

National Treasury

DRAFT Guideline Framework
for Corporate Planning and
Shareholder's Compact
*applicable to Schedule 2, 3B & 3D
Major Public Entities*

September 2002

This report contains 59 pages

Corporate Plan Framework - Final 20 08 02

Corporate Plan Framework

National Treasury

Republic of South Africa

September 2002



PREFACE

The National Treasury plays an important facilitation role at the centre of the National Government's objective to reform all aspects of the South African public service to meet and deliver world-class standards and service. To this end, the National Treasury's mission is to help government shape and deliver its agenda by providing high quality ownership advice and service to all agencies with which it interacts.

The Public Finance Management Act, (Act No. 1 of 1999), as amended by Act No. 29 of 1999 ("the PFMA") introduces best practice public finance management into the public sector in South Africa. The National Treasury is committed to fully implement all aspects of the PFMA in order to derive all the benefits of world-class financial management practices in the public sector.

With the passing of the Public Finance Management Act in 1999, the first democratic government of this country signalled its intention to promote the objectives of good financial management and governance in all entities included under the provisions of the Act. This *Guide* provides a framework to *Schedule 2, 3B and 3D Public Entities* to prepare Shareholder's Compact and the Corporate Plan as per the provisions of the Act.

The *Treasury Regulations*, issued in terms of Section 76 of the Act in revised format during April 2001, provides for the implementation of good corporate governance practices in all public entities through the application of Part 9 of the *Treasury Regulations*. The revision of the *Treasury Regulations* removed all uncertainty regarding the applicability of the Act and its provisions on *Constitutional Institutions* and *Public Entities*. The applicability of this *Guide* is however legally limited to *Schedule 2, 3B and 3D Public Entities* although other entities may gain some insight from its contents.

This *guide* is subdivided into two main sections dealing with the Shareholder's Compact and the Corporate Plan. Chapter 1 provides some background to the process and the reasons for preparing this *Guide*. Guidelines as to the preparation and presentation of the Shareholder's Compact is included in Chapters 2 and 3 of the *Guide*, while Chapters 4 to 6 introduces the framework for uniform *Corporate Planning* in the specified public entities.

Our focus on implementing the frameworks included in this *Guide* in all the mentioned entities will assist government in meeting its service delivery objectives to the public in an efficient, effective and economical manner. Our focus with this *Guide* is to facilitate an understanding that will assist with the smooth implementation of the PFMA in the affected entities. It is not the intention of this *Guide* to distract from the legal responsibilities that the PFMA expect all accounting authorities to fulfil.

As per all other guidelines issued by this office, an informal approach has been followed to make the *Guide* as user friendly as possible. It is therefore not a substitute for the Act and should not be used for legal interpretations.

Maria Ramos
Director-General: National Treasury

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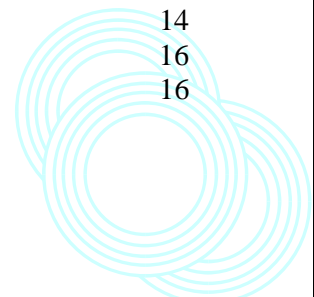
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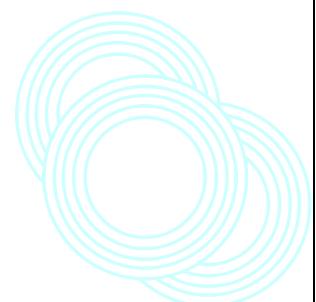
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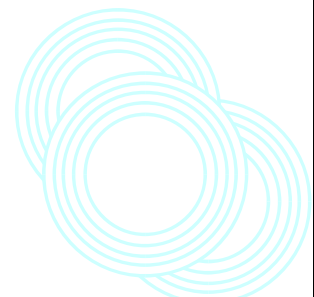




Glossary of Terms

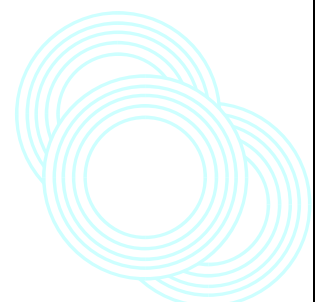
Developing best practice standard corporate plans require the use of uniform terminology and definitions for key aspects of the plans. The table below includes a glossary of terms to be used in developing and describing the various aspects of the Corporate Framework.

Term	Definition
<i>Accounting Authority</i>	The board or other controlling body is the accounting authority for that public entity in terms of the PFMA.
<i>Action</i>	Activities that result in quantifiable and measurable outcomes: the 'building blocks' of a strategy.
<i>Adding value</i>	The difference between the value of a public entity's outputs and its inputs – the additional value is added through the deployment and effort of the public entity's resources.
<i>Competency</i>	A collection of skills and area of knowledge that are shared across the public entity.
<i>Dividend</i>	Distribution of profit by an organisation (public entity) to its shareholders in proportion to their holdings.
<i>Economy</i>	Means <i>doing things cost effectively</i> . It refers to the acquisition of the appropriate quality and quantity of financial, human and physical resources at the appropriate time and place, and at the lowest possible cost.
<i>Effectiveness</i>	<i>Doing the right things</i> . It refers to the extent of the achievement of set pre-determined outcomes, objectives or other intended effects of programmes, operations, activities or processes.
<i>Efficiency</i>	Implies <i>doing things right</i> . It refers to the use of resources so that the output is maximised for any given set of resource inputs, or inputs is minimised for any given quantity and quality of output provided.
<i>Equity</i>	Residual interest in the assets of a public entity after deducting all its liabilities.
<i>Goal</i>	A description of a desirable condition or state to be worked towards and achieved over the longer term.
<i>Governance</i>	The location of power, responsibility and accountability at the head of the public entity.





<i>Term</i>	Definition
<i>Key Performance Indicators [KPI's]</i>	The aspects of focus on the business that the public entity must perform well to enable it to succeed.
<i>MEC</i>	Means the member of an Executive Council of a province.
<i>Mission</i>	A statement that expresses the fundamental purpose of the public entity – its essential reason for being in business.
<i>MTEF</i>	Medium Term Expenditure Framework.
<i>Net assets</i>	Assets after deducting liabilities.
<i>Objective</i>	A statement that translates the vision and goals into realistic, clearly defined and measurable targets, which can be achieved within a specified time frame.
<i>Outcome-output</i>	Outcome and output structures reflect an entity's business and enable sound performance reporting to parliament. Outcomes reflect government's objectives and priorities and their community impact. Outputs contribute to outcomes and are specified by price, quantity and quality.
<i>Performance indicators</i>	Measures of performance that indicate progress made towards achieving a strategy and an objective.
<i>Shareholder's Compact</i>	The shareholder's compact represents an agreement between government as the majority shareholder of the public entity and the board of directors of the public entity.
<i>Strategy</i>	A comprehensive and coherent series of decisions and actions designed to achieve an objective. The means by which the public entity achieves its goals and objectives.
<i>Vision</i>	A statement that describes the mental picture held by stakeholders of what they would like the Public Entity to be in some year's time; it identifies the members' (members of the board or top management structure) common aspirations for the public entity.





1. Introduction

1.1. Purpose of this guide

This *guide* is designed to assist the management and professionals directing Schedule 2, 3B and 3D Public Entities to prepare and present Corporate Plans and Shareholder's Compacts for their respective organisations. The *guide* should not replace the processes that are already being followed by Public Entities in their strategic, business and operational planning. It is designed to assist Public Entities in all social sectors to prepare and present their plans in a uniform manner that will allow streamlined assessment of these plans by Treasury officials.

Chapter 1 of the *guide* sets out the context within which this *guide* has been drafted. Chapter 2 provides an interpretation of what is required when preparing the shareholder's compact. Chapters 3 to 5 provide the framework for preparing the corporate plan and the relevant supporting plans.

1.2. Background

The new public financial management framework introduces accountability for all government departments and public entity management and staff who spend public money and deploy public resources in delivering services to the citizens of South Africa.

To this end, the reforms introduced by the PFMA and the associated Treasury Regulations, as well as recently published best practice guidelines, multi-year budget frameworks ("the MTEF") and other guidelines, set a framework for accountability which is arguably the best in the world today. The reforms introduced by PFMA clearly marks government's efforts to:

- Establish a uniform planning framework within which government departments, business enterprises and other public entities provide the relevant treasury with sufficient information that will ultimately result in a better understanding of the utilisation and deployment of scarce public sector resources;
- Provide a uniform service to all citizens within a framework of affordability in service delivery;
- Ensure that money was spent to the benefit of the communities it was targeting;
- Evaluate the spending of all entities to ensure optimum utilisation of tax revenues for the greater benefit of the majority of South Africans; and
- Enhance efficiency, effectiveness and economical utilisation of financial and other resources.

Introduction of new measurements of economic and social successes must also be explored in measuring the achievements of entities. It is therefore foreseeable that aspects such as Economic Value Added and Social Value Added will become useful tools in measuring organisational effectiveness in delivering and measuring services delivered to communities.



2. The Shareholder's Compact

The Shareholder's Compact represents the agreement between the Executive Authority and the Accounting Authority. It is a reflection of the expectations of each party, expressed in terms of outcomes and outputs that need to be achieved.

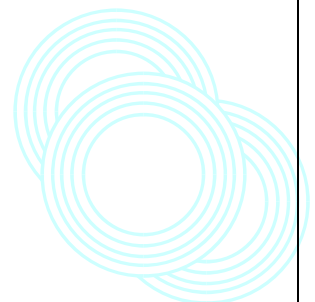
The Shareholder's Compact needs to be reviewed and adjusted on an annual basis, in line with the performance of the Public Entity over the previous financial year.

2.1. Legal Requirement

The Treasury Regulations impose the following legal requirements on public entities and their executive authorities regarding the Shareholder's Compact:

29.2 Shareholder's compact

- 29.2.1 The accounting authority for a public entity listed in Schedule 2, 3B or 3D must, in consultation with its executive authority, annually conclude a shareholder's compact.
- 29.2.2 The shareholder's compact must document the mandated key performance measures and indicators to be attained by the public entity as agreed between the accounting authority and the executive authority.





3. Framework for Shareholder's Compact

3.1. Background

Section 29 of the Treasury Regulations requires that Schedule 2, 3B and 3D Public Entities annually conclude a shareholder's compact with its executive authority.

The Shareholder's Compact represents an agreement between the relevant executive authority at national or provincial government level, as the majority shareholder and the Accounting Authority of the public entity, with regards to performance expectations and parameters. It does not replace the strategic, corporate and business plans, but is rather complimentary to these. It describes the relationship between the signatories and identifies the behaviour that would be required on both sides to support effective management and performance of the entity.

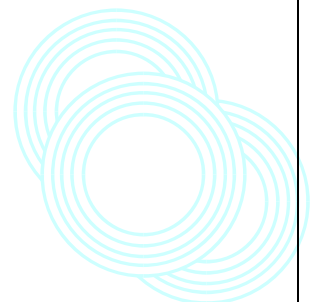
The shareholder's compact finds its origin on the one side in the protocol for corporate governance in the public sector, which is time *independent*, whilst on the other side it is anchored in the strategic, corporate and business plans of the public entity, which are time *dependant*. The shareholder's compact results from the need to have a clear understanding of the relationship between government and the public entities as an extension of delivering public service through business based entities.

