STRATEGY ON BANK OVERDRAFT

1. Introduction

This strategy is important for effective management of the bank overdraft in the province; including planning, budgeting, implementation, reporting, monitoring and evaluation; with an ultimate objective of attaining a cash surplus for the province.

Various initiatives have sought to focus greater attention on the relationship between budget, expenditure and the variance thereof. The impact of cash within this relationship is arguably the most significant but with a lesser focus than it deserves.

The focus on balancing 'paper' budget as opposed to 'cash' budget, does not take into consideration many factors which this strategy will seek to identify and provide suggested solutions thereto. The greater challenge is for the province to improve the methodology used to compile budgets by using more sophisticated forms of costing, thereby strengthening the link between budgets, expenditure and cashflow.

The costing of a budget in relation to its cashflow, must take into cognizance the historical cash performance of the institution. The costing of revenue streams and expenditure should ideally allow for a surplus cash budget to accommodate for any unforeseen / extraordinary circumstances. The costing of expenditure must be based on scientific data that presupposes the market price of a commodity for that financial year under budget, as well as the personnel numbers and costing thereof.

1.1. Legislation and regulations that governs cash management

1.1.1. The Constitution

Section 230 (1) – A province may raise loans for capital or current expenditure in accordance with national legislation, but loans for current expenditure may be raised only when necessary for bridging purposes during a fiscal year.

1.1.2. Borrowing Powers of Provincial Governments Act 48 of 1996

'bridging finance' means funds raised during a financial year in the Republic and denominated in rand to finance current expenditure in anticipation of the receipt of current revenue during that particular financial year, and includes an overdraft on a bank account which the provincial government concerned has opened in terms of its Exchequer Act.

Bridging finance shall not be raised by a provincial government as a continuous and unlimited revolving credit.

1.1.3. Public Finance Management Act (PFMA)

Section 38: General responsibilities of Accounting Officers

Section 38 (1) (b) - is responsible for the effective, efficient and economical and transparent use of the resources of the department.

Section 66: Restrictions on borrowings, guarantees and other commitments

Section 66 (2) read together with Section 66 (2) (b) - The MEC for finance in the province, acting in accordance with the Borrowing Powers of Provincial Governments Act, 1996 may borrow money, or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind a Revenue Fund to any future financial commitment

1.1.4. Treasury Regulations

Regulation 13: Loans, guarantees, leases and other commitments

13.1.1 The executive authority of a provincial department may not issue a guarantee, security or indemnity that may bind the provincial revenue fund, except with the prior written approval of the MEC for finance in the province.

Treasury regulation 13.1.2 and 13.1.3 prohibits an Accounting Officer or an official of a department to borrow money on behalf of that department or issue an unauthorized guarantee, security or indemnity.

Regulation 15: Banking, cash management and investment

15.10.1.1 The accounting officer is responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management.

2. Nature of the Problem

The bank overdraft commenced in 1999/2000 and picked up in 2003/04 and again in 2006/07. By the end of the 2010/11 financial year the bank overdraft in the PMG's of departments stood at R1.72 billion.

In 1999/2000 the bank overdraft stood at a R6 million but since then it has risen to R1.72 billion in 2010/11. The social sector with reference to compensation of employees in particular is the main driver of the bank overdraft. The overdraft at Education stands at R1.22 billion whilst Health is at R320 million.

Based on 2011/12 projected over expenditure at 30 September 2011, the projected bank overdraft at 31 March 2012 is estimated at R2.37 billion with Education (R1.33 billion), Health (R747 million) and Social Development (R209 million).

In the Department of Education the key drivers of the projected overdraft of R1.33 billion is as follows:

- Compensation of employees in particular OSD at R1.15 billion
- Goods and services at R38 million
- Transfers and Subsidies R86 million
- Payment of Capital at R57 million

In the Department of Health the key drivers of the projected overdraft of R747 million is as follows:

- Compensation of employees at R526 million
- Goods and services at R161 million
- Payment of Capital at R60 million

In the Department of Social Development the key drivers of the projected overdraft of R209 million is as follows:

- Compensation of employees at R73 million
- Transfers and Subsidies R43 million
- Payment of Capital at R93 million

The balance of the projected bank overdraft of R87 million is as follows:

- Agriculture R36 million
- Provincial Legislature R16 million
- Public Works R30 million
- Safety, Security and Liaison R5 million

Chart 1, below represents the share of the bank overdraft within the social sector:

