



## Rationalisation of Planning, Budgeting and Reporting Requirements for the 2024/25 MTREF: Addendum 5

This circular provides an update to all municipalities on the preparation of statutory planning and reporting documents required for the 2024/25 Medium Term Revenue and Expenditure Framework (MTREF). It is for the attention of all municipalities and **applies to all categories of municipalities**.

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## 1. Introduction

The Municipal Finance Management Act (MFMA) Circular No. 88 of November 2017 provided guidance to metropolitan municipalities on a common set of performance indicators applied from the 2018/19 planning and reporting cycle onwards. The National Treasury, the Department of Cooperative Governance (DCoG) and the Department of Planning, Monitoring and Evaluation (DPME) have provided subsequent addendum updates in 2019, 2020, 2021, 2022 and now 2023 with the intention of further guiding and clarifying the preparation of planning, budgeting and reporting documents for the Medium-Term Revenue and Expenditure Framework (MTREF).

This Addendum includes additional planning, budgeting, and reporting guidance, as well as certain indicator definitional updates and clarifications. It is reflective of the work to date on planning, budgeting and reporting reforms that should be factored into municipal planning, budgeting and reporting for the 2024/25 MTREF. The reforms will continue to be incrementally implemented in the 2025/26 – 2027/28 MTREF and apply on a differentiated basis per municipal category.

It also includes guidance regarding the continued institutionalisation of the reform in the other categories of municipalities (referring to the non-metropolitan municipalities), the continuing special pilot provisions for rollout in the non-metro municipalities, the use of Circular 88 data for assessment and evaluative purposes, and the next phase of institutionalisation of the reform in moving towards the development of regulations with regard to the reform.

## 2. Planning and budgeting reforms and guidance

### 2.1 Institutionalisation of planning, budgeting, and reporting reforms

Since 2021/22, the metropolitan municipalities have been encouraged to institutionalise the planning, budgeting and reporting reforms through the metros longer term frameworks and strategies, spatial development frameworks (SDFs), integrated development plans (IDPs), MTREF budgets, service delivery and budget implementation plans (SDBIPs) and their reporting in terms of Circular 88 indicators.

During the same period, the Cities Support Programme (CSP) and the National Treasury conducted annual assessments and monitoring of city plans and budgets to assess the progress with regards to the institutionalisation. The revised criteria for the assessments were included in Table 1 in Addendum 3 to MFMA Circular 88 that was issued in December 2021.

The assessments reflect that the institutionalisation of the planning, budgeting and reporting reforms are mixed and vary across the metropolitan municipalities. Although the cities espouse the importance of good governance and demonstrate a commitment to promoting a culture of good governance, there is a need for increased effort to ensure that governance effectively delivers on spatially and socially transformed cities. City capabilities, financial sustainability, prudent financial management and issues related to revenue generation remain key concerns. The lack of proper intergovernmental relations (between spheres of government, as well as with state owned enterprises) remain an ongoing challenge and impacts on joint planning, budgeting and implementation of development projects.

In collaboration with relevant national departments, the National Treasury will continue to monitor and assess the institutionalisation of the planning, budgeting, and reporting reforms for the 2024/25 MTREF. As part of this process, the functional integration platform (developed

with the CSIR) and the spatial alignment of city plans, programmes and projects with capital budgets and expenditure will be reviewed. This review aims to assess functional integration and spatial targeting of capital investments as part of ongoing efforts to enhance effectiveness and coherence in governance and resource allocation.

**2.2 Guidance on mainstreaming climate responsiveness and resilience into metropolitan planning**

Arising from the 2019/20 supplementary guidance note on integrating climate response priorities into the BEPP, developed by the National Treasury’s Cities Support Programme (CSP), metropolitan municipalities were provided guidance for incorporating climate change responsiveness and resilience (CR&R) priorities into their 2019/20 – 2021/22 Built Environment Performance Plans (BEPPs). An assessment framework was introduced to incrementally measure the extent to which metros are integrating CR&R into their BEPPs and their planning processes such as spatial planning, integrated development planning, and infrastructure investment planning. Further to the 2019/20 supplementary guidance note, the guideline on mainstreaming climate responsiveness and resilience into planning was drafted, representing a further step to leveraging spatial planning as a key avenue for anticipating change and responding to the impacts of climate change in urban spaces.

This guideline provides guidance to metros on the integration of CR&R priorities into strategic planning processes and instruments as well as spatial targeting and prioritisation, particularly through the identification of climate risk zones. Additionally, the guideline aims to enable municipalities to assess and report on CR&R mainstreaming progress and outcomes. This guideline is aligned to the Climate Change Bill (B9-2022). To mainstream CR&R, all government sectors and departments must ensure that all policies, strategies, legislation, regulations, and plans are aligned with the Climate Change Bill. The Bill provides for a coordinated and integrated response to climate change across the different spheres of government. Local government is a key player in climate change response as a facilitator and implementer to achieve effective climate action.

