NATIONAL TREASURY

Metro preparations for the introduction of trading services reforms

Guidance Note 4

Municipal Finance Management Act No. 56 of 2003

Guidance Note 4: Formalisation of metro commitments in Annexure 3: Performance Improvement Action Plan (A3: PIAP) of Metro Trading Services Reform Strategies

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TITLE:	**Guidance Note 4: Formalisation of metro commitments in Annexure 3: Performance Improvement Action Plan (A3: PIAP) of Metro Trading Services Reform Strategies.**
Purpose	To provide guidance to metropolitan municipalities regarding the completion of Annexure 3: Performance Improvement Action Plan (A3: PIAP) of Metro Trading Services Reform Strategies.
Scope	The scope of the reform covers the water & sanitation, electricity & energy, and solid waste management services of metropolitan municipalities.
Phasing	The preliminary focus is upon Water & Sanitation and Electricity & Energy, with participating metros expected to approve these A3: PIAP annexures for the 2025/26 budget & MTREF. Solid Waste is to approve such annexures for the 2026/27 budget & MTREF.
Target audience	Metro leadership and officials who are responsible for the management of trading services and shared services that support the delivery of the trading services (engineering, financial, and shared services such as billing & revenue, customer relations, human resources, etc.).
Must be read together with	1. Division of Revenue Act, 2024: o Explanatory Memorandum, Annexure W1, p108 (Urban Settlements Development Grant), p121 (improving efficiency of urban utility services); o USDG framework, p231 (infrastructure financing reforms); and o Schedule 4, Part B, p44 (USDG allocations). 2. Guidance Note 1: Metro preparations for the introduction of trading services infrastructure financing reforms (issued 01 April 2024): o Resource document A: Developing and implementing municipal water business turnaround strategies (issued 01 April 2024); and o Resource document B: Developing and implementing municipal electricity & energy reform strategies (issued 23 September 2024). 3. Updated *m*SCOA Specimen for parent, consolidated and Water & Sanitation AFS (issued 05 July 2024). 4. Guidance Note 2: Process, Assessment Criteria and Timeframes (issued 07 August 2024). 5. Guidance Note 3: Institutional arrangements for Reforming Metro Trading Services (issued 09 September 2024).

1. Introduction

1.1 A new Urban Development Financing Grant will be introduced from the 2025/26 financial year, incorporating three windows:

- the existing Neighbourhood Development Partnership Grant;
- the existing Programme and Project Preparation Support Grant; and
- a new Metro Trading Services Incentive Component.

1.2 This Guidance Note deals only with the Metro Trading Services Incentive Component.

1.3 Comprehensive background material on the metro trading services reforms and associated changes in infrastructure grants have already been provided, especially in the earlier Guidance Notes, at sectoral workshops of metro trading services, and at City Budget Forum (CBF) meetings.

1.4 The Metro Trading Services Incentive Component is for metros who agree to embark upon specific trading services reforms. Current planning is to offer incentive grant finance of approximately R54 billion over six years to eight metros for reforms to three trading services: water and sanitation, electricity and energy, and solid waste management.

1.5 Maximum performance incentive amounts will be allocated to metros through the annual Division of Revenue Bill/ Act based on household and poverty indices, and will be available depending on performance.

1.6 Performance will be measured against agreed metro-set targets in accordance with guidelines set out in this and previous Guidance Notes, and other documentation.

2. Metro strategy adoption framework

2.1 Metro municipalities seeking access to the Metro Trading Services Incentive Component (in respect of Water & Sanitation and Electricity & Energy) will already have developed, submitted, and discussed, for each of these trading services:

- Council-approved Trading Services Reform Strategies (A: TSRS), and two annexures;
- Annexure 1: Institutional Reform Road Map (A1: IRM); and
- Annexure 2: Business and Investment plans (A2: B&IP).

2.2 Each Trading Services Reform strategy now needs a third annexure, the Performance Improvement Action Plan (A3: PIAP). This is to allow metro to specify their ambitions, programmes, and targets (drawing from their own A, A1, A2 documents), into an instrument that is: (i) structured to achieve the objectives of the incentive programme; (ii) standard across the programme while allowing variation by service; and (iii) sufficiently clear and precise to permit transparent Council decision-making, and subsequent independent assessment of performance against commitments.

2.3 Guidance Note 4 (this document) summarises how the incentive programme will work, and sets out the structure of the A3: PIAP, its indicators and definitions; the annual assessment and planning cycle, and how the template should be completed.

3. Summary of how the incentive will work

3.1 The A3: Performance Improvement Action Plan is a performance agreement between metros and national government. Metros set targets against indicators aligned to reform objectives. These are developed for each trading service, and approved by the

respective Council. While progress on the reform strategies will form part of the annual National Treasury oversight engagements, performance against targets (which will determine future incentive allocations) will be independently assessed.

3.2 The format of the A3: PIAP is an Excel spreadsheet to be populated by the metro and agreed by NT, a summary programme costing sheet, and a brief accompanying narrative report.

3.3 The indicators used in the A3: PIAP are aligned as far as possible with MFMA Circulars No. 88 and 71 and other existing reporting metrics, plus new indicators where needed (e.g. accountability).

3.4 The scoring of the indicators will be banded to take into consideration that metros have different starting points (baseline positions), and to emphasise improvements relative to the baseline.

3.5 A3: PIAPs may be revised following each annual assessment: the funding of the revised plans is subject to acceptance of the revisions by the National Treasury.

