CAPE WINELANDS DISTRICT

MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

CASH MANAGEMENT AND INVESTMENT POLICY

Contents

		Page
1.	Definitions	3
2.	Compliance with laws and legislation	4
3.	Objectives of the investment policy	4
4.	Standards of ethics and judgement and due care	5
5.	Underlying investment principles	5
6.	Control over investment portfolio	7
7.	Reporting on investments	8
8.	Investment for the redemption of long-term Loan	8
9.	Interest on investments	9
10.	Banking arrangements	9
11.	Raising of debt finance	10
12.	Payments to Creditors	10
13.	Management of Inventory	11
14.	Cash Management Programme	12
15.	Amendments	12

1. Definitions

For the purpose of this policy-

"Accounting Officer" – means the person appointed by the Municipal Council as the Accounting officer for the municipality in terms of section 82 of the Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998) and includes any person:

(a) to whom the Accounting officer has delegated a power, function or duty in respect of such a delegated power, function or duty.

"Council" shall mean the Council of the municipality, any committee or person to which or to whom an instruction has been given or any power has been delegated or sub-delegated in terms of, or as contemplated in, section 59 of the Local Government: Municipal Systems Act, 2000 or a service provider in respect of any power, function or duty of the Council.

"Councillor" shall mean a member of the municipal Council of the Cape Winelands District Municipality.

"Chief Financial Officer" shall mean the head of the Financial Services Department as contemplated in *sec 80* of the *MFMA.*

"Investment" – means –

(a) the placing on deposit of funds with a financial institution: or

(b) the acquisition of monetary assets with funds not immediately required,

(c) with the primary aim of preserving those funds.

"Investment manager" – means a natural person or 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 –

(a) advise on investment;

(b) manage investments on its behalf; or

(c) and advise it on investments and manage investments on its behalf.

"Municipality" means the Cape Winelands District Municipality

"Official" shall mean all persons in the employment of the Cape Winelands District Municipality.

2. Compliance with laws and legislation

2.1 Section 13(1) and (2) of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) requires that a municipality establish an appropriate and effective cash management and investment policy within which the municipality must;

2.1.1 conduct its cash management and investments, and

2.1.2 invest money not immediately required, in accordance with any framework which may be prescribed.

2.2 National Treasury has issued municipal investment regulations (No. R.308) dated 1st April 2005 (Government Gazette no. 27431) which sets out a framework within which, all municipalities shall conduct their cash management and investments.

2.3 All investments made by the municipality, or by an investments manager on behalf of the municipality, must be in accordance with the investment policy and any investment regulations promulgated by national government.

2.4 The Cape Winelands District Municipality subscribes to the prescripts of the Protection of Personal Information Act, 2013 (Act No 4 of 2013) and will use its best endeavours and take all reasonable precautions to ensure that any information contained in this policy, insofar as it may be of a personal nature, is only used for the purposes it has been provided and/or collected. In addition, the Cape Winelands District Municipality will endeavour not to divulge any personal information of natural persons and where applicable, an identifiable, existing juristic person.

3 Objectives of the investment policy

3.1 To ensure compliance with the relevant legal and statutory requirements relating to cash management and investments;

3.2 To ensure that the council of the municipality who effectively are the custodians of the public revenues, which it collects, managed the cash resources effectively and efficiently.

3.3 The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.

3.4 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.

4 Standards of ethics and judgement and due care

4.1 The accounting officer shall be responsible for investing the surplus revenues of the municipality and shall manage such investments in consultation with the accounting officer or mayoral committee and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

4.2 All investments made, shall be in the name of the Cape Winelands District Municipality.

4.3 In making such investments the accounting officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the executive mayor or mayoral committee, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.

4.4 The Accounting officer must at all times, when making an investment, consider:

(a) The security of the investment.

(b) The liquidity needs of the Cape Winelands District Municipality.

(c) Probable income or return derived from the investment.

5 Underlying investment principles

5.1 Permitted Investments

5.1.1 The Accounting Officer must ensure that only the following investment types are utilized in terms of sec 6 of the Municipal Investment Regulations (No. R. 308) dated 1 April 2005:

(a) Securities issued by national government.

(b) Listed corporate bonds with an investment grade rating from a recognized credit rating agency.

(c) Deposits with banks registered in terms of the Banks Act (Act 94 of 1990).

(d) Deposits with the Public Investment Commissioners (Act 45 of 1984).

(e) Deposits with the Corporation for Public Deposits (Act 46 of 1984).

