



PUBLIC WORKS LOAN BOARD

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ARRANGEMENTS FOR LENDING TO LOCAL AUTHORITIES FROM 1 APRIL 1997

LOAN FACILITIES 1997-98

1. (a) The Public Works Loan Commissioners have decided, after consultation with the Treasury and subject to the provision of funds by Parliament, that the arrangements for raising loans from the Board during the financial year 1997-98 shall be as detailed below. These arrangements will be kept under review during the year.

These arrangements incorporate the changes announced in the Board's Circulars Nos. 112 and 113 issued on 5 and 20 March 1997 respectively. It should be noted that the consequential amendments related to the improved options to replace loans are reflected in section 14, and these affecting the premature repayment of a variable rate loan are in section 22.

In this circular the expression 'local authority' includes:

the councils of all counties and districts in England;
the councils of all counties and county boroughs in Wales;
the councils of all London boroughs and the Common Council of the City of London;
the councils of local government areas in Scotland;
the residuary bodies for England, Wales and Scotland;
the Council of the Isles of Scilly;
the Broads Authority;
passenger transport authorities;
passenger transport executives;
police authorities;
fire and civil defence authorities;
waste disposal authorities;
port health authorities;
other authorities in England, Wales or Scotland having power to levy council tax or to issue a precept or levy;
other bodies to which the Commissioners agree that the arrangements set out in this circular shall apply.

The Commissioners have power to lend to parish councils in England, community councils in Wales and drainage boards, but not all of the quota arrangements described in this circular are applicable to these authorities - see section 10(j).

- (b) Money lent by the Board is intended to assist local authorities to meet their new longer-term borrowing requirements. It is primarily intended, therefore, to be used to finance capital payments which have either already been made or which will be made within a short time of the advance of the loan. It may also be used to replace maturing debt,

short-term borrowings and revenue balances in use for capital purposes. Money lent by the Board should not be used for the purpose of on-lending or to enable the acquisition of financial investments.

- (c) Local authorities are reminded that the Commissioners could not lend to an authority which had chosen to act illegally and, more widely, they have a statutory obligation to satisfy themselves, before advancing a loan, that an authority is able to service and repay the loan. The Commissioners may, in particular, seek evidence that an authority has adopted a balanced budget and set an amount of council tax or issued a precept or levy in accordance with the law. Any material expectation or assumption upon which a budget depends must have a reasonable prospect of fulfilment in the light of all relevant circumstances. The Commissioners may ask an authority for specific confirmation of this and may also ask for evidence at intervals during the financial year that any such expectation or assumption is being fulfilled.

The Commissioners will, whenever possible, endeavour to meet the dates for advance requested by authorities which apply for loans. However, in order to satisfy themselves in relation to this section, the Commissioners may, on occasion, require more information than that referred to in section 10 before a decision on a loan can be taken. In those circumstances there may be unavoidable delay in the advance of any loan that may ultimately be authorised.

- (d) Any body unsure of its power to borrow from the Commissioners should contact the Board for advice.

Loan quotas for 1997-98

2. (a) The quota entitlement for each authority in respect of the financial year 1997-98 will be an amount equivalent to:

- (i) for authorities in England and Wales, the sum of
Basic and Supplementary Credit Approvals used in 1997-98 and
Repayments of principal due in 1997-98 on loans borrowed from the Board
- (ii) for authorities in Scotland, the sum of
Capital Consent Allocations used in 1997-98 and
Repayments of principal due in 1997-98 on loans borrowed from the Board, less
Scheduled debt amortisation.

Credit approvals referred to in subsection (a)(i) are those described in Part IV of the Local Government and Housing Act 1989.

Capital consent allocations referred to in subsection (a)(ii) are those issued under section 94 of the Local Government (Scotland) Act 1973; scheduled debt amortisation, also referred to in subsection (a)(ii), is that element of principal in loan charges from service accounts to the loans fund described in paragraph 15 of Schedule 3 to the Local Government (Scotland) Act 1975.

- (b) Quota loans will be made available at one of two sets of interest rates, 'Lower' rates currently determined close to the cost of Government borrowing and 'Higher' rates currently determined close to but just below market rates.

- (i) For authorities in England and Wales the 'Lower' rates will apply to that part of the quota remaining after deduction of an authority's provision to meet credit liabilities unapplied at 31 March 1997 (including those used internally but not declared as applied).
- (ii) For authorities in Scotland the 'Lower' rates will apply to that part of the quota remaining after deduction of an authority's capital receipts unapplied at 31 March 1997.