Furthermore, this guideline offers recommendations and a progressive approach to mainstreaming CR&R into metropolitan planning. Key recommendations reflect institutional issues e.g. establishing a team/ body for oversight and coordination, developing an institutional map, establishing networks and partnerships; developing an evidence base for risk, adaption, opportunities etc.; developing a climate risk and adaptation plan and mainstreaming climate change response and adaptation into planning instruments.

In taking forward the institutionalisation of planning and reporting, the assessment tool for integrating climate resilience priorities will focus on the following areas (as per the table) in the 2024/25 MTREF and will continue to be implemented in the 2025/26 – 2028/29 MTREF.

1. Climate change response and resilience inform guiding principles and outcomes.
1.1. CR&R is part of the vision, strategic priorities, and/or theory of change. Evidence of integration and consideration found in strategic planning documents such as the City Development Strategy (CDS) or the Growth and Development Strategy (GDS).
1.2. The spatial vision contained in the SDF includes and considers CR&R priorities. The spatial vision is mirrored in the IDP, and relevant sector plans.
1.3. CR&R are included in the problem statement or situational analysis of the SDF, IDP, and sector plans, and bear on the desired impacts and outcomes.
2. Climate change response and resilience guide spatial prioritisation and targeting.
2.1. Climate risk and vulnerability information guide the identification and prioritisation of spatial targeting areas.

2.2. Climate risk zones are included in the SDF and relevant sector plans.
2.3. The most vulnerable communities, informal settlements, economic nodes, and infrastructure, and other assets are identified. Evidence that this information is integrated into the relevant sector plans, SDF, IDP and decision-making tools, processes, and structures.
3. Climate change response and resilience priorities effected through interventions.
3.1. Goals and outcomes for spatially targeted areas are actioned through climate change response and resilience projects and interventions, i.e., climate change adaptation and mitigation projects.
3.2. Climate risk zones are considered in the prioritisation of programmes, projects, and interventions in spatially targeted areas.
4. Resource mobilisation for climate change response and resilience.
4.1. Identify additional investment, fiscal support or human capital/expertise needs in support of CR&R priorities.
4.2. Officials with CR&R expertise are identified and their roles in support of spatial targeting and investment planning are clear and included in performance agreements.
4.3. Intentions are demonstrated to pursue and progressively increase access to climate finance. Existing and potential future alternative revenue and income streams are identified.
4.4. CR&R is integrated into project pipelines and budgets.
5. Climate change response and resilience goals and outcomes are actioned through institutional arrangements.
5.1. CR&R experts are included in relevant transversal planning structures and their roles, and the extent of their involvement is demonstrated.
5.2. Mechanisms are established to institutionalise climate change response and resilience in spatial targeting and in the project pipeline. Arrangements are captured in agreements with specific targets, including individual KPIs.
6. Climate change response and resilience is integrated into the monitoring and evaluation, and reporting frameworks.
6.1. Agreed CR&R indicators are incorporated into monitoring and evaluation frameworks.
6.2. CR&R is incorporated into relevant reporting frameworks and learning networks.

The progressive mainstreaming of CR&R priorities into planning will be evaluated through a conversation between the municipalities and other stakeholders such as National Treasury, DCoG, the Department of Agriculture, Land Reform and Rural Development (DALRRD) and the Department of Forestry, Fisheries and the Environment (DFFE). In support of this process, learnings and experiences will be shared across the municipalities through facilitated peer to peer learning sessions.

Further to this, the cities and relevant sector departments have been working collaboratively in identifying and defining the indicators to be included in the quarterly and annual Circular 88 reporting.

### 2.3 Policy Framework for Integrated Planning

In September 2022, Cabinet approved the Policy Framework for Integrated Planning. The purpose of this policy framework is to:

- Strengthen integrated planning towards the achievement of the country's development goals;
- Provide an overall framework for planning across the state machinery and improve synergies and alignment of existing planning legislation, policies and processes;
- Provide the basis for the revision of the Integrated Planning Framework Bill; and
- Build on existing progress in the planning system to address gaps in the public policy and planning landscape.

Despite the progress and maturity of the planning system across the spheres of government, several challenges persist. These challenges include the inability of current planning instruments to sufficiently prioritise policy interventions and development goals and translate these into measurable outputs, outcomes and impacts; the lack of adequate and sufficient evidence-based planning and the fragmentation of the planning system and inadequate alignment and coherence across the spheres of government, including SOE's.