The Shareholder's Compact Framework is the product of initial research and development into corporate governance and performance agreements between majority / sole shareholders and boards, and subsequent discussions and debate with the parties concerned. This document forms a framework within which entities can reach agreement with the executive authority on objectives to be pursued in reaching the vision of the organisation. To be complete, this section also includes a framework for a restructuring plan, upon which the shareholder and the accounting authority can reach agreement prior to the implementation of the annual budget.

It is crucial to note that the shareholder's compact can derive many of the information required from the corporate plan that has already been prepared by the public entity. The guideline framework below has taken this aspect into consideration.

3.2. Shareholder's Compact Framework

The shareholder's compact will include specific reference to the following business and planning aspects:





3.2.1. Introduction

The shareholder's compact is based on the Protocol for Corporate Governance in the Public Sector (1997), the Public Finance Management Act (1999) and the Treasury Regulations, published in terms of Section 76 of the PFMA. The Shareholder's Compact relates to the current strategic, corporate and business plans of the public entity, as approved by the public entity's relevant executive authority. In preparing the shareholder's compact the following should be considered:

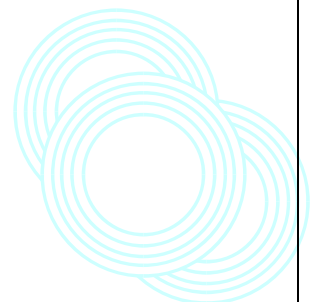
- The spirit in which the agreement is entered into.
- The critical assumptions regarding the operating environment, economic conditions and political relationships for the period covered in this document.
- The signatories to the contract and their respective roles in the parties they represent.

3.2.2. Interpretation

- Clear definition of all terms contained in the shareholder's compact, which could be misunderstood or interpreted in different ways.

3.2.3. Primary relationship between the signatories

- Clear indications on the role of the public entity's accounting authority, entity management e.g. – in advisory or governing capacity.
- Responsibilities for key activities e.g. appointment of senior executives, capital decisions, etc.
- Also includes requirements on the nature or degree of contact between management and the shareholder.
- The mandate as given to the public entity's accounting authority by the shareholder.
- Proposed mechanisms on addressing actions that would be regarded as being in conflict with the mandate of the accounting authority.
- "Whereas the shareholder has signed off on submitted strategic, corporate and business plans, and have to, for whatever reason, issue directives contrary to these plans, it undertakes to facilitate the adjustment of agreed targets and / or provide the resources to enable the public entity to meet the issued directives and its approved plans".





3.2.4. Undertakings by the Accounting Authority of the Public Entity

- The accounting authority undertakes to act in total accordance with the approved strategic, corporate, restructuring (if applicable) and business plans, and where it believes it cannot do so, it will seek approval from the shareholder prior to making decisions or taking action. It includes actions such as:
 - Not to enter into transactions that binds or may bind that public entity into any future financial commitments.
 - Not to purchase or dispose any significant asset without consulting National Treasury.
 - Not to suspend, cease, abandon or change nature of business.
 - Not to enter into, extend, renew long term agreements.
- Statement of responsibility

A statement regarding internal control procedures to be instituted and clear undertakings regarding the directors' duties of attention, loyalty, care and skill.

- The accounting authority undertakes that it will oversee that the public entity follows a well planned and structured consultative process on the developments around restructuring with all relevant stakeholders, including all employees and employee representative unions, customers / users, suppliers and the general public, where applicable.

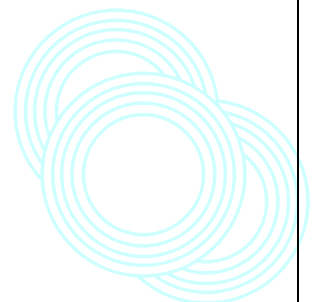
3.2.5. Undertakings by the shareholder

The shareholder undertakes to allow the accounting authority of the public entity to carry on the business of the enterprise as has been approved in the strategic, corporate, restructuring (if applicable) and business plans. It includes issues such as the following:

- Issuing of instruction with sufficient warning and response times.
- Not to renege on promises, guarantees and undertakings given.
- Not to cause delays in critical decisions required.
- To allow the public entity's accounting authority to get on with strategic direction and control.
- To seek regular contact and consultation opportunities with the accounting authority.

3.2.6. Governance

- Based on what principles/protocols?
- Compliance with legislation (Company's Act, Escom Act, etc.).





- Ethical conduct and Internal Fraud Control Procedures.
- Register of Conflicts of Interests.
- Monitoring commitment of directors to duties of care and skill, loyalty and attention.

3.2.7. Corporate Goals, Objectives and Key Performance Indicators (Targets)

This section would indicate that for the purposes of this agreement the goals, objectives and targets as contained in the current strategic, corporate, restructuring and business plans approved by the accounting authority, would apply. The strategic, corporate and business plans recognised here, are those which have been submitted to and been agreed on by the relevant executive authority (including any subsequent amendments).

3.2.8. Reporting

Reporting requirements regarding achievement of KPIs or targets to be done quarterly (as a barometer of performance).

- Format of reporting suggested for the public entity – based on PFMA requirements and accounting authority requirements.

3.2.9. Extra-ordinary Reporting

- Reporting required outside the agreed frameworks of this compact and the PFMA.
- To whom, by whom, on what, when and how.

3.2.10. Supporting documentation

The performance parameters of this agreement between the public entity and the shareholders are constituted in this document together with the current approved strategic, corporate, restructuring and business plans.

- Supporting documentation to this agreement is to be kept and maintained by the accounting authority. The following list is minimum – others may be added:
 - Strategic Plan covering the period of three years.
 - Business Plan covering the period of three years.
 - Any approved amendments to the above.
 - Code of Ethics.
 - Corporate Governance Schedules (accounting authority meetings, reports, etc.).
 - Register of conflict of Interest (Management).



- Risk Management Plan (Fraud Control Strategy).
- Statement of Responsibility and Delegations(Signed).

3.2.11. Decision making

- Clear statement on how decision-making is to take place at accounting authority level (e.g. voting, consensus seeking, etc.).
- Role of shareholder in decision making at the accounting authority level, should any role be foreseen (see Appendix C).

3.2.12. Policies

- Expectations regarding who carries the responsibility for ensuring integration at government level (between the various departments).
- The primary reporting relationship of the public entity to government (through whom?).
- Implementation of which specific policies and legislative requirements outside the existing legislation i.e. Companies Act or establishment Act.
 - E.g. Employment Equity Procurement

3.2.13. Obligations to deliver service

- Public entity's undertaking to deliver which critical services, notwithstanding any restructuring policy / arrangements until officially relieved.
- Changes to the above obligations to be made by whom.

3.2.14. Liabilities (to be addressed notwithstanding legislation)

- Recognition of the liabilities of the accounting authority, including contingent liabilities.
- Agreements on liabilities of management versus shareholder (depending on the nature of involvement the shareholder wishes to have in normal business management processes).
- Insurance and indemnity clauses and arrangements.
- Liabilities of executive and non-executive directors to be regarded equal under fiduciary duties – different with regard to involvement in day-to-day affairs and possible negligence in actions.



- Conduct which effects liabilities (accounting authority and shareholder) e.g. lack of information provided by accounting authority.
- Liabilities without limitations in cases of reckless or fraudulent operation of business.
- Details of expected shareholder support e.g. guarantees, commitments.

3.2.15. Penalties and rewards

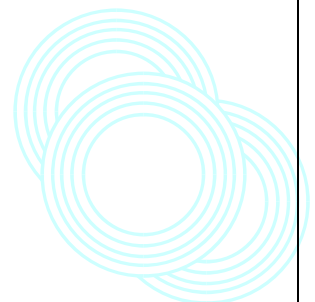
- Penalties to be effected for fraudulent and reckless activities.
- Penalties to be applied in case of non-achievement of targets as per business plan (e.g. cancelling incentive benefits).
- Reward or bonuses based on meeting or exceeding targets (e.g. activating incentive scheme).
- Removal of directors (circumstances, procedure irrespective of inclusion in the enabling legislation).

3.2.16. Third party assessment

- Potential disputes arising from issues such as the shareholder crossing the line of the mandate performance information supplied, disagreements on meeting of targets, new regulations / shareholder decisions affecting agreed targets.
- Where the above cannot be solved to satisfaction of both sides – to allow for third party assessment and mediation, where necessary.
- Defining the nature of “third party”.
- The status of third party assessment or ruling and its implementation.

3.2.17. Notices

- Notices regarding this agreement will be in writing.
 - Delivered by hand – when deemed to have been received
 - Post (pre-paid registered)
 - Telegram
 - Fax
 - E-mail





- When notices shall be regarded as adequate communication.

3.2.18. Whole agreement

- “This document together with the strategic, corporate, restructuring and business plans for [name of public entity], and any amendments, as currently approved by the public entity’s relevant executive authority, constitutes the whole of the agreement between the parties. No instructions, agreements, representations or warranties between the parties, other than those set out herein, are binding on the parties”.
- All undertakings and annexures to this agreement are declared active when this is signed.

3.2.19. Variations

- No variations shall be of any force unless in writing and signed by both parties.
- Describe process of introducing variations (notifications, draft submissions, final).

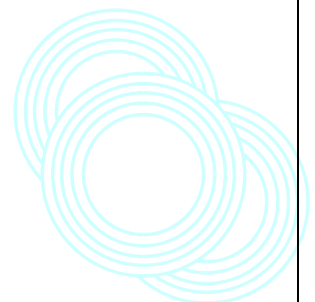
3.2.20. Conflict with Memorandum and/or Articles of Association

- In case of conflict, the provisions of this agreement prevail.
- In case of the above – articles of association will have to be amended.

3.3. Conclusion

The preparation of the shareholder’s compact forms the basis of performance delivery. In delivering service in the public sector, all entities forming part of the *machinery of public service delivery* should work together in an orderly and focussed manner.

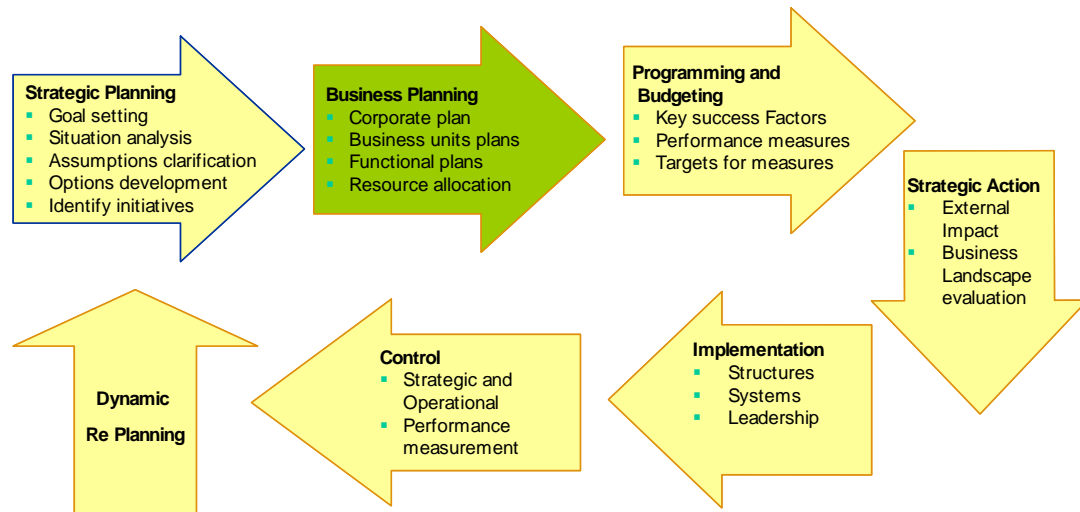
A well thought out agreement, prepared in consultation with the executive authority, will assist the public entity to focus its activities on the delivery of strategic or high quality services as an agent of the state for the benefit of the citizens of the country. Agreement on the outcomes to be achieved, with relevant performance measurements attached to these, will empower the executive authority to meet the required commitments to the legislature and the people of the country.





