

CITY BUDGET FORUM MEMO

Annual and Longer Term Planning and Reporting Reforms for Metropolitan Municipalities

25 AUGUST 2016

PURPOSE

1. To inform the City Budget Forum on the progress made in respect of:
 - a) The annual reform process encapsulated by the Built Environment Performance Planning (BEPP) process that directly links outcomes reporting to planning, budgeting, implementation, urban management and institutional and operational capacity as represented by the Built Environment Value Chain;
 - b) The critical milestones achieved with the longer term programmatic planning and reporting reform processes that have been initiated through the Cities Support Programme.
2. To recommend that the CBF:
 - a) Approve the action steps for cities in terms of planning alignment.
 - b) Request the Planning Alignment Task Team to refine and continue with its agenda for longer term planning and propose options for institutionalisation.
 - c) Support the issuing of the BEPP guidelines to initiate the 2017/18 BEPP cycle.

BACKGROUND

3. **The BEPP is a planning instrument to address the urgent need for spatial transformation in metropolitan municipalities.** The BEPP process began when the National Treasury introduced the Integrated City Development Grant (ICDG) and linked this incentive grant to the built environment grants from various sectors and sources. The grants are used as levers to achieve the objectives of spatial transformation within the context of the longer term imperative of inclusive economic growth and a reduction in poverty and inequality. The BEPP process was introduced in the 2014/15 financial year, and has now been through three annual cycles, and is about to enter the fourth cycle.
4. **Planning activities and instruments will not by itself achieve spatial transformation that contributes to inclusive economic growth and a reduction in poverty and inequality.** They must be complemented by reforms of policy, regulatory and support frameworks as well as fiscal and financial frameworks to provide an enabling environment for cities to implement a reform agenda. City transformation cannot be achieved unless there is an intergovernmental effort that provides full support for cities to do so. Hence the complementary annual process for planning and reporting reforms within the context for the longer term process for reform.

PROGRESS OF ANNUAL PLANNING AND REPORTING REFORMS

5. The progress with the annual planning and reporting reforms is outlined in terms of the phases in the BEPP process, from the review of draft BEPPs to the Council approval of the BEPPs, and the subsequent evaluation of the BEPPs which marks the end of the cycle for the 2016/17 financial year. This is followed by an outline of the Guidelines for the

BEPPs for the 2017/18 MTREF which signifies the start of the next cycle. There is a detailed report on the Consolidated Evaluation of the BEPPs for the 2016/17 MTREF which can be accessed via the following web link - [Support Documents for Consolidated Evaluation of BEPPs 2016/17](#) . What follows below is a summary of this report.

EVALUATION OF THE BEPPS FOR THE 2016/17 MTREF

6. **The key focus of the BEPPs for the 2016/17 MTREF was to measure progress of the last three years in terms of outcome targets and the implementation of catalytic, and to assess the support provided to cities relative to their planning effort.** The evaluation of the BEPP for the 2016/17 MTREF signifies the close-off of the annual cycle for the 2016/17 financial year. This has been achieved with the annual evaluation workshop that took place on 20-21 June and the subsequent Consolidated Evaluation Report.
7. **The objective of evaluating the BEPPs is to assess the progressive development and improvement of the BEPP and to inform a more responsive and nuanced approach to providing support and incentives.** A set of evaluations were performed: cities were required to do a self-assessment of their BEPP as well as a peer review of the BEPP of at least one other city; each city coordinator from the CSP Team evaluated the BEPP of their city's BEPP and did a peer review of the BEPP of another city; the NT-NDP did detailed evaluations of the spatial planning and other activities of the BEVC; key sector departments such as the national departments of Transport and Human Settlements did evaluations of the BEPPs; and there were specialist evaluations such as from the DBSA and the independent review of the BEPPs.
8. **The Review of the BEPPs during February and March 2016 observed that public transport and government subsidised housing are critical elements of the government programme that pose particular risks to municipalities.** Yet more effort needs to be invested in planning and operating these services so that they do not negatively impact the long term financial sustainability of a municipality. This requires careful analysis of both financial and non-financial performance, which in turn raises the importance of credible reporting, and the link between planning, budgeting, reporting and monitoring frameworks in terms of city performance.
9. **The assessment of alignment between the BEPPs, IDPs and Budgets raised the understanding of the importance of planning frameworks in informing budget priorities.** This was within the context of resource constraints, and ensuring that planning translates into improved service delivery and spatial transformation that positively impacts on the lives of urban citizens. Simply performing in terms of outputs and not achieving planned outcomes and impacts is insufficient, particularly in the context of fiscal consolidation and the need for faster more inclusive growth.
10. **In general the evaluation of the BEPPs indicates a difficulty in clearly identifying a pipeline of catalytic projects within Integration Zones.** In addition projects still generally reflect a sector focus rather than being integrated, mixed and intensified land uses projects in integration zones. There is also a general lack of evidence of project preparation and packaging that requires major infrastructure investment (and blended financing) and dedicated portfolio management or capacity such as a multidisciplinary team to plan and manage implementation of catalytic projects. Nonetheless there is clear evidence for progress in adopting the spatial planning approach and identifying Integration Zones at the city scale.

