

ANNEXURE I:

IMPLEMENTATION OF MUNICIPAL FINANCIAL MANAGEMENT ACT CIRCULAR 88



Municipal Circular on Rationalisation Planning and Reporting Requirements for the 2018/19 MTREF

CONTENTS

1	INTRODUCTION	2
2	RATIONALISATION OF PLANNING AND REPORTING REQUIREMENTS	2
2.1	THE NATIONAL TREASURY INITIATED PROCESS	3
2.2	CONCEPTUAL FRAMEWORK FOR PERFORMANCE REPORTING	3
2.2.1	<i>Key concepts and implications for reporting</i>	3
2.3	AGREEMENT ON A SET OF OUTCOMES, OUTPUTS AND INDICATORS	4
2.3.1	<i>City Transformation Outcomes</i>	4
2.3.2	<i>Functional Performance Indicators (Outcomes and Outputs level)</i>	5
2.4	READINESS OF INDICATORS	5
2.5	STREAMLINING REPORTING RESPONSIBILITIES	6
2.6	INDICATOR ARCHITECTURE	6
2.7	INTERNALISATION OF A REGULATED SET OF INDICATORS	7
2.8	COMPLEMENT OWN INDICATORS	7
3	CLARIFYING COMPONENT 3 OF THE SDBIP	7
3.1	THE STATUTORY PLANNING CONTEXT	7
3.2	CLARIFYING THE IDP AND SDBIP INTERFACE	9
4	PHASED IMPLEMENTATION	9
4.1	INDICATORS READY FOR INTRODUCTION IN 2018/19	10
4.2	INDICATORS TO BE INTRODUCED FROM 2019/20 ONWARDS	10
4.3	ADDITIONAL GOVERNANCE INFORMATION REQUIRED	10
4.4	IMPLICATIONS FOR FUTURE ROLL-OUT	10
5	METHODOLOGY	11
5.1	TIMING AND METHODOLOGY FOR PREPARATION OF PERFORMANCE INDICATORS AND TARGETS	11
5.1.1	<i>Introducing the performance indicators and setting targets at outcome level</i>	12
5.1.2	<i>Introducing performance indicators and setting targets at the output level</i>	12
5.2	PLANNING TEMPLATES	13
5.3	REPORTING TEMPLATES	13
5.4	DEVELOPMENT OF STANDARD OPERATING PROCEDURES	14
5.5	LINK TO MSCOA	14
6	A SHARED REPORTING PLATFORM	14
7	WAY FORWARD	15
8	CONCLUSION	15
	APPENDIX A – OVERVIEW OF ALL PRESCRIBED INDICATORS	17
	APPENDIX B – TECHNICAL INDICATOR DESCRIPTIONS FOR ALL PRESCRIBED INDICATORS	18
	APPENDIX C – NEW SDBIP PLANNING TEMPLATE IN EXCEL	19
	APPENDIX D – NEW SDBIP REPORTING TEMPLATE IN EXCEL	20

1 Introduction

This circular provides guidance and assistance to metropolitan municipalities on the preparation of statutory planning and reporting documents required for the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF). It is for the attention of all municipalities, but only applies to metropolitan municipalities. It should be read in conjunction with the MFMA Circular No. 13 issued on 31 January 2005 and MFMA Circular No. 63 issued on 26 September 2012.

The circular 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 circular 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, this MFMA Circular has conceptual benefit for all municipalities. However, the prescribed performance indicators will be applicable to only metropolitan municipalities from the 2018/19 financial year onwards.

The content of this circular 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 in consultation with 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 part of the Annual Report.

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.

2 Rationalisation of planning and reporting requirements

National Treasury initiated a process to review, rationalise and streamline the reporting arrangements of metropolitan municipalities 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.

2.1 The National Treasury initiated process

As part of the National Treasury 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) (National Treasury, 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 entailed over two years of consultations and engagements 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 concluded with agreement amongst relevant sector departments, transversal departments and metros on the indicators to be implemented in the 2018/19 financial year and the indicators to be refined for introduction in the following financial year.

2.2 Conceptual framework for performance reporting

The FMPPI (National Treasury, 2007) provides a conceptual framework for performance reporting across three spheres of government and supplies the conceptual foundation for the current results-based approach.

