u> |
| Constitution No 108 of 1996 | Section 216: Treasury Control National legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing: | <u>SCOA Segments</u> set-up to assist in achieving this constitutional requirement. . |

| Act, Regulations, Section and Requirement Guideline or Circular | | Impact on SCOA |
|---|---|--|
| | <p>a) Generally, recognised accounting practice</p> <p>b) Uniform expenditure classification; and</p> <p>c) Uniform treasury norms and standards</p> <p>The National Treasury must enforce compliance with the measures established in terms of subsection (1), and may stop the measures established in terms of subsection (1), and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of these measures.</p> | |
| Local Government Transition Act, 1993 (Act No. 209 of 1993) | Provide guides on the mandate given to municipalities for providing specific services. | The services had been considered in setting-up the <u>revenue classification</u> as per this component. |
| Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007) (MFPFA) | Section 3: Application of Act | <u>Surcharges and Taxes</u> provided for in the SCOA Classification. |
| Water Services Act, 1997 (Act No. 108 of 1997) | To provide for the gathering of information in national information systems and the | The reporting requirements of the <u>Department of Water Affairs</u> have been |

| Act, Regulations, Section and Requirement Guideline or Circular | | Impact on SCOA |
|--|---|--|
| | distribution of that information; to repeal certain laws; and to provide for matters connected therewith. | considered in the compilation of the SCOA classification framework. |
| Annual Division of Revenue Act, 2011 | Act determines allocation to municipalities. | This act informs the posting level accounts to be set-up for <u>“Transfers and Subsidies from National Departments”</u> . |
| REGULATIONS | | |
| The Municipal Budget and Reporting Regulations,2009 | Section 40: Funding of Expenditure | The revenue classification within the Item Revenue Segment provides for all possible <u>sources of revenue</u> informing the budget reporting tables. |
| CIRCULARS | | |
| Municipal Fiscal Powers and Functions Act Circular No 1: Introduction to the Municipal Fiscal Powers and Functions Act No. 12 of 2007 | Defines “surcharges and taxes”. | The revenue classification provides for “surcharges and taxes” in support of the legislation. |
| Municipal Fiscal Powers and Functions Act Circular No 2: | Reporting requirements | The component provides for a classification for recording taxes and thus |

| Act, Regulations, Section and Requirement Guideline or Circular | Impact on SCOA |
|---|---|
| Verification of Municipal Taxes that existed prior to the introduction of the Municipal Fiscal Powers and Functions Act No. 12 of 2007 | present accordingly in the <u>Budget Reporting Tables and Annual Financial Statements.</u> |
| <ul style="list-style-type: none"> • MFMA Circular 45: 2008/09 MTREF Budget Budgeting for Free Basic Services • MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF • MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF • MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF • MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF | Provision is made for this requirement within the project segment. |
| <ul style="list-style-type: none"> • MFMA Circular 45: 2008/09 MTREF Budget | <ul style="list-style-type: none"> • Budgeting for Revenue and Revenue Foregone • Specific Revenue and Expenditure Items • Revenue Management The <u>revenue classification</u> within the Item Revenue Segment provides for all possible |

| Act, Regulations, Section and Requirement Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|---|
| <ul style="list-style-type: none"> • MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF • MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF | <ul style="list-style-type: none"> • Pricing Services Correctly | <p>sources of revenue informing the budget reporting tables and other reporting formats. Further to this “revenue foregone” is dealt with in the project segment.</p> |
| <p>MFMA Circular 64: Revenue Management</p> | <ul style="list-style-type: none"> • Revenue Management and Revenue Enhancement • Source of Funding Municipalities • Funding the Operating Budget • Funding the Capital Budget • Own Revenue (Property Rates, Trading Service, Own Revenue Sources) • Protecting the Municipal Revenue Base | <p>The <u>revenue classification</u> within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats.</p> |
| <ul style="list-style-type: none"> • MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF • MFMA Circular 51: Municipal Budget | <ul style="list-style-type: none"> • Revising Rates, Tariffs and Other Charges • Eskom Bulk Tariff Increases • Implementation of Municipal Property Rates Act | <p>The <u>revenue classification</u> within the Item Revenue Segment provides for all possible sources of revenue informing the budget</p> |

| Act, Regulations, Section and Requirement Guideline or Circular | Section and Requirement | Impact on SCOA |
|---|---|--|
| <ul style="list-style-type: none"> • Circular for the 2010/11 MTREF • MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF • MFMA Circular 70: Municipal Budget Circular for the 2014/15 MTREF • MFMA Circular 72: Municipal Budget Circular for the 2014/15 MTREF | <ul style="list-style-type: none"> • Introduction of Inclining Block Tariffs • NERSA approval of Municipal Electricity Tariffs/ NERSA process to approve electricity tariffs • Operating Revenue • Solid Waste Tariffs • Verification of Existing Municipal Taxes • Water/ Sanitation Tariffs must be cost reflective | <p>reporting tables and other reporting formats.</p> |
| <p>MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF</p> | <p>Fuel Levy Allocation to Metropolitan Municipalities</p> | <p>The <u>revenue classification</u> within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats.</p> |
| <ul style="list-style-type: none"> • MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF • MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF • MFMA Circular 55: Municipal Budget | <ul style="list-style-type: none"> • Accounting Treatment of Conditional Grants • Interest Received on Conditional Grant Funds • Unspent Conditional Grant Funds • Conditional Transfers to Municipalities • Distinguish between Cash and Non-Cash Transfers and Grants | <p>The <u>revenue classification</u> within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats.</p> |

| Act, Regulations, Section and Requirement Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|--|
| <ul style="list-style-type: none"> • Circular for the 2011/12 MTREF • MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF • MFMA Circular 59: Municipal Budget Circular for the 2012/13 MTREF | <ul style="list-style-type: none"> • Grants and VAT Transactions • Municipal Water Infrastructure Grant and Non-revenue water • Integrated City Development Grant | |
| <p>MFMA Circular 74: Municipal Budget Circular for the 2015/16 MTREF</p> | <ul style="list-style-type: none"> • This Circular provides guidance to municipalities and municipal entities for the preparation of their 2015/16 Budgets and Medium-Term Revenue and Expenditure Framework (MTREF). • The Medium-Term Budget Policy Statement • Local Government Conditional Grants and Additional Allocations • Regulation of a Standard Chart of Accounts for Local Government (<i>mSCOA</i>) • Revising Rates, Tariffs and Other Changes • Operating Revenue • Interpretation of Section 43 of the MFMA (NERSA) | <p>The <u>revenue classification</u> within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats.</p> |

| Act, Guideline or Circular | Regulations, Section and Requirement | Impact on SCOA |
|--|---|---|
| | <p>(Deals with the applicability of Tax and Tariff Capping on Municipalities and the NERSA process to approve electricity tariffs)</p> <ul style="list-style-type: none"> • Eskom Bulk Tariff Increases • Water and Sanitation Tariffs must be Cost Effective • Funding Choices and Management Issues • Budgeting for Unfunded/ Underfunded Mandates • Conditional Transfers to Municipalities • Conditional Grant Issues dealt with in Previous MFMA Circulars • Budgeting for Revenue on Budget Reporting Table A9 • Budgeting for Revenue Foregone and Free Basic Service to Indigents | |
| MFMA Circular 75: Municipal Budget Circular for the 2015/16 MTREF | <ul style="list-style-type: none"> • Transfers to Local Government (AMENDMENT TO MUNICIPAL INFRASTRUCTURE GRANT AND PUBLIC TRANSPORT GRANT) | <p>The revenue classification within the Item Revenue Segment provides for all possible sources of revenue informing the budget reporting tables and other reporting formats.</p> |

