

EXPLANATION OF VARIANCES IN THE 2022 2023 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 2021/2022 and 2022/2023 Budgets are motivated as follows:

Revenue

Property Rates: R 150 886 839

Property rates increases are based on the inflation forecast (4.8%) contained in National Treasuries Budget Circulars 112 and 115 and is calculated on Councils General Valuation Roll implemented on 1 July 2017.

Fines, penalties and forfeits. R 12 008 000

The allocation of R12.0 million was based on the 2020/2021 financial year performance and the fact that the contract of the traffic service provider which was responsible for the speed cameras expired.

Interest earned - external investments. R 4 500 000

The allocation of R4.5 million was based on the 2020/2021 actual receipt for interest revenue on investment

Electricity service charges: R 700 000 000

Electricity service charges is based on the increase of 8.6 approved by NERSA and the previous year's performance

Water service charges: R 73 533 529

The Tariff increases are in line with the guideline of 4.8 % received from National Treasury and previous year's performance

Solid Waste service charges: R 37 893 774

The Tariff increases are in line with the guideline of 4.8% received from National Treasury and previous year's performance.

Sewer Service charges: R 7 800 100

The Tariff increases are in line with the guideline of 4.8% received from National Treasury and previous year's performance.

Rent of Facilities and Equipment R 800 000

The anticipated Operational Revenue is calculated by comparing the annual budgeted amount against the actual mid-year Revenue, and the historic information is also taken into account.

The Municipality was advised by Provincial Treasury to adopt a conservative approach when estimating revenue, and the estimate of R 800 000 is regarded as realistic due to the fact that most Covid restrictions are uplifted.

Interest earned- Outstanding Debtors: R 25 652 121

The increase in provision for interest earned-outstanding debtors is the result of the 2020 2021 actual performance of R 22 440 064 received and the 2021 2022 actual six months of R 17 568 366 received

Licence and Permits: R 817 000

The allocation remains the same as 2021 2022 financial year. This item was thoroughly discussed and due to the fact that licenses and permits are not a fixed monthly charge but vary from month to month with some once-off payments, it was resolved not to increase the budget on this item. The historic information was also, taken into account as people from all over Limpopo may make use of our service which makes it difficult to estimate.

Income from agency services: R 14 664 291

The allocation was based on the performance of 2020 2021 financial year and the item reduced from previous year budget. The amount of R36 million will be treated as a liability as it represents the amount to be paid over to the department of Transport

Operating Grants and Subsidies: R 630 030 000.

The operating grants and subsidies are in line with DORA allocations and Seta Grant.

Expenditure

Employee Related Cost Salaries: R 367 850 617.

Salaries have been increased by 4.5% for all employees in the employment of GTM 2022/2023 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.

Remuneration of Councilors

The Budget Steering Committee resolved to keep the provision of Councillors remuneration unchanged as the provision is based on historical and current information.

Composition of and increases of Councillor's allowances are determined annually by the Minister of the Department of Co-operation and Traditional Affairs (COGSTA) through a Gazette setting out the upper limits of the allowances to Councillor's. The Gazette is normally issued towards the end of December to apply retrospectively from 1 July of that year. The Gazette had not been issued yet.

Depreciation: R 134 847 579

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

Inventory consumed: R 67 268 118

Inventory consumed increased from previous financial to 2022/2023. Due additional funds required to maintain the roads electricity maintenance

Interest Expenses: External Borrowing: R 14 057 047

The decrease on provision for interest expenses on external borrowing is the result of redemption amount paid in the previous year and the Interest on loan amount is also based on the amortisation schedule received from the banks for all loans interest payable in one year

Bulk Purchases R 466 871 250

The calculation of Bulk purchases is based on previous year's performance as well as the guidelines from National Treasury circulars 112 and 115.

Contracted Services: R 76 920 401

The increase on contracted services in due to the CPIX increases on fixed term contracts

Grants and Subsidies paid: R45 801 506

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

General Expenditure: R 149 163 030

The reduction in the provision on the 2021/2022 Budget is mainly due to the transfer of GTEDA budget of R9.8 million to grants and subsidies item as mandated by the Auditor General

Provision for impairment R 49 600 000

The increase on debt impairment is based on the methodology recommended by Auditor General where the municipality is required to individual assess consumer debtors and in the previous year, the impairment on debt was based on the

probability of consumers owing more than 90 days and this led to the reversal of provision that was already made