

ITEM NUMBER : C 27/02/13

RECOMMENDATION FROM THE EXECUTIVE MAYOR: 19 FEBRUARY 2013

MC 51/02/13 INVESTMENT POLICY AMENDMENTS

RECOMMENDED that the contents page, definitions and paragraphs 2,3,6,7,8,9,10,11,12,13,14, 15, 16 and 17 of the City's Investment Policy be amended as detailed in paragraph 8 of the report on the agenda.

REPORT TO EXECUTIVE MAYOR

CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

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1. **ITEM NUMBER: MC 51/02/13**
 2. **INVESTMENT POLICY AMENDMENTS**
WYSIGING VAN BELEGGINGSBELEID
IZILUNGISO EZINGOMGAQO NKQUBO ONGOTYALO MALO
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3. **RECOMMENDATION FROM FINANCE PORTFOLIO COMMITTEE:**
4 FEBRUARY 2013 (FIN/24/02/13)

RECOMMENDED that the contents page, definitions and paragraphs 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17 of the City's Investment Policy be amended as detailed in paragraph 8 of the report on the agenda.

AANBEVEEL dat die indeksblad, definisies en paragraaf 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 en 17 van die Stad se beleggingsbeleid gewysig word soos hieronder in paragraaf 8 van die verslag uiteengesit.

ISINDULULO makulungiswe iphepha lesalathiso, iinkcazelo nemihlathi - 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 no-17 yoMgaqo-nkqubo ongoTyalo-mali weSixeko njengoko kucacisiwe kumhlathi-8 wengxelo engezantsi apha.



REPORT TO FINANCE PORTFOLIO COMMITTEE

LC 6971/3

1. ITEM NUMBER : **FIN 24/02/13**

2. SUBJECT
INVESTMENT POLICY AMENDMENTS

ONDERWERP:

WYSIGING VAN BELEGGINGSBELEID

ISIHLLOKO

IZILUNGISO EZINGOMGAQO-NKQUBO ONGOTYALO-MALO

3. STRATEGIC INTENT

- Opportunity City
- Safe City
- Caring City
- Inclusive City
- Well-run City

In this regard, reference is made to indicator 5.3 on the 2012/13 Corporate Score Card. The opinion of the Auditor General (5.E) measures good governance and accounting practices. The Investment Policy is compiled to be in compliance with section 13(2) of the Municipal Finance Management Act, No.56 of 2003 (MFMA) and the Municipal Investment Regulations 1st April 2005, thus contributing to a well-run City.

4. PURPOSE

The report seeks approval from Council to amend the City's investment policy.



5. FOR DECISION BY

Council

6. EXECUTIVE SUMMARY

Council, at its meeting on 30 March 2009, approved the City's investment policy which deals with the management of the City's surplus cash resources and the investment thereof. Certain paragraphs in the policy require amendment due to investment operational changes. In terms of the policy any changes to the policy require Council approval. The amendments required and the reasons thereto are detailed in the report.

7. RECOMMENDATIONS

Not delegated: for decision by Council:

Recommended that

The contents page, definitions and paragraphs 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17 of the City's Investment Policy be amended as detailed in paragraph 8 of the report hereunder.

AANBEVELING:

Nie gedelegeer nie: vir besluit deur die Raad

Aanbeveel dat:

Die indeksblad, definisies en paragraaf 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 en 17 van die Stad se beleggingsbeleid gewysig word soos hieronder in paragraaf 8 van die verslag uiteengesit.

ISINDULULO:

Asigunyaziswanga: isigqibo seseBhunga

Kundululwe ukuba:

Makulungiswe iphepha lesalathiso, iinkcazelo nemihlathi – 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 no-17 yoMgaqo-nkqubo ongoTyalo-mali weSixeko njengoko kucacisiwe kumhlathi-8 wengxelo engezantsi apha.

8. DISCUSSION/CONTENTS

The City's amended investment policy is attached under Annexure 1. Certain paragraphs have been added or amended to reflect the following operational changes:

Contents page

The item, **Adoption of investment policy** previously included as item 3, was removed as the policy comes into effect once it's been adopted by Council.

Definitions

The definitions page has been amended to include the meaning of the following terms:

- Corporate bonds;
- Custodian;
- Interference;
- Liquidity;
- Regulations; and
- Sovereign rating

Paragraph 2 Introduction and background

Paragraph 2.1 was amended by removing a term listed in the definitions

Paragraph 2.3 was amended by replacing the gazetted framework with the Municipal Investment Regulations.

Paragraph 3 Purpose

This paragraph was amended to include that the sustainable management of the City's surplus cash and investments forms part of the City's strategic focus area.