A five-year implementation plan for the Policy Framework for Integrated Planning has been developed and will be revised annually to take into consideration the latest developments within the planning system. Key targets monitored as part of the implementation plan and that impacts local government is the approval and implementation of the National Spatial Development Framework, the implementation of the One Plan guidelines, the implementation of the Framework for Local government long-, medium- and short-term plans approved and the National Development Planning Framework Bill once it is approved by Cabinet.

## **2.4 National Treasury Infrastructure Guidelines and Toolkits**

National Treasury in collaboration with relevant sector departments, provincial treasuries, and relevant provincial departments as well as selected municipalities has over the past years been supporting the delivery and management of public sector infrastructure. The IDMS is the government's infrastructure delivery management system that guides, directs and enables infrastructure delivery with the aim to improve the effectiveness and efficiency of infrastructure delivery by national, provincial departments and local government.

In 2018, the Cities Infrastructure Delivery Management System (CIDMS) toolkit was developed to support and guide the metropolitan municipalities on infrastructure planning, delivery, and management. The CIDMS was updated in October 2023 to include guidance on climate change adaptation, incorporate the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM) that came into effect from 1 July 2021, and has also introduced an additional module in the toolkit, providing guidance on operations and maintenance. The updated CIDMS toolkit is available on the Cities Support Programme website: [Reports, Toolkits & Guidelines \(treasury.gov.za\)](https://reports.treasury.gov.za).

The Local Government IDMS toolkit has also been developed for implementation by local municipalities and is currently being piloted in selected municipalities through the PINK (procurement, infrastructure development and knowledge management) Programme.

The IDMS, CIDMS and LG IDMS collectively comprise the the IDMS BOK (Body of Knowledge), which is a knowledge hub platform that contains a comprehensive and integrated suite of material to support infrastructure practitioners working across the three spheres of government, through interactive learning systems.

## **3. Reporting guidance and clarifications**

### 3.1 Timeframes for reporting submissions

For planning and reporting purposes, all municipalities are directed to the following reporting deadlines for all MFMA Circular No. 88 indicators applicable to their category of municipality.

**Table 1: Reporting timeframes for Circular 88 reporting:**

Report Title	Due Date for C88 Reporting
Q2 Report 2023/24 (Oct 2023 – Dec 2023)	31 January 2024
Annual + Q4 Report Verified 2022/23 (Jul 2022 – Jun 2023) <b>(Metros only)</b>	31 January 2024
Q3 Report 2023/24 (Jan 2024 – Mar 2024)	30 April 2024
Annual + Q4 Report 2023/24 (Jul 2023 – Jun 2024)	31 August 2024
Q1 Report 2024/25 (Jul 2024 – Sep 2024)	31 October 2024
Q2 Report 2024/25 (Oct 2024 – Dec 2024)	31 January 2025
Annual + Q4 Report Verified 2023/24 (Jul 2023 –Jun 2024) <b>(Metros only)</b>	31 January 2025

For the 2023/24 financial year, metropolitan municipalities will continue to follow the pre-existing online reporting protocol requiring upload of populated Circular 88 reporting templates with a scanned sign-off by the Municipal Manager. All other categories of municipalities will continue to submit their quarterly reports as per the directives and guidance of the Department of Cooperative Governance (DCoG). All municipalities will be subject to the same submission timeframes and deadlines as per the above table. Due to the different reporting dispensations between categories of municipalities, only metropolitan municipalities re-submit Quarter 4 and Annual Reports after audit verification in January of the new year.

### 3.2 Guidance related to the implementation of Standard Operating Procedures

The original Circular 88 (issued in 2017) provided guidance on the development of standard operating procedures (SOP) in the case of each indicator. The guidance is reiterated here and expanded upon to assist municipalities to address administrative challenges faced in terms of complete and reliable reporting on indicators. All municipalities should develop SOPs for Circular 88 indicators applicable within their context.

All municipalities should use the Technical Indicator Descriptions (TIDs) issued in Appendix B for a standard indicator definition applicable across contexts. Municipalities are required to apply these indicator definitions within their respective organisations and to provide an operational explanation outlining the necessary steps, responsible parties, frequency, and sequence for regularising the supply of the data required for indicator reporting. The SOP should provide clear and easily implemented instructions regarding the sourcing of data, identification of data collectors, methods for collation and maintenance, and the specific portfolios of evidence used to substantiate reporting on the indicator. The TIDs provide considerable detail which then needs to be set out in an explicit and repeatable process within the respective context of each individual municipality.

In addition to the TIDs, SOPs plays a crucial role in supporting municipalities to systematise their processes, institutionalise the reform beyond one or two role-players with specific knowledge of current and historic data management, and provide a shared reference point, ensuring that team members and other stakeholders are kept informed about data processing procedures. As highlighted in the Circular 88 addendum 4 update (2022), SOPs should be developed even for indicators obtained from the StatsSA General Household Survey reporting to ensure municipalities document and embed the processes through which they extract information for planning and reporting purposes.

