SALDANHA BAAI BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

2025/26 MAIN ADJUSTMENT BUDGET

24 February 2026

Item number: Rxx/2-26

File number: 5/1/1/2025/26

City of Excellence and Opportunity on the "Weskus"

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1. Acronyms

The following acronyms are used in this document:

Accronym	Description
CRR	Capital Replacement Reserve. An internal funding source used from capital projects, which must always be cash-backed in terms of section 18 of the MFMA.
Capital Expenditure	Expenditure on municipal assets such as Property, Plant and Equipment. Any capital expenditure is reflected as an asset on the Balance Sheet.
DORA	Division of Revenue Act. It is the annual legislation that indicates the allocations made by National to Provincial and Local Government.
Grants	Allocations received from National and Provincial Government or other.
IDP	Integrated Development Plan
MBRR	Municipal Budget and Reporting Regulations. These regulations are issued under the MFMA and set out the legal framework, formats, and processes that municipalities must follow when preparing, adopting, and reporting on their budgets and financial performance.
MFMA	Municipal Finance Management Act, No 53 of 2003
MIG	Municipal Infrastructure Grant
MTREF	Medium Term Revenue and Expenditure Framework. A medium-term budget of 3 years, based on a first-year budget, followed by a further two-years indicative budgets.
NT	National Treasury
Operating Expenditure	The day-to-day expenses such as salaries, maintenance and consumables.
SBM	Saldanha Bay Municipality
SDBIP	Service Delivery and Budget Implementation Plan. This is a detailed plan comprising of performance targets
VOTE	One of the main segments of a budget. At SBM this means per Directorate
WCPG	Western Cape Provincial Government

2. Purpose of the report

The purpose of the report is to submit an Adjustment Budget for 2025/26 to Council for approval as required by section 28 of the MFMA.

3. Legislative requirements

3.1 MFMA requirements

Section 28(2) of the MFMA stipulates, *inter alia*, the following:
"An Adjustments Budget

(a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year

(b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for

(d) may authorise the utilisation of projected savings in one vote towards spending under another vote

(f) may correct any errors in the annual budget

Section 29(5) of the MFMA requires that, when an adjustments budget is tabled, it must be accompanied by-

(a) an explanation how the adjustment budget affects the annual budget

(b) a motivation of any material changes to the annual budget

(c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years

(d) any other supporting documentation that may be prescribed

3.2 MBRR requirements

Regulations 21 – 27 of the MBRR prescribes the requirements of municipal adjustment budgets.

Regulation 23(1) of the MBRR stipulates that an adjustments budget referred to in section 28(2)(b), (d) and (f) of the MFMA may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council but not later than 28 February of the current financial year.

Regulation 23(3) of the MBRR stipulates that if National or Provincial Adjustments Budgets allocates or transfers additional revenues to the municipality, the mayor of the municipality must at the next available council meeting, but not later than 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the MFMA in the municipal council to appropriate these additional revenues.

4. Mayors Report

4.1 Executive summary

The adjustment budget will have no impact on the provision of basic services or on rates and tariffs.

The adjustments and the reasons for these adjustments to the Operating Budget and Capital Budget are provided elsewhere in the report and its annexures. A summary of these is provided as follows:

Figure 1: Summary of the Operating and Capital budget (in Rand)

