

Section 4: Reporting Reforms

Section 4.1:

Rationalisation of Reporting Requirements



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1. Introduction

The content of this project has been informed by a performance reporting reform initiative undertaken by National Treasury, in collaboration with the Department of Cooperative Governance, the Department of Planning, Monitoring and Evaluation, Statistics South Africa and the Auditor-General of South Africa, amongst others. The intention of this reform is to rationalise the reporting requirements of metropolitan municipalities. It was identified early on in this reform initiative that rationalising the reporting requirements of metropolitan municipalities necessitates clarification and resolution of inconsistencies in the statutory requirements of the IDP, SDBIP and the performance information component of the Annual Report. The project is institutionalised into municipal planning, budgeting and reporting processes through [MFMA C88 2017](#) and subsequent updates of this Circular. To date as at June 2021 there have been two updates 2019 and 2020 – [MFMA C88 Addendum 2019](#) and [MFMA C88 Addendum 2020](#).

Why metropolitan municipalities?

Eight metropolitan municipalities account for nearly half of South Africa's population and serve as hubs for economic activity and employment. They command substantial budgets, have developed advanced bureaucracies and administrative systems and possess capacities that are not yet found elsewhere across local government. Metros were therefore identified as the appropriate category in which to initiate planning and reporting reforms because they provide a strategic foothold for broader expansion across local government.

The reporting reforms project aims to support the alignment of planning and reporting instruments for a prescribed set of municipal performance indicators. The Municipal Systems Act ([MSA](#)) and the [MFMA](#) require alignment between planning and reporting instruments such as the Integrated Development Plan (IDP), the Service Delivery and Budget Implementation Plan (SDBIP) and the Annual Report. However, there has been some confusion as to the results level that indicators in the SDBIP occupy, particularly in component 3. Quarterly projections of service delivery targets and performance indicators for each vote. This is particularly in relation to the goals and objectives set out over the medium term in the IDP, and how they are measured. This project aims to clarify this matter by prescribing municipal performance indicators for metropolitan municipalities. In providing guidance and conceptual clarity and alignment between the IDP, SDBIP and the performance part of the Annual Report, the project has provided conceptual benefit for all municipalities and

in the 2020 update, expanded the application of a sub-set of the indicators to the remainder of municipalities as part of a pilot for 2021/22.

2. Rationalisation Of Planning And Reporting Requirements

The process initiated to review, rationalise and streamline the reporting arrangements of metropolitan municipalities began at the end of 2013. This initiative was undertaken in response to the following issues arising from metro reporting on performance information, particularly within the built environment:

- There are too many indicators that national departments expect metropolitan municipalities to report upon and they are not sufficiently strategic;
- There is duplication, fragmentation and insufficient coordination of how this performance information is managed and reporting resulting in an inefficient use of resources; and
- Indicators at the output and outcome level are generally undeveloped and insufficient attention has been paid to the relationship between outputs and outcomes in crafting and selecting performance indicators.

Central to this reporting initiative was the intrinsic linkage to planning, and the inescapable reality that reports are a response to plans, of which the inter-relationship necessitates consideration of the implications for both. The planning reforms project as well as the Budget, Fiscal and Financial reforms project was run in parallel to the reporting reforms project, but always strategically aligned “behind the scenes” internally in National Treasury until March 2020. Subsequently in December 2020 [MFMA C88 Addendum 2020](#) included both planning and budgeting reforms. The [MFMA C88 Addendum 2019](#) provided clarity on implementation challenges with requirements set out in the original circular.

2.1 The Reporting Reforms Project Process

As part of the project process the Cities Support Programme (CSP) collated the reporting requirements for all metropolitan municipalities and identified 2 572 indicators, requiring 18 467 data elements to be reported upon annually. These indicators were then catalogued and analysed according to their location on the results-chain, consistent with the provisions of the Framework for Managing Programme Performance Information ([FMPPI 2007](#)). This analysis confirmed that the current distribution of indicators is concentrated at the lower end of the results-chain, without sufficient attention and consideration given to higher-level indicators, particularly those at output and outcome level where there is a key logical linkage required to ensure the realisation of government policy and strategic intentions.

The reporting reform process then ensued over two cycles of sector and metro consultations and engagements in 2017 and 2020 that aimed at addressing the fragmentation, duplication and lack of coordination across the state to produce a rationalised set of indicators for metropolitan planning and reporting. It required intensively and repeatedly engaging stakeholders from municipalities, sector departments, centre of government departments and other state institutions (e.g. StatsSA, AGSA, etc) in bilateral and multilateral forums to solicit comment as well as obtain written submission and input on multiple iterations of these indicators. Central to the process of developing indicators was the very practical consideration of the feasibility, availability and practicality of data collection in relation to performance indicators and their comprising data elements across the state.

The new set of indicators for metropolitan municipalities has therefore integrated different sets of indicators, namely those of the various sector departments, the Integrated Urban Development Framework (IUDF), Cities Support Programme (CSP), New Urban Agenda, SDG and the Back to Basics Programme for local government. This process has resulted in rounds of discussion and agreement amongst relevant sector departments, transversal departments and metros on the indicators to be implemented. The first set applied from the 2018/19 financial year onwards and the most recent update will come into application from 2021/22 onwards, with a further update planned for 2022/23.

2.2 Conceptual Framework for Performance Reporting

The [FMPPI 2007](#) provides a conceptual framework for performance reporting across the three spheres of government and the conceptual foundation for the current results-based approach.

