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STANDARD CHART OF ACCOUNT SPECIFIC TO LOCAL GOVERNMENT

SCOA for MUNICIPALITIES- mSCOA

Regional Segment

January 2026 – mSCOA Version 7.1

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REGIONAL INDICATOR SEGMENT

Background to the Segment

Relevance of the Regional Indicator, Methodologies and the Application thereof within the Context of *mSCOA*

National Treasury introduced the regional indicator on 01 April 2008 with the re-implementation of the SCOA for National – and Provincial Departments. As part of the budget reform process and for purposes of evaluating resource allocations in government, government had to start monitoring the allocation of resources and actual spending at a regional level. **The aim is to capture details of** national and provincial **government resource allocation and spending at the regional level.**

Consequently, the local government budget reform process is to further expand on the regional indicator to monitor resource allocation and spending at the local sphere of government along the same design principles for national and provincial government. This is necessary because the research revealed that the perspective, obtained from this Regional segment, is not fully provided for by the analysis only of the "Function" and "Item" segments in *m*SCOA, hence the need for the Regional segment also in Municipal SCOA (*m*SCOA).

Purpose of the Segment

Communities need to see and in their daily lives where service delivery is taking place. Only through planning and physical delivery can this be communicated effectively.

The Service Delivery- and Budget Implementation Plan (SDBIP) details the implementation of service delivery and the budget for the financial year, in compliance with the Municipal Finance Management Act, 2003 (MFMA) (Act No. 56 of 2003). The SDBIP serves as a contract between the administration, the Municipal Council and the community, expressing the objectives set by the Council as quantifiable outcomes that can be implemented by the administration over the next twelve months. The SDBIP therefore facilitates the process of holding management accountable for their performance. It provides the basis for measuring performance in the delivery of municipal services.

The MFMA requires the following to be included in the SDBIP of a municipality:

- Monthly projection of each source of revenue earmarked for collection;
- Monthly projection of each vote's expenditure (operating and capital) and revenue;
- Quarterly projection of each vote's service delivery targets and performance indicators;
- Information on expenditure and service delivery in each ward; and
- Detailed capital works plans allocated by the wards over three years; etc.

The MFMA requires the Municipality to compile a SDBIP for submission to the Executive mayor. MFMA Circular No. 13 further states that "*Being a management and implementation plan (and not a policy proposal), the SDBIP does not have to be approved by Council"*.

The Regional Indicator segment provides the mechanism for classifying municipal transactional information according to "regional indicators" for reporting in terms of the MFMA on planned and actual capital and operational expenditure on a "ward basis" in the SDBIP, however the allocation of budget should not be done per ward as that is not acceptable in terms of the *m*SCOA requirements

In addition to SDBIP requirements, one of the key outcomes envisaged with the *mSCOA* Classification was the ability to extract information on financial performance/ position from the transactional database at the lowest geographical level, being municipal wards.

The Regional segment facilitates the planning and recording of municipal expenditure, revenue, assets, liabilities and net assets at the lowest relevant geographical level (ward). As a result, the classification at this level provides information on communities specific to:

- Spending on capital and operational projects;
- Contributions made towards the SDBIP by the community by paying municipal bills; and
- Projects directed towards providing indirect benefits to the community, for example local economic development, improvement of living (health, food, housing, services); etc.

"The lowest relevant geographical region is depicted in this Regional segment as "regional indicators". Similar communities are defined based on the geographical region and represented in the *mSCOA* Regional segment by "regional indicators.

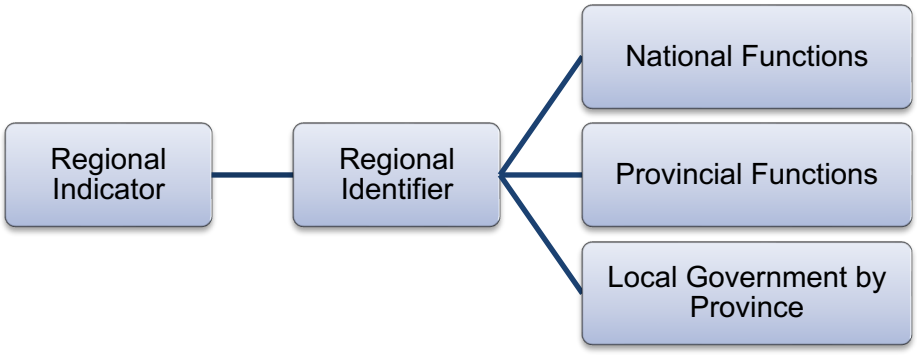
This implies that all transactions must be recorded so that the final impact of spending, revenue collection, capital investment and wealth creation can be measured by regional indicator in order to get a geographical view of the economic impact of government activities that are focussed on beneficiaries.