ITEM	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
TOTAL EXPENDITURE				
Capital expenditure	361,461,706	461,395,479	(212,985,189)	248,410,290
Operating expenditure	1,943,258,892	1,956,179,513	(70,854,401)	1,885,325,112
Total expenditure	**2,304,720,598**	**2,417,574,992**	**(283,839,590)**	**2,133,735,402**
OPERATING BUDGET				
Own Revenue	1,663,082,878	1,663,082,878	24,715,674	1,687,798,552
Grants - Operating	226,660,452	239,581,073	(42,625,928)	196,955,145
Grants - Capital	76,887,515	86,232,275	(46,085,209)	40,147,066
Grants - Capital (In-kind)	-	-	606,087	606,087
Total Revenue	**1,966,630,845**	**1,988,896,226**	**(63,389,376)**	**1,925,506,850**
Less: Operating expenditure	1,943,258,892	1,956,179,513	(70,854,401)	1,885,325,112
Surplus for the year	**23,371,953**	**32,716,713**	**7,465,025**	**40,181,738**
Add back: Capital grants	76,887,515	86,232,275	(45,479,122)	40,753,153
Surplus/(Deficit) before capital grants	**(53,515,562)**	**(53,515,562)**	**52,944,147**	**(571,415)**

The total budget remains funded — refer to Budget Schedule B8.

The net impact of the adjustments is as follows:

a) The 2025/26 Budgeted Total Revenue decreases with R63.4 million to R1 926 million.

b) The 2025/26 Budgeted Operating Expenditure decreases with R70.9 million to R1 885 million.

c) The 2025/26 Budgeted Capital Budget decreases with R213 million to R248.4 million.

4.2 2025/26 Western Cape Provincial Government Adjustment Budget

The WCPG Finance Minister Deidre Baartman tabled the 2025/26 Western Cape Adjustment Budget in the Western Cape Provincial Parliament on 4 December 2025. The draft Notice that consisted of the additional and amended allocations to Western Cape municipalities was subsequently provided to municipalities on the same day. The final Notice was published on 16 February 2026 when the Western Cape Adjustments Appropriation Bill, 2025 was enacted.

These amendments made to the 2025/26 WCPG Budget necessitated that the budget of Saldanha Bay municipality also be amended to ensure alignment to the provincial grant allocations, in accordance with the MFMA and the MBRR requirements.

4.3 Mid-year budget adjustments

Following the mid-year budget and performance assessment in terms of section 72 of the MFMA, that was considered by Council on 29 January 2026, the municipality recognised the need to adjust its budget in terms of section 28(2) of the MFMA. The main reasons for the adjustments are:

a) To reflect more realistic revenue and expenditure projections based on the mid-year budget assessment.

b) To reallocate capital projects and their funding to the upcoming 2026/27 MTREF for capital projects that will not be finalised by 30 June 2026, allowing the project to continue on 1 July 2026 as appose to wait for 25 August 2026 for Council to approve the Roll-Over Adjustment Budget.

c) The align the revised grant allocations from the WCPG with the municipality's own budget.

d) Where relevant, to adjust the budget provision for projects that did not receive 2024/25 roll-over approval from the NT or the WCPG.

e) For administrative virements as approved in terms of Council's System of Delegations and Virement policy.

f) More information of the adjustments is provided in the report and its annexures.

4.4 Resolutions

The recommendations at the end of the report contain the prescribed recommended resolutions as required in terms of the MBRR.

5. Operating Budget

The Operating Budget is provided in the Figure below. The first column (ORGB: May 2025) is the original 2025/26 budget that was approved by the Council on 29 May 2025. The second column (ADJB: Aug 2025) is the roll-over budget of Council. The third column (Adjustments: Feb 2026) is the sum of all the adjustments that are proposed to be made. The last column (ADJB: Feb 2026) is the proposed 2025/26 Adjustment Budget for consideration by Council.

Figure 2: Operating Revenue and Expenditure (in Rand)

