

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

Circular No. 143

22 March 2010

PWLB FIXED RATES

DMO/PWLB was grateful for the responses to the consultation letter issued on 28 September 2009, the period for which closed on 8 January 2010. Over fifty responses were received, which have been carefully considered. This circular deals with the representations received and announces next steps.

Issue

September's letter invited comments on the possibility of PWLB adopting scheduled intra-daily changes to fixed rates. The suggestion was that rates could be set at start of business and again at 11 a.m., 1 p.m. and 3 p.m. The letter anticipated that, depending on the changes that might be adopted, the differential between loan rates and pre-payment rates would reduce considerably particularly for longer maturities.

Responses

Respondents accepted the need for a separate set of rates to apply to new loans versus early repayments, but questioned the size of the spread between the two sets particularly at the long end of the curve. Respondents welcomed the prospect of a reduction in the differential between the sets of rates that would be likely to be achieved by intra-daily re-sets, but some were concerned at the impact that frequent re-sets could place on local authorities' decision-making processes. Some respondents suggested a compromise entailing fewer scheduled intra-daily re-sets. In addition, clarification was sought about PWLB's operational capacity to manage high volumes of business, especially late in the day.

Next steps

From Monday 26 April 2010 there will be two regular intra-daily re-sets of rates, to be published at 9.30 a.m. and 12.30 p.m. Although the new arrangements will be expected to reduce the need for additional, unscheduled intra-daily rate changes, DMO/PWLB will continue to reserve the right to make such changes as necessary.

DMO/PWLB plans to increase the number of regular intra-daily re-sets to three times a day. A further announcement on this will be made in due course.

**Mark Frankel
Secretary**