



United Kingdom Debt Management Office

PWLB lending facility

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FREQUENTLY ASKED QUESTIONS

1. Terms of Lending

Applications are made between 9:30am and 4:15pm by email only using the PWLB application forms. HM Treasury's lending arrangements apply to English, Welsh and Scottish authorities only and are set out in the latest **Lending Arrangements (Circular)**. This includes details of the types of loans offered and the fees applicable. The UK Debt Management Office (DMO) on behalf of HM Treasury are responsible for the loan application process and the collection of repayments. The application process for the different authority types are detailed below.

2. Loan Application Process (New Borrowers)

Different arrangements are in place dependent on the type of authority that wishes to lend from the PWLB lending facility.

Major authorities (i.e. borough, district, county councils and combined authorities)

If the authority has never borrowed from the PWLB lending facility or has not borrowed for some time (i.e. greater than five years) then you will need to complete an application form. The form can be obtained from the DMO. Please email pwlb@dmo.gov.uk for more details. Once complete, this form should be sent by email to pwlb@dmo.gov.uk please ensure any supporting documentation requested is provided. The DMO will confirm once all checks are complete, at which time the authority is free to arrange new borrowing.

Minor authorities (i.e. parish and town councils, community councils and drainage boards)

Applicants will need a borrowing approval from the Ministry of Housing, Communities and Local Government (MHCLG) – formerly DCLG, for which they should approach their County Association of Local Councils or, in the case of Welsh councils, the Welsh Government (drainage boards receive borrowing consent from the Department for Environment, Food and Rural Affairs (Defra)).

Once approval is obtained the following documentation should be sent to the DMO via email to pwlb@dmo.gov.uk:

- LC1 or DB1 application form
- Scanned copy of a blank cancelled cheque or an original bank statement

Loan advances can be arranged in tranches (up to the amount authorised by the borrowing approval letter). All loans will be treated as separate transactions.

More details regarding the application process (including guidance notes LC2 and DB2) can be obtained from the DMO website via the following link:

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/parish-councils-and-drainage-boards/>

Applications should be sent to the DMO at least two weeks prior to the intended advance date. The DMO will advise via email once all checks are completed and will provide the authority with the PWLB electronic template to arrange the terms of the loan (please bear in mind that your borrowing approval is only valid for one year from the date of issue). Once the terms are agreed the funds (minus the applicable fee) will be advanced to the authority five working days later.

3. Loan Application Process (Existing Borrowers)

Major authorities (e.g. borough, district, county councils and combined authorities)

Existing borrowers are required to complete the **PWLB electronic template** and send via email to pwlb@dmo.gov.uk between 9.30am to 4.15pm on any working day. The DMO will only complete an application with a dealer previously authorised by the authority. More details regarding the application process can be obtained from the current **Lending Arrangements (Circular)**. Once completed the funds will normally be advanced to the authority (minus the applicable fee) five working days later.

Minor authorities (e.g. parish and town councils, community councils and drainage boards)

Each application is treated as a new application, as such; the process and documents listed under new borrowers will be required.

4. Amending Authorisation Details

Major authorities (e.g. borough, district, county councils and combined authorities)

The **Local Authority Authorisation Form** must be completed in order to amend the following details:

- Address
- Bank details for advances
- Authorised dealers (i.e. those persons nominated to arrange loan advances)
- Authorised signatories

Please note the following conditions which must be met:

- The form must be printed on the authorities headed notepaper and be signed by two authorised signatories (one must be your current section 151 officer or equivalent)
- If your section 151 officer has changed since your last submission then verification of their appointment is required by two other authorised signatories (details are provided on the last page of the form)
- A complete list should be provided of those authorised to transact with the PWLB lending facility (e.g. arrange loan advances) and those authorised to confirm changes to standing instructions
- Supporting documentation is required if the authority is changing their bank account for loan advances (e.g. blank cancelled cheque, original bank statement or letter from the bank)

The completed form should be sent via email to pwlb@dmo.gov.uk. Please note that digital and wet signatures will be accepted for the authorisations, any incomplete information may delay your borrowing requirements.

Please complete a **Direct Debit** mandate if you wish to change the bank account where repayments will be taken from. We accept scanned copies of this instruction which should be sent via email to pwlb@dmo.gov.uk

All other details (i.e. change of contact details for repayment notices) can also be advised by email.

Minor authorities (e.g. parish and town councils, community councils and drainage boards)

Please complete a **Direct Debit** mandate if you wish to change the bank account where repayments will be taken from.

All other details (i.e. change of contact details for repayment notices) can be advised by email to pwlb@dmo.gov.uk

As each application is treated as a separate transaction authorisation is confirmed as part of the application process.

5. Minimum Lending Amount

There is no minimum lending amount for loans although loans will only be advanced for whole pounds.

6. Types of Loan

Two types of loan according to interest rate are available from the PWLB lending facility:

- Fixed rate loans, on which the rate of interest is fixed for the life of the loan and interest is payable at half-yearly intervals;
- Variable rate loans, on which the rate of interest is variable at one, three or six monthly intervals. The interval is at the choice of the borrower but once chosen remains the same for the life of the loan.

