



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

ANNEXURE 35

METRO TRADING SERVICES REFORM PROGRAMME

TRADING SERVICE (URBAN WASTE MANAGEMENT) REFORM STRATEGY, ASSOCIATED IMPLEMENTATION ROAD MAP AND BUSINESS PLAN

2026/27 BUDGET (JUNE 2026)

EXTRACT FROM MINUTES

**OF THE ORDINARY MEETING OF THE COUNCIL OF THE CITY OF CAPE TOWN
HELD ON WEDNESDAY 30 JULY 2025 IN THE COUNCIL CHAMBER, 6th FLOOR,
PODIUM, CIVIC CENTRE, CAPE TOWN AT 10H00.**

**C 26A/07/25 APPROVAL OF URBAN WASTE MANAGEMENT REFORM
STRATEGY 2025: AS MANDATED BY THE URBAN
SETTLEMENTS DEVELOPMENT GRANT (USDG) FRAMEWORK**

RESOLVED that the Urban Waste Management Reform Strategy 2025, attached as Annexure A to the report on the agenda, be approved.

ACTION: M RARANI, J McNEIL



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

CITY OF CAPE TOWN

URBAN WASTE MANAGEMENT

**REFORM STRATEGY
2025**

**ANNEXURE A:
Turnaround Strategy**

APPROVAL

NAME	DESIGNATION	SIGNATURE	DATE
Jason Mc Neil	Executive Director: Urban Waste Management	Jason Mc Neil 	Digitally signed by Jason Mc Neil Date: 2025.07.18 11:06:15 +02'00'
Ald Grant Twigg	Member of the Mayoral Committee: Urban Waste Management	Ald Grant Twigg 	Digitally signed by Ald Grant Twigg Date: 2025.07.22 07:08:51 +02'00'

Contents

1. Introduction	6
2. Strategic trade-offs in Urban Waste Management.....	7
3. Urban Waste Management Performance Trends	10
3.1. Service Delivery.....	10
3.2. Financial Performance.....	13
4. Urban Waste Management Challenges.....	14
5. Strategic Alignment	16
6. Situational Analysis	17
6.1. Leadership & Management.....	18
6.2. Capable, Motivated People.....	20
6.3. Asset Creation	21
6.4. Asset Maintenance & Operations	23
6.5. Customer Trust & Satisfaction	25
6.6. Financial Viability & Reporting	26
6.7. Sound Governance & Supportive Enabling Environment.....	29
7. Target operating model and areas of improvement	30
7.1. Leadership, Management & Technical Capability.....	30
7.2. Asset Creation, Maintenance & Operations	32
7.3. Customer Trust & Satisfaction	32
7.4. Financial Viability & Performance.....	33
7.5. Sound Governance & Supportive Enabling Environment.....	35
7.6. Technological Advancement & Data Management	36
8. Change Management & Organisational Support	38
8.1. Change Management Strategy	38
8.2. Internal Communication and Capacity Development.....	39
8.3. Stakeholder Engagement Plan	39
9. Conclusion.....	40

Figure 1: Triple Bottom Line Framework for UWM directorate	7
Figure 2: Waste beneficiation linkages between municipalities, private business, communities, households, and the informal sector in the Greater Cape Town Region (source: de Wit et al., 2021)	12
Figure 3: Performance on operating budget	13
Figure 4: Performance on operating budget	14
Figure 5: 7-box model for successful trading service	17
Figure 6: Direction of travel from department to managing trading service business (Guidance note 3, 2024)	18
Figure 7: Evolution of UWM directorate structure	18
Figure 8: Current UWM directorate chart	19
Figure 9: Inefficient span of control within Waste Services	19
Figure 10: UWM directorate vacancy rate, 2021-2025	20
Figure 11: Average useful life of fleet remaining	21
Figure 12: Financial view for Plant & Vehicle Replacement	22
Figure 13: Overview of UWM directorate operations	23
Figure 14: UWM directorate Customer Survey Results – Improvement Areas	26
Figure 15: UWM directorate Revenue and Expenditure alignment over 10 years	27
Figure 16: Collection tariff actual vs forecast	28
Figure 17: UWM directorate tariff customer profile	28
Figure 18: UWM directorate Indigent relief and gap increasing annually	29
Figure 19: Indicative organogram for UWM as a SPoMA	31
Figure 20: UWM directorate becoming more financially independent	34
Table 1: Examples of integration in decision making	9
Table 2: Refuse collection rate for previous financial years	10
Table 3: Customer service responsiveness	10
Table 4: Informal settlements receive basic waste removal services	11
Table 5: Cleansing Grade Standard	11
Table 6: Performance on operating budget	13
Table 7: Performance on capital budget	13
Table 8: Excerpts from IDP objectives related to solid waste management.	16
Table 9: UWM Directorate Staff Complement & Vacancy Rate	20
ANNEXURE 1: WASTE MANAGEMENT FACILITIES	42
ANNEXURE 2: LANDFILL & WASTE DIVERSION SNAPSHOT	43

Glossary of terms

AFS	Annual Financial Statements
AMATE	Avoid, Mitigate, Accept, Transfer, Escalate
C3PM	Corporate Project, Portfolio and Programme Management
CCT	City of Cape Town
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DORA	Division of Revenue Act
EAM	Engineering and Asset Management
ED	Executive Director
EPWP	Expanded Public Works Programme
ERP	Enterprise Resource Planning
FY	Financial Year
GIS	Geographic Information System
IDP	Integrated Development Plan
KPI	Key Performance Indicator
MRF	Materials Recovery Facility
MTSR	Metro Trading Services Reform
PIAP	Performance Improvement Action Plan
PM	Project Manager
PMO	Project Management Office
PPM	Portfolio and Project Management
R&M	Repairs & Maintenance
ROI	Return on Investment
RTS	Recycle Track Systems
SAP	SAP Enterprise Resource Management System
SCM	Supply Chain Management
SHEQ	Safety, Health, Environment, and Quality
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SPoMA	Single Point of Management Accountability
USDG	Urban Settlements Development Grant
UWM	Urban Waste Management
WM&D	Waste Minimisation and Diversion

1. Introduction

Municipal trading services are experiencing a decline in service delivery. National Treasury (NT) attributes this decline to the following fundamental issues:

- Long-term under-investment in bulk infrastructure, including maintenance and repairs of existing infrastructure.
- Poor financial performance.
- Ineffective governance.

To this end, the National Treasury has introduced a performance-based financial incentive through the Metro Trading Services Reform programme (MTSR) to support institutional reform and investment aimed at transforming metro trading services, particularly in the Energy, Water & Sanitation, and Solid Waste sectors. The main aim of the grant is to enhance efficiency, financial sustainability, and reliability in the sectors prioritised within the metros.

Cape Town's solid waste system, like those of most cities, faces increasing complexity and cost pressures amid rapid urbanisation. In particular, the City of Cape Town's Urban Waste Management (UWM) directorate continues to encounter several challenges, including, among other issues:

- Expansion of informal settlements and unregulated densification.
- Depleting landfill airspace with two of the active facilities nearing end-of-life
- Tariff structure that is not cost-reflective
- Ageing infrastructure
- Fragmented operations
- Illegal dumping

An opportunity exists through the National Treasury's MTSR programme for the UWM directorate to address these challenges and improve existing systems to provide a more effective waste management service for Cape Town residents.

Municipal trading services must submit a turnaround strategy to access the MTSR programme, demonstrating the City's commitment to reform its operational, financial, and institutional aspects. This strategy document explains how the City's UWM directorate will align itself with the requirements of the MTSR programme as outlined in NT's guidance notes.

The purpose of the strategy is to:

- **Formalise the City's strategic commitment** to the principles and objectives of the MTSR Programme as defined by National Treasury, ensuring it aligns with national fiscal and infrastructure reform priorities.

- **Articulate the City's long-term vision and strategy** for creating financially sustainable, professionally managed, and service-oriented trading utility services.
- Outline the institutional roadmap, business and investment plans, and performance improvement actions needed to qualify for and effectively utilise the MTSR performance-based incentive grant.
- **Promote transparent and responsible governance** by establishing clear role definitions, performance indicators, and reporting standards as part of the A3: PIAP.
- **Enable structured internal planning, budgeting, and monitoring** throughout the reform period, with clearly phased milestones and sector-specific implementation plans.

2. Strategic trade-offs in Urban Waste Management

The UWM directorate must operate at the nexus of three core imperatives: economic viability, social equity, and environmental responsibility, as illustrated in Figure 1. These pillars underpin sustainable service delivery under the MTSR. Strategic decisions should aim to optimise all three while recognising the need to manage trade-offs transparently and adaptively.

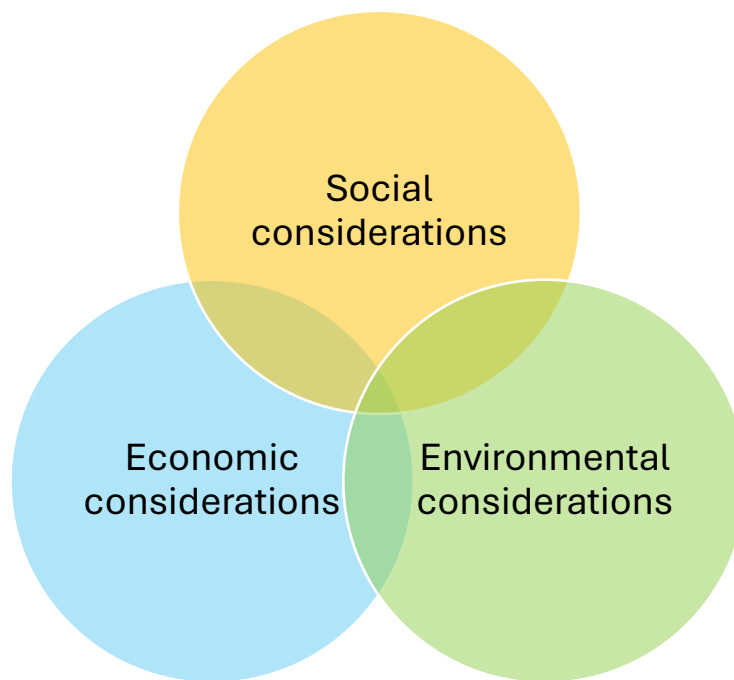


Figure 1: Triple Bottom Line Framework for UWM directorate

I. Economic Imperatives

The UWM directorate must achieve long-term financial sustainability. Key economic levers include:

- **Full cost recovery** via tariffs, user fees, and suitable subsidy mechanisms.
- **Capital investment** in infrastructure (e.g., landfills, material recovery facilities, vehicle fleets).
- **Cost efficiency** by optimising municipal resources and operations.
- **Systemic savings** achieved through innovations such as circular economy models.

Challenge: Achieving economic efficiency without regard for affordability or environmental impact could weaken political feasibility and sustainability.

II. Social Imperatives

Waste services are crucial for public health and urban equality. A socially responsible waste management strategy should:

- Ensure **universal access**, particularly for informal settlements.
- Integrate informal waste workers into the formal waste sector value chain.
- Promote **employment opportunities** in collection, separation, and processing functions.
- Encourage **community involvement**, awareness, and behavioural change.

Challenge: Without solid financial models, prioritising social outcomes risks long-term operational sustainability.

III. Environmental Imperatives

Environmental performance is essential for long-term sustainability. The UWM directorate has carried out several Landfill Gas projects at the Bellville, Vissershok, and Coastal Park landfills. These initiatives address requirements to control emissions (methane and greenhouse gases) and to meet climate change commitments. Additionally, infrastructure has been established at the Coastal Park landfill to generate electricity from flaring landfill gas. This system is set to be commissioned soon and has a capacity of 2mw. Plans are also being developed for the phased installation of infrastructure at Vissershok Landfill to generate 7MW of electricity.

Strategic goals include:

- **Reducing dependence on landfill** through diversion, recycling, and composting.

- **Managing emissions** (e.g., methane, CO₂) and leachate from landfill sites.
- **Preventing pollution** while safeguarding groundwater and ecosystems.
- Maintaining compliance with changing environmental regulations.

Challenge: Environmental investments often entail high initial costs and demand behavioural changes, requiring social and financial support mechanisms.

Value at the Intersection: Integrated Decision-Making

Resilient decisions arise when economic, social, and environmental factors come together.

Table 1 presents three examples of this.

Table 1: Examples of integration in decision making

Initiative	Economic	Social	Environmental
Waste-to-energy	Must be financially viable	Must be socially acceptable	Must meet emissions standards
Fleet digitisation	Improves cost control	Improves service quality	Reduces emissions
SPoMA model	Transparent cost recovery	Enhances accountability	Supports compliance goals

This integrated approach aligns with the **National Treasury's MTSR objectives**, supporting UWM directorate's development into a commercially sustainable, socially equitable, and environmentally responsible trading service.

Navigating Trade-Offs: An Essential Element of Strategic Planning

Most decisions involve trade-offs. These must be managed explicitly and transparently:

- **Cost Recovery versus Affordability:** Full cost tariffs may exclude vulnerable households unless offset by cross-subsidies or pro-poor strategies.
- **Environmental leadership versus financial viability:** state-of-the-art facilities might not be sustainable without external funding or regulatory incentives.
- **Inclusion versus efficiency:** formalising informal actors enhances equity but increases cost and complexity.

Strategic Goal: Identify practical balance points that progressively push the system towards sustainability, recognising constraints without compromising ambition.

Conclusion: A Framework for Decision-Making

The UWM directorate's future success under the MTSR framework relies on its capacity to:

- I. Make trade-offs clear and quantifiable.

- II. Align investment choices with social and environmental value.
- III. Foster resilience through comprehensive **planning**, not isolated optimisation.
- IV. Incorporate the triple-bottom-line perspective into **every strategic and operational decision**.

This approach positions the UWM directorate to attract investment, maintain public legitimacy, and deliver high-quality, sustainable waste management services.

3. Urban Waste Management Performance Trends

3.1. Service Delivery

In the past financial year, the UWM Directorate made improvements across key basic service delivery functions, while still facing structural and behavioural challenges. The service delivery improvements are summarised as follows:

- **Formal areas continue to show improvements in service reliability.** Refuse collection on the scheduled day reached 98.36%, up from 98% the previous year. Additionally, compactor availability exceeded the 95% target, reaching 103% during the reporting period. While this demonstrates operational resilience, the performance is being maintained under pressure from an ageing fleet. Without investment in fleet renewal and replacement, this level of overperformance cannot be sustained in the long term.

Table 2: Refuse collection rate for previous financial years

FY24/25	FY23/24	FY22/23
98.36%	98%	97.36%

- **Customer service responsiveness also showed notable improvements.** The resolution rate for non-collection service requests within three working days rose to 80.40%, a substantial increase from the FY2022/23 baseline of 37.59%. However, 884 service requests remained unresolved within the timeframe over a nine-month period. This suggests that while service levels have enhanced, there are ongoing process gaps that require systemic tightening and automation to maintain consistency.

Table 3: Customer service responsiveness

FY24/25	FY23/24	FY22/23
96%	61.06%	52.22%

- During the 2024/25 financial year, the directorate received a total of 120,389 service requests, accounting for 9.4% of all service requests logged across the city. Of these, 114,233 requests, or 96.31%, were closed within the targeted timeframe. Although operational teams often address service requests within

the set timeframe, reliance on manual processing to complete the requests hampers the realisation of closing specific requests on time.

- **Drop-off facilities maintained a 99.60% availability rate during the quarter.** These facilities are vital for diverting bulky and recyclable materials from illegal dumping and landfill disposal. However, congestion, peak-time pressure, and user non-compliance continue to challenge the system, emphasising the need for stronger on-site management and extended operating models.
- **100% of the City's 637 registered informal settlements receive basic waste removal services.** While this demonstrates strong operational performance, it is important to recognise that the City's broader informal settlement landscape is estimated at about 850 settlements. A significant proportion of these remain unregistered or are located in areas with severe access restrictions. These conditions impede the expansion of formal waste services, despite increasing pressure to extend coverage across the city.

Table 4: Informal settlements receive basic waste removal services

FY24/25	FY23/24	FY22/23
99%	99.84%	99.78%

The standard of cleanliness remains a significant concern in serviced informal settlements. Despite scheduled collection, many such areas do not meet the acceptable standards on the City's 1–4 grading scale, as shown in table 5. Contributing factors include ineffective containment, high population density, and deeply rooted patterns of illegal dumping that continue regardless of service availability. The current cleaning resources and area management approaches are insufficient to reverse these trends without further intervention.

Cleansing Standards of Cleanliness Inside Informal Settlements	
Level 1: Desired level of cleanliness	No delay in payment.
Level 2: Minimum level of cleanliness	No delay in payment. However, contractor should endeavor to achieve continual improvement.
Level 3: Unacceptable level of cleanliness	Level 3 for any portion of an informal settlement would result in the Contractor being given notice to achieve level 1/2 within 24 hours. Penalties as per the tender specification will apply.
Level 4: Totally unacceptable level of cleanliness	Level 4 for any portion of an informal settlement would result in the Contractor being given written notice to achieve 1/2 within 24 hours. Penalties as per the tender specification will apply.

Table 5: Cleansing Grade Standard

- **Public awareness and education remain central to the Directorate’s strategy to encourage behavioural change.** As of 31 March 2025, 346 awareness and education activities were completed out of an annual target of 400. This indicator was introduced in the 2024/25 financial year. These initiatives are vital for addressing community practices that contribute to illegal dumping, poor separation, and misuse of public waste infrastructure.
- **The Directorate actively monitored 61 illegal dumping hotspots,** more than doubling the original target. However, illegal dumping remains a persistent problem despite these efforts. This rise indicates a more aggressive enforcement approach, yet the continued occurrence of dumping highlights the limitations of enforcement and surveillance alone. Integrating the private sector and informal waste pickers into the recycling value chain must become a core part of the strategy to effectively combat illegal dumping. Figure 2 below illustrates the waste beneficiation linkages among various stakeholders. The directorate should foster an environment that enables the private sector to lead waste recycling and beneficiation initiatives.

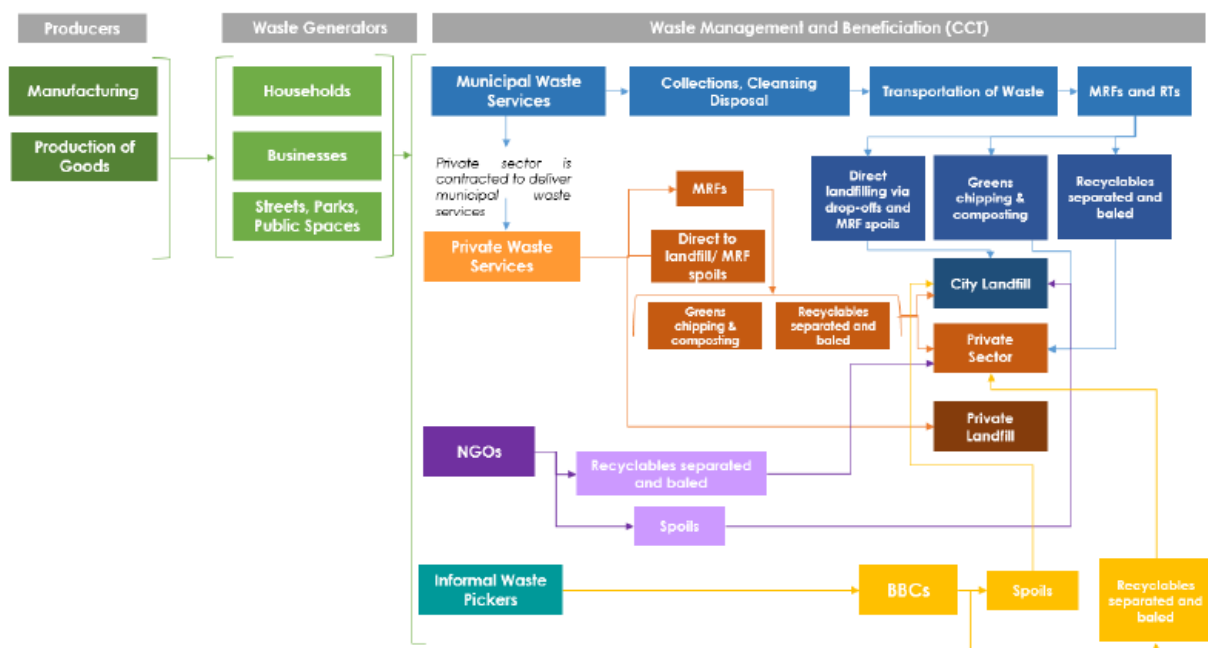


Figure 2: Waste beneficiation linkages between municipalities, private business, communities, households, and the informal sector in the Greater Cape Town Region (source: de Wit et al., 2021)

3.2. Financial Performance

The Directorate has consistently maintained an operating budget expenditure rate of over 95% in the past five (5) financial years.

Table 6: Performance on operating budget

2020/21		2021/22		2022/23		2023/24		2024/25	
Plan R'000	Actual R'000	Plan R'000	Actual R'000	Plan R'000	Actual R'000	Plan R'000	Actual R'000	Plan R'000	Actual R'000
3 952 786	3 881 189	4 191 799	4 152 142	4 630 653	4 629 800	4 915 121	4 868 343	5 319 442	5 193 556
98.19%		99.05%		99.98%		99.05%		97.63%	

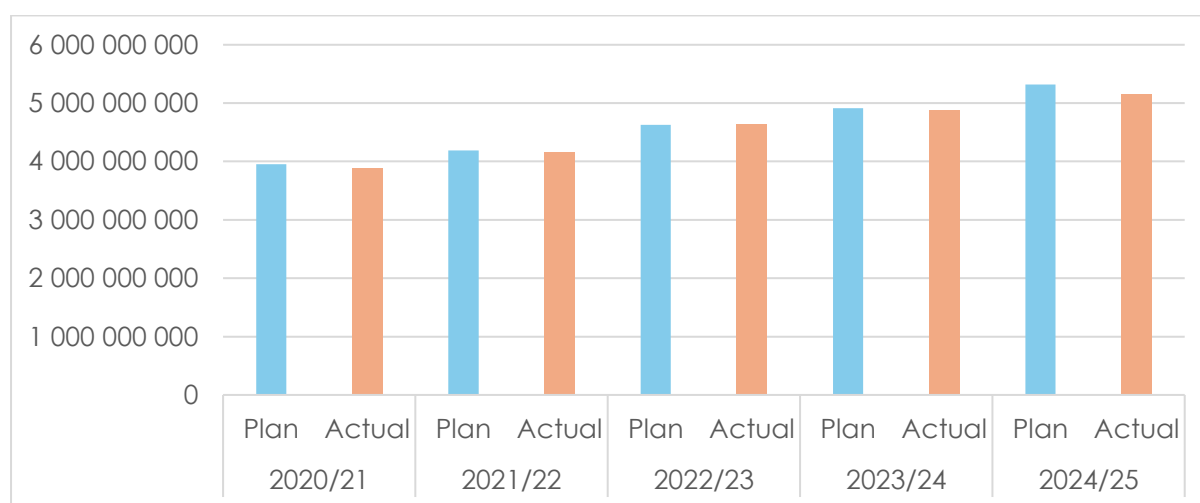


Figure 3: Performance on operating budget

The performance of the capital budget over the same five-year period shows an inconsistent pattern with declines in performance. This is mainly caused by high staff turnover affecting the implementation of the directorate's capital programme, leading to an imbalance in the number of projects assigned to each project manager. The lack of essential technical skills to manage projects and contracts further hampered performance on capital budget expenditure. After critical vacancies, including that of the Manager: Capital Projects, were filled, the environment stabilised, as reflected in the results for 2024/25.

Table 7: Performance on capital budget

2020/21		2021/22		2022/23		2023/24		2024/25	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
651 771 437	528 035 139	388 297 960	327 565 823	694 253 280	638 819 937	732 578 544	592 417 022	416 696 137	384 630 762
81.02%		84.36%		92.02%		80.87%		92.30%	

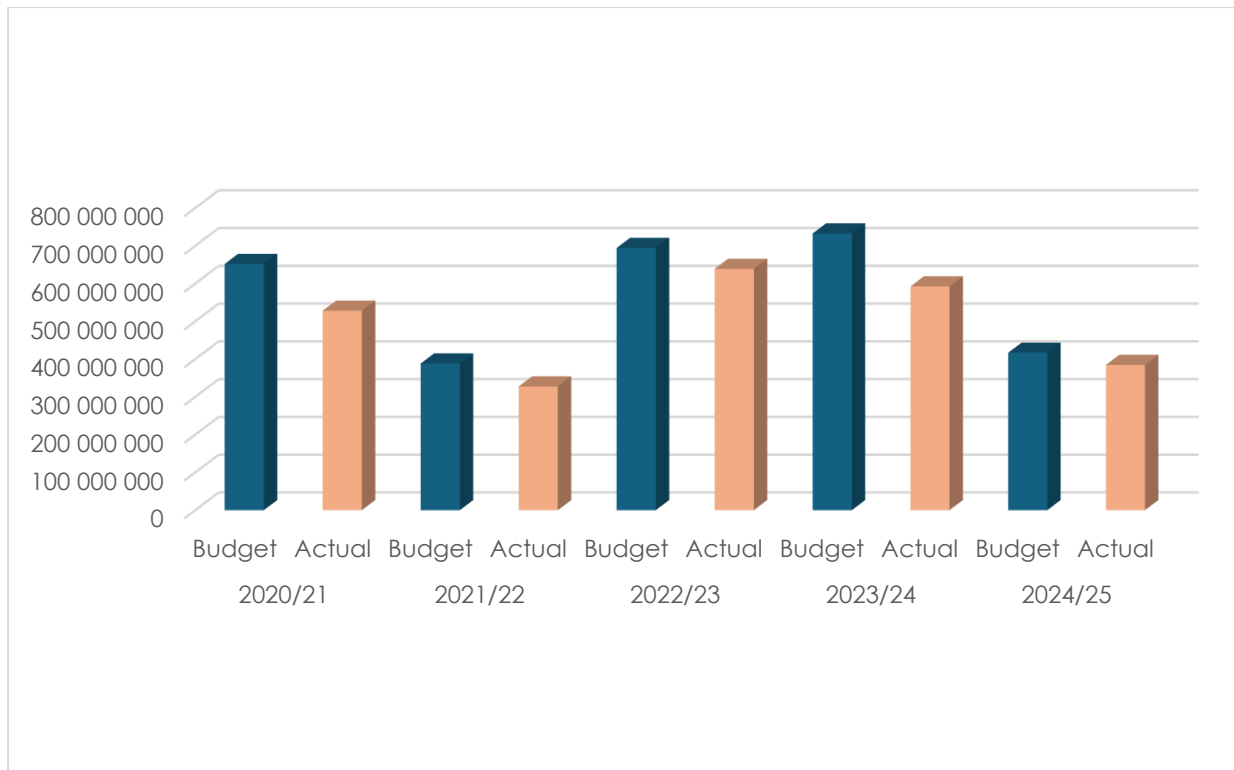


Figure 4: Performance on operating budget

4. Urban Waste Management Challenges

The CCT's UWM directorate faces several challenges, including:

- **Increase in waste volumes and collection points.** A rapidly growing population leads to higher waste volumes and more collection points, along with unplanned growth in informality. All of this causes a declining proportion of tariff-paying customers.

According to the 2022 Census, Cape Town's population was 4,772,846, marking a 28% increase since the 2011 Census. This growth results in higher waste volumes. Furthermore, the number of households reached 1,452,845—36% more than in the previous Census—leading to more collection points.

- **The increasing number of households does not lead to higher revenue** because the proportion of households paying tariffs is decreasing. The number of indigent households receiving services and indigent relief rose from 37.0% (or 261,319 households) in FY2020/21 to 39.4% (or 288,774 households) in FY2024/25. This trend makes it harder to fund municipal services through a 'user pays' approach and requires cross-subsidisation. As fewer households can afford services, the stability of this cross-subsidisation model becomes more fragile.

The expansion of informal settlements further aggravates the challenge of funding and service delivery. According to the City's Informal Settlements

Rooftop Count (2024), informal dwellings increased from 151,016 in FY2014 to 278,044 in FY2024 - an annual growth rate of approximately 9%.

- **The CCT is running out of landfill airspace.** The UWM directorate currently operates two landfills - Coastal Park and Vissershok. Coastal Park is nearing the end of its operational life (projected closure between FY2026/27 and possibly FY2028), while Vissershok is expected to last until FY2036. Despite efforts spanning several years, no alternative landfill site has been secured. The prefeasibility assessment to identify a new site for the regional waste facility has been completed. The development of this will be part of the investment plan.
- **Costs are set to increase.** Ageing infrastructure and assets require maintenance or replacement to optimise efficiency and long-term sustainability. Landfill sites that are due to close within the next three years will incur handling costs related to logistics, infrastructure investments, and evolving regulatory requirements. Costs are expected to surpass national inflationary estimates.
- There is also **pressure to expand services** to more of CCT's roughly 850 informal settlements, to reduce illegal dumping, and to enhance waste beneficiation services. Evolving legislation aimed at improving environmental sustainability, which affects current business models, is likely to boost the investment needed.
- Beyond UWM directorate's own revenue, there is a **trend of declining transfers per customer** due to the share of intergovernmental finance via the Division of Revenue Act (DORA), relative to customer numbers and a reduced ability to rely on the City's share of property rates allocated to UWM directorate.
- **The procurement function is operating under constrained capacity.** The UWM directorate is facing challenges in the area of procurement, particularly in certain aspects of the business, due to limited technical capacity. This capacity and skills deficit has impacted the efficiency of some business processes. Efforts are underway to strengthen procurement capabilities and will form an integral part of the turnaround strategy.
- The UWM directorate's **revenue is generated through three funding streams:** rates, tariffs, and landfill disposal fees. It is recognised that reform of the current funding model is necessary to transition to a financially viable and sustainable business with a transparent tariff structure. Following the approval of its 2025/26 budget, the UWM directorate began a phased implementation of a revenue model reform by introducing a city-wide cleaning tariff. This tariff reform work, initiated in the previous financial year, will continue as part of the MTSR programme to establish a viable and acceptable funding mechanism.

5. Strategic Alignment

The key points of this Turnaround Strategy align with the CCT's strategic documents, particularly the Integrated Development Plan (IDP) and the 2025 Waste Strategy, both of which have received Council approval.

The IDP lays out the following objectives for solid waste management:

Table 8. Excerpts from IDP objectives related to solid waste management.