11. **The assessment of the outcome targets and indicators point to challenges that cities are experiencing in trying to take the leap from the old focus on outputs to now beginning to focus on outcomes.** Progress has been noted with the design of the outcome indicators that is backed by a framework, principles and criteria for outcome indicators, and inclusion in the Council-approved BEPP for the 2016/17 MTREF. However, there was difficulty in the population of baseline data for most of the outcome indicators.
12. **The assessment of gaps in the BEPPS in relation to the support received by metropolitan municipalities from the CSP shows that there is no direct link in some instances.** These municipalities have not made as much progress as other municipalities where there is a direct correlation between the support provided and progressive improvements in the quality of the BEPPs. The capacity in the municipality and the institutional stability are also factors that have to be considered in this context. Where there is a more direct link between the support requested and received from the CSP, the gaps in the BEPPs of those cities reflect issues such as funding and financing, more detailed planning for precincts and projects, a lack of planning for economic development, and transversal management.
13. The findings of the Evaluation of the BEPPs for the 2016/17 MTREF were used to design the Guidelines for the next cycle of the BEPPs as outlined below.

GUIDELINES FOR THE BUILT ENVIRONMENT PERFORMANCE PLANS FOR THE 2017/18 MTREF

14. The Guidelines for the BEPPs for the 2017/18 MTREF may be accessed using the following link - [BEPP Guidelines 2017/18 MTREF Toolbox](#) The web site has a CSP Toolbox that contains all the support documents and or tools that a metropolitan municipality may require in formulating their BEPP. What follows below is the key focus of the BEPP Guidelines.
15. **To date, the BEPP has supported municipalities to clarify their spatial and development planning visions. It has assisted them to initiate practical programming and preparation of investment programmes and regulatory reforms to progressively and measurably realise the spatial and development visions.** It has been accompanied by the development of a range of toolkits and technical assistance initiatives, alongside fiscal and regulatory reforms intended to ease constraints to programme and project preparation and implementation. As the BEPP system evolves, greater emphasis is thus placed on institutional and financial arrangements necessary for accelerated programme implementation.
16. The BEPP Guidelines for the 2014/15 MTREF focused on introducing and establishing the BEPPs as instrument of the ICDG and other built environment grants with emphasis on spatial planning and the identification of Integration Zones using the Urban Network Strategy. The BEPP Guidelines for the 2015/16 MTREF focused on refining, enhancing and consolidating the spatial planning introduced in 2014/15 by providing greater clarity on the urban network elements and catalytic projects. There was closer alignment between the BEPP and Budgeting processes in this second cycle. The Supplementary Note to the Guidelines for the BEPPs issued in March 2015 was an effort to get further clarity on catalytic projects details. The BEPP Guidelines for the 2016/17 MTREF provided clarity on prioritising Integration Zones, project preparation, and intergovernmental planning, and urban management. All the previous BEPP Guidelines are available in the CSP Toolkit for BEPPs - [BEPP Guidelines 2017/18 MTREF Toolbox](#).

17. **The focus for the Built Environment Performance Plans (BEPPs) for the 2017/18 MTREF is to strengthen the overall application of the Built Environment Value Chain (BEVC) through:-**
 - a. Clarifying development objectives, strategies and targets relative to agreed productivity, inclusion and sustainability *outcomes*
 - b. Consolidating *spatial planning, project preparation and prioritisation* via transit-oriented development plans and programmes in prioritised integration zones.
 - c. Establishing an actionable *intergovernmental project pipeline* of catalytic projects via a portfolio management and project preparation tools.
 - d. Clarifying long term financing policies and strategies for sustainable *capital financing* of the intergovernmental project pipeline.
18. **These focus areas are not new, and address the findings of the evaluation of the 2016/17 BEPPs.** They are designed to refine and consolidate planning alignment, and accelerate the preparation and implementation of associated programmes and projects. There is a requirement in the Guidelines for metropolitan municipalities to incorporate the BEPP planning method and results into the IDPs, MSDFs and budgets for the new term of office in local government.

