

This report is public	
PWLB £25m Loan Early Repayment	
Committee	Delegated Decision of the S151 Officer, Assistant Director of Finance
Date of Committee	14 April 2025
Portfolio Holder presenting the report	By officer delegated decision
Date Portfolio Holder agreed report	N/A
Report of	Assistant Director of Finance and S151 Officer

Purpose of report

To seek agreement under delegated powers to repay the loan early to take advantage of early repayment discount

1. Recommendations

In accordance with the Constitution Part 19 (4.1.16) the S151 Officer and in exercising the delegation afforded to him and in consultation with the Portfolio Holder for Finance is to:

- 1.1 Arrange the early repayment of the £25m PWLB loan to take advantage of the discount premium available;
- 1.2 Arrange replacement financing in line with the council's current borrowing strategy; and
- 1.3 Recommend to the Executive to transfer the annual amortised discount for 2025/26 and 2026/27 to reserves.

2. Executive Summary

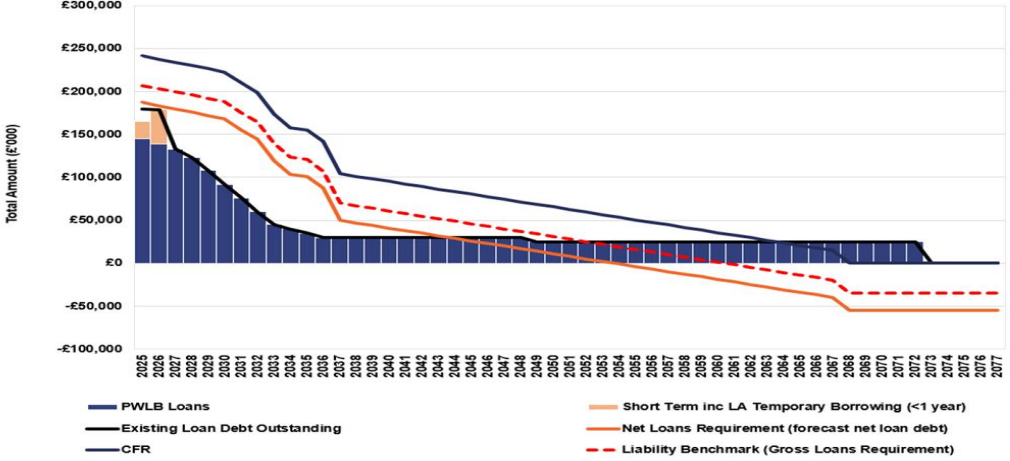
- 2.1 The Council has £145m loans from the Public Works Loan Board (PWLB) provided by HM Treasury maturing over the next 46.6 years. This includes a loan of £25m at an interest rate of 1.69% which was for a term of 50 years and matures 10th Nov 2071. As interest rates have risen since November 2021 the PWLB will offer the council a discount for the premature repayment of the above-mentioned loan. As at 8 April, the discount was offered at 4.85%. The discount figure changes twice daily, along with all the PWLB lending rates, according to market sentiment. The discount offered 8 April represents a £14.541m discount. **This means that the council would only need to pay £10.459m to settle the £25m loan.**
- 2.2 HM Treasury has discretion to accept repayment of a loan, in whole or in part, in advance of the date on which the repayment is due to be made. Borrowers are

permitted to replace one loan with another, subject to HM Treasury's usual terms meaning an early repayment would not cause the council a cashflow issue as the £25m loan would be replaced with a £10.459 loan.

- 2.3 According to the CIPFA code, the discount would be accounted for in the revenue account amortised over a period of 10 years (£1.454m per year as per the 8 April example).
- 2.4 S151 Officer, in prudent financial management of the council's finances, Treasury Functions can be carried out under S151 delegations. S151 duly briefed the Portfolio Holder and ensured the leadership team were aware and supportive of this proposal. Officers have worked closely with Treasury advisors, MUFG Corporate Markets, to complete the necessary due diligence.
- 2.5 To action this the council will contact the Debt Management Office (DMO) via email advising of its intention to prematurely repay this loan. The DMO will provide the terms for the repayment and once processed and accepted by the council, will be deemed a binding commitment to repay on those terms and on the day specified.

