



BUFFALO CITY METROPOLITAN MUNICIPALITY

SOLID WASTE



A3: PERFORMANCE IMPROVEMENT ACTION PLAN

Buffalo City Metropolitan Municipality

MARCH 2026

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This Solid Waste Business Unit A3: Performance Improvement Action Plan forms part of supporting documents to the overarching Buffalo City Metropolitan Municipality (BCMM) Trading Services Reform Incentive Programme initiated by the National Treasury.

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Buffalo City Metropolitan Municipality

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1.0 EXECUTIVE SUMMARY

1.1 Overview

Buffalo City Metropolitan Municipality (BCMM) has developed a Performance Improvement Action Plan (PIAP) for its Solid Waste Business Unit, in alignment with National Treasury's Trading Services Reform Programme. This plan forms part of a suite of strategic documents required for participation in the Metro Trading Services Incentive Grant, a conditional allocation intended to support sustainable and accountable delivery of trading services.

The PIAP outlines BCMM's commitment to address persistent service delivery and institutional challenges - including aging infrastructure, financial unsustainability, regulatory non-compliance, and customer dissatisfaction - through a structured six-year reform programme. The plan aligns with Treasury's A-Series requirements and is underpinned by the adoption of a **Single Point of Management Accountability (SPoMA)** model to enhance governance, operational control, and performance.

1.2 Strategic Purpose

The PIAP aims to transform BCMM's Solid Waste services into a financially viable business unit which is performance-driven and delivers reliable, compliant and customer-responsive services. To attain this goal, the PIAP sets performance targets for the SPoMA across operational, financial, and governance domains. The verified achievement of these targets is critical to unlock incentive funding linked to the Metro Trading Services Incentive Grant. The PIAP indicators and the targets over the first year and over the six-year duration of the programme are set out in this covering report.

1.3 Expected Outcomes

The implementation of the PIAP will result in:

- Financially sustainable and cost-reflective operations
- Improved solid waste collection service reliability, efficiency and quality
- Higher levels of waste minimisation and diversion from landfills
- Better environmental outcomes and cleaner public spaces within the municipality
- Improved governance, leadership and performance accountability within the Solid Waste trading service,
- Improved customer satisfaction, stakeholder engagement and social outcomes
- Increased participation in the waste value chain by local workers and SMMEs

1.4 Council Approval of Key Commitments

The Buffalo City Metropolitan Council is requested to formally endorse the municipality's commitment to achieving the following minimum reforms by **June 2027**:

1. **Establishment of a SPoMA-aligned Service Compact** that clarifies roles between

- the Municipality and the new Solid Waste Business Unit.
2. **Appointment of an Executive Head as the SPoMA** for the Business Unit with a performance contract aligned to reform goals.
 3. **Approval of an Organisational Structure** that aligns resources and responsibilities across the Solid Waste value chains.
 4. **Formalisation of Delegations** granting full operational and financial authority to the Solid Waste Business Unit.
 5. **Development of a Financial Model and Business & Investment Plan** to guide sustainable operations and capital investment.
 6. **Inclusion of funding for the Solid Waste Business & Investment Plan in the Municipal Budget**, aligned with strategic priorities.
 7. **Preparation of Separate Annual Financial Statements** to enhance transparency and accountability.
 8. **Provision of Delivery Management Capacity and Change Management Support** to ensure successful organisational transformation and capacity building.

1.5 Participation Requirements

Council is also required to note that continued participation in the incentive grant programme is conditional on maintaining the minimum commitments in the PIAP throughout the life of the programme.

Council is further required to note that satisfactory municipal audit performance is also an essential prerequisite for participation in the programme and that an adverse or disclaimed Auditor General audit opinion will preclude further participation by BCMM.

Council approval of this PIAP and its associated commitments is a mandatory condition to access the incentive grant in the 2025/26 fiscal year.

2.0 INTRODUCTION

2.1 Background

Since the promulgation of the Municipal Finance Management Act (MFMA) and subsequent local government reforms, South African municipalities have been under increasing pressure to deliver water, sanitation, electricity, and other trading services efficiently, sustainably, and transparently.

2.1.1 National Treasury's Response

National Treasury has identified persistent challenges faced by municipal Solid Waste services across the country that hinder service delivery. These include:

- Unclear accountability and fragmented governance within the solid waste value chain
- Financial unsustainability driven by non-cost reflective tariffs, high levels of non-payment and poor debt collection
- Ageing and insufficient fleet and infrastructure due to limited capital funding and weak planning
- Poor operational data and weak systems to guide operations
- Poor environmental compliance and lack of enforcement
- Low customer satisfaction and weak customer interfaces

In response mandated the City Support Programme to develop a comprehensive reform programme for metropolitan municipalities. This reform builds on several years of the National Treasury support provided to metropolitan municipalities since 2011. This reform is structured through a systematic development of interrelated strategic documents designed to steer metropolitan municipalities towards the provision of services sustainably following business and management principles. The strategic documents include the following:

- **Trading Services Turnaround Strategies (A-Series):** Metropolitan municipalities are required to develop a structured approach to a turnaround process that:
 - addresses major service delivery challenges, inefficiencies, and resource constraints to improve access to Solid Waste services,
 - ensure compliance with regulatory requirements,
 - restores financial sustainability through cost control and revenue enhancement, and
 - improves customer satisfaction and service reliability.

