CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE 15

CASH MANAGEMENT AND INVESTMENT POLICY

2025/26 BUDGET (JUNE 2025)

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1. DEFINITIONS AND ABBREVIATIONS

“City” or **“City of Cape Town”** means the City of Cape Town, a municipality established by the City of Cape Town Establishment Notice No. 479 of 22 September 2000 issued in terms of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) or any structure or employee of the City acting in terms of delegated authority;

“Corporate bonds” means a debt security issued by a corporation and the term "commercial paper" shall bear the same meaning;

"Council" means the municipal council of the City of Cape Town.

"Custodian" means the financial institution responsible for holding the City's securities and financial instruments in safekeeping;

“Financial Sector Conduct Authority (FSCA)” means the dedicated market conduct regulator of financial institutions that provide financial products and financial services, financial institutions that are licensed in terms of a financial sector law, including banks, insurers, retirement funds and administrators, and market infrastructures;

"Investee" means an institution with which an investment is placed, or its agent;

"Investment" means -
(a) the placing on deposit of funds with a financial institution; or
(b) the acquisition of monetary assets with funds not immediately required, with the primary aim of preserving those funds;

"Investment manager" means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), and Stock Exchanges Control Act, 1985 (Act No.1 of 1985), contracted by a municipality or municipal entity to -
(a) advise it on investments;
(b) manage investments on its behalf; or
(c) both.

"Liquidity" means sufficient cash available to meet current expenditure;

“Municipal Finance Management Act (MFMA)” means Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"Municipal entity" means any municipal entity as defined in section 1 of the Municipal Systems Act, 2000 (Act 32 of 2000);

"Regulations" means National Treasury's municipal investment regulations in terms of section 13 of the MFMA;

"Sovereign rating" means the credit rating of National Government; and

"Trust money" means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Act.

SECTION A: BACKGROUND TO THE POLICY

2. PROBLEM STATEMENT

The purpose of this policy is to secure the sound and sustainable management of the City's surplus cash and investments.

2.1. Section 13 of the Act requires that a municipality must establish an appropriate and effective cash management and investment policy in accordance with the frameworks prescribed by the Minister of Finance as set out in the Municipal Investment Regulations (GN R308 CG 27431, 1 April 2005).

2.2. Such policy must guide the manner in which the municipality:

a. conducts its cash management and investments; and

b. invests money not immediately required.

3. STRATEGIC FOCUS AREA

3.1. The City's Five Year Integrated Development Plan (IDP) (2022-2027) identifies six priorities and three foundation areas, which support the vision of creating a City of Hope and provide a solid foundation for the articulation of service delivery. The priorities and foundation areas are:

Priority:

1. Economic Growth
2. Basic Services
3. Safety
4. Housing
5. Public space, environment and amenities
6. Transport

Foundation:

1. A resilient City
2. A more spatially integrated and inclusive City
3. A capable and collaborative City government

The City has identified linked objectives and programmes within the above areas.

3.2. This policy supports the following priority/foundation area, objective and programme:

a. Foundation 3 – Objective 16: A capable and collaborative City government and
Programme 16.1: Operational sustainability programme.

4. DESIRED OUTCOMES

The objectives of the policy are -

4.1. to ensure compliance with the relevant legal and statutory requirements relating to cash management and investments;

4.2. to ensure the preservation and safety of the City's investments;

4.3. to ensure diversification of the City's investment portfolio across acceptable investees, permitted types of investments and investment maturities;

4.4. to ensure timeous reporting of the investment portfolio as required by the Act in accordance with generally recognised accounting practice; and

4.5. to ensure that the liquidity needs of the City are properly addressed.

5. POLICY PARAMETERS

5.1. The policy governs the investment of money not immediately required by the City for the payment of expenditure.

5.2. The policy applies to all new and existing investments made by -

a. the City; and
b. all investment managers acting on behalf of the City in making or managing investments.

5.3. The policy does not apply to trust monies administered by the City where the trust deed prescribes how the trust money is to be invested.

6. ROLE PLAYERS AND STAKEHOLDERS

6.1. In order to give effect to the policy, the following role players including their respective powers, duties and responsibilities are listed below:

a. Treasury Department: apply and review the policy, in consultation with relevant stakeholders, to ensure maximum compliance in terms of legislation.
b. Departments within Finance Directorate: inform the Treasury department of any matters which may influence this policy.
c. CFO: review all inputs for implementation by Treasury department and approval for submission to council.
d. Council: responsible for the approval of the policy.

