



## CASH MANAGEMENT and INVESTMENT POLICY

Date Approved	Version	Resolution Number
MAY 2025	5	

Council resolution number and date	Resolution on
------------------------------------	---------------

## INDEX

[1]	OBJECTIVE OF CASH MANAGEMENT AND INVESTMENT POLICY	2
[2]	DEFINITIONS	2
[3]	RESPONSIBILITY / ACCOUNTABILITY	9
[4]	CASH MANAGEMENT	10
[4.1]	Cash Management Programme	11
[4.2]	Revenue Management	11
[4.3]	Expenditure Management	14
[4.4]	Contracts Management	16
[4.5]	Inventory Management	16
[4.6]	Stores Administration	16
[4.7]	Cash Management and Investments	16
[5]	INVESTMENTS	17
[5.1]	Investment Ethics	17
[5.2]	Investment Principles	17
[5.3]	General Investment Guidelines	18
[5.4]	Investment Options	19
[5.5]	Investments: Reporting and Accounting Requirements	22
[5.6]	Investments for the Redemption of Long-Term Liabilities	23
[5.7]	Interest on Investment	23
[6]	BANKING ARRANGEMENTS	23
[6.1]	Opening Of Bank Accounts	24
[6.2]	Control of Bank Accounts	25
[7]	RAISING OF DEBT	27
[7.1]	Short-Term Debt	27
[7.2]	Long-Term Debt	28
[7.3]	Conditions Applying To Both Short-Term And Long-Term Debt	29
[8]	FORBIDDEN LOANS	30

**[1] OBJECTIVE OF CASH MANAGEMENT AND INVESTMENT POLICY**

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.

The investment portfolio must be diversified across institutions, types of investments and investment maturities.

**[2] DEFINITIONS**

“Act” - Means the Municipal Finance Management Act (MFMA), 2003 (Act No.56 of 2003);

“accounting officer” - Means in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Finance Management Act No. 56 of 2003; or in relation to a municipal entity, means the official of the entity referred to in section 93 of the Municipal Finance Management Act No. 56 of 2003 and includes a person acting as the accounting officer;

“allocation” - Means

- [a] a municipality's share of the local government's equitable share referred to in section 214(1)(a) of the Constitution;
- [b] an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;
- [c] an allocation of money to a municipality in terms of a provincial budget; or
- [d] any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

“Annual Division of Revenue Act” - means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution;

“annual report”, in relation to a municipality or municipal entity, means an annual report contemplated in section 121 of the Municipal Finance Management Act No. 56 of 2003;

“approved budget” - means an annual budget

- [a] approved by a municipal council; or
- [b] approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28 of the Public Financial Management Act No. 56 of 2003;

“Auditor-General” - means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person:

- [a] acting as Auditor-General;
- [b] acting in terms of a delegation by the Auditor-General; or
- [c] designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;

“basic municipal service” - means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

“budget-related policy” - means a policy of a municipality affecting or affected by the annual budget of the municipality, including:

- [a] the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- [b] the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- [c] the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

“budget year” - means the financial year for which an annual budget is to be approved in terms of section 16(1) of the Public Financial Management Act No. 56 of 2003;

“chief financial officer” - means a person designated in terms of section 80(2)(a) of the Municipal Finance Management Act No. 56 of 2003;

“councillor” - means a member of a municipal council;

“creditor” - in relation to a municipality, means a person to whom money is owing by the municipality;

“credit card” – a plastic card containing machine-readable magnetic code, allowing the holder to make purchases on credit;

“current year” - means the financial year which has already commenced, but not yet ended;

“debt” – means:

- 
- [a] a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or
  - [b] a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

“delegation” – means in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

“financial recovery plan” - means a plan prepared in terms of section 141 of Public Financial Management Act No. 56 of 2003;

“financial statements” – means in relation to municipality or municipal entity, means statements consisting of at least:

- [a] a statement of financial position;
- [b] a statement of financial performance;
- [c] a cash-flow statement;
- [d] any other statements that may be prescribed; and
- [e] any notes to these statements;

“financial year” - means a year ending on 30 June;

“financing agreement” - includes any loan agreement, lease, installment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

“fruitless and wasteful expenditure” - means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

“Head”, in relation to the Municipal Finance Recovery Service, means a person:

- [a] appointed in terms of section 159 of the Municipal Public Financial Management Act No. 56 of 2003 as the Head of the Service; or
- [b] acting as the Head of the Service;

“irregular expenditure” - in relation to a municipality or municipal entity, means:

- [a] expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- [b] expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- [c] expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- [d] expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s

---

by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”;

“integrated development plan” - means a plan envisaged in section 25 of the Municipal System Act No 32 of 2000;

“investment”, in relation to funds of a municipality, means:

- [a] the placing on deposit of funds of a municipality with a financial institution; or
- [b] the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

“lender”, in relation to a municipality, means a person who provides debt finance to a municipality;

“local community” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“local municipality” - means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

“long-term debt” - means debt repayable over a period exceeding one year;

“mayor” - a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;

“MEC for finance” - means the member of the Executive Council of a province who is responsible for finance in that province;

“MEC for local government” - means the member of the Executive Council of a province who is responsible for local government in that province;

“Minister” - means the Cabinet member responsible for finance;

“month” - means one of the 12 months of a calendar year;

“multi-jurisdictional service utility” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“municipal council” or “council” - means the council of a municipality referred to in section 18 of the Municipal Structures Act;

“municipal debt instrument” - means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialized or electronic evidence of indebtedness intended to be used in trade;

---

“Municipal Financial Recovery Service” - means the Municipal Financial Recovery Service established by section 157;

“municipality”: means:

- [a] when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- [b] when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

“municipal manager” - means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act;

“municipal service” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“Municipal Structures Act” - means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

“Municipal Systems Act” - means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“municipal tariff” - means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

“municipal tax” - means property rates or other taxes, levies or duties that a municipality may impose;

“National Treasury” - means the National Treasury established by section 5 of the Public Finance Management Act No. 56 of 2003;

“official”, in relation to a municipality or municipal entity, means:

- [a] an employee of a municipality or municipal entity;
- [b] a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- [c] a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

“organised local government” - means an organisation recognised in terms of section 2(1) of the Organised Local Government Act, 1997 (Act No. 52 of 1997), to represent local government nationally or provincially;

“overspending” – means:

- [a] in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;

- [b] in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- [c] in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;

“parent municipality” - has the meaning assigned to it in section 1 of the Municipal Systems Act;

“past financial year” - means the financial year preceding the current year;

“political office-bearer”, in relation to a municipality, means:

- [a] the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or
- [b] a councillor referred to in section 57(1) of the Municipal Finance Management Act No. 56 of 2003;

“political structure”, in relation to a municipality, means:

- [a] the council of a municipality; or
- [b] any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act;

“prescribe” - means prescribe by regulation in terms of section 168;

“primary bank account” - means a bank account referred to in section 8(1);

“private company” - means a company referred to in sections 19 and 20 of the Companies Act, 1973 (Act No. 61 of 1973);

“provincial department” - means a department listed in Schedule 2 of the Public Service Act, 1994 (Proclamation No. 103 of 1994), which falls within a provincial administration listed in Schedule 1 to that Act;

“provincial treasury” - means a treasury established in terms of section 17 of the Public Finance Management Act;

“Public Finance Management Act” - means the Public Finance Management Act, 1999 (Act No. 1 of 1999);

“quarter” means any of the following periods in a financial year:

- [a] 1 July to 30 September;
- [b] 1 October to 31 December;
- [c] 1 January to 31 March; or
- [d] 1 April to 30 June;

“senior manager”:

- [a] in relation to a municipality, means a manager referred to in section 56 of the Municipal Systems Act; or
- [b] in relation to a municipal entity, means a manager directly accountable to the chief executive officer of the entity;

“security” - means any mechanism intended to secure the interest of a lender or investor, and includes any of the mechanisms mentioned in section 48(2);

“service delivery agreement” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“service delivery and budget implementation plan” - means a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate:

- [a] projections for each month of:
  - [i] revenue to be collected, by source; and
  - [ii] operational and capital expenditure, by vote;
- [b] service delivery targets and performance indicators for each quarter; and
- [c] any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(1)(c) of the Municipal Financial Management Act No. 56 of 2003;

“service utility” has the meaning assigned to it in section 1 of the Municipal Systems Act;