4. What is the Corporate Plan?

The Corporate Plan is a framework containing information regarding the organisation's strategic thinking, direction, and action leading to the achievement of consistent and planned results. It is not a duplication or substitution to strategic planning or business level planning. The Corporate Plan is designed to support the leadership within the organisation through a concise presentation of the outcomes of strategic planning and budgeting at operational level.



The plan ought to spell out the determination of basic long-term goals and objectives of the organisation and of the adoption of the course of action and the allocation of resources for carrying out those goals.

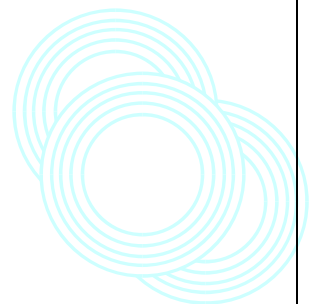
To accurately provide information regarding achieving the objectives of the organisation, the specific strategy related responsibilities of all corporate and subsidiary level objectives must be captured in a concise manner. The activities that must be responsibly managed within a diverse corporate environment are as follows:

- Managing the scope and mix of businesses the corporation is in (and restructuring the makeup of the business portfolio whenever circumstances warrant).
- Establishing corporate level strategic objectives and financial targets.
- Deciding what, if any, general strategic theme or unifying concept will be used to give the entity a distinctive character and/or keynote its business mission.
- Deciding what role each business unit will play in the overall corporate portfolio and approving the general strategic direction for each line of business.
- Striving to produce a corporate-based competitive advantage through business coordination of the strategies and related activities of divisional and subsidiary business units.
- Maintaining a capacity to intervene should a business unit's strategic performance fall outside agreed targets.



- Controlling the pattern of corporate resource allocation across business and subsidiary units.

The content of the Corporate Plan is discussed in the following section.





5. The Corporate Plan

"To be in hell is to drift, to be in heaven is to steer."

--George Bernard Shaw

5.1. Legal requirements - Treasury Regulations

The following is an extract from Part 9, Chapter 29 in the *Treasury Regulations*, as it relates to corporate planning.

29.1 Corporate plans [Section 52 of the PFMA]

29.1.1 The corporate plan must cover a period of three years and must include –

- (a) strategic objectives and outcomes identified and agreed on by the executive authority in the shareholder's compact;
- (b) strategic and business initiatives as embodied in business function strategies;
- (c) key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives;
- (d) a risk management plan;
- (e) a fraud prevention plan; and
- (f) a financial plan addressing –
 - (i) projections of revenue, expenditure and borrowings;
 - (ii) asset and liability management;
 - (iii) cash flow projections;
 - (iv) capital expenditure programmes; and
 - (v) dividend policies.

29.1.2 The executive authority of a public entity may request additional information to be included in the corporate plan.

29.1.3 Public entities listed in Schedule 2 or 3B must:

- (a) submit a three-year borrowing programme (beginning with the first financial year of the corporate plan) with their corporate plan to the National Treasury; and
- (b) submit quarterly reports on the borrowing programme to the National Treasury, reflecting actual borrowing for that quarter and any update of the borrowing programme.

29.1.4 Provincial government business enterprises listed in Schedule 3D and authorised to borrow by the Minister of Finance must –

- (a) submit to the relevant treasury, with their corporate plans, a three-year borrowing programme beginning with the first financial year of the corporate plan. The programme must be in terms of approvals and limits determined by the Minister, and in terms of the Borrowing Powers of Provincial Governments Act; and



- (b) submit to the relevant treasury, quarterly reports on the approved borrowing programme, reflecting actual borrowing for that quarter and any update of the borrowing programme.

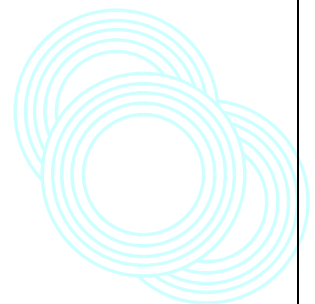
29.1.5 The relevant treasury must forward to the National Treasury –

- (a) a copy of the corporate plan and approved borrowing plan;
- (b) quarterly updates reflecting actual borrowing for that quarter; and
- (c) any update in the borrowing programme of Schedule 3D provincial government business enterprises that are authorised to borrow.

29.1.6 The borrowing programme referred to in paragraphs 29.1.3 and 29.1.4 must include –

- (a) the terms and conditions on which the money is borrowed;
- (b) information on proposed domestic borrowing;
- (c) for national public entities, information on proposed foreign borrowing within the prescribed limit, where applicable;
- (d) short and long-term borrowing;
- (e) borrowing in relation to a pre-approved corporate plan;
- (f) the maturity profile of the debt;
- (g) the confirmation of compliance with existing and proposed loan covenants;
- (h) debts guaranteed by the government;
- (i) motivations for government guarantees, if required; and
- (j) the executive authority's approval of the borrowing programme, if required by the legislation in terms of which the public entity was established.

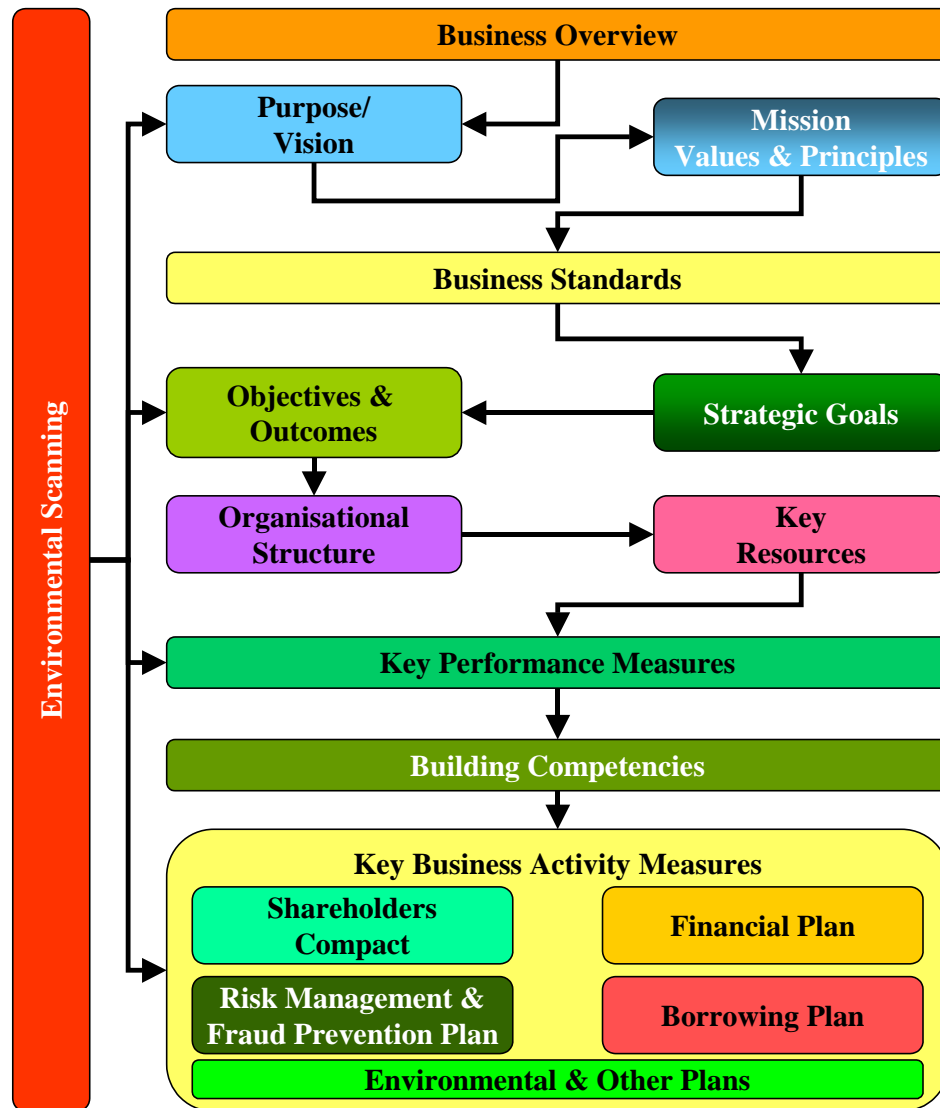
The information to be presented to the relevant treasury regarding the Corporate Plan and Shareholder's Compact needs to be completed within the framework that follows.





5.2. The Corporate Plan – A Conceptual Framework

A conceptual framework for the Corporate Plan can be graphically depicted as follows:



To provide the relevant treasury with sufficient information as required by the PFMA, the corporate plan presented by public entities must contain the following information:

- A brief overview of the Business of the Public Entity;



- A Statement of the Purpose of the Public Entity;
- The Vision of the Public Entity;
- The Mission of the Public Entity;
- The Supporting Values of the Public Entity;
- The Operating Principles;
- The scanning of the environment and building of competencies;
- The Business Standards employed by the Public Entity;
- A depiction of the Organisational Structure, supported by an abridged CV of each of the members of the Executive Team. The structure of the Board of Directors (Accounting Authority) and its supporting committees, as well as abridged CV's of each member of the Board and its committees must accompany the organisational structure as appendices to the Corporate Plan;
- An overview of the resources of the Public Entity;
- The critical success factors or key measures that need to be performed well to ensure organisational success;
- A list of Strategic Priorities identified for the Entity (Key Result Areas [KRA's]);
- Key financial performance indicators, including historic, current and projected future performance issues; and
- Key non-financial performance indicators based on the key outcomes to be achieved by the Public Entity.

Other key issues that needs to be addressed in the Corporate Plan include the following:

- A risk management plan;
- A fraud prevention plan; and
- A financial plan, addressing the following issues:
 - Projections of revenue, expenditure and borrowings;
 - Asset and liability management;
 - Cash flow projections;
 - Capital expenditure programmes;
 - Dividend policies; and
 - A borrowing programme.

A short description of the required contents of each of the focus areas of the Corporate Plan, that will supply information to the relevant treasury regarding the management and measurement of the Public Entity as described above, will follow. Appendix C contains an International Best practice example of a Corporate Plan as per the requirements of this



section, while Appendix A includes a summarised framework for Corporate Planning (Appendix B contains an example of a framework for a restructuring plan to be submitted when the public entity is in the process of restructuring the operations of the entity).

5.3. The contents of the Corporate Plan

5.3.1. Overview of the Organisation

A general background, in brief, on the public entity, including paragraphs on issues such as:

- The establishment date and the reasons for the establishment of the public entity. This section will include statements on the following:
 - The [Name of the public entity]
 - was established on [establishment date]
 - to provide [information of service or goods provided]
 - to [information on the broad community that is serviced].
- Details on the legislation empowering the public entity to perform its functions:
 - The name and number of the enabling legislation under which the public entity is established
 - Information regarding any amendments currently under review;
- Details regarding the stakeholders that the public entity is serving;
 - The [entity name or name of the subsidiary]
 - is serving the needs [short description of perceived or real needs]
 - of the community/economic sector to provide [service description] to provide [benefits] to the stakeholders.