IDP initiative number and name	Description
4.1.B. Solid Waste - Business Model reform initiative:	Service delivery model reform: The focus will be on operational efficiency, addressing the implications of limited landfill airspace, building the principles of the circular economy and informal-sector integration into operations, and enabling enterprise development and job creation. Revenue model and tariff structure reform: The City will review waste tariff structures to ensure the financial sustainability of the service, including beneficiation activities, while keeping waste services equitable, affordable and accessible.
4.5.B. Waste collection efficiency project:	The City improve its management of data relating to waste management to support the operational efficiency of solid waste collection and processing services for all communities. It will also invest in infrastructure, fleet and equipment that enhance operational efficiency.

It also includes key objectives around:

- Extending the landfill's lifespan through waste minimisation and diversion, including upgrading and expanding facilities with MRFs and Drop-Offs.
- Improving refuse collection and cleansing services in informal settlements

The 2025 Waste strategy is built on three commitment pillars, namely:

- Optimising existing services
- Minimising waste to landfill
- Maximising the basket of service offerings

Each of these lists specifies actions aligned with the initiatives outlined in the IDP.

The strategy's execution has yet to gain full momentum. This situation is worsened by shortages in capacity and technical skills within the current approved structure, along

with a misalignment of certain functions, both of which require urgent review as part of the turnaround strategy.

The comprehensive programme review commissioned by the UWM directorate in 2024-25 yielded several recommendations to better align the UWM directorate's strategy with projects and programmes, and to improve target setting, outcomes-based management, and accountability.

6. Situational Analysis

Applying the seven-box model, this section evaluates the UWM directorate's operating model based on the National Treasury's 7-box model of successful trading services, as shown in figure 4 below.



Figure 5: 7-box model for successful trading service

Since its establishment in 2022 as an independent business unit with the Executive Director reporting directly to the City Manager, the UWM directorate has continued to face operational inefficiencies in certain areas of its operations.

The UWM directorate has continued to work on enhancing its operational efficiencies in response to the challenges mentioned above and the demand on current services. For this purpose, in the 2024-25 financial year, the UWM directorate commissioned a review of its major programmes, aimed at identifying systemic issues, operational inefficiencies, and opportunities for improvement. The findings will inform this Turnaround Strategy and will build on insights and recommendations gained to

improve waste management services, optimise resource use, and reduce environmental impacts.

6.1. Leadership & Management

National Treasury's Guidance Note 3 outlines a strategic approach for establishing a strong business structure for utilities, as shown in Figure 6 below.

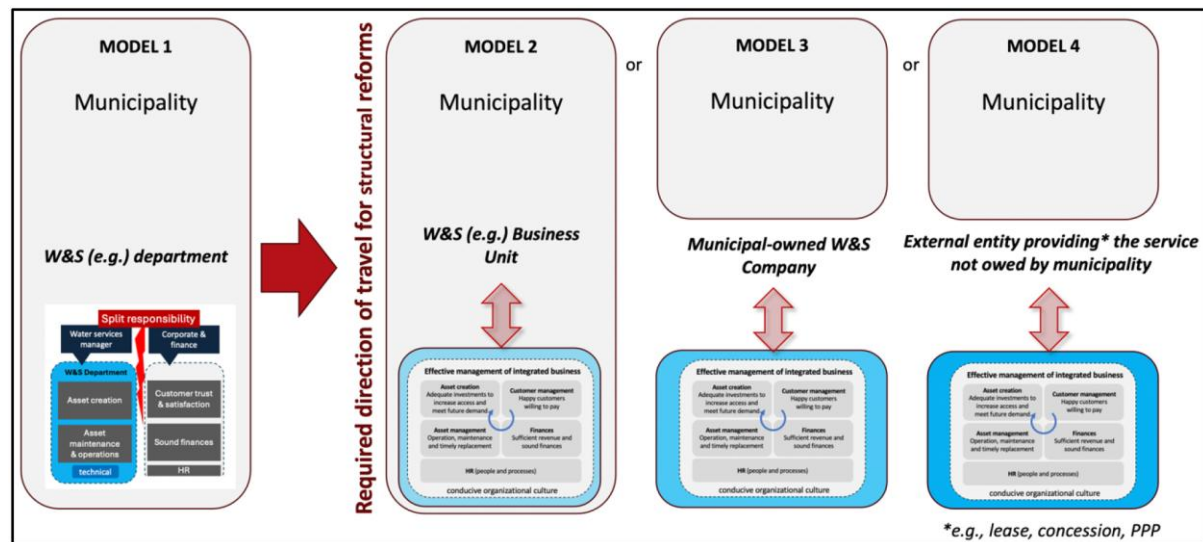


Figure 6: Direction of travel from department to managing trading service business
 (Guidance note 3, 2024)

The leadership and management structure of the UWM directorate has developed over time, as shown in Figure 7 below, leading to the establishment of the UWM directorate as a standalone business unit in 2022, and it aligns with model 2.

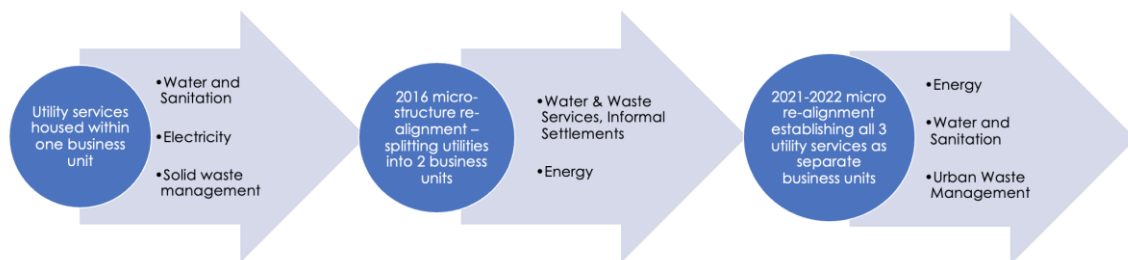


Figure 7: Evolution of UWM directorate structure

The UWM directorate structure as a standalone business was approved in 2022, as shown in Figure 8.

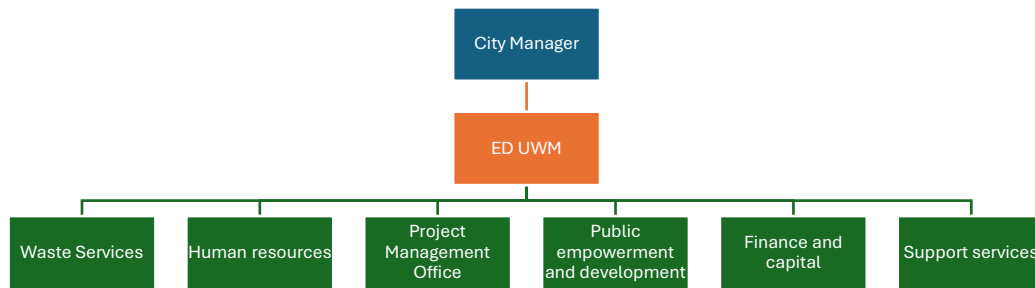


Figure 8: Current UWM directorate chart

Despite the establishment of the structure above, operational inefficiencies suggest that further improvements are necessary. Additionally, there are issues with the span of control, as all Waste Services are combined into one group, as shown in Figure 9 below, rather than being separated into distinct functional areas based on different operational characteristics, each directly accountable to the ED.

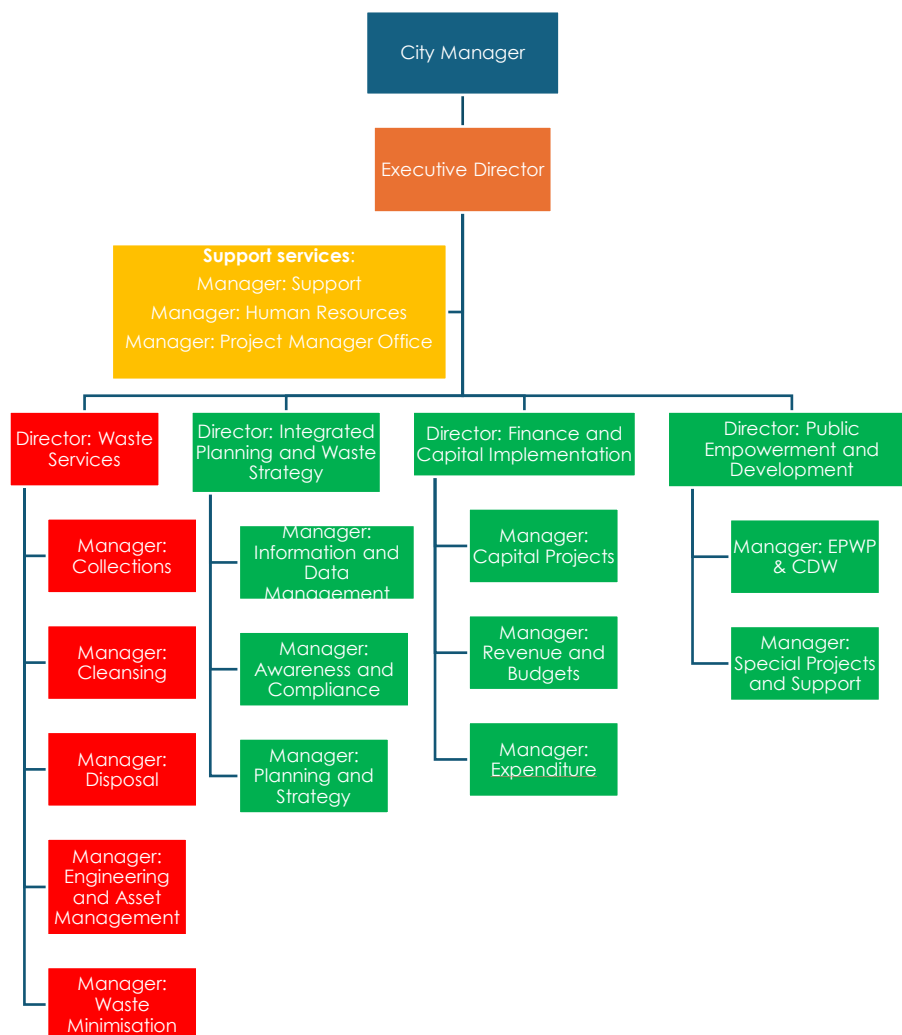


Figure 9: Inefficient span of control within Waste Services

6.2. Capable, Motivated People

The UWM directorate has a staff establishment of 3,709 positions, the breakdown of which is indicated in Table 9 below.

Table 9. UWM Directorate Staff Complement & Vacancy Rate

Department/Unit	Total No. of Positions	Positions Filled	Vacancies	Recent Appointments	Vacancy Rate
Executive Director	1	1	0	0	0.00%
Finance & Capital Implementation	57	47	10	0	17.54%
Integrated Planning	89	80	9	2	7.87%
Public Empowerment & Economic Development	45	33	12	5	15.56%
Waste Services	3 488	3 180	308	114	5.56%
HR Business Partner	11	11	0	0	0.00%
Project Management Office	11	9	2	2	0.00%
Support Services	7	4	3	0	42.86%
Totals	3 709	3 365	344	123	5.96%

The UWM directorate is a highly specialised business that involves complex handovers between different components, requiring various levels of expertise in areas such as engineering, project management, financial management, data analysis, logistics, human resources management, and information management.

A schematic view of efforts to fill vacancies as they occur is presented in Figure 10 below. The upward trend in the vacancy rate between 2022 and 2024 indicates the absence of a Human Resources (HR) Business Partner since October 2022, a position that was filled in the latter half of 2023, leading to the subsequent recovery of the indicator in the most recent financial year.

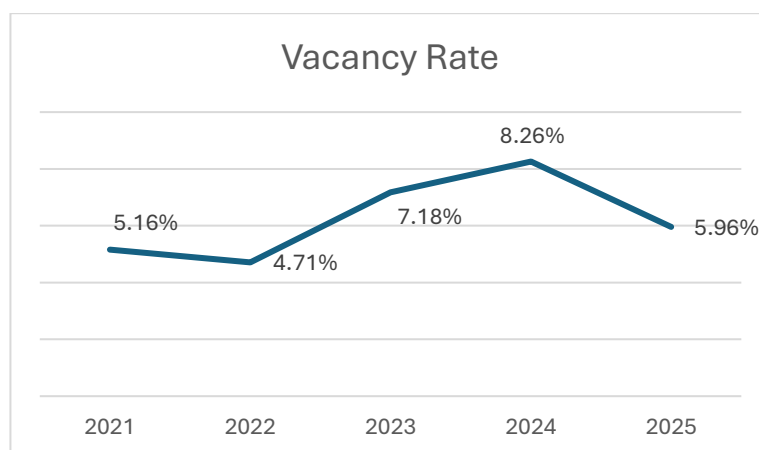


Figure 10: UWM directorate vacancy rate, 2021-2025

6.3. Asset Creation

Service delivery performance currently falls short of targets, both in the range of services offered to customers and in the effectiveness of service provision. Factors such as poor planning and poorly defined policies within the directorate—specifically in fleet replacement, depreciation models, and maintenance capital expenditures—have led to budget allocations that are insufficient to maintain and expand assets, operational equipment, and human resources. For instance, capital expenditure as a percentage of total spending has been around 4% in recent years, which is well below the industry benchmark of 8-10%. Despite a growing population, capital investment has remained static, effectively decreasing in relative terms. This was also highlighted in the recent programme review, which indicated that nearly every branch in the fleet management division has a significant number of vehicles that have exceeded their lifespan, refer to figure 11 below.

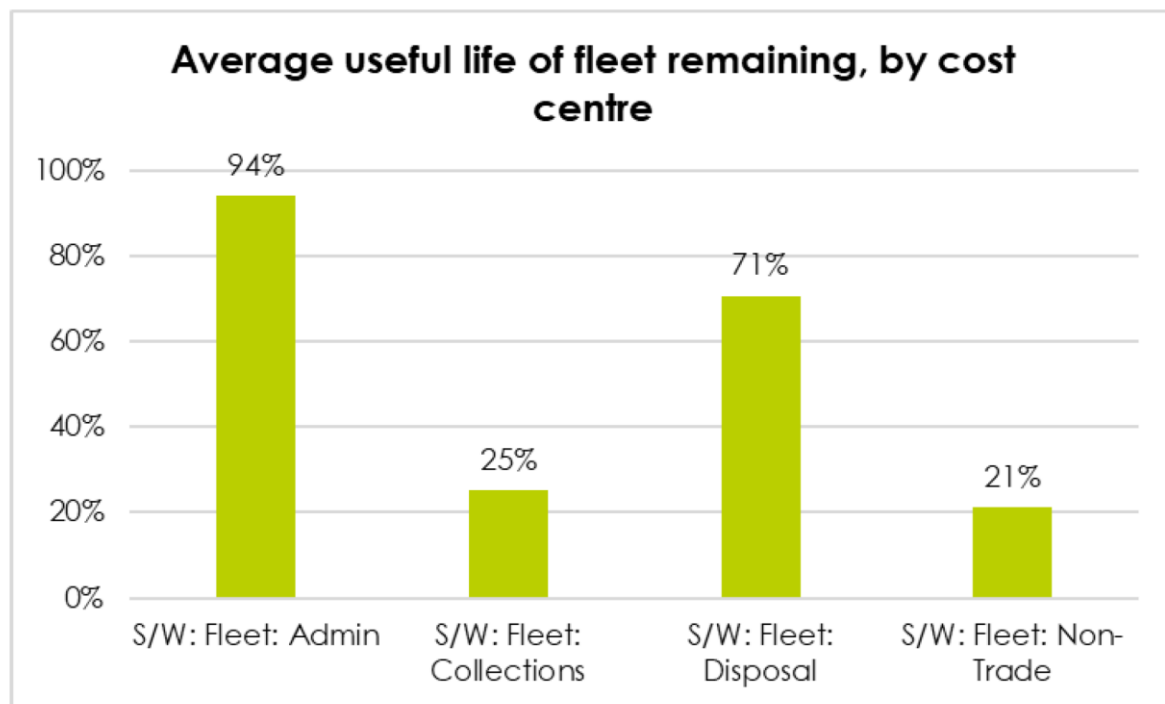


Figure 11: Average useful life of fleet remaining

Although there is an asset replacement and upgrading programme in place, it falls short of the Directorate's needs and does not currently meet the growing and shifting demand for assets. For example, Figure 12 displays inconsistent budget allocation for plant and fleet over the past eight years, with a correction to boost the budget over the next six years, after which the projected budget requirement again drops below the apparent long-term historic average. This is despite an expected increase in the budget requirement when examining the asset base. The graph demonstrates that long-term asset management planning does not currently effectively inform budgeting and financial planning.

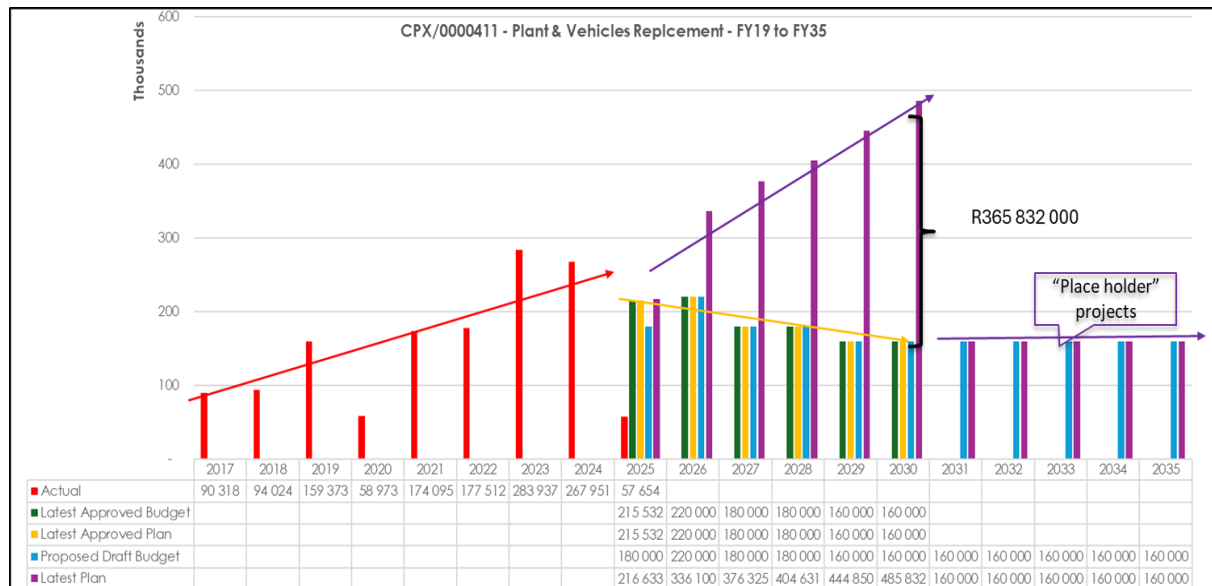


Figure 12: Financial view for Plant & Vehicle Replacement

An inflation-adjusted budget increase would be adequate when the cost of service delivery remains steady relative to other factors, and a growing population supports the necessary expansion of services. However, the cost of the asset base has risen and is likely to continue increasing at a faster pace than inflation in the foreseeable future. Some factors contributing to this include:

- Cape Town's indigent population is growing faster than the overall population, meaning those able to pay for services must support a larger proportion of indigent households.
- Regulatory requirements lead to increased costs for collecting and processing waste. Contributing factors include stricter standards for collection vehicles (e.g., Euro 4 standard is more costly than conventional compactors) and the substantially higher expenses of recycling plants compared to landfilling waste.
- The cost of road transport is considerably higher than when rail services were still operational.
- Moving forward, developing new landfill sites will be considerably more costly than earlier facilities. The unavoidable reality that these sites will be located farther away will significantly increase transportation costs per tonne of waste.

The directorate is currently not making well-informed decisions that consider trade-offs and how to select between capital expenditure (capex) and operational expenditure (opex). Capacity remains a significant factor limiting their ability to evaluate these trade-offs. A solid business case must be developed to ensure the directorate's self-sustainability—tariff reform will influence the rate of replacement and expansion, as the business needs to use revenue to build reserves for capital replacement.

6.4. Asset Maintenance & Operations

Solid waste management mainly involves logistics and disposal activities that link waste generators and customers with disposal sites. Waste types include those generated from manufacturing, removed from outdated infrastructure, produced as byproducts of business operations, from garden plants, and more. UWM directorate provides services that support the transition for its customers to various disposal destinations. Its key functional areas and logistics flows are illustrated diagrammatically in Figure 13 below. Additionally, the figure demonstrates how the eight programmes identified during the programme review integrate into the UWM directorate's business process and their interconnections.

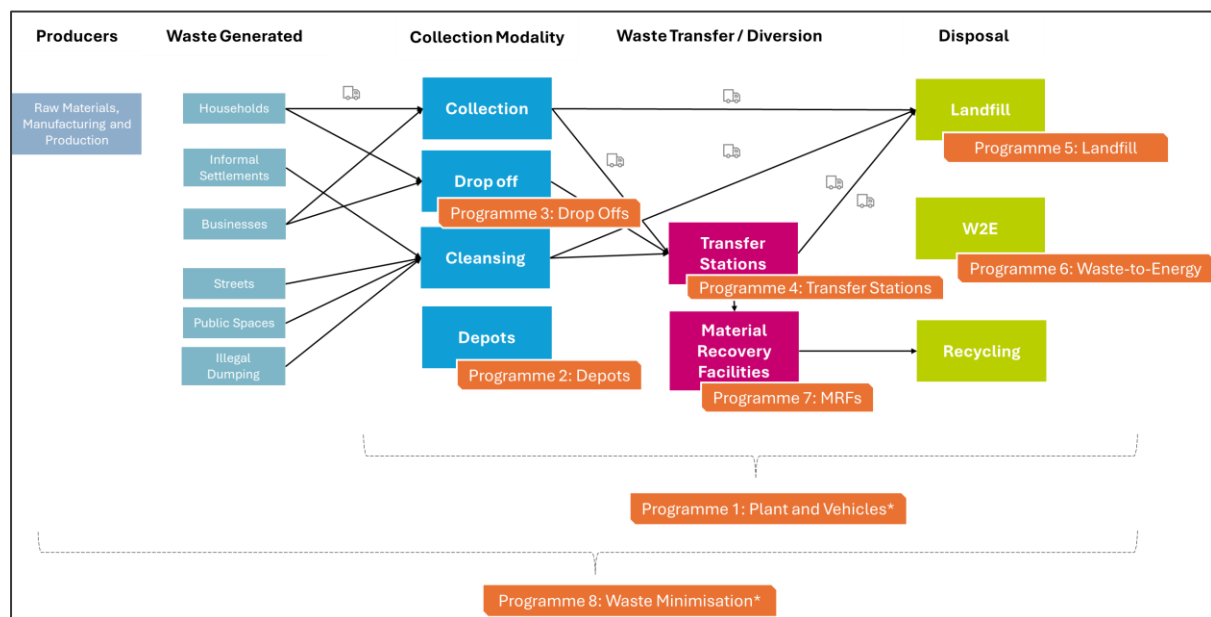


Figure 13: Overview of UWM directorate operations

Although not currently integrated into the operational structure and process design, three main operational areas include: 1) collections from formal customers and drop-off facilities; 2) cleansing of public spaces and informal residential areas on both an *ad hoc* and scheduled basis; and 3) the transfer of collected waste to disposal sites, including the management of the disposal facilities.

All three areas require uniquely specialised processes and equipment, with lifecycles that vary significantly. Lifecycles depend on the external environment, operator skill and care, and maintenance routines. Additionally, all three areas involve materials that can be recycled to different extents, which leads to the use of even more specialised equipment.

The **CCT has been under-investing in infrastructure, including maintenance and repairs, for many years.** With ageing equipment and infrastructure, the UWM directorate has recognised a sharp increase in the need for asset investment to reduce the negative effects of breakdowns and operational disruptions. UWM

directorate's fleet is, on average, over 10 years old, while many vehicles and equipment have a typical lifespan of up to 7 years.

The Role of a Financial Model in Fleet Replacement Policy for Waste Management

An effective fleet replacement policy in the waste management industry must be supported by a robust financial model that integrates both accounting and operational factors. Central to this model is the accurate estimation of an asset's useful life, which depends on usage levels, the operating environment (urban versus rural conditions), and vehicle availability based on reliability. As equipment ages, reliability declines, and maintenance costs increase significantly—directly impacting cash flow and operational efficiency.

A key part of the model is a depreciation schedule that accurately reflects the actual wear and tear of equipment. Straight-line or corrective depreciation methods by equipment type help organisations better represent the economic use of fleet assets. This not only enhances financial reporting but also supports operational planning, as depreciation often acts as an indicator for capital replacement needs. In well-designed models, annual depreciation aligns with required maintenance capital expenditures—creating a clear link between asset ageing, financial planning, and the need for reinvestment.

Importantly, by combining depreciation (a non-cash expense) with rising maintenance costs (a cash expenditure), the model can pinpoint the optimal replacement point—where maintaining ageing equipment becomes less cost-effective than replacing it. This ensures sustainable service delivery, maximum asset availability, and better capital allocation—especially in a high-utilisation, cost-sensitive environment like waste management.

Most of UWM directorate's facilities, or fixed assets, are currently not covered by the formal asset management practices used for fleet and plant. Maintenance for these assets is therefore not planned over their lifespan, resulting in limited visibility of long-term budget needs. Moreover, it is not possible to plan resources and procure external capabilities comprehensively.

Several areas of potential efficiency improvements have been identified throughout the business, as indicated by these examples:

Collections:

- Using GIS and route optimisation best practices to refine daily schedules, or beats, for optimal use of the fleet, staff, and within the constraints of traffic peaks and operating hours of facilities.
- Dynamic route optimisation takes traffic conditions into account to reduce daily operation times after area-based planning has been refined.

- Driver training and behaviour monitoring can result in significant savings in both fuel and maintenance expenses.

Landfill management:

- The cost of some heavier equipment might be outweighed by the benefits of higher compaction rates, resulting in less landfill disposal.
- Parts of the fleet that access landfills cannot navigate steep slopes, resulting in higher maintenance costs that outweigh the savings in capital costs.

The combined impact of operations and maintenance regimes on each other underscores the need for a proper data system. The current use of data systems and technologies across the logistics chain is disorganized and inadequate for supporting efficient operations. Collection vehicles are monitored to record their routes and distances travelled during operations. However, this information is manually downloaded and emailed to a central control point, where it is entered into a unified system. The data is not regularly or consistently analysed to evaluate operational performance or optimise activities. Moreover, the data is not utilised in real time to improve operational efficiency, which hinders the rationalisation of collection areas.

While large parts of the fleet are equipped with bin-lift counters, this data was managed through contracts outside of UWM directorate. The relevant transversal contract was not renewed because the importance and value were not recognised by the previous contract owner, resulting in a data gap. It is essential that UWM assumes responsibility and manages this contract moving forward.

There are inefficiencies in collecting weighbridge data from all UWM facilities. At best, the data offers a retrospective view of demand. However, it is not connected to specific vehicles in a way that could, for example, link demand to the areas where waste originates.

6.5. Customer Trust & Satisfaction

Cape Town is recognised as one of the few cities in the Global South that provides waste services to nearly all residential areas (including recognised informal settlements and formal districts).

The City assesses customer satisfaction through annual surveys carried out at the organisational level, broken down by directorates, with the most recent one conducted in the third quarter of the previous financial year. The overall resident satisfaction score of 3.0 for the UWM directorate showed a decline compared to 3.1 in the previous year.

These surveys allow the UWM directorate to assess service quality, pinpoint areas for improvement, and guide future strategic planning. The institutional reform roadmap

will outline a clear action plan to increase responsiveness, including, but not limited to, utilising digital tools.

Some areas of improvement identified from the survey results are highlighted in Figure 14 below.



Figure 14: UWM directorate Customer Survey Results – Improvement Areas

6.6. Financial Viability & Reporting

The UWM directorate's budget is currently not financially sustainable in the medium and long term. There is limited insight into actual costs and little correlation between spending choices and the structure of the tariff or funding mechanisms. Importantly, there is scant data-based foundation for long-term planning and making efficient, effective financial decisions.

Cost centres do not follow functions. Cost and revenue centres require operational alignment to ensure that specific operational realities are addressed. Currently, there are 171 cost centres mapped across four hierarchical levels. These have multiple distinct operational activities that need to be separated to enable better tracking of expenditure and to reduce inefficiencies in budgeting, revenue, and performance management. Creating a new cost centre results in support charges paid to Corporate Services. This has caused unrelated items to be grouped into existing cost centres, making it difficult to distinguish costs by business area or to link costs to strategic objectives.

Although revenue collection rates have risen to over 95% in the past three years, **revenue per customer is falling.** The proportion of paying customers is also decreasing as the growth in formal households eligible for indigent relief and households in informal settlements outpaces the increase in paying customers.

The current tariff structure poses challenges for the UWM directorate because it does not accurately reflect the true costs of services, and annual escalations have not kept pace with increasing costs related to providing services and infrastructure needs.

With the introduction of the proposed organisational structure under the MTSR framework, municipalities will be able to systematically calculate the financial reporting costs per service, directly linking them to tariff impacts. This offers clear visibility into how additional service extensions and infrastructure investments influence residential tariffs. Strategic decisions about tariff increases or targeted subsidies can then be supported by robust cost modelling. These models will combine projected rises in service-related expenses with expected reductions in operating costs due to efficiency improvements. Moreover, this financial transparency will facilitate benchmarking of service costs against industry best practices, supporting performance-based planning and ensuring that tariff structures reflect both operational realities and policy priorities.

The UWM directorate's aim has been to align revenue with costs, with a small surplus allocated to the Capital Replacement Reserve (CRR) to cover some future capital expenses. In the current financial year, FY24/25, and the next budgeted year, costs will need to be subsidised through rates. Residential customers in FY25/26 will be subsidised by R300 million. See figure 15 below for the directorate's revenue and expenditure alignment.