2.2.1 Key concepts and implications for reporting

Understanding “Impact” as “the results of achieving specific outcomes, such as reducing poverty or creating jobs” (National Treasury, 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” (National Treasury, 2007), the reporting reforms initiative has sought to measure performance indicators in relation to city transformation (in particular space), as well as to reflect the constitutionally vested powers and functions of metropolitan municipalities.

One subset of “Outcomes” is understood in terms of metropolitan 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, 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-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.

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” (National Treasury, 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 progress toward 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.

2.3 Agreement on a set of outcomes, outputs and indicators

2.3.1 City Transformation Outcomes

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; and
- 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. A separate process preceding this circular has been implemented to support the institutionalisation and application of set of city transformational indicators.

Refer to the BEPP guidelines and revised framework for more details at the following link:
<http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx?RootFolder=%2fDocuments%2f02%2e%20Built%20Environment%20Performance%20Plans%2f2017%2d18&FolderCID=&View=%7b84CA1A01%2dEF8A%2d4DE0%2d8DC4%2d47D223CB5867%7d>

2.3.2 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 emergency services and
- Governance.

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** 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 and criteria considering their strategic value and importance, as well as practical realities related to data availability and systems. This was heavily consulted upon and allowed for practical considerations, at times at odds with technical preferences, to inform indicator selection and readiness in order to ensure that indicators could actually be planned for and reported on.

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, 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.

On the basis of 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 identified for introduction by metropolitan municipalities in the 2018/19 planning and reporting cycle. All Tier 3 and Tier 4 indicators

require further work and 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) are encouraged to begin doing so even before they become prescribed.

2.5 Streamlining reporting responsibilities

Poor resourcing, limited capability 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 below to illustrate this:

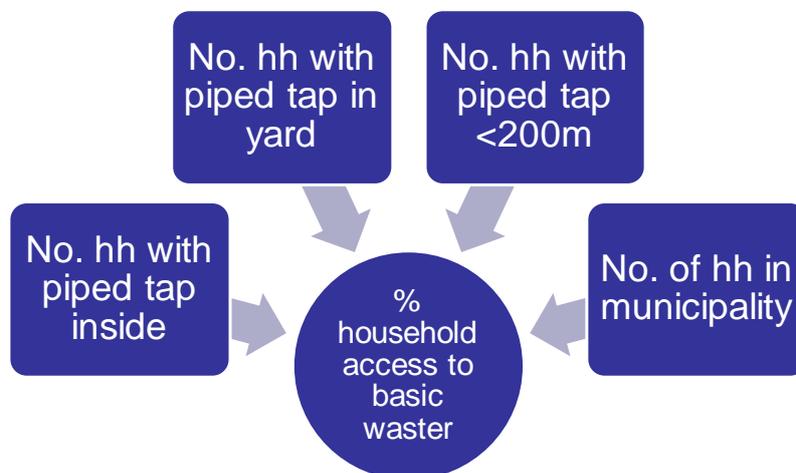


Figure 1: Example of an indicator with four data elements (abbreviated example)

Data elements are therefore the building block of all indicators and this process has ensured that all indicators are adequately defined at this level. Refer to **Appendix B** 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 regulated set of indicators

The indicators crafted and produced through the reporting reform process are intended to serve as a common standard and basis for regulation, beginning with metropolitan municipalities. 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.

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 this initiative 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 this circular.

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 Circular No. 13, 2005) has blurred the lines between what is expected of performance indicator planning and in which planning documents. 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 this circular 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. All references to the SDBIP in this circular are actually referring to the templates for planning and reporting provided as **appendix C and D** to this document.

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 DoRA, has given impetus to the introduction of the BEPP as an additional planning instrument for metropolitan municipalities with a distinct spatial imperative for the built environment. Figure 2 illustrates how these planning instruments relate to the results-chain and the targeted spread of indicators.

