

www.dmo.gov.uk
www.pwlb.gov.uk

Public Works Loan Board 131st Annual Report

2005–2006



The **Public Works Loan Board** is a non-Ministerial department operating within the United Kingdom **Debt Management Office**

Public Works Loan Board 131st Annual Report

2005-06

Presented to Parliament pursuant to section 5 of the
Public Works Loans Act 1875

London: TSO



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

E-mail customer.services@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68–69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9–21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18–19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

© Crown Copyright 2006. Published with permission of the Public Works Loan Board on behalf of the Controller of Her Majesty's Stationery Office.

Applications for reproduction should be made in writing to The Copyright Unit,
Her Majesty's Stationery Office, St. Clements House, 2–16 Colegate, Norwich NR3 1BQ.

ISBN-13 978 0 11 560121 7

ISBN-10 0 11 560121 X

The Public Works Loan Board is an independent and unpaid statutory body which originated in 1793 and became permanently established in 1817. Since 1946 it has consisted of Commissioners, of whom there are a maximum of twelve at any one time, appointed by the Crown to hold office for four years. Three Commissioners retire each year on 1 April but are eligible for reappointment.

The functions of the Commissioners, derived chiefly from the Public Works Loans Act 1875 and the National Loans Act 1968, are to consider loan applications from local authorities and other prescribed bodies and, where loans are made, to collect the repayments. Nearly all borrowers are local authorities requiring loans for capital purposes. The security for money borrowed by a local authority, together with interest, is charged indifferently on all its revenues; all securities created rank equally without any priority. The Commissioners are legally required before making a loan to satisfy themselves that there is sufficient security for its repayment.

Moneys are provided by Act of Parliament from the National Loans Fund. Rates of interest are determined by HM Treasury. The Board's accounts are audited by the Comptroller and Auditor General, whose reports on them are laid before Parliament.

In July 2002 the Board merged with the United Kingdom Debt Management Office (DMO), an executive agency of HM Treasury, since when the Board has been a unit of the DMO operating from its offices. The Commissioners retain their statutory role but expect and require the Board otherwise to be subject to the same controls as apply to the DMO's operations as a whole. In so far as the Secretary relies on the effectiveness of the DMO's internal control framework, he looks to its Chief Executive, as Accounting Officer, to manage the DMO to the standards expected of all departments or agencies as set out in Government Accounting.

The Commissioners holding office during the year were:

<i>Original appointment began</i>		<i>Current appointment ends</i>
	<i>Chairman</i>	
1996	Mr John PARKES, CBE, DL Treasurer and Pro-Chancellor, University of Hull Director, EMIH Ltd Former Chief Executive, Humberside County Council	2008
	<i>Deputy Chairman</i>	
1997	Mrs Rachel TERRY Associate, Tribal Treasury Services Limited Former Partner, Touche Ross & Company	2007
1997	Mr Brian TANNER CBE, DL Chairman, Taunton & Somerset NHS Trust Former Chief Executive, Somerset County Council	2009
1999	Mr Lawrence NIPPERS, MBE Former Director of Finance and Central Services Newport City Council	2007
2000	Mrs Sarah WOOD Former Director of Economic and Environmental Policy Local Government Association	2008
2001	Miss Mei Sim LAI, OBE Consultant, Pridie Brewster	2009
2001	Mr Gordon EDWARDS Corporate Director for Resources Management Aberdeen City Council	2009
2002	Mrs Philippa FOSTER BACK, OBE Director, Institute of Business Ethics	2006*
2003	Mr Tony CAPLIN Chairman: Ealing Hospital NHS Trust, Coppice Allupack Ltd, Ant Plc, Edengene Ltd; Non-Executive Director: Panmure Gordon plc	2007

Officials of the Board were:

Secretary **Mr Hamish Watson**
Assistant Secretary **Mr Mark Frankel**

Other DMO staff supporting the functions of the Board were:

Manager, Loans Branch **Mr Tony Dinnage**
IT Manager **Mr Chris Saunders**
Loans Officers **Mr Terry Field, Mr Dave Gilbert**

* Reappointed for a period of four years with effect from 1 April 2006.

Annual Report 2005-06

The Public Works Loan Board, pursuant to section 5 of the Public Works Loans Act 1875, makes the following Report for the financial year ended 31 March 2006.

Membership of the Board

By virtue of the Public Works Loans Act 1946 and the Royal Warrants of appointment, the terms of office of Mr Tanner, Miss Lai and Mr Edwards expired on 31 March 2005. By Royal Warrant dated 15 July 2005 the three were reappointed for a further term of four years.

Statutory provisions for loans

The loans advanced by the Board are made from funds provided under section 4(1) of the National Loans Act 1968. Amended by section 130 of the Finance Act 1990, this sets a limit of £55 billion nominal on the total of loans outstanding to the Board at any one time, but also contains a provision to alter the limit further to a sum not exceeding £70 billion nominal.

At 31 March 2006, the balance of principal outstanding from borrowers, together with loans committed but not yet advanced, was £47.1 billion (£47,084,472,132), £5 billion more than last year's figure of £42.1 billion (£42,069,895,905), and the highest end-year sum since March 2001.

