

THABA CHWEU LOCAL MUNICIPALITY



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DRAFT CASH FLOW MANAGEMENT POLICY

1. PURPOSE AND OBJECTIVES

Primary Purpose

To introduce a disciplined approach in managing the Municipality's cash resources, ensuring efficient utilisation of funds and preventing liquidity shortages.

2. Key Objectives

- Identify and proactively address any potential cash shortfalls.
- Establish guidelines for cash flow projections and prioritise payments.
- Ensure compliance with the Municipal Finance Management Act (MFMA) and related regulations.

3. Composition of the Cash Flow Management Committee

Committee Structure:

The Cash Flow Management Committee is a sub-committee of the Thaba Chweu Municipality Executive and Finance Committee.

It includes:

Chairperson : Municipal Manager

Finance Team : Chief Financial Officer
Revenue Manager
Expenditure Manager
Budget Manager.

Executive Directors : Responsible for each budget vote

Invitees :

The Committee Chairperson may invite other officials, such as the Chief Audit Executive, Chief Risk Officer or any relevant external individual with specific expertise.

4. Meeting Frequency and Procedures

Meeting Schedule:

The Committee shall meet regularly, with additional meetings as required based on cash flow status and upcoming financial commitments.

Attendance:

All members are required to attend scheduled meetings. Additional staff or external advisers may attend if requested by the Chairperson.

Deliberations:

The Committee will address incremental cash flow issues, with follow-up on decisions from prior meetings.

5. Roles and Responsibilities

Committee Duties:

- Review and approve bi-weekly / monthly cash flow statements and projections.
- Ensure that the CFO updates projections monthly, maintaining a rolling six-month outlook.
- Discuss cash flow assumptions to ensure practicality and reliability.
- Evaluate cash flow projections to align with expenditure patterns and prioritize payments as needed.
- Monitor unspent conditional grants, ensuring these funds are ring-fenced and progressively invested as per regulations.
- Oversee the debtors' aging report and enforce collection policies.

Chief Financial Officer (CFO):

Responsible for:

- Monitoring weekly cash receipts and payments.
- Updating cash flow projections and reporting to the Committee on bi-weekly basis.
- Maintaining accurate records of commitments and outstanding debtors for each month.

6. Cash Flow Projections and Reporting

Bi-Weekly Reporting:

The CFO must provide weekly cash flow reports to the Committee, highlighting variances from projections and identifying any potential shortfalls.

Monthly Reviews:

The Committee will conduct monthly reviews of cash flow management performance to make adjustments based on actual results.

Annual Assessment:

An annual assessment of cash flow management will be conducted, reviewing overall performance against the policy and budget requirements.

7. Authority and Access

Information Access:

The Committee has the right to access all necessary documentation to fulfil its responsibilities.

Consulting Rights:

The Committee may seek external advice, with costs covered by Thaba Chweu Municipality, and may consult with the Treasury or any other expert.

Investigation Powers:

The Committee is empowered to investigate any cash flow-related matters within its mandate, ensuring no infringement of municipal financial provisions.

8. Budget Control and Spending

Budget Confirmation:

No purchase orders or payments will be authorized without confirmation from the relevant Head of Department on budget availability.

Departmental Budget Management:

Departments are responsible for controlling their budgets using a budget related reports available from the financial system.

Overspending Control:

Policies are in place to prevent budget overspending and align expenditures with available funds. Also, preventative mechanisms are imbedded within the Financial System.

9. Reporting Responsibilities

Reports to the Executive and Finance Committee:

Minutes and relevant reports from Committee meetings shall be submitted to the Thaba Chweu Municipality Executive Committee.

Council Representation:

The Chairperson or a designated Committee member will attend Council meetings to address any questions related to cash flow management.

10. Performance Management and Policy Review

Annual Policy Review:

The Committee will review and reassess this policy annually, recommending changes to the Executive and Finance Committee as necessary.

Performance Evaluation:

An annual performance evaluation of cash flow management will be conducted, with findings reported to the Executive and Finance Committee.