SALDANHA BAAI BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

ANNUAL TABLED BUDGET

2025/26 MTREF

25 March 2025

Item number: R 72/3-25

File number: 5/1/1/2025

City of Excellence and Opportunity on the "Weskus"

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ACRONYMS

The following acronyms are used in this document:

A	Ampere
BSC	Budget Steering Committee
CPI	Consumer Price Index
COS	Cost of Supply
CRR	Capital Replacement Reserve
GRAP	General Recognised Accounting Practices
DORA	Division of Revenue Act
GNU	Government of National Unity
HH	Households
IDP	Integrated Development Plan
JDMA	Joint District and Metro Approach
kWh	kilowatt hour
LGES	Local Government Equitable Share
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart of Accounts
MTREF	Medium Term Revenue and Expenditure Framework (Municipality's budget)
MTEF	Medium Term Expenditure Framework (National and Provincial budgets)
MYPE	Mid-year Population Estimates
NERSA	The National Energy Regulator
SEP	Socio-Economic Profile
SBM	Saldanha Bay Municipality
SDBIP	Service Delivery and Budget Implementation Plan
VAT	Value Added Taxation
WCG	Western Cape Government

PART 1: ANNUAL BUDGET

1. Mayor’s report

Honourable Speaker, Honourable Executive Deputy Mayor, Councillors, Municipal Manager, Directors, Municipal employees, Members of the public, Members of the media, all protocols observed.

I am privileged to again table the 3-year 2025/26 MTREF budget to Council.

Included in our budget documents are our service delivery objectives, the associated financial implications, and many other important and relevant information.

Also before Council today is the 2025/26 third review of our 5th Generation IDP. The municipality’s budget has been aligned against the IDP, and against the Strategic Focus Areas and Strategic Objectives of Council.

Our biggest Strategic Focus Area remains the provision of basic services and bulk services, and investment in infrastructure to provide reliable and affordable basic services to all our citizens. A total of 66% of our budget, or R5 168 million out of R7 773 million, is allocated to this objective over the 3-year MTREF period.

The budget will be published on the various platforms after the 25 March 2025 council meeting. We will commence with our evening public engagements from 1 - 15 April between 18:00 – 20:00. All-in-all we plan to have 16 face-to-face meetings in the different wards to engage with the communities on the budget. I encourage the public to participate in this process and to provide their written inputs by no later than 25 April 2025.

I will deliver my Annual State of the Municipality Address on 27 May 2025 when council considers the final approval of the 3-year 2025/26 MTREF budget.

Please read the budget information in this document, especially the electricity tariff increase which will impact most household as more than half of the municipal account of a consumer goes towards this expense.

This year’s budget submission came with added pressure of the late tabling of the National and Provincial Budgets, which had an impact on the municipality’s own deadlines. I want to thank everyone that was involved in the preparation of our 2025/26 MTREF tabled budget. I sincerely appreciate the hard work.

2. Resolutions

1. That Council takes note that version 6.9 of the mSCOA classification framework was used to prepare the budget;

2. That the annual tabled budget of the municipality be approved for the financial year 2025/26 and the two outer years 2026/27 and 2027/28 as per **Annexure A** (Budget schedules A1 to A10 and SA1 to SA 38), **Annexure B** (capital budget per department), **Annexure C** (capital budget per ward), **Annexure D** (summaries of the capital budget);

3. That the tabled rates and tariffs as contained in **Annexure G** for the 2025/26 budget year be approved;

4. That Council takes note that the cost of electricity supply study included in **Annexure H** will be submitted to NERSA in April 2025 after the budget has been tabled.

5. That Council takes note of the sensitivity analysis of the proposed rates and tariff increases for consumers as per **Annexure I**;

6. That Council takes note of MFMA Budget Circular 130 attached as **Annexure J**;

7. That Council take note of the proposed changes to the budget related policies attached in **Annexure K,** which will be discussed during a workshop with Council on 8 May 2025;

8. That the tabled service standards attached as **Annexure L** be approved;

9. That Council take note of the list of projects funded from external loans, attached as **Annexure M**;

10. That the 2025/26 Procurement Plan attached as **Annexure N** be approved;

11. That Council takes note of the quality certificate signed by the Municipal Manager as per **Annexure O**;

12. That the projects above R 50m attached as **Annexure P-1** to **P-4** be approved in terms of section 19 of the MFMA;

13. That the mSCOA Minimum Business Processes Roadmap of SBM attached as **Annexure R** be noted.

14. That the property rates be reduced to 6%.

3. Executive summary

3.1 Introduction

National Treasury expects GDP to grow at 1.8% over the medium term. This is higher than the actual GDP growth recorded for 2024 of 0.6%. The South African economy has been struggling with the same prolonged problems. These are matters such as the constraints of the Eskom power grid, problems with the supply chain networks and logistics, the port and rail challenges, widespread criminal activity, and political risks to investors - all that hampers growth.

A new uncertainty that arose last year after the elections is the GNU, which comes with unique opportunities and challenges. Currently the GNU disagrees over the national budget, specifically on the proposed 1% VAT increase. This matter will not be resolved before the start of the new financial year in April 2025.

Global geopolitical tensions between nations also impacts on various political and economic levels.

National Treasury is estimating that inflation for the 2025/26 financial year will be 4.3%. The average inflation for 2024 was 4.4%. The higher electricity cost and VAT is likely to add inflationary pressure on the CPI.

Over the new MTEF period, National Treasury is allocating more than a R1 trillion in infrastructure investments, which includes R402 million in transport and logistics, R219.2 billion for energy infrastructure and R156.3 billion for water and sanitation. This will have a positive impact on GDP growth for South Africa.

Similarly, SBM's own MTREF budget has a high capital infrastructure allocation to Water, Sanitation, Roads Infrastructure and Electricity and makes up 81% of the total MTREF capital budget of R1 528 million. This is in response to the in-migration of new residents, the higher demand in service delivery and aging infrastructure. The availability of reliable local population information remains a challenge, for example the 2022 Census indicated that there were 50 559 households in SBM when the population was counted. However, the 2024 LGES formula uses the number of 42 793 households to determine the Equitable Share. In the recent published SEP document of the WCG, using the MYPE 2024 data, the SBM household numbers are indicated to be 47 280. Include in our own budget document, in SA 9, the municipality estimate the number of households for 2025 to be 53 411 and the population to be 161 040.

A list of the top 22 highest projects for 2025/26 is provided in **Annexure E**, which comprises of 77% or R285 million of the capital budget of R370 million. The municipal service delivery targets as required by the SDBIP will be included in the performance agreements of the respective officials to ensure the effective implementation of the projects.

3.2 2025/26 National budget of South Africa

The National Budget has an impact on the budget of SBM. Finance Minister Godongwana tabled his budget speech to the National Assembly on 12 March 2025, three weeks after it was first cancelled on 19 February 2025. Some of the highlights were:

"*Public infrastructure spending over the next three years will amount to more than R1 trillion. The spending will focus on three sectors:*

The Berg River-Voëlvlei Augmentation Scheme is expected to start in July 2026. The project will improve the Western Cape's Water Supply System, improving regional water security while reliably supplying domestic, agricultural and industrial water users.

To raise the revenue needed, the government proposes to increase the VAT rate by half-a percentage point in 2025/26, and by another half-a-percentage point in the following year. This will bring the VAT rate to 16 per cent in 2026/27. The increase is also the most effective way to avoid further spending cuts and to enable us extend the social wage.

Consolidated spending, which excludes interest payments, increases from R2.4 trillion in 2024/25 to R2.83 trillion in 2027/28. Provinces will receive R2.4 trillion over the MTEF period. This budget includes additional allocations to support critical provincial functions related to health and education.

The local government equitable share will increase from R99.5 billion in 2024/25 to R115.7 billion in 2027/28. This is to fund increases in the cost of bulk water and electricity costs provided for free to needy households. In 2025/26, 83% of the local government equitable share provides a free basic services package of R610 per month to 11.2 million poor households.

Phase 2 of Operation Vulindlela, the institutional structure of local government will be reviewed through the updating of the white paper of local government.

