



MOGALE CITY LOCAL MUNICIPALITY

CASH MANAGEMENT & INVESTMENT POLICY

2024 -2025

DRAFT

Contents

| | |
|--|----|
| DEFINITIONS..... | 3 |
| 1. LEGAL COMPLIANCE | 4 |
| 2. SCOPE OF THE INVESTMENT POLICY | 4 |
| 3. OBJECTIVE OF INVESTMENT POLICY | 4 |
| 4. EFFECTIVE CASH MANAGEMENT | 5 |
| 5. INVESTMENT ETHICS | 7 |
| 6. INVESTMENT PRINCIPLES | 8 |
| Permitted investments | 8 |
| 7. CONTROL OVER INVESTMENTS..... | 11 |
| 8. REPORTING AND MONITORING OF INVESTMENTS..... | 11 |
| 9. OTHER EXTERNAL INVESTMENTS | 14 |
| 10. BANKING ARRANGEMENTS..... | 14 |
| 11. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES..... | 15 |
| 12. INTEREST ON INVESTMENTS..... | 16 |
| 13. ANNEXURE 1: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003..... | 16 |
| SECTION 7: OPENING OF BANK ACCOUNTS | 16 |
| SECTION 8: PRIMARY BANK ACCOUNT..... | 16 |
| SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL..... | 17 |
| SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS | 17 |
| SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS..... | 17 |
| SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS | 19 |
| SECTION 13: CASH MANAGEMENT AND INVESTMENTS | 19 |
| SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS | 20 |
| SECTION 22: PUBLICATION OF ANNUAL BUDGETS | 20 |
| SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES | 20 |
| SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES | 21 |
| SECTION 64: REVENUE MANAGEMENT (EXCERPTS) | 21 |
| SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS) | 21 |
| 14. ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES | 22 |

| | |
|--|----|
| 1. LOGISTICS MANAGEMENT | 22 |
| 2. CONTRACTS MANAGEMENT | 22 |
| 3. PAYMENTS | 23 |
| 4. REVENUE AND CASH COLLECTION..... | 23 |
| 5. BANKING OF RECEIPTS | 23 |
| 15 ANNEXURE III: APPROVED INVESTMENT INSTITUTIONS AND INVESTMENT TYPES AND TENORS..... | 24 |
| 16 MSCOA COMPLIANCE..... | 25 |
| 17 COMMENCEMENT AND APPROVAL..... | 25 |

DRAFT

DEFINITIONS

In this Policy, unless otherwise indicated, a word or expression to which a meaning has been assigned in the respective legislation has the same meaning as defined by said legislation, and –

CALL DEPOSIT – Investment of funds for indefinite period, with immediate access to those funds.

CASH MANAGEMENT - Is the corporate process of collecting and **managing cash**, as well as using it for (short-term) investing

CFO – Chief Financial Officer

CREDITORS - Refers to the party that has delivered a product, service or loan, and is owed money by one or more debtors

DIVERSIFICATION - Is a technique that reduces risk by allocating investments among various financial institutions

ETHICS - Is a system of moral principles

FIXED DEPOSIT - An investment account with a **fixed** term, typically giving you a higher interest rate than investments available overnight or with notice

FOREIGN CURRENCY - Is the exchange of one currency for another or the conversion of one currency into another currency

INVESTMENT - The purchase of a financial product or other item of value with an expectation of favourable future returns

MCLM/THE MUNICIPALITY – Mogale City Local Municipality

MFMA – Municipal Financial Management Act, Act No. 56 of 2003

MSCOA – Municipal Standard Chart of Accounts

1. LEGAL COMPLIANCE

Mogale City Local Council (MCLM) 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.

A paraphrase of the provisions of this Act is attached as Annexure I to this policy.

2. SCOPE OF THE INVESTMENT POLICY

This policy covers all cash management, banking and investment issues of Mogale City Municipality.

3. OBJECTIVE OF INVESTMENT POLICY

The council of Mogale City Local Municipality is the trustee of the public revenues, which it collects, 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 knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

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. 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.