Type of loans by method of repayment or amortisation

Fixed rate loans are repayable by one of three methods:

- **Annuity or Equal Repayments (ER):** fixed half-yearly payments to include principal and interest; or
- **Equal Instalments of Principal (EIP):** equal half-yearly instalments of principal together with interest on the balance outstanding at the time; or
- **Maturity:** half-yearly payments of interest only with a single repayment of principal at the end of the term.

Repayments are at half-yearly intervals, with an initial broken period as necessary. The first repayment date must be not more than six months from the date of advance.

Variable rate loans are repayable by one of two methods:

- **EIP:** equal monthly, quarterly or half-yearly instalments of principal together with interest on the balance outstanding at the time; or
- **Maturity:** monthly, quarterly or half-yearly payments of interest only with a single repayment of principal at the end of the term.

		<i>Minimum period (years)</i>	<i>Maximum period (years)</i>
<i>Fixed rate loans</i>	Maturity	1	50
	Annuity or EIP	2	50
<i>Variable rate loans</i>	Maturity	1	10
	EIP	2	10

Repayments are at one, three or six monthly intervals from the date of advance, at the borrower's choice.

7. Advance Notice of Borrowing

No advance notice is required although we do ask that you inform us in advance if you intend to borrow greater than £50m in any one day. This allows us to ensure that your intended borrowing does not disrupt our normal Cash Management operations.

8. Estimated Repayment Costs

The DMO provides an online report which displays the estimated repayment costs for fixed rate loans repayable by the Annuity or EIP (equal instalments of principal) repayment methods based on the interest rates in force.

The report can be accessed via the following link:

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/current-interest-rates/estimated-repayment-costs/>

9. Interest Rates

PWLB interest rates are determined by HM Treasury in accordance with section 5 of the National Loans Act 1968. In practice, rates are set by the DMO on HM Treasury's behalf in accordance with agreed procedures and methodologies which are described in a DMO **Technical Note**.

Fixed interest rates are set twice daily by 9:30am and 12:30pm with a separate rate calculated in 6 monthly bands for periods up to 50 years. Once a loan has been agreed, the rate of interest is fixed for the duration of the loan. Payments are at regular half-yearly intervals (e.g. 1 April and 1 October) but the borrower may choose the half-yearly days so long as the first date is no later than six months from the date of advance. Scheduled interest payments are calculated by applying half of the annual interest rate to the balance of the loan outstanding at the start of the half-year. If the date a loan is issued does not fall on one of the half-yearly days, the borrower pays an amount for the broken period from the date the loan is issued to the date of the first half-yearly payment.

Variable interest rates are set daily with separate rates for 1, 3 and 6 monthly roll-over periods, which are applicable to both EIP and Maturity loans. Borrowers choose the roll-over period of the loan at the time it is agreed. Interest payments are calculated by reference to the balance outstanding since the last loan payment and the number of days in the roll-over period. Variable rate loans can be advanced for a maximum period of 10 years.

Current and historical interest rates can be accessed from the DMO website via the following links:

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/current-interest-rates/>

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/historical-interest-rates/>

10. PWLB Concessionary Rates

Concessionary rates are available for Major authorities only. Access to these rates is arranged with the Local Government Reform team (part of HM Treasury).

For queries regarding PWLB concessionary rates please use the following email address:

pwlbcertaintyrate@communities.gov.uk

11. Fees

Under the Public Works Loans (Fees) Regulations 1991, as amended, the fees payable by councils in respect of advances from PWLB are:

Fixed rate loans	35p for every £1,000 or part of £1,000
Variable rate loans	45p for every £1,000 or part of £1,000

The minimum fee payable is £25.

12. Advance of Loans

A loan, when authorised, will be transmitted electronically to the council's receiving bank account. The sum to be transmitted will be the amount of the loan minus the fee. Interest will be charged from the date of advance.

13. Scheduled Repayment of Loans

Scheduled repayments can be paid by the following methods:

- Direct debit (preferred)
- CHAPS
- Direct Credit
- Internet or telephone banking
- In branch local banking

Repayments made directly to the DMO by cheque (or otherwise) will not be accepted.

When making your payment please quote the following account details:

Sort Code **60-70-80**

Account No. **10013288**

Account Name **PUBLIC WORKS LOAN**

A council should ensure that its paying bank account has, on a scheduled repayment day, sufficient funds for the due amount. Repayment notices are issued via email approximately 28 calendar days prior to each loan repayment. When a repayment date falls on a non-working day, the relevant payment will be made on the next working day. Payment notices are not invoices and scheduled repayments are due under the terms of the loan agreement irrespective.

Further information on payment by direct debit is available from the DMO website via the following link:

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/paying-by-direct-debit/>

HM Treasury reserves the right to charge interest on late payments, details of the terms applied are available in the current Operational Circular, the same terms apply to delayed premature repayments.

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements/>.

