

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 431 [CW588E]
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431. Mr D R Ryder (Gauteng: DA) to ask the Minister of Finance:

(a) What progress has been made towards (i) the implementation, (ii) an update and/or (iii) improvement of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), Circular 88 in local government, (b) what successes could be reported and (c) what deficiencies have been identified in this regard?

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REPLY:

- a) The MFMA Circular No. 88 reform has made significant progress through incremental updates or addendums, expanding its scope and refining performance indicators to ease the reporting burden for municipalities and aligning with broader municipal planning and statutory reporting. The latest update, signed by the National Treasury, the Department of Cooperative Governance (DCoG), and the Department of Planning, Monitoring and Evaluation (DPME), was issued in December 2023, with a set of rationalised indicators rolled out for implementation in the 2024/25 financial year. These indicators target various sectors of Local Government, including City Spatial Transformation, Water and Sanitation, Energy and Electricity, Solid Waste and Environment, Roads and Public Transport, Governance and Administration, Fire and Disaster, Economic Development, and Financial Management.

While metropolitan municipalities have advanced the reform by integrating these indicators into their statutory planning and reporting processes (such as Integrated Development Plans (IDPs), Service Delivery and Budget Implementation Plans (SDBIPs), and Annual Performance Reports (APRs)), the reform is still in the pilot phase for other categories of municipalities (districts, intermediate cities, and local municipalities). These municipalities (non-metros) report on MFMA Circular No. 88 indicators as an annexure, supplementing their existing statutory plans and reports. All 8 metros are implementing and reporting on MFMA Circular No. 88 while almost 50 per cent of non-metros are currently in compliance. Despite this progress, there remains variability in the reliability and credibility of data reported by municipalities. However, the quality of these indicators continues to improve, given that there are various platforms to interrogate and analyse the data, which fosters continuous feedback to municipalities.

Metros have shown increased reliability in reporting on most MFMA Circular No. 88 indicators, adhering to the Technical Indicator Descriptions (TIDs). In some cases, metros have clearly outlined their reporting limitations and proposed corrective actions for supplying the data. However, the National Treasury continues to identify discrepancies between the planning data and the reporting data. These inconsistencies have also been highlighted by the Auditor-General of South Africa (AGSA) during the annual audit process. To further reinforce the compliance of the

reform, AGSA issued a directive to fully assess metros implementation of the MFMA Circular No. 88.

- b) Some metros are effectively using the MFMA Circular No. 88 performance indicators to track their progress in addressing service delivery challenges. Sector departments, such as the Department of Human Settlements (DHS) and the Department of Water and Sanitation (DWS), have begun engaging with and analysing MFMA Circular No. 88 data in relation to the Urban Settlements Development Grant and municipal water services development plans. These departments rely on MFMA Circular No. 88 data for performance monitoring. Additionally, MFMA Circular No. 88 data is effectively used by other government agencies such as the South African Cities Network (SACN) for analysis and research. SACN has recently leveraged insights from MFMA Circular No. 88 data to support their urban development and sustainable and resilient cities programmes.

DCoG has also used MFMA Circular No. 88 data to develop a Municipal Performance Assessment Tool, which was used for their State of Local Government Report. This tool tracks municipal performance across municipalities, providing a uniform assessment and categorisation of municipalities based on their performance, further reinforcing the ongoing reform processes.

- c) Some metros have not adequately prepared or implemented the necessary systems to provide the required data in accordance with MFMA Circular No. 88. In many instances, the Standard Operating Procedures (SOPs) have not been clearly established to ensure accurate and consistent reporting. Furthermore, many metros have reported substantial gaps in technical capabilities and system limitations, which hinder their ability to collect, process, and report data accurately and in a timely manner for MFMA Circular No. 88 compliance. It is anticipated that the intention by the AG to fully assess metro implementation of MFMA Circular No. 88, will serve to strengthen the data systems and reporting by the metros.

The National Treasury and DCoG have also identified inconsistencies and incorrect application of Technical Indicator Descriptions (TIDs) in some MFMA Circular No. 88 indicators across all categories of municipalities, resulting in misinterpretations of performance indicators. These inconsistencies continue to impede the two departments ability to benchmark performance across municipalities and evaluate their overall performance, ultimately undermining the reliability of performance assessments and service delivery assessments. To address any data quality challenges, National Treasury and DCoG engages municipalities at consultative forums such as metro support forums, sector technical working groups, and provincial monitoring and evaluation forums.

The National Treasury will soon formally start publishing this non-financial information (performance information) alongside the quarterly Section 71 of the MFMA (financial) results which will be the foundation to determine value for money in the space of Local Government.