Summary of transactions

Advances of £9 billion (£8,951,864,500) were made during 2005-06, significantly up on the previous year's figure of under £6 billion (£5,821,978,825). A statement which shows advances made, amounts of principal repaid and of interest received during the year, and balances outstanding, analysed according to types of borrower in England, Wales and Scotland, appears on pages 6-7 (Table 1). It includes a market valuation of the Board's portfolio, which is equivalent to the redemption value of the portfolio as of 31 March 2006. Appendix A (Table 15) on page 20 gives a historical summary of the Board's lending.

It has been found necessary to revise figures in last year's statement (Table 1 for 2004-05), as follows:

Repayments of principal

Add totals from 1817 to 31 March 2004: 119,941,301,559 (previously given incorrectly as 119,999,306,500)
Total at 31 March 2005: 125,058,577,003 (125,116,581,944)

Interest received

Add totals from 1817 to 31 March 2004: 93,942,786,591 (89,923,875,378)
Total at 31 March 2005: 97,032,091,230 (93,013,180,017)

Table 1: Summary of transactions and balances outstanding

	In the Year 2005–2006		
	Advances £	Repayments of principal £	Interest received £
Loans on local revenues to:			
Local Authorities in England			
County Councils	1,987,356,766	721,371,488	477,178,281
London Borough Councils	1,205,004,955	612,322,223	610,933,295
Metropolitan District Councils (a)	1,947,841,321	802,859,226	730,910,852
Non Metropolitan District Councils	1,676,899,709	763,136,397	400,500,365
Parish and Town Councils	11,737,008	5,592,703	4,490,091
Others	603,398,626	136,741,074	105,507,090
	7,432,238,385	3,042,023,111	2,329,519,974
Local Authorities in Wales			
Principal Councils	400,565,739	250,343,104	206,316,266
Community Councils	310,000	167,135	124,805
Others	12,713,000	3,713,545	2,788,810
	413,588,739	254,223,784	209,229,881
Local Authorities in Scotland			
Principal Councils	1,101,037,376	601,961,656	433,099,948
Others	5,000,000	38,950,641	35,131,500
	1,106,037,376	640,912,297	468,231,448
Total loans on local revenues	8,951,864,500	3,937,159,192	3,006,981,303
Loans on property to Harbour Authorities			
England	0	5,261	6,316
Wales	0	0	0
Scotland	0	123,819	294,437
Total loans on property	0	129,080	300,753
Total loans on local revenues and on property	8,951,864,500	3,937,288,272	3,007,282,056
Add Totals from 1817 to 31 March 2005	167,128,472,908	125,000,572,062	97,032,091,228
Principal remitted or extinguished			
To 31 March 2005		58,004,941(c)	
In the year 2005–2006		0	
Total at 31 March 2006	176,080,337,408	128,995,865,275	100,039,373,284

(a) Includes authorities administering debt on behalf of former Metropolitan County Councils

(b) See page 18 – Repayments in arrears at 31 March 2006

(c) Includes £55,013,916 extinguished on privatisation of water authorities

(d) Total balance outstanding: market value £56,107,721,444

Balances outstanding at 31 March 2006		
Due but not yet paid	Principal Not yet due	Interest Due but not yet paid
£	£	£
0	9,016,646,171	0
0	8,288,760,921	0
0	10,666,478,107	0
0	6,610,934,668	225
778	75,415,370	379
62	1,954,749,051	1,903
840	36,612,984,288	2,507
0	3,197,512,332	0
0	2,197,054	0
0	56,295,518	0
0	3,256,004,904	0
0	6,841,996,641	1,573
0	369,294,243	1,588
0	7,211,290,884	3,161
840	47,080,280,076	5,668
0	132,592	0
0	0	0
0	4,058,624	0
0	4,191,216	0
840	47,084,471,292	5,668 (b)
840	47,084,471,292	5,668

47,084,472,132 (d)

**Loans on local revenues to:
Local Authorities in England**

County Councils
London Borough Councils
Metropolitan District Councils (a)
Non Metropolitan District Councils
Parish and Town Councils
Others

Local Authorities in Wales

Principal Councils
Community Councils
Others

Local Authorities in Scotland

Principal Councils
Others

Total loans on local revenues

Loans on property to Harbour Authorities

England
Wales
Scotland

Total loans on property

Total loans on local revenues and on property

Add Totals from 1817 to 31 March 2005

Principal remitted or extinguished

to 31 March 2005
In the year 2005 – 2006

Total at 31 March 2006

Review of 2005–06

Lending arrangements and Circulars

The aim of the Board's lending arrangements continued to be to support the 'prudential' system of local government borrowing. No major changes were made during the year but the opportunity was taken to consolidate published advice. Circular 138, issued on 1 August 2005, re-stated the Board's lending arrangements and superseded previous Circulars. At the same time, the Board announced the introduction of a 'Lo-call' telephone number, 0845 357 6610. The measure was mainly for reasons of business contingency, but also meant that customers telephoning the Board would henceforth pay only the cost of a local call irrespective of where they were in the country.

Circular 137 issued on 11 April 2005 announced changes to the calculation of rates applying to variable rate loans advanced before 3 October 2000. These rates had continued to be calculated using a methodology based on the price for eligible bills. However, as the data were no longer available to enable HM Treasury to set such rates, from the date of the Circular the rates on all variable rate loans were to be calculated on the same basis, as described in page 17 below. In addition, variable rates would be expressed in decimals, in line with market practice.

Circular 139 issued on 1 December 2005 announced that the maximum period for fixed rate loans would be increased to 50 years with effect from 7 December 2005. The effects of this on activity are discussed below.

