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1. DEFINITIONS AND ACRONYMS

1.1 Statutory and Regulatory

This Procedure applies to the following meanings and interpretations:

#	TERM	DESCRIPTION
1.1	Accounting Officer	means a person appointment in terms of section 82(l)(a) or (b) of the Municipal Structures Act.
1.2	Municipality	Thulamela Local Municipality

1.2 ACRONYMS

#	TERM	DESCRIPTION
2.1	AFS	Annual Financial Statements
2.2	MFMA	Municipal Finance Management Act

2. POLICY STATEMENT

2.1 The municipality has an obligation in terms of section 13 of the MFMA to establish an appropriate and effective cash management and investment policy. The policy is meant to be a framework for the Municipality that sets out guidelines to comply with statutory requirements. This includes defining levels of risk considered prudent for banking and investing funds.

3. PREAMBLE

3.1 The Municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of, and any further prescriptions made by the Minister of Finance in terms of the MFMA.

4. PURPOSE

4.1 The purpose of this policy is to secure the sound and sustainable management of the Municipality's surplus cash and investments.

5. OBJECTIVES

The objectives of this policy are:

- 5.1 To ensure compliance with the relevant legal and statutory requirements relating to cash management and investments;
- 5.2 To ensure the preservation and safety of the Municipality's investments and diversification of investments and adequate cash flows are available to meet short and long-term commitments;
- 5.3 To ensure diversification of the Municipality's investment portfolio across acceptable investees, permitted types of investments and investment maturities; and to ensure timeous reporting of the investment portfolio as required by the Act in accordance with generally recognized accounting practice.
- 5.4 To ensure that the liquidity needs of the Municipality are properly addressed.
- 5.5 To ensure that the municipality is 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.
- 5.6 To ensure that effectiveness of the investment policy is dependent on the accuracy of the Municipality's cash management program, 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.
- 5.7 To ensure an optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.
- 5.8 Ensure transparency, accountability and appropriate lines of responsibility in the process.
- 5.9 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.
- 5.10 The Council of the Municipality is the trustee of the public revenue, which it collects on behalf of the community, and it therefore has an obligation to the community to ensure that the Municipality's cash resources are managed effectively and efficiently. Therefore, the Council has a responsibility to invest these public revenues in a knowledgeable and judicial way and must account fully to the community with regard to such investments.

5.11 This policy is 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 this 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.

6. SCOPE

6.1 The policy governs the investment of money not immediately required by the Municipality for the defrayment of expenditure. This policy covers all cash management, banking and investment issues of the municipality. The policy applies to all new and existing investments made by

6.1.1 The Municipality; and

6.1.2 All investment managers who act on behalf of the Municipality in making or managing investments.

6.2 The policy does not apply to trust funds as defined or any other funds received by the municipality for transfer to other entities or institutions, including other municipalities.

6.3 This policy shall also apply to all moneys and/or investments held by any bank or institution registered in terms of the bank act, at the effective date of this policy.

7. STANDARDS OF ETHICS, JUDGMENT AND CARE

7.1 Investments made by or on behalf of the Municipality:

7.1.1 Must be made whilst maintaining a strict code of ethics and standards;

7.1.2 Must be a genuine investment and not an investment made for speculation;

7.1.3 Must be made with primary regard to the security of the investment, secondly to the liquidity needs of the Municipality, and lastly to the income or return from the investment;

7.1.4 Must be made without internal or external interference whether such interference comes from individual officials, councilors, agents, investees or any other external body.

7.2 No fee, commission or other reward may be paid to a councilor or official of the Municipality, or to a spouse or close family member of such councilor or official, in respect of any investment made by the Municipality.

7.3 All investments made by or on behalf of the Municipality must be made in the name of the Municipality.

7.4 The Municipality shall take reasonable steps to diversify its investment portfolio across investees, type of investment and investment maturities.

Confidentiality

7.5 Although alternative rates on offer need to be disclosed when negotiating a rate on an investment, the disclosure of a specific rate from a specific named investee to another investee shall be strictly prohibited.