ITEM	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
Revenue from exchange transactions				
Service charges: Electricity	653,808,602	653,808,602	(14,400,360)	639,408,242
Service charges: Water	199,665,444	199,665,444	15,134,556	214,800,000
Service charges: Waste-Water Management	110,364,612	110,364,612	(1,234,041)	109,130,571
Service charges: Waste Management	102,028,932	102,028,932	323,071	102,352,003
Sale of goods and rendering of services	71,302,332	82,642,200	(41,834,580)	40,807,620
Agency services	11,580,172	11,580,172	(80,172)	11,500,000
Interest earned from receivables	14,346,432	14,346,432	(1,094,037)	13,252,395
Interest earned from current and non-current assets	74,021,974	74,021,974	-	74,021,974
Rental from fixed assets	16,838,976	16,838,976	120,552	16,959,528
Licence or permits	1,698,060	1,698,060	(346,180)	1,351,880
Operational revenue	9,319,040	9,319,040	32,277,532	41,596,572
Total Revenue from exchange transaction	**1,264,974,576**	**1,276,314,444**	**(11,133,659)**	**1,265,180,785**
Revenue from non-exchange revenue				
Property rates	382,403,988	382,403,988	2,359,033	384,763,021
Fines, penalties and forfeits	27,897,984	27,897,984	(6,560,942)	21,337,042
Licences or permits	5,254	5,254	(2,750)	2,504
Government grants and subsidies - Operational	166,153,452	167,734,205	(1,172,928)	166,561,277
Interest earned from receivables	9,648,636	9,648,636	(899,008)	8,749,628
Operational revenue	38,659,440	38,659,440	(500,000)	38,159,440
Total Revenue from non-exchange revenue	**624,768,754**	**626,349,507**	**(6,776,595)**	**619,572,912**
Total Revenue (excluding capital grants)	**1,889,743,330**	**1,902,663,951**	**(17,910,254)**	**1,884,753,697**
Government grants and subsidies - Capital	76,887,515	86,232,275	(46,085,209)	40,147,066
Transfers and subsidies - capital (in-kind)	-	-	606,087	606,087
Total Revenue	**1,966,630,845**	**1,988,896,226**	**(63,389,376)**	**1,925,506,850**
Expenditure				
Employee related costs	603,329,842	603,329,842	(1,981,488)	601,348,354
Remuneration of councillors	17,063,179	17,063,179	-	17,063,179
Bulk purchases - electricity	545,739,613	545,739,613	(10,000,000)	535,739,613
Inventory consumed	145,111,337	145,139,394	(11,203,792)	133,935,602
Debt impairment	10,153,293	10,153,293	8,272,000	18,425,293
Depreciation and amortisation	194,581,395	194,581,395	-	194,581,395
Interest expenditure	15,815,131	15,815,131	(4,583)	15,810,548
Contracted services	237,614,985	250,192,549	(46,405,414)	203,787,135
Transfers and subsidies	1,568,481	1,568,481	-	1,568,481
Irrecoverable debts written off	31,147,129	31,147,129	(9,051,041)	22,096,088
Operational costs	117,150,447	117,465,447	3,320,968	120,786,415
Losses on disposal of assets	-	-	37,749	37,749
Other Losses	23,984,060	23,984,060	(3,838,800)	20,145,260
Total Expenditure	**1,943,258,892**	**1,956,179,513**	**(70,854,401)**	**1,885,325,112**
Surplus/(Deficit) for the year	**23,371,953**	**32,716,713**	**7,465,025**	**40,181,738**

5.1 Explanations of adjustments on Operating Revenue

The most significant increases and reductions in Operating Revenue are as follows:

a) Service charges: Electricity is anticipated to decrease with R 14.4 million to R 639.4 million due to less kWh sales anticipated.

b) Service charges: Water is anticipated to increase with R 15.1 million to R 214.8 million due to higher estimated water consumption coupled with decreasing water losses.

c) Service charges: Waste-Water Management is anticipated to decrease with R 1.2 million to R 109.1 million due to a recalculation of the estimated Revenue up to 30 June 2026.

d) Sale of goods and rendering of services decreases with R41.8 million mostly due to the adjustment of housing top structures included under this item – Construction contracts revenue that decreases to R 30.9 million.

e) Operational Revenue (Exchange) increases with R 32.3 million to R 41.6 million due to additional development charges and assets in lieu of developments charges envisaged to be transferred by financial year-end.

f) Government grants and subsidies: Operational decreases with R 1.2 million mainly due to the reduction of the housing grants. Refer to section 8 of the report that provides the information of the grant adjustments.

g) Government grants and subsidies: Capital grants also decreases with R 46.1 million mostly due to the reduction of the housing grants. Refer to section 8 of the report that provides the information of the grant adjustments.

