

COUNCIL POLICY

SUBJECT : INVESTMENT POLICY

REFERENCE : 5.1.B

RESOLUTION NR : 18/09/2006 **DATE** : September 2006

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. An investment Portfolio Committee must be established to monitor investment activities of the Council.
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 are made under the authority of the Municipal Manager and the Chief Finance.
4. The long-term investment does exceed the period of 90 days and are made under the authority of the Investment Portfolio Committee.
5. All investments made, should adhere to the procurement policy of the Council.
6. Investments shall only be made in **the following** permitted institutions:
 - 6.1 Banks registered in terms of the Banks Act 1990.
 - 6.2 National, **Provincial and** Local Government.
 - 6.3 Insurance companies **registered**
7. No more than 20% of the total amount invested by Council at any time shall be in one institution or type of investment.
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 to 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 under a law permitted 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 credit risk analysis and prepare a list of all prospective institutions.
7. Any employee that has an interest in any of the above investments institutions must disclose his/her interest.
8. From the list of investment institutions, at least three institutions should be selected to do the credit risk analysis.
9. The requests for proposal must be issued to these three institutions requesting them to provide quotations for all details of the investments (i.e. interest rates offered, time frames, maturity values, confirmed values, etc).

10. The Chief Finance and the Municipal Manager should establish limits per investment institutions and where possible, at least the capital values of the investments should be secured.
11. The Chief Finance and the Municipal Manager must determined the investment limits per instruments that has to be approved by the Finance Committee and Council annually .
12. When an investment needs to be redeemed or reinvested, the Chief Finance must submit a recommendation to the Municipal Manager as to why .
13. 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.
14. The Chief Finance will make the transfer to or from the Council's bank account.
15. A register of investment must be maintained by the Chief Finance.
16. The Chief Finance must prepare reconciliation between the transfer approval, the confirmation received and the investments register, and he/she should sign the reconciliation as correct monthly .
17. Investment withdrawals must only be deposited to the general ledger by the Chief Finance or his/her delegated officer.
18. Interest earned on investment must be recalculated and agreed the confirmations and go through income statement before appropriation.
19. 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 Investment Portfolio Committee.
20. An investment report on the performance of investments must monthly be compiled by the Chief Finance and submitted to the Municipal Manager.
21. The Municipal Manager must compile a monthly report on investment to the Investment Portfolio Committee and Council.

ROLES

Municipal Manager.

Chief Finance.

Finance Committee.

RELATED ACTS

Bank Act, 1990.

Local Government Transition Act, 1996.

Municipal Finance Management Act, 2003.

Public Deposit Act, 1984.