



Local Government and Reform Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

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For the attention of the CFO,

HM Treasury has published an updated guidance document and are announcing future changes to the terms and conditions to be applied to Public Works Loans Board (PWLB) lending in September.

Updated Guidance

HMT has issued updated the PWLB Guidance for applicants document, which was first published in November 2020. These updates do not change what local authorities can borrow for, and largely clarify points which have been raised by some local authorities since the guidance was initially published. They also update the list of responses the government may take if an LA does not follow PWLB lending policy. These updates will make it easier for LAs to apply the guidance.

This guidance only applies to major local authorities in England, Scotland, and Wales which can borrow without explicit government approval and are required to have regard for the Prudential Code. This guidance does not apply to smaller local authorities (such as parishes, town and community councils, and drainage boards) as separate arrangements already exist for these entities.

A copy of the updated guidance is available on the [lending arrangements](#) page of the DMO website.

Changes to the terms and conditions applied to PWLB lending

We are also providing advanced notice that the terms and conditions applied to PWLB lending will be updated on 8 September 2021. These updates will increase the turnaround time for a PWLB loan from two to five working days (T+5 settlement), set the minimum interest rate for PWLB loans at 1bps and set a minimum late repayment fee of 10bps. These changes will be set out in a new Operational Circular, which will replace Operational Circular 162 on 8 September 2021.

We are extending the turnaround time for a PWLB loan from two to five days (T+5 settlement) to give the government sufficient time to review the capital plans submitted and ensure they are consistent with PWLB lending policy, whilst still enabling local authorities to secure quick access to finance.

We are also updating certain minimum thresholds.

- The minimum interest rate for PWLB loans will be set at 1bps. This means that if the calculated loan rate after adding the policy margin is less than 1bps, the loan will instead be issued at 1bps.
- The interest charge on late loan repayment for loans issued on or after the 8 September will be the Bank of England base rate or 0.1% (whichever is higher). Previously, the charge was the Bank of England base rate.

These changes will not have any immediate impact on pricing – current rates are above these minimum thresholds. No changes are being made to the current policy margins.

A new PWLB electronic template will also be launched on 8 September. This will include additional qualifying questions to make the return more suitable for local authorities acquiring investment assets primarily for yield and which are accessing loans from PWLB to refinance existing debt as it falls due. This use of PWLB is in line with the lending terms published in November 2020. The new qualifying questions are explained in the updated Guidance document (paras.16-18).

These changes to the terms and conditions apply to all local authorities that can borrow from the PWLB.

If you have any further questions about the changes announced here, please contact pwlb@hmtreasury.gov.uk

Yours sincerely,

The Local Government and Reform Team

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