The provision to meet credit liabilities referred to in subsection (b)(i) is the provision which authorities in England and Wales make as described in Part IV of the Local

Government and Housing Act 1989 either voluntarily or pursuant to a requirement of that Part.

- (c) The quota for 1997-98 will be reduced to the extent, if any, that an overdraw of quota has taken place in a preceding year and has not yet been fully adjusted. In addition, drawings in excess of entitlement at the 'Lower' or 'Higher' rates will be corrected by adjustment in subsequent years. Overdrawings in respect of authorities which through reorganisation cease to exist will be allocated to the successor authorities in the same proportions in which outstanding debt to the Board is dispensed.
- (d) The Commissioners will make any alteration to the quota that appears to them to be necessary in order to avoid duplicate reckonings or to accord with the intentions of the arrangements.
- (e) The Commissioners will continue to be prepared to consider making loans in addition to the quota entitlement on an additional quota basis not only in particular instances to authorities which encounter exceptional difficulty or hardship, but also in a wider range of circumstances. These may include where an authority (in England and Wales) needs to borrow against a Direction increasing its aggregate credit limit under section 62(2) of the Local Government and Housing Act 1989, which was issued in anticipation of the issue of a supplementary credit approval for the same purpose at a later date. Other relevant circumstances may be those where, in the Commissioners' view, it would be appropriate to grant additional sums to further the efficient management by an authority of its debt portfolio or in any other circumstances the Commissioners deem it appropriate in support of the Government's stated policy that the great majority of local authorities' requirements for borrowing should be met by the Board. The Commissioners will continue in 1997-98 to grant additional sums for the purpose of refinancing loans with a balance outstanding of £50,000 or less (see section 19).

When making their decision on requests for additional sums, other than those for refinancing loans with small balances, the Commissioners will take into consideration, amongst other factors, the level of the authority's external investments and they are unlikely to be prepared to agree to an additional advance if, and to the extent that, it appears to them that these investments could be used instead.

Loans made in addition to the quota entitlement on an additional quota basis in 1997-98 will be made available at the 'Lower' or 'Higher' rates under the terms of section 2(b) above as if they formed part of the quota.

- (f) The Commissioners will continue to review the quota arrangements each year.

Estimating of quotas

3. Applications for quota loans will be considered by reference to estimates supplied by the authority in relation to its quota entitlement. These estimates should be as realistic as possible, making adequate allowance for delays to capital programmes that may result from shortages of labour or materials, adverse weather conditions and other factors. In considering each loan application the Commissioners will judge to what extent the authority's estimates are justified. If an authority wishes a decision by the Commissioners to be reconsidered, it should set out its reasons fully in a letter, which will be considered by the Commissioners, whose decision will be final.

Limit on carry-over of 1997-98 quotas

4. It is the intention of the quota arrangements to assist local authorities to meet their new longer-term borrowing requirements in the year to which the quota relates, but it is recognised that authorities may not be able to determine the precise amounts of their quotas until after the end of the financial year. Up to 20% of the quota entitlements for 1997-98 may therefore be carried over into 1998-99. Loans advanced in 1998-99 by way of carry-over from 1997-98 will bear interest at the 'Lower' or 'Higher' quota set of rates, according to which would have been applicable had the loan been advanced in 1997-98, but, if in 1998-99 quota rates are structured differently, the Board's circulars for that year will indicate how such loans will be treated for interest rate purposes.

The available balance of carried-over quota must be advanced by 31 March 1999 and be applied for within the normal timetable as detailed in section 10. Any balance not so claimed will lapse.

Non-quota A loans

5. If circumstances arise in which an authority needs to borrow immediately and cannot raise the money by other means the Commissioners are prepared, subject to section 1(c), to act as lender of last resort and make loans in excess of the quota at the non-quota A set of interest rates (see section 12(b)).

Non-quota B loans

6. An authority wishing to borrow from the Board in addition to quota may apply for non-quota B loans. These loans, which carry a higher rate of interest (see section 12(c)), will be available, subject to section 1(c), where it can be demonstrated that additional capital finance is needed in the relatively near future; it will not be necessary to demonstrate that money is not available in the open market.

FINAL DETERMINATION OF QUOTAS FOR 1996-97

Availability of 1996-97 quotas

7. Subject to sections 8 and 9 the 1996-97 quota is available for drawing during that financial year only and any balance remaining undrawn after 31 March 1997 will lapse.