The Trading Services Turnaround Strategies aim to transform underperforming municipal services into efficient, financially viable, and community-responsive operations.

- **Institutional Road Map (Annexure A1):** Metropolitan municipalities are required to develop a strategic framework that outlines the key stages, actions, and reforms required to build a well-functioning, sustainable, and accountable trading service. This roadmap defines the steps to restructure trading services into a Single Point

of Accountability (SPoMA) business unit. It covers leadership appointment, governance delegations, shared-services integration, and change management capacity essential for effective transformation.

- **Business & Investment Plans (Annexure A2):** Under Annexure A2, each municipality will develop and implement a strategic and financial document that outlines how the newly autonomous Solid Waste business unit will operate sustainably, recover costs, maintain infrastructure and fleet, ensure environmental compliance, promote the circular economy, and fund future investments. Metropolitan municipalities must produce an annual Business & Investment Plan, validated by a robust financial model. These plans detail capital and operational funding requirements, revenue projections, tariff proposals, and external financing strategies, ensuring alignment with the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP).
- **Performance Improvement Action Plans (Annexure A3):** The Performance Improvement Action Plan is a structured framework that identifies performance gaps, sets targets, and outlines actions to improve service delivery, compliance, operational efficiency, and customer satisfaction.

2.1.2 Rationale for Reform

Service Delivery Challenges: Many municipalities struggle with insufficient or aging infrastructure and fleet, high levels of missed collections, low levels of service especially across informal settlements and new developments, poor effluent quality at landfill sites, lack of environmental compliance, low waste diversion rates, and high levels of illegal dumping.

Financial Sustainability: Trading Services often rely on cross-subsidies and grants to operate, with limited own-revenue recovery, resulting in underinvestment and cashflow constraints.

Governance & Transparency: Lack of ring-fenced accounting, weak performance management, and fragmented shared-services delegations hinder clear accountability and strategic oversight.

Regulatory Alignment: The National Environmental Management: Waste (NEM: WA) Act 59 of 2008 sets out to provide reasonable measures regulating waste management in order to protect health and the environment and provides the basis for the National Waste Management Strategy and the resulting BCMM Integrated Waste Management Plan. These regulatory frameworks call for stringent quality and environmental compliance in waste management, which requires improved asset management and operational capacity.

2.1.3 Expected Outcomes

The expected outcomes from implementing the trading services reforms are:

- **Enhanced Service Reliability:** Improved infrastructure maintenance and upgrades and increased investment and maintenance in infrastructure, supported by heightened emphasis on customer service, resulting in improved service quality and reliability.
- **Improved Financial Sustainability of metros:** enhanced revenue collection, reduced losses and diversified income streams leading to improved cost coverage ratios, higher cash-collection rates, and increased self-financing capacity for capital investment.
- **Clear Governance & Accountability:** Well-defined roles, delegations, and performance incentives, leading to faster decision-making and better regulatory compliance.
- **Customer & Stakeholder Confidence:** More responsive and cost-reflective tariffs, consideration of customer needs from annual satisfaction surveys, increased stakeholder engagement in energy decisions, and public reporting of performance indicators.
- **Strengthened Institutional Capacity:** professionalisation of trading services units leading to their capacitation with the right technical, commercial, and managerial skills.

2.2 Purpose of the Performance Improvement Action Plan

The 2025-2026 Division of Revenue Bill introduced a new Urban Development Financing Grant incorporating three windows, namely,

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

Metropolitan municipalities seeking access to the Metro Trading Services Incentive Component in respect of Solid Waste in the 2026-2027 Financial Year must develop, submit to their Council, discuss and receive Council Approvals for their trading services strategic documents, namely, their:

- i. Trading Services Reform Strategy (A-Series),
- ii. Institutional Reform Road Map (Annexure A1),
- iii. Business and Investment Plans (Annexure A2), and
- iv. Performance Improvement Action Plan (Annexure A3).

National Treasury thereafter issued Guidance Note 4 to provide guidance to municipalities seeking access to the Metro Trading Services Incentive on the development of a Performance Improvement Action Plan (PIAP). The PIAP provides a template for municipalities to specify their ambitions, activities and targets (in line with their Trading Services Reform Strategies, Institutional Reform Road Map and Business and Investment plans) so that they can achieve the objectives of the incentive

programme. The PIAP is thus a performance agreement between the metropolitan municipality and the national government, where the metros set targets against indicators aligned to reform objectives. These are developed for each trading service and approved by the respective Council.

The table below provides the description and objectives of each of the strategic documents and their Compliance Requirements for Treasury approval.