“shared control”, in relation to a municipal entity, means the rights and powers a municipality has over a municipal entity which is:

- [a] a private company in which effective control as defined in section 1 of the Municipal Systems Act is vested in that municipality and one or more other municipalities collectively; or
- [b] a multi-jurisdictional service utility in which that municipality participates;

“short-term debt” – means debt repayable over a period not exceeding one year;

“sole control”, in relation to a municipal entity, means the rights and powers a municipality has over a municipal entity which is:

- [a] a private company in which effective control as defined in section 1 of the Municipal Systems Act is vested in that municipality alone; or
- [b] a service utility established by the municipality;

“standards of generally recognised accounting practice” - means an accounting practice complying with standards applicable to municipalities or municipal entities and issued in terms of Chapter 11 of the Public Finance Management Act;

“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Financial Management Act No. 56 of 2003, and includes:

- 
- [a] overspending of the total amount appropriated in the municipality's approved budget;
  - [b] overspending of the total amount appropriated for a vote in the approved budget; covered by the vote;
  - [c] expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
  - [d] spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
  - [e] a grant by the municipality otherwise than in accordance with this Act;

"vote" means:

- [a] one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- [b] which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

### [3] RESPONSIBILITY / ACCOUNTABILITY

- [a] According to the Municipal Finance Management Act, No 56 of 2003, chapter 8, section 60, the Municipal Manager is the accounting officer of the municipality. However, he/she may delegate certain duties/tasks to designated officials, who would be accountable to him. The Municipal Manager is therefore accountable for all transactions entered into by his designates. One of the main functions of the Municipal Manager is that of adequate and effective cash management.
- [b] In terms of section 13(2) of the Act the municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed.
- [c] The Chief Financial Officer is responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management. Sound cash management includes the following:
  - [i] Collecting revenue when it is due and banking it promptly;
  - [ii] Making payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the government's normal terms for account payments;
  - [iii] Avoiding pre-payments for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
  - [iv] Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;

- [v] Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the municipality are collected and banked promptly;
- [vi] Accurately forecasting the institution's cash flow requirements;
- [vii] Timing the inflow and outflow of cash;
- [viii] Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash; and
- [ix] Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or underutilised assets.

- [d] The overall responsibility of investments lies on the Municipal Manager. However the day to day handling of investments is the Chief Financial Officer's or his/hers delegate's responsibility. 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 municipality only to the Executive Mayor, Executive Committee or Chief Financial Officer.

*With the approval of this policy the authority to take decisions on making investments on behalf of the municipality is delegated to the Chief Financial Officer.*

- [e] All investment documents will require two signatories, namely the Municipal Manager and / or Chief Financial Officer and Budget and Treasury Manager or the Manager: Expenditure. Specimen signatures must be signed by all financial institutions that the municipality deals with.
- [f] The Chief Financial Officer must ensure that a bank, insurance company or other financial institution which at the end of a financial year holds, or at any time during a financial year held, an investment for the municipality must -
- [i] 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; and
  - [ii] Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

#### [4] CASH MANAGEMENT

Adequate and effective cash management is one of the main functions of the Chief Financial Officer or his/her Delegate.

##### [4.1] Cash Management Programme

- [a] 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 monthly 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.

- [b] Heads of departments shall in this regard furnish the Chief Financial Officer with all such information as is required, timeously and in the format indicated.
- [c] The Chief Financial Officer shall report to the executive 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.
- [d] 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.

#### [4.2] Revenue Management

- [a] 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;
- [b] The Accounting Officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis;
- [c] 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;
- [d] Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions;
- [e] The Chief Financial Officer shall ensure that all revenues are properly accounted for;
- [f] The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the Chief Financial Officer in terms of any policies determined

