

ITEM NUMBER: C 17/05/16

RECOMMENDATION FROM THE EXECUTIVE MAYOR: 17 MAY 2016

MC 47/05/16 ABSA BANK SHORT-TERM DEBT FACILITIES FOR 2016/17

It is **RECOMMENDED** that, in terms of Section 45(2)(a) of the Local Government Municipal Finance Management Act, Act 56 of 2003:

(a) the 2016/17 short-term debt facilities, as listed below and included in the Absa Bank facilities agreement to be entered into between the City of Cape Town and Absa Bank Ltd, be approved for the period 1 July 2016 to 30 June 2017:

- Performance guarantee: R 25 000 000
- Letter of credit: R 10 500 000
- Travel card facility: R 2 000 000
- Funds transfer - day light limit: R 2 000 000 000

(b) a sort-term credit facility of up to R800 million be approved for the period 1 July 2016 to 30 June 2017 on the following terms and conditions:

- (i) fixed interest rate at prime less 2,25%;
- (ii) a commitment fee of 0.2% on the unutilised facility.



REPORT TO THE EXECUTIVE MAYOR

DATE 2016 -05- 17

1. ITEM NUMBER : MC 47/05/16

2. SUBJECT

ABSA BANK SHORT-TERM DEBT FACILITIES FOR 2016/17

ONDERWERP

ABSA BANK KORTTERMYN-SKULDFASILITEITE VIR 2016/17

ISIHLOKO

**UKUKHUTSHWA KWEMALI KWII-AKHAWUNTI ZEBHANKI KAMASIPALA
YAKWA-ABSA KOWAMA-2016/17**

LSUG5348

3. STRATEGIC INTENT

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

IDP Programme 5.3 (b): Internal Management Processes Programme

4. PURPOSE

To obtain approval in terms of Section 45(2)(a) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA), of the short-term debt facilities as contained in the 2016/17 annual bank facilities agreement to be entered into between the City of Cape Town and Absa Bank Ltd.

5. FOR NOTING BY / FOR DECISION BY

- This report is for decision by:
- The Executive Mayor together with the Mayoral Committee
 - Council

6. EXECUTIVE SUMMARY

Approval is sought, in terms of Section 45(2)(a) of the MFMA, for a short-term credit facility of up to R800 million for the period 1 July 2016 to 30 June 2017 and for the 2016/17 short-term debt facilities, as contained in the ABSA Bank facilities agreement to be entered between the City's Main Banker, Absa Bank Ltd and the City of Cape Town.

7. RECOMMENDATIONS

Not delegated: for decision by Council:

It is recommended that:

- a) The 2016/17 short-term debt facilities, as listed below and included in the Absa Bank facilities agreement to be entered into between the City of Cape Town and Absa Bank Ltd, be approved for the period 1 July 2016 to 30 June 2017:
- | | | |
|-------------------------------------|---|---------------|
| • Performance guarantee: | R | 25 000 000 |
| • Letter of credit: | R | 10 500 000 |
| • Travel card facility: | R | 2 000 000 |
| • Funds transfer - day light limit: | R | 2 000 000 000 |
- b) A short-term credit facility of up to R800 million be approved for the period 1 July 2016 to 30 June 2017 on the following terms and conditions:
- i) Fixed interest rate at prime less 2,25%
 - ii) A commitment fee of 0,2% on the unutilized facility

in terms of Section 45(2)(a) of the Local Government Municipal Finance Management Act, Act 56 of 2003.