It is envisaged that this information will enable and support enhanced analysis of:

- Whether services are being provided impartially, fairly, equitably and without bias, as required by the Constitution;
- Whether progress is being made in addressing regional backlogs in social infrastructure and the access to services;
- Whether government spending by different departments and municipalities are being properly sequenced and coordinated;
- Whether actual spending by government is aligned to the relevant plans of the three spheres of government;
- Assist municipal councilors and mayors to account to the communities for resources allocated and actual spending of the municipality to communities and wards; and
- Provide specific ward information to councilors to assist in decision-making; etc.

Illustration: High-level Classification

At the highest level the Regional segment's structure distinguishes between "Default and Regional Identifier". Regional Identifier consists of National / Provincial Functions, followed by Local Government per Province as illustrated in the diagram below:



Definition:

Default: This classification was used for the recording of transactions not relevant to this segment. At this stage of *mSCOA* project development, ***"Default" cannot be used for any transaction in the municipality*** and has subsequently been retired in version 6.2 of the chart.

Regional Identifier: This classification provides "regional" indicators, in order to distinguish at the highest-level between National/ Provincial Functions and Local Government by Province.

National Functions: This is the posting level for all transactions made within the borders of the Republic of South Africa of which the "whole of the country" is the beneficiary.

Provincial Functions: This is the group of accounts providing for posting levels for the nine provinces. Transactions providing benefit to the community within the whole of the province is reflected at this level.

Local Government by Province: Metropolitan Municipalities and Local Municipalities within the District Municipalities' demarcation.

Design Principles

The following design principle(s) have been used in preparing the segment outline:

Principle 1: mSCOA - The segment outline and detailed classification provides for all possibilities as a "master *mSCOA*" from which each municipality select the accounts needed to "populate" its chart of accounts.

Principle 2: Municipal Entities and Agencies - Recording of transactions in this segment would be done according to the principles determined for municipalities. Reference made to a "Municipality" must be read to also refer to "Municipal Entity", unless indicated otherwise.

Principle 3: Legislative and Regulatory Requirements - The research and development into the Regional segment, 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 Regulations on a Municipal Standard Chart of Accounts, 2014 (*mSCOA*) are included in the "Proposed Changes Column" in the table below.

Principle 4: Linking Transaction by Business Process to mSCOA - Business processes represent the set of activities taking place from the initiation of a process to the completion thereof. Typical in the context of financial reporting, a source document (from an activity within a business process) initiates the activity to flow through a defined business process, ultimately resulting in the transaction to be captured within a financial model in the system application, thereby updating the general ledger. *mSCOA* provides a classification structure within the general ledger to "record" transaction information within "fields" within the database of the municipality, functioning in the background of its integrated financial application.

Principle 5: Category Links and Programming Rules - Category links and business rules refer to programming rules that system developers of integrated financial and business applications for

local government are required to provide for in their individual system applications. The considerations listed may not be complete, considering the development stage of this *mSCOA* project and might need to be enhanced as consultation with the various stakeholder groups evolves.

Principle 6: mSCOA Detail Accounts - Labels and accounts are defined to have readily available the information needed for local government budgeting (annual budgets, adjustment budgets and SDBIP) and reporting (monthly, mid-year performance assessment and annual financial statements).

Principle 7: mSCOA Definitions - The master *mSCOA* provides definitions for all accounts and reporting levels to assist practitioners in achieving consistency in recording transactions of a similar type or nature between municipalities in order to enhance the comparability of information and report extraction.

*Principle 8: Annual Financial Statements and Budget Reporting Format*s – *mSCOA* aligns with the Municipal Budget and Reporting Regulations, 2009 - budget and reporting formats and with the Standards of GRAP, applicable to the different categories of municipalities. Thereby recognising that local government uniquely operates in an accrual accounting and an accrual budgeting environment.

Principle 9: The Standards of GRAP - The *mSCOA* Classification provides for sufficient classification to, amongst other reporting requirements, present annual financial statements as required in terms of the Standards of GRAP Reporting Framework (outlined in Directive 5 determining the GRAP Reporting Framework[1] issued by the Accounting Standards Board). The work plan of the *mSCOA* Technical Committee will be informed by the changes made to the Reporting Framework and resultant Standards of GRAP for annual consideration in updating the *mSCOA* Classification and Reports.