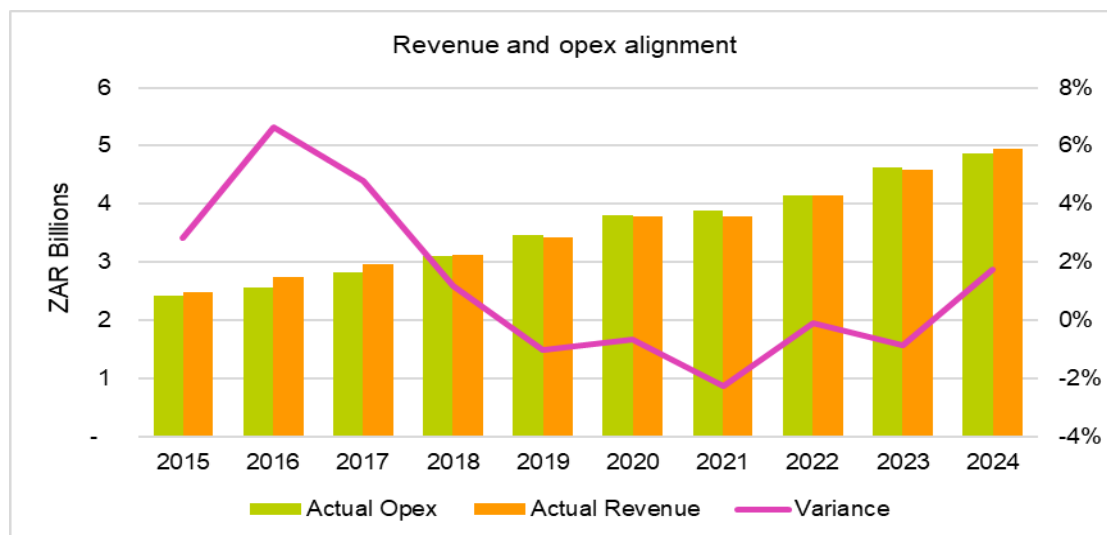


Figure 15: UWM directorate Revenue and Expenditure alignment over 10 years

In the previous financial year, the directorate explored an alternative revenue stream by utilising waste-to-energy infrastructure. The revenue generated was R36 million.

The UWM directorate has concentrated on its collection rates and implemented effective initiatives to keep the collection rate above 95%, consistently surpassing

expectations each year. The collection rate for Collections exceeds 95%, and disposal reaches 100%, see figure 16 below.

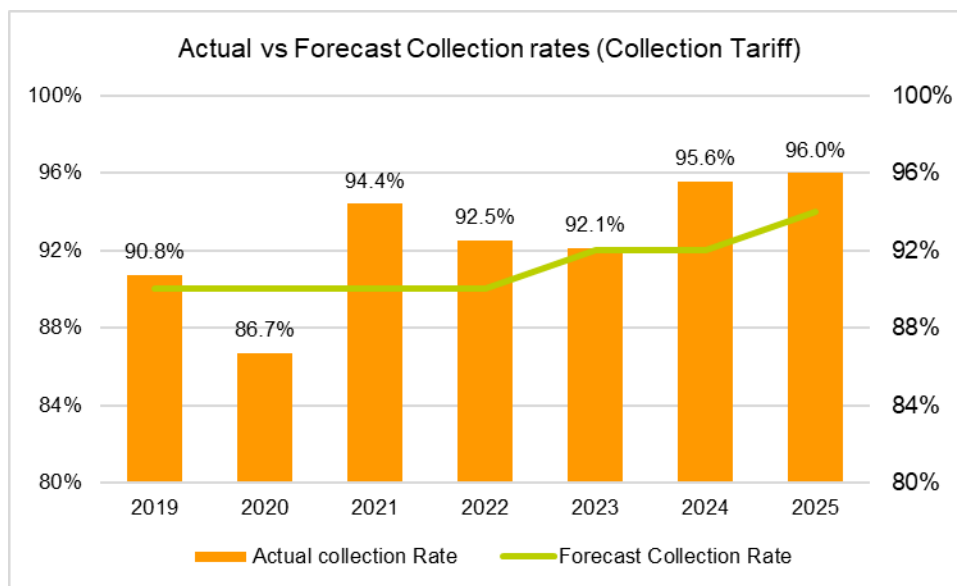


Figure 16: Collection tariff actual vs forecast

The UWM directorate recognises the complexity in the makeup of its client base and therefore the inherently varying affordability levels. This requires a great degree of sensitivity in how the tariffs should be modelled to strike a good balance between recovering the cost of providing the services while ensuring the tariffs are underpinned by reasonable affordability levels. To this end, indigent households, based on the value of the property and joint household income, receive rebated tariffs on a sliding scale. At 95% over a rolling 12-month period for 2024/25, the healthy collection ratio for refuse removal in formal residential properties and select businesses opting to engage the services of the City is commendable. However, the relationship between the equitable share (allocation from national government for service provision to indigent households) and the social package (value of the rebates) offered by the City must be closely monitored in order not to compromise sustainability.

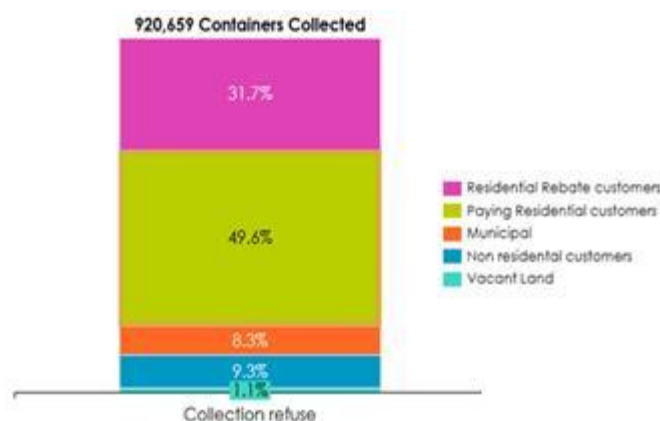


Figure 17: UWM directorate tariff customer profile

The UWM directorate's sustainability is at risk because the number of indigent households is increasing rapidly, outpacing the growth of households that do not receive rebates. This leads to a smaller proportion of households paying for UWM directorate services. The situation is made worse by the National Grant Equitable Share allocated to the City, which struggles to keep pace with actual growth.

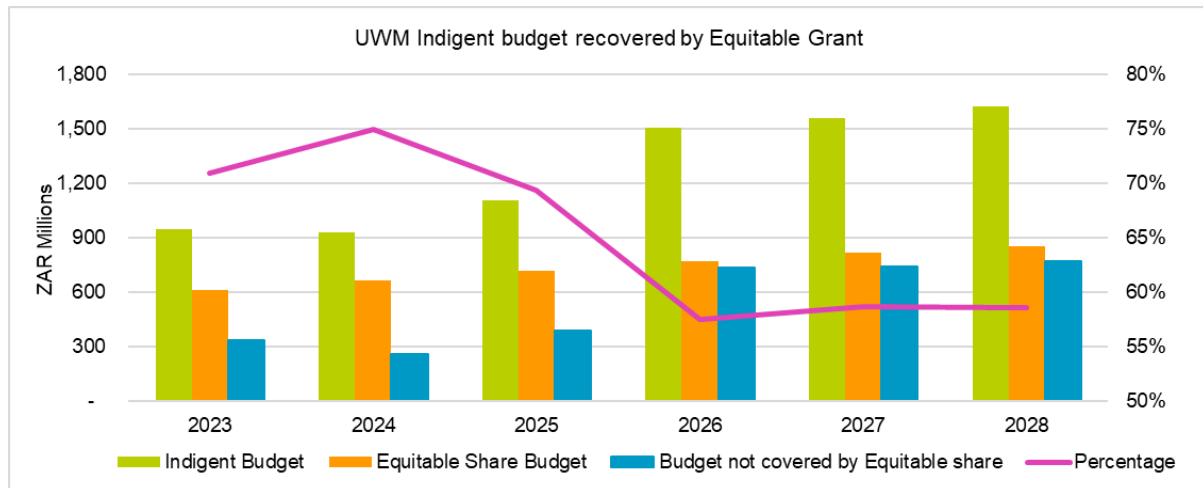


Figure 18: UWM directorate Indigent relief and gap increasing annually

As is standard practice across the City, the UWM directorate reports on its performance against the budget (OPEX and CAPEX) as well as income monthly. Material variances are accounted for, with provisions for remedial action, which may lead to adjustments to the budget either upwards or downwards. Overall budget management occurs at the most detailed level, i.e., cost/revenue elements, rather than broad categories or individual projects. The Directorate does not generate its own financial statements and has no plans to do so, as it remains an integral part of the City. However, the need to produce management accounts that offer a clearer view of the Directorate's financial health is essential and will be actively pursued. As the business adopts a different outlook, reporting will be adapted to reflect such changes. The objective is to establish all costs and revenues within a separate SAP business area, which will generate management accounts for UWM directorate instead of the traditional "audited financial statements" produced for the City.

6.7. Sound Governance & Supportive Enabling Environment

The management and political leadership have worked together within the City's governance structures to ensure effective decision-making on capital investment and the prioritisation of urgent interventions to respond promptly to legislative demands and service delivery needs.

Internal collaboration and support from other City departments, established as centres of excellence, have laid the foundation for providing essential support to the directorate. While these relationships exist and deliver vital support for effective waste management services, they have not been formalised. The directorate needs to establish formal service-level agreements with the directorates that provide corporate support. This will ensure that service performance standards regarding the support given to the directorate are clearly defined and monitored.

Service level agreements will be entered into with the following

- Corporate Services (Customer Call Centre, Human Resources, Fleet, Facilities and Information Technology Services)
- Corporate Finance (Supply Chain Management, Revenue Service,
- Budget, Treasury and Grant Funding),
- Future Planning and Resilience (Policy and Strategy, Corporate Project and Programme Management Unit, Organisational Performance Management, Organisational Effectiveness and Innovation.
- Auditing and Forensic Services
- Legal Services

Creating the service level agreement with the above department does not absolve the directorate of its roles and responsibilities related to Single Point of Management Accountability, as it will still retain autonomy over many of its functions. This approach recognises that certain technical and functional responsibilities lie outside the directorate, and the City has well-established systems and procedures to manage these functions at a corporate level.

7. Target operating model and areas of improvement

This section builds on the gaps identified in the situational analysis and forms the core of the turnaround strategy.

7.1. Leadership, Management & Technical Capability

The UWM directorate has already introduced several changes to progress towards a single point of management accountability.

The successful transformation of UWM directorate into a Municipal trading service depends on the readiness, competence, and adaptability of its workforce, and the current structure does not support this objective.

The current structure will be reviewed to ensure strategic alignment with operational flexibility, while establishing a clear system of accountability and performance management. Each unit will be led by a designated manager responsible for the end-to-end performance of that service area, including service quality, compliance, financial management, and workforce oversight. The revised structure will ensure that

decision-making is streamlined, responsibility is not spread across multiple actors, and performance can be directly attributed and evaluated. Figure 19 below shows the intended structural review, which will be subjected to the City's frameworks, policies and procedures.

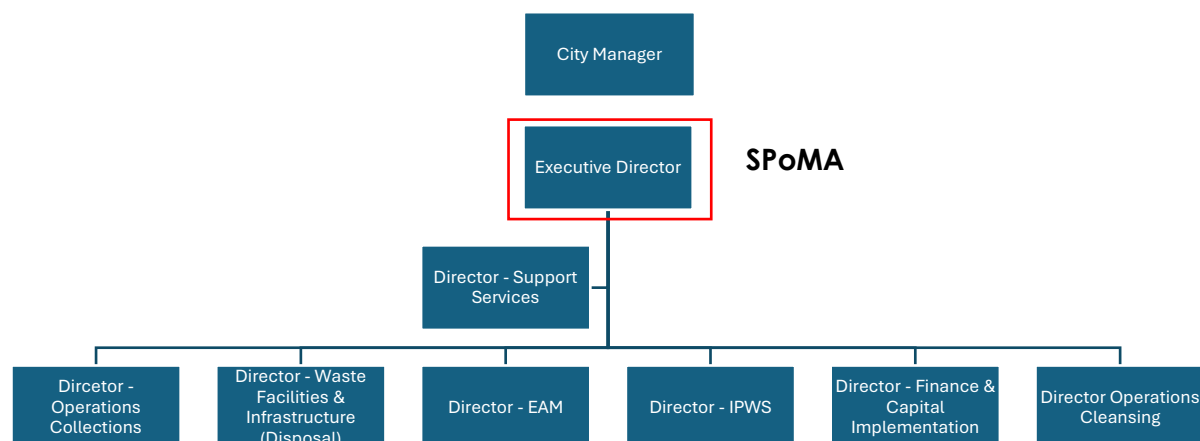


Figure 19: Indicative organogram for UWM as a SPoMA

The proposed structure also addresses historical fragmentation by establishing mechanisms for horizontal coordination, ensuring that areas such as human resources, finance, environmental compliance, project delivery, and operations planning do not operate in silos but work collaboratively to support the delivery units. Integrated planning processes, shared KPIs, and coordinated execution strategies are key features of the model.

Where misalignments are identified, the UWM directorate will carry out an options analysis to assess alternative operating models. Once approved, these recommendations will be formalised through internal policies, standard operating procedures, and aligned governance mechanisms to ensure that the reforms are maintained and enforceable.

A notable change in the proposed organisational structure is that the Public Empowerment Department, responsible for the Extended Public Works Programme (EPWP) among other functions, will be repositioned within the organisation, as its mandate covers various directorates.

7.2. Asset Creation, Maintenance & Operations

As part of this strategy, asset replacement funding will be prioritised through a comprehensive lifecycle-based approach that considers not only acquisition but also the entire spectrum of asset management, including operation, maintenance, refurbishment, and eventual disposal. Decisions will be guided by the asset's current stage in its lifecycle to prevent unexpected failures and costly emergency replacements proactively. This approach will enable the optimisation of maintenance and replacement schedules, ensuring that capital is allocated to the most critical assets needing intervention. To support this, a risk-based framework will be developed, based on asset condition, age, performance, and other relevant factors. This will allow a more systematic and strategic allocation of capital, resulting in a significant improvement in service delivery.

The UWM directorate will expand its asset management system to encompass all movable and immovable assets. It will improve its analytical capabilities to monitor the performance of the plant, fleet, and facilities against expected results and adjust for external influences to increase the accuracy of these models. This will enhance the ability to balance operational and capital budget decisions, thereby reducing the total lifecycle cost of operations. The system will be designed to ensure that metrics are clearly defined to support accurate decision-making. It is understood that optimising the system is not always equivalent to optimising individual assets, especially when a significant part of the asset base is beyond its useful life. One of the main advantages of this process is to decrease fleet redundancy (capex) by increasing maintenance capacity (opex), thereby decreasing downtime.

The UWM directorate will further improve its planning capacity by developing better asset management capabilities. This will involve analysing waste generation by population, household, and income level to better forecast demand changes. It will also include factors that account for real asset inflation, especially when assets are imported and affected by exchange rate fluctuations. The cost of waste minimisation and diversion will be evaluated based on plausible scenarios for alternative and emerging technologies. This will cover all parts of the logistics chain, from product manufacturers to separation technologies, and the transport of waste and energy sources needed to support operations.

7.3. Customer Trust & Satisfaction

Customer services will be enhanced on two levels. Firstly, based on the results of the annual customer satisfaction survey. This includes a mix of online and in-person surveys, targeting customers at various venues and times of year to minimise potential biases.

Secondly, the UWM directorate will provide dedicated capabilities to interface with the call centre, ensuring an informed customer base that relies on and trusts the directorate to deliver a high level of service. This unit will review the existing call centre scripts for relevance and accuracy. It will analyse C3 notification data on an ongoing basis in a way that prioritises problem areas for both acute and systemic solutions. It will also analyse longitudinal data to understand trends in both the demand for and supply of services.

The unit will also improve and further develop communication and workflow protocols to ensure customer queries and complaints are addressed within agreed timeframes, and that feedback is provided to the call centre to either proactively engage with customers or respond in near real-time with operational data.

7.4. Financial Viability & Performance

Robust financial management is essential to ensure transparency, control, and long-term sustainability. This involves maintaining a comprehensive set of management accounts, including operating performance, cash flows, return on investments (ROI), and total cost accounting—including non-cash charges such as depreciation. Depreciation must be considered to accurately reflect the consumption of capital assets and to support prudent investment planning. Equally important is the ability to monitor industry-specific financial ratios, which provide valuable benchmarking insights. By incorporating these ratios—covering liquidity, leverage, efficiency, and profitability—municipal waste services can confidently assess their financial health, compare against industry standards, and make informed decisions on tariffs, investments, and subsidies.

It is important to implement cost accounting for each operational service while understanding the tariff implications, affordability and decision making aligned with the 3 strategic trade-offs.

The directorate has an excellent collection rate above 95%, but the percentage of indigent customers in the client base is increasing each year, adding pressure to raise tariffs above CPI due to:

- Non-indigent customers need to subsidise more annually
- Population growth results in higher costs as more households are served (Equipment and Employment costs).
- Stricter environmental and other regulations increase costs.
- Waste minimisation and reduction incur substantial costs, including notable increases in Capex (RTS/ MRFs/ Drop-offs) and related expenses.

An increase in revenue is essential to maintain current services while supporting the shift towards cost-reflective tariffs to ensure financial sustainability. To this end, the directorate will continue to explore and implement waste-to-energy initiatives that generate additional revenue, including, but not limited to, public-private partnerships.

Over the past decade, UWM costs have increased by 7.4% each year, while the average annual inflation rate was 5.2%. As a result, costs rose by 2.2% annually above inflation. This gap should have been wider if UWM had expanded staff in response to population growth and increased spending on R&M and new facilities.

The UWM directorate will initiate a process to assess the range of revenue sources in the City. Based on a quantitative analysis, it will develop “push” and “pull” strategies to address these, considering individual benefit and cost profiles. This may include education and awareness programmes to reduce certain types, law enforcement actions to deter others, or incentives that may influence behaviour to lower collection costs.

A second outcome of this process would be the clearer identification and definition of beneficiaries from waste collection efforts. For instance, beach cleaning may have a direct link to tourism and economic development, which may justify a tariff or levy that might not apply to cleaning up after environmental events. Furthermore, being able to precisely determine the costs of different cleansing activities could make the introduction of targeted tariffs more acceptable.

With the implementation of the proposed organisational structure under the MTSR framework, municipalities will be able to systematically calculate the financial reporting costs per service, directly linking them to tariff impacts. This enables clear visibility of how incremental service expansions and infrastructure investments influence residential tariffs. Strategic decisions regarding tariff escalations or the introduction of targeted subsidies can then be informed by robust cost modelling. These models will combine projected increases in service-related expenditures with anticipated reductions in operating costs through efficiency gains. Furthermore, this financial transparency will facilitate benchmarking of service costs against industry best practices, supporting performance-based planning and ensuring that tariff structures reflect both operational realities and policy priorities.

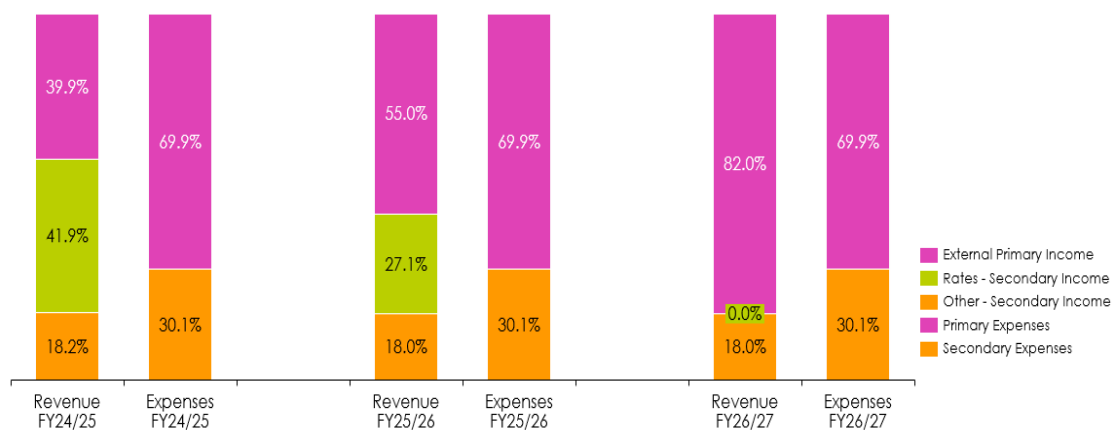


Figure 20: UWM directorate becoming more financially independent

The UWM directorate's financial viability depends on the entire business unit being able to generate enough revenue to cover its own expenses and capital needs without relying on rates. The directorate is exploring ways to ensure the tariff structure is cost-reflective and aligns with the regulatory framework and approval processes.

The aim is to set up all costs and revenues into a separate SAP business area, which will create management accounts for the directorate in lieu of "audited financial statements".

To enhance financial visibility, the following will be implemented: cost centres and budget itemisation will be adjusted to align with functions and strategy in order to:

- Prioritise spending on initiatives that support strategic goals
- Avoid wasteful or misaligned expenditures
- Provide clear and transparent budgeting and planning

- Ensure true costs and revenues can be correctly allocated to the correct cost centres
- Improve governance and accountability

7.5. Sound Governance & Supportive Enabling Environment

Under the enhanced SPoMA, represented by entity Model 2, The UWM directorate will develop its leadership and governance structures and systems to maximise the strengths of the CCT corporate systems. An SLA needs to be drafted between UWM directorate and the various directorates currently providing support to ensure:

- Clear Expectations to provide clarity and establish a baseline for performance for both parties.
- Accountability - Departments are held responsible for delivering services (e.g., EAM recharge cost to other branches for vehicles, even if they are broken and awaiting repair over a long period).
- Performance Measurement offers measurable targets (e.g., response time etc) and can help identify bottlenecks, areas for improvement, as well as flag discrepancies and performance issues.
- Customer-Centric Focus branches and departments adopt a more service-oriented mindset, which can enhance efficiency, reduce costs, or increase revenue within the business.

To this end, it will enhance at least the following internal capabilities:

- Enhance the capacity and management practices of the PMO office. Improve the procurement strategy to utilise appropriate mechanisms for each type of service and product. Synchronise SCM demand planning with a stronger pipeline of projects, informed by a more comprehensive asset management and budgeting system. Develop templates for standard contract types to expedite the preparation of bid specifications with clarity and accuracy. Invest in training to produce and maintain these templates and update them as scope and requirements evolve.
- Enhance skills and capacity to fully utilise the C3PM processes. Build a stronger working relationship with this function to ensure business needs are met in new and evolving processes. These include standardising and automating more information; improving benefits measurement and tailoring reports to better reflect business performance and risks.
- Strengthen internal capacity for business process mapping, expansion, and digitisation, in line with the improved data management strategy. This includes better ability to communicate digitisation and technology needs to the Corporate IS&T department to ensure more accurate deployment of improved operational and planning systems.
- Enhanced data analysis techniques from operations, combined with relevant data from the Corporate GIS and customer services, to improve current and

future service delivery. This includes aligning more closely with the City's development trends and growth projections.

- Analyse and prepare a proposal for corporate services to establish fair and equitable pricing for cost centres. This may involve linking the cost to customer numbers or the annual opex budget, instead of management and control systems. Alternatively, sub-level cost centres could be managed outside the formal system to simplify reporting while allowing for greater management visibility.
- As a key element of the structural reform under the MTSR programme, the City plans to establish a centralised Shared Services Unit made up of discipline-specific experts. This multidisciplinary team will provide strategic guidance, oversee implementation, and support operational performance across all trading service business units. The Shared Services Unit will facilitate integrated planning, align priorities, and apply consistent performance standards across vital functions, including Human Resources, Operations, Safety, Health, Environment and Quality (SHEQ), Finance, Project and Contract Management, and Waste Minimisation. By consolidating these core capabilities, the Shared Services Unit will improve accountability, optimise resource use, and bolster institutional capacity to deliver sustainable, high-quality services. Additionally, there should be enhanced knowledge sharing and a reduction of the silo effect between operating entities. This will improve operational performance and alignment among the teams.

7.6. Technological Advancement & Data Management

The UWM directorate's approach to waste data collection and management is outdated. To operate as a ring-fenced utility, directorate will rely on access to reliable, integrated, and fit-for-purpose digital platforms. To achieve this, the directorate will invest in technologies that enhance its operational efficiency, asset management capabilities, and customer service offerings. It will align these investments with its improved data use and management capabilities. The system will be gradually developed into a core platform, which will then be expanded to incorporate value-added features. Each additional feature will be evaluated based on its immediate financial impact and its long-term strategic value to a sustainable business.

The strategy will start by ensuring that existing technologies are fully utilised or upgraded to optimise their capabilities, aiming for the best return on each investment. This includes vehicle tracking and bin lifting, improving the accuracy and ease of collecting weighbridge data, enhancing capabilities to compile and analyse individual and combined data streams, and developing a centralised control system from which management reports and an accurate dashboard can be generated. Improvements would also include automated data analysis and alerts for faults and inconsistencies with standard or expected operations.

Strategic Commitment to Technology-Enabled Waste Management

The UWM directorate recognises the need for a unified technology solution to effectively manage all aspects of urban waste operations. The system will enhance operational efficiency, optimise routes, facilitate preventive maintenance, generate financial and operational reports, and provide centralised monitoring, among other key features. Such a system is essential for transforming outdated processes into a modern, data-driven service delivery model.

Key Functional Capabilities:

- **Route optimisation and fleet dispatch using advanced routing platforms** will enable the UWM directorate to improve collection routes, reducing mileage, fuel consumption, and CO₂ emissions, especially in light of the failing rail infrastructure.
- **Predictive maintenance and asset tracking facilitate** real-time monitoring of assets and proactive scheduling of maintenance, reducing breakdowns and extending asset lifespan.
- Automated financial and service reporting systems with integrated billing and route-reporting streamline invoicing, identify service exceptions, and produce performance analytics—enhancing billing accuracy and reducing back-office workload.
- **Real-time operational dashboards. Centralised** platforms consolidate data across waste streams, fleet, financials, and customer service, providing managers and executives with actionable insights and clear performance oversight.

Expected Strategic Benefits:

1. **Enhanced Operational Efficiency**
 - Data-driven route planning cuts costs and environmental impact.
 - Preventive maintenance minimises unexpected downtime and asset expenses.
2. **Enhanced Financial Management**
 - Automated billing and financial reporting improve revenue accuracy.
 - Increased visibility into cost-performance metrics supports tariff analysis.
3. **Strengthened Accountability & Governance**
 - Central dashboards allow cross-functional visibility and oversight.
 - Standardised KPIs and real-time performance tracking enhance transparency.
4. **Better Service to Citizens**
 - Digital request systems and proactive notifications improve user satisfaction.
 - Reduction in errors supports better service delivery.

5. Scalable, Future-Ready Infrastructure

- Modular solutions that support future expansion (e.g., sensor-based fill-level monitoring, AI-driven demand forecasting).

Implementation Approach:

- **Needs Assessment and Pilot Evaluation**

Start by identifying current pain points—such as collection inefficiencies, fleet reliability issues, billing gaps, and customer complaints. Pilot selected technologies in a specific area to test their impact.

- **Vendor Shortlisting & Fit-to-Purpose Analysis**

Assess vendors based on system compatibility, customization potential, scalability, and local regulatory compliance (e.g., GIS alignment, financial systems).

- **Integration & Governance Model**

Integrate the system with existing ERP and asset management systems to ensure data integrity. Establish clear governance (steering committee, technical working groups) for oversight and system management.

- **Roll-Out, Change Management & Capacity Building**

Gradually increase efforts, supported by staff training, communications, and stakeholder engagement. Monitor key metrics and iterate to ensure continuous improvement.

The City, operating under a common SAP asset management platform, will maintain the official financial asset register, manage depreciation schedules, and oversee corporate-level valuation, insurance, and audit support.

8. Change Management & Organisational Support

The successful execution of the Turnaround Strategy under the MTSR Programme will require the UWM directorate to effectively manage large-scale institutional change. This involves a coordinated approach that combines leadership-driven transformation, enhancement of internal capabilities, and strategic stakeholder engagement.

8.1. Change Management Strategy

The UWM directorate will implement a structured change management approach based on the following design principles:

- **Executive Sponsorship and Leadership Alignment:** Change efforts will be driven from the top, with the Executive Director serving as the Single Point of Management Accountability (SPoMA), supported by a network of delegated change agents across key functional areas.

- **Phased and sequenced implementation:** Change initiatives will be prioritised and staged according to the reform roadmap, allowing for manageable adoption while minimising disruption to service delivery.
- **Human-Centred Transition Management:** Staff engagement, morale, and capability will be proactively enhanced through clear role definitions, support systems, and targeted interventions to foster ownership and resilience.
- **Evidence-Driven Monitoring and Feedback:** Progress towards change will be monitored through specific performance metrics and feedback loops, supporting continuous improvement and resolution of issues.

8.2. Internal Communication and Capacity Development

Internal Communication will be governed by a centralised strategy that ensures:

- **Timely and Transparent Communication:** Reform-related updates, milestones, and decisions will be disseminated through structured channels.
- **Role-based Messaging:** Communication will be customised to meet the needs of staff at different levels, ensuring clarity and relevance regarding expected changes to roles, systems, and processes.
- **Feedback and Dialogue Mechanisms:** Structures such as organised feedback forums, anonymous digital channels, and pulse surveys will be utilised to identify staff concerns and gather opportunities for improvement.
- **Manager Enablement:** Supervisors and team leads will be supported in acting as channels for change messaging and local implementation.

Capacity Development initiatives will concentrate on addressing key skills gaps and aligning capabilities with future service delivery needs. These will include:

- **Targeted Learning Interventions:** Training will be implemented to enhance skills in asset management, operational planning, data analysis, and digital tools.
- **Leadership Development:** Managers will receive support in adaptive leadership, change navigation, and team performance management.
- **Competency Mapping and Progress Tracking:** A skills audit will be conducted to benchmark current capabilities and inform a phased development plan aligned with the reform timeline.

8.3. Stakeholder Engagement Plan

The Stakeholder Engagement Plan will ensure that key internal and external actors are informed, involved, and mobilised in support of the reform agenda.

Key features of the plan include:

- **Stakeholder Mapping and Prioritisation:** Stakeholders will be categorised based on influence, interest, and relevance, including internal governance

frameworks, national oversight bodies, organised labour, community representatives, and private sector actors.

- **Structured Engagement Platforms:** Engagement will be carried out through formalised mechanisms such as stakeholder roundtables.
- **Transparent Communication and Expectation Management:** Reform progress, impacts, and trade-offs will be communicated clearly and consistently to build legitimacy and trust.
- **Community Interface Enhancement:** Existing participatory platforms will be utilised to promote inclusive consultation and collaborative development of service innovations.

9. Conclusion

The Turnaround Strategy outlined in this document signifies a clear shift towards a more financially sustainable, operationally efficient, and service-oriented UWM directorate utility for the City of Cape Town. The City recognises that maintaining the status quo is not feasible, and that reform is vital to meet the increasing demand for services, attain environmental and financial sustainability, and enhance the quality of life for residents across both formal and informal areas.

To operationalise this vision, the City will proceed with the following key next steps:

- I. Institutional and Governance Roadmap (Document A1)**
 - Align internal roles, structures, and processes to promote responsive and accountable governance.
 - Establish a risk management framework and ensure it is integrated with broader corporate systems.
- II. Business and Investment Plan (Document A2)**
 - Outline funding mechanisms, including tariff reform, alternative revenue streams, and the strategic use of grants.
 - Develop a solid financial model for each of the UWM directorate's three separate business units (collections, cleansing, and disposal).
- III. Performance Improvement Action Plan (Document A3)**
 - Convert strategic priorities into quantifiable results using SMART indicators and targets.
 - Establish milestones, sequencing, and KPIs to track progress across different functional areas.
- IV. Stakeholder Endorsement and Submission to National Treasury**
 - Present this Turnaround Strategy and supporting documents (A1–A2) for Council approval.