Key Concepts and Implications for Reporting

Understanding “[Impact](#)” as “the results of achieving specific outcomes, such as reducing poverty or creating jobs” FMPPI 2007, this results area refers to inter-sectoral, compounded, long term changes in outcomes. As an indicator set at impact level, these are covered by established and widely recognised international metrics of development, poverty, inequality and employment, including complex measures such as the Human Development Index, Gini Coefficient, etc. While these are seen as useful as long-term metrics of development progress, the value of these indicators for annual planning, monitoring and reporting cycles is limited for short-term performance tracking.

At the level of “[Outcome](#)”, or “the medium-term results for specific beneficiaries” (FMPPI 2007), the reporting reforms

initiative has sought to measure performance indicators in relation to the constitutionally vested powers and functions of metropolitan municipalities as well as in relation to “city transformation” at an integrated outcome level.

One subset of “[Outcomes](#)” is understood in terms of municipal functions, which when delivered directly and logically contribute to direct outcomes that are measurable. This is consistent with the FMPPI’s definition that outcomes “are the consequence of achieving specific outputs” (National Treasury, 2007) as outputs are products or services which should directly contribute to a change in more immediate, “functional outcomes.”

In relation to “[city transformation](#)” or [integrated outcomes](#), a second subset of “[Outcomes](#)” are understood in terms of how functional outcomes integrate and produce complex results of their own. These indicators apply a distinct transformational, and usually spatial, lens in terms of how outcomes are spread in the city. By their very nature they reflect a complex confluence and interplay of functional outcomes with some effects reflecting only over the medium-long term. However, the integrated, city transformational outcomes are not necessarily mutually exclusive from functional outcomes as there may be points of mutual overlap and confluence, particularly as it relates to the transportation and housing functions which increasingly entail integration of functional planning and associated outcomes. As of the 2020 update, there were not any integrated outcome indicators included for application as part of annual or medium-term planning and reporting cycles.

At the results-level of “[Output](#)” an emphasis has been placed on the functional link between the “final products, goods or services produced for delivery” ([FMPPI 2007](#)), particularly as it relates to the achievement of outcomes. Although previously explicit, this process has sought to strengthen the functional linkage between outputs and outcomes while selecting only output indicators which provide a useful indication of performance in relation to the intended outcome. In the process of consultation, this has also led to the inclusion of “efficiency” indicators which speak to the time and resourcing associated with the delivery of specific products, goods and services.

Given the problem statement and the strategic focus of the initiative, the process has not embarked upon the development of indicators for “[Activities](#)” or “[Inputs](#)”. As previous analysis has shown, the planning and reporting system tends to reflect a disproportionate amount of these measures which are often removed and with only tenuous linkages to results.

In order to accommodate lower order indicators for compliance purposes, the reform introduced the notion of “Compliance” indicators for the specification of single data

element measures of basic legislative compliance and organisational capacity. With the benefit of implementation, stakeholders identified the need and value of Technical Indicator Definitions (TIDs) for these measures as well. Furthermore, it became apparent that otherwise useful monitoring data and information generated by municipalities did not always fit well within the Output and Outcome results level distinctions, with their attendant short and medium-term accountability requirements in relation to performance targets. Examples of such indicators include the 'Number of protests reported' and the 'Number of registered engineers employed in approved posts' which are very useful indicators, but not necessarily appropriate for performance monitoring and reporting.

Compliance indicators, or lower order results indicators, are therefore considered to be indicators that convey important information about the municipality's legislative and administrative compliance, capacity and staffing, and/or context. They are indicators made up of a single data element for periodic monitoring and reporting. Compliance indicators do not have performance targets and their TIDs are shorter and simpler, conveying only the rationale, definition, calculation, frequency of reporting and notes on accumulation.

2.3 Agreement on a Set of Outcomes, Outputs and Indicators

City Transformation Outcomes (BEPP Indicators/ Integrated Outcome Indicators)

In line with the above conceptual clarifications, the reporting reform process identified a common set of city transformational outcomes viewed through a spatial lens. These included:

- Targeted investments in integration zones
- Reduction in urban sprawl
- New housing options with social diversity
- Affordable and efficient public transport services

As part of the preliminary consultations on reporting reforms, outcome indicators were developed and proposed in relation to these transformational outcome areas. Given the realities of the data and the lens through which it was viewed, the Built Environment Performance Plan (BEPP) was identified as the most appropriate planning instrument through which these indicators should find expression. From the 2018/19 MTREF until the last BEPPs were done for the 2020/21 MTREF, the BEPP was the planning, budgeting and reporting instrument used by metropolitan

municipalities to support the institutionalisation and application of the set of city transformational indicators. However, given the complex, integrated nature of the outcomes, the limitations of seeking to track and account for medium-long term changes over the short-term through annual planning and reporting processes with their attendant accountability requirements became apparent. As a result, these outcomes have been recommended for consideration as part of longer-term planning to be addressed through periodic evaluation, rather than as part of short term monitoring and reporting.

Functional Performance Indicators (Outcomes and Outputs Level)

Central to the work of the reporting reforms project has been the focus upon the following municipal functions which have informed the development of a set of indicators:

- Water and sanitation;
- Electricity and energy;
- Housing and community facilities;
- Roads and transport;
- Environment and waste management;
- Fire and disaster services¹
- Governance and
- Local economic development².

In each case the functions were organised around a set of framing outcomes. The outcomes are generic, non-prescriptive (in terms of municipalities replicating their formulation in planning documentation) and provide the common organising and logical frame through which both outcome indicators and outputs indicators should be understood. Refer to Appendix A of [MFMA C88 Addendum 2020 update](#) for this breakdown of the outcomes and how they relate to both outcome indicators and output indicators.