3.6 Reporting: Metros should provide half-yearly progress reports, as per prescribed format, within two weeks of the end of each half-year. The progress report should cover both financial expenditures and reform programme progress. This reporting requirements is in addition to the regulated reporting requirements as articulated in the MFMA, DoRA and existing Regulations and Circulars.

3.7 Grant releases: Within the given grant allocations, actual releases to metros are subject to the following release triggers:

- Metros having provided half yearly financial and physical progress reports in a timely manner;
- Metros having used (are using) grant funds earlier released;
- Metros not meeting release triggers risk to lose the amount of that release; and
- Frequency of releases is subject to National Treasury decision, but above principles apply.

3.8 Annual grant allocations are determined based on the annual independent performance assessments.

3.9 Sectoral allocations: are determined to allow metros a level of discretion in setting priorities across the trading services, but also ensure that that metros pay attention to all three sectors, with a minimum floor level for each. Within their total (formula-based) allocation, metros should allocate at least 40 per cent for water, 20 per cent for electricity and 10 per cent for solid waste, leaving 30 per cent of the total metro envelope to be allocated to metro's priority sector(s).

3.10 General access conditions:

- **Condition 1**: Timely submission of A, A1, A2 and A3 of acceptable quality within the prescribed period. Metros that do not comply with timely and acceptable submissions are not eligible for incentive access for the subsequent FY. They will however have the opportunity to join the year after (subject to the criteria), but will have lost their allocation for the previous year; and
- **Condition 2 throughout programme**: A clean or qualified financial audit report of the Metro for the previous FY. Metros that receive an adverse or disclaimed audit report will not have access to grant in the next FY. Metros can come back into programme upon improvement. At present, all Metros are regarded to be in

compliance – none would be excluded on this condition. This is a signal that metros are expected to adhere to strong fiduciary practices to receive funds.

4. Annual planning & assessment cycle

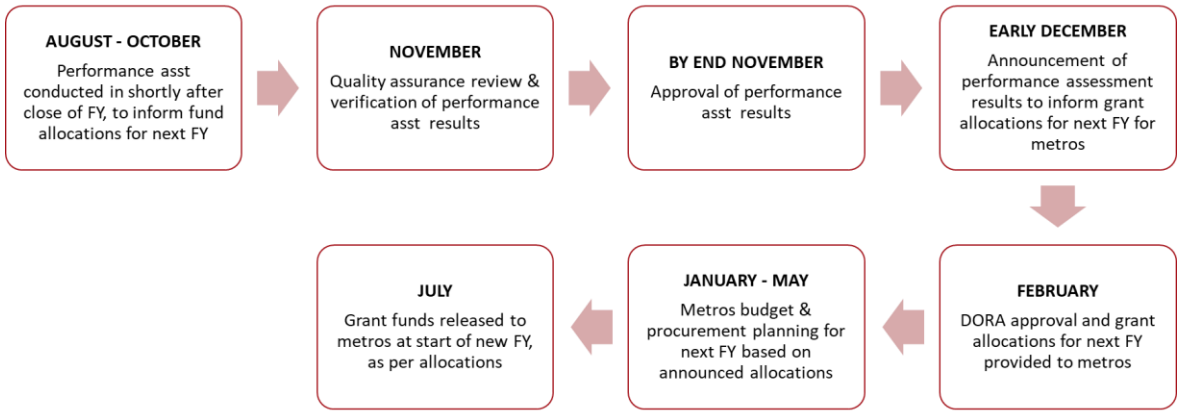
4.1 A Trading Services Reform Strategy is not a short- or even a medium-term undertaking, and the incentive programme is envisaged to run for six years. The Annexure 3: PIAP format therefore seeks a six-year perspective on the performance indicators.

4.2 The first milestone is the generation of the agreed A3: PIAP, and its approval by the respective Council.

4.3 Thereafter, performance against targets set in the A3: PIAP will be independently assessed in September / October each year.

4.4 These assessments will provide the basis for future performance incentive allocations; and will also provide an opportunity to take account of new information and newly available indicators to improve target setting and make other adjustments to support metro trading services reform.

4.5 The cycle of metro performance, independent assessment, and incentive release is envisaged as follows:



5. Metro trading services reform indicators (template lines)

5.1 Each line in the template specifies an indicator, and each indicator has a unique reference number (1 to 58).

5.2 The indicators fall into three broad categories: Accountability Performance; Financial Performance; and Operational Performance (W&S or E&E or SWM).

5.3 Accountability Performance has 20 indicators across three areas:

5.3.1 Single Point of Accountability (7): establishment within a supportive budgetary and governance framework, to strengthen accountability and increase the focus on the long-term sustainability;

5.3.2 Financial Transparency (6): including full financial reporting, financial modelling and financial strategy, to strengthen trading service planning and oversight; and

5.3.3 Management and change capacity (7): to manage substantial change and to effectively ramp up trading services capital infrastructure spending.

5.4 Financial Performance has 12 indicators relating to income, cash flow, debt / solvency and capital investment.

5.5 These two categories (Accountability Performance and Financial Performance) are common to all A3: PIAPs, but the last category is service-specific: Water and Sanitation, or Electricity & Energy, or Solid Waste Management.

5.6 Operational Performance is measured by a range of capacity, service and customer performance metrics, 11 for water and sanitation (two sectors-worth); 7 for electricity and energy; and 6 for solid waste management.