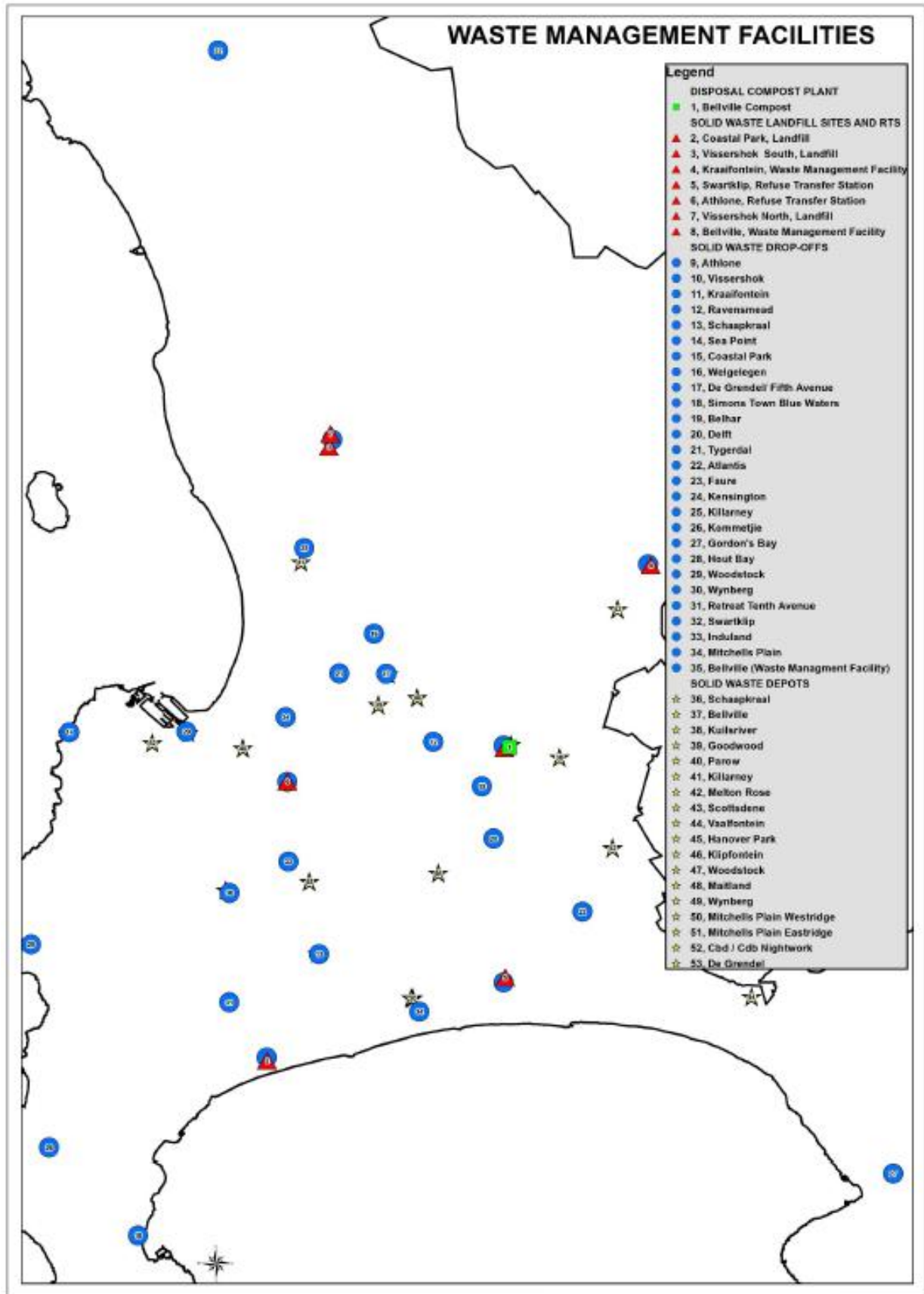
- Submit the complete package to the National Treasury to qualify for the performance-based incentive component of the Urban Settlements Development Grant (USDG) in the 2025/26 fiscal year and onwards.

V. Reform Execution and Change Management

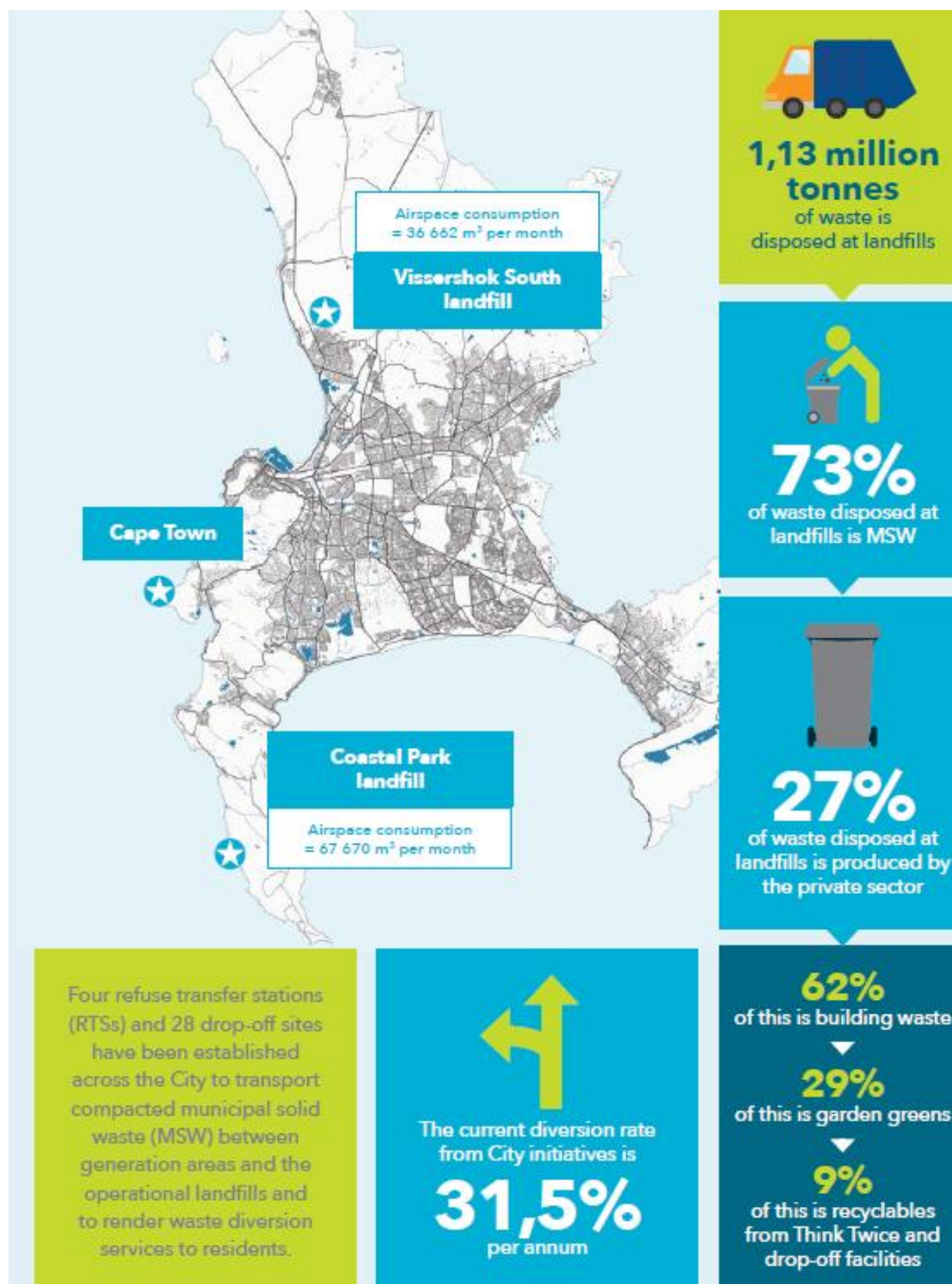
- Activate the change management programme described in Section 8, including communication, training, and phased reform rollout.
- Strengthen internal capacity with a targeted development plan and focused recruitment.
- Engage outsourced experts when internal capacity development would be too slow.

This turnaround strategy outlines the strategic rationale and institutional commitment needed for Council approval and submission to the National Treasury. It is complemented by the Institutional and Governance Roadmap (A1) as well as the Business and Investment Plan (A2). A comprehensive Performance Improvement Action Plan (A3) will be issued subsequently. These documents will steer the implementation of reforms, positioning the UWM directorate as a capable, customer-focused, and financially sustainable trading service.

ANNEXURE 1: WASTE MANAGEMENT FACILITIES



ANNEXURE 2: LANDFILL & WASTE DIVERSION SNAPSHOT





CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

CITY OF CAPE TOWN

URBAN WASTE MANAGEMENT

REFORM STRATEGY

2025

ANNEXURE A1

Institutional Road Map (IRM)

APPROVAL

NAME	DESIGNATION	SIGNATURE	DATE
Jason Mc Neil	Executive Director: Urban Waste Management	  Digitally signed by Jason Mc Neil Date: 2025.07.30 14:55:34 +02'00'	
Lungelo Mbandazayo	City Manager	  Digitally signed by Lungelo Mbandazayo Date: 2025.07.31 10:54:54 +02'00'	

Contents

1	Introduction	5
1.1	Purpose of the Institutional Reform Road Map	5
1.2	Origin and Strategic Alignment	5
1.3	National Treasury Compliance	5
1.4	Structure of the Road Map	5
1.5	Supporting Documentation	6
2	Future State Framework for UWM Trading Services	6
3	Summary Implementation Timeline by 7 Box Category	11
3.1	Accountability and Governance	13
3.2	Human Resources (People & Capacity)	15
3.3	IT, Fleet, and Facilities (Technology Enablement)	16
3.4	Customer Services	17
3.5	Finance	18
3.6	Supply Chain Management	20
3.7	Monitoring, Evaluation, and Risk	21
4	Conclusion	22
A.	Addendum A: Detailed Roadmap by Reform Pillar	23
A.1.	Guiding Principles	23
A.2.	Change Management	24
A.3.	Governance and Institutional Reform	26
A.4.	Institutional Interfaces & Operating Model	28
A.5.	Financial Sustainability	29
A.6.	Service Delivery and Operational Processes	31
A.7.	People and Capacity	32
A.8.	Technology Enablement	34
A.9.	External Interface and Sector Alignment	35
A.10.	Dependencies and Critical Enablers	37
A.11.	Monitoring, Evaluation and Reporting	38
A.12.	Benefit Realisation and Public Value	39

A.13. Risks and Mitigation Framework	40
Figure 1: UWM as a Trading Service Business Unit in CCT	6
Figure 2: SLA and Inter-Company Billing Model between UWM and Corporate Centres of Excellence (refer to section 2, paragraph 1)	19
Table 1 The 7-box model of the City of Cape Town's core UWM Utility Functions	7
Table 2: Overview of the UWM Implementation Roadmap by 7 Box Model Category and Phase	12
Table 3: Accountability & Governance Implementation Timeline and NT KPI Alignment	13
Table 4: Human Resources and Change Management Implementation Timeline and NT KPI Alignment	15
Table 5: IT, Fleet and Facilities Implementation Timeline and NT KPI Alignment	16
Table 6: Customer Services Implementation Timeline and NT KPI Alignment	17
Table 7: Finance Implementation Timeline and NT KPI Alignment	18
Table 8: Supply Chain Management Implementation Timeline and NT KPI Alignment	20
Table 9: Monitoring, Evaluation, and Risk Implementation Timeline and NT KPI	21

1 Introduction

1.1 Purpose of the Institutional Reform Road Map

This Institutional Reform Road Map is an annexure to the UWM Municipal Trading Services Reform (MTSR) Turnaround Strategy and provides the structural and governance blueprint required to operationalise UWM's transition into a financially viable and operationally autonomous Municipal Trading Service (MTS). It outlines a step-by-step institutional transformation pathway, aligned with National Treasury's August 2024 MTSR Guidance Note 2, which prescribes the development of formal Institutional Road Maps for each trading service.

1.2 Origin and Strategic Alignment

This Road Map has been directly informed by the UWM Turnaround Strategy, which identified the critical institutional, financial, operational, and systemic barriers that must be addressed to enable a sustainable trading service. The Road Map translates these strategic insights into actionable reforms structured along the Seven Box Model, providing clear timelines and accountability pathways.

1.3 National Treasury Compliance

This submission satisfies the institutional roadmap requirements set out in NT's MTSR reform framework, particularly:

- The entrenchment of a **Single Point of Management Accountability (SPoMA)**
- The development of fit-for-purpose **governance arrangements**
- Reinforced **management, change and technical capacity**; and
- Full **financial and operational transparency** through ring-fenced systems and reporting.

1.4 Structure of the Road Map

The Institutional Roadmap is structured according to It is presented over three implementation phases: **Foundation** (0–12 months), **Activation** (12–36 months), and **Institutionalisation** (36+ months). Each section is cross-referenced with the National Treasury's 40 PIAP (A3) indicators (KPIs), where applicable, and is supported by a detailed implementation addendum.

1.5 Supporting Documentation

This Roadmap draws extensively on prior work undertaken during the UWM Programme Review and the MTS Turnaround Strategy.

2 Future State Framework for UWM Trading Services

The table below presents the Future State Seven-Box Framework for Urban Waste Management (UWM) as a ring-fenced Municipal Trading Service (MTS), based on the model 2 outlined in the National Treasury's Municipal Trading Services Reform (MTSR) Guidance Note (figure 1).

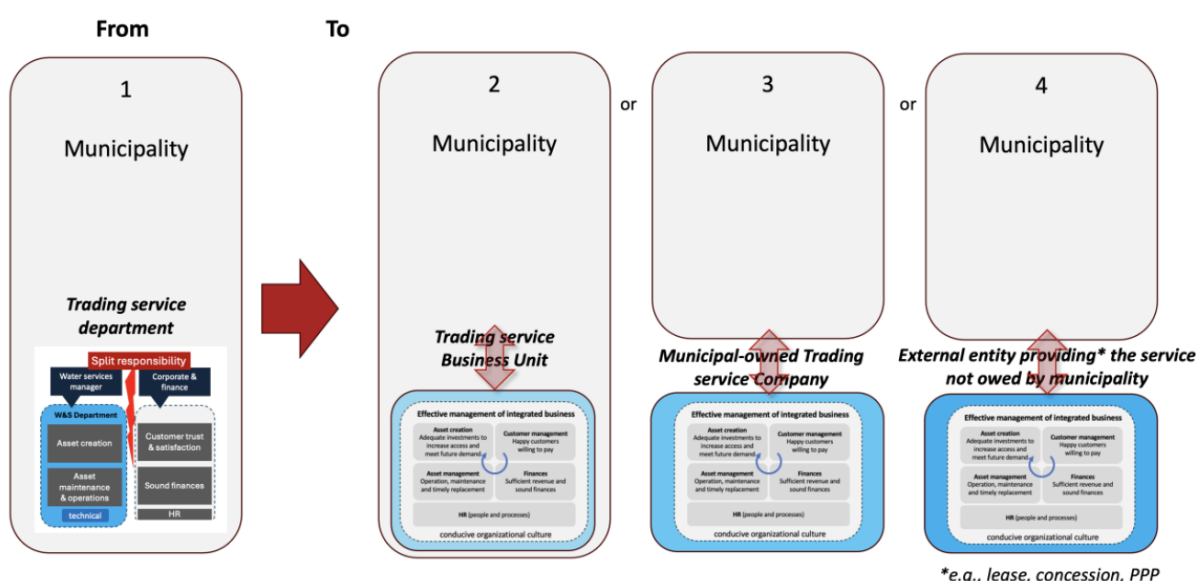


Figure 1: UWM as a Trading Service Business Unit in CCT

It identifies the core responsibilities and functions that must reside within the trading service, demonstrates how these align with National Treasury's assignment expectations, and contrasts this with the current state of UWM in the City of Cape Town. The table serves as both a design tool and gap analysis, laying the foundation for institutional transformation, SPoMA entrenchment SLA structuring, and alignment with MTSR compliance requirements. *It is noted that there are existing performance agreements in place between UWM and the City's Centres of Excellence. This document outlines a hub-and-spoke arrangement to be used in cases where current agreements need to be supplemented by more detailed SLAs.*

Table 1 The 7-box model of the City of Cape Town's core UWM Utility Functions

7 Box Model Category	Responsibility / Functionality	Assignment of Responsibility as per National Treasury Guidance Note	To Be state of Urban Waste Management Directorate in Cape Town
Leadership and Management	Separate Trading Service	Entity or Business Unit	Separate Utility Directorate SPoMA is in place
	Reports to Accounting Officer for business unit (City Manager)	Business Unit Head	Executive Director: Urban Waste Management
	Political Oversight	Business Unit Specific	Urban Waste Management Portfolio Committee Advisory Committee(s) to be established.
			Mayoral Committee Member for Urban Waste Management
	Full trading service operations reports to Executive Director	Decentralised	Some services are centralised and performed by corporate Centres of Excellence (CoE) under agreements with UWM. Where needed these agreements will be strengthened by SLAs with an underpinning contract that also addresses intra-business billing for the services provided.
Motivated people, systems and tools	Development of HR policies that are in line with national regulations and develop systems to ensure compliance	Centralised	Corporate in collaboration with UWM
	Ensure compliance with Council HR policies and national regulations.	Corporate/HR Business Partner ensures that HR policies and processes are complied with	Business Unit in collaboration with Corporate HR
	Responsible for recruitment.	Business Unit	Business Unit in collaboration with Corporate HR

7 Box Model Category	Responsibility / Functionality	Assignment of Responsibility as per National Treasury Guidance Note	To Be state of Urban Waste Management Directorate in Cape Town
	Attending disciplinary cases;	Business Unit	Business Unit
	Payment of employees.	Business Unit	Business Unit
	Management of employee pay and leave; and	Business Unit	Business Unit
	Talent management and staff training, as well as organisational design.	Business Unit	Business Unit, in collaboration with Corporate HR
Asset maintenance and operations	Ensure compliance with all relevant policies and regulations, through effective oversight.	Corporate IS&T	Corporate IS&T, in collaboration with UWM
	Manage requirements within policy.	Business Unit	Business Unit in collaboration with Corporate IS&T
	Procure, allocate, and maintain assets.	Business Unit	Business Unit in collaboration with Corporate IS&T
Sound finances	Raising consolidated bills to customers;	Corporate	Business Unit in collaboration with Corporate Finance
	Managing the corporate bank accounts,	Corporate	Business Unit in collaboration with Corporate Finance
	Raising loans and undertaking investments;	Corporate	Business Unit in collaboration with Corporate
	Consolidating the financial statements of the trading services into the corporate municipal accounts at year-end;	Corporate	Business Unit in collaboration with Corporate
	Ensuring the devolved finance operation complies with	Corporate	Business Unit in collaboration with Corporate Finance

7 Box Model Category	Responsibility / Functionality	Assignment of Responsibility as per National Treasury Guidance Note	To Be state of Urban Waste Management Directorate in Cape Town
	corporate financial policies; and		
	Publishing full trading services AFS statements annually, and aggregated within metro AFS.	Corporate	Business Unit, in collaboration with Corporate Finance
	Critical revenue value chain functions, including metering, and management / oversight of credit control.	Business Unit	Metering and Revenue Protection: Business Unit Credit Control Oversight: Corporate
	Creditors payment;	Business Unit	Business Unit authorises payments, and corporate maintains the system
	The production of management accounts,	Business Unit	Business Unit, in collaboration with Corporate Finance
	Engaging with internal and external audit queries;	Business Unit	Business Unit
	Posting of entries into the accounts;	Business Unit	Business Unit handles the SAP postings, and oversight responsibility lies with Corporate
	Maintaining assets registers, etc,	Business Unit	Business Unit
	Preparation and sign-off of UWM trading service AFS.	Business Unit	Business Unit, in collaboration with Corporate Finance
Sound governance	Ensure compliance with all relevant policies and regulations through effective oversight.	Corporate	Corporate SCM, in collaboration with UWM
	Bid Adjudication Committee	Corporate	Business Unit in collaboration with Corporate SCM
	Bid Specification Committee and Bid Evaluation Committee	Business Unit	Business Unit

7 Box Model Category	Responsibility / Functionality	Assignment of Responsibility as per National Treasury Guidance Note	To Be state of Urban Waste Management Directorate in Cape Town
	Manage stores;	UWM has stores for operations and infrastructure component, The common goods are kept at Corporate Stores eg. toilet paper,	Business Unit, in collaboration with Corporate SCM
	Procurement, (setting up and service);	Business Unit	Business Unit
	The preparation of reports for consideration by the bid adjudication committee.	Business Unit	Business Unit

The Directorate will conduct a structured review of all shared services and centralised functions, with particular attention to those identified in the Future State Seven-Box Framework. This review will evaluate whether the current institutional arrangements facilitate full accountability, transparency, and performance management as envisaged in National Treasury's MTS Reform Guidance.

Where misalignments are identified, the UWM directorate will conduct an options analysis to evaluate alternative operating models and provide formal recommendations to the City Manager. Once approved, these recommendations will be institutionalised through internal policies, standard operating procedures, and aligned governance mechanisms to ensure that the reforms are sustained and enforceable.

3 Summary Implementation Timeline by 7 Box Category

To provide a structured overview of the reform process, the UWM Transition Roadmap has been aligned with the functional responsibility areas defined in the 7 Box Model. This approach ensures coherence between strategic intent, operational transformation, and accountability frameworks as required by the National Treasury's April 2024 Trading Services Reform Guidance.

The summary implementation timeline below consolidates key reform actions into a single table, illustrating their alignment with each of the seven functional areas in the 7 Box Model and sequencing them across the Foundation (0–12 months), Activation (12–36 months), and Institutionalisation (36+ months) phases.

Table 2: Overview of the UWM Implementation Roadmap by 7 Box Model Category and Phase

7 Box Model Category	Foundation Phase (0 to 12 months)	Activation Phase (12 to 36 months)	Institutionalisation Phase (36+ months)
Leadership and management	Establish governance model, SPoMA has been appointed, define oversight forums, and draft NT governance roadmap. Prepare and submit the institutional reform roadmap to NT.	Operationalise POF, formalise reporting structures, align to MFMA Sec. 52/72. Appoint skills of Directors of Divisions (external industry skills). Update the delegation of authority. Establish an objective performance reporting.	Institutionalise utility governance, embed performance and audit cycles.
Motivated people, systems and tools	Conduct a skills audit, begin organisational structure realignment, and initiate union engagement (align KPIs to structure to MTSR).	Implement training programmes, develop a competency framework, and formalise internal career paths.	Embed workforce planning cycle, establish recovery-focused units, and institutionalise continuous development.
	Configure SAP business area, GIS enhancements, and submit UWM tech needs to CAR.	Deploy dashboards, enable real-time operational tools, and improve data governance.	Integrate UWM into CAR platforms, enable customer self-service portals, and predictive analytics.
Customer trust and satisfaction	Stakeholder mapping, launch a change management strategy, and initiate public communications. Review performance monitoring services. Update the service delivery performance metrics. Review the call centre service (complain) services.	Roll out ratepayer education, pilot feedback loops, and formalise branding. Develop a customer satisfaction survey tool and establish a baseline. Rollout service improvement to reduce costs and increase revenue.	Institutionalise service culture, transparent reporting, and digital interfaces.
Sound finances	Complete financial baselining, model tariffs, and define SAP budget lines. Map the business model based on new structure. Establish service cost models (cost accounting).	Implement tariff collection, pilot cost recovery, and submit a 5-year investment plan. Measure drive improvement operating costs.	Achieve cost recovery target, integrate performance-based grants, and enable tariff/service linkage. Maintain eligibility for NT performance-based grants by complying with reporting requirements.
Sound governance and supportive enabling environment	Map SCM interfaces, draft SLA templates where needed, and define contract performance expectations. Align procurement controls to NT guidelines and monitor contract execution performance.	Formalise SLAs with CoEs, monitor contract KPIs, and digitise asset tracking.	Institutionalise integrated operating model, revise SLAs, refine workflows.
	Develop MER framework, establish risk register, and baseline service metrics. Establish a reform performance baseline and NT-compliant MER indicators.	Launch dashboards, pilot public disclosure, and monitor reform risks on a quarterly basis.	Embed MER into governance, link performance to audit and strategy cycles.

The preceding overview provides a consolidated view of the UWM transition roadmap across the key functional areas. In the sections that follow, each 7 Box component is unpacked in greater detail, following a structured timeline format. This allows for clearer visibility into the reform actions required per function, when they will occur, and how they align with the specific requirements of the National Treasury's Trading Services Reform (MTSR) Guidelines and KPI framework.

Each functional area is presented in alignment with the three implementation phases — **Foundation (0–12 months)**, **Activation (12–36 months)**, and **Institutionalisation (36+ months)** — and includes augmented content where necessary to ensure that the reform roadmap is fully responsive to all relevant NT KPIs and reporting obligations.

3.1 Accountability and Governance

This component addresses the institutional arrangements required to establish a ring-fenced municipal trading service within UWM, with clear lines of accountability to the City Manager, supporting oversight structures, and alignment to Section 77 and 78 of the Municipal Systems Act. The focus is on the Single Point of Management Accountability (SPoMA), operationalising governance structures, and embedding performance assurance and public accountability mechanisms over time.

Table 3: Accountability & Governance Implementation Timeline and NT KPI Alignment

Phase	Key Actions	NT KPI Alignment
Foundation (0–12 months)	- Establish a governance model for UWM as a ring-fenced utility. - City Manager has been confirmed as Accounting Officer with formal delegation of oversight to the SPoMA. - Define the roles of the Executive Director and the Portfolio Committee. - Draft and submit Governance Roadmap to NT (due by Sept 2024). - Begin mapping of internal oversight forums (e.g., RiskCo, APAC, POF). - Initiate design of SLA framework and inter-directorate accountability protocols. - Define requirements/skills etc for the new Director posts.	KPI 1–5, 8, 14

Phase	Key Actions	NT KPI Alignment
Activation (12–36 months)	- Operationalise the Performance Oversight Forum (POF) and clarify Terms of Reference (ToRs). - Formalise reporting architecture (aligned to MFMA Sections 52 and 72). - Embed quarterly performance and financial reporting to NT, MPAC, and Council. - Provide training on governance roles to UWM leadership. - Integrate risk reporting and escalation into governance forums. - Update the delegations of authority for the ED, Directors, Managers,	KPI 6–8, 14, 16
Institutionalisation (36+ months)	- Institutionalise SPoMA-aligned governance practices - Maintain documentation cycles (charters, TORs, frameworks). - Consider a Technical Advisory Panel to review investments and innovation. - Align UWM's model to national utility governance benchmarks. - Sustain long-term audit readiness and governance learning. - Periodically review SLA accountability mechanisms for alignment with governance maturity.	KPI 8, 14, 19, 24

3.2 Human Resources (People & Capacity)

The successful transformation of UWM into a Municipal Trading Service (MTS) depends on the readiness, competence, and adaptability of its workforce. This component brings together structural HR reforms with the behavioural and cultural transformation needed to embed utility principles such as accountability, transparency, and service excellence. It includes both formal Human Resources Management (HRM) functions and the strategic Change Management process that underpins the broader institutional transition. The Change Management section compliments the Change Management and Organisational Support plans outlined in Document A (Turnaround Strategy).

Table 4: Human Resources and Change Management Implementation Timeline and NT KPI Alignment

Phase	Key Actions	NT KPI Alignment
Foundation (0–12 months)	- Conduct workforce and skills audit across all UWM functional areas. - Identify key capacity gaps, particularly in recycling, materials recovery, and financial oversight. - Begin realignment of job roles and structures to match the utility model. - Initiate formal union engagement process. - Appoint change agents across UWM. - Launch structured internal engagement and communications plan (townhalls, FAQs, management messaging). - Map informal sector participants and explore integration pathways. - Delegate change management team or resource. - Recruit necessary resources where needed.	KPI 3, 9, 11, 17
Activation (12–36 months)	- Implement technical and managerial training aligned to new utility functions. - Develop and institutionalise a UWM Competency Framework. - Formalise career development paths and succession plans. - Roll out behaviour change campaigns (service pride, accountability). - Pilot materials recovery partnerships and informal sector collaboration. - Maintain structured labour engagement and co-develop reform responses.	KPI 9, 17, 20, 21
Institutionalisation (36+ months)	- Embed workforce planning into annual performance and budget cycles. - Establish specialised recovery and circular economy units. - Institutionalise ongoing professional development and internal mentoring. - Integrate change leadership and staff feedback into governance. - Reinforce utility identity and values as a cultural norm.	KPI 11, 17, 21, 28

3.3 IT, Fleet, and Facilities (Technology Enablement)

This component centres on enabling the operational and financial autonomy of UWM through the appropriate configuration and integration of digital systems, physical assets, and supporting infrastructure. In light of the City's Core Applications Refresh (CAR) programme, UWM's technology strategy adopts a dual approach: targeted short-term system configurations for ring-fencing, and the preparation of comprehensive functional requirements for future integration into city-wide platforms. Fleet and facilities optimisation is regarded as a key enabler of operational performance, particularly in logistics, asset tracking, and depot management.

Table 5: IT, Fleet and Facilities Implementation Timeline and NT KPI Alignment

Phase	Key Actions	NT KPI Alignment
Foundation (0–12 months)	- Create a UWM-specific Business Area in SAP and configure cost centres. - Identify functional gaps in SAP ERP, PPM, MM, BI, and GIS. - Submit detailed UWM system requirements to the CAR programme. - Begin integration of GIS for route planning, asset mapping, and service area coverage. - Catalogue existing data and systems. - Establish a process to identify and produce technology solution for management of municipal waste services.	KPI 6, 12, 13, 18
Activation (12–36 months)	- Enable dashboards and tools for live fleet tracking, SLA monitoring, and waste stream reporting. - Standardise data definitions and integration across platforms. - Automate key operational processes (e.g., contractor performance, stock management). - Expand GIS use for mapping the informal sector and depot planning and start implementation.	KPI 12, 13, 18, 22
Institutionalisation (36+ months)	- Integrate UWM into full CAR-delivered platforms. - Implement digital tools for customer self-service, issue logging, and transparency. - Develop predictive analytics capability for planning and cost forecasting. - Institutionalise technology governance and performance tracking as part of utility operations, including full implementation and compliance.	KPI 12, 13, 18, 23, 27

3.4 Customer Services

Customer services within a ring-fenced utility model extend beyond mere complaint resolution; they include proactive engagement with service users, clear communication of value and tariffs, and the establishment of public trust through transparency and responsiveness. UWM's transition roadmap integrates customer engagement into both the Change Management and Performance Reporting frameworks, while utilising digital tools to ultimately facilitate self-service, feedback loops, and ratepayer trust.