Category	#	Definition	Description	Compliance Requirement
Metro Trading Services Formalization Documents	A	Solid Waste Turnaround Strategy	A structured approach to address major service delivery challenges, inefficiencies, and resource constraints to improve access to Solid Waste services, financial health, compliance, and customer satisfaction.	Council Approval by June 2026
	A1	Solid Waste Institutional Road Map	A strategic framework that outlines the key stages, actions, and reforms required to build a well-functioning, sustainable, and accountable MTS	Council Approval by June 2026
	A2	Solid Waste Business & Investment Plan	A strategic and financial document that outlines how the newly autonomous business unit will operate sustainably, recover costs, maintain infrastructure, and fund future investments.	Council Approval by June 2026
	A3	Solid Waste Performance Improvement Action Plan	A structured framework that identifies performance gaps, sets targets, and outlines actions to improve service delivery, compliance, operational efficiency, and customer satisfaction	Council Approval by June 2026

Table 1: Minimum Requirements to be Achieved by a Municipality to Join the Incentive Programme by July 2026

While progress on the reform strategies will form part of the annual National Treasury oversight engagements, performance against targets - which will determine future incentive allocations - will be independently assessed and will determine the amount of incentive allocations available to the metro.

2.3 Target Performance Areas and Indicators Framework (Annexure A3):

Treasury had defined a suite of performance indicators for the turnaround strategy in four areas: Minimum Commitments (M-series), Accountability (A-series), Financial (F-series), and Operational (W-series) indicators. Each of these indicators has weighted targets, that achievement of which unlocks equitable share allocations.

The Minimum Commitments - which are the focus of this first iteration of the PIAP -

emphasise that the municipalities must establish Trading Services Business Units with clear leadership, dedicated shared-services delegations, and ring-fenced governance (a **Single Point of Accountability Model** or **SPoMA**). These indicators are outlined in the table below.

Category	Id	Definition	Description	Compliance Requirement
Minimum Commitment Performance Indicators	M1	SPoMA Service Compact	Defines and structures the service role that the new utility business must execute on behalf of the metro	Council Commitment by June 2026 for achievement by June 2027
	M2	SPoMA Appointment	The appointment of a chief executive of the trading service with an appropriate job description	Council Commitment by June 2026 for achievement by June 2027
	M3	SPoMA Organisational Structure	A single organisational structure with all elements of the infrastructure and commercial value chain	Council Commitment by June 2026 for achievement by June 2027
	M4	SPoMA Delegations	Delegations of authority for financial management, operational and management control for the effective operation of the Trading Services Business	Council Commitment by June 2026 for achievement by June 2027
	M5	Financial Model and Business & Investment Plan	Annual business plan and budget incorporating a long-term strategic perspective, and medium-term capital and operational planning	Council Commitment by June 2026 for achievement by June 2027
	M6	Budget support of Trading Service Business and investment plan	Metro budget allocations need to align with the Financial Model and Business & Investment Plan to ensure financial sustainability in service delivery.	Council Commitment by June 2026 for achievement by June 2027
	M7	Financial Transparency – separate AFS	Full separate Metro Trading Services Annual Financial Statements, published within the aggregated metro AFS	Council Commitment by June 2026 for achievement by June 2027
	M8	Support for Management of organisational change and increased delivery	To create and establish the necessary capacity to support migration to a new organisational structure under the SPoMA	Council Commitment by June 2026 for achievement by June 2027

Table 2: Minimum Commitment Performance Indicators for a Municipality to Join the Incentive Programme by July 2025

2.4 Metro Options for Creation of a Single Point of Management Accountability Model

In this current setup, most metropolitan municipalities have been operating under Model 1 Option, where the Trading Services were located within broader directorates with no ring-fencing of their operations. With these reforms, metros that elect to join the Trading Services Reform Programme should select one of the three model options, namely, Model 2, Model 3, or Model 4.

