



Notice is given that an ordinary meeting of the Full Council will be held on:

**Date:** Thursday 11 December 2014  
**Time:** 9.30 am  
**Meeting Room:** Tasman Council Chamber  
**Venue:** 189 Queen Street  
Richmond

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**Full Council**  
**LATE ITEMS – PART TWO**

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## LATE ITEMS

### 5 LATE ITEMS

That the late item, 8.11 Treasury Policy – Swap Transaction Approval, be considered at today's meeting. An opportunity has arisen for favourable interest swap rates. This opportunity may not exist by the time Corporate Services Committee meets next, and therefore the item cannot be deferred to later meeting.

That the late item, 8.12: Amendment to Part 4 of the Consolidated Speed Limit Bylaw be considered at today's meeting. The commencement date of amended Bylaw needs to be publicly advertised and the commencement date approved at this meeting so that it can come in to force on 1 January 2015.

### 8 REPORTS

8.11 Treasury Policy - Swap Transaction Approval ..... 5

8.12 Amendment to Part 4 of the Consolidated Speed Limit Bylaw - Date of Effect ..... 9



## 8 REPORTS

### 8.11 TREASURY POLICY - SWAP TRANSACTION APPROVAL

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	11 December 2014
<b>Report Author:</b>	Mike Drummond, Corporate Services Manager
<b>Report Number:</b>	RCN14-12-11
<b>File Reference:</b>	

#### 1 Summary

- 1.1 The regular monthly review of Councils treasury (borrowing / financial investments) strategy has identified the opportunity to enter into long dated interest rate swap transactions at a particularly attractive swap rate.
- 1.2 This opportunity has arisen due to current market conditions. The long term swap rates are primarily driven by the US markets. It is not expected that these conditions will last and they may not be available post council approval to enter into transactions.
- 1.3 Council Treasury policy prohibits staff entering into swap transactions with a maturity out beyond 10 years without the specific approval of the Corporate Services Committee. As the committee does not meet again until February 2015, approval is being sort directly from Council to enter into these transactions. The detail of the transactions will be reported to the Corporate Services Committee at its February 2015 meeting.
- 1.4 It is proposed that these transactions are based on forward start swaps that match the maturity of existing swaps and for a term of 10 to 12 years. The total amount of interest rate swap cover in the 5+ years band will be managed so it remains within the Treasury Policy limit of 15-60% as at 30 June 2015.
- 1.5 The proposed transactions are supported by advice from Councils Treasury Advisors PWC (Price Waterhouse Coopers). They will only proceed if market conditions are favorable at the time.

#### 2 Draft Resolution

##### That the Full Council

1. receives the Treasury Policy - Swap Transaction Approval RCN14-12-11; and
2. approves the entering into swap transactions with a maturity of no more than 12 years and to a maximum notational value of \$25M.

**3 Purpose of the Report**

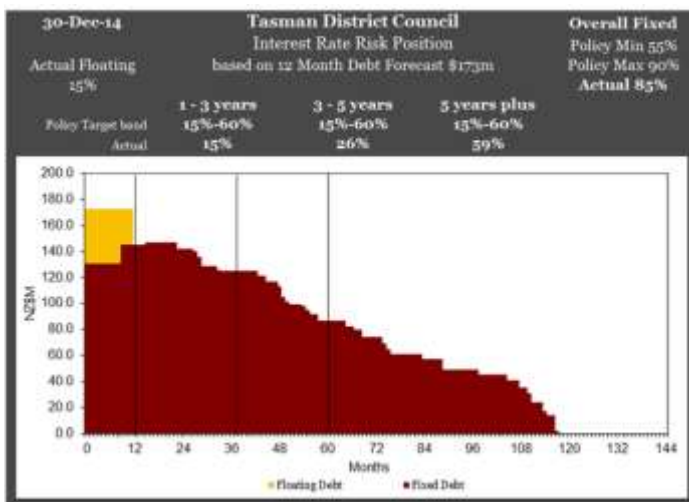
3.1 To obtain the necessary approval to enter into interest rate swap transactions with a maturity beyond 10 years as required by Councils Treasury Policy.

**4 Background and Discussion**

4.1 Council actively manages the financial risks around its exposure to movements in interest rates. There are regular discussions between Finance staff and Councils Treasury Advisors to identify and review interest rate management strategies.

4.2 This opportunity has arisen due to current market conditions. The long term swap rates are primarily driven by the US markets. When compared to an expected neutral 90 day bank bill rate of 4.5%-4.7% a long-term swap rate of 5% and below supports lengthening the interest rate hedge portfolio. It is difficult to determine how long these conditions will last.

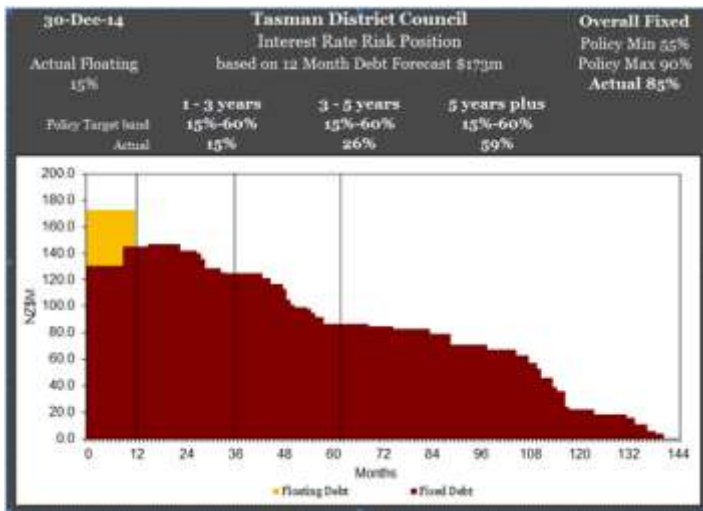
4.3 Councils current maturity profile for interest rate swaps is shown below. As noted above, due to current market conditions it is timely for Council to consider long dated forward start interest rate swaps. These swaps would have maturity dates up to 12 years to lengthen the term of the fixed rate hedge portfolio. This would only occur where Council can achieve a swap rate of between 4.50% and 4.75%, given the outlook for both increasing short term and long term interest rates (over the life of the borrow swap).