Table 6: Customer Services Implementation Timeline and NT KPI Alignment

Phase	Key Actions	NT KPI Alignment
Foundation (0–12 months)	• Map internal and external customer-facing interfaces. • Identify gaps in responsiveness, complaint turnaround, and issue escalation. • Launch targeted public communications strategy to support transition messaging. • Establish contact points for community and ward-level engagements. • Begin ratepayer education planning. • Develop a pro-active service delivery tool or reporting.	KPI 7, 9, 14
Activation (12–36 months)	• Roll out structured ratepayer education campaigns (e.g., service value, tariffs, recycling). • Pilot customer satisfaction tools and feedback mechanisms. • Incorporate customer service metrics into internal dashboards. • Develop draft customer service standards aligned with utility performance principles. • Develop a pro-active measure.	KPI 7, 9, 14, 20
Institutionalisation (36+ months)	• Institutionalise a utility-wide customer engagement strategy. • Launch digital self-service platforms for reporting faults, scheduling bulky items, and addressing service queries. • Link customer data to planning and infrastructure prioritisation. • Embed customer feedback into governance and performance improvement cycles.	KPI 7, 9, 14, 23, 28

3.5 Finance

Financial sustainability is one of the central pillars of UWM's transition to a Municipal Trading Service. The goal is to progressively shift from tax-funded operations to a cost-reflective, tariff-based model while maintaining compliance with MFMA requirements and qualifying for performance-based infrastructure grants. The roadmap establishes a clear financial architecture, incorporating SAP cost centre configurations, tariff modelling, revenue management, and long-term business planning aligned with the IDP.

Table 7: Finance Implementation Timeline and NT KPI Alignment

Phase	Key Actions	NT KPI Alignment
Foundation (0–12 months)	- Conduct a financial baseline assessment (cost structure, revenue, funding sources). - Develop tariff models and cost recovery scenarios. - Define SAP budget lines and cost centres. - Draft a UWM-specific Financial Strategy. - Engage with the Finance Directorate on funding flow and reporting structures. - Initiate design of inter-company billing architecture and workflow (see Figure 2).	KPI 5, 6, 10, 13
Activation (12–36 months)	- Implement ring-fenced accounting in SAP. - Introduce tariffs in pilot areas or selected service types. - Submit a 5-year Business and Investment Plan to NT and Council. - Strengthen internal financial planning and forecasting capabilities. - Monitor early cost recovery performance. - Implement inter-company billing linked to SLA execution and cost recovery monitoring.	KPI 10, 13, 14, 15, 18
Institutionalisation (36+ months)	- Institutionalise full cost recovery linked to service levels. - Maintain eligibility for NT performance-based capital grants. - Use tariff income to fund future infrastructure and service expansion. - Embed financial sustainability metrics into governance, planning, and Monitoring, Evaluation, and Reporting processes. - Maintain systemised inter-company billing with quarterly reconciliation and audit trail.	KPI 10, 13, 18, 19, 24, 29



Figure 2: SLA and Inter-Company Billing Model between UWM and Corporate Centres of Excellence (refer to section 2, paragraph 1)

3.6 Supply Chain Management

Supply Chain Management (SCM) plays a crucial role in UWM's transition by enabling the business to deliver infrastructure, manage outsourced services, and procure operational goods within a framework of accountability, efficiency, and compliance. The transition roadmap necessitates the establishment of fit-for-purpose procurement interfaces, contract management mechanisms, and service-level agreements (SLAs) with corporate Centres of Excellence, all aligned with the utility's operational autonomy.

Table 8: Supply Chain Management Implementation Timeline and NT KPI Alignment

Phase	Key Actions	NT KPI Alignment
Foundation (0–12 months)	- Map SCM interfaces with CoEs and identify friction points. - Define procurement boundaries and SLA expectations. - Draft standardised SLA templates for shared procurement services. - Begin realigning contract management roles (specifications, evaluation, oversight). - Identify risks in the current decentralisation model.	KPI 4, 6, 12, 14, 18
Activation (12–36 months)	- Formalise SLAs with Finance/SCM CoEs for goods, services, and infrastructure procurement. - Define technical specifications, turnaround times, and escalation procedures. - Digitise contract performance monitoring. - Pilot performance-based vendor management tools for outsourced services.	KPI 12, 14, 20, 25
Institutionalisation (36+ months)	- Institutionalise an integrated operating model and the SCM interface function. - Periodically review SLAs based on business needs and contract performance. - Fully embed contract oversight within operational service streams. - Develop internal capacity for contract assurance and compliance reporting	KPI 14, 18, 20, 25, 28

3.7 Monitoring, Evaluation, and Risk

Effective Monitoring, Evaluation, and Reporting (MER), alongside proactive risk management, is fundamental to demonstrating UWM's compliance with National Treasury's reform conditions and tracking the outcomes of its institutional transformation. MER processes ensure performance accountability, support adaptive management, and build the evidence base needed for public communication, continuous improvement, and future funding eligibility.

Table 9: Monitoring, Evaluation, and Risk Implementation Timeline and NT KPI

Phase	Key Actions	NT KPI Alignment
Foundation (0–12 months)	- Develop UWM-specific MER Framework aligned to strategic pillars and NT roadmap structure. - Establish Reform Risk Register, identifying strategic and operational risks (e.g., labour resistance, tariff rejection, ICT limitations). - Define baseline performance indicators across operations, finance, and governance. - Identify MER data sources and assign internal data owners.	KPI 8, 13, 14, 15, 16, 19, 26
Activation (12–36 months)	- Launch internal performance dashboards and reform milestone tracking. - Integrate reform reporting into governance cycles (MFMA Sections 52, 72, and 121). - Pilot public-facing performance summaries to support transparency and ratepayer trust. - Monitor risks quarterly and escalate issues to RiskCo, EMT, and POF.	KPI 14, 15, 16, 19, 22, 26, 27
Institutionalisation (36+ months)	- Embed MER into utility governance and planning processes. - Formalise long-term evaluation cycles to assess impact against strategic objectives (financial sustainability, service equity, environmental outcomes). - Institutionalise NT, DFFE, and AGSA compliance reporting in UWM's performance calendar. - Conduct post-reform risk assessments and lessons learned cycles.	KPI 14, 15, 19, 24, 26, 27, 28, 30

Note:

For the complete set of reform activities that underpin the implementation timelines presented in this section, please refer to Addendum A: Detailed Strategic Roadmap by Reform Pillar. The addendum offers comprehensive descriptions of each action across twelve strategic pillars and implementation phases.

4 Conclusion

The implementation timelines outlined in this section offer a structured and time-sensitive roadmap for transforming Urban Waste Management (UWM) into a ring-fenced Municipal Trading Service. By aligning the roadmap with the functional categories of the 7 Box Model and incorporating the strategic pillars of the broader reform programme, this approach guarantees coherence among institutional responsibilities, service delivery obligations, and governance structures.

Each component has been mapped across three implementation phases — Foundation, Activation, and Institutionalisation — and has been carefully aligned with the National Treasury's Trading Services Reform (MTRSR) KPIs. Where necessary, additional reform actions have been integrated to ensure full compliance and audit readiness, including the formalisation of SLA-based service arrangements, inter-company billing mechanisms, and the institutionalisation of SPoMA.

The transition of UWM into a utility is not merely a technical and financial restructuring; it represents a cultural and institutional transformation that necessitates leadership commitment, staff engagement, and stakeholder trust. The timelines outlined here serve as a blueprint for implementing that transformation in a sequenced, transparent, and performance-managed manner — with clear ownership, measurable progress, and long-term public value.

A. ADDENDUM A: DETAILED ROADMAP BY REFORM PILLAR

This addendum outlines the comprehensive set of detailed activities that support the high-level implementation timelines presented in Section 3. These activities are organised according to twelve strategic pillars defined in the UWM Transition Roadmap, which together represent the institutional, financial, operational, and cultural changes necessary to establish Urban Waste Management (UWM) as a ring-fenced Municipal Trading Service.

Each strategic pillar reflects a core dimension of the reform process—such as governance, change management, service delivery or financial sustainability—and is implemented across three progressive phases: **Foundation** (0–12 months), **Activation** (12–36 months), and Institutionalisation (36+ months). While the high-level summary tables group the roadmap actions under the functional categories of the 7 Box Model, this addendum maintains the original pillar-based format to ensure completeness, traceability and alignment with National Treasury's reform expectations.

A.1. Guiding Principles

The development of this roadmap is based on a set of guiding principles that ensure the transition remains coherent, compliant, and strategically aligned. These principles reflect the governance, financial, institutional, and service delivery imperatives outlined in municipal legislation, the City's strategic priorities, and the National Treasury's trading services reform guidelines:

- **Accountability to the City Manager:** The City Manager, acting as the Accounting Officer in accordance with the MFMA, serves as the central point of accountability for all financial, performance, and governance matters pertaining to UWM.
- **Structured Autonomy within the City Framework:** UWM will gradually operate with increased operational and financial autonomy while remaining firmly integrated within the City's governance and assurance frameworks.
- **Phased, Risk-Informed Implementation:** Changes will be implemented in phases to facilitate learning, feedback, and the mitigation of institutional, financial, and political risks.
- **Change Management as a Strategic Enabler:** Organisational change, staff engagement, public communication, and union negotiation are considered central to the success of this reform — not as peripheral support functions.

- **Financial Sustainability through Cost Recovery:** The roadmap prioritises developing a viable revenue model for UWM, progressively transitioning from tax-funded operations to tariff-based cost recovery and capital investment.
- **Partnerships for Innovation and Inclusion:** The reform process will actively involve the private sector, informal waste participants, and civil society to promote circular economy solutions and inclusive service models.
- **Technology and Data as Enablers of Transparency:** System upgrades, data integrity, and digital platforms are essential drivers of efficiency, transparency, and performance monitoring throughout the transition.
- **Alignment with National and Sectoral Policy:** The roadmap is in alignment with the National Waste Management Strategy (NWMS), the National Treasury's MTSR indicators, and other relevant national legislation and policy frameworks.

A.2. Change Management

Successful transformation into a ring-fenced utility requires more than structural or financial reform — it demands a fundamental shift in mindsets, behaviours, and relationships across the institution and its stakeholder ecosystem. This change management pillar establishes the social, cultural, and relational foundation for the roadmap, ensuring that reforms are understood, accepted, and embedded over time. It encompasses six critical subcomponents that tackle internal engagement, external stakeholder management, and sustained behaviour change. Activities are organised into short (0–12 months), medium (12–36 months), and long-term (36+ months) sequences to reflect the depth and pace of change required:

- **Stakeholder Identification, Segmentation & Impact Analysis:** The roadmap for stakeholder identification, segmentation, and impact analysis consists of the following:
 - **Short-Term:** Conduct a thorough stakeholder mapping exercise that encompasses internal (staff, unions, management), institutional (City governance, CoEs), and external stakeholders (ratepayers, waste pickers, service providers, NT, DFFE). Evaluate levels of influence, interest, and potential resistance.
 - **Medium-Term:** Update segmentation by stakeholder behaviour and feedback gathered during initial engagements; monitor consistency with project phases and risks.
 - **Long-Term:** Institutionalise feedback loops from stakeholders into programme governance and future investment cycles.

- **Change and Communications Strategy & Plan:** The framework for change, together with its communications strategy and plan, includes the following:
 - **Short-Term:** Develop **and** authorise a comprehensive Change and Communications Strategy along with a supporting Plan. Specify key messages, communication channels, and the roles of the target audiences.
 - **Medium-Term: Implement** targeted campaigns, including internal awareness sessions, community briefings, digital content, and issue-specific messaging (e.g. tariffs, services, and benefits).
 - **Long-Term:** Integrate communications into a standard operational function within UWM, ensuring transparency and promoting behaviours aligned with the utility's service culture.
- **Internal Staff Engagement & Behaviour Change:**
 - **Short-Term: Implement** a structured internal engagement programme that utilises town halls, staff briefings, FAQs, and leadership messaging. Address uncertainties surrounding job roles, structure, and service accountability.
 - **Medium-Term:** Establish a network of change agents across UWM, implement role-specific training **aligned** to utility functions, and embed values of service excellence and accountability into performance management.
 - **Long-Term: Reinforce** a new organisational culture through peer recognition, career pathways, service pride campaigns, and ongoing professional development.
- **Waste Minimisation & Informal Sector Integration:**
 - **Short-Term:** Map informal waste sector stakeholders, recyclers, cooperatives, and NGOs. Engage them on their role in a restructured service and explore partnership models.
 - **Medium-Term:** Pilot materials recovery facilities (MRFs), separation-at-source programmes, and buy-back centres that formalise informal roles while protecting livelihoods.
 - **Long-Term:** Institutionalise inclusive circular economy models into UWM's business plan and integrate informal actors into permanent operational and planning cycles.
- **Public Communications & Ratepayer Engagement Strategy:**
 - **Short-Term:** Prepare public-facing communication content that frames the shift to a utility model as a necessary, fair, and service-oriented reform. Launch initial engagement forums.

- **Medium-Term:** Roll out sustained public education campaigns focusing on service value, environmental benefits, and tariff fairness. Leverage ward councillors, civil society, and media.
- **Long-Term:** Establish a utility brand identity and transparent customer information systems, reinforcing the value of the service and supporting long-term ratepayer trust.
- **Labour & Union Engagement Framework:**
 - **Short-Term:** Initiate formal engagement with recognised unions. Share reform intent, establish a consultation framework, and identify areas of likely concern or contention.
 - **Medium-Term:** Co-develop solutions on affected roles, transfers, upskilling, and policy changes. Hold joint forums and maintain structured engagement at all phases of implementation.
 - **Long-Term:** Embed a proactive labour engagement culture within UWM and ensure any future operational shifts are negotiated transparently, with lessons from the transition process informing future agreements.

A.3. Governance and Institutional Reform

The success of UWM's transition into a ring-fenced utility hinges on establishing an appropriate governance and institutional framework. This involves clear lines of accountability, defined reporting relationships to the City Manager and Council, and the creation of governance bodies that provide strategic oversight while maintaining operational autonomy. This pillar centres on realigning existing decision-making structures, establishing new utility-level forums, and ensuring full compliance with legislative and policy frameworks such as the MFMA, Municipal Systems Act, and National Treasury's April 2024 guidance on trading services reform.

- **Short-Term (0–12 Months):**
 - **Document Current Governance Architecture:** Confirm the existing institutional roles and oversight structures across UWM, CoCT governance bodies, and external regulators.
 - **Confirm Statutory Line of Accountability:** Reaffirm the City Manager's role as Accounting Officer and the reporting obligations under the MFMA.
 - **Establish Reform Governance Group:** Create an internal UWM Reform Steering Committee to coordinate transitional governance tasks.

- **Define Governance Gaps:** Identify areas where current structures fall short of NT's requirements for ring-fenced utilities (e.g., lack of independent investment planning authority, informal oversight processes).
- **Draft Governance Roadmap Submission to NT:** As per NT guidelines, prepare a formal institutional reform roadmap outlining the pathway to utility-style governance by September 2024.
- **Define SLA Governance Protocols:** Initiate development of governance mechanisms for managing inter-directorate SLAs (e.g., with Finance, HR, ICT). These must clearly define accountability, escalation routes, and SPoMA-aligned oversight responsibilities, ensuring that the ED: UWM remains the performance owner even where corporate Centres of Excellence deliver services.
- **Medium-Term (12–36 Months):**
 - **Establish Performance Oversight Forum (POF):** Formalise a governance structure that monitors UWM's performance, finances, SLA compliance, and risk register independently from daily operations, reporting to the City Manager and Council.
 - **Define and Embed Governance Protocols:** Develop terms of reference, escalation paths, and decision-making thresholds for all internal forums (e.g., SPoMA Management, Financial Oversight, SLA/Contract Forums).
 - **Formalise Reporting Architecture:** Institutionalise quarterly reporting cycles aligned with MFMA Section 52 and 72 reports, and submit integrated performance reports to APAC, MPAC, and NT.
 - **Introduce Utility Governance Training:** Train senior UWM managers and City oversight officials on governance principles, role clarity, and utility-specific governance models.
 - **Embed Governance into Risk Management Processes:** Integrate governance indicators into combined assurance planning and ensure proper handover of internal audit findings to POF and RiskCo.
 - **Integrate SLA Oversight into Governance Forums:** Include SLA performance review and non-compliance management as a standing agenda item in relevant governance forums. Ensure unresolved issues can be escalated through defined SPoMA structures to the City Manager or Council, as appropriate.
- **Long-Term (36+ Months):**
 - **Institutionalise Utility Governance Practices:** Transition governance activities into a stable, repeatable model supporting long-term planning, tariff review, and service improvement oversight.

- **Introduce External Advisory Structures (if required):** Consider establishing a Technical Advisory Panel or similar mechanism to review capital investments, utility strategy, and sector innovation.
- **Align Governance Model with National Best Practice:** Benchmark UWM's governance structure against other municipal utilities (e.g., energy, water) and refine structures for sustainability.
- **Sustain Governance Documentation and Review Cycles:** Ensure governance documents (e.g. charters, TORs, frameworks) are reviewed annually and that lessons learned are incorporated into future service expansion or restructuring efforts.

A.4. Institutional Interfaces & Operating Model

As UWM transitions into a ring-fenced utility, it will need to redefine how it interacts with corporate Centres of Excellence (CoEs) such as Finance, HR, ICT, Legal, and Supply Chain Management. These institutional interfaces must be governed through strengthening existing agreements, structured service-level agreements (SLAs), enabling UWM to operate with increased functional autonomy while maintaining alignment with broader City systems, policies, and compliance obligations.

This pillar focuses on designing and implementing a service delivery model that supports UWM's operational independence, cost control, and performance accountability, while maintaining integration with essential shared services. It also addresses the internal operating model required to support utility functions across the waste value chain.

- **Short-Term (0–12 Months):**
 - **Map all institutional interfaces** between UWM and relevant CoEs, including service dependencies, pain points, and cost recovery issues.
 - **Draft a conceptual operating model** that defines core UWM functions, shared service boundaries, and lines of accountability.
 - **Strengthen existing agreements and begin developing SLA templates for critical support functions** (e.g. Finance, ICT, Legal, Procurement), including associated inter-company billing mechanisms where required.
 - **Clarify roles and responsibilities under the SPoMA framework** for integrated service delivery and internal coordination.
- **Medium-Term (12–36 Months):**
 - **Formalise SLAs with CoEs**, specifying performance standards, turnaround times, escalation protocols, and billing structures aligned to SAP cost centres.

- **Pilot performance-based SLA monitoring** with select CoEs, using dashboard metrics and regular review forums.
- **Align UWM's internal structure** with its value chain (e.g. collections, landfill operations, diversion programmes) to enable operational clarity and accountability.
- **Adjust business processes** to reflect new workflows and decision pathways defined by the SLAs and utility structure.
- **Long-Term (36+ Months):**
 - **Institutionalise SLA governance** through a dedicated internal interface management function within UWM, working in coordination with oversight forums such as the Performance Oversight Forum (POF).
 - **Regularly review and revise SLAs** based on evolving business needs, service levels, and strategic priorities.
 - Evaluate the feasibility of insourcing or decentralising specific support functions if service gaps persist.
 - **Ensure the operating model remains agile and responsive** to sector shifts, technological advancements, and future reform phases.

A.5. Financial Sustainability

A central objective of the transition to a ring-fenced utility is to enable UWM to become financially self-sustaining over time. This involves reducing reliance on general property rates and shifting towards a cost-reflective, tariff-based revenue model capable of funding both operational needs and future capital investments. This pillar focuses on constructing the financial architecture, systems, and planning mechanisms necessary to support this shift — including revenue reform, cost recovery improvements, business planning, and eligibility for performance-based infrastructure grants. It also ensures alignment with MFMA requirements and the National Treasury's utility reform milestones.

- **Short-Term (0–12 Months):**
 - **Conduct a financial baseline assessment** of UWM's current cost structure, funding sources, and revenue recovery performance.
 - **Develop financial scenarios and cost-recovery models** for transitioning from rates-based funding to a partial or full tariff system.
 - **Draft a UWM-specific financial strategy and roadmap** aligned with NT's reform expectations, including eligibility for performance-based grants.
 - **Engage CoCT Finance to define internal cost centre structures**, budgeting processes, and revenue retention mechanisms in SAP.

- Utilise the City's existing homeowner account data to **categorise service users and define tariff categories applicable to each customer segment**, per the new cost-recovery model.
- **Initiate design of UWM-specific service charges**, linked to waste generation profiles, while aligning to existing municipal billing cycles and systems managed by the Finance CoE.
- **Design inter-company billing frameworks** to account for services rendered to UWM by corporate CoEs, including Finance, HR, ICT, and Legal.
- **Medium-Term (12–36 Months):**
 - **Implement ring-fenced cost centre accounting** in SAP to isolate UWM operational costs, revenues, and assets.
 - **Introduce and test waste service tariffs in pilot areas or customer segments**, supported by targeted public communication.
 - Collaborate with the Finance CoE to **configure tariff lines into the City's billing platform**, ensuring UWM-defined charges are applied to relevant customer accounts.
 - **Ensure billing rules and service logic defined by UWM** (e.g., number of bins, collection frequency, rebate categories) are embedded into the invoice generation process managed by Finance.
 - **Implement inter-company billing protocols**, with monthly reconciliations and SAP-based internal chargebacks for shared services.
- **Long-Term (36+ Months):**
 - **Institutionalise a full tariff model** that recovers operational costs and contributes to long-term infrastructure investment.
 - **Link tariff reviews to service levels**, waste minimisation goals, and environmental performance indicators.
 - **Secure eligibility for performance-based capital grants** through ongoing compliance with NT reform milestones and reporting obligations.
 - **Maintain structured collaboration with the Finance CoE** to ensure accurate invoicing, revenue collection, and debt management processes aligned to UWM's tariff policy and service data.
 - **Maintain a structured inter-company billing cycle**, with periodic reconciliation, SLA-linked charges, and financial performance monitoring.
 - **Embed financial sustainability principles** into future service planning, contract management, and asset lifecycle forecasting.

A.6. Service Delivery and Operational Processes

Repositioning UWM as a utility necessitates a redesign of its service delivery model and underlying operational processes to support cost-effective, high-quality, and accountable waste services. This encompasses optimising the entire waste value chain — from collections and transport to landfill operations, diversion, and recycling and material recovery — while enhancing service coverage, turnaround times, and responsiveness to community needs. Waste minimisation and diversion must transition from marginal activities to core operational priorities. This pillar emphasises streamlining workflows, improving performance management, developing recovery capacity, and embedding continuous improvement across all functional areas.

- **Short-Term (0–12 Months):**
 - **Map core UWM service processes** across all waste streams, identifying inefficiencies, gaps, and high-cost areas.
 - **Define standard operating procedures (SOPs)** for key service areas, aligned to expected turnaround times and performance metrics.
 - **Review and consolidate current contract management practices** to improve oversight of outsourced service providers.
 - **Establish an operational performance dashboard** with baseline metrics for collections, landfill usage, and diversion volumes.
 - **Identify opportunities for immediate improvement in waste minimisation practices**, including community separation-at-source and school-based campaigns.
 - **Define the operational data standards** needed to support customer billing, tariff validation, and service performance reporting.
- **Medium-Term (12–36 Months):**
 - **Implement process improvements and digitisation initiatives** (e.g. route optimisation, asset tracking, mobile reporting tools).
 - **Standardise and automate reporting** across operational units to enable proactive management and escalation.
 - **Embed key performance indicators (KPIs)** in line managers' responsibilities to ensure accountability at depot and operational levels.
 - **Roll out structured waste minimisation programmes**, including pilot materials recovery facilities (MRFs), buy-back centres, and partnerships with informal recyclers and cooperatives.
 - **Introduce lean and continuous improvement methods** to reduce waste, improve service reliability, and lower the cost per ton managed.

- **Pilot internal innovation and automation projects** to improve turnaround times and resource productivity across operational sites.
- **Long-Term (36+ Months):**
 - **Fully transition UWM into a performance-managed utility** with formal diversion and recovery targets, service-level benchmarking, and transparent public reporting.
 - **Institutionalise a service planning cycle** aligned to demand patterns, infrastructure capacity, recycling markets, and environmental priorities.
 - **Integrate real-time operational and materials flow data** into strategic planning for investment, infrastructure expansion, and workforce planning.
 - **Ensure operational data feeds directly into tariff reviews**, customer billing validation, and SLA performance reporting to enhance financial and service accountability.
 - **Develop permanent internal capabilities and organisational structures** dedicated to waste minimisation, circular economy innovation, and recovery infrastructure, enabling UWM to play a leading role in reducing Cape Town's waste footprint.
 - **Formalise partnerships with private operators, EPR schemes, and informal sector stakeholders** as part of a scalable circular economy strategy.

A.7. People and Capacity

The successful transition of UWM into a ring-fenced utility relies on the availability of suitably skilled, committed, and empowered personnel. This encompasses both leadership and frontline operational staff, alongside essential support functions such as finance, contract management, logistics, and environmental compliance. This pillar emphasises ensuring that UWM possesses the internal capacity to fulfil its mandate — not only for basic waste collection and disposal but also for enhancing recycling, diversion, and material recovery, which are currently underdeveloped. A proactive emphasis on workforce planning, upskilling, and talent retention will be vital for the long-term sustainability of the utility.

- **Short-Term (0–12 Months):**
 - **Conduct a skills and capacity assessment** across all core UWM functions, including landfill operations, collections, customer service, and diversion.
 - **Identify critical gaps in technical capacity** for recycling, material recovery, and circular economy interventions.
 - **Review the organisational structure and job roles** to align with the emerging utility model and new performance expectations.

- **Initiate leadership engagement sessions** to build support for reform and clarify roles during the transition.
- **Identify cross-functional needs related to financial forecasting, SLA development, and customer interface management.**
- **Medium-Term (12–36 Months):**
 - **Design and implement targeted training programmes** to address operational, financial, and environmental skills gaps, including a dedicated stream for recycling and recovery operations.
 - **Develop a UWM Competency Framework** aligned to utility-level performance standards.
 - **Formalise internal career paths and succession planning** to attract and retain skilled personnel across technical and managerial levels.
 - **Begin shifting internal culture toward one of accountability, transparency, and service improvement.**
 - **Introduce training modules focused on cost recovery, tariff structure interpretation, SLA negotiation, and performance reporting.**
- **Long-Term (36+ Months):**
 - **Institutionalise a workforce planning cycle** linked to the Business and Investment Plan, service growth targets, and infrastructure expansion.
 - **Establish specialist units or functions within UWM focused** on diversion, innovation in recycling, and extended producer responsibility (EPR).
 - **Maintain a continuous skills development programme**, supported by performance-linked development plans.
 - **Position UWM as a learning organisation with internal knowledge transfer, mentoring, and innovation-sharing mechanisms** across depots and functional units.
 - **Ensure ongoing reinforcement of behavioural change, leadership alignment, and service-oriented values as a continuation of the Change Management process.**

A.8. Technology Enablement

Enabling UWM to function as a ring-fenced utility depends on access to reliable, integrated, and fit-for-purpose digital platforms. However, the City's technology environment is currently undergoing a major systems refresh under the Core Application Review (CAR) programme. This means UWM must adopt a dual-track approach: implement targeted short-term improvements within existing systems to enable financial and operational autonomy, while ensuring that its long-term business requirements are explicitly defined and integrated into the CAR Programme.

This pillar focuses on achieving core utility functionality — including cost centre separation, performance tracking, SLA monitoring, and materials flow visibility — without duplicating City-wide investments or creating standalone silos.

- **Short-Term (0–12 Months):**
 - **Identify immediate functional gaps in SAP ERP, SAP PPM, MM, BI, and GIS** as they relate to ring-fencing, cost recovery, and operational monitoring.
 - **Prioritise low-cost, high-impact configurations** such as:
 - Creation of a distinct Business Area for UWM within SAP,
 - Activation of UWM-specific cost centres and budget lines,
 - Initial dashboards for collections, landfill usage, and diversion metrics.
 - **Submit a comprehensive UWM Business and Functional Requirements Pack to the CAR Programme** to ensure utility needs are addressed in future system architecture.
 - **Improve GIS integration for route planning, service area coverage, and asset management.**
 - **Begin cataloguing existing data assets and gaps**, with particular focus on materials flow and recovery performance.
 - **Ensure initial SAP configurations support inter-company billing logic, tariff design rules, and SLA cost allocation structures aligned to Finance and Governance requirements.**
- **Medium-Term (12–36 Months):**
 - Work with the CAR Programme to **test and deploy UWM-aligned enhancements in SAP** and other enterprise platforms — ensuring interoperability across finance, customer services, procurement, and operations.
 - **Enable real-time monitoring tools** for:
 - Fleet and route tracking,
 - SLA performance,
 - Waste stream analysis and recovery volumes.

- **Improve data governance and standardisation** to support cross-functional reporting, performance forecasting, and **compliance reporting to DFFE, National Treasury, and internal audit structures.**
- **Pilot automation of operational processes** such as contractor performance logging, depot stock levels, or customer service incident routing.
- **Expand GIS use cases** to support infrastructure investment planning, informal sector mapping, and service delivery audits.
- **Long-Term (36+ Months):**
 - **Fully integrate UWM utility functionality into the CAR-delivered platforms,** ensuring end-to-end visibility across cost recovery, asset management, **tariff-based billing (executed by Finance CoE),** and customer engagement.
 - **Develop digital tools and portals** for:
 - Public transparency of waste performance,
 - Online SLA dashboards with CoEs,
 - Customer self-service (e.g. bulky waste bookings, issue tracking, invoice queries).
 - **Institutionalise advanced analytics capability** to support predictive maintenance, service planning, and long-term cost efficiency.
 - **Ensure digital tools support ratepayer education, customer query resolution, and billing transparency as defined in the Customer Services and Finance components.**
 - **Ensure future upgrades to enterprise systems reflect UWM's status as a performance-managed, semi-autonomous utility** with clearly defined digital requirements.

A.9. External Interface and Sector Alignment

As UWM transitions toward a ring-fenced utility, it must align its governance, operational practices, and performance reporting with a wider set of national frameworks and stakeholders. This includes compliance with National Treasury's Municipal Trading Services Reform (MTSR) guidance, Department of Forestry, Fisheries and the Environment (DFFE) requirements under the National Waste Management Strategy (NWMS), and relevant provincial frameworks.

UWM should collaborate with stakeholders in the waste value chain, such as private operators and recyclers, to incorporate circular economy principles and enhance service resilience. This ensures UWM's operations are internally strong and externally credible and prepared for the future.