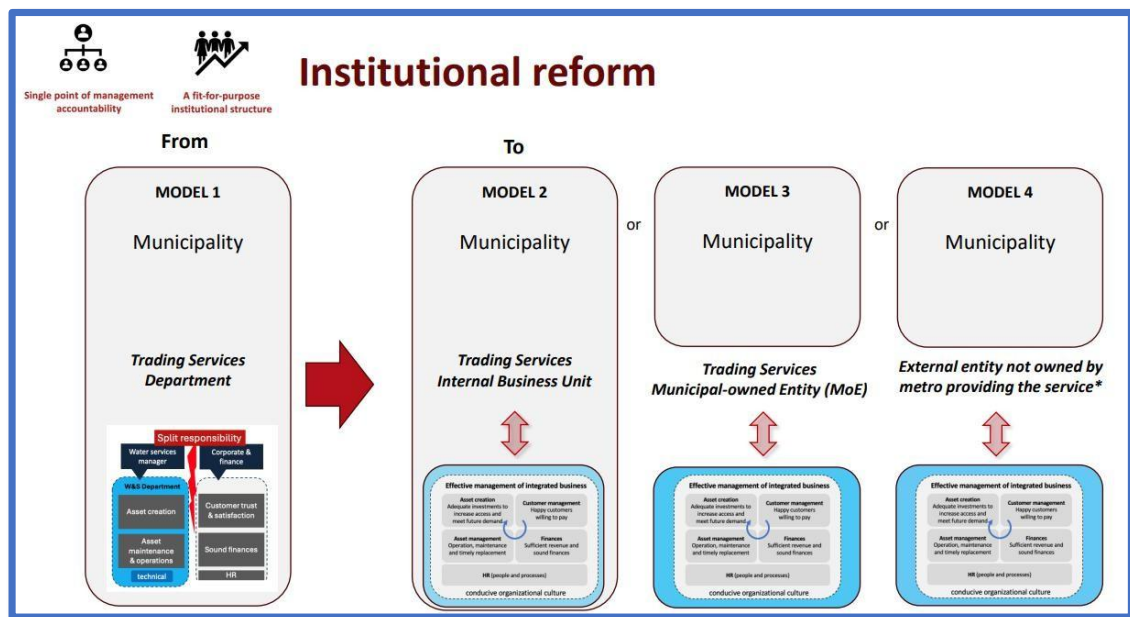


Figure 1: Trading Services Institution Reforms Models for Creation of SPoMA

BCMM has selected to join the incentive programme using the option in Model 2.

2.4.1 Current Macro Organizational Structure

BCMM's organizational structure is arranged into 10 directorates, each with several departments responsible for specific mandates within the functions of the directorate.

The following are the current municipal directorates:

- The City Manager's Office;
- Executive Support Services;
- Corporate Services;
- Finance;
- Development and Spatial Planning;
- Public Safety and Emergency Services;
- Infrastructure Services;
- Human Settlements;
- Municipal Services;
- Economic Development and Agencies, and
- Sports, Recreation, and Community Development.

The Solid Waste Department currently falls under the Solid Waste and Environment

Directorate, which also includes the Environmental Management department.

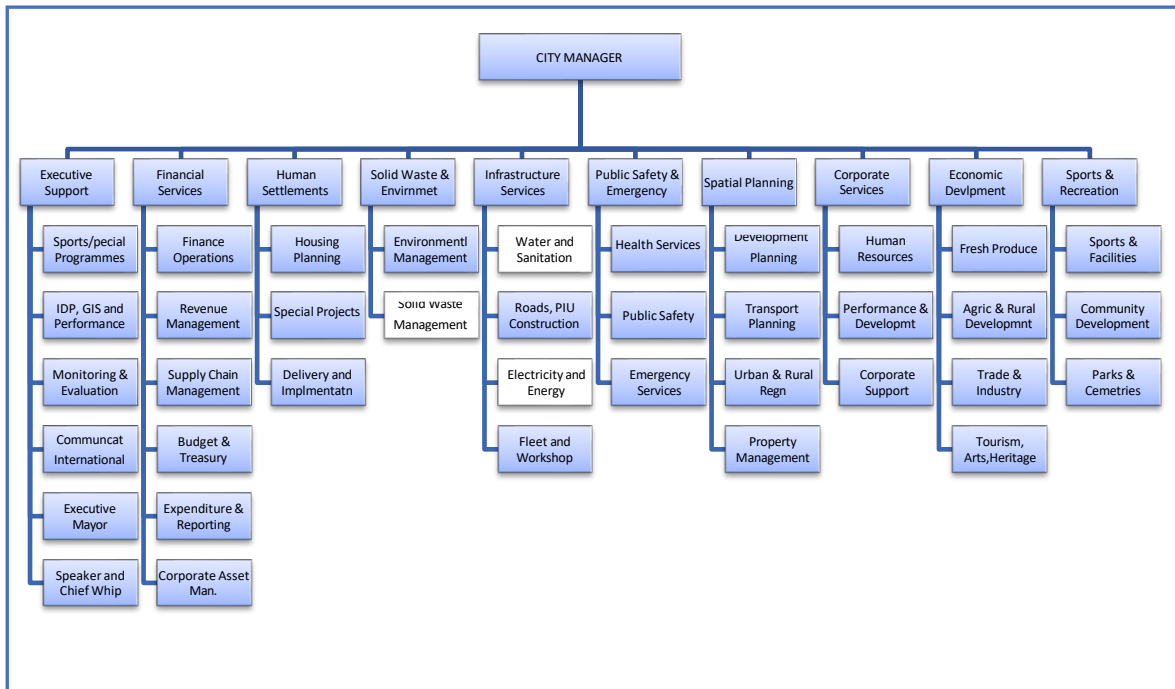


Figure 2: Current BCMM Macro Organizational Structure

2.4.2 Indicative Typical Model 2 Trading Reforms Macro Organizational Structure

Figure 3 shows an indicative typical Model 2 option for consideration in the development of trading services business units. The municipality will follow the necessary development, engagement, and consultation processes in its creation of the organizational structure and organograms for the trading services, in line with municipal policies and legislative framework.