5.7 The total number of A3 PIAP indicators will therefore vary slightly by sector, as illustrated below:

TOTAL NO. OF INDICATORS PER A3: PIAP	W&S	E&E	SWM
Accountability performance	20	20	20
Financial performance	12	12	12
Operational performance	11	7	8
Total	43	39	40

6. Metro starting points, ambitions, programmes and targets (template columns)

6.1 The excel-based template consists of five fixed definitional columns: the unique reference numbers (Column A), name (B), descriptions (C), definitions of success (D), and further details (E) are provided for 58 indicators in the tables below.

6.2 Additional columns in the Excel version are to enable metros to specify, for each relevant indicator, their starting points (Column F), metro ambitions (G), metro programmes to accomplish the ambitions (H), and metro annual targets in respect of each indicator for the six years of the programme (Columns I to N), as in this example for W&S operational indicators:

REFORM INDICATOR FRAMEWORK					METRO AMBITION & TARGET SETTING								
A	B	C	D	E	F	G	H	I	J	K	L	M	N
Ref no	Name	Description	Defn of success	Further details	Current status	metro ambition	Programmes	Target Y1	Target Y2	Target Y3	Target Y4	Target Y5	Target Y6
33	*Water use efficiency*												
34	*WW final effluent compliance*												
35	*Blue drop score*												
36	*Green Drop score*												
37	*Water network performance*												
38	*Sewer network performance*												
39	*Physical water loss index*												
40	*Non-revenue water*												
41	*Water service complaints response*												
42	*Sewer service complaints response*												
43	*Meter coverage*												

7. Completing the A3: PIAP template

7.1 One template must be completed for each Trading Services Reform Strategy. This applies even if a metro is preparing two A3: PIAPs for approval, because: (a) as annexures to separate approved strategy documents (the A3 must be an expression of A, A1 and A2 documents of the specific sector; and (b) despite appearances – targets and other details in most of the scorecard will differ between one trading service and another.

7.2 The content should be based on already submitted TSRS documentation (A, A1 and A2), as updated and improved upon since original submission.

7.3 The template is supplied and should be completed in Excel.

7.4 A separate programme costing table will be required, sufficiently detailed to identify the capital and operating costs associated with metro reform initiatives, funding requirements, etc.

7.5 The A3: PIAP as agreed to by National Treasury and passed by the metro Council will become **the performance contract** against which incentive payments are made after independent assessment of progress made.

7.6 Where necessary, including based on feedback from Metros, National Treasury will release further Guidance Notes to support understanding, completion and independent assessment of the A3: PIAP.

8. Accountability Performance

8.1 Single Point of Accountability (SPoA).

A No.	B Item name	C Item description	D Definition of success	E Detail
01	Business Delegations	• City Manager delegations to Trading Services HoD for support services, as required for effective utility functioning	• SPoA has full accountability for service performance **Minimum standards:** • HR: entire process and decisions, incl. final appointment • SCM: entire process and decisions incl. BAC	Model 2: Delegations document[1] • Covers all points[2] according to template • Embedded in performance agreement / KPIs of incumbent • Signed by City Manager • Backed by Council resolution Model 3 (MoEs): SPoA accounts to Board
02	Operational Delegations	• Operational, functional & service delivery City Manager delegations to Trading Services HoD, as required for effective utility functioning.	• SPoA has full accountability for service performance[3]	• Delegation(s) documents[4] • Covers all points[5] • Signed by City Manager

[1] Delegations, segregation of duties & organisational structure must be embedded in the system configuration of the integrated system solution as required in MFMA C80.

[2] Including financial management, SCM, HR, Fleet, Asset management, Customer services, and IT systems & support

[3] Model 3 (MoE): ensure appropriate Water Service Provider (WSP) responsibilities and/ or Electricity Service as applicable.

[4] Delegations, segregation of duties & organisational structure must be embedded in the system configuration of the integrated system solution as required in MFMA C80.

[5] Including appropriate accountabilities i.r.o. Occupational Health and Safety Act and other RSA social protection & environmental legislation, and licenses

A No.	B Item name	C Item description	D Definition of success	E Detail
03	Organisation	• Organisational structure to support the single point of accountability, as required[6]	• SPoA is supported by effective org structure & reporting lines, as required	• Approved organisational structure • Official adoption of new trading service organogram by metro. • Signed by City Manager
04	Service Compacts & Support Service Agreements	• Service Compacts: between Service Authority & Service Provider (as agent of the metro) [7] • Support Service Agreements: between Service Provider (as agent of the metro) and support services[8] which the SPoA choses to use to discharge its responsibilities in terms of its Service Compact	• Service Compacts and Support Services Agreements reflect and re-enforce SPoA including authority and process to change service provider if necessary Support Services Agreements should set out: • division of responsibilities across value chains (including decision-making and operational performance) • performance metrics, consequences • information sharing, oversight meetings	Service Compact: • Covering all points Note 7 • Council Approved • Signed by City Manager Support Services Agreements: • covering points Note 8 • signed by HoDs of Trading Service and counterparts
05	City policy alignment & commitment (budget)	• Supportive framework of policy commitments for MTS improvement as expressed in capex & opex budgets, co-funding, re-investment of operational surpluses, etc	• Metro commitment to supporting MTSR programmes as condition of incentive funding • Fully incorporated in 2025/6 MTREF[9] (outlining the first 3 years of 6-year plan)	• Capex & opex funding of MTSR initiatives evident in budget docs • GRAP19 accounting, where applicable • Explicit acknowledgement of amounts are maxima subject to performance • Explicit breakage clauses re SPoA, governance, funding, tariffs, etc.
06	City policy alignment & commitment (governance protection)	Governance support mechanisms to protect the SPoA for example (metro should offer as appropriate): • Model 2 (IBU): Advisory Board, DWS, NT & independent members, oversight by external funders, additional internal oversight • Model 3 (MoE): Rules re board members & chairs; DWS, DEE, NT & independent members, WSP and/ or NERSA license requirements.	• Institutional and business reforms are protected from arbitrary changes during the incentive period	• Documented mechanisms • Activation of mechanisms • Minutes of meetings • Compliance record • Political champion for process • Oversight committees
07	Customer surveys	• Regular metro-wide customer satisfaction surveys (to inform Customer Care Management Plan) show improvement in customer satisfaction towards benchmark	• Annual customer survey with trading service-specific results	• Survey report • Signed by HoD: MTS Increase to 80% over longer term • Potentially a Circular 88 indicator

