RESOURCE DOCUMENT: ANNEXURE B
to Guidance Note 5

M5 Business and Investment Plan: Minimum content template

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Draft 01

Prepared by National Treasury's Cities Support Programme

Contents

1 Introduction 1

1.1 Purpose 1

1.2 Terminology 1

1.3 How to use this Template 1

1.4 Requirements 1

1.5 Best practice 2

1.6 Structure of this document 3

2 Changes in context 3

3 Leadership and management 4

3.1 Strategic goals 4

3.2 Organisational change and governance 4

3.3 Leadership and management development 5

3.4 Policy amendments 5

3.5 Improving data, measurement and systems 5

3.6 Improving plans and planning capability 5

3.7 Stakeholder engagement and communications 5

4 Improving customer services 5

5 Improving financial performance 6

5.1 Finance-related targets 6

5.2 Financial performance improvement 7

5.3 Financial management 7

5.4 Priority cost-efficiency programmes 7

5.5 Financial plan 7

5.6 Tariffs 7

6 Operations 8

6.1 Operational performance targets 8

6.2 Improving operational performance 9

7 Asset management and investment 9

7.1 Asset management 9

7.2 Investment plan overview 9

7.3 Priority turnaround investments 10

8 Human resources 10

9 Service outcomes and social contributions 10

9.1 Improving services in informal settlements 10

9.2 Anticipated improvements in service outcomes 10

9.3 Other social contributions 11

Additional annexures to the Business Plan 11

Annex 1: Financial Business Model requirements 12

Definitions

A3-PIAP	Performance Improvement Action Plan. The institutional, financial, operational and service delivery KPIs with targets defined, clarified and agreed, and approved by Council. See Guidance Note 4.
Average effective tariff	Revenue from customer sales divided by volume of sales
Business Plan	The term Business Plan refers to the Business and Investment Plan that is required in terms of Minimum Commitment M5
Core services	Core services are defined as the technical, commercial and supporting aspects of providing the service which include asset creation, asset maintenance and operations, finance, human resources, supply chain management, customer and commercial services (including revenue management), fleet management and IT. (Guidance Note 3)
Minimum Commitments	Accountability Performance Minimum commitments as defined in National Treasury MTSR Guidance Note 4
Service compact	Defines the relationship between the Service Authority and the Service Provider, with clearly defined division of responsibilities across value chains for service authority to service provider with clear performance and accounting metrics, including the financial relationship between the two. See Guidance Note 4.
Service level agreement	Service level agreements define the terms and conditions of providing services by the municipality on behalf of the trading service, (and vice versa but excluding those services defined in Section 4 of this document). The Service Compact is not a service level agreement. Service level agreements will generally apply to ancillary services such as legal services.
SPoMA (Single point of management accountability)	The appointment of a Head of the Business Unit (in the case of a Business Unit arrangement) or CEO/MD (in the case of a municipal entity) of the trading service with an appropriate job description, reflecting all delegated powers and responsibilities, and an appropriate performance contract (Guidance Note 4). The Head/CEO/MD must have executive authority and management control of all core services for the effective operation of the Trading Services Business as a SPoMA.
SPoMA Delegations	Minimum Commitment 4 ensuring that the responsibilities and functions pertaining to/or supporting operational, financial management and overall management of the Trading Service are delegated and fully accounted for within that Trading Service SPoMA, as per Guidance Note 4.
Support functions	Support functions refer to functions such as finance, human resources and supply chain management. These are defined as part of the core services necessary to provide a trading service.
Tariffs	Tariffs refer to all forms of service-related sources of revenue including connection charges and developer contributions.

1 Introduction

1.1 Purpose

The **Business and Investment Plan** is a practical tool setting out key activities to improve the performance of the trading services business, together with a sector reform strategy document. The business plan is not a full description of all the routine activities undertaken by the business (i.e. water services, energy and electricity or solid waste management), but rather must be focused on those activities that, when implemented, will result in an improvement in the performance of the business and in service outcomes.

Annexure B to Guidance Note 5 as issued in 2025 is aimed primarily at the services of Water and Sanitation, and Energy and Electricity. Specifics as they relate to Solid Waste Management, entering the programme a year later, will be issued as required.

