



Rationalisation of Planning, Budgeting and Reporting Requirements for the 2022/23 MTREF: Addendum 3

This circular provides an update to all municipalities on the preparation of statutory planning and reporting documents required for the 2022/23 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 30 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 1st addendum to MFMA Circular No. 88 of 4 December 2019 provided further guidance and clarity to metropolitan municipalities on the preparation of statutory planning and reporting documents required for the 2020/21 Medium Term Revenue and Expenditure Framework (MTREF). The 2nd addendum to MFMA Circular No. 88 of 17 December 2020 expanded the reform in four respects: 1) it more closely integrated and guided planning, budgeting and reporting reforms; 2) it significantly expanded and revised the set of MFMA Circular No. 88 indicators applicable to metropolitan municipalities; 3) it expanded the application of these reforms and the indicators to all municipalities differentially applied per category of municipality in a piloting phase; and 4) it introduced evaluations in the context of these reforms.

This Addendum includes additional guidance, indicator revisions and expansions, as well as further clarification. 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 2022/23 MTREF. The reforms will continue being incrementally implemented in the 2023/24 – 2026/27 MTREF and apply on a differentiated basis per municipal category.

2 Planning and budgeting reforms and guidance

2.1 Institutionalisation of planning, budgeting, and reporting reforms

In 2021/22 all metros were no longer required to develop and submit Built Environment Performance Plans (BEPPs). However, noting the commitments made to institutionalising their BEPPs and planning, budgeting and reporting reforms during the Annual Assessment of BEPPs and City Plans in 2020, the 2021/22 MTREF plans and budgets were monitored to assess the institutionalisation and will continue to be monitored in the next MTREF (2022/23).

Criteria have been developed as depicted in Table 1 to assess the extent to which longer-term frameworks and strategies, as well as the IDP, incorporates planning reforms. The independent monitoring and evaluation process of the 2021/22 MTREF has shown some incremental improvement in terms of the institutionalisation. However, there is scope for further improvement. Additional areas of assessment have been included for the 2022/23 MTREF (see questions in italics below) to make the assessment toolkit more comprehensive.

Table 1: Criteria to assess incorporation of planning, budgeting, and reporting reforms in city plans

Criteria	Focus of assessment
1. Theory of Change (TOC) for City Transformation	<ul style="list-style-type: none"> Evidence of a clear TOC to address city transformation in line with national policy directives – SPLUMA and IUDF. Evidence of alignment with TOC in all plans and budget. <i>Does the City's SDF redress the apartheid spatial form?</i> <i>Is there evidence of the adoption of TOD within the City's spatial and sectoral plans?</i> <i>Does the City have a mid-to long-term model for human settlements and informal settlements programme and pipeline planning that looks at demand and supply data in relation to resources land and fiscal constraints, as well spatial imperatives.</i>

	<ul style="list-style-type: none"> Do the metropolitan plans clearly promote and prioritise economic and residential activities and investments along existing public transport routes that link dormitory suburbs with other parts of the City? Does the City have clear economic strategies in place for both its formal and informal sectors? Is there evidence of the City adapting their strategies through learning and experimentation?
2. Outcomes-Led Planning and Spatial Targeting	<ul style="list-style-type: none"> Have outcome statements been used to directly influence planning? Has the circle been closed by adopting the MFMA Circular No. 88 indicators? Are the spatially targeted areas clearly evident from frameworks through to strategies and implementation plans? Do the built environment investments within the City (by both public and private sectors) support inclusive economic growth? Has the Metro's Transit-Oriented Development managed to "stitch together" the peripheral, largely poor dormitory suburbs with mixed-use and industrial nodes where economic activity and employment opportunities exist? Is the Metro aware of the key challenges that need to be addressed to ensure that the City is inclusive and foster social, racial and economic inclusion and access?
3. Strategy-Led Budgeting	<ul style="list-style-type: none"> Is there a longer-term financing strategy to resource the CIDMS? Is the budget spatialised? Has the minimum business processes and system specification required in term of the mSCOA Regulations (as articulated in Annexure B of MFMA Circular No 80) been implemented?
4. Alignment of Public Infrastructure Investment in spatially targeted areas in metros (Annexure 2 and Part C of BEPPs) – process and outputs	<ul style="list-style-type: none"> Has the City managed to get intergovernmental stakeholders to disclose their Programmes and related Budgets? Is there evidence that there is a move from disclosure to joint planning? What is the extent of alignment of intergovernmental planning and budgeting?
5. Adoption of spatial planning, prioritisation, and budgeting tools	<ul style="list-style-type: none"> Does the City have a process or system/tool in place to filter programmes and projects submitted for approval? What criteria does the city use to approve projects for funding and Implementation? Does the city distinguish between priority programmes and projects? Do priority programmes and projects have a greater weighting than others? Does the integrated financial system used by the municipality automate the process and incorporate workflows to enable the tracking of progress?
6. Does the City have longer term frameworks and strategies in comparison to the term-of-Office plan (IDP) or 5-year plans?	<ul style="list-style-type: none"> Does the city have a SDF and/or CDS/GDS? Are there longer-term sector strategies for Human Settlements, Public Transport, Economic Development, Climate Resilience, Financial Sustainability, Infrastructure Asset Management?