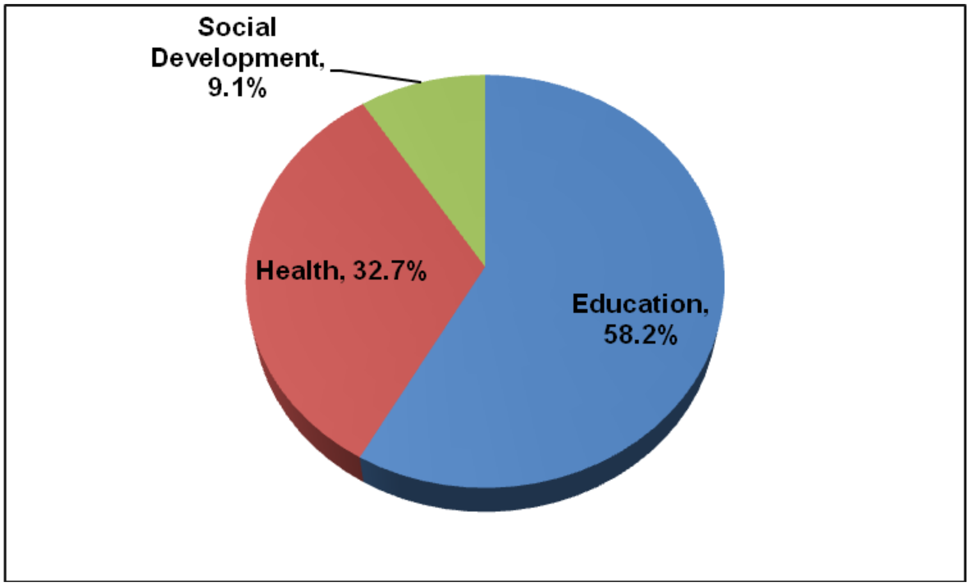
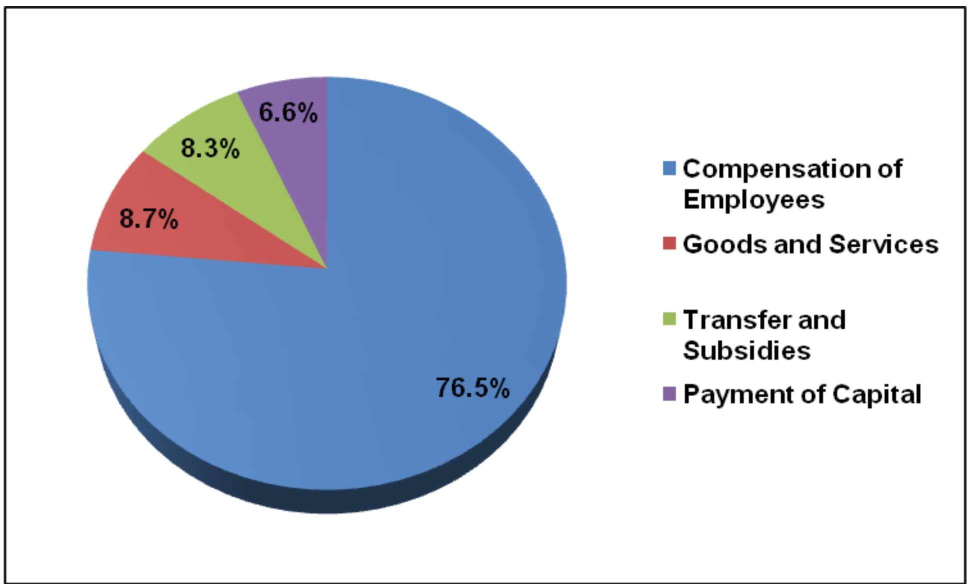


Chart 2, below represents the share of the bank overdraft per Economic Classification



Summary analysis of PMG cash resources verses expenditure performance for the financial year ended 31 March 2011 of all nine provinces.

Province	PMG Bank Balance [Overdraft (R……)]	Under (Over) Expenditure	Potential PMG Bank Overdraft
Eastern Cape (EC)	(R1.443 billion)	R1.686 billion	(R3.129 billion)
Free State (FS)	R360 million	R 824 million	(R463 million)
Gauteng	(R2.534 billion)	R1.497 billion	(R4.031 billion)
KwaZulu Natal (KZN)	R48 million	R3.426 billion	(R3.378 billion)
Mpumalanga	R203 million	R571 million	(R368 million)
Northern Cape (NC)	(R627 million)	R344 million	(R971 million)
North West (NW)	-	R537 million	(R537 million)
Western Cape (WC)	R22 million	R339 million	(R317 million)
Limpopo	(R1.718 billion)*	(R135 million)	(R1.718 billion)

Data per National Treasury: (a) TCF Provincial Budget and Expenditure 31 July 2011
(b) Budget Council – Review of Provincial Budget Outcomes 2010/2011