Principle 10: Economic Reporting Format - The Economic Reporting Format, , identifies the categories for transfers as: transfers received from other government units (national, provincial and local government (specific in the context of municipalities, district municipalities)), higher educational institutions, foreign governments, international organisations, public corporations and private enterprises, households and non-profit institutions. Transfers and Subsidies made to municipal entities by parent municipalities is peculiar to the local government environment and the *mSCOA* chart provides for such in Version 7.1. The Municipal Budget and Reporting Regulations,

[1] Compliance to the Standard of GRAP relating to the presentation to be confirmed through Phase 2 described in the Position Paper on Reporting.

distinguish between transfers recognised, operational and capital, contributions and public donations and contributed assets.

Principle 11: Reporting - The Position Paper on Reporting defines that a phased approached is envisaged for achieving the ultimate position on "seamless alignment" between the annual financial statements and Budget Reporting Tables (defined by the Municipal Budget and Reporting Regulations, 2009). This milestone will further enhance and be the final compliance check in ensuring that the *mSCOA* Classification provides for sufficient classifications to comply with the presentation requirements dealt with in the Reporting Framework. In this document, the "collective reference" made to "reporting" refers without exception to the Budget Reporting Tables, In-year Reporting, Monthly Returns and Annual Financial Statements.

Principle 12: NERSA Regulatory Reporting Requirements - NERSA as explained in the *Regulatory Reporting Manual Volume 2: Electricity* - prescribes and provides guidance to regulated entities in the electricity supply industry on the format, content, preparation and submission to the Energy Regulator of the required information to enable NERSA to perform its functions. To avoid a dual accounting process for recording transactions for reporting to NERSA and another set of accounts for financial and budgetary reporting to the National Treasury, provision is made for the information needs of NERSA in terms of *mSCOA*. NERSA is the custodian of the NERSA Regulatory Reporting Requirements and thus will oversee and enforce the requirements entrenched in the relevant sets of legislation relating to NERSA oversight activities.

Principle 13: Department of Water and Sanitation (DWS) Reporting Requirements – The Department was instrumental in guiding and informing the setting-up of the *mSCOA* classification requirements for the water/ waste water functions of municipalities. DWS is the custodian of their reporting requirements and thus will oversee and enforce the requirements included in the relevant sets of DWS legislation.

*Principle 14: Level of Detail – A m*unicipality may add detail breakdown-levels in addition to that provided for in the *mSCOA* chart of accounts at their discretion. However, adding detail needs to be carefully considered, being the exception rather than the principle. The indicators provided to guide on the posting level and breakdown required reflect the minimum requirements from the National Treasury's perspective.

Discretionary breakdowns added by the municipality as explained ARE NOT INFORMATION National Treasury has an interest in and thus cannot be part of the string downloaded for upload by the National Treasury: Local Government Database and Reporting System.

Breakdown required however, provides for information that MUST BE ADDED BY THE MUNICIPALITY and National Treasury has an interest therein.

The table below explains the indicators used in the columns provided for in the *mSCOA* Tables for the Regional segment:

Indicator	Yes	No
Posting Level	Defines the level of capturing the transaction.	Not a posting level, therefore follow the guidance for breakdown required and the principle as explained for detail to be added.
Breakdown Required	The municipality is required to define the level for capturing the transaction, expand the parent-child code structure and adopt the guide of the parent.	National Treasury is not interested in further detail, but the municipality may add detail at its own discretion. This will not be extracted for reporting to the National Treasury.

Principle 15: Account Number Structure – The account structure comprises 13 levels of which the first level is alphanumerical to identify the segment, followed by the regional indicators. The levels thereafter are based on the reporting structure providing for codes to be created by the municipality for projects which will be the posting level. The prefix "RX" identifies the Regional segment.

Principle 16: Applicability - This column indicates the minimum requirements a municipality needs to comply with in the implementation of this segment. If more information is needed than currently provided for in the Regional segment table, please consult with the *mSCOA* Technical Committee in the National Treasury to expand the existing segment detail to accommodate specific needs in this regard.

Principle 17: Regional Information - Introducing this segment detail facilitates the extraction of information on expenditure, revenue, assets, liabilities and net assets at the "indicator level".

Principle 18: Regional Indicators - The master chart provides the breakdown per province, metropolitan municipalities, district municipalities with their local municipalities, and municipality down to ward, based on the demarcated areas. Flexibility is allowed, to take into consideration the respective size of the municipality, sophistication of system application and the logistical arrangements in place at a municipality.

