

# Cash management under the current economic conditions

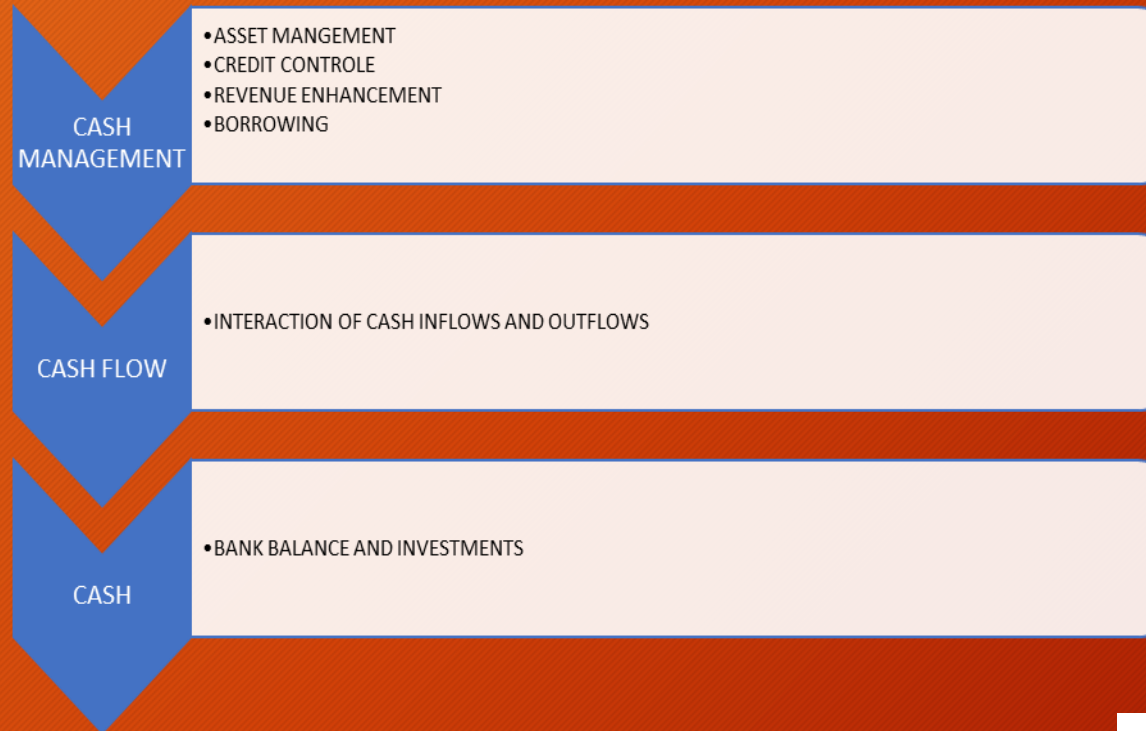


# When has a municipality a cashflow problem

- SHORT TERM
- THE RATIO OF CURRENT ASSETS to CURRENT LIABILITIES
- MEDIUM TO LONG TERM
- THE RATIO OF CURRENT ASSETS to RESERVES and CURRENT LIABILITIES



# WHAT IS CASH MANAGEMENT



# Definition of Cash Management

- A BROAD DEFINITION
- The legal obligation to maximize all available revenue resources and productivity levels and minimize expenditure ,risks and ineffectiveness in order to accumulate sufficient cash and cash equivalents to secure the achievement of present and future constitutional objectives within the framework of a long-term financial plan as informed by the institution's integrated development plan