Annual certificate in respect of 1996-97 quotas

8. Each authority which borrows from the Board or intends to draw any of its available carry-over entitlement in respect of the quota for 1996-97 will be required to provide on form LA54 (two copies of which will be sent at a later date) a statement certifying:

- (i) for authorities in England and Wales:

Loan debt outstanding at 31 March 1996
Basic and Supplementary Credit Approvals used in 1996-97
Repayments of principal due in 1996-97 on loans borrowed from the Board and
Provision to meet credit liabilities unapplied at 31 March 1996 (including those used internally but not declared as applied),

- (ii) for authorities in Scotland:

Loan debt outstanding at 31 March 1996
Capital Consent Allocations used in 1996-97
Repayments of principal due in 1996-97 on loans borrowed from the Board
Scheduled debt amortisation and
Unapplied capital receipts at 31 March 1996.

The certificate should be forwarded as soon as practicable and not later than 31 October 1997. If an authority has overdrawn its quota for 1996-97 the overdrawn amount will be deducted from the quota for 1997-98 and in following years until extinguished. Drawings in 1996-97 in excess of entitlement at the 'Lower' or 'Higher' rate will also be corrected by adjustment in 1997-98 and subsequent years if necessary.

Carry-over of 1996-97 quotas

9. Up to 20% of the quota entitlement for 1996-97 may be carried over into 1997-98. An authority wishing to draw the available balance of its carried-over quota should apply to the Board (having first forwarded form LA54) not later than 12.00 noon on 27 March 1998, the advance to be made within the normal timetable detailed in section 10(a); any balance of quota not claimed by that date will lapse. Loans advanced in this respect in 1997-98 will bear interest at the 'Lower' or 'Higher' quota set of rates according to which would have been applicable had the loan been advanced in 1996-97.

Carry-over of quota in respect of authorities which through reorganisation cease to exist will be allocated to the successor authorities in the same proportions in which outstanding debt to the Board is dispensed.

GENERAL LENDING ARRANGEMENTS

Applications for loans

10. (a) Applications should be made by telephone on 0171-270 3873. The Board will normally advance loans within approximately 48 hours of the receipt of a formal application (excluding weekends and bank holidays). Advances will be made in accordance with the following timetable:

Receipt of application	Advance of loan
Friday pm/Monday am	Wednesday
Monday pm/Tuesday am	Thursday
Tuesday pm/Wednesday am	Friday
Wednesday pm/Thursday am	Monday
Thursday pm/Friday am	Tuesday

In accordance with section 1(c) a local authority may be asked to satisfy the Board that a loan would be consistent with the principles set out therein. In some cases this may entail a delay in the advance of the loan beyond the normal 48 hours.

- (b) The terms of the loan, the date of advance and the rate of interest on a fixed rate loan, or the formula for a variable rate loan will be agreed on the telephone immediately and subject to detailed consideration of the application and authorisation of the loan by the Commissioners, the advance will be made in accordance with the timetable set out in section 10(a). If it transpires that an authority has insufficient quota available at the 'Lower' rates to meet an application previously agreed at the 'Lower' rates the Commissioners will advance the balance at the 'Higher' rates.
- (c) If an application is made earlier than the timetable indicates the rate of interest to be applied on a fixed rate loan, or the formula for a variable rate loan, will not be that in force at the time of application but that in force at 11.00 am two banking days before the date of advance.
- (d) Formal authorisation and advance of a loan may be expected provided the application falls within the provisions of the Board's circulars. If it is subsequently found that an application is outside the provisions, the authority will usually be informed in not more than 24 hours (excluding weekends and bank holidays). In such a case it may not be possible for a loan to be advanced within the normal timescale. In these circumstances the authority will be informed as soon as possible of the earliest date on which an advance can be made.

Authorities will be required to supply the following details of the loan requested:

sum required
method of repayment
repayment period
date of advance
type of loan (fixed or variable rate)
interest payment dates or interest payment period
maturity date (if applicable).

The following information will also be required:

- (i) estimated credit approvals or capital consent allocations to be used in the current financial year
- (ii) repayments of principal due to the Board in the current financial year
- (iii) for authorities in Scotland only, estimated scheduled debt amortisation
- (iv) total amount unapplied as described in section 2(b)
- (v) actual quota loans taken during the current financial year
- (vi) actual credit approvals or capital consent allocations provisionally used in the current financial year
- (vii) credit approvals or capital consent allocations used in 1996-97

(viii) the sort code and account number of the authority's bank.

Items (i)-(iv) and (vii) will not be required if the information has been submitted previously and remains unchanged.