In line with the constitutional principle of funds follow function, the review of the local government fiscal framework will examine how to appropriately finance local government, relative to their functions and their form.

Reforms to the revenue generating services of local government, namely water and sanitation, electricity and refuse removal are underway. By ring-fencing the revenues from these services, and running operating surpluses, these business units can generate funds for infrastructure improvements to deliver quality and reliable services."

3.3 2025/26 Western Cape Provincial budget

The Western Cape Minister of Finance, Economic Opportunities and Tourism, Deidre Baartman, will table the 2025/26 Western Cape Provincial Budget after SBM's own budget, on 27 March 2025. This is highly unusual and is brough about by the late tabling of the National Budget.

This impacts on the municipality as the Provincial Grant allocations, especially the housing grants information was not available in time to be included in SBM's budget.

Therefore, the budget that is before council today will have to be updated in May 2025 to correct the provincial grants information when council considers adopting the budget.

The 3-year 2025/26 MTREF budget of SBM in its current format includes Provincial Grants of R575 million, of which R547 million relates to Housing. Indications are that the Provincial Grants over the MTREF will be R386 million, which is R189 million less than what is currently included.

3.4 2025/26 Saldanha Bay Municipal budget

A high-level summary of the 2025/26 MTREF budget is provided in the table below:

Figure 1: High level summary of the 2025/26 MTREF

	2024/25 ADJB Rm	2025/26 Budget Rm	2026/27 Budget Rm	2027/28 Budget Rm	Total MTREF Budget Rm	%
TOTAL EXPENDITURE						
Capital expenditure	336	370	624	534	1,528	20%
Operating expenditure	1,783	1,997	2,050	2,199	6,245	80%
Total expenditure	**2,119**	**2,366**	**2,674**	**2,733**	**7,773**	**100%**
OPERATING BUDGET						
Own Revenue	1,509	1,679	1,801	1,938	5,418	83%
Grants - Operating	179	273	197	178	649	17%
Grants - Capital	69	83	203	213	498	
Total Revenue	**1,757**	**2,036**	**2,201**	**2,328**	**6,565**	**100%**
Less: Operating expenditure	**1,783**	**1,997**	**2,050**	**2,199**	**6,245**	
(Deficit)/ surplus for the year	**-26**	**39**	**151**	**130**	**320**	
Add back: Capital grants	69	83	203	213	498	
Deficit before capital grants	**-95**	**-44**	**-52**	**-83**	**-179**	

The Total Expenditure budget, Capital and Operational, for 2025/26 is R2 366 million. Over the 3-year MTREF period it comprises R7 773 million. The Capital Expenditure over the 3-year MTREF period comprises R1 528 million, which represents 20% of the Total Expenditure.

Grants from National Government and Provincial Government represents 17% of the Total Operating Revenue of R6 565 million.

The Budgeted Operating Deficit before Capital Grants for 2025/26 is R44 million. Over the 3-year MTREF the deficit amounts to R179 million.

Refer to **Annexure F** that includes the detailed Budget Statement of Financial Performance for the 2025/26 MTREF period. Also refer to the 2 graphs below that depict the Operating Revenue per revenue source and Operating Expenditure per expenditure item for the 2025/26 budget year.

3.5 2025/26 Operating Revenue and Expenditure

Figure 2: 2025/26 Operating Revenue budget per revenue source

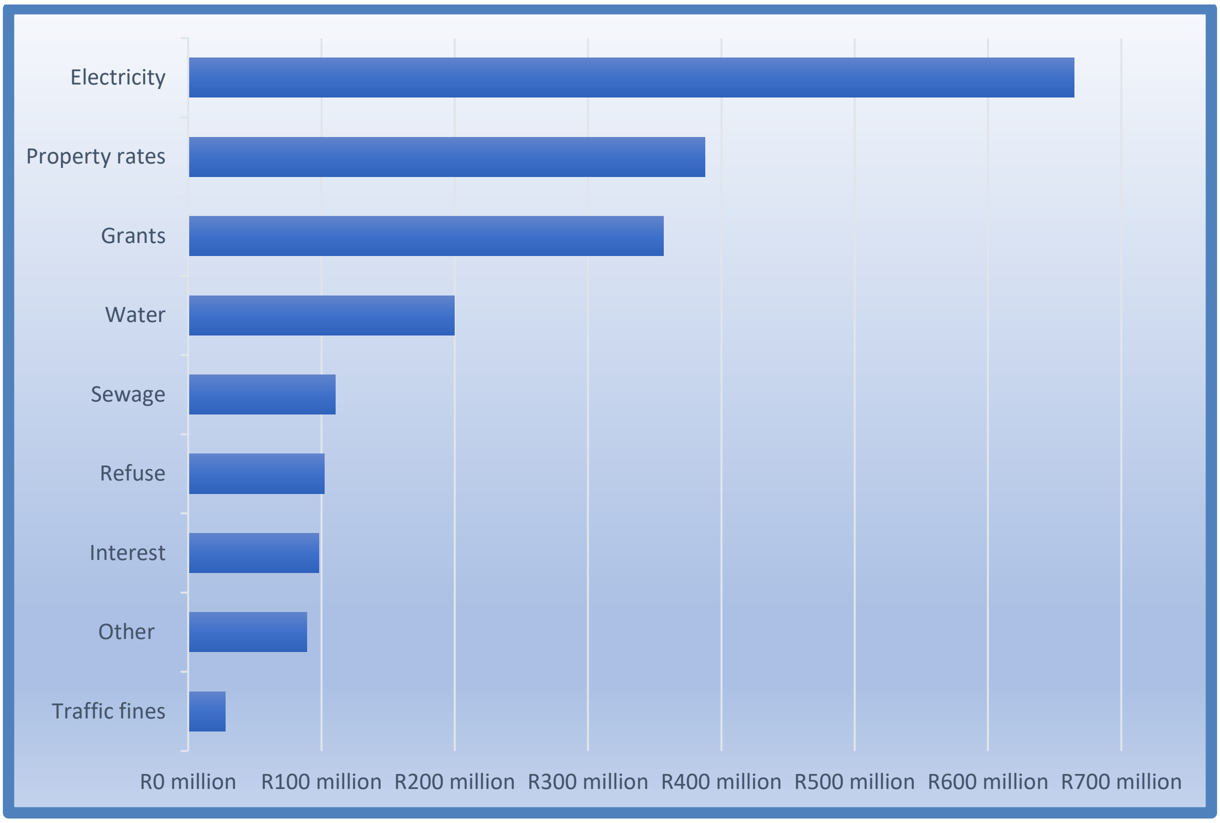
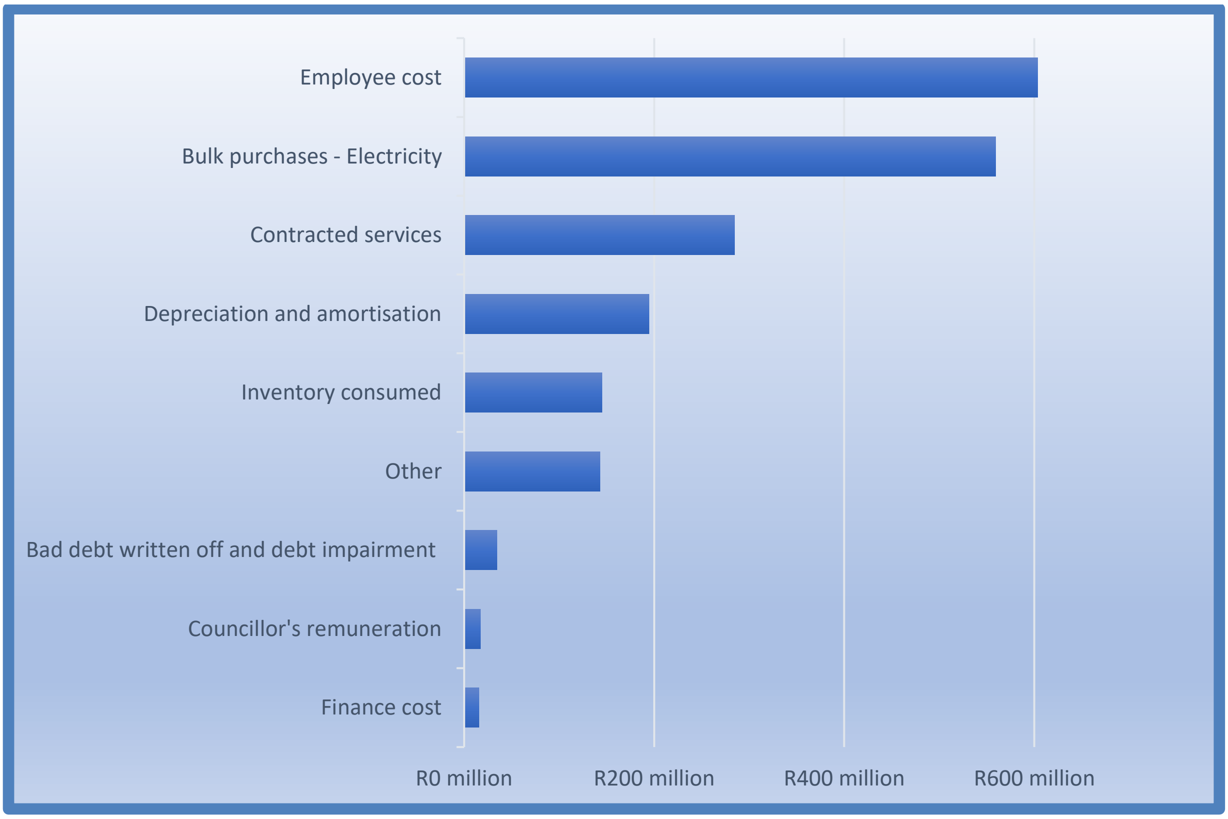