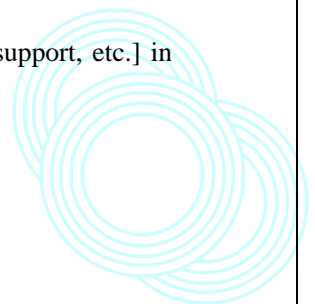
The information reflected here could also be included with the establishment details to prevent duplication.

- Any further historic or future information that will enhance the reader's understanding of the public entity. Please note that this information should be as concise as possible.

5.3.2. The Purpose of the Public Entity

An introductory statement that indicates strategic thinking in a clear framework of corporate direction and purpose. A purpose statement can start as follows:

- The principal purpose of the [name of the public entity] is to [provide/support, etc.] in delivering [service or works].





5.3.3. The Vision of the Public Entity

The vision of the organisation defines what the public entity is and what it wants to achieve. In preparing and presenting the vision, the following questions need to be answered:

- What is the public entity's corporate purpose?
- Why does the public entity exist (have we tested the legal reason for our existence lately)?
- What does the public entity aim to achieve?
- What ultimate goal must the public entity achieve to think of it as being successful?
- What should the public entity's legacy be?

To answer the questions and write the vision statement, the public entity has to be forward thinking and not be afraid of finding brutal truths to answer the above questions. Think of the Vision as "the hill" that is aimed for, i.e. the mental picture held by the stakeholders of what they would like the Public Entity to be.

5.3.4. The Public Entity Mission

A corporate mission statement is useful in providing direction and guidance. Ideally the mission statement will include the following information:

- The basic purpose of the public entity.
- A summary of appropriate activities.
- How achievement of the purpose might be managed and monitored.
- How the public entity might create competitive advantage, in the case of a business entity with competitors.

The mission should be relevant to all stakeholders and also be understood and supported by the public entity's employees. Think of the Mission as the decision the public entity is making regarding the product or service that it offers to the stakeholders that it has to service, i.e. the fundamental purpose of the entity.

5.3.5. Scanning the environment and building competencies

This implies linking the public entity's environmental circumstances and its behaviour to the market outcomes, in order to explain its competitive success and service delivery. A statement outlining how the public entity intends to create universal understanding among all management levels regarding the competencies. The statement can include, without being limited to, the following:

- What are the specifics that are done well to result in a competent organisation?
- What are the key changes taking place in the industry?



- How do we compare with other role-players in the industry?

5.3.6. Supporting Values

The value statement for the public entity must include information on the personal beliefs and values of the management and staff of the public entity regarding the characteristics of the organisation. Values that can be strived for, depending on the nature of the business can include the following:

- Professionalism.
- Ethical approach in service and product delivery.
- Respectful and helpful nature of our product and service offering.
- Competency, and relationship with innovation.
- Commercially viable projects and services to be pursued, etc.

5.3.7. Operating principles

The operating principles applied by the public entity in its operations can tell us about the character and nature of the organisation. We can find the following operating principles as indicative of the cost and operational structure of the public entity:

- Has a limited staff.
- Uses volunteer personnel or other government officials where possible.
- Complements, not duplicates the work of other public entities in its product/service delivery.
- Will work hard to maintain its ISO 9000 or equivalent rating.

These principles should be established to guide the public entity in its approach to business operations and strategic planning.

5.3.8. Business standards

Business standards provide insight into the way the organisation operates. Reference to business standards can include, without being limited to, the following:

- The commitment to business standards that are ethical, professional, performance focussed, service orientated, etc.
- Focus on the development of information and knowledge to assist the public entity in making better informed decisions and resulting actions affecting the well being of the public entity and its clients.
- The development and maintenance of a work environment that is safe, actively fosters personal development and personal integrity, builds teamwork and values performance.



Identifying a set of business standards can go to the core of the public entity's interaction with its stakeholders.

5.3.9. Strategic Goals (Long-Term)

Strategic goals identify the strategic results required to carry out the entity's vision and mission. To be meaningful, goals should have four main characteristics, namely:

- *Specific and measurable.*
- They should *address important issues.*
- They should be *challenging, but realistic* to create incentives to look forward to.
- When appropriate, goals should *specify a time period.*

These strategic results are broad based and reflect what the public entity wishes to have or become in such areas as:

- Customer satisfaction through service delivery standards.
- Financial responsibility and the responsible utilisation of scarce resources.
- Efficiency, effectiveness and economical service delivery.
- Utilisation of the assets of the public entity to provide economic growth and development within a specified community.

All of the above long-term goals should reflect the position of the public entity relative to its own subsidiaries and their objectives.

5.3.10. Objectives (short to medium-term)

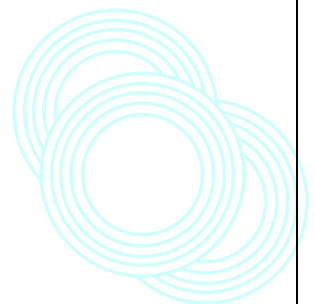
Objectives are statements that translate the vision and goals into realistic, clearly defined and measurable targets, which can be achieved within a specified time frame. Objective statements can be formulated to include reference to the following:

Short to Medium-Term Objectives

- Achieve [sustainable growth and diversity]
- Provide opportunities for ongoing [training and professional development.]
- Provide access to [information resources to assist]
- Provide opportunities for [personnel interaction to allow exchange of knowledge and experience.]

Strategies over the next 3 years

- Encourage continuous expansion of [the diverse membership.]





- Develop the [website as a self funding portal, including on-line library, news feeds]
- Facilitate active use [of the web-site]
- Develop a national [training and professional development programme]
- Publish an [official journal]
- Convene a [well attended, high profile]

5.3.11. Employment Equity Strategy

The information reflected here will portray the initiatives of the public entity to address previous inequalities.

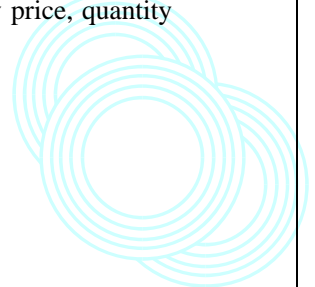
- Development of previously disadvantaged individuals through the provision of skills training.
- Employment of previously disadvantaged individuals both in terms of race and gender.
- Procurement procedures to include suppliers and/or vendors from previously disadvantaged communities.

5.3.12. Reflecting on Outcomes

The outcomes reported by the public entity are the results of the activities of the organisation through the production of outputs at the resource cost as specified in the annual budget. Outcomes, to be reported to the executive authority, display the following characteristics:

- Outcomes are achievements through the application of resources.
- The achievement of measurable goals.
- Outcomes describe what the job looks like when it is done well.
- Outcomes are signposts along the way of achieving the long-term goals of the organisation.
- It is significant indicators that reflect desired performance.
- It represents the end result of desirable actions implemented to achieve the goals of the organisation.
- It represents flexibility and provides the scope for initiative, directed towards outcomes.

Outcomes should reflect the efficient, effective and economical utilisation of organisational resources in reaching the objectives of the public entity and are specified by price, quantity and quality.





5.3.13. Organisational structure

The information required under this heading includes reference to the following:

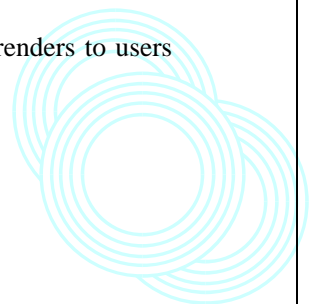
- The structure and composition of the Board of Directors and the Committees of the Board (this information can be supplied in graphic format with a short description).
- The administrative structure of the organisation (this information can be supplied in graphic format with a short description).
- As an appendix to the Corporate Plan, information on the Board of Directors in the following format:
 - Name and age of individual
 - Academic qualifications
 - Area of expertise
 - Other boards on which the individual serve
 - Years service as Board member of the public entity
 - Short CV of individual detailing his/her most recent achievements
- As an appendix to the Corporate Plan, information on the senior executives in the following format:
 - Name and age of individual
 - Academic qualifications
 - Area of expertise
 - Years service with the public entity
 - Short CV of individual detailing his/her most recent achievements

Any other relevant information can be included in a concise report.

5.3.14. The Public Entity's Financial Resources and Sources of Income

Provide concise details regarding the public entity's financial resources and sources of income. The purpose of the information in this section is to obtain an understanding of the public entity's viability and sustainability, without reducing it to quantitative information. The required information to be presented will include the following:

- "The assured sources of revenue for the public entity.
- The public entity delivers a service for which it charges a user fee.
- The public entity managed to maintain increases on the services that it renders to users within the [or below] inflation rate for the past years"





Other sources of revenue and sustainable income should be included under this section. Possible sources of revenue include:

- Transfers
- User charges
- Levies.

5.3.15. Key Performance Indicators (or KPIs)

What are KPIs?

KPIs are the critical few measures that indicate the success of a public entity in achieving its objectives. They are the vital link between the public entity's objectives and the improvement actions being taken by the organisation. They are also used to provide performance feedback on critical work processes and help achieve 'Best Practices'.

Key Performance Indicators display the following characteristics:

- Simple, clear and easy to understand.
- Must be measurable.
- Meaningful and significant.
- Controllable.
- Timely.
- Must be a direct measure of performance.
- Most should be able to predict financial results.

The following example displays the characteristics of a good *Key Performance Indicator*:

Example: Capital Projects Management

Objective	Reduce the time it takes to bring earnings projects to completion; Target = 3 month reduction
KPI	Cycle time (from submitting request to charging system with first batch)
Drivers	Scheduling and planning of engineering resources
Baseline	1999 Average Cycle Time = 15 Months
Financial Logic	Benefit = X
Benefit Calculation	2000 Average cycle-time = 12 Months Benefit = R20,000 x [(15-12)÷12] = R5,000 Cost Savings

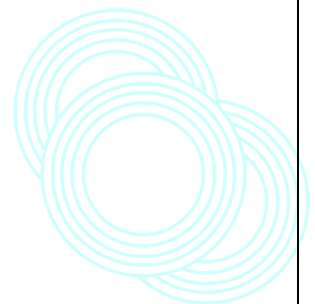
The following issues should be kept in mind when developing *Key Performance Indicators*:



- The team develops kPIs and associated targets.
- Focus should be on the 'critical few', not the 'trivial many'
 - Resemble the dashboard of a car, not a 747.
- Ensure compliance with the definition and characteristics of KPIs.
- Operational KPIs tend to provide immediate feedback versus waiting on a financial report.
- KPIs allowing immediate feedback have more value because of the ability to react immediately.
- Be prepared to change KPIs and/or targets until they predict meaningful results.
- KPIs don't have to be monthly - they can be daily, weekly, monthly or longer, depending on the measure.
- Targets can be developed using historical data or by setting goals around what you want to achieve.

5.4. Conclusion

The preparation and presentation of the Corporate Plan is of paramount importance in defining the role and place of the Public Entity in relation to the total government service process. It represents the source documentation for preparing the Shareholder's Compact and defines the strategic relationship between the entity and its clients.





6. The supporting framework

The Corporate Plan will not be complete if information regarding the supporting plans is not included.

