

TRAINING MODULE 7: **REPORTING REFORMS**

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The intention of reporting reforms is to rationalize the reporting requirements of metropolitan municipalities. This necessitates clarification and resolution of inconsistencies in the statutory requirements of the IDP, SDBIP, and the performance information component of the Annual Report. The reporting reforms project is institutionalised into municipal planning, budgeting and reporting processes through MFMA Circular 88 of 2017 and subsequent updates, namely the MFMA Circular 88 Addendum 2019 and MFMA Circular 88 Addendum 2020.

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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 and the MFMA require alignment between planning and reporting instruments such as the Integrated Development Plan, the Service Delivery and Budget Implementation Plan, 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” – in relation to the medium-term goals and objectives set out in the IDP, and how they are measured.

In providing guidance and clarity and alignment between the IDP, SDBIP and the performance part of the Annual Report, the project has provided conceptual benefit for all municipalities. The 2020 update has expanded the application of a sub-set of the indicators to the remainder of municipalities as part of a pilot for 2021/2022.

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Rationalisation of Planning and Reporting

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 metros 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 reported, resulting in an inefficient use of resources; and
- Indicators at the output and outcome level are generally undeveloped. Insufficient attention has been given 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. The planning reforms project as well as the Budget, Fiscal and Financial Reforms project, was run in parallel to the reporting reforms project. These projects were strategically aligned “behind the scenes” internally in National Treasury.

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The Reporting Reforms Project Process

As part of the project process, the Cities Support Programme 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. 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 a key logical linkage is required to ensure the realisation of government policy and strategic intentions.

The reporting reform process ensued over 2 cycles of sector and metro consultations. Engagements in 2017 and 2020 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 intensive and repeated stakeholder engagement with municipalities, sector departments, centre of government departments and other state institutions. Central to the process of developing indicators was the very practical consideration of the feasibility, availability, and practicality of data collection in relation to indicators and their 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, Cities Support Programme, New Urban Agenda, SDGs, and the Back-to-Basics Programme for local government. The 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 was applied from the 2018/2019 financial year onwards, and the most recent update will come into application from 2021/2022, with a further update planned for 2022/2023.

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FMPPI 2007: Performance Reporting across 3 spheres of government

The Framework for Managing Programme Performance Information 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 include:

- Understanding “Impact” as “the results of achieving specific outcomes, such as reducing poverty or creating jobs”
- At the level of “Outcome”, or “the medium-term results for specific beneficiaries”, the reporting reforms initiative has sought to measure performance indicators in relation to 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.
- 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.
- At the results-level of “Output”, emphasis has been placed on the functional link between the “final products, goods or services produced for delivery”, particularly as it relates to the achievement of outcomes.

- 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.

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Agreement on a Set of Outcomes, Outputs and 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

Given the realities of the data and the lens through which it was viewed, the Built Environment Performance Plan was identified as the most appropriate planning instrument through which these indicators should find expression. From 2018/2019, the BEPP was the planning, budgeting and reporting instruments used by metros to support the institutionalisation and application of the set of indicators. These outcomes have been recommended as part of longer-term planning, to be addressed through periodic evaluation, rather than as part of short-term monitoring and reporting.

Central to the work of the reporting reforms project has been the focus on 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 services;
- Governance; and
- Local economic development.

In each case, the functions were organised around a set of framing outcomes. The outcomes are generic, non-prescriptive, and provide the common logical frame through which outcome indicators and output indicators should be understood.

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Readiness of Indicators

The process of indicator consultation has led to the evolution of a tiered classification system in terms of readiness for tracking indicators. This indicates whether the indicator is well-defined, with a set of methodologies and pre-existing, available datasets to begin reporting for a category of municipality.

Please take some time to study the different tiers.

Slide 8**Streamlining Reporting Requirements**

Poor resourcing, limited capability, capacity, and other challenges, contribute to inefficiencies in the planning and reporting system. This hinders the data needs for results-based performance management. 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.

Slide 9**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 4 data elements that inform the indicator - “Percentage of households with access to a basic water supply” – is provided in the figure.

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 the [MFMA Circular 88 2020 update](#) to see how this finds expression in the Technical Indicator Description for each indicator.

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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. 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. While Circular Number 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.

There is a real risk that the introduction of a set of prescribed indicators gives way to forms of malicious compliance and threatens innovative, cost-effective and dynamic data collection systems, methods and indicators. That is not the intention of the reform, but it may 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 by this process.

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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” has confused the expectations of performance indicator planning and where it can be found. There is a need to provide clarification of the levels at which performance indicator planning sits.

[MFMA Circular 88 2017](#) therefore refers to Component 3 of the SDBIP 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. It relates exclusively to output indicators within the control and responsibility of the municipality.

