CASH MANAGEMENTAND INVESTMENT POLICY

2017/18

Approved by Council 29th May 2017

Date of Implementation:

PREAMBLE

Whereas section 13 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) determines that a municipality must introduce appropriate and effective investment arrangements;

And whereas a municipality must disclose its investment details;

And whereas councilors and officials as trustees of public funds, have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible;

Now therefore the Polokwane Municipality adopts the following Investment Policy:

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1. DEFINITIONS

For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means:-

Accounting Officer	a person appointed by the Municipality in terms of Section 82 of the Local Government: Municipal Structures Act. 1998 (Act No. 117 of 1998) and who is the head of administration and also the Municipal Manager for the Municipality.
Chief Financial Officer	an officer of the municipality appointed as the Head of Finance Department and includes any person:- • acting in such position; and • to whom the Chief Financial Officer has delegated a power, function or duty in respect of such a delegated power, function or duty.
Council or Municipal Council	a municipal council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and for purposes of this policy, the municipal council of the Municipal of Polokwane.
Councillor	a member of the Municipal Council.
Investments	funds not immediately required for the defraying of expenses and invested at approved financial institutions.
Municipal Manager	the accounting officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and includes any person:- • acting in such position; and • to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty.
Municipality	the institution that is responsible for the collection of funds and the provision of services to the customers of Polokwane.
Public funds	all monies received by the municipality to perform the functions allocated to them.
FSP or Investment Manager	A financial institution tasked with assisting the municipality with investment planning.

2. OBJECTIVE OF POLICY

The objectives of the Investment Policy are:-

2.1 to manage the investments of the municipality in such a manner that it will not tie up the municipality's scarce resources required to improve the quality of life of the citizens;

2.2 to manage the investments of the municipality in such a manner that sufficient cash resources are available to finance the capital and operating budgets of the municipality; and

2.3 to gain the highest possible return on investments during periods when excess funds are not being used, without unnecessary risk.

SCOPE OF POLICY

3.1 The Policy deals with:-

3.2 Responsibility / Accountability;

3.3 Investment instruments;

3.4 Cash flow estimates;

3.5 Investment ethics and principles;

3.6 Investment procedures;

3.7 Other external deposits; and
3.8 Control over investments.

3. RESPONSIBILITY / ACCOUNTABILITY

4.1 The Municipal Manager as the Accounting Officer of the municipality is accountable for investment management.

4.2 The municipal council must approve a policy directing procedures, processes and systems required to ensure efficient and effective management of investments.

4.3 Efficient and effective investment management include:-

a) Accurately forecasting the institution's cash flow requirements.
b) Timing of the in- and outflow of cash.
c) Recognizing the time value of money.
d) Taking any other action that avoids locking up money unnecessarily and inefficiently.
e) Avoiding bank overdrafts.

5. INVESTMENT INSTRUMENTS

5.1 The Minister of Provincial and Local Government may with the concurrence of the Minister of Finance by notice in the Gazette determine instruments or investments other than those referred to below in which Municipality may invest:-

a) Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);

b) Securities issued by the National Government;

c) Investments with the Public Investment Commissioners as contemplated by the Public Deposits Act, 1984 (Act No. 46 of 1984);

d) A municipality's own stock or similar type of debt; internal funds of a municipality which have been established in terms of a law pool money available to the municipality and to employ such money for the granting of loans or advances to departments within a municipality, to finance capital expenditure;

e) Bankers' acceptance certificates, negotiable certificates or deposits of banks;

f) Guaranteed Endowment policies offered by insurance companies in order to meet the redemption fund requirements of municipalities; and

g) Any other instruments or investments in which a municipality was under a law permitted to invest before the commencement of the Local Government Transition Act, 1996: provided that such instruments shall not extend beyond the date of maturity or redemption thereof.

6. CASH FLOW ESTIMATES

6.1 Before money can be invested, the Municipal Manager must determine whether there will be surplus funds available for the term of the investment.

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

6.3 Provision must be made in the cash flow estimates for the operating and capital requirements of the municipality:-

a) The operating requirements must include provisions for:-

(i) Payment of monthly salaries.
(ii) Payment for bulk purchases of electricity and water.
(iii) Interest on long-term loans.
(iv) Maintenance of assets.
(v) General expenditure.
(vi) Expected daily and monthly income.

b) Capital requirement must provide for:-

(i) The anticipated cash flow requirements for each capital project.

7. INVESTMENT ETHICS AND PRINCIPLES

7.1 The Municipal Manager will be responsible for the investment of funds, and he / she has to steer clear of outside interference, regardless of whether such interference comes from individual councillors, agents or any other institution.