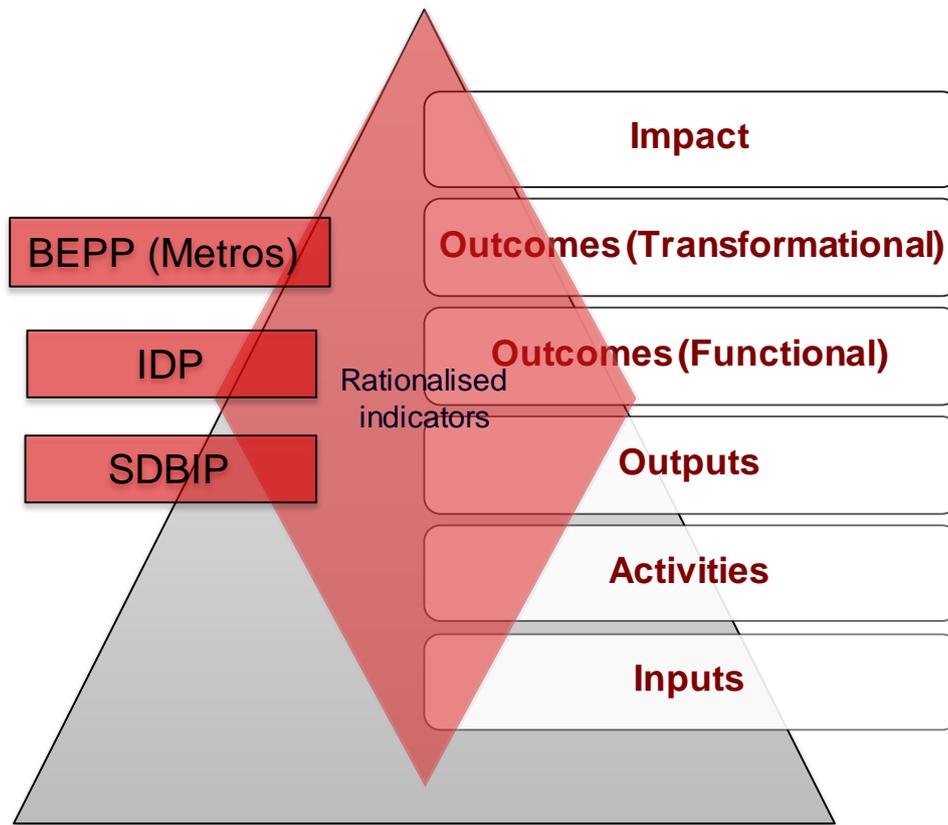


Figure 2: Performance indicators on the results-chain as the focus of the reporting reforms work

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 at the level of the BEPP 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. The alignment and logical functional linkage is 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.

3.2 Clarifying the IDP and SDBIP interface

Component 3 of MFMA Circular No. 13 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, this circular 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.

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

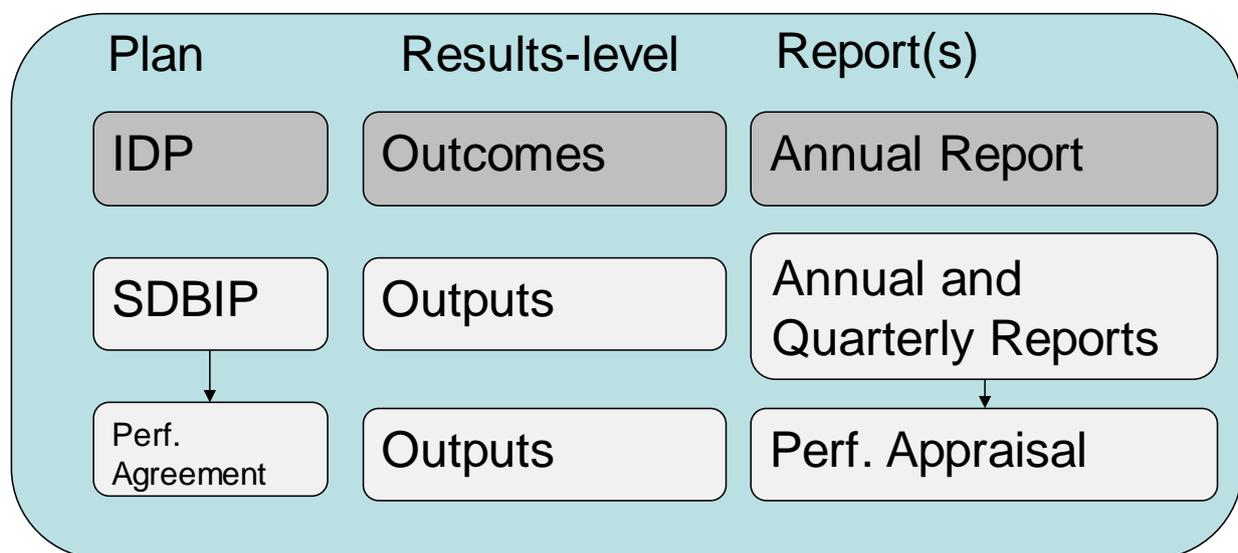


Figure 3: Planning and Reporting instruments and their results-level

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. It is noted that in aggregate there are currently 157 indicators (e.g. outcome (city transformational), outcome (functional), output, compliance and questions) at various levels of readiness.

