APPENDIX 12

STELLENBOSCH MUNICIPALITY

CASH MANAGEMENT AND INVESTMENT POLICY

2026/2027

Approved per Council Resolution/ Item 8.2 at 41st Council Meeting on 27 May 2026

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PAGE

STELLENBOSCH MUNICIPALITY 1
PREAMBLE 3
1. LEGAL FRAMEWORK 4
2. OBJECTIVES 4
3. CASH MANAGEMENT 4
3.1 Guiding Principles 4
3.2 Bank Accounts 4
3.2.1 Revenue Management 5
3.2.2 Cheque Management 5
3.2.3 Delegation/Rights 5
3.2.3.2 Electronic Funds Transfer (EFT) 5
3.3 Bank Overdraft 6
4. CASH MANAGEMENT PROCEDURES 6
5. INVESTMENTS 8
5.1 Guiding Principles 8
5.2 Permitted Investments 9
5.3 Diversification 11
5.4 Investment Managers 11
5.4.1 External Investment Managers 11
5.5 Internal Controls Over Investments 11
5.5.1 Delegations 11
5.5.2 Obtaining quotations and concluding deals 12
6. OWNERSHIP 14
7. DUE CARE 14
8. PERFORMANCE MEASUREMENT 16
9. REPORTING 16
9.1 Reports 16
10. ANNUAL REVIEW OF POLICY 17

PREAMBLE

Whereas Section 13 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) (the Act) determines that a municipality must introduce an appropriate and effective cash management and investment arrangement;

and whereas a bank, in accordance with the provisions of Section 13 of the Act, has to disclose details regarding a municipalities' investments;

and whereas councillors and officials, as trustees of public funds have an obligation to ensure that cash resources are managed as effectively, efficiently, and economically as possible;

now therefore the Stellenbosch Municipality adopted the Cash and Investment Management Policy set out in this document.

1. LEGAL FRAMEWORK

a) Legislation – Local Government: Municipal Finance Management Act 56 of 2003 (As amended).
b) Treasury regulations in terms of Section 13(1) of the Act (As amended).

In this Policy, the terms "*the Act*" or "*MFMA*" refers to the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003).

2. OBJECTIVES

a) To maximize returns from authorized investments, consistent with the secondary objective of minimizing risk.
b) To ensure compliance with all legislation governing the investment of funds.
c) To maintain adequate liquidity to meet cash flow needs.
d) To undertake the investment of funds not immediately required for operational purposes in a prudent financial manner.
e) To ensure diversification of permitted investment.

3. CASH MANAGEMENT

3.1 Guiding Principles

It is recognised that from time to time, Council has cash flow surpluses and borrowing requirements due to daily receipts and payments.

Council maintains a daily cash position summary and a yearly cash flow projection is prepared during the annual planning process and is updated monthly. This determines Council's borrowing requirements and surpluses for investment. Cash invested "outside" the bank account is covered by paragraph 5 of this Policy.

3.2 Bank Accounts

Council operates one primary bank account for its day to day operational activity requirements and two secondary accounts specifically for service charges and revenue derived from fines.

All monies due to Council and due by Council emanating from Council activities must pass through this primary account, therefore secondary accounts are swept daily, and all balances are transferred to the primary bank account.

3.2.1 Revenue Management

Revenue Management Section 64 of the Act clearly states that all moneys received must be promptly deposited in the Municipality's primary and other bank accounts, therefore:

- all revenue received by the Municipality, including revenue received by any collecting agent on its behalf, is recorded at least on a weekly basis.
- all monies collected by the Municipality on behalf of another organ of state must be transferred to that organ of state at least on a weekly basis.

3.2.2 Petty Cash Withdrawal

Petty Cash is replenished by completing a petty cash replenish form provided.