AANBEVELINGS

Nie gedelegeer nie: vir besluitneming deur die Raad:

Daar word aanbeveel dat:

- a) Die korttermyn-skuldfasiliteite vir 2016/17, soos hieronder gelys en ingesluit by ABSA Bank se fasiliteite-ooreenkoms wat tussen die Stad

Kaapstad en ABSA Bank Bpk. aangegaan sal word, goedgekeur word vir die tydperk 1 Julie 2016 tot 30 Junie 2017:

- | | | |
|-------------------------------------|---|---------------|
| • Prestasiewaarborg: | R | 25 000 000 |
| • Kredietbrief: | R | 10 500 000 |
| • Reiskaartfasiliteit: | R | 2 000 000 |
| • Oordrag van fondse: oordaglimiet: | R | 2 000 000 000 |

b) 'n Korttermyn-kredietfasiliteit van tot R800 miljoen goedgekeur word vir die tydperk 1 Julie 2016 tot 30 Junie 2017 volgens die volgende bepalings en voorwaardes:

- iii) 'n Vaste rentekoers teen prima minus 2,25%
- iv) 'n Verbintenisgeld van 0,2% op die ongebruikte fasiliteit

ingevolge artikel 45(2)(a) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, Wet 56 van 2003.

IZINDULULO

Azigunyaziswanga: Isiqqibo seseBhunga:

Kundulwe ukuba:

a) Makuphunyezwe amaziko emboleko-mali yexesha elifutshane, njengoko edwelisiwe naqukiweyo kwisivumelwano esingezakheko sabakwa-Absa ekuyakuthi kungenwe kuso siSixeko saseKapa nabakwa-ABSA Bank Ltd, kwisithuba esisusela ngomhla wo-1 Julayi 2016 ukuya kowama-30 Juni 2017:

- | | | |
|---|---|---------------|
| • Isiqinisekiso sokusebenza | R | 25 000 000 |
| • Ileta yeMboleko-mali | R | 10 500 000 |
| • Iziko lekhadi elingezohambo: | R | 2 000 000 |
| • Ukutshintshelwa kwezimali: Umlinganiselo wemini | R | 2 000 000 000 |

b) Makuphunyezwe iziko lemboleko-mali lexesha elifutshane ukususela kwisixa-mali esifikelele kuma-R800 ezigidi, kwisithuba esisusela kwowo-1 Julayi 2016 ukuya kowama-30 Juni 2017 phantsi kwimigaqo nemiqathango elandelayo:

- i) Ixabiso lenzala elisisigxina elingaphantsi kwe-2,25%
- ii) Umrhumo wokuzibophelela ongu-0,2% kwisakheko esingasetyenziswanga;

ngokungqinelana necandelo-45(2)(a) loMthetho wobuRhulumente boMmandla ongoLawulo lweziMali zikaMasipala ongunomb.56 wango-2003.

8. DISCUSSION/CONTENTS

Annual Bank Facilities

The annual bank facilities agreement between the City of Cape Town's Main Banker, Absa Bank Ltd, relating to the 2016/17 banking facilities (1 July 2016

to 30 June 2017), that includes short-term debt facilities, is available to the City to be signed by the Accounting Officer.

The annual credit review of the City's banking facilities was performed by representatives from Absa Bank Ltd during April 2016, with the implementation of the intended new facilities agreement from 1 July 2016.

The following types of facilities, as contained in the agreement, in use by the City are considered to be short-term debt in terms of section 45 of the MFMA:

- **Performance Guarantee**

A guarantee issued by Absa Bank Ltd is an undertaking that should the City fail to fulfill its obligations in terms of a contract or an agreement, Absa Bank Ltd will pay specific amounts as stated on the guarantee. The monies are due and payable on the written demand from the beneficiary.

- **Travel Card Facility**

A card issued by Absa Bank Ltd enables the City to obtain goods and services, relating to travel and accommodation costs, on credit.

- **Letter of Credit**

A letter of credit issued by Absa Bank Ltd is an undertaking that should the beneficiary fulfill its obligations in terms of a contract or an agreement, Absa Bank Ltd will pay specific amounts as stated on the letter of credit. The monies are due and payable after certain conditions have been met.

- **Daylight Limit**

A daylight limit is a facility that enables the City to transact even if there are insufficient funds during that particular day. It entails moneys lent and advanced during that day, provided it is settled by the end of that business day.

Short-term Credit Facility

Due to the City's strategy of delaying the taking up of an external loan in the 2015/16 financial year, the projected cash flows for the 2016/17 financial year indicates a potential need for a short-term credit facility, which will be a more cost effective option than the immediate raising of a long-term loan. The short-term facility is very competitively priced and will only be used in the event of negative pressure on the City's cash flows.

