# 2026/27 ADJUSTMENT BUDGET
## (2025/26 Roll-overs – August 2026)

20 August 2026

Item number: R…../-…26

File number: 5/1/1/2026

City of Excellence and Opportunity on the "Weskus"

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## Acronyms

The following acronyms are used in this document:

| | |
|---|---|
| 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. |
| 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 |

# 1. Purpose of the report

The reason for the Adjustment Budget is to approve the roll-over of the funding for those capital projects that were committed at year-end (30 June 2026) but have not been completed at that point yet.

The funding of these projects must be specifically approved by Council by no later than 25 August and must be submitted to National- and Provincial Treasury in accordance with the relevant legislative requirements and prescripts.

The funding for these projects lapsed at 30 June 2026, and Council must approve this Adjustment Budget before spending can continue. These projects are committed already, and it is recommended that Council "roll-over" the funds to the 2026/27 MTREF period, and that the 2026/27 SDBIP also be appropriately adjusted.

# 2. Legislative and Council policy requirements

## 2.1 MFMA requirements

Section 28(2)(e) of the MFMA stipulates, *inter alia*, the following:
*"An Adjustments Budget may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council."*

Section 30 of the MFMA further stipulates:
*"The appropriation of funds in an annual or adjustments budget lapses to the extent that those funds are unspent at the end of the financial year to which the budget relates, except in the case of an appropriation of expenditure made for a period longer than that financial year in terms of section 16(3)."*

## 2.2 MBRR requirements

Regulation 23(3) of the MBRR stipulates the following:
*"If a national or provincial adjustment budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustment budget,*

*table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues".*

This sub-regulation is intended to ensure that additional revenues allocated to municipalities by national or provincial governments through an adjustments budget are approved for spending as soon as possible so as to minimise the possibility of underspending.

Regulation 23(5) of the MBRR stipulates the following:
*"An adjustments budget referred to in section 28(2)(e) of the MFMA, may only be tabled after the end of the financial year to which the roll-overs relate and must be approved by the municipal council by 25 August of the financial year to which the roll-overs relate".*

## 2.3 Further legislative requirements

The consideration and approval of an Adjustments Capital Budget for 2026/27 will therefore meet the legislative requirements for roll-over projects, and an Adjustments Budget will have to be submitted to National- and Provincial Treasury as further required in Section 28(7) of the MFMA, and Regulation 24 of the Budget and Reporting Regulations.

## 2.4 Budget and Funds and Reserves policy of SBM

The Roll-over Budget requirements are also included in paragraph 4.6 – 4.8 of the Budget policy of SBM:

Paragraph 4.6 stipulates:
*"Departments will provide information of projects that must be rolled over from one year to another under signature of the relevant director as per the budget timetable to ensure that the budget office is enabled to prepare the roll-over budget in time as per the budget process plan".*

Paragraph 4.7 stipulates:
*"Only capital projects committed at year-end, through contracts / orders issues, that could not have been reasonably foreseen during the completion of the annual budget may be included in the roll-over budget to be considered by council by latest 25 August each year. Unspent grant funding must be applied for and motivated to the relevant Provincial or National government by the relevant implementing functional department not later than the deadline set, normally 31 July of each year. The budget office must be informed formally on the prescribed documents to roll-over unspent grant funding to include in the*

*roll-over budget. No spending may be incurred until the roll-over application has been approved by the National or Provincial department or relevant treasury".*

Paragraph 4.8 stipulates:
*"A Budget may not be rolled-over for a second year if no tender has been awarded, or orders issued".*

# 3. Mayors Report

## 3.1 Executive summary

An adjustment budget is necessary to include the roll over funds from the completed 2025/26 financial year to the 2026/27 budget.

In addition, to ensure continuity of the Witteklip Phase 2 Services Housing Project, the Western Cape Government Department responsible for Housing has transfer an amount of R9 million to SBM on 20 July 2026. This amount will be taken up in this adjustment budget.

## 3.2 Reasons for the Adjustment Budget

The following are provided as motivation to adopt the Roll-over Adjustment Budget in August 2026:

- The main reason is that these capital projects that were committed at year-end can be completed.
- As per section 28(2)(e) of the MFMA, the spending of the funds that were unspent at year-end (30 June 2026), could not reasonably have been foreseen when the 2026/27 annual budget was approved by Council (May 2026).
- There is no / not sufficient budget provision in the new 2026/27 financial year for these 2025/26 committed/ contractual projects.
- The R9 million grant that was received on 20 July 2026 for Witteklip Phase 2 Services Housing Project must be added to the 2026/27 capital budget.

## 3.3 Resolutions

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

### 3.4 Impact of the Adjustments Budget

The total budget remains funded — refer to Budget Schedule B8. All the roll-over projects are still fully funded from the appropriations that were made in the 2025/26 financial year, which are not yet spent.

