



Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

NDPM

AS

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John Ballard Esq
 Private Secretary to the
 Secretary of State for the Environment
 2 Marsham Street
 LONDON SW1P 3EB

19 February 1985

Dear John,

LIVERPOOL AND PWLB LENDING

MISC 109 discussed issuing an advisory PWLB circular to local authorities generally to draw their attention to the constraints on PWLB lending (MISC 109(85) 1st Meeting). I now enclose a draft circular which the Secretary to the PWLB proposes to put to the Board meeting on 20 February.

It is equally important that market operators should understand the position. But PWLB circulars are not easily available to them. The Chancellor has concluded that an arranged Written Answer would best achieve what we want. Although a PO would give added political prominence to the statement, there are even greater risks if we fail to disabuse the market of the notion that the PWLB will lend in all circumstances. I therefore also enclose a draft of an arranged Question and Answer.

The Chancellor would be glad to know that your Secretary of State is content and to have his views on the timing of the circular and PO.

I am copying this letter and enclosures to Andrew Turnbull (No 10), the private secretaries to MISC 109 members and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Margaret O'Mara

MISS O'MARA
 PRIVATE SECRETARY

DRAFT CIRCULAR No.76

1. The Public Works Loan Commissioners are aware that there has been concern about their future lending policy to some local authorities.
2. The Commissioners wish to make it plain that there is no change in their lending policy. They expect to continue to make loans available on the terms described in their circulars to any local authority having a valid power to borrow. The Commissioners could not lend to an authority which had chosen to act illegally and, more widely, they have a statutory obligation to satisfy themselves, before advancing a loan, that an authority is able to service and repay the loan.
3. Enquiries relating to this circular may be made to 01-606-7321, extensions 25, 28 or 32.

DRAFT WRITTEN ANSWER

Has there been any change in the policy of the Public Works Loan Commissioners in regard to their lending to local authorities?

Answer

In their Circular No76 issued today the Commissioners have made it plain that there is no change in their lending policy. They expect to continue to make loans available on the terms described in their circulars to any local authority having a valid power to borrow. The Commissioners could not lend to an authority which had chosen to act illegally and, more widely, they have a statutory obligation to satisfy themselves, before advancing a loan, that an authority is able to service and repay the loan.

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