The supporting framework for the Corporate Plan consists of the following focussed plans:

- The Risk Management and Fraud Prevention Plans.
- The Financial Plan.
- The Borrowing Plan.
- The Environmental Impact Plan.
- Other support plans, i.e. client service plan or marketing plan.

6.1. The Risk Management and Fraud Prevention Plan

Part of risk management would be to ensure that effective processes and procedures are in place to prevent fraud. Although the Treasury Regulations require two separate plans, i.e. a risk management plan and a fraud prevention plan, the latter should essentially form part of the risk management plan as it is one of the risk management components which will be addressed. For purposes of this framework the contents of such plans are reflected separately.

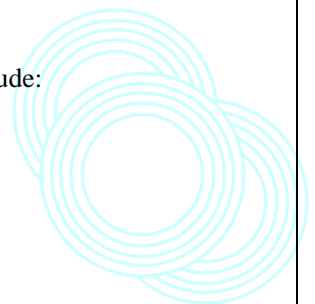
6.1.1. The Risk Management Plan

The National Treasury recognises that risk management is a corporate and individual responsibility. The establishment of effective systems of risk management is a part of the framework of internal control. Anticipation of risks and subsequent management increases the enterprise's ability to respond to risks in a proactive manner, i.e. in a timely and appropriate manner.

To that end, management is responsible for ensuring that all risks, both internal and external, faced by the public entity are effectively managed. The approach utilised by management should provide a mechanism to formalise responsibility and establish accountability for all risk management activities, based on the consolidated risk report, in accordance with good governance.

The formalisation of risk management activities is often achieved through the establishment of a Risk Committee, which should compile the risk management plan.

The primary framework for developing the risk management plan should include:





- The establishment and maintenance of a common understanding of the risk universe that needs to be addressed in order to achieve the public entity's objectives.
- Identification and agreeing the risk profile of the public entity.
- Co-ordinating the public entity's risk management and assurance efforts – to avoid duplication, ensure adequate coverage of the risks and decide on what assurance efforts are appropriate to provide the coverage.
- Considering the results/reports of the combined assurance efforts and to ensure that appropriate action is taken to address identified areas for improvement.
- Reporting to the Audit Committee on the work undertaken and extent of action taken by management to address identified areas for improvement. This reporting includes the Risk Committee's work in establishing and maintaining the understanding of the risks that need to be managed.
- Ensuring that the requirements of good governance are met.
- Identify and assess internal risks and opportunities attached to the different activities and resources of the public entities.
- Identify and evaluate new risks and opportunities arising from new objectives and external factors.
- Quantify potential liabilities and opportunities.
- Review past risks.
- Attempt to anticipate future risks and changes by monitoring internal and external environments to obtain information that may signal a need to re-evaluate the entity's objectives or control.

Once risks and opportunities have been identified and the likelihood and consequences of their occurring have been evaluated, appropriate policies and procedures can be established to manage them, proportionate to the risk or opportunity involved.

Risks not previously identified or those that may only emerge as circumstances change should be responded to in terms of the risk management philosophies developed i.e.:

- Prioritise.



- Assess effectiveness of current response.
- Identify any action needed to address the risk; and
- Develop a combined assurance approach for the risk (if appropriate).

Additional initiatives to strengthen and more effectively provide for risk management in public entities include:

- Fully integrating risk identification, assessment and management with business and project planning at all levels, as well as in individual performance contracts and assessments; and
- Reviewing risk management policy, procedures and application within the relevant public entity's individual business groups or subsidiary companies.

The risk management plan should also clearly identify the role players in the risk assurance processes, for example: The role of internal audit is to actively monitor the internal and external environment and, if identified risks are not responded to appropriately, to be the catalyst for ensuring that the risk universe is continually updated.

6.1.2. The Fraud Prevention Plan

The risk of fraud and corruption is being viewed in a serious light in the public sector, to the extent that the development of a fraud prevention plan is a specific requirement of the Treasury Regulations. We believe that the risk of fraud and corruption should not be dealt with in isolation but should be approached as part of the public entity's overall risk management strategy.

A fraud prevention plan should allow the public entity and all accountable managers to ensure that they can identify the fraud and dishonesty risks and manage these risks. The fraud prevention plan should cover all acts of dishonesty including fraud, corruption and theft, and it is noted that the South African Police Service normally charge offences of corruption as fraud or theft. In this framework, when referring to fraud it includes all acts of dishonesty, including fraud, theft and corruption.

There are five key risk areas, which face public entities: These are:

- The personnel risk.
- The system risk.
- The process risk, inherent in the business and administrative processes deployed by the organisation in the operations of the public entity.
- The structural risk: that is, the risks that are introduced by decentralised operations.



- The risk associated with interfaces with external organisations, which are not under the control of the public entity.

Any fraud prevention plan must effectively address each of these risks.

The success of any fraud prevention initiative or fraud prevention plan will depend on the buy-in and co-operation of the management and personnel of the public entity.

The main objectives of the fraud prevention plan are therefore:

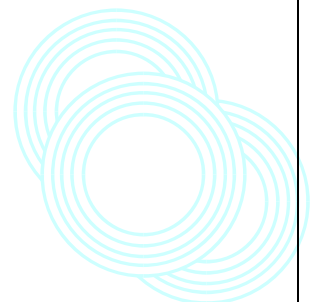
- to enable the public entity to focus on those risk areas which are most likely to create opportunities of fraud and where fraud has taken place; and
- to respond adequately to incidents of fraud, as well as taking steps to strengthen the systems, business processes and ethics of the public entity, in order to prevent future occurrence of fraud.

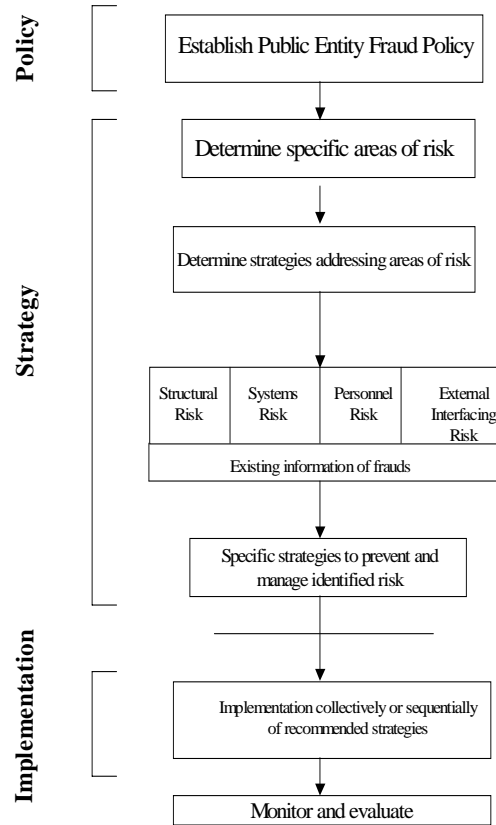
The activities of a fraud prevention plan include:

- Determine and articulate the public entity's policy in respect of fraud and other offences of dishonesty and to clearly state the public entity's intentions in preventing these.
- Draw up a strategy which takes cognisance of existing fraud risks faced by the public entity and the likely future risks, and sets out the mechanisms, procedures and initiatives necessary to manage the fraud risks and prevent fraud; and
- Prioritise and plan the implementation of the strategies, mechanisms, procedures and initiatives.

A fraud prevention plan is a dynamic document, which contains the public entity's policy and sets out the appropriate strategies and how to monitor and evaluate them. It should be a dynamic document in that it provides for continuous improvement as a result of the public entity learning from incidents of fraud that do take place, and from its experience in implementing fraud prevention.

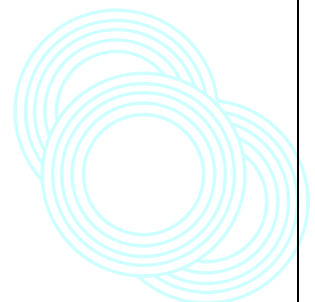
The fraud prevention process is illustrated on the following page:





6.2. The Financial Plan

The financial plan for the public entity should include sufficient information to allow the National Treasury to assess the current financial health of the public entity over a period of time.





The Operating Statement;

The following framework is presented for submission by the public entity concerned. Where the public entity has subsidiaries reporting to it, a separate sheet should be completed for each, with a consolidated statement for the public entity.

Public Entity Operating Statement - Framework

Name of public entity / subsidiary
for the year ended _____

R thousand	Notes	Outcome			Medium-term estimate		
		Audited 1998/99	Audited 1999/00	Audited 2000/01	Projected		
					2001/02	2002/03	2003/04
Operating revenues							
Transfers from government							
Sales of goods and services							
Interest received							
Net gains from sales of assets							
Premiums							
Net foreign exchange gains							
Other revenues from independent sources							
Total operating revenues		-	-	-	-	-	-
Operating expenses							
Employees							
Suppliers							
Depreciation and amortisation							
Write-down of assets							
Interest paid							
Total operating expenses		-	-	-	-	-	-
Operating surplus (deficit) before extraordinary items		-					
Tax on operating surplus							
Extraordinary items							
Net surplus (deficit) after tax and extraordinary items		-	-	-	-	-	-
Net surplus or deficit attributable to shareholders		-	-	-	-	-	-
Accumulated surpluses or deficits at beginning of reporting period							
Total available for appropriation		-	-	-	-	-	-
Adjustments to accumulated results brought forward							
transfer of assets to other Public Entities							
Transfer to reserves							
Dividends proposed or paid							
Accumulated surplus or deficit at end of reporting period		-	-	-	-	-	-

The above statement should be read in conjunction with accompanying notes.

The information required in the above statement is a minimum to be supplied. It should be adjusted by the public entity to present the consolidated picture for the public entity at the end of the relevant financial period.

The Balance Sheet

The balance sheet of the public entity and its subsidiaries provides a picture of the financial health of the public entity at a given time. The year-end balance sheet is a snapshot of the position of the organisation at the end of its financial year.

The balance sheet ratio's requested in the template below is required to allow the relevant treasury to assess the ongoing health of the public entity, given certain operating imperatives.



Cash flow statements

Detailed subsidiary and consolidated level cash flow statements should be completed for each public entity. The format below provides a best practice example of what the relevant treasury requires for providing high quality advice to the Minister of Finance or the relevant provincial MEC.

Public Entity Statement of Cash Flows

Name of public entity / subsidiary
for the year ended _____

R thousand	Notes	Outcome			Medium-term estimate		
		Audited 1998/99	Audited 1999/00	Audited 2000/01	Projected		
		2001/02	2002/03	2003/04			
OPERATING ACTIVITIES							
Cash received							
Appropriations for outputs							
Sales of goods and services							
Interest							
Other							
Total cash received		-	-	-	-	-	-
Cash used							
Employees							
Suppliers							
Borrowing cost							
Total cash used		-	-	-	-	-	-
Net cash from operating activities		-	-	-	-	-	-
INVESTING ACTIVITIES							
Cash received							
Proceeds from sales of property, plant & equipment							
Proceeds from investments							
Total cash received		-	-	-	-	-	-
Cash used							
Purchase of property, plant & equipment							
Purchase of intangible assets							
Purchase of investments							
Loans advanced							
Other cash paid							
Total cash used		-	-	-	-	-	-
Net cash from investing activities		-	-	-	-	-	-
FINANCING ACTIVITIES							
Cash received							
Revaluation of assets							
Equity injections							
Proceeds from placement of debt							
Total cash received		-	-	-	-	-	-
Cash used							
Repayment of debt							
Capital repayments							
Dividends paid							
Lease payments							
Total cash used		-	-	-	-	-	-
Net cash from (used by) financing activities		-	-	-	-	-	-
Net increase / (decrease) in cash held		-	-	-	-	-	-
Prior period adjustments to cash balances							
Cash at the beginning of the reporting period							
Cash at the end of the reporting period		-	-	-	-	-	-

The above statement should be read in conjunction with accompanying notes.



