

# CIGFARO *m*SCOA NATIONAL WORKSHOP

## ITEM 11.1

### ALLOCATION OF A FUNDING SEGMENT

PRESENTED BY:

NAME : BONGANI  
SURNAME : MDLETSHE

Title: *m*SCOA Technical Advisor  
Division : LGBA

Date : 17 November 2021





**national treasury**  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA




**STAY SAFE**  
VACCINATE TO SAVE SOUTH AFRICA

1

NATIONAL TREASURY 2

## Improving the credibility of Data Strings

- Allocation of Funding Segment

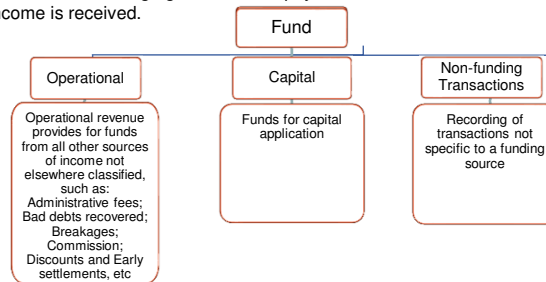
|

2

## Fund Segment

### Problem Statement

- To provide guidelines on the utilization of the Fund Segment.
- To Identify various sources of funding to finance both capital and operational expenditure.
- To determine the source of funding against which a payment is allocated and the source of revenue against which income is received.



3

## Fund Segment

- The use of FUND in Funding segment is key to ensure your budget is funded and your data strings populate correctly especially in the Cashflow receipts.
- The municipality's funding must balance to the total amount that will be received from the Equitable Share, services to be provided and the Rates and Taxes charged.
- It is important to take cognisance of the fact that non-payment of services will affect the cash position of the Municipality.
- When representing the figures in your reports, both the capital and operational portions are consolidated.
- Item Expenditure and Item Asset purchased, and work-in-progress are considered.
- The A5 items must always be represented by Capital Funding Sources

4

## Allocation of Funding to Transactions

- **What is a non funding Transaction?**
  - This account is to be used for the recording of transactions for which specific provisions has not been made in terms of the classification structure for the funding segment, currently non funding must be used for opening balances.
- **In what event Non-Funding should be used?**
  - When bringing in take-on balance or opening balances forward.
- **Implication of Utilizing Non-Funding Transactions**
  - If transactions is submitted with Non-Funding the transactions **will not** populate the Cash Flow.
- **Municipalities must:**
  - Utilize Non-funding against Opening balance
- **PT's to:**
  - **Ensure that Municipalities** utilize Non-funding Transactions as a funding source in the fund segment where applicable,.

5

## GRANT FUNDING



**national treasury**  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



6

		NATIONAL TREASURY	7
<b>Receipt of Transfers and Subsidies : Conditional Grant</b>			
Segment	Debit	Credit	
Project	Default	Default	
Function	Finance and Administration: Core: Finance	Finance and Administration: Core: Finance	
Item	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: Deposits	IL: Current liabilities: Trade and other payables Non-Exchange transactions: Transfers and subsidies unspent: Capital: Transfers and subsidies: Monetary allocations: National government: Municipal infrastructure Grant: Receipts	
Funding	Fund:Capital:Transfers and Subsidies: Monetary Allocations:National Government:Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies :Monetary Allocations:National Government:Municipal Infrastructure Grant	
Region	Head Office and Administration	Head Office and Administration	
Costing	Default	Default	

7

		NATIONAL TREASURY	8
<b>Spending of Transfers and Subsidies : Expenditure of the grant</b>			
Segment	Debit	Credit	
Project	Capital:Infrastructure:New: Roads infrastructure: Roads	Capital:Infrastructure:New: Roads infrastructure: Roads	
Function	Road Transport : Core: Roads	Road Transport : Core: Roads	
Item	IA: Non-current assets: Property, plant and equipment: Roads infrastructure: Cost: Acquisitions	IL: Current liabilities: Trade and other payables Exchange transactions: Payables and accruals: <b>Contractors:</b> Deposits	
Funding	Fund:Capital:Transfers and Subsidies: Monetary Allocations:National Government:Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies :Monetary Allocations:National Government:Municipal Infrastructure Grant	
Region	Head Office and Administration	Head Office and Administration	
Costing	Default	Default	

8

NATIONAL TREASURY 9		
Payment of creditors funded by the grant		
Segment	Debit	Credit
Project	Capital:Infrastructure:New: Roads infrastructure: Roads	Capital:Infrastructure:New: Roads infrastructure: Roads
Function	Road Transport : Core: Roads	Road Transport : Core: Roads
Item	IL: Current liabilities: Trade and other payables Exchange transactions: Payables and accruals: <b>Contractors: Withdrawals</b>	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: Withdrawals
Funding	Fund:Capital:Transfers and Subsidies: Monetary Allocations:National Government:Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies :Monetary Allocations:National Government:Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

9

NATIONAL TREASURY 10		
Recognising of Transfers and Subsidies as revenue (Grant Realisation) : Once the Grant /Transfer was spent the amount spend must be recognised as Revenue		
Segment	Debit	Credit
Project	Default	Default
Function	Function:Finance and Administration: Core: Finance	Function:Finance and Administration: Core: Finance
Item	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies <b>Unspent</b> : Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant: Transfer to revenue/Capital expenditure	Item: Revenue: Non-exchange Revenue: Transfers and Subsidies: Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant
Funding	Fund:Capital:Transfers and Subsidies:Monetary Allocations:National Government: Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies:Monetary Allocations:National Government: Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