- 
- by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the Chief Financial Officer shall report the matter adequately and timeously to the finance and executive committees;
- [g] The Chief Financial Officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council's policy on rates and tariffs;
- [h] Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the Chief Financial Officer;
- [i] Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality's banker(s), or less frequently if so approved by the Chief Financial Officer;
- [j] All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis;
- [k] The unremitting support of and commitment to the municipality's *Credit Control and Debt Collection 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;
- [l] Legal tender left lying in a safe presents a security risk could require additional insurance cover and does not earn any interest;
- [m] Special deposits should be made for large receipts to ensure that they are banked on the date of receipt thereof;
- [n] Debtor's Management:
- [i] It is important that all monies owing to the Council are correctly reflected in the debtors system;
  - [ii] It is essential for all amounts owed to Council to be raised by way of a debit in the appropriate debtor system;
  - [iii] A well managed debtors and banking control system will ensure that funds owed to the Council are received and banked; and
  - [iv] It is also important to review debt collection performance by comparing the debtors outstanding in relation to total turnover and then comparing this to previous financial years, in order to determine whether the debt collection process is deteriorating or improving;
- [o] Receipt of Payments Received at Counters:
- [i] The receipt of all monies collected by the Council shall be acknowledged forthwith by the issue of a numbered official receipt;

- 
- [ii] It is essential for effective banking control systems to be introduced to ensure that moneys received by the Council are deposited timeously;
  - [iii] Every amount of payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a numbered official receipt or cash ticket; and
  - [iv] Every receipt form, which is cancelled, will be reattached, in the correct place, in the receipt book. Where computer generated receipts are used, the original receipt must be filed for audit purposes;
- [p] Receipt of Payments Received via Post:
- [i] When money (including postal orders and cheques) is received with the Council's mail, the Registry Clerk shall record all payment remittances as and when received in the cheque register in the presence of a witness. Post-dated cheques received in the Council's mail must also be recorded in the cheque register. The cheque register shall be regarded as the register of remittances received by post;
  - [ii] The cheque register together with all remittances received must be sent to a designated official in the finance section;
  - [iii] The designated official on receipt of the cheque register together with the remittances will code all remittances and submit it to the cashier for receipting;
  - [iv] The cashier will receipt all remittances and issue official receipts to the designated official;
  - [v] The designated official will record all receipts in the cheque register and return same to registry. The Registry Clerk must ensure that all receipts are recorded in the cheque register;
  - [vi] All documents relating to remittances received in the mail must be filed for audit purposes;
  - [vii] A separate register for post dated cheques will be maintained by the Registry Clerk and all post-dated cheques must be stored safely in the Registry Strong room; and
  - [viii] The Registry Clerk will ensure that all post-dated cheques, which become due, are sent promptly to the designated official for receipting and recording of receipts in the post-dated cheque register.
- [q] Receipt of Electronic Payments
- [i] Bank statements will be printed at least twice a month, once on month end whereon all electronic payments are identified;
  - [ii] All electronic payments are to be receipted before the monthly consumer accounts are calculated.
- [r] In addition to any other statutory analysis requirements, monthly reviews of debt collections must be performed by presenting age analyses of debt and budget revenue and expenditure reports;

- [s] Any deterioration in the debt collection ratio must be dealt with in accordance with the *Credit Control and Debt Collection Policy* of the Council and the required remedial action to rectify the position must be taken by the Council.

#### [4.3] Expenditure Management

- [a] The Accounting Officer of the municipality is responsible for the management of the expenditure of the municipality;
- [b] 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;
- [c] 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;
- [d] 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;
- [e] As creditors have an impact on working capital, the following matters must be borne in mind with regard to the adequate control over and the timing of payment of creditor accounts:
  - [i] Cost factors are to be investigated in so far as it concerns the medium of payment, be it electronically or by cheque;
  - [ii] Adequate steps must be taken to avoid excessive bank charges and payments are to be limited to one payment per month per creditor;
  - [iii] In the case of electronic transfers, strict controls must be implemented to safeguard Council from any losses that may be incurred as a result of the use of this medium of payment;
  - [iv] When considering when to pay a creditor, due regard must be given to the terms of credit offered. When cash discounts are offered on early settlement, the discount given and the time scale involved, would in most cases outweigh any investment benefit that could be obtained by the temporary placement of funds in an investment;
  - [v] In order to reduce bank charges, salaries and allowances should be paid whenever possible on a single date in a month and preferably electronically;
  - [vi] When Creditors are paid, the payment voucher must be clearly endorsed to this effect in order to avoid a duplicate payment;
- [f] The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by 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 municipality;
- [g] This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the Chief Financial Officer before any payment is made;
- [h] 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;
- [i] 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 municipality to do so;
- [j] 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;
- [k] 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;
- [l] Due to the high bank charges with regard to cheque payments, it is essential to limit the payment of creditors to one payment per creditor per month. Should the facility be available, payments should be done by electronic transfer – subject to strict control measures;
- [m] All payments shall be made through the municipality's bank account(s);
- [n] The Chief Financial Officer shall draw all cheques on this account, and shall, in consultation with the Municipal Manager and with due regard to the council's policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time jointly with the Municipal Manager decide on appropriate signatories;
- [o] All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the Chief Financial

Officer. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the Chief Financial Officer.