Principle 19: Administrative or Head Office – Administrative or Head Office – this classification provides for the set-up of satellite offices within the Service/ Function or Area structure, based on the needs of the metropolitan-, district- or local municipality. Accordingly, the requirements for this section must be customised for the district-, local- or metropolitan municipality based on the information provided to the *mSCOA* Technical Committee. Flexibility is allowed, to give justice to the respective size of the municipality, sophistication of system application and the logistical arrangements in place at a municipality.

Principle 20: District Municipalities – This category provides for indicators specific to the district municipality. At the district level, the local municipalities within the district defines the posting level in most cases. The information provided by the district municipality (as requested by the National Treasury) were used to define the posting level. This information has been included based on requests made through the *mSCOA* Frequently Asked Questions (FAQ) Database. In the absence of specific requests/ information submitted by a municipality, "*wards*" as defined in terms of the 2016 listing published by the Municipal Demarcation Board informed the lowest posting level for a municipality. Periodic changes by the Demarcation Board will be considered by the *mSCOA* Technical Committee as part of its annual maintenance of the *mSCOA* chart

Principle 21: *Whole of the Municipality, Whole of the Metro and Whole of the District Municipality*– this category provides a classification for recording transactions not to the benefit of a specific community but the "whole of an area". Accordingly, the requirements for this section need to be customised for the Metropolitan/ Municipality based on the information the municipality provided.

Principles 22: Ward - Allocation to "wards" have been provided for as a standard although recognition is given to changes in the demarcation area over time.

Legislative and Regulatory Requirements

For the legislative and regulatory requirements refer to Annexure A of the PSD

Transactions by Business Process to be allocated in this Segment

Business processes are the set of activities taking place from the initiation of a process to the completion thereof. Typical in the context of financial reporting is a source document (from an activity within a business process) initiating the activity to flow through a defined business

processes, ultimately resulting in the transaction being captured within a financial model in the municipality's integrated system thereby updating the general ledger.

The *mSCOA* classification framework provides a classification structure within the general ledger to "record" transactional information within "fields" within the municipality's database functioning in the background of the financial application.

Identification of transactions by typical business processes provide a standardisation of specific transactional types for recording within the various segments of *mSCOA*.

The transaction types reflected here are based on the initial discussions of the *mSCOA* Project Steering Committee held during October 2010. With reference to the comments below, the "expected" allocation has been revised in *mSCOA* Version 6.5 and applied in subsequent versions as discussed in the comments below:

Transaction Type	Allocate Yes/ No	Comments
Assets	Yes	31 October 2016 - The *mSCOA* Project Steering Committee (PSC) reviewed compliance to the envisaged outcomes expected from the *mSCOA* Project Initiative as defined at the inception of the Project. Accordingly, a significant change has been introduced in *mSCOA* Version 6.1 requiring all transactions to be assigned to a "regional indicator". Earlier versions of *mSCOA* required operational and capital spending with an "option to assign receivables and payables" in the future.
Liabilities	Yes	
Revenue	Yes	
Net Assets	Yes	
Expenditure	Yes	