10

NATIONAL TREASURY 11		
<b>Repayment of Grant Paying back grant amount that has not been spent</b>		
Segment	Debit	Credit
Project	Default	Default
Function	Function:Finance and Administration: Core: Finance	Function:Finance and Administration: Core: Finance
Item	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies <b>Unspent</b> : Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant: <b>Repayment of Unspent Grant</b>	IA: Current assets : Cash and cash equivalents: Cash at Bank: Bank Account: Specify: Withdrawals
Funding	Fund:Capital:Transfers and Subsidies:Monetary Allocations:National Government: Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies:Monetary Allocations:National Government: Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

11

NATIONAL TREASURY 12		
<b>Repayment of Grant (2) : Offset the unspent grant to Equitable share</b>		
Segment	Debit	Credit
Project	Default	Default
Function	Function:Finance and Administration: Core: Finance	Function:Finance and Administration: Core: Finance
Item	Item Liabilities: Current Liabilities: Trade and Other Payable Non-Exchange Transactions: Transfers and Subsidies <b>Unspent</b> : Capital: Monetary Allocations: National Government: Municipal Infrastructure Grant: <b>Repayment of Unspent Grant</b>	Item: <b>Revenue</b> : Non-Exchange Revenue: Transfers and Subsidies: Operational: Monetary Allocations: National Revenue Fund: <b>Equitable share</b>
Funding	Fund:Capital:Transfers and Subsidies:Monetary Allocations:National Government: Municipal Infrastructure Grant	Fund:Capital:Transfers and Subsidies:Monetary Allocations:National Government: Municipal Infrastructure Grant
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

12



13

NATIONAL TREASURY
14

## Borrowing as a funding source

- A Municipality may only incur long term debt in accordance with sec 46 of the MFMA, including sec 19 (Capital Projects).
- May only incur long term debt for Capital Expenditure on PPE to be used for the purpose of its objectives i.t.o. the Constitutional Functions sec 152  
ie: for Core Functions of Municipality.

Borrowings includes loans, leases and Municipal bonds.

- If a Municipality want to incur (multi year) borrowing they have to adhere to all the conditions of Sec 46 with regards to the process.
- Must invite the National and Provincial Treasury to comment on the proposed borrowing.

14

NATIONAL TREASURY 15		
<b>Borrowings Receipt : Loan receipt</b>		
Segment	Debit	Credit
Project	Default	Default
Function	Finance: Core: Finance	Finance: Core: Finance
Item	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (Primary bank account): Deposits	Liabilities: Non-current Liabilities: Financial Liabilities: Borrowings: Annuity and Bullet Loans : Banks: ABSA: Specify (Financial Institution and Account Number): Advances
Funding	Capital: Borrowing: Non-current: Annuity Loans: Development Bank of South Africa: Specify	Capital: Borrowing: Non-current: Annuity Loans: Development Bank of South Africa: Specify
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

15

NATIONAL TREASURY 16		
<b>Borrowings –Current portion for repayment : Loan transfer to repay loans portion in the next 12 months</b>		
Segment	Debit	Credit
Project	Default	Default
Function	Finance: Core: Finance	Finance: Core: Finance
Item	Liabilities: Non-current Liabilities: Financial Liabilities: Borrowings: Annuity and Bullet Loans : Banks: ABSA: Specify (Financial Institution and Account Number): Transferred to Current Liabilities	Liabilities: Current Liabilities: Financial Liabilities: Current portion of Non-current Borrowings: Annuity and Bullet Loans : Banks: ABSA: Specify (Financial Institution and Account Number): Deposits
Funding	Capital: Borrowing: Non-current: Annuity Loans: Development Bank of South Africa: Specify	Capital: Borrowing: Non-current: Annuity Loans: Development Bank of South Africa: Specify
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

16

NATIONAL TREASURY 17		
<b>Repayment of Borrowings : Repayment of borrowings (Circ 10+11)</b>		
Segment	Debit	Credit
Project	Default	Default
Function	Finance: Core function: Finance	Finance: Core function: Finance
Item	Liabilities: Current Liabilities: Financial Liabilities: Current portion of Non-current Borrowings: Annuity and Bullet Loans : Banks: ABSA: Specify (Financial Institution and Account Number): Withdrawals	Assets: Current Assets: Cash and Cash Equivalents: Cash at Bank: Bank Account: Specify (replace with account description): Withdrawals
Funding	Fund: Operational: Revenue: General Revenue: Taxes: Property Rates: Levies	Fund: Operational: Revenue: General Revenue: Taxes: Property Rates: Levies
Region	Head Office and Administration	Head Office and Administration
Costing	Default	Default

17

# THANK YOU



**vulekamali**  
SA Online Budget Data

For additional information on national and provincial budgets, please visit our new budget data portal: <https://vulekamali.gov.za>

[www.municipalmoney.gov.za](http://www.municipalmoney.gov.za)  
open local government budget data portal

Explore easy-to-understand, verified financial information for every single municipality in South Africa in one place.

For information on local government finances, please visit: <http://www.municipalmoney.gov.za>



**national treasury**

Department:  
National Treasury

18