- [p] The Chief Financial Officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.

#### [4.4] Contracts Management

Within such general buying and related procedures as the Chief Financial Officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the Executive Mayor or Executive Committee, as the case may be:

- [a] all buying contracts shall be administered by the Chief Financial Officer, and all payments relating to such contracts shall be authorised by the Chief Financial Officer or the head of department concerned; and
- [b] all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects - before being submitted to the Chief Financial Officer for payment.

#### [4.5] Inventory Management

Inventory will be managed as prescribed in council's *Asset Management and Insurance Policy*.

#### [4.6] Stores Administration

The Municipality will not maintain any stores. Goods will be purchased as and when required against the relevant vote number in the budget.

#### [4.7] 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 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.

A cash flow forecast is essential to determine the availability of potential investment funds.

## [5] INVESTMENTS

### [5.1] Investment Ethics

- [a] In terms of this policy the Chief Financial Officer shall be responsible for investing the surplus revenues of the municipality and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.
- [b] In making such investments the Chief Financial Officer, shall at all times have only the best considerations of the municipality in mind and shall not accede to any influence by or interference from Councillors, Investment Agents or institutions or any other outside parties.
- [c] The Chief Financial Officer may not 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.
- [d] In dealing with financial institutions, the following ethical principles must be observed:
  - [i] Under no circumstances may inducements to invest be accepted;
  - [ii] Interest rates quoted by one institution must not be disclosed to another institution; and
  - [iii] 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.
- [e] Under no circumstances may Chief Financial Officer be forced or bribed into making an investment.

### [5.2] Investment Principles

The following guiding principles are to be adhered to in order to facilitate the administration of Council's investment portfolio. The preservation of the future value of money is paramount.

- [a] Limiting Exposure  
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, as far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

[b] Risk and Return

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.

[c] Borrowing for Re-Investment

Council should refrain from borrowing monies for the purpose of re-investment, as this is tantamount to speculation with public funds.

[d] Nominee Accounts

All moneys shall be invested directly with the relevant institutions. On no account may moneys be placed in a nominee account.

[5.3] General Investment Guidelines

[a] Should it be ascertained that surplus funds are available for investment, written quotations including faxed quotations should be obtained from financial institutions for various forms of investment, investment terms and rates of interest. Otherwise an investment practice may be adopted where minimum balance may be maintained on a current account and funds be transferred to a higher interest bearing call account on an agreed basis.

[b] The investment shall be placed with an institution offering the most favourable rate provided such investment is in accordance with the terms and conditions of this policy.

[c] Institutions should be advised that, in submitting quotations, they must offer their best rates of interest and that no further negotiation or discussion will be entered into with them after they have submitted their quotation.

[d] Cash in the Bank

[i] Where money is kept in current accounts, it would be possible to bargain for more beneficial rates with regards to deposits, for instance call deposits. Fixed term deposits can increase these rates.

[ii] The most important factor is that the cash in the current account must be kept to an absolute minimum.

[e] Cash Flow Estimates

[i] Before money can be invested, the Chief Financial Officer or his/her Delegate must determine whether there will be surplus funds available during the term of the investment. He/she must fix the term of the investment.

- [ii] In order to be able to make investments for any fixed term, it is essential that cash flow estimates be drawn up.
- [iii] When drawing up cash flow estimates, it is essential that the Chief Financial Officer or his/her Delegate take note of the following:
  - Be aware of the expected cash flow and when it is likely to take place, as well as the timing with regard to cash outflow, as far as both the operating and the capital budgets are concerned;
  - By utilising the available information and expertise, the Chief Financial Officer or his/her Delegate must assess the timing with regard to when, for how long and the amount to be invested; and
  - Daily cash flow estimates must provide for daily call investments and investment withdrawals, whereas long-term investments must be based on projections further into the future.
- [iv] From time to time the Council will have surplus funds available which are not needed immediately and which could be invested. Depending on circumstances some funds could be invested for a long term whilst others would only be short-term investments. Surplus funds in the current account may also be invested for short periods (days).
- [v] Generally investments are done every 3 months when prior investments mature and funds are available for re-investment.

