

MSUNDUZI MUNICIPALITY



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The Msunduzi Municipality

Cash Management and Investment Policy

CASH MANAGEMENT AND INVESTMENT POLICY

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1. Introduction

This policy applies to The Msunduzi Municipality, its municipal entities and its investment managers acting on behalf of or assisting it or a municipal entity in making or managing investments (S 2: GN 308: 2005)

2. Objectives of the policy

This investment policy is therefore aimed at gaining the highest possible 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 period for which such revenues are surplus.

3. Cash Management

- 3.1 To collect all monies as soon as possible after they become payable and deposit them into a bank account
- 3.2 Effective control over expenditure and proper planning of payments.
- 3.3 Administer effectively and control available cash through the proper management of one or more bank accounts.

4. Cash Management Principles

The Chief Financial Officer shall monitor cash flows on a daily basis to ensure that Council is able to meet its financial commitments and that the operating bank account does not carry unduly high balances. Any surplus funds shall be transferred on a daily basis to a call account attracting the highest possible interest provided that those funds can be retrieved at short notice.

5. Investment Principles

5.1 Standard of Care

Investments made by The Msunduzi Municipality and its municipal entities must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that persons own affairs and in accordance with the standard of care set out in regulation 5; GN 308:2005 to ensure that it placed its investments with credit-worthy institutions.

All investments must be genuine investments that are, not made for speculation.

Investments must in the first instance be made with the primary regard being to the probable safety of the investments. In the second instance, to the liquidity needs of the municipality and lastly to the probable income derived from the investment.

A municipality or municipal entity must regularly monitor its investment portfolio; and when appropriate, liquidate an investment that no longer has the minimum acceptable credit rating as specified in this policy,

A municipality or municipal entity may make an investment only if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

5.2 Limiting Exposure

The municipality must take all reasonable and prudent steps, consistent with its Investment Policy and according to the standard of care in section mentioned in 5.1 above:-

In terms of GN 308; 2005 S 4 (c) (ii) (bb) the policy must have due regard for the need for investment diversification. In terms regulation 10 (GN 308:2005) this investment may include the placing of investment portfolio across institutions, types of investments and investment maturities in order to limit the risk exposure of the municipality.

The municipality shall further ensure that investments are spread across more than one investment category or type, for example call, money market and fixed deposits and that the investment maturities are not all the same.

5.3 Risk and Return

Subject to section 4 (c) (ii) of the Municipal Cash Management and Investment Regulations, the Chief Financial Officer in making investments on behalf of the municipality shall always strive to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved.

6. Commencement

This policy and amendments shall be affective as from **1 July 2015**.