| Act, Guideline or Circular | Regulations, Section and Requirement | Impact on SCOA |
|---|---|----------------|
| | <ul style="list-style-type: none"> • Changes in the 2015 Division of Revenue Bill • Revising Rates, Tariffs and Other Changes • Eskom Bulk Tariff Increases • Electricity Levy Increases • Service Level Standards • VAT on Conditional Grants • Conditional Grants Transfers to Municipalities • Times of Municipal Conditional Grant Transfers • Payment Schedules for Transfers • Provincial Allocations and Payment Schedules • Criteria for the Rollover of Conditional Grant Funds • Unspent Conditional Grant Funds for 2014/15 • The Difference between the Collection Rates on Table SA8 and SA10 | |
| MFMA Circular 78: Municipal Budget Circular to the 2016/17 MTREF | <ul style="list-style-type: none"> • To support the newly amalgamated municipalities to undertake a smooth transition, the Municipal Demarcation Transition Grant (MDTG) | |

| Act, Guideline or Circular | Regulations, Section and Requirement | Impact on SCOA |
|----------------------------|--|----------------|
| | <p>was established with a time span of three years (2015/16 to 2017/18). The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect after the 2016 local government elections. The grant only subsidises additional administrative costs related to the mergers (such as merging and changing administrative systems and costs related to transferring staff). It does not provide for any infrastructure funding.</p> <ul style="list-style-type: none"> • The 2016 DoRA will set out the funding that will be provided to the affected municipalities, and these municipalities, CMCs and affected provinces must ensure that they adhere to the conditions attached to the Municipal Demarcation Transition Grant (MDTG) | |

| Act, Regulation, Section and Requirement Guideline or Circular | Impact on SCOA |
|--|--|
| | <ul style="list-style-type: none"> • In particular, business plans must be timeously submitted to the Department of Cooperative Governance and Traditional Affairs so as to ensure that transfers are done in accordance with the payment schedules. • Changes to local government grants. • National Treasury has initiated a process of reviewing development charges. A national draft policy framework on development charges has been developed and processes are underway to consult on the policy. • Annexure A - Changes to Schedule A1. • A10 Cost of Free Basic Services. • SA1 Revenue Foregone. • SA9 Provision of Free Basic Services. |

Expenditure

The table below provides the Acts, Regulations, Guidelines or Circulars identified having an impact on the classification provided for in *mSCOA* and specifically the Item Expenditure segment as discussed in this section:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|---|
| LEGISLATION | | |
| Municipal Finance Management Act, 2003 (Act No. 56 of 2003) | Section 17: Contents of Annual Budgets and Supporting Documents | <u>Appropriating expenditure</u> for the budget year under the different votes of the municipality is dealt with in this component (Expenditure) of the Item Segment together with the Function Segment. |
| | Section 20: Matters to be Prescribed - | Matters to be Prescribed - (1) b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|---|---|--|
| | | other function". <u>Considered in the set-up of the SCOA segments.</u> |
| | Section 41: Monitoring of Prices and Payments for Bulk Resources Section 42: Price Increases of Bulk Resources for the Provision of Municipal Services | <u>Bulk purchases</u> for example electricity is provided for in the classification structure for this component (Expenditure) of the Item Segment. |
| | Section 65: Expenditure Management | This component provides for the <u>expenditure classification</u> inherent to maintaining an accounting and management reporting system. |
| | Section 66: Expenditure on Staff Benefits | The requirements of this section are provided for in the group of accounts set-up in this component for |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|---|--|---|
| | | <u>“Employee Related Cost”</u> . |
| | Section 67: Funds Transferred to Organisations and Bodies outside Government | The requirements of this section are provided for in the group of accounts set-up in this component for “Transfers and Subsidies” . |
| | Section 71: Monthly Budget Statements | The SCOA classification structure within the component contributes to providing <u>“actual expenditure by vote”</u> . |
| | Section 72: Mid-year Budget and Performance Assessment | The SCOA classification structure within the component provides the revenue classification to inform the municipality’s <u>performance during the first half of the year</u> . |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|---|--|--|
| | Section 121: Preparation and Adoption of Annual Reports | The SCOA classification structure within the component informs the compilation of the <u>Statement of Financial Performance and the budget versus actual results.</u> |
| | Section 123: Disclosures on Intergovernmental and Other Allocations | The Item Segment within the SCOA classification structure provides for the information for disclosure purposes on Transfers and Subsidies Made. |
| Constitution No 108 of 1996 | Section 216: Treasury Control National legislation must establish a National Treasury and prescribe measures to ensure both transparency and prescribe measures to ensure both transparency | <u>SCOA Segments</u> set-up to assist in achieving this Constitutional requirement. . |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|---|---|----------------|
| | <p>and expenditure control in each sphere of government by introducing:</p> <ul style="list-style-type: none"> d) Generally, recognised accounting practice; e) Uniform expenditure classification; and f) Uniform treasury norms and standards <p>The National Treasury must enforce compliance with the measures established in terms of subsection (1), and may stop the measures established in terms of subsection (1), and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of these measures.</p> | |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|---|--|--|
| Water Services Act, 1997 (Act No. 108 of 1997) | To provide for the gathering of information in a national information system and the distribution of that information; to repeal certain laws; and to provide for matters connected therewith. | The reporting requirements of the Department of Water Affairs have been considered in the compilation of the SCOA classification framework. |
| REGULATIONS | | |
| The Municipal Budget and Reporting Regulations, 2009 | Chapter 1, Part 3, Paragraph 10 Funding of Expenditure and Paragraph 11 Funding of Capital Expenditure A5: Capex SA 10: Funding Measurement | The SCOA Classification Framework informs the <u>Budget Reporting Tables and the Annual Financial Statements.</u> |
| CIRCULARS | | |
| MFMA Circular 45: 2008/09 MTREF Budget | Specific Revenue and Expenditure Items | Provision is made for this requirement within this component (Expenditure) of the <u>Item segment.</u> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|--|--|
| <ul style="list-style-type: none"> • MFMA Circular 45: 2008/09 MTREF Budget • MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF • MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF • MFMA Circular 70: Municipal Budget Circular for the 2014/15 MTREF • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF | <ul style="list-style-type: none"> • Budgeting for Maintenance • Focus on Repairs and Maintenance • Renewal and Repairs and Maintenance of Existing Assets • Under Spending on Repairs and Maintenance | <p>The <u>expenditure classification</u> within the Item Segment provides for all possible expense items on “maintenance and repairs” provided for as a project in the <u>Project Segment</u>.</p> |
| <ul style="list-style-type: none"> • MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF • MFMA Circular 59: Municipal Budget Circular for the 2012/13 MTREF • MFMA Circular 64: Revenue Management | <ul style="list-style-type: none"> • Focus on Personnel Budget • The ratio of Personnel Expenditure to Operating Expenditure • Employee Related Costs | <p><u>Employee Related Cost</u> within the expenditure component of the Item Segment provide for a detail classification.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|--|
| <ul style="list-style-type: none"> • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF • MFMA Circular 70: Municipal Budget Circular for the 2014/15 MTREF • MFMA Circular 72: Municipal Budget Circular for the 2014/15 MTREF | | |
| <ul style="list-style-type: none"> • MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF • MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF • MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF • MFMA Circular 59: Municipal Budget Circular for the 2012/13 MTREF | <ul style="list-style-type: none"> • Eskom Bulk Tariff Increases | <p><u>Bulk purchases</u> of electricity are provided for in this component of the Item Segment.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|----------------|
| <ul style="list-style-type: none"> • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF • MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF • MFMA Circular 72: Municipal Budget Circular for the 2014/15 MTREF | | |
| <ul style="list-style-type: none"> • MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF • MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF | <ul style="list-style-type: none"> • Spending on non-priorities • Eliminating Non-Priority Spending • Cellular Telephone and Data Contract Policy • Cost Containment Measures | |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|--|--|
| <ul style="list-style-type: none"> • MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF | <ul style="list-style-type: none"> • Revaluations in terms of GRAP 17 and the treatment of Depreciation in the Budget • Debt Impairment, Depreciation and Other Non-Cash Expenditure Items | <p><u>Bulk purchases</u> of electricity are provided for in this component of the Item Segment.</p> |
| <ul style="list-style-type: none"> • MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF • MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF • MFMA Circular 70: Municipal Budget Circular for the 2014/15 MTREF • MFMA Circular 72: Municipal Budget | <ul style="list-style-type: none"> • Benefits to Mayors and Councillors • Remuneration of Councillors | <p><u>Councillor's remuneration</u> is provided for in this component of the Item Segment.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|--|
| Circular for the 2014/15 MTREF | | |
| <ul style="list-style-type: none"> • MFMA Circular 74 • MFMA Circular 75 | Municipal Budget Circular for the 2015/16 MTREF | Discussion of various matters relevant to the preparation of municipal budgets. <u>Nothing was identified that is not addressed in the mSCOA Tables.</u> |
| MFMA Circular 78 | Municipal Budget Circular for the 2016/17 MTREF | Discussion of various matters relevant to the preparation of municipal budgets. <u>In addition, provision needs to be made in mSCOA Tables Version 5.5 for the Municipal Demarcation Transition Grant (MDTG).</u> |
| MFMA Circular 85 MFMA Circular 86 | Municipal Budget Circular for the 2017/18 MTREF | Discussion of various matters relevant to the preparation of municipal budgets. |
| MFMA Circular 89 MFMA Circular 91 | Municipal Budget Circular for the 2018/19 MTREF | Discussion of various matters relevant to the |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on SCOA |
|--|---|---|
| | | preparation of municipal budgets. |
| MFMA Circular 93 MFMA Circular 94 | Municipal Budget Circular for the 2019/20 MTREF | Discussion of various matters relevant to the preparation of municipal budgets. |
| MFMA Circular 98 MFMA Circular 99 | Municipal Budget Circular for the 2020/21 MTREF | Discussion of various matters relevant to the preparation of municipal budgets. |
| MFMA Circular 107 MFMA Circular 108 | Municipal Budget Circular for the 2021/22 MTREF | Discussion of various matters relevant to the preparation of municipal budgets. |
| | | |