#### [5.4] Investment Options

##### [a] List of permitted investment types

The municipality may invest funds only in any of the following investment types:

- [i] Securities issued by the national government;
- [ii] Listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- [iii] Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- [iv] Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
- [v] Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- [vi] Banker's acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990;
- [vii] Guaranteed endowment policies with the intention of establishing a sinking fund;
- [viii] Repurchase agreements with banks registered in terms of the Banks Act, 1990;
- [ix] Municipal bonds issued by a municipality; and
- [x] 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.

##### [b] List of Approved Institutions

The municipality may invest funds only in the following institutions:

- [i] Banks registered in terms of the Banks Act, 1990;
- [ii] Public Investment Commissions as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
- [iii] Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984); and
- [iv] national or international recognized credit rating agency.

[c] Investments Denominated in Foreign Currencies Prohibited

A municipality 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.

[d] Call Deposits and Fixed Deposits

- [i] Quotations should be obtained from a minimum of three financial institutions, bearing in mind the limits of the term of which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than what the municipality had in mind, the other institutions which were approached, should also be asked to fix a rate for that long a term.
- [ii] It is acceptable to ask for quotations telephonically, as rates can generally change on a regular basis and time is a determining factor when investments are made. The person responsible for requesting quotations from institutions must record the following:
  - Name of institution;
  - Name of person quoting rates;
  - Period of the investment;
  - Relevant terms; and
  - Other facts i.e. is interest payable monthly or on maturation date.
- [iii] Once a quote has been accepted written confirmation of the details must be obtained from the financial institution.
- [iv] Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested. The best offer must under normal circumstances be accepted, with thorough consideration of investment principles. No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.
- [v] If institutions have been asked for a quotation with regard to a specific package, the institution must be requested to give the best rate in their quotation. They must also be informed that, once the quotation has been given, no further bargaining or discussions will be entered into in that regard.
- [vi] The above procedure must be followed for all investments.
- [vii] The Chief Financial Officer or his/her Delegate must make sure that the investment document received is a genuine document, issued by an approved institution, and the investment capital must be paid over only to the institution with which it is to be invested and not to an agent.

[e] Other External Deposits

Other investment possibilities, which are subject to the applicable legislation and are available to the Council, include debentures and other securities of the state as well as other municipalities or statutory bodies in the Republic, instituted under and in terms of any law. With regard to such investments, the principles and practices set out above must apply.

[f] Payment of Commission

Every financial institution with which the municipality makes an investment must issue a certificate to the Chief Financial Officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

[g] Credit Requirements

When investments are placed with smaller registered institutions, the Chief Financial Officer or his/her Delegate has to see to it that the municipality is not exposed to too much risk. He/she has to ensure that the creditworthiness and performance of the institution are to his/her satisfaction, before investing money in the institution. The Chief Financial Officer or his/her Delegate is entitled to information from which the creditworthiness of financial institutions can be determined. This must be obtained and analysed annually.

[h] Miscellaneous provisions

All investments made by the municipality must be in the name of that municipality and the municipality may not borrow money for the purpose of investment.

[i] Standard of Care

An investment may not be made for speculation but must be a genuine investment and must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.

[5.5] Investments: Reporting and Accounting Requirements

- [a] 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.

- 
- [b] 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.
  - [c] 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 municipality's bankers or attorneys.
  - [d] The accounting officer of a municipality must within 10 working days of the end of the month, as part of the section 71 report required by the Act, submit to the mayor of the municipality a report describing in accordance with generally recognized accounting practice the investment portfolio of that municipality as at the end of the month.
  - [e] The report referred to above must set out at least:-
    - [i] the market value of each investment as at the beginning of the reporting period;
    - [ii] any changes to the investment portfolio during the reporting period;
    - [iii] the market value of each investment as at the end of the reporting period; and
    - [iv] fully accrued interest and yield for the reporting period
  - [f] All investments currently held and transferred to the municipality should be accounted for in the accounting system.
  - [g] An investment register should be kept of all investments made. The following facts must be indicated:
    - [i] Name of institution;
    - [ii] Capital invested;
    - [iii] Date invested;
    - [iv] Interest rate; and
    - [v] Maturation date.The investment register and accounting records must be reconciled on an monthly basis.

