RICHMOND LOCAL MUNICIPALITY

Cash Management & Investment Policy Final 2024/2025

Contents

1 Key definitions

"Accounting Officer"-
Means the Municipal Manager;

"Chief Financial Officer"
Means a person designated in terms of section 80(2) (a) of the MFMA;

"Councillor"
Means a member of a municipal council;

"Current year"
Means the financial year, which has already commenced, but not yet ended;

"Fair value"
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

"Financial year"
Means a twelve months period commencing on 1 July and ending on 30 June each year

"Financing agreement"
Includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"GAMAP / GRAP"
The accounting standards applicable to municipalities
GAMAP – Generally Accepted Municipal Accounting Practice
GRAP – Generally Recognised Accounting Practice

"Investment"
In relation to funds of a municipality, means-
(a) The placing on deposit of funds of a municipality with a financial institution; or
(b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"Investment properties"
Property (land or a building or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

"Local community"
Has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act"
Means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act"
Means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"Long-term debt"
Means debt repayable over a period exceeding one year;

"Municipal council" or **"Council"**
Means the council of a municipality referred to in section 18 of the Municipal Structures Act; (refer to the MSA for definition);

"Municipality"-
(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
(b) When referred to as a geographic area, means a municipal area determined terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"MFMA"
The Local Government: Municipal Finance Management Act (No. 56 of 2003)

"Municipal Manager" "MM"
Means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"Municipal service"
Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"National Treasury" "NT"
Means the National Treasury established by section 5 of the Public Finance Management Act;

"Official"
Means-
(a) An employee of a municipality or municipal entity;
(b) A person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
(c) A person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee

"PT", "Provincial Treasury"
Means the Provincial Treasury branch established by section 5 of the Public Finance Management Act;

"Vote"
Means-
(a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

2 Cash Management and Investment Policy Summary

Objectives	Key principles to be achieved
The objectives of this policy are to ensure that: • To Ensure cash resources are managed effectively and efficiently • To invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments. • To gain the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes • To ensure the availability at all times of adequate liquid resources for operational purposes and investment in assets • To obtain the optimal balance between available cash and cash investments	• Limiting risk exposure • Risk and return considerations • No payment of commission • Availability of cash resources balanced with best use of cash

Key performance areas (strategic intent)	
Cash management • Cash/revenue collection • Creditor payments • Cash management programme and cash-flow estimates • Banking arrangements • Inventory management	**Investment** • Investment ethics • Investment risk management • Selection of investment institutions • Investment periods • Investment reporting and control • Interest on investments

3 Cash management

3.1 Cash/revenue collection

Objectives	Policy statement	Responsibilities
To ensure that all monies due to the municipality are collected promptly, recorded and banked daily	The Chief Financial Officer shall take the necessary steps to ensure that: • All monies due to the district municipality must be collected as soon as possible, either on or immediately after due date • Monies collected are banked on a daily basis. The Council, management and officials will support and be committed to the municipality's credit control policy and by approving the present policy the council pledges itself to such support and commitment.	**Council** Pledges their commitment to cash collection and credit control by approving, supporting and monitoring the implementation of this cash collection and the credit control policy **Chief Financial Officer** Takes steps and implements procedures to ensure monies due to the municipality are collected controlled and banked promptly

3.2 Creditor payments

Objectives	Policy statement	Responsibilities
To ensure that withdrawal and payment of funds from the municipal bank account are valid and accurate and take place according to Section 11 (1) of the MFMA.	The chief financial officer shall take the necessary steps to ensure that: • all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality • The invitation of tenders and quotations and the payment of creditors will take place in terms of the supply chain management policy • Payments are made within 30 days of receipt of the suppliers invoice • Full use is made of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so. • Process payments, for accounts received, more than once in each calendar month,	**Chief Financial Officer** • Draw up a monthly creditor payment timeline to ensure that all the creditor payments are made within 30 days • Monitor payments to creditors on a monthly basis to ensure that the municipality obtains the maximum benefit in terms of credit terms and cash flow **Strategic departmental managers** • Submit request for payments within the time period set by the CFO to ensure that such payments are included in the month end payment processing cycle

Objectives	Policy statement	Responsibilities
	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 rather than by cheques. • Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.	

