



Policy Title

**CASH & INVESTMENT MANAGEMENT POLICY
POLICY**

Policy Version

Role & Process

MUNICIPAL MANAGER

Policy Custodian

Policy Author

LLF Consultation Date

HONOURABLE SPEAKER

Policy Approved

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Comments

Responsible Individual

Responsibility Accepted

Name and/or Date

Signature

Ms. POB Makoma

CFO

BTO

May 2023

Cllr. N Mtyobile

31st March 2023

1st July 2023

As and when need arise

Annually

31st March 2023

31st May 2023

N/A

Trends



1. POLICY PURPOSE

1.1 As trustees of public funds, Councilor's and officials have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible.

1.2 The Council of the Municipality has a responsibility to invest public funds carefully and has to report to the community in this regard.

2. POLICY DEFINITION

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act, has the same meaning, and - "Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); "**Investee**" means an institution with which an investment is placed, or its agent; "**Investment manager**" means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), contracted by a municipality or municipal entity to - manage investments on its behalf; or advise it on investments and manage investments on its behalf; (a) advise it on investments; (b) manage investments on its behalf; or (c) advise it on investments and manage investments on its behalf; advise it on investments;

"**Trust money**" means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Act.

3. LEGISLATIVE FRAMEWORK

The Emalahleni Local Municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.



- Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;
- Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the Municipality are collected and banked promptly;
- Accurately forecasting the institution's cash flow requirements;
- Timing the inflow and outflow of cash;
- Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash; and
- Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised assets.

5.2 The overall responsibility of investments lies on the Municipal Manager.

However the day to day handling of investments is the Chief Financial Officer's or his/hers Authorised designate's responsibility.

5.3 In the instance that the investment amount requires that the Municipal Manager submit recommendations to the Council for decision on the best investment to be made, quotations are required from the various financial institutions. In the case of telephonic quotations, the following information is required:

- The name of the person who gave the quotation;
- The relevant terms and rates; and
- Other facts such as if interest is payable on a monthly basis or on maturation date. The Council needs to pass a resolution in respect of the limits for the investment of its funds.

5.4 In the instance that the Municipal Manager authorises the investment, both he and the Chief Financial Officer must authorise and effect the electronic funds transfer in respect of the investment amount.



processes and training and awareness programmes to ensure efficient and effective banking and cash management. Sound cash management includes the following:

- Collecting revenue when it is due and banking it promptly;
- Making payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the government's normal terms for account payments;
- Avoiding pre-payments for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
- Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;
- Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the Municipality are collected and banked promptly;
- Accurately forecasting the institution's cash flow requirements;
- Timing the inflow and outflow of cash;
- Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash; and
- Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised assets.

7.2 The overall responsibility of investments lies on the Municipal Manager. However the day to day handling of investments is the Chief Financial Officer's or his/hers Authorised designate's responsibility.



8. Cash Management

Adequate and effective cash management is one of the main functions of the Chief Financial Officer or his/her Authorised designate.

8.1 Debtor Collections:

8.1.1 All funds due to the Council must be collected timeously and banked on a daily basis. Cash left in the safe which poses a security risk, could result in higher insurance premiums to cover the additional risk and does not earn interest. Large sums of money received must be deposited into the bank account on the same day the payment is received.

8.1.2 It is important that all monies owing to the Council are correctly reflected in the debtors system. The following control measures are necessary:

- A well managed debtors and banking control system will ensure that funds owed to the Council are received and banked; and
- It is also important to review debt collection performance by comparing the debtors outstanding in relation to total turnover and then comparing this to previous financial years, in order to determine whether the debt collection process is deteriorating or improving.

8.1.3 All monies collected by the Council must be banked in the primary bank account of the Council.

8.1.4 Moneys collected by some other agency on behalf of the Council shall be paid over to the Council or deposited in the primary bank account of the Council in a manner prescribed by the Municipal Manager.

8.1.5 The receipt of all monies collected by the Council shall be acknowledged forthwith by the issue of a numbered official receipt.



- When money (including postal orders and cheques) is received with the Council's mail, the Registry Clerk shall record all payment remittances as and when received in the cheque register in the presence of a witness. Post-dated cheques received in the Council's mail must also be recorded in the cheque register. The cheque register shall be regarded as the register of remittances received by post;
- The cheque register together with all remittances received must be sent to a designated official in the finance section;
- The designated official on receipt of the cheque register together with the remittances will code all remittances and submit it to the cashier for receipting;
- The cashier will receipt all remittances and issue official receipts to the designated official;
- The designated official will record all receipts in the cheque register and return same to registry.

The Registry Clerk must ensure that all receipts are recorded in the cheque register;

- All documents relating to remittances received in the mail must be filed for audit purposes;
- A separate register for post dated cheques will be maintained by the Registry Clerk and all postdated cheques must be stored safely in the Registry Strong room ; and
- The Registry Clerk will ensure that all postdated cheques, which become due are sent promptly to the designated official for receipting and recording of receipts in the postdated cheque register.



- Shortfalls within a financial year during which the debt is incurred, in anticipation of specific and realistic anticipated income to be received within that financial year; or
- Capital needs within a financial year in anticipation of funds deriving from specific and enforceable allocations or long term debt commitments.