Each indicator was developed applying a set of principles considering their strategic value and importance, as well as practical realities related to data availability and systems. This was iteratively consulted upon and allowed for practical considerations, at times at odds with technical preferences, to inform indicator selection and readiness to ensure that indicators could actually be planned for and reported on. Furthermore, the practical implications of output level indicators having direct accountability linkages for senior manager performance agreements has also resulted in careful consideration of indicators at this level.

1. Initially termed 'Fire and emergency services' this title was changed to 'Fire and disaster services' as part of the 2020 update.

2. Local economic development was added as a new sector as part of the 2020 update.

2.4 Readiness of indicators

The process of indicator consultation has led to the evolution of a tier classification system in terms of readiness for tracking indicators. To indicate whether the indicator is well-defined, with a set of methodologies and pre-existing datasets available to begin reporting on these indicators for a category of municipality, a tier classification has been introduced. Applying a similar version of indicator readiness classification used for the Sustainable Development Goals (SDG) by the United Nations (UN, 2016), the following tiers have been developed and applied for this exercise:

Table 1: Indicator readiness tier classification system

| | |
|---------------|--|
| Tier 1 | Indicator conceptually clear, established methodology and standards available and data regularly produced. |
| Tier 2 | Indicator conceptually clear, established methodologies and some standards but there is variability in interpretation and systems available to support. Data are not yet regularly produced across all stakeholders. |
| Tier 3 | Indicator for which there is agreed conceptual value, but not yet a common established methodology and standards for data to be produced. |
| Tier 4 | Indicator for which there is an identified need, but not yet conceptual agreement between stakeholders and this is a placeholder for a future indicator. |

Based on this tier classification system it is determined whether an indicator is ready for implementation as a requirement of planning and reporting. In agreement with stakeholders, all Tier 1 and Tier 2 indicators have been introduced by metropolitan municipalities in the 2018/19 planning and reporting cycle. All Tier 3 and Tier 4 indicators are the subject on on-going technical work, capacity and system development prior to introduction, but the intention is to progress them up the tiers over time. Metropolitan municipalities able to report on these indicators (or some variation of them) and are encouraged to begin doing so even before they become prescribed. The tier classification has been carried through all updates of MFMA Circular 88 and used as part of the differential application of the indicator set to other categories of municipalities, including Intermediary Cities, Districts and Local municipalities. The classification system allows for an indicator that may have the same functional application across categories of municipalities to be at different levels of readiness for each of the respective categories.

2.5 Streamlining Reporting Responsibilities

Poor resourcing, limited capability, capacity and other challenges contribute to inefficiencies in the planning and reporting system at odds with the data needs for results-based performance management. For instance, while municipal level data on household service access is sought, it is neither cost-effective nor realistic for municipalities to undertake the surveys or establish comprehensive systems for sourcing, collating and reporting this data for their entire population. For those that have, there are differences in how and what methodologies they employ, rendering some measures incomparable. Some national departments and state entities have vested and specialised functions which are better placed in this regard. For instance, Statistics South Africa undertakes an Annual General Household Survey of the population representative at metropolitan municipal level which provides common, comparable measures of household service access which can be a standardised basis for comparison across metros. This process has therefore introduced the idea that the responsibility for performance indicators should be extended beyond that which can be supplied by the municipality alone.

As a result, all indicators developed as part of this process distinguish between reporting responsibilities that are:

- Exclusively the responsibility of the **municipality**;
- Exclusively the responsibility of a **national** department or state entity to source and provide data to the municipality; and
- **Shared** between the municipality and a national department or state entity, where the measure is a composite of multiple data elements and sources.

The implication of this is that performance indicators for reporting need not be sourced, collated, managed and stored by the municipality. However, all the indicators should find expression at the appropriate level within statutory planning and reporting documents.

2.6 Indicator Architecture

All indicators are made up of one or more data elements. Data elements are the most basic unit of measure that indicators are built upon. An example of the four data elements that inform the indicator of Percentage of households with access to a basic water supply is provided in figure 1:

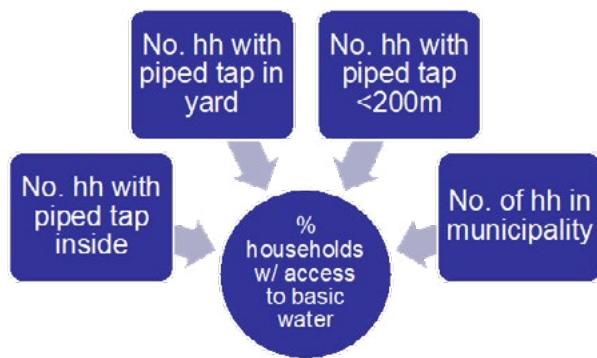


Figure 1: Example of an indicator with four data elements (abbreviated example)

Data elements are therefore the building blocks of all indicators and this process has ensured that all indicators are adequately defined at this level. Refer to Appendix B of [MFMA C88 2020 update](#) of the document for more details to see how this finds expression in the Technical Indicator Description for each indicator.