Permitted investments

7.6 The Municipality shall invest only in the following instruments or investments:

7.6.1 National government securities

7.6.2 Listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency

7.6.3 Deposits with banks registered in terms of the Banks Act, 1990 (Act No.94 of 1990)

7.6.4 Deposits with public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No.45 of 1984)

7.6.5 Deposits with Corporations for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No.46 of 1984)

7.6.6 Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990

7.6.7 Guaranteed endowment policies with the intention of establishing a sinking fund

7.6.8 Repurchase agreements with banks registered in terms of the Banks Act, 1990

7.6.9 Municipal bonds issued by the municipality

7.6.10 Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

Prohibited investments

7.7 The Municipality shall not be permitted to make the following investments:

7.7.1 Investments in listed or unlisted shares, or unit trusts;

7.7.2 Investments in stand-alone derivative instruments;

7.7.3 Investments denominated in, or linked to, foreign currencies;

7.7.4 Investments in market linked endowment policies;

7.7.5 The Municipality shall not borrow for the purpose of investing;

7.7.6 Any investment in capital or money market instruments shall be held until maturity. The Municipality shall not buy and sell these instruments, to speculate with a view to making capital profits.

8 EFFECTIVE CASH MANAGEMENT

CASH COLLECTION

8.1 All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked the following working day after been receipted.

8.2 The respective responsibilities of the chief financial officer and other heads of departments in this regard are defined in a code of financial practice approved by the municipal manager and the chief financial officer, and this code of practice is attached as Annexure III to this policy.

8.3 The unremitting support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash

collections, and by approving the present policy the council pledges itself to such support and commitment.

CASH MANAGEMENT PROGRAMME

- 8.4 The chief financial officer shall report to the municipal manager and the executive committee, on a monthly basis, and to every ordinary council meeting, the cash flow estimates or revised estimate for such month or reporting period respectively, together with the 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, aggregated into quarters where appropriate.
- 8.5 The cash flow estimates shall be divided into calendar months, and in reporting the chief financial officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report.
- 8.6 The CFO or designated official shall prepare an annual estimate of the municipality's cash flows divided into calendar months. The estimate shall indicate when and for

what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated.

9 INVESTMENTS

INVESTMENT MANAGEMENT

9.1 The Municipal Manager is responsible for the administration of all investment procedures and must take all reasonable steps to ensure investments are being managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the MFMA and in particular Section 13 of the Act. The Municipal Manager may delegate the duties attached to investments this policy.

INVESTMENT ETHICS

9.2 With reference to section 11(h) of the MFMA, dealing with cash management, the responsibility to make short term investments lies with the Municipal Manager and is delegated to the Chief Financial Officer. The authority to make long-term investments is vested with Council in terms of Section 48 of the MFMA that deals with the provision of security. The CFO 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 CFO, shall at all times have only the best interest of the municipality in mind and shall not accede to any influence by or interference from councilors, investment agents or institutions or any other outside parties.

9.3 Neither the CFO, the Municipal Manager nor the Mayor or chairperson of the Executive Management Committee, as the case may be, may 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.

9.4 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 as regulated by Treasury.

INVESTMENT PRINCIPLES

9.5 Qualifying Institutions

9.5.1 It is of utmost importance that the investments only be placed with worthy institutions who have a minimum acceptable credit rating.

9.5.2 Fitch ratings to be obtained of all investment institutions before a financial institution may be considered for investing funds.

9.5.3 Ratings must be updated at least annually or when there has been structural change in the market or at the particular institution.

9.5.4 The optimal combination of the most favourable rated institution and the institution offering the best returns for the investment sought, should be the determining factor when choosing the institution.

9.5.5 Only deposits with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990) are permitted.

9.6 Limiting Exposure

9.6.1 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, in order to limit the risk exposure of the municipality. The chief financial officer shall further ensure that, the investment category decided on, is informed by the cash flow projections.

9.7 Risk and Return

9.7.1 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. 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.

9.8 Risk and Diversification

9.8.1 The CFO shall be responsible for diversifying investment portfolios. The CFO should eliminate risk of losses resulting from putting all investment in one basket.

9.9 Types of Investments

9.9.1 In making investments the chief financial officer shall ensure that only one or more of the investment types set out in Regulation 6 to the Act are selected.