### 3.5 Capital Replacement Reserve

There is no impact on the CRR as the funds are transferred from the 2025/26 financial year to the new 2026/27 financial year.

### 3.6 Total Budget summary

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

| | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|
| **TOTAL EXPENDITURE** | | | |
| Capital expenditure | 299,720,098 | 48,550,798 | 348,270,896 |
| Operating expenditure | 2,033,002,888 | 672,860 | 2,033,675,748 |
| **Total expenditure** | **2,332,722,986** | **49,223,658** | **2,381,946,644** |
| | | | |
| **OPERATING BUDGET** | | | |
| Own Revenue | 1,778,696,283 | - | 1,778,696,283 |
| Grants - Operating | 226,971,372 | 672,860 | 227,644,232 |
| Grants - Capital | 26,062,900 | 9,884,425 | 35,947,325 |
| **Total Revenue** | **2,031,730,555** | **10,557,285** | **2,042,287,840** |
| Less: Operating expenditure | 2,033,002,887 | 672,861 | 2,033,675,748 |
| **Surplus for the year** | **- 1,272,332** | **9,884,424** | **8,612,092** |
| Add back: Capital grants | 26,062,900 | 9,884,425 | 35,947,325 |
| **Deficit before capital grants** | **- 27,335,232** | **-** | **- 27,335,233** |

The net impact of the adjustments is as follows:

- The 2026/27 Budgeted Total Revenue increases with R10.5 million to R2 042 million.
- The 2026/27 Budgeted Operating Expenditure increases with R0.673 million to R2 034 million.
- The 2026/27 Budgeted Capital Budget increases with R48.5 million to R348 million.

# 4. Operating Budget

### Figure 2: Operating Revenue and Expenditure (in Rand)

| | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|
| **Revenue from exchange transactions** | | | |
| Service charges - Electricity | 706,511,528 | - | 706,511,528 |
| Service charges - Water | 227,043,603 | - | 227,043,603 |
| Service charges - Waste Water Management | 114,259,703 | - | 114,259,703 |
| Service charges - Waste Management | 107,162,548 | - | 107,162,548 |
| Sale of Goods and Rendering of Services | 10,903,196 | - | 10,903,196 |
| Construction contract revenue | 48,747,000 | 458,000 | 49,205,000 |
| Agency services | 11,925,500 | - | 11,925,500 |
| Interest earned from Receivables | 13,742,730 | - | 13,742,730 |
| Interest earned from Current and Non Current Assets | 78,655,254 | - | 78,655,254 |
| Rental from Fixed Assets | 17,756,623 | - | 17,756,623 |
| Licence or permits | 1,415,419 | - | 1,415,419 |
| Development charges | 7,140,583 | - | 7,140,583 |
| Operational Revenue | 3,615,672 | - | 3,615,672 |
| **Total Revenue from exchange transaction** | **1,348,879,359** | **458,000** | **1,349,337,359** |
| | | | |
| **Revenue from non-exchange revenue** | | | |
| Property rates | 398,999,253 | - | 398,999,253 |
| Fines, penalties and forfeits | 30,320,969 | - | 30,320,969 |
| Licences or permits | 2,597 | - | 2,597 |
| Government grants and subsidies - Operational | 178,224,372 | 214,860 | 178,439,232 |
| Interest earned from Receivables | 9,073,368 | - | 9,073,368 |
| Operational Revenue | 40,167,737 | - | 40,167,737 |
| **Total Revenue from non-exchange revenue** | **656,788,296** | **214,860** | **657,003,156** |
| | | | |
| **Total Revenue (excluding capital grants)** | **2,005,667,655** | **672,860** | **2,006,340,515** |
| | | | |
| Transfers and subsidies - capital | 26,062,900 | 9,884,425 | 35,947,325 |
| | | | |
| **Total Revenue** | **2,031,730,555** | **10,557,285** | **2,042,287,840** |

| | | | |
|---|---|---|---|
| **Expenditure** | | | |
| Employee related costs | 639,332,927 | 100,000 | 639,432,927 |
| Remuneration of councillors | 17,660,390 | - | 17,660,390 |
| Bulk purchases - electricity | 577,512,347 | - | 577,512,347 |
| Inventory consumed | 141,270,231 | 42,860 | 141,313,091 |
| Debt impairment | 19,633,225 | - | 19,633,225 |
| Depreciation and amortisation | 197,521,539 | - | 197,521,539 |
| Interest expenditure | 14,387,995 | - | 14,387,995 |
| Contracted services | 252,760,241 | 455,198 | 253,215,439 |
| Transfers and subsidies | 1,830,220 | - | 1,830,220 |
| Irrecoverable debts written off | 24,100,943 | - | 24,100,943 |
| Operational costs | 126,570,703 | 74,802 | 126,645,505 |
| Losses on disposal of assets | - | | - |
| Other Losses | 20,422,127 | - | 20,422,127 |
| **Total Expenditure** | **2,033,002,888** | **672,860** | **2,033,675,748** |
| | | | |
| **Surplus/(Deficit) for the year** | **(1,272,333)** | **9,884,425** | **8,612,092** |

The roll over application for the balance of the Provincial grants is due 31 August 2026. These are included herewith, but no spending may be incurred until these roll overs has been approved. The budget strings will be blocked until approval is received.