2.7 Internalisation of a Standardised Set of Indicators

The indicators crafted and produced through the reporting reform process are intended to serve as a common standard and basis prior to their eventual regulation through an update of the planning and performance management regulations of 2001, issued in terms of the Municipal Systems Act. However, it is recognised that metros have their own systems and methodologies in place for their indicators. There is therefore a degree of interpretation involved between how the data elements of a commonly defined indicator are sourced and supplied in one municipality compared to another. The Technical Indicator Descriptions are therefore expected to be common points of departure for these indicators, which should then be applied to the respective metro systems and sources via a standard operating procedure for the sourcing, collection, collation, storing and managing of data on the side of the municipality. It is important to emphasise that while Circular No. 88 standardises indicator definitions, it is incumbent upon municipalities to ensure they have specified the operating procedures, processes, roles and responsibilities in a replicable and verifiable way for each indicator.

2.8 Complement Own Indicators

There is a real risk that the introduction of a set of prescribed indicators gives way to forms of malicious compliance and the discarding of innovative, cost-effective and dynamic data collection systems, methods and indicators. That is not the intention of the reform, but it has the potential to be an unintended consequence if not acknowledged and resisted. Metropolitan municipalities are reminded that it is at their own discretion to set and select indicators in addition to those that are prescribed via this process and

that they should apply themselves in consideration of their preferred set of pre-existing indicators in relation to the prescribed set of indicators accompanying [MFMA C88 Addendum 2020](#) update.

3. Clarifying Component 3 of the SDBIP

References to the SDBIP as a “layered plan” with a “top-layer dealing with consolidated service delivery targets and in-year deadlines” ([MFMA Circ 13, 2005](#)) has blurred the lines between what is expected of performance indicator planning and in which planning documents it is to be found. There is a need to provide clarification of the levels at which performance indicator planning sits against the results-chain level most appropriately corresponding to the planning instruments available.

Reference to the SDBIP in the context of [MFMA C88 2017](#) therefore refers to component 3 exclusively, and more specifically the “top-layer” only. Component 3 of the SDBIP is understood as a distinct document separate from the IDP with a different purview and focus as it relates to output indicators **within the control and responsibility of the municipality** exclusively. Whether a municipality elects to include their “top-layer” SDBIP as part of their IDP or not, the principle remains that the SDBIP has a distinct emphasis (annual and quarterly target-setting provisions should apply to output level indicators only).

3.1 The Statutory Planning Context

The MSA and MFMA provide the legal framework around which municipal planning must occur. The Spatial Planning and Land Use Management Act of 2013, in combination with the Division of Revenue Act gave impetus to the introduction of the Municipal Spatial Development Framework (MSDF) and BEPP as an additional planning instrument for metropolitan municipalities with a distinct spatial imperative for the built environment between the 2014/15 to 2019/20 MTREF. Figure 2 illustrates how these planning instruments relate to the results-chain and the targeted spread of indicators.

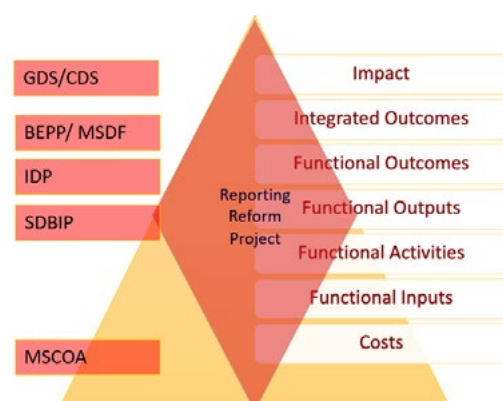


Figure 2: Performance indicators on the results-chain as the focus of the reporting reforms work

From the above it is clear that each planning instrument is intended to correspond to a distinct results-chain level and that this should guide and inform the selection and application of indicators in these planning documents. Also apparent is that the emphasis of the rationalised set of indicators is to ensure a leaner, more streamlined and strategic set of indicators is prioritised and tracked, particularly between the output and outcome levels.

Importantly, the nature of city transformation sought between CDS/GDS and BEPP/MSDF levels (impact to outcome) does not allow for a clear-cut or distinct conceptual alignment between this level and that of the functional outcome level expressed in the IDP. Alignment and logical functional linkages are however sought between the IDP, SDBIP and the performance part in the Annual Report, recognising the critical importance of the mechanisms operating between the product or service delivery and the result sought by the municipality.

A note on the BEPPs

Spatial planning and land use management is primarily a municipal function in terms of SPLUMA and the precedent-setting ruling of the Constitutional Court (2010). The BEPPs and its related Guidelines do not usurp the municipal function of spatial planning and land use management. They seek to work collaboratively with metropolitan municipalities to share good practice, within the context of efforts by the national government to introduce a more enabling policy and regulatory environment to achieve more compact cities. The planning alignment and reform advocated by the BEPPs and its related Guidelines (and its inherent approach, tools and instruments) are part of package of reforms complemented by national regulatory, fiscal, monitoring and reporting reforms. Given the institutionalisation of the BEPPs into various longer-term planning instruments and the IDP from 2020/21, the BEPP Guidelines will become a Spatial Targeting Toolkit for use in the planning process for the MSDF/GDS/CDS and the IDP.

3.2 Clarifying the IDP and SDBIP Interface

Component 3 of the [MFMA Circ 13, 2005](#) has been widely interpreted by municipalities. As a result, many municipalities have blurred the lines between selecting outcome and output indicators in their IDPs and SDBIPs and reporting on them in their quarterly and annual reports. **In line with the original intention of the SDBIPs, [MFMA C88 2017](#) seeks to clarify that the SDBIP should only be concerned with performance information that speaks to “products or services” directly produced or delivered within the control of the municipality, otherwise known as outputs.** The targets set for these indicators should therefore be informed by the resourcing allocation derived from the prioritisation

and strategic direction set out in the IDP. Similarly, the IDP should be concerned primarily with the outcomes and set targets in relation to these over the medium term. It is therefore inappropriate to include medium-term outcome level indicators within the SDBIP because of its short term performance accountability provisions. IDPs are expected to be the intended ‘home’ for outcome indicators with medium-term targets and annual performance monitoring, while SDBIPs should reflect output indicators with annualised target-setting and quarterly monitoring and reporting.