8.2 Financial Transparency

A No.	B Item name	C Item description	D Definition of success	E Detail
08	Full separate AFS for trading services & annual reporting	• Model 2: Full separate MTS AFS, published within aggregated metro AFS, per specimen template (MFMA circular July 2024) • Model 3: Full separate MTS AFS, aggregated to metro AFS • Both: full non-financial annual reporting	• Full AFS each year • Parent/Metro publish consolidated AFS and annual MTS report of each sector • Annual reporting[10],[11] • Management reports	• (Pre-audited) AFS • Signed by Trading Unit CFO and CM • Annual report • Management reports signed by HOD and CM

[6] Taking full service value chain into consideration including supporting business processes, capacities and systems

[7] Regarding Municipal Services Act, Municipal Finance Management Act, & other mandates transferred; and services and standards required.

[8] Financial management, customer services, supply chain management, human resources, fleet, IT systems & support, and other shared services.

[9] Budget must be funded as required in MFMA S18.

[10] AFS Module / sub-system to seamlessly integrate to core integrated system solution used by Metro as required i.t.o. mSCOA Regs (no manual integration).

[11] Generation of audited data strings (PAUD, AUDA, RAUD) from integrated system solution

A No.	B Item name	C Item description	D Definition of success	E Detail
09	Flows & balances statement	• Statement of key centre/trading services flows & balances: grant shares, capex funding, revenue proceeds, inter-departmental overheads charged, cash balances, receipts and payments, etc.	• Published annually[12]	• (Pre-audited) AFS • Signed by metro & Trading Unit CFO and HOD
10	*m*SCOA compliance	• *m*SCOA compliance as per the minimum business processes and system requirement articulated in Annexure B of MFMA Circular 80	• Correct use of *m*SCOA segments in particular function segment when budgeting for, transactions and reporting on trading services used correctly [13], [14]	• Comprehensive *m*SCOA Road Map must address gaps in *m*SCOA minimum requirements • Quarterly progress reports on road map to be submitted to LGDRS
11	Public procurement transparency	• Procurement plans are actively managed and projects delivered according to the plan; • All open tender opportunities are advertised, bidders list published, tender awards made, and contracts signed, on NT eTenders, all within 10 days of event	• % of open tenders that are awarded within the prescribed duration	• Generation of audited data strings (PAUD, AUDA, RAUD) from integrated system solution • Module or sub-system used to seamlessly integrate to core integrated system solution used by Metro as required i.t.o *m*SCOA Regulations (no manual integration).
12	Financial Management data	• Measuring infrastructure & systems to reliably generate essential data	• Indicators 21 to 32 being measured & reported regularly	• AFS, annual reports, management reports
13	MTS financial model & plan	• MTS financial model developed and used to inform strategic financial/business operations	Published annually • Comprehensive • Improved annually • Used in strategic decisions and utility management	• MTS financial plan & model • Evidence of use (management accounts and business plans) • (Pre-audited) AFS

8.3 Management & change capacity

A No.	B Item name	C Item description	D Definition of success	E Detail
14	Change capacity	• Support for managing organisational change, including staff engagements, communications, service compacts, etc, etc	• External support capacity appointed, in place & active actions in working	• Appointment letter • Change plan • Progress reports • Must demonstrate effective capacity for org change (skills, culture, morale, performance) and new service compacts
15	Delivery capacity	• Support for delivering initiatives and projects of the reform initiative (e.g. management contractor/secondment), while internal capacity is increased by filling prioritised vacant posts etc	• External support capacity appointed, in place & working	• Appointment letter • Change management plan in place • Progress reports • These reforms require more delivery capacity than metros have previously demonstrated
16	Management data development	• Infrastructure & systems to reliably generate essential operational management data	• Full utility reporting as defined	• Annual Report/Management reports: full set of utility indicators embedded in financial/ business utility model
17	Business Planning	• Strategy led, data-based business & operational planning	• Data based, annually revised	• Annual plan, Signed by HoD
18	SPoA Appointment	• Transitional and final appointment to SPoA post by person with engineering and utility management skills	• HoD with full skillset is appointed and supported by metro compacts[15]	• Transitional appoint docs • Final appointment process • Final appointment docs • Transitional appointment in early years, final appointment years 4 onwards

[12] mSCOA compliance as per the minimum business processes and system requirement articulated in Annexure B of MFMA Circular 80 (that will be regulated by 2025/27)

[13] See NT annual report based on live demonstrations by Metros on compliance with minimum requirements. Report from NT on credibility of financial and non-financial data strings for budget, IYM, AFS

[14] Delegations, segregation of duties & org structure embedded in the configuration of integrated system solution as required MFMA C80.