7.2 Under no circumstances may he / she be forced or bribed into making an investment.

7.3 No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his / her work or was not intended to do so, and can merely be seen as goodwill.

7.4 A certificate in respect of any gifts received should be furnished to the Municipality.

7.5 Interest rates offered should never be divulged to another institution.

7.6 Long-term investments should be made with an institution with at least a minimum F rating (where F refers to low risk institutions) however institutions without a credit rating should be considered in line with sec 217 subsection (1)a and b of the constitution.

7.7 Short-term investments should be made with an institution with at least a minimum BBB+ rating (where BBB+ refers to higher risk institutions), however institutions without a credit rating should be considered in line with sec 217 subsection (1)a and b of the constitution.

7.9 The maximum amount invested with a financial institution should not exceed 10% of the relevant institution’s shareholder’s funds (capital and reserves).

7.10 The municipality may not borrow money specifically for re-investment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.

7.11 If the Municipal Manager invests with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act, 1990 (Act No. 94 of 1990) and that they are approved financial institutions, as approved by the Reserve Bank of South Africa from time to time.

7.12 When making growth related investments, the Municipal Manager must obtain a guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

8. INVESTMENT PROCEDURES

After determining whether there is cash available for investment and fixing the maximum term of investment, the Municipal Manager must consider the way in which the investment is to be made.

8.1 **Short-term Investments**:

a) Quotations should be obtained from a minimum of three financial institutions (local banks), for the term of which the funds will be invested.

b) 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 quote a rate for the other term.

c) Quotations should be obtained in writing.

d) Quotations from institutions must include the following:-

(i) Name of institution;
(ii) Name of person quoting rates;
(iii) Period of the investment;
(iv) Relevant conditions; and
(v) Other facts, such as interest payable monthly or on maturation date.

e) Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested.

f) The best offer must under normal circumstances be accepted, with thorough consideration of investment principles.

g) No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.

h) The investment capital must only be paid over to the institution with which it is to be invested and not to an agent or third party.

i) The financial institution where the investment is made must issue a confirmation stating the details of the investments.

j) The Municipal Manager must make sure that the investment document, if issued, is a genuine document and issued by the approved institution.

k) The municipality must be given a monthly report on all investments.

l) The Municipal Manager must obtain information from which the creditworthiness of financial institutions can be determined. This must be obtained and analysed annually.

8.1.2 INSTITUTIONS WHERE INVESTMENTS MAY BE MADE

Standard Bank Investment Corporation Ltd.
Investec Limited
First National Bank Ltd.
Nedbank Ltd.
VBS Mutual Bank.
ABSA Bank Ltd.
Rand Merchant Bank Ltd.

8.2 **Long-term investments**:

a) Written quotations must be obtained for all investments made for periods longer than twelve months.

b) The municipal council must approve all investments made for periods longer than twelve months after considering the cash requirement for the next three years.

c) The municipality must within 30 days after an investment with a term of 12 months or longer has been made, publish in a local newspaper in circulation within its area of jurisdiction, full details of any investments so made.

8.3 Withdrawals

All investment amounts withdrawn and not to be re-invested at the same institution at the time of withdrawal, shall be paid into the primary bank account.

All interest shall be paid into the primary bank account at the time of withdrawal of an investment, irrespective of the capital being re-invested.

9. OTHER EXTERNAL DEPOSITS

The principles and procedures set out above must apply to other investment possibilities subject to the applicable legislation, which is available to the municipality, including debentures and other securities of the state as well as other municipalities or statutory bodies in the Republic of South Africa, instituted under and in terms of any law.

10. CONTROL OVER INVESTMENTS

10.1 An investment register should be kept of all investments made. The following information must be recorded:-

a) Name of institution;
b) capital invested;
c) date invested;
d) interest rate;
e) maturation date;
f) interest received;
g) capital repaid; and
h) balance invested

10.2 The investment register and accounting records must be reconciled on a monthly basis.

10.3 The investment register must be examined on a weekly basis to identify investments falling due within the next week.

10.4 Interest, correctly calculated, must be received timeously, together with any distributable capital.

10.5 Investment certificates, if issued, must be kept in a safe place with dual custody.

10.6 The following documents must be safeguarded:-

a) Fixed deposit letter or investment certificate;
b) Receipt confirmation for capital invested;
c) Copy of electronic transfer or cheque requisition;
d) Schedule of comparative investment figures;
e) Commission certificate indicating no commission was paid on the investment; and
f) Interest rate quoted.