1.2 Terminology

The term **Business Plan** is used in this document as shorthand for the Business and Investment Plan referred to in Minimum Commitment 5, as per Guidance Note 4.

1.3 How to use this Guideline and Template

The Business Plan minimum content template provides the suggested format to meet the minimum requirements of the metro trading service document. The guideline describes the required content and provides a format and tables that can be used as template. A separate Business Plan is required for each of the trading services which can be customised to match the specifics of each metro and each service.

1.4 Requirements

As stated in the Service Compact Guideline and A3-PIAP indicator descriptions, the business plan must:

- Provide a practical plan to turnaround the financial, technical and operational performance of the business and improve service outcomes;
- Be anchored to a realistic financial business model for the service;
- Reference best utility management practices and benchmarks;
- Address changing market conditions as relevant; and
- Set out how the management of the service will achieve the performance targets set out in the A3-PIAP while complying with legislative requirements, minimum standards and other obligations defined in the service compact.

1.4.1 Timeframe

The timeframe of the Business Plan must cover at least five years but also take into consideration the 10-year strategic view. Most detail must be provided for the activities in the first year, with level of detail reducing in years 2, 3, 4 etc. The Business Plan should align to the 3-year municipal budget cycle, focusing more attention and detail on the practical activities to be undertaken in year 1 and the following 2 years in less detail. Important activities must be prioritized with implementation planned as early in the turnaround as possible. The timeframe of the A3-PIAP is five years, and it is expected that the Business Plan will inform the indicators for the duration of the MTSR.

1.4.2 Annual update

The Business Plan is to be updated every year. The trading service Strategy should be reviewed every five years or when changing circumstances warrant a review.

1.4.3 Realistically ambitious

The Business Plan must be 'realistically ambitious'. This means that the business plan, when implemented, must result in a turnaround in any negative performance trajectories (financial performance, operational performance, service outcomes), and must result in substantial improvement in performance and service outcomes over time, with reference to appropriate best practice benchmarks and the A3-PIAP.

1.4.4 Financial Business Model

The Business Plan must be anchored on a Financial Business Model that meets the requirements in Annexure 1.

1.4.5 Alignment

The Business Plan, the following Minimum Commitments and related documents must be fully aligned:

- The A3-PIAP indicators and targets (Council and NT approved);
- Selected and agreed Financial Business Model scenario;
- The Service Compact (M1);
- The SPoMA organizational structure (M3);
- SPoMA delegations (M4), and
- Municipal budget support for Business Plan (M6).

The A3-PIAP indicators and targets must be the same in the A3-PIAP document (Council and NT approved), the Business Plan (Council approved) and the final selected and agreed scenario in the Financial Business Model[1].

1.4.6 Minimum contents

The Business Plan must at least cover the topics set out in this guideline / template wherever these are relevant.

1.4.7 Allocation of responsibilities with target dates for completion

While the overall responsibility for the implementation of the Business Plan rests with the Trading Service Manager (appointed SPoMA), the Business Plan must allocate responsibilities for activities and tasks, with a target date for completion, for all the programmes, sub-programmes and other important activities set out in the Business Plan.