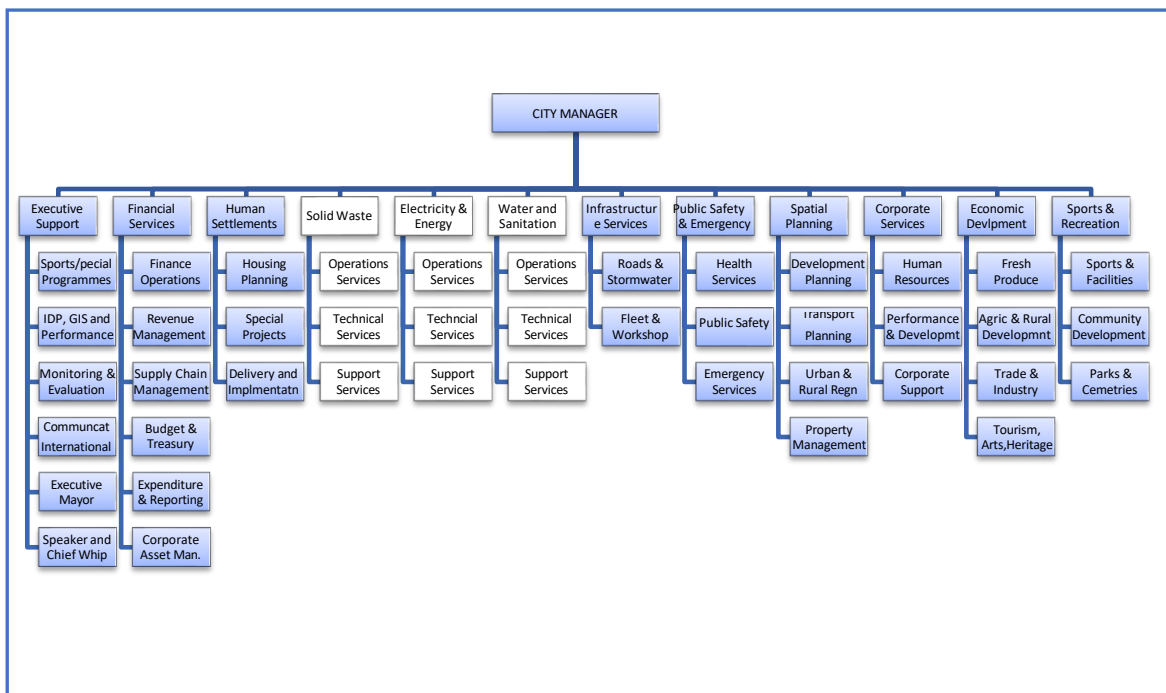


Figure 3: Indicative Typical BCMM SPoMA Compliant Macro Organizational Structure

2.5 Purpose of this Document

The purpose of this document is to outline the proposed commitments in *Annexure A3: Performance Improvement Action Plan* for the Solid Waste Business Unit, for Council to note and approve. The document defines the municipal **Baseline and Status Quo** on prescribed performance targets for the trading services incentive programme, **Municipal Ambitions** and **Timeframes** to achieve the targets, **Required Reform Activity Packages** to achieve targets, and **Target Dates** for attainment of these reform activities.

Therefore, this document is a Buffalo City Metropolitan Municipality commitment to national government to join the incentive programme and setup a fully functional Solid Waste Business Unit with all the minimum resources required for development of a sustainable and financially viable delivery of Solid Waste services to acceptable minimum levels within the next six years of implementation of the trading services reforms.

The document is the first version of the municipal ambition targets - covering the minimum indicators - that will be reviewed during mid-term assessment and end of the first year of the six-year programme. The second version of the Performance Improvement Action Plan targets, which should be in place by June 2027, shall be binding and used for assessment of the municipality's performance in the programme. The municipality shall be entitled to an incentive funding allocation based on performance in these prescribed performance indicators in a weighted point scoring system defined in the Addendum to Guidance Note 4 included herewith as **Annexure A**. Detailed explanation of the requirements of municipal Performance Improvement Action Plan is included herewith as **Annexure B** as Guidance Note 4 for reference purposes.

The following sections define the targets set by Buffalo City Metropolitan Municipality as a commitment for the establishment of a Single Point of Management Accountability for the Solid Waste Business Unit, to be achieved over the 6-year implementation timeframe defined for the implementation trading services reform incentive programme.

3.0 MINIMUM COMMITMENTS INDICATORS

The Minimum Commitment Performance Indicators that must be achieved and maintained by metropolitan municipalities to remain in the incentive programme are set out in Appendix A, the completed A3: PIAP for the Solid Waste trading services. The sections below outline and summarise these indicators.

3.1 M1: SPoMA Service Compact

3.1.1 Purpose

The Service Compact, amongst others, will define reporting and other obligations and responsibilities between the parties. The new Solid Waste Business Unit becomes responsible for full financial and managerial operation of the trading service (TS) and shall be accountable to the accounting officer of the metro.

3.1.2 Definition

The Service Compact between the Service Authority (Buffalo City) and the Service Provider (Solid Waste Business Unit):

- specifies internal Business Unit municipal-owned entity decisions.
- provides for the transfer of metro obligations and responsibilities in terms of law (both municipal and sector legislation) to its business unit as agent to execute these services on its behalf and within the scope of applicable municipal legislation. The metro discharges its responsibilities in terms of its Service Compact, including that of the previously shared services.
- defines and structures the service role that the new Solid Waste Business Unit must execute on behalf of the municipality.