Gains and Losses

The research and development into the item: gains and losses segment, categories and detail accounts were guided by the legislation and regulations read with circulars and guidelines issued by the National Treasury. Post 1 July 2017, the National Treasury also issued guidelines on *m*SCOA implementation through *m*SCOA and MFMA circulars

The legislation regulation and circulars pertaining to *m*SCOA are summarised in the table below:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|--|---|
| LEGISLATION | | |
| Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) | <p>Section 32: Unauthorised, Irregular or Fruitless and Wasteful Expenditure</p> <p>Section 78(1)(c): Senior Managers and Officials of Municipalities need to take all reasonable steps that any unauthorised, irregular, fruitless and wasteful expenditure and any other losses are prevented.</p> <p>Section 102: Irregular or Fruitless and Wasteful Expenditure</p> | <p>Gains and losses are difficult to estimate for budget preparation. These non-routine transactions may have a significant impact on “unauthorised and fruitless expenditure” if not adequately budgeted for.</p> |
| | <p>Section 125: Other Compulsory Disclosures</p> | <p>The information provided for in this segment will assist in the reporting of “any material losses and any material irregular or fruitless and wasteful expenditure”, including in the case of a municipality, any material unauthorised</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|---|--|
| | | expenditure, which occurred during the financial year and whether these are recoverable. |
| | Section 122: Preparation of Annual Financial Statements – “Both annual financial statements and consolidated annual financial statements must be prepared in accordance with generally recognised accounting practice prescribed in terms of section 91(1)(b) of the Public Finance Management Act, 1999. | The classification provided for in this component is based on the Standards of GRAP and this supports the compilation of annual financial statements on this basis. |
| Constitution No 108 of 1996 | Section 216: Treasury Control National legislation must establish a national treasury and prescribe measures to ensure both transparency and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing: g) Generally, recognised accounting practice h) Uniform expenditure classification; and | The Segments are set-up to assist in the extraction of information to use in the rates assessment process. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|--|---|--|
| | <p>i) Uniform treasury norms and standards</p> <p>The National Treasury must enforce compliance with the measures established in terms of subsection (1), and may stop the measures established in terms of subsection (1), and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of these measures.</p> | |
| REGULATIONS | | |
| Municipal Budget and Reporting Regulations, 2009 | Consistency in bases of measurement and accounting policies | Consideration will be given to this requirement in aligning budget reporting and the annual financial statements format and layout. |
| CIRCULARS | | |
| MFMA Circular 70 Municipal Finance Management Act | Municipal Budget Circular for the 2014/15 MTREF Annexure B – Accounting Treatment for Non-Revenue Water and Electricity | Illustrating the accounting entries to be applied for the recording of water and electricity losses. |