Public entities are required to complete and submit a detailed cash flow projection for the three-year Corporate Plan in the above format.

Capital expenditure programmes

Information regarding the capital expenditure programme of the public entity and its subsidiaries needs to be provided to the relevant treasury on an annual basis with the Corporate Plan.

Public Entity Capital Expenditure Statement

Name of public entity / subsidiary
for the year ended _____

R thousand	Notes	Outcome			Medium-term estimate		
		Audited 1998/99	Audited 1999/00	Audited 2000/01	Projected		
					2001/02	2002/03	2003/04
Capital expenditure							
Land and buildings							
Infrastructure							
Plant & equipment							
Motor vehicles							
Office furniture							
Office equipment							
Other movable assets							
Total capital expenditure		-	-	-	-	-	-

Capital Projects

Provide the following details regarding each capital project considered or under implementation:

- Nature of the project
- Funding requirement and term
- Source of funding (*local or international*)
- Weighted average cost of capital for the project

The above statement should be prepared and read in conjunction with accompanying notes.

The above format is indicative of what is required and should be amended to reflect the exact position of the public entity and its capital expenditure programme.

Dividend policies.

As shareholder of the public entity, the relevant executive authority and treasury need to be informed regarding the dividend policy of the public entity, where it is a business enterprise. As with private sector, government expects to receive a return on the investment that it has made in the public entity.

The dividend policy needs to be discussed with the relevant executive authority and confirmed with the relevant treasury on an annual basis as part of the Shareholders Compact. Dividends should be planned for and paid when the public entity meet its planned objectives. Future growth, social and economic upliftment should be considered when deciding on a dividend policy.



6.3. The Borrowing Plan

Section 29.1.3 (a) of the Treasury Regulations requires entities listed in Schedule 2 or 3B of the PFMA to submit three year borrowing plans with their Corporate Plans to the National Treasury. Section 29.1.3 (b) prescribes the submission of quarterly reports on their borrowing programmes to the National Treasury.

Provincial government business enterprises listed in Schedule 3D of the PFMA, must obtain written approval to borrow from the Minister of Finance, before embarking on any borrowing programmes. When any borrowings are outstanding, the same requirements as listed above also apply to these public entities, but within the framework of the Borrowing Powers of Provincial Governments Act.

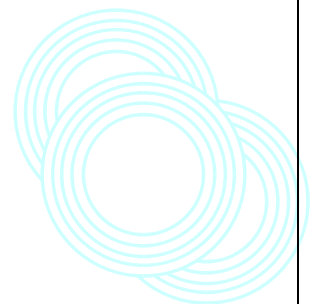
The table below provides a framework for the quarterly borrowing programme, followed by the last two years of the Corporate Plan on an annualised basis. The updates for the quarterly reports must be submitted within 14 days after the end of each quarter. (i.e. 31 March, 30 June, 30 September, and 31 December). All amounts must be reflected in South African Rands. The exchange rate applicable at the last day of the month at the end of the quarter should be used, unless the Treasury provides other information. The public entity must further supply dates for the payment of the annual guarantee fees in terms of section 29.1.3 of the Treasury Regulations.

Public Entity Borrowing Programme

Name of public entity / subsidiary
for the year ended 31 March 20__

BORROWING PROGRAMME

Date of borrowing	Total Borrowing in Rands	Foreign Portion		Domestic Portion	
		Short Term	Long Term	Short Term	Long Term
01/04/200_ to 30/06/200_					
01/07/200_ to 30/09/200_					
01/10/200_ to 31/12/200_					
01/01/200_ to 31/03/200_					
Total Borrowing - Current Financial Year					
Total Borrowing - Previous Financial Year					
Total Borrowing - Prior Financial Year (two years ago)					





The table below provides a framework for the public entity debt maturity profile.

Public Entity Borrowing Programme

Name of public entity / subsidiary
for the year ended 31 March 20__

MATURITY PROFILE

Repayment Dates	Name of Creditor	Total Debt at 30/04/01	Foreign Balance	Domestic Balance	Government Guaranteed Portion
2001					
2002					
2003					
2004					
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
etc					

All borrowing information must be projected for the three year Corporate Planning period and completed for each creditor and a consolidation prepared for the public entity.

6.4. The Environmental Plan

No planning process will be complete without the inclusion of a well researched Environmental Plan, prepared within the framework of the existing environmental protection laws of the country.

To prepare an environmental impact plan, the following activities needs to take place:

- Identifying mechanisms to monitor and upgrade the continuous development and upgrading the physical environment within which the entity operates.

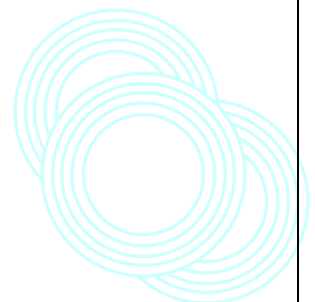


- Implementing measures to adhere to environmental legislation and regulation affecting the entity.
- Preparing detailed plans to guide the entity to comply with set environmental regulations.
- Information regarding the entity's contribution to the advancement of a healthy, safe and sound environment.

The plan needs to form part of the presentation of the shareholder's compact and must be included in the corporate plan to ensure that all aspects of the environment in which the entity operates have been considered. This will demonstrate the entity's commitment to the environment and therefore society in general.

6.5. Other supporting plans

Other supporting plans, such as an overall marketing plan, a client service plan or a communication plan should be developed in support to the Corporate Plan. These plans should not be viewed as the only plans that should be developed in support of the overall strategy and Corporate Plan of the organisation. Management, in discussion with the Board of Directors should develop all necessary frameworks and plans that will support the business of the Public Entity in making it more responsible and accountable to the public.





Appendix A: – Framework for Corporate Planning

FRAMEWORK FOR CORPORATE PLANNING

Introduction

Purpose of the Public Entity

Vision of the Public Entity

(measurability preferred)

Mission of the Public Entity

(including purpose and strategic intent)

Core or Supporting Values of the Public Entity

Operating Principles

(describing the character and nature of the entity)

Scanning of environment and building competencies

(linking the environmental circumstances to market outcomes)

Business Standards

(provide insight into the way the public entity operates)

Strategic Goals (long term)

(identify the strategic results required to carry out the public entity's vision and mission)

Weighted e.g.

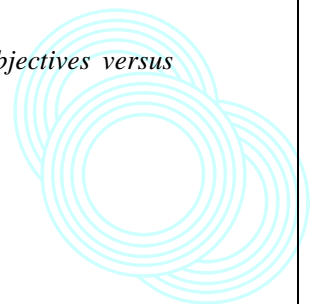
Activity per time period (goals 1 and 2 in 2000)

% of the budget allocation per goal / objective

Ranking the goals / objectives (1st, 2nd, 3rd, etc.)

Allocating weights (8, 5, 4, 1, etc.)

Standing and Transformation Objectives / Gatekeeper Objectives versus other (e.g. EE and Shareholder value)





Objectives (short to medium term)

(statements that translate the vision and goals into realistic, clearly defined and measurable targets)

Profitability targets

Economic Survival

Expansion and Growth

Consolidation and Rationalisation

Value enhancement

Outcomes

(the results of the activities of the public entity)

Human Resource Management and Organisational Structure

Human Capital Management

(including management capacity, workforce transition, black economic empowerment)

Internal Organisational Transformation

(transformation processes e.g. customer culture, employment equity, devolving decision making, etc.)

Financial Resources and Sources of Income

(to obtain an understanding of the public entity's viability and sustainability)

Key Performance Indicators

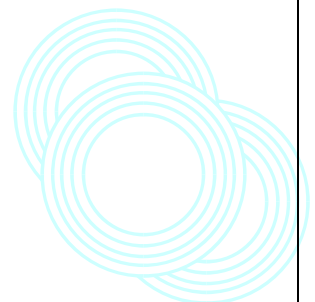
(the critical few measures that indicate the success of a public entity in achieving its objectives)

Implementation

(how will the corporate plan be enacted and who is to take first line responsibility)

Stakeholder relationship management

(including shareholder and employee support)





Appendix B: – Framework for a Restructuring Plan

FRAMEWORK FOR RESTRUCTURING PLAN (Only applicable if the public entity is in the process of restructuring)

Introduction

Strategic and Tactical Objectives of Restructuring

(inclusive of the views of all stakeholders)

Expected Outcomes of Restructuring

(strategic, organisational, financial, technical)

Cost and Service baselines and Improvement Targets

(as benchmark for performance improvements)

Timelines for Restructuring

(planning and setting objectives; preparation and valuation; prospectus and marketing; evaluation and reward)

Alternative / optional models of Restructuring

(concessioning / outsourcing; commercialisation; employee buy-outs; joint ventures; PPPs; PFIs – add weighted preference)

Feasibility Index

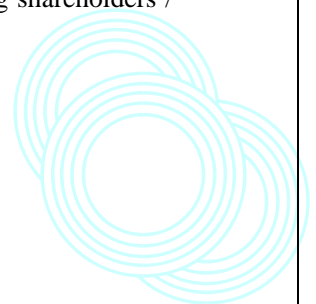
(based on barriers e.g. legislative restrictions & management capacity; operating and funding requirements)

Investment case

(home country dynamics, industry dynamics, company specifics, regional business markets)

Offering Structure

(anticipated demand; legal and regulatory frameworks; objectives of selling shareholders / company)





Valuation method and execution

(who, when, how)

Definition of new / restructured entities and residual organisation

(inclusive of scope of services, asset ring-fencing, employee numbers and levels)

High level Business Planning parameters

(for new / restructured entities)

Financing requirements and arrangements

(inclusive of proceeds / profit management; funding)

Shareholding projections

(controlling arrangements)

Relationship management with Stakeholders

(consultative and decision making structures; dispute resolution)

Comprehensive Communication Plan

(stakeholder focused)

Marketing Plan

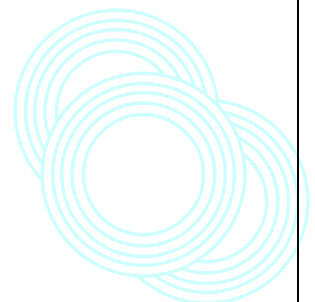
(to maximize demand)

Risk Management provision

(ensuring business continuity)

Appointment of Accounting and Legal advisors

(due diligence; contract and corporate finance structuring)

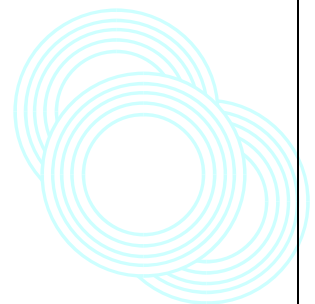




Appendix C: - International best practice example of a Corporate and Business Plan

EXAMPLE ENTITY

CORPORATE AND BUSINESS PLAN





Overview

The Institute of Public Works Engineering Australia Limited (IPWEA) is the national professional organisation providing member services and advocacy for those involved in and delivering public works and engineering services to the community.