The TIDs provide a common departure point for these indicators and should remain unedited or amended as this would detract from the standardising objectives of the reform.

Municipalities have the authority to determine how they operationalise these indicators in terms of **SOPs** that describe the sourcing, collection, collation, storing and managing of data. However, it is crucial to ensure that municipalities adhere to the definitional parameters outlined in the TIDs when formulating and adopting SOPs. This ensures that the operationalisation of indicators remains consistent and aligned with the standardised definitions provided by the TIDs.

### **3.3 Guidance on “estimate” compliance indicators**

There are compliance indicators for which the reported value is based on a process of estimation and subject to various assumptions. Nevertheless, formulating estimates for some indicators using a standardised definition subject to documented operating procedures can provide meaningful data across areas of municipal performance, particularly in areas that are not necessarily within their administrative control.

At present, there are three compliance indicators that include estimates in determining their reported values. This is partly due to the challenge of determining exact values retrospectively or relying on information provided by external sources. These indicators include, C58 – Non-technical electricity losses in MWh; C74 – Informal dwellings affected by structural fires; and C82 – Value of Construction Projects Constructed. It is important to note that these indicators will not be the only estimates within the broader indicator set. In the future, municipalities will undertake calculations to estimate, for instance, greenhouse gas emissions. However, it is important to highlight that, at this stage, policy and technical guidance towards a standardised approach is still under development.

For the purpose of Circular 88, municipal estimates will be deemed acceptable if there are SOPs in place for the reported indicators that make explicit any assumptions made by the municipality related to the data reported and document the calculations undertaken by the municipality to arrive at the reported value. Municipal SOPs will be used to document the procedure used to determine the value of the indicator until the indicator definitions are revised to specify a methodology for producing the estimate value. It is not necessary to obtain the guidance of external expertise or to rely on data supplementary to that which is available to the municipal administration. Municipalities should ensure that their processes for producing estimated values are transparent and replicable. This involves documenting any assumptions explicitly in the estimation process, and these details should be reflected in the SOPs.

### **3.4 Guidance on coordination between municipal functional departments and M&E units**

Sector Technical Working Groups and municipal feedback have highlighted the extent to which there are challenges with the internal coordination and application of TID definitions within municipalities. It is not uncommon for a municipal representative of the monitoring and evaluation (M&E) unit or performance management team to be more familiar with a TID than the data custodian or technical expert responsible for reporting the municipal data. Ideally, all municipal role-players with responsibilities to report data for Circular 88 should know and understand the TID so as to ensure the information reported is consistent with its provisions. While there has been continuous engagement and improvement in the participation of these data custodians in the Technical Working Groups (and addendum update TID clarifications reflect this), many municipalities are not consistently communicating and disseminating the outcomes of these sessions or relaying indicator definitional changes reflected in the Circular 88 addendum updates to the custodians of the datasets on which reporting is based.

Municipal officials who compile reports for the municipality and act as representatives in Technical Working Groups or other municipal platforms are strongly encouraged to prioritise effective communication and dissemination of this information within their organisations. While sharing presentations is a standard practice, additional efforts may involve convening

internal technical briefings, providing support in the development of SOPs, or arranging dedicated question and answer sessions within the municipality. It is the responsibility of municipal officials to communicate and coordinate developments related to the TIDs internally. This proactive approach not only fosters better understanding but also assist in reducing administrative risks associated with inaccurate reporting.

### 3.5 Interim definitions for revised service delivery indicators

The Circular 88 reporting reform has undertaken a series of consultative engagements with national sector departments, municipalities and other stakeholders via Technical Working Groups. These technical forums have provided formative inputs motivating for indicator revisions to the TIDs based on policy guidance and practical implementation experience. As a result of these engagements, indicator definitions have been revised over the series of MFMA Circular 88 updates since 2019, most often with definitional clarifications that add to the existing indicator detail, thus reducing the likelihood of misinterpretation. However, in specific instances there are service delivery indicators that necessitate significant definitional change across years due to technical consensus, which alters the meaning so substantially that municipal reporting processes must change. Such definitional changes place municipalities in an undesirable position of continuing to report against an indicator that has administrative risk of potential audit finding due to acknowledged shortcomings in the TIDs.

In such instances, it is desirable to continue reporting on established indicators in a manner that maintains tracking of service delivery, especially in cases involving substantial resource allocations. Simultaneously, there is a need to reduce administrative risks for the municipality in the process. Guidance on this matter outlines specific indicators indicated below, where the TID removes problematic provisions. This adjustment allows municipalities to continue reporting on a simplified version of the indicator while preparing to implement a definitional revision, which becomes effective for the 2024/25 period, as detailed in Appendix B containing the full catalogue of all TIDs.