Figure 3: 2025/26 Operating Expenditure budget per item



3.6 Rates and tariffs

The proposed 2025/26 rates and tariff increase percentages are listed in the table below. For comparability, the previous two years' increases are also provided.

Figure 4: Rates and tariffs for 2025/26

		2023/24	2024/25	2025/26
(a)	Electricity	15.10%	10.70%	11.77%
(b)	Property rates	7.5%	6%	6%
(c)	Water consumption	5.3%	5%	6%
	Water basic charge		0%	
(d)	Sewerage	15%	6%	8%
(e)	Refuse	6.5%	5%	6%
(f)	Sundry tariffs	6.5%	5%	6%

Rates and tariff increases are annually determined to recover the cost of delivering municipal services from realistic anticipated revenue. The following explanations are provided for the 2025/26 increases:

Also refer to **Annexure I** that illustrates the impact of the tariff increases on various consumer categories.

(a) The Electricity tariff will increase with 11.77%

A COS study was performed to determine the electricity revenue requirements. The report is attached as **Annexure F**. Also refer to section 3.7 for further explanations.

(b) Property rates will increase with 6%.

Property rates revenue are used by SBM to perform its functions as set out in Schedules 4B and 5B of the Constitution of the Republic of South Africa, 1996. This includes, *inter alia*, the provision of basic services, the installing and maintaining of streets, roads, sidewalks, storm drainage, building regulations, provision of local sport facilities, parks, recreational facilities, and cemeteries.

Additional budget provision is made to upgrade the roads, sport facilities and parks and other expenditure that is funded from property rates. Over the 2025/26 MTREF period, an amount of R365 million is budgeted for Roads Infrastructure projects.

(c) The Water tariff will increase with 6%.

Since the 2017 peak of the Western Cape drought, which resulted in high water-tariff increases in 2018/19, SBM annual increases were moderate. The municipality has budgeted R421 million over the 2025/26 MTREF period for Bulk Water and Water Infrastructure capital projects, which will require higher water tariffs to recover the additional costs. Most of these projects will be funded from CRR internal funds and External Borrowings (R217.5 million).

The 2025/26 water tariff should probably be set at a higher level but given that the new loans to fund these capital projects will not be taken up immediately, the increase was determined to be 6%.

(d) The Sewage tariff will increase with 8%.

The reasons for an 8% sewerage tariff increase are:

Like Water, there are substantial Sewage infrastructure projects planned over the 2025/26 MTREF period.

The budgeted Sewerage Revenue for 2025/26 is R110 million and comprises only 7% of the Total Own Revenue of SBM of R1 679 million. The Sewerage capital projects over the 3-year MTREF period is R378 million which will be funded from CRR internal funds (R226 million), MIG funding (R70 million), Housing Grants, and External Borrowings (R37 million).

(e) The Refuse tariff will increase with 6%.

A refuse tariff-increase of 6% is required to ensure that the additional costs are recovered from tariff increases. Over the 2025/26 MTREF period capital projects relating the Solid Waste will amount to R37 million.

(f) Sundry tariffs will increase with 6%.

These includes tariffs for the municipal holiday resorts, halls, building plans, cemetery, fire brigade, law enforcement and others. The cost to maintain the facilities and to provide the required level of services requires that the tariffs are increased with 6%.

3.7 Electricity tariff

(a) Cost of Supply (COS) study

The following information is provided to further explain the electricity tariff increase:

Each municipality's electricity tariff increase must be based on its own costs structure and must be substantiated by a detailed Cost of Supply (COS) study calculation. For 2025/26 a new COS study was prepared – refer to **Annexure H** for the draft report.

The COS will be submitted to NERSA, together with a tariff increase application after the 2025/26 budget has been tabled.

The COS study initially worked on an ESKOM bulk tariff increase of 12.74% and calculated a tariff increase of 14.05% to SBM's electricity consumers. The attached COS study shows an estimated margin of 7.38% above cost for 2025/26. This margin is below the NERSA tolerable range of 10% - 20% and their target margin of 15%.

On 17 March 2025 NERSA announced that the ESKOM increases to municipalities will be 11.32% and not the 12.74% as originally thought - refer to **Annexure A**.

The electricity tariff-increase of 14.05% is therefore no longer required and can be lowered to 11.77%. The tariff document that is included in **Annexure G** has been adjusted to the lower percentage, but because of the late announcement, the budgeted electricity revenue and bulk purchase expenditure can only be adjusted in May 2025 when council considers the approval of the budget. The COS calculations and report will be adjusted to reflect the new values.

(b) Electricity consumers per connection size

The municipality re-structed its electricity tariffs in 2018 and introduced a fixed capacity charge and a service charge. To accommodate these fixed charges, the kWh unit charge was reduced substantially in the 2018/19 financial year.

The 20 Ampere and 30 Ampere electricity consumers were not included, and their kWh variable unit charge remained at a higher kWh unit tariff. The higher kWh tariff was removed in 2023/24 and is now the same as all residential electricity consumers. It is therefore recommended to phase-in the capacity charge over 3 financial years for the 30 Ampere electricity consumers. For 2025/26, the monthly tariff will then be R79 (R263 x 30%).

It is recommended to continue to subsidise the fixed capacity charge and service charge for the 20 Ampere electricity consumers as a means of poverty alleviation.

A breakdown of the number of electricity consumers is provided in the table below. The monthly capacity charges are also provided.

Figure 5: Profile of electricity consumers per connection size

		Number of households (HH)				
Category of electricity consumer	**2025/26 Capacity charge**	**Conven-tional HH**	**Pre-paid HH**	**Total HH**	**Indigent HH**	**Total excluding Indigent HH**
Domestic consumers - 20 A Single Phase	R0	15	4,387	4,402	2,495	1,907
Domestic consumers - 30 A Single Phase	R 263	0	4,821	4,821	2,909	1,912
Domestic consumers - 40 A Single Phase	R 351	1,034	7,131	8,165	2,281	5,884
Domestic consumers - 60 A Single Phase	R 526	2,758	4,270	7,028	32	6,996
Domestic consumers - 80 A Single Phase	R 702	18	14	32	0	32
Domestic consumers - 20 A Three Phase	R 526	45	2	47	1	46
Domestic consumers - 30 A Three Phase	R 806	0	4	4	1	3
Domestic consumers - 40 A Three Phase	R 1,053	72	9	81	3	78
Domestic consumers - 60 A Three Phase	R 1,579	78	8	86	0	86
Commercial consumers	Various	1,105	612	1,717	0	1,717
Industrial and other	Various	539	0	539	0	539
		5,664	**21,258**	**26,922**	**7,722**	**19,200**

3.8 Financial support provided to Indigent HH

SBM provides free basic services to poor households. Households with a household income of R6 800 and below will receive indigent support. There are two qualifying income categories, which is provided in the table below:

Figure 6: Monthly income threshold for Indigent HH

Household Income	% rebate
Between R0 - R6 000	100%
Between R6 001 - R6 800	70%
Above R6 800	0%

Indigent support is provided on all municipal services and property rates. The subsidy quantum per month is provided in the table below:

Figure 7: Subsidy quantum per month

Tariff	Quantum
Electricity:	50 kWh, capacity charge, and service charge
Water:	6 kl
Sewerage:	Free sanitation
Refuse removal:	Free refuse removal
Property rates:	Property with market value below R250 000 does not pay property rates

All qualifying households should apply to be registered as an indigent household as defined in the Indigent policy of Council and will be included in the indigent register to obtain this benefit. Support is also provided to public benefit organisations by subsidising 75% of the monthly service account. Child headed households are furthermore subsidised in the same manner as a 100% qualifying indigent household.

