



INVESTMENT POLICY 2024/25

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1. LEGAL COMPLIANCE

Ray Nkonyeni Municipality shall always manage its investments in compliance with the provisions of, and any prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

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, the Executive Committee, or Chief Financial Officer. The foregoing policy assumes that authority has been delegated to the Chief Financial Officer.

This policy is based on Local Government Financial Best Practice Guidelines.

2 OBJECTIVE OF INVESTMENT POLICY

2.1 The council of the 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.

2.2 The council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community regarding 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 the period for which such revenues are surplus.

3 INVESTMENTS REPORT

The Chief Financial Officer shall submit a report monthly to the Finance & Budget Portfolio Committee. Such report shall indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

4 INVESTMENT ETHICS

The Chief Financial Officer 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 Chief Financial Officer shall always have only the best considerations 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.

The Chief Financial Officer or any other official concerned with investments, may not 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.

5 INVESTMENT PRINCIPLES

5.1 LIMITING EXPOSURE

Where large sums of money are available for investment, the Chief Financial Officer shall ensure that they are invested with more than one institution wherever practicable, to limit the risk exposure of the municipality. The Chief Financial Officer shall further ensure that, as far as possible, the municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

5.2 RISK AND RETURN

Although the objective of the Chief Financial 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 regarding 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.

5.3 PAYMENT OF COMMISSION

Every financial institution with which the municipality makes an investment, must issue a certificate to the Chief Financial Officer regarding 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.

5.4 CALL DEPOSITS AND FIXED DEPOSITS

Before making any call or fixed deposits, the Chief Financial Officer shall obtain quotations from at least three financial institutions.

Given the volatility of the money market, the Chief Financial 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.

Once the best investment terms have been established, written confirmation of the telephonic quotation must immediately be obtained by facsimile, e-mail or 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 section 7), shall be paid only to such institution itself and not to any agent or third party. Once the investment has been made, the Chief Financial 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.

5.5 MUNICIPAL CASH RESERVES

To ensure that the municipality meets the acceptable cash coverage standards considered optimal, it is necessary to ensure the accumulation of cash reserves via fixed investments which in turn will lead to further revenue generated via interest from the investment.

The municipality must ensure that reserves are built up on a continuous basis (monthly preferably), this will be achieved through monthly transfers to the designated investment account. A minimum of R1,000,000 to a maximum of R2,500,000 will be transferred on a monthly/quarterly basis to the designated fixed investment account dependent on availability of funds.

Determination on the exact amount to be transferred will be handled by the Investment committee or where the investment committee has taken a resolution it shall be enforced by the Manager: Revenue Management. Once the investment has been made, the Chief Financial 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.

5.6 RESTRICTION ON TENURE OF INVESTMENT

No investment with a tenure exceeding twelve months (***AMEND TO 18 MONTHS***) shall be made without the prior approval of the Executive Committee.

6. CONTROLS OVER INVESTMENTS

- The Chief Financial Officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment was 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 must be indicated.
- The Chief Financial Officer shall ensure that all interest and capital due to the municipality is timeously received and shall take appropriate steps or cause appropriate steps to be taken if interest or capital is not fully or timeously received.
- 3 The chief financial officer shall be responsible for the safekeeping of all investment documents and certificates.

7. OTHER EXTERNAL INVESTMENTS

From time to time, the municipality may 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 a case, the Chief Financial Officer must be guided by the best rate 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 such investment with a tenure exceeding twelve months shall be made without the prior approval of the Executive Committee, 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.

8. BANKING ARRANGEMENTS

8.1 The municipal manager is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer. The municipal manager, in consultation with the chief financial officer, is authorized to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of

current signatories shall be reported to the council or the executive mayor monthly, as part of the report dealing with the municipality's investments.

8.2 In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes. Apart from this primary operating account, no bank account other than specific investments made from time to time shall be operated. However, separate accounts shall be maintained in the General Ledger for each of the following: the administration of the external finance fund and of the asset financing reserve (if these accounts are legally permissible). Separate accounts shall also be maintained in the General Ledger for the following: capital receipts in the form of grants, donations or contributions from whatever source and trust funds, provisions, and reserves.

9 INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

In managing the municipality's investments, the Chief Financial 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. 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 Council shall approve such investment at the time that the loan itself is approved.

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

10 INTEREST ON INVESTMENTS

Interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary revenues and shall thereafter be appropriated at the end of each month to the fund or account in respect of which such investment was made.

In the case of the external finance fund, the Chief Financial Officer may reduce the amount which must be annually invested to redeem any loan, by the amount of interest so accrued.

If the accrual of interest to the external finance fund, unutilised capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or

accounts, such surplus amount shall be credited by the chief financial officer to the appropriation account and re-appropriated to the asset financing reserve.

11 INVESTMENT COMMITTEE

The investment of funds would be vested in the investment committee. The investment committee shall comprise of the following members:

- 1) Chief Financial Officer
- 2) Treasury managers delegated by council to be signatories to council's bank account.

INVESTMENT COMMITTEE

TERMS OF REFERENCE

12 THE COMMITTEE

The committee shall be known as the **INVESTMENT COMMITTEE**. The committee has no executive powers other than those specifically delegated in these Terms of Reference.

13. TERMS OF REFERENCE

13.1 Purpose

The investment committee is established to provide assurance to the council that all risks within the treasury are appropriately identified, assessed, and managed. To ensure that non managed risks are reported to council where appropriate.

13.2 Objective

To ensure that all funds received are properly accounted for and recorded in the investment register.

To invests and surplus funds at a reputable institution registered with the Financial Services Board or in terms of the Banking Act of South Africa.

To monitor the investments and advise council accordingly.

13.3 Membership

The committee membership will include:

The Chief Financial Officer
Treasury managers delegated by council to be signatories to council's bank account.

13.4 Quorum

The committee will conduct a meeting if there is a quorum. The committee will be quorate if four (4) members are present. The Chief Financial officer or delegated official must be present in all meetings.

13.5 Accountability and Reporting

Members must declare any interest they may have in any issues arising at the meeting which may have conflict with the business of council.

Committee meeting shall be reported to the Finance and Budget
Portfolio Committee meeting

Any items of specific concern or those which require council approval will be the subject of a separate report.

13.6 Frequency of Meeting

Meetings shall be held quarterly. The Manager: Revenue Management will be responsible for the scheduling of meetings.

Additional meetings may be arranged when required to support the effective function of the committee and investing of new funds received.

13.7 Authority

The committee will be authorised to carry out its duties in terms of the investment policy supported by this Terms of References.

The council will retain responsibility for all aspect of internal control vested in the delegated official.

The committee has decision making powers with regards to approval of procedural documents.

The committee is established to provide recommendation to council on risks management, governance issues.

14. REVIEW OF POLICY

The Chief Financial Officer shall be the custodian of the Policy and shall be responsible for the review of the policy, every year (1) as minimum. The approval of this policy shall lie with the Municipal Executive Committee.