3.2.3 Delegation/Rights

The incumbents of the following posts are authorized to sign petty cash request forms and authorise electronic payments on behalf of Council:

3.2.3.2 Electronic Funds Transfer (EFT) and Petty cash request

A-Signatories:	Chief Financial Officer
	SNR Manager: Financial Management Services
	SNR Manager: Revenue and Expenditure
	Manager: Expenditure
	Manager: Revenue
	SNR Manager: Supply Chain Management
	Manager: Budget and Costing
	Manager: Financial Statements, Compliance and Reporting
	Manager: Financial Asset Management
B-Signatories:	Chief Accountant: Consumer Accounts and Valuations
	Senior Accountant: Cash Management and Credit Control
	Senior Accountant: MFMA Reporting and Compliance
	Senior Accountant: Financial Statements and Reconciliations
	Chief Accountant: Asset Management
	Chief Accountant: SDBIP Monitoring and Budget Control x2
	Senior Accountant: Creditors and Payroll

Each electronic payment and petty cash request form needs to be authorized by at least two A-Signatories, or one A-Signatory and one B-Signatory.

3.3 Bank Overdraft

3.3.1 Council made the decision to not request an overdraft facility with its primary banker. as the general policy is to avoid going into overdraft.

In the instance that short-term debt is incurred based on expected income it must be repaid within the same financial year. (Section 45 of the MFMA)

3.3.2 Any overdrawn bank account at any date must be reported without avail to Council supported by reasons, therefore.

3.3.3 Any short-term facility that requires review must first be approved by the Accounting Officer.

4. CASH MANAGEMENT PROCEDURES

4.1 Internal Controls

The supervisor and/or Accountant do a monthly audit on the cashier floats, manual receipt books and the compilation of daily cash-up and banking documents.

4.2 Issuing of Receipts

The cashier will only issue an official enumerated receipt when a client pays his/her municipal account in full or partially.

4.3 Cancellation of Receipts

An official enumerated receipt will only be cancelled whilst the client is still at the cash office and only for the following reasons;

a) cashier made an error.
b) client made an error.

The cashier will re-issue a correct receipt and the cancelled receipt will be signed by the incumbent and the supervisor. In cases where the client wants his money back a prescribed official document must be completed and signed by the Client, Cashier and the Supervisor stating the reason(s) for cancelation.

4.4 Cash Balancing

After the end of each shift, the cashier will count the monies received and do a daily end of day cashier procedure. The supervisor will then re-count the money to ensure that the cashier's daily takings balances with the supervisor's end-of-day totals. The cashier will

do a final end-of-day procedure when he/she balances, and the supervisor will do a receipting end of day shut-down procedure.

4.4.1 Cashier surplus and shortage

If the cashier is short, he/she will then pay the monies in immediately. If there is a surplus the cashier will receipt the surplus on the same day. Management discretion can be used should there be substantial evidence and motivation that it was out of the control of a cashier to avoid a shortage the Manager can exonerate the cashier from paying the shortfall and in such an instance the shortage should be allocated to an expense line item.

4.4.2 Cashier resources

The Cashier will be supplied with the necessary tools and equipment to perform a proper cashier function. (E.g. Ultra violet lights, etc.)

4.5 Deposit Books

Each satellite-office cashier has an enumerated deposit book, as each pay point has a number. The Senior Clerk: Cashier orders books from the bank when needed. Head Office cashiers use the cash-vault machines for all deposits.

4.6 Other payment methods

4.6.1 Direct Deposits and ACB

Direct deposits can be made into Municipal bank account via the Internet or by deposit slip via their bank, using the applicable Municipal account number as reference. This information is extracted and uploaded on a daily basis from the bank and imported into the Financial System. All deposits with a correct and recognisable reference will be receipted on a daily basis into the Financial System, where it is not possible to identify the deposit(s) it will be transferred into the Unallocated/Default vote. The Senior Clerk: Electronic Payments will investigate and follow-up regularly on the deposits in the Unallocated/Default vote to receipt these deposits to the correct debtor account or U-key.

A monthly reconciled Unallocated/Default register which is duly signed off by the Accountant and Senior Accountant Cash Management is kept on record for reporting and capturing into the Annual Financial Statements.

All deposits with an incorrect or unrecognisable reference in the reconciled and duly signed off Unallocated/Default register will be submitted to the Senior Manager: Revenue and Expenditure to be duly authorised for recognition as Income in accordance with the Prescription Act 68 of 1969(Updated to 23 December 2020)

Accounts are also paid by means of a debit order (ACB) payment.