Applications for loans

During the year the Board agreed 1,198 applications for loans totalling £9.0 billion (£8,951,864,500), as noted above, in comparison with the previous year's figures of 781 applications and advances totalling £5.8 billion (£5,821,978,825).

448 authorities applied for advances, including 249 non-principal authorities, compared with 331 in 2004-05. Out of a total of 443 principal authorities, 244 did not apply to the Board during the year, compared with 305 the previous year. 143 principal authorities had no debt outstanding to the Board as at 31 March 2006, compared with 153 as at 31 March 2005.

Advances to parishes and community councils amounted to £12.0 million (£12,047,008). There were 11 advances to 9 drainage boards in the year amounting to £2.0 million (£1,952,630). There were no advances to harbours.

Incidence of drawings

The monthly totals of drawings during the year are listed below in Table 4 and the relationship between rates of interest and the incidence of advances can be derived from Tables 5-7. These tables are on pages 10–11.

January 2006 saw an unprecedented level of activity. As noted above, in the previous month the maximum maturity of loans had been increased from 30 to 50 years. Immediately afterwards, demand for the new, very long maturity loans was mainly from borrowers refinancing shorter loans. Rates reached 4% in early January but as they appeared to be continuing to fall there was only moderate lending, of about £30 million, until rates reached 3.90% and looked like rising again. Amid press reports of a crisis in the gilt market, long gilt yields began moving by up to 10bp per day. Rates continued to fall but applications to the Board were again subdued until 19 January when gilt yields rose sharply. The 50-year rate was then 3.70% and in the course of the day the Board lent £1.3 billion, a record amount for a single day. Indeed, the 3 largest days have all been in 2005-06:

Table 2: Days of largest total advances

Date	Amount advanced £ million
23 January 2006	1,295.3
21 November 2005	904.7
20 May 2005	708.5
08 May 1996	703.0
23 November 2000	686.4

Although rates later again touched 3.70%, demand on that occasion was muted. Subsequently, rates rose, damping down demand further. The correlation between lending and rates during December to March is shown in the following table.

Table 3: Interest rates and advances: December to March

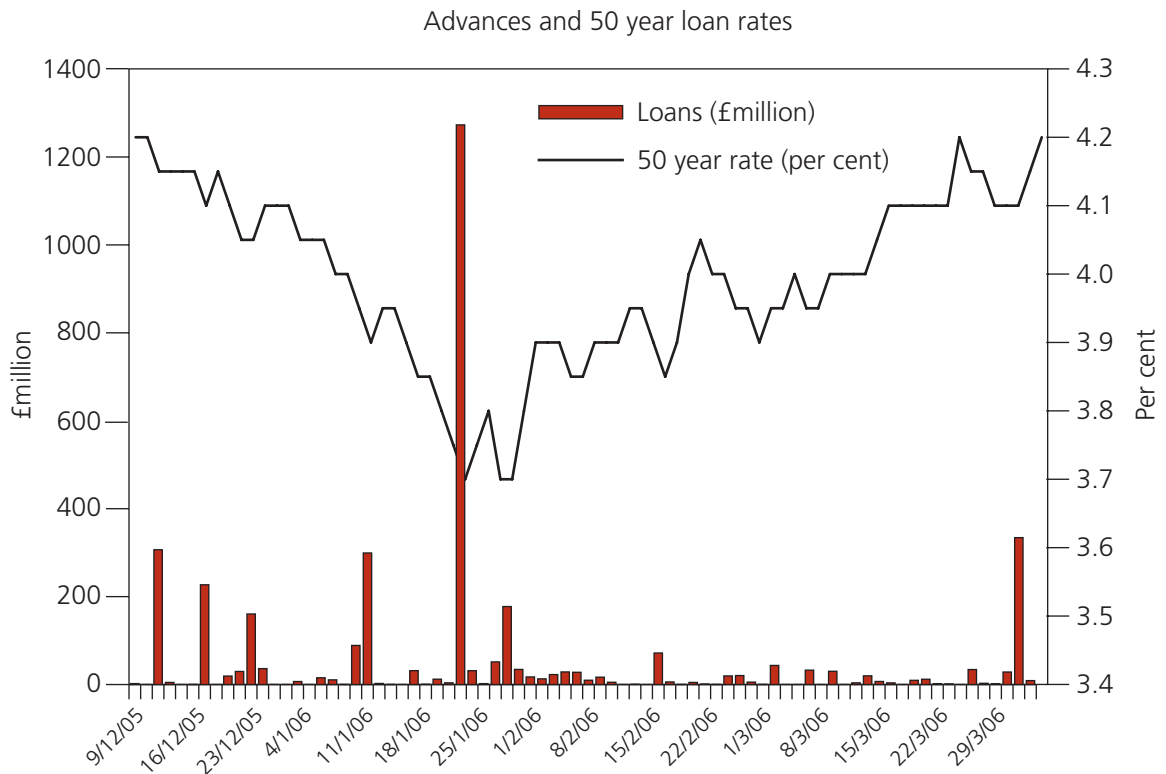


Table 4: Monthly totals of advances and conversions

£ million

	Fixed rate		Variable rate		2005-06 Total	2004-05 Total
	New	Conversions	New	Conversions		
April	153.1	3.0	8.0	0.0	164.1	442.3
May	1780.3	29.4	0.0	0.0	1809.7	161.1
June	833.7	10.6	0.0	0.0	844.3	259.8
July	202.2	3.2	15.0	0.0	220.4	401.9
August	167.2	0.0	0.0	0.0	167.2	452.1
September	624.3	8.8	0.1	0.0	633.2	600.7
October	117.0	0.0	0.0	10.0	127.0	762.5
November	1193.2	19.5	0.0	0.0	1212.7	580.7
December	825.8	7.9	0.0	0.0	833.7	1,325.7
January	2080.1	15.0	0.0	0.0	2095.1	173.0
February	206.5	25.0	5.8	20.8	258.1	344.7
March	574.3	0.0	12.2	0.0	586.5	317.7
	8,757.7	122.4	41.1	30.8	8,952.0	5,822.2