3.3 Cash management programme and cash-flow estimates

Objectives	Policy statement	Responsibilities
• To ensure proper cash planning and budgeting to allow the municipality to pay expenses and meet other obligations as they become due • To keep Council informed of the cash flow situation of the municipality	• The chief financial officer shall: - Prepare an annual estimate of the municipality's cash flows divided into calendar months, and - Update this estimate on a weekly basis • The estimate shall indicate when and for what periods and amounts:	**Council** • Council acts in an oversight role by reviewing cash flow reports submitted to it on a monthly basis and taking necessary decisions as required **Chief Financial Officer** • Prepare and update cash flow estimates for submission to Council both as part of the annual budget and on a monthly basis

Objectives	Policy statement	Responsibilities
	- Surplus revenues may be invested - Investments will have to be liquidated, and - If applicable – either long-term or short-term debt must be incurred • The chief financial officer shall report to Council: - the cash flow estimates or revised estimate for such month or reporting period respectively - 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 - Any movements in respect of the municipality's investments, together with appropriate details of the investments concerned. • Each draft annual budget, when tabled, will be accompanied by:	• Report on the municipality's cash flow to Council on a monthly basis • Reporting on the status of investments to Council on a monthly basis

Objectives	Policy statement	Responsibilities
	- A projection of cash flows for the budget year by revenue source, divided in to calendar months - Details of municipality's investments • These documents will be made public and comments will be invited from the community	

3.4 Banking arrangements

Objectives	Policy statement	Responsibilities
To ensure that the municipality's bank account is maintained in a responsible and transparent manner to comply with Section 7 of the MFMA.	**Opening and maintaining bank accounts** • The Accounting Officer is responsible for the management of the municipality's bank accounts this responsibility is hereby delegated to the chief financial officer • The Accounting Officer and chief financial officer are authorised at all times to sign cheques and any other documentation associated with the	**Accounting officer (Municipal Manager)** Ultimately responsible for the opening and maintaining of municipal bank accounts. **Chief Financial Officer** • Must open and maintain the municipality's bank accounts • Monitor the service where the bank account is kept and request tenders for banking services

Objectives	**Policy statement**	**Responsibilities**
	management of such accounts • 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. • All payments other than petty cash disbursements will be made through the municipality's primary bank account • The Chief Financial Officer shall open a primary bank account for ordinary operating purposes. • One or more separate accounts shall also be opened and maintained s required e.g. - Capital receipts in the form of grants, donations or contributions from whatever source; - Where the opening of a separate bank account is deemed necessary by the CFO **Tendering for banking services** • Banking services will be tendered in	• Request and supply the necessary banking information to the Auditor General

Objectives	Policy statement	Responsibilities
	compliance with the municipality's supply chain management policy • The CFO 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 from the first day of the ensuing financial year • Where 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, may invite tenders at any time **Information to the Auditor General** • The chief financial officer will notify the Auditor General within 30 days after the end of the financial year of all the bank accounts, indicating: - The type and number of the account - Opening and closing balances of that account in that financial year. - Any information as requested	

3.5 Inventory management

<table>
<tr><th>Objectives</th><th>Policy statement</th><th>Responsibilities</th></tr>
<tr>
<td>To ensure that inventory is managed in such a way as to:

• Prevent excessive cash investment in stock by maintaining an economic limit of stock held in stores

• Ensure the safekeeping of inventory items against waste, damage, redundancy, theft etc.</td>
<td>• The chief financial officer must put procedures in place to ensure that stores are only maintained in the following circumstances:
- Delivery cannot be exactly matched with usage
- The economies of scale for purchases exceed the cost of storage
- Operational risks (e.g. to guard against breakdowns)
- Fluctuations in costs (i.e. purchasing when prices are low

• The CFO must ensure that stores purchases occur in terms of the supply chain management policy
• The CFO in consultation with the various strategic managers will implement a system of internal control to ensure the safekeeping and security of inventory items</td>
<td>Chief Financial Officer
• Implement procedures to ensure that economic stock levels are maintained
• In consultation with strategic managers implement and monitor a system of internal control over stores
Strategic departmental managers
• Each strategic manager is responsible for the economic and safe management of stores under their control</td>
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4 Investments