The following is intended to provide conceptual clarity with regards to the planning and reporting instruments appropriate for the respective results-chain levels.

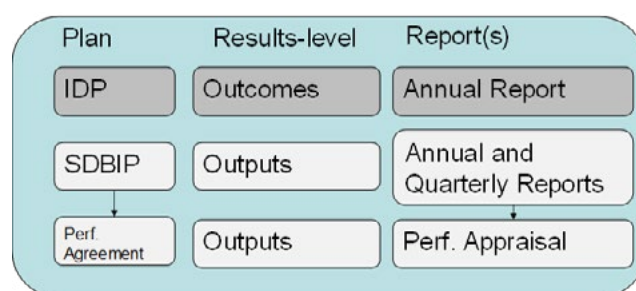


Figure 3: Planning and Reporting instruments and their results-level

In Figure 3 there is an important relationship between the Outcomes (Functional) and the Outputs (Functional) reflected in the SDBIP. The indicators were crafted at outcome and output level with a common conceptual frame and it is expected that both of these would find expression in terms of annual reporting so that this logical linkage can be made.

4. Phased Implementation

The underlying approach to these indicators is one of incremental introduction. There is a recognition that not all of the indicators are comprised of data elements for which there is a common understanding of the methods for collecting the data, let alone the systems to regularly source, collect, collate and report on this information. As a result, an incremental approach to implementation has been pursued applying the readiness tiers set out in Table 1 as a basis for identifying which indicators are ready for implementation in which categories of municipality.

4.1 Indicators ready for introduction in 2018/19

[MFMA C88 2017](#) introduced a set of indicators ambitious in scope and reporting responsibilities. Of the 138 indicators at the output and outcomes levels introduced by C88, 104 of these were positioned at Tier 1 and 2 levels of readiness. The remaining 34 indicators were listed at Tier 3

and 4, subject to future iterations and revisions. Within this reporting set, indicators were also differentiated in terms of **municipal responsibility** for the sourcing, collection, collation and reporting of the indicators. This was distinct from the **shared reporting responsibility** between the municipality and a national stakeholder or entity in terms of supplying some of the data elements. Lastly, for select indicators sourced at a national scale, indicators and their constituent data elements were identified as the **national responsibility** of departments or entities responsible for reporting data for the metropolitan municipalities.

Implications for further roll-out

The performance reporting reform initiative was initially targeted at metropolitan municipalities and indicators were crafted specifically in relation to the powers and functions vested in them. However, the challenges facing metropolitan municipalities extend across local government more generally. As part of a pilot process, a sub-set of these indicators were intended for introduction across local government.

The [MFMA C88 2017](#) set of indicators were introduced as part of a staggered build-up to the review of the current general key performance indicators for local government as mandated by the 2001 regulations done in terms of Chapter 6, section 43 of the Municipal Systems Act³. The new set of indicators of general key performance indicators will take a differentiated approach to the powers and functions of each municipal category. The first set of indicators for metropolitan municipalities in 2018/19 was thus the start of the development of a new set of general key performance indicators for local government.

As part of broader reporting reform, the intention has been to incrementally phase out current sectoral reporting processes in favour of an integrated, collaborative and co-ordinated approach. Ultimately, the reform should help to end duplicative and uncoordinated sectoral reporting requirements over time, based on the success of this approach.

4.2 Revisions and updates to indicators from 2020/21 onwards

Between the introduction of the [MFMA C88 2017](#) and the [MFMA C88 Addendum 2019 update](#) priority was given to addressing challenges in the formulation and practical application of the indicators. Most indicators introduced in 2018/19 at Tier 1 and Tier 2 and their TIDs were not altered. However, the following changes were made:

- In cases where comments were received and stakeholders motivated for greater consultation on the indicator formulation, clarity on definitions or identified inconsistencies in the TIDs, these indicators were updated.
- In instances where the implementation of C88 identified challenges in the sourcing and supply of data, particularly from national role-players to metropolitan municipalities, these indicators were moved down from Tier 1 or 2 readiness levels to Tier 3 or Tier 4, indicating indicators that were not yet ready for reporting. Specifically, the 16 City Transformational Indicators (Integrated Outcome indicators) were moved to Tier 3 and 4 with this update.
- Indicators originally set at readiness level Tier 3 or 4 were left unchanged (as per the original issue of C88) to consolidate progress and resolve challenges with the other indicators.

[MFMA C88 Addendum 2019](#) update was used to address practical challenges experienced with implementing the indicator set during 2018/29 and address them. It did not entail substantive consultations and did not expand the sectoral coverage of the indicators or application beyond metropolitan municipalities.

4.3 MFMA C88 Addendum 2020 update for 2021/22 onwards

The experience of metropolitan municipality reporting on MFMA Circular No. 88 indicators during 2018/19 and 2019/20 financial years prompted the consultations which culminated in the [MFMA C88 Addendum 2020](#) update. Closer linkages with the planning function was prioritised and C88 found expression in respective reform processes. Concurrent consultations undertaken by the Department of Cooperative Governance (DCoG) further informed revisions and an update to the MFMA Circular No. 88 indicators. This resulted in significant expansion, revision and replacement of the existing indicator set, including the addition of the Local Economic Development sector and expansion of Compliance indicators.

