

**REPORT BY THE MAYOR OF KWADUKUZA MUNICIPALITY,
DR. RICARDO MTHEMBU, ON THE OCCASION OF THE FIRST
QUARTER BUDGET AND PERFORMANCE REPORT -
KWADUKUZA MUNICIPALITY COUNCIL CHAMBER.**

Thursday, 25 October 2018

Honourable Speaker;
Honourable Councillors;
Senior Managers and Staff

INTRODUCTION AND ECONOMIC OVERVIEW:

It gives great pleasure to report to give you my report for the first quarter budget and performance.

My report comes at a when we have just received reports last month (September 2018) stating that the South African economy slipped into recession during the second quarter of 2018, shrinking by 0,7% quarter-on-quarter (seasonally adjusted and annualised).

This followed a revised 2,6% contraction in the first quarter of 2018.

This narrated to Government activity decreasing by 0,5%, largely as a result of falling employment numbers in the civil service.

Yesterday, the newly appointed Minister of Finance, Mr. Tito Mboweni revealed the following:

- Economic growth revised downwards from 1.5% to 0.7% for 2018.
- Consolidated budget deficit for 2018/19 revised to 4% of GDP (from 3.6%).
- After rising to 4.2% of GDP in 2019/20, it is expected to stabilise at 4% in outer years.
- Gross debt to stabilise at 59.6% of GDP in 2023/24 (February budget projection was 56.2% of GDP in 2021/22).
- Tax revenue for 2018/19 projected to fall R27.4 billion short of February estimate due to Vat refund backlog, underestimation of refunds and slower corporate income tax collections.
- Expenditure ceiling to be maintained and set to grow at 1.5% in 2021/22.

Today, I have the great pleasure to inform you of the great work we have done in the midst of the conditions I have put to you above.

IMPORTANT CONSIDERATIONS IN THE OPERATING BUDGET:

The First Quarter Budgeted Operating Revenue for the 2018/19 financial year was R351, 7m. As per the First Quarter assessment the actual revenue billed and/or collected to date is R343, 5m.

The negative variance of approximately R8, 2m or 2% is realised at the end of the quarter under review.

The First Quarter Budgeted Operating Expenditure for the 2018/19 financial year was R380, 9m. As per the First Quarter assessment the actual expenditure to date is R305, 8m.

The negative variance of R75, 1m or 20% has resulted in the first quarter of 2018/19 financial year.

IMPORTANT CONSIDERATIONS AS IT RELATES TO EXPENDITURE:

The First Quarter Budgeted Operating Expenditure for the 2018/19 financial year was R380, 9m. The actual expenditure recognised as at 30 September 2018 was R305, 8m which implies that the municipality has realised a negative variance of approximately R75, 1m in expenditure.

The reasons for the variances will be discussed with reference to Table C4 of the Budget Statement Tables.

SUGGESTED RESOLUTIONS:

I wish to present to honourable councillors, possible resolutions in terms of the Municipal Budget and Reporting Regulations which are required to be considered by Council, today:

1. **THAT** the September 2018/19 Section 71(1) Monthly Budget Assessment Statement in the C Schedule (Annexure A) format as per No. 32141 GOVERNMENT GAZETTE, 17 APRIL 2009 be noted and approved.
2. **THAT** the report be submitted timeously to National Treasury, Provincial Treasury and other organs of state as per the

requirement of No. 32141 GOVERNMENT GAZETTE, 17 APRIL 2009.

3. **THAT** the September 2018/19 Section 71(1) Monthly Budget Assessment Statement be tabled before Council.
4. **THAT** the report be tabled in terms of S52(D) of the MFMA, Act No. 56 of 2003
5. **THAT** Council notes the withdrawals from bank account, attached under 'Supporting Documents' in the report, in terms of Municipal Finance Management Act, Sec 11 (4).

CONCLUSION:

I welcome Councillors to engage with report. I thank you