



BANKING AND INVESTMENT POLICY

Policy Number	F003
Policy Type & Category	Finance
Commencement Date	19 February 2026
Initial Approval Date	19 February 2026
Last Approval Date	New
Review Date	19 February 2027
Responsible Manager	Chief Executive Officer

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INTRODUCTION

The Port St Johns Development Agency SOC LTD (hereafter referred to as "the Agency") is committed to ensuring the prudent, transparent, and accountable management of its financial resources. As a publicly funded entity, the Agency recognizes the importance of safeguarding public funds through effective banking arrangements and sound investment practices.

This Banking and Investment Policy provides a structured framework for managing the Agency's cash resources, selecting banking institutions, and making investment decisions that align with applicable legislative and regulatory requirements. The policy aims to promote financial stability, optimize returns on surplus funds, and ensure that all financial activities are conducted in a manner that upholds good governance, integrity, and compliance with the Municipal Finance Management Act (MFMA) and related regulations.

Through the implementation of this policy, the Agency seeks to enhance financial efficiency, strengthen internal controls, and support the achievement of its strategic and operational objectives in a responsible and sustainable manner.

1. SCOPE OF POLICY

In terms of Section 85 (5) of the Municipal Finance Management Act No. 56 of 2003, the Accounting Officer of a municipal entity –

- a) Must administer all the entity's bank accounts;
- b) Is accountable to the board of directors of the entity for the entity's bank accounts; and
- c) Must enforce any requirements that may be prescribed in terms of Subsection (4)

The foregoing policy assumes that such authority has been delegated to the accounting officer.

Municipal entity investment practice is guided by several influencing sources, including legislation, Chartered Institute of Government Finance, Audit and Risk Officer (CIGFARO) recommendations and the entity's policy. Investment of surplus cash is subject to certain restrictions, such as investments being allowed only at approved banking institutions, the maximum amount that may be held at any one such institution, the term of said investment, the method of placement and the payment of commission for placement of an investment.

This policy will aim to outline the above-mentioned procedures concerning investments at Port St Johns Development Agency SOC LTD.

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2. OBJECTIVES

The Board of Directors is entrusted with the oversight of public revenues it collects, and it therefore holds a responsibility to the community to ensure that these financial resources are managed efficiently and effectively. In fulfilling this duty, the Board must invest public funds prudently and with informed judgment. Moreover, it must be fully accountable to the parent municipality for all such investments.

The entity's investment policy is therefore designed to achieve optimal returns on surplus funds without incurring undue risk, during periods when cash revenues are not required for operational or capital expenditures. The effectiveness of this policy relies heavily on the accuracy of the entity's cash management programme, which must be capable of identifying both the amount of surplus funds and the specific timing and duration for which these funds are not needed.

3. LEGAL FRAMEWORK

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

- ◆ Constitution of the RSA, (Act 108 of 1996) (as amended)
- ◆ The Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) (as amended)
- ◆ The Local Government Municipal Finance Management Act 2003 (Act 56 of 2003) (as amended)
- ◆ Section 13 of MFMA Act no 56 of 2003
- ◆ Municipal Finance Regulations

4. PRESCRIBED FRAMEWORK AND APPROVED INSTITUTIONS

4.1 Prescribed framework

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

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

The Board may place further restrictions on approved institutions but will not place funds at institutions excluded from those approved. Further restrictions will include the prerequisite that an

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approved institution must have an established operation and be commercially active in the municipal district.

5. SURPLUS CASH

Surplus cash will be defined as the excess funds available to an entity that is not required to meet short-term obligations, and which safely may be withdrawn from current cash reserves without jeopardizing the entity's daily operational capability.

Investment of surplus cash presupposes that cash is transferred from the current account to an investment account, in daily call accounts and where feasible, for periods of between 7 to 120 days. No investment will be made for more than 365 days without conforming to certain public notification procedures. No investment with a tenure exceeding twelve months shall be made without the prior approval of the accounting officer.

6. CASH MANAGEMENT

6.1 Cash Management Programme

The Accounting Officer shall:

- ◆ prepare an annual estimate of the entity's cash flows divided into calendar months, and
- ◆ Shall update this estimate monthly.

The estimate shall indicate when and for what periods and amounts surplus revenues may be invested and when and for what amounts investments will have to be liquidated. Heads of Departments shall in this regard furnish the Accounting Officer with all such information as is required, timely and in the format indicated. The Accounting Officer shall report to the Audit Committee and the Board on a quarterly basis.