Implications & Impact Assessments

Implications	Commentary																														
Finance	<p>Early repayment would benefit the council by reducing the total external loan balance by £14.5m from £165m to £151m.</p> <p>A decision on whether to take the annual £1.445m amortisation to support the bottom line instead of reserves can be taken on an annual basis depending on the financial position of the authority. However, it should be noted that, as the amortised discount would not be cash-backed, using the discount to finance revenue activity would increase the borrowing position of the authority and associated interest costs.</p> <p>The revenue impact of refinancing the remaining £10.459m at a higher interest rate across the MTFS period is shown below.</p> <table><tr><th></th><th><u>MTFS</u> <u>2025/27</u></th><th><u>MTFS</u> <u>2026/27</u></th><th><u>MTFS</u> <u>2027/28</u></th><th><u>MTFS</u> <u>2028/29</u></th><th><u>MTFS</u> <u>2029/30</u></th></tr><tr><td>£25m PWLB loan @ 1.69%</td><td>422,500</td><td>422,500</td><td>422,500</td><td>422,500</td><td>422,500</td></tr><tr><td>£10.5m refinanced loan</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>1st year @ 4.64% and thereafter 4%</td><td>489,474</td><td>421,960</td><td>421,960</td><td>421,960</td><td>421,960</td></tr><tr><td>NET Interest Payable / (Receivable)</td><td>66,974</td><td>(540)</td><td>(540)</td><td>(540)</td><td>(540)</td></tr></table> <p>The council's Liability Benchmark, based on the current capital financing requirement, demonstrates that the net external loan borrowing requirement (solid orange line on the graph below) reduces to nil in 2053. Therefore, the replacement loan would not be required for the full remaining term of the current PWLB loan. This results in a net present value saving of £2.1m compared to retaining the £25m loan until its maturity.</p>		<u>MTFS</u> <u>2025/27</u>	<u>MTFS</u> <u>2026/27</u>	<u>MTFS</u> <u>2027/28</u>	<u>MTFS</u> <u>2028/29</u>	<u>MTFS</u> <u>2029/30</u>	£25m PWLB loan @ 1.69%	422,500	422,500	422,500	422,500	422,500	£10.5m refinanced loan						1st year @ 4.64% and thereafter 4%	489,474	421,960	421,960	421,960	421,960	NET Interest Payable / (Receivable)	66,974	(540)	(540)	(540)	(540)
	<u>MTFS</u> <u>2025/27</u>	<u>MTFS</u> <u>2026/27</u>	<u>MTFS</u> <u>2027/28</u>	<u>MTFS</u> <u>2028/29</u>	<u>MTFS</u> <u>2029/30</u>																										
£25m PWLB loan @ 1.69%	422,500	422,500	422,500	422,500	422,500																										
£10.5m refinanced loan																															
1st year @ 4.64% and thereafter 4%	489,474	421,960	421,960	421,960	421,960																										
NET Interest Payable / (Receivable)	66,974	(540)	(540)	(540)	(540)																										

	<p style="text-align: center;">Liability Benchmark</p>  <p>Joanne Kaye, Head of Finance, 26 June 2024</p>			
Legal	<p>The delegation is in accordance with the Constitution under the powers afforded to the Chief Finance Officer of the council.</p> <p>Shiraz Sheikh, Monitoring Officer, 14/04/2025</p>			
Risk Management	<p>The savings figures quoted represent the indicative net present value of the savings using the best information available at the time. The actual savings achieved could be affected by the rates available for replacement financing, the council's future capital financing requirement and the availability of reserves for internal borrowing.</p> <p>Celia Prado-Teeling, Performance Team Leader, 14/04/2025</p>			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact		X		Not applicable
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including		X		

employees and service users?				
Climate & Environmental Impact		X		Not applicable
ICT & Digital Impact		X		Not applicable
Data Impact		X		Not applicable
Procurement & subsidy		X		Procurement carried out in line with competitive tendering process.
Council Priorities	All			
Human Resources	None			
Property	None			
Consultation & Engagement	CLT and Portfolio Holder for Finance, Property & Regeneration			

Decision Information

Key Decision	No
Subject to Call in	No
If not, why not subject to call in	Urgent time limited
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	None
Background Papers	None
Reference Papers	None
Report Author	Joanne Kaye, Head of Finance & Deputy S151 Officer
Report Author contact details	Joanne.Kaye@cherwell-dc.gov.uk 01295 221545