#### [5.6] Investments for the Redemption of Long-Term Liabilities

- [a] 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.

- 
- [b] 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.
  - [c] The making of such investment shall be approved by the council at the time that the loan itself is approved. 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.

#### [5.7] Interest on Investment

- [a] 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.
- [b] 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.
- [c] 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 re-appropriated to the Capital Replacement Reserve.

#### [6] BANKING ARRANGEMENTS

- [a] 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 authorised at all times to sign cheques and any other documentation associated with the management of such accounts.
- [b] 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.
- [c] *With the approval of this policy, council also approves the following signatories:*  
*Two of the following have to authorize all transactions that relates to any banking and investment transactions of the municipality:*

---

Municipal Manager OR Chief Financial Officer AND Budget & Treasury Manager OR Supply Chain/Expenditure Manager.

- [d] 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.
- [e] 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.
- [f] The Municipal Manager 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.
- [g] However, such tenders may be invited at any earlier stage, if the Municipal Manager, 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, and the Executive Mayor or the Executive Committee, as the case may be, agrees to the invitation of such tenders.

[6.1] Opening Of Bank Accounts

- [a] Every municipality must open and maintain at least one bank account in the name of the municipality. If a municipality has only one bank account, that account is its primary bank account. If a municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.
- [b] A municipality may not open a bank account:
  - [i] otherwise than in the name of the municipality;
  - [ii] abroad; or
  - [iii] with an institution not registered as a bank in terms of the Banks Act 1990.
- [c] Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the Act.
- [d] Primary Bank Account
  - [i] All money received by a municipality must daily be paid into its primary bank account.
  - [ii] The Primary Bank Account must be designated for the receipt of the following:

- 
- All allocations to the municipality, including those made to the municipality for transmission to a municipal entity or other external mechanism assisting the municipality in the performance of its functions;
- All income received by the municipality on its investments;
- All income received by the municipality in connection with its interest in any municipal entity, including dividends;
- All money collected by a municipal entity or other external mechanism on behalf of the municipality; and
- Any other moneys as may be prescribed.
- [ii] No organ of state may transfer an allocation of money to a municipality except through the municipality's primary bank account.
- [iv] The Primary Bank Account may only be changed during a financial year with written consent of the National Treasury.
- [e] Money may only be withdrawn from a bank account by the Accounting Officer of a municipality, or the Chief Financial Officer of the municipality acting on the written authority of the Accounting Officer and for the following, purposes:
- [i] for expenditure appropriated in terms of a budget approved by the municipal council;
- [ii] to pay over to other entities or agencies money collected by the municipality on behalf of such entity or agency;
- [iii] to refund money incorrectly paid into bank accounts;
- [iv] to refund guarantees, sureties and security deposits;
- [v] for cash management and investment purposes in accordance with cash management and investment policies adopted by the council of the municipality or made applicable to the municipality;
- [vi] for any other purposes, including emergency purposes, as may be prescribed by regulation, instruction or guidelines issued by the National Treasury

#### [6.2] Control of Bank Accounts

- [a] 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 of the present Act.
- [b] The municipal manager must within 90 days after the municipality has opened a new bank account and annually before the start of a financial year notify National Treasury, the relevant Provincial Treasury and the Auditor-General, in writing, in respect of each bank account opened by the municipality of the:
- [i] name of the bank where the account has been opened; and
- [ii] type, name and number of the account.
- [c] Only the Accounting Officer or the Chief Financial Officer of the municipality or any other Senior Financial Official/s authorised in terms of sect [6][c], may

withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

- [i] defray expenditure appropriated in terms of an approved budget;
- [ii] defray expenditure authorised in terms of Section 26(4) of the Act (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
- [iii] defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1) of the Act;
- [iv] in the case of a bank account opened in terms of Section 12 of the Act, make payments from the account in accordance with Section 12(4) of the Act;
- [v] 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;
- [vi] refund money incorrectly paid into a bank account;
- [v] refund guarantees, sureties and security deposits;
- [vi] make investments for cash management purposes in accordance with Section 13 of the Act;
- [vii] defray increased expenditure in terms of Section 31 of the Act; or
- [viii] for such other purposes as may be prescribed.