The investment policy of the municipality is therefore aimed at preservation and safety of the investment as a primary aim, the need for investment diversification and the liquidity needs of the municipality.

4. EFFECTIVE CASH MANAGEMENT

- Cash Collection

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

The respective responsibilities of the Chief Financial Officer (CFO) and other heads of departments in this regard is defined in a code of financial practice approved by the Municipal Manager and the CFO, and this code of practice is attached as Annexure II to this policy.

The unequivocal support of 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.

- Payments to Creditors

The CFO 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.** 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 CFO or the designated official before any payment is made. It is vital that MCLM pays its creditors when they become due. MCLM should achieve a target of 30 creditor days over the next five years.

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, the following payment terms will apply:

Full contract value less than or equal to R200 000-00: - payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered.

Full contract value above R200 000-00: - payment to fall due 30 days after the date of the invoice or rendering of the service, whichever is the later or 'unless prescribed otherwise for certain categories of expenditure in terms of section 65(2) (e) (MFMA)'

Notwithstanding the foregoing policy directives, the CFO or the designated official shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the CFO of the designated official determines that there are financial incentives for the municipality to do so.

The CFO 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. Wherever possible, payments shall be effected by means of electronic transfers.

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

- **Management of Inventory**

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.

- **Cash Management Programme**

The CFO or designated official shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a weekly basis. 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. Heads of departments shall in this regard furnish the CFO with all such information as is required, timeously and in the format indicated.

The CFO shall report to the Executive Management Committee and the Executive Mayor, on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and 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 quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the CFO shall provide comments or 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.

5. INVESTMENT ETHICS

According to the delegations approved by Mogale City Local Municipality and with reference to section 11(h) of the MFMA dealing with cash management, the responsibility to make short term investments lies with the Municipal Manager and is delegated to the Chief Financial Officer.

The authority to make long-term investments is vested with Council in terms of Section 48 of the MFMA that deals with the provision of security.

The CFO shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

In making such investments the CFO, shall at all times have only the best interest 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 CFO nor the Executive Mayor or chairperson of the Executive Management Committee, as the case may be, may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

6. **INVESTMENT PRINCIPLES**

Permitted investments:

A municipality may invest funds only in any of the following investment types: -

- (a) securities issued by the national government;
- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
- (c) deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- (f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- (i) municipal bonds issued by a municipality; and any other investment type as the Minister may identify by regulation in terms of Section 168 of the Act, in consultation with the Financial Services Board

• **Limiting Exposure**

Where large sums of money are available for investment the CFO shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. The CFO 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 (that is, call, money market and fixed deposits).

A list of approved investment institutions and investment types is included as Annexure III.

• **Risk and Return**

Although the objective of the CFO 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. 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 be made only

with registered deposit-taking institutions which have been graded by a national or international recognized rating agency with an investment grade rating. The responsibility and risk arising from any investment transaction vests in the relevant municipality.

All investments made by a municipality or municipal entity must be in the name of that municipality or municipal entity

- **Risk and Diversification**

The CFO shall be responsible to diversify investment portfolios. The CFO should eliminate risk of losses resulting from putting all investment in one basket. Diversification strategies shall be determined and revised periodically by the CFO or investment committee.

- **Payment of Commission**

- No commission or other reward may be paid to an official or councilor of the municipality or to a spouse or close family member in respect of any investment made or referred by the municipality.
- Any fees, commission or other reward payable to an investment manager in respect of any investment made by the municipality, must be declared by both the municipality and investment manager to the Council by way of a certificate disclosing full details of the payment.
- Every financial institution with which the municipality makes an investment must issue a certificate or letter of confirmation to the CFO 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.

- **Call Deposits and Fixed Deposits**

Before making any call or fixed deposits, the CFO or the designated official, shall obtain quotations from institutions mentioned in Annexure III. Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);

Given the volatility of the money market, the CFO or the designated official 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, the amount to be invested and so forth). The officials empowered by this policy (refer to Dealing Limits for Designated Officials, page 12) to make investment decisions must authorize the investment by noting on the said register where the funds are to be invested and signing the register.

Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately sent by Mogale City to the institution where the funds are to be invested. (by facsimile, e-mail or any other expedient means).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of "Other External Investments" below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the CFO 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.

When fixed deposits mature and the funds are not needed for cash flow purposes, the CFO or designated official follow the same procedure set out above for the placing of new deposits. In the instance where funds are to be withdrawn the designated decision making officials must once again authorize the withdrawal of the funds by signing a withdrawal note, stating the amount that must be withdrawn and the institution/s from where the funds must be withdrawn.

- **Restriction on Tenure of Investments**

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Council. A municipality may not borrow money for the purpose of Investment.

- **Foreign Currency Denominated Investments**

Only Rand denominated investments, not indexed to, or affected by fluctuations in the value of the rand against any foreign currency may be made.

7. CONTROL OVER INVESTMENTS

The CFO or the designated official shall ensure that proper records are kept of all investments made by the municipality. 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.

If the investment is liquidated at a date other than the maturity date, such date shall be indicated and the reason for liquidation stated.

The CFO or designated official 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.

The CFO or designated official shall ensure that all investment documents and certificates are properly secured in a fireproof safe, or are otherwise lodged for safekeeping with the municipality's bankers

8. REPORTING AND MONITORING OF INVESTMENTS

The CFO shall within 10 working days of the end of each month submit to the Executive Mayor a report describing in accordance with generally recognized accounting practice the investment portfolio of that municipality as at the end of the month.

The report must set out the following:

- The market value of each investment as at the beginning of the reporting period;
- Any changes to the investment portfolio during the reporting period;
- The market value of each investment as at the end of the reporting period;
- Fully accrued interest or yield for the reporting period.

- **Standard of Care**

Investments by the municipality or by an investment manager on behalf of the municipality: -

- Must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- May not be made for speculation but for investment; and
- Must in the first instance be made with primary regard being to the safety of the investment, in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.
- When appropriate, any investments previously made, that no longer has the minimum acceptable credit rating as specified in this policy, must be liquidated.
- **Assignment of Roles, Functions, Delegation of decision making powers**

- **Investment Committee**

An Investment Committee will administer the investment function. The Investment Committee will consist of the following officials:

- **Municipal Manager**

- Chief Financial Officer
- Manager - Budget and Treasury
- ***Assistant Manager Treasury***

- **Functions of the Investment Committee**

- Recommend amendments to the Investment Policy and Guidelines for approval by Council.
- Review and recommend amendments to counterparties annually based on credit ratings by two rating agencies or as needed for approval by Council.
- Review and recommend amendments to counterparty limits annually or as needed for approval by Council.
- Review and recommend amendments to investment instruments and tenors annually for approval by Council.
- Review and recommend amendments to dealing limits for designated officials annually or as needed for approval by Council.

- **Dealing Limits for designated officials**

The Municipal Finance Management Act, 2003 Chapter 8, section 60 empowers the Municipal Manager to delegate certain duties to designated

officials, who would be accountable to him/her. The Municipal Manager of Mogale City Local Municipality therefore delegates his/her investment duties as follows:

- **Amounts of R5 000 000-00 or less:**

Investment decisions may be made by any two of the following designated officials:

Manager - Budget and Treasury
Manager – Supply Chain Management
Manager – Expenditure
Assistant Manager Treasury

- **Amounts in excess of R5 000 000-00 and equal to or less than R15 000 000-00:**

Investment decisions may be made by the CFO and any one of the following designated officials:

Manager - Budget and Treasury or
Manager – Supply Chain Management or
Manager – Expenditure and
Assistant Manager Treasury

- **Amounts in excess of R15 000 000-00:**

Investment decisions may be made by the ~~Municipal Manager or~~ CFO and any two of the following officials:

Manager - Budget and Treasury or
Manager – Supply Chain Management or
Manager – Expenditure and
Assistant Manager Treasury

In all of the above cases the following guidelines must be followed:

Quotations from at least four (4) financial institutions must be obtained containing the following details:

- Name of the person providing the quotation
- The interest rate quoted
- Interest payment frequency

After the investment has been placed with the chosen financial institution a confirmation letter must be obtained from the institution. The original copy must be placed on the Investment File.