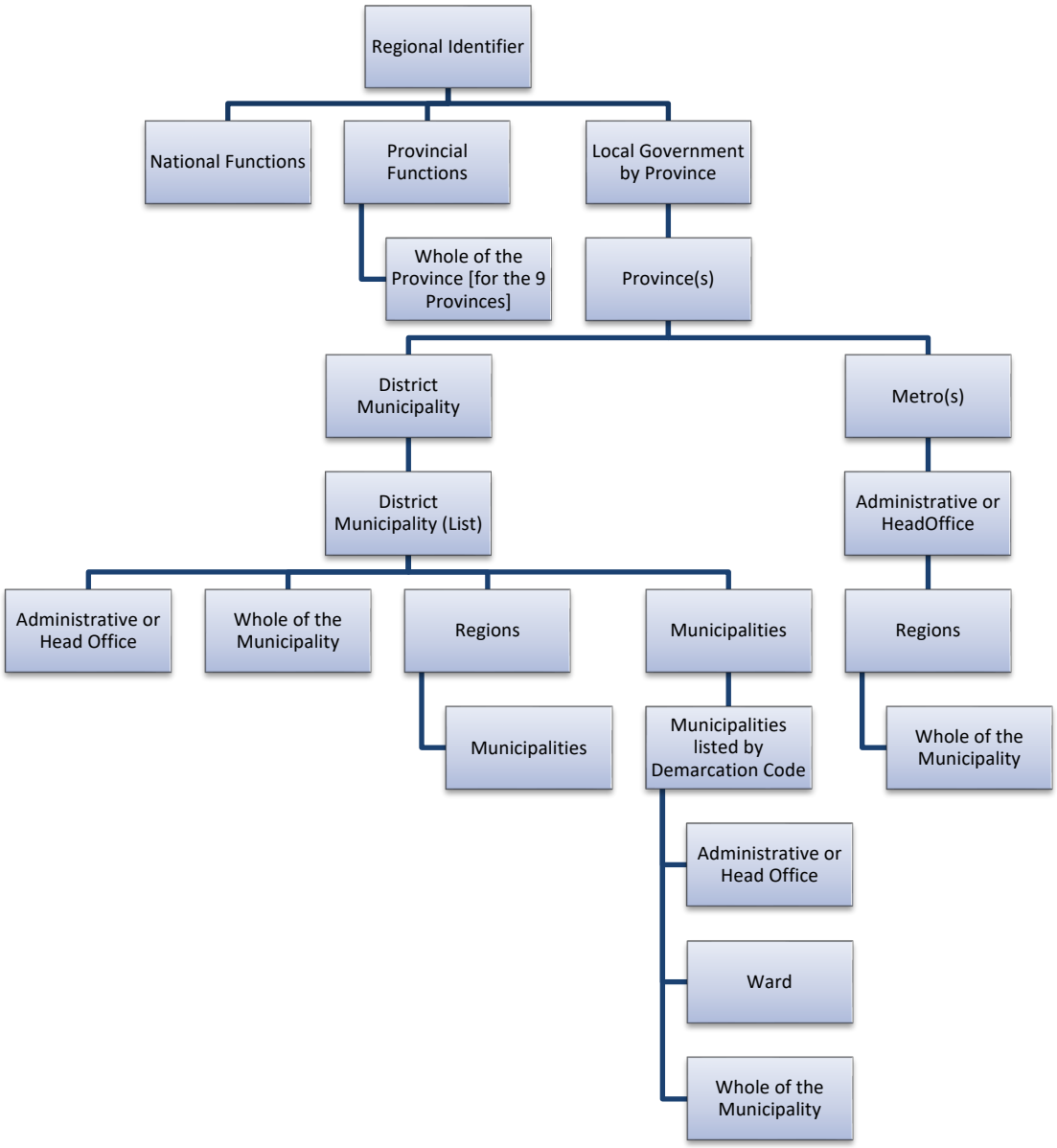
Pending the outcome of the Standard Operating Procedures (SOP's) Project undertaken by the National Treasury: Office of the Accountant General this table may need to be expanded to include business cycles and activities.

Category Links and Business Rules

Category links and business rules refer to programming rules that system developers of financial and business applications for municipalities are required to provide for in their applications

- Capital and operational projects are to be linked at inception to a “regional indicator’;
- Agency services provided for as a non-core function in the Function segment, are to be linked to the Regional segment for “Provincial Functions”: “Whole of the Province” or to “National Functions: Whole of the Country”. This would need to be done according to the “individual agreement” with the principal due to the diverse nature of existing arrangements.
- Accounts must be linked from the “Operational Project: Municipal Running Cost” to Administrative or Head Office for Metro/ District/ Local Municipality:

Discussion of the Segment



Default

Default posting level has been retired in version 6.2. The regional segment will either refer to a specific area i.e ward or to the head office and administration of a municipality for all transactions.

Regional Identifier

The core-principle of assigning transactions in line with the purpose of the Regional segment is: "to identify the lowest relevant geographical regional indicator of the intended beneficiaries/ contributor of the service. In applying this core-principle the following must be kept in mind:

The lowest relevant geographical regional indicator refers to the province, district or local municipality where the intended beneficiaries normally live or are located.

The "lowest relevant geographical regional indicator" is not necessarily restricted to the municipality/ region or ward where the service or capital investment is located, since the intended beneficiaries may for example be from neighboring regions or wards, or even neighboring municipalities within a district, depending on the nature of the service or investment.

Intended beneficiaries refers to the individuals or entities (such as businesses) that are intended to benefit directly from the given service or capital investment.

The service or capital investment' refers to the output that is being delivered or produced by the municipality; and

The particular expenditure refers to the expenditure that is being captured. Note that in nearly all instances this expenditure will only constitute a part of the cost of the service or capital investment; etc.