5.2 Explanations of adjustments on Operating Expenditure

The most significant amendments to operating expenditure are as follows:

a) Employee related costs decrease with R 2 million to R 601.3 million due to vacant positions that were budgeted for the full year that are not filled yet.

b) Bulk Electricity Purchases decrease with R10 million to R535.7 million due to the new Eskom tariff structure that were implemented from 1 July 2025 and lower consumption anticipated.

c) Inventory consumed decreases with R 11.2 million to R 133.9 million mostly as result of a decrease in a recalculation of bulk water purchases.

d) Debt impairment increases with R 8.3 million to R 18.4 million due to recalculations performed that are more accurate.

e) Contracted services decrease with R 46.4 million to R 203.8 million mainly due to housing top structure projects that will not realise during the financial year as result of project readiness and grant reductions.

f) Operational cost increases with R3.3 million to R 120.8 million, which is illustrated in the Figure below:

Figure 3: Operational Cost (in Rand)

ITEM	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
External audit fees	6,146,676	6,146,676	200,000	6,346,676
Protective clothing	5,039,779	5,039,779	94,000	5,133,779
Insurance underwriting	5,867,930	5,867,930	- 50,000	5,817,930
Travel and subsistence	3,235,718	3,443,718	1,579,135	5,022,853
Other operational cost	96,860,344	96,967,344	1,497,833	98,465,177
Total	**117,150,447**	**117,465,447**	**3,320,968**	**120,786,415**

6. Capital Budget

The Capital budget per "Vote" and per "Funding Sources" is provided in the two Figures below.

Figure 4: Capital Budget per Vote (in Rand)

DIRECTORATE	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
Finance	1,409,750	1,515,098	(514,950)	1,000,148
Community and Operational Services	11,562,000	13,933,219	620,257	14,553,476
Engineering and Planning Services	226,473,382	281,209,703	(139,364,309)	141,845,394
Corporate and Public Safety Services	74,444,000	83,726,850	(57,188,240)	26,538,610
Office of the Municipal Manager	5,186,500	5,186,500	-	5,186,500
Council	276,000	276,000	-	276,000
Economic Development and Strategic Services	19,737,960	25,901,973	(7,055,006)	18,846,967
Energy and Electro Technical Services	22,372,114	49,646,136	(9,482,941)	40,163,195
Total	**361,461,706**	**461,395,479**	**(212,985,189)**	**248,410,290**

Figure 5: Capital Budget Funding Sources (in Rand)

FUNDING SOURCE	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
Capital Replacement Reserve	283,553,194	370,333,918	(198,066,541)	172,267,377
Capital Replacement Reserve In Lieu	-	-	31,693,755	31,693,755
External borrowings	1,020,997	4,829,286	(1,133,278)	3,696,008
Human Settlements Development Grant	40,794,929	42,186,980	(34,855,986)	7,330,994
Informal Settlements Upgrading Partnership Grant	10,886,536	14,310,269	(10,886,536)	3,423,733
Integrated national electricity programme	-	4,528,976	7,314	4,536,290
Municipal Infrastructure Grant	21,944,050	21,944,050	-	21,944,050
Western Cape Financial Management Capability Grant	2,000,000	2,000,000	-	2,000,000
Municipal Service Delivery and Capacity Building Grant	-	-	450,000	450,000
Municipal Fire Service Capacity Support Grant	462,000	462,000	-	462,000
Regional Social Economic Projects	800,000	800,000	(800,000)	-
Donations	-	-	606,083	606,083
Total	**361,461,706**	**461,395,479**	**(212,985,189)**	**248,410,290**

6.1 Explanations of adjustments to the Capital Budget

Refer to **Annexure E** for the detailed reasons of the adjustments to the 2025/26 Capital Budget.