LONGER TERM PLANNING AND REPORTING REFORMS

19. Notwithstanding the gains made with BEPPs thus far, there are further reforms that are required. This section therefore reflects progress on the work being undertaken on the longer term planning and the reporting reforms.

LONGER TERM PLANNING REFORM

20. **In order to remedy the current problems and points of disconnect in the municipal-planning sector, programmatic changes are needed.** Some of these changes are legislative, and others are institutional, but all relate to the fiscal framework within which metros operate. These changes have been considered by the Planning Alignment Task Team of the CBF and are outlined in the Report attached as *Annexure A - Reforming the Regulatory Environment for Urban Planning: taking stock and moving forward*.
21. **The Report notes that there has been a general weakening of the spatial-planning system has led to a decoupling of private-sector-investment decision-making from municipal planning.** Developers are increasingly able to make their locational investment decisions independently of what the applicable spatial plans prescribe. Notwithstanding the improvements to planning practice introduced by the BEPP, the challenge of getting private-sector investment behind the spatial targets of each city's plans remains formidable.
22. **The proposed approach to improving and strengthening planning alignment for metros consists of (1) alignment with the National Development Plan (NDP) and the Integrated Urban Development Framework (IUDF), (2) action steps for the cities for planning alignment and (3) a mandate for the initiative to be driven by COGTA through the IUDF Implementation Plan 2016-2019, with the ongoing support of the National Treasury.** The recommendations set out below are intended to establish the necessary conditions for improving and strengthening the regulatory framework or enabling environment, and for allowing metro level planning to achieve the desired outcome of efficient and more inclusive cities. This will demand changes in all three

spheres of government, and they will have to be implemented over time, in relation to legislation, policy and institutional arrangements.

Alignment with NDP and IUDF

23. **Reforming the planning regulatory environment is not sufficient to achieve spatial transformation, but it is necessary.** As the NDP points out in its chapter on human settlements, “spatial transformation is a long-term project.” Once achieved, however, it would “fundamentally transform job and livelihood prospects [and . . .] reduce travel time and cost between home and work, and increase mobility for poor households to access better job and education opportunities. This in turn will reduce poverty and inequality” (NDP, pg. 259) To reach this point, a steady and consistent programme of legal, fiscal and institutional reform is needed to create an urban spatial-planning system that is fit for purpose in twenty-first century South Africa.
24. **This position receives strong support in the *IUDF Implementation Plan 2016-2019*** (Available at <http://www.cogta.gov.za/?programmes=the-integrated-urban-development-framework-iudf>). The implementation plan identifies broad medium- and long-term priorities and then, more specifically, a set of short-term priorities for the 2016-2019 period, linked to the Medium-Term Strategic Framework (MTSF) priorities (Section 5 of the IUDF Implementation Plan). The Implementation Plan’s short-term priorities relate directly to the issues raised here in this report: namely, the need to “[e]stablish[] the legislative, policy and planning environments for the IUDF (pg. 24). Accordingly, the Implementation Plan calls for a “national committee [. . .] to drive the identified objectives and actions, and report regulatory into the relevant national structure(s) on progress made”. The IUDF’s short-term priorities target 97 urban municipalities. All the metros are included in this group.

Cities’ planning-alignment action steps

25. **The NDP and IUDF implementation plans provide a broadly supportive framework for aligning and coordinating metros’ planning regulatory frameworks.** In and of themselves they are insufficient, however, since they still have to address a much broader range of urban and other contexts.
26. **An approach to planning alignment that works for metros, and specifically addresses their needs, is therefore proposed.** This approach needs to fit within the broader framework for urban development envisaged in both the NDP and the IUDF. The approach, together with the proposed actions for driving policy, institutional and regulatory reform, should be incorporated into a document for cabinet approval. Because the next five-year IDP period will begin shortly, after the local-government elections in August 2016, there is an urgent need to implement the proposed approach sooner rather than later. With the BEPP as a central plank of the city planning platform, the need to inform the provisions of the 2017 Division of Revenue Act that deal with BEPPs is also an urgent priority.
27. **The proposed approach to improving and strengthening planning alignment for metros consists of the core elements laid out below:-**
 - a) **Consensus on the substantive changes to metro-planning practice that have to be achieved in order for the cities to meet both NDP and IUDF objectives.** In broad terms, these substantive changes include the following:

- i. Planning method: strategic identification of investment and urban-management priorities, stakeholder consultation, integration of sectoral-planning requirements, communication of planning priorities to stakeholders and other spheres;
- ii. Emphasis on planning outcomes: more emphasis on measurable, realistic and spatially targeted outcomes, less emphasis on compliance with regulatory requirements for compliance sake only, strengthened linkage between planned urban investment and budget allocations of all three spheres, drawing on the BEPP model for planning in relation to planning carried out by provincial departments, policy and legal reform in order to ensure optimal use and development of land and property assets owned by all three spheres of government;
- iii. Embedding the Urban Network Strategy across the cities: strengthening the Built Environment Value Chain, identifying an agreed theory of change for South African urban transformation; and
- iv. One city, one plan: a single, aligned spatial-planning framework, coupled with a single-city capital-investment framework which is respected by both other spheres of government.

b) **With consensus on substantive changes achieved, the institutional, legal and policy changes needed over the next five years should be identified.** This process includes the following steps:

- i. Clarify national government's mandates and powers with regard to city spatial planning: identify principles and norms for aligning national investment priorities in urban development, and confirm the range of realistically possible interventions for allocating and confirming oversight, policy direction, regulation, monitoring, and support for city spatial planning among national departments;
- ii. Confirm provincial governments' mandates and powers with regard to city spatial planning: identify the role to be played by provincial governments in aligning investment in different sectors of provincial powers, such as education, health and housing, with city spatial-planning objectives; identify the provinces' role in regulating city spatial planning as well as providing monitoring and support.
- iii. Rationalise municipal roles in spatial planning and urban management: resolve the duplication and overlap of functions within metros, develop a model for the city-wide alignment of spatial and investment planning, integrate funding streams for public-transport and housing expenditure, align compliance requirements for the IDP (Municipal Systems Act) and the BEPP (DoRA), and clarify the respective roles of cities, other spheres and parastatals in the development of public land for spatial transformation.
- iv. Prepare for private-sector partnership in urban development: develop strategies for improved collaboration between and among metro governments, communities and developers, in order to address city-planning goals and identify principles for partnerships in urban development.

28. **The broad steps outlined above will be reflected in a report to cabinet, to be submitted within a few months and would be submitted as part of the Department of Cooperative Governance's report to cabinet on the progress of IUDF implementation.** The report will be accompanied by a detailed strategy that sets out the key steps to be carried out over the next five years, identifying which actions will lead to which outcomes, and clearly outlining the respective responsibilities of each of the relevant national departments as well as each sphere of local government. This strategy will then serve as the basis for the design of comprehensive programmes of action to be implemented across all three spheres.

Mandate to drive the initiative

29. **The Cities Support Programme will initiate this process, but in time it must be taken over by a body with a broader intergovernmental mandate.** This could be an interdepartmental spatial-coordination committee within the Presidency, which was proposed in the National Development Plan, or it could be the “national committee” proposed in the *IUDF Implementation Plan 2016-2019*. Irrespective of the institutional vehicle selected, the involvement of the current Planning Alignment Task Team will be essential to ensuring a successful outcome. After discussion and engagement among spheres and departments, a detailed work plan would need to be developed with clear time-frames, indicators, institutional responsibilities and linkages to other processes, and this work plan would need to be approved by cabinet. It would also need to be approved by the Planning Alignment Task Team.