3.1.3 Baseline and Status Quo

The municipality has no formal Single Point of Management Accountability (SPoMA) Service Compact in place.

3.1.4 Municipal Target Ambition

With this document, however, the municipality commits to develop a Service Compact between itself and the Solid Waste Business Unit before 30 June 2027, which shall be retained thereafter.

3.1.5 Reform Activities

The following are the identified reform activities and timeframes to achieve the target:

- Approval of the Trading Service reform strategy, business and investment plan, and PIAP
- Drafting of the Service Compact, and identification of any required policy changes
- Stakeholder engagements and workshops
- Submission of the Service Compact to and approval by the Council
- Legal sign-off between City Manager and head of the business unit

3.1.6 Timeframes

In Year 1:

- Approved Service Compact by Council
- Identification of any required policy changes to effect the compact

From Year 2 to Year 6:

- Retention of approved service compact Target Y1
- Performance monitoring and review of service compact based on agreed indicators

3.2 M2: SPoMA Appointment

3.2.1 Purpose

To ensure that the Solid Waste Business Unit is led by properly authorised executive leadership with all delegated powers and responsibilities, and has clear accountability and performance measures.

3.2.2 Definition

Appointment of a chief executive of the trading service with a job description reflecting all delegated powers, responsibilities, and a performance contract aligned to PIAP targets.

3.2.3 Baseline and Status Quo

The current head of department (HOD) role sits under the old departmental structure; no dedicated SPoMA executive or performance contract exists.

3.2.4 Municipal Target Ambition

By the end of the financial year 2026/27, the appointment of a SPoMA Executive with an approved performance contract signed by the City Manager is expected.

3.2.5 Reform Activities

The following are the identified reform activities and timeframes to achieve the target:

- Develop a job description and performance agreement for the SPoMA Appointment
- Council approval of job description and performance agreement
- Initiate a transparent recruitment process and appoint a suitable candidate
- Signing of Performance Contract with City Manager.

3.2.6 Timeframes

In Year 1:

- Approved job description and performance agreement for the SPoMA
- Recruitment process and appointment of SPoMA
- Signed performance agreement between the City Manager and SPoMA
- Identification and provision of identified support to the Solid Waste Business Unit HoD

From Year 2 to Year 6:

- Performance monitoring of the Business Unit HoD in line with the performance contract and set targets
- Identification and provision of identified support to the Business Unit HoD

3.3 M3: SPoMA Organizational Structure

3.3.1 Purpose

To establish a coherent structure aligning all functions along the utility value chain under a SPoMA.

3.3.2 Definition

Council-approved organogram featuring all infrastructure, technical, commercial and support services grouped under a SPoMA leadership.

3.3.3 Baseline and Status Quo

An Interim Draft Organizational Structure exists; however, not yet Council-approved or fully graded.

3.3.4 Municipal Target Ambition

An approved organisational structure for the Solid Waste Business Unit incorporating the trading service's infrastructure and commercial value chain and supporting services. This organisational structure should be aligned to the 7-box model, which comprises:

- a focus on customer service to create a positive customer experience and satisfied customers;
- sound billing (commercials), collection and operating surpluses;
- motivated staff and efficient systems;
- maintenance, refurbishment and operation of existing assets;
- creation of new assets;
- sound governance and a supportive enabling environment; and
- empowered leadership and management to drive the vision, strategy and execution.

3.3.5 Reform Activities

- Design of an organisational structure for the Solid Waste Business Unit incorporating the infrastructure/ commercial value chain and supporting services
- Design and approval of job descriptions and task grading
- Approval of the organisational structure and staff organogram by the Council
- Signing of service level agreements (SLAs) with service departments to service the unit
- Migration, recruitment and appointment of full-time staff to the business unit, and provision of training on new roles and reporting lines

3.3.6 Timeframes

In Year 1:

- Council Approved Solid Waste Business Unit Organogram
- Signed agreements with service departments for transfer/ secondment of relevant staff
- Gap analysis and capacity building plan to support the turnaround

From Year 2 to Year 6:

- Retention of the Solid Waste Business Unit organisational structure
- Annual review of the performance of the organisational structure

3.4 M4: SPoMA Delegations

3.4.1 Purpose

To formalize the transfer of shared services (human resources, supply chain management, finance, ICT) to the SPoMA Business Unit.

3.4.2 Definition

MFMA-compliant instrument delegating all relevant authority for trading services operations and support to the SPoMA executive.

3.4.3 Baseline and Status Quo

Delegations remain centralized under the City Manager, and no formal SPoMA delegation instrument exists.

3.4.4 Municipal Target Ambition

Council-approved delegations will be issued transferring all shared services to SPoMA.