Table 5: Bank of England Repo rate and the three-month variable rate

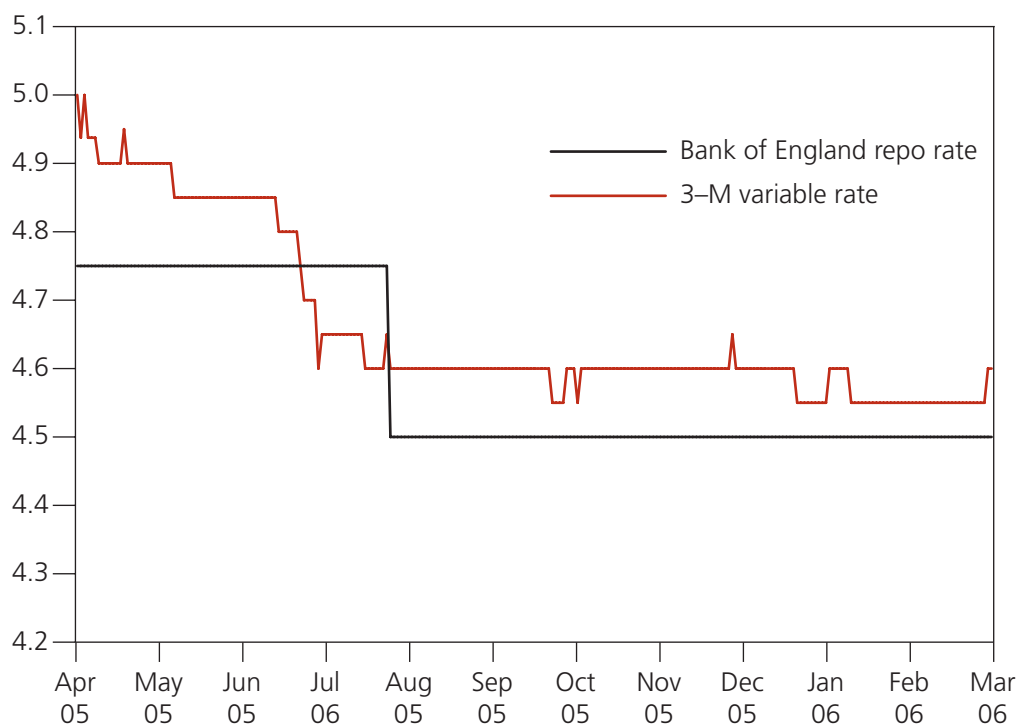


Table 6: Fixed Rates

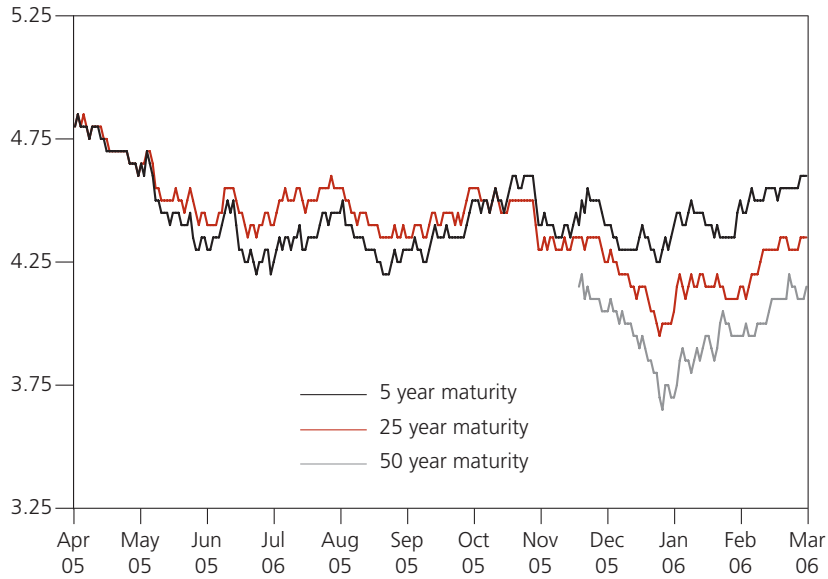
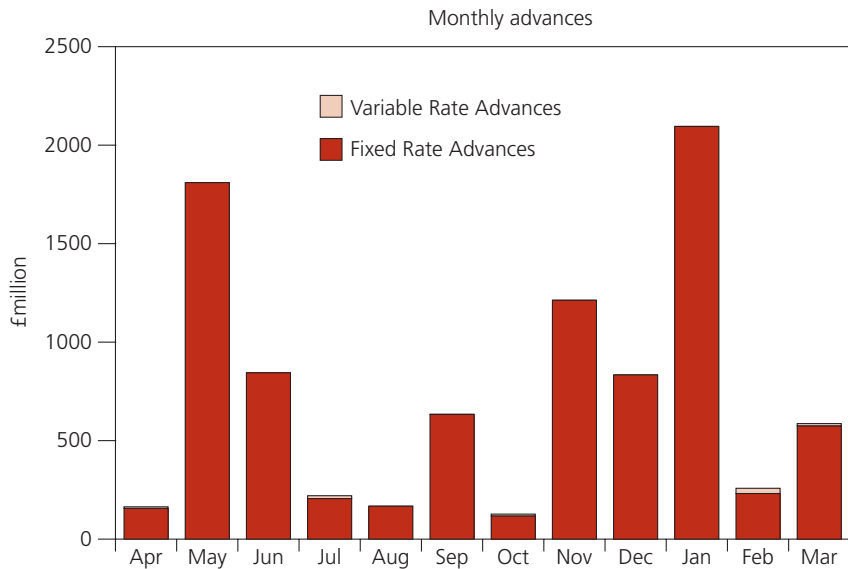