7. REGULATORY CONTEXT

This policy is aligned to:

- The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); and
- Municipal Investment Regulations issued in terms of the Local Government: Municipal Finance Management Act (GN R308, GG 27431. 1 April 2005) states.
- Clause 6(5) of the City's Credit Control and Debt Collection Policy which reads:
- "(5) The City shall not conduct any business activity with or provide any services to any persons who are in arrears with municipal accounts except as provided for in legislation or policy and as determined by the City from time to time, nor will any refunds of credits or any payments for services rendered be made to any debtor or any debtor's nominee or service provider who is in arrears with their Municipal account."

SECTION B: POLICY DIRECTIVES

8. STANDARDS OF ETHICS, JUDGMENT AND CARE

8.1. Investments made by or on behalf of the City:

a. must be a genuine investment and not an investment made for speculation;
b. must be made with primary regard to the:
   i. security of the investment;
   ii. the liquidity needs of the City; and
   iii. to the income or return from the investment;
c. must be made without internal or external negative interference whether such interference comes from individual officials, councillors, agents, investees or any other external body.

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

8.3. All investments made by or on behalf of the City must be made in the name of the City.

8.4. The City shall take reasonable steps to diversify its investment portfolio across investees, type of investment and investment maturities.

9. CONFIDENTIALITY

9.1. Although alternative interest rates on offer need to be disclosed when negotiating a rate on an investment, the specific interest rate from a specific named investee to another investee shall not be disclosed by City Officials.

10. PERMITTED INVESTMENTS

10.1. The City may invest only in the following instruments or investments as per Municipal Investment Regulations:

a. securities issued by the national government;
b. listed corporate bonds with a short term investment grade rating of A1 or better from a nationally or internationally recognised credit rating agency;
c. deposits with banks registered in terms of the Banks Act. 1990 (Act No. 94 of 1990);
d. deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
e. deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act,1984 (Act no. 46 of 1984);

f. bankers acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990);
g. guaranteed endowment policies with the intention of establishing a sinking fund;
h. repurchase agreements with banks registered in terms of the Banks Act, 1990;
i. municipal bonds issued by a municipality; and
j. any other investment type as the Minister of Finance may identify by regulation in terms of section 168 of the Act, in consultation with the FSCA.

11. PROHIBITED INVESTMENTS

11.1. The City is not permitted to make the following investments:

a. In listed or unlisted shares, or unit trusts;
b. In stand-alone derivative instruments;
c. denominated in, or linked to foreign currencies;
d. In market linked endowment policies;
e. In credit linked notes; and
f. In instruments which consist of assets and activities whose value is realised through the release of unmitigated high levels of carbon dioxide.

11.2. The City may not borrow for the purpose of investing.

11.3. The City may not buy and sell money market instruments, to speculate with a view to making capital profits.

12. INVESTEE LIMITS

12.1. Calculation of limits

Maximum investment limits shall:

a. be calculated in accordance with the formula in clause 12.1.1 and shall be set for each approved investee; and
b. not be exceeded at the time of making the investment.

12.1.1 Deposit taking institutions

a. The investment limit per investee shall be calculated as follows, using balance sheet figures obtained from the individual investees' Reserve Bank BA900 return:

5% of total equity divided by total assets multiplied by total deposits.

b. Investee limits and ratios, based on the above formulae, shall be revised at least twice a year using the latest available BA900 returns.

12.2. **Credit worthiness**

a. The City shall invest only with investees having a short-term and long-term investment grade rating of at least "A", also known as the upper medium grade ratings, from credit ratings agencies registered with the FSCA.

b. Should the investee's credit rating be downgraded as a result of the sovereign rating being downgraded and fall below the grade specified in 1.1. .a12.21.1. .a above, the City of Cape Town is still allowed to invest with those investees.

c. The City may not invest with an investee whose credit rating was downgraded as a result of such investee's own financial operations.

d. The credit worthiness of every investee shall be monitored on an on-going basis.

e. In the event that the credit rating of an institution with whom the City has an investment, falls below the City's benchmark rating as specified in paragraph 12.21.1. .a, the Chief Financial Officer (CFO) has the discretion to determine whether it would be in the City's best interest to call in the investment immediately or retain it either until maturity or a prior more opportune time.

f. The CFO is authorised by Council to allow the continued investment in South African banks should they be collectively downgraded as a sector to a level lower than that specified in 12.21.1. .a above.

13. COMPETITIVE SELECTION PROCESS

13.1. The placing of investments shall be a competitive process, subject to paragraphs 9.1 and 12 above, the best rate offered shall secure the investment.

14. INTERNAL CONTROL OVER INVESTMENT FUNCTION

14.1. **Delegations**

a. Internal control over the investment function must be performed bearing the relevant delegations in mind.

