

LEPHALALE

LOCAL Municipality



Lim362 Cash Management and Investment policy Final 2027

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1. SCOPE OF POLICY

Municipal investment practice is guided by several influencing sources, including legislation, IMFO recommendations and local municipal policy.

Investment of surplus cash is subject to certain restrictions, such as investments being allowed only at approved banking institutions, the maximum amount that may be held at any such institution, the term of said investment, the method of placement and the payment of commission for placement of an investment.

This policy will aim to outline the above mention procedures concerning investments at the Lephalale District Municipality.

2. OBJECTIVES

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

3. LEGAL FRAMEWORK

This policy will be implemented within the legal framework of the constitution and relevant national legislation outlined hereunder.

- *Constitution of the RSA, (Act 108 of 1996)*
- *The Regional Services Councils Act, 1985 (Act No. 109 of 1985)*
- *The Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000)*
- *The Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003)*

A paraphrase of the provisions of the Municipal Finance Management Act is attached as Annexure I to this policy.

4. PRESCRIBED FRAMEWORK AND APPROVED INSTITUTIONS

Prescribed framework

The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must -

- a. conduct their cash management and investments; and
- b. invest money not immediately required.

List of approved institutions

Those approved for the placement of municipal investments are:

- ABSA
- FIRST RAND
- NEDCOR GROUP
- STANDARD BANK

The municipal Council may place further restrictions on approved institutions, but will not place funds at institutions excluded from those approved. Further restrictions will include the prerequisite that an approved institution must have an established operation and be commercially active in the municipal district

5. SURPLUS CASH

Surplus cash will be defined as the excess funds available to a Municipality, which are not required to meet short-term obligations, and which safely may be withdrawn from current cash reserves without jeopardising the Municipality's daily operational capability.

Investment of surplus cash presupposes that cash is transferred from the current account to an investment account, for periods of between 30 to 120 days. No investment will be held for more than 365 days without conforming to certain public notification procedures. No investment with a tenure exceeding twelve months shall be made without the prior approval of the accounting officer.

6. CASH MANAGEMENT

6.1 Cash Management Programme

The chief financial officer shall:

- prepare an annual estimate of the Municipality's cash flows divided into calendar months, and,
- shall update this estimate on a weekly basis.

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, and when – if applicable – either long term or short-term debt must be incurred.

Heads of departments shall in this regard furnish the chief financial officer with all such information as required, timely and in the format indicated. The chief financial officer shall report to the mayoral committee or the executive mayor, as the case may be, on a monthly basis and to every ordinary Council meeting the cash flow estimate 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.

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. Such report shall also indicate 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:

- projection of cash flows for the budget year by revenue source, divided into calendar months
- details of Municipality's investments.

These documents will be made public and comments will be invited from the community.

6.2 Bank Accounts

The Accounting Officer is responsible for the management of the Municipality's bank accounts, but may delegate this function to the chief financial officer. The Accounting Officer and the chief financial officer are authorised at all times to sign cheques and any other documentation associated with the 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 must be made through the Municipality's bank account(s). The Accounting Officer shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following:

- the administration of the external finance fund and
- of the asset financing reserve (if these accounts are legally permissible).

One or more separate accounts shall also be maintained for the following:

- capital receipts in the form of grants, donations or contributions from whatever source;
- trust funds; and
- the Municipality's self-insurance reserve (if legally permissible)

In determining the number of additional accounts to be maintained, the Accounting Officer, 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.

The Accounting Officer 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. However, such tenders may be

invited at any earlier stage, if the Accounting Officer, in consultation with 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, as the case may be, agrees to the invitation of such tenders.

A bank where the Municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-general, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General. A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the Municipality must within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

6.3 Revenue collection

All monies due to the district Municipality must be collected as soon as possible; either on or immediately after due date, and banked on a daily basis.

The respective responsibilities of the chief financial officer and other heads of departments in this regard will be defined in a code of financial practice approved by the accounting officer in consultation with the chief financial officer.

The unremitant support of and commitment to the district Municipality's credit control policy, both by the Council and the district 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.

6.4 Payment to Creditors

The chief financial officer shall ensure that all tenders and quotations invited by and contracts entered into the Municipality stipulate payment terms favorable to the Municipality, that is payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the district Municipality. This rule shall be departed from only where there are financial incentives for the district Municipality to effect earlier payment, and any such departure shall be approved by the chief financial officer before any payment is made.