14. Repayment Schedules

Repayment schedules are automatically generated and emailed to authorities 28 calendar days prior to each repayment. Please ensure that we have a current email contact on file. To request a duplicate statement or amend your email address, please send your request to pwlb@dmogovuk.gov.uk.

15. Outstanding Loan Balance

Annually, an audit statement will be automatically sent to each authority detailing the principal balance outstanding for your loan portfolio as at 31 March.

Audit statements or loan portfolio reports can be accessed at any time by emailing your request to pwlb@dmogovuk.gov.uk

16. Premature (early) Repayments

Authorities should not borrow for longer than necessary. Repayment amounts are calculated on the assumption that the loan will run to maturity and normally a loan is repayable only by the regular payments due under the agreed terms. The DMO on behalf of HM Treasury cannot renegotiate a loan and, while it will usually accept a premature repayment in whole or in part, in all instances the terms will not favour the borrower over the National Loans Fund. Breakage costs are charged equivalent to the net present value of the outstanding amount of the loan, in line with standard actuarial practice. This means a premium will be payable when the interest rate on the loan to be repaid is higher than the current 'premature repayment' rate for a loan repayable by the same method as, and over the same period as that remaining on, the loan which it is proposed to repay. When the interest rate on the loan to be repaid is lower than the equivalent 'premature repayment' rate, a discount will be allowed. Please note that early repayments will not be accepted for loans that have been in existence for less than one year or fixed rate loans that have less than one year to maturity. Further details regarding the calculations used for premature repayments of loans (Technical Note) as well as worked examples can be accessed via the following link on the DMO website:

<https://www.dmo.gov.uk/responsibilities/local-authority-lending/technical-notes/>

17. Refinancing

The DMO on behalf of HM Treasury will allow an authority to replace a fixed rate loan with another fixed rate loan, (minor authorities will be subject to gaining a borrowing approval letter for the new borrowing). Similarly, borrowers are permitted to replace a fixed rate loan with a variable rate loan or *vice versa*. However, in all cases the terms for accepting early repayment will apply, so that, again, **the terms will not favour the borrower** over the National Loans Fund. Accordingly, the cost of paying off a high-rated loan will tend to offset the financial advantage of a lower rate on the replacement loan, which loan will be subject to the fee for a new advance.

18. Premature (early) Repayments: Procedure

The DMO on behalf of HM Treasury has discretion to accept a premature repayment:

- in whole, which means 'paying off', or redeeming, the loan in full; or
- in part ('paying down'), which reduces the debt while leaving an outstanding amount of principal remaining to be serviced.

Repayment in full ('paying off')

For reasons of timing, remittances for paying off a loan will normally be accepted only by bank transfer. Should a council wish to pay off a loan, an authorised dealer (in the case of a minor authority this may be the clerk or the responsible finance officer) would need to email the team to make a formal agreement to repay. The PWLB lending facility follows a timetable of two working days. Accordingly, the agreement would need to be made two working days before the intended settlement date. (Please note that early repayments will not be accepted for loans that have been in existence for less than one year or fixed rate loans that have less than one year to maturity). On making the agreement the DMO will confirm the settlement costs. This will entail calculating a premium/discount on the outstanding balance of principal according to the appropriate rate in the 'premature repayment' set of rates prevailing at the time of the agreement. Interest accruing from the previous scheduled repayment date will be included in the settlement sum as necessary. Once the DMO has quoted the amount required to pay off the debt, the council should arrange for payment to reach the PWLB lending facility bank account on the agreed date by an automated direct credit transfer:

Sort Code **60-70-80**

Account No. **10013288**

Account Name **PUBLIC WORKS LOAN**

The PWLB lending facility will provide written confirmation of the agreement. All confirmations will be sent via email to an authorised dealer.

Partial repayment ('paying down')

It is open to an authority to make a partial early repayment ('pay down'). The payment will be applied to the outstanding balance net of any premium or discount and accrued interest, and the authority notified once the funds are received of the effect on its outstanding balance of principal and future scheduled repayments. Please note that early repayments will not be accepted for loans that have been in existence for less than one year or fixed rate loans that have less than one year to maturity.

19. Debt transfers

HM Treasury will accept the application if it is for one of the following reasons:

- Local government reorganisation
- Transfer of functions
- Amalgamation of authorities
- Dissolution of an authority (approval is often granted by a statutory instrument)

Authorisation for the transfer will be required from all authorities involved with the DMO on behalf of HM Treasury providing a timetable for completion.

20. Useful contacts

Major Authorities

For queries regarding PWLB policy please contact HM Treasury by email at pwlb@hmtreasury.gov.uk

For concessionary rate queries please contact the Ministry of Housing, Communities and Local Government by email at pwlbcertaintyrate@communities.gov.uk

Minor Authorities

For queries regarding the borrowing approval process in England please contact:

Ministry of Housing, Communities and Local Government

Email parish.borrowing@communities.gov.uk

The Welsh government guidance document and application form can be accessed via the following link:

<https://gov.wales/borrowing-approvals-application-form-community-and-town-councils>