- (e) It will be a necessary condition of the authorisation of a loan by the Board that, when making an application, an authority declares that the application is made on the basis of the contents of the Board's current circulars, in particular, that the proposed borrowing is within its unexercised or unexhausted borrowing powers and that the authority is not seeking to borrow for the purpose of enabling investment. In making a loan the Board will rely on these declarations. The making of an application will be deemed as authorising the Commissioners to transmit the amount advanced less the Board's appropriate fee unless and until the authority rescinds its agreement to this procedure (see section 18).
- (f) The amount advanced will be the sum applied for or such lesser sum as the Commissioners may authorise. If the Commissioners are not prepared to advance the full amount applied for, the authority will be informed by telephone.
- (g) After authorisation a letter confirming the agreed terms of the loan will be sent to the authority. The loan will be secured by an automatic charge on the revenues of that authority. It should be noted that the confirmatory letter will not be received until after the loan has been advanced.
- (h) The Commissioners will not normally allow the withdrawal of a loan application.
- (i) In the event of a dispute arising from these procedures the Board's decision will be final.
- (j) Special arrangements will apply to parish councils and internal drainage boards who should contact the Board approximately 2 weeks before an advance is required. Applications from parish councils in England and community councils in Wales should be made on form LC1 and from drainage boards on form DB. Copies of both forms and leaflet LC2, which gives full details of the arrangements for lending to parish and community councils, are available from the Board.

Types of loan

11. Two types of loan will be available to authorities from the Commissioners:

- (a) Fixed rate loans on which the rate of interest is fixed for the duration of each loan, and
- (b) Variable rate loans, on which the rate of interest is not fixed for the duration of each loan, but is variable at one, three or six monthly intervals. Once chosen the interest payment period will remain unchanged throughout the life of the loan.

There will be an option both to replace a variable rate loan by a fixed rate loan and to replace a fixed rate loan by a variable rate loan (see section 14).

Interest rates

12. Interest rates are determined by the Treasury in accordance with section 5 of the National Loans Act 1968 and are notified to authorities by the Board. In the case of fixed rate loans a precise rate of interest is prescribed, but in the case of variable rate loans the rate is fixed by reference to a formula (see section 13). The rate of interest charged on a fixed rate loan and the formula for a variable rate loan will, subject to section 10(c), be that agreed at the time of application.

Different sets of interest rates will apply to the Board's loans, as follows:

- (a) There will be a 'Lower' and a 'Higher' set of quota rates for both fixed and variable rate loans. A loan within the quota will carry interest either at the appropriate rate for fixed rate loans or in accordance with the formula for variable rate loans (see section 2(b)).

- (b) A loan in excess of the quota advanced by the Commissioners as lenders of last resort (see section 5) will normally carry interest at the appropriate rate in the non-quota A set of rates; initially these will be 1% above the 'Lower' set of quota rates. Exceptionally, if the Commissioners so decide, a loan may be advanced at a quota rate and set off against the authority's quota for the following year.
- (c) The rate of interest prescribed for a non-quota B loan will be higher than that for a quota or non-quota A loan repayable by the same method and over the same period. There will initially be a differential of 2% above the 'Lower' set of quota rates at all levels, but it may be necessary in the interest of general economic management to vary the differential.

Rates of interest will normally be determined weekly and will take effect at or after the start of business on a Tuesday. Notification of the rates coming into force will be sent to each authority. The Treasury reserves the right to change the rates of interest at other times if necessary. Current rates may be obtained by telephone from the Board on 0171-270 3873.

Interest rate formula for variable rate loans

13. The rates of interest for variable rate loans will be available on enquiry to the Board and the rates in force during the previous week will be printed on the Board's regular Interest Rate Notice. At present the rate will be the cost of government borrowing, as defined below.

- (a) For a loan on which the rate of interest is variable at one or three month intervals, the cost of government borrowing will be the market rate for one or three month eligible bank bills as appropriate, expressed as a yield and rounded to the nearest 1/16% above.
- (b) For a loan on which the rate of interest is variable at six month intervals, the cost of government borrowing will be the lower of:
 - (i) the market rate for six month eligible bank bills, expressed as a yield and rounded to the nearest 1/16% above, or
 - (ii) the six month London Inter-Bank Offered Rate (Libor).

The market rate referred to above will be determined by averaging the bill selling rates for the relevant maturity quoted to the Bank of England, as shortly before 11.00 am as practicable on the relevant day, by the four largest members of the London Discount Market Association, size being determined by reference to total published capital and reserves at the latest balance sheet date. Libor will be determined as the average of the six month London Inter-Bank Offered Rates quoted to the Bank of England, as shortly before 11.00 am as practicable on the relevant day, by Barclays Bank Plc, Lloyds Bank Plc, Midland Bank Plc and Nat West Bank Plc.