3.9 Financial support provided to Pensioner HH

A rebate on property rates is also provided to pensioners based on their monthly income levels, which is indicated in the table below:

Figure 8: Financial support provided to Pensioners

Monthly income	% rebate
Between R0 - R15 200	100%
Between R15 201 - R21 600	70%
Between R21 601 - R28 100	50%
Above R28 101	0%

4. Annual budget tables

The following budget tables have been completed and are attached as **Annexure A**:

- Table A1 – Budget Summary;
- Table A2 – Budgeted Financial Performance (Revenue and Expenditure by standard classification);
- Table A3 – Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote);
- Table A4 – Budgeted Financial Performance (Revenue by Source and Expenditure by type);
- Table A5 – Budgeted Capital Expenditure by Vote, standard classification and funding;
- Table A6 – Budgeted Financial Position;
- Table A7 – Budgeted Cash Flows;
- Table A8 – Cash Backed reserves / accumulated surplus reconciliation;
- Table A9 – Asset Management; and
- Table A10 - Basic service delivery measurement.

The supporting schedules SA1 to SA 38 is also included in **Annexure A**.

PART 2: SUPPORTING DOCUMENTATION

5. Overview of annual budget process

The process that was used to prepare the annual budget, the service delivery and budget implementation plan and the review of the Integrated Development Plan is provided in the table below.

Figure 9: Overview of annual budget process

1.	IDP and budget timetable approved by Council	30 July 2024
2.	IDP public participation process	September - October 2024
3.	Budget steering committee meetings	7 October 2024 12 December 2024 6 February 2025 20 March 2025
4.	Departments requested to budget in accordance with IDP needs	15 August 2024 - January 2025
5.	Table Budget and IDP to Council	25 Mar 2025
6.	Advertise budget in the local newspaper	3 April 2025
7.	Public participation meetings	1 - 15 April 2025
8.	Closing of comments and representations on the IDP and tabled budget	25 April 2025
9.	Workshop with Council on budget related policies and inputs received from the public	8 May 2025
10.	Strategic Integrated Municipal Engagement (SIME) with the Western Cape Provincial Treasury on the budget	9 May 2025
11.	Consideration of final budget approval by Council	29 May 2025

6. Overview of the alignment of the annual budget with the IDP

6.1 Fifth Generation Integrated Development Plan

Also, before Council on 27 March 2025, is the draft Third Review and Amendment of the Fifth Generation Integrated Development Plan (IDP).

6.2 IDP alignment with the annual budget

The IDP serves as a guideline to municipalities for the correct budget and resource allocations in ensuring that it meets the needs of its residents. It is also an integrated inter-governmental system of planning which requires the involvement of all three spheres of government. Contributions are made by provincial and national government to assist municipal planning and therefore government has created a range of policies and strategies to support and guide development and to ensure alignment between all spheres of government as stated by the section 24 of the Municipal Systems Act, No 32 of 2000.

SBM's budget is influenced by the 6 Strategic Focus Areas (SFA's) and 6 Strategic Objectives (SO's) identified in the IDP. The Service Delivery Budget Implementation Plan (SDBIP) ensures that SBM implements programmes and projects based on the IDP targets and associated budgets.

The draft first review and amendment of the Fifth Generation Integrated Development Plan (IDP) was considered by Council 2 March 2023. The third review will now be considered by council on 25 March 2025.

The budget has been compiled in accordance with SBM's IDP document. Refer to tables SA4, SA5 and SA6 where the Revenue, Operating Expenditure and Capital Expenditure is aligned to the goals and action plans of the IDP.

The following information is provided below:
- Vision of the municipality;
- Mission of the municipality;
- Strategic Focus Areas and the Strategic Objectives of SBM;
- The 2025/26 3-year MTREF budget allocation against the Strategic Focus Areas of SBM;
- SBM's Strategic Focus Areas alignment with the WCG; and
- SBM's Strategic Focus Areas alignment with JDMA.

(a) Vision of SBM

A City of Excellence and Opportunity on the Weskus

It is the aspiration of the council to be a city in the future. The key to achieving this vision is the words “excellence and opportunity”. It is these two aspirational words that would attract investment and gradually grow the municipality into city status.

(b) Mission of SBM

This Mission is the road map by which the Vision would be achieved. The mission emphasises that the municipality cares for and works with its people to ensure that it is a “people centred municipality”. The intention is that people and the municipality would work together to achieve the Vision through the objectives of the Mission. The Mission has the objective to –

Grow formal and informal business
Promote innovation
Attract sustainable investment
Create safe and healthy communities

(c) Strategic Focus Areas and the Strategic Objectives of SBM

SBM has 6 Strategic Focus Areas and Strategic Objectives to achieve its Vision and Mission.

Figure 10: Strategic Focus Areas and Strategic Objectives of SBM

No	Strategic Focus Areas of SBM	Strategic Objectives of SBM
1.	Community Collaboration	Foster community development through upliftment, integration, empowerment and communication
2.	Economic	Build a diversified economy through investment, growing current and new businesses and enabling the creation of sustainable jobs
3.	Financial & Institutional	Provide cost effective services with financial and institutional sustainability
4.	Innovation	Promote innovation and modern technology to enhance service delivery and increase opportunities
5.	Safety	Implement interventions to deliver community safety, through harnessing and intensifying collaboration with mandated sectors to ensure a safe and flourishing environment
6.	Services	Provide reliable and affordable enhanced basic services and bulk services as part of the economic enabling infrastructure

(d) 2025/26 3-year MTREF budget alignment with SBM's Strategic Focus Areas

The 2025/26 MTREF budget alignment with SBM's Strategic Focus Areas is provided in the table below:

Figure 11: Budget allocation per Strategic Focus Areas

		2025/26 Budget Rm		2026/27 Budget Rm		2027/28 Budget Rm		TOTAL	%
	Strategic Focus Areas	Operating	Capital	Operating	Capital	Operating	Capital		
1	Community Collaboration	208	14	128	1	106	1	**457**	**6%**
2	Economic	31	0	32	0	34	0	**98**	**1%**
3	Financial & Institutional	317	80	338	61	359	3	**1,158**	**15%**
4	Innovation	65	4	71	8	77	5	**230**	**3%**
5	Safety	206	5	218	2	230	0	**661**	**9%**
6	Services	1,170	267	1,263	553	1,393	524	**5,168**	**66%**
		1,997	**370**	**2,050**	**624**	**2,199**	**534**	**7,773**	

(e) Alignment with the WCG and the JDMA

The alignment of SBM's Strategic Focus areas against the 2025 - 2030 WCG Strategic Plan and with the JDMA is provided in the tables below:

Figure 12: SBM's Strategic Focus Areas alignment with the 2025-2030 WCG Strategic Plan

	Western Cape Government Strategic Plan	SBM Strategic Focus Areas
1.	Growth for Jobs	Economic, Innovation, Services
2.	Safety	Safety
3.	Educated, Healthy, and Caring Society	Community Collaboration
4.	Innovaiton, Culture, and Governance	Financial and Institutional, Innovation

Figure 13: SBM's Strategic Focus Areas alignment with the JDMA

	Joint District and Metro Approach	SBM Strategic Focus Areas
1.	Citizen interface	Community Collaboration
2.	Immigration/ urbanisation	Community Collaboration; Economic
3.	Infrastructure management	Financial & Institutional
4.	Climate change/ water security	Safety
5.	Safety and security	Safety
6.	Waste management	Services

7. Measurable performance objectives and indicators

This budget is indicative of our commitment to achieving the objectives of local government set out in the Constitution of the Republic of South Africa and to do so in an efficient, effective and sustainable manner. These commitments are entrenched in our mission, vision and value statements and as such are reflected so in our budget and services delivery processes.