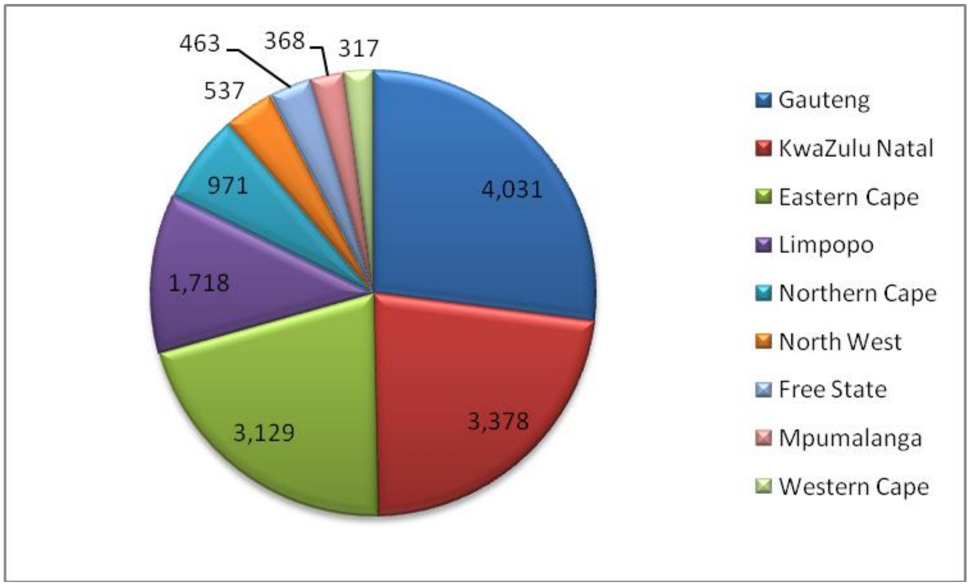
*Per Annual Financial Statements of Limpopo Province

The above table indicates that 8 of the 9 provinces had under spent their 2010/11 budgets except Limpopo Province. Of the 8 provinces, 3 carry PMG overdrafts despite their under spending, namely Eastern Cape, Gauteng, and Northern Cape.

The under spending of the 8 provinces have cushioned the true and potential effect on their PMG cash resources. Should every of these departments had fully/over expended, then all 9 provinces in the country would carry overdrafts in their PMG's.

By contrast, Limpopo would rank number 4 with PMG overdraft of R1.718 billion, behind Gauteng (R4.031 billion), KZN (R3.378 billion) and EC (R3.129 billion).

Chart 3, below represents the potential PMG bank overdraft per province (R' millions) at 31 March 2011.



Nonetheless, it is interesting to observe that despite the PMG cash resource challenges, 4 provinces have substantial cash reserves in the form of Exchequer, CPD and Investments; namely EC (R2.610 billion), Gauteng (R3.166 billion), KZN (R2.595 billion), Western Cape (R2.485 billion).

Nett-off these substantial cash reserves, it remain only the Western Cape, as a Province with an overall positive cash balance.

The question remains is the cash flow challenges in Education and Health, specific to Limpopo as compared to other provinces.

The table below reflects the bank overdraft at 31 March 2010 for the Departments of Education and Health in 4 provinces

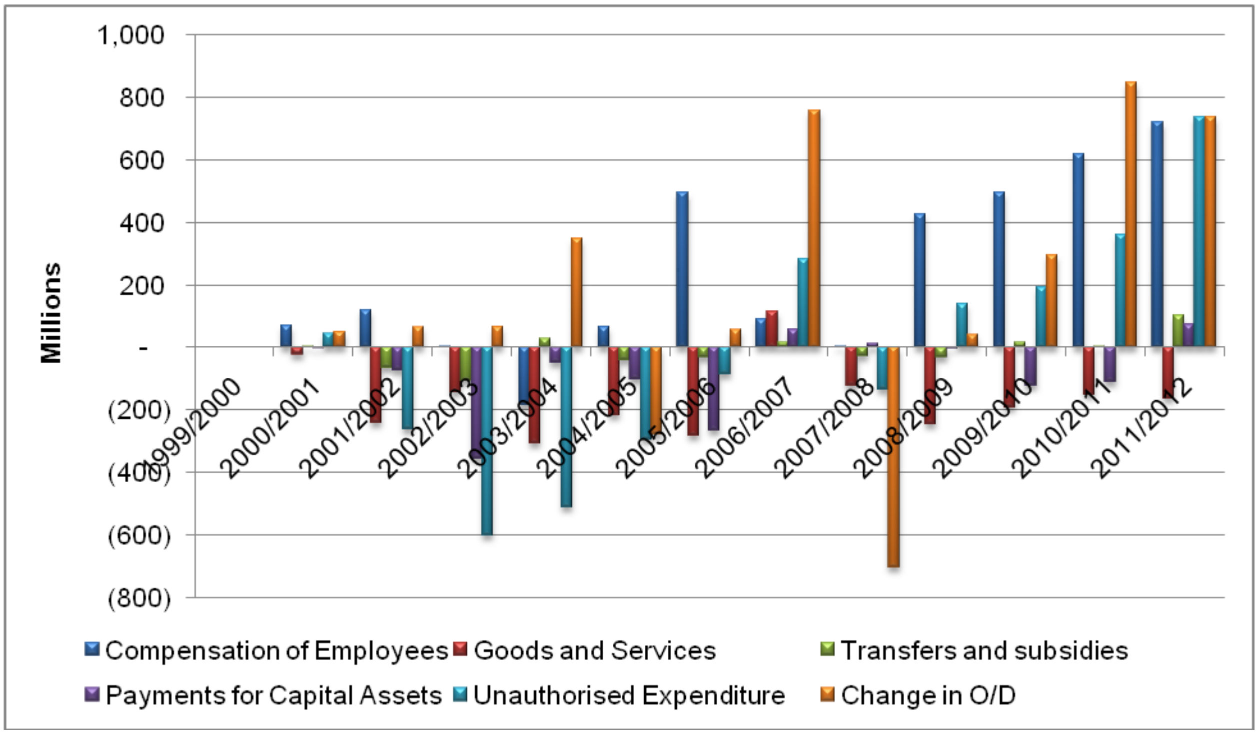
Provinces	**Education R' million**	**Health R' million**	**Total R' million**
Gauteng	780	Data Unavailable	**780**
KwaZulu Natal	Data Unavailable	4,004	**4,004**
Eastern Cape	801	469	**1,270**
Limpopo	694	-*	**694**
Total	**2,275**	**4,473**	**6,748**

