

NDLAMBE LOCAL MUNICIPALITY



BANKING AND INVESTMENT POLICY 2024/2025

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1. LEGAL COMPLIANCE

The 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.

2. OBJECTIVE OF INVESTMENT POLICY

The Municipal Council is a trustee of the public revenue, which it collects on behalf of the community, and it therefore has an obligation to the community to ensure that the Municipality's cash resources are managed effectively and efficiently.

The Council therefore has a responsibility to invest these public revenues in a knowledgeable and judicious way, and can account fully to the community in regard to such investments.

The investment policy provides a framework to ensure the preservation, safety of investments and diversification of investments and adequate cash flows are available to meet short and long-term commitments.

The investment policy of the Municipality is therefore aimed at gaining the highest possible return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the Municipality's cash management programme, which must identify the amounts surplus to the Municipality's needs, as well as the time when and period for which such revenues are surplus.

3. EFFECTIVE CASH MANAGEMENT

3.1 Cash Collection

All monies due to the Municipality must be collected as soon as possible, either on or immediately after the due date and banked on a daily basis.

The respective responsibilities of the Chief Financial Officer and other heads of departments in this regard is defined in a code of financial practice approved by Council.

The unremitant support and commitment to the Municipality's credit control policy, both by the Council and the Municipality's officials, is an integral part of proper cash collections, and by approving the present policy the Council pledges itself to such support and commitment.

3.2 Cash Management Programme

The Chief Financial Officer shall monitor cash flows on a daily basis to ensure that Council is able to meet its financial commitments and that the operating bank account does not carry unduly high balances. Any surplus funds shall be transferred on a daily

basis to a call account attracting the highest possible interest provided that those funds can be retrieved at short notice.

The Chief Financial Officer shall prepare an annual estimate of the Municipality's cash flows divided into calendar months, and shall update this estimate on a quarterly basis. The estimate shall indicate when or for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated and when – if applicable – either long-term or short-term debt must be incurred. Heads of departments shall in this regard furnish the Chief Financial Officer with all such information as is required, timeously and in the format indicated.

The Chief Financial Officer shall report to the Council on a quarterly basis the cash flow estimate or revised for such quarter or reporting period respectively, together with the actual cash flows for the quarter or period concerned, a cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into the quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the Chief Financial Officer shall provide comments and explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the Municipality's investments, together with appropriate details of the investments concerned.

4. INVESTMENT ETHICS

The Chief Financial Officer shall be responsible for investing the surplus revenues of the Municipality and shall manage such investments if investments are for a period of up to 6 months. Investments for a period exceeding 6 months must first be approved by Council and the Municipal Manager and thereafter managed by The Chief Financial Officer in consultation with the Executive Mayor or Portfolio Councillor and in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance.

In making such investments the Chief Financial Officer shall at all times have only the best considerations of the Municipality in mind, and, shall not accede to any influence by or interference from Councillors, investment agents or institutions or any other outside parties.

Neither the Chief Financial Officer, any staff member nor Councillors may accept commission or other reward in respect of any investment.

5. INVESTMENT PRINCIPLES

5.1 Limiting Exposure

Subject to section 6 of Municipal Cash Management and Investment Regulations where large sums of money exceeding R50 million are available for investment the Chief Financial Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the Municipality. The Chief Financial Officer shall further ensure that, as far as it is practically and legally possible, the Municipality's investments are so distributed that more than one investment category is covered.

To limit exposure to a single institution for investments exceeding R50 million:

- i. The following investment with any financial institution should be based on the following formula:

$$\begin{aligned} \text{Percentage Exposure} &= \frac{\text{Total shareholder Equity of individual Approved Bank}}{\text{Total shareholder Equity of All Approved Banks}} \\ \text{For individual Bank} &= \\ &= \% \text{subject to sub-paragraph (ii) and (iii)} \end{aligned}$$

- ii. At the beginning 'Notwithstanding the provisions of para 3.2 of available funds should be placed with any financial institution subject to sub-paragraph (iii);
- iii. Investments should be placed only with financial institutions that have shareholder equity in excess of R6 billion.

5.2 Risk and Return

Subject to section 4 (c) (ii) of the Municipal Cash Management and Investment Regulations, the Chief Financial Officer in making investments on behalf of the Municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved.

At the end of every financial year, a certificate must be obtained from every institution with which funds were invested, certifying that no monetary consideration (of whatever nature) was paid in respect of investments and that no advantage accrued or will accrue to any Councillor or employee, his representative or nominee as a result on investments being made.

5.3 Call Deposits and Fixed Deposits

Before making fixed deposits, the Budget and Treasury manager in consultation with the Chief Financial Officer shall obtain quotations from all qualifying institutions.

Given the volatility of the money market, the Budget and Treasury manager in consultation with the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, and shall record on an appropriate investment schedule the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant.

Once the verbal investment quotations have been recorded, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, email or any other expedient means).

The responsible officer then prepares an agenda for the Executive Committee which should at least contain the following informations / documents :

- Cash Flow Budget;

- Quotations for Investment of Funds;
- Investment Criteria Schedule; and
- Current Investment Portfolio

Copies of these documents are attached for reference purposes.

5.4 Restriction on Tenure of Investments

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Manager and Council.

6. **CONTROL OVER INVESTMENT**

The Chief Financial Officer shall ensure that proper records and an investment register is kept of all investment made by the Municipality. Such records shall indicate to date on which investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, interest accrued and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The Chief Financial Officer shall ensure that all interest properly due to the Municipality is timeously received and shall take appropriate steps or cause such appropriate steps to be taken if interest is not fully or timeously received.

7. **OTHER EXTERNAL INVESTMENTS**

From time to time it may be in the best interests of the Municipality to make longer-term investments. Subject to section 6 of the Municipal Investment and Municipal PPP Regulation, the Chief Financial Officer must be guided by the best rates of the interest pertaining to the specific type of investment which the Municipality requires and to the best instrument available at the time.

8. **BANKING ARRANGEMENTS**

The Municipal Manager is responsible for the management of the Municipality's bank accounts but may delegate this function to the Chief Financial Officer. The Chief Financial Officer is authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The Municipal Manager, in consultation with the Chief Financial Officer, is authorised to appoint six or more additional signatories in respect of such accounts and to amend such appointments from time to time. The list of current signatories shall be reported to the mayor on an annual basis.

9. **INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES**

In managing the Municipality's investments, the Chief Financial Officer shall ensure that whenever a long-term (non-annuity) loan is raised by the Municipality, an amount, if available, is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be accumulated and used only for redemption of such loan on due date. The making of such investment shall be approved by the Council at the time that the loan itself is approved.

If the loan raised is not a fixed term loan but an annuity loan, the Chief Financial Officer shall ensure that sufficient resources are available to repay the principal amounts due in respect of such loan on the respective due dates.

10. INTEREST ON INVESTMENTS

The interest accrued on all the Municipality's investments shall, in compliance with the requirements of generally recognised accounting practice, be recorded in the first instance in the Municipality's operating account as ordinary operating revenues and may thereafter be appropriated to the fund or account in respect of which such investment was made depending on the conditions which apply to the fund or account.

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