7. Other questions

- Does the Medium-Term Revenue and Expenditure Framework (MTREF) link directly to and supports the implementation of the IDP, MSDF and BEPP?
- Does the Service Delivery and Budget Implementation Plan (SDBIP) link directly to and supports the implementation of the IDP, MSDF and BEPP?
- Do the Supply Chain Management Regulations and procurement plans link directly to and support the implementation of the IDP, MSDF and BEPP?
- Do the Reporting Requirements (MFMA and grants) link directly to and support the implementation of the IDP, MSDF and BEPP?
- *Does the integrated financial system used by the municipality enable these links?*
- *Is there a credible long- or medium-term financial strategy in place, to ensure compilation of effective operational and capital budgets, or to spend in line with available financial resources?*
- *Has the City developed and embedded a sustainable city framework, to operationalise and test the efficacy of its growth and development strategies?*
- *Has the City invested in environmental data collection and monitoring, to provide a scientific basis for policy and strategy development, as well as compliance measurement against targets, to determine any enforcement responses?*
- *Has the City begun to confront resource efficiency more aggressively, based on the concept of a circular economy, whereby products are designed for ease of re-use, disassembly and remanufacturing?*
- *Is the City aware or conscious of the enabling conditions that need to be created so that it can become a dynamic system of innovation where all urban residents enjoy the benefits of agglomeration?*
- *Are there any strategies in place to address the legacy of non-implementation of development strategies, where it exists?*

In August 2021 the Urban Reforms Online Training modules were launched. The Urban Reforms Knowledge Series reflects the reforms in the metropolitan municipalities since 2013/14 and is focused on the planning; budgeting, fiscal and financial; and reporting functions, led by the National Treasury (NT) in collaboration with the following national departments: Department of Cooperative Governance (DCoG); Agriculture, Land Reform and Rural Development (DALRRD); Planning, Monitoring and Evaluation (DPME); and more recently in 2020 the Public Service and Administration (DPSA). The Knowledge Series have been packaged into the Urban Reforms Online Training Modules accessible from the National Treasury's [GoMuni](#) portal. The intention is for the Urban Reforms Online Training modules to form part of the Continuous Professional Development (CPD) activities via the South African Council of Planners (SACPLAN). A spatial targeting toolkit is currently being developed in collaboration with the cities. The toolkit will provide technical guidance to metros and other municipalities to include spatial targeting in their development planning process, practice, approach, and content to realise their spatial transformation outcomes.

2.2 New metropolitan specific IDP Guideline and Assessment Framework

The metropolitan specific IDP Guideline and complementary metropolitan specific IDP Assessment Framework were approved by the DCoG and came into effect from 01 July 2021. Municipalities need to ensure that the next generation of IDPs are aligned to District Development Model (DDM) One Plans which have been developed as long-term strategic

frameworks to guide investment and delivery in each district and metro spaces by all spheres of government.