The market rate or Libor applicable to a loan will, in the case of the first interest payment period of the loan, be that in force at 11.00 am on the date of the advance and, in the case of each subsequent interest payment period of the loan, will be that in force at 11.00 am on the first banking day of the subsequent period. The formula will, subject to section 10(c), be agreed at the time of application and will remain fixed for the life of the loan.

Option to replace a loan

14. There will be an option to replace, either in whole or in part, a variable rate loan by a fixed rate loan or a fixed rate loan by a variable rate loan. As from 1 April 1997 this option, as described in subsections (a) and (b), may be exercised more than once provided there is an interval of at least 4 years between successive loans made on the exercise of an option. The 4 year waiting period between successive loans will commence on the date replacement takes place and will apply only to the amount of the loan actually replaced; any remaining part will retain an option to be replaced which, when exercised, will mark the beginning of a separate 4 year waiting period in respect of the amount then replaced. Replacement loans will not count as part of a local authority's quota entitlement.

- (a) Variable rate loans

An authority will have the option to repay a variable rate loan, or part thereof, before maturity on any date provided that, on the same date, the borrower accepts a loan from the Board on the fixed interest rate terms applicable on that date of an amount equal to the principal repaid. The term of the replacement loan must not be less than the unexpired period of the original variable rate loan, or 4 years if less, subject to a minimum of one year, and may extend up to 60 years provided the term selected is within the authority's unexercised or unexhausted borrowing powers. Interest will be payable on the replacement loan at the appropriate rate in force for fixed interest rate loans within the quota, of the same term and subject to the same method of repayment as the replacement loan. Variable rate loans advanced on or prior to 31 March 1994 will be replaced by a fixed rate loan(s) at the appropriate rate in the 'Lower' set of quota fixed rates. Variable rate loans advanced from 1 April 1994 as 'Higher' or 'Lower' rate loans (see section 12) will be replaced by a fixed rate loan(s) at the corresponding 'Higher' or 'Lower' set of quota fixed rates. If, at the time of replacement the structure of the Board's interest rates is different from that applicable since 1 April 1994, the replacement loan will be made in such category as may have been determined by the Commissioners and announced in a circular current at the time.

The method of repayment need not necessarily be the same for the replacement fixed rate loan as for the original variable rate loan and may include repayment by the annuity method. Payments of interest and, where appropriate, repayments of principal will be on the Board's normal half-yearly terms: ie the first interest payment after the replacement loan is taken out may be for a period of less than six months.

(b) Fixed rate loans

An authority will have the option to repay a fixed rate loan, or part thereof, having an unexpired period of not less than one year to maturity, on any date provided that on the same date the borrower accepts a loan from the Board on the terms applicable on that date to new variable interest rate loans within the quota, of the same term and subject to the same method of repayment as the replacement loan. Fixed rate loans advanced on or prior to 31 March 1994 will be replaced by a variable rate loan(s) at the appropriate rate in the 'Lower' set of quota variable rates. Fixed rate loans advanced from 1 April 1994 as 'Higher' or 'Lower' rate loans (see section 12) will be replaced by a variable rate loan(s) at the appropriate rate in the corresponding 'Higher' or 'Lower' set of quota variable rates. If, at the time of replacement the structure of the Board's interest rates is different from that applicable since 1 April 1994, the replacement loan will be made in such category as may have been determined by the Commissioners and announced in a circular current at the time.

The replacement loan must be for an amount equal to the principal repaid, rounded down to the nearest whole number of pounds. Its term must not be less than one year and not more than the unexpired period of the fixed rate loan to be replaced, subject to a maximum period of 10 years. The replacement loan may be repaid either by equal instalments of principal or at maturity, with payments of interest and, where appropriate, repayments of principal at monthly, quarterly or half-yearly intervals. Payments will be on the Board's normal terms, ie the first payment will be due one, three or six months from the date of replacement.

The total amount payable in order to redeem a loan to be replaced will be calculated in accordance with the normal rules for the premature repayment of loans (see section 22(b)). Because the amount of the replacement loan is unlikely therefore to be the same as the amount required to redeem the replaced loan it will be necessary for moneys to be transferred between the borrower and the Board - the repayment on the one hand and the replacement advance on the other.

To exercise the option to reborrow on variable rate terms the borrower must telephone the Board on 0171-270 3870 or on 0171-270 3873 to reborrow on fixed rate terms in each case in accordance with the following timetable to agree the terms for the replacement.

