

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Executive Director of Corporate Services

Corporate and Efficient Governance Committee: 24 June 2009

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**Subject: Treasury Update (1 April 2009 – 15 May 2009)**

### 1. Purpose

- 1.1 The purpose of this report is to advise Committee about interest rates and treasury transactions of the Council which have taken place during the period 1 April 2009 to 15 May 2009.

### 2. Background

- 2.1 In accordance with treasury management procedures, Members are required to be updated on a regular basis of the changes in interest rates, and on the treasury transactions, including debt rescheduling, undertaken by the Council.

### 3. Main Issues

#### Interest Rates

- 3.1 Both the bank base rate and the call rate (for short term deposits) have remained unchanged since last reported to Committee.
- 3.2 There has been a decrease in the one-year PWLB rate since last reported to Committee; however the 25-year PWLB rate has increased. Both of these changes are noted in the table below.

	<b>Rate as at 15.03.09*</b>	<b>Rate as at 01.04.09</b>	<b>Rate as at 15.05.09</b>
Bank Base	0.50%	0.50%	0.50%
Call	0.50%	0.50%	0.50%
1 Year PWLB	0.98%	0.83%	0.81%
25 Year PWLB	3.98%	4.28%	4.47%

\* As last reported to Committee

## Treasury Transactions

- 3.3** Temporary borrowing is currently £460,540. Temporary investments are £24,633,177 and long term loans outstanding are £208,479,007 as noted in the table below. This is in line with balances anticipated through The Council's cashflow management process.

<b>Treasury Transactions</b>	<b>15 March 2009*</b>	<b>1 April 2009</b>	<b>15 May 2009</b>
Temporary Borrowings	£460,540	£460,540	£460,540
Temporary Investments	£29,816,933	£27,754,692	£24,633,177
Long Term Loans	£214,979,343	£214,979,343	£208,479,007

\* As last reported to Committee

## Debt Rescheduling

- 3.4** On 22 April 2009, following advice from the Council's Treasury Advisers, two Public Works Loan Board loans – totalling £6.500m, with an average interest of 4.25% - were prematurely repaid and not replaced. This reduced the Council's temporary investment balances. Total savings of £1.376m, including a discount of £0.157m, are anticipated over the next five years after taking into account any loss in investment income over that period – equivalent to approximately £0.275m in 2009/10.
- 3.5** Since the reporting date of 15 May 2009, following advice from the Council's Treasury Advisors, two Public Works Loan Board loans - totalling £20.045m, with an average interest of 4.40% - were replaced with a one year PWLB loan at 0.85%. Estimated savings of £0.770m, including a discount of £0.058m, are anticipated over the next year. Thereafter, further savings will depend on the interest rate prevailing at the time.
- 3.6** The savings achieved will benefit both the General Services and the Housing Revenue Accounts

## **4. Personnel Issues**

- 4.1** There are no personnel issues.

## **5. Financial Implications**

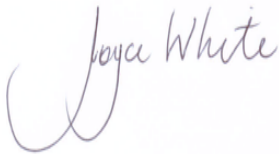
- 5.1** Since 15 March 2009, there has been a decrease in temporary investments of £5.184m and a decrease of £6.500m in long term debt, due to the repayment of some long term loans, while temporary borrowings have remained the same.

## **6. Risk Analysis**

- 6.1** The main risks are that changes in interest rates and the current financial climate, which could adversely affect counterparty ratings, may affect the extent to which the Council can effectively manage its investment and debt portfolio.

## **7. Conclusions and Officers' Recommendations**

- 7.1** The bank base rate and call rate have both remained unchanged since last reported. The one-year PWLB rate has decreased while the 25-year PWLB rate has also increased since last reported.
- 7.2** To 15 May 2009, borrowings and investments are in line with balances anticipated, after taking account of recent debt repayments and rescheduling.
- 7.3** This report is presented to the Committee for information.



**Joyce White**  
**Executive Director of Corporate Services**  
**Date: 28 May 2009**

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<b>Wards Affected:</b>	<b>No wards affected</b>
<b>Appendices:</b>	<b>None</b>
<b>Background Papers:</b>	<b>Ledger prints to 15 May 2009 Interest rate data</b>
<b>Person to Contact:</b>	<b>Gillian McNeilly, Manager of Accounting, Council Offices, Garshake Road. Telephone (01389) 737194 Email: <a href="mailto:gillian.mcneilly@west-dunbarton.gov.uk">gillian.mcneilly@west-dunbarton.gov.uk</a></b>