



SUPPLEMENTARY AGENDA II

**FINANCE AND GOVERNANCE COMMITTEE MEETING
(FINANCE ITEMS)
Wednesday, 8 March 2023**

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7.13

CASH FLOW FORCAST

REPORT FROM THE DIRECTOR FINANCIAL SERVICES

PURPOSE OF THE REPORT

The purpose of this report is to submit to TMT the Cash Flow forecast up to 07th March 2023

PREVIOUS RESOLUTIONS

Not Applicable

BACKGROUND

Section 13(2) requires that municipalities' need to adopt a cash management and investment policy. It is therefore imperative for municipalities to implement strategies to administer and manage cash, the control and timing of cash collection, the control and timing of cash payments and the timely receipts and payment of short and long-term debt. This will ensure that the municipality safely and efficiently handle cash, maintain liquidity (operating as a going concern), identify surplus cash available for investments and that the municipality are able to timeously provide for any shortfalls in the operating budget.

DISCUSSION

The attach Cash Flow forecast is a projection up to the 7th of March 2023 in order to include the large creditors or payments due, which is your bulk Eskom (payable on the 4th of each month) as well as SARS (payable by the 7th of each month).

Cash flow forecast attach as Annexure A:

Income

- Income includes revenue from property rates and other services, borrowings as well as grants.
- Grants figures are based on gazetted amounts.
- Borrowing is based on withdrawal schedule.
- Property rates and other services is based on actual revenue of prior months.

Expenditure

- Expenditure include employee related cost, repayment of overdraft and grants, loan repayments, capital expenditure and other expenditure
- Expenditure is based on monthly fixed expenditure, projections based on actual expenditure of prior months as well as cash flow forecast for capital expenditure provided by user department.

CONCLUSION

The Cash Flow forecast illustrates that the municipality is currently having cash flow challenges. Should the full amount for outstanding grants be ring-fenced, the municipality will not be able to fulfil its operational commitments. As already reported in the Section 71 report, poor debt collection, un/funded mandates and poor expenditure control are the main contributors towards a weak cash flow position. The unpaid conditional grants, which mostly relates to Integrated Human Settlement keep on increasing and is currently sitting on R9.2 million. Should these challenges not receive immediate attention and timeous action, the Municipality will remain financially unhealthy position for an indefinite period.

FINANCIAL IMPLICATIONS

Not Applicable

RELEVANT LEGISLATION

Section 13 of the Local government: Municipal Finance Management Act No. 56 of 2003

Cash Management and Investment Policy.

RECOMMENDATION OF THE MUNICIPAL MANAGER

- [a] That the report on the Cash Flow Forecast up to 7 March 2023;
- [b] That Council strategize on measures to improve Cash Flow.

APPENDIX / ADDENDUM

ANNEXURE A Cash Flow Forecast

File Number: 9/1/2/10
Execution: Municipal Manager
Director Financial Services
Manager Expenditure

CASH FLOW FORECAST FROM 14 February 2022 TO 07 March 2023		
DESCRIPTIONS	February	March
Bank Balances - Primary	- 9,984,494.46	5,482,131.84
- Secondary	-	-
- VAT Account	13.38	
Bank Balance 14/02/2023	- 9,984,481.08	5,482,131.84
<u>CASH INFLOW FORECAST</u>	92,956,375.98	126,024,850.28
Income: Property Rates and Other services	43,838,503.67	75,926,262.66
Department of Human Settlement	2,074,872.31	2,074,872.31
VAT Claim		2,846,715.31
Borrowings	46,000,000.00	-
Equitable Share		31,128,000.00
MIG		14,049,000.00
INEP	730,000.00	
Epwp	313,000.00	
NDPG		
Total Cash Inflows	82,971,894.90	131,506,982.12
<u>CASH OUTFLOW FORECAST</u>		
Total Cash outflows	77,489,763.06	136,525,560.13
Salary Payments/Net Salaries	25,600,000.00	25,600,000.00
Grants Payment - Roll Over		4,879,763.00
Loans Repayments	1,010,128.91	877,365.00
Overdraft		20,668,666.00
Capital Expenditure	8,525,712.36	8,316,125.36
Ring-fence MIG, NDPG.INEP		30,349,754.00
Expenditure	42,353,921.79	45,833,886.77
Net Cash Flow - <i>Shortfall</i>/Surplus	5,482,131.84	-5,018,578.01

8. Closure