

To the Chief Financial Officer
local housing authorities in England

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21 November 2011

Circular 150

Housing Self-Financing Transaction: Interest Rates

1. On 21 September the Board published *Housing Self-financing borrowing: questions and answers*¹ to supplement HM Treasury's announcement about the reduction in PWLB interest rates for borrowing for housing self-financing². It is today announced that the special, reduced rates, for both fixed and variable rate loans, will be available for applications received on Monday 26th March 2012 only.

2. HM Treasury's decision reflects the need for fiscal certainty around a significant one-off transaction and, given ongoing uncertainty in the global financial markets, reduces the risks associated with local authorities holding large sums in advance of the transaction. It also takes into account local authorities' expressed preference for the timing of borrowing. The lower rate allows councils to finance the one-off payments to leave the existing housing system and will save local authorities up to £100 million per year that can be reinvested in housing.

3. The Board's rates for PWLB fixed rate loans are usually set twice a day (published at 09:30 and 12:30). However, in order to minimise the operational impact on 26 March there will be no scheduled re-determination of self-financing rates at 12:30; instead the rates set at 09:30 will apply throughout the day. However, in line with the usual practice, the DMO reserves the right to make unscheduled intra-daily re-determinations of rates as may be deemed necessary. PWLB's fixed rates for loans not related to self-financing will continue to be subject to an intra-day rate change in the usual way.

4. General information on the Board's role in housing self-financing is available on the Board's webpage www.dmo.gov.uk/selffinancing, which will be updated as appropriate in due course. Enquiries on this circular may be made by telephone (0845 357 6610) or by e-mail (pwlb@dmo.gsi.gov.uk).

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Secretary, Public Works Loan Board

¹ http://www.dmo.gov.uk/index.aspx?page=PWLB/PWLB_Whats_New

² http://www.hm-treasury.gov.uk/press_106_11.htm