Assets, Liabilities and Net Assets

The research and development into the Item segment: Assets, categories and detail accounts, were guided by the legislation and regulations read with circulars and guidelines issued by the National Treasury and summarised in the table below. Furthermore, brief comments on the impact of the requirement are included in the column “Impact on *mSCOA*”:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|--------------------------------------|---|
| LEGISLATION | | |
| Local Government Municipal Management Act, 2003 (Act No. 56 of 2003) | Section 20: Matters to be Prescribed | Matters to be Prescribed - (1) b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function”. <u>Considered in the set-up of the <i>mSCOA</i> segments.</u> |
| | Section 45: Short-term Debt | Short-term Debt is classified within the category for <u>current liabilities</u> within this component of the Item Segment. |
| | Section 46: Long-term Debt | Long-term Debt is classified within the category for <u>non-current liabilities</u> within this |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|--|--|
| | | component of the Item Segment. |
| | Section 49: Disclosure | The <i>m</i> SCOA classification structure informs reporting and this disclosure within the annual financial statements. |
| | Section 63: Asset and Liability Management | The <i>m</i> SCOA classification structure assists the accounting officer in maintaining a <u>system of internal controls and an accounting and information system</u> to account for assets and liabilities. |
| | Section 64: Revenue Management | The <i>m</i> SCOA classification structure within the component contributes to a <u>management, accounting and information system</u> which recognises revenue when it is earned, accounts for debtors, and accounts for receipts of revenue. |
| | Section 65: Expenditure Management | The <i>m</i> SCOA classification structure within the |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|--|---|
| | | component contributes to accounting for creditors . |
| | Section 71: Monthly Budget Statements | The <i>m</i> SCOA classification structure within the component contributes to providing <u>“actual expenditure by vote”</u> . |
| | Section 72: Mid-year Budget and Performance Assessment | The <i>m</i> SCOA classification structure within the component provides the revenue classification to inform the municipality’s <u>performance during the first half of the</u> year. |
| | Section 121: Preparation and Adoption of Annual Reports | The <i>m</i> SCOA classification structure within the component informs the compilation of the <u>Statement of Financial Performance and the budget versus actual results</u> . |
| | Section 122: Preparation of Annual Financial Statements – “Both annual financial statements and consolidated annual financial statements must be prepared in accordance with generally recognised accounting practice prescribed | The classification provided for in this component is based on the Standards of GRAP and this supports the compilation of annual financial statements on this basis. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|--|---|
| | in terms of section 91(1)(b) of the Public Finance Management Act, 1999. | |
| | Section 123: Disclosures on Intergovernmental and Other Allocations | The Item Segment within the <i>m</i> SCOA classification structure provides for the information for disclosure purposes on <u>transfers and subsidies made and received.</u> |
| | Section 124: Other Compulsory Disclosures | The <i>m</i> SCOA classification structure assist in providing the information required for <u>disclosing in the notes to the annual financial statements</u> the following information: <ol style="list-style-type: none"> 1. Name and type of bank accounts 2. Opening and closing balances in the above bank accounts 3. Summary of all investments |
| | Section 164: Forbidden Activities | The <i>m</i> SCOA classification structure provides for the classification of transactions to reveal instances of engaging in forbidden activities. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|--|---|
| The Constitution | <p>Section 216: Treasury Control</p> <p>4. National legislation must establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing:</p> <ul style="list-style-type: none"> j) Generally, recognised accounting practice k) Uniform expenditure classification; and l) Uniform treasury norms and standards <p>5. The National Treasury must enforce compliance with the measures established in terms of subsection (1), and may stop the measures established in terms of subsection (1), and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of these measures.</p> | <p>Segments set-up to assist in the extraction of information to use in the reporting process</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|--|--|
| Water Services Act, 1997 (Act No. 108 of 1997) | To provide for the gathering of information in national information system and the distribution of that information; to repeal certain laws; and to provide for matters connected therewith. | The reporting requirements of the <u>Department of Water Affairs</u> have been considered in the compilation of the <i>m</i> SCOA classification framework. |
| REGULATIONS | | |
| Municipal Budget and Reporting Regulations, 2009 | Consistency in bases of measurement and accounting policies | Consideration will be given to this requirement in <u>aligning budget reporting and the annual financial statements</u> format and layout. |
| CIRCULARS | | |
| MFMA Circular 8 | Forbidden Loans | The <i>m</i> SCOA classification structure provides for the classification of transactions to reveal instances of engaging in <u>forbidden activities</u> . |
| MFMA Circular 26 | Long Term Borrowing | Long-term Debt is classified within the category for <u>non-current liabilities</u> within this component of the Item Segment. |

| Act, Guideline or Circular | Regulations, | Section and Requirement | Impact on <i>m</i> SCOA |
|--|---|---|-------------------------|
| <ul style="list-style-type: none"> • MFMA Circular 48: Municipal Budget Circular for the 2009/10 MTREF | Accounting Treatment of Conditional Grants. | <p><u>Transfers and Subsidies</u> provided for in this classification for transfers and subsidies not yet received and unspent balances.</p> | |
| <ul style="list-style-type: none"> • MFMA Circular 51: Municipal Budget Circular for the 2010/11 MTREF | | | |
| <ul style="list-style-type: none"> • MFMA Circular 55: Municipal Budget Circular for the 2011/12 MTREF | | | |
| <ul style="list-style-type: none"> • MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF | | | |
| <ul style="list-style-type: none"> • MFMA Circular 59: Municipal Budget Circular for the 2012/13 MTREF | | | |
| <ul style="list-style-type: none"> • MFMA Circular 66: Municipal Budget Circular for the 2013/14 MTREF | | | |
| <ul style="list-style-type: none"> • MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF | | | |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|--|--|--|
| <ul style="list-style-type: none"> MFMA Circular 70: Municipal Budget Circular for the 2014/15 MTREF | | |
| <ul style="list-style-type: none"> MFMA Circular 58: Municipal Budget Circular for the 2012/13 MTREF MFMA Circular 72: Municipal Budget Circular for the 2014/15 MTREF | Cash Backing Provided in Capital Replacement Reserve | <u>Capital Replacement Reserves</u> provided for in this component of the Item Segment and linked in <u>the Funding Segment</u> to the “cash backing”. |
| MFMA Circular 61 | Banking, Overdraft and Investment | <u>Bank overdraft and investments</u> provided for in this component of the Item Segment. |
| MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF | Unbundling of Investments | <u>Investments</u> provided for in this component of the Item Segment. |
| MFMA Circular 64: Revenue Management | Revenue Enhancement and Debt Management | Detail classification provided for in this component of the Item Segment for <u>Accounts Receivable</u> . |
| MFMA Circular 67: Municipal Budget Circular for the 2013/14 MTREF | Unbundling of Debtors | |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|--|--|--|
| MFMA Municipal Circular for the MTREF | Circular 66: Debt Impairment, Depreciation and other Non-Cash Expenditure | |
| MFMA Municipal Circular for the MTREF | Circular 67: Municipal Water Infrastructure Grant and Non-Revenue Water and Water Balance Reporting including Reporting on Water Losses | Provision made within Inventory of this component of the Item Segment for Water Balance. |
| MFMA Municipal Circular for the MTREF | Circular 74: Local government budget and financial management reforms | Guidance on implementation of Regulation of a 'Standard Chart of Accounts' (SCOA) for local government |
| MFMA Municipal Circular for the MTREF | Circular 75: <i>m</i> SCOA Training | Guidance on <i>m</i> SCOA accredited, non-accredited and training provided by service providers |
| MFMA Municipal Circular for the MTREF | Circular 78: Dedicated <i>m</i> SCOA Website | Publishing guidance on <i>m</i> SCOA implementation in dedicated <i>m</i> SCOA website |
| MFMA Municipal Circular for the MTREF | Circular 79: Further <i>m</i> SCOA implementation guidance | Guidance on <i>m</i> SCOA implementation |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|---|--|
| MFMA Circular 80: Municipal Financial Systems and Processes requirements in support of the Municipal Standard Chart of Accounts (<i>mSCOA</i>) | Municipal Financial Systems and Business Processes in requirements in support of the Municipal Chart of Accounts (<i>mSCOA</i>) | Publishing Addendum to Circular 80: Application of RT25-2016 – Transversal Awards Annexure B: Business Processes and System specifications in support of <i>mSCOA</i> |
| MFMA Circular 85: Municipal Budget Circular for the 2017/18 MTREF | Further <i>mSCOA</i> implementation guidance | Publish requirements to be <i>mSCOA</i> compliant by 01 July 2017. |
| MFMA Circular 86: Municipal Budget Circular for the 2017/18 MTREF | Further <i>mSCOA</i> implementation guidance | Requirements on for data strings uploaded to LG Database in respect of tabled 2017/18 MTREF and IDP |
| MFMA Circular 89: Municipal Budget Circular for the 2018/19 MTREF | Further <i>mSCOA</i> implementation guidance | Amendments of <i>mSCOA</i> implementation errors during the adjustments budget. The impact of <i>mSCOA</i> on the virement policy. Clarification of core and non-core functions; 2018/19 <i>mSCOA</i> Audit process |
| MFMA Circular 91: Municipal Budget Circular for the 2018/19 MTREF | Upload of the <i>mSCOA</i> budget data strings to the LG upload portal | The deadlines for submission of the MBRR documents are also |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|--|---|--|
| | | applicable to the <i>m</i> SCOA data strings. |
| MFMA Municipal Circular for the 2019/20 MTREF | Circular 93: Further <i>m</i> SCOA implementation guidance | Release of Version 6.3 of the Chart. Amendments of adopted budget errors during the adjustments budget. Changing of the Core Financial System. Annexure D to <i>m</i> SCOA Circular 71; Aligning financial indicators to <i>m</i> SCOA dashboard |
| MFMA Municipal Circular for the 2019/20 MTREF | Circular 94: Further <i>m</i> SCOA implementation guidance | Virement in an <i>m</i> SCOA environment. NT developed <i>m</i> SCOA training materials on the fundamentals and reporting requirements of <i>m</i> SCOA. |
| MFMA Municipal Circular for the 2020/21 MTREF | Circular 98: Further <i>m</i> SCOA implementation guidance | Release of Version 6.4 of the Chart. Budgeting, transacting and reporting in an <i>m</i> SCOA environment. Changing of the Core Financial System. Submission of Borrowing Monitoring and Investment Monitoring Data Strings. Cash Flow Reconciliation. |