4.1 Indicators ready for introduction in 2018/19

From Table 2 it is clear that only 88 of the 122 indicators are placed at Tier 1 and Tier 2 and will be prescribed for the 2018/19 planning and reporting cycle, with 16 city transformational indicators already introduced via the BEPPs.

Table 2: Readiness level of the indicators

Readiness	No. of indicators
Tier 1	60 +16 ¹
Tier 2	28
Tier 3	30
Tier 4	4
Total	122 + 16

The other 34 indicators at Tier 3 and 4 are still subject to change and will not be prescribed for the 2018/19 cycle. However, municipalities that are able to begin reporting on these indicators, particularly at output level, are encouraged to do so.

When considering the spread of the 88 indicators to be introduced in the 2018/19 planning and reporting cycle, 62 of these indicators (and their constituent data elements) were identified as the sourcing, collection, collation and reporting responsibility of metropolitan municipalities solely. For 12 of these indicators, the responsibility is shared between the municipality and a national stakeholder or entity in terms of supplying some of the data elements. In 14 instances the indicator and its constituent data elements are the sole responsibilities of national departments or entities responsible for reporting data for the metropolitan municipalities.

4.2 Indicators to be introduced from 2019/20 onwards

The 34 indicators at Tier 3 and Tier 4 are not prescribed to metropolitan municipalities as there is not yet agreement on their formulation and description. These indicators will require further definitional and technical work in consultation with national sector departments and municipalities prior to introduction. It is anticipated that as these indicators are better defined that some of them will be graduated from Tier 3 to Tier 2 in the course of the 2018/19 financial year. Metros should anticipate putting systems in place to ensure the regular availability of data.

4.3 Additional governance information required

As part of the effort to streamline reporting requests in collaboration with the Department of Cooperative Governance, additional governance information is required that sits outside of the performance indicators. This includes data in relation to 17 indicators and 4 questions that are included within the prescribed package for reporting. These indicators are not covered by the performance indicators or their data elements.

4.4 Implications for future roll-out

The performance reporting reform initiative has been targeted at metropolitan municipalities and indicators have been 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 will be introduced to intermediary cities that opt to apply for a re-structured municipal infrastructure grant to test the reporting reform outside of the metropolitan context.

¹ Refers to the 16 transformational outcome indicators already introduced via the BEPPs.

The new set of indicators for metropolitan municipalities should be seen as a 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 Act². A new set of indicators to replace the current general key performance indicators will take a differentiated approach to the powers and functions of each municipal category. The new set of indicators for metropolitan municipalities is thus the 1st phase of the development of a new set of general key performance indicators for local government.

As part of broader reporting reform, the intention is to incrementally phase out current sectoral reporting processes in favour of an integrated, collaborative and co-ordinated approach. The intention is to end duplicative and uncoordinated sectoral reporting requirements by the start of the 2019/20 financial year, based on the success of this approach. **Please note that all current reporting requirements remain until informed otherwise.**

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 -

- (i) the preparation, tabling and approval of the annual budget;
- (ii) 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;
- (iii) the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
- (iv) 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 the medium-term horizon (on a 3-year basis, 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.

In addition, Regulation 14 (3) of the Municipal Budget and Reporting Regulations (MBRR) states that:

² 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.

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 both the end of the electoral term (5th year) and the outer year of the MTREF (3rd year shifting out).
- 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.

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.

5.1.1 Introducing the performance indicators and setting targets at outcome level

Outcome level indicators are intended for introduction in the annual review of the IDP. It is anticipated that all of the prescribed 51 outcome (functional) level indicators for introduction in the 2018/19 planning and reporting cycle should find expression in relation to the respective IDP objectives set by the municipality. Where baseline data is already available, a target for the horizon of the MTREF should be set for these indicators (2020/21) with performance tracked in relation to this target, as well as the last municipal year of the electoral term (2021/22). It should be stressed that these indicators should be tracked annually to monitor trends, but accountability should rest with achievement of the target set for the medium-term horizon in the IDP. It is also acknowledged that setting targets in some instances is inherently problematic (e.g. Road traffic fatalities per 100 000 population) but that against trend data this may provide context.