4.4 The table below sets out the proposed new forward start borrower swaps. The swap start dates are linked to the maturity date of existing interest rate swaps. The interest rates are indicative.

\$m	Start	Maturity	Indicative
5.00	20-May-20	20-May-26	4.57%
2.00	20-Jul-20	20-Jul-26	4.58%
4.00	28-Sep-20	28-Sep-26	4.60%
5.00	26-Feb-21	26-Feb-26	4.59%
2.00	22-Mar-21	22-Dec-25	4.58%
4.00	16-Apr-21	16-Apr-25	4.58%
			4.58%

4.5 Once the transactions have been completed the following Interest rate risk position (Dec 2014) will apply.



**5 Options**

- 5.1 **Option 1 – approve Swap transactions with a maturity beyond 10 Years.** This is the preferred option. Council would not normally take swaps with such long dated maturities, because they would not be a cost effective hedge to interest rate risk. However, current market conditions have created particularly low swap rates in the 10 + year maturity period. Council can take advantage of these rates (4.5% – 4.75%) to lock in longer term savings in finance costs. We are currently targeting the maximum policy limit of 60% on long term swaps to ensure current low costs are locked as far as possible for the future.
- 5.2 Council treasury advisors have provided direction and advice that supports this option. This approach is part of our regular and active management of Councils borrowing costs. The Councils Treasury policy provides for these long dated swaps but only with the express approval of the Corporate Services Committee.
- 5.3 **Option 2 – Council advises staff not to enter into swap transactions with a maturity beyond 10 years at this time.** This option is low risk but is likely to result in Council finance costs being higher in the future as market rates are forecast to increase over time.

**6 Strategic Challenges / Risks**

- 6.1 Taking opportunities to reduce finance costs is part of our commitment to improving financial sustainability. These transactions will help in the protection of long-term interest costs. This will occur by locking in a current low rate for the future.
- 6.2 The risks involved in these types of transactions are managed through appropriate professional advice and the Council Treasury Risk Management Policy.

**7 Policy / Legal Requirements / Plan**

- 7.1 Councils Treasury Risk Management Policy covers interest rate swap transactions. It requires specific approval before staff can enter into interest rate swap transactions with a maturity beyond 10 years.

**8 Consideration of Financial or Budgetary Implications**

- 8.1 There are no budgetary or financial implications. These transactions are managed as part of normal treasury processes. The proposed transaction is expected to lead to long term interest cost savings and provide for a level of long-term interest rate certainty.

**9 Significance and Engagement**

- 9.1 The proposed transactions are covered by existing policy. The significance is judged to be low and no public engagement is necessary.

**10 Conclusion**

- 10.1 Taking advantage of current market conditions by entering into long term swap arrangements will result in Council locking in current low interest rates for the longer term.

**11 Next Steps / Timeline**

- 11.1 On approval Finance staff will work with Councils Treasury Advisors to enter into longer term swap transactions if the market conditions remain favorable. The outcome of this will be reported back to the February 2015 meeting of the Corporate Services Committee.

**12 Attachments**

Nil



**8.12 AMENDMENT TO PART 4 OF THE CONSOLIDATED SPEED LIMIT BYLAW - DATE OF EFFECT**

Decision Required

<b>Report To:</b>	Full Council
<b>Meeting Date:</b>	11 December 2014
<b>Report Author:</b>	Peter Thomson, Engineering Manager
<b>Report Number:</b>	RCN14-12-12

**1 Summary**

- 1.1 The Amendment to Part 4 of the Consolidated Speed Limit Bylaw was passed by the Council at its meeting on 30 October 2014.
- 1.2 An error was made in not publicly advertising the Amendment in the required timeframe. Signage for the new speed limits was also not able to be completed on time. The error needs to be corrected.
- 1.3 The Land Transport Rule: Setting of Speed Limits 2003 requires that a Road Controlling Authority in addition to giving public notice of making the bylaw “must, at least 14 days before a speed limit comes into force, notify the [Agency] and the Commissioner [of Police] that a speed limit has been set.....”.
- 1.4 Legal advice is that the commencement date of the Amendment to Part 4 of the Consolidated Speed Limit Bylaw should be 1 January 2015. All signage will be in place by then.
- 1.5 Public notice will be given in the Nelson Mail on 17 and 20 December 2014. The notice will state that copies of the bylaw may be inspected and obtained at Council offices.
- 1.6 There are no other options other than to give notice of the new operational date. We apologise for this error.

**2 Draft Resolution**

**That the Full Council**

- 1. receives the Amendment to Part 4 of the Consolidated Speed Limit Bylaw - Date of Effect report; and**
- 2. agrees that the commencement date of the Amendment to Part 4 of the Consolidated Speed Limit Bylaw be 1 January 2015; and**
- 3. agrees that public notice of the Amendment to Part 4 of the Consolidated Speed Limit Bylaw be advertised in the Nelson Mail on 17 and 20 December 2014 and that copies of the bylaw may be inspected and obtained at Council offices.**