4.6.2 3rd Party

Payments can be made at any approved service provider pay points. This information is extracted and uploaded daily from the service providers' and credited against the clients' accounts.

4.6.3 Rejected Debit Orders and/or Electronic Payments Should any debit orders and/or electronic payment be rejected by any bank, such receipts will be reversed, and the full balance will be immediately become due. Any debit orders captured by the Finance Department and rejected by any bank, will be cancelled after three rejections.

4.6.3.1 A prescribed fee as approved by Council may be levied on all rejected electronic payments

4.6.4 Private Money

No Municipal employee is allowed to:

- Use Council's cash funds at any stage to be replaced at a later stage.
- Use his/her own money as cashier float.
- Safeguard private money amongst Council's cash (e.g. Cashier drawers, petty cash boxes, safes. Cash vault machines (where installed) etc.)

5. INVESTMENTS

5.1 Guiding Principles

Generally, Council will invest surplus funds with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990) for terms not exceeding one year in anticipation of cash flow expectations. From time to time, with prior Executive Mayoral Committee approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the National Treasury regulations from time to time. The objectives of the investment policy are- to ensure compliance with the relevant legal and statutory requirements relating to investments:

- To ensure the preservation and safety of the municipality's investments.
- To ensure diversification of the investment portfolio across acceptable investees, permitted types of investments and investment maturities.
- To ensure timeous reporting of the investment portfolio as required by the MFMA in accordance with generally recognised accounting practice; and

- To ensure that the liquidity needs of Stellenbosch Municipality are properly addressed.

5.1.1. Legislative Framework for Investments

Municipal investments and management of, are guided by two pieces of legislation namely: (1) Municipal Finance Management Act of 2003 (MFMA) and (2) Municipal Investment Regulations, 2005 (GN R308 of 1 April 2005).

5.1.1.1 Municipal Finance Management Act (MFMA)

Chapter 3 of the MFMA deals with municipal revenue, where subsection 13 covers investments. Subsection 13 of the Act requires that a municipality must establish an appropriate and effective cash management and investment policy in accordance with the frameworks prescribed by the Minister of Finance as set out in the Municipal Investment Regulations of 2005.
Relevant subsections:
Ss13(1)(b): The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which the municipality must invest money not immediately required.
Ss 13(2): A municipality must establish an appropriate and effective investment policy in accordance with any framework that may be prescribed in terms of subsection (1).

5.1.1.2 Municipal Investment Regulations, 2005 (GN R308 of 1 April 2005).

The Municipal Investment Regulations, 2005 (GN R308 of 1 April 2005) were issued under the MFMA (Act No. 56 of 2003) in South Africa. These regulations provide a legal framework to guide municipalities in managing their investments in a responsible, transparent, and risk-averse manner. From here forth the policy should reflect a breakdown of the regulations in relation to Stellenbosch Municipality.

5.2 Permitted Investments

The Account Officer must ensure that only the following investment types are utilized in terms of Section 6 of the Municipal Investment Regulations (No. R. 308) dated 1 April 2005:

a) Securities issued by national government.
b) Listed corporate bonds with an investment grade rating from a recognized credit rating agency.
c) Deposits with banks registered in terms of the Banks Act (Act 45 of 1984).
d) Deposits with the Public Investment Commissioners.
e) Deposits with the Corporation for Public Deposits.

f) Banker's acceptance certificate or negotiable certificates of deposits of registered banks.
g) Guaranteed endowment policies with the intention of establishing a sinking fund.
h) Repurchase agreements with registered banks.
i) Municipal bonds issued by a municipality.
j) Any other investment type as identified by the Minister of Finance in consultation with the Financial Services Board.

5.3 **Prohibited Investments**

Regulation 7 of the Municipal Investment Regulations (No. R. 308, 1 April 2005) states that 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.