3.4.5 Reform Activities

- Mapping existing municipal delegations and recommending changes, if any, to the approved municipal delegation policy
- Designing appropriate delegations aligned with SPoMA needs, relevant legislation and policy
- Stakeholder engagement
- Develop SLAs between shared services and the trading service for approvals for services to be provided or contracted
- Council approval for the delegations and SLAs
- Signing of the delegations and SLAs by the City Manager

3.4.6 Timeframes

In Year 1:

- Council Approval of amended delegation policy (if any), delegations and SLAs
- Signed delegations from the City Manager to the HOD of Solid Waste Business Unit

From Year 2 to Year 6:

- Retention of signed delegation from the City Manager to the HOD of Solid Waste Business Unit
- Review and approval of the signed delegation, considering the TS operating requirements

3.5 M5: Financial Model & Business & Investment Plan

3.5.1 Purpose

To provide a robust, multi-year financial foundation guiding sustainable service delivery and capital investment.

3.5.2 Definition

An annual business plan and budget underpinned by a comprehensive utility financial model projecting OPEX, CAPEX, tariffs, and funding sources.

3.5.3 Baseline and Status Quo

An outline plan exists; however, there is no validated financial model or detailed phasing.

3.5.4 Municipal Target Ambition

Business unit to have an approved financial model and fully costed, multi-year Business & Investment Plan. An approved separate budget for the Solid Waste Business unit aligned to the Business & Investment Plan and the turnaround strategy.

3.5.5 Reform Activities

- Develop and validate the financial model for the Solid Waste business unit based on up-to-date operating and capital expenditure data
- Develop a multi-year Business & Investment Plan for the business unit
- Approval by Council of the financial model and Business & Investment Plan for every financial year.
- Monitoring performance against the financial model targets and annual revision of the model and business plan
- Development of a programme to ensure that the business unit has access to all necessary financial and operational data for effective utility management

3.5.6 Timeframes

In Year 1:

- Council financial model, Business & Investment Plan and aligned budget
- Development of systems that enable data acquisition and analysis to assist in decision-making of the TS

From Year 2 to Year 6:

- Approved and funded Business and Investment Plan for the TS
- Approved municipal budget incorporating the TS Business Plan
- Monitoring of the implementation of the financial model and Business & Investment Plan

- Review of the financial model and Business & Investment Plan and making necessary adjustments to enable the TS to function optimally

3.6 M6: Budget Support of Plan

3.6.1 Purpose

To align municipal budgets with the approved Business & Investment Plan, ensuring funding availability.

3.6.2 Definition

Inclusion of year-1 OPEX and CAPEX required by the Solid Waste Business Unit in the municipal budget line items.

3.6.3 Baseline and Status Quo

There is an approved SDBIP for the 2025-2028 financial years. There are no dedicated budget lines in the draft FY 2026/27 budget for the Business & Investment Plan.

3.6.4 Municipal Target Ambition

- i. Full funding support in the municipal budget for Solid Waste Business & Investment Plan
- ii. Council's commitment for budget support for the Solid Waste Business & Investment Plan

3.6.5 Reform Activities

- Preparation of the Budget for the Solid Waste Business Unit as an independent unit and incorporating it in the municipal budget
- Annual Budget Workshop and incorporation of IDP projects
- Determining the extent of distributions to the TS from grants, equitable share allocations and other grants and other municipal allocations
- Determining the trading services' contributions to the municipality and shared expenses from operations
- Approval and adoption of the aligned budget

3.6.6 Timeframes

In Year 1:

- Council commitment to supporting the funding implications of the TS business plan and budget
- Council Approved Budget with allocations to the Solid Waste TS

From Year 2 to Year 6:

- Approved and funded Business and Investment Plan for the Solid Waste Business Unit
- Approved municipal budget incorporating the TS Business Plan
- Monitoring of the Budget and Business & Investment Plan implementation

3.7 M7: Separate Annual Financial Statements (AFS)

3.7.1 Purpose

To enhance financial transparency by producing standalone AFS for Trading Services within the municipal consolidated statements.

3.7.2 Definition

Full separate AFS for Solid Waste in accordance with NT specimen templates, integrated into the metro's consolidated AFS.

3.7.3 Baseline and Status Quo

Solid Waste accounting is embedded in consolidated Annual Financial Statements, and no separate statements are published.

3.7.4 Municipal Target Ambition

Publish the FY 2026/27 Solid Waste business unit separately from the municipality's AFS as part of the municipal financial reporting cycle.

Prepare performance reports and monthly financial reports for the trading services

3.7.5 Reform Activities

- Develop a template for the Solid Waste business unit AFS aligned to the NT Circular
- Identify business unit ledger votes, common or shared assets and separate them
- Preparation of a full trial balance of the TS to enable reporting
- Full costing of TS including the costs of shared services in its budgeting
- Creation of mSCOA-compliant accounts for the business unit in the main financial system of the municipality
- Submit and publish separate Solid Waste AFS, including financial performance and position.

3.7.6 Timeframes

In Year 1:

- Council's commitment and approval of the preparation of separate TS AFS and annual report
- Submission of separate Solid Waste AFS and annual report in line with mSCOA requirements by the end of the Financial Year
- Submission of consolidated AFS of the municipality and TS

From Year 2 to Year 6:

- Submission of Separate Solid Waste AFS by end of the Financial Year
- Submission of a separate set of AFS prepared for the TS
- Submission of consolidated AFS of the municipality and TS

3.8 M8: Change Management Support

3.8.1 Purpose

To ensure dedicated capacity for planning and executing the organizational and process changes required by the PIAP.

