



Rationalisation of Planning and Reporting Requirements for the 2020/21 MTREF: Addendum

This circular provides an update to metropolitan municipalities (Metros) on the preparation of statutory planning and reporting documents required for the 2020/21 Medium Term Revenue and Expenditure Framework (MTREF).

CONTENTS:

1	INTRODUCTION	1
2	SUMMARY OF THE UPDATED INDICATORS AND TIDS	2
3	INTERNALISATION OF THIS PRESCRIBED SET OF INDICATORS	3
4	CLARIFICATION OF NEED FOR INTERNAL VERIFICATION OF DATA	3
5	CONCLUSION	4
	APPENDIX A – OVERVIEW OF ALL PRESCRIBED INDICATORS.....	5
	APPENDIX B – TECHNICAL INDICATOR DESCRIPTIONS FOR ALL PRESCRIBED INDICATORS IN MS EXCEL	5
	APPENDIX E – OVERVIEW OF CHANGES TO ALL PRESCRIBED INDICATORS.....	5
	APPENDIX F – TECHNICAL INDICATOR DESCRIPTIONS EXTRACTED FOR ALL TIER 1 AND 2 INDICATORS IN MS WORD.....	5

1 Introduction

The MFMA Circular No. 88 (C88) issued on 30 November 2017 provided guidance to metropolitan municipalities on a common set of performance indicators to be applied in the 2018/19 planning, budgeting and reporting cycle.

As the Metros began implementing C88, certain challenges were identified. The National Treasury provided guidance on how to manage these challenges by way of two Frequently Asked Questions (FAQs), dated 10 April 2018 and 21 May 2018 published on the website of the National Treasury. June 2019 marked the end of the first year in implementing C88. The Auditor General (AG) intended to assess compliance with implementation of C88. Therefore, the National Treasury issued a letter on 16 August 2019 to all metros to provide further guidance. In that letter, 30 indicators were identified where Metros will unlikely be able to report in full due to acknowledged data challenges.

The intention to update the Indicators listed in Appendix A and the Technical Indicator Descriptions (TIDs) included in Appendix B before the end of 2019 was also communicated. These updates will apply to the 2020/21 planning, budgeting and reporting cycle.

This document represents the 1st addendum to C88. It is intended to produce an updated list of indicators and TIDs to guide the preparation of statutory planning and reporting documents required for the 2020/21 MTREF. While it is for the attention of all municipalities, it is currently

only applicable to the metropolitan municipalities. The Addendum must be read in conjunction with the original C88. However, note that the accompanying updates to **appendices A and B will replace the original appendices A and B** issued in 2017. Appendices A and B are supported by two new appendices E and F. Appendix E sets out the changes made to each of the affected C88 indicators. Appendix F sets out the TIDs for all Tier 1 and 2 indicators in MSWord format. Appendices C and D remain as per their original 2017 issue.

This Addendum does not introduce significant changes nor does it introduce new indicators in terms of appendices A and B. The purpose of this addendum is to confirm some of the changes that will allow for improved implementation of the core set of indicators.

There is an intention to undertake a more detailed review and in-depth technical design that could result in a more comprehensive C88 update by the end of 2020. It is also anticipated that this update would extend the application of the indicators to other categories of municipalities. Details will be confirmed during the course of the 2020 consultative process.

2 Summary of the updated Indicators and TIDs

Below is a summary of the key issues that were considered as part of the review:

- As per the original issue of C88, most indicators at Tier 1 and Tier 2 and their TIDs have not been altered.
- In cases where comments have been received and stakeholders have motivated for greater consultation on the indicator formulation, clarity on definitions or identified inconsistencies in the TIDs, these indicators have been updated but remain at Tier 1 or Tier 2 readiness.
- In instances where the implementation of C88 identified challenges in the sourcing and supply of data, particularly from national role-players to metropolitan municipalities, these indicators have been moved down from Tier 1 or 2 readiness levels to Tier 3 or Tier 4, indicating these indicators are not yet ready for reporting. The assessment also highlighted that the 16 City Transformational Indicators (BEPP Indicators) require more detailed technical work and therefore will be moved to Tier 3 and 4.
- Indicators originally set at readiness level Tier 3 or 4 remain unchanged (as per the original issue of C88). These indicators are not yet prescribed indicators but metropolitan municipalities should begin putting systems in place to supply the data required for these indicators.