The National Office represents the interests of members nationally and internationally. It approves the appointment of State and Special Divisions under its Rules of Association.

Previously known as the Institute of Municipal Engineering Australia (IMEA) up to June 1999, the organisation is now expanding its traditional local government engineering focus to public works, and thereby covering all levels of government and private practice.

The change of name reflects the new direction the organisation is embarking upon. Increasingly, engineers are working as part of multi-disciplinary teams, rather than working within traditional departments. Public works and services for all levels of government are being provided increasingly by consultants, contractors, and suppliers of goods, services and machinery, as well as those directly employed by government.

Membership criteria for IPWEA is also changing from an emphasis on engineering qualifications and position within council, to criteria based on what people do in their jobs. Members come from the wide range of professions involved in public works and services – engineers, technicians, public works directors, contractors, consultants, managers, and strategic planners. Membership grades also reflect their achievements within the Institute.

Currently the IPWEA is forging a new working relationship with the Institution of Engineers Australia (IEAust), providing savings and additional benefits to members including accreditation of qualifications, training, networking and exchange of specialist expertise.

The emergence of the IPWEA maintains the traditional expertise of local government engineering but by broadening the base of expertise and experience, adds a new dimension to public works professionalism in Australia.

This Corporate and Business Plan for the National Office outlines the Institute's:

- purpose
- vision and mission
- supporting values
- operating principles
- business standards
- organisational structure
- resources
- strategic priorities
- critical success factors, and
- business plan for the financial year 2000/2001.

The Purpose of the IPWEA

The principal purpose of the Company is to provide member services and advocacy for person's involved in and delivering public works and services.

Our Vision for the Institute

Our Vision is "to be the leading organisation for all persons involved in the planning and provision of public works and services in Australia".

The IPWEA Mission

To achieve our Vision, the Institute's Mission is:

- 1 To foster the personal and professional growth of the Company's members.
- 2 To develop and exchange ideas, information and technology.



- 3 To provide leadership and support to members to assist them in dealing effectively with change.
- 4 To provide public policy advice and advocacy to advance public works issues for the betterment of the wider community.
- 5 To represent the interests of members nationally and internationally.

Our Supporting Values

- Professional
- Ethical
- Respectful and helpful
- Vigorous in advocacy of members interests.
- Competent, up-to-date and innovative
- Commercially viable.

Our Operating Principles

The Institute works within the following key operating principles:

- has only a limited staff;
- uses volunteer members where possible;
- has a service agreement with the NSW State Division of IPWEA for provision of staff and administrative services;
- receives an annual member capitation fee from State Divisions;
- complements, not duplicates, the work of State Divisions; and
- adopts a strategic, co-ordination, leadership, and advisory role at national level.

These principles guide the Institute's approach to its business operations and strategic planning.

Our Business Standards

We have a clear and unequivocal commitment to business standards that are ethical, professional, performance-focused and service-oriented.

This commitment seeks to provide a clear and integrated focus on:

- the identification of member needs through communication and consultation;
- the provision of member services in a professional, timely and ethical manner;
- the development of information and knowledge to make better informed decisions, and resulting actions, affecting the well-being of the Institute and its members;
- the development and delivery of partnership arrangements which recognise and build on the responsibilities and capacities of the partners; and
- the development and maintenance of a work environment which is safe, actively fosters professional development and personal integrity, builds teamwork and values performance.

Our Organisational Structure

Our organisational structure comprises:

- the National Board – nine volunteer members nominated by State Divisions that meet face to face approximately twice per year, and at other times via telephone hook-up, to set policy, assist in implementing initiatives, review progress, and provide broad direction for the overall activities of the Institute's National Office.
- a staff of two headed by a part-time Chief Executive Officer who is responsible for day-to-day operations, and a full-time Personal Assistant.

Board members have been designated portfolio responsibilities reflecting particular strategic priorities.

State or Special Division means "a body, association or other entity accepted and continuing to be a State or Special Division in accordance with the Rules of Association of the Institute of Public Works Engineering Australia Limited".



Our Resources

The only assured source of revenue for the National Office is from the capitation fees levied on State and Special Divisions each year.

The Institute seeks to supplement its income through national project initiatives. It has also entered into a recent Memorandum of Agreement with the Institution of Engineers, Australia for partnering, joint membership and closer co-operation. The IPWEA receives a subvention fee from the Institution per joint member to cover the cost of delivering defined services.

Our Critical Success Factors

It is most important to identify key measures that, if performed well or correctly, reflect a major contribution to the achievement of our strategic priorities being achieved.

It has been identified that the Critical Success Factors of the Institute are its:

1. **Membership base**, and its
2. **Financial health**

Our Business Plan proposes that an annual "State of the Institute" report be prepared which monitors the current status and trends of the Divisions and National Office in these key areas.

Our Strategic Priorities

Our strategic priorities are reflected by the five **Key Result Areas** (KRA) that will achieve our Mission ... and ultimately the vision to which we aspire.

Progress on our long-term goals is reported under the five Key Result Areas, namely:-

1. **Membership**
2. **Leadership and Innovation**
3. **Policy and Advice**
4. **Strategic Alliances**
5. **Organisation Capability**

Three-year strategies have been developed for each Key Result Area to assist us achieve our long-term goals and objectives. These follow below.

Key Results Area 1

MEMBERSHIP

Long-term Goal:

IPWEA will be the primary resource to acquire the necessary ongoing skills and knowledge to successfully deliver public works and services to the community.

Short-to-Medium Term Objectives:

- Achieve sustained growth and diversity in membership reflective of the public works industry.
- Provide opportunities for ongoing training and professional development.
- Provide access to information resources to assist public works professionals carry out their jobs.
- Provide opportunities for member interaction to allow exchange of knowledge and experience.

Strategies over next 3 years:

- A Encourage continuous expansion of the membership base and its diversity representative of the wider public works industry.
- B Develop the IPWEA Website as a self-funding public works portal, incorporating online library, news-feeds, links to industry, e-commerce, virtual trade show, e-newsletter, and other resources and content.
- C Facilitate active use of the Website by State Divisions.
- D Develop a national training and professional development program.
- E Publish an official IPWEA Journal.
- F Convene a well attended, high profile biannual National Conference.



Key Results Area 2

LEADERSHIP AND INNOVATION

Long-term Goal:

IPWEA will be acknowledged as being at the forefront of providing leadership and innovation in the public works industry.

Short-to-Medium Term Objectives:

- Identify opportunities and issues for innovative research and project development that will provide leadership for the public works industry in our wider community.
- Engage in partnerships with industry, government and educational organisations to undertake leading edge and innovative projects, or research, of national significance.
- Undertake national initiatives, on a sound commercial basis, that seek to enhance the standing and credibility of the Institute, and improve the capability and functionality of the organisation.

Strategies over next 3 years:

- A. Maintain a priority list of strategic public work issues of national importance for the future of our wider community.
- B. Develop close ongoing relationships with potential strategic partners such as consultant firms, private companies, universities and government departments.
- C. Enter into strategic partnerships of mutual benefit to undertake commercially sound, innovative, leading edge projects or research of national significance.

Key Results Area 3

POLICY AND ADVICE

Long-term Goal:

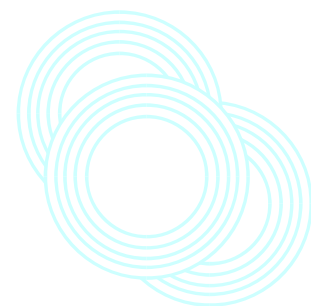
IPWEA will be acknowledged as the credible and respected voice of the public works industry to policy makers, implementing agencies and the general public.

Short-to-Medium Term Objectives:

- Establish the capability of the Institute to develop policy and provide advice on national public work issues.
- Build an awareness amongst policy makers, agencies and the general public that the Institute actively seeks and is available to assist with public works policy development and advice.

Strategies over next 3 years:

- A Identify key public works issues for development of Institute policy.
- B Establish readily accessible national policy reference groups.
- C Respond to requests for assistance on public works policy matters.
- D Actively participate in public debate on public works policy issues of national significance.
- E Take an advocacy and support role in public works policy development by government and agencies.





Key Results Area 4

STRATEGIC ALLIANCES

Long-term Goal:

IPWEA will be recognised as the proactive peak body representing the public works industry of Australia both nationally and internationally.

Short-to-Medium Term Objective:

- Engage in meaningful strategic alliances with kindred and other organisations at a national and international level that promote the Vision and wider objectives of the Institute.

Strategies over next 3 years:

- A Develop ongoing formal strategic alliances of mutual benefit with IEAust, ALGENZ, APWA and ALGA.
- B Identify and achieve specific outcomes with each strategic partner to build stronger and developing alliances.
- C Foster close ongoing working relationships with key office holders through regular contact and annual visits where possible.
- D Co-ordinate a national program of study tours and exchange programs with overseas alliance partners in liaison with State and National Foundations.

Key Results Area 5

ORGANISATION CAPABILITY

Long-term Goal:

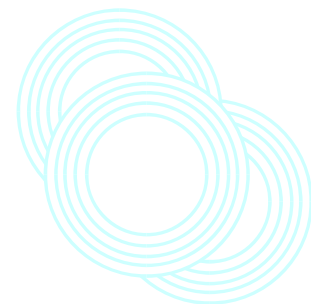
IPWEA will have the resources and infrastructure (staff, volunteers and finances) to respond to a multi-disciplinary membership and capitalise on emerging opportunities in both the public and private sectors.

Short-to-Medium Term Objectives:

- Develop a strong and growing member based organisation that fosters active participation of volunteers representative of the broader public works industry.
- Ensure the long-term viability of the Institute through sound business practices.

Strategies over next 3 years:

- A Understand the differences in the needs and operations of the individual IPWEA State Divisions.
- B Understand the breadth and needs of the wider public works industry.
- C Develop measures that support State Divisions in their operations and the delivery of services to members; foster close working relationships with Divisions.
- D Monitor the financial health and membership base of the Institute and its Divisions.
- E All national initiatives to be based on sound commercial business practices.





**BUSINESS PLAN
2000/2001**

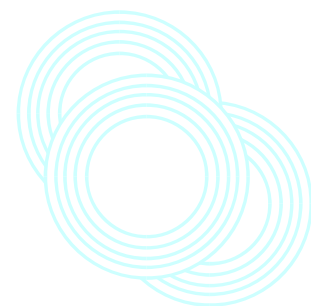
Our Business Plan and Budget for 2000/2001 has been integrated into the Corporate Plan.

A single page has been prepared for each Strategic Priority area and outlines for the Institute:

- the long-term goal for each strategic priority area;
- short-to-medium term objectives;
- key results to be achieved by implementing strategies over the next three year period 2000-2003;
- actions to be undertaken in 2000/2001 to help achieve those key results;
- performance indicators for each action;
- resources (budget) committed to undertake those actions;
- responsible person (officer, board member or volunteer member) in the program team.

