



PUBLIC WORKS LOAN BOARD

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

CIRCULAR NO 122

3 October 2000

CHANGES TO RATE STRUCTURE; FEES FOR CONVERTING LOANS (CORRECTION)

Changes to Rate Structure

HM Treasury has informed the Board of its intention to make a fresh Determination in respect of the rates of interest for variable rate loans, with effect from 3 October 2000. The arrangements for variable rate loans set out in Section 13 of Circular 121 will therefore apply only to variable rate loans agreed before that date.

In respect of variable rate loans agreed after the start of business on 3 October 2000 the following will apply instead:

The rates for variable rate loans will be the cost of Government borrowing, which, for the purpose of such loans, will be defined as the General Collateral repo rate for one, three or six months, as appropriate, as fixed by the British Bankers' Association as shortly before 11 am on the relevant day as practicable, expressed as a yield and rounded to the nearest 1/16% above plus 1/8%.

The rate applicable to a loan in the case of the first interest payment period of the loan will be that in force at 11 am on the day of the advance and, in the case of each subsequent interest payment period of the loan, will be that in force at 11 a.m on the first banking day of the subsequent period. Subject to section 10(c) of Circular No. 121, the formula will be agreed at the time of application and will remain fixed for the life of the loan.

Section 21 (c) of Circular 121 is amended by the addition of the following in respect of variable rate loans agreed after the start of business on 3 October 2000:

On all variable rate loans agreed after the start of business on 3 October 2000, interest will be charged on the whole of a late payment from the relevant due date to the date the Commissioners' account is credited and will be at the appropriate General Collateral repo rate in force at 11 am on the relevant due date.

All references in Circular No. 121 to sections 13 or 21 should be construed as including a reference to the amendments made by this Circular.

FEES/

Fees For Converting Loans

The Board takes this opportunity to correct a printing error in section 17 of Circular 121, which refers to a separate fee of £25 for converting a variable rate loan to a fixed rate loan. The correct fee payable is £70.

Enquiries

Telephone enquiries on this Circular may be addressed to the Board at (020) 7270 3876/3874.

I H PEATTIE
Secretary

This version has been superseded