2.3 Longer-Term Intergovernmental Planning and Budgeting

The National Development Plan (NDP) recognises the potential of various places and spaces in the country to contribute to the achievement of the national goals of eradicating poverty and reducing inequality and unemployment. Due to the persistent legacy of apartheid spatial development patterns, levels of need and vulnerability differ from one place to the next. The NDP remains the lodestar of the country, and alongside long-term sector strategies, they are achieved systematically through actions to implement short-and medium-term plans. A unified approach is needed to fast-track development outcomes and achieve sustainable transformation. The DDM was introduced in this regard. Through the DDM, interventions and actions contained in the NDP, Medium Term Strategic Framework, National Spatial Development Framework and sector strategies should find expression in district-level impact zones.

DPME and DCoG developed a *Guideline for the localisation of government plans* in the context of the DDM. The rationale for the Guideline is to enable and facilitate a clear connection between plans at different levels, including the MTSF, Provincial Growth and Development Strategy, Annual Performance Plan and "One Plan" interventions towards implementation, where possible within the district and local government space. The guidelines are an attempt to close the gap and mitigate against the disconnect between the national developmental outcomes and impacts and actual service delivery outcomes in the country in support of integrated planning and alignment towards coherent implementation and impact within the district and local government space.

2.4 Municipal Spatial Development Frameworks and City Development Strategies/Growth and Development Strategies

Metropolitan municipalities have a tradition of planning for the longer term with metropolitan spatial development frameworks (MSDFs) based on at least a 10-year time horizon. Metropolitan municipalities have worked and continue to work with the South African Cities Network (SACN) to develop Growth Development Strategies/City Development Strategies. Having long term strategies and plans in place that go beyond a 10-year horizon in Cities is key in terms of providing certainty to other stakeholders and investors and should not be unduly influenced by the changes in the political leadership and term-of-office.

2.5 National Treasury Infrastructure Guidelines and Toolkits

National Treasury has clarified that the various infrastructure guidelines it has issued serves the functions as set out in Table 2 below. The Public Private Partnerships (PPP) Framework is currently being reviewed and extensive consultations have been held with relevant stakeholders including the municipalities.

Table 2: National Treasury Infrastructure Guidelines

Guideline	Purpose
Annual guideline on Budget Facility for Infrastructure	Criteria for accessing the Budget Facility for Infrastructure for very high value infrastructure projects
Annual Guideline for Capital Planning	Guidance to national sector departments on large infrastructure projects
PPP Framework	Guidance on how to design a PPP
Local Government Capital Asset Management Guide (2008)	Accounting treatment of infrastructure assets

The Infrastructure Delivery Management System (IDMS) is the Government's model of choice for the management of public sector infrastructure service delivery. The Local Government IDMS has been developed and is being rolled out in several municipalities. Currently, the implementation of the Cities IDMS is being supported in all the metropolitan municipalities. The CIDMS is based on the full life-cycle management of infrastructure assets and makes the important and direct link of the MSDF informing the spatial location of infrastructure development.

The Local Government Framework for the Infrastructure Delivery and Procurement Management (LG FIDPM) that is issued in terms of Section 168 of the MFMA and in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations further guides and supports infrastructure delivery management in municipalities. All municipalities were required to commence with the implementation of the LG FIDPM with effect from 01 July 2021.

2.6 Long Term Financial Model and Strategy

Although some municipalities have long-term financial models, they are not always integrated with municipal plans. Municipalities need to develop long-term financial models (LTFM) that supports decisions on investment selection and assesses the financial impact of policy choices, by forecasting future financial performance and the impact of infrastructure projects on borrowing capacity. The LTFM needs to inform the municipalities long-term financial strategy, which must articulate a sustainable, efficient and effective borrowing strategy and practices for the municipality and provide a clear statement of intent for lenders and other stakeholders. The metropolitan municipalities and some intermediate city municipalities are being supported by National Treasury to develop LTFM and LTF strategies. Based on the piloting of this reform, guidance will be provided to all municipalities to develop and implement long term financial models and strategies.

2.7 Longer-Term Sector Strategies

The MSDF Guideline (2017) requires all sector strategies to be integrated and informed by the spatial strategy [SPLUMA s21 (m)]. In the metropolitan municipalities development of sector strategies for economic development and transport has been supported.