[15] See all accountability requirements between Service Authority and Service Provider

A No.	B Item name	C Item description	D Definition of success	E Detail
19	Long term technical & management capacity	• Measures to build internal technical and management capacity, including technical management of contracted/outsourced services • Skills audit • Fund and fill essential posts • Technical competence development	• Benchmark engineering capacity ratios are achieved in accordance with GE policy • (equivalent management benchmarks?) • 1 per 100,000 PrEng • 1 per 100,000 RT • 4 per 100,000 Tech	No of Engineering Council of SA (ECSA • Professional Engineers • Registered Technologists • Registered Technicians • Environmental Scientists per 100 k pop (in license area), appointed in terms of gender equity policy • % of critical vacancies filled
20	Procurement effectiveness	• Fast, smooth, effective, especially re infra projects	• Adherence to regulated processes & timelines[16], [17]	• Results published in annual and management reports

9. Financial performance

A No.	B Item name	C Item description	D Definition of success	E Detail
21	Operating cost coverage ratio (OCCR)	• OCCR = operating revenue / operating expenses (excluding interest and depreciation)	Positive, rising most critical reform indicator (share of resources avail for capex funding).	AFS (A1 & C71 ratios populated from *m*SCOA audit data strings (reports available on LGDRS)
22	Operating grant dependence	• Operating grants / operating expenses (excl interest & depr)	Declining to benchmark Important to track share of opex covered from operating grants.	
23	Cash collection rate	• Cash collected / invoiced revenues per month	95%	
24	Days of cash on hand	• Cash in hand / annual operating expenses x 365	> 90 days key indicator for credit ratings based on cash sweeping reports.	
25	Cash flow from operations	• Cash available after operating expenses (excl interest & depr)	Positive, rising Second most important indicator actual cash avail for capex funding.	
26	Return on assets	• Net income / assets	Positive, rising.	
27	Debtor days after provisions	• Net customer debtors / annual customer billings x 365	< 90 days crucial for financially viable TS NB W&S separately?	
28	Overall creditor days	• Creditor balance / annual payments to creditors x 365	< 30 days Include disclosure regarding Water Boards or Eskom and/or IPPs.	
29	Long term debt (infrastructure investment)	• Debt raised to finance infrastructure	Should rise once metros are credit worthy.	
30	Infrastructure investment (Capex)	• Level of actual TS CAPEX	Two x 2024/5 baseline TS investment Opex interventions tracked under management and change capacity CAPEX (additions to PPE) / operating revenue must increase.	
31	Self-financing ratio	• Cash flow from operations / CAPEX (additions to PPE)	Rising to benchmark utility capacity to contribute its own resources to capital investment.	
32	R&M	• R& M as % of turnover / PPE	Rising to 8.5% benchmark Currently defined in NT MFMA Circular No. 71.	

10. Operational Performance

10.1 Water & Sanitation

[16] The contract management module on the integrated system solution should monitor key deliveries and also invoke penalty clauses, retentions and consequences in cases of persistent breach of contract

[17] NB manual contract management is not allowed, contract management sub-systems should integrate seamlessly to the core integrated system solution and not be a standalone.

A No. .	B Item name	C Item description	D Definition of success	E Detail
33	Water Security	• The bulk water system input volume versus the permitted raw water allocation volume.	sufficient buffer, that is < 100% Reduce to below 100% as soon as possible.	C88, WS4.11 expanded Permitted water use allocations are regularly determined by the DWS facilitated water reconciliation strategies, which reconcile all available (surface and groundwater) water resources, with current use requirements. This allocation, in the form of a Water Use License or Government Notice of restrictions or directives to curtail use, also applies to water service providers such as Water Boards.
34	Blue Drop Score	• The latest available Blue Drop assessment results. Based on DWS audit of water supply system incl. physical inspections.	> 95%	C88, DWS report.
35	Green Drop score	• The latest available Green Drop assessment results. Based on DWS audit of entire value chain of municipal WW services.	> 90%	Include in C88, DWS report.
36	WW final effluent compliance	• Wastewater Quality Compliance as % of specified licence/ permit/ authorisation requirements tested pa.	> 90%	C88, WS4.2 The percentage is calculated on the basis of aggregated results per Water Use License determinant.
37	Water network performance	• Number of water mains failures per 100km of mains pipe per year.	< 50/100km	C88, WS3.2 "Mains" refers to all metro-owned water transmission and distribution pipes.
38	Sewer network performance	• Number of blockages per 100km of sewer length per year.	< 50/100km	C88, WS3.1 Logged blockages that result in an obstruction of system flow.
39	Physical water loss index	• Infrastructure Leakage Index (ILI).	< 2	C88, WS5.21 Current annual real (physical) water losses divided by unavoidable annual physical water losses in litres per connection per day within the length of the municipal network.
40	Water service complaints response	• Percentage of callouts responded to within 24 hours (water).	> 90%	C88, WS3.12 `Responded to' means that someone is on site and has initiated a process of resolving the matter within 24 hours (not that the callout was resolved, only that it was logged, appraised and responded to).
41	Sewer service complaints response	• Percentage of callouts responded to within 24 hours (sanitation/wastewater).	> 95%	C88, WS3.12 `Responded to' per above.
42	NRW	• % Non-Revenue water as per IWA water balance guidelines and NT guidance document.	< 25%	C88, 5.1 (NRW = sum of unbilled authorized consumption, unbilled unauthorised consumption, meter inaccuracies, and real losses (from transmission or distribution mains, storage facilities, or service connections).
43	Percentage of all connections that are metered and billed on actual monthly readings	• Number of metered properties where billing takes place on a monthly basis based on actual readings.	> 98%	Partially included in C88 plus Metro estimations indicator Percentage of all connections that are metered multiplied by percentage of properties billed on actual readings monthly.