* Favourable bank balance at 31 March 2010

3. Causes of the Overdraft

Approximately 76.5% of the bank overdraft is directly attributable to the over spending on Compensation of Employees (CoE) and in particular the Social Sector. The fact that the departments did not fully (100%) budget for compensation of employees and allowing expenditure in other economic classification to continue as normal; illustrates complacency, the lack of commitment and non adherence to fiscal discipline in departments during those periods.

Graph 2: Expenditure patterns in relation to changes in overdraft for the Social Sector



Due to prior years unauthorized expenditure, in 2006/07 the PMG bank overdraft reached an aggregate of R1.192 billion with the social sector at R1.066 billion (namely: Health at R647 million, Education at R375 million and Social Development at R44 million).

The social sector unauthorized expenditure consisted of Compensation of Employees (R850 million), Goods and Services (R115 million), Transfers and Subsidy (R50 million) and Capital Payments (R51 million).

In 2007/08, the administration instituted austerity measures, reduced payments for service providers to once per week and top sliced the equitable share in order to reduce the overdraft by R743 million for the province and by implication the social sector by R704 million.

Since 2008/09 there has been an upward pressure on compensation of employees emanating from unfunded OSD in the Department of Education resulting in over expenditure and an increase in the bank overdraft. The Department did not implement sound measures to mitigate the OSD instead opted not to fund the OSD in its budget.

In 2011/12, the social sector once again did not fully fund compensation of employees, in particular the Department of Social Development and the Department of Health whilst the Department of Education made amends but at the expense of goods and services, and transfer and subsidies. The projected over expenditure of R736 million, if not curtailed will place the province in serious financial predicament.

Departments take advantage of the fact that Employees Compensation on PERSAL cannot be with held or stopped due to labour relations and therefore the expenditure will go ahead irrespective of the over expenditure and cash flow challenges. The higher than national average wage bill compromises the province in terms of service delivery and cash flow.

The impact of over expenditure on goods and services, transfer and subsidies, and capital payments emanates from the social sector. Amongst others it covers cholera outbreaks, drugs and medicines, learner teacher support material, transfers to schools and non government institutions, natural disasters to infrastructure such as schools, and unfunded mandates such as change in curriculum policy.

The pressures faced by the social sector require fundamental and drastic financial reforms that require ‘hard’ resolutions for the sector to be financially efficient.

Accumulated unauthorised, irregular, fruitless and wasteful expenditure as a result of historic over expenditure by provincial departments resulted in the province having huge overdraft facilities at commercial banks as well as making use of the borrowing facility at the Corporation for Public Deposits. Such debt and the servicing thereof is costing the province millions annually on interest, lost revenue.

In the 2011/12 financial year the market value of the cost of interest is estimated at R154 million. It is clear that over expenditure does not only create unauthorized expenditure and bank overdraft but it actually reduces the administration's ability to generate additional revenue in the form of interest income received which in turn reduces the budget allocation that is available for service delivery.

Rising input costs, inefficient cost management, poor contract management are amongst some of the factors that do contribute to the cash flow challenges that are experienced. The current supply chain regulation does not necessarily allow the cheapest bid to be the successful bid. The stringent evaluation and adjudication processes that prescribes supply chain management, takes into consideration the issue of compliance before cost effectiveness.

The challenge is for departments to improve the methodology they use to compile budgets by using more sophisticated forms of activity – based costing, thereby strengthening the link between budgets and performance targets. If, for example, a target level of performance increases then by how much must the budget increase, or what changes in productivity/efficiency are required within a given budget.