The affected indicators for 2023/24 reporting are:

<b>Indicator reference</b>	<b>Indicator short name</b>	<b>Simplified definition for 2023/24 reporting</b>
<b>HS1.12</b>	<i>Number of serviced sites</i>	<i>The requirement of electrification of the site has been removed from the definition.</i>
<b>EE3.11</b>	<i>Percentage of unplanned outages that are restored to supply within industry standard timeframes</i>	<i>Of the five industry standards applicable in the current definition, only the 98% of customers supplied within 24 hours will be applied. The four other industry standards are omitted from the definition.</i>

Please refer to Appendix C for the identified deletions in the TID that will enable the indicator to continue to be reported for the 2023/24 reporting period. It's crucial to note that the indicators with specified deletions are designated for **interim reporting** only. An updated definition reflecting these changes is outlined in Appendix B, applicable for the 2024/25 planning and reporting cycle.

### 3.6 Managing exemption notices and exempted indicators

The National Treasury has issued annual exemption notices to municipalities in relation to specific Circular 88 indicators for which data is not reliably available or in instances where the definition of an indicator has been altered due to an identified technical deficiency affecting its operationalisation. These exemption notices are only issued once annually, after the close of the financial year and before the submission deadline of municipal annual performance reports



(APR) at the end of August. This singular notice serves the purpose of comprehensively identifying all affected indicators throughout the year for communication to municipalities.

Responding to municipal requests for early exemption notices, the National Treasury has considered to issue earlier notification regarding indicators which will be exempted in the financial year. This is to assist municipalities in managing internal reporting processes, and where appropriate, to allow them to decide whether to continue investing time and effort in reporting, along with maintaining the necessary portfolios of evidence on indicators or to apply the exemption to no longer report on indicators with acknowledged operational challenges. Although exemption notices will not be issued individually or more frequently than the aforementioned annual cycle, municipalities should refer to the sub-section of **Appendix C 1. Indicators with changes** serve as an early indication of which indicators are likely to be affected by exemption. Most of the content of Appendix C will not qualify for exemption, as **2 – Indicators with clarifications** will NOT be considered for exemption as any definitional revisions do not fundamentally change the existing definition. Instead, they are intended to provide additional clarity and address potential misinterpretations in the TID. Municipalities are advised to continue reporting on indicators in this category, as the changes are not significant enough to warrant an exemption.

### 3.6.1 Reporting on exempted indicators

There have been inquiries about how to treat indicators that were initially planned for as a result of Circular 88, but subsequently exempted. Municipal experiences on this matter varies, with some acknowledged exemption notices and ceased reporting, while others continued to report on indicators they have successfully operationalised, despite acknowledged challenges. To ensure transparency and accountability for that which was planned, the following guidance is provided in the event that a municipality decides not to report on an exempted indicator: where a municipality decides to no longer report a value against an exempted indicator, it should still include the indicator in the APR with a note stating that it is exempted for reporting in the current year and there is no reported achievement. This practice is crucial for transparency purposes and to establish a clear line of sight between what the municipality had planned and what has been reported.

## 4. Revisions to the indicators and application across municipalities

The sector and municipal engagements informing this update to MFMA Circular 88 comprised consultations via Technical Working Groups (TWGs), bilateral departmental engagements, and discussions with organised local government in the form of the South African Local Government Association (SALGA) and the South African Cities Network (SACN), among others. The TWGs have produced technical recommendations on the further introduction, selection, refinement and retiring of indicators for planning, monitoring and reporting in local government. These consultations have been intentional and seek to further progress review of the indicator set in terms of Section 43 of the Municipal Systems Act, while ensuring buy-in and support for the process across local stakeholders.

As a result of the inputs received from the sector TWGs, there are Indicators with further definitional clarification, revision and introduction based on the sectoral feedback received.

### 4.1 Definitional clarification and indicator revisions

Where indicators have been identified for definitional revision and update these clarifications and revisions are detailed in **Appendix C**. Please refer to Appendices A and B setting out the full list of the indicators, the applicable TIDs for 2024/25 planning and reporting. The detail related to clarification and changes per TID are reflected in Appendix C. To note is the

distinction made within the appendix between **Indicators with changes**; **Indicators with clarifications**; and **Indicators with interim definitions**. Refer to Appendix C for more details.

#### 4.2 Continued institutionalisation of the reform in other categories of municipalities

Although the piloting process in the non-metro municipalities started in the 2021/22 financial year and continued in 2022/23 (as the second year of piloting), observations indicate that progress has significantly varied across municipalities and provinces. In 2023/24, DCoG has continued to undertake additional engagements and technical support sessions at provincial and even district levels in some provinces, particularly as it relates to the use of Circular 88 reporting. However, more work needs to be done, and it is expected that the full institutionalisation of the planning and reporting reform in the 249 non-metro municipalities will not be realised in the coming year.