The MTREF has been compiled in such a manner to ensure sustainable service delivery and to invest in infrastructure that will ensure growth over the medium term to long term.

The measurable performance objectives are indicators included in the budget table SA7. Included in the budget tables SA2, SA26 and SA28 are the Operating Revenue for each source, the Operating Revenue & Operating Expenditure for each vote and the Capital expenditure for each vote.

8. Overview of budget related policies

The proposed amendments to the budget related policies are attached as **Annexure K**.

9. Overview of budget assumptions

The budget assumptions used in the preparation of the budget are provided below.

Figure 14: Operating Revenue assumptions

		2025/26	2026/27	2027/28
1	Estimated proposed rates and tariff increases for:			
1.1	Electricity (still to be determined by NERSA). The electricity tariffs will however be guided by the approved ESKOM increase in bulk purchases:	11.77%	6.36%	7.19%
1.2	Growth in consumers / consumption Electricity	4.5%	1.8%	1.8%
1.3	Property rates - (Revenue)	8.5%	6.0%	6.0%
1.4	Growth in rateable valuations	1.0%	1.0%	1.0%
1.4	Water: Consumption	6.0%	6.0%	6.0%
1.5	Water: Basic and availability	6.0%	6.0%	6.0%
1.6	Growth in water consumption,refuse and sewage	1%	1%	1%
1.7	Refuse	6.0%	6.0%	6.0%
1.8	Sewage	8.0%	6.0%	6.0%
1.9	Sundry tariffs	10.0%	6.0%	6.0%
2.	Electricity Fixed capacity charges:			
2.1	A phase-in proposal for 2025/26 for the 30 Ampere electricity consumers:	30%	35%	35%
3	Indigent free basic services are financed from the Equitable share. The following free basic services are currently in place for registered indigent households:	0%		
3.1	Households with a household income base that will receive a 100% subsidy: Up to R6 000	6,000	6,000	6,000
3.2	Further relief of 70% is provided to households with an income between: R6 001- R 6 800	6 001 - 6800	6 001 - 6800	6 001 - 6800
3.3	Kilolitres of free water per month	6kl	6kl	6kl
3.4	kWh units of free electricity per month	50 kWh	50 kWh	50 kWh
3.5	Free electricity capacity charge	Free	Free	Free
3.6	Free electricity administration fee	Free	Free	Free
3.7	Free property rates for properties less than R250 000	Free	Free	Free
3.8	Free refuse removal	Free	Free	Free
3.9	Free sanitation based on a developed erf size of	Free	Free	Free
4	Percentage subsidy of monthly service account support provided to public benefit organisations	70%	70%	70%
5	Child headed households are also subsidised in the same manner as a 100% qualifying indigent household:	100%	100%	100%
6	The following rebates are currently in place for registered pensioners:			
6.1	100%	Monthly income R 0 - R15 200	to be determined	to be determined
6.2	70%	Monthly income R15 201 - R21 600	to be determined	to be determined
6.3	50%	Monthly income R21 601 - R28 100	to be determined	to be determined
7	CPI and affordability were considered, but the rates and tariffs must be:	Cost reflective tariffs	Cost reflective tariffs	Cost reflective tariffs
8	Debtors payment rate	96%	96%	96%
9	National grants will be budgeted in accordance with Division of Revenue Bill and gazetted allocations:	DORA	DORA	DORA
10	Provincial grants will be budgeted in accordance with the Provincial Gazette:	Provincial DORA	Provincial DORA	Provincial DORA
11	Interest on investments based on:	Prime less 3%	Prime less 3%	Prime less 3%
12	Interest on debtors is based on:	Prime plus 1%	Prime plus 1%	Prime plus 1%

Figure 15: Operating Expenditure assumptions

		2025/26	2026/27	2027/28
1	MFMA Circular 129 CPI inflation - 10 December 2024	4.4%	4.5%	2.5%
2	Reserve Bank MPC inflation target midpoint	4.5%	4.5%	4.5%
3	Salary increase, plus notch increase to qualifying personnel	6%	6.25%	6.8%
4	Councillor allowances	5.0%	4.5%	4.5%
5	Budget for new funded positions	9,103,414	0	0
6	The employment related costs excluding interest cost on employee benefits	R 603,329,842	R 637,411,646	R 666,679,081
7	The CPI rates used in general. All expenditure types however do not increase with the same percentage points.	4.4%	4.5%	2.5%
8	Departments are required to budget in terms of general cost containment measures. Directors and management must apply control over non-priority and discretionary spending:	4.4%	4.5%	2.5%
9	An increase provided for the bulk water purchases tariff:	4.4%	4.5%	2.5%
10	Growth in water consumption	1%	1%	1%
11	Amount surplus from WCDM will be reduced to nil.	R 0	R 0	R 0
12	An increase provided for the bulk electricity purchases subject to NERSA confirmation	11.32%	5.36%	6.19%
13	Bergriver / Voelvlei Augmentation scheme (BRVAS)	R 0	R 0	R 0
14	Water losses	15%	15%	15%
15	Growth additional to Eskom tariff	4.5%	1.8%	1.8%
16	Electricity losses	11.0%	11.0%	11.0%
17	Contracted services	4.4%	4.5%	2.5%
18	General expenses	4.4%	4.5%	2.5%
19	Interest and redemption is budgeted based on current outstanding loans and approved new loans to fund the capital	Tendered rates	Tendered rates	Tendered rates
20	New loans interest budgeted at	Prime rate	Prime rate	Prime rate
21	EPWP - Grant funding	R 2,096,000	R -	R -
22	EPWP - Own funding	R 3,690,054	R 3,910,049	R 4,089,572

Figure 16: Capital Expenditure assumptions

		2025/26	2026/27	2027/28
1	Cash-backed depreciation (growth contributor for CRR)	R 130,442,826	R 154,367,392	R 160,784,615
2	Annual development charges (growth contributor for CRR)	R 6,325,920	R 6,768,733	R 7,242,547
3	Capital budget funding source from CRR	R 285,553,194	R 259,448,135	R 221,392,834
4	Capital Budget limit - New municipal building phase 1	R 46,365,000	R 38,625,000	R -
5	External loans to partially fund the 3 year MTREF capital budgets:	R 1,020,997	R 162,000,000	R 100,000,183
6	Capital budget over the 3 year 2025/26 MTREF period per year	R 369,645,177	R 624,315,564	R 533,911,082
7	Estimated capital budget for the 7 year 2028/29 - 2034/35 period as per estimated funding to be available	R 1,868,150,702		

