

# **WEST COAST DISTRICT MUNICIPALITY**



## **INVESTMENT AND CASH MANAGEMENT POLICY**

(Council Resolution: 20/12/09/10.1.6)

(Effective Date: 1 January 2021)

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>PREAMBLE</b>	<b>3</b>
<b>1. LEGAL FRAMEWORK</b>	<b>4</b>
<b>2. OBJECTIVES</b>	<b>4</b>
<b>3. CASH MANAGEMENT POLICY</b>	<b>4</b>
<b>3.1 General Policy</b>	<b>4</b>
<b>3.2 Bank Accounts</b>	<b>4</b>
3.2.1 Delegation/Rights	5
3.2.1.1 Cheques	5
3.2.1.2 Electronic Funds Transfer (EFT)	5
<b>3.3 Bank Overdraft</b>	<b>5</b>
<b>4. INVESTMENT POLICY</b>	<b>5</b>
<b>4.1 General Policy</b>	<b>5</b>
<b>4.2 Diversification</b>	<b>6</b>
<b>4.3 Investment Managers</b>	<b>6</b>
4.3.1 External Investment Managers	6
4.3.2 Internal Investment Manager	6
<b>4.4 INTERNAL CONTROLS OVER INVESTMENTS</b>	<b>6</b>
4.4.1 Delegations	6
4.4.2 Obtaining quotations and concluding deals	6
<b>4.5 Ownership</b>	<b>7</b>
<b>5. DUE CARE</b>	<b>7</b>
<b>6. PERFORMANCE MEASUREMENT</b>	<b>7</b>
<b>7. REPORTING</b>	<b>7</b>
<b>7.1 Reports</b>	<b>7</b>
<b>8. ANNUAL REVIEW OF POLICY</b>	<b>8</b>
<b>9. EFFECTIVE DATE</b>	<b>8</b>
<b>APPENDIX A</b>	<b>9</b>

## **PREAMBLE**

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

*and whereas* a bank, in accordance with the provisions of section 13 of the Act, has to disclose details regarding a municipality investment;

*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 West Coast District Municipality accept the cash and investment management policy set out in this document.

## **1. LEGAL FRAMEWORK**

- a) Legislation – Local Government: Municipal Finance Management Act 56 of 2003 (As amended)
- b) Treasury regulations in terms of Section 13(1) of the Act (As amended)

In this policy the Act is referred to as the MFMA.

## **2. OBJECTIVES**

- a) To maximize returns from authorized investments, consistent with the secondary objective of minimizing risk;
- b) To ensure compliance with all legislation governing the investment of funds;
- c) To maintain adequate liquidity to meet cash flow needs;
- d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner; and
- e) To ensure diversification of permitted investment.

## **3. CASH MANAGEMENT POLICY**

### **3.1 General Policy**

It is recognised that from time to time, Council has cash flow surpluses and borrowing requirements due to daily receipts and payments.

Council maintains a daily cash position summary and a yearly cash flow projection is prepared during the annual planning process and is updated monthly. This determines Council's borrowing requirements and surpluses for investment. Cash invested "outside" the bank account is covered by section 4 of this policy.

### **3.2 Bank Accounts**

Council operates one primary bank account for revenue activity (transfers, deposits & EFT payments and credit card payments) and one secondary account specifically for operational activity (deposits by WCDM, cheques, ACB payments and service charges)

All monies due to Council from council activities must pass through the primary bank account therefore all balances are swept weekly and balances are transferred to the secondary bank account. All monies due by council emanating from council activities must pass through the secondary account.

### **3.2.1 Delegation/Rights**

The incumbents of the following posts are authorized to sign cheques on behalf of Council

#### **3.2.1.1 Cheques**

Signatories: Chief Financial Officer (CFO)  
Snr Manager: Financial Management & Control  
Snr Manager: Supply Chain Management  
Snr Manager: Income, Expenditure & ICT  
Municipal Manager

Each cheque needs to be signed by at least two signatories.

#### **3.2.1.2 Electronic Funds Transfer (EFT)**

A-Signatories: Chief Financial Officer  
Snr Manager: Financial Management & Control  
Snr Manager: Supply Chain Management  
Snr Manager: Income, Expenditure & ICT  
Municipal Manager

Each electronic payment needs to be authorized by at least two signatories.