5.1.2 Introducing performance indicators and setting targets at the output level

Output level indicators are intended for introduction in Component 3 of the SDBIP in the 2018/19 planning and reporting cycle. The 37 prescribed output level indicators should find expression in the SDBIP in relation to their respective sectors or in relation to the institutional location of those functions (e.g. Department of Sanitation, etc). In each instance baseline data should be compiled with target setting on a quarterly basis unless specified otherwise. Output level technical indicator definitions would then specify whether annual reporting should be cumulative (aggregated over four quarters), averaged or non-cumulative (snapshot in time) for an annual target.

Output level indicators are within the control of municipal officials and so it is expected that there is a direct accountability linkage between output level indicators in the SDBIP and the performance agreements for senior managers.

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**) should be read in conjunction with the recommendations for the planning template for outcome indicators to be included in the IDP.

Municipal name:

SDBIP: 2018-19

Sector	Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2017/18 estimated)	Annual target for 2018/19	Target for 2018/19 SDBIP per Quarter			
					1st Quarter Planned Target	2nd Quarter Planned Target	3rd Quarter Planned Target	4th Quarter 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)

Note that it is proposed that the SDBIP make provision for indicators that are prescribed by: national government (as in the case of the 37 mentioned output indicators); 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**).

Municipal name:

SDBIP Reporting Template: 2018-19

Sector	Ref No.	Performance Indicator (Output level only)	Baseline (Annual Performance of 2017/18 estimated)	Annual target for 2018/19	1st Quarter Planned output as per SDBIP	1st Quarter Actual output	1st Quarter 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)

All references to the SDBIP in this circular are referring to the templates for planning and reporting provided as **appendices C and D** to this document.

Figure 5 above (see also appendix D) 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. 63.³

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 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 to 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.

6 A shared reporting platform

National government, led by the Department of Planning, Monitoring and Evaluation, the Department of Cooperative Governance and National Treasury will establish and manage 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 6 below provides a conceptual overview of a shared reporting platform and the place it will occupy between metropolitan municipalities and national government.

³ Note that according to MFMA Circular No. 63 that Governance is covered in Chapter 2 of the Annual Report. This section of Governance sector indicators included in the appendices to this circular may therefore be presented in Chapter 2 prior to Chapter 3: Service Delivery Performance.

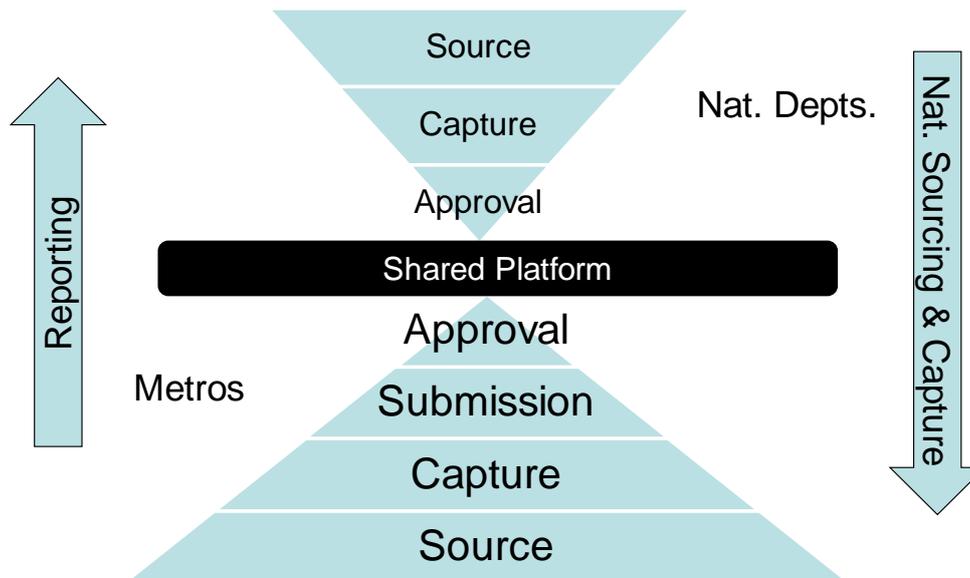


Figure 6: Data inputs for a shared platform

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 regulated 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 metros; and
- Allowing customisable performance indicator reporting based on user needs.