1.5 Best practice

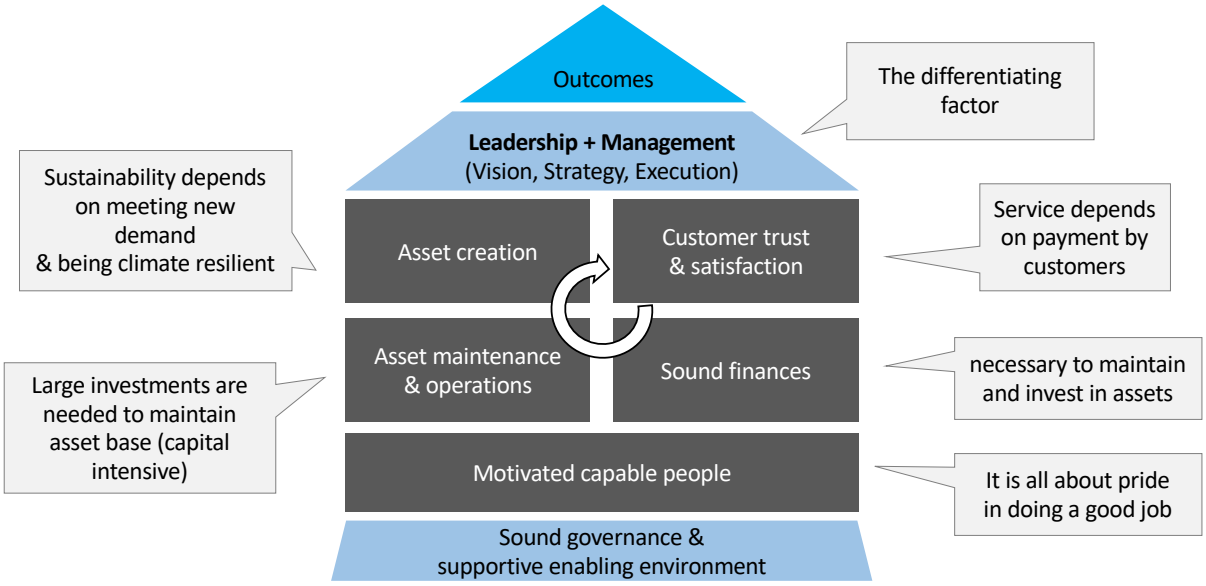
The Business Plan must reference best practice – also see GN5 Annexure C: Business and Investment Planning Best Practice Guideline.

[1] See National Treasury MTSR Guidance Note 5: Implementation of Minimum Commitments

1.6 Structure of this document

The minimum content requirements in this template are structured in terms of the seven-box model for effective utility management (referenced in "**Guidance Note 1: Metro preparations for the introduction of trading services infrastructure financing reforms, starting in 2024/25 with water and sanitation (1 April 2024)"** and replicated below.

Figure 1: 7-box model for effective utility management



The minimum contexts set out below need to be included in the Business Plan but do not need to be structured in the same way as presented below.

The activities set out in these sections need not be a comprehensive description of all activities undertaken but rather focus on those activities aimed at improving performance. Sections should be aligned with existing (or proposed) organizational structure and management responsibility in each metro, for clarity of accountability for performance in each area.

2 Changes in context

It is likely that an analysis of the context had been undertaken during the development of the Trading Services Turnaround Strategy, already completed and approved. There are a variety of strategic tools available such as a SWOT analysis (strengths, weaknesses, opportunities and threats) and/or PESTEL (Political, Economic, Social, Technological, Environmental, and Legal external macro-environmental factors). The Business Plan does not need to repeat this analysis. However, the Business Plan must offer a summary of key items that that have changed, or are changing, that are particularly relevant to the current business plan, and that directly affect the choice and design of activities in the Business Plan.

Particular attention should be given to changes in market dynamics and external market conditions. Thus, without discounting the importance of theory, the document must be as practical and responsive to current issues/opportunities confronting the business.

It is proposed to include a summary of key issues, in sufficient detail to support the Business Plan, such as the table below (landscape page layout for this table is proposed):

Table 1: Contextual environment: changes and implications

What has changed or is changing	**Implications for this Business plan**
Policy and regulatory environment (external to the municipality)	
*** include brief description of issue here.	*** describe briefly how this affects and is addressed in the Business Plan *** include a cross-reference to where in BP this is addressed)
Economic environment and market conditions (factors affected sales and revenue)	
***	***
Changes in market structure and market dynamics (particularly relevant for electricity)	
***	***
Include other categories as appropriate …	
***	

3 Leadership and management

3.1 Strategic goals

This section of the Business Plan must summarise the key strategic goals for the Business. Ideally, there should be no more than five (5) strategic goals. These should be aligned to the Council-approved strategy, with comments on any changes to the strategic goals.