The short-term credit facility will be used as bridging finance whilst negotiating the taking up of long-term loans to fund the 2016/17 capital programme.

"Short-term debt" means debt repayable within one year.

Annexure A to this report contains the 2016/17 banking facilities agreement to be entered into between the City of Cape Town and Absa Bank Ltd.

In terms of Section 45(2)(a) of the MFMA, a municipality may incur short-term debt only if:

- a) a resolution of the Municipal Council, signed by the Mayor, has approved the debt agreement; and
- b) the Accounting Officer has signed the agreement or other documents which creates or acknowledges the debt.

Section 45(3) of the MFMA reads:

For the purpose of subsection 2(a), a Municipal Council may:

- a) approve a short-term debt transaction individually; or
- b) 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 overdraft facility.

8.1. Constitutional and Policy Implications

The banking facilities agreement is brought before the Council annually. The facilities agreement includes short-term debt facilities which have to be submitted to Council for approval in compliance with section 45 of the MFMA dealing with short-term debt

8.2. Sustainability Implications

Does the activity in this report have any sustainability implications for the City?

No Yes

The IMEP (Integrated Metropolitan Environmental Policy), as approved by Council in October 2001, is not applicable to the contents of this report.

8.3. Financial Implications

Short-term Credit Facility - Operating Budget Provisions:

Cost Centre	15020003
Cost Centre Description	Treasury
Cost Element and Description	470200: Interest External
Budget Provision 2016/2017	R 856 133 195
Committed	R 690 891 665
Balance Available	R 165 241 530
Funds Required	R 67 600 000 Approval to proceed

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 Operating Budget
 29 APR 2016
 Checked by:.....

(interest charge is subject to change based on the movement in the prime interest rate)

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8.4. Legal Implications

The report is being submitted for approval in terms of section 45(2)(a) of the Local Government Finance Management Act and Regulation, Act 56 of 2003.

8.5. Staff Implications

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

No

Yes

8.6. Risk Implications

Does this report and/or its recommendations expose the City to any risk?

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

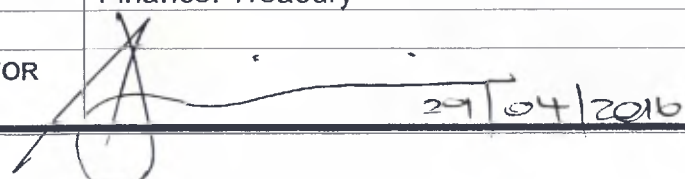
8.7. Other Services Consulted

None

ANNEXURES

ANNEXURE A: A copy of the 2016/17 bank facilities agreement entered into between the City of Cape Town and Absa Bank Ltd.

FOR FURTHER DETAILS CONTACT:

NAME	Hilton Robbins
CONTACT NUMBERS	021 400 5211 / 083 625 4337
E-MAIL ADDRESS	Hilton.robbins@capetown.gov.za
DIRECTORATE	Finance: Treasury
FILE REF NO	
SIGNATURE : DIRECTOR	 29/04/2016



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Comment:

EXECUTIVE DIRECTOR
Kevin Jacoby

NAME

DATE 03.05.2016

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

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LEGAL COMPLIANCE

NON-COMPLIANT

NAME CHARLYNNE ARENOSE

Comment:

TEL 021 400 1265

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

DATE 04.05.2016

[Handwritten signature: N.G.R.]

EXECUTIVE DIRECTOR: COMPLIANCE AND AUXILIARY SERVICES (ED: CAS)
GERHARD RAS

SUPPORTED FOR ONWARD SUBMISSION TO MAYOR / MAYCO / COUNCIL

NOT SUPPORTED

REFERRED BACK

DATE

10/5/16

COMMENT:



COMMENT:

MAYORAL COMMITTEE MEMBER
Ian Neilson

NAME IAN NEILSON

DATE 10/5/16