Cash flow estimates shall be divided into calendar months, and in reporting the Accounting Officer shall provide comments or explanations regarding any significant cash flow deviation in any calendar month forming part of such report. Such report should also indicate any movements in respect of the entity's investments, together with appropriate details of the investments concerned.

6.1.2 New bank account

- ◆ A municipal entity must open and maintain at least one bank account in the name of the entity, into which all money received by the entity must be paid.
- ◆ A municipal entity may not open a bank account—
 - (a) abroad;
 - (b) with an institution not registered as a bank in terms of the Banks Act, 1990 (Act No 94 of 1990)
 - (c) otherwise, than in the name of the entity; and
 - (d) without the approval of its board of directors.

All new bank accounts must be submitted to Parent municipality, Auditor General of South Africa and Provincial Treasury.

6.1.3 Procurement of banking services

- (1.) A contract for the provision of banking services to a municipality or municipal entity—
 - (a) must be procured through competitive bids;
 - (b) must be consistent with sections 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine (9) months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of regulation 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act 94 of 1990).

6.2 Bank Accounts

The Accounting Officer is responsible for the management of the entity's bank accounts but may delegate this function to the relevant manager. The Accounting Officer is authorized to approve transfers and any other documentation associated with the management of such accounts. The Accounting Officer, in consultation with the Board, is authorized to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. All payments other than petty cash disbursements must be made through the entity's bank account(s).

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

- ◆ capital receipts in the form of grants, donations or contributions from whatever source.
- ◆ trust funds; and
- ◆ in determining the number of additional accounts to be maintained, the CFO/Designated Official, in consultation with the Accounting Officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the Board expressly so directs, all the entity'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 entity.

The Accounting Officer must submit to the parent municipality (Port St Johns Local Municipality), in writing

- ◆ within 90 days after a new bank account has been opened, the name of the bank, where the account has been opened, and the type and number of the account; and
- ◆ annually before the start of the financial year, the name of each bank where the entity holds a bank account, the type and number of each account.

7. PROCEDURES FOR INVITATION AND SELECTION OF BIDS

The Accounting Officer shall be responsible for investing the surplus revenues of the entity and shall manage such investments in consultation with the Board as the case may be, and in compliance with any policy directives formulated by the Board and prescriptions made by the Minister of Finance.

In making such investments the CFO/Designated Official shall always have only the best considerations of the entity in mind, and, except for the outcome of the consultation process with Accounting Officer, shall not accede to any influence by or from investment agents or institutions or any other outside parties.

Any gift received by any employee of the entity should be declared to the Board.

7.1 ROLES AND RESPONSIBILITIES OF THE ACCOUNTING OFFICER

Accountability and transparency in the investment management process are the specific responsibilities of the financial management function. No external investment managers will be used by the entity. The person responsible for the entity's investments will do so in a manner as if the investment was his own and he/ she will be a person of prudence, discretion and intelligence.

Before making any call or fixed deposits,

- 1) the Accounting Officer or official delegated by him/her shall obtain quotations from at least three financial institutions. Given the volatility of the money market, the Accounting Officer, shall, whenever necessary, request quotations in writing, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

Details of the proposed investment will be submitted to the Accounting Officer for approval (if the above-mentioned task is delegated to an official). Once the best investment terms have been identified, written confirmation of the written quotation must be immediately obtained (by e-mail or any other expedient means). Any monies paid over to the investing institution in terms of the agreed investment shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the Accounting Officer shall ensure that the entity receives a properly documented receipt or certificate for such investment, issued by the institution in the name of the entity.

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

8. INVESTMENT PRINCIPLES

8.1 Limiting exposure

Risk management principles advise investors to spread their risk in a reasonable manner. Limited to approve institutions or instruments means that risk is already reduced to those perceived to be the most stable at that time. The Board shall not approve investments more than a specified limit recommended by the Accounting Officer, which may be varied from time to time, at any one approved banking institution. Investment limits will be guided by the amounts of surplus cash available for investment, the risk to cash demand profile of the entity, and the perceived risk-to-return ratio in the local investment market.

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Risk management will also consider the fact that comparative rates of return and investment cycles may combine to cause limits to be exceeded for short periods, with justifiable reason. Surplus cash may be received shortly before an existing investment matures and the interest rate offered by that bank may be significantly more favorable than other banks in the same market.