Table 7: Monthly Advances



Repayment periods

The average repayment period for new loans was 31.243 years, compared with 22.690 in 2004-05, a significant year-on-year increase reflecting the introduction of the longer maturity period. 22% of advances, amounting to £2.0 billion (£1,989,455,536) were taken for the periods between 30 and 50 years. Loans amounting to £117.4 million (£117,430,702), 1% of the total, were taken for the minimum period of one year.

Service performance

The Board sets itself performance targets for advancing loans and arranging premature repayments. Applications are processed according to the timetable set out in the Board's circulars.

Transactions and other operations in 2005-06

Table 8 gives total advances and repayments for the present and the previous years, and shows a marked increase in net lending. As in previous years fixed rate loans accounted for the vast bulk of the advances. Transactions are analysed in Tables 11-13 on pages 14-16. Where appropriate, figures for the preceding year are shown for the purpose of comparison.

Table 8: Total advances and repayments

	2005-06		2004-05	
	£ million	£ million	£ million	£ million
New advances: fixed rate loans	8757.6		5269.9	
New advances: variable rate loans	41.1		92.1	
Total new advances		8798.7		5362.0
Converted to Fixed rate	122.4		335.0	
Converted to Variable rate	30.8		125.0	
Total conversions		153.2		460.0
Total advances		8951.9		5822.0
Scheduled repayments of principal	-1435.9		-1978.6	
Repayments: conversions	-153.2		-460.0	
Premature repayments	-2348.2		-2620.7	
Total repayments		-3937.3		-5059.3
Net Lending		5014.6		762.7

Tables 9 and 10 below illustrate the average rate of interest and the average repayment period for all new loans in each of the last 5 years.

Table 9: Average rate (%): new loans

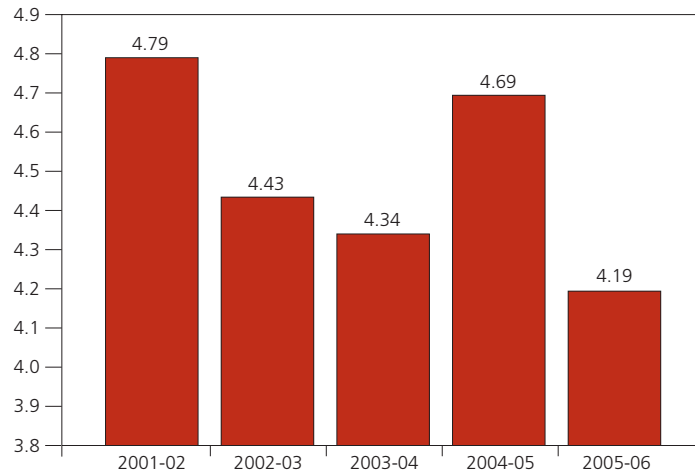
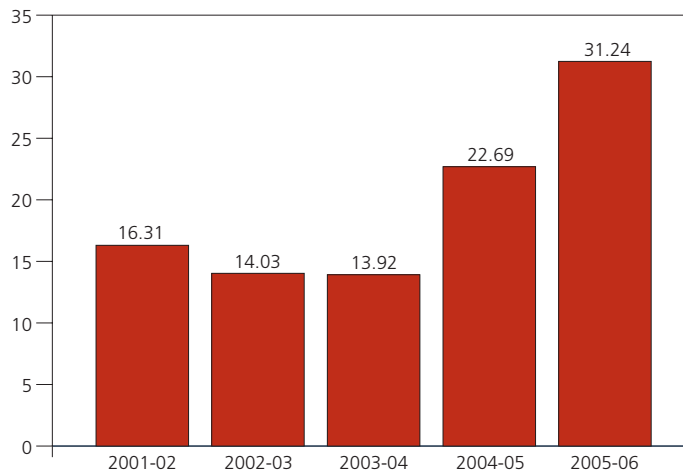


Table 10: Average period (years): new loans



The average rate payable on all fixed rate loans outstanding at 31 March 2006 was 6.220%, compared with 6.616% on 31 March 2005. The average rate payable on variable rate loans outstanding at 31 March 2006 was 4.579%, compared with 4.916% twelve months earlier. The average rate on all loans, fixed and variable, was 6.213% (6.593%).