(f) Banker's acceptance certificate or negotiable certificates of deposits of registered banks.

(g) Guaranteed endowment policies with the intention of establishing a sinking fund.

(h) Repurchase agreements with registered banks.

(i) Municipal bonds issued by a municipality.

(j) Any other investment type as identified by the Minister of Finance in consultation with the Financial Services Board.

5.2 Limiting Exposure

5.2.1 The accounting officer shall ensure that the municipality diversifies its investment portfolio across institutions, types of investment and investment maturities in order to limit the risk exposure of the municipality.

5.3 Risk and Return

5.3.1 Although the objective of the accounting 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 in regard to both the financial institution and the investment instrument concerned.

5.3.2 No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall only be made with deposit-taking institutions registered in terms of the Banks Act (Act 94 of 1990).

5.3.3 No investment is allowed which is affected by fluctuations in the value of the Rand against any foreign currency.

5.4 Payment of Commission

5.4.1 Every financial institution with which the municipality makes an investment must issue a certificate to the accounting officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment, including councilors, officials or related spouses or family members.

5.5 Fixed Deposits

5.5.1 Before making any fixed deposits, the accounting officer, shall obtain quotations from at least three financial institutions.

5.5.2 Given the volatility of the money market, the accounting officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register 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 (for example, whether the interest is payable monthly or only on maturity, and so forth).

5.5.3 Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

5.5.4 Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of section 8 below) shall be paid over only to such institution itself and not to any agent or third party.

5.5.5 Once the investment has been made, the accounting officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

6 Control over investment portfolio

6.1 The accounting officer shall ensure that proper records are kept of all investments made by the municipality.

6.2 Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date.

6.3 If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

6.4 The accounting officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

6.5 The accounting officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.

6.6 The municipality shall be permitted to employ investment manager to:

(a) advise it on its investments; and/or

(b) manage specific investments on its behalf.

All investments made by an investments manager must be in accordance with this policy;

Any fees and/or commissions paid to an investee or an investments manager must be declared disclosing all the particulars concerning any fees or commissions payable; and

Investments managers found guilty of non-compliance with this policy, as well as the National Treasury Investment Regulations, shall be held liable for any loss or penalty suffered by the municipality.

7 Reporting on investments

7.1 The Accounting officer must submit, as part of the Section 71 report of the Municipal Finance Management Act (Act 56 of 2003), a report to the Accounting Officer describing, in accordance with GRAP, the investment portfolio of the Cape Winelands District Municipality at the end of the month.

7.2 The monthly report on Investments must include:

(a) Market value of each investment – beginning and end period.

(b) Any changes to the Investment portfolio.

(c) Accrued interest.

8 Investment for the redemption of long-term Loan

8.1 In managing the municipality's investments, the accounting officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, amounts is invested and ring fenced equal to the amount of the loan.

8.2 If the loan raised is not a fixed term loan, but an annuity loan, the accounting officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

9 Interest on investments

9.1 The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated.

Cash management

10 Banking arrangements

10.1 The accounting officer is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer.

10.2 The accounting officer and chief financial officer are authorised at all times to sign documentation associated with the management of such accounts.

10.3 The accounting officer, in consultation with the chief financial officer, is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time.

10.4 One or more separate accounts shall also be maintained for the following: capital receipts in the form of grants, donations or contributions from

whatever source; and the municipality's self-insurance reserve (if legally permissible).

10.5 In determining the number of additional accounts to be maintained, the accounting officer, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to.

10.6 Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

11 Raising of debt finance

11.1 The accounting officer is responsible for the raising of debt but may delegate this function to the chief financial officer, who shall then manage this responsibility in consultation with the accounting officer.

11.2 All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the council.

11.3 Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

11.4 Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the accounting officer.

11.5 Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

11.6 The municipality shall not borrow for the purposes of investing or speculating in short or long term financial instruments.

12 Payments to Creditors

12.1 The accounting officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality.

12.2 This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the accounting officer before any payment is made.

12.3 The accounting officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned.

12.4 Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

12.5 Special payments to creditors shall only be made with the express approval of the accounting officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

13 Management of Inventory

13.1 Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and emergency requirements in the case of items which are readily available from suppliers.

13.2 Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the accounting officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

14 Cash Management Programme

14.1 The accounting officer shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a monthly basis.

14.2 The estimate shall indicate when and 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.

14.3 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.

15 Amendments

15.1 The accounting officer or his/her delegate must review the policy on an annual basis.