

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Corporate Services Committee: 28 November 2006

Subject: Interest Rate Report (1 April 2006 – 15 October 2006)

1. Purpose

1.1 The purpose of this report is to advise Committee about interest rates during the period from 1 April 2006 to 15 October 2006.

2. Background

2.1 In accordance with Treasury Management procedures, the Committee is required to be updated on a regular basis of the changes in interest rates.

3. Main Issues

3.1 The Bank Base rate remains steady 4.75%. Call (for short term deposits) also remains steady at 4.70%.

3.2 The Bank of England's PWLB one-year funding rate continues to increase to the current level of 5.20%. The PWLB 25-year fell to 4.45% on 1 September 2006 and has since increased to the current level of 4.50%.

3.3 At the last Corporate Services Committee meeting, the Committee asked for information on the impact of a 0.5% interest rate increase. The impact on borrowing / investments of a 0.5% increase in rates would be £5,000 per annum per £1,000,000 borrowed / invested.

(a) The majority of our borrowing is long term (£207 million) of which all but £0.700 million has a fixed interest rate. With no further borrowing planned in 2006/07 and approximately £5 million planned in 2007/08 at this time, the impact of a 0.5% increase in longer term rates would have minimal impact – i.e. under £30,000 per annum for borrowing undertaken over the next 18 months.

(b) Over the past few years, the Council has been a net investor on short term monies – i.e. monies held for its cashflow purposes. The 2006/07 average position of Council net investments is approximately £10 million. Based upon this figure, the impact of a 0.5% increase in shorter term rates would benefit the Council by £50,000 per annum.

(c) A change in interest rates may also affect debt rescheduling opportunities available to the Council.

4. Personnel Issues

4.1 There are no personnel issues.

5. Financial Implications

5.1 There are no financial implications.

6. Conclusions

6.1 The Bank Base Rate and Call rate remains steady. The PWLB is showing a gradual increase in interest rate for one-year funding while the 25-year has fallen overall from that reported to the last committee.

6.2 If interest rates were to move by 0.5%, the impact to borrowing or investments would be £5,000 per annum per £1,000,000 of funding.

7. Recommendations

7.1 This report is presented to the Committee for information.

David McMillan

Chief Executive

Date: 15 November 2006

Wards Affected: No wards affected

Appendix: Graphical Interest Rate Information

Background Papers: No background papers

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