Departments need to define performance enhancing processes, cost those processes and establish the unit cost of delivery. This information should inform the calculation of budgets and choice of performance targets.

Planning for Working Capital Reserves and/or similar initiatives by the province is ideal for the provision of saving for any eventuality. A mismatch between revenue, expenditure and unforeseen cash requirements occasionally occur as a result of unforeseen and unavoidable situations such as:

- Non-receipt of one week's equitable share from National Treasury during the third week of the month;
- Late and/or non receipt of scheduled conditional grants;

- Possible adjustments in equitable share formulae;
- Unforeseen claims/debts to be repaid;
- Temporary bridging finance in respect of unauthorised expenditure etc.

It is government policy to ensure that public funds are spent within the framework of time value for money, that is efficiently, effectively and economical so that it has sufficient funds to meet its obligations. The challenges associated with accurate cash flow projections are as follows:

- Inaccurate and unreliable forecast
- Projections in the IYM are not aligned to Provincial payment schedule
- Budget analysts to interrogate information reported by departments in the IYM
- Lack of communication between different role players
- Inaccurate or incomplete reporting in the IYM
- Monitoring of spending between different sources of funding i.e. equitable share and conditional grants
- Reporting and monitoring the suspense account
- Suspense Items: no control over spending from Suspense items as this has a severe impact on cash flow and distorts reporting in IYM
- Focus on current year allocations verse prior year's closing cash positions
- Non-involvement of all programme managers in the departments and understanding of the process
- Missing links between plans due to lack of co-ordination
- Time factor not taken into account – creation of the order to the actual cash flow
- Non-flexibility of the Payments Schedule prior to adjustments
- Requisitions limiting departments within original projections Vs actual cash flow

- Conditional Grants commitments irrespective of the National Payment Schedule
- Unfunded mandates
- Prior year closing cash positions/Unauthorized expenditure

The need for the development of debt redemption strategies to address the above mentioned is essential e.g. appropriation received from in terms of DORA not fully allocated to provincial departments. The continuous over expenditure by provincial departments is causing the province to sink deeper into cash flow problems and the result is that the province might not be able to generate sufficient reserves to approve such unauthorised expenditure.

4. Impact of the overdraft

The interest that should have been earned on favourable cash resources is no longer a source of revenue because overdraft attracts interest expense. The impact of the current overdraft on revenue collection is severe in the sense that interest income has to be revised downwards by almost R78million and accordingly interest revenue over the MTEF will have to be adjusted downwards by almost R295 million.

The provincial overdraft (R1.72 billion), exceeds the credit facility granted by the CPD and the Provincial Bankers, combined (R1.2 billion). The non receipt of one week's equitable share from national Treasury during the third week of the month results in the province exceeding its combined credit facility and this poses a great threat to meet the provincial obligations.

This threat hampers government's ability to pay on time, and as a result the effect is felt within the micro economy of the province whereby SMME's are the hardest hit by the cash flow challenges. The threat to government's ability to pay on time falls foul of treasury regulations and also poses a challenge to our commitment/objective to pay service providers within 14 days.

The overdraft currently stands at approximately 4.7% of the provincial equitable share allocation. Serving this debt is paramount to fiscal discipline but at the cost of service delivery. The overdraft must not be allowed to increase because this would send out the incorrect message that the Provincial Administration lacks fiscal discipline.

5. Measures previously adopted

In 2006/07 the PMG bank overdraft reached an aggregate of R1.192 billion with the social sector at R1.066 billion (namely: Health at R647 million, Education at R375 million and Social Development at R44 million).

During 2007/08, the administration instituted austerity measures, reduced payments for service providers to once per week and top sliced the equitable share in order to reduce the overdraft by R743 million for the province and by implication the social sector by R704 million. The top slicing was viewed as a bail out for the social sector.

The top slicing of the equitable share was once off and with hindsight not a sustainable solution, as the social sector still encounters over expenditure and cash flow challenges. Departments not affected by the overdraft had to share in redeeming the overdraft in proportion to the respective departments equitable share allocation.

The austerity measures were implemented for a short term and with hindsight should have been permanent and savings identified not to have been allocated. Reducing payments to service providers to once per week seemed the only sustainable measure in dealing with cash management but with an adverse impact on the micro economy of the province.