10.2 Electricity & Energy

A No.	B Item name	C Item description	D Definition of success	E Detail
44	Meter coverage of Industrial (bulk) and commercial meters	• % of Industrial (bulk) and commercial customers metered and operational functional.	> 98%	Metro indices: these are the most critical meters that need to functional and read regularly
45	Vending efficiency	• % of Vending metering operational	> 98%	Metro indices; based on management reports from vending platforms

A No.	B Item name	C Item description	D Definition of success	E Detail
46	AMR/AMI maturity	• Automated meter reading (AMR) / advanced metering infrastructure (AMI) operational as % of customer category.	Agreed improvement as per baseline	Metro indices.
47	Repairs efficiency	• Repairs as % sales.	>than regulatory (NERSA) bench line	NERSA D-Forms.
48	Total Losses efficiency	• Percentage total electricity losses in license area.	Agreed improvement as per baseline	C88, EE 4.4; NERSA D forms.
49	ASIDI	• Average System Interruption Duration Index **ASIDI** considers the affected connected load rather than connected customers affected by an outage (per SAIDI).	Agreed improvement as per baseline	C88, report cycle fully in place in Year 2.
50	ASIFI	• Average System Interruption Frequency Index **ASIFI** considers the affected connected load rather than connected customers, affected by an outage (per SAIFI).	Agreed improvement as per baseline	C88, report cycle fully in place in Year 2.

10.3 Solid Waste Management

A No.	B Item name	C Item description	D Definition of success	E Detail
51	Access to services	Percentage of known informal settlements receiving basic refuse removal services Illegal dumping (record on number of incidents/ occurrences and response by Metro).	>98%	C88 ENV3.11 Metros report 100% or near 100% coverage of all formal areas. Backlogs are concentrated in informal settlements, so coverage in informal settlements indicates level of backlogs.
52	Reliability of service	Percentage of scheduled waste collection service users reporting non-collection or delayed collection (>1 day delay).	<10%: Indication of sustainability of collection services, plus metro mechanisms to address emergencies/ breakdowns/etc.	• C88 ENV3.2.
53	Circularity	• Tonnes of municipal solid waste diverted from landfill (includes avoidance, recycling, recovery, treatment) per capita. Evidence of awareness campaigns to public. Evidence of participation and collaboration with EPR schemes.	Agreed improvement as per baseline and alignment with NWMS (latest version) (Alternative disposal options include separation at source, avoidance of waste generated or needing collection, recycling and alternative treatment, efforts to promote diversion/ beneficiation/ reduction-of-waste-to-landfill, through awareness campaigns).	• C88 ENV2.2 Combined indicator of all alternative disposal options.
54	Regulatory compliance	Facility compliance rating (NEM: WA, GNR635, Waste Classification and Management Regulations), as may be applicable. Local By-laws appropriate and up to date.	Agreed improvement as per baseline Should include ALL facilities (unlicenced facilities scoring zero, to incentivise licensing/ registration where applicable). Licence conditions may need to be weighted to correct for varying importance.	Internal and external compliance audits each year Indication of responsible handling, treatment and disposal. By-laws to reflect latest regulations and NWMS.
55	Cost efficiency	Annual operating cost of collections and disposal per ton of waste disposed.	Agreed improvement (reduction) as per baseline Requires accounting for collections and disposal separately from public cleansing and support functions.	Budget reporting / C88 reporting Indication of the cost efficiency of the revenue generating services.
56	Environmental impact / Operational Efficiency	Annual vehicle kilometres travelled by scheduled collection vehicles per customer served where waste is destined for disposal. Methane emission management plan (emission avoidance).	Agreed improvement (reduction) as per baseline The minimisation of transport costs and vehicle emissions can and should be achieved by route optimisation, appropriate vehicle usage and appropriate use of transfer stations (where viable). Reporting could be using CO_2-equ.	Metro internal records and contractor reporting. Monitoring and planning relating to the avoidance of methane emissions from landfills and/or organic waste or any other such waste management facilities that produce methane. Can include closure planning of landfills. Calculation to consider offset of carbon footprint through treatment of methane-emitting waste.

A No.	B Item name	C Item description	D Definition of success	E Detail
57	Growth in customer base	Percentage of non-residential properties serviced by municipal waste collection.	Agreed improvement as per baseline Municipalities compete for non-residential waste collection business with the private sector. Increase in market share is an indication of a better service and improves financial viability.	Metro invoicing records / municipal valuation roll.
58	Preparedness and decision making	Undertake characterisation study to understand composition of waste being managed. Assign characterisation to tonnages being managed per year (management data) and which Facilities.	Annual review of mass balance for informed decision making. (characterisation studies to understand material types of waste being generated, managed and disposed/transferred (each waste material stream requires different handling and management).	Updated mass balance diagram (material types, mass, method of management/ handling) Allows for effective planning.

11. Additional explanatory notes to indicators

11.1 **7-box model:** As set out in Guidance Note 1, to operate as sustainable trading services, or utility businesses, improving the increasing performance of trading services require the creation and maintenance of integrated and re-enforcing relationships among:

- good service to satisfied customers;
- sound billing (commercials), collection and operating surpluses;
- motivated staff and efficient systems;
- maintenance, refurbishment and operation of existing assets;
- creation of new assets;
- sound governance and a supportive enabling environment; and
- with leadership and management driving vision, strategy and execution.