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the chief financial officer before any payment is made.

Notwithstanding the foregoing policy directives, the chief financial officer shall make full use 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 district Municipality to do so.

The chief financial officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, 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.

6.5 Petty Cash

The CFO will determine the maximum amount and the nature of the petty cash disbursements, as well as manage allocation of all petty cash floats. All payments other than petty cash disbursements will be made through the Municipality's bank account.

6.6 Inventory

Effective stores (inventory) administration is an important facet of cash management. Such a policy will obviate over-investment in inventory and guard against proliferation of sub-stores as this can lead to wastage due to, redundancy, loss, theft, impairment and obsolescence.

7. PROCEDURES FOR INVITATION AND SELECTING OF BIDS

The chief financial officer shall be responsible for investing the surplus revenues of the Municipality, and shall manage such investments in consultation with the Accounting Officer as the case may be, and 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 at all times have only the best considerations of the Municipality in mind, and except for the outcome of the consultation process with Accounting Officer, as the case may be, shall not accede to any influence by or interference from Councillors, investment agents or institutions or any other outside parties. Any gift received by any employee of the Municipality should be declared to Council.

The Municipality is currently operating in accordance with the above-mentioned guidelines and investment periods are normally limited to 120 days. Written quotations are obtained from the approved institutions on a monthly basis and funds are invested at the institution quoting the highest interest rate. An investment account is held at each of these institutions in order to earn the highest possible interest rate. At the end of each investment term, the balance of the investment account is evaluated and any additional funds are included in the amount re-invested.

7.1 Roles and responsibilities

Accountability and transparency in the investment management process are the specific responsibility of the financial management function. No external investment managers will be used by the Municipality. The person responsible for municipal investments will do so in a

manner as if the investment was his own and he/ she will be a person of prudence, discretion and intelligence.

Before making any call or fixed deposits, the chief financial officer or official delegated by him/her, 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, and so forth). Details of the proposed investment will be submitted to the CFO (if above mentioned task was delegated to an official) and Accounting Officer for approval. Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means). Any monies paid over to the investing institution in terms of the agreed investment shall be paid over only to such institution itself and not any agent or third party. Once the investment has been made, the chief financial officer shall ensure that the Municipality receives properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the Municipality. The accounting officer must further ensure that the Municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

8. INVESTMENT PRINCIPLES

8.1 *Limiting exposure*

Risk management principles advise investors to spread their risk in a reasonable manner. Limited to approved institutions or instruments means that risk is already reduced to those perceived to be the most stable at that time. Council shall not place investments in excess of a specified limit determined by Council, which may be varied from time to time, at any one approved banking institution, unless such excess be authorised by the Accounting Officer, having due regard to the circumstances, and limiting the duration of such excess to a maximum of 14 (fourteen) days. Investment limits will be guided by the amounts of surplus cash available for investment, the *risk to cash demand profile* of the Municipality, and the perceived risk-to-return ratio in the local investment market.

Risk management will also take into account the fact that comparative rates of return and investment cycles may combine to cause limits to be exceeded for short periods, with justifiable reason. Surplus cash may be received shortly before an existing investment matures and the interest rate offered by that bank may be significantly more favorable than other banks in the same market. Exceeding the investment limit will be managed within acceptable parameters, such as a maximum excess quantum (amount or percentage), a maximum time period and a minimum interest rate differential.

8.2 *Commission Disclaimer*

All investments made on the basis of placement certificates will verify the amount, term, interest rate, interest due, maturity date and method of payment of interest.

Certificates will individually state that no commission has been paid to any party for the placement of the investment with that institution. Where individual certificates do not meet this requirement a general statement to that effect from the relevant institution will be obtained.

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

8.3 Investment Term

Investments will generally be of a short-term nature, varying between 30 and 120 days. The best rates will be obtained in this way. Cash flow and liquidity positions will be managed by packaging investments in smaller amounts and maturity dates will be linked to operational peak periods.

Lower interest rates received for medium term investment will be justified by the nature of the investment for example when held as contra security by the bank for other guarantees (e.g. housing loan security) or when held as cash backing for a specific fund, such as the personnel leave payment reserve.

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.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor 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.

8.4 Investment Placement

Investments will be placed on the basis of once-off quotations of money market rates at the time of placing surplus funds.

Each locally approved banking institution eligible for such investment trade will be contacted telephonically and asked to quote their current treasury rates for the relevant amount and term of placement. Banks will be required to respond on such quotes within a given time to enable the placement to be done by midday.