## 5. Capital Budget

### Figure 3: Capital Budget per Vote (in Rand)

| Vote | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|
| Finance | 235,800 | - | 235,800 |
| Community and Operational Services | 26,299,500 | 1,744,318 | 28,043,818 |
| Engineering and Planning Services | 157,208,074 | 24,296,073 | 181,504,147 |
| Corporate and Public Safety Services | 58,427,000 | 9,289,154 | 67,716,154 |
| Office of the Municipal Manager | 935,000 | 4,390,353 | 5,325,353 |
| Council | 624,000 | 276,000 | 900,000 |
| Economic Development and Strategic Services | 17,536,226 | 2,840,611 | 20,376,837 |
| Energy and Electro Technical Services | 38,454,498 | 5,714,289 | 44,168,787 |
| **Total** | **299,720,098** | **48,550,798** | **348,270,896** |

### Figure 4: Capital Budget Funding Sources (in Rand)

| Funding source | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|
| Capital Replacement Reserve | 272,893,408 | 35,715,557 | 308,608,965 |
| External borrowings | 763,790 | 2,950,817 | 3,714,607 |
| Human Settlements Development Grant | 1,481,000 | 9,422,424 | 10,903,424 |
| Municipal Infrastructure Grant | 22,174,900 | - | 22,174,900 |
| Municipal Fire Service Capacity Support Grant | - | 462,000 | 462,000 |
| Western Cape Financial Management Capability Grant | 1,500,000 | - | 1,500,000 |
| Regional Social Economic Projects | 800,000 | - | 800,000 |
| Development of Sport and Recreation Facilities | 107,000 | - | 107,000 |
| **Total** | **299,720,098** | **48,550,798** | **348,270,896** |

# 6. Grants

### Figure 5: National Grants Summary (in Rand)

| National DORA grants | Classification | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|---|
| Finance Management Grant | Operating | 1,900,000 | - | 1,900,000 |
| Municipal Infrastructure Grant | Capital | 22,174,900 | - | 22,174,900 |
| Municipal Infrastructure Grant | Operating | 1,167,100 | - | 1,167,100 |
| Expanded Public Works Programme | Operating | 1,513,000 | - | 1,513,000 |
| Equitable Share | Operating | 157,438,992 | - | 157,438,992 |
| **Total** | | **184,193,992** | **-** | **184,193,992** |

### Figure 6: Provincial Grants Summary (in Rand)

| Provincial Grants | Classification | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|---|
| Housing and Human Settlement | Operating | 50,622,000 | 484,860 | 51,106,860 |
| Housing and Human Settlement | Capital | 1,481,000 | 9,422,424 | 10,903,425 |
| Housing and Human Settlement: Title Deeds Restoration | Operating | 552,000 | - | 552,000 |
| Cultural affairs: Library service | Operating | 9,222,000 | - | 9,222,000 |
| Community Development Worker Grant | Operating | 78,000 | - | 78,000 |
| Informal settlements upgrading partnership grant | Operating | 3,157,000 | - | 3,157,000 |
| Municipal Fire Service Capacity Support Grant | Operating | - | 88,000 | 88,000 |
| Financial Assistance to Municipalities for Maintenance and Construction of Transport Infrastructure | Operating | 150,000 | - | 150,000 |
| Municipal Service Delivery and Capacity Building Grant | Operating | 250,000 | 100,000 | 350,000 |
| Municipal Fire Service Capacity Support Grant | Capital | - | 462,000 | 462,000 |
| WC Financial Management Capacability Grant | Capital | 1,500,000 | - | 1,500,000 |
| RSEP Municipal Projects | Capital | 800,000 | - | 800,000 |
| Development of Sport and Recreation Facilities | Capital | 107,000 | - | 107,000 |
| **Total** | | **67,919,000** | **10,557,284** | **78,476,285** |

