

WEST DUNBARTONSHIRE COUNCIL

Report by the Interim Executive Director of Corporate Services Corporate and Efficient Governance Committee: 23 November 2011

Subject: Treasury Update (1 April 2011 – 30 September 2011)

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 2011 to 30 September 2011.

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 has remained unchanged since the start of the financial year, as noted in the table below.
- 3.2 The call rate (for short term deposits) has increased since last reported to Committee, as noted in the table below.
- 3.3 There has been a decrease in both the one-year PWLB rate and the 25 year PWLB rate since last reported to Committee. Both of these changes are noted in the table below.

| | Rate as at 01.04.11 | Rate as at 31.07.11* | Rate as at 30.09.11 |
|--------------|------------------------|-------------------------|------------------------|
| Bank Base | 0.50% | 0.50% | 0.50% |
| Call | 0.35% | 0.35% | 0.40% |
| 1 Year PWLB | 1.93% | 1.52% | 1.51% |
| 25 Year PWLB | 5.36% | 5.05% | 4.52% |

* As last report to committee

Treasury Transactions

- 3.4 Temporary borrowing is currently £460,540. Temporary investments are £26,221,630 and long term loans outstanding are £219,321,584 as noted in the table below. This is in line with balances anticipated through the Council's cashflow management process.

| Treasury Transactions | 01.04.11 | 31.07.11* | 30.09.11 |
|------------------------------|-----------------|------------------|-----------------|
| Temporary Borrowings | £460,540 | £460,540 | £460,540 |
| Temporary Investments | £14,307,544 | £28,974,096 | £26,221,630 |
| Long Term Loans | £219,339,261 | £219,339,261 | £219,321,584 |

* As last report to committee

Long Term Borrowing

- 3.5** No long term borrowing has taken place since last reported to Committee.

Debt Rescheduling

- 3.6** No debt rescheduling has taken place since last reported to Committee.

4. People Implications

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** Any longer term borrowing would benefit from the low interest rates. The Council has not completed any longer term borrowing this year to date.

- 5.2** The return on the Council's short term investments are affected by shorter term interest rates. The Council's average return on Investment income to 30 September 2011 is 0.74%, which is higher than call and bank base rates as above. This is due to investments secured being over longer time periods than call, resulting in increased interest rates.

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 issues were identified in a screening for potential equality impact of this report.

8. Strategic Assessment

- 8.1** The Council has identified four main strategic priorities for 2011/2012, namely Social & Economic Regeneration, Financial Strategy, Asset Management Strategy; and Fit for Purpose Services.

- 8.2** Treasury management contributes to the Financial Strategy via the interdependency that exists between pro-active treasury management and the formulation of long term financial plans.

9. Conclusions and Recommendations

- 9.1** Since last reported, the bank base rate has remained unchanged. The call rate has increased slightly. The one year PWLB rate and the 25 year PWLB rate have both decreased since last reported to Committee.
- 9.2** To 30 September 2011, borrowings and investments are in line with balances anticipated.
- 9.3** This report is presented to the Committee for information.



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Date: 28 October 2011

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| Appendices: | None |
| Background Papers: | Ledger prints to 30 September 2011 Interest rate data |
| Wards Affected: | No wards affected |