### **3.3 Bank Overdraft**

3.3.1 Barring the fact that Council has an approved overdraft facility with its primary banker for possible unanticipated short-term cash flow shortfall, its general policy is to avoid going into overdraft.

Short-term debt is incurred based on expected income and must be repaid within the same financial year. (Section 45 of the MFMA)

3.3.2 Any overdrawn bank account at any date must be reported without avail to Council supported by reasons therefore.

3.3.3 Any short term facility that requires review must first be approved by the Accounting Officer.

## **4. INVESTMENT POLICY**

### **4.1 General Policy**

Generally, Council will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990) for terms not exceeding one year in anticipation of cash flow expectations. From time to time, with prior Executive Mayoral Committee approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the National Treasury regulations from time to time.

## **4.2 Diversification**

Council will only make investments with approved institutions which have an A rating as per Appendix A. Not more than 30% of available funds or per the discretion of the Chief Financial Officer will be placed with a single institution. (Excluding investments made per Executive Mayoral Committee resolution).

## **4.3 Investment Managers**

### **4.3.1 External Investment Managers**

The municipality may as and when the need arise approach an external A-graded investment manager to administer the investment portfolio on its behalf. The external investment manager will be appointed in terms of SCM policy and service level agreement will govern the functions and responsibilities of the service provider.

All investments made by the external investment manager on behalf of the Council of WCDM must be made within the ambit of this policy and with National Treasury's investment regulations.

### **4.3.2 Internal Investment Manager**

All investments made by the internal investment manager shall be in accordance with section 4.4 of this policy.

## **4.4 INTERNAL CONTROLS OVER INVESTMENTS**

### **4.4.1 Delegations**

In terms of section 79 of the Act, the Accounting Officer has delegated to the CFO, in writing, his duty under section 65(2) (h) to manage the Council available working capital effectively and economically in terms of the prescribed cash management and investment policy.

### **4.4.2 Obtaining quotations and concluding deals**

Written mandates, signed by the CFO, shall be issued to all investees with whom the WCDM invests funds setting out the following:

- 4.4.2.1 Authorised dealers: name and particulars of the Council officials who are authorised to transact investments deals with the investees;
- 4.4.2.2 Authorised signatories: name and particulars of the Council officials who are authorised to sign written confirmations or any other correspondence in respect of investments transactions; and
- 4.4.2.3 A dealing sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee. The CFO shall be authorised to approve the transaction.

A written confirmation of the terms of each investment transaction shall be prepared, and signed off by the CFO.

#### **4.5 Ownership**

All investments must be made in the name of the WCDM.

Written proof of investments made must be obtained from the institution where the investment is made and must be kept on file.

### **5. DUE CARE**

In dealing with financial institutions, the following ethical principles must be observed:

- 5.1 The CFO and all staff in his/her directorate shall not accede to any influence by or interference from Councillors, investment agents, institutions or any other outsiders.
- 5.2 Under no circumstances may inducements to invest be accepted;
- 5.3 Interest rates quoted by one institution must not be disclosed to another institution; and
- 5.4 The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.

### **6. PERFORMANCE MEASUREMENT**

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measure is the overall quality of treasury management information. The CFO has primary responsibility for determining this overall quality.

Objective measures include: -

- 6.1 Adherence to policy.
- 6.2 Timely receipt of interest income.

### **7. REPORTING**

#### **7.1 Reports**

The following reports are produced:

<b>REPORT NAME</b>	<b>FREQUENCY</b>	<b>PREPARED BY</b>	<b>RECIPIENT</b>
Bank Balance report	Monthly	Snr.Manager Income, Expenditure & ICT	CFO
Investments	Monthly	Snr.Manager Financial Management & Control.	CFO

## **8. ANNUAL REVIEW OF POLICY**

This Cash Management and Investments policy will be reviewed annually or earlier if so required by legislation.

Any changes to the Cash Management and Investments policy must be adopted by Council and be consistent with the MFMA and any National Treasury regulations.

## **9. EFFECTIVE DATE**

The effective date of this policy is 1 January 2021 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.



## **APPENDIX A**

### **APPROVED INSTITUTIONS**

Absa Bank Ltd.

Standard Bank of South Africa Ltd.

First Rand Bank Ltd.

Nedbank Ltd.

Investec Bank Ltd.

Grindrod Bank