11. CASH MANAGEMENT

Cash Collection

1) All money received should be promptly deposited within 72 hours in the municipality Primary Bank.
2) The respective responsibilities of the Chief Financial Officer and other directors in this regard are in terms of the approved budget and other budget related policies.
3) Collection and banking of revenue is the lifeblood and determines the going-concern status of a municipality. A healthy cash flow is crucial to ensure sustainable service delivery and infrastructure development and maintenance and preservation.
4) This is appropriately prescribed in terms of section 64 of the Municipal Finance Management ACT of 2003.

11.1 SECTION 64: REVENUE MANAGEMENT

- 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 Act into the municipality's primary bank account.
 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 regular 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 regular basis, and that such fund are not used for purposes of the municipality.

11.2 REVENUE AND CASH COLLECTION

1. Every director shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions and budget.
2. The Chief Financial Officer shall ensure that all revenues are properly accounted for.
3. The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the Chief Financial Officer 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 Chief Financial Officer shall report the matter adequately and timeously to the finance Committee and advice for adjustment purpose.

11.3 CASHIER COLLECTION

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  All money received should be promptly deposited within 72 hours in the municipality Primary Bank.
- All cashier banking batches and or shifts must be closed at least on a daily basis and banked promptly in the municipality primary bank account
- All forms, categories or types of money receipted must be quoted in the form or type received, for example cheques as cheques and cash as cash; debit/credit cards as such etc.
- The following negotiable instrument if accepted will be construed as cash, Postal orders, bank cheques, cards, bank guarantee chegues, credit cards, debit cards, direct deposits, and electronic funds transfers.

11.4 END OF SHIFT/DAY

- A cashier must count the money he/she receipted, record the outcome on the cash-up sheet per category, then report to the senior responsible for the closing of the banking batches;
- No cashier may have access to the closing bank batch facility of the financial system. The senior verifies whether the amounts are correct and send the cashier back if necessary, otherwise closed the banking batch;
- All shortages must be paid in by the cashier and all surpluses must be receipted in the vote number open for this purpose;
- The cashier supervisor in the presence of the cashier should deposit the money into the prescribed money bag, seal and lock it up in the safe;
- All closed banking batches must be deposited and received by the bank within 72 hours; and
- A service provider will collect all deposits; quote the seal serial number and issue a receipt for the money bags;

11.5 AVAILABILITY OF RECEIPTING POINTS.

- Cash receipting points will be available in Polokwane civic centre, Mankweng, Seshego, Sebayeng municipal offices and other special services
- such as Traffic and licensing in Ladanna, Game reserve, Swimming pools, Library, sports and facility management and all satellite offices;
- The normal office hours for receipting are Monday to Friday 08h00 till 15h30 and Satelite offices closes at 16h00;
- The Municipality also makes use of third party payments for example; Easy pay and Pay-a-Bill. The bank facilities such as; speed points, EFT, debit orders, direct deposits and some approved cheques; and
- Electronic transfers directly into the bank account are allowed provided that the client use his/her debtors account number as reference or booking number or reference granted by the municipality. A penalty may be levied for repeated incorrect or no reference.

12. CODE OF PRACTICE WITH REGARD TO CASH COLLECTION AND BANKING

12.1 CASHIER SHORTAGES

It is the cashier responsibility to take care of custody of cash until it is handed over to the supervisor. For this reason shortages will be handled as hereunder:

- Up to R100 must be paid in by the cashier, immediately before banking

- is done.

- More than R100 up to R500, the cashier shortage account must be debited and the total balance must be deducted from the cashier salary end of the same month.
- Two shortages of over R100 in one month, cashier must get a warning, if it happens three times, written warning must be issued and valid for Three Months.
- Shortages of over R500 up to R1000, written warning will be issued to the cashier and disciplinary actions may be taken against the cashier.
- Shortage over R1000 disciplinary actions must be instigated against the cashier. (First time offender will have an option of a final warning and repayment, second time offender will have option of final warning or dismissal)

12.2 SHORTAGES IN THE BANK

- Supervisors accept the money from the cashier for banking, and takes responsibility for the money until banked. As results shortages reported by the bank will be accounted and paid for by the supervisor who prepared the banking.

- The above principle as per 12.1 on cashier shortages will be applicable in terms of payments and disciplinary actions to be considered.

- All shortages identified by the bank, must be paid in by the supervisor, and all surpluses must be receipted in the vote number open for this purpose.

13. SHORT TITLE

This Policy shall be called the Investment and Cash Management Policy of the Polokwane Municipality.