4.1 Investment ethics

Objectives	Policy statement	Responsibilities
To ensure that excess cash is invested to the maximum benefit of the municipality without undue influence.	**Investing surplus funds** • The chief financial officer will be responsible for: - Investing the surplus funds of the municipality - Managing investments in consultation with the municipal manager and legislation **Municipality's best interests** • The CFO will invest surplus funds in the best interests of the municipality without the undue influence or interference of: - Councillors - Investment agents - Outside institutions and parties **Accepting gifts** • The Chief financial officer may not accept any gift from any investment	**Chief Financial Officer** Invest surplus funds of the municipality in a fair and transparent manner which is to the benefit of the municipality

Objectives	Policy statement	Responsibilities
	agent or institution with which the municipality has or may potentially make an investment **Commission Disclaimer** • The CFO will verify the amount, term, interest rate, interest due, maturity date and method of payment of interest for all investments made on the basis of placement certificates • Certificates will individually state that no commission has been paid to any party for the placement of the investment with that institution • Any official or person connected with the municipality who receives a commission for placement of investments with an institution will be guilty of misconduct and be liable to prosecution.	

4.2 Investment risk management

Objectives	Policy statement	Responsibilities

Objectives	Policy statement	Responsibilities
To ensure that the risk exposure of the municipality’s investments is minimised by effective risk management.	**Limiting exposure** • The chief financial officer will take steps to ensure that: - The municipality’s investment risk is spread over various diversified investments in reasonable manner - Only the investment types listed in Regulation 6 of the MFMA are invested in • Council will approve certain monetary limits which the CFO may invest in only one institution. **Risk management** • 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 in regard to both the financial institution and the investment instrument concerned • All investments must take cognisance of the municipality’s risk management	**Council** Approve the municipality’s risk management policy **Chief Financial Officer** • Formulate and implement the risk management policy as approved by Council • Give appropriate consideration to the risk of an investment before investing surplus fund in such an investment

Objectives	Policy statement	Responsibilities
	policy • This policy will aim to protect against the following risks: - Fraudulent transactions - Mismanagement of cash, investments and inventory - Non-performance because of inadequate cash flows Reputational damage caused by late, incomplete or non-payment of creditors • The CFO will ensure that: - no investment is made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions - No investment is made for speculation purposes but only for sound investment purposes • The CFO will ensure that Investments are made to meet the liquidity needs of the municipality and to the probable income derived from the investment.	

Objectives	Policy statement	Responsibilities
	Risk control will include the following: - The municipality will liquidate an investment that no longer has the minimum acceptable rating as specified in this policy - The municipality will ensure that all investments are with credit–worthy institutions - The municipality will take all reasonable steps to diversify its investment portfolio across institutions, types and maturities - All investment will be made in the Municipalities name and the municipality is not allowed to borrow money for investment purposes - Accurate , complete and up-to-date cash management programme will ensure that - Fraudulent activities in payments and receipts are promptly detected - Emergence of cash flow problems timeously identified	

Objectives	Policy statement	Responsibilities
	- Proper budgetary management is possible - Allows assessment of effectiveness of credit control and revenue collection	

4.3 Selection of investment institutions

Objectives	Policy statement	Responsibilities
To ensure that investments made by the municipality offer the maximum return at an acceptable level of risk and are made in terms of regulation 6 of the MFMA.	**Investment Placement** • Investments will be placed on the basis of once-off quotations of money market rates at the time of placing surplus funds. • The CFO will determine the best interest rates offered by each locally approved banking institution and select the best investment based on the acceptable risk level and permissible institutions • The investment advice reflecting all relevant details will be compiled and	**Council** • Approve a list of institutions where investments may be made in terms of Regulation no. 6 of the MFMA **Municipal Manager** • The municipal manager will approve the investment of surplus funds **Chief Financial Officer** • Determine the best investment based on the return and acceptable risk offered by