9.10 Acceptable Investing Institutions

9.10.1 In making investments the chief financial officer shall further ensure that such investments are made only with one or more of the investing institutions set out in Regulation 6 to the Act as guided by the Reserve Bank.

9.11 Payment of Commission

9.11.1 No commission will be payable by the investing institution in respect to the investment made, only interest as per quoted rates is payable to the Municipality.

9.11.2 No commission is payable to the chief financial officer, an official, Councillor of the municipality or their relatives in relation to the investment made.

9.12 Call Deposits and Fixed Deposits

9.12.1 Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three financial institutions.

9.12.2 Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, email or any other expedient means).

9.12.3 Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of other external investments below) shall be paid over only to such institution itself and not to any agent or third party.

9.12.4 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.

10 CONTROL OVER INVESTMENTS

10.1 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 is 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 shall be indicated.

10.2 The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

10.3 The chief financial officer shall ensure that all investment documents and certificates are properly filed.

10.4 When a need arises for investing funds for period longer than 12 months, such funds will be invested after Council approval, on amount to be invested.

11 OTHER EXTERNAL INVESTMENTS

11.1 From time to time, it may be in the best interests of the municipality to 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 cases the chief financial officer must be guided by the best rates 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.

11.2 No investment with a tenure exceeding twelve months shall be made without the prior approval of the council, 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 concerned. If an investment adviser is engaged for this purpose, the chief financial officer shall ensure that such adviser has the credentials specified for the "investment manager" in Regulation I to the Act.

12 BANKING ARRANGEMENTS

12.1 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 and chief financial officer are authorizing payments at all times and any other documentation associated with the management of such accounts. The municipal manager, 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.

12.2 In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes one or more separate accounts shall also be maintained for the following (as required): capital receipts in the form of grants, donations or contributions from whatever source; trust funds; and the municipality's self-insurance reserve (if any). In determining the number of additional accounts to be maintained, the municipal manager, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

13 RAISING OF DEBT

13.1 The municipal manager is responsible for the raising of debt, but may delegate this function to the chief financial officer, who shall then manage this responsibility in consultation with the municipal manager. All debt shall be raised in strict compliance with the requirements of the MFMA, and only with the prior approval of the council.

13.2 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.

13.3 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. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

14 INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

14.1 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 making of such investment shall be approved by the council at the time that the loan itself is approved.

14.2 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.

15 INTEREST ON INVESTMENTS

15.1 The 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 operating 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.

15.2 In the case of the external finance fund, the chief financial officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.

15.3 If the accrual of interest to the external finance fund, unutilized 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 appropriated to the capital replacement reserve.

16 REPORTING OBLIGATIONS

16.1 The reporting of investments will be dealt with in accordance with paragraph 13 of the MFMA (Cash and Investments).

17 LEGISLATIVE AND REGULATORY FRAMEWORK

17.1 The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the MFMA and the Municipal Regulations on Investment issued by National Treasury.

18 STAKEHOLDER ENGAGEMENT

18.1 All the relevant stakeholders internal and external will be consulted through the development and implementation of this policy.

19 IMPLEMENTATION: ROLES AND RESPONSIBILITIES

19.1 All the respective departments within the municipality must ensure adequate implementation of this policy. The CFO is responsible for enforcing this policy and continuously ensuring monitoring and compliance and ensure that the corrective steps are taken where necessary.

20 MONITORING AND EVALUATION

20.1 On a monthly basis the implementation of this policy will be assessed to determine its relevance and effectiveness and to assess whether it has achieved the intended objectives.

21 CONCLUSION

21.1 In conclusion, the Banking and Investment policy outlines critical matters raised in the purpose and the objectives. The provisions in the policy contents highlights the need for municipality to adhere to the key issues narrated which will address challenges encountered and lead to effective and efficient implementation of the policy.

21.2 The municipality commits to make resources available, monitor and evaluate the effectiveness of the policy, thus encouraging all relevant stakeholders to familiarise themselves with the policy and take necessary actions to fully participate and ensure compliance of the policy.

22 REVISION DATE

22.1 The policy will be reviewed annually or as and when the need arises

23 ANNEXURES

23.1 Annexure I, II & III

23.2 Business Process Map

23.3 Standard Operating Procedure