BUILDING FINANCIAL RESILIENCE

In a Time of Fiscal Uncertainty

CIGFARO 97th Annual Conference • Masterclass

Main Presenter: Commissioner Khomotso Letsatsi

Drawing on public-sector finance leadership and former Group Treasurer experience

1. The challenge: more delivery, less fiscal room

The masterclass starts from the operating reality facing public institutions.

Revenue uncertainty

Revenue flows are less predictable while demand for services remains high.

Expenditure pressure

Inflation, compensation, maintenance, debt service and input costs squeeze room.

Shock exposure

Economic volatility and unforeseen events can disrupt budgets and cash flow.

Public expectations

Citizens still expect reliable, affordable and sustainable services.

Resilience is the capacity to anticipate, absorb, respond and recover — without compromising core functions.

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Source: Concept note, pp. 1–2. cite turn0search7

2. Constitutional foundation

Financial resilience is not discretionary — it is rooted in constitutional duties.

Section 152 — Local government

Sustainable service provision; democratic and accountable government.

Section 195 — Public administration

Efficient, economic and effective use of resources; accountability.

Section 214 — Division of revenue

Equitable division of nationally raised revenue through national legislation.

Section 215 — Budgets

Transparency, accountability and effective financial management of economy, debt and public sector.

Section 216 — Treasury control

National legislation establishes treasury control mechanisms to ensure transparency and expenditure control.

Section 217 — Procurement

Fair, equitable, transparent, competitive and cost-effective procurement.

The constitutional test: fiscal discipline must ultimately protect sustainable service delivery and public value.

2 MIN

Sources: Constitution, Chapters 7, 10 & 13 — gov.za. cite turn0search6 turn0search5 turn0search3

3. The legislative architecture

The Constitution is operationalised through a system of public-finance and local-government laws.

MFMA 56 of 2003

Sound and sustainable municipal financial management.

Budget credibility • reporting • risk • borrowing • internal controls • accountability

Municipal Systems Act 32 of 2000

Developmental local government framework.

Integrated planning • performance • resource mobilisation • service delivery • community participation

IGFR Act 97 of 1997

Co-operation across spheres on fiscal, budgetary and financial matters and the process for equitable revenue sharing.O

PFMA

For national/provincial public finance: accountability, budgeting, reporting and control.

Resilience sits at the intersection of law, finance, governance, service delivery and leadership.

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Sources: MFMA; Municipal Systems Act; IGFR Act; Constitution.cite turn0search4 turn0search0 turn0search1 turn0search3

4. From fiscal uncertainty to financial stress

The critical question is not whether pressure exists — it is whether the institution sees it early enough.

Revenue

Collections, transfers, grants, tariff affordability

Cost

Compensation, procurement, utilities, maintenance

Liquidity

Cash conversion, commitments, arrears

Balance sheet

Debt, assets, contingent liabilities

Delivery

Service failures, backlogs, credibility

Fiscal uncertainty becomes a crisis when warning signals are ignored, trade-offs are deferred, or decisions are made too late.

5. A practical financial resilience framework

Four capabilities must work together — not as separate compliance exercises.

ANTICIPATE

Forecast • scenario plan • stress test

ABSORB

Buffers • liquidity • controls

RESPOND

Prioritise • reallocate • escalate

RECOVER

Learn • rebuild capacity • reform

The objective is not a perfect budget. It is an institution capable of making credible decisions when the budget is no longer perfect.

6. Theme 1 — Shrinking budgets, increasing delivery

Move from across-the-board cuts to explicit choices.

1 | Protect

Statutory obligations
Essential services
Vulnerable communities
Safety and continuity

2 | Redesign

Process redesign
Digitalisation
Shared services
Better procurement

3 | Stop / defer

Low-value activity
Non-critical expansion
Projects without funding capacity
Activities that create future liabilities

Every rand should have a clear answer to: What outcome does this expenditure buy?

7. The expenditure prioritisation test

A simple decision discipline for Cabinet / Council / Board / Executive Management.

HIGH IMPACT / HIGH CRITICALITY **PROTECT & FUND**	**HIGH IMPACT / LOW CRITICALITY** **REDESIGN / PHASE**
LOW IMPACT / HIGH CRITICALITY **MAINTAIN / EFFICIENCY**	**LOW IMPACT / LOW CRITICALITY** **STOP / DEFER**

Do not confuse postponing expenditure with saving money.

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Adapted from the concept note's expenditure prioritisation and efficiency approach.

8. The Treasurer's lens: resilience is built on the balance sheet

A personal perspective from municipal treasury leadership.

Cash is a strategic asset

A balanced budget can still fail if cash is not available when obligations fall due.

Watch collections, payment cycles, commitments, liquidity and arrears.

Debt is a choice, not a cure

Borrowing can finance productive assets — but debt service must remain compatible with future revenues and operating capacity.

Credibility has a price

Budget credibility, clean reporting, reliable information and predictable decision-making affect funders, suppliers, investors and citizens.

Treasury discipline is ultimately about preserving options.

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Presenter perspective: former Group Treasurer experience; principles aligned to MFMA financial management.

9. Theme 2 — Financial risk management

A risk register is useful only if it changes decisions before the risk crystallises.