The Strategic goals should address the following core business areas and include well-defined and time-bound goals over a five-year time horizon:

- Service access, reliability and quality (including climate resilience)
- Customer service
- Financial performance
- Asset management
- People management

3.2 Organisational change and governance

This section should set out key activities during 2026/27, with follow-up actions in the subsequent two years, related to:

- Implementation of the organizational structure defined in M3 (SPoMA Organizational structure) with the appropriate delegations as defined in M4 (SPoMA Delegations)
- How change management support will be mobilized in support of the structuring change and performance improvements (M8)

- Implementation of, and improvements to, governance arrangements (M3)

3.3 Leadership and management development

This section should outline activities during 2026/7, with follow-up actions in the subsequent two years, to enhance the capacity and capability of the trading service management, as required in A5 (Core technical and management capacity) and defined in M3 (SPoMA Organisational structure).

3.4 Policy amendments

This section should outline activities during 2026/7, with follow-up actions in the subsequent two years, to any relevant trading service policies and consideration for the legal framework applicable to the service.

3.5 Improving data, measurement and systems

This section should outline activities during 2026/7, with follow-up actions in the subsequent two years, for improving data management and measurement with an initial focus on development and ensuring sound measurement of the A3-PIAP indicator set.

The Business Plan should also address improvements to information technology, business systems, operational technology and standard operating procedures where relevant.

3.6 Improving plans and planning capability

This section should outline activities during 2026/7, with follow-up actions in the subsequent two years to improve planning capability and trading services plans.

3.7 Stakeholder engagement and communications

This section should outline activities during 2026/7, with follow-up actions in the subsequent two years, for stakeholder engagements and communications, highlighting changes to communication practices and any new activities.

In the case of water, important stakeholders include bulk water providers (e.g. water boards) and institutional responsibilities for water resources management (catchment management agency and Department of Water and Sanitation).

In the case of electricity, important stakeholders include Eskom and independent power producers.

4 Improving customer services

The Business Plan must reference the A3-PIAP customer service targets agreed with National Treasury and approved by Council and should include any other targets as relevant, for example as tabulated below:

Table 2: Customer service improvement targets

A3-PIAP targets (water services)		25/26	26/27	27/28	28/29	29/30	30/31
Water Service Complaints Response % in 48 hours	%						

Sewer Service Complaints Response % in 48 hours	%						

The Business Plan must outline activities during the next financial year, with follow-up actions in the subsequent two years to improve customer services. This includes being responsive to customer needs, also important for meeting query resolution standards and escalation mechanisms as provided for in the legal framework.

5 Improving financial performance

5.1 Finance-related targets

The business plan must state that it has been developed to achieve the following financial performance and finance-related targets as agreed in the A3-PIAP. The performance targets as agreed in the A3-PIAP should be included, for example as below:

Table 3: A3-PIAP Finance indicators

A3-PIAP indicators		*23/24*	*24/25*	*25/26*	*26/27*	*27/28*	*28/29*	*29/30*	*30/31*
		actual	actual	forecast	targets				
M7 Financial transparency									
A2 MSCOA compliance									
F1 OCCR	ratio								
F2 Cash Collection rate	%								
F3 Operational Cash Flow	R m								
F4 Net debtors days	days								
F5 Infrastructure Capex	R m								
F6 Self-Financing ratio	%								

Table 4: A3-PIAP Finance indicators related to Water and Sanitation

A3-PIAP indicators (water)		*23/24*	*24/25*	*25/26*	*26/27*	*27/28*	*28/29*	*29/30*	*30/31*
		actual	actual	forecast	targets				
W10 NRW	%								
W11 Metering performance	%								

Table 5: A3-PIAP Finance indicators related to Energy and Electricity

A3-PIAP indicators (electricity)		*23/24*	*24/25*	*25/26*	*26/27*	*27/28*	*28/29*	*29/30*	*30/31*
		actual	actual	forecast	targets				
E1 Bulk Metering Performance	%								
E2 Vending Efficiency	%								
E3 Automated Meter Reading Coverage	%								
E4 Repairs Efficiency	%								
E5 Electricity losses	%								

Additional financial targets such as gross and net-profit margin targets should also be provided here.

5.2 Financial performance improvement

The Business Plan must provide details of programmes and activities for the next financial year (and for the following two years, but in less detail), that will be undertaken to improve financial performance and to achieve the defined financial performance targets.