The Emalahleni municipality:

- Must pay off short term debt within a financial year; and
- May not renew or refinance its short term debt, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

No lender may extend credit to the Emalahleni municipality for the purpose of renewing or refinancing debt that must be paid off in terms of the above. If a lender willfully extends credit to the Emalahleni municipality for the purpose of renewing or refinancing debt, the Municipality is not bound by the contract in terms of which the credit was extended to the Municipality.

8.6.2 Long term debt.

The Emalahleni municipality may incur long term debt only for the purpose of capital investment in property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution. Section 152 of the Constitution reads as follows:"

The objects of local government are:

- To provide democratic and accountable government for local communities;



- Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- Guaranteed endowment policies with the intention of establishing a sinking fund;
- Repurchase agreements with banks registered in terms of the Banks Act, 1990;
- Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- Municipal bonds issued by a municipality; and
- Any other investment type as the Minister of Finance may identify by regulation in terms of section 168 of the MFMA, in consultation with the Financial Services Board.

9.2 Investment denominated in foreign currencies are prohibited. The municipality may only make an investment if it is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

9.3 Payment of Commission

9.3.1 No fee, commission or other reward may be paid to a councillor or official of the municipality or to a director of one of its entities or to a spouse or close family members of such councillor, director or official in respect of any investment made or referred by the district municipality or one of its entities.

9.3.2 If an investee pays any fee, commission or other reward to an investment manager in respect of any investment made by the municipality or one of its entities, both the investee and the investment manager must declare such payment to the council or the board of directors of the entity by way of a certificate disclosing full details of the payment.

9.4 Reporting requirements

The Accounting Officer or his/her authorised designate must submit to the Mayor



- Daily cash flow estimates must provide for daily call investments and investment withdrawals, whereas long-term investments must be based on projections further into the future.
- When drawing up cash flow estimates, it is essential that the Chief Financial Officer or his/her Authorised designate take note of the following:
 - Be aware of the expected cash flow and when it is likely to take place, as well as the timing with regard to cash outflow, as far as both the operating and the capital budgets are concerned;
 - By utilising the available information and expertise, the Chief Financial Officer or his/her Authorised designate must assess the timing with regard to when, for how long and the amount to be invested; and
- Daily cash flow estimates must provide for daily call investments and investment withdrawals, whereas long-term investments must be based on projections further into the future.

9.6 From time to time the Council will have surplus funds available which are not needed immediately and which could be invested. Depending on circumstances some funds could be invested for a long term whilst others would only be short-term investments. Surplus funds in the current account may also be invested for short periods (days).

9.7 Generally investments are done every 32 days when prior investments mature and funds are available for re-investment. In order to diversify the investment portfolio, the following principles will apply when investments are made :

- Long term investments should be made with an institution of minimum A+ rating (where A+ refers to lower risk institutions);
- Short term investments should be made with an institution of minimum A+ rating (where A+ refers to higher risk institutions);



Council must try to plan the distribution of its investments to cover different types of investments.

10.2 Risk and Return

It can be accepted as a general rule that the larger the return, the greater the risk.

10.3 Borrowing money for reinvestment

Council will only borrow money for reinvestment in exceptional cases, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.

10.4 Growth-related Investments

When making investments, the Chief Financial Officer or his/her Authorised designate must guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

11. Investment of Funds by the Municipality:

11.1 The investment register must be examined on a daily basis to identify investments falling due within the two weeks following and start the investment process such as looking at alternatives, cash flow requirements and timeous reporting to the Municipal Manager and Council.

11.2 Prior to the investment of monies, the Chief Financial Officer (CFO) or their authorised designates must determine whether there will be surplus funds available, as well as to fix the term for which such money should be invested.

11.3 In order to be able to make investments for any fixed term, it is essential that cash flow forecasts be drawn up.

11.4 In the instance where surplus funds are available for investment, the Chief Financial Officer or delegate should contact the various banking institutions for interest rate quotations and prepare manual or computerized quotations indicating the amounts to be invested, the rates quoted and the maturity values.



specifically tailored for Municipalities promotes transparency. It will enable the content and the presentation of financial statement information to be consistent and so enable informed decision-making on risks and returns. It is therefore of utmost importance that the Municipal Manager (MM) and the Chief Financial Officer apply GAMAP in the compilation of the budgets and financial statements of the Municipality as well as the financial systems in use.

13. Call Deposits and Fixed Deposits

13.1 Quotations should be obtained from a minimum of three financial institutions, bearing in mind the limits of the term of which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than what the Municipality had in mind, the other institutions which were approached, should also be asked to fix a rate for that long a term.

13.2 It is acceptable to ask for quotations telephonically, as rates can generally change on a regular basis and time is a determining factor when investments are made. The person responsible for requesting quotations from institutions must record the following:

13.2.1 Name of institution;

13.2.2 Name of person quoting rates;

13.2.3 Period of the investment;

13.2.4 Relevant terms; and

13.2.5 Other fact i.e. is interest payable monthly or on maturation date.

Once a quote has been accepted written confirmation of the details must be obtained from the financial institution.

13.3 Once the required number of quotes have been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested. The best offer must under normal circumstances be accepted, with thorough consideration of investment principles. No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.