Surplus funds will be placed depending on the bank's responses and quoted rates, without any attempt to trade one bank off against another in order to secure better interest rates.

The investment advice reflecting all relevant details will be compiled and submitted to the CFO and the Accounting Officer for authorisation and execution.

8.4.1 Types of investments:

The Lephalale District Municipality may use different types of investments to ensure that the investment will be of optimal benefit to the Municipality either long-term or short-term. In such

cases the chief financial officer will be guided by the best rates of interest pertaining to the specific type of investment and to the best and most secure instrument available at the time.

The following investment types may be utilised:

- Call & Fixed Deposits
- Money market
- Property
- Capital projects
- Municipal bonds

8.5 Interest on investments

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 current account as ordinary operating revenues, and may thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made. Council, when making the investment shall inform the institution of the manner in which accrued interest is to be paid. All interest earned on Council investments shall be credited to Council's current account.

Accrued interest on active investments shall, unless otherwise specified by the Accounting Officer, be paid on the last working day of each month. Closing interest shall be paid with the maturing capital on the expiry date.

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

Control over investments

The chief financial officer shall ensure that proper records are kept of all investments made by the district 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.

The chief financial officer shall ensure that all interest and capital properly due to the district 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.

The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the district Municipality's bankers.

9. RAISING OF DEBT

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 Municipal Finance Management Act 2003, and only with the prior approval of the Council.

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

10 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.

This policy will aim to protect against the following risks:

- Fraudulent transactions
- Mismanagement of cash, investments and inventory
- Non-performance because of inadequate cash flow
- Reputational damage caused by late, incomplete or non-payment of creditors

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.

No investment will be made for speculation purposes but exclusively for sound investment. Investments will be made with primary regard to the liquidity needs of the Municipality and to the probable income derived from the investment. 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 Municipality's 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.
 - Proper budgetary management is possible
 - Allows assessment of effectiveness of credit control and revenue collection
 - Indicates whether other organs of state and outside institutions are properly meeting their obligations to the Municipality.

11. REPORTING AND MONITORING

The Municipal Finance Management Act, 2003 prescribes that all investments made by municipalities be subject to prescriptions to be set by National Treasury, and that all investments so made are to be notified to National Treasury by both the investing Municipality and the accepting institution.

Therefore internal documentation prescribed by treasury control will be prepared for each individual investment, reflecting the relevant investment details and the register entry number. These documents will be signed by the CFO and the Accounting Officer as authorisation for the investment. A copy will be placed on the relevant file and National Treasury will be notified of the investment within 10 working days. The original document will be filed in the investments register and matched with the institution's certificate. A copy of said certificate will be placed on the archive file with the investment instruction.

A report will be submitted by the CFO to the Accounting Officer and the Council describing the portfolio of the Municipality's investment at month end. This report will be submitted within 10 working days from the end of the month.

The following will be set out in the monthly investment report:

- Market value of the investment at the beginning of the reporting period
- Changes to the investment portfolio during period
- Market value of investment at month end
- Interest received in the reporting period on investment

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

12. CONTRA ALLOCATION OF INTEREST EARNED

Where funds are received from other authorities and applied to specific functions or tasks such as roads maintenance, the Municipality will isolate such funds and allocate interest earned on investments to the funding principal if stated per allocation conditions.

Contra interest allocations will take into account funds received from the principal, the period held and any expenditure incurred on such account, with interest being credited at the average investment rate earned for the relevant period.

The interest accrued on a specific investment may be used to finance development projects of the Municipality.

Before commencement of this type of investment the CFO must report on the following matters to the Accounting Officer for approval:

- Type of project
- Outcomes of project
- Amount needed for project
- Institution where investment will be made
- Time frame of the investment
- Interest rate of investment
- Amount to be allocated to the project
- Risk assessment of investment
- Risk assessment of the project
- Motivational report from Project Manager

13. REVIEW

This investment policy will be reviewed annually during the budget process by the Accounting Officer in concurrence with all new legislation applicable. The reviewed policy will be implemented at the beginning of each financial year.

ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

Note: 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 district Municipality only to the executive mayor, executive committee or chief financial officer. The foregoing policy is based on the assumption that such authority has been delegated to the chief financial officer.