It is important to emphasise that with the application of the reform across other categories of municipalities as a singular, differentially applied set of indicators for local government that the maximum number of indicators (253) does not apply in any one case. Among the differentially applied indicators are those that require 'National' or 'Shared' reporting outside the exclusive responsibilities of municipalities, as well as indicators at Tier 3 or 4 levels of readiness, which do not yet apply. As a result, in most cases municipalities are not responsible for reporting on more than half of the proposed indicators in practice.

3. Section 43 of the Municipal Systems Act provides that the Minister may prescribe general key performance indicators for local government by regulation and review, and adjust those general key performance indicators when necessary.

Table 2: Extract from a TID specifying the categories of municipality an indicator applies and its level of readiness.

| Reporting responsibility | Applies to Municipal Category | Readiness | |
|--------------------------|-------------------------------|-----------|--------|
| Municipality | Metro | Yes | Tier 2 |
| | Intermediate City | Yes | Tier 3 |
| | District | No | N/A |
| | Local | Yes | Tier 3 |

Rationalisation of reporting in practice

With the [MFMA C88 Addendum 2020](#) update a number of existing reporting requirements were integrated into the reporting process and practices, and thereby fell away as parallel reporting for 2021/22. This includes the following reporting which is now considered integrated within the MFMA Circular No. 88 quarterly and annual reporting provisions:

- Back-2-Basics (B2B) monthly reporting to DCoG;
- Urban Settlements Development Grant (USDG) Performance Matrix reporting;
- BEPPs reporting of the City Transformation indicators; and
- Additional Service Delivery Information reporting to National Treasury.

Expanding application of the reform to other categories of municipalities

The [MFMA C88 Addendum 2020](#) update expanded application of the reform to intermediate cities, districts and local municipalities. With a view to eventually regulating the reform, a broader set of municipal and sector consultations were undertaken in terms of the provisions of Section 43 of the Municipal Systems Act (MSA, 32 of 2000) which provides for the Minister of Cooperative Governance, after consultation with MECs for local government and organised local government representing local government nationally, to prescribe and regulate key performance indicators to local government.

Unlike the original circular (2017), the Addendum 2020 update applies to all categories of municipalities. It expands the scope of indicators applicable to the other categories of municipalities beyond metros⁴ including:

- Intermediate (or secondary) Cities (39)
- District Municipalities (44)
- Local Municipalities (166)

Each MFMA Circular No. 88 indicator is now differentially applied per category of municipality and in terms of the four tier readiness system. Only Tier 1 and Tier 2 indicators apply to municipalities from 2021/22 financial year onwards for the purposes of piloting.

In table 2, the indicator would apply to metropolitan municipalities, intermediate cities and local municipalities, but not districts. However, it would only be ready for planning and reporting in metropolitan municipalities for the 2021/22 financial year and would not yet be prescribed to intermediate cities and local municipalities.

5. Methodology

5.1 Timing and Methodology for Preparation of Performance Indicators and Targets

Section 21(1)(b) of the [MFMA](#) requires that at least 10 months before the start of the budget year, table in council a schedule for -

- the preparation, tabling and approval of the annual budget;
- the annual review of-(aa) the integrated development plan in terms of section 34 of the Municipal Systems Act; and (bb) the budget-related policies;
- the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
- any consultative processes forming part of the processes referred to in subparagraphs (i),(ii) and (iii).

This is the legal requirement but it illustrates that the timing and annual review of the IDP is central to informing the indicator planning process. It is expected that as part of the annual preparations and review of the IDP that performance data for the latest available outcome indicators will be included, along with target setting over

4. References the number of municipalities that are considered within each category.

the medium-term horizon⁵ (on a 5-year basis aligned to the term of government, not annually). Setting a medium-term target, and not an annual target, for outcome indicators is intended to limit perverse incentives arising from accountability arrangements which may give rise to low target-setting or seek to revise down on an annual basis what were originally more ambitious medium-term outcome results.

Section 69(3)(a) of the [MFMA](#) requires the accounting officer to submit a draft SDBIP to the mayor no later than 14 days after the approval of the budget and drafts of the performance agreement as required in terms of the section 57 (1)(b) of the [Municipal Systems Act](#). The mayor must subsequently approve the SDBIP no later than 28 days after the approval of the budget in accordance with section 53(1)(c)(ii) of the MFMA.

Outcome indicators *should*:

- Be included in the IDP with baseline data for the most recent year for which data is available.
- Include a medium-term target for the end of the electoral term (5th year).
- Be reported upon for the latest year for which data is available in the Annual Report.

Outcome indicators *should not*:

- Form the basis of an annual performance appraisal of the municipality.
- Have public annual or quarterly targets.
- Be expressed in the SDBIP.
- Be included in annual performance agreements of municipal managers or senior management.

Output indicators *should*:

- Be included in the SDBIP with baseline data for the preceding financial year.
- Include annual targets and be split into quarterly projections as appropriate.
- Be reported on an annual basis and quarterly as appropriate.
- Be reflected in the annual performance agreements of municipal managers or senior management.

In addition, Regulation 14 (3) of the Municipal Budget and Reporting Regulations (MBRR) states that: “For effective planning and implementation of the annual budget, the draft municipal service delivery and budget implementation plan may form part of the budget documentation and be

tabled in the municipal council if so recommended by the budget steering committee.”

