

EXPLANATION OF VARIANCES IN THE 2021 2022 BUDGET

Communique was received from Provincial Treasury requesting that Municipalities must provide explanations of variances in the budget.

This e-mail is part of the National Treasury and Provincial spheres of Government oversight responsibilities to ensure that Municipalities are managed as effective and efficient organizations that are financially stable and provide sustainable services to the communities.

The aim of this Budget is to ensure the Municipalities ability to meet its obligations, provide basic services to the community and honour all financial commitment within Legislative time frames.

The differences between the 2020/2021 and 2021/2022 Budgets are motivated as follows:

Revenue

Property Rates: R 137 500 000

Property rates are based on the inflation forecast (3.9%) contained in National Treasuries Budget Circulars 98 and 99 and is circulated on Councils General Valuation Roll implemented on 1 July 2017.

Penalties Imposed and Collection Charges. R 12 500 000

The Budget provision of R 12.5 million remains the same as 2020 2021 financial year

Service Charges: R 783 026 141

Electricity: R 679 900 000

Electricity Bulk Purchases over the past few years that resulted in the decrease in demand as some Consumers (factories) have moved to alternative sources of energy and /or invest in Energy saving equipment.

Water: R 58 817 680

In an attempt to meet the pressing water challenges of communities and the fact that no financial support for work done in the District Municipalities area of Jurisdiction. The Municipality had to re-calculate the water tariffs to ensure cost recovery without depending on an Equitable Share Allocation from the Water and Sewer Services Authority Mopani District Municipality. The increase of 65% is necessary to recover the cost.

Solid Waste: R 36 507 361

The Tariff increases are in line with the guideline of 3.9% received from National Treasury.

Sewer Service: R 7 800 100

The tariff increase are in line with the guideline of 3.9% received from National Treasury.

Rent of Facilities and Equipment R 1 170 100

The rent of other Council properties remain the same as 2020 2021 financial year

Interest earned- Outstanding Debtors: R 23 600 000

The allocation remains the same as 2020 2021 financial year

Licence and Permits: R 917 000

The allocation remains the same as 2020 2021 financial year

Income from agency services: R 22 664 291

The allocation reduced by R36 million the amount will be treated as non-core function

Operating Grants and Subsidies: R 464 088 050.

The operating grants and subsidies are in line with DORA allocations and Seta Grant. Reduction in allocation is affected on equitable share R 70 million

Expenditure

Employee Related Cost Salaries: R 387 176 247.

Salaries have been increased by 7.1% for all employees in the employment of GTM 2021/2022 financial year as recommended by the Budget Steering Committee. Provision has also been made for critical positions that have not been budgeted previously as well as positions that have become vacant during the past 12 months.

Depreciation: R 132 970 807

The provision for Depreciation is based on the assets contained in the asset register and is in line with previous year's performance.

Repairs and Maintenance: R 70 157 566

The project increased by R 4.3 million from previous financial to 2021/2022. Due to Roads, re-gravelling and Energy maintenance

Interest Expenses: External Borrowing: R 15 728 808

The increase in provision for interest expenses on external borrowing is the result of a loan of R 30 million approved by DBSA for Capital projects on Councils electricity network during the 2020/2021 Financial year.

Bulk Purchases R 475 400 000

The calculation of Bulk purchases is based on previous year's performance as well as the guidelines from National Treasury circulars 107 and 108.

Contracted Services: R 61 650 438

The decrease in contracted services is due to In-source of Traffic Enforcement Agency, where the contract lapsed during 2020/2021

Grants and Subsidies paid: R 31 778 000

The provisions for grants and subsidies have been made according to the DORA allocations and SETA grant.

General Expenditure: R 150 414 851

The increase of R 13 million in the provision on the 2020/2021 Budget is mainly due to increases in the following items

	2020/2021	2021/2022	Difference
Rental of Office	R 500 000	R 1 500 000	R 1 000 000
Consultation & professional: Land survey	R 1 300 000	R 1 900 000	R 600 000
Legal fees	R 11 574 376	R 20 000 000	R 8 425 624