Some of the activities to be undertaken to increase the uptake of the reporting in the non-metro municipalities in the 2024/25 financial year, fostering progress toward the full institutionalisation of the indicators, include:

- Enhanced scrutiny, feedback and guidance on reported information through provincial Monitoring and Evaluation forum meetings and other sessions with provinces and municipalities;
- Provincial CoGTA M&E Coordinators to be further capacitated to enable them to support municipalities;
- Continued reporting on a subset of priority indicators from the Circular 88 indicators in the Municipal Performance Assessment Tool (MPAT) to assess the performance of municipalities. The reporting on the priority indicators will be used to increase the rate of municipal reporting; and
- Reiterating the significance of indicators for application across local government as part of an on-going pilot process previously communicated in the Addendum 4 update of Circular 88, issued in 2022. The pilot process will be on-going in the 2024/25 FY in all municipalities, excluding the metros.

It has been proposed that the development of regulations be initiated in the 2024/25 financial year as part of the phased approach toward the institutionalisation of Circular 88 indicators. The reporting reforms process began with indicator development for metropolitan municipalities and subsequent rollout in the 2018/19 financial year. This was followed by the development of indicators, tailored for different municipal groupings, namely intermediate cities (ICMs), districts, and local municipalities, and rollout through a piloting process from the 2021/22 financial year. The proposed regulations can outline the extension of the reform's implementation to non-metro municipalities in a phased approach, for example as outlined in the table below, could commence with Intermediate Cities (ICMs), followed by extension to districts in the next year. Subsequently, certain local municipalities might be included in the implementation plan, followed by a broader implementation in the remaining local municipalities, all according to predefined timeframes.

The extension of the roll-out of the reporting reform to non-metro municipalities, mirroring the current practice with metropolitan municipalities, entails the inclusion of Circular 88 indicators in the IDPs and SDBIPs and ultimately in the APRs. This inclusion emphasises the integration of these indicators into the strategic planning and performance management processes of the municipality. This performance reporting will be audited by the Auditor General of South Africa (AGSA), and findings communicated in the management report to the municipality.

It is proposed that the further institutionalisation of the reform in the non-metros follows a two-pronged approach: i) continued support to provincial COGTA's and municipalities to improve compliance of reporting and the quality of reported information; and ii) start developing regulations to revise and replace relevant sections of the current Municipal Planning and Performance Management Regulations of 2001. The regulations and the next Circular 88 update may provide for a staggered extension of the reform in the non-metros.

**Example of further institutionalisation and extension of roll-out to non-metro municipalities**

Phased roll-out	Year
<b>Development and issuing of regulations</b>	
Development of draft regulations and publishing for comment and input.	2024/25
Review of regulations and submission for consideration, approval and publishing.	2025/26
<b>Extension of roll-out to the non-metros in a phased approach</b>	
Extension of roll-out to the Intermediary City Municipalities (ICM's).	2025/26
Extension of roll-out to the District Municipalities and some local municipalities.	2026/27
Extension of roll-out to rest of local municipalities.	2027/28

**4.2.1 Continuing special pilot provisions for rollout across local government**

To progressively institutionalise processes for planning and reporting on the indicators, and to afford municipalities the opportunity to build their own capacity to plan for, monitor and report on these indicators, a staggered pilot process continues for non-metro municipalities. It should also be noted that the AGSA will not audit performance against the indicators until the required systems and controls have been put in place.

Due to the continuing pilot process in the 2024/25 financial year, intermediary cities, district municipalities and local municipalities, will not be required to incorporate the indicators in their existing performance indicator tables in the IDP and SDBIP. Instead, these indicators should again find expression in a dedicated Annexure to the IDP and SDBIP which clearly indicates the MFMA Circular No. 88 indicators applicable to the municipality at Tier 1 and 2 levels of readiness.

For the continuing pilot process, the applicable indicators as included in the Appendices will be monitored and reported on, on a quarterly and annual basis to national and provincial CoGTAs. **No reporting on the MFMA Circular 88 indicators will be required in the MSA section 46 statutory annual performance report (APR) for municipalities other than metros.**

Municipalities will continue to plan and report on their own KPIs adopted in the indicator tables of the IDP and SDBIP in the section 46 APR as required for 2024/25, but this should be distinct from reporting on the MFMA Circular 88 indicators. This “parallel” pilot process will continue to allow and encourage municipalities to plan, implement and report on the MFMA Circular 88 indicators, without limiting their statutory performance planning and reporting.