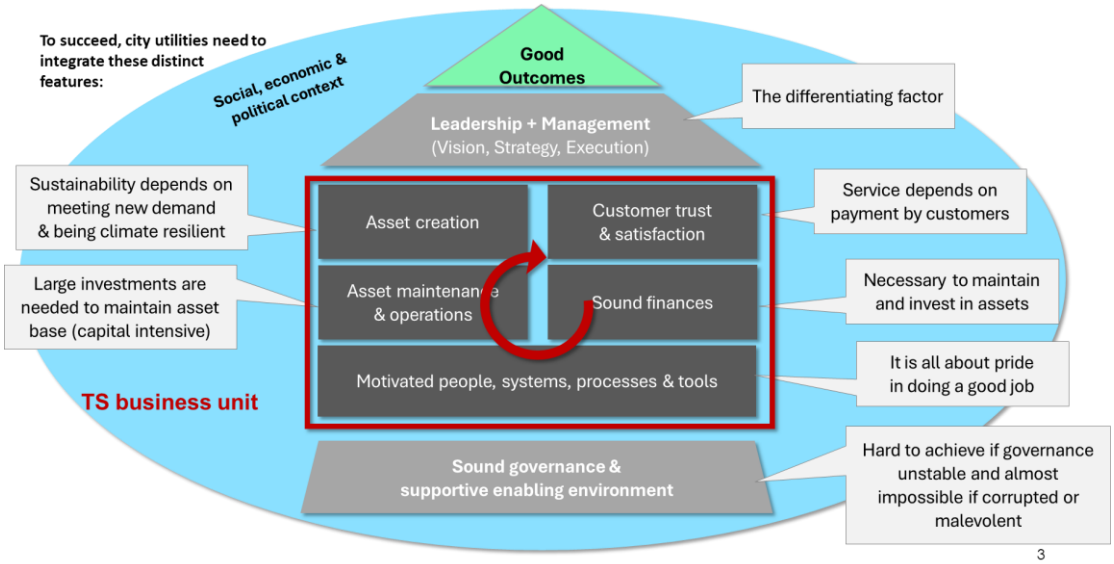


Figure 1: 7-box framework for successful trading services

Collectively the indicators in the A3: PIAP are intended to track and reward progress towards establishing and protecting viable and sustainable metro trading services.

For most metro trading services, the starting point is a very weak articulation of this essential cycle. By definition, very few will initially be able to report on all aspects of the seven-box framework.

Metro trading services will therefore need to show plans and timeframes to establish measuring systems and capacity necessary to generate essential management and performance information. This is tracked in Indicators 12 and 16.

11.2 **Direction of travel**: The A3 PIAP formats and requirements depends on the starting point in the direction of travel. Most utility trading services will be following a path from Model 1 (Trading Services Department, with split responsibilities) to Model 2 (Trading Services Internal Utility Business Unit), so this is assumed below, with exceptions noted.

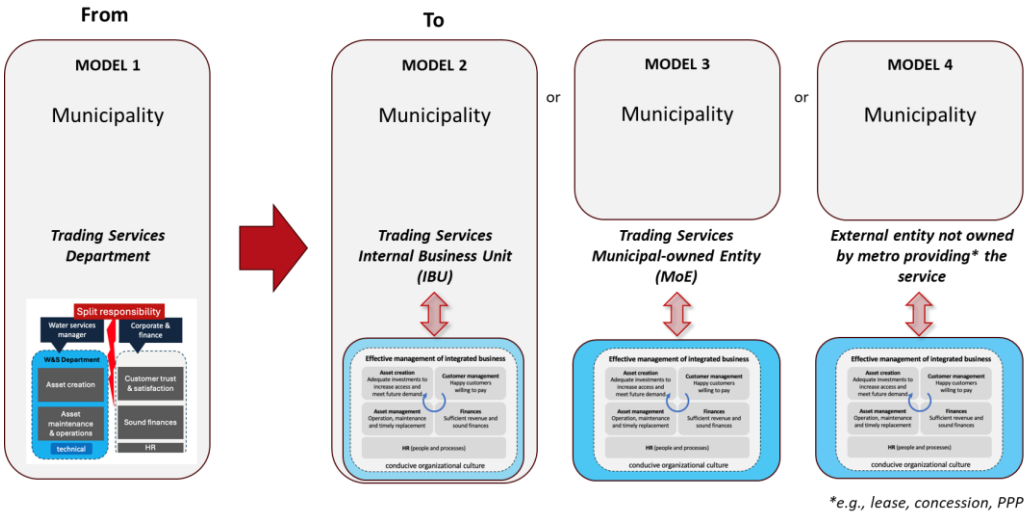


Figure 2 Options for institutional or structural reform of trading services

11.3 Additional notes are provided for some indicators below:

11.3.1 Indicator 05: City policy commitment (budget): The capital and operating budgets presented in the A3: PIAP costing sheet are measured by the identification in city budgetary documents of the capital projects and operational initiatives identified in Column H of the template and its accompanying programme costing and funding sheet;

11.3.2 Indicator 06: City policy alignment (governance protection): metros should indicate governance measures to protect the Trading Services Reform Strategy and the Single Point of Accountability from being arbitrarily dismantled or undermined, and specify targets for the establishment of such measures;

11.3.3 Indicator 09: Flows and balances statement: an explicit statement of the financial relationship between the metro and the trading service across all major statements of performance, position and cash is essential for transparent management of the trading service;

11.3.4 Indicator 12: Financial model and plan: any trading service or utility requires a robust financial model to enable informed decision-making and strategic financial planning. It must be used in annual operation planning (see Indicator

17); and will depend on developing a full suite of financial performance indicators (see Indicator 13);