Revenue Collection / grant	**Collections %, forecast variance**
Expenditure Overruns /	**Variance, commitments, unit cost**
Liquidity Cash-flow	**Days cash, payment backlog**
Debt Refinancing /	**Debt service, maturity profile**
Contingent Guarantees / litigation / SOEs	**Exposure, probability, trigger**

Risk management = identify → quantify → assign → trigger → act → learn.

10. Early-warning indicators: see the problem before the statement does

Leaders need a small dashboard that triggers action.

Revenue

Actual collections vs forecast; debtor ageing; grant transfers

Liquidity

Cash position; 30/60/90-day forecast; payment backlog

Expenditure

Monthly variance; commitments; contract escalations

Service

Breakdowns; response times; maintenance backlog

Governance

Audit findings; procurement deviations; control failures

Balance sheet

Debt service; creditor days; contingent liabilities

11. A contingency plan must be executable

If nobody knows when to activate it, who decides, or what happens next, it is not a plan.

01 Trigger

What threshold or event activates the response?

02 Authority

Who decides, who escalates, who communicates?

03 Options

What lawful actions can be taken immediately?

04 Funding

What liquidity / reprioritisation / lawful funding options exist?

05 Recovery

What gets restored first — and how is the plan reviewed?

Test the plan before the crisis tests you.

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Concept note: contingency arrangements, activation triggers, lawful funding mechanisms and recovery priorities.

12. Theme 3 — Institutional resilience

Financial resilience is organisational resilience.

Leadership

Clear decision rights
Fast escalation
Visible accountability
Ethical leadership

People

Critical skills
Succession
Cross-functional teams
Continuous learning

Systems

Reliable data
Integrated finance & planning
Business continuity
Digital controls

Governance

Internal controls
Oversight
Audit follow-up
Transparency

The institution must be able to move faster under stress — without abandoning controls.

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Concept note: leadership, coordination, capability, information systems, continuity and adaptive management.

13. Theme 4 — Sustainable public financial management

Sustainability is tested over the life of the decision, not only in the current budget year.

Credible budgets

Realistic revenue
Medium-term affordability
Link policy to resources

Cash & commitments

Cash forecasting
Commitment controls
Arrears prevention

Capital discipline

Appraisal
Maintenance
Whole-life cost
Operating impact

Accountability

Transparent reporting
Audit follow-up
Performance evaluation
Value for money

14. Before approving the next rand: ask five questions

A practical decision filter for Councils, Boards and Executive Management.

1	**Is it necessary?**	Mandate, statutory duty, service criticality
2	**Can we afford it?**	Current + medium-term fiscal capacity
3	**What happens if we don't?**	Service, legal, social and economic consequences
4	**What will it cost later?**	Maintenance, staffing, debt, replacement, lifecycle
5	**How will we know it worked?**	Output, outcome, cost and accountability

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Presenter framework — integrates the concept note's prioritisation, risk and sustainability themes.

15. Practical scenario: the 10% shock

Use this as a mental simulation — not a theoretical exercise.

THE SHOCK

Revenue forecast falls 10%.

At the same time:
- service demand rises
- key contracts escalate
- cash pressure emerges
- political / public expectations remain unchanged

THE WRONG RESPONSE

Across-the-board cuts.

Freeze everything.

Delay maintenance.

Stop paying suppliers.

Borrow to cover recurring operating costs.

THE RESILIENT RESPONSE

Activate triggers.

Protect critical services.

Reforecast cash.

Reprioritise low-value spend.

Communicate trade-offs.

Track recovery.

The test of resilience is not avoiding every shock. It is avoiding panic when the shock arrives.

16. A 90-day resilience agenda

Translate the masterclass into institutional action.

0–30 DAYS

Map the top 10 fiscal risks
Build a 90-day cash view
Identify critical services
Set escalation thresholds

31–60 DAYS

Run 3 scenarios
Review major contracts
Test contingency actions
Reprioritise low-value spend

61–90 DAYS

Embed dashboard
Approve resilience owners
Strengthen medium-term plan
Report lessons and decisions

Start with the risks that can change the institution's choices fastest.

Concept note expected outcomes: practical actions adaptable to institutional mandates and legal frameworks.

17. What should participants leave with?

The concept note's expected outcomes become five commitments.

1. Understand the difference between short-term stabilisation and long-term resilience.
2. Use explicit criteria to prioritise expenditure and protect essential services.
3. Identify material risks and define early-warning indicators.
4. Make contingency plans operational — triggers, responsibilities, funding and communication.
5. Commit to one practical action that strengthens sustainable PFM in your institution.

1 MIN

Source: Concept note, Expected Outcomes, pp. 7. filecite turn0file0 L187-L201

FINANCIAL RESILIENCE IS A LEADERSHIP CHOICE.

We cannot control every fiscal shock.
We can control whether our institutions are prepared to absorb it.

DISCIPLINE

Know the numbers.

COURAGE

Make the trade-offs.

ACCOUNTABILITY

Protect public value.

Commissioner Khomotso Letsatsi • CIGFARO 97th Annual Conference • 05 October 2026

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Closing message aligned to the concept note's purpose and expected outcomes.