The activities must include:

- Consideration of the full revenue value chain
- Activities to optimise revenue generation and collection
- Activities to reduce losses

(for expenditure cost-efficiency, see Section 5.4)

5.3 Financial management

The Business Plan should provide details of programmes and activities for the next financial year (and for the following two years, but in less detail) that will be undertaken to establish and/or improve financial management, reporting and decision-making for the trading service, including but not limited to:

- Implementation of MSCOA as per A3-PIAP indicator A2 (MSCOA compliance)
- Full-cost and transparent accounting for support services, consistent with service level agreements as set out in the Service Compact (M1)
- Production of annual financial statements for the service as per Minimum Commitments (M7)
- Financial decision-making with a focus on the integration of investment and operational decisions, considering life-cycle costs and returns on investment.

5.4 Priority cost-efficiency programmes

The Business Plan should provide details of programmes and activities for the next financial year (and for the following two years, but in less detail), that will be undertaken to reduce costs and improve cost-efficiencies.

5.5 Financial plan

The Business Plan must include a high-level summary of the financial plan, including projections of income statement, cash flow and balance sheet, as per the agreed planning scenario and taken directly from the selected and agreed scenario in the Financial Business Model (as required in Minimum Commitment 5: Financial Model and Business and Investment Plan). See also the Investment Plan (Section 7.2).

The Investment Plan and the CAPEX in the Financial Plan must be the same, and both must match the selected Financial Business Model scenario.

Key sheets from the Financial Business Model may be included as Annexures.

5.6 Tariffs

The principles and process for setting and approving tariffs are described in the Service Compact and do not need to be repeated here.

The required **average effective tariffs** to achieve the financial results must be shown here, together with any appropriate details on the tariff structures.

This section should also:

- Describe changes to tariff structures;
- Reference relevant cost of supply studies;
- Reference licensing and regulatory requirements as relevant, and
- Reference legislative requirements as relevant.

6 Operations

6.1 Operational performance targets

The business plan must be developed to achieve the operational performance targets as agreed in the A3-PIAP.

Table 6: A3-PIAP Operational indicators related to Water and Sanitation

A3-PIAP indicators		*23/24*	*24/25*	*25/26*	*26/27*	*27/28*	*28/29*	*29/30*	*30/31*
Water and sanitation		actual	actual	forecast	targets				
W1	Water Security – input volume % raw water allocation								
W2	Drinking Water Systems Blue Drop								
W3	Waste Water Treatment Systems Green Drop								
W4	Wastewater % of samples compliant with license								
W5	Water Network – mains failures frequency / 100 km								
W6	Sewer Network – blockages frequency / 100 km								
W7	Physical Water Loss – Infrastructure Leakage Index								
W8	Water Service Complaints Response % in 48 hours								
W9	Sewer Service Complaints Response % in 48 hours								
W10	Non-Revenue Water (NRW)								
W11	Metering Performance								

Table 7: A3-PIAP Operational indicators related to Energy and Electricity

A3-PIAP indicators		*23/24*	*24/25*	*25/26*	*26/27*	*27/28*	*28/29*	*29/30*	*30/31*
Electricity									
E1	Bulk Commercial Metering Performance								
E2	Vending Efficiency % of metering operational								
E3	Automated Meter Reading Coverage								
E4	Repairs Efficiency								
E5	Electricity losses as % of electricity purchased								
E6	Network effectiveness ASIFI								
E7	Network effectiveness ASIDI								

6.2 Improving operational performance

The Business Plan must provide details of programmes and activities for the next financial year (and for the following two years, but in less detail), that will be undertaken to improve operational performance with a particular (but not exclusive) focus on the A3-PIAP indicator targets.

Consideration should be given to the following:

- Process optimization and continual improvement
- Revision and use of standard operating procedures
- Performance of mechanical-electrical equipment (water business)
- Effective fleet management
- Energy efficiency
- Effective use of data and monitoring systems
- Cost-effective and timely procurement
- Maintenance scheduling (see also Section 7)
- Inventory management

7 Asset management and investment

7.1 Asset management

The Business Plan must provide details of programmes and activities for the next financial year (and for the following two years, but in less detail) that will be undertaken to improve asset management, referencing best practice asset management with reference to NT asset management guidelines and tools, adopting a full life-cycle approach to asset management.

7.2 Investment plan overview

The Business Plan must provide a summary of the funded 5-year investment plan here. A 10-year investment plan must be provided in an Annex.