5.3.1 **Explanation of Regulation 7**

- Denomination requirement: The investment must be in South African Rand. It is prohibited to invest in instruments denominated in a foreign currency.
- No indexation or linkage: Even if the primary invested funds are in Rands, returns on investments must not have returns or payments that fluctuate based on foreign currency movements. For example, an investment with interest or payout indexed to a foreign currency is disallowed.
- Absolute restriction: This is a prohibition, not a permission with conditions. If it is foreign currency–denominated or tied to exchange-rate movements, the municipality or municipal entity must not invest in it.
- Further beyond Regulation 7 of the Municipal Investment Regulations **no other legislation** (including the MFMA or Municipal Systems Act) contains a similarly explicit list of **prohibited investment types** for municipalities. The MFMA regulates financial conduct, accountability, and consequences for unauthorized, irregular, or wasteful expenditure, but does not itself define which specific investment instruments are forbidden. Thus, the Municipal Investment Regulations (Regulation 7) remain the primary source for legally required prohibitions on municipal investments.

5.3 Diversification

Section 11 of the Municipal Investment Regulations of 2005 details the diversification of municipal investments. This section requires that municipalities take "all reasonable and prudent steps" to diversify their Investment portfolio with approved institutions as set out in point 5.2above.5.3.1 The regulation itself does not prescribe a fixed percentage limit. Instead, it requires municipalities to set such limits within their own investment policies. As per Stellenbosch Municipality investment policy no more than 50% of total municipal investments may be placed with any single bank.

The discretion of management should be used when investing funds into the institution quoting the highest rate versus diversification of investment portfolio. Should the difference between the investment quotes be minimal, a decision can be made to invest in the lower quote for the diversification of investment portfolios.

5.4 Investment Managers

5.4.1 In the event of the appointment of an external Investment Managers

Where the above means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act 55 of 1989), and Stock Exchanges Control Act, 1985 (Act 1 of 1985), contracted by a municipality or municipal entity to-

a) advise it on investments;
b) manage investments on its behalf; or
c) advise it on investments and manage investments on its behalf.

The External Investment Manager will be appointed in terms of Supply Chain Management Policy, and a service level agreement will govern the functions and responsibility of the service provider. All investments made by the External Investment Manager on behalf of the Council of Stellenbosch Municipality must be made within the ambit of this Policy and with National Treasury's investment regulations.

5.5 Internal Controls Over Investments

5.5.1 Delegations

5.5.1.1 In terms of Section 60(2) of the Local Government: Municipal Systems Act, (Act 32 of 2000) (the MSA), the Council may only delegate to the Municipal Manager (MM) the power to make decisions on investments on behalf of the Municipality.

5.5.1.2 In terms of section 79(1)(b) of the Municipal Finance Management Act, the Accounting Officer has delegated to the Chief Financial Officer (CFO) as per section 77(1)(b), in writing, his/her duty under section 65(2) (h) to manage the Council's available working capital effectively and economically in terms of the prescribed cash management and investment framework.

5.5.2 Obtaining quotations and concluding deals

The process of securing which financial institutions the municipality will invest in, must occur through a bidding process. Requests are emailed to all approved institutions the day before, or the morning thereof. A cut-off is requested to ensure timeous processing of authorisation and payment of the investment. Quotes are captured on the decision report, and rates are compared and chosen in terms of the diversification policy and the minimum bank credit rating requirements. Written mandates, signed by the CFO and MM, shall be issued to successful investees with whom the Council of Stellenbosch Municipality invests funds, setting out the following:

5.5.2.1 Authorised dealers: name and particulars of the Council's officials who are authorised to transact investments deals with the investees;

5.5.2.2 Authorised signatories: name and particulars of the Council's officials who are authorised to sign written confirmations or any other correspondence in respect of investments transactions.

5.5.2.3 A dealing sheet, signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee. The CFO shall advice the MM to approve the transaction.

A written confirmation of the terms of each investment transaction shall be prepared, and signed off by the CFO and MM.

5.5.3 A monthly investment register should be kept of all investments made. The following information must be recorded:-

- name of institution;
- capital invested;
- date invested;
- interest rate;
- maturation date;
- interest received;
- Investment balance;
- total withdrawal amount;
- total interest earned.