- **Use of Investment Managers**

Investment managers may be used only in the following circumstances:

- In the event that specialist knowledge is required which is not available within the municipality's investment committee.
- Only in an advisory capacity – not dealing on behalf of the municipality.
- Only with prior written approval of Council.
- In compliance to Municipal Finance Management Act 2003 – Municipal Investment Regulations any fees, commission or other reward payable to an investment manager in respect of any investment made by a municipality, both the municipality and investment manager must declare such payment to Council by way of a certificate disclosing full details of the payment.

9. OTHER EXTERNAL INVESTMENTS

From time to time it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the CFO, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.

No investment with a tenure exceeding twelve months shall be made without the prior approval of Council and without guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

10. BANKING ARRANGEMENTS

The Municipal Manager (MM) is responsible for the management of the municipality's bank accounts, but may delegate this function to the CFO. The MM, in consultation with the CFO, is authorized to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time.

In compliance with the requirements of good governance and the Municipal Finance Management Act No 56 of 2003 Sec 7 (1), the MM shall open and maintain at least one bank account in the name of the municipality. If the Municipality chooses to have

more than one bank account it must designate one of those bank accounts as its primary bank account (sec 8 (1) b). At the discretion of the MM separate bank accounts may be maintained for the following: capital receipts in the form of grants, donations or contributions from whatever source and trust funds. In determining the number of additional accounts to be maintained, the MM, in consultation with the CFO, shall have regard to the likely number of transactions affecting each of the accounts referred to.

If the MM, in consultation with the CFO, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, and Council agrees, the Municipal Manager shall invite tenders for the placing of the municipality's bank account

The Municipal Manager shall, in compliance with the Municipal Finance Management Act No 56 of 2003 Sec 9, submit details of any new bank account to the Provincial Treasury and Auditor General.

11. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

In managing the municipality's investments, the CFO shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested either at least annually equal to the principal sum divided by the period of the loan or at the start of the loan to mature on the same date as the loan and will have a guaranteed maturity value equal to the maturity value of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by 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 CFO 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.

12. INTEREST ON INVESTMENTS

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

13. ANNEXURE 1: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the executive mayor, executive committee or CFO. The foregoing policy is based on the assumption that such authority has been delegated to the CFO.

SECTION 7: OPENING OF BANK ACCOUNTS

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

- otherwise than in the name of the municipality;
- abroad; or
- with an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality's primary account:

- all allocations to the municipality;

- all income received by the municipality on its investments;
- all income received by the municipality in connection with its interest in any municipal entity;
- all money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
- any other monies as may be prescribed.

The accounting officer of the municipality must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If the municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

The accounting officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer all the municipality's bank accounts, is accountable to the municipal council for the municipality's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The accounting officer may delegate the duties referred to above only to the municipality's CFO.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the accounting officer or the CFO of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

- defray expenditure appropriated in terms of an approved budget;

- defray expenditure authorised in terms of Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
- defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1);
- in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
- pay over to a person or organ of state money received by the municipality on behalf of such person or organ of state, including money collected by the municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the municipality for such person or organ of state;
- refund money incorrectly paid into a bank account;
- refund guarantees, sureties and security deposits;
- make investments for cash management purposes in accordance with Section 13;
- defray increased expenditure in terms of Section 31; or
- for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorisation to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the CFO to withdraw money or to authorise the withdrawal of money from the municipality's primary bank account if the municipality has a primary bank account which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

SECTION 13: CASH MANAGEMENT AND INVESTMENTS

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must,

within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

The following documents must accompany each tabled draft annual budget (inter alia):

- In order to ensure that the municipality has sufficient cash available to comply with the municipality's commitments to its lenders, creditors, statutory payments and any other commitments, it is necessary to annually compile and submit to Council, as part of the budget documentation, a cash-flow projection for the budget year, broken down per month.
- Particulars of the municipality's investments.