6. Pillars of the strategy

The strategy consists of six (6) pillars namely:

- Leadership
- Austerity Measures
- Economies of scale measure
- Standardization of prices
- Budgetary processes and costing models
- Increase in own revenue

6.1. Leadership

Those in leadership must show commitment:

a) By improving financial management in particular reducing the cost of doing business by creating an environment conducive for efficiency and productivity
b) By employing/placing people with appropriate technical financial management skills and experience in the area of management accounting and cost management in particular
c) By developing monitoring systems to manage expenditure within the allocated / appropriated baselines

6.2. Austerity Measures

Austerity measures as employed within the context of the current cash flow challenges experienced by the province lends credence to an environment that promotes efficiency and productivity.

a) Compensation of Employees (CoE)
    - All posts before being advertised must be recommended by Provincial Treasury and approved by Office of the Premier
    - Natural attrition in non critical posts, must not be filled
    - Non core, Non Critical Vacant Posts on the current structures of departments must be abolished
    - The structure of a department when costed must not exceed the CoE budget over the MTEF
    - Departments prior to obtaining approval from DPSA on the structure must obtain written confirmation of available budget from Provincial Treasury

b) Capital Expenditure
    - No purchase of furniture, office equipments, vehicles and computer equipments, except with written approval of the HoD

c) Goods and services
    Not limited to the following; expenses must be curtailed by minimum 50%:

- Telephones, cellphones and 3G (be linked to critical posts or be barred)
- Vehicle running costs (minimal utilisation)
- Printing and stationery (glossy prints and pamphlets, do not stock pile reams of A4 and other paper)
- Catering costs, Inventories and groceries
- IT consumables such as cartridges and toners
- Marketing and communication costs (No printing of paraphernalia)
- Advertising, gifts and promotional items
- Newspapers and magazines
- No international trips unless approved by Premier (Guidelines by OtP)
- No overnight accommodation unless approved by HoD
- No domestic travelling to other provinces, unless approved by the HoD (only if critical to service delivery)
- Subsistence and travel (only if critical to service delivery)
- Maximise passenger capacity per vehicle for all trips
- Workshops, conferences, symposiums, seminars etc ;
- Venues and facilities (instead use govt. facilities)
- Consultancy fees (exclude project mgt for infrastructure)

6.3. Economies of scale measure

Currently provincial departments acquire most goods and services individually. The combined buying power of all departments on common commodities should realize high volumes and the associated cost savings that goes with it.

However, purchasing items in bulk will mean a few, if not just one supplier, to render these goods. To realize true savings, then one has to go to the major service provider / manufacturer (multi nationals) of that service or commodity. This would have an adverse effect on the micro economy of the province in that SMME's would be hard done by such buying power.

However, there ought not to be a challenge in the bulk provisioning of specific goods and services in terms of corporate agreements such as:

i) Accommodation
ii) Car Rental

iii) Air Transport
iv) Cell Phone
v) Media Buying

Item	Budget	Potential Savings
Accommodation	R 232 611 000	R 17 445 825
Car Rental	R 8 684 000	R 651 300
Air Transport	R 18 332 000	R 1 374 900
Cell Phone	R47 702 000	R3 577 650
Media Buying	R63 890 000	R4 791 750
Total	**R371 219 000**	**R27 841 425**

6.4. Standardization of prices

The high cost of doing business with government emanates from exorbitant prices that provincial departments pay for goods and services. One of the fundamental challenges is that provincial departments do not conduct market research prior to acquisition of commodities and are largely dependent on the available budget.

Furthermore, the current supply chain regulation does not necessarily allow the cheapest bid to be the successful bid. The stringent evaluation and adjudication processes that prescribes supply chain management, takes into consideration the issue of compliance before cost effectiveness.

Not to regulate the market place, the standardization of prices would assist departments to make more informed decisions in awarding bids to successful bidders. It would also bring to the attention of our SMME's to be more competitive and efficient in providing services to government.

The province needs to identify a basket of commodities which are common across the provincial departments in an attempt to standardize prices and save costs.

6.5. Budgetary processes and costing models

The current provincial budgetary processes permit a balanced budget in other words revenue equals expenditure as opposed to a surplus budget to accommodate the challenges of the bank overdraft or any other unforeseen and unavoidable expenditure. Furthermore the budget makes provision for the allocation of interest revenue despite weak market conditions and a bank overdraft.

The revenue streams consist of equitable share, conditional grants and own revenue. Given the fact that the revenue baselines of departments have been allocated, it would be prudent to reduce this baseline by the interest revenue that has been provided for over the MTEF.

Despite the equitable share formula remaining constant, the provincial equitable share remains under serious pressure. Interest and Loan redemption set to reduce equitable share available for allocation/distribution to departments. Further reduction is possible should Cabinet resolve on cost saving measures to fund national debt and other new priorities. Own Revenue (interest income) is set to decrease.

Therefore in view of the pressures on revenue streams the budgetary processes must ensure that expenditure is efficient and productive. To achieve this, the challenge therefore is to drastically improve the methodology used to compile budgets by using more sophisticated forms of activity – based costing.

The principles of budget allocation must promote efficiency and productivity and to this end reducing equitable share before allocation, is a budgeting principle that must be implemented.