It is important to note that ***the location of the service provider is not relevant*** when it comes to capturing information in relation to the regional indicator, for example consider a payment that is made by a municipality in the Eastern Cape to a service provider situated in Gauteng for the supply of chemicals for a water treatment works. In this instance the regional indicator will not be Gauteng, where the supplier is located ***but the region or ward or whole of the metro/ district/ local municipality benefiting from the water treatment works.***

At the highest-level a distinction is made between national and provincial functions and in Local Government by Province.

National Functions

The use of this category is restricted to areas specifically identified and accepted as such by the *mSCOA* Technical Committee to be "municipal functions" performed as part of a national strategy and executed as co-operative government. At present the only such identified function is "Implementation of Environmental Policy Impact".

Agency Services defined within Item: Revenue for Agency Services provided on behalf of National Departments specifically require allocation to this indicator, as well as the cost incurred by the municipality for providing this service.

Provincial Functions

The Provincial Function category provides for recording transactions having an impact on the province within which the municipality resides.

The use of this category is restricted to areas specifically identified and accepted as such by the *mSCOA* Technical Committee to be municipal functions, performed as part of a provincial strategy and executed as co-operative government; for example, the non-core functions provided for as agency services in the Function segment.

Agency Services defined within Item: Revenue for Agency Services provided on behalf of Provincial Departments specifically require allocation to this indicator as well as the cost incurred by the municipality for providing this service.

Local Government by Province

Municipalities are arranged according to their respective provinces in this category of the Regional segment. Distinction is made by province between “metros and district municipalities” according to the list, names and numbering system used by the Demarcation Board.

Definition:

Metro: Provides for the metro(s) within the boundaries of the province

District Municipality: District municipality’s set-up as default in accordance with the municipal demarcated areas and code structures. Classification at this level is fixed with no discretion provided.

Local Municipality: Municipalities within the District Municipalities demarcation.

District Municipalities

A District municipality is a “municipality” that has municipal executive and legislative authority in an area that includes more than one municipality as described in section 155 of the Constitution as a category C municipality.

The classification structure provides for all “district municipalities” within the specific province. The regional indicators specific to district municipalities provides for “Administrative or Head Office, Whole of the Municipality and Regions”:

Definition:

Administrative or Head Office: Transactions directly relating to the administration of the district municipality and not to the direct benefit of the community.

Whole of the Municipality: Services provided benefiting the whole of the district where detailed information is not available to allocate to the lower levels.

Regions: Providing for district municipalities to classify transactions specifically for local municipalities within the district.

Local Municipalities

In addition to the above noted regional indicators, the municipalities within the district are provided with posting level accounts for “Administrative or Head Office, Wards or Regions (per information received from municipalities) and Whole of the Municipality”.

Flexibility is allowed to give justice to the respective size of the municipality, sophistication of system application and the logistical arrangements in place at a municipality:

Definition:

Administrative or Head Office: Transactions directly relating to the administration of the local municipality and not to the direct benefit of the community.

Whole of the Municipality: Services provided that benefit the whole of the municipality where detailed information is not available to allocate to the lower levels.

Regions / Wards: Providing for wards or regions to classify transactions specific to the local municipality.

Metro

The classification structure provides for all "metros" within the specific province. The regional indicators specific to metros provides for "Administrative or Head Office, Whole of the Metro and Regions/Ward":

Definition:

Administrative or Head Office: Transactions directly relating to the administration of the metro and not to the direct benefit of the community.

Whole of the Metro: Services provided benefit the whole of the municipality where detailed information is not available to allocate to the lower levels.

Regions/ Wards: Providing for wards or regions to classify transactions specific to the metro.

Flexibility is allowed to give justice to the respective size of the municipality, sophistication of system application and the logistical arrangements in place at a municipality.

Administrative or Head Office (Metro / District-/ Local Municipality)

Some expenditure, both capital and operational, contributes to the effective running and management of the municipality throughout the demarcated area. The smooth operation of the municipality necessitates the use of a head/ administrative office for co-ordination and management of the municipality, with a contribution from various cost-drivers, such as building maintenance, water, electricity, sanitation, waste removal, staff compensation, insurance cost, consumption of stationery, cleaning materials, etc.

These allocated costs do not necessarily benefit any specific region or ward and these are considered to be for the benefit of the whole of the metro/ municipality. Therefore, these transactions are recorded within this account, for example, the municipality appointed an external computer services company to update the Information Technology: Back-up and Recovery Policy.

The development of this policy is considered to be part of the risk management strategy of the municipality in protecting the "information technology of the municipality" but not directly to the benefit of a specific regional area or ward and is considered to be of a purely administrative nature.