14.2. **Authorised dealers and signatories**

a. Written mandates, signed by the Director: Treasury and the CFO of the City, shall be issued to all investees with whom the City invests funds setting out the following:

i. Authorised Dealers: names and particulars of the City officials who are authorised to transact investment deals with the investees;

ii. Authorised Signatories: names and particulars of the City officials who are authorised to sign written confirmations or any other correspondence in respect of investment deals.

b. The investment dealing sheet signed by an authorised dealer, shall be prepared in all instances for each individual investment, detailing the quotations received and the recommended investee. The Manager: Treasury, or, in their absence, any of the authorised signatories referred to above, shall be authorised to approve the deal.

c. An Authorisation of Investments Made and/or Withdrawn form shall be prepared each day detailing the terms of each new investment made on that day. This form shall be signed off by the Manager: Treasury, the Director: Treasury and the CFO.

14.3. Electronic Funds Transfer (EFT)

Investments shall be made electronically by EFT. Segregation of duties shall be maintained throughout the investment process.

14.4. Investment recording

A proper record shall be maintained of all investments in an investment register in accordance with legislation and best practice.

15. CASH MANAGEMENT

15.1. Bank current account balance

a. The balance on the City's current account shall be maintained at the minimum level possible taking into account daily cash requirements.
b. Surplus cash shall be immediately invested in order to maximise interest earnings.

15.2. Working capital management

Effective cash flow forecasting is essential for determining the timing and size of cash surpluses and deficits affecting investment decisions. To ensure that the municipality has sufficient cash available to comply with the municipality’s commitments to creditors, lenders, statutory payments and any other commitments, a daily forecasts of cash receipts and payments shall be prepared by the Head: Cash Flow and Investments to facilitate investment decisions. The daily forecast should be based on the annual and adjustment budget cash flow forecast as approved by Council.

A full analysis of the City’s cash reserves and forecasts should be effected in terms of the City’s Borrowing Policy to establish when borrowing (long-term and/or short-term) is required.

15.3. **Cash flow monitoring and reporting**

In order to ensure effective cash management for investment purposes, cash flow reports shall be prepared by the Head: Cash Flow and Investments or their alternative. To allow proper cash flow monitoring, a comprehensive summary of cash receipts and payments, as well as bank account and investment balances shall be provided to executive management on a daily basis. Moreover, a comparison of monthly and year to date actuals versus the budget as well as investment portfolio details shall form part of the monthly reports submitted to the Mayor of the municipality and the relevant national and provincial treasury in terms of S71 and S72 of the MFMA.

16. BANK ACCOUNT AND INVESTMENT DETAILS SUBMISSION

16.1. Notification to the Auditor-General and National Treasury must be submitted, within 30 days after the end of the financial year, by all investees of any bank account and investment held by them for the City during that year.

16.2. Notification to the Auditor-General, National Treasury and the Provincial Treasury, must be submitted, within 90 days, of the name, type and number of any new bank account opened by the City.

17. USE OF FUND MANAGERS

17.1. The City may be permitted to employ investment managers to:

a. advise it on its investments; and
b. manage specific investments on its behalf.

17.2. Appointment of an investment manager shall be made in accordance with the City's Supply Chain Management policy.

17.3. All investments made by an investment manager on behalf of the City must be in accordance with this policy and with National Treasury's investment regulations, with the exception of clause 11.3 (buying and selling investments prior to maturity with a view to making capital profits).

17.4. If an investee pays any fee or commission to an investment manager in respect of the City's investments, both the investee and the investment manager must declare such payment to the Council by way of a certificate disclosing full details of the payment.

17.5. Investment managers found guilty of non-compliance with this policy, as well as the National Treasury's municipal investment regulations, shall be held liable for any loss or penalty suffered by the City.

17.6. The City shall monitor the assets held by the City's appointed Custodian and peruse the asset managers' portfolio summary report regularly and reconcile the two documents on a monthly basis.

17.7. The City shall ensure that all charges billed to the bank account managed by the fund managers are in terms of the agreed tariff structure of the City's main banker.

18. INVESTMENT COMMITTEE

18.1. The City shall appoint an investment committee consisting of:

a. Director: Treasury;
b. Manager: Treasury;
c. Head: Cash Flow and Investments; and
d. Manager: Investor Relations and Compliance

18.2. The Investment Committee's responsibilities shall include

a. Coordinating and overseeing the investment portfolio;
b. Evaluating the investment performance;
c. Ensuring compliance with investment policies and guidelines;
d. Evaluating actual returns with other benchmarks;
e. Determining the City's tolerance to risk; and
f. Annual reviewing and assessing the adequacy of the investment policy.

19. MONITORING, EVALUATION AND REVIEW

The Cash Management and Investment Policy will be reviewed by the Investment Committee on an annual basis. Proposed changes to this policy must be submitted for approval to Council as part of the budget process.