Practically, piloting for all categories of municipality (except metros) means the following as it relates to municipal planning:

- Tier 1 and Tier 2 outcome, output and compliance indicators applicable to the municipality to be included in a dedicated Annexure to the IDP and SDBIP which clearly indicates the indicators;
- Baselines should be in place for Tier 1 and Tier 2 outcome, output and compliance indicators and reflected in the IDP reviews/ updates from 2024/25 onwards;
- Targets for outcome indicators have been set with a five-year horizon for local government (2026/27);
- Targets for output indicators should be set on an annual basis from 2024/25, with potential quarterly targets depending on the frequency of the indicator; and
- NO targets should be set for compliance indicators as these are tracked for monitoring purposes only.

Practically, piloting for all categories of municipality (except metros) means the following as it relates to municipal reporting:

- Quarterly and annual reports will be submitted to national and provincial CoGTAs for all Tier 1 and Tier 2 output and compliance (quarterly and/ or annual) and outcome indicators (annual only); and
- During the continuing piloting process, NO reporting through the MSA Section 46 APR will be required.

It is anticipated that the continued pilot rollout that runs parallel with statutory reporting requirements will provide valuable experience and insight to inform further updates and the regulation of the MFMA Circular No 88 indicators.

## 5. Utilisation and dissemination of Circular 88 data

### 5.1 Publishing and disseminating data

Since the introduction of Circular 88 the reform process has sought to give clear expression to a set of standardised indicators for local government that are of public interest. These indicators have been designed to find expression within the IDP, SDBIP and APR to among other things, ensure transparency to the public and support accountability from local government. As the reform moves into the next phase of institutionalisation ahead of planned regulation, Circular 88 data will be made more widely available.

Beyond periodic dissemination of reporting to sector stakeholders, the Joint Planning, Budgeting and Reporting Reforms Steering Committee took the decision to make metro reporting data for the 2020/21 – 2021/22 financial years available to state actors on request, acknowledging the extent of data quality issues encountered with this information during the early stages of reform. Metropolitan municipalities are set to submit their post-audit data for the 2022/23 fiscal year in January 2024, which should further reduce identified data quality issues and improve standardised reporting. The reported data for 2022/23 will be made available to all stakeholders, marking the next step in a progression toward the public dissemination of this information in the 2023/24 fiscal year. This process is intended to further expand the scrutiny of data and strengthen the quality of information reported.

### 5.2 Use of Circular 88 data for assessment and evaluative purposes

As Circular 88 data becomes more reliable and widely available, it is anticipated that this information will be used for a variety of both intended and unintended purposes. The Circular 88 Addendum 2 (2020) first articulated the reform's intended complementarity and availability to the **Evaluations** data terrain. It also set out the need for the systematic assessment of outcomes, over and beyond monitoring and reporting on individual outcome indicators as part of Circular 88. Consistent with the National Evaluation Policy Framework (2019), it is intended

that this reform furnish data that will not be an end itself but serve to prompt further evaluative inquiry, use and stimulate wider demand for evaluations in local government. Monitoring and reporting data alone will not answer questions of “How?”, “Why?” and “So what?”, and so this data needs to be seen against how it can be used to support evaluative purposes of improving performance; strengthening accountability; generating new knowledge; and ultimately, improving decision-making.

The DCoG has recently piloted the Municipal Performance Assessment Tool (MPAT) where it has sought to draw from Circular 88 standardized indicator data, applied differentially across local government, to produce a rating of the functionality of all municipalities. The indicators in the MPAT are based on a priority or subset of indicators drawn from the Circular 88 indicators. The principle was that reporting in terms of the MPAT is aligned to and draws from the standardised indicator definitions as agreed to between national sector departments and municipalities through the Circular 88 process, and not to duplicate reporting requirements. The indicators and design of the Tool in terms of standards and weightings for the indicators may be revised and refined based on lessons learned from the pilot experience in municipalities. As this assessment is strengthened, it is likely that it will further inform improvements to the indicators included in the assessment and that this information could form the basis of future State of Local Government reports.

In addition to the statutory purposes, such as MFMA Section 71 reporting and APRs, there is an expectation that civil society, research institutions, and the public will actively engage with and utilise this information for new and unforeseen purposes.

## 6. Legislative frameworks used as a basis for audit

The institutionalisation of MFMA Circular No. 88 is governed by existing legislation which provides a conceptual framework for performance reporting across local government. These legislative frameworks underpinning MFMA Circular No. 88 include:

- **Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA):** Section 53 of the MFMA mandates the Mayor to take reasonable steps to ensure the approval of the municipality's Service Delivery and Budget Implementation Plan (SDBIP) after the adoption of the budget. MFMA Circular No. 13, issued in 2013, guides municipalities in preparing the SDBIP; and
- **Framework for Managing Programme Performance Information issued by the National Treasury in 2007:** This framework provides the conceptual foundation for performance reporting and a results-based approach.