10. Overview of budget funding

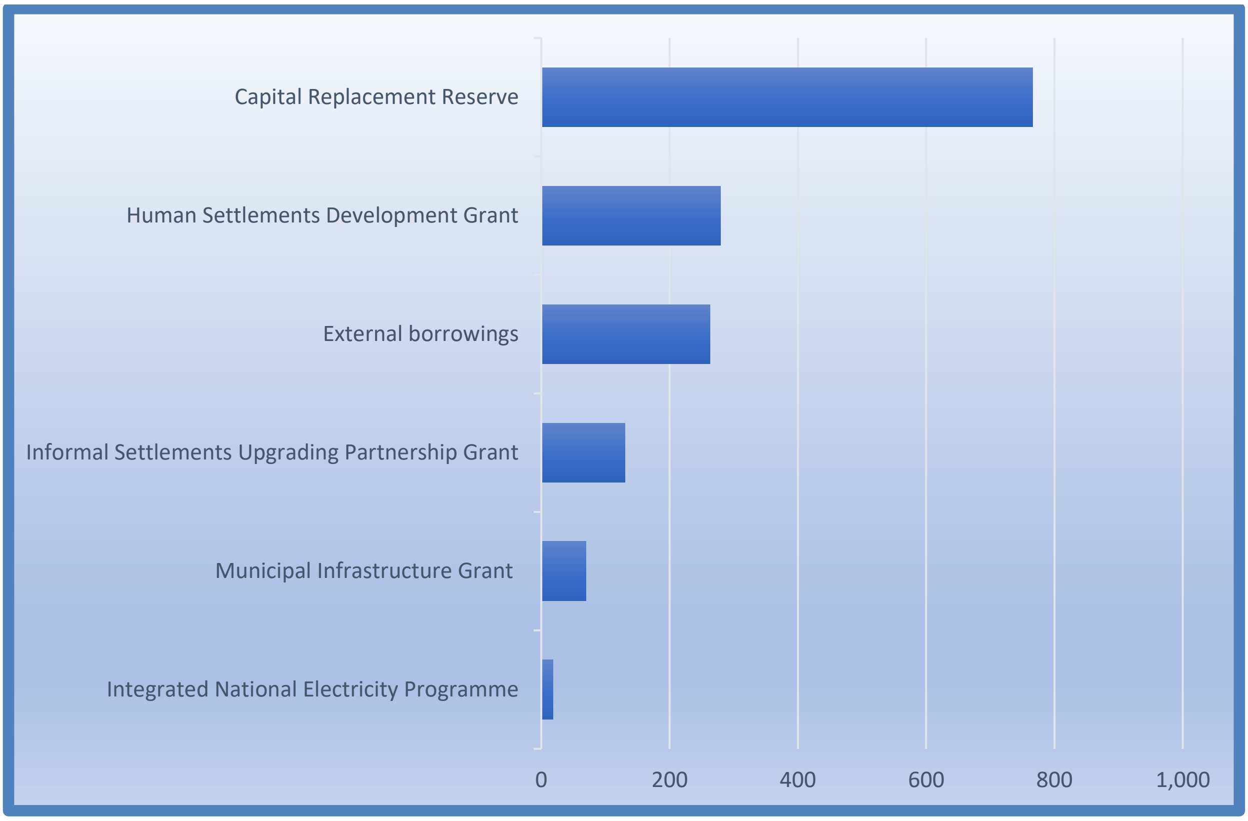
The budget must be funded from actual revenue to be collected during the financial year and must be prepared in such a manner to recover all the costs. The Operating Budget is funded from Operating Revenue as indicated in the A schedules as per **Annexure A**.

The 3-year MTREF capital budget is R1 528 million. The capital budget is funded from various sources of which the CRR is the biggest contributor. A summary of the capital budget funding sources is provided in the table and graph below:

Figure 17: Funding sources of the capital budget

Funding source	**2024/25 ADJB Rm**	**2025/26 Budget Rm**	**2026/27 Budget Rm**	**2027/28 Budget Rm**	**Total MTREF**
Capital Replacement Reserve	262	286	259	221	766
External borrowings	5	1	162	100	263
Human Settlements Development Grant	19	29	135	115	280
Informal Settlements Upgrading Partnership Grant	6	32	35	64	130
Integrated National Electricity Programme	23	0	9	9	18
Municipal Infrastructure Grant	21	22	24	24	70
Municipal Library Support	0	0	0	0	0
Total	**336**	**370**	**624**	**534**	**1,528**

Figure 18: Funding sources of the capital budget



10.1 Capital Replacement Reserve (CRR)

SBM has set aside cash to replace assets or to acquire new assets. Since the implementation of GRAP, and the subsequent implementation of depreciation charges in Local Government, the CRR's contributions are part of the depreciation charges.

The status of the CRR is provided in the table below.

Figure 19: Capital Replacement Reserve

	2024/25 ADJB Rm	2025/26 Budget Rm	2026/27 Budget Rm	2027/28 Budget Rm	Total MTREF
Opening balance on 1 July	**369**	**405**	**296**	**173**	**99**
Plus: Contributions					
Cash backed depreciation	120	147	130	154	161
Additional transfer from accumulated surplus	76	0	25	25	25
Capital contributions: Received	13	6	6	7	7
Transfer to employee benefits obligation	-5	0	0	0	0
Transfer to Insurance reserve	-1	0	0	0	0
Less: Capital budget funding allocation	-167	-262	-286	-259	-221
Closing balance on 30 June	**405**	**296**	**173**	**99**	**71**

The CRR has always been maintained in a responsible manner allowing SBM to acquire assets through this internal funding source and without too much reliance on external borrowings and grants. When capital projects are not completed at year-end, the funds are carried forward to complete the projects in the subsequent year.

It is estimated that the CRR's balance will be R71 million at the end of 2027/28.

10.2 External loans

Provision is made over the 3-year 2025/26 MTREF period for new loans of R262 million. The table below provides for a reconciliation of new and historic loans. The list of the projects funded from external loans is attached as **Annexure M**.

Figure 20: External loans

Year	Actual/ Budget	Own revenue Rm	Opening balance Rm	Redemp-tion Rm	New and proposed new loans Rm	Closing balance Rm	Loan as % of Own Revenue
2017/18	Actual	965	162	-19	18	161	17%
2018/19	Actual	975	161	-17	0	144	15%
2019/20	Actual	1,024	144	-19	0	125	12%
2020/21	Actual	1,040	125	-12	0	113	11%
2021/22	Actual	1,120	113	-10	27	131	12%
2022/23	Actual	1,270	131	-11	0	120	9%
2023/24	Actual	1,414	120	-11	0	108	8%
2024/25	Actual	1,509	108	-12	0	96	6%
2025/26	Actual	1,679	96	-14	0	82	5%
2026/27	Budget	1,801	82	-13	**162**	231	13%
2027/28	Budget	1,938	231	-24	**100**	308	16%

Total: 2026/27 - 2027/28 = R 262m

11. Grant allocations to SBM

The total grants included in the budget over the MTREF period is R1 148 million. As aforementioned it will be adjusted during the May 2025 when council considers the approval of the budget. The split between the various grants is listed below.

Figure 21: Grants allocations

	Classifi-cation	2024/25 ADJB Rm	2025/26 Budget Rm	2026/27 Budget Rm	2027/28 Budget Rm	MTREF Budget Rm
National Allocations						
Finance Management Grant	Operating	2	2	2	2	6
Municipal Infrastructure Grant	Capital	21	22	24	24	70
Municipal Infrastructure Grant	Operating	1	1	1	1	4
Integrated Eletrification Programme	Capital	23	0	9	9	18
Expanded Public Works Programme	Operating	1	2	0	0	2
Equitable Share	Operating	138	148	157	164	470
Total National DORA grants		**187**	**175**	**193**	**202**	**570**
Provincial Allocations						
*Housing and Human Settlement (Sales of Goods and Rendering of Services - Top structures)	Operating	21	108	27	0	134
Housing and Human Settlement	Capital	19	29	135	115	280
Informal Settlement Upgrading Partnership Grant: Provinces (Beneficiaries)	Capital	6	32	35	64	130
Housing and Human Settlement: Title Deeds Restoration	Operating	0	1	0	0	1
Cultural affairs: Library service	Operating	9	9	9	10	28
Cultural affairs: Library service	Capital	0	0	0	0	0
Community Development Worker Grant	Operating	0	0	0	0	0
Informal Settlement Upgrading Partnership Grant: Provinces (Beneficiaries)	Operating	3	2	0	0	2
Proclaimed Main Roads Grant	Operating	0	0	0	0	0
Municipal Service Delivery and Capacity Building Grant	Operating	1	0	0	0	0
WC Financial Management Capacability Grant (WC FMCG)	Operating	1	0	0	0	0
Total Provincial grants		**60**	**180**	**206**	**188**	**575**
Other grants						
SETA Grants	Operating	1	1	1	1	3
Total grants		**61**	**181**	**207**	**189**	**578**
- Operating grants	Operating	179	273	197	178	649
- Capital grants	Capital	69	83	203	213	498
Total grants		**248**	**356**	**400**	**391**	**1,148**

12. Allocations and subsidies made by SBM

The total transfers and subsidies budgeted over the 3-year MTREF period is R4.9 million. See SA21 for the list of these transfers and grants.