Again, while this is the legal requirement the sequencing and expectation is clearly that municipal planning in the form of the IDP should be giving strategic direction and setting medium-term performance targets, while resource considerations should inform the target-setting and tracking of performance indicators over the short term via the SDBIP and associated reporting.

5.2 Planning Templates

The following planning template is intended for illustration purposes to assist in the introduction of these indicators. The SDBIP planning template (Appendix C of [MFMA C88 2017](#)) should be read in conjunction with the recommendations for the planning template for outcome indicators to be included in the IDP.

Note that it is proposed that the SDBIP make provision for indicators that are prescribed for reporting by: national government; provincial government (currently on a province by province basis); and set by the municipality itself.

5.3 Reporting templates

The SDBIP reporting template is informed by the planning template. However, the objective of this template is to standardise performance reporting as far as possible. The following reporting template is intended for illustration purposes to assist in the introduction of these indicators. The SDBIP reporting template is provided in more detail (Appendix D of [MFMA C88 2017](#)).

All references to the SDBIP in [MFMA C88 2017](#) refer to the templates for planning and reporting provided as appendices C and D to this document.

Figure 5 below (see also appendix D of [MFMA C88 2017](#)) effectively replaces Diagram 5 of Component 3 of the MFMA Circular No. 13. This provides a template for annual reporting which should be included in Chapter 3: Service Delivery Performance (Performance Report Part 1) in the Annual Report as per MFMA Circular No. 63.

5.4 Development of Standard Operating Procedures

In the case of each prescribed indicator, municipalities are encouraged to develop a standard operating procedure to ensure they have clarified and standardised the process for the sourcing, collection, collation and reporting of each

5. This was initially described as a 3-year period. However, through implementation of the indicator set it has become clear that outcome indicators should set a target for a 5-year period linked to the term of office, coinciding with the duration of the IDP.

| Municipal name: SDBIP Reporting Template: 2018-19 | | | | | | | | |
|---|---------|---|--|---------------------------|--------------------------------------|----------------------|----------------------|----------------------|
| Sector | Ref no. | Performance indicator | Baseline (Annual Performance of 2017/18 estimated) | Annual target for 2018/19 | Target for 2018/19 SDBIP per Quarter | | | |
| | | | | | 1st Q Planned Target | 2nd Q Planned Target | 3rd Q Planned Target | 4th Q Planned Target |
| | | | 1 | 2 | 3 | 4 | 5 | 6 |
| National Prescribed Indicators | | List of prescribed National Indicators issued by NT | | - - - | - - - | - - - | - - - | - - - |

Figure 4: Example of the SDBIP planning template for performance indicators (Outputs)

| Municipal name: SDBIP Reporting Template: 2018-19 | | | | | | | |
|---|---------|---|--|---------------------------|-----------------------------------|---------------------|--|
| Sector | Ref no. | Performance indicator | Baseline (Annual Performance of 2017/18 estimated) | Annual target for 2018/19 | 1st Q Planned Output as per SDBIP | 1st Q Actual Output | 1st Q Actual Expenditure Actual Output |
| | | | 1 | 2 | 3 | 4 | 5 |
| National Prescribed Indicators | | List of prescribed National Indicators issued by NT | | - - - | - - - | - - - | - - - |

Figure 5: Example of the SDBIP reporting template for performance indicators (Outputs)

of these indicators according to their identified frequency of reporting. The Technical Indicator Descriptions provide considerable detail which then needs to be set out in an explicit and repeatable process within the respective context of each individual municipality.

5.5 Link to mSCOA

mSCOA is not only a financial classification system or standard at a transactional level across all 257 municipalities, but also a business reform that affects every part of the operations of a municipality. It facilitates seamless alignment / integration between the information used across the planning, budgeting, reporting and the accountability cycle. All of these are key ingredients or a precondition to improve services delivery. If municipal IT Systems are set up correctly, municipalities should now be able to track their performance between annual and quarterly targets set as part of their planning processes (IDP and SDBIP) in relation the cost associated with these services from a budgeting and reporting perspective. This objective has been at the heart of the Mid-year Budget and Performance engagements with the non-delegated municipalities over the last ten years.

5.6 Evaluations

[MFMA C88 Addendum 2020](#) update drew on the conceptual framing of a suite of policies set out in terms of the Policy Framework for Government-wide Monitoring & Evaluation (GWME) (Presidency, 2007) to advance planning and reporting reforms. It built on the policy foundations of the Framework for Managing Programme Performance Information (FMPPI) (National Treasury, 2007) as well as

the South African Statistics Quality Assessment Framework (StatsSA, 2010) (SASQAF) to specify results areas for municipal performance indicators and to distinguish between the different data terrains available to state actors for planning, monitoring and reporting purposes.