### Figure 7: Housing Projects for 2026/27 (in Rand)

| Housing Project | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|
| **Services - Capital budget** | | | |
| Witteklip 1155: Phase 2 | 1,481,000 | 9,422,424 | 10,903,424 |
| | | | |
| **Total services** | **1,481,000** | **9,422,424** | **10,903,424** |

| **Top structures - Operating budget** | | | |
|---|---|---|---|
| Middelpos Site A1 - Feasibility fees | 449,000 | - | 449,000 |
| 311-Contractors: Building Witteklip 1155 | 17,593,000 | - | 17,593,000 |
| Witteklip North/ Louwville South - Feasibility fees | 1,016,000 | - | 1,016,000 |
| Vredenburg Urban Revitalisation - Feasibility fees | 248,000 | - | 248,000 |
| Formalising Tsitsiratsitsi - Feasibility fees | 3,157,000 | - | 3,157,000 |
| Laingville 309 (309 top structures) | 15,760,000 | 458,000 | 16,218,000 |
| Laingville erf 80 - Feasibility fees | 162,000 | - | 162,000 |
| Louwville 155 (155 top structures) | 15,394,000 | - | 15,394,000 |
| **Total top structures** | **53,779,000** | **458,000** | **54,237,000** |

| | | | |
|---|---|---|---|
| **Total funded from housing grants** | **55,260,000** | **9,880,424** | **65,140,424** |

### Figure 8: Other Grants (in Rand)

| Other grants | Classification | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|---|
| SETA Grants | Operating | 921,280 | - | 921,280 |
| **Total** | | **921,280** | **-** | **921,280** |

### Figure 9: Split between Operating and Capital Grants (in Rand)

| Classification | ORGB 2026/27 May 2026 | Adjustments | ADJB 2026/27 August 2026 |
|---|---|---|---|
| Operating grants | 226,971,372 | 672,860 | 227,644,232 |
| Capital grants | 26,062,900 | 9,884,425 | 35,947,325 |
| **Total** | **253,034,272** | **10,557,285** | **263,591,557** |

## 7. Changes to the SDBIP

The inclusion of roll over funds from the previous financial year to the 2026/27 Capital Budget must also be included in a revised SDBIP and performance agreements.

## 8. 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.

## 9. Budget policy changes

Council on 20 July 2026 held a policy workshop to consider the following policies:

- The Asset Management Policy;
- The Policy on the Disposal of Unserviceable Obsolete or Redundant assets;
- The Tools of Trade Policy of Councilors;
- The Policy on Unauthorized, Irregular, Fruitless and Wasteful Expenditure (UIFWE).

Policies 1, 2 and 4 are budget policies. Linked to the changes to the first two policy changes is a new policy for consideration, the Tools of Trade Policy of Councilors.

A new budget policy is also proposed, the policy on Unauthorized, Irregular, Fruitless and Wasteful Expenditure (UIFWE).

The full list of budget related policies can be found on the website of the municipality at the following link:

https://sbm.gov.za/budget/

Section 21 of the Municipal Finance Management Act and Regulation 7 of the Municipal Budget and Reporting Regulations prescribes the processes to be followed on, *inter alia*, the review of the budget-related policies.

After the Budget Workshop with Council on 20 July 2026 to consider the policies mentioned in this report, these policy changes were tabled to Council on 30 July 2026. After the Council meeting the relevant documents were published on the municipal website from 31 July 2026 until 14 August 2026 for public inputs. It was also published in the local newspaper. At the time of the submission of this report to Council, no public inputs were received yet. Any inputs still to be received will be submitted to Council for consideration on 20 August 2026.

The proposed changes to these policies and all inputs received are attached as **Annexure D**.

## 10. Annexures

The following documents are attached:

- **Annexure A**: Budget Schedules
- **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**: Amendment to Budget policies

## 11. Recommendations

It is recommended:

(a) That the report be noted;

(b) That the 2026/27 Roll-over Adjustments Budget as per Annexure A, supported by the B-schedules, be approved;

(c) That the individual capital projects as contained in the following detail of the Adjustments Capital Budget for 2026/27, 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 R9 million grant receipt that was received on 20 July 2026 is included in the 2026/27 Capital Budget in terms of Regulation 23(3) of the Municipal Budget and Reporting Regulations;

(e) That it be noted that unspent grants on 30 June 2026 comprises of R1.557 million, and that the roll-over applications will be submitted on 31 August 2026.

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

(g) That the 2026/27 Adjustments Budget as contained in the prescribed budget schedules in Annexure A, be submitted to National Treasury and Provincial Treasury: Western Cape;

(h) That the signed quality certificate attached as Annexure C be noted;

(i) That the SDBIP and the applicable performance agreements be adjusted accordingly where relevant.

(j) That the changes to the budget policies that is included in Annexure D are approved.

Signed by:

12 August 2026

MS M CORNETT — DATE

MANAGER:  BUDGETING

12 August 2026

MR S ROETS — DATE

SENIOR MANAGER:  FINANCIAL MANAGEMENT

Stefan Vorster

12 August 2026

MR S VORSTER — DATE

CHIEF FINANCIAL OFFICER