In the metros a spatialised approach to economic development planning, budgeting, investment and management is being driven through the township economic development, industrial space revitalisation, Central Business District (CBD) renewal and regional economic development nodal (e.g. ports and Special Economic Zones) support projects. An evidence-based approach to spatialised planning has been supported through the demonstration of participatory planning tools, making available anonymised and spatialised tax data through the provision of panel datasets directly to the metros, and pursuing other national administrative data sources that could enhance integrated and spatialised metro planning. A clear lesson that has emerged is the need for quality integrated and participatory planning to take place at all levels of the City – precinct, area-based, district and city-wide.

Little progress has, however, been achieved by metros in the preparation of their long-term public transport plans as outlined in the Integrated Public Transport Network Plan Development Technical Guideline (version 4) which was co-drafted by the National Department of Transport and National Treasury. The Guideline proposes three planning perspectives for Metros, namely (i) a long term (20+ years) strategic plan as referred to in the Public Transport Network Grant Framework; (ii) a medium term (10 years) program perspective consisting of projects and activities called a Public Transport Improvement Program; and (iii) an annualised project plan developed to the level of detail necessary for implementation. The Department of Transport had encouraged Metros to complete their long-term strategic plans as a matter of urgency. In preparing their long-term strategic plans Metros are encouraged to draw guidance from the IPTN Plan Development Technical

Guideline [Reports, Toolkits & Guidelines \(treasury.gov.za\)](https://www.treasury.gov.za) to ensure the integration and incorporation of public transport initiatives into the SPLUMA as per the MSDF Guidelines (2017).

3 Reporting guidance and clarifications

3.1 Clarifying Outcome indicator targets for the local government term of office

One of the practical planning reforms introduced as part of the original MFMA Circular No 88 was to shift the target-setting horizon for Outcome indicators beyond annual targets. While this change and clarification has gone some way to addressing the unintended consequences of creating short-term accountability for medium-term change, there has been requests for clarity and guidance regarding the years for which Outcome indicator targets are set. This Addendum update has therefore simplified the guidance on Outcome indicator target-setting by addressing the source of confusion in the original 2017 circular.

At the time of introducing the reform in 2017, guidance was provided that Outcome indicators should "...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)." This was reiterated with the following guidance "Where baseline data is already available, a target for the horizon of the MTREF should be set for these indicators ... with performance tracked in relation to this target, as well as the last municipal year of the electoral term". Setting two outcome indicator targets for the end of the local government term and for the MTREF has proven confusing, particularly because the MTREF is a rolling target.

Thus, for the sake of simplicity and in applying the lessons learnt from the reform to date, the Outcome indicator target setting guidance is as follows:

Municipalities are expected to include a medium-term target for Outcome indicators for the electoral term (5th year). Following the 2021 Local Government Elections, this means that Outcome indicator targets should be set for the medium-term planning horizon: 2026/27. It should be noted that Outcome indicators will still be tracked on an annual basis in Annual Performance Reports for monitoring purposes, but that determinations of outcome 'performance' should be linked to medium-term target-setting for the outer year of the local government term of office.

This guidance has already reflected in the planning and reporting templates issued by the DCoG to municipalities other than metropolitan municipalities as part of the 2021/22 pilot process. Updated planning and reporting templates are provided as **Appendices C** and **D** to this update. Figure 1 below provides useful guidance to help understand the different accountability expectations associated with the different types of indicators:

Figure 1: Indicator target-setting and reporting guidance

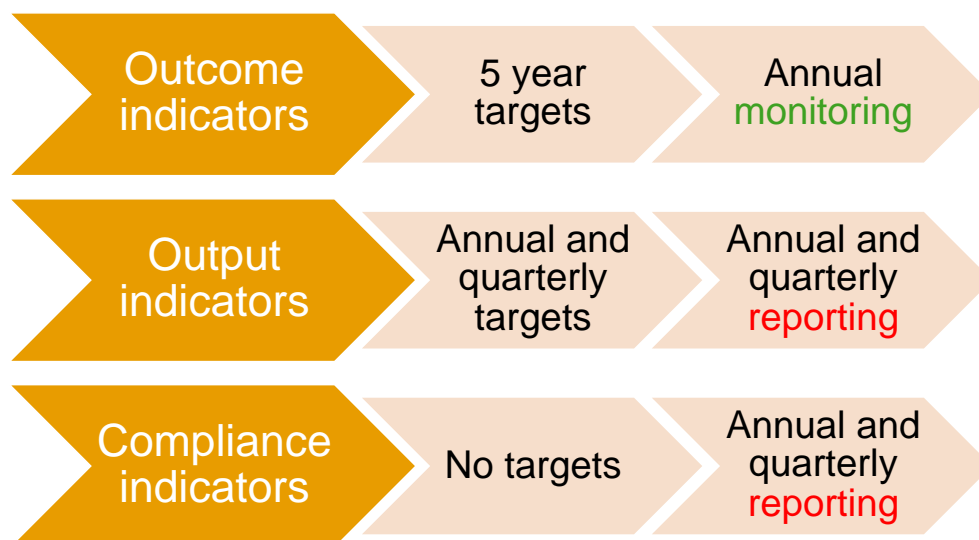


Figure 1 reiterates what was previously communicated in MFMA Circular No. 88 (2017) and the 2nd Addendum update (2020) with regards to Output and Compliance indicators. There are no further clarifications or revisions to the previous guidance.

3.2 Reflecting Compliance indicators in planning and reporting

Municipalities have asked via consultative fora for greater clarity regarding how to give expression to Compliance indicators. These requests include guidance as to where these should reflect in published planning and reporting documentation. Beyond the application of the templates circulated with this Addendum update, the following guidance is provided for clarity:

- Compliance indicators should reflect as part of the top-layer SDBIP in a separate table (or section of one table) which is clearly labeled. In the case of municipalities other than the metros, in an Annexure to the SDBIP, referring to item 4.4;
- Compliance indicators should include a baseline measure but should not have targets set for them;
- Compliance indicators should be reported on either a quarterly or annual basis as per their Technical Indicator Descriptions (TIDs);
- Reporting against Compliance indicators should reflect in the Annual Performance Reports (not yet in the case of municipalities other than the metros, referring to item 4.4); and
- Municipalities are encouraged to use the templates provided as **Appendices C and D** as examples for giving expression to Compliance indicators in their SDBIPs and Annual Performance Reports (or in the Annexure to their SDBIPs and APRs in the case of municipalities other than the metros, referring to item 4.4). Municipalities are further encouraged to automate and build these templates into their financial systems as this will become a requirement when the minimum *m*SCOA business processes and system specification are regulated.

3.3 Timeframes for reporting submissions

For planning and reporting purposes, all municipalities are directed to the following reporting deadlines for all MFMA Circular No. 88 (C88) indicators applicable to their category of municipality.

Table 3: Reporting timeframes for MFMA Circular No 88 reporting

Report Title	Due Date for C88 Reporting
Q1 C88 Report (July 2021 – Sept 2021)	31 October 2021
Q2 C88 Report (Oct 2021 – Dec 2021)	31 January 2022
Q3 C88 Report (Jan 2022 – March 2022)	30 April 2022
Q4 C88 Report (April 2022 – June 2022)	31 August 2022
Annual C88 Report Unverified (July 2021 – June 2022)	31 August 2022
Annual C88 Report Verified (July 2021 – June 2022)	31 January 2023

For the 2022/23 financial year, metropolitan municipalities will continue to follow the pre-existing online reporting protocol. All other categories of municipalities will continue to submit their quarterly reports as per the directives and guidance of the DCoG. All municipalities will be subject to the same submission timeframes and deadlines as per the above table.

4 Expanding and revising the indicator set

The sector and municipal consultations informing this update to MFMA Circular No. 88 were drawn from engagements via the Technical Working Groups (TWGs). The establishment of these structures is central to the institutionalising objectives of the reform and will be the basis through which future indicator expansions and revisions occur in the future. **TWGs have been established to provide an intergovernmental platform for addressing the technical formulation, definition and application of sector indicators applicable at municipal level. The TWGs provide technical recommendations on the introduction, selection, refinement and retiring of indicators for planning, monitoring and reporting in local government.** They have been established as part of the MFMA Circular No. 88 reform process with the intention that they continue to serve as an informant and institutional platform in relation to the review of the Planning and Performance Management Regulations of 2001 issued in terms of the Municipal Systems Act.