- **Short-Term (0–12 Months):**

- **Develop an external compliance register** that captures all reporting requirements to the National Treasury, DFFE, and other relevant sector bodies.
- **Submit required documentation to National Treasury**, including:
 - UWM's Governance Roadmap,
 - Business and Investment Plan (by September 2024),
 - Eligibility documentation for performance-based grants.
- **Establish a liaison function within UWM to manage interactions with NT, DFFE, SALGA, and sector forums.**
- **Identify and map all key external actors in the waste ecosystem**, including informal sector representatives, Extended Producer Responsibility (EPR) schemes, and recyclers.
- **Establish the foundations of a public-facing utility identity**, including messaging on UWM's mandate, goals, and service value as a trading entity.

- **Medium-Term (12–36 Months):**

- **Actively participate in national and provincial waste sector platforms**, benchmarking UWM against peer utilities.
- **Formalise engagement with external stakeholders** via structured forums or partnerships (e.g. industry roundtables, public-private collaborations, academic and NGO partnerships).
- **Align UWM operational targets with DFFE's NWMS goals** (e.g. landfill diversion rates, recycling targets, EPR integration).
- **Integrate external reporting requirements into internal performance dashboards and compliance reporting systems** (e.g. for use in Section 52/72 MFMA reports and public disclosures).
- **Begin publishing public-facing performance reports linked to external indicators and grant conditions.**

- **Long-Term (36+ Months):**

- **Institutionalise external reporting and performance alignment** within UWM's annual planning and budgeting cycle.
- Forge enduring strategic partnerships with industry bodies, waste technology providers, and innovation hubs to enhance service innovation and material recovery capacity.

- Contribute to national policy development by providing thought leadership and performance data on urban waste utility transformation.
- **Leverage external reporting to support long-term funding proposals, public accountability, and investor/stakeholder confidence in UWM's business model.**
- Position UWM as a leading municipal utility in the waste sector by aligning operations with global best practice and sectoral reforms.

A.10. Dependencies and Critical Enablers

The transformation of UWM into a ring-fenced utility will only succeed if certain foundational conditions are met and maintained throughout the transition. These dependencies and enablers exist across institutional, financial, technological, and political domains. They represent the minimum platform upon which the reform must be built and sustained. This pillar ensures that core support systems and interdependencies are recognised, actively managed, and reinforced through cross-functional collaboration, senior leadership sponsorship, and adaptive problem-solving.

- **Short-Term (0–12 Months):**

- **Secure sustained political and executive support** for the reform roadmap through formal endorsement by the City Manager and Mayoral Committee.
- **Establish a dedicated UWM Reform Programme Management Office** or coordination team to track, support, and troubleshoot reform activities.
- **Confirm funding availability and internal resource allocations to support reform initiatives**, particularly in areas such as change management, stakeholder engagement, and technical support.
- **Coordinate closely with the City's CAR Programme** to avoid duplication of digital investments and ensure UWM requirements are captured in future system upgrades.
- **Initiate an early legal review of bylaws, policies, and institutional arrangements** that may require amendment to support ring-fencing, tariff-based service models, and inter-directorate billing frameworks.
- **Ensure that system configurations (SAP, GIS, CRM) can support tariff definition, SLA tracking, and inter-company billing architecture** as foundational technical enablers.
- **Establish baseline operational, financial, and customer data to support MER tracking and performance benchmarking.**

A.11. Monitoring, Evaluation and Reporting

Effective monitoring, evaluation, and reporting (MER) are critical to ensuring that the UWM transformation remains on track, transparent, and accountable. This pillar provides the feedback mechanisms necessary to measure progress, surface emerging risks, guide adaptive decision-making, and satisfy internal and external oversight requirements, including those of Council, National Treasury, and DFFE. Monitoring must not only focus on compliance but also on outcomes, enabling continuous learning and course correction throughout the transition. Reporting must serve both internal governance needs and public communication imperatives, particularly as new tariff and performance regimes are introduced.

- **Short-Term (0–12 Months):**

- **Develop a UWM Reform Monitoring Framework** linked to the roadmap milestones, with aligned indicators across all strategic pillars.
- **Identify key compliance-based reporting requirements** (e.g. MFMA Sections 52/72/121; NT grant conditions) and ensure internal readiness to fulfil them.
- **Establish baseline performance data** for all major UWM service areas (e.g. tonnages, diversion rates, cost recovery, **SLA compliance**, tariff coverage).
- **Map all National Treasury MTSR KPIs to UWM reform initiatives**, and assign internal data owners to track each one.
- **Prepare quarterly internal reform reports** for the City Manager and senior oversight structures.
- **Ensure that initial dashboards, performance tools, and reporting structures are compatible with the City's SAP BI and CAR programme architecture.**

- **Medium-Term (12–36 Months):**

- **Institutionalise integrated reporting cycles** aligned to operational, financial, governance, and external compliance indicators.
- **Develop a reform reporting dashboard** for internal leadership and Council committee briefings, drawing on real-time performance and financial data.
- **Build internal evaluation capacity** to assess the effectiveness of specific reform interventions (e.g. SLA performance trends, diversion improvements, financial autonomy impacts).
- **Track and report on inter-company billing accuracy and SLA service level compliance as part of quarterly performance assurance cycles.**
- **Pilot a public-facing reporting mechanism** to build transparency and trust — including service performance metrics, customer feedback data, and reform status.

- **Long-Term (36+ Months):**

- **Embed reform-related indicators** into UWM's annual performance planning and audit process.
- **Formalise a long-term evaluation cycle** that reviews the utility's impact against stated reform objectives and strategic outcomes (e.g. environmental performance, financial sustainability, customer satisfaction).
- **Institutionalise reporting to external regulators** (NT, DFFE, AGSA) as part of a standardised compliance calendar.
- **Use performance data from dashboards and MER cycles to support NT KPI submissions, grant eligibility, and Council oversight.**
- **Ensure that monitoring and reporting insights inform future strategic planning, business case development, and policy refinement.**

A.12. Benefit Realisation and Public Value

A critical test of the UWM transformation will be its ability to demonstrate tangible benefits — not only to the City's finances or systems, but to residents, communities, and the broader environment. This pillar ensures that the reform delivers measurable public value in line with its original intent: improved service quality, financial sustainability, environmental outcomes, job creation, and inclusive participation.

Tracking benefit realisation helps maintain political and public support, justifies investment, and provides a foundation for adaptive improvements. It also supports compliance with **National Treasury's outcome-based reform KPIs** and creates the basis for long-term institutional legitimacy.

- **Short-Term (0–12 Months):**

- **Define a UWM-specific Benefit Realisation Framework**, linked to the core strategic pillars of the reform (e.g. financial, operational, environmental, social).
- **Identify quick wins and visible improvements** that can be communicated early (e.g. depot performance improvements, pilot recycling initiatives, recovery targets).
- **Develop baseline benefit indicators** with corresponding data sources, owners, and reporting cycles.
- **Align benefit tracking to specific NT KPIs**, such as customer satisfaction, service coverage, diversion volumes, and informal sector integration.
- **Begin aligning internal messaging** to highlight intended public and environmental benefits.

- **Medium-Term (12–36 Months):**

- Track and report on benefit indicators alongside reform milestones and performance metrics, drawing on **MER dashboards, SLA outputs, and financial returns.**
- **Launch public awareness campaigns** that highlight early success stories — including job creation (e.g. in materials recovery), improvements in collection reliability, and waste diversion rates.
- **Integrate benefit realisation into business case development and performance scorecards across UWM units.**
- **Conduct stakeholder feedback assessments** (e.g. ratepayer sentiment, staff satisfaction, informal sector engagement quality) to gauge perceived value.
- **Use benefit tracking as a governance input**, refining investment priorities, service design, and tariff models based on demonstrated outcomes.

- **Long-Term (36+ Months):**

- **Institutionalise benefit realisation reporting** as a core part of UWM's utility governance model, linked to the Business and Investment Plan and the external reporting cycle.
- **Expand the value framework** to include long-term socio-economic outcomes such as:
 - Poverty-alleviating job opportunities in circular economy models,
 - Reduction in illegal dumping,
 - Improved public health in low-income areas.
- **Ensure regular cross-walks between benefits realised and NT KPI achievements** to support compliance reporting and continuous improvement.
- **Use the evidence base from benefit tracking to inform future investment, pricing strategies, and service expansion models.**
- **Position UWM as a contributor to broader City and national development objectives**, demonstrating that utility reform is not only fiscally sound but socially transformative.

A.13. Risks and Mitigation Framework

Large-scale institutional reform, particularly one involving financial restructuring, cultural change, and redesign of public-facing services, inevitably carries significant risks. This pillar focuses on proactively identifying, assessing, and managing the key risks that could undermine the success of the UWM transition. These risks span political, operational, financial, technological, and social domains.

A practical mitigation framework is essential to maintain momentum, ensure accountability, and protect the City from reputational and service delivery failures. This approach also reinforces compliance with the Municipal Finance Management Act (MFMA) and the National Treasury's requirement for risk-managed implementation.

- **Short-Term (0–12 Months):**

- **Establish a UWM Reform Risk Register** aligned with the roadmap structure, detailing strategic, operational, and reputational risks across all twelve reform pillars.
- **Identify high-probability, high-impact risks**, including:
 - Resistance from labour unions,
 - Tariff rejection by ratepayers,
 - Capacity shortfalls in recycling and financial planning,
 - Platform constraints pending CAR rollout,
 - Poor alignment between SLAs and actual service expectations,
 - Inter-company billing inaccuracies or disputes.
- **Integrate risk reporting into City governance structures** (e.g. RiskCo, EMT, and APAC).
- **Develop risk-specific mitigation plans and assign internal risk owners per area.**
- **Identify KPI-linked risks**, particularly those related to NT accountability, cost recovery, service quality, and reform reporting obligations.

- **Medium-Term (12–36 Months):**

- **Monitor and update the Reform Risk Register** quarterly and link it to performance and reform milestone tracking.
- **Embed risk management** into:
 - SLA governance,
 - Financial controls,
 - Labour negotiations,
 - External stakeholder engagements,
 - NT KPI compliance dashboards.
- **Proactively manage change saturation and reform fatigue** by delivering changes in a paced manner, communicating clearly, and making necessary resourcing adjustments.
- **Implement controls to mitigate reputational risks**, such as:
 - Service disruption during reform,
 - Delays in grant compliance,
 - Failed public communications,
 - Loss of public confidence in new tariffs or service promises.

- **Long-Term (36+ Months):**
 - **Institutionalise risk governance** for UWM as part of its utility oversight model, with formal escalation procedures and periodic assurance reviews.
 - **Transition from project- and contract-based risk management to a sustainable risk culture that is embedded in:**
 - Operational planning,
 - Business case development,
 - Financial forecasting,
 - Investment and infrastructure decision-making.
 - **Leverage reform risk insights** to improve future City-wide reform projects and contribute to national learning through Treasury-aligned reporting.
 - **Conduct post-reform risk evaluations** to assess:
 - Residual exposure,
 - System resilience,
 - Areas requiring further institutional maturity.



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

CITY OF CAPE TOWN

URBAN WASTE MANAGEMENT

REFORM STRATEGY

2025

ANNEXURE A2

Business and Investment Plan (B&IP)

APPROVAL

NAME	DESIGNATION	SIGNATURE	DATE
Jason Mc Neil	Executive Director: Urban Waste Management	  Digitally signed by Jason Mc Neil Date: 2025.07.30 14:56:10 +02'00'	
Lungelo Mbandazayo	City Manager	  Digitally signed by Lungelo Mbandazayo Date: 2025.07.31 10:58:03 +02'00'	

Contents

1	Introduction	5
2	Commercial and Financial Plans	6
3	Sustainability of the trading service	8
4	Key Factors Influencing Tariff Adjustments	14
5	Capital Budget and infrastructure plan	17
6	Operational Budget Spend	20
7	Funding and Implementation	24
8	Project Implementation Capacity and Timelines	30
9	Conclusion	34
	Appendices	34

Table 1: Projected MTREF Revenue Parameters projected tariff increases Projected MTREF Revenue Parameters projected tariff increases	12
Table 2: Risk management	17
Table 3: Investment evaluation criteria within capital budgets and infrastructure plans	18
Table 4: LTFP Capital budgets	18
Table 5: Capital investment plan (FY2025 – FY2030 High-level breakdown by different asset categories)	19
Table 6: Capital allocation	24
Table 7: UWM funding sources	26
Table 8: Next steps	32

Figure 1: City of Cape Town Urban Waste Management (UWM) directorate organogram	6
Figure 2: High-level UWM operational flow	7
Figure 3: External and internal revenue for FY25	12
Figure 4: UWM Revenue over the last 10 years by category	13
Figure 5: Revenue Forecast vs Budget	13
Figure 6: Actual vs Forecasted Collection Rates	15
Figure 7: Budget vs Actuals	20
Figure 8: UWM Primary and Secondary Expenditure	21
Figure 9: Operational cost	22
Figure 10: Actual vs Budgeted Expenditure	22
Figure 11: Revenue and Opex alignment	23
Figure 12: Capitalised book value change	25

Figure 13: Indigent numbers and Indigent households relief in Rands	27
Figure 14: Collections Indigent budget recovered from Equitable Grant.....	28
Figure 15: Informal settlements Indigent budget recovered by Equitable Grant	28
Figure 16: City-wide cleaning Indigent budget recoverable by Equitable Grant	29
Figure 17: UWM Indigent budget recovered by Equitable Grant	29
Figure 18: Repairs and maintenance Actual vs Forecast	31

1 Introduction

The City of Cape Town (CCT)'s Solid Waste Management Turnaround Strategy outlines a comprehensive approach to addressing the challenges and opportunities within the City's Urban Waste Management (UWM) Directorate. This strategy is pivotal in enhancing the operational efficiency, financial sustainability, and infrastructure resilience of the sector, while ensuring equitable service delivery to all residents.

Annexure A2 of the Turnaround Strategy presents business and investment plans that are integral to the successful implementation of the broader reform objectives. It provides an in-depth analysis of commercial and financial strategies, infrastructure and capital projects, and the funding mechanisms that underpin the reform initiatives. The document also highlights the critical **need for improved service delivery models**, innovative financial management practices, and a robust implementation framework to meet the growing demands of the city.

By aligning the UWM Directorate's plans with the overarching Turnaround Strategy, the City aims to develop a sustainable, efficient, and financially transparent service model. This document serves as a key reference point for stakeholders, outlining both the strategic direction and the specific actions required to secure the long-term viability and effectiveness of the City of Cape Town's solid waste management services.

The Business and Investment Plan aim at establishing a funding strategy, cost structure, revenue model (including potential tariffs subject to legal and public engagement), and investment road map. It aims to enhance financial sustainability, transparency, and responsiveness across the UWM Directorate's service lines, the Turnaround Strategy, and broader City priorities.

Strategic financial objectives are:

1. Ensure long-term financial viability of solid waste management by the CCT through revenue diversification and expenditure control.
2. Enhance cost transparency, ensure alignment with performance and efficiency metrics, providing stakeholders with clear insight into the timing and rationale behind revenue generation and expenditure in a clear and consistent manner.
3. Establish fair and equitable tariff structures that are publicly defensible.
4. Support Long-term forecasting and budgeting strategies.
5. Support funding and investment into solid waste management.

2 Commercial and Financial Plans

Commercial Plans and Operational Effectiveness:

The UWM Sector Plan includes a comprehensive plan aimed at improving financial performance, operational efficiency, and service delivery. The Directorate only moved out from under Water and Sanitation in 2022, thus there will be some changes required based on the desired operating model.

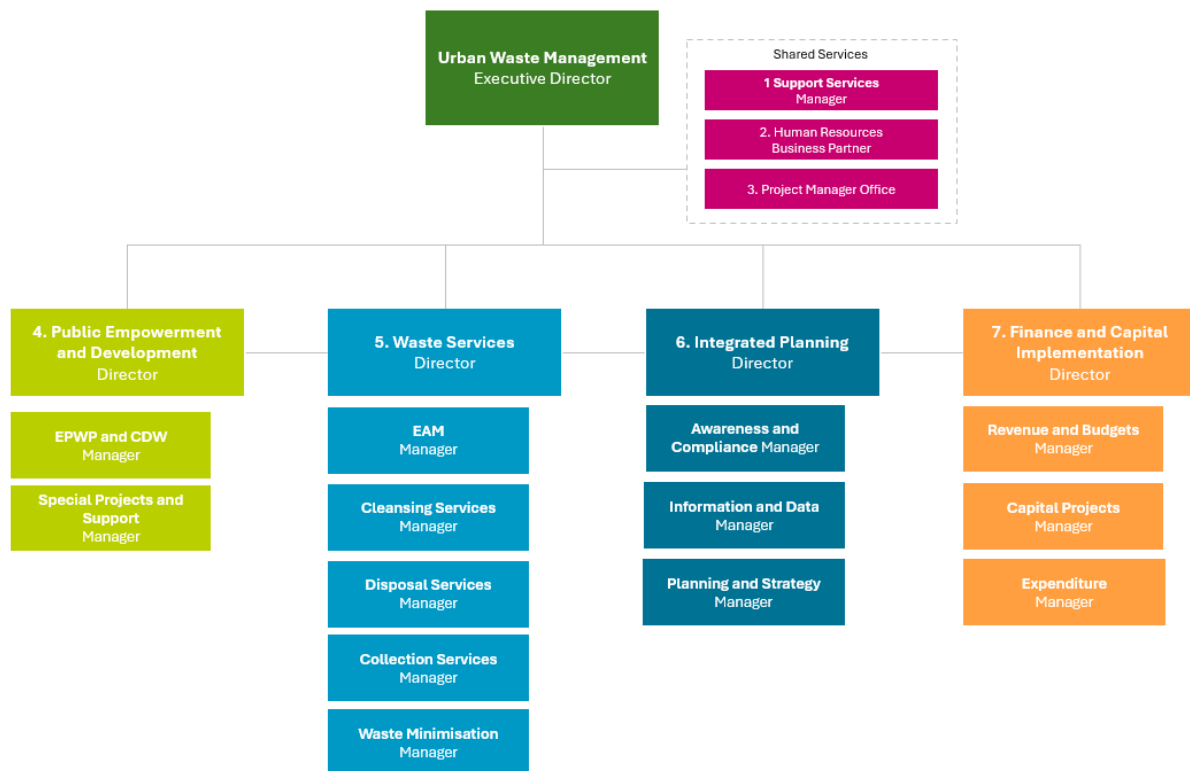


Figure 1: City of Cape Town Urban Waste Management (UWM) directorate organogram

Solid Waste Management is currently managed through the Urban Waste Management (UWM) Directorate within the City of Cape town and has 171 cost centres mapped across 4 levels:

- Directorate (1),
 - Departments (7),
 - Branches (13),
 - Sections (24).
- The Cost centre hierarchy aligns with UWM's operating model and funding sources.
 - Waste Services dominates the current structure as it includes services such as waste collections, landfill disposal and cleansing, with operating budget of around 95%.
 - Engineering & Asset Management (EAM) has cost centres which recharge costs across the directorate.

- Waste Markets is underfunded despite strategic importance potential for circular economy growth, waste minimisation and waste diversion initiatives.
- Support Services & HR have minimal allocations, reflecting lean administration.

The below diagram provides an insight into the high-level operational flow of the business

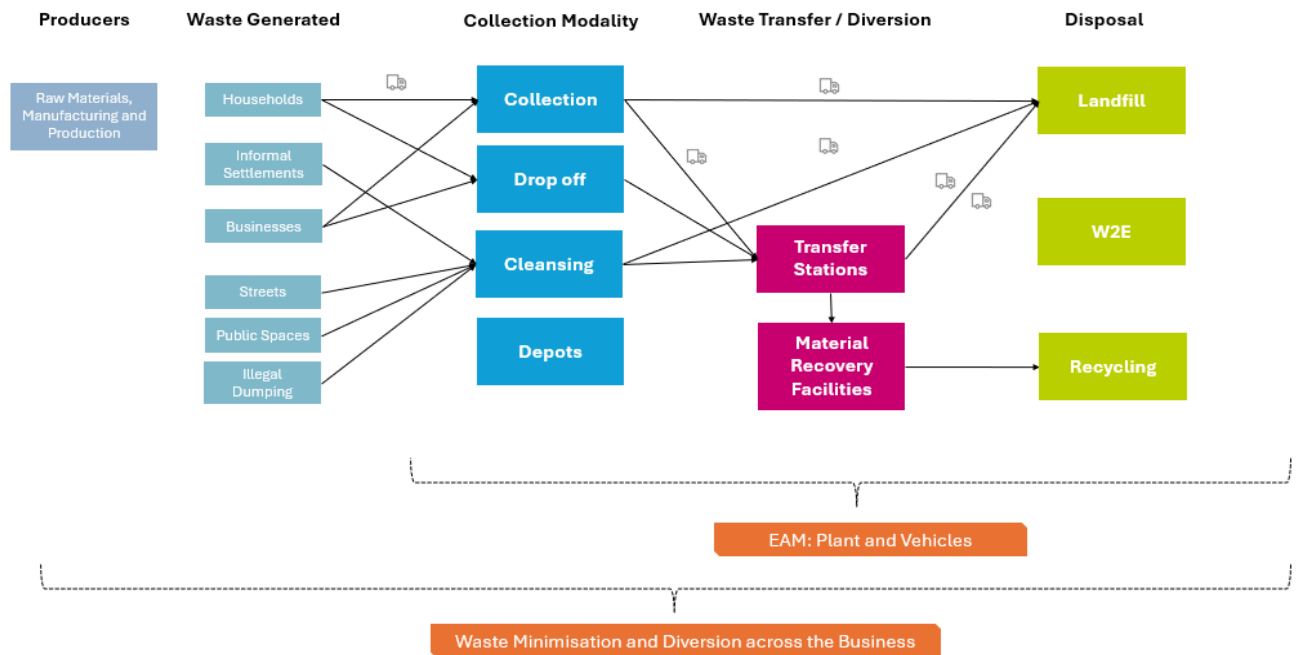


Figure 2: High-level UWM operational flow

The structure and operation flow reflects the size and complexity of the full value chain in delivering the UWM services to the city. Services range from collection of refuse, managing drop offs (which include recycling), cleaning of informal settlements and public spaces, the transfer and diversion of material for disposal at landfill sites and transfer of recycling material.

Engineering and asset management (EAM) manages plant, equipment and vehicles for the directorate.

This structure is designed to operate and manage the dependency and operation of the full infrastructure system. It is a complex business with interdependencies and synergies across branches.

The demand for waste disposal has grown in recent years due to economic and population growth in the City. This has placed strain on the available airspace resources of landfill sites in the area, and the City is running out of airspace for the disposal of waste.

To combat this trend, the **Integrated Waste Management Plan** has determined various principles and objectives that must be implemented by local government. To achieve this, the City is in the **process of restructuring and realigning its services**. The latter will include partnership arrangements and local economic development initiatives focused on community, business and industry involvement linked to various technical solutions and financial mechanisms to achieve the strategic objective of minimising waste as far as possible.

3 Sustainability of the trading service

A **financially sustainable Urban Waste Management (UWM) utility** is vital for ensuring optimal service delivery. Achieving this sustainability requires a combination of structural reforms, technological innovation, operational efficiency and infrastructure investment. Each of which demands adjustments to the utility's business model. UWM are continuously adapting to both formal and informal operational contexts, necessitating corresponding changes in financial arrangements which will support robust cost recovery and sound financial management. Ultimately, financial sustainability is essential not only for maintaining current service levels but also for meeting the growing demand for UWM services across the city.

The overarching goal is to **establish a financially resilient Solid Waste Management utility** that promotes recycling, supports a clean and healthy city, and leverages both public and private sector resources. This includes safeguarding services for indigent and vulnerable households through appropriate subsidies. It also ensures that the collection, disposal, waste diversion, and cleansing services are equitably shared across all city residents. To be financially sustainable the directorate must have sufficient and predictable revenue from tariffs that are accurately and reliably billed with high collections rates, and efficient operating models aimed at improving operational efficiency and containing costs.

Responsible waste management services are vital to the health and wellbeing of all people and the conservation of the environment. While waste management services in the Cape Metropolitan Area are generally of a high standard, there should be a drive for **continual improvement** in five broad areas:

- Extending access to **basic waste management services** (to all Formal and Informal Households);
- **Efficient and effective provision of services** (through service optimisation, improved resource management, waste minimisation, public awareness and education, reducing expenditure and increasing efficiency);
- **Managing and improving the quality of services provided** (through a performance management system to effect improved service responsiveness, and greater customer

care); and the maintenance of waste management infrastructure to minimise the cost of replacement or development of capital assets and infrastructure.

- The policy (see appendices) deals with both residential waste management and non-residential waste management services, as provided by the City or on behalf of the City. This policy, however, establishes the principle that the **cost-benefit of services provided** on behalf of the City should be **equal to or better** than the cost benefit of the City-provided services.
- Operate at the nexus of **three core imperatives**: economic viability, social equity, and environmental responsibility. These pillars underpin sustainable service delivery under MTSR. Strategic decisions should aim to **optimise all three** while **recognising the need** to manage trade-offs transparently and adaptively.

Cost reflectivity Waste management tariffs must include all the costs reasonably associated with rendering the service including capital, operating, maintenance, administration and replacement costs and interest charges.

Correct cost allocations should be made that will allow costs to be mapped against the user-class. It will also include the cost for those waste management services provided for or on behalf of the City, which cannot be **allocated to a specific consumer** but greater good. This may include **Cleansing and ad hoc cleaning services**.

Revenue sufficiency: the revenue from all waste management-related tariffs should cover the full costs of service delivery, including operational and maintenance costs, rehabilitation, replacement and extension of the infrastructure, provision for bad debt as well as financing and depreciation charges for capital work not financed through any grant, subsidy or donation.

The Sustainability of the Urban Waste Management tariffs should be set at levels that facilitate the financial sustainability of the service. Waste management tariffs shall also encourage the economical, efficient and effective use of airspace, the reduction of waste to landfill, the recycling of waste and other appropriate environmental objectives. Adequate provision must also be made for funding the on-going rehabilitation of waste infrastructure. Tax incentives, rebates and other income streams, such as waste to energy cost recoveries, are components that can only be factored in once a full cost accounting model considers development, social and environmental factors.

To determine tariffs and the financial requirements of the business model for the utility, costs incurred by UWM are unique and these costs need to be recovered and include but not limited to the following

- Emptying the Containers
- Cleansing costs
- Transporting the waste collected to the nearest disposal facility
- Remuneration
- Handling costs flowing from the separation of recyclable material from the non-recyclable waste
- Disposal /land filling costs
- Management of drop-offs at Disposal facilities
- Provision for Containers and replacement thereof if damaged, lost or stolen
- Provision for bad debts
- General administrative costs and overheads
- Depreciation and interest on borrowings
- Capital and infrastructure replacement reserves
- Rehabilitation of landfill sites
- Implementation of waste minimisation initiatives

Transparency: The extent of subsidisation of tariffs for low-income persons or persons comprising low-income communities; who live in remote, isolated or low-density communities, who are seniors or other similarly vulnerable users and other categories of users should be fully disclosed. Correct cost allocation should be done in the spirit of transparency.

Cost centre realignment (under SPoMA) will ensure greater transparency with:

- Each functional unit (e.g., Collections, Disposals, Cleansing) operating as a defined cost centre.
- Shared services allocations are made transparent via activity-based costing and SLAs
- Budget variance reporting introduced at monthly and quarterly levels.
- Digital performance platforms used for cost-per-ton, uptime, and SLA compliance tracking.

Alleviation of poverty subsidies (including those within and between User categories) should be disclosed to the extent that this is practical. Correct cost allocations and measurement of historical costs must take place to ensure that the policy of cost recovery is adhered to and that no inappropriate subsidisation occurs.

External revenue is generated through 2 tariffs - the collection tariff for refuse services and the new-city wide cleaning tariff for cleaning and cleansing services. The next biggest sources of revenue are through rates, grants and waste disposal coupons.

Tariff reform and model principles

UWM when setting tariffs takes into account several principles:

- **Cost Assessment Per Service Type:** Benchmarked against best practice, accurate and efficient.
- **Cost Reflectivity:** Tariffs must align with actual cost of service provision by area and category.
- **Cross-Subsidisation:** Within policy bounds, higher-income/formal areas subsidise low-income zones
- **Affordability Safeguards:** Indigent households benefit from exemptions or rebates.
- **Predictability:** Annual tariff review cycles tied to MTREF planning and cost recovery forecasts. Reflective of inflation, population growth and change in regulations

The Collections refuse tariff is based primarily on consumption. (based on bin size, number of bins, and number of bin collections a week) for **formal residents**.

The waste management collections tariff structure for **Informal Residential** users shall however be a free bagged service because of the lack of infrastructure to accommodate containers. Should the infrastructure of the Informal Settlements change, the UWM directorate will review the service offered and consider rendering a containerised service, UWM directorate is also considering different options based on different settlement structures.

The city-wide cleaning tariff is a fixed basic charge recurring monthly on Residential (Including sectional titles) and vacant land based on property bands. Properties bands receive indigent rebates of between 100%, 50%, 25% and 0% based on the Value of their property. Other rebates are possible for pensioners and those with low household monthly income.

Disposal Income is based on a fixed rate per mass of waste disposed based on mass calculated at weighbridge or carrying capacity in the absence of operational weighbridges based on specific criteria.

Disposal income comes from External sources as well as City of Cape Town directorates, and branches within the City that utilise the disposal facilities.

Subsidisation

- Income from disposal charges will not be used to subsidise other funded services.

- Income from collection charges can be used under certain conditions to subsidise the provision of integrated collection, disposal and cleansing services to informal households.
- Currently only the City-wide tariff includes pensioners' subsidisation. The collections tariff does not include pensioner considerations, however, this is being investigated and considered to ensure that the tariffs across UWM are applied consistently across the directorate.

Table 1: Projected MTREF Revenue Parameters projected tariff increases Projected MTREF Revenue Parameters projected tariff increases

Service	2025/26	2026/27	2027/28	2028/29	2029/30
Disposal	5.28%	8.65%	5.68%	5.72%	7.61%
Collections	7.36%	6.00%	6.00%	6.00%	6.00%
Cleaning-wide	New	5.80%	10.75%	6.00%	6.00%

The higher increase in 2027/28 of 10.75% for the City-wide cleaning tariff is so that UWM directorate becomes less reliant on rates and the business model more financially transparent.

Revenue for the three operating divisions is collected differently with Collections primarily coming from the refuse collection tariff. Cleansing services has rates (Internally funded 59%) and tariff funding (external funding 41%). Whereas most of the disposal revenue is derived internally from CCT directorates, collections and cleaning disposing of waste at their sites. The revenue reform is continuing to take shape with the City-wide cleaning tariff moving to be fully tariff funded.