Most of these capital projects will be included in the upcoming 2026/27 MTREF budget that will be tabled to Council on 26 March 2026.

The capital budget decreases from R 461 million to R 248.4 million mostly due to capital projects that will not be completed on 30 June 2026, and the capital projects funded by government grants is adjusted to align it with the most recent Government gazette of National and Provincial Government.

Also refer to **Annexure B2** (Capital Budget Per Department) and **Annexure B3** (Capital Budget per Ward) which also provides information of the adjustments per individual capital projects.

7. Capital Replacement Reserve

The impact on the CRR of the adjustments made to the 2025/26 capital budget is provided in the Figure below:

Figure 6: Impact of Adjustment Budget on CRR (in Rand)

ITEM	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
Opening balance on 1 July 2025	**454,597,556**	**454,597,556**	**454,597,556**	**454,597,556**
Cash-backed depreciation	130,442,826	130,442,826	-	130,442,826
Additional transfer from surplus	25,000,000	25,000,000	-	25,000,000
Development charges-in-cash	6,325,920	6,325,920	-	6,325,920
Less: Capital Spending	(285,553,194)	(370,333,918)	198,066,541	(172,267,377)
Closing balance	**330,813,108**	**246,032,384**	**652,664,097**	**444,098,925**

The amount that was budgeted to be funded from the CRR for capital projects in 2025/26 was R370.3 million. As a result of the capital budget amendments, this reduces to R172.3 million.

The balance of the CRR increases from R246 million to R444 million to be used to partially fund the upcoming 2026/27 MTREF capital budget.

8. Grants

The changes made to the National and Provisional Grants can be explained as follows:

8.1 Operating grants

a) The Human Settlement Grant was decreased with R 42.7 million.
b) The Proclaimed Main Roads Grant was decreased with R 120 000.
c) The Municipal Service Delivery and Capacity Building Grant was increased with R 53 108.

8.2 Capital grants

a) The Human Settlement Grant was decreased with R 45.7 million.
b) The Regional Social Economic Projects Grant was decreased with R 800 000.
c) The Municipal Service Delivery and Capacity Building Grant was increased with R 450 000.

A summary of the grants is provided in the Figures below:

Figure 7: National Grants Summary (in Rand)

Grant	Classification	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
Finance Management Grant	Operating	1,700,000	1,700,000	-	1,700,000
Municipal Infrastructure Grant	Capital	21,944,050	21,944,050	-	21,944,050
Municipal Infrastructure Grant	Operating	1,154,950	1,154,950	-	1,154,950
Integrated Electrification Programme	Capital	-	4,528,976	7,314	4,536,290
Expanded Public Works Programme	Operating	2,096,004	2,096,004	-	2,096,004
Equitable Share	Operating	148,477,000	148,477,000	-	148,477,000
Total		**175,372,004**	**179,900,980**	**7,314**	**179,908,294**

Figure 8: Provincial Grants Summary (in Rand)

Provincial Grants	Classification	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
Housing and Human Settlement	Operating	62,700,188	75,015,376	(42,732,036)	32,283,340
Housing and Human Settlement	Capital	40,794,929	42,186,980	(34,855,987)	7,330,993
Informal Settlement Upgrading Partnership Grant (beneficiaries)	Capital	10,886,536	14,310,269	(10,886,536)	3,423,733
Housing and Human Settlement: Title Deeds Restoration	Operating	435,000	435,000	173,000	608,000
Cultural affairs: Library service	Operating	8,945,000	8,945,000	-	8,945,000
Community Development Worker Grant	Operating	76,000	76,000	-	76,000
Informal settlements upgrading partnership grant	Operating	-	355,433	-	355,433
Proclaimed Main Roads Grant	Operating	120,000	120,000	(120,000)	-
Municipal Service Delivery and Capacity Building Grant	Operating	-	250,000	53,108	303,108
Municipal Fire Service Capacity Support Grant	Operating	88,000	88,000	-	88,000
WC Financial Management Capacability Grant	Capital	2,000,000	2,000,000	-	2,000,000
Municipal Fire Service Capacity Support Grant	Capital	462,000	462,000	-	462,000
Municipal Service Delivery and Capacity Building Grant	Capital	-	-	450,000	450,000
Regional Social Economic Projects	Capital	800,000	800,000	(800,000)	-
Total		**127,307,653**	**145,044,058**	**(88,718,451)**	**56,325,607**

