

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Executive Director of Corporate Services

Corporate and Efficient Governance Committee: 22 December 2010

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### Subject: Treasury Update (1 April 2010 – 31 October 2010)

#### 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 2010 to 31 October 2010.

#### 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 The bank base rate and the call rate (for short term deposits) have remained unchanged since the start of the financial year, as noted in the table below.
- 3.2 There has been an increase in both the one-year PWLB rate and the 25 year PWLB rate since last reported to Committee. The increase in PWLB rates is due to the Government's Comprehensive Spending Review announced on 20 October 2010, which resulted in interest rates for new loans increasing by approximately 1%.

Both of these changes are noted in the table below.

	Rate as at 01.04.10	Rate as at 30.09.10*	Rate as at 31.10.10
Bank Base	0.50%	0.50%	0.50%
Call	0.25%	0.25%	0.25%
1 Year PWLB	0.81%	0.64%	1.58%
25 Year PWLB	4.62%	3.96%	5.17%

\*As last report to Committee

##### Treasury Transactions

- 3.3 Temporary borrowing is currently £460,540. Temporary investments are £9,863,055 and long term loans outstanding are £214,942,922 as noted in the table below. This is in line with balances anticipated through the Council's cashflow management process.

### 3.4

<b>Treasury Transactions</b>	<b>01.04.10</b>	<b>30.09.10*</b>	<b>31.10.10</b>
Temporary Borrowings	£460,540	£460,540	£460,540
Temporary Investments	£11,010,910	£21,198,627	£9,863,055
Long Term Loans	£214,959,914	£214,942,922	£214,942,922

\*As last report to Committee

#### New Long Term Borrowing

- 3.5** Consent to borrow for equal pay of £4.413m was granted by the Scottish Government in February 2010 and approved by Council on 28 April 2010. Since the reporting date of 31 October 2010 a 5 year variable rate PWLB loan of £4,413,000 was taken out in relation to this consent.
- 3.6** The interest rate payable on this loan is currently 1.60%. The maximum maturity of the borrowing, as specified in the Consent, is 10 years and when compared to the current interest rate payable on either a 5 year or 10 year PWLB (3.12% and 4.43% respectively) the variable rate of 1.60% was deemed financially and economically the best option.

#### Debt Rescheduling

- 3.7** No debt rescheduling has taken place since last reported to committee.

### **4. People Implications**

- 4.1** There are no people implications.

### **5. Financial Implications**

- 5.1** As this report is for noting, there are no financial implications.

### **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. Equalities Impact Assessment**

- 7.1** No significant issues were identified in a screening for potential equality impact of this report.

**8. Conclusions and Recommendations**

**8.1** Since last reported, the bank base rate and the call rate have remained unchanged. The one year PWLB rate and the 25 year PWLB rate have both increased since last reported.

**8.2** To 31 October 2010, borrowings and investments are in line with balances anticipated.

**8.3** This report is presented to the Committee for information.

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**Joyce White**  
**Executive Director of Corporate Services**  
**Date: 23 November 2010**

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**Appendices:** None

**Background Papers:** Ledger prints to 31 October 2010  
Interest rate data

**Wards Affected:** No wards affected