5.5.3.1 The investment register and accounting records must be reconciled monthly.

6. Standard of Ethics, Judgment and Care

6.1 Investments made by or on behalf of Stellenbosch Municipality:

a). must be a genuine investment and not an investment made for speculation.
b). must be made with primary regard to the:

- security of the investment.
- liquidity needs of the municipality; and
- income or return from the investment.

c). must be made without internal or external negative interference whether such interference comes from individual officials, councillors, agents, investees or any other external body.

6.2 No fee, commission or other reward may be paid to a councillor or official of the municipality, or to a spouse or close family member of such councillor or official or any other party, in respect of any investment made by the municipality. This shall be confirmed annually by all investees to the Auditor-General.

6.3 All investments made by or on behalf of the municipality must be made in the name of the municipality.

6.4 Stellenbosch municipality shall take reasonable steps to diversify its investment portfolio across investees, type of investment and investment maturities.

7. **Minimum Bank Credit Rating Requirements for investment**

Current legislation does not indicate specific minimum required ratings for municipalities. Though, Regulation 10 of the Municipal Investment Regulations of 2005 reiterates that a municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out in regulation 5, to ensure that it places its investments with credit-worthy institutions. Regulation 10(2)(a & b) of the regulations emphasises a municipality or municipal entity must -

(a) regularly monitor its investment portfolio; and

(b) when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in its investment policy.

7.1 **ANNEXURE A: CURRENT RATINGS**

Credit rating agency	**Rating**	**Category**	**Description**
Moody's (Deposit)	Baa3 (Stable)	Medium grade	Moderate credit risk; some speculative characteristics.
S&P Global	BB (Positive)	Adequate	The lowest investment-grade tier; currently stable but vulnerable.
Fitch Ratings	BB- (Stable)	Speculative	Indicates an elevated vulnerability to default risk, especially in adverse economic conditions.

8. **OWNERSHIP**

All investments must be made in the name of the Council of Stellenbosch Municipality. Written proof of investments made must obtained from the institution where the investment is made and must be kept on file.

9. DUE CARE

In dealing with financial institutions, the following ethical principles must be observed:

9.1 The Chief Financial Officer and all staff in his/her directorate shall not accede to any influence by or interference from Councillors, investment agents, institutions, or any other outsiders;

9.2 Under no circumstances may inducements to invest be accepted;

9.3 Interest rates quoted by one institution must not be disclosed to another institution; and

9.4 The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.

10. CALL ACCOUNT HELD WITH PRIMARY BANK

The nature of call accounts are considered cash and cash equivalents rather than long-term investments. This classification is based on the nature of call accounts, which are deposit accounts offered by banks that allow for immediate access to funds while earning interest. The liquidity and accessibility of these accounts align them more closely with cash and cash equivalents.

A separate bank account with our banking service provider, will be used to do internal transfers between our primary bank account and said call account. Internal transfers on our online banking platform will give us the flexibility to transfer funds to and from the call account and primary account ensuring that interest is earned on the most advantageous rate without risking cashflow requirements.

11. PERFORMANCE MEASUREMENT

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective measures. The predominant subjective measure is the overall quality of treasury management information. The Chief Financial Officer has primary responsibility for determining this overall quality.

Objective measures include: -

(a) Adherence to policy.

(b) Timely receipt of interest income.

12. REPORTING

12.1 Reports

The following reports are produced:

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Bank Balance report	Daily	Senior Clerk: Electronic Payments	Chief Finance Officer

Investments	Monthly	Senior Accountant: Financial Statements and Reconciliations	Manager: Financial Statements and Reporting

13. ANNUAL REVIEW OF POLICY

This Policy will be reviewed annually or earlier if so required by legislation.

Any changes to this Policy must be adopted by Council and be consistent with the applicable Acts and any National Treasury Regulations.

14. EFFECTIVE DATE

The policy will be reviewed on an annual basis to ensure that it is in line with the Municipality's strategic objectives and with legislation.

15. SHORT TITLE

This Policy is the Cash Management and Investments Policy of the Stellenbosch Municipality.