CONSIDERATION AND APPROVAL OF THE ADJUSTMENT BUDGET 2026/2027 AND INDICATIVE FOR THE PROJECTED TWO OUTER YEARS 2027/2028 AND 2028/2029

English is the original version

PURPOSE OF REPORT

This report serves to submit the 2026/2027 and indicative two outer years annual adjustment budget for approval.

BACKGROUND

Section 28 of the Municipal Finance Management Act. No 56 of 2003 states:

(1) A municipality may revise an approved annual budget through and adjustments budget.

(2) An adjustments budget -
(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;
(e) 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;

In accordance with section 23 (3) of the Municipal Budget and Reporting Regulation:

(3) 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 and provincial adjustments budget, table an adjustment budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.

In accordance with section 10 of the Municipal Budget and Reporting Regulation*:*

(2) (a) in the case of allocations or transfers from national or provincial government, the latest available –
(i) gazetted allocations or transfers to the municipality following the approval of the current year's Division of Revenue Act, national annual budget, national adjustment budget, relevant provincial budget or provincial adjustments budget;

LEGAL RESPONSIBLITIES

Section 28 of the Municipal Finance Management Act, 56 of 2003, section 23 and section 10 of the Municipal Budget and Reporting Regulations.

FINANCIAL IMPLICATIONS

As contained in the detail report.

RECOMMENDATION

1. **The adjustments budget for the financial year 2026 – 2027 be approved as contained in Tables B1 – B10 detailed below:**

   - **Table B1 – Adjustments Budget Summary**
   - **Table B2 – Adjustments Budgeted Financial Performance (Revenue and Expenditure by standard classification)**
   - **Table B3 - Adjustments Budgeted Financial Performance (Revenue and Expenditure by municipal vote)**
   - **Table B4 - Adjustments Budgeted Financial Performance (Revenue and Expenditure)**
   - **Table B5 – Adjustments Capital Expenditure by Vote, Standard classification and Funding**
   - **Table B6 – Adjustments Budgeted Financial Position**
   - **Table B7 – Adjustments Budgeted Cash Flow**
   - **Table B8 – Cash backed reserves/Accumulated surplus reconciliation**
   - **Table B9 – Asset Management**
   - **Table B10 – Basic service delivery measurement**

2. **The SDBIP will be adjusted to reflect the adjustments made in the budget allocation and submitted for subsequent approval by the Executive Mayor.**

3. **The adjustment to Transfer and subsidies – Operational increased from R 265 million to R 266 million with the following changes:**

Transfers Recognised - Operating		
Vote Description	**(Increase)**	
Transfers Recognised - Operating - WC Mun Interventions Grant	-R	200 000
Transfers Recognised - Operating - Municipal Energy Resilience Grant	-R	800 000
Transfers Recognised - Operating - National Skills Fund	-R	201 795
Total Transfers Recognised - Operating	**-R**	**1 201 795**

4. **The adjustment to Fines, penalties and forfeits remained at R 44 million with the following changes:**

Fines, penalties and forfeits		
Vote Description	**(Increase)**	
Fines - Unclaimed Money	-R	742 700
Total Fines, penalties and forfeits	**-R**	**742 700**

5. **The adjustment to Contracted Services increased from R 67 million to R 68 million with the following changes:**

Contracted Services			
Project	**Vote Description**	**Increase**	
WC031_WC Interventions Grant	Contracted Services - Personnel and Labour	R	200 000
WC031_Electricity Master Plan (MER Grant)	Contracted Services - Business and Financial Management (Master Plans)	R	500 000
WC031_Temporary Technician (MER Grant)	Contracted Services - Personnel and Labour	R	300 000
Total Contracted Services		**R**	**1 000 000**

6. **The adjustment to Operational Cost and Other Cost remained at R 87 million with the following changes:**

Operational Cost and Other Cost			
Project	**Vote Description**	**Increase**	
WC031_SETA Grant	Other Expenditure - Bursaries (Employees)	R	201 795
Total Operational Cost and Other Cost		**R**	**201 795**

7. **The adjustment to Capital Expenditure remained at R 132 million due to the following changes:**

Capital			
Vote Description	**Funding**	**(Increase)**	
Upgrading of Pine View Park Sport Ground	Capital out of Revenue	R	742 700
Total Capital Expemditure		**R**	**742 700**

Table of Contents

1	**Part 1 – Adjustment Budget**	2
	1.1 Mayor' report	2
	1.2 Budget related resolutions	3 - 4
	1.3 Executive summary	5
	1.4 Adjustment budget tables	5
2	**Supporting documentation**	5 - 6
	2.1 Adjustment to budget assumptions	5
	2.2 Adjustment to budget funding	5
	2.3 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)	6
	2.4 Adjustment to transfer recognised operational and capital	6
	2.5 Adjustment to capital expenditure	6
	2.6 Municipal Manager's quality certification	6
3	**Quality Certificate**	7

1 Part 1 – Adjustment Budget

1.1 Mayor' report

Section 28 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) provides for the revision of an approved annual budget through an adjustments budget. An adjustments budget may, among other matters, appropriate additional revenue that has become available, provided that such revenue is used to revise or accelerate spending programmes already included in the approved budget. It may also authorise the utilisation of projected savings in one vote for expenditure under another vote, as well as the utilisation of certain unspent funds from the previous financial year where the related underspending could not reasonably have been foreseen when the current year's budget was approved.