Agreement of terms

Replacement day

Friday pm/Monday am
Monday pm/Tuesday am
Tuesday pm/Wednesday am
Wednesday pm/Thursday am
Thursday pm/Friday am

Wednesday
Thursday
Friday
Monday
Tuesday

The authority will be required to state the total amount of principal to be repaid and to provide the following information for each loan:

- (i) the interest payment dates,
- (ii) the loan number, and
- (iii) the amount to be repaid, if less than the balance outstanding.

The terms of the replacement, including the set of interest rates for a fixed rate loan or the formula for a variable rate loan to be used to determine the discount rate for the repayment and the interest rate or formula applicable to the replacement loan, will be agreed and, on acceptance, will be deemed a binding commitment to replace on those terms and on the day indicated. Within approximately 24 hours of the agreement being made to replace a fixed rate loan, or as soon as practicable after 11.00am on the replacement day when a variable rate loan is being replaced, the Board will telephone the authority to notify the total amount required to redeem the loan to be replaced, including accrued interest from the last interest payment date and taking account of the discount or premium. The authority must then arrange with its bankers for this amount to be credited, on the agreed date for replacement, to the 'Public Works Loans Account' (Account No. 25360000) at the Bank of England (Sort Code 10-00-00). Moneys in respect of the advance of the replacement loan will be transferred directly to each borrower's bank account by automated direct credit transfer (CHAPS). The sum transmitted will represent the amount of the loan less the appropriate fee payable to the Board.

Method of repayment

15. (a) Fixed rate loans are repayable by one of the following methods:

- (i) Annuity: fixed half-yearly payments to include principal and interest; or
- (ii) EIP: equal half-yearly instalments of principal, together with interest on the balance from time to time outstanding; or
- (iii) Maturity: half-yearly payments of interest only with a single repayment of principal at the end of the term.

Payments will be at half-yearly intervals and the first payment must be made not more than six months from the date of advance. Interest will be calculated by applying half of the annual interest rate to the balance of the loan outstanding at the start of the half-year. If the date a loan is issued does not fall on one of the half-yearly dates, the borrower will pay a one-off interest charge for the broken period from the date the loan is issued to the date of the first half-yearly payment date, calculated by applying a daily rate (the annual rate divided by 365) to the amount outstanding for each day in the broken period.

(b) Variable rate loans are repayable by either:

- (i) EIP: equal monthly, quarterly or half-yearly instalments of principal, together with interest on the balance from time to time outstanding; or
- (ii) Maturity: monthly, quarterly or half-yearly payments of interest only with a single repayment of principal at the end of the term.

The first payment on a variable rate loan will be due one, three or six months from the date of advance, according to the choice of interest payment period for the loan.

When an interest payment date falls on a non-banking day the relevant payment will be made on the next banking day.

Duration of loans

16. An authority may choose the repayment period for loans within the following limits:

		Minimum period years	Maximum period years
Fixed rate loans	- Maturity	1	60
	- Annuity or EIP	2	60
Variable rate loans	- Maturity	1	10
	- EIP	2	10

A maturity loan for one year will be repayable in one calendar year from the date of the advance. For a period of more than one year and up to the appropriate maximum shown above the borrower may choose the maturity date.

A loan repayable by the annuity or the EIP method may be for any period between the appropriate minimum and maximum shown above subject to there being at least 4 half-yearly payments in respect of a fixed rate loan and 24 monthly, 8 quarterly or 4 half-yearly payments in respect of a variable rate loan. The Board is prepared to make loans repayable in periods other than a whole number of years e.g. 10½ years for fixed rate loans, 5¼ years for 3 months variable rate loans, etc.

If a non-quota A loan is authorised the authority will usually be allowed to choose the repayment period, but the Commissioners reserve the right to fix the period themselves if they think fit.

Fees

17. Under the Public Works Loans (Fees) Regulations 1991 as amended, the fees payable by local authorities in respect of advances from the Commissioners currently are:

Fixed rate loans - 35p for every £1,000 or part of £1,000
Variable rate loans - 45p for every £1,000 or part of £1,000

The minimum fee payable is £25.

The fee payable on the exercise of an option to repay a fixed rate loan and replace it by a loan on variable rate terms is £70 for each replacement loan. Currently, the fee payable on the exercise of an option to repay a variable rate loan and replace it by a loan on fixed rate terms is £25 for each replacement loan, but, in view of the changes to the administrative arrangements, the Treasury has determined that this will increase to £70 with effect from 16 April 1997.

Advance of loans

18. If an authority wishes an advance to be made on a specific date this should be clearly stated when making the telephone application, otherwise the loan will be advanced in accordance with the timetable set out in section 10(a).

