



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

Circular No. 130

13 February 2003

Arrangements for 2003-2004

Quotas

1. The Public Works Loan Commissioners have decided that the formula for quotas for 2003-2004 will be the same as for 2002-2003. The principle underlying the quota formula will remain that of encouraging local authorities to apply their set-aside provisions to meet credit liabilities, in line with Government intentions.
2. The quota entitlement for each authority will therefore be:
 - (i) for authorities in England and Wales, the sum of:
 - Basic and Supplementary Credit Approvals used in 2003-2004 and
 - Repayments of principal due in 2003-2004 on loans from the Board;
 - (ii) for authorities in Scotland, the sum of:
 - Capital Consent Allocations used in 2003-2004 and
 - Repayments of principal due in 2003-2004 on loans from the Board less
 - Scheduled debt amortisation.
3. An authority's quota will be reduced to the extent of unadjusted overdrawn in a previous year.
4. Quota loans will continue to be made available at either 'Lower' or 'Higher' rates depending, in England and Wales, on the level of an authority's unapplied provision for credit liabilities or, in Scotland, the amount of an authority's unapplied capital receipts.
5. The Commissioners will remain prepared to consider making loans in addition to the quota entitlement in appropriate circumstances, to support the Government's policy that local authorities' requirements for borrowing should mostly be met by the Board and to assist the management of an authority's debt portfolio. Circumstances in which such loans have previously been granted have been to replace short-term borrowings and refinance maturing market debt.

Lending arrangements in 2003-2004

6. The Board will, as in previous years, issue a separate circular detailing in full its lending arrangements for the new financial year. The forthcoming circular for 2003-2004 will include the following changes from lending arrangements in 2002-03. These changes will take effect from 1 April 2003.

- The interval between successive exercising of an option to convert a fixed rate loan to a variable rate loan, or vice versa, will be reduced from two years to one year.
- The facility for refinancing fixed-rate loans with balances of under £100,000 will be withdrawn as it has been superseded by the expanded refinancing facility introduced in 2001 (see Circular 125 of 6 December 2001).

Changes to bank accounts: PWLB and DMADF

7. From time to time borrowers change the bank account to which payments are made. The Board needs to be advised of, and to be able to verify, these changes in good time.

8. When an authority has changed such an account, the Board will require written notice at least five working days before the authority next applies for an advance. Notice should be on the authority's headed paper and signed by two of at least three signatories previously notified to the Board. Where details of a council's officers have already been submitted to the Board as authorised for the purpose of dealing with the Board and with the DMO's Debt Management Account Deposit Facility (DMADF), it will be assumed that these members of staff will be eligible signatories for both PWLB and DMADF bank accounts unless the Chief Financial Officer informs the Board otherwise.

9. A Chief Financial Officer wishing to amend the authority's list of approved staff, for purposes of dealings with the Board or the DMADF or both, should do so on the form, code LASIGNATORIES, which may be downloaded from the Board's website. Copies by post are available on request.

10. ***From 1 April 2003 the Board will be unable to advance loans to a bank account that has not been previously properly notified.***

Anti-Money Laundering

11. The Lending Arrangements circular will remind borrowers of their legal obligations, including those relating to anti-money laundering.

Daily interest rates

12. The Board's recent Circular, number 129 of 4 February 2003, introduced changes to the frequency of review and to the structure of the Board's interest rates.

Enquiries

13. Enquiries on this circular and the Board's lending arrangements generally may be made by:

- telephone to (020) 7862 6610
- fax to (020) 7862 6509
- e-mail to pwlb@dmo.gov.uk.

Loan applications may be made by telephone only.

Hamish Watson
Secretary