# ENVIRONMENT NEEDED FOR SUCCESSFUL AND EFFECTIVE CASH MANAGEMENT

## STABILITY

- Political
- Management

## FUNCTIONAL ORGANIZATIONAL STRUCTURE

- Skilled and well-trained personnel
- Devotion and energy

## FEASIBLE GOALS IN TERMS OF THE IDP

## APPLICABLE POLICIES AND BYLAWS

## EFFECTIVE BUDGETING

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Revenue By Source</b>											
Property rates	2	3 719	3 744	4 146	4 302	4 502	–	–	4 615	4 846	5 088
Service charges - electricity revenue	2	8 823	8 746	11 023	10 765	9 757	–	–	10 570	11 099	11 654
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	2 357	3 290	3 777	3 500	3 764	–	–	4 629	4 860	5 103
Service charges - other											
Rental of facilities and equipment		721	771	727	815	906			973	1 022	1 073
Interest earned - external investments		3 350	3 846	2 313	2 538	1 081			2 045	2 148	2 255
Interest earned - outstanding debtors		3 930	4 633	4 709	5 216	5 091			5 386	5 655	5 938
Dividends received											
Fines, penalties and forfeits		108	82	116	337	99			110	115	121
Licences and permits		462	444	1 073	1 700	1 690			1 309	1 375	1 443
Agency services		66	59	67	958	858			1 313	1 379	1 447
Transfers and subsidies		112 881	145 190	132 075	122 530	121 831			123 829	130 951	138 482
Other revenue	2	3 811	4 296	823	622	890	–	–	554	581	610
Gains on disposal of PPE		–	–	490	–	115			–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>140 226</b>	<b>175 101</b>	<b>161 338</b>	<b>153 284</b>	<b>150 585</b>	<b>–</b>	<b>–</b>	<b>155 333</b>	<b>164 030</b>	<b>173 215</b>
<b>Expenditure By Type</b>											
Employee related costs	2	42 913	55 775	67 572	78 926	76 292	–	–	85 278	91 375	98 277
Remuneration of councillors		10 104	10 885	11 185	12 071	12 688			13 703	14 799	16 131
Debt impairment	3	13 567	4 398	7 406	7 500	3 000			6 000	6 000	6 000
Depreciation & asset impairment	2	32 245	21 832	20 564	24 729	25 546	–	–	23 721	24 256	24 256
Finance charges		787	622	1 363	657	657			2 216	2 216	2 216
Bulk purchases	2	14 809	13 480	12 948	16 550	14 920	–	–	15 070	15 070	15 070
Other materials	8	1 082	1 437	1 437	6 487	5 019			2 786	2 096	2 096
Contracted services		8 572	13 774	10 210	5 882	17 163	–	–	13 027	15 912	14 712
Transfers and subsidies		–	–	–	435	1 379	–	–	290	290	290
Other expenditure	4, 5	58 907	68 736	51 912	41 502	25 876	–	–	21 939	20 710	20 759
Loss on disposal of PPE		1 147	8 831	1 244	–	–			–	–	–
<b>Total Expenditure</b>		<b>184 133</b>	<b>199 772</b>	<b>185 842</b>	<b>194 739</b>	<b>182 540</b>	<b>–</b>	<b>–</b>	<b>184 028</b>	<b>192 724</b>	<b>199 807</b>
<b>Surplus/(Deficit)</b>		<b>(43 907)</b>	<b>(24 671)</b>	<b>(24 504)</b>	<b>(41 455)</b>	<b>(31 956)</b>	<b>–</b>	<b>–</b>	<b>(28 695)</b>	<b>(28 694)</b>	<b>(26 592)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		30 399	30 615	26 170	33 666	33 666			44 279	31 848	33 484
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(13 508)</b>	<b>5 944</b>	<b>1 666</b>	<b>(7 789)</b>	<b>1 710</b>	<b>–</b>	<b>–</b>	<b>15 584</b>	<b>3 153</b>	<b>6 892</b>



# Liquidity trap

- Revenue
  - Smart metering
  - Rates and Taxes reform
- Assets
  - Repairs vs Replacements
  - Maintenance to extend useful live of assets
- Borrowing
  - Cash reserves vs Raising Loans
- Landfill Sites



# Schedule A8

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	31 776	28 419	13 134	1 073	16 272	-	-	10 381	1 149	(1 587)
Other current investments > 90 days		-	-	(0)	(1)	(2)	-	-	0	0	0
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>31 776</b>	<b>28 419</b>	<b>13 134</b>	<b>1 072</b>	<b>16 270</b>	<b>-</b>	<b>-</b>	<b>10 381</b>	<b>1 149</b>	<b>(1 587)</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		349	1 157	801	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	6 337	11 711	7 871	18 055	12 083	-	-	10 555	6 138	5 722
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>6 686</b>	<b>12 868</b>	<b>8 671</b>	<b>18 055</b>	<b>12 083</b>	<b>-</b>	<b>-</b>	<b>10 555</b>	<b>6 138</b>	<b>5 722</b>
<b>Surplus(shortfall)</b>		<b>25 091</b>	<b>15 551</b>	<b>4 462</b>	<b>(16 983)</b>	<b>4 187</b>	<b>-</b>	<b>-</b>	<b>(174)</b>	<b>(4 989)</b>	<b>(7 309)</b>

