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Tips on Cash Flow Management

While your school has its own individual needs and set of challenges, there are a few basic principles every school should consider when it comes to cash flow management.

And since we are as committed to your success as you are, here are a few tips from FNB for better cash flow management:

Tip No.1 - Understand your cash flow and plan accordingly

The first, and most crucial, thing for your school to do is to have a very clear understanding of your cash flow, and plan appropriately.

Accurate cash flow forecasts and budgets should be drawn up. Consider the immediate needs of the school, future needs and make provision for unforeseen circumstances. A month by month forward view of the schools cash position assists greatly in understanding where and when shortfalls may arise and is a starting reference point when any major business decisions need to be taken.

Tip No.2 – Keep a tight rein on Controls

Ensure that your debtor controls, collection of your school fees, or any other collections are very efficiently handled (online banking can assist greatly). Where possible, incentivise for early payments and penalize for late payments.

Also ensure that within your control system you try to negotiate favourable terms with any creditor or supplier that you may have. The interest free credit that you negotiate, even if it's for a 15 day or 30 day period, has a benefit to your school and its business.

Tip No.3 – Structure your funding requirements in line with your cash flow

Where there are funding requirements for your school (be it for property expansion, vehicles for the school, general equipment etc.) always ensure that your financier has a strong understanding of your cash flow and is able to structure a facility accordingly.

An analysis of the free cash flow that your school generates should be the basis on which funding structure and specifically the term of the funding is determined. Financing long-term needs over a short period could place severe strain cash flow and financing short-term needs over a long period will prove expensive.

Depleting cash reserves to accommodate the purchase of an asset may also place future strain on cash flow, So when it comes to long term and short term needs, understand the cash flow in your school so you can structure a payment plan that fits the lifespan of the asset as well as the cash flow that your school generates on a monthly basis.

Your FNB Relationship Manager has the expertise to help you maximize your cash flow, and will work together with your school on an ongoing basis in order to suggest different mechanisms and different funding structures that suits the unique needs of your school. So, how can we help you?

For more information:

Contact the Independent schools desk on SEdmeston@fnb.co.za or nkosi1.busisiwe@fnb.co.za , or

Go to: <http://www.isasa.org/content/view/180/103/> or www.fnb.co.za