The investment plan must match the capex projections in the financial model and set out in Section 5.5 (Financial Plan).

The investment plan must include all priority investments that fit within the funded/fundable capex envelope as shown in the Financial Plan.

Table 8: Investment Plan overview (funded investment plan)

Category of investment		25/26	26/27	27/28	28/29	29/30	30/31
*** can follow FBM categories							
Total CAPEX							

7.3 Priority turnaround investments

Investments should be prioritized in the first instance in relation to the extent to which these investments will contribute to financial and performance improvements.

Details of investments planned for the next financial year and the following two years should be included in the Business Plan.

8 Human resources

The Business Plan must provide details of programmes and activities for the next financial year (and for the following two years, but in less detail), that will be undertaken to improve staff effectiveness, productivity, succession planning and employee wellness, referencing best practice.

The Business Plan must include consideration of at least the following:

- Staff recruitment and retention (vacancy rates, turnover, absenteeism, remuneration, performance management, career paths)
- Critical skills considerations, bursary programmes
- Skills development and training programmes
- Productivity and overtime management
- Organisational culture, employee wellness and staff satisfaction
- Contracting.

9 Service outcomes and social contributions

A well-performing trading service utility produces services in full compliance with regulatory and reliability requirements and consistent with customer, public health, and ecological needs.

9.1 Improving services in informal settlements

The most significant difference to people's lives, and hence to community well-being, can be made in providing adequate services in a context where no such service already exists. This is typically the case in informal settlements.

The Business Plan should include details of programmes and activities for the next financial year (and for the following two years, but in less detail) that will be undertaken to improve services in informal settlements, including initiatives to be collaborative and responsive to customer experience and feedback.

9.2 Anticipated improvements in service outcomes

The anticipated improvement in service outcomes because of the activities undertaken in the Business Plan should be set out here. This should include, but not be limited to the following:

- Service access
- Service quality and reliability
- Service resilience
- Environmental compliance
- Affordability

9.3 Other social contributions

Other social contributions made by the trading service utility can be mentioned here. Examples include:

- Management and employee diversity
- Contributions to job creation
- Contributions to national climate mitigation targets (reduction in greenhouse gas emissions)

Additional annexures to the Business Plan

The following Annexures should be included in the Business Plan (but not limited to):

- Summary of the 10-year Investment Plan.
- Summary sheets of the selected and agreed scenario from the Financial Business Model

Annex 1: Financial Business Model requirements

1.	• The metro **must** prepare a **separate FBM** for each of the three trading services namely, (1) water & sanitation, (2) electricity & energy, and (3) solid waste management services. This means that **THREE separate FBM** are required. • The FBM for each of the three services must simulate the complete business in accordance with the specifications presented in the 7-box model reflected in the Turnaround Strategy (A Document), including all costs included, and present the complete business turnaround/ performance improvement with scenarios. • Note that metros that are using their own FBM may continue to do so. This means that these metros **do not need to use the NT/CSP model.** • Metros that do not use the NT/CSP model **must** conform to the all the guidelines and/or notes that National Treasury may issue from time to time.
Important note for metros that choose to use their own modelling tool:	
2.	• The metro's model must be able to **calculate at least the relevant PIAP vs 2 indicators** for contracting *(as per the formulas in Guidance Note 4).*
3.	• The metro's model **must** calculate the Trading Service Business's **bottom line** (see line 161 of the tool). • *Example:* **Line 161 information is a critical indicator** amongst those used in the performance improvement evaluation.
4.	• The metro's model **must** demonstrate their performance improvement investment over the period of the Programme and provide **evidence of both Opex and capex investments**, linked back to the model turnaround and the indicators.
5.	• The metro's model must be able to **track their performance** over the period of the programme for (i) possible resetting of targets at mid-term, and (ii) for the Independent Verification Evidence (IVE) process.
6.	• Should the metro's model not produce the full set of independent Annual Financial Statements (AFS) then it **must provide the minimum requirement of transparent and clear links to the AFS.**
7.	• The metro's model **must be able to develop a narrative for the Business Plan** - business improvement/turnaround from the scenarios developed in the tool. • The FBM needs to link to the BP.