SECTION 7: OPENING OF BANK ACCOUNTS

Every Municipality must open and maintain at least one bank account. This bank account must be in the name of the Municipality, and all monies received by the Municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A Municipality may not open a bank account:

- otherwise than in the name of the Municipality;
- abroad; or
- with an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the Municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

SECTION 8: PRIMARY BANK ACCOUNT

Every Municipality must have a primary bank account, and if the Municipality has only one bank account that account is its primary bank account. If the Municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the Municipality's primary account:

- all allocations to the Municipality;
- all income received by the Municipality on its investments;
- all income received by the Municipality in connection with its interest in any municipal entity;
- all money collected by a municipal entity or other external mechanism on behalf of the Municipality, and;
- any other monies as may be prescribed.

The accounting officer of the Municipality must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the Municipality is held, and the type and number of the account. If the Municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

The accounting officer of the Municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the Municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the Municipality holds a bank account, and the type and number of each account.

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the Municipality must administer all the Municipality's bank accounts, is accountable to the municipal Council for the Municipality's bank accounts, and must enforce compliance with Sections 7, 8, and 11 present Act.

The accounting officer may delegate the duties referred to above only to the Municipality's chief financial officer.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the accounting officer or the chief financial officer of the Municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the Municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the Municipality's bank accounts. Such withdrawals may be made only to:

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- defray expenditure appropriated in terms of an approved budget;
- defray expenditure authorised in terms of Section 26 (4) (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
- defray unforeseeable and unavoidable expenditure authorised in terms of Section 29 (1);
- in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
- pay over to a person or organ of state money received by the Municipality on behalf of such person or organ of state, including money collected by the Municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the Municipality for such person or organ of state;
- refund money incorrectly paid into a bank account;
- refund guarantees, sureties and security deposits;
- make investments for cash management purposes in accordance with Section 13;
- defray increased expenditure in terms of Section 31; or
- for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorization to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the chief financial

officer to withdraw money or to authorise the withdrawal of money from the Municipality's primary bank account if the Municipality has a primary bank account which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in the Council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

No political structure or office bearer of the Municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the Municipality. Only the municipal manager may be the accounting officer of any such fund.

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A Municipality may open a separate bank account in the name of the Municipality for the purpose of such relief, charitable, trust or other fund. Money received by the Municipality for the purpose of such fund must be paid into the bank account of the Municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the Council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

SECTION 13: CASH MANAGEMENT AND INVESTMENTS

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A Municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the Municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the Municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

SECTION 17: CONTENTS OF ANNUAL BUDGETS

The following documents must accompany each tabled draft annual budget (inter alia):

- a projection of cash flows for the budget year by revenue source, divided into calendar months
- particulars of the Municipality's investments.

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connection with such budget (and documents).

SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department and the accounting authority of a national or provincial public entity responsible for the transfer of any proposed allocations to a Municipality, must by no later than 20 January of each year notify the national treasury or the relevant provincial treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each Municipality during each of the next 3 financial years.

The Minister or the MEC responsible for finance in the province must, when tabling the national annual budget in the national assembly or the provincial annual budget in the provincial legislature, make public particulars of any allocations due to each Municipality in terms of that budget, including the amount to be transferred to the Municipality during each of the next 3 financial years.

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every Municipality responsible for the transfer of any allocation to another Municipality, must, by no later than 120 days before the start of its budget year, notify the receiving Municipality of the projected amount of any allocation proposed to be transferred to that Municipality during each of the next 3 financial years.

SECTION 45: SHORT TERM DEBT

The Municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The Council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, in

including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the Council; the terms of the agreement, including the credit limit, may be changed only by a resolution of the Council; and if the Council approves a credit facility limited to emergency use, the accounting officer must notify the Council in writing as soon as practicable of the amount, during and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

The Municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

SECTION 46: LONG-TERM DEBT

A Municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5).

SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONGTERM DEBT

The Municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency,

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

The accounting officer of the Municipality is responsible for the management of the revenue of the Municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the Municipality's primary and other bank accounts.

The accounting officer must take all reasonable steps to ensure that any funds collected by the Municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the Municipality.

SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

The accounting officer of the Municipality is responsible for the management of the expenditure of the Municipality.

The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the Municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

The accounting officer must also ensure that all money owing by the Municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The accounting officer must further ensure that the Municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

SIGNED AT LEPHALALE ON _____

M M COCQUYT
MUNICIPAL MANAGER