Thus, the adopted hierarchy is:

Vision > Key Result Areas > Long-term Goals > Short-to-Medium Term Objectives > 3-year Strategies > 1-year Action or Business Plan

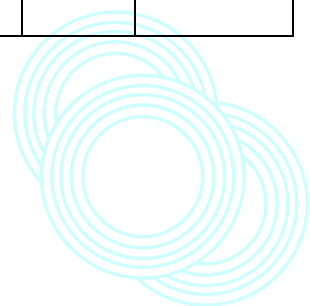




Key Results Area 1		MEMBERSHIP		Responsibility: Chris Champion, John Cragg, Warren Roberts		
Long-term Goal:		IPWEA will be the primary resource to acquire the necessary ongoing skills and knowledge to successfully deliver public works and services to the community.				
Short-to-Medium Term Objectives:		Achieve sustained growth and diversity in membership reflective of the public works industry. Provide opportunities for ongoing training and professional development. Provide access to information resources to assist public works professionals carry out their jobs. Provide opportunities for member interaction to allow exchange of knowledge and experience.				
Strategies over next 3 yrs:		2000/2001 Actions to Achieving Key Results		Budget 2000/2001		Performance
				Revenue	Expense	Indicators
A.	Encourage continuous expansion of the membership base and its diversity representative of the wider public works industry.	1.	Report defining the breadth of the public works industry; identify areas to focus services and target growth; develop marketing plan to increase membership.		**	Marketing Plan developed
		2.	Prepare a national membership kit that includes reference to the IPWEA Website for up-to-date information and application form.		**	Membership kit available incl. Online
B.	Develop the IPWEA Website as a self-funding public works portal, incorporating online library, newsfeeds, links to Industry, e-commerce, virtual trade show, e-newsletter, and other resources and content.	3.	Provide an online library of past State and National conference papers and other resources.	3,500	3,500	Online library implemented
		4.	Identify an individual from each Division to co-ordinate State content on the Website.			State web co-ordinators
		5.	Maintenance and development of the Website to move towards an industry portal.		10,000	Website developed
C.		6.	Deliver a specific national training course in 2000/2001; undertake in co-operation with Divisions (possibly asset management and IIMM).			Training course delivered
D.		7.	Investigate opportunities for future online delivery of national training programs.			Opportunities identified
E.	Facilitate active use of the Website by State Divisions.	8.	Publish and distribute the bimonthly Public Works Conference in 2001 (RM).		4,000	Six issues published
		9.	Prepare the Perth International Public Works Conference in 2001 (RM).			Conference held
F.	Develop a national training and professional development program.	10.	Distribute information and resources to Divisions where of assistance to members or operations.			Information distributed
		11.	Encourage joint membership of IEAust/IPWEA and registration within the IEAust NPER's.			Increased membership and regn
		12.	Report on possibility of a Biannual National Symposium for "Best Practice in Public Works".			Report considered
		13.	Provide name badges with Foundation funds.	16,500	16,500	Badges sent
	Convene a well attended, high profile biannual National Conference.					

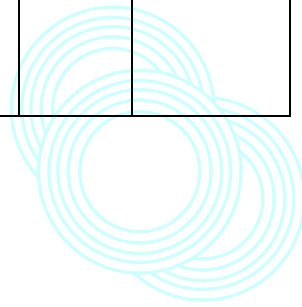


Key Results Area 2		LEADERSHIP AND INNOVATION		Responsibility: Chris Champion, Steve Carmichael, Malcolm Styles ** possible Board Member projects		
Long-term Goal:		IPWEA will be acknowledged as being at the forefront of providing leadership and innovation in the public works industry				
Short-to-Medium Term Objectives:		<p>Identify opportunities and issues for innovative research and project development that will provide leadership for the public works industry in our wider community.</p> <p>Engage in partnerships with industry, government and educational organisations to undertake leading edge and innovative projects, or research, of national significance.</p> <p>Undertake national initiatives, on a sound commercial basis, that seek to enhance the standing and credibility of the institute, and improve the capability and functionality of the organisation.</p>				
Strategies over next 3 yrs:		2000/2001 Actions to Achieving Key Results		Budget 2000/2001		Performance
				Revenue	Expense	Indicators
A.	Maintain a priority list of strategic public works issues of national importance for the future of our wider community.	1.	Report on a priority list of up to 5 significant national public works issues that could provide future opportunities for strategic partnerships.		**	Priority issues identified
B.	Develop close ongoing relationships with potential strategic partners such as consultant firms, private companies, universities and government departments.	2.	Actively foster close relationships with at least 3 potential strategic partners by discussing opportunities for new national initiatives.	84,000	86,800	Met with 3 potential partners Positive financial outcome
		3.	Administer and Review the AUS-SPEC Joint Venture Agreement with a view to consolidating as an ongoing commercial concern, and establishing it as the industry standard specification system (SC).			
C.	Enter into strategic partnerships of mutual benefit to undertake commercially sound, innovative, leading edge projects or research of national significance.	4.	Market the distribution of the IIMM to the wider Australian public works industry and explore international opportunities.	86,800	**	Breakeven sales exceeded
		5.	Develop and commence Stage 2 of the Timber Bridge project with a view to establishing it as a national asset management program and database.	28,000		Stage 2 commenced
		6.	Enter into at least one further strategic partnership to undertake an identified significant project or research, as a new national initiative.			Partnership agreed
		7.	Investigate suitable national initiative(s) under the IEAust TIF and/or CIUF funding.			Application(s) submitted



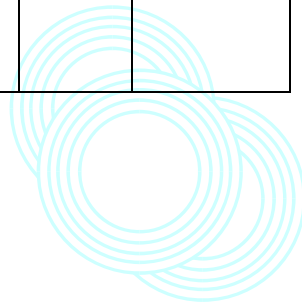


Key Results Area 3		POLICY AND ADVICE		Responsibility: Chris Champion, Kevin Bickhoff, Wally Iasiello ** possible Board Member projects		
Long-term Goal:		IPWEA will be acknowledged as the credible and respected voice of the public works industry to policy makers, implementing agencies and the general public.				
Short-to-Medium Term Objectives:		Establish the capability of the Institute to develop policy and provide advice on national public works issues. Build an awareness amongst policy makers, agencies and the general public that the Institute actively seeks and is available to assist with public works policy development and advice.				
Strategies over next 3 yrs:		2000/2001 Actions to Achieving Key Results		Budget 2000/2001		Performance
				Revenue	Expense	Indicators
A.	Identify key public works issues for development of Institute policy.	1.	Maintain a national membership database that identifies member expertise and interest areas.			Database operational
B.	Establish readily accessible national policy reference groups.	2.	Report on 3 to 5 key public works policy areas for establishment of national e-mail reference groups, e.g. asset management, road safety.		**	Key policy areas identified
C.	Respond to requests for assistance on public works policy matters.	3.	Seek expressions of interest from the national membership to take part in key e-mail policy reference groups.			Expression of interest called
D.	Actively participate in public debate on public works policy issues of national significance.	4.	Respond to requests for policy and advice on public works issues from the IEAust and others.		**	Advice provided
E.	Take an advocacy and support role in public works policy development by government and agencies.	5.	Take an active role through representation on the National Steering Committee on Road Funding, report progress. (KB).		**	Progress reports monitored
		6.	Representation on NEPR Board; establish competency panels for Areas of Practice under NPER's, where required. (DA).			Panels established





Key Results Area 4		STRATEGIC ALLIANCES		Responsibility: Chris Champion, Peter Taylor ** possible Board Member projects			
Long-term Goal:		IPWEA will be recognised as the proactive peak body representing the public works industry of Australia both nationally and internationally.					
Short-to-Medium Term Objectives:		Engage in meaningful strategic alliances with kindred and the other organisations at a national and international level that promote the Vision and wider objectives of the Institute.					
Strategies over next 3 yrs:		2000/2001 Actions to Achieving Key Results		Budget 2000/2001		Performance	
				Revenue	Expense	Indicators	
A.	Develop ongoing formal strategic alliances of mutual benefit with IEAust, ALGENZ, APWA and ALGA.	1.	Establish a Joint Review Committee with IEAust to review the existing Memorandum of Agreement; prepare and implement an action plan for responsibilities under the agreement.	10,000	**	Review by Aug 2000; Action plan developed	
B.		2.		26,000		Met twice	
	Identify and achieve specific outcomes with each strategic partner to build stronger and developing alliances.	3.	Review the Memorandum of Understanding with APWA and determine actions to enhance the alliance (including attendance at the APWA Congress in Sept 2000, development of U.S. exchange program).	8,000	8,000	Memorandum reviewed, represented at Congress, exchange commenced.	
C.		4.				Activities monitored.	
	Foster close ongoing working relationships with key office holders through regular contact and annual visits where possible.	5.	Take an active role, through representation, on the International Affairs Committee of the APWA; contribute articles to Reporter; report activities to Board.			Study tour co-ordinated.	
D.		6.		Co-ordinate a national approach to the 2000/2001 overseas study tours in co-operation with the relevant Foundations.			Memorandum signed, reciprocal visits made.
		7.			Develop a Memorandum of Understanding with ALGENZ to foster relationships (including defining guidelines for the IPWEA/ALGENZ Exchange Program, and reciprocal visits to National Conferences).		
	Co-ordinate a national program of study tours and exchange programs with overseas alliance partners in liaison with state and National Foundations.		Establish contact with ALGA to explore future opportunities for co-operation, support and liaison.			**	





Key Results Area 5		ORGANISATION CAPABILITY		Responsibility: Chris Champion, Ross Moody, Jack Riddiford			
				** possible Board Member projects			
Long-term Goal:		IPWEA will have the resources and infrastructure (staff, volunteers and finances) to respond to a multi-disciplinary membership and capitalise on emerging opportunities in both the public and private sectors.					
Short-to-Medium Term Objectives:		Develop a strong and growing member based organisation that fosters active participation of volunteers representative of the broader public works industry. Ensure the long term viability of the Institute through sound business practices					
Strategies over next 3 yrs:		2000/2001 Actions to Achieving Key Results		Budget 2000/2001		Performance	
				Revenue	Expense	Indicators	
A.	Understand the differences in the needs and operations of the individual IPWEA State Divisions.	1.	Develop national database of members, their contact details, interests, e-mail address; facilitate use by State Divisions.			Database operational	
B.		2.	Prepare a report which scopes the differences in the needs and operations of the Divisions, consider measures to strengthen operations and service delivery; develop action plan.		**	Action plan developed	
C.	Understand the breadth and needs of the wider public works industry. Develop measures that support State Divisions in their operations and the delivery of services to members; foster close working relationships with Divisions.	3.	Prepare an annual "State of the Institute" report monitoring trends in membership base and financial health of the Divisions and National Office.			Success factors measured	
D.		4.	Define financial condition benchmarks and membership targets for Divisions and National Office; provide feedback to Divisions.			Benchmarks and targets agreed	
E.	Monitor the financial health and membership base of the Institute and its Divisions. All national initiatives to be based on sound commercial business practices.	5.	Prepare a report reviewing the revenue earning capacity and cash flow of the National Office; develop action plan.			Action plan developed	
		6.	Hold 2 face-to-face Board meetings each year and minimum 2 national phone links.		10,000	Meetings held	
		7.	President and/or CEO to visit all Divisions and/or State Conferences at least once per year; plus general travel / liaison meetings.		20,000	All Divisions visited	
		8.	Prepare checklist and timeline of annual actions required as a registered company.			**	Checklist used
		9.	Encourage exchange of Divisions and National agendas/minutes to assist communication.				Minutes exchanged
		10.	Levy annual capitation fee on Divisions; allow discount due to IEAust joint membership.	60,000			Capitation fee collected
		11.	Enter into service agreement with NSW Division for supply of staff and other services.		115,000	Services provided	
		12.	General administrative services.	1,000	50,000	Serviced	