Whole of the Area

A posting-level breakdown (whole of the Metro, District or Local Municipality) is provided to be used in instances where transactions should be classified to specific municipalities or wards, but not enough information is available to effect such a breakdown. Furthermore, this category will include all transactions that benefit more than one service area.

Allocation to this account should be distinguished from the "administrative or head office" being transactions specifically associated with the running and operation of a municipal administrative office or head office structure versus the "benefit of the transaction being to the whole of the municipality".

Regions / Ward

Wards to be included by province and municipality according to the Demarcation Board Classification for 2016. Recognition is given to the fact that these boundaries might change according to the demarcation done for municipal elections every 5 years.

An alternative to using "ward" may be to use the logistical area defined by the municipality for providing services to the community.

Flexibility is allowed to give justice to the respective size of the municipality, sophistication of system application and the logistical arrangements in place at a municipality.

Allocation Principles

In order to assist municipalities in using the "Regional" segment consistently, National Treasury has developed the following 'allocation principles' to guide the allocation of transactions in different circumstances.

Services Benefiting Multiple Regions or Wards

Often allocating a particular transaction to the "the lowest relevant geographical region" will be complicated by the fact that either:

The relevant service or capital investment benefits people in more than one area or ward (e.g. road whose route crosses a number of wards); or

The expenditure is in relation to a contract for the provision of goods and services in more than one area or ward. A typical example is expenditure on goods purchased under a transversal contract, or normal bulk purchase contracts.

To address both of these instances, the system allows for the identification of multiple regions at the area or ward-levels. If the necessary detailed information is available at the time of posting a particular expenditure, the operator can post the portions of the total expenditure that have been allocated to each of the regions simultaneously; for example, the municipality procured fertilizer for use by the park's department for flower beds throughout the municipality and allocate the cost according to the area to be covered per area.

Where the municipality is aware that a particular expenditure should be allocated to multiple regions, but does not have the necessary information to make an informed decision as to how it should be divided up amongst them, then the allocation should be to the "Whole of the Metro/ Municipality/ District Municipality/ Ward", whichever represents 'the lowest relevant geographical region', for example the municipality contracted a service provider to upgrade all parking meters within the municipal area with "tamper-proof" cash boxes. The cost should be allocated to the region based on the volume of meters replaced, as this information might not have been kept by the service provider.

Methods of Allocating Expenditures to Multiple Regions

Where the municipality needs to divide expenditure among a number of regional areas, wards, regional offices or districts, etc., the municipality could decide to allocate the:

expenditures equally among the service centers/ geographical management areas/ regional areas, wards, regional offices or districts, etc.;

expenditures according to a fixed percentage based on the proportion of the services delivered in each function/ service areas/ regional areas, wards, regional offices or districts, etc.; or based on the population of the service centers/ geographical management areas/ regional areas, wards, regional offices or districts, etc.; and

transactions according to management's decision of how the function/ service areas/ regional areas, wards, regional offices or districts, etc. are benefitting from the services related to that particular expenditure.

Ideally the municipality would use a combination of these different allocation options, and choose the one that is most appropriate for the particular expenditure on each occasion.

Allocating Personnel Expenditures

Expenditure on compensation of employees must be allocated in line with the regional areas, wards, regional offices or districts, etc., where the official is deployed – which will cover the majority of the scope of the employees' responsibilities, for example an agricultural extension officer is based in the district office, but is responsible for providing services to farmers in two municipalities. The officer's salary (and other expenses related to his/ her work) should be posted to the two municipalities she/ he is responsible for servicing.

If personnel are deployed in numerous function/ service areas/ regional areas, wards, regional offices or districts, etc., for example road maintenance teams, the allocation of compensation should be to either the whole of the municipality or the area.

Head Office Expenses

Municipal expenditure on functions carried-out by their "administrative or head office" should generally be posted to "administrative or head office"; unless it is obvious that the expenditure is incurred for a service or capital investment that benefits a specific region, in which case the expenditure should be posted to one or more of the function/ service areas/ regional areas, wards, regional offices or districts, etc.

Regional Office Expenses

Municipalities that maintain regional offices to manage the services they deliver should:

In instances where the regional office services only one service center/ geographical management area/ regional area, post the expenditures to the relevant service center/ geographical management area/ regional area "whole of the center/area" classification;

In instances where the regional office services more than one service center/ geographical management area/ regional area - divide the expenditures (using an appropriate methodology) between the relevant centers/ areas; and

The above principle also applies to a district municipality responsible for more than one local municipality in which case the cost needs to be allocated to the municipalities and/ or administrative/ head office.