8.2 Commission Disclaimer

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

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

Any official or person connected with the entity who receives a commission for placement of investments with an institution will be guilty of misconduct and be liable to prosecution.

8.3 Investment Term

Investments will generally be of a short-term nature, varying between 7 and 120 days and on daily call depending on the needs of the entity at that time. The best rates will be obtained in this way. Cash flow and liquidity positions will be managed by packaging investments in smaller amounts and maturity dates will be linked to operational peak periods.

Investments will generally be of a medium-term nature, typically ranging from 121 to 365 days. However, funds may also be placed on daily call, depending on the cash flow needs of the entity at any given time.

From time to time, it may be in the best interests of the entity to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the Accounting Officer must be guided by the best rates of interest pertaining to the specific type of investment which the entity requires, and to the best and most secure instrument available at the time.

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No investment with a tenure exceeding twelve months shall be made without the prior approval of the Board of Directors. In addition, guidance must be obtained from the entity's bankers or other credible investment advisers regarding the security and financial implications of the proposed investment.

8.4 Investment Placement

Investments will be placed based on once-off quotations of money market rates obtained at the time surplus funds become available for investment. Each locally approved banking institution eligible to participate in such investment transactions will be contacted in writing and invited to submit quotations reflecting their current treasury rates for the relevant amount and investment term. Banks will be required to respond within a specified timeframe to ensure that the placement of funds can be executed efficiently.

Surplus funds will be placed based on the responses and quoted rates received from the banks, without any attempt to play one institution off against another to obtain more favourable interest rates.

A comprehensive investment advice document, reflecting all relevant details of the proposed investment, will be compiled and submitted to the Accounting Officer for review, authorization, and execution.

8.4.1 Types of investments:

Port St Johns Development Agency SOC LTD may use different types of investments to ensure that the investment will be of optimal benefit to the entity either long-term or short term. In such cases the Accounting Officer will be guided by the best rates of interest pertaining to the specific type of investment and to the best and most secure instrument available at the time.

The following investment types may be utilised:

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

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8.5 INTEREST ON INVESTMENTS

The interest accrued on all the entity's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's current account as ordinary operating revenues, and may thereafter be appropriate, at the end of each month, to the fund or account in respect of which such investment was made. All interest earned in the entity's investments shall be credited to that account and accrued interest in active investments shall, unless otherwise specified by the Accounting Officer, be paid on the last working day of each month. Closing interest shall be paid with the maturing capital on the expiry date.

8.6 CONTROL OVER INVESTMENTS

The Accounting Officer shall ensure that proper records are kept of all investments made by the entity. 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 on a date other than the maturity date, such date shall be indicated.

The Accounting Officer shall ensure that all interest and capital properly due to the entity are timeously received and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

The Accounting Officer shall ensure that all investment documents are properly secured by handing them over to the finance department for safekeeping

9. RISK MANAGEMENT

Although the objective of the Accounting Officer in making investments on behalf of the entity shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved regarding both the financial institution and the investment instrument concerned.

This policy will aim to protect against the following risks:

- ◆ Fraudulent transactions

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- ◆ Mismanagement of cash and investments
- ◆ Non-performance because of inadequate cash flows
- ◆ No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions.
- ◆ No investment will be made for speculation but exclusively for sound investment.
- ◆ Investments will be made with primary regard to the liquidity needs of the entity and to the probable income derived from the investment.

Risk control will include the following:

- ◆ The entity will liquidate an investment that no longer has the minimum acceptable rating as specified in this policy.
- ◆ The entity will ensure that all investments are with credit-worthy institutions.
- ◆ The entity will take all reasonable steps to diversify its investment portfolio across institutions, types and maturities.
- ◆ All investment will be made in the entity's name, and the entity is not allowed to borrow money for investment purposes.
- ◆ Maintain adequate financial records.
- ◆ Accurate, complete and up-to-date cash management programme will ensure that:
 - Fraudulent activities in payments and receipts are promptly detected
 - Emergence of cash flow problems timeously identified
 - Proper budgetary management is possible

10. MONITORING

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

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

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11. CONTRA ALLOCATION OF INTEREST EARNED

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

If there are no existing conditions, the interest earned will be recognized as interest income in the statement of financial performance.

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

12. REVIEW AND COMMENCEMENT

This investment policy will be reviewed annually and effective from.....

13. APPROVAL AND SIGNATURES

Chief Executive Officer



Signature

19 January 2026
Date

Board Chairperson



Signature

19/01/2026
Date