Paragraph 6 Standards of ethics

Paragraph 6.1 was amended by removing the first point which refers to a code of ethics and standards. No specific code exists to which this reference can be linked.

Paragraph 7 Confidentiality

Paragraph 7(a) was amended by removing shall be strictly prohibited and adding shall not be disclosed by City officials as no bylaw exists in this regard.

Paragraph 8 Permitted investments

Paragraph 8.1(b) has been amended to only include the investment in corporate bonds with an investment grade rating of A1/ F1 or similar in status or better.

Paragraph 9 Prohibited investments and practices

The title of this paragraph has been amended to include prohibited practices.

Paragraph 9.1 was amended to include (e), the prohibition of investments in credit linked notes.

Paragraph 9.3 was amended by removing the statement that investments shall be held to maturity. There may be instances that the City may have to call in an investment before due date for cash flow purposes.

Paragraph 10 Investee limits

Paragraph 10.1 has been amended for ease of reference.

Paragraph 10.1.1(c) has been amended to change the proposed revision of investee limits from annually to quarterly.

Paragraph 10.2 has been amended by combining credit rating and credit worthiness under one heading "Credit worthiness". This paragraph was further amended to include a short term investment grade rating as rated by all the preferred rating agencies in the event that banks and/or financial institutions use a different rating agency to that of the City.

Paragraphs 10.2 (b) and (c) were added to include clarifying the City of Cape Town's investing with investees whose credit rating had been negatively affected as a result of the sovereign rating being downgraded or due to their own operations resulting in their rating falling below the grades specified.

Paragraph 11 Competitive selection process

Paragraph 11 has been amended for ease of reference.

Paragraph 12 Internal control over investment function

Paragraph 12.1 was amended to refer to the relevant system of delegations.

Paragraph 12.2 was amended to include an additional control to record the Chief Financial Officer's (CFO's) approval of all investment withdrawals.

Approved investees (previously paragraph 12.3) have been removed as it was considered confusing and restrictive. The original approved list of investees pertained only to the City and not the investment managers.

Paragraph 13 Cash management

Paragraph 13.1 has been amended to state that the collection of cash by the City is in terms of its Cash Management Policy.

Paragraph 13.2 has been amended by changing the heading from the original "Payment to suppliers" to avoid confusion with regard to the term suppliers.

Paragraph 14 Investment Reporting

This paragraph was amended to remove specific reference to the City's current banker (ABSA) as the CMS interest rate is negotiable and may differ from the terms specified.

Paragraph 15 Use of investment managers

This paragraph has been amended to include the administrative functions of reconciliation between the investment manager's summary reports with the City's custodian reports as well as confirming the charges billed to the City's bank account.

Paragraph 16 Accounting for investments

This paragraph has been amended to disclose the different accounting treatments as prescribed in the approved accounting policies.

Paragraph 17 Investment Committee (new)

In terms of good governance principles the City has decided to appoint an investment committee to oversee its investment portfolio and to allocate specific duties and responsibilities in this regard.

8.1. Constitutional and Policy Implications

The original City of Cape Town Investment Policy was approved by Council on 30 March 2009. The amended policy complies with the National Treasury Municipal Investment Regulations contained in Gazette no. 27431.

8.2. Sustainability Implications

Does the activity in this report have any sustainability implications for the City?	No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/>
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One of the main objectives of the investment policy is to ensure the preservation and safety of the City's investments thus ensuring sustainability.



8.3. Legal Implications

None

8.4. Staff Implications

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No

Yes

8.5. Risk Implications

Detailed Risk Implications have been submitted directly to the Chief Risk Officer.

8.6. Other Services Consulted

Strategic Policy Unit - William Attwell
Legal Services - Timothy Zeeman

ANNEXURES

Annexure 1 Investment Policy
Annexure 2 Municipal Investment Regulations

FOR FURTHER DETAILS CONTACT:

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FILE REF NO	
SIGNATURE : DIRECTOR	<i>Hilton Robbins (Acting)</i>


 EXECUTIVE DIRECTOR
 Kevin Jacoby

Comment:

NAME

DATE

25.10.2012

A.S. Dhansay

LEGAL COMPLIANCE

NAME

TEL

DATE

A.S. Dhansay

(081) 400 4536

7-11-12

REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

NON-COMPLIANT

Comment:

**Certified as legally compliant:
Based on the contents of the report.**

(Signature)


 MAYORAL COMMITTEE MEMBER
 (Alderman I Nielson)

COMMENT:

Noted

NAME

DATE

13/11/2012


CRAIG KESSON (STRATEGIC POLICY UNIT)

SUPPORTED

DATE 3/ October 2012.

NOT SUPPORTED

COMMENT:
Comments discussed
and incorporated.