Allocating Bulk Purchases

Municipalities make extensive use of bulk purchasing in indicating what bulk water or electricity was purchased. Municipalities are applying inventory accounting, and thus allocating these expenditures in line with where the relevant goods and services are actually used.

Allocating Expenditure on Capital

Where the capital expenditure is on property, plant and equipment (for example furniture, vehicles and equipment) for an existing function of the municipality (water, electricity, public safety, sanitation) then the expenditure must be allocated in line with the same principle.

All expenditure related to a particular function of the municipality must be allocated to the geographic region where the municipality intends providing the service, unless it is clear that the expenditure is financing a service or capital investment that is directed exclusively at a particular sub-region within the municipality's service area, or a region outside of the municipality's normal service area; for example the municipality purchased a new specialised truck for removing refuse from the suburbs. The capital investment should be allocated to the wards or service centres/ geographical management areas/ regional areas where the truck would be used in delivering the service to the community.

Where the expenditure is on maintenance and rehabilitation of existing capital or infrastructure then the expenditure must be allocated in line with the above principle, for example the municipality makes payments in relation to a contract to rehabilitate a reservoir. The reservoir is an existing piece of infrastructure and classified as a municipal asset, therefore the expenditure should be posted under "whole of the municipality". The municipality makes payments in relation to a contract to rehabilitate a municipal road between the inner city and the eastern suburbs. The road is an existing piece of infrastructure and classified as a municipal asset, therefore the expenditure should be posted under "whole of the municipality" or pro-rated between the connected service centres/ geographical management areas/ regional areas.

Where the capital expenditure is for the building and equipping of new physical infrastructure or the conversion of buildings to be used as service offices then the expenditure must be allocated to the "whole of the municipality" or, if so required, the specific service centres/ geographical management areas/ regional areas or ward where the new infrastructure or the new institution is located; for example the municipality builds a new administrative/ service centre in ward A for region 1 the building is located in a ward but would benefit region 1, therefore the capital investment should be recorded in the "whole of the centre area: region 1".

The reason for allocating capital expenditure relating to the building of new physical infrastructure or new institutions on this basis is to enable government to track the local impacts of its infrastructure building programme.

Allocating Transfers from District Municipalities to Municipalities

Where a district municipality makes a transfer to a municipality, the transfer must be posted to the relevant municipality.

Allocating Transfers to Municipal Entities, Agencies and other Recipients

Where a municipality makes a transfer payment to a municipal entity, agency or other recipient the transfer must be posted under “whole of the municipality”; unless the mandate of the municipal entity, agencies or other recipient is restricted to providing services to a specific geographic area, in which case the transfer should be posted to the relevant “service centres/ geographical management areas/ regional areas – whole of the centre/ area or ward”.

For example, the municipality makes a contribution for “Heritage Day” to a local school which is in Ward 1 and Region B but attended by scholars from other areas and outside of the municipal boundaries and thus should be allocated to “Whole of the Municipality”.

Potential Difficulties

The greatest challenge is to get all municipalities to:

- Align their regional structures with the provincial, district and municipal boundaries as defined by the Municipal Demarcation Board;
- Define the service areas of each of the offices of the municipality; and
- Gather the information from metros and municipalities to set-up the detail according to their specific “logistical arrangement”.
- Neither of these processes will be easy to accomplish. They require detailed strategic and organisational planning. It is nevertheless an essential process if municipal planning and service-delivery are to be aligned to the integrated development plan (IDP) of the municipality.

mSCOA Implementation

Municipalities by now, have progressively implemented the *mSCOA.*

The system developers responsible for applications commonly used by the municipalities are responsible for enhancing their software to be operated by business processes and are subject to customisation based on the unique requirements of client municipalities, with one of the primary objectives to assist municipalities in achieving compliance with the *mSCOA* classification framework.

National Treasury have provided comprehensive guidance in *m*SCOA Circular no.7 to 16 as implementation challenges have been identified.

Annual Maintenance and Matters Pending

Annual Maintenance

There were a few changes made to the regional segment on the version 7.1 of the chart based on the FAQ's received. Municipalities are encouraged to view and submit FAQ's to effect the new demarcated wards as per the government gazettes as part of the Demarcation for 2026.

Matters Pending

There were no 'matters pending' identified for the Region Segment at the time of finalising the Project Summary Document (PSD) for Version 7.1.