13. Councillor allowances and employee benefits

Refer to supporting schedule table SA22 and SA23 for detailed information about the remuneration of councillors, municipal manager, senior managers and all other employees of SBM, which includes the headcount of councillors and municipal employees.

A summary of the employee related cost, excluding councillors' salaries and allowances is provided in the table below.

Figure 22: Employee cost

Year	Salary cost Rm	Total operating expenditure Rm	% of total operating expenditure
2016/17 - Actual	290	887	33%
2017/18 - Actual	327	967	34%
2018/19 - Actual	352	1,048	34%
2019/20 - Actual	392	1,095	36%
2020/21 - Actual	412	1,110	37%
2021/22 - Actual	429	1,230	35%
2022/23 - Actual	456	1,363	33%
2023/24 - Actual	489	1,495	33%
2024/25 - Budgeted	548	1,783	31%
2025/26 - Budgeted	587	1,997	29%
2026/27 - Budgeted	620	2,050	30%
2027/28 - Budgeted	649	2,199	30%

Included in the 2025/26 salary budget are new positions that were not previously budgeted. A list of these positions is provided in **Annexure Q1**. A total of R6.1 million is budgeted for positions that is on the current approved Staff Establishment of Council.

A further R2.8 million is budget for positions that is not on the current Staff Establishment. The Municipal Manager intends to make a recommendation to Council on minor adjustments to the Staff Establishment before the budget is considered for approval on 29 May 2025. If Council does not approve the minor adjustments, the budget provision of R2.8 million will be removed. Refer to **Annexure Q2** for a list of these positions.

14. Monthly targets for revenue expenditure and cash flows

This is contained in supporting schedule table SA25 and SA30

15. Annual budgets and SDBIP – Internal departments

The final service delivery and budget implementation plans (SDBIP) will be dealt with after the budget is finally approved to be submitted to the Mayor within 14 days after the approval of the budget and approved by the Mayor within 28 days after the approval of the budget.

16. Contracts having future budgetary implications

It is required to disclose in the budget documentation any contracts that will impose financial obligations on SBM beyond the three years covered by the 2025/26 MTREF. The detail of this is included in supporting tables SA32 and SA33.

17. Capital expenditure details

Detailed capital budget information is included in **Annexures A - E**. More information on the Capital Budget is also included in Supporting tables SA34a; SA34b, SA34c; SA35; SA36. The summary of the capital budgets per Vote, per Town and per Infrastructure over the 2025/26 MTREF period is listed in the tables and figure below.