The amount of the advance, after deduction of the Board's fee, will normally be transferred directly to each borrower's bank account by automated direct credit transfer (CHAPS). When the amount is less than £1,000, or in the unlikely event of failure of the electronic transfer system, money will be transmitted directly by bank giro credit transfer. If an authority does not wish to continue with its agreement to the making of net advances, it will be necessary, having informed the Board, to pay the requisite fee before an advance is made; this may lead to a slight delay in making an advance.

Advances to refinance loans with small balances

19. The Commissioners will continue to make generally available throughout the financial year 1997-98 (see section 2(e)) sums in addition to the quota entitlement for the refinancing of loans taken from the Board and having a balance outstanding of not more than £50,000.

The normal rules for loans in addition to the quota and for premature repayments will apply. The agreement for the advance and for the premature repayment must be made at the same time: the new loan will be made available at the 'Lower' or 'Higher' rates under the terms of section 2(b) above as if it formed part of the quota and the discount rate for the repayment will be the appropriate rate of interest in the 'Lower' or 'Higher' set of rates according to which of these is applicable to the new loan.

- (a) Authorities wishing to take advantage of this arrangement should telephone the Board on 0171-270 3872 in accordance with the following timetable to agree the terms for both the new advance and the repayment:

Agreement terms	Refinancing day
Friday pm/Monday am	Wednesday
Monday pm/Tuesday am	Thursday
Tuesday pm/Wednesday am	Friday
Wednesday pm/Thursday am	Monday
Thursday pm/Friday am	Tuesday

The authority will be required to state the total amount of principal to be repaid and to provide the following information for each loan being re-financed:

interest payment dates
the loan number

The new loan(s) must be for an amount equal to the total of principal repaid, rounded down to the nearest whole number of pounds. For each new loan the following information will be required:

sum required
method of repayment
repayment period
type of loan (fixed or variable rate)
interest payment dates or interest payment period
maturity date (if applicable)

The sort code and account number of the authority's bank will also be required.

- (b) The terms of the new loan and the repayment will be agreed and, on acceptance, will be deemed a binding commitment to refinance on those terms on the day indicated.
- (c) Within approximately 24 hours of the agreement being made the Board will telephone the authority to notify the total amount required to redeem the loans to be refinanced, including accrued interest from the last interest payment date and taking account of the discount or premium. The authority must then arrange with its bankers for this amount to be credited, on the agreed date for refinancing, to the 'Public Works Loans Account' (Account No. 25360000) at the Bank of England (Sort Code 10-00-00). Moneys in respect of the new advance will be transferred directly to the borrower's bank account by automated direct credit transfer (CHAPS). The sum transmitted will represent the amount of the loan(s) less the appropriate fee payable to the Board.

To assist local authorities the Board will provide, on request, lists of loans which may be refinanced under this scheme, estimates of premiums or discounts and any other information which might reasonably be required.

Payments and repayments

20. Payments of interest and, where appropriate, repayments of principal due in respect of loans will be invoiced prior to each interest payment date. Separate notifications will be dispatched in respect of fixed rate loans and variable rate loans.

An authority which has opted to make payments by direct debit should ensure that the bank account concerned has, on the relevant interest payment date, sufficient funds to meet the direct debit. When that date falls on a Saturday, Sunday or other non-banking day, the payment will be collected by direct debit on the next banking day. If, for any reason, a payment cannot be processed by direct debit at the due date (eg the first payment in a new loan taken up within the month prior to the due date or the premature repayment of a loan), the Notice of Loan Repayments will be marked to this effect and will also include instructions to make the payment by one of the alternative methods listed on the reverse of the Notice.

An authority paying otherwise than by direct debit must ensure that all payments are made in sufficient time to clear to the Commissioners' account at the Bank of England by the due date. When the relevant interest payment date falls on a Saturday, Sunday or other non-banking day the payment must be credited to the Commissioners' account on or before the next banking day.

Late payments

21. It should be noted that interest will be charged on late payments as follows:

- (a) On fixed rate loans advanced before 1 March 1985 interest will be charged on the principal element of the late payment from the relevant interest payment date to the date on which the Commissioners' account is credited. The rate of interest will be the same as that charged on the loan.
- (b) On fixed rate loans advanced on or after 1 March 1985 interest will be charged on the whole of a late payment (ie both principal and interest). Interest will be charged from the relevant interest payment date, at the appropriate 'Lower' quota rate or non-quota rate in force on that date for loans repayable at maturity after one year, up to the date on which the Commissioners' account is credited. If, after 1997-98, the structure of the Board's interest rates is different from that applicable since 1 April 1994, the rate to be used for the purposes of this subsection will be such of the Board's rates then applicable as may have been determined by the Commissioners for this purpose and announced in a circular current at the time.
- (c) On all variable rate loans interest will be charged on the whole of a late payment from the relevant interest payment date to the date the Commissioners' account is credited and will be at the Libor or the market rate for eligible bank bills, as appropriate, in force at 11.00 am on the relevant interest payment date plus the margin applicable to the loan on which the payment is being made.