As a result of the inputs received from the sector TWGs, there are two important developments related to the indicator set: 1) Indicators with further definitional clarification and revision based on municipal feedback; and 2) The addition of a 'new' Financial Management sector indicator set.

4.1 Definitional clarification and indicator revisions

As a result of the TWG meetings and the specific purpose Task Teams formed in relation to municipality identified indicators, there are several indicators that have been identified for definitional revision and update. Please refer to **Appendices A and B** that set out the full list of the indicators, their updated Technical Indicator Definitions (TIDs) as well as the detailed clarification and changes per TID in **Appendix E**.

One cross-cutting revision reflected across all MFMA Circular No. 88 indicators in the 2021 Addendum 3 update relates to the convention of including "x 100" in the formula for all "Percentage" indicators. This formula provision has proven redundant and at odds with "%" conventions in the formatting settings on various software. As a result, all indicators that measure a "Percentage of..." have removed the "x 100" provision within their indicator formula as this is considered unnecessary in light of all units of measurement specified as "Percentage of...". All municipalities should please take note of this formula convention alteration for all such indicators.

4.2 The addition of a 'new' Financial Management sector indicator set

Following a series of internal consultations with National Treasury and a sector TWG convened with key centre of government and stakeholder representation, a set of Financial Management indicators is introduced consistent with the existing spirit and rationalization intention of the reform.

The Financial Management indicators contained in the MFMA Circular No.88 are intended to streamline and rationalize the most strategic indicators as it relates to overall financial management in municipalities. Most of these indicators have been extracted from the MFMA Circular No. 71, the State of Local Government Finances and Financial Management (SoLGF) Report and the Municipal Budgeting and Reporting Regulations (MBRR); and identified to align to the National Treasury's Six Game Changers or key elements (funded budgets, municipal Standard Chart of Accounts (*m*SCOA), revenue management, supply chain management, asset management and audit outcome).

It is important to note that the introduction of this set of indicators does not replace any existing reporting requirements and National Treasury's compliance monitoring tools. However, MFMA Circular No. 88 has consolidated and prioritised key indicators to provide definitional clarification in the TIDs as a basis for further rationalization and standardization. In the interim, all the pre-existing reporting protocols continue to apply until such time the level of data or credible reporting by municipalities has improved.

In line with the overall policy objective of the reform, it is planned that this initial process of parallel reporting for Financial Management indicators will eventually provide a more strategic, consolidated, and standardized indicator set for reporting in the future.

4.3 Overview of the MFMA Circular No. 88 indicator set for 2022/23

In light of the above additions and development, the following sectors and indicator totals are noted in terms of the overall indicator set given expression to in the latest Addendum update.

Table 4: Changes in Circular No. 88 indicators from 2020 to 2021 updates

	2020	2021	NET
Economic Development	25	25	0
Electricity & Energy	21	23	+2
Environment & Waste	24	24	0
Fire & Disaster	3	3	0
Governance	22	21	-1 ¹
Housing & Co. Fac.	22	22	0
Transport & Roads	20	20	0
Water & Sanitation	25	25	0
Financial Management	0	44	+44
Lower ord./Compliance	91	97	+6
	253	304	+51

Table 4 above illustrates the maximum number of indicators per category, inclusive of all levels of readiness, based on the updated indicator set. As these indicators apply on a differentiated basis per municipal category, with the full indicator set originally designed for metropolitan municipalities, the expanded set of indicators does not apply in their entirety to any category of municipality and will be significantly less in each case.²

¹ This reflects a shift of one Governance Output indicator to Compliance.

² In the case of metropolitan municipalities, which have the greatest reporting burden, 149 indicators apply at Tier 1 and 2 readiness levels, 79 at the level of Compliance indicators - 228 indicators in total.