Figure 23: Capital budget per Vote

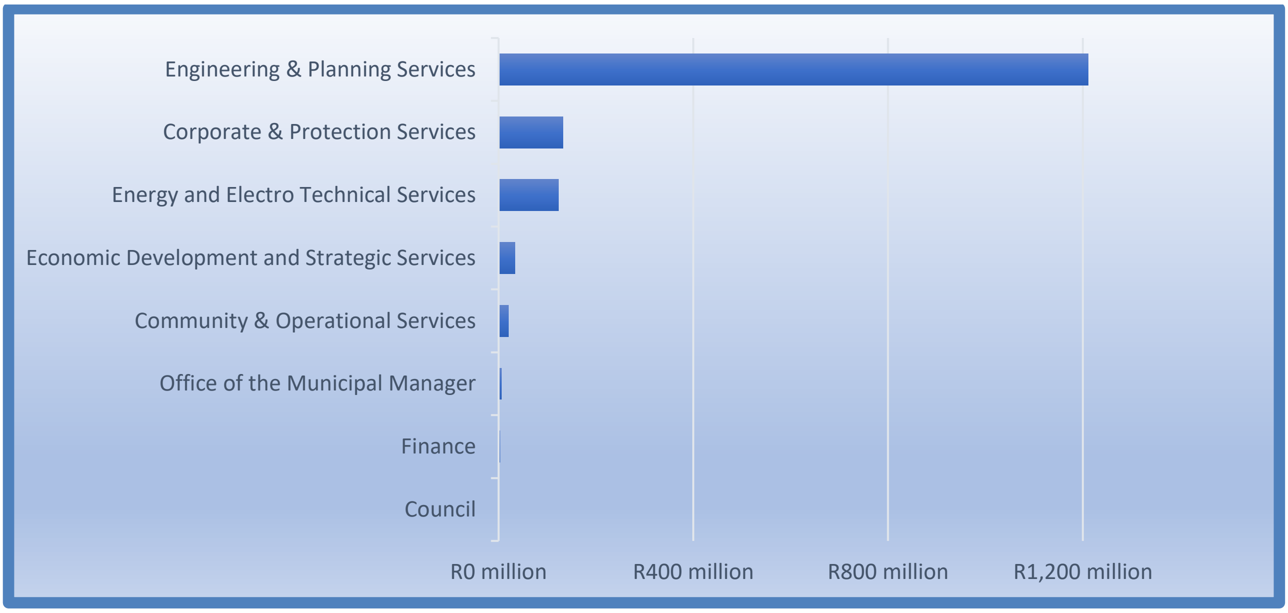


Figure 24: Capital budget per Town

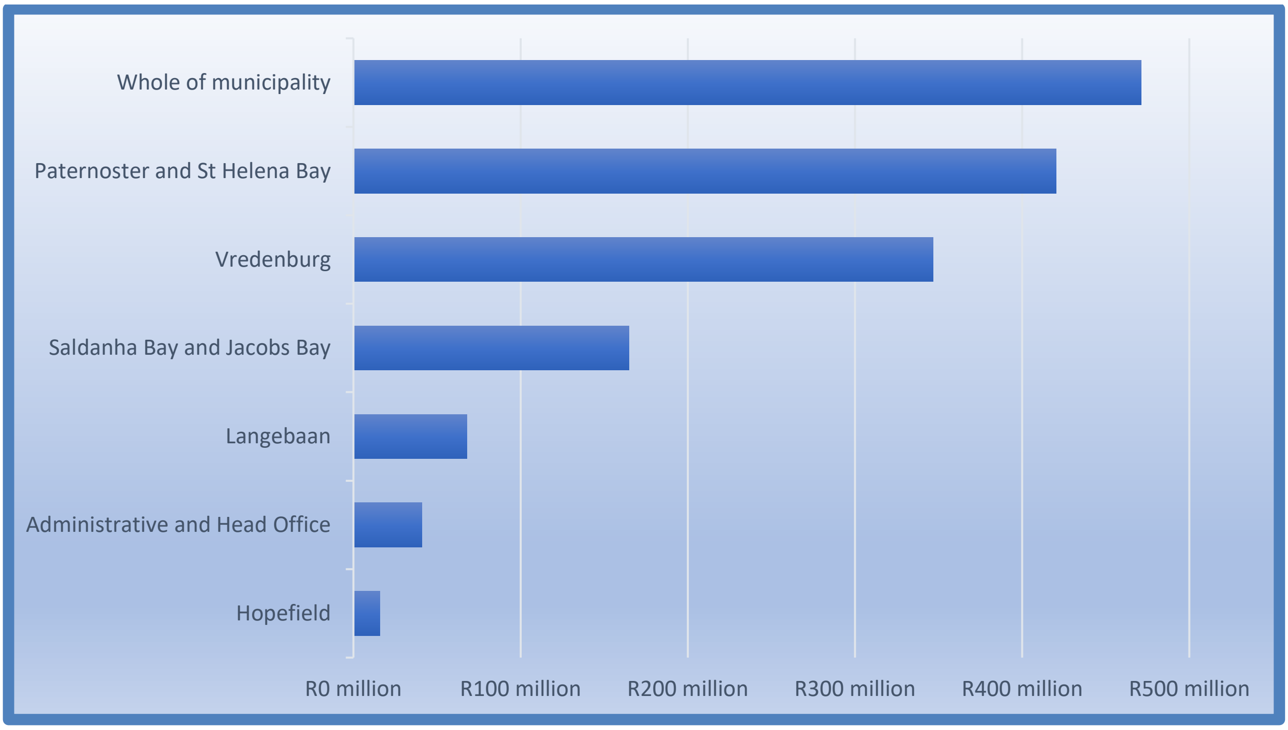
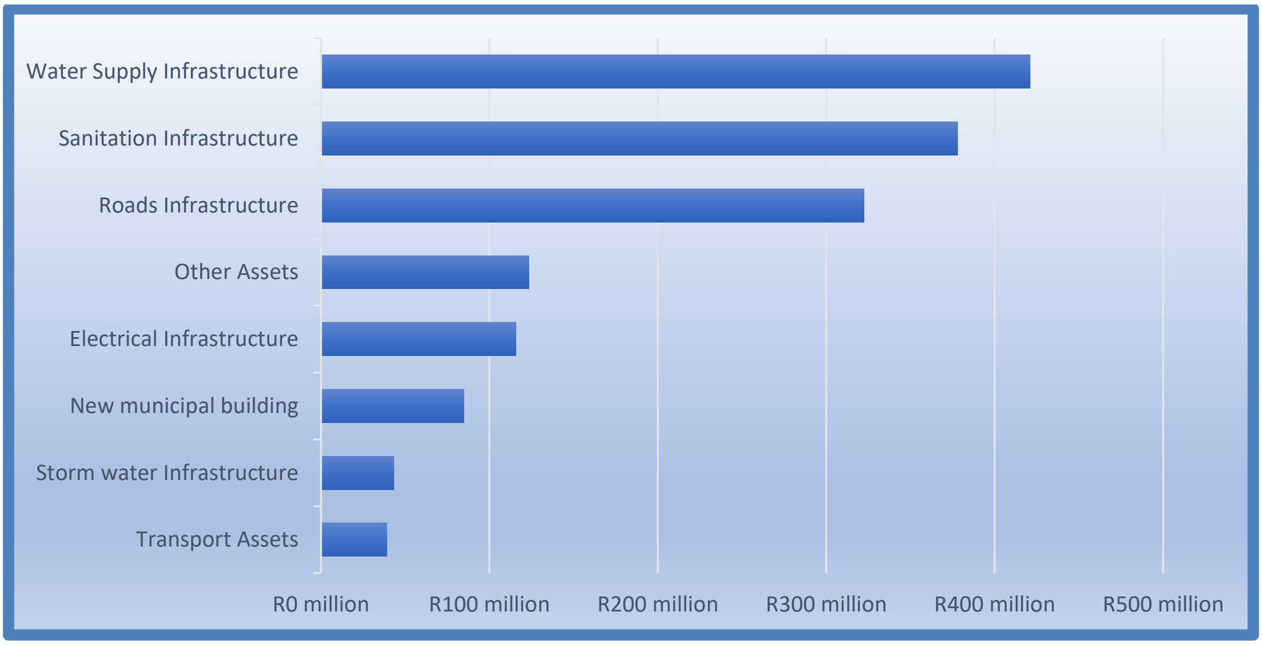


Figure 25: Capital budget per Infrastructure investment

	Current ADJB Rm	2025/26 Budget Rm	2026/27 Budget Rm	2027/28 Budget Rm	Total MTREF
Infrastructure assets					
Roads Infrastructure	62	73	121	129	322
Storm water Infrastructure	5	8	21	14	43
Electrical Infrastructure	69	22	42	52	116
Water Supply Infrastructure	32	50	195	176	421
Sanitation Infrastructure	58	98	135	146	378
Solid Waste Infrastructure	7	1	12	6	19
Information and Communication	0	8	0	0	8
Total infrastructure projects	**232**	**261**	**526**	**522**	**1,308**
Other assets					
Community Assets	39	15	3	2	21
New municipal building	1	46	39	0	85
Other Assets	15	8	13	2	24
Intangible Assets	3	1	2	0	3
Computer Equipment	7	4	4	5	12
Furniture and Office Equipment	2	7	2	0	9
Machinery and Equipment	14	11	11	1	23
Transport Assets	24	13	24	2	39
Land	0	4	0	0	4
Total other assets	**104**	**109**	**99**	**12**	**220**
Total capital budget	**336**	**370**	**624**	**534**	**1,528**

Figure 26: Capital budget per infrastructure investment



18. Legislation compliance status

All relevant legislations and regulations have been implemented. The applicable legislation and circulars considered were:

- Sections 15 – 33 of the MFMA;
- MFMA circulars 10, 12, 13, 14, 19, 28, 31, 45, 48, 51, 54, 58, 59, 64, 66, 67, 70, 72, 74, 75,78,79, 82, 85, 86, 89, 91, 93 and 94, 98, 99, 107, 108, 111, 112, 115, 123, 128, 129, 130.
- Municipal Budget and Reporting Regulations, 2009.
- Municipal Regulations on Standard Chart of Accounts as per gazette notice no. 37577, 22 April 2014.

The most recent MFMA Budget Circular no 130 is included in the budget documentation as **Annexure J**.

19. Other supporting documents

In terms of MFMA circulars 72, 75, 78 and 79, SBM must adopt service standards as it provides transparency in understanding performance indicators. Local government is mostly service delivery orientated and as such need to be clear on what the public can expect from SBM as a service delivery standard. The service delivery standards set are attached as **Annexure L** and must to be approved by council.

20. Other important information

20.1 Procurement plan

The 2025/26 procurement plan is in included as **Annexure N**. A summary of the procurement plan that aligns with the 2025/26 capital budget is provided in the figure below.

Figure 27: Quotations and Bids on the 2025/26 procurement plan

	2025/26 Capital Budget	Number of capital projects
Quotations	9,162,164	71
Bids	354,083,013	275
Other	6,400,000	6
Total	**R 369,645,177**	**352**

Figure 28: Status of 2025/26 procurement plan at 28 February 2025

	Number of projects on 2025/26 Capital Budget	Number of bids
Bid already awarded	50	17
Not yet at Bid Specification Committee	110	44
At Bid Specification Committee	111	12
At Bid Evaluation Committee	4	4
Bid cancelled or removed	6	6
	281	**83**

The 2025/26 procurement plan suggest that there will be 83 tenders required to implement the 2025/26 capital budget of R370 million. A total of 17 of these tenders were already awarded by 28 February 2025.

20.2 mSCOA

SBM has prepared its budget and A-schedules in version 6.9 of the mSCOA classification framework. The mSCOA roadmap that sets out SBM's implementation progress of the Minimum Business processes is attached as **Annexure R**.

20.3 Cost containment measures

SBM has implemented a cost containment policy in July 2019 which is based on the Cost Containment Regulations, 2019.

20.4 Auditor General – audit outcomes

Whilst the audit outcome of a municipality is not necessary a reflection on the service delivery performance of the municipality, or its financial performance, it does have a positive effect on the sentiment of the public, creditors and banks in terms of the commitment of the municipality to clean administration.

The audit outcomes history since 2014/15 are provided below:

Figure 29: Auditor-General audit outcomes

Outcome	Financial year
Unqualified with no findings (clean)	2023/24
Unqualified with no findings (clean)	2022/23
Unqualified with no findings (clean)	2021/22
Unqualified with no findings (clean)	2020/21
Unqualified with no findings (clean)	2019/20
Unqualified with no findings (clean)	2018/19
Unqualified with findings	2017/18
Unqualified with no findings (clean)	2016/17
Unqualified with no findings (clean)	2015/16
Unqualified with no findings (clean)	2014/15

21. Municipal manager's quality certification

The signed quality certification is attached as **Annexure O**.

22. Conclusion

Psalm 100: A Psalm of thanksgiving

Know that the Lord is God
He has made us and not we ourselves
Enter into His gates with thanksgiving
And into His courts with praise
Be thankful to Him, and bless His name
For the Lord is good
His mercy is forever
And His truth endures to all generations

Signed by:

20.03.2025

MS M CORNETT
MANAGER: BUDGETING

DATE

20/3/2025

MR S ROETS
SENIOR MANAGER: FINANCIAL MANAGEMENT

DATE

20/03/2025

MR S VORSTER
CHIEF FINANCIAL OFFICER

DATE