EXPLANATION OF VARIANCES IN THE 2026 2027 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 2025/2026 and 2026/2027 Budgets are motivated as follows:

Revenue

Property Rates: R 223 106 488

Property rates are based on the inflation forecast (3.7%) contained in National Treasuries Budget Circulars 132 and is calculated on Councils General Valuation Roll implemented on 1 July 2024.

Fines, penalties and forfeits. R 43 380 000

The allocation of R43.3 million was based on the 2025/2026 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 37 006 502

The allocation of R37 million was based on the 2025/2026 actual receipt for interest revenue on investment.

Electricity service charges: R 1 307 615 196

Electricity service charges is based on the increase of 9.10% as per Budget Circular 132 and the 2025/2026 financial year's performance.

Water service charges: R 57 891 699

The Tariff increases are in line with the guideline of 3.7% received from National Treasury and previous year's performance.

Solid Waste service charges: R 48 980 000

The Tariff increases are in line with the guideline of 3.7% received from National Treasury and previous year's performance.

Sewer Service: R 9 100 000

The Tariff increases are in line with the guideline of 3.7% received from National Treasury and previous year's performance.

Rent of Facilities and Equipment R 2 267 100

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 2 267 100 is regarded as realistic due to the fact that all Covid restrictions are lifted.

Interest earned- Outstanding Debtors: R 67 113 637

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.

2025/2026 Budget amount	R57 113 637
2025/2026 Mid-Year Amount	R36 935 198

An estimate of R67 113 637 is regarded as realistic as when measured against Audited Actuals and current year Mid-Year Revenue amount.

Licence and Permits: R 600 845

The allocation remains the same as 2025/2026 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 16 664 291

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 704 531 000

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

Expenditure

Employee Related Cost Salaries: R 550 136 178

Salaries have been increased by 7% for all employees in the employment of GTM 2026/2027 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.

Inventory consumed: R 134 279 985

Inventory consumed increased from previous financial to 2025/2026. Due additional funds required to maintain the roads electricity maintenance.

Interest Expenses: External Borrowing: R 8 834 348

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 842 890 312

The calculation of Bulk purchases is based on previous year's performance as well as the guidelines from National Treasury circular 132.

Contracted Services: R 140 610 476

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

Grants and Subsidies paid: R 44 337 000

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

General Expenditure: R 226 077 222

The increase in general expenses is mainly due to the new Insurance Contract, which is mandated by the increase in municipal assets, together with the increase in municipal services.