The current budgetary processes do not take into consideration the previous year's cash flow position, unauthorized expenditure and accruals. Budgeting for expenditure must be ranked in terms of cost principles, namely:

- 1st Statutory costs
- 2nd Debt Redemption
- 3rd Unauthorized Expenditure
- 4th Accruals

- 5th Compensation of Employees (100% - fully funded)
- 6th Fixed Costs
- 7th Priorities
- 8th Other Costs

6.6. Increase in own revenue

The own revenue base is on a substantial decline due to the inability to generate interest revenue for reasons mention in this document thus far. The province needs to generate a revenue strategy first to maximize current revenue collections, second to identify new sources of revenue and third to determine the market value of tariffs.

The potential under collection is due to the lack of dedicated revenue collection units within departments because revenue collection is accorded a low status in departments. Departments must prioritise revenue collection, enhance revenue collection strategies and have in place dedicated revenue collection units.

Provincial Treasury to consider re-introducing revenue monitors/inspectors to the province in an attempt to mitigate fraud and corruption within the revenue collection function of departments. Also the Provincial Treasury to consider an incentive plan to incentivise departments to stimulate revenue collection and to exceed budgeted targets.

7. Policy Measures

An in-depth assessment of the effectiveness of the current policies that governs budget, expenditure and cash flow management in the province is crucial to identify the weaknesses that have brought about the current bank overdraft. Sustainable solutions to weaknesses indentified must be provided and implemented.

Policies that govern the Human Resource (HR) component that leads to the high unproductive wage bill needs radical reforms in wake of 76.5% of the bank overdraft being attributable to over expenditure in the HR component. Offering voluntary severance packages to the unproductive component of the work force needs to be seriously debated against the background of cost benefit analysis verses the political aspirations of job creation.

Whilst having the unproductive component of the work force on one hand, on the other hand the continuous filling of posts contributes to an ever increasing wage bill. Once again a serious debate on moratorium on filling of posts against the background of cost benefit analysis verses the political aspirations of job creation.

Prompt/early payment to service providers does not yield benefit to the Administration's cash flow position though it has an underlying fundamental micro economic impact on provincial economic growth. Not paying service providers on time especially SMME's, will render them bankrupt.

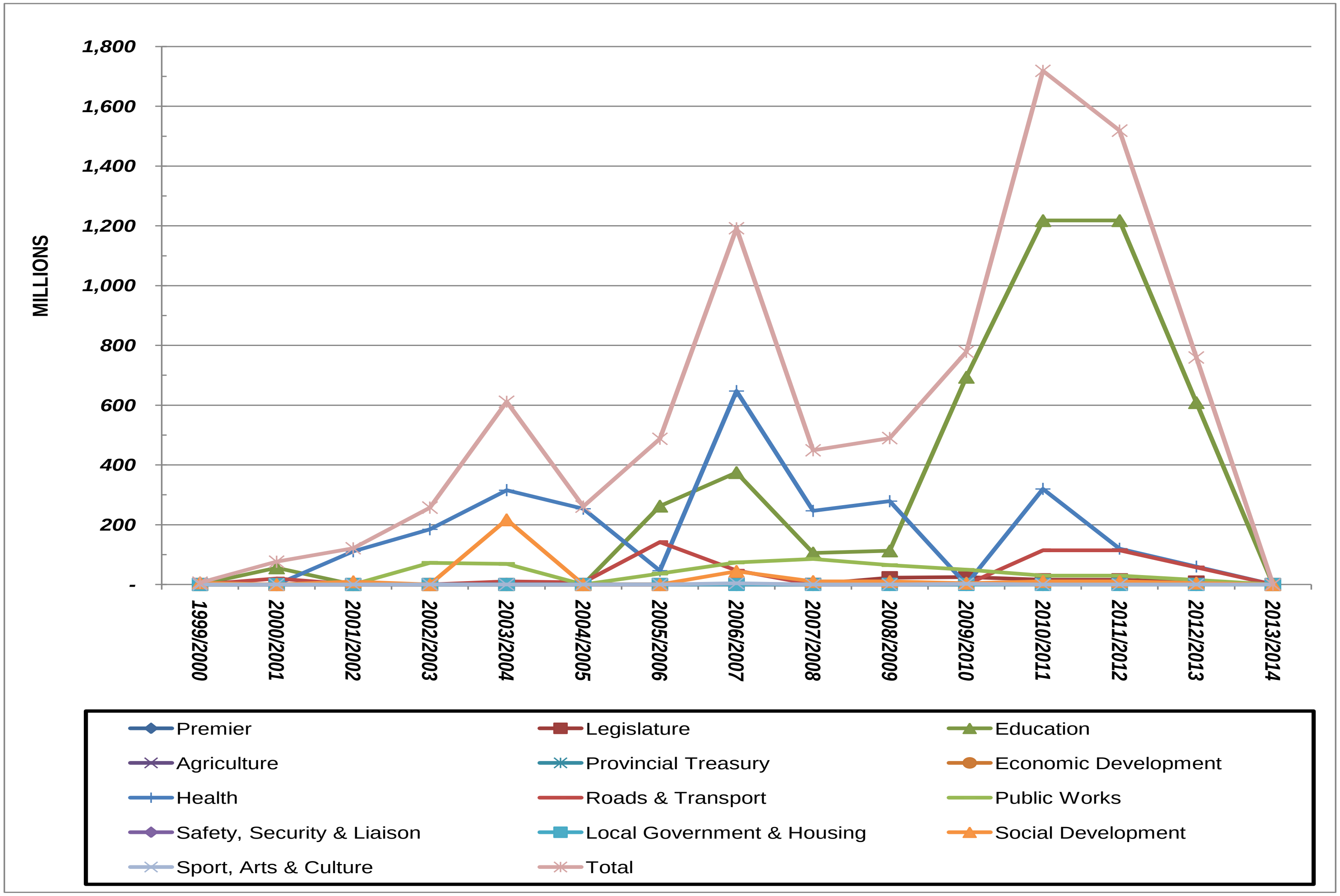
However, the principle of paying service providers in less than 14 days should be linked to payment discounts that the service provider is prepared to give to government in lieu of prompt/early payment in less than 14 days (or other arrangements/terms), failing which payment should be made in regular terms of within 30 days or as stipulated in terms of a contract or court order.