Objectives	Policy statement	Responsibilities
	submitted to the Accounting Officer for authorisation and execution	the institution • Submit information on the proposed investment to the Municipal Manager for approval

4.4 Investment periods

Objectives	Policy statement	Responsibilities
• To ensure that investments made for short term cash surpluses and for a longer term are made in a manner and for a time period that is to the benefit of the municipality	• Investments will generally be of a short-term nature, varying between 30 and 120 days. • As far as practically possible the CFO will manage cash flow and liquidity positions packaging investments in smaller amounts and maturity dates will be linked to operational peak periods • Where it is required to make longer-term investments the chief financial officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality	**Council** • Long-term investments shall be approved by Council after they have considered all the relevant information **Chief Financial Officer** • Invest cash surpluses in short term investments in such a way to derive the maximum benefit for the municipality • Ensure that where funds are to be invested for longer periods the best investment vehicle is selected after considering all the relevant information and advice.

Objectives	Policy statement	Responsibilities
	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: - - - Prior approval of Council and - Guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned - Consideration of all the relevant information	

4.5 Investment control and reporting

Objectives	Policy statement	Responsibilities
• To ensure that accurate and complete accounting records are maintained for investments • To report timeously, accurately and completely on investments as required	**Control** • The chief financial officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate:	**Chief Financial Officer** • Take steps to ensure that investment accounting records are maintained • Take steps to ensure that investment certificates are requested and kept

Objectives	Policy statement	Responsibilities
by Section 13 (4) of the MFMA	- 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 - The maturity date. - If the investment is liquidated at a date other than the maturity date, such date shall be indicated. • The chief financial officer shall ensure that all interest and capital due to the municipality are timeously received and recorded in the accounting records • The chief financial officer shall ensure that all investment documents and certificates are obtained and kept safe **Reporting** • The Chief Financial officer will ensure that reporting on investments take place	securely • Ensure that interest and other investment transactions are promptly and accurately recorded in the accounting records • Take the necessary steps to ensure that investment reports are submitted to National Treasury, The Auditor General, mayor and Council within the stipulated time

Objectives	Policy statement	Responsibilities
	in terms of the National Treasury prescriptions, including: - To the Auditor General within 30 days after year end - To Council each month within 10 days after month-end - As requested by National Treasury and the Auditor General • The CFO will review the monthly investment report and ensure that it contains at least the following: - Market value and the beginning and end of the period - Any changes to the investment portfolio - Fully accrued interest **Documents with the annual budget**	

Objectives	Policy statement	Responsibilities
	The CFO will include the following documents must accompany each tabled draft annual budget (inter alias): - A projection of cash flows for the budget year by revenue source, divided into calendar months - Municipality's investment particulars	

4.6 Interest on investments

Objectives	Policy statement	Responsibilities
To ensure that interest earned on investment is correctly received into the current account and allocated to the correct vote/fund.	**Accounting for interest earned** • The Chief Financial Officer will ensure that interest is accounted for as follows: - The interest accrued on all the municipality's investments shall be recorded in the first instance in the municipality's current account as ordinary operating revenues	**Chief Financial Officer** • Takes steps to ensure that interest on investments are properly received into the municipality's current account and allocated to the correct votes and funds

Objectives	Policy statement	Responsibilities
	- Thereafter this interest is appropriated, at the end of each month, to the fund or account in respect of which such investment was made. **Payment of interest on investments** • All interest earned on Council investments shall be credited to Council's current account • Accrued interest on active investments shall be paid on the last working day of each month. • Closing interest shall be paid with the maturing capital on the expiry date	

5 Raising of debt

Objectives	Policy statement	Responsibilities
• To ensure that short term debt is only raised to meet short-term cash requirements and long-term debt only in terms of the capital budget in terms of Chapter 6 of the MFMA	• Only Council may approve the raising of debt • 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. • 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 chief financial officer. - Only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.	**Council** • Review the need for and consequences of raising debt and approve the raising of debt **Chief Financial Officer** • Provide Council with all the relevant information to enable them to decide on the raising of debt • Take the necessary steps to prevent the raising of debt if possible or obtain debt financing at the best possible terms