Table 11: Advances and conversions by type of borrower

	£ million							
	Fixed rate		Variable rate		Totals	Totals		
	New	Conversions	New	Conversions	2005-06	2004-05		
Local authorities in England								
County Councils	1979.9	7.5	0.0	0.0	1987.4	1500.8		
GLA and London								
Borough Councils	1154.2	30.0	0.0	20.8	1205.0	584.4		
Metropolitan District Councils (a)	1910.8	19.0	8.0	10.0	1947.8	1554.2		
Non-Metropolitan District Councils	1629.0	15.3	32.6	0.0	1676.9	1198.5		
Parish and Town Councils	11.7	0.0	0.1	0.0	11.8	8.2		
Others	586.3	16.7	0.4	0.0	603.4	246.9		
	7271.9	88.5	41.1	30.8	7432.3	83.0%	5093.0	87.5%
Local authorities in Wales								
Principal Councils	389.6	11.0	0.0	0.0	400.6	357.2		
Community Councils	0.3	0.0	0.0	0.0	0.3	0.7		
Others	12.3	0.4	0.0	0.0	12.7	10.4		
	402.2	11.4	0.0	0.0	413.6	4.6%	368.3	6.3%
Local authorities in Scotland								
Principal Councils	1078.5	22.5	0.0	0.0	1101.0	360.2		
Others	5.0	0.0	0.0	0.0	5.0	0.8		
	1083.5	22.5	0.0	0.0	1106.0	12.4%	361.0	6.2%
Total	8757.6	122.4	41.1	30.8	8951.9		5822.3	

(a) Includes authorities administering debt on behalf of former Metropolitan County Councils.

Table 12: Rates of interest and periods for repayment

		£ million							
		Up to 5 years	Over 5 but not over 10 years	Over 10 but not over 15 years	Over 15 but not over 25 years	Over 25 but not over 30 years	Over 30 but not over 40 years	Over 40 years	Total 2005-06
Fixed rate loans									
Rate of interest per annum									
	3.70	–	–	–	–	–	–	1407.4	1407.4
	3.75	–	–	–	–	–	4.0	25.0	29.0
	3.80	–	–	–	–	–	15.0	32.0	47.0
	3.85	–	–	–	–	7.7	49.0	144.1	200.8
	3.90	–	–	–	–	–	1.0	391.0	392.0
	3.95	–	–	–	7.0	–	0.8	192.6	200.4
	4.00	–	–	–	1.0	2.3	15.1	48.7	67.1
	4.05	–	–	–	–	31.5	1.5	189.1	222.1
	4.10	–	–	5.3	1.5	3.1	17.0	324.0	350.9
	4.15	48.5	6.0	–	6.7	5.0	27.0	285.0	378.2
	4.20	73.0	98.4	0.1	3.8	2.5	185.0	–	362.8
	4.25	60.1	56.4	0.3	0.1	1123.2	15.0	–	1255.1
	4.30	73.5	39.2	0.7	90.2	448.1	–	–	651.7
	4.35	21.4	62.0	4.6	83.7	435.6	–	–	607.3
	4.40	166.3	13.6	15.0	73.2	326.4	–	–	594.5
	4.45	11.2	72.2	9.6	30.1	1158.4	–	–	1281.5
	4.50	13.6	24.8	13.6	80.7	50.8	–	–	183.5
	4.55	12.6	7.2	1.3	15.8	15.4	–	–	52.3
	4.60	23.9	0.1	3.1	135.8	244.8	–	–	407.7
	4.65	26.5	1.5	–	7.0	53.5	–	–	88.5
	4.70	30.0	11.1	–	2.7	15.7	–	–	59.5
	4.75	1.0	–	–	4.6	21.0	–	–	26.6
	4.80	–	–	–	–	14.1	–	–	14.1
	4.85	–	–	0.1	–	–	–	–	0.1
	4.90	–	–	–	0.3	–	–	–	0.3
		561.6	392.5	53.7	544.2	3959.1	330.4	3038.9	8880.4
Variable rate loans		51.0	20.9	–	–	–	–	–	71.9
All loans		612.6	413.4	53.7	544.2	3959.1	330.4	3038.9	8952.3

Table 13: Method and period of repayment

		£ million									
Method of repayment	Period for repayment						Totals				
	Up to 5 years	Over 5 but not over 10 years	Over 10 but not over 15 years	Over 15 but not over 25 years	Over 25 but not over 30 years	Over 30 but not over 40 years	Over 40 years	2005-06	2004-05		
Fixed rate loans new loans –											
Maturity	533.8	369.1	45.1	400.4	3863.7	330.4	2984.7	8527.2	5102.4		
Annuity	4.8	2.6	1.6	9.0	7.2	–	–	25.2	15.8		
Equal instalments of principal	0.2	14.2	1.3	130.9	43.2	–	15.4	205.2	151.7		
	538.8	385.9	48.0	540.3	3914.1	330.4	3000.1	8757.6	97.8%	5269.9	90.5%
Fixed rate loans converted loans –											
Maturity	19.9	6.5	5.6	3.7	44.8	–	38.9	119.4	335.0		
Annuity	–	–	–	–	–	–	–	0.0	0.0		
Equal instalments of principal	3.0	–	–	–	–	–	–	3.0	0.0		
	22.9	6.5	5.6	3.7	44.8	-	38.9	122.4	1.4%	335.0	5.8%
Variable rate loans new loans -											
Maturity	40.6	–	–	–	–	–	–	40.6	92.1		
Equal instalments of principal	0.4	0.1	–	–	–	–	–	0.5	0.0		
	41.0	0.1	–	–	–	–	–	41.1	0.5%	92.1	1.6%
Variable rate loans converted loans -											
Maturity	10.0	20.8	–	–	–	–	–	30.8	110.0		
Equal instalments of principal	–	–	–	–	–	–	–	–	15.0		
	10.0	20.8	–	–	–	–	–	30.8	0.3%	125.0	2.1%
All loans											
Maturity	604.3	396.4	50.7	404.1	3908.5	330.4	3023.6	8718.0	5639.5		
Annuity	4.8	2.6	1.6	9.0	7.2	–	–	25.2	15.8		
Equal instalments of principal	3.6	14.3	1.3	130.9	43.2	–	15.4	208.7	166.7		
	612.7	413.3	53.6	544.0	3958.9	330.4	3039.0	8951.9	100.0%	5822.0	100.0%