PROGRESS ON REPORTING REFORMS

30. **National Treasury has initiated a process to review, rationalise and streamline the current reporting arrangements across the main built environment programmes supporting the performance and management of the built environment.** This project has been developed in response to two main issues within the built environment:
- a) The first is that there are too many un-coordinated indicators and requests for data by national departments to metros. There is a need to review and rationalize these.
 - b) The second is that indicators at the output and outcome level are undeveloped.
31. **A process has been initiated to develop a framework that will map out the reporting requirements for metros.** The aim of reviewing, rationalising and streamlining the current reporting arrangements across the main built environment programmes supporting the performance and management of the built environment. This is in line with the current standardization of the SDBIP. National Treasury is specifically targeting the 8 metropolitan municipalities.
32. There are two linked projects that form part of this initiative:
- a) **Developing outcome indicators for the built environment in line with the policy intentions set for the NDP 2030 and the Integrated Urban Development Framework (IUDF).** Indicators have been defined under the headings of well governed, inclusive, productive and sustainable cities. They are currently undergoing final review by the eight cities and will be fine-tuned following the cities’ inputs. This process is concluding in line with the issuing of BEPP guidelines aimed for end of August 2016.
 - b) **Rationalising all built environment indicators for metropolitan municipalities at the input, activity and output levels.** These include the DoRA indicators against all grants as well as a series of indicators required through legislation. This project has a longer term life span to conclude on the technical work and sector engagements by November 2016.
33. **This is also intended to align with the next cycle of IDPs aligned to the new political term of office.** We now have a clear understanding of current reporting practices that confirms our initial problem statement, a framework and principles for intergovernmental reporting from cities to national government, and criteria for indicators has been developed and consensus reached across all stakeholders. Additionally, recommendations have been made regarding the intergovernmental reporting platform and institutional arrangements. The framework, principles and criteria have been applied

against the current reporting requirements, highlighting changes required with sectoral arrangements. This however needs to be negotiated with sectoral owners of these reporting systems and the reporting and supporting institutional arrangements agreed upon in detail.

34. These two projects have now taken their own paths with the outcomes indicators project reaching finality whilst the reporting reforms is picking up the momentum with sectors. Once complete, they will be consolidated with indicators at the input, activity, output, outcome and impact levels. This project will inform the SDBIP and SCOA implementation started in July 2016.

35. The project aims to rationalize built environment reporting requirements for cities, by streamlining indicators and reporting systems. There are two main areas of emphasis to include:

Workstream 1: Implementation of the framework through sectoral based technical work and engagements with sectoral departments and cities;

The existing framework, principles and criteria for developing indicators has been applied to all indicators per sector. The outputs on this workstream will include:

- Setting up sectoral engagements with national sector departments and metros
- Preparing and delivering inputs and packages of material into these sessions
- Incorporate international indicator sets
- Conduct 3 engagements with each sector (provide for 1 more as a contingency)
- Off-line bilateral engagement in between events with necessary individuals
- Document engagements and track agreements
- Finalise negotiations with each sector and municipality
- Produce a summary report per sector

A package of final agreed sets of indicators for each sector and in aggregate is anticipated to be a major output of this workstream. The sectors are understood to be by GFS classification

GFS (Government Finance Statistics) classification:

- Governance and Administration
 - Executive & Council
 - Budget & Treasury Office
 - Corporate Services
- Community and Public Safety
 - Community & Social Services
 - Sport And Recreation
 - Public Safety
 - Housing
 - Health
- Economic and Environmental Services
 - Planning and Development
 - Road Transport
 - Environmental Protection
- Trading Services
 - Electricity
 - Water
 - Waste Water Management
 - Waste Management
- Other

Workstream 2: The further development of institutional arrangements and systems.

The existing framework document makes recommendations for institutional arrangements and systems. The outputs will include:

- Detailed design of the proposed institutional arrangements
- The development of a 'proof-of-concept' electronic platform that works with the Section 71 reporting and the LGDRS. It should at least work for the BEPP Outcome indicators but be expanded to other indicator sets where sectoral custodians agree. This system should be able to collect performance data from municipalities and national data sets and share performance profiles with national departments and cities themselves.
- Convene bilaterals engagements with key institutional roleplayers e.g. CoGTA, Stats SA, SACN, DPME to discuss institutional arrangements
 - Engage in a national stakeholder workshop to consult with national departments
 - Engage in a city stakeholder workshop to consult with cities
 - Finalise the agreed institutional arrangements and system
 - Make recommendations on capability and incentives

The outputs are

- A proof-of-concept electronic shared platform for LG reporting
- Final agreed institutional arrangements and recommended systems, including recommendations on capability and incentives

RECOMMENDATIONS

It is recommended that the CBF:

- a) Notes that progress regarding the long term planning reforms.
- b) Support the alignment of planning with the NDP and IUDF.
- c) Support the action steps for cities in terms of planning alignment.
- d) Request the Planning Alignment Task Team to refine and continue with its agenda for longer term planning and propose options for institutionalisation.
- e) Notes the progress on the reporting reforms.
- f) Support the issuing of the BEPP guidelines to initiate the 2017/18 BEPP cycle.

Compiled by:

Yasmin Coovadia
Cities Support Programme
Intergovernmental Relations,
National Treasury
Email: Yasmin.coovadia@treasury.gov.za