



CASH MANAGEMENT AND INVESTMENT POLICY

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1. BACKGROUND

1.1 The Local Government Municipal Finance Management Act 56 of 2003 (MFMA) requires a municipality to establish an appropriate and effective cash management and investment policy within which the municipality must, within any prescribed framework:

- Conduct its cash management and investments and
- Invest money not immediately required.

2. PURPOSE OF THE POLICY

The purpose of the cash management and investment policy is:

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

2.2 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;

2.3 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; and

2.4 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.

3. DEFINITIONS

For the purpose of this policy-

“Accounting Officer” means the Municipal Manager 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 to whom the Accounting Officer has delegated a power, function or duty in respect of such a delegated power, function or duty.

"Council" - OVERBERG DISTRICT MUNICIPALITY or any of the Council's committees or officials by virtue of authority, functions and duties delegated to them in terms of any existing law, ordinance or decree which is in force within the jurisdiction of the Council;

"Councillor" shall mean a member of the municipal council of the Overberg District Municipality;

"Chief Financial Officer (CFO)" means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

"GRAP" are standards of Generally Recognised Accounting Practice.

"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; "Municipality" - means the Overberg District Municipality;

"Official" - shall mean all persons in the employment of the Overberg District Municipality.

4. COMPLIANCE WITH LAWS AND LEGISLATION

4.1 Section 13(1) and (2) of the MFMA requires a municipality to establish an appropriate and effective cash management and investment policy within which the municipality must;

4.1.1 Conduct its cash management and investments, and

4.1.2 Invest money not immediately required, in accordance with any framework which may be prescribed.

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

4.3 Sections 7,8,9,10,11 and 12 of the MFMA describes in Part 1: Municipal bank accounts the compliance that municipalities should follow in respect of the:

- 4.3.1 Opening of bank accounts
 - 4.3.2 Primary bank account
 - 4.3.3 Bank account details to be submitted to provincial treasuries and Auditor-General
 - 4.3.4 Control of municipal bank accounts
 - 4.3.5 Withdrawals from municipal bank accounts
 - 4.3.6 Relief, charitable, trust or other funds
- 4.4 MFMA Circular No 61 dated 25 April 2012 - Banking, Overdraft, and Investments.

5. SCOPE OF THE POLICY

This policy applies to the management of cash and investment of the municipality's funds, excluding petty cash accounts.

6. STANDARDS OF ETHICS AND JUDGEMENT AND DUE CARE

6.1 The chief finance officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the accounting officer in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance;

6.2 All investments made, shall be in the name of the Overberg District Municipality;

6.3 In making such investments the chief finance 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 accounting officer, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties;

6.4 The chief finance officer must always, when making an investment, consider:

6.4.1 The security of the investment;

6.4.2 The liquidity needs of the Overberg District Municipality; 6.4.3

Probable income or return derived from the investment; and

6.4.4 Legal considerations of such an investment.

The Accounting officer, CFO, and members of the mayoral committee must adhere to the code of conduct when considering and making an investment.

7. CASH MANAGEMENT

7.1 Banking arrangements

- 7.1.1 The accounting officer is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer;
- 7.1.2 The accounting officer and chief financial officer are always authorised to sign cheques and- any other documentation associated with the management of such accounts;
- 7.1.3 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;
- 7.1.4 in the event of changes to the list of current signatories shall be reported to the Executive mayor as part of the report dealing with the municipality's investments;
- 7.1.5 In compliance with the requirements of good governance, the accounting officer shall open a Primary Bank Account for ordinary operating purposes;
- 7.1.6 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; trust funds; and the municipality's self-insurance reserve (if legally permissible);
- 7.1.7 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;
- 7.1.8 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;
- 7.1.9 The accounting officer shall invite tenders for the placing of the municipality's bank accounts within six months after the election of each new council, such

new banking arrangements to take effect directly after the procurement of- a new banking service as prescribed by the procurement policy of Council; and

7.1.10 However, such tenders may be invited at any earlier stage, if the accounting officer, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, and the executive mayor or the mayoral committee, as the case may be, agrees to the invitation of such tenders

7.1.11 The accounting officer of a municipality must submit to the National Treasury, the relevant 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 a 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 effecting the change.

7.1.12 The accounting officer of a municipality must submit to the relevant provincial treasury and 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 a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

7.2 Raising of debt finance

7.2.1 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 conclusion with the accounting officer;

7.2.2 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;

7.2.3 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;

- 7.2.4 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;
- 7.2.5 Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues; and-
- 7.2.6 The municipality shall not borrow for the purposes of investing or speculating in short- or long-term financial instruments.

7.3 Cash collection

- 7.3.1 All monies due to the municipality must be collected as soon as possible, either on or- immediately after due date, and banked daily except in the case of satellite offices.
- 7.3.2 The respective responsibilities of the accounting officer and other executive directors of departments in this regard- is defined -in a code of financial practice approved-by-the accounting officer and the chief financial officer;
- 7.3.3 The unremitting support of and commitment to the municipality's credit control and debt management 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.