3.8.2 Definition

Availability of additional fully staffed and effective change management support for the process of managing organisational change, including staff engagements, communications, detailed design, capacity enhancement, key documentation, service compact and other activities, to manage and facilitate planned changes and envisaged capital expenditure for the business unit.

3.8.3 Baseline and Status Quo

Technical and managerial capacity is aligned to the current organisational structure, and there are significant gaps in technical and managerial capacity to support the Solid Waste operations.

3.8.4 Municipal Target Ambition

The municipality shall have sufficient project implementation capacity to support the implementation of the Business & Investment Plans and the business unit operations. The municipality shall also have a fully staffed and financially resourced change management support for implementation of the SPoMA reform with an approved Stakeholder Communication and Engagement Plan for the trading services reforms and during the transition phase. There will be regular reviews of the managerial and technical capacity within the TS to support the turnaround strategy.

3.8.5 Reform Activities

- Skills gap analysis and identification of the required technical, management and change management skills for the business unit
- Identification of required staff from service departments for staff secondment and recruitment needs
- Stakeholder engagement
- Drafting and signing of SLAs with service departments for the secondment of staff
- Council approval for recruitment where there are gaps in skills and resources.
- Provision of change management and wellness support to business unit staff members during the transition phase.

3.8.6 Timeframes

In Year 1:

- Gap analysis and capacity building plan to support the operations of the TS
- Stakeholder engagement and assignment of shared resources
- Signed SLAs with service departments and the transfer of support service staff members to the TS
- Approved Change Management plan for municipal and TS employees during

the transition phase.

- Recruitment of additional staff

From Year 2 to Year 6:

- Provision of change management support
- Transfer/recruitment of required staff to support the TS
- Continuous review of TS capacity and change management support needs

4.0 RECOMMENDATIONS TO COUNCIL

4.1 RECOMMENDATION 1

It is recommended that the **Buffalo City Metropolitan Council**, recognising the importance of the eight minimum commitments to service delivery improvement, and as a precondition in order to access and maintain access to the metro trading services incentive grant, undertakes as follows.

1. BCMM will by June 2027 have implemented a service compact between the Municipality as a service authority and the Solid Waste Business Unit as the service provider, clarifying the separation of roles between the service authority and the service provider and defining accountabilities and authorities accordingly, **as per M1 (SPoMA Service Compact)**.
2. BCMM will by June 2027 have implemented a formal recruitment process to appoint the head of the Solid Waste Business Unit with the requisite commercial and engineering skills and experience, formalised by a performance contract with performance targets that prioritise reform imperatives, **as per M2 (SPoMA Appointment)**.
3. BCMM will by June 2027 have approved a macro-organisational structure which gives effect to and supports the mandate, responsibility and accountability of the head of the Solid Waste Business Unit and ensures the Business Unit is adequately resourced with all requisite internal capabilities to discharge its mandate across all operational and support value chains, **as per M3 (SPoMA Organisational Structure)**.
4. BCMM will by June 2027 have finalised delegations which give effect to and support the mandate, responsibility and accountability of the head of the Solid Waste Business Unit for all operational and supporting value chains **as per M4 (SPoMA Delegations)**.
5. BCMM will by June 2027 develop a multi-year utility financial model (i.e. reflecting utility characteristics and requirements) and use this to prioritise and generate a Business & Investment Plan for the Solid Waste Business Unit to achieve long-term strategic objectives starting from 2027/28, according to the requirements **set out in M5 (Financial Model and Business & Investment Plan)**.
6. BCMM will by June 2027 ensure that its overall municipal budget for the 2026/27 MTREF accommodates, supports and funds the business and investment plans of its trading services, to the maximum extent possible, as **set out in M6 (Budget support of Trading Service Business & Investment Plan)**.
7. BCMM will by June 2027 ensure that it is able to provide full separate AFS per

trading service (per specimen template provided in an MFMA circular of July 2024) for the 2027/28 financial year and thereafter, and the floEE and balances statement, **as set out in M7 (Financial Transparency).**

8. BCMM will by June 2027 have in place effective
 - (a) additional capacity to support and manage the planned organisational change; and
 - (b) additional capacity to support the planned increase in trading services capex, **as set out in M8 (Support for the management of organisational change and increased delivery).**

4.2 RECOMMENDATION 2

It is recommended that the Buffalo City Metropolitan Council **recognise that the minimum commitments must be maintained throughout the life of the programme**, and that any dismantling of these commitments will preclude further participation in the performance-based incentive grant programme of the Urban Settlements Development Grant.

4.3 RECOMMENDATION 3

It is recommended that the Buffalo City Metropolitan Council further acknowledge that **overall municipal audit performance is also an essential prerequisite for participation in the programme**, and that **an adverse or disclaimed Auditor General audit opinion will preclude further participation by the BCMM in the incentive grant programme** until a satisfactory audit result is achieved.