8. Reduction of Overdraft over the 2011 MTEF

The most crucial elements in decreasing the bank overdraft rest upon two key fundamentals namely the Budget Allocation (as recommended by the Provincial Treasury) and secondly the Expenditure expended within the budget allocation. It is within this context that the province seeks to gradually reduce the bank overdraft over the 2011 MTEF by **R1.73 billion** as follows:

Financial Year	**Funds Previously With Held**	**Cost Saving Measures**	**Total Proposed Reduction**
2011/12	R174 m	R 28 m	**R 202 m**
2012/13	-	R 761 m	**R 761 m**
2013/14	-	R 767 m	**R 767 m**
Total	**R174m**	**R1,556 m**	**R1,730 m**

Graph 1: Bank Overdraft for the period 1999/2000 until 2013/14



9. Key success factors

a) Commitment from the leadership of the Department
b) The Department must have people with appropriate technical financial management skills and experience in the area of management accounting and cost management in particular
c) Departments must improve the methodology used to compile budgets by using more sophisticated forms of activity – based costing and principles of budgeting.
d) Strict adherence by departments to regulation 15 of the Treasury regulations
e) Enhance planning, budgeting, implementation, reporting, monitoring, evaluation and oversight responsibilities
f) Critical is the matching / balancing of cash flow to expenditure, in other words insufficient or no funds means no expenditure
g) Provincial Departments must reprioritize and remain within the allocated / appropriated baselines over the 2012 MTEF. This is Non Negotiable.

10. Monitoring and Evaluation Mechanisms

Monitoring and evaluation is the key responsibility area of leadership in a department. An Accounting Officer must take effective and appropriate steps to prevent any overspending of the vote or a main division within the vote.

The Provincial Treasury must build capacity in its Sustainable Resource Management unit by employing/placing/training people with appropriate technical financial management skills and experience in the area of expenditure management, personnel costs, budgeting, planning and cash flow management.

The Provincial Treasury must improve expenditure and cash flow management in the province by introducing guidelines, policies, excel based models/templates that supports and enables an environment that is conducive for cost efficiency and productivity.

The Provincial Treasury must develop new and innovative methods of monitoring and evaluating provincial expenditure that seeks to manage departmental expenditure within the allocated/appropriated baselines.

The Provincial Treasury must improve its relationship and communication with departments and be more proactive in its support to departments.

Given the above the Provincial Treasury needs to structure/re-organise itself in a manner that gives effect to development, implementation and monitoring of the measures as stipulated in this strategy.

A suggestion would be for the Provincial Treasury to utilize the Cluster Based Approach to expenditure and budget management in the province. Each cluster should be headed by a Senior Manager with about three Managers, who must provide hands on support to departments.

The constitution of a Provincial Treasury Monitoring Team (PTMT) will be fundamental to ensuring the success of this strategy. This strategy deals with cash flow and expenditure, as both components are mutually dependent on each other.

The PTMT should consist of the following Treasury Officials:

a) SGM: Sustainable Resource Management (Chairperson)
b) SGM: Provincial Accountant General
c) GM: Public Finance
d) GM: Provincial Supply Chain Management

The PTMT must report to the leadership of the Provincial Treasury, namely MEC and HoD. The PTMT must interact with the PTCF and provide progress to HoD's Forum via the HoD and to EXCO via the MEC.

This bank overdraft strategy has been approved by Executive Council (EXCO) per Executive Council Decision No. 67 of 2011/12.