*(Note that Section 11(1) of the Act 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).*

- [d] 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.

## [7] RAISING OF DEBT

A municipality may only incur debt in terms of the Act. The municipality may incur two types of debt, namely short term and long-term debt. (Constitution, Section 230)

### [7.1] Short-Term Debt

- [a] The municipality may incur short-term debt only in accordance with and subject to the provisions of the Act:
  - [i] a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and

- 
- [ii] the accounting officer has signed the agreement or other document which creates or acknowledges the debt;
  - [b] and only when necessary to bridge:
    - [i] 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
    - [ii] 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.
  - [c] The council may:
    - [i] approve a short-term debt transaction individually,
    - [ii] approve an agreement with a lender for a short-term credit facility to be accessed as and when required, 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, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.
  - [d] The municipality:
    - [i] must pay off short-term debt within the financial year in which it was incurred, and
    - [ii] 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.
  - [e] No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection [d][i].
  - [f] If a lender willfully extends credit to a municipality in contravention of paragraph [e], the municipality is not bound to repay the loan or interest on the loan.
  - [g] Paragraph [f] does not apply if the lender:
    - [i] relied in good faith on written representations of the municipality as to the purpose of the borrowing; and
    - [ii] did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

---

[7.2] Long-Term Debt

- [a] Long-term borrowings should only be used to fund capital investments in property, plant and equipment. In no event should long term debt be used to finance current account budget deficits.
- [b] The municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the Act, and only for the purpose of:
  - [i] 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
  - [ii] refinancing existing long-term debt subject to the requirements of Section 46(5) of the Act.
- [c] A municipality may incur long-term debt only if:
  - [i] a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and
  - [ii] the accounting officer has signed the agreement or other document which creates or acknowledges the debt.
- [d] A municipality may incur long-term debt only if the accounting officer of the municipality:
  - [i] has, in accordance with section 21A of the Municipal Systems Act No 32 of 2000:
    - at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and
  - [ii] has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of:
    - the essential repayment terms, including the anticipated debt repayment schedule; and
    - the anticipated total cost in connection with such debt over the repayment period.
- [e] Capital expenditure contemplated in paragraph [b][i] may include:
  - [i] financing costs, including:
    - capitalised interest for a reasonable initial period;
    - costs associated with security arrangements in accordance with section 48 of Act;
  - discounts and fees in connection with the financing;

- 
- fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and
  - costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing;
  - [ii] costs of professional services directly related to the capital expenditure; and
  - [iii] such other costs as may be prescribed.
- [f] A municipality may borrow money for the purpose of re-financing existing long-term debt, provided that:
- [i] the existing long-term debt was lawfully incurred;
  - [ii] the re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;
  - [iii] the net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing; and
  - [iv] the discount rate used in projecting net present value referred to in paragraph [iii], and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.
- [g] A municipality's long-term debt must be consistent with its capital budget.

#### [7.3] Conditions Applying To Both Short-Term And Long-Term Debt

A municipality may incur debt only if:

- [a] 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; and
- [b] Section 48(3) of the Act in terms of security must be complied with, if security is to be provided by the municipality. A council resolution authorising the provision of security is required and it must be determined whether the asset or right with respect to which the security is provided, is necessary for providing the minimum level of municipal services.

#### [8] FORBIDDEN LOANS

[a] Loans

No loans will be granted to:

- [i] Councillors or officials of the municipality;
- [ii] Directors or officials of the entity or,
- [iii] Members of the public .
- [iv] Loans granted to or taken up by persons mentioned above before 1 July 2004 remain valid until expiry as per their original loan contracts and settlement or termination of such loans.

[b] Advances

No advances on salaries or subsistence and travelling claims will be granted.

[c] Housing Schemes

A municipality may not lend money for securing housing. Housing subsidies are allowed as they are not loans and officials are not expected to repay the subsidy.