| Act, Guideline or Circular | Regulations, | Section and Requirement | Impact on <i>m</i> SCOA |
|--|---------------------------------------|---|---|
| | | | Addendum on Treatment of Water Inventory. |
| MFMA Municipal Circular for the 2020/21 MTREF | Circular 99: Budget | Further <i>m</i> SCOA implementation guidance | Release of Version 6.4.1 of the Chart. Use of funding segment, balance sheet budgeting and movement accounting to populate the cash flow tables. Capital Projects using Internally Generated Funding |
| MFMA Municipal Circular for the 2021/22 MTREF | Circular 107: Budget | Further <i>m</i> SCOA implementation guidance | Release of Version 6.5 of the Chart. Budgeting and Reporting for the COVID-19 pandemic and water inventory. Revised Municipal Property Rates Act Categories. Forbidden activities. Independent Audits on Municipal Financial Systems. Regulation of Minimum Business Processes and <i>m</i> SCOA System Specifications. Non-compliance with <i>m</i> SCOA requirements. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|---|---|
| | | <p>Extension and Procuring of Service Level Agreements (SLA) for Financial Systems.</p> <p>Cash flow reconciliation.</p> <p><i>mSCOA</i> Calendar for 2021/22.</p> |
| <p>Municipal SCOA Implementation</p> | <p>1: <i>mSCOA</i> is a business reform</p> | <p>Introduces the Municipal Regulations on a Standard Chart of Accounts (<i>mSCOA</i>) to non-pilot municipalities in preparation for full <i>mSCOA</i> compliance by 1 July 2017</p> |
| <p>Municipal SCOA Implementation</p> | <p>2: <i>mSCOA</i> implementation guidance</p> | <p>Guidance on:</p> <p>Municipal SCOA (<i>mSCOA</i>) reading material.</p> <p>Municipal Charts of Accounts Training / Skills Programme.</p> <p>How to structure the municipality's <i>mSCOA</i> Project Plan.</p> <p><i>mSCOA</i> – Project Work Streams.</p> |
| <p>Municipal SCOA Implementation</p> | <p>3: <i>mSCOA</i> implementation guidance continue</p> | <p>Guidance on:</p> <p><i>mSCOA</i> and the audit value chain.</p> <p><i>mSCOA</i> and municipal entities</p> <p><i>mSCOA</i> Frequently Asked Questions</p> <p><i>mSCOA</i> project management support</p> |

| Act, Regulations, Guideline or Circular | Regulations, | Section and Requirement | Impact on <i>m</i> SCOA |
|---|--------------|--|---|
| | | | Early adoption of <i>m</i> SCOA <i>m</i> SCOA Training what is available |
| Municipal Implementation | SCOA | 4: <i>m</i> SCOA implementation guidance continue | Guidance on: Discussion – Frequently Asked Questions. <i>m</i> SCOA Project Implementation – Support. Provincial Treasury Support <i>m</i> SCOA Implementation. Self-Assessment Tool – Municipalities and Provincial Treasuries |
| Municipal Implementation | SCOA | 5: <i>m</i> SCOA implementation guidance continue | Guidance on: The Regional Segment. Discussion – Frequently Asked Questions - Continue. Linking Projects to the Budget and IDP. Data set preparation – general considerations. Impact of local government elections on <i>m</i> SCOA implementation. Training Support MFMA Circular 80 – request to conduct an ICT due diligence: all municipalities. |
| Municipal Implementation | SCOA | 6: <i>m</i> SCOA implementation guidance continue | Guidance on: ' <i>m</i> SCOA chart version 5.5' and the way forward. Local Government integrated financial management and |

| Act, Regulations, Guideline or Circular | Regulations, | Section and Requirement | Impact on <i>m</i> SCOA |
|---|------------------|--|--|
| | | | <p>internal control systems – <i>the RT25 transversal procurement process and what it means.</i></p> <p><i>m</i>SCOA – Training</p> <p>What should a municipality (pilot and non-pilot) be doing during August/ September 2016.</p> |
| Municipal Implementation | SCOA | 7: Guide on Construction Work in Progress (CWIP) | <p>Guidance on:</p> <p>How to treat CWIP in the <i>m</i>SCOA environment.</p> |
| Annexure to SCOA 7: Implementation | Municipal | Provides further guidance on the use of the chart for the recording of transactions relating to CWIP | <p>Guidance on:</p> <p>Frequently ask questions on CWIP and the <i>m</i>SCOA.</p> <p>How is an impairment of an asset under construction be recorded in the <i>m</i>SCOA?</p> <p>How should a municipality record the sale of an asset under construction?</p> <p>How should a municipality record the acquisition of an asset under construction?</p> |
| Municipal Implementation | SCOA | 8: Virement Policies in Municipalities | <p>Guidance on Virement Policies in Municipalities.</p> |
| Municipal Implementation | SCOA | 9: Reporting on COVID-19 using the <i>m</i> SCOA chart | <p>Guidance on:</p> <p>Funding COVID-19 expenditure.</p> <p>Categories of COVID-19 reporting.</p> <p>How to use the <i>m</i>SCOA Chart to record COVID-19 related allocations and expenditure.</p> |

| Act, Guideline or Circular | Regulations, | Section and Requirement | Impact on <i>m</i> SCOA |
|---------------------------------|--------------|--|--|
| | | | Special Adjustments Budget for the 2019/20 municipal financial year. |
| Municipal Implementation | SCOA | 10: Cash flow guidance | Guidance on: Use of the funding segment to populate cash flow information |
| Municipal Implementation | SCOA | 11: Guidance on the use of the Fund segment | Guidance on: Clarification on unresolved cash flow issues Movement accounting and the fund segment. |
| Municipal Implementation | SCOA | 12: Value Added Tax | Guidance on the application of movement accounting in the <i>m</i> SCOA chart , Vat on Conditional Grants, Foreign Donor Funded Projects |