A pilot of the shared reporting platform will be tested as part of the roll-out of the prescribed set of indicators.

7 Way forward

Subsequent to this circular, a joint Cabinet Memorandum will be developed by the Department of Planning, Monitoring and Evaluation, National Treasury and the Department of Cooperative Governance to brief executive leadership on the performance reporting reforms introduced in metropolitan municipalities. This will inform intended revisions to the Local Government: Municipal Planning and Performance Management Regulations of 2001 which will be undertaken in the 2018/19 financial year.

8 Conclusion

This document has provided guidance to metropolitan municipalities as it relates a common set of performance indicators that will be applied for the 2018/19 planning and reporting cycle. It explains the process and provisions that informed the selection and application of these indicators and summarises a heavily consultative process with affected stakeholders. In the

process, it has sought to provide further conceptual clarity and close the gaps between the existing planning requirements their application in the distinct planning instruments.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

<p>Hassen Mohamed Head: Local government Performance Assessment Department of Planning, Monitoring and Evaluation</p>	<p>Mohanuo Mabidilala Chief Director: Performance Monitoring and Evaluation Department of Cooperative Governance</p>	<p>Jan Hattingh Chief Director: Local Government Budget Analysis National Treasury</p>
--	---	---

30 November 2017

Appendix A – Overview of all prescribed indicators

See attachment. Note only highlighted indicators are Tier 1 and Tier 2 indicators applying for the 2018/19 planning and reporting cycle.

Appendix B – Technical Indicator Descriptions for all prescribed indicators

Appendix C – New SDBIP Planning Template in Excel

This template is still subject to further consultation. However the final version will be issued during the March 2018 Budget Circular.

Appendix D – New SDBIP Reporting Template in Excel

This template is still subject to further consultation. However the final version will be issued during the March 2018 Budget Circular.

Q17.	Does the Municipality have a dedicated SMME support unit or facility in place either directly or in partnership with a relevant roleplayer?							
Q18.	What economic incentive policies adopted by Council does the municipality have by date of adoption?							
Q19.	Is the municipal supplier database aligned with the Central Supplier Database?							
Q20.	What is the number of steps a business must comply with when applying for a construction permit before final document is received?							
Q22	Please list the name of the structure and date of every meeting of an official IGR structure that the municipality participated in this quarter:							
Q23.	Where is the organisational responsibility for the IGR support function located within the municipality (inclusive of the reporting line)?							
Q24.	Is the MPAC functional? List the reasons why if the answer is not 'Yes'.							
Q25.	Has a report by the Executive Committee on all decisions it has taken been submitted to Council this financial year?							

MUNICIPAL NAME:

MIDVAAL LOCAL MUNICIPALITY

Outcome Indicator Planning Template: 2021 - 2022

Only when an indicator or data element is not reported

Performance Indicator	Ref No. (sub)	Data element	Baseline (Annual Performance of 2020/21 estimated)	Medium term target for 2025/26	Reasons for no data, if not provided	Steps undertaken, or to be undertaken, to provide data in the future	Estimated date when data will be available
OUTCOME INDICATORS FOR ANNUAL MONITORING							
EE4.4	Percentage total electricity losses						
	EE4.4(1)	(1) Electricity Purchases in kWh					
	EE4.4(2)	(2) Electricity Sales in kWh					
WS3.1	Frequency of sewer blockages per 100 KMs of pipeline						
	WS3.1(1)	(1) Number of blockages in sewers that occurred					
	WS3.1(2)	(2) Total sewer length in KMs					
WS3.2	Frequency of water mains failures per 100 KMs of pipeline						
	WS3.2(1)	(1) Number of water mains failures (including failures of valves and fittings)					
	WS3.2(2)	(2) Total mains length (water) in KMs					
WS3.3	Frequency of unplanned water service interruptions						
	WS3.3(1)	(1) Number of unplanned water service interruptions					
	WS3.3(2)	(2) Total number of water service connections					
WS4.1	Percentage of drinking water samples complying to SANS241						
	WS4.1(1)	(1) Number of water sample tests that complied with SANS 241 requirements					
	WS4.1(2)	(2) Total number of water samples tested					
WS4.2	Percentage of wastewater samples compliant to water use license conditions						
	WS4.2(1)	(1) Number of wastewater samples tested per determinant that meet compliance to specified water use					
	WS4.2(2)	(2) Total wastewater samples tested for all determinants over the municipal financial year					
WSS.1	Percentage of non-revenue water						
	WSS.1(1)	(1) Number of Killoitres Water Purchased or Purified					
	WSS.1(2)	(2) Number of kilolitres of water sold					
WSS.2	Total water losses						
	WSS.2(1)	(1) System input volume					
	WSS.2(2)	(2) Authorised consumption					
	WSS.2(3)	(3) Number of service connections					
WSS.4	Percentage of water reused						
	WSS.4(1)	(1) Volume of water recycled and reused (VRR)					
	WSS.4(2)	(2) 1.a Direct use of treated municipal wastewater (not including irrigation)					
	WSS.4(3)	(3) 1.b Direct use of treated municipal wastewater for irrigation purposes					
	WSS.4(4)	(4) System input volume					
ENV5.1	Recreational water quality (coastal)						
	ENV5.1(1)	(1) Number of coastal water samples classified as "sufficient"					
	ENV5.1(2)	(2) Total number of recreatioal coastal water quality samples taken					
ENV5.2	Recreational water quality (inland)						
	ENV5.2(1)	(1) Number of inland water sample tests within the "targeted range" for intermediate contract					
	ENV5.2(2)	(2) Total number of sample tests undertaken					
HS3.5	Percentage utilisation rate of community halls						
	HS3.5(1)	(1) Sum of hours booked across all community halls in the period of assessment					
	HS3.5(2)	(2) Sum of available hours for all community halls in the period of assessment					
HS3.6	Average number of library visits per library						
	HS3.6(1)	(1) Total number of library visits					
	HS3.6(2)	(2) Count of municipal libraries					
HS3.7	Percentage of municipal cemetery plots available						
	HS3.7(1)	(1) Number of available municipal burial plots in active municipal cemeteries					
	HS3.7(2)	(2) Total capacity of all burial plots in active municipal cemeteries					
TR6.2	Number of potholes reported per 10kms of municipal road network						
	TR6.2(1)	(1) Number of potholes reported					
	TR6.2(2)	(2) Kilometres of surfaced municipal road network					
GG1.1	Percentage of municipal skills development levy recovered						
	GG1.1(1)	(1) R-value of municipal skills development levy recovered					
	GG1.1(2)	(2) R-value of the total qualifying value of the municipal skills development levy					
GG1.2	Top management stability						
	GG1.2(1)	(1) Total sum of standard working days, in the reporting period, that each S56 and S57 post was occupied					
	GG1.2(2)	(2) Aggregate working days for all S56 and S57 Posts					
GG2.1	Percentage of ward committees that are functional (meet four times a year, are quorate, and have an action plan)						
	GG2.1(1)	(1) Functional ward committees					
	GG2.1(2)	(2) Total number of wards					
GG2.2	Attendance rate of municipal council meeting by recognised traditional and Khoi-San leaders						
	GG2.2(1)	(1) Sum of the total number of recognised traditional and Khoi-San leaders in attendance at municipal					
	GG2.2(2)	(2) The total number of traditional and Khoi-San leaders within the municipality					
	GG2.2(3)	(3) Total number of Council meetings					
GG4.1	Percentage of councillors attending council meetings						
	GG4.1(1)	(1) The sum total of councillor attendance of all council meetings					
	GG4.1(2)	(2) The total number of council meetings					
	GG4.1(3)	(3) The total number of councillors in the municipality					

MUNICIPAL NAME:

