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Public Works Loan Board

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To Chief Financial Officers
of local authorities in England, Wales and Scotland

Circular No. 137

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Variable rates

The present formula for determining interest rates on variable rate loans dates from October 2000. The rates for variable rate loans advanced before 3 October 2000 have continued to be calculated using the pre-existing methodology, which was based on the price for eligible bills, as set out in paragraph 13 of the Board's Circular 121 dated 17 April 2000. However, the data are no longer available to enable HM Treasury to set these rates. Accordingly, HM Treasury, in consultation with the Board, has decided that from the date of this Circular interest rates on all variable rate loans will be based on the formula set out below.

Interest rates for variable rate loans are calculated with reference to the cost of Government borrowing for the appropriate period. With effect from the date of this circular, the rates will be expressed in decimals. They will be arrived at by taking the general collateral repo rate for one, three or six months, as appropriate, as fixed by the British Bankers' Association at about 11 a.m. on the relevant day, expressing it as a yield, rounding it up to the nearest multiple of 0.05 and adding 0.10.

Enquiries to the Board may be made by e-mail to pwlb@dmo.gsi.gov.uk or by telephone to (020) 7862 6610.

H D Watson
Secretary

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