Funding

The research and development into the Funding segment, categories and detailed accounts were guided by the legislation and regulations read with circulars and guidelines issued by the National Treasury and are summarised in the table below. Furthermore, brief comments on any changes proposed to a circular or guideline (issued by the National Treasury) following the *m*SCOA Regulations, 2014 are included in the “Proposed Changes Column” of the table:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on “Funding” Segment |
|--|---|---|
| LEGISLATION | | |
| Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004) | Section 22(3)(c): Special Rating Areas – “must establish separate accounting and other record-keeping system ...” | Provided for a classification for <u>special rating areas</u> for municipalities to define and add projects based on unique requirements. |
| Municipal Finance Management Act, 2003 (Act No. 56 of 2003) | Section 18: Funding of Expenditure Section 19: Capital Projects | <u>“Funding” segment</u> provides the link within the <i>m</i> SCOA Classification Structure to indicate the funding source applied, the specific expenditure incurred and what has been done within the funds as indicated by the respective project. |
| | Section 20: Matters to be Prescribed - <i>Matters to be Prescribed - (1)b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function”.</i> | Considered in the set-up of the <i>m</i> SCOA segments. |
| | Section 21: Budget Preparation Process | <u>Integrated Development Plan</u> is the underlying principles applied in setting up the classification structure within this segment. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on “Funding” Segment |
|---|---|--|
| | Section 30: Unspent Funds | <u>Information</u> retained in this segment to assist in managing spending of funds within the context of the approved budget. |
| | Section 31: Shifting of Funds between Multi-Year Expenditure | The “Project” segment provides the information on the expenditure incurred within the reporting period compared to the budget allocated to the project. The <u>funding source</u> within the “Fund” segment will indicate the funds available for a specific project. |
| | Section 45: Short-term Debt Section 46: Long-term Debt Section 47: Conditions applying to both Short and Long-term Debt | <u>Debt provided for in the “Funding” segment</u> and accordingly provides information on spending and the related project. |
| | Section 62(1)(b): General Financial Management Functions | Full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed <u>norms and standard</u> – The <i>mSCOA</i> Regulations provide for the “Project” segment as part of the <i>mSCOA</i> Classification. |
| | Section 71: Monthly Reporting Section 72: Mid-year Budget and Performance Assessment Section 122: Preparation of Financial Statements | The basis for <u>reporting</u> on funding derived from the information contained in this segment. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on “Funding” Segment |
|---|--|---|
| | Section 123: Disclosures on Intergovernmental and Other Allocations | The projects as defined within the Project segment together with the “funding” and “Item” segments provide information on how <u>funds have been spent</u> and on what. |
| Constitution of the Republic of South Africa, 1996 | Section 216: Treasury Control | This segment as provided for in the <i>mSCOA</i> Regulation contributes to the responsibility of National Treasury in prescribing measures to ensure both transparency and expenditure control in each sphere of government, by introducing <u>uniform expenditure classifications and treasury norms and standards.</u> |
| Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) | Section 4: Rights and Duties of Municipal Council | Provided for “Taxes: Other Taxes (New Taxes) and Surcharges” within the “Fund” segment. |
| Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007) | Section 6(b)(ii): ...in respect of a specific purpose tax limit, the purpose for which the revenue derived may be utilised | The <u>specific source of funding</u> within the “Funding” segment links the revenue collected to specific projects earmarked. |
| REGULATION | | |
| Municipal Budget and Reporting Regulations, 2009 | Chapter 1, Part 3, Paragraph 10 Funding of Expenditure and | Reporting tables to be expanded. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on “Funding” Segment |
|---|--|--|
| | Paragraph 11 Funding of Capital Expenditure A5: Capex SA 10: Funding Measurement | |
| CIRCULARS | | |
| Municipal Structures Act, 1998 (Act No. 117 of 1998) | None | |
| MFMA Circular 74 – Municipal Budget Circular for 2015/16 MTREF | Local Government Conditional Grants and Additional Allocations | <p>A new grant proposed to fund the anticipated administrative costs of municipalities in KwaZulu-Natal and Gauteng that will be affected by amalgamations after the 2016 local government elections.</p> <p>Additions are proposed for the Regional Bulk Infrastructure Grant and Municipal Water Infrastructure Grant. These allocations are intended to allow government to accelerate the provision of clean water to households.</p> <p>Changes proposed from the review of government infrastructure grants:</p> <ul style="list-style-type: none"> • Rationalising four grants administered by the Department of Water Affairs and Sanitation. <i>These grants have overlapping objectives – Municipal Water</i> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on “Funding” Segment |
|---|--|---|
| | | <p><i>Infrastructure Grant, Water Service Operating Subsidy Grant, Rural Households Infrastructure Grant and Regional Bulk Infrastructure Grant.</i></p> <ul style="list-style-type: none"> • Merging the Public Infrastructure Grant and the Public Transport Network Operations Grant into a single grant that provides more flexibility to cities in choosing public transport solutions. |
| <p>MFMA Budget Circular No. 99 Municipal Budget Circular for the 2020/21 MTREF</p> | <p>Use of Funding Segment to populate the cash flow tables</p> | <p>Balance sheet budgeting with movement accounting linked to the correct fund source for the population of the cash flow in the MBRR regulated schedule A7 and supporting schedule SA 30.</p> |
| <p>Municipal SCOA 10: Implementation</p> | <p>Cash flow guidance</p> | <p>Guidance on: Use of the funding segment to populate cash flow information</p> |
| <p>Municipal SCOA 11: Implementation</p> | <p>Guidance on the use of the Fund segment</p> | <p>Guidance on: Clarification on unresolved cash flow issues Movement accounting and the fund segment.</p> |

Region

The research and development into the Regional segment, in creating categories and detail accounts were guided by the legislation and regulations read with circulars and guidelines issued by the National Treasury and summarised in the table below. Furthermore, brief

comments on any proposed changes to a circular or guideline (issued by the National Treasury) following the *mSCOA* Regulations are included in the “Proposed Changes Column” of the table below:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|--|---|
| LEGISLATION | | |
| <p>Local Government Municipal Property Rates Act, 2004 (Act No 6. of 2004)</p> | <p>Section 22(3): “when a municipality determines a special rating area, the municipality:</p> <p>(a) Must determine the boundaries of the area;</p> <p>(b) Must indicate how the area is to be improved or upgraded by funds derived from the additional rate;</p> <p>(c) Must establish separate accounting and other record-keeping systems regarding:</p> <p>(i) the revenue generated by the additional rate; and</p> <p>(ii) (ii) the improvement and upgrading of the area;</p> | <p>Item to be indicated in the categories under Property Rates in the item segment. It will then be linked to the respective “Regional” segment to provide the regional segment in the data string.</p> |
| <p>Municipal Finance Management Act, 2003 (Act No. 56 of 2003)</p> | <p>Section 62(1)(b): General Financial Management Functions</p> | <p>Full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards – The <i>mSCOA</i></p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|--|--|--|
| | | Regulation provides for the “Regional” segment as part of the <i>m</i> SCOA Classification. |
| | <p>Section 20: Matters to be Prescribed - <i>Matters to be Prescribed - (1)b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function”.</i></p> | Considered in the set-up of the <i>m</i> SCOA segments. |
| | <p>Section 21: Budget Preparation Process Section 71: Monthly Reporting Section 72: Mid-year Budget and Performance Assessment Section 122: Preparation of Financial Statements</p> | Consider the inclusion of a statement in terms of the requirements of the Standards of GRAP 18 on Segmental Reporting in the Budget Reporting Tables. |
| <p>Local Government Municipal Systems Act, 2000 (Act No. 117 of 2000)</p> | <p>Section 85: Establishment of Internal Municipal Service Districts</p> | <p>Regional areas to be defined by municipalities within the segment outline.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|---|--|
| Local Government Municipal Structures Act, 1998 (Act No. 11 of 1998) | Section 7: Types of Municipalities - General Section 72: Only metropolitan and local municipalities of certain types may have ward committees | Regional areas to be defined by municipalities within the segment outline. |
| REGULATION | | |
| Municipal Budget and Reporting Regulations, 2009 | None | Consider the inclusion of a statement in terms of the requirements of the Standards of GRAP 18 on Segmental Reporting in the Budget Reporting Tables. |
| CIRCULARS | | |
| MFMA Circular 13 – Service Delivery and Budget Implementation Plan (SDBIP) | Ward information for expenditure and service delivery – It is important to recognise that councillors and the community will also benefit from a further breakdown of information on service into municipal wards. This may be achieved by incorporating under each Government Finance Statistics (GFS) | Regional areas to be defined by municipalities within the segment outline. The multi-dimensional nature provides the link between “Regional” segment, capital and operational projects. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|---|--|
| | sub-function the various ward data. | |
| | Detailed capital works plan broken down by ward over three years. | |
| Municipal SCOA Implementation | 5: <i>m</i> SCOA implementation guidance continue | Guidance on: The Regional Segment. Discussion. |

