CASH FLOW MANAGEMENT POLICY

Introduction

Good cash flow management is crucial for the school to be successful. Cash flow is the primary indicator of the school’s financial health as it’s the measure of the school’s ability to pay overheads such as wages, loans and other operating expenses.

Objective

The primary objective of the Cash Flow Management Policy is to proactively review the cash balances during the year and adopt appropriation actions in order to manage available working capital.

Policy Details

Advantages of Cash Flow Management

- Knowing where you cash is being utilised;
- Plan ahead to spot potential cash flow issues and act in advance of the occurrence;
- Minimise interest payments;
- Identify surpluses which can be invested and earn interest and
- Be more in control of the school’s business and make informed decisions for future development and expansion

Steps for Management of the Cash Flow

- Preparing an annual budget including both operating and capital expenditure;
- Prepare corresponding cash flow forecasts, considering what the next 12 months may bring and
- Compare actuals results with your forecasts so as to measure performance
- Update cash flow forecasts as appropriate

Important Factors

- It is important to not confuse cash balances with profit. The school may be able to achieve a good profit/operating surplus, but still be cash poor with significant non-operating expenditure obligations;

- It is important to understand the key drivers of your cash flow. The primary financial driver of a school is student numbers and we should always be conservative when forecasting student numbers for budget/cash flow purposes;

- The balance sheet should be analysed to ensure sufficient contingencies are made for all potential liabilities that may occur outside of normal day to day operations, i.e. long service leave obligations on staff termination, deposit and bonds held on behalf of others, principal repayments on loans, GST and other tax obligations.
Conclusion

This policy has been prepared to assist the school in managing cash flow risk. It is imperative that the school understands its key cash flow drivers, where the risks lie and how to monitor and manage those cash flow risks. By utilising this policy, the school will best ensure that good cash flow management practises are included in the overall risk management strategies of the school.