



- MEASURING CASH MANAGEMENT AND FORECASTING PERFORMANCE

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PEMPAL TREASURY COMMUNITY
OF PRACTICE (TCOP) CASH
MANAGEMENT THEMATIC GROUP
MEETING

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Indicator 1 Cash Management Outcomes

Indicator	July 2024	August 2024	September 2024
Percentage of the total amount (by value) of monthly payments due that are not made on the due date (as a result of the lack of liquidity)	0%	0%	0%
Ratio of outstanding advances or other borrowing from the central bank to total monthly expenditure, %	not applicable (n/a)	not applicable (n/a)	not applicable (n/a)

- Indicator 1 is relevant (note: the Financial Operations and Pre-Bankruptcy Settlement Act prescribes payment deadlines:
 - ✓ payment obligation deadlines of up to 60 days can be agreed by contract, but not longer than 360 days
 - ✓ if not agreed by contract, 30-day deadlines apply)
- Indicator 2 is not relevant – overdraft facilities and other types of credit facilities with the central bank – EU acquis (Treaty on European Union / Treaty of Maastricht) are forbidden
- Additional indicator – difference between revenue generated from time / sight deposits and borrowing costs (realised borrowing that proves to be unnecessary) – not applied in the Republic of Croatia

Indicator 2 TSA Coverage

National budget and budget users of the national budget

Indicator	2022	2023	Average
	mil EUR	mil EUR	
	1	2	3(1+2)/2
A) Cash balances in the TSA under control of the Treasury and available to meet commitments	1,819.3	4,000.4	2,909.9
B) Total balances of users outside TSA scope in the banking system – excludes balance under A	382.8	473.4	428.1
C) = A/(A+B)* 100	82.66%	89.43%	86.04%

A. Cash balances in the TSA under control of the Treasury and available to meet commitments include the national budget and budget users under TSA scope (without the balance of budget users of the national budget outside TSA scope) – includes tax revenue, own and earmarked revenue, and receipts (aid, donations, borrowing proceeds, other special means revenue).

IMPORTANT!!!!

NATIONAL LEVEL IS SEPARATED FROM LOCAL LEVEL BY LAW .

The Budget Act prescribes that the national budget has TSA for all inflows and outflows of the national budget and budget users of the national budget, whereas local budgets (towns, municipalities, counties) have TSA for the local budget and budget users of the local budgets.

Extra-budget users of the national budget operate outside of the TSA (no obligation of establishment), unless they are organisationally included in the national budget and therefore in the TSA cash flow.

General government

Indicator	2022	2023	Average
	mil EUR	mil EUR	
	1	2	3(1+2)/2
A) Cash balances in the TSA under control of the Treasury and available to meet commitments	1,819.3	4,000.0	2,909.9
B) General government balances in the banking system without cash balances in the TSA (excludes balance under A)	2,310.5	3,338.1	2,824.3
C) = A / (A + B) * 100	44.04%	54.51%	50.74%

Specification under B	2022	2023	Average
	1	2	3(1+2)/2
Balance of budget users of the national budget outside TSA scope	382.8	473.4	428.1
Extra-budget users of the national budget	972.1	1,586.2	1,279.1
Local budgets + extra-budget users of the local budgets	955.6	1,278.5	1,117.0

Indicator 3 Cash Forecasting

Indicator – all costs	July 2024 mil EUR	Aug 2024 mil EUR	Sept 2024 mil EUR
Revenue (forecast) Rf	2,163.4	2,141.9	2,307.5
Revenue (actual) Ra	2,547.4	2,149.9	2,525.4
$(Ra-Rf)/Ra*100\%$	15.1	0.4	8.6
Expenditure (forecast) Ef	2,701.6	2,411.0	2,400.3
Expenditure (actual) Ea	2,679.4	2,268.5	2,317.5
$(Ea-Ef)/Ea*100\%$	-0.8	-6.3	-3.6
Net deviation $((Ra-Rf)-(Ea-Ef))/Ra*100\%$	15.9	7.0	11.9

Indicator – part of fixed costs	July 2024 mil EUR	Aug 2024 mil EUR	Sept 2024 mil EUR
Expenditure (forecast) Ef	1,552.3	1,462.6	1,559.2
Expenditure (actual) Ea	1,571.7	1,450.6	1,549.3
$(Ea-Ef)/Ea*100\%$	1.2	-0.8	-0.6

PERFORMED ANALYSES SHOW:

- deviations in expenditure/outlay forecasts are mostly due to a different dynamic of executing capital expenditure and projects co-financed by EU funds (public procurement) from what was initially planned; fixed expenses show minor deviations
- conservative approach to revenue planning
- additional deviations in revenue/receipt forecasts are mostly due to a different dynamic of value added tax realisations (transfer from the end of the current month to the start of the next month)

PREVENTING FORECAST DEVIATIONS

- defining fixed due dates for “large expenditure” (pensions, salaries, social benefits, aid in agriculture, etc.) – reduces the possibility of contingencies (ad hoc larger payments)
- given that cash flow projections in the Republic of Croatia are updated and revised on a daily basis, we believe that an indicator measuring monthly deviation between what was planned at the start of the month and how the month actually ended is less relevant

Comments and recommendations

EXPERIENCES

- a more complex structure of the budget and financial plan (more detailed programme classification) requires a more complex data analysis
- new sources of funding (EU funds) complicate cash flow forecasting
- most issues in cash flow forecasting caused by activities and projects without a specific execution dynamic, which depend on multiple factors, e.g. public procurement, etc. (investment projects, projects co-financed by EU funds)
- budgetary framework – unrealistic annual financial plan is reflected on forecast accuracy, especially in the last quarter

RECOMMENDATIONS

- delivery of information from budget users relating to expenditure/outlay payments on a monthly basis by days (for data under their responsibility)
- education of budget users aimed at improving administrative capacities
- integration of application solutions (e.g. e-invoice) with the budget and financial plan (invoice visible as soon as the supplier issues it, and not when the budget user sends it to the system for payment)
- reinforcing interaction between revenue collection/generation institutions (Tax Administration, National Fund, etc.) and the Treasury

**Thank you for
your attention!**

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