11.3.5 Indicator 13: Financial management data development: most urgently, metros should indicate the establishment of systems and procedures (most effectively achieved through full *m*SCOA implementation) to regularly and accurately report on all the required financial indicators (indicators 21 to 32); and thereafter, report on the additional financial management data required for effective utility management;

11.3.6 Indicator 14: Change capacity: the scale of the reform envisaged here requires substantial change management support from outside current metro capacity. There will need to be substantial work on process (change management plan, role, positioning and managing of current leaders; internal and external communications, stakeholder engagement, etc.) as well as technical and legal work (organisational design, drafting of service compacts and support service agreements, necessary approvals, etc.). It is not realistic to expect existing metro management to manage this alongside their current responsibilities. On the other hand, the reforms must be internally owned (hence the importance of current leadership). Metros should indicate how and when change management capacity will be obtained, deployed, and managed;

11.3.7 Indicator 15: Delivery capacity: Similarly, the incentive programme envisages sharply increasing capital expenditure by trading services, prioritising initiatives and investments that increase trading services viability. But historical under-spending of capital budgets by many metros suggests that it may not be easy to increase capital spending. Metros should specify how and when adequate project management capacity will be obtained, deployed and managed;

11.3.8 Indicator 16: Operational management data development: Most importantly, metros should specify when and how measuring systems and procedures to regularly and accurately report on all the operational indicators (W&S 33-43; E&E 44-50; SWM 51-58) will be established. Beyond the indicators, metros should also indicate when and how they will be able to report on all the additional operational data required for effective utility management. This varies by service;

11.3.9 Indicator 17: Annual business and operational planning: each trading service must have an annual planning and budgeting process guided by the strategic objective of achieving sustainability and viability; informed by the best available financial and operational data (Indicators 13 and 16) and by the financial model and plan (Indicator 12). Metros should indicate when and how such procedures will be implemented; and

11.3.10 Indicator 18: Single Point of Accountability Appointment: although in many cases the current incumbents of trading services engineering departments are likely to be the first occupants of the newly created single point of accountability positions, it should not be assumed that they are necessarily the best fit for these

positions, which require business, management and engineering acumen combined in one individual. Metros should outline processes for transitional and final appointments to the SPoA position, the latter of which should feature a competitive recruitment process to find the strongest available candidate, which will allow current incumbents to prove themselves in the new role.

12. Forthcoming timetables

12.1 The following table tabulates the schedule leading to the launch of the Metro Trading Services incentive component, including its first year of operation.

When	What
Nov 2024	• A3 template and guidance note issued
Dec 2024 – Jan 2025	• Metros develop the A3s for W&S and E&E (CSP support as required/requested)
Jan – Feb 2025	• Metros submit draft A3s • A3s discussed at Mid-Year Budget Review: NT & national departments engage with metros on drafts
March 2025	• Metros update A3s as required • CSP support to Metros as required/requested
Apr – May 2025	• Metros submit revised A3 – for the Benchmarking engagement
May – June 2025	• Metro Councils approve A3 as part of Metro Budget documentation
June – July 2025	• Independent assessment: that the council adopted an A3/PIAP of acceptable quality as per prescribed process
Aug – Sept 2025	• Release of awarded allocations for FY 25/26
August – Oct 2026	• First full independent assessment – for the purpose of determining allocations for FY 27/28

12.2 This table offers a perspective on the annual schedule over the period of the Trading Services incentive component:

Programme year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Financial year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Performance assessment #		-	2	3	4	5	6
When assessment takes place		July-Aug 2025	Aug-Oct 2026	Aug-Oct 2027	Aug-Oct 2028	Aug-Oct 2029	Aug-Oct 2030
Assessment of what		Light, to confirm A3 submission & Council approval	Metro A3 implement-ation progress	Metro A3 implement-ation progress	Metro A3 implement-ation progress	Metro A3 implement-ation progress	Final metro A3 progress & baseline of future intervention
Programme evaluation					Programme mid-term evaluation		Programme final evaluation

13. Conclusion: next steps

13.1 Metros are currently receiving formal feedback on A, A1 and A2 submissions already made. Workshop briefings, this Guidance Note, and direct support are made available to enable and assist metros to complete the A3: PIAP template.

13.2 Metros should immediately start specifying their existing strategic programmes and targets, as envisaged in the already submitted A, A1 and A2 documents, into the template format.

13.3 Metros should also immediately start preparing internal decision-making processes for the Council adoption of Annexure 3 (a new annexure to the already approved A: Trading Services Reform Strategy), as part and parcel of metro budget documentation for the 2025/26 MTREF.

13.4 For metros seeking to access the incentive, the second day of the Mid-year Budget and Performance Review visits in January/February 2025 will be dedicated to assessing their readiness for trading services reform. Metros should be ready with a complete first draft A3: PIAP for each Trading Services Reform Strategy being pursued.

13.5 Similarly, for metros seeking to access the incentive, the Metro Budget and Benchmarking engagement meeting in March 2026 will devote time to assess trading services commercial initiatives and investment plans. Metros should be ready for the meeting with a final A3: PIAP.

13.6 Metros who have not yet joined the programme or not yet generated satisfactory Trading Services Reform Strategy documents will have further opportunities to join the programme in future.

13.7 As this is a rapidly developing programme, and in response to continued positive questions, suggestions and contributions, National Treasury reserves the right within the framework presented here to make changes to details of the template to improve clarity and increase feasibility.

13.8 Metros requiring further information or support in relation to the contents of this Guidance Note should direct their enquiries to:

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30 November 2024