Rates of interest

The Board's interest rates are determined by HM Treasury in accordance with the National Loans Act 1968. Fixed rates are set daily by reference to rates in the secondary market for gilts to share the benefits of Government borrowing rates within the public sector but in such a way as to ensure that the National Loans Fund (NLF) makes no loss.

Current and past rates of interest are displayed on the Board's website, www.pwlb.gov.uk.

Since 3 October 2000, variable rates have been determined by reference to gilt general collateral repo rates. For variable rate loans in existence before 3 October 2000, rates of interest had been determined by reference to a formula based on the cost of eligible bank bills, the use of which was discontinued with effect from 11 April 2005.

Lending rates for fixed rate loans are based on par redemption yields on gilt-edged securities (gilts) because the source of funds for lending by the Board is the NLF, from which gilts are issued. The calculation of the Board's rates provides for the addition of a small margin to these yields to ensure that the NLF does not on-lend via the PWLB at rates that are lower than those at which it could notionally borrow via gilt issuance. The margin is also to cover the risk of a possible mismatch between the liabilities (gilts) and assets (loans from the Board) of the NLF arising from the fact that gilt issuance and lending from the Board tend not to happen simultaneously. Gilt issuance occurs in large sizes on dates that are pre-announced up to one year in advance, while the Board's lending is demand-led. Following rapid falls and volatility in yields on long-dated gilts during January, HM Treasury increased the margin for loans greater than 30 years. HM Treasury continues to reserve the right to change lending rates intra-day or to alter the margins over gilts for loans, depending on market circumstances.

Scheduled repayments, early repayments and conversions

See Tables 8 and 14 (Pages 12, 18).

When an authority redeems a loan early, it is a matter for the treasury management policy of the authority whether to replace the loan by taking out a fresh loan on the day of redemption, another day or at all. Where an authority replaces a fixed rate loan by another fixed rate loan or a variable by a variable, the Board reports the inward and outwards flows as separate transactions. However, where a fixed rate loan is replaced by a variable rate loan or *vice versa* the Board offers a formal option to convert, to which a prescribed fee applies. Two authorities used the option to convert 7 fixed rate loans into 2 variable rate loans. This continued a reduction in fixed rate conversions from 2003-04, when 70 authorities converted 782 existing loans into 154 new ones, and 2004-05, when 12 authorities converted 30 existing loans into 14 new ones. As for variable rate conversions, 17 authorities converted 29 loans into 28 new ones.

Table 14: Early repayments and conversions

	Principal repaid or converted	Number of loans repaid	Number of borrowers repaying	Number of new loans advanced	Premium paid	Discount allowed	Net premiums/ discounts
	£m	–	–	–	£m	£m	£m
EPs: fixed rate loans	2,264.9	2,741	153	n/a	186.2	–10.3	175.9
EPs: variable rate loans	83.3	22	12	n/a	0.0	0.0	0.0
Converted to fixed	122.4	29	17	28	0.0	0.0	0.0
Converted to variable	30.8	7	2	2	3.4	–0.1	3.2
Totals	2,501.4	2,799	184	30	189.5	–10.5	179.1

Repayments in arrears

The amounts of repayments due but not yet paid at the end of the financial year fluctuate from year to year, depending mainly on whether 31 March falls on a banking day. All the overdue payments as shown in Table 1 on pages 6-7 were settled early in the following financial year.

Amalgamation of Repayment Dates; Loan Account Combinations

The Board offers the facility whereby an authority with a large number of interest repayment dates, perhaps inherited as a result of successive local government reorganisations, may combine these dates into one or more sets for convenience. Similarly, where an authority has a large number of loans with the same method of repayment, rate of interest and date of final payment, the Board offers the opportunity of combining loan accounts. During the year one authority amalgamated payment dates and one authority combined loan accounts.

Transfers of debt

The Board is prepared to accommodate the transfer of debt between authorities following local government reorganisation or for any other reason. During the year, eight authorities transferred debt to four other authorities in respect of 232 loans amounting to £78 million (£77,651,107).

Fees

The scales of fees are determined by HM Treasury, after consulting the Commissioners, to cover the cost of examining applications for loans, making advances and maintaining accounts. The scales, which have remained unchanged since 1991, are as follows:

Fixed rate loans (both new and refinanced) – 35 pence for every £1,000 or part of £1,000

Variable rate loans – 45 pence for every £1,000 or part of £1,000

Minimum fee – £25.

