



HM TREASURY

1 Horse Guards Road
London
SW1A 2HQ

2 August 2012

Dear Chief Finance Officer,

INTRODUCTION OF THE CERTAINTY RATE DISCOUNT ON PWLB LOANS

Budget 2012 announced that:

“The Government will introduce in 2012–13, a 20 basis points (bps) discount on loans from the Public Works Loan Board (PWLB) under the prudential borrowing regime for those principal local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans.”

2. The Government can now announce details of the “certainty rate” which will enable eligible local authorities to access cheaper borrowing. This notice sets out the key elements of that new certainty rate, including the timing of introduction, eligibility and access.

Certainty Rate

3. The PWLB certainty rate, 20 basis points below the standard rate (currently gilts plus 100 basis points) across all loan types and maturities, will be available to eligible local authorities in England, Scotland and Wales from 1 November 2012.

Eligibility

4. The certainty rate discount will be available to English, Scottish and Welsh local authorities operating the CIPFA Prudential Code¹ that choose to complete and

¹ In England and Wales: “a local authority as defined in section 23 of the Local Government Act 2003 and in regulations made under it”. (As advised by DCLG and the Welsh Government);

return the attached form by **17 September 2012**. Providing this information is voluntary; however, all authorities who wish to access the reduced rate will need to complete the form.

5. Given that local authorities' borrowing impacts on public sector debt, their future borrowing plans form an important part of public expenditure planning. In order for forecasts to be as robust as possible, additional information is sought in return for access to the certainty rate.
6. In England, the Department for Communities and Local Government (DCLG) will coordinate collection of the information for the authorities that choose to complete the form. The form is attached but can also be found at the following web address:

<http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/usefulinformation/formst timetable/capitalforms/>

In Wales, the Welsh Government will coordinate collection of information for those local authorities that choose to complete the form. Welsh authorities should send their returns to lgfs.transfer@Wales.gsi.gov.uk.

Scottish local authorities should send their returns direct to the e-mail address certainty.rate@hmtreasury.gsi.gov.uk. Scottish returns will be shared with the Scottish Government.

To keep the reporting burden to a minimum, information will only be requested once each year.

7. Local authorities should have due regard to returning best quality information in line with annual budget plans. On this basis, access to the certainty rate will not be capped at the PWLB borrowing figures provided by individual local authorities in their returns.

In Scotland: "a local authority as defined by section 61(c)(iv) of the Local Government in Scotland Act 2003 (as amended)". (As advised by the Scottish Government).

Access

8. A list of eligible local authorities returning the requested information will be accessible through the PWLB website shortly before 1 November 2012. This will allow local authorities the opportunity to check their status is correct and confirms their access to the certainty rate. Local authorities on the final list will remain eligible for the certainty rate until PWLB close of business on 31 October 2013. Thereafter, annual access to the certainty rate will be dependent on eligible local authorities providing the necessary information each year. A list of local authorities with access to the certainty rate from 1 November 2013 will be published shortly prior to the expiry of the previous list.
9. It will be for the local authority to confirm that they are eligible for the certainty rate in advance of making a loan application by referring to the list. They will be asked by the PWLB to confirm this in order to secure a loan at the certainty rate.
10. Should a local authority incorrectly state eligibility for a loan at the certainty rate, it will be expected to make immediate premature repayment of the loan and may incur a premium.

Further Details

11. Full details of the operation of the certainty rate will be made available in a PWLB circular in October 2012.
12. Any queries regarding this letter should be addressed by e-mail to certainty.rate@hmtreasury.gsi.gov.uk or Andrew Ralph on 0207 270-4752.

Yours faithfully,

Tamara Finkelstein
Director, Public Services