MIDVAAL LOCAL MUNICIPALITY

Outcome Indicator Reporting Template: 2021 - 2022

Only when an indicator or data element is not reported

Performance indicator	Ref No. (sub)	Data element	Baseline (Annual Performance of 2020/21 estimated)	Medium term target for 2025/26	Annual Actual 2021/22	Reasons for no data, if not provided	Steps undertaken, or to be undertaken, to provide data in the future	Estimated date when data will be available
OUTCOME INDICATORS FOR ANNUAL MONITORING								
EE4.4	Percentage total electricity losses							
	EE4.4(1)	(1) Electricity Purchases in kWh						
	EE4.4(2)	(2) Electricity Sales in kWh						
WS3.1	Frequency of sewer blockages per 100 KMs of pipeline							
	WS3.1(1)	(1) Number of blockages in sewers that occurred						
	WS3.1(2)	(2) Total sewer length in KMs						
WS3.2	Frequency of water mains failures per 100 KMs of pipeline							
	WS3.2(1)	(1) Number of water mains failures (including failures of valves and fittings)						
	WS3.2(2)	(2) Total mains length (water) in KMs						
WS3.3	Frequency of unplanned water service interruptions							
	WS3.3(1)	(1) Number of unplanned water service interruptions						
	WS3.3(2)	(2) Total number of water service connections						
WS4.1	Percentage of drinking water samples complying to SANS241							
	WS4.1(1)	(1) Number of water sample tests that complied with SANS 241 requirements						
	WS4.1(2)	(2) Total number of water samples tested						
WS4.2	Percentage of wastewater samples compliant to water use license conditions							
	WS4.2(1)	(1) Number of wastewater samples tested per determinant that meet compliance to specified water use						
	WS4.2(2)	(2) Total wastewater samples tested for all determinants over the municipal financial year						
WSS.1	Percentage of non-revenue water							
	WSS.1(1)	(1) Number of Kilolitres Water Purchased or Purified						
	WSS.1(2)	(2) Number of kilolitres of water sold						
WSS.2	Total water losses							
	WSS.2(1)	(1) System input volume						
	WSS.2(2)	(2) Authorised consumption						
	WSS.2(3)	(3) Number of service connections						
WSS.4	Percentage of water reused							
	WSS.4(1)	(1) Volume of water recycled and reused (VRR)						
	WSS.4(2)	(2) 1.a Direct use of treated municipal wastewater (not including irrigation)						
	WSS.4(3)	(3) 1.b Direct use of treated municipal wastewater for irrigation purposes						
	WSS.4(4)	(4) System input volume						
ENV5.1	Recreational water quality (coastal)							
	ENV5.1(1)	(1) Number of coastal water samples classified as "sufficient"						
	ENV5.1(2)	(2) Total number of recreational coastal water quality samples taken						
ENV5.2	Recreational water quality (inland)							
	ENV5.2(1)	(1) Number of inland water sample tests within the 'targeted range' for intermediate contract recreational						
	ENV5.2(2)	(2) Total number of sample tests undertaken						
HS3.5	Percentage utilisation rate of community halls							
	HS3.5(1)	(1) Sum of hours booked across all community halls in the period of assessment						
	HS3.5(2)	(2) Sum of available hours for all community halls in the period of assessment						
HS3.6	Average number of library visits per library							
	HS3.6(1)	(1) Total number of library visits						
	HS3.6(2)	(2) Count of municipal libraries						
HS3.7	Percentage of municipal cemetery plots available							
	HS3.7(1)	(1) Number of available municipal burial plots in active municipal cemeteries						
	HS3.7(2)	(2) Total capacity of all burial plots in active municipal cemeteries						
TR6.2	Number of potholes reported per 10kms of municipal road network							
	TR6.2(1)	(1) Number of potholes reported						
	TR6.2(2)	(2) Kilometres of surfaced municipal road network						
GG1.1	Percentage of municipal skills development levy recovered							
	GG1.1(1)	(1) R-value of municipal skills development levy recovered						
	GG1.1(2)	(2) R-value of the total qualifying value of the municipal skills development levy						
GG1.2	Top management stability							
	GG1.2(1)	(1) Total sum of standard working days, in the reporting period, that each S56 and S57 post was occupied						
	GG1.2(2)	(2) Aggregate working days for all S56 and S57 Posts						
GG2.1	Percentage of ward committees that are functional (meet four times a year, are quorate, and have an action plan)							
	GG2.1(1)	(1) Functional ward committees						
	GG2.1(2)	(2) Total number of wards						
GG2.2	Attendance rate of municipal council meeting by recognised traditional and Khoi-San leaders							
	GG2.2(1)	(1) Sum of the total number of recognised traditional and Khoi-San leaders in attendance at municipal						
	GG2.2(2)	(2) The total number of traditional and Khoi-San leaders within the municipality						
	GG2.2(3)	(3) Total number of Council meetings						
GG4.1	Percentage of councillors attending council meetings							
	GG4.1(1)	(1) The sum total of councillor attendance of all council meetings						
	GG4.1(2)	(2) The total number of council meetings						
	GG4.1(3)	(3) The total number of councillors in the municipality						