Premature repayment of loans

22. The Commissioners may, if they think fit, accept repayment of a loan, either in whole or in part, in advance of the date on which it is due to be made. Notification of a premature repayment should be made by telephone on 0171-270 3871 in accordance with the timetable at subsection (e) below. Repayment of a loan may be accepted on any banking day.

- (a) It should be noted that the Commissioners do not normally accept premature repayments in respect of:
 - (i) loans which have been in existence for less than one year, and
 - (ii) fixed rate loans which have an unexpired period of less than one year.
- (b) If the Commissioners agree to accept a premature repayment the total amount payable in order to redeem the debt will be the present value of the remaining payments of principal and interest due to the Commissioners in respect of the loan being paid prematurely, calculated on normal actuarial principles; the present value will be calculated at the discount rate as defined in subsection (c). The result of the calculation will be a repayment sum representing a discount or premium on the outstanding principal according to whether the discount rate is higher or lower than the loan rate.

- (c) When a loan is prematurely repaid without replacement the discount rate for any fixed rate loan will be the rate of interest in the 'Lower' set of quota rates in force at the time the repayment is confirmed (see subsection (e)), for a loan for a period equal to the remaining term of, and repayable by the same method as, the loan being repaid prematurely; the discount rate for a variable rate loan will be the rate of interest in the 'Lower' set of quota rates applicable to new variable rate loans having the same interest payment period as the loan being repaid prematurely. When a loan is prematurely repaid at the exercise of an option to replace a loan (see section 14) the discount rate for both fixed and variable rate loans will be the appropriate rate of interest, as indicated above, in the 'Lower' or 'Higher' set of rates according to which of these is applicable to the replacement loan. If at the time of premature repayment or replacement the structure of the Board's interest rates is different from that applicable since 1 April 1994, the discount rate will be such of the Board's rates then applicable as may have been determined by the Commissioners for this purpose and announced in a circular current at the time.
- (d) When notifying the Board the authority will be required to state the total amount of principal to be repaid and to provide the following information for each loan:
- (i) the interest payment dates, indicating whether the loan, if on fixed rate terms, is repayable by yearly or half-yearly payments or whether interest on the loan, if on variable rate terms, is repayable at one, three or six monthly intervals as appropriate
 - (ii) the loan number
 - (iii) the amount to be repaid, if less than the balance outstanding
 - (iv) confirmation that the loan is not in one of the categories in subsection (a).
- (e) The Board should be telephoned in accordance with the following timetable to agree the terms for the repayments:

Agreement of terms

Friday pm/Monday am
Monday pm/Tuesday am
Tuesday pm/Wednesday am
Wednesday pm/Thursday am
Thursday pm/Friday am

Repayment of loan

Wednesday
Thursday
Friday
Monday
Tuesday

The terms for the repayment, including the set of interest rates to be used to determine the discount rate applicable, will be agreed and, on acceptance, will be deemed a binding commitment to repay on those terms and on the day indicated.

- (f) Within approximately 24 hours of the agreement being made in the case of fixed rate loans and as soon as practicable after 11.00am on the date of repayment in the case of variable rate loans, the Board will telephone the authority to notify the total amount required to make the premature repayment, including, when appropriate, accrued interest from the last interest payment date and taking account of the discount or premium.

The authority must then arrange with its bankers for this amount to be credited on the agreed date for repayment to the 'Public Works Loans Account' (Account No. 25360000) at the Bank of England (Sort Code 10-00-00).

- (g) On any question in connection with the premature repayment of a loan the decision of the Commissioners shall be final.

General

23. Enquiries relating to this circular should be addressed to:

The Secretary

Public Works Loan Board
National Investment and Loans Office
1 King Charles Street
LONDON SW1A 2AP

Telephone enquiries should be made as follows:

0171-270 3873 for loan applications, replacement of variable rate loans, general enquiries;
0171-270 3870 for loan repayments, direct debit enquiries, replacement of fixed rate loans;
0171-270 3871 for premature repayments;
0171-270 3872 for advances to refinance loans with small balances;
0171-270 3860 Fax.

This circular supersedes all those issued previously by the Board.

I H PEATTIE
Secretary

This version has been superseded