It is necessary that metropolitan municipalities scrutinise these TIDs taking note of the changes to the indicator definitions and adjusting their own Standard Operating Procedures (SOPs) where necessary.

Table 1: Categories of C88 indicator updates and implications

Category of C88 update	Number	Implications
No change to Tier 1 and 2	53	Indicator remains the same, apply as per original issue.
Changes to the indicator, but still Tier 1 or 2	25	Municipalities should scrutinise the changes to the indicator in the TID and amend SOPs where appropriate.
Changes to the indicator: moving from Tier 1 & 2 to Tier 3 or 4	26	Municipalities should note that there are data availability challenges and these indicators are not yet ready for C88 reporting. This includes the 16 BEPP indicators.
No change to Tier 3 and 4 status	34	Municipalities should continue to treat these indicators as Tier 3 and 4, no change in status.

Appendix A is an updated complete list of all indicators. The complete TIDs for each indicator is available in Appendix B.

3 Internalisation of this prescribed set of indicators

The indicators contained in C88 of 30 November 2017 are intended to serve as a common standard and provide the basis for regulation, beginning with metropolitan municipalities. However, the sourcing and supply of the data elements for the commonly identified indicators can differ from one municipality to another. The TIDs provide a common point of departure for these indicators, but metros are reminded of the importance of developing metro-specific **standard operating procedures** that describe the sourcing, collection, collation, storing and managing of data on the part of the municipality.

Metropolitan municipalities are reminded that it is at their own discretion to set and select indicators in addition to those prescribed via this process. Pre-existing indicators should also be considered in relation to the prescribed set of indicators accompanying this circular.

Municipalities are also reminded of the provisions of Section 3 of C88 which addresses the statutory planning context and the implications of these indicators for planning. In addition, Section 5 notes the timing and methodology for the preparation of performance indicators and targets - highlighting the distinction between target setting at outcome level and target setting at output level.

4 Clarification of need for internal verification of data

This reporting reform process is intended to support the alignment between planning, budgeting and reporting for a prescribed set of municipal performance indicators. As such, the focus should be on generating performance information on both a quarterly and annual basis that is of value in the decision making, planning, in-year monitoring and accountability processes of metros and other government partners.

Given the focus on reporting for performance monitoring and improvement, it is expected that the data inputs contained in the quarterly and annual C88 reports would be subject to internal quality assurance processes. There is therefore no requirement that data be subjected to auditing by the Auditor General prior to reporting in terms of the C88 process.

However, it is acknowledged that the C88 Annual Report submitted to the National Treasury by Metros prior to the auditing of performance information by the Auditor General may differ

from the C88 information contained in the Annual Performance Report after the audit by the Auditor General. Therefore, Metros will be afforded an opportunity to submit a 2nd final version of the C88 Annual Report for record purposes one month after the completion of the audit by the Auditor General.

Table 2: Reporting timeframes for submission of C88 reports to National Treasury

Report Title	Due Date to NT C88 Reporting
Q1 C88 Report (July 2020 – Sept 2020)	31 October 2020
Q2 C88 Report (October 2020 – December 2020)	31 January 2021
Q3 C88 Report (January 2021 – March 2021)	30 April 2021
Q4 C88 Report (April 2021 – June 2021)	31 August 2021
Annual C88 Report Unverified (July 2020 – June 2021)	31 August 2021
Annual C88 Report Verified (July 2020 – June 2021)	31 January 2022

5 Conclusion

This document is an Addendum to the MFMA Circular No. 88 dated 30 November 2017 and must be read in conjunction with the original circular. This Addendum provides guidance to metropolitan municipalities on the common set of performance indicators to be applied for the 2020/21 planning, budgeting and reporting cycle. Changes are reflected in the updates to appendices A, B, E and F.

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Appendix A – Overview of all prescribed indicators

See attachment. Note only highlighted indicators are Tier 1 and Tier 2 indicators applying for the 2020/21 planning, budgeting and reporting cycle.

Appendix B – Technical Indicator Descriptions for all prescribed indicators in MS Excel

Appendix E – Overview of changes to all prescribed indicators

Appendix F – Technical Indicator Descriptions extracted for all Tier 1 and 2 indicators in MS Word