The fee for exercising the option to replace a fixed rate loan with a variable rate loan, or *vice versa*, is £70.

Administration

The United Kingdom Debt Management Office has prepared Resource Accounts for the financial year 2005-06 which reflect the operating income and expenditure of the Board. Costs, including shared overheads, incurred by the DMO that are attributable to the Board amounted to £1,096,689. Fee income for the year totalled £3,086,964. Any surplus income beyond the limit voted by Parliament to offset in-year expenditure will be surrendered to the Consolidated Fund. At 31 March 2006, four full-time equivalent posts were dedicated to the Board's primary functions.

Appendices

Appendix A summarises the Board's lending from 1817-18 onwards.
Appendix B lists the Tables in this Report.

By order of the Board

H D Watson

Secretary

PUBLIC WORKS LOAN BOARD
UK Debt Management Office
Eastcheap Court
11 Philpot Lane
London EC3M 8UD

30 June 2006

Appendix A

Table 15: Historical Summary of Lending

Year	Loans advanced in year	Principal out-standing at end of year	Repayments received in year		Average rate of interest		Total long term debt of local authorities to PWLB and all other lenders at end of year	PWLB as a proportion of total local authority long term debt
			Principal	Interest	on new advances	on out-standing loans		
	£ million	£ million	£ million	£ million	%	%	£ million	%
1817-18	0.3	0.3	—	—	*	*	*	*
1827-28	0.6	2.1	0.3	0.1	*	3 ¹ / ₈	*	*
1837-38	0.4	2.9	0.3	0.1	*	2 ⁵ / ₈	*	*
1847-48	0.6	4.1	0.2	0.1	*	2 ¹ / ₂	*	*
1857-58	0.4	4.0	0.2	0.1	*	3 ¹ / ₈	*	*
1867-68	0.8	7.3	0.4	0.2	*	3 ¹ / ₂	*	*
1877-78	4.3	20.6	0.6	0.6	3 ¹ / ₄	3 ¹ / ₄	*	*
1887-88	1.2	28.2	1.7	1.0	3 ⁵ / ₈	3 ⁵ / ₈	*	*
1897-98	1.3	23.0	1.0	1.0	2 ⁷ / ₈	3 ¹ / ₂	*	*
1907-08	2.1	49.5	2.4	1.6	3 ⁵ / ₈	3 ¹ / ₄	*	*
1917-18	0.3	42.2	2.9	1.8	4 ⁵ / ₈	3 ³ / ₈	*	*
1927-28	39.7	239.0	5.6	11.3	5	5 ¹ / ₄	*	*
1937-38	22.5	309.3	11.5	14.9	3 ¹ / ₂	5	*	*
1947-48	246.1	626.8	13.3	16.9	3	3 ⁷ / ₈	*	*
1957-58	116.5	3,217.9	85.1	123.8	6	3 ³ / ₄	5,647.5	57.0
1967-68	465.7	4,634.9	112.5	197.9	7	4 ³ / ₄	12,743.1	36.4
1977-78	2,272.7	12,941.0	1,239.6	1,174.8	10 ¹ / ₈	9 ³ / ₈	34,264.0	37.8
1987-88	6,346.2	39,356.5	2,243.4	3,675.4	9	9 ⁷ / ₈	56,616.6	69.5
1997-98	6,394.4	42,917.2	5,563.8	4,081.2	6 ³ / ₄	8 ³ / ₄	50,355.0	85.0
1999-00	6,971.1	46,043.4	5,628.9	4,048.1	4 ⁵ / ₈	7 ³ / ₄	50,258.0	91.6
2000-01	6,101.2	47,169.5	5,629.3	4,049.6	4 ⁷ / ₈	7 ¹ / ₂	50,981.0	92.5
2001-02	4,442.3	47,045.1	4,566.7	3,684.2	4 ³ / ₄	7 ¹ / ₄	51,250.0	91.8
2002-03	5,099.2	44,589.3	7,555.1	4,134.9	4.434	7.036	50,093.0	89.0
2003-04	4,603.2	41,307.2	7,885.3	4,108.9	4.340	6.771	48,911.0	84.5
2004-05	5,822.0	42,069.9	5,059.3	3,089.3	4.694	6.593	51,583.0	81.6
2005-06	8,952.0	47,084.5	3,937.3	3,007.3	4.194	6.213	56,233.0†	*

Notes:

* not available

† as at end-December 2005

APPENDIX B

Tables and graphs in this Report†

- 1 Summary of transactions and balances outstanding: table
- 2 Days of largest total advances: table
- 3 Interest rates and advances: December to March: graph
- 4 Monthly totals of advances and conversions: table
- 5 Bank repo rate and the three-month variable rate: graph
- 6 Fixed rates: graph
- 7 Monthly advances: bar chart
- 8 Total advances and repayments: table
- 9 Average rate (%) on new loans, 2001-02 – 2005-06: bar chart
- 10 Average period (years), 2001-02 – 2005-06: bar chart
- 11 Advances and conversions by type of borrower: table
- 12 Rates of interest and periods for repayment: table
- 13 Method and period for repayment: table
- 14 Early repayments and conversions: table
- 15 Historical summary: table

† Totals in tables may not sum, due to rounding



www.tso.co.uk

ISBN 0-11-560121-X



9 780115 601217