Section 23(3) of the Municipal Budget and Reporting Regulations further provides that, where a national or provincial adjustment budget allocates or transfers additional revenue to a municipality, the Mayor must table an adjustments budget at the next available Council meeting, but within 60 days of the approval of the relevant national or provincial adjustment budget, to appropriate the additional revenue.

The Municipal Budget and Reporting Regulations also prescribe specific requirements for allocations or transfers received from national or provincial government. Accordingly, any additional allocations or transfers received by the Municipality must be appropriately incorporated into the municipal budget through the prescribed adjustments budget process and approved by Council.

In line with the MFMA, the 2026/27 approved Budget has now been adjusted. The adjustment has been mainly necessitated because of the following:

1) Additional funds received from Provincial Treasury.
2) The Municipality received penalty revenue from a service provider due to non-performance or under-performance in terms of the contractual agreement. As this revenue was not anticipated in the approved annual budget, an adjustment is proposed to recognise the additional revenue and allocate the funds towards an existing, approved spending programme.

The Municipal Budget and Reporting Regulations, which were promulgated by National Treasury, prescribe the budget reporting formats for municipalities. Accordingly, this Municipality's 2026/27 Adjustments Budget has to be presented in accordance with these reporting formats.

The Adjustments Budget reaffirms the Municipality's commitment to achieve the service delivery targets and performance indicators as reflected in the approved service delivery and budget implementation plan.

The Service Delivery and Budget Implementation Plan (SDBIP) has to be adjusted due to the realignment that has taken place on both the operational and capital expenditure budgets. This will affect service delivery targets and performance targets. The reviewed SDBIP will be submitted for the approval of the Executive Mayor.

1.2 Budget related resolutions

The Municipal Finance Management Act (MFMA) No 56 of 2003 requires the municipality to table and adopt the budget and budget resolutions. The format of the budget and supporting documentation is prescribed by Municipal Budget and Reporting Regulations

The following resolutions are put before council for consideration and approval:

THAT

1. **The adjustments budget for the financial year 2026 – 2027 be approved as contained in Tables B1 – B10 detailed below:**

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2. **The SDBIP will be adjusted to reflect the adjustments made in the budget allocation and submitted for subsequent approval by the Executive Mayor.**

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Total Capital Expemditure		**R**	**742 700**

1.3 Executive summary

Introduction

This MTREF 2026 - 2027 adjustments budget is prepared on a multi-year basis, in line with the MFMA Municipal Budget and Reporting Regulations.

Operating Revenue Budget

Operating revenue increased from R 1 112 billion to R 1 114 billion.

Operating Expenditure

Operating expenditure increased from R 989 million to R 991 million.

Capital Expenditure

The Capital expenditure remained at R 132 million.

1.4 Adjustment budget tables

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2 Supporting Information

2.1 Adjustment to budget assumptions

The budget assumptions which informed the approved 2026/27 Budget have been maintained.

2.2 Adjustment to budget funding

The sources of funding of the municipality's budget have not changed in the current financial year. As reported the adjustments budget is mainly funded by revenue from services rendered and grant funding as set out in Division of Revenue Act (DORA) and the Provincial Gazette.

2.3 Adjustment to Service Delivery and Budget implementation Plan (SDBIP)

The Accounting officer will submit for approval by the Executive Mayor revised SDBIP's based on the adjustments being approved.

2.4 Adjustment to transfer recognised operating and Fines, penalties and forfeits

Transfer and subsidies – Operational increased from R 265 million to R 266 million.

Fines, penalties and forfeits remains at R 44 million.

2.5 Adjustment to operating expenditure and capital expenditure

Operating expenditure increased from R 989 million to R 991 million.

Capital expenditure remains at R 132 million.

2.5 Municipal Manager's quality certification

The quality certification in the format required in the regulations will be signed by the accounting officer on the final Adjustment Budget approved by Council 27 October 2026.

Quality Certificate

I, WF Hendricks, Municipal Manager of Theewaterskloof Municipality (WC031), hereby certify that the Adjustments Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments Budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

Print Name: **WF Hendricks**

Municipal Manager of: **Theewaterskloof Municipality (WC031)**

Signature: _____

Date: 26.10.2026

Print Name: **P Mabhena**

Chief Financial Officer of: **Theewaterskloof Municipality (WC031)**

Signature: _____

Date: 26.10.2026