

EXPLANATION OF VARIANCES IN THE 2023 2024 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 2022/2023 and 2023/2024 Budgets are motivated as follows:

Revenue

Property Rates: R 150 141 836

Property rates are based on the inflation forecast (5.3%) contained in National Treasuries Budget Circulars 122 and 123 and is calculated on Councils General Valuation Roll implemented on 1 July 2017.

Fines, penalties and forfeits. R 21 557 011

The allocation of R21.5 million was based on the 2022/2023 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 9 500 000

The allocation of R9.5 million was based on the 2022/2023 actual receipt for interest revenue on investment.

Electricity service charges: R 763 000 000

Electricity service charges is based on the increase of 15.10% as per Budget Circular 123 and the 2022/2023 financial year's performance.

Water service charges: R 72 363 907

The Tariff increases are in line with the guideline of 5.3% received from National Treasury and previous year's performance.

Solid Waste service charges: R 40 893 774

The Tariff increases are in line with the guideline of 5.3% received from National Treasury and previous year's performance.

Sewer Service: R 8 100 000

The Tariff increases are in line with the guideline of 5.3% received from National Treasury and previous year's performance.

Rent of Facilities and Equipment R 1 100 000

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 1 100 000 is regarded as realistic due to the fact that all Covid restrictions are lifted.

Interest earned- Outstanding Debtors: R 47 734 777

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.

2022/2023 Budget amount	R33 652 121
2022/2023 Mid-Year Amount	R23 458 338

An estimate of R47 734 777 is regarded as realistic as when measured against Audited Actuals and current year Mid-Year Revenue amount.

Licence and Permits: R 817 000

The allocation remains the same as 2022/2023 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 15 664 291

The anticipated Operational Revenue is calculated by comparing the annual budgeted amount against historic information (previous audited actuals).

The allocation was based on the audited performance of 2021/2022 financial year and the item increased from previous year budget.

Operating Grants and Subsidies: R 672 513 000.

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

Expenditure

Employee Related Cost Salaries: R 438 867 924.

Salaries have been increased by 5.4% for all employees in the employment of GTM 2023/2024 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 Councilors remuneration unchanged as the provision is based on historical and current information.

Composition of and increases of Councilor'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 Councilor'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 115 814 038

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 110 757 563

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

Interest Expenses: External Borrowing: R 12 644 819

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 508 243 120

The calculation of Bulk purchases is based on previous year's performance as well as the guidelines from National Treasury circulars 122 and 123.

Contracted Services: R 92 077 061

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

Grants and Subsidies paid: R 50 700 230

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

General Expenditure: R 165 006 159

The reduction in the provision on the 2021/2022 Budget is mainly due to the transfer of GTEDA budget of R12.5 million to grants and subsidies item as mandated by the Auditor General.

Provision for impairment R 70 000 000

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.