Figure 9: Other Grants (in Rand)

Other grants	Classification	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
SETA Grants	Operating	868,310	868,310	-	868,310
Policing and Traffic grant (in kind)	Capital			35,826	35,826
Private Developments (in kind)	Capital			570,261	570,261
Total		**868,310**	**868,310**	**606,087**	**1,474,397**

Figure 10: Split between Operating and Capital Grants (in Rand)

Classification	ORGB May 2025	ADJB Aug 2025	Adjustments Feb 2026	ADJB Feb 2026
Operating grants	226,660,452	239,581,073	(42,625,928)	196,955,145
Capital grants	76,887,515	86,232,275	(45,479,122)	40,753,153
Total	**303,547,967**	**325,813,348**	**(88,105,050)**	**237,708,298**

9. Changes to the SDBIP

Due to the proposed budget amendments, it will also be required to amend certain monthly and quarterly targets in the service delivery and budget implantation plan - refer to SB3, SB12, SB14 and SB16 in **Annexure A**.

10. Adjustment Budget Tables – B Schedules

The prescribed Budget Schedules as required in terms of the Municipal Budget and Reporting Regulations (MBRR) for this Adjustment budget is attached as **Annexure A** to this report.

11. Other annexures

The following documents are also attached.

Annexure B1:	Summaries: Adjustment Capital Budget
Annexure B2:	Adjustments Capital Budget per Department
Annexure B3:	Adjustments Capital Budget per Ward
Annexure C:	Signed Quality Certificate
Annexure D:	Provincial Government Gazette No 9194 dated 16 February 2026
Annexure E:	Reasons for decrease in capital projects

12. Recommendations

It is recommended:

(a) That the report be noted.

(b) That the 2025/26 Adjustments Budget, supported by the B-Schedules in Annexure A, be approved.

(c) That the individual capital projects as contained in the following detail of the Adjustments Capital Budget for 2025/26, supportive of the B-Schedules and other annexures, be approved:

- Annexure B1: Summaries: Adjustment Capital Budget
- Annexure B2: Adjustment Capital Budget per Department
- Annexure B3: Adjustments Capital Budget per Ward

(d) That the funding of the Capital Budget contained in this report and annexures be approved.

(e) That the 2025/26 Adjustments Budget as contained in the prescribed budget schedules in Annexure A, be submitted to National Treasury and Provincial Treasury: Western Cape.

(f) That the signed quality certificate attached as Annexure C be noted.

(g) That the adjustments of grant allocations from the Western Cape Provincial Government through notice 9194 dated 16 February 2026 attached as Annexure D be noted.

(h) That the reasons for the capital budget adjustments attached as Annexure E be noted.

(i) That the revised performance objectives in the SDBIP as per SB3 in Annexure A be approved, as well the revised targets as result of the amended operating and capital budget.

(j) That the Adjustments Budget and revised SDBIP be made public within 10 working days after the approval by council as required in terms of Regulation 26 of the MBRR.

Signed by:

MS M CORNETT
MANAGER: BUDGETING

18 Feb 2026
DATE

MR S ROETS
SENIOR MANAGER: FINANCIAL MANAGEMENT

18 February 2026
DATE

MR S VORSTER
CHIEF FINANCIAL OFFICER

18 February 2026
DATE