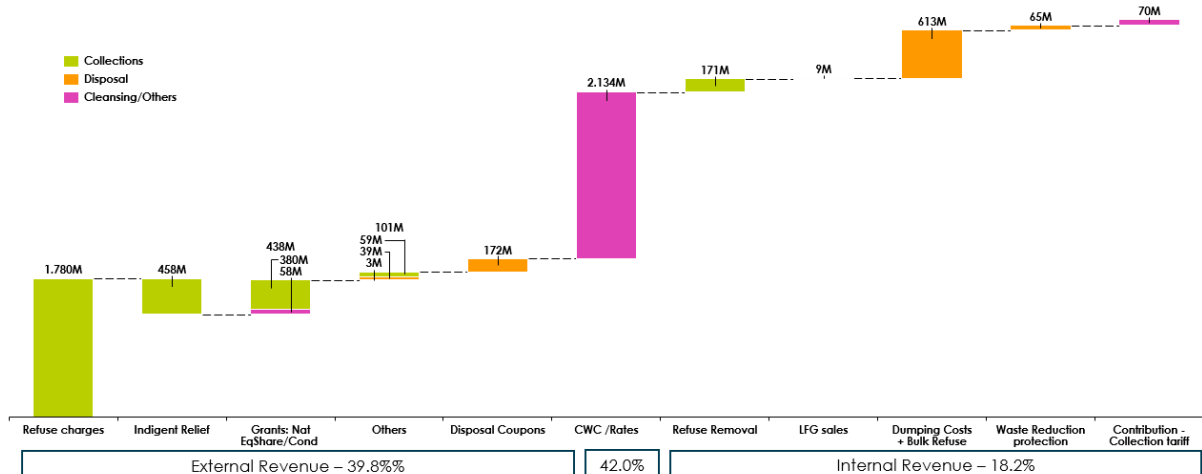


Figure 3: External and internal revenue for FY25

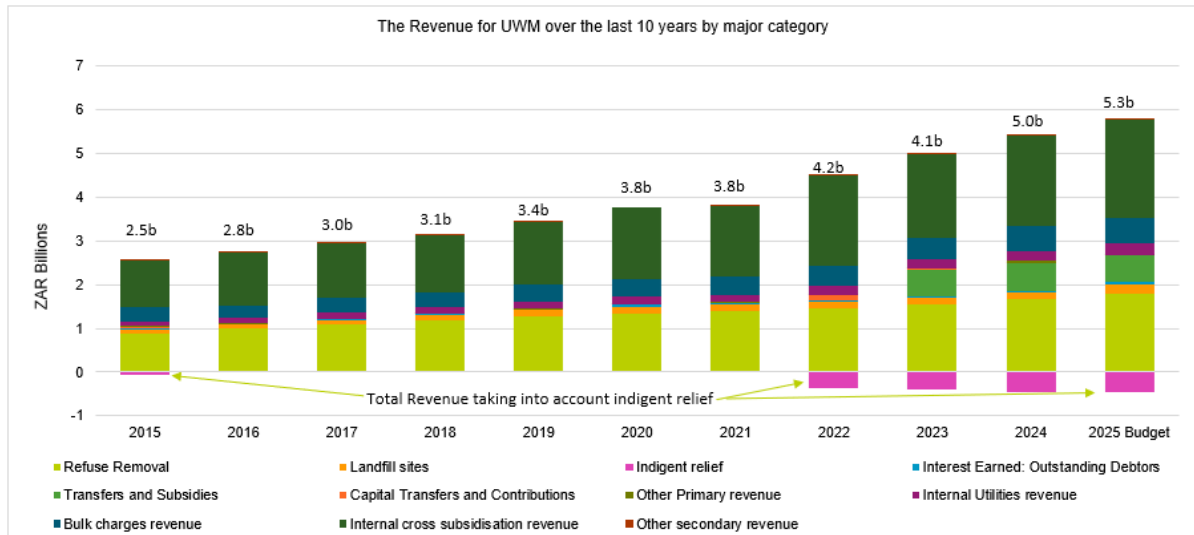


Figure 4: UWM Revenue over the last 10 years by category

The indigent relief has only been included into the UWM accounts since 2022 in order to provide greater transparency on revenue and associated indigent relief.

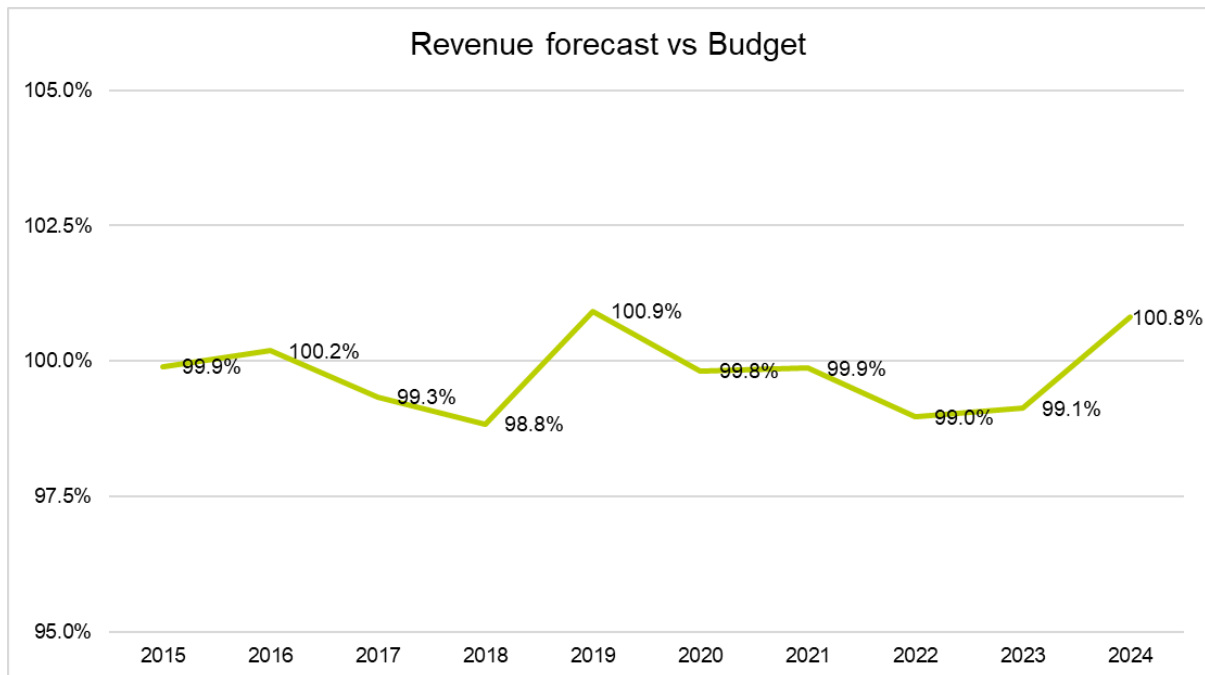


Figure 5: Revenue Forecast vs Budget

UWM has been able to accurately forecast their total revenue in the last 10 years, although fluctuations happen between the different revenue streams. The UWM directorate, especially in the last 2 years since becoming a separate directorate, has on a revenue stream basis improved the accuracy of its forecasting. The revenue model is refined annually to ensure accurate budgeting. Budget has not been based on annual requirements related to increase capex and opex.

4 Key Factors Influencing Tariff Adjustments

Key factors which influence the way in which tariffs are structured and adjusted are:

- **Rising operational costs**—particularly in employment, contracts, and general expenses are being driven by population growth and settlement expansion, especially in informal settlements. These pressures are increasing the cost of delivering UWM services and developing new infrastructure such as drop-off sites, MRFs, and RTS facilities. This results in costs. The most significant cost growth is linked to the expanding indigent population, which adds financial strain without corresponding revenue. To address this, UWM plans to adjust tariffs while striving to keep services affordable for consumers.
- **Environmental and Regulatory Compliance (waste minimisation)** with National and Provincial environmental standards and waste minimisation targets, compliance will increase operational costs and capital requirements.

The UWM services provides:

- **Waste Collection** A containerised kerbside Collection of Clean Garden Waste, Domestic Waste, Non-domestic/business waste, Recyclable Material and the handling of Special Events waste, on request, by the City.
- **Basic Waste Removal** from informal settlements and illegal disposal sites.
- **City-wide Cleaning and Cleansing** is the removal of any solid waste (litter, dumping etc) and includes services such as street sweeping, area and beach cleaning.
- **Waste Minimisation** Any activity to prevent or reduce the volume and/or environmental impact of waste that is generated, treated, stored or disposed of through mechanisms such as re-using, recycling and processing waste for re-use.
- **Drop-offs** The Service at the drop-off facilities is free provided Users adhere to conditions for Usage.
- **Landfill Sites** U general waste, rubble and hazardous waste.
- **Transfer Stations** consolidate waste collected waste, loaded into larger vehicles for transport to reduce the number of trips to final disposal sites.
- **Material Recovery Facilities** sort, process, and prepare recyclable materials for further use.

Revenue collection effectiveness and efficiency

Debt management strategies are in place to target outstanding payments, with an emphasis on arrears recovery through customer engagement and enforcement of service restrictions and disconnections in cases of non-payment in adherence to the City's approved policies. The City continuously streamlines collections by introducing more flexible payment methods,

including online platforms, mobile applications, and partnerships with third-party service providers. though implementation of effective debt management and revenue collection processes has resulted to the Directorate maintaining a collection rate of around 95%

The Revenue and Debt Collection activities are a driving force within the city to ensure all costs are adequately recovered from offending customers. Annual collection rates have exceeded UWM expectations in all years except during Covid-19.

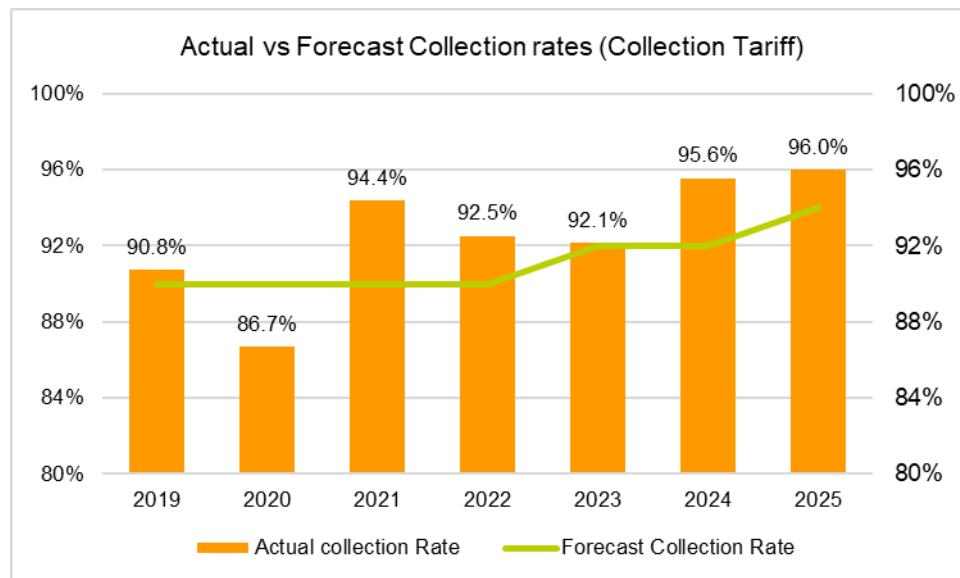


Figure 6: Actual vs Forecasted Collection Rates

Collections rates

Collections collection ratio – The collection tariff collection rate has steadily been increasing over time. In all years the collection rate has been better than forecast except during Covid times when additional relief was provided to customers.

The actual collection rates for the collection tariff for the last 2 years have been above 95% as a result of an increase in Debt collection measures. To maintain and further improve this performance, the directorate will strengthen data-driven account management, maintain existing collection protocols through regular monitoring, and implement intentional interventions such as community engagement, expanded payment platforms, and formalized escalation procedures for persistent defaulters.

Disposal collection ratio- Disposal Collection Rate is 100% due to the branch being cash driven. The Directorate has no accounts in this space. Opportunities for improvement, including the introduction of accounts and other mechanisms to enhance operational efficiency and customer management, are being explored.

City-wide cleaning collection ratio - For the City-wide Cleaning Tariff starting in the 2025/26 financial year, the Directorate has anticipated a 95% collection rate going forward. It was previously funded from Property rates and the move to a tariff will see a slightly lower collection rate than when in Rates. It is anticipated that the collection rate of this new tariff will be similar to the collections collection rate, although it prioritised one level above Collections on the payment schedule.

Conclusion on Collection Rates: The collection rates has been improving and is above 95%.

Social Challenges

The City has an approved Indigent Policy and allocates free basic for water and sanitation, energy and solid waste services to households that qualify under the City's social/indigent support programs. In addition, community awareness programs and communications are introduced to educate residents on a clean and healthy city, payment plans, and the benefits of regular payments.

Targeted approaches assist vulnerable and indigent households. Both approved and deemed indigent and informal settlements are allocated free basic services for UWM in line with the City's approved bylaws and policies, legislations and guidelines. The indigent rebates of between 100%, 50%, 25% and 0% are based on the value of their property. Other rebates are possible for pensioners and those with low monthly household income.

Managing Revenue Risks

Risks to achieving revenue projections include, but are not limited to:

- Lack of airspace at City Landfill sites
- Increased costs due to waste minimisation
- Increase in the indigent register
- Increasing costs for specialised equipment above inflation
- Tariff reform
- Continued high levels of collection
- Increased costs associated with new infrastructure requirements
- Asset life cycle management inadequacies need to be addressed
- New revenue streams not materialising
- Reduction in Grants, and the ability to replace with USDG

Risk registers are utilised as a management tool in order to manage identified risks of the directorate. The risks identified will be reported to RiskCo in accordance with the annual RiskCo

Work Plan. The executive director must discuss the directorate's risks with the relevant Mayoral Committee member on a biannual basis.

Financial risk management is an important process within UWM that identifies, analyses, and mitigates against potential financial losses that could arise from various sources such as creditor defaults, operational failures etc.

It is important to UWM as it protects the financial health of the utility thus avoiding or minimise losses that could threaten UWM's financial stability.

Supports Strategic Decision-Making: By understanding risks, management can make informed decisions that balance risk and reward.

Enhances Investor Confidence: With effective risk management, UWM can signal to investors including Government grant funded projects and Programmes that UWM is well-managed and should receive investments.

Ensures Regulatory Compliance and Improves Operational Efficiency: Identifying and managing risks can streamline operations and reduce unexpected disruptions.

Table 2: Risk management

Risk	Mitigation Strategy
Unfunded mandates	Prioritisation and sequencing of capex via TOM-aligned roadmap.
Tariff revenue instability	Phased transition to fixed cleaning tariff; scenario planning for collection risk. Tariff determination and the effect of changes from a directorate and City perspective
Capital budget shortfalls	Blended financing, PPPs, reallocation within MTREF, grant mobilisation. Improved financial performance
Financial leakage	Ring-fenced cost centres, contract audit cycles, fraud controls.
Project readiness and delivery	Have a Capital cost Investment committee to ensure that projects planned are project ready and pass smoothly through the stage gate processes.
Cost control	Track spending on a regular basis – monthly and quarterly budget reviews. Effectively plan and manage the SCM process. Introduce good capital asset life management practices across the business to ensure multi-year spending of large projects /programmes is across years.

5 Capital Budget and infrastructure plan

Budget availability control has been in place for many years, ensuring that no funds for capital projects can be spent without first securing the necessary funding, as system controls prohibit this as does the city's stage gate project management process. Strict supply chain management controls are also in place to mitigate procurement and contract risks, an area

that has undergone considerable auditor scrutiny over the past few years. The project pipeline and gate reviews, both at the corporate and directorate level, help ensure that ready-to-implement projects are executed. Capital spending targets are set at 90%, which is ambitious yet achievable. Monthly monitoring and performance reviews are conducted through multiple reporting platforms, including portfolio committees and S71 reports. Demand and contract management performance are also critical components of the directorate's success in recent periods.

The area of risk to capital budget spending is the project being project ready with a number of projects being delayed due to land having been invaded and the required processes of eviction.

Table 3: Investment evaluation criteria within capital budgets and infrastructure plans

Criterion	Description
Strategic Alignment	Supports TOM, IWMP, and City's Climate and Inclusive Growth strategies and essential service provisions.
ROI and Payback	Life-cycle costing, net savings, or income-generating potential although not all assets such as Drop-offs will generate any income as the strategic intent is waste diversion, reducing illegal dumping and public service.
KPIs	Key performance indicators that are measurable are used to evaluate and manage UWM assets.
Financial sustainability	Depending on the use, is the revenue generated from the assets sufficient to cover operational costs and support debt servicing. A cost benefit model can also identify other benefits that may not be directly related to the operations of the asset.
Social Impact	Service equity uplift, job creation, informal area benefit. How does align with strategic goals.
Risk Exposure	Operational, reputational, or environmental risk mitigation.
Regulatory & Governance	Is the investment required for compliance with local, regional, and national regulations? Are transparent and accountability mechanisms met?
Scalability	Ability to expand pilot success across regions or functions.

The UWM capital expenditure plan (capex) has both the 5-year and 10-year Long Term Financial Plan (LTFP) perspectives, detailing expected investments in infrastructure with funding sources, as indicated in the tables below.

Table 4: LTFP Capital budgets

Directorate / Operations	Current Year	Approved Budgets		
	UWM 2024/25	2025/26	2026/27	2027/28
City-Wide Cleaning	331 637 500	586 600 000	404 418 060	473 805 276

Collections	55 928 425	84 100 000	58 474 714	206 568 783
Disposal	144 426 723	166 556 318	8 720 000	131 904 943
Total	531 992 648	837 256 318	47 1612 774	812 279 002

Directorate/ Operations	Projected Plans					
UWM	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
C-WC	505 369 755	179 887 500	178 687 500	179 359 140	180 100 000	180 100 000
Collections	140 070 426	295 833 666	171 965 992	63 844 804	715 959 119	294 079 698
Disposal	8 000 000	754 729 008	591 424 479	240 225 079	346 340 000	8 000 000
Total	653 440 181	1 230 450 174	942 077 971	483 429 023	1 242 399 119	482 179 698

The table below provides an overview of capital spend in the next 5 years. However, this current budget does not support the turnaround strategy.

Table 5: Capital investment plan (FY2025 – FY2030 High-level breakdown by different asset categories)

Asset Categories	FY25 (R'm)	FY26 (R'm)	FY27 (R'm)	FY28 (R'm)	FY29 (R'm)	FY30 (R'm)	Notes
Computers / IT / Electronic Equip	9	17	13	13	13	13	Replace and Rollout of CCTV
Containers	3	3	3	3	3	3	Based on lifecycle modelling replacement
Depots	2		15	9	49		Refurbishment of depots
Drop-offs				128		200	New 61% with 39% Refurbishments.
Furniture & fittings	1	2	1	1	1	1	Asset Replacement
Land		100					New Regional Landfill
Landfill						26	Crane Asset Replacement
Landfill gas infras	1			88		91	New
MRF	136			36		278	New 93% with 7% Refurbishments.
Plant / Facilities	131	169	171	159	176	120	75% asset replacement and 25% refurbishments include offices, etc.
RTS						351	New 93% with 7% Refurbishments.
Vehicles	215	426	244	303	327	130	Based on lifecycle modelling and route optimisation
Waste Minimisation				56			New

Workshop/stores					68		Asset enhancement / refurbishment
Civil Works	20	40	10	2	2	2	Support other infrastructure
Total	532	837	472	812	653	1,230	

UWM successfully utilises the annual Capital budgets with an average rate of budget vs actual above 95%. The years with exceptions are FY17/18 and FY20/21. In FY17/18 a Tsunami in Japan meant that vehicles and equipment ordered from Japan did not happen, and in FY20/21 Covid-19 affected the actual capital spend.

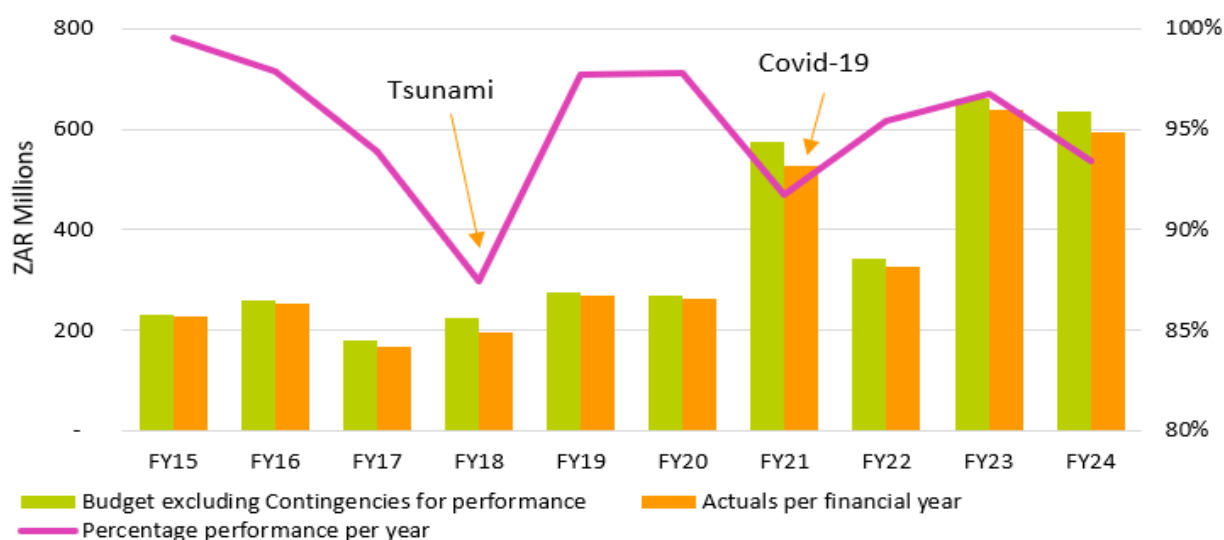


Figure 7: Budget vs Actuals

Conclusion: Capex budget adherence is strong, with variances typically limited to exceptional situations outside of UWM's control. There is good fiscal control which ensures timely execution on capital projects. **Improvements in Asset lifecycle management process within UWM would improve this farther.**

6 Operational Budget Spend

Managing the operating budget is complex due to the directorate comprising three distinct operational branches, each with its own funding structure.

UWM is only a few years old having been spilt out of the Water and Sanitation directorate. Currently there are 171 cost centres mapped across 4 levels: Directorate (1), Departments (7), Branches (13), Sections (24) which will require some change to align to the proposed operating model.

- Budgeting follows MSCOA standards: Employee costs - Salaries, Wages, Allowances, Bonuses, Leave Pay, etc. + Social Contributions + Post-retirement Obligations
- Budget structured into:
 - Primary Expenditure: Employee Costs, General Expenses, Repairs, Capital Charges.
 - Secondary Expenditure: Internal utilities, insurance, interest, bulk charges, support charges
- Appropriations: Transfers to/from CRR

The Graph below illustrates the expenditure split within UWM broadly based on operations and **type of expenditure for 2025.**

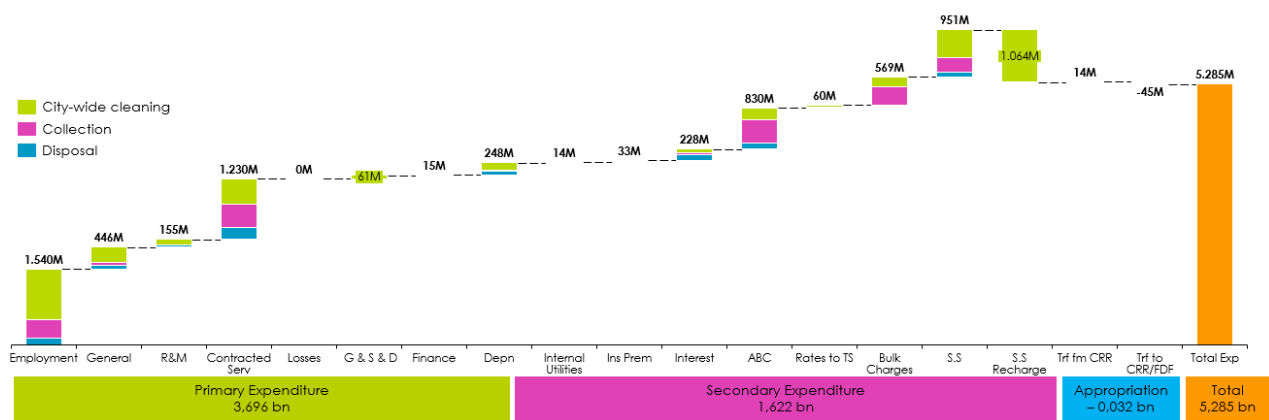


Figure 8: UWM Primary and Secondary Expenditure

Costs are well managed with costs elements allocated to cost centres within SAP.

In 2022, contractor costs were elevated while employee-related expenses depressed primarily due to the way they were accounted for in the migration and establishment of the UWM Directorate as a separate entity from Water and Sanitation during that year.

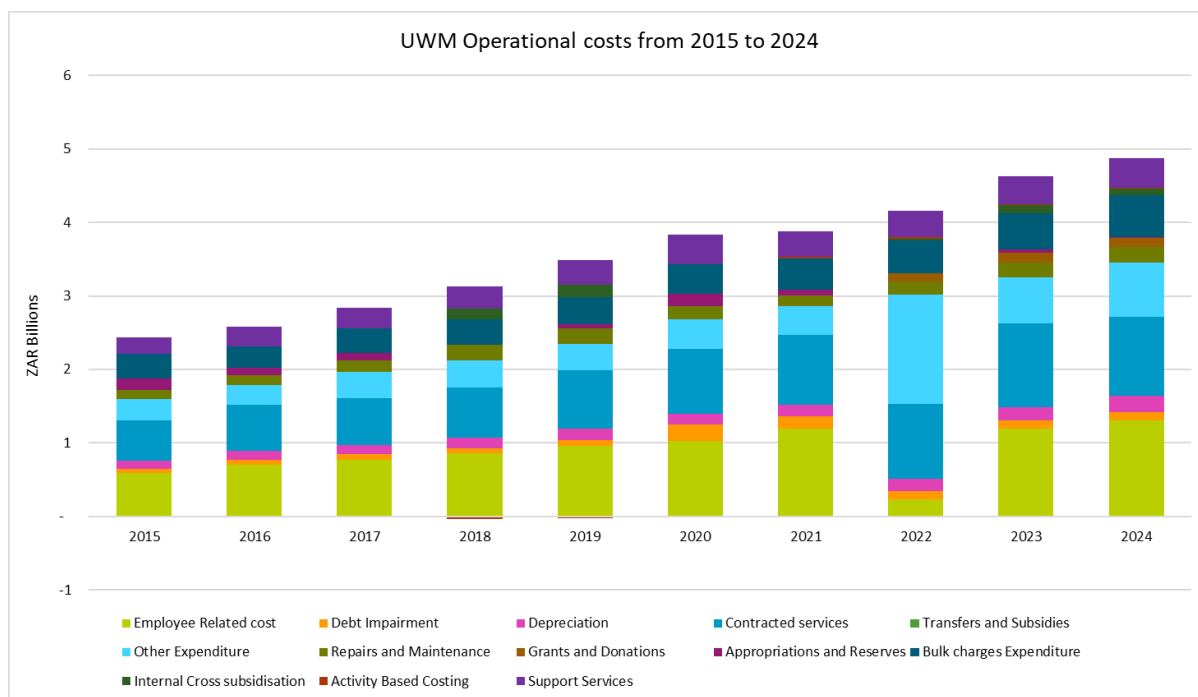


Figure 9: Operational cost

Cost efficiencies are permanently reviewed and implemented in order to avoid over-budgeting and placing unnecessary burdens on customers, while still maintaining the required staffing levels.

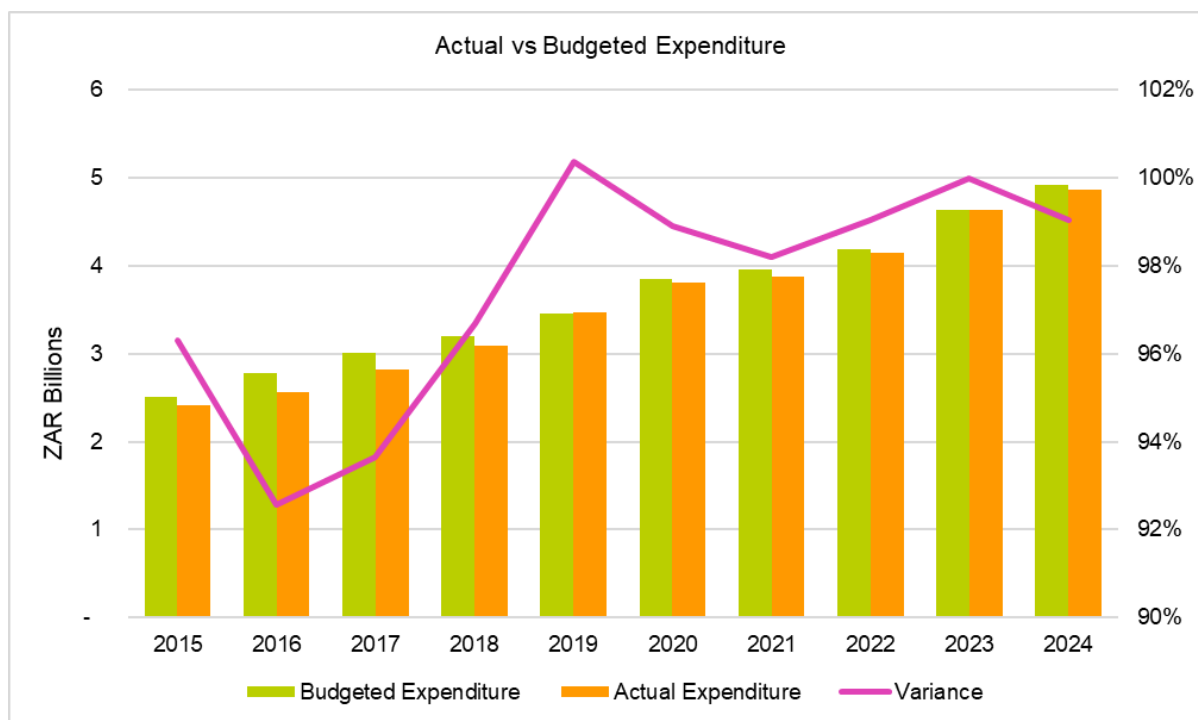


Figure 10: Actual vs Budgeted Expenditure

Both capex and opex funding and budgets are professionally managed which reflects well on UWM, as a clear understanding of short-term operational needs and long-term investment goals have aligned spending in line with UWM priorities and service delivery. It also indicates fiscal discipline managing costs and resources efficiently.