Costing

The research and development into the Costing segment, categories and detail accounts were guided by the legislation and regulations read together with circulars and guidelines issued by the National Treasury and are summarised in the table below. Furthermore, brief comments on any changes to a circular or guideline (issued by the National Treasury) following the *m*SCOA Regulations are included in the “Proposed Changes Column” of the table:

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|---|--|--|
| LEGISLATION | | |
| Local Government Municipal Property Rates Act, 2004 (Act No. 6 of 2004) as amended | Section 3: Rates Policy Section 5: Annual Review of Rates Section 8: Differential Rates Section11: Amount due for Rates | Segments set-up to assist in the extraction of information to use in the rates assessment process. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|--|--|
| Local Government Municipal Management Act, 2003 (Act No. 56 of 2003) | <p>Section 20: Matters to be Prescribed - (1)b(iv) “uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function”.</p> <p>Section 41: Monitoring of Prices and Payments for Bulk Resources</p> <p>Section 42: Price Increases of Bulk Resources for Provision of Municipal Services</p> <p>Section 43: Applicability of Tax and Tariff Capping on Municipalities</p> | <p>Considered in the set-up of the <i>mSCOA</i> segments.</p> |
| Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) | <p>Section 74(2): Tariff Policy</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| Water Services Act, 1997 (Act No. 108 of 1997) | <p>Section 10: Norms and Standards for Tariffs</p> | <p><i>mSCOA</i> Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|---|---|
| The Constitution | <p>Section 216: Treasury Control</p> <p>6. National legislation must establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing:</p> <ul style="list-style-type: none"> m) Generally, recognised accounting practice n) Uniform expenditure classification; and o) Uniform treasury norms and standards <p>7. The National Treasury must enforce compliance with the measures established in terms of sub-section (1), and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of these measures.</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| Local Government Transition Amendment Act, 1996 (Act No. 97 of 1996) | <p>Section 5: Sewerage</p> <p>(j): the determination of a uniformly structured bulk tariff for</p> | <p>Segments set-up to assist in the extraction of information to use in the</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|--|--|---|
| | <p>the purification and bulk conveyance of sewerage;</p> <p>(k): the development of a uniform basis for the structuring of user tariffs</p> | <p>rates assessment process.</p> |
| <p>Electricity Act, 2006 (Act No. 4 of 2006)</p> | <p>Section 4: Powers and Duties of Regulator</p> <p>(a)(ii): Regulate prices and tariffs</p> <p>Section 16: Tariff Principles</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| <p>Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007)</p> | <p>Definition for “municipal base tariff”</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| REGULATIONS | | |
| <p>Municipal Regulations on a Standard Chart of Accounts (<i>mSCOA</i>), 2014</p> | <p>Annexure: Costing Segment</p> <p>7. This segment provides for a classification structure for secondary cost elements and acts as a cost collector in determining inter alia total cost of a service or function, identification of productivity inefficiencies and tariff determination of municipal services. Classification codes are identified with reference to departmental charges, internal</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|--|---|---|
| | <p>billing and activity based on recoveries for purposes of recording specific activities and functions in terms of their unit costs and cost categories.</p> | |
| CIRCULARS: | | |
| <p>MFMA Circular No. 42 Funding a Municipal Budget, 30 March 2007</p> | <p>Accrual based Financial Management</p> <p>The focus on accrual based financial management will assist decision-makers with comprehensive information when funding strategies are discussed prior to adoption of the budget. Discussions on proposed borrowing, the utilisation of grants, and setting of appropriate tariffs to ensure ongoing sustainability of existing and proposed services will be strengthened. The information will also assist in the review of ratepayers'/ consumers' contributions towards services, for the years covered by the medium-term revenue and expenditure framework (MTEF).</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| <p>MFMA Circular No. 48 Municipal Budget</p> | <p><i>Revising Rates, Tariffs and Other Charges</i></p> | <p>Segments set-up to assist in the extraction of information to use in the</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|--|---|----------------------------------|
| <p>Circular for the 2009/10 MTREF, 2 March 2009</p> | <p>Eskom Bulk Tariff Increases</p> <p>Impact of the 2 cents per kWh Environmental Electricity Levy</p> <p>Implementation of the Municipal Property Rates Act, 2004.</p> <p>Verification of Existing Municipal Taxes in terms of the Municipal Fiscal Powers and Functions Act, 2007.</p> <p>Fuel Levy Allocation to Metropolitan Municipalities</p> <p>Compensation to District Municipalities through the RSC Levies Replacement Grant</p> <p><i>Guidance on Specific Issues</i></p> <p>Budgeting for Revenue and Revenue Foregone.</p> <p>Budgeting by Government Finance Statistics (GFS) and “Internal Charges.”</p> <p>Budgeting for Free Basic Services</p> <p>Budgeting for capital</p> <p><i>National Treasury’s Special Focus Area</i></p> <p>Focus on Repairs and Maintenance</p> | <p>rates assessment process.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|---|--|
| MFMA Circular No. 51 Municipal Budget Circular for the 2010/11 MTREF, 19 February 2010 | <i>Revising Rates, Tariffs and Other Charges</i> Eskom Bulk Tariff Increases Water Tariffs must be Cost-reflective Budgeting by Government Finance Statistics (GFS) and “Internal Charges” Budgeting for Free Basic Services | Segments set-up to assist in the extraction of information to use in the rates assessment process. |
| MFMA Circular No. 54 Municipal Budget Circular for the 2011/12 MTREF, 10 December 2010 | <i>Revising Rates, Tariffs and Other Charges</i> NERSA’s approval of Municipal Electricity Tariffs Water Tariffs must be cost-reflective | Segments set-up to assist in the extraction of information to use in the rates assessment process. |
| MFMA Circular No. 55 Municipal Budget Circular for the 2011/12 MTREF, 7 March 2011 | <i>Revising Rates, Tariffs and Other Charges</i> Eskom Bulk Tariff Increases Introduction of Inclining Block Tariffs Water Tariffs must be cost-reflective <i>Municipal Budget and Reporting Regulations</i> Municipal Budget and Internal Charges | Segments set-up to assist in the extraction of information to use in the rates assessment process. |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|--|---|
| | <p>Municipal Budget and Reporting Regulations, 2009 (MBRR) issues dealt with in previous MFMA Circulars:</p> <ul style="list-style-type: none"> • Budgeting for Revenue and “Revenue Foregone” • Budgeting for Free Basic Services | |