Figure 6: Three data terrains of the Government-Wide Monitoring & Evaluation System and their policy frameworks

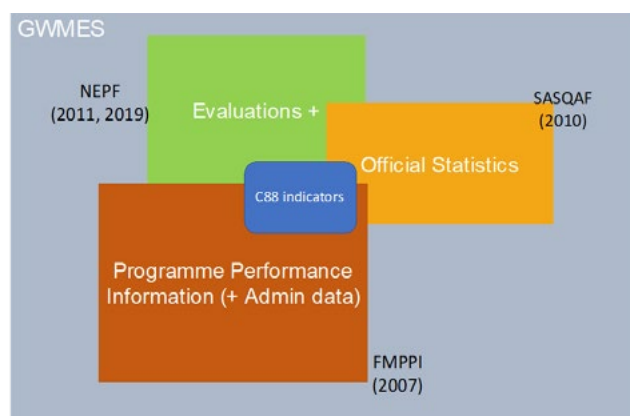


Figure 6 illustrates the three respective data terrains with their accompanying policy frameworks and situates the Circular No. 88 outcome, output and compliance indicators in relation to the data terrains they draw on. To date, the Circular No. 88 indicators have been developed and formulated with a view to locating them within either one of two data terrains set out in the GWME: Programme Performance Information; or Official Statistics. However, the Policy Framework for Government-Wide Monitoring & Evaluation (GWME) provides for a third data terrain better suited to systematically and comprehensively answering 'How' and 'Why?' questions raised in relation to the achievement of outcomes: Evaluations. This update

to MFMA Circular No. 88 reinforces the complementary function of evaluations in relation to planning, budgeting and reporting. It emphasizes that evaluations are the correct means of determining the achievement of outcomes, and that MFMA Circular No. 88 should not be misunderstood to suggest reporting on a set of performance indicators is sufficient to claim achievement of an outcome. Ultimately, municipalities that coordinate and integrate their planning, budgeting, and reporting with periodic evaluation exercises will be in a much better position to advance evidence-based decision-making for improved developmental outcomes.

Institutionalising evaluation in the local government sphere

The 2019 National Evaluation Policy Framework (NEPF) has clarified the objective of ensuring local government successfully institutionalises the practice of evaluation, as it is critical to the realisation of the National Development Plan (NDP). Further, the District Development Model provides an opportunity to advance this vital strategic function through better coordinated intergovernmental planning and budgeting. This occurs at a time when the MFMA Circular No. 88 reforms are advancing a differentiated, standardised and comparable set of indicators for all of local government. There are apparent synergies and common reform objectives related to evidence-based decision-making and cost-effectiveness of public sector strategies in this regard.

6. A Shared Reporting Platform

National government, led by the Department of Planning, Monitoring and Evaluation, the Department of Cooperative Governance and National Treasury have established and managed a shared performance reporting platform for metros and national departments.

Intrinsic to the notion of reporting reforms is the practical means through which a streamlined set of indicators could be more efficiently, sourced, captured, collated, approved, shared and reported upon. Figure 7 to follow below provides a conceptual overview of a shared reporting platform and the place it will occupy between metropolitan municipalities and national government.

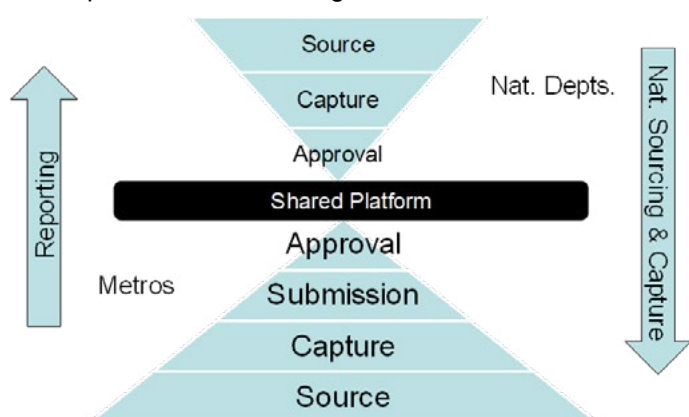


Figure 7: Data inputs for a shared platform

The shared platform system will allow for the input of each of the data elements making up an indicator and directly contribute to a reduction in the reporting burden and associated costs of data management while simultaneously contributing to more standardised, comparable and strategic information about performance results across metropolitan municipalities.

The shared platform is intended to include, but not limited to, the following functionality:

- Acting as a single, shared repository for storing and accessing all data elements and indicators;
- Allowing organisation-specific user permissions for assigning the capture, approval and submission rights of indicator data elements;
- Automating the sharing of data sourced on a national scale across metros (e.g Statistics South Africa, Deeds Office, etc) via one point of capture and approval;
- Streamlining prescribed indicator reporting (e.g. SDBIP and Annual Reports);
- Providing an overview and dashboard of captured and approve data prior to reporting submission;
- Providing sector-based reporting on outcomes;
- Providing comparative reporting across municipalities; and
- Allowing customisable performance indicator reporting based on user needs.

A pilot of the shared reporting platform is subject to on-going testing as part of the roll-out of the prescribed set of indicators within metros.

7. Next Steps For The Reforms

A Joint Planning, Budgeting and Reporting Reform Steering Committee comprised of key centre of government departments was established to oversee and further advance the institutionalisation of the reporting reform as part of an inter-related suite of reforms. The extended application of the reporting reform across local government has given further impetus to a coordination platform to exercise oversight and ensure a coherent approach.

In the short-medium term, emphasis will be placed on establishing the platforms, processes and procedures to embed and institutionalise the periodic, planning review and update of C88 indicators. This includes through the establishment of sector based Technical Working Groups (TWGs) that will be regularised as part of an annual indicator review and update process involving sector technical specialists.

The next MFMA C88 Addendum 2021 update is targeted for the latter half of the year. It is expected that this update will seek to consolidate progress on the expanded indicator set and its application to a broader set of municipalities during the pilot period. At this time it is anticipated that only the Financial Management sector will be introduced with

a C88 Addendum 2021 update for the 2022/23 financial year going forward. Thereafter, the indicators are intended to apply as general key performance indicators for local government as mandated by an update to the planning and performance management regulations done in terms of Chapter 6, section 43 of the Municipal Systems Act.