7.4 Payments to creditors

- 7.4.1 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;
- 7.4.2 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;

- 7.4.3 In the case of small, micro, and medium enterprises, where such a policy may cause financial- hardship to the contractor, 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, whichever is the later. Any such early payment shall be approved by the accounting officer before any payment is made;
- 7.4.4 Notwithstanding the foregoing policy directives, the accounting officer 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 accounting officer determines that there are financial incentives for the municipality to do so;
- 7.4.5 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;
- 7.4.6 Wherever possible, payments shall be affected by means of electronic transfers rather than by cheques;
- 7.4.7 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 the making such payments prior to the normal month end processing
- 7.4.8 In terms of Section 65(2)(e) of the MFMA, all creditor payments must be finalised within 30 days from receiving the invoice.

7.5 Cash management programme

- 7.5.1 The CFO shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a monthly basis;
- 7.5.2 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;
- 7.5.3 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;

7.5.4 The accounting officer shall report to the Finance Portfolio on the monthly cash estimates 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; and

7.5.5 The cash flow estimates shall be divided into calendar months, and in reporting the accounting officer shall provide comments or explanations regarding 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.

8. UNDERLYING INVESTMENT PRINCIPLES

8.1 Permitted investments

8.1.1 The chief finance 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 1st April 2005:

- Securities issued by national government;
- Listed corporate bonds with an investment grade rating from a recognized credit rating agency;
- Deposits with banks registered in terms of the Banks Act (Act 45 of 1984);
- Deposits with the Public Investment Commissioners;
- Deposits with the Corporation for Public Deposits;
- Banker's acceptance certificate or negotiable certificates of deposits of registered banks;
- Guaranteed endowment policies with the intention of establishing a sinking fund;
- Repurchase agreements with registered banks;
- Municipal bonds issued by a municipality;
- Any other investment type as identified by the Minister of Finance in consultation with the Financial Service Board.

8.2 Limiting exposure

8.2.1 The Chief finance officer shall ensure that the municipality diversifies its investment portfolio across- institutions, types of investment and investment maturities in order to limit the Fisk exposure of the municipality.

8.3 Risk-and return

8.3.1 Although the objective of the chief finance 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.

8.3.2 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 45 of 1984)

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

8.4 Payment of commission:

8.4.1 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 councillors, officials or related spouses or family members.

8.5 Fixed-term deposits:

8.5.1 Before making any fixed term deposits, the chief finance officer, shall obtain quotations from at-least three financial institutions.

8.5.2 Given the volatility of the money market, the chief finance 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).

8.5.3 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).

8.5.4 Any monies paid over to the investing institution in terms of the agreed investment shall be paid over only to such institution itself and not to any agent or third party

8.5.5 Once the investment has been made, the chief finance 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.

8.6 Restriction on tenure- of investments:

8.6.1 No investment with a tenure exceeding twelve months shall be made without the prior approval of the accounting officer.

8.7 Call account deposits

8.7.1 Call deposits will only be made at the current primary banker or at existing accounts at other banks that was specially created for certain type of investments.

8.7.2 The chief financial officer shall ensure that the best interest rates are negotiated on call accounts to ensure maximum return

8.7.3 The balance on the current primary account should be minimized to cover the immediate payments due and be monitored daily, to transfer any surplus funds to either of the existing call accounts to receive maximum return without risking the balance to move into an overdraft balance.

9. CONTROL OVER INVESTMENT PORTFOLIO

9.1 The chief finance officer shall ensure that proper records are kept of all investments made by the municipality.

9.2 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.

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

9.4 The chief finance 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.

9.5 The chief finance 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.

10. REPORTING ON INVESTMENTS AND BANK ACCOUNTS

10.1 The Accounting officer and/or delegated authority must submit, as part of the Section 71 report of the Municipal Finance Management Act (Act 56 of 2003), a report to the Mayor describing, in accordance with GRAP-, the investment portfolio of the Overberg District Municipality at the end of the month

10.2 The monthly report on-investments must include:

10.2.1 Market value of each investment — beginning and end period;

10.2.2 Any changes to-the Investment portfolio;

10.2.3 Accrued interest; and

10.2.4 Liquidated investments that have no-minimum acceptable credit rating.

10.3 The formats and timelines for reporting as prescribed in MFMA Circular No 61 dated 25 April 2020 should be used and followed.

11. INVESTMENT FOR THE REDEMPTION-OF LONG TERM LOANS

11.1 In managing the -municipality's investments, the chief finance officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an

amount is invested at least annually equal-to the principal sum divided by the period of the loan;

11.2 Such investment shall be made against the-bank account maintained for the external finance-fundi and shall be accumulated and used only for the redemption of such loan on due date;

11.3 The making of such investment- shall be approved by the council at the time that the loan itself-is approved and

11.4 If the loan raised is not a fixed term loan, but an annuity loan, the chief finance officer shall ensure that enough resources are available for repayment.

12. INTEREST ON INVESTMENTS

12.1 The interest accrued on -all the municipality's investments shall, in compliance with the requirements of GRAP be recorded in the first instance in the municipality's operating revenues and shall thereafter be appropriated on a monthly basis.

13. RELATED POLICIES

The following documents are related to this--policy_:

13.1 Code-of financial practice.

14. REVIEW

14.1 This policy will be reviewed at least annually and updated if needed.

15. EFFECTIVE DATE

15.1 This policy shall come into effect on 1 July 2026.