The MSA and MFMA provide the legal framework around which municipal planning must occur. SPLUMA in combination with the DORA gave impetus to the introduction of the Municipal Spatial Development Framework and BEPP, as an additional planning instrument with a distinct spatial imperative for the built environment.

The Figure on screen illustrates how these planning instruments relate to the results-chain and the targeted spread of indicators.

Spatial planning and land use management is primarily a municipal function in terms of SPLUMA. The BEPP and its related Guidelines do not usurp this municipal function. They seek to work collaboratively with metros to share good practice.

In line with the original intention of the SDBIPs, [MFMA Circular 88 2017](#) clarifies 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 **IDP should be concerned primarily with the outcomes** and set targets in relation to these over the medium term.

The Figure provides conceptual clarity with regards to the planning and reporting instruments appropriate for the each results-chain level.

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Phased Implementation

The underlying approach to these indicators is one of incremental introduction. 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 as a basis for identifying which indicators are ready for implementation in which categories of municipality.

Indicators ready for introduction in 2018/2019

The initial indicators were ambitious in scope and reporting responsibilities. Of the 138 indicators at the output and outcomes levels, 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.

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.

Revision and updates to indicators from 2020/2021 onwards

Priority was given to addressing challenges in the formulation and practical application of the indicators. Most indicators introduced in 2018/2019 were not altered. However, the following changes were made:

- Indicators were updated based on comments received from stakeholders.
- Where challenges in the sourcing and supply of data, were identified, these indicators were moved down.
- Indicators originally set at readiness level Tier 3 or 4 were left unchanged.

MFMA Circular 88 Addendum 2020 update for 2021/2022 onwards

Concurrent consultations 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.

A number of existing reporting requirements were integrated into the reporting process and practices, and thereby fell away as parallel reporting for 2021/2022. This includes the Back-2-Basics monthly report, Urban Settlements Development Grant Performance Reporting Matrix, BEPP reporting of the City Transformation indicators, and additional service delivery information reporting to National Treasury.

The addendum applies to all categories of municipalities beyond the metros.

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Methodology

The MFMA requires municipalities to table the following to Council, at least 10 months before start of budget year:

- The preparation, tabling and approval of the annual budget;
- The annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act; and 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

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 performance data for

the latest available outcome indicators will be included as part of the annual preparations and review of the IDP, along with target setting over the medium-term horizon.

The purpose is 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.

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. The mayor must subsequently approve the SDBIP no later than 28 days after the approval of the budget. For effective planning and implementation of the annual budget, the draft municipal SDBIP may form part of the budget documentation and be tabled in the municipal council.

Take some time and refer to what outcome and output indicators should do.

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SDBIP Planning Templates

The planning template shown is intended for illustration purposes to assist in the introduction of these indicators.

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SDBIP 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 reporting template shown is intended for illustration purposes to assist in the introduction of these indicators.

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Developing 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 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 context of each individual municipality.

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Link to MSCOA

mSCOA is not only a financial classification system or standard across all 257 municipalities, but also a business reform that affects every part of the operations of a municipality. It facilitates seamless alignment and integration between the information used across the planning, budgeting, reporting, and accountability cycle. All of these are key ingredients to improve service delivery. If municipal IT Systems are set up correctly, municipalities should 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.

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Evaluations

MFMA Circular 88 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 (or GWME) to advance planning and reporting reforms. It built on the policy foundations of the Framework for Managing Programme Performance Information (the FMPPI), as well as the South African Statistics Quality Assessment Framework, 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.

The Figure illustrates the three 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 one of the 2 data terrains set out in the GWMEs or Official Statistics.

However, the Policy Framework for Government-Wide Monitoring & Evaluation 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.

The 2019 National Evaluation Policy Framework 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.

Further, the District Development Model provides an opportunity to advance this vital strategic function through better coordinated intergovernmental planning and budgeting.

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A Shared Reporting Platform

National government have established 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.

The Figure provides a conceptual overview of a shared reporting 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. Simultaneously this will contribute to more standardised, comparable and strategic information about performance results across metropolitan municipalities.

The shared platform is intended to include (inter alia) the following functionalities:

- Acting as a single, shared repository for storing and accessing all data elements and indicators;
- Allowing organisation-specific user permissions;

- Automating the sharing of data sourced on a national scale across metros via one point of capture and approval;
- Streamlining prescribed indicator reporting;
- Providing an overview and dashboard of captured and approve data;
- 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 undergoing testing as part of the roll-out of the indicators.

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Next Steps for the Reforms

A Joint Planning, Budgeting and Reporting Reform Steering Committee 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 to medium term, emphasis will be placed on establishing the platforms, processes and procedures to embed and institutionalise the periodic, planning review and update of Circular 88 indicators. This includes the establishment of sector-based Technical Working Groups that will be regularised as part of an annual indicator review process, involving technical specialists.

The next MFMA Circular 88 Addendum 2021 update is targeted for the latter half of 2021. 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.