| <p>MFMA Circular No. 58 Revenue Management, 14 December 2011</p> | <p><i>Taking the 2011 Local Government and Expenditure Review Forward</i></p> <p>Pricing Services Correctly</p> <p><i>Revising Rates, Tariffs and Other Charges</i></p> <p>NERSA’s Process to approve Electricity Tariffs</p> <p>Eskom Bulk Tariff Increase</p> <p>Introduction of Inclining Block Tariffs for Electricity</p> <p>Water and Sanitation Tariff must be Cost-reflective</p> <p>Solid Waste Tariffs</p> <p>Revaluations in terms of GRAP 17 and the Treatment of Depreciation in the Budget</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| <p>MFMA Circular No. 59 Municipal Budget</p> | <p><i>Revising Rates, Tariffs and Other Charges</i></p> | <p>Segments set-up to assist in the extraction of information to use in the</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|--|---|
| Circular for the 2012/13 MTREF, 16 March 2012 | Eskom Bulk Tariff Increases Process for NERSA approval of Municipal Electricity Tariffs | rates assessment process. |
| MFMA Circular No. 64 Revenue Management, November 2012 | <p><i>Key Focus areas for the 2013/14 budget process</i></p> <p>The Local Government Budgets and Expenditure Review published in September 2011 contains both financial and non-financial information pertaining to municipal key functions. In the “revenue and expenditure trends” chapter the issues relevant to municipal revenue management include, amongst others, debt collection and correct pricing of municipal trading services.</p> <p>National Treasury’s Circular 58 advises municipalities to pay attention to ensuring the collection of revenue: “municipalities need to ensure that the billing systems are accurate; send out accounts to residents and follow-up to collect revenues owed”. The Circular also guides municipalities on factors to consider when determining their annual tariffs; these include amongst others,</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|---|------------------------|
| | <p>the input costs of trading services, financial sustainability, local economic conditions, affordability of municipal services; the municipal indigent policy and the relevant sector specific policies.</p> <p><i>Sources of Funding for Municipalities</i></p> <p>Furthermore, section 75 of the Property Rates Act, 2004, compels municipalities to adopt By-Laws to give effect to the implementation and enforcement of their <i>tariff policies</i>; in fact, all policies and supporting decisions taken by the municipal council must be supported by a By-Law to make it legally enforceable. Failure to comply with the necessary By-Law requirements may expose the municipality to litigation.</p> <p><i>Protecting the Municipal Revenue Base</i></p> <p>Tariffs for trading service should be determined in relation to the cost of providing such services.</p> <p>Municipalities are encouraged to table 'surplus' budgets. Achieving budget surpluses is</p> | |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>m</i> SCOA |
|--|--|---|
| | <p>dependent on several factors such as cost reflective tariffs; operational efficiencies; maximising the revenue regenerating potential of own revenue sources, amongst others. In addition, a productive workforce and sound decision-making will ensure that the municipality's limited financial resources are spent wisely so that value for money is achieved.</p> | |
| <p>MFMA Circular No. 66 Municipal Budget Circular for the 2013/14 MTREF, 11 December 2012</p> | <p><i>Taking the 2011 Local Government Budgets and Expenditure Review forward</i></p> <p>Pricing Services Correctly</p> <p>Regulation on a Standard Chart of Accounts (<i>m</i>SCOA) for Local Government, 2014</p> <p>Financial Applications (Systems) and the Impact of <i>m</i>SCOA</p> <p>Management Accounting and Tariff Setting</p> <p>Revising Rates, Tariffs and Other Charges</p> <p>NERSA's Process to approve Electricity Tariffs</p> <p>Eskom Bulk Tariff Increases</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|--|---|---|
| | <p>Inclining Block Tariffs for Electricity</p> <p>Water and Sanitation Tariffs must be Cost-reflective</p> <p>Municipal Budget and Reporting Regulations, 2009 (MBRR) issues dealt with in Previous MFMA Circulars</p> <p>Budgeting for Revenue and “Revenue Foregone”</p> | |
| <p>MFMA Circular No. 67 Municipal Budget Circular for the 2013/14 MTREF, 12 March 2013</p> | <p><i>Revising Rates, Tariffs and Other Charges</i></p> <p>Eskom Bulk Tariff Increases</p> <p>Inclining Block Tariffs for Electricity</p> <p>Process for NERSA approval of Municipal Electricity Tariffs</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| <p>MFMA Circular No. 70 Municipal Budget Circular for the 2014/15 MTREF, 3 December 2013</p> | <p><i>Local Government Budget and Financial Management Reforms</i></p> <p>Regulation of a Standard Chart of Accounts (<i>mSCOA</i>) for Local Government, 2014</p> <p>Financial Applications (Systems) and the Impact of <i>mSCOA</i></p> <p>Management Accounting and Tariff Setting</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|---|---|
| | <p><i>Revising Rates, Tariffs and Other Charges</i></p> <p>Operating Revenue</p> <p>NERSA's Process to approve Electricity Tariffs</p> <p>Eskom's Bulk Tariff Increases</p> <p>Inclining Block Tariffs for Electricity</p> <p>Water and Sanitation Tariffs must be cost-reflective</p> <p>Solid Waste Tariffs</p> <p>Non-revenue Water and Electricity</p> <p><i>Budget Management issues dealt with in previous MFMA Circulars</i></p> <p>Water and Sanitation Tariffs must be cost reflective</p> | |
| <p>MFMA Circular No. 70 Municipal Budget Circular for the 2014/15 MTREF, 3 December 2013</p> | <p><i>Revising Rates, Tariffs and Other Changes</i></p> <p>Operating Revenue</p> <p>NERSA's process to approve electricity Tariffs</p> <p>Eskom's Bulk Tariff Increases</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| <p>MFMA Circular No. 72 Municipal Budget</p> | <p>Revising Rates, Tariffs and Other Changes</p> <p>Operating Revenue</p> | <p>Segments set-up to assist in the extraction of information to use in the</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|---|--|---|
| Circular for the 2014/15 MTREF, 17 March 2014 | <p>NERSA's process to approve electricity Tariffs</p> <p>Eskom's Bulk Tariff Increases</p> | <p>rates assessment process.</p> |
| MFMA Circular No. 74 Municipal Budget Circular for the 2015/16 MTREF, 12 December 2014 | <p>Regulation of a Standard Chart of Accounts (SCOA) for Local Government, 2014</p> <p>Operating Revenue</p> <p>Management Accounting and Tariff Setting</p> <p>Interpretation of Section 43 of the MFMA (NERSA) (Deals with the applicability of Tax and Tariff Capping on Municipalities and the NERSA process to approve Electricity Tariffs)</p> <p>Eskom Bulk Tariff Increases</p> <p>Water and Sanitation Tariffs must be Cost Effective</p> <p>Budgeting for Revenue Foregone and Free Basic Service to Indigents</p> <p>Tabling Funded Budgets</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process.</p> |
| MFMA Circular No. 75 Municipal Budget Circular for the 2015/16 MTREF, 9 March 2015 | <p>The Medium-Term Budget Review 2015</p> <p>Shaping Urban Development to Support Growth in Cities</p> <p>Headline Inflation Forecasts</p> | <p>Segments set-up to assist in the extraction of information to use in the rates assessment process,</p> |

| Act, Regulations, Guideline or Circular | Section and Requirement | Impact on <i>mSCOA</i> |
|--|--|---|
| | Eskom Bulk Tariff Increases Electricity Levy Increase | |
| MFMA Circular No 98 | Addressing unfunded budgets | Setting Cost reflective tariffs. The use of the costing segment for core Municipal services contribute to improved cost reflective tariffs. |
| MFMA Circular No. 112 Municipal Budget Circular for the 2022/23 MTREF , 6 December 2021 | Setting of Cost-Reflective Tariffs | Costing segment to assist in the determination of cost reflective tariffs. Credible budgets reflecting the necessary costs to provide services efficiently. The costing segment provides the mechanism to ensure indirect cost is allocated to the function delivering the service. |