



PUBLIC WORKS LOAN BOARD

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**To the Chief Financial Officer
of local authorities in
England, Wales and Scotland**

CIRCULAR NO. 125

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REFINANCING OF FIXED RATE LOANS

The Commissioners have decided, with immediate effect, to add to the facility whereby local authorities are able to refinance loans. The existing arrangements are set out in section 20 of the Board's Circular No 124, dated 30 March 2001. The facility is now expanded to allow a fixed rate loan to be replaced by another fixed rate loan without regard to the balance outstanding on the existing loan. This will provide greater flexibility to local authorities wishing to restructure their loan portfolios. It will also largely put an end to the need to seek additional quota for the purpose of restructuring a portfolio of loans from the Board.

The facility is available to all borrowers but in the case of parish, town and community councils and drainage boards the scope to restructure a loan will be limited by the maximum remaining loan period specified in the original borrowing consent.

The terms of the new facility are as follows:

The Commissioners will make available sums in addition to the quota entitlement for the replacement of a fixed rate loan, or part thereof, by another fixed rate loan.

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, as appropriate, under the terms of section 2(b) of Circular No 124, 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 whichever of these is applicable to the new loan.

Authorities wishing to take advantage of this facility should telephone the Board (see below) in accordance with the usual timetable for business, set out in Appendix B of the Circular No. 124, to agree the terms for the new advance and the repayment.

The authority will be required to state its borrower number, its current method of making scheduled repayments, the total amount of principal to be repaid and to provide the following information for each loan being re-financed:

- loan number
- interest repayment dates
- frequency of repayments (annually or Half Yearly)

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
- interest payment dates
- maturity date (if applicable)
- the sort code and account number of the authority's bank

The following information will also be required unless they have been submitted previously and remain unchanged:

- estimated credit approvals or capital consent allocations to be used in the current financial year.
for authorities in Scotland, estimated scheduled debt amortisation
- total amount of unapplied PCL or capital receipts as at 31 March 2001

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.

Within approximately 24 hours of the agreement being made the Board will telephone the authority to notify the total amount required to redeem the loan 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 for this amount to be credited on the agreed date 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 to the borrower's bank account by CHAPS. The sum transmitted will represent the amount of the loan less the appropriate fee payable to the Board.

To assist local authorities the Board will provide, on request, estimates of premiums or discounts and any other information which might reasonably be required.

Enquiries

Telephone enquiries, including loan applications, should be made to any of the following direct-dial numbers: (020) 7270- 3859, 3870, 3871, 3872, 3873 or 6560.

The fax number is (020) 7270 3860.

General enquiries only, not loan applications, may be made by e-mail to pwlb@nilo.gov.uk.

I H Peattie
Secretary to the Board