A good budgeting process also reduces the financial risk to UWM and provides stakeholder confidence in the fiscal systems and discipline within UWM.

The UWM integrated strategy, sector plans and internal C3PM requirements requires branches and directorates to engage with each other annually and be cognisant of their activities and costs which could affect UWM. This approach has led to improved budgeting and transparency of costs within UWM.

Improvements: The cost elements are well defined in SAP, however cost centres within UWM will require changes to align with the new target operating model.

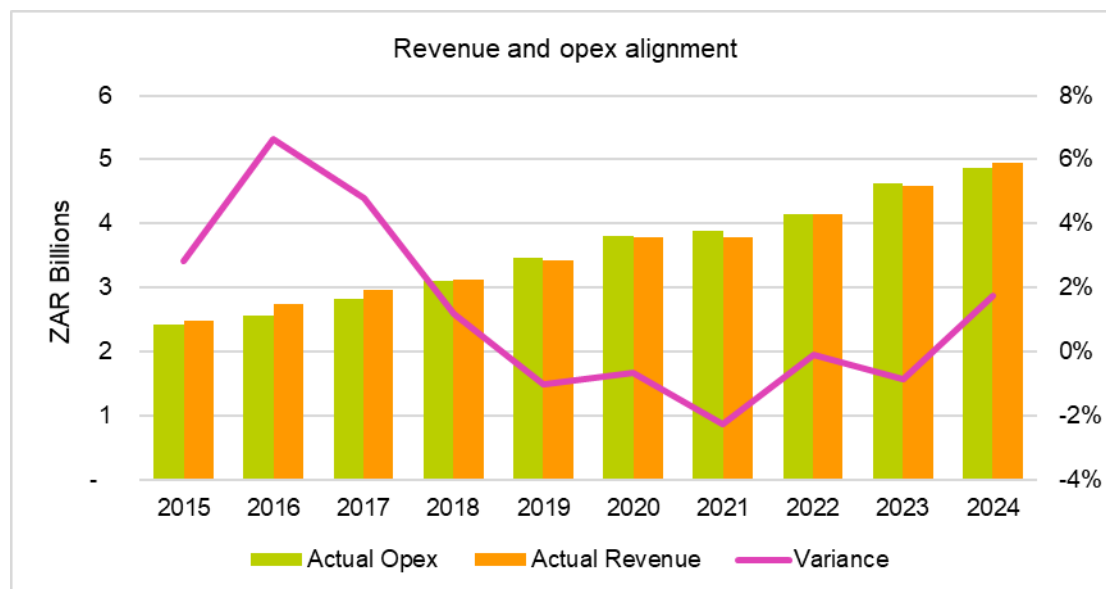


Figure 11: Revenue and Opex alignment

UWM manages the budgeting and forecasting process well, especially since 2018 where the actual revenue and opex vary within 2% of each other. The improvement has been due to improved modelling and forecasting of costs since 2018

Enabling the Financial Performance Indicators (referring to indicators 21 -32 of NT's success framework):

This internalised structure directly enables UWM to **monitor, report on, and influence all 12 Treasury Financial Performance KPIs:**

- **Operating cost coverage ratio (OCCR) and operational grant dependence** - Cost coverage and importance of grant dependence tracked via SAP-led cash flow monitoring.

- **Cash collection and days on hand** improved through revenue management roles and managed with an SLA with corporate who manages consolidated bills and collections.
- **Cash flows from operations and returns on assets.** Operating cash and returns on assets enabled by clean financial control and investment planning. The Capital Replacement Reserve on SAP provides real-time availability of "Cash" that can fund capex.
- Debtor and creditor days **after provisions** managed through real-time SAP reporting and control staff.
- **Long term debt and infrastructure investments** Infrastructure investments and long-term debt strategies are currently managed by corporate to manage risk, but also due to the City excellent creditworthiness. The capex is informed by internal capital modelling and capital requirements as defined by UWM.

7 Funding and Implementation

Capital Allocation

The current budget plans indicate a commitment from the City to prioritize funding for waste diversion projects, with 79% of the Capital funding coming from external funding (loans) in the next 10 years. However, loans will only account for 60% of the funding between 2024 and 2029.

Table 6: Capital allocation

Directorate / Operations	Current Year	Approved Budgets		
	UWM 2024/25	2025/26	2026/27	2027/28
CRR	120 037 500	244 200 000	228 568 060	288 787 728
EFF	396 955 147	563 056 318	228 044 714	508 491 274
Revenue	15 000 000	30 000 000	15 000 000	15 000 000
Total	531 992 647	837 256 318	471 612 774	812 279 002

Directorate/ Operations	Projected Plans					
UWM	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
CRR	329 769 755	33 219 500	3 937 500		134 302 000	77 948 684
EFF	308 670 426	1 182 230 674	923 140 471	468 429 024	1 093 097 119	389 231 014
Revenue	15 000 000	15 000 000	15 000 000	15 000 000	15 000 000	15 000 000
Total	653 440 181	1 230 450 174	942 077 971	483 429 024	1 242 399 119	482 179 698

The City has developed a comprehensive funding strategy that balances the affordability of funding with tariff considerations while actively exploring a wide range of financing opportunities, including support from grants. Approved capital expenditures funded by loans are being fully financed through this strategy.

The UWM directorate is actively exploring the use of Public-Private Partnerships (PPPs) as a viable financing mechanism for large-scale infrastructure projects. A key focus is the development of the New Regional Landfill, which has been identified as a strategic priority. With an estimated capital requirement of approximately R3 billion, the project scope includes infrastructure for waste diversion and a Material Recovery Facility, aligned with the City's integrated waste management objectives. In terms of directorate project prioritisation, the key project areas where the capital budget is currently being allocated include vehicle replacement, the development of new drop-off facilities, and the establishment of additional MRFs.

The asset book value of UWM assets is forecast to grow from the current R1.8b to R5.2b by 2040.

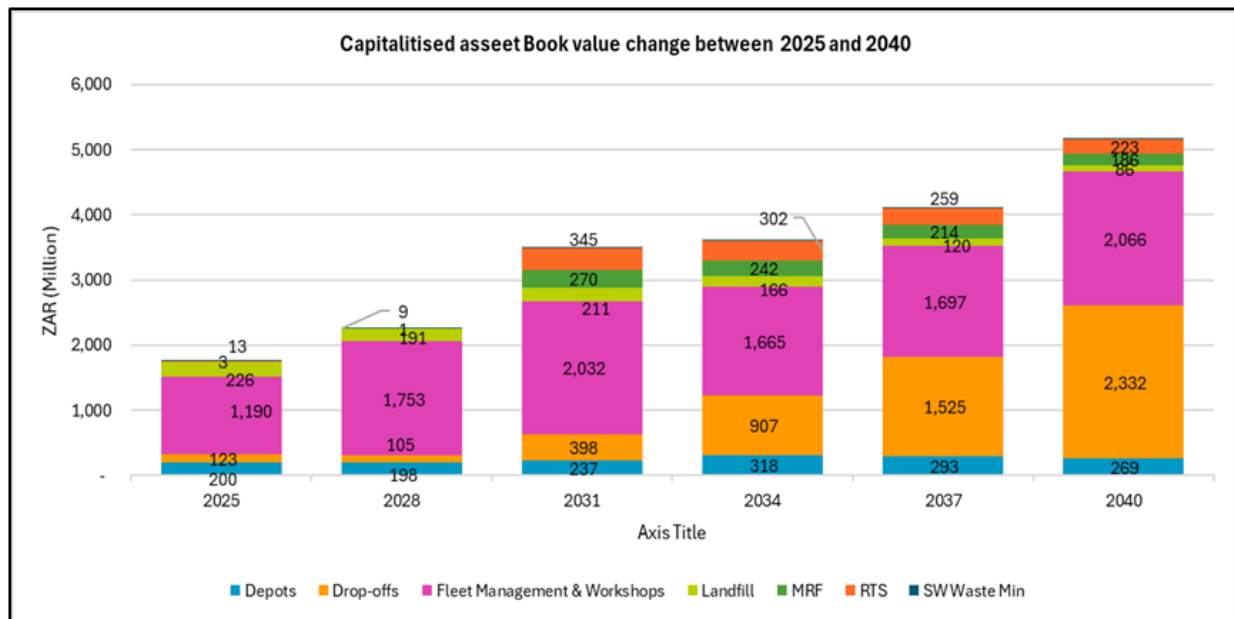


Figure 12: Capitalised book value change

The areas of major capital infrastructure growth for assets within the UWM directorate from 2025 to 2040 are:

- Drop-offs (R123m → R2.33bn)
- MRFs (R3m → R185m)
- RTS (R13m → R222m)
- Plan & Vehicles (R366m → R3.5bn)

- New Regional Landfill Site (R380m → R3bn)

Table 7: UWM funding sources

Source	Use Case
Capital Replacement Reserve (CRR)	Capital Replacement Reserve provision is a surplus that is used to procure future Capex Replacement such as Fleet, plant, infrastructure. It usually accounts for around 30% of the annual capex spend. (a) The cash funds that back up the CRR are invested until utilised. (b) The CRR may only be utilised for purchasing items of property, plant and equipment, and may not be used for their maintenance/repair, unless otherwise directed by Council. (c) The CRR may only be utilised to the extent of funds available in the relevant CRR (This would indicate that some of the possible capex allocated for CRR funding may not be available).
External Financing Fund (EFF)	External Financing Fund (EFF) is the borrowed external component (loans) of capital funding, which is linked to the life expectancy of the asset. In the case of the City, it is linked to the City's borrowing programme and earmarked for long-term use. External loans can be raised only if it is linked to the financing of an asset. The external loan is managed via corporate finance, and the average interest rate for all loans is the rate charged to UWM. The EFF loans cover Major infrastructure (MRF, etc.), Long-term utility upgrades, and UWM facilities. Around 70% of the Capex in the next 5 years will be funded by EFF.
RF rates funding	Low levels of infrastructure funding only required when necessary
Urban Development Grant	Informal service extension, waste minimisation investments.
Development Finance (DFIs)	Circular economy projects, low-carbon infrastructure, resilience programs. (Although difficult to get and none currently being used with UWM)
Private Sector (PPP/JV)	Public-Private partnerships for large Capital expenditure for MRF, landfill gas recovery, pilot technologies etc is new funding strategy that the CCT is willing to now participate in.
Carbon Markets	Monetisation of diversion, composting, methane avoidance.

The use of equitable share of the National Grant

The equitable share allocated to the UWM is R380 million for the 2024/25 financial year. The allocation formula to trading services directorates needs to be better understood by Directorates as this only covered 83% of the costs of the rebated element within collections. (This revenue covered around 7% of the directorate costs)

The new City-wide tariff, however, does not have any equitable share allocated for indigent, pensioners and low-income households.

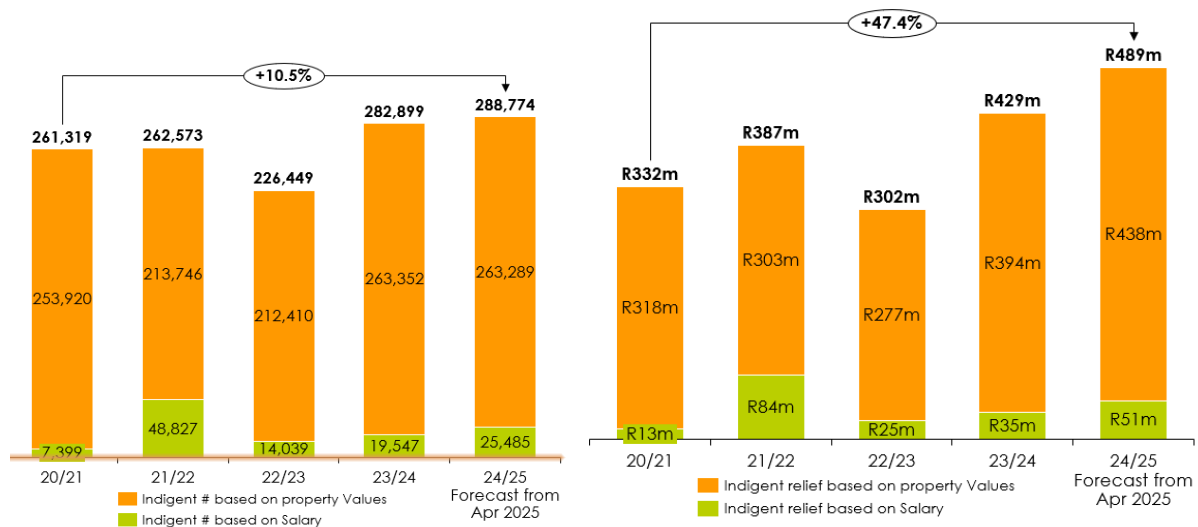


Figure 13: Indigent numbers and Indigent households relief in Rands

The graphs above highlight the increase in number of indigent rebates and the rand increase between 2020 and 2025 which puts pressure on budgets as the equitable share National Grant has not kept pace.

The number does vary annually but the overall trend is increasing. In 2021, the number of those receiving indigent relief based on salary increased due to customers receiving a portion free after Covid as they were not employed so could apply for a full rebate based on salary. The increase in number of those receiving indigent relief jumped in 2023 due to the increase in those who could qualify as Customers qualifying based on Property values as the value who could receive rebates increased from R500,000 to R650,000.

The **Collections indigent budget** recovered by the National Equitable Grant has not kept pace with the relief that the city provides for indigents.

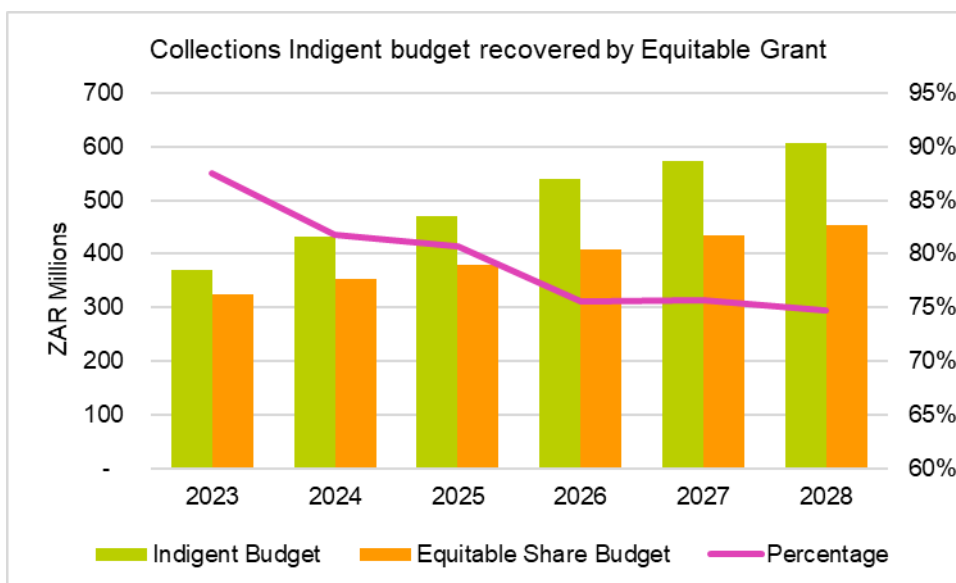


Figure 14: Collections Indigent budget recovered from Equitable Grant

The **Informal Settlements indigent budget** recovered by the National Equitable Grant on average is around 55% which requires the UWM to fund 45%.

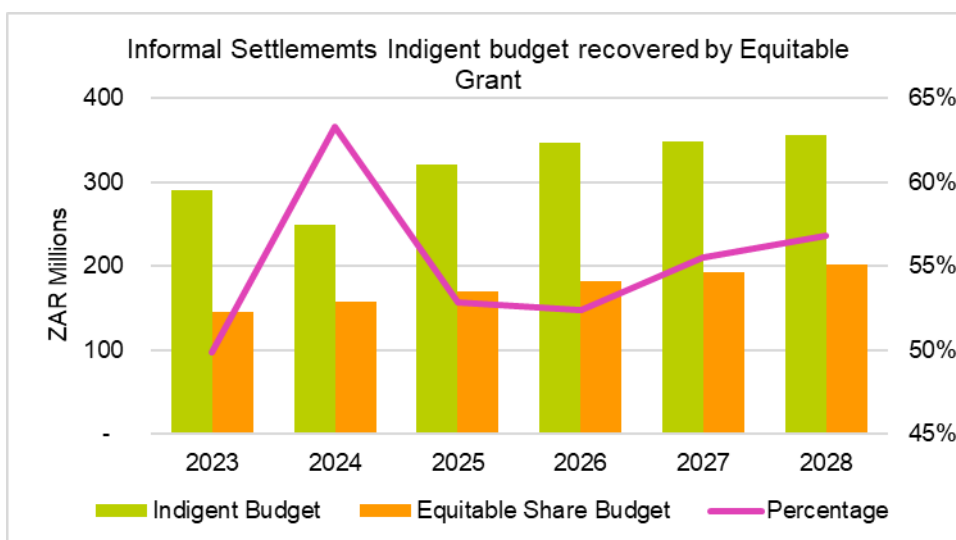


Figure 15: Informal settlements Indigent budget recovered by Equitable Grant

None of the **City-wide cleaning indigent budget** is recovered by the National Equitable Grant.

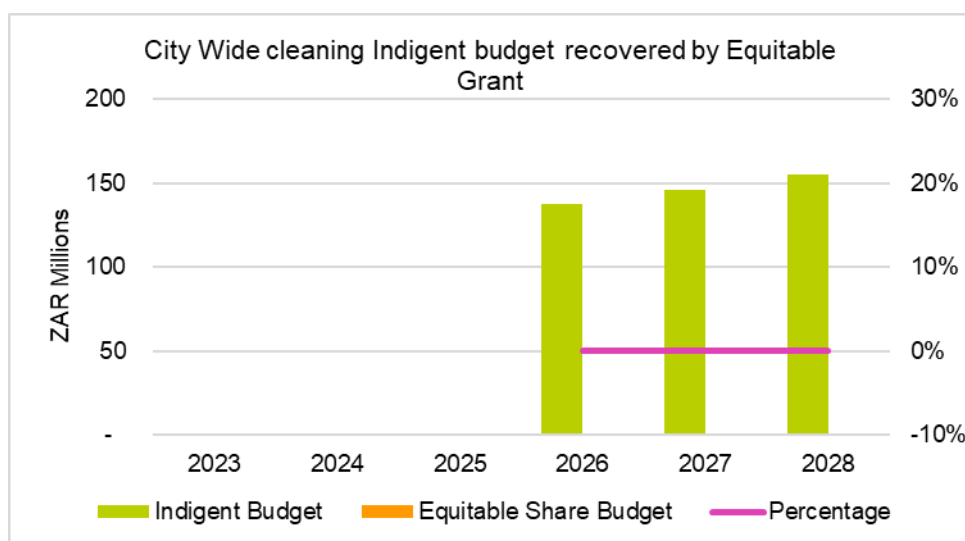


Figure 16: City-wide cleaning Indigent budget recoverable by Equitable Grant

UWM indigent budget recovered by the National Equitable Grant is anticipated to be around 58% in the next 3 years with a shortfall of around R750 million that will need to be funded by a reducing percentage of city customers that pay for UWM services.

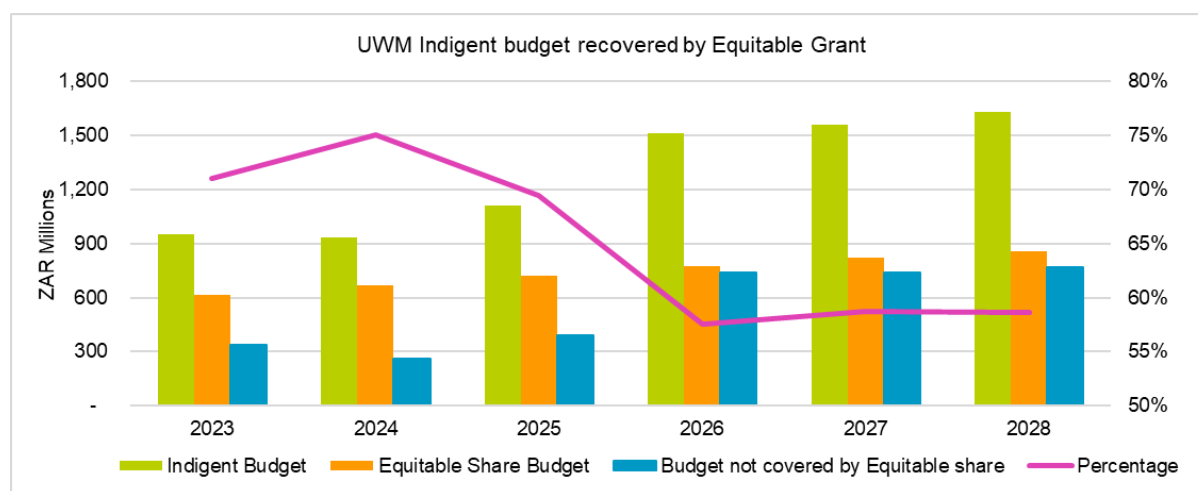


Figure 17: UWM Indigent budget recovered by Equitable Grant

Conclusion: The National equitable Grant is not sufficient to support UWM indigent services within the City of Cape Town. It is necessary for UWM to look for additional Grant or donor funding to support indigent household in which ever form (Capex or Opex)

8 Project Implementation Capacity and Timelines

With the increase in the capital budget, a need for additional resources has been identified and additional resources are being initiated through the Strategic Management Framework (SMF) with recruitment processes under way. The increased funding provisions have been allocated in the Long-term budgets. Not all the increase in jobs will be with the City as MRFs and recycling are manned by contractors.

Through demand plan management and Procurement (Supply Chain Management Processes), UWM has clear timelines to ensure contract activation and project readiness. The clear timelines for project implementation, ensure accountability and tracking of progress. (This needs greater attention as noted in KPIs) The financial and Programme management branches monitor contracts and implementation progress through regular reporting mechanisms which track projects and their readiness. (Greater focus in FY2026) **The Asset management lifecycle process has been identified as needing to be more robust to ensure successful project from scoping through to scrapping.**

Self-financing and R&M ratios are measured and reported accurately by internal staff. It should however be noted that UWM will not be aligning with NT benchmarks of 8.5% due to the low capex requirements compared to operational costs. The business is asset “light” and operational cost “heavy”. The R&M benchmarking currently defined in NT MFMA Circular No. 71 (guidelines on financial ratios and norms) can be assessed for certain cost individual centres with UWM. UWM capital assets are significantly smaller than other MTS Utilities such as Water & Sanitation or Energy, thus the lower R&M percentage.

Repairs and Maintenance Spend

The generally strong performance in this expenditure category is a result of the disciplined maintenance activities carried out by the branches. The establishment of an Engineering and Asset Management branch has helped drive the metrics that promote better maintenance practices, and identification of asset required for refurbishment. **The Asset management life cycle management is improving but requires additional resources to more accurately manage R&M and refurbishment within UWM. Capital requirements should inform capital investment while considering the age and condition of the equipment.**

Two things in recent years have impacted the Repairs and maintenance spend

- The impact of COVID-19 also contributed to under-expenditure during the 2019/20 and 2020/21 financial years.
- The City of Cape Town moved over from Transversal R&M tenders with a few service providers to panel tenders which has a greater number of service providers. The panel tenders were introduced to improve efficiency, reduce costs as well as providing

choice and competition within the panel, but primarily it also reduced the risk of non-performance or non-compliance with transversal contractors that in some cases did not always have the required capacity when R&M required. The initially low levels of Repairs and Maintenance (R&M) activity during the rollout of panel tenders were due to the City needing time to establish the new procurement mechanisms and align them with existing Supply Chain Management (SCM) processes.

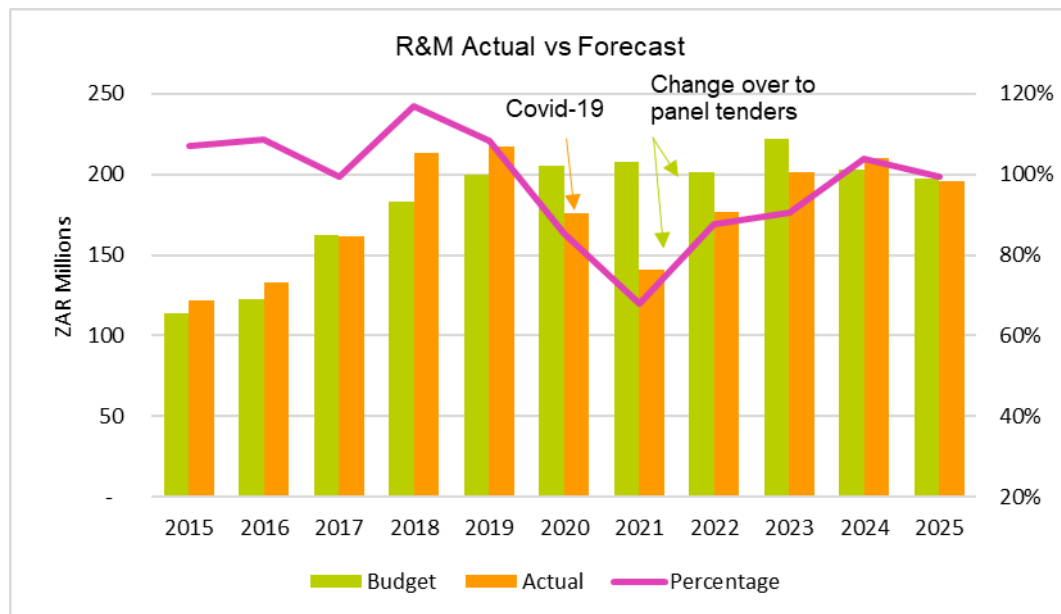


Figure 18: Repairs and maintenance Actual vs Forecast

Conclusion: With the introduction of panel tenders, the actual Repairs and Maintenance spend, and budgets are well aligned. However, concerns remain regarding operational efficiency, as the current bottom-up approach to planning and execution often results in fragmented planning, duplication of efforts, and suboptimal resource allocation.

UWM finance specific items that enable improved financial performance

- **Cost Efficiency** measures the annual cost of collection and disposal per tonne of waste at Landfills and RTS which are utilised in the budgeting cycle. The accounting of collections, disposal and cleansing services are separately accounted for in SAP with unique cost centres.
- **Environmental impact / Operational Efficiency** - capital and operational budgets and plans consider landfill closures, carbon credits, landfill gas revenues and monitoring and planning related to methane emission avoidance.
- **Growth in customer base** - The increase in non-residential properties services by UWM Collections is monitored as is the indigent number of residential properties that receive associated rebates.

As noted with the indigent rebate information, the growth in indigent households has increased more quickly than other customers.

Key Performance Indicators and Milestones

This section outlines the critical performance indicators and milestones that will be used to track the progress and success of the UWM Implementation Plan. These indicators cover various aspects of the plan, including strategy development, asset management, service delivery, financial management, and stakeholder engagement.

Table 8: Next steps

What	Who	When
Regular feedback on the implementation of the UWM strategy and sector plans through the BI report	Waste Management Directorate	Annually
Update the Urban Waste implementation plan for next 10 years, including new capex and opex budgets.	ED, All Departments	End FY 2028, then every 5 years
Review and Update of the Asset Management SOP's	ED, Technical Services Directorate	Mid FY 2026
Update / New Asset Management Life-cycle management policy and processes, include the associated budget	ED, Technical Services, PMO, Directorate	Mid FY 2026
Ongoing Quarterly Asset Management Steer Committee	Technical Services Directorate	BI-Annually from FY26
Auction off assets as per the Replacement Plan review	ED, Technical Services, PMO, Finance	Quarterly from FY2026
UWM Strategy Update	Integrated planning and strategy Directorate	Annually adjusted
UWM Directorate separate (from the City) and independent Audited Financial Statement produced and published	ED, Commercial and Financial Services Directorate	Start FY 2025, then annually
Development of UWM SLA agreements with all Corporate Directorates and other service providers to intentionally strengthening single point of accountability. This will include close scrutiny of corporate services	ED, Technical Services	End FY 2027, draft and complete outstanding SLA's
Mechanism for Performance monitoring and evaluation of SLA's put in place	ED, Technical Services	End FY 2027

What	Who	When
Lobby the CM to subdelegate powers to effectively manage SLA's	ED	End FY 2025
Ongoing monthly Collaboration meetings with the CFO, chaired by the UWM ED – regarding the Reform Plan /Process	ED	Quarterly
Develop a document to define the financial relationship between UWM Directorate and City (addressing financial transparency)	ED, Commercial Services	End FY 2026
Equitable Share Formula allocation agreement for Collections	ED, Directors	Annually
Equitable Share Formula allocation agreement for city-wide tariff to be put in place	ED, Directors	End FY 2026 then annually
Review Development Contributions	ED, Directors	Annually
Review medium and long-term financial sustainability model	Directors	Annually
Investigate Directorate capacity to produce AFS	Commercial Services	Mid 2026
HR Process and governance arrangements reviewed	HRBP	End Feb 2025
Vacancy Management Review Forum	HRBP/Financial Services	Monthly
Setup policy and processes for a Capital Investment Committee (CIC) to ensure Capital project approval and readiness	ED, Directors, Managers	Quarterly and Adhoc as required
Analyse, report and consider moving towards a SPoMA: Trading Services Corporate Support	ED, HRBP	End FY 2025
Project Management Office (PMO) after award admin checks and updates	PMO	Monthly
Project Management Office (PMO) to incorporate the Capital and Contracts Management for monitoring and implementation of contracts	ED, Directors Technical services	Monthly

9 Conclusion

The UWM financial data, operational plans and policies for the City of Cape Town present a comprehensive approach to enhancing operational effectiveness and financial sustainability. With well-defined commercial strategies, targeted capital investments, and a commitment to addressing social, environmental and commercial challenges, the plans position the city to improve service delivery while ensuring financial sustainability and greater waste minimisation.

A process mapping analysis indicates that the transition to an MTS framework will require changes across seven core UWM process groups, with varying degrees of impact. The area with the greatest prioritisation in respect to transformation is financial management (See reference to Addendum A in Appendices list)

Appendices

https://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Budget2526_Ann07_TariffPolicy.pdf

UWM – Miscellaneous tariffs (Annexure 6) (May 2025)

https://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Budget2526_Ann6_53-UrbanWasteMgt-Miscellaneous.pdf

UWM – consumptive tariffs (Annexure 6) (May 2025)

https://resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Budget2526_Ann6_52-UrbanWasteMgt-Consumptive.pdf

Document A: Turnaround Strategy Addendum A