



INVESTMENT POLICY

COUNCIL POLICY

SUBJECT: INVESTMENT POLICY

POLICY OBJECTIVES: To assist management and employees of the Council to implement and maintain consistent, effective and efficient investment principles. To secure **and manage** all surplus funds of Council.

POLICY PHILOSOPHY

Council is committed towards securing **and managing** its surplus cash to maximize **resources and** effective service delivery.

GUIDELINES

1. The Council monitors investments.
2. The authorization for various withdrawal limits of investments to be made, must be established.
3. The short-term investment does not exceed the period of 90 days and is made under the authority of the Municipal Manager and the Chief Finance.
4. The long-term investment may exceed the period of 90 days and is made under the authority of the Council.
5. All investments made, should adhere to the procurement policy of the Council as well as the MFMA (Act 56/2003).
6. Investments shall only be made in **the following** permitted institutions:

Banks registered in terms of the Banks Act 1990
National, **Provincial and** Local Government
Insurance companies **registered**

7. No more than 40% of the total amount invested by Council at any time shall be in one institution.
8. Securities issued by the National Government.

9. Investment with the Public Investment Commissioners as contemplated by the Public Deposits Act, 1984 (Act 46 of 1984).
10. To invest Capital contribution fund surplus, to pool interest received by the Council and to use such money for the granting of advances to departments within the Council to finance capital expenditure.
11. Undertake long-term securities offered by insurance companies in order to meet the redemption fund requirements of the Council.
12. Any investments in which the Council was permitted under law to invest before the commencement of the Local Government Transition Act, 1996: Provided that such instruments shall not extend beyond the date of maturity of redemption thereof.

PROCEDURES

1. All investment must be made in line with statutory regulations (Ordinance requirements, GAMAP and the Municipal Finance Management Act).
2. Surplus funds must be reviewed monthly by the Chief: Finance and where such surpluses are not necessary for current operational or capital expenditure, it must be invested within 10 working days.
3. Cash flow forecast should be prepared to determine whether surplus funds should be invested long-term or short-term.
4. The investment must be approved by the Chief Finance.
5. Prior to approving any investment, the Chief Finance must review credit risk based on credit rating and submit recommendation to the Municipal Manager.
6. The Municipal Manager and the Chief Finance must select the investment institution through the Supply Chain Management Policy of the Council.
7. Any employee that has an interest in any of the above investment institutions must disclose his/her interest.
8. The undermentioned must be part of the tender document requirements and criteria:
 - From the list of investment institutions, at least three institutions should be selected to do the credit risk analysis.

- The request for proposals must be issued to these three institutions requesting them to provide quotations of all details of the investments (i.e. interest rates offered, time frames, maturity values, confirmed values, etc).
- 9. The Chief Finance and the Municipal Manager should establish limits per investment institution and where possible, the capital values of the investments should at least be secured.
- 10. The Chief Finance and the Municipal Manager must determine the investment limits per instrument of debt that has to be approved by the Mayoral Committee and Council annually.
- 11. When an investment needs to be redeemed or reinvested, the Chief Finance must submit a recommendation to the Municipal Manager, stating reasons.
- 12. The Municipal Manager will then authorize the amount to be withdrawn or invested by signing the transfer approval and submitting it to the Chief Finance for processing.
- 13. The Chief Finance will make the transfer to or from the Council's bank account.
- 14. A register of investment must be maintained by the Chief Finance.
- 15. The Chief Finance must prepare reconciliation between the transfer approval, the confirmation received and the investment register, and it should be signed monthly as correct.
- 16. Investment withdrawals must be deposited to the general ledger by the Chief Finance only or his/her delegated officer.
- 17. Interest earned on investment must be recalculated and confirmed and income statements verified before appropriation.
- 18. The Chief Finance must monitor the limits of investments weekly and immediately bring any major abnormalities to the attention of the Municipal Manager and the Council.
- 19. An investment report on the performance of investments must be compiled monthly by the Chief Finance and submitted to the Municipal Manager.
- 20. The Municipal Manager must compile and submit a monthly report on investment to the Mayoral Committee and Council.

ROLES

Municipal Manager

Chief Finance

Mayoral Committee

Council

RELATED ACTS

Bank Act, 1990

Local Government Transition Act, 1996

Municipal Finance Management Act, 2003

Public Deposit Act, 1984