# CASH MANAGEMENT RECOVERY

Not a quick fix  
Relentless collective effort  
Possible tool



Revenue	2017 R (m)	2018 R (m)	2019 R (m)	2020 R (m)	2021 R (m)	2022 R (m)	2023 R (m)	2024 R (m)	2025 R (m)	2026 R (m)
Property rates 90% recovered										
Electricity fees 90% recovered	42.0	46.2	50.8	55.9	61.4	67.6	74.4	81.8	90.0	99.0
Water Fees 90% recovered	101.7	107.8	114.3	121.2	128.5	136.3	144.5	153.2	162.4	172.2
Refuse removal fees 90% recovered	16.7	19.4	21.4	23.7	26.2	28.9	32.0	35.3	39.0	43.1
Sanitation fees 90% recovered	14.0	15.0	15.9	17.0	18.1	19.2	20.5	21.9	23.3	24.8
Equitable Share	13.7	14.6	15.6	16.6	17.7	18.9	20.1	21.4	22.8	24.3
Fines net of provision	47.6	52.5	56.7	61.0	65.7	70.8	76.2	82.0	88.3	95.1
Rental of Facilities	247	257	263	270	277	284	291	298	306	313
Interest on Investments	4.06	4.3	4.5	4.73	4.97	5.22	5.48	5.75	6.04	6.34
Interest on debtors 90% recovered	1.6	1.06	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Licences and permits	2.8	3.07	3.4	3.7	4.08	4.49	4.94	5.43	5.98	6.58
Agency Fees	1.07	1.12	1.18	1.24	1.30	1.37	1.44	1.51	1.59	1.67
Proceeds on disposal of assets	3.07	3.22	3.38	3.55	3.73	3.92	4.11	4.32	4.54	4.77
Other Income	7.67	8.11	8.57							
	2.17	2.28	2.40	2.52	2.65	2.78	2.92	3.07	3.22	3.39
<b>Total Cash Revenue</b>	<b>260.61</b>	<b>281.23</b>	<b>301.78</b>	<b>314.94</b>	<b>338.10</b>	<b>363.32</b>	<b>390.50</b>	<b>419.66</b>	<b>451.43</b>	<b>485.58</b>
Expenditure	2017 R (m)	2018 R (m)	2019 R (m)	2020 R (m)	2021 R (m)	2022 R (m)	2023 R (m)	2024 R (m)	2025 R (m)	2026 R (m)
Employee cost	112.89	120.73	129.03	137.83	147.16	157.05	167.53	177.58	188.24	199.53
Councillors Remuneration	6.51	6.90	7.31	7.75	8.22	8.71	9.23	9.81	10.40	11.02
Repairs and maintenance	7.77	9.5	10.1	10.7	11.4	12.0	12.6	13.5	14.3	15.2
Bulk Purchases	90.28	95.69	101.4	107.5	114.0	120.8	128.0	135.7	143.8	152.5
Transfers and subsidies	1.13	1.20	1.27	1.35	1.43	1.52	1.61	1.71	1.81	1.92
Interest and Redemption (excluding new borrowing)										
Contracted Services and General Expenses	7.85	7.85	6.60	6.60	4.03	2.97	2.97	2.97	2.97	2.97
	35.37	38.63	40.78	43.23	45.82	48.57	51.48	54.57	57.84	61.31
<b>Total cash expenditure</b>	<b>261.9</b>	<b>280.5</b>	<b>296.69</b>	<b>314.96</b>	<b>332.06</b>	<b>351.62</b>	<b>373.62</b>	<b>395.84</b>	<b>419.36</b>	<b>444.45</b>
<b>Total cash surplus/deficit</b>	<b>-1.29</b>	<b>7.73</b>	<b>5.09</b>	<b>-0.02</b>	<b>6.04</b>	<b>11.7</b>	<b>16.88</b>	<b>23.82</b>	<b>32.07</b>	<b>41.13</b>

# LANDFILLS

It must also be emphasized that the rehabilitation of the land fill sites is not capital expenditure and for this reason borrowing is in terms of the MFMA not permitted. It is also doubtful if MIG funds would be available for this liability because the MIG funds would be necessary to establish new landfill site facilities.

Thus, cash reserves must be available to do the rehabilitation when needed