4.4 Institutionalising the reform in other categories of municipalities

The previous addendum 2 update of MFMA Circular No. 88 of 17 December 2020 introduced the MFMA Circular No. 88 indicators for application across local government for the 1st time. This entailed a piloting process of the indicators in all municipalities, except the metros, in the 2021/22 financial year. It is the intention of the DCoG that the piloting of the MFMA Circular No. 88 indicators will lead to replacing the Local Government: Planning and Performance Management Regulations of 2001.

The piloting process commenced in the categories of Intermediary Cities, District Municipalities and local municipalities, and municipalities were requested to first provide the planning information in terms of the baselines and targets for the indicators applicable to them, and to start reporting on these on a quarterly basis. Municipalities were requested to report to the provincial departments of Cooperative Governance and Traditional Affairs (CoGTA's) on Quarter 1 by the end of October 2021. Provincial CoGTAs had to provide consolidated information to the national DCoG by the end of November 2021.

The piloting of the indicators will continue in these categories of municipalities in the 2022/23 financial year. For clarity, some of the provisions of the Addendum 2 update are repeated in this addendum to outline what the continuing piloting process in the 2022/23 financial year will entail.

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

4.5 Continuing special pilot provisions for rollout across local government

In order to get the process of planning and reporting on the indicators going, to test the indicators and for municipalities to get the related planning and reporting processes and systems in place, a staggered pilot process for the rest of local government has been followed in the 2021/22 financial year. This has been informed by audit considerations and in consultation with the Office of the Auditor-General of South Africa (AGSA) to support municipalities to adopt the reform without the risk of receiving audit findings as part of the pilot process.

The existing MFMA Circular No. 88 guidance to give expression to outcome indicators in the IDP (and annual IDP update) and output indicators in the SDBIPs will continue to apply to metropolitan municipalities only.

Due to the continuing pilot process in the 2022/23 financial year, intermediate cities, district 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 the Tier 1 and 2 levels of readiness.

For the continuing pilot process, the applicable indicators as included in the Annexures, will be monitored and reported on to the DCoG and the provincial CoGTAs on a quarterly and annual basis. **No reporting in the MSA section 46 statutory Annual Performance Report (APR) for municipalities other than metros will be required.**

Municipalities will continue to plan and report on their own KPIs adopted in the indicators tables of the IDP and SDBIP in the section 46 APR as required for 2022/23, but this should be distinct from reporting on the MFMA Circular No. 88 indicator annexure.

This “parallel” pilot process will continue to allow and encourage municipalities to plan, implement and report on the MFMA Circular No. 88 indicators, without limiting their statutory performance planning and reporting in fear of audit findings before they have not adequately institutionalized the process. It will further eliminate a situation where municipalities replace or remove existing indicators on a function in the official IDP and SDBIP, and only include the related MFMA Circular No. 88 indicators with no performance reporting on the function in the statutory section 46 APR due to the pilot process.

Practically, piloting for all categories of municipalities (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 indicator;
- Baselines should be established for Tier 1 and Tier 2 Outcome³, Output and Compliance indicators and reflected in the IDP reviews/updates from 2022/23 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 (2022/23, 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 municipalities (except metros) means the following as it relates to municipal reporting:

- Quarterly and annual reports will be submitted to Provincial CoGTAs and DCoG for all Tier 1 and Tier 2 Output and Compliance (quarterly and/or annual) and Outcome indicators (annual only); and
- During the continuing pilot, NO reporting through the Section 46 Annual Performance Report (APR) will be required.

It is anticipated that the continued pilot rollout outside of established statutory planning and reporting requirements will provide valuable experience and insight to inform further updates ahead of eventual regulatory reform.

5 Conclusion

This Addendum and its appendices are an update to the MFMA Circular No. 88 dated 30 November 2017, the original circular, as well as the Addendums dated 4 December 2019 and 17 December 2020 – This Addendum must be read together with the original circular and the 2019 and 2020 updates and the relevant appendices. This Addendum provides guidance to all categories of municipalities.

³ Baselines for Outcome indicators have been set in the 2021/22 FY, or need to be revised.

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20 December 2021