



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

Circular 129

4 February 2003

**CHANGES TO THE FREQUENCY OF REVIEW AND STRUCTURE OF PUBLIC
WORKS LOAN BOARD'S LENDING RATES**

I would like to draw your attention to the introduction of some changes affecting the Public Works Loan Board's interest rates for fixed rate loans.

The interest rates at which the PWLB may lend are governed by the National Loans Act 1968 and are presently reviewed weekly by HM Treasury. The current rates are published on the Board's website for the start of business every Tuesday. In addition, to ensure that loans are not made at a loss to the National Loans Fund, HM Treasury may also authorise out of sequence rate changes at any time.

With effect from 3 March 2003 PWLB interest rates will be reset on a daily basis with the current rates published on the Board's website at the start of every business day. HM Treasury will retain the power to make intra day adjustments but the occasions when this will need to be exercised are expected to be very few.

The opportunity has also been taken, for fixed rate loans, to quote the rates in decimals, which is consistent with market practice. I attach an example of how the rates will be displayed on our website www.pwlb.gov.uk from 4 March. These rates are purely indicative.

Please do not hesitate to contact any of my staff on 020 7862 6610 if you require any further information.

HAMISH WATSON
Secretary to the PWLB



*** Please note that the purpose of this print is to show the format of Interest Rate Notices on or after 4 March 2003 and is not intended to reflect actual PWLB interest rates ***

INTEREST RATE NOTICE NO. 999/03

99 xxxxxxxx 2003

FIXED RATE LOANS - The rates of interest listed below will apply to all fixed rate quota loans agreed on or after 99 xxxxxxxx 2003. Changes from the rates previously in force are shown in brackets.

'Lower' Quota Rates		EIP		ANN		MAT
1	year	-		-		3.70
1 1/2	years	3.75		3.75		3.85
2	years	3.75	(-0.05)	3.75	(-0.10)	3.85
2 1/2	years	3.85		3.85		4.00
3	years	3.85		3.85		4.00
3 1/2	years	3.85		3.85		4.00
4	years	3.85	(-0.10)	3.85	(-0.10)	4.10
4 1/2	years	4.00		4.00		4.00
5	years	4.00		4.00		4.20
Over 5 but not over 6	years	4.00		4.00	(-0.10)	4.25
Over 6 but not over 7	years	4.00		4.10		4.35
Over 7 but not over 8	years	4.00		4.10		4.35
Over 8 but not over 9	years	4.05	(-0.10)	4.25		4.35
Over 9 but not over 10	years	4.25		4.25		4.35 (-0.10)
Over 10 but not over 15	years	4.30		4.35		4.50
Over 15 but not over 20	years	4.35	(-0.15)	4.50		4.50
Over 20 but not over 25	years	4.50		4.50		4.55

'Higher' Quota Rates		EIP		ANN		MAT
1	year	-		-		3.80
1 1/2	years	3.85		3.85		3.85
2	years	3.85		3.85		4.00
2 1/2	years	3.85		3.85		4.00
3	years	3.85	(-0.10)	3.85	(-0.10)	4.10
3 1/2	years	4.00		4.00		4.00
4	years	4.00		4.00		4.00 (-0.10)
4 1/2	years	4.00		4.00		4.20
5	years	4.00	(-0.10)	4.00	(-0.10)	4.25
Over 5 but not over 6	years	4.00		4.10		4.35
Over 6 but not over 7	years	4.00		4.10		4.35 (-0.10)
Over 7 but not over 8	years	4.25		4.25		4.50
Over 8 but not over 9	years	4.25		4.25		4.50 (-0.10)
Over 9 but not over 10	years	4.25	(-0.10)	4.35		4.60
Over 10 but not over 15	years	4.45		4.50		4.60 (-0.10)
Over 15 but not over 20	years	4.60		4.60		4.60 (-0.10)
Over 20 but not over 25	years	4.60		4.60	(-0.10)	4.65 (-0.10)

VARIABLE RATE LOANS - The rate of interest on variable rate quota loans is the cost of government borrowing both 'Lower' and 'Higher' variable quota loans.

NON-QUOTA LOANS - Loans made under the non-quota A and non-quota B arrangements will bear interest at 1% and 2% respectively above the corresponding 'Lower' quota rates.

Rates on loans outside the quota under residual contractual obligations made for periods in excess of 25 years will be:-

	EIP	ANN	MAT
'Lower' Rates	4.50	4.50	4.50
'Higher' Rates	4.60 (-0.10)	4.60 (-0.10)	4.65 (-0.15)