The MFMA Circular No. 88, guided by the aforesaid frameworks, prescribed a set of performance indicators for local government. The National Treasury, in previous circulars, has urged metropolitan municipalities to institutionalise processes for planning and reporting on MFMA Circular No. 88 performance indicators. This implied metropolitan municipalities incorporating MFMA Circular No. 88 outcome indicators into their Integrated Development Plans (IDPs) and output and compliance indicators into Service Delivery and Budget implementation Plans (SDBIPs), with reporting occurring in Annual Performance Reports (APRs). Therefore, by now, all metropolitan municipalities should have measures in place to fully comply with the provision set out in the MFMA Circular No. 88. Considering that the indicators outlined in the MFMA Circular No. 88 are articulated in metropolitan municipalities' IDPs and SDBIPs, and subsequently reported in the APRs, these indicators have become a subject for audit. The Auditor-General of South Africa (AGSA) has been using the aforesaid frameworks as a basis for audit.

Since 2019, AGSA has been assessing the completeness of MFMA Circular No. 88 indicators and reported audit findings solely in management reports. In the upcoming 2023/24 audit cycle, the AGSA will fully implement the assessment of completeness of MFMA Circular No. 88 indicators. This implies that any findings relating to the non-inclusion of the MFMA Circular No. 88 indicators will impact metros audit opinions in the management report and will be reported as material findings in the 2023/24 audit reports. This approach is meant to strengthen the implementation of the MFMA Circular No. 88 and support the planning, budgeting and reporting reforms. While some metros have embraced the reforms, the level of implementation of the MFMA Circular No. 88 varies across metros. The credibility, quality and completeness of the data from MFMA Circular No. 88 still requires further attention.

To progressively institutionalise the reform across the three spheres of government, the National Treasury is strategically planning to introduce a clause in the 2025 Division of Revenue Bill. This clause will emphasise the inclusion of MFMA Circular No. 88 indicators in the Integrated Development Plans (IDPs) and Service Delivery and Budget Implementation Plans (SDBIPs) of metropolitan municipalities. Concurrently, there is an intention to enhance the conditions outlined in the Urban Settlements Development Grants (USDG) framework, or other relevant grant frameworks that supports the integration of planning, budgeting, and reporting reforms. This process complements the concurrent development of regulations that will prescribe general key performance indicators, as mandated by Section 43 of the Municipal Systems Act (MSA). The synchronised approach aims to strengthen and simplify the implementation of performance indicators throughout the local government.

This section should be read in conjunction with the guidance provided in Sections 3 and 4 of the MFMA Circular No. 88 Addendum 4 Update (2022) relating to indicators that may pose a real or perceived audit risk for metropolitan municipalities. If a municipality encounters difficulties in reporting a specific indicator, it is imperative to transparently outline the specific barriers and challenges impeding the provision of such data. Furthermore, the disclosure should include a clear indication of the anticipated resolution timeframe or the specific conditions under which these impediments are expected to be addressed.

## 7. Towards regulation of the reform

As described in item 4.2 above, the MFMA Circular No. 88 and its addendum updates is now moving to the next phase of institutionalisation with a proposal that the development of regulations commences in the 2024/25 FY. Consistent with the original intentions stated in the original Circular 88 (2017):

*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 Act. 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.*

The provisions of Municipal Systems Act (2001) Section 43 indicate that key performance indicators for municipal reporting can regulated as follows:

*The **Minister of local government**, 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 generally; and when necessary, review and adjust those general KPIs.*

It has been proposed in the draft DCoG Annual Performance Plan (APP) for 2024/25 to initiate the development of regulations. This would specifically involve the development and revision of relevant sections of the existing Municipal Planning and Performance Regulations of 2001. The process will include initiation of the process, development of draft regulations, both sector and public consultation processes, state law advisor certification, review of the draft regulation for Ministerial consideration, etc.

This proposal and the commencement of the process of regulation is intended to:

- Signal to municipalities the next phase of institutionalisation of the reform;
- Reiterate the differentiated approach of the singular set of indicators, applicable to all of local government; and
- Support and reinforce the value of upcoming audit processes and reporting experience ahead of full regulation.

A proposed time frame for the development and issuing of the regulations has been outlined in Section 4.2 above.

## Conclusion

This Addendum and its appendices are an update to the MFMA Circular No. 88 dated 30 November 2017, as well as the four Addendums dated 04 December 2019, 17 December 2020, 20 December 2021 and 19 December 2022. This Addendum must be read together with the original circular and the subsequent updates and relevant appendices. Further, this Addendum provides guidance to all categories of municipalities.

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