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connexion with such budget (and documents).

SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department and the accounting authority of a national or provincial public entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the national treasury or the relevant provincial treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

The Minister or the MEC responsible for finance in the province must, when tabling the national annual budget in the national assembly or the provincial annual budget in the provincial legislature, make public particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next 3 financial years.

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every municipality responsible for the transfer of any allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the revenue of the municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

The accounting officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The accounting officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and must be made ~~either~~ electronically.

The accounting officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The accounting officer must further ensure that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

14. ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

1. LOGISTICS MANAGEMENT

The CFO shall be responsible for the proper administration of all stores. If sub-stores are established under the control of any head of department, such head of department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the CFO, acting in consultation with the head of department concerned. No sub-store may be established without the prior written consent of the CFO.

2. CONTRACTS MANAGEMENT

Within such general buying and related procedures as the CFO shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the executive mayor or executive committee, as the case may be:

- all buying contracts shall be administered by the CFO, and all payments relating to such contracts shall be authorised by the CFO or the head of department concerned; and
- all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department in accordance with the provisions of Section 3 below. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects - before being submitted to the CFO for payment.

3. PAYMENTS

- 3.1 All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s).
- 3.2 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the CFO. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the CFO.
- 3.3 The maximum amount and nature of petty cash disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the CFO. No cash float shall be operated without the authority of the CFO, who may prescribe such procedures relevant to the management of such float as are considered necessary.
- 3.4 The CFO shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.

4. REVENUE AND CASH COLLECTION

- 4.1 Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions.
- 4.2 The CFO shall ensure that all revenues are properly accounted for.
- 4.3 The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the CFO in terms of any policies determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the CFO shall report the matter adequately and timeously to the finance and executive committees.
- 4.4 The CFO shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council's policy on rates and tariffs.
- 4.5. MCLM should target a cash coverage ratio of 3 months by 2023.

5. BANKING OF RECEIPTS

- 5.1 Guidelines and procedures for the banking of receipts shall, if necessary, be determined from time to time by the CFO.

5.2.1 Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality's banker(s), or less frequently if so approved by the CFO.

15 ANNEXURE III: APPROVED INVESTMENT INSTITUTIONS AND INVESTMENT TYPES AND TENORS

- It is of utmost importance that the investments only be placed with creditworthy institutions with a credit – rating of F1 (Fitch) and better
- Fitch ratings to be obtained of all investment institutions before a financial institution may be considered for investing funds.
- Ratings must be updated at least annually or when there has been structural change in the market or at the particular institution.
- The optimal combination of the most favourable rated institution and the institution offering the best returns for the investment sought, should be the determining factor when choosing the institution.
- Only deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990) are permitted.

| TYPE | MAXIMUM TENOR |
|---|---|
| Call Deposit | n/a |
| Fixed Deposit | 12 months |
| Negotiable Certificate of Deposit | 12 months |
| Promissory Note | 12 months |
| Bankers Acceptance | 180 days |
| Repurchase agreements | 12 months |
| Land Bank Bills | 180 days |
| SARB Tender Bills | 28 days |
| Guaranteed Endowment Policies with the intention of establishing a sinking fund | As this is a long term investment, Council approval should be acquired before any investment is made. |
| SA Government Stock | As this is a long term security, Council approval should be acquired before any investment is made. |
| Local Government Stock | As this is a long term security, Council approval should be acquired before any investment is made. |

Investment Institutions, limits and investment types must be reviewed on an annual basis.

16 MSCOA COMPLIANCE

Use of funding segment to populate the cash flow tables. “Funding” and “Item” segments must be combined to provide cash flow information on how funds have been spent and on what.

17 COMMENCEMENT AND APPROVAL

This Policy requires Council approval and will be in effect, after the approval of the Municipal Council as of 1 July 2024.