

**LANDFORD PARISH COUNCIL – PWLB LOAN**

**Report to Full Council – 14 February 2024**

**1. Background**

1.1. The Council acquired a PWLB loan advance of £18,000 on 27 September 2001. The loan was a fixed rate annuity for a period of 25 years at an annual rate of interest of 5.125%. Repayments are made twice a year on 27 March and 27 September for the sum of £642.60.

1.2 Over the 25 year period, based on the two payments per year, the total repayable under the loan is £32,130. Ie. £642.60 x 2 x 25. This means that over the lifetime of the loan, interest payments will amount to £14,130. The loan period ends in 2.5 years.

**2. Current Position**

2.1. As at 31 March 2023, the Council had an outstanding balance of £4,070.54. Since that date, £642.59 was collected on 27 September 2023, leaving an outstanding principal balance of £3,532.26.

2.2 Using the annual rate of interest, assuming application of the rate on the half yearly principal balance, the payment schedule for the remainder of the loan would be, approximately, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PWLB LOAN REPAYMENT SCHEDULE (estimated)** | | | | |
|  |  |  |  |  |
| **Payment Dates** | **Principal** | **Interest** | **Total Payable** | **Reducing Balance** |
|  | **£** | **£** | **£** | **£** |
| Balance B fwd |  |  |  | 4,070.54 |
| Sep-23 | 538.28 | 104.31 | 642.59 | 3,532.26 |
| Mar-24 | 552.09 | 90.51 | 642.60 | 2,980.17 |
| Sep-24 | 566.23 | 76.37 | 642.60 | 2,413.94 |
| Mar-25 | 580.74 | 61.86 | 642.60 | 1,833.20 |
| Sep-25 | 595.62 | 46.98 | 642.60 | 1,237.57 |
| Mar-26 | 610.89 | 31.71 | 642.60 | 626.69 |
| Sep-26 | 626.54 | 16.06 | 642.60 | 0.15 |
|  |  |  |  |  |
| **Totals** | **4,070.39** | **427.80** | **4,498.19** |  |

2.3. This table indicates that of the £4,498 remaining to be paid, principal repayments amount to over 90% of the sums due. Furthermore, over the course of the loan period to date, interest payments of £13,702 or 97% of total interest due has already been paid; only 3% of the loan interest totalling £427.80 remains to be paid.

**3. Early Repayment Terms**

3.1 Repayment amounts are calculated on the assumption that the loan will run to maturity and normally a loan is repayable only by the regular payments due under the agreed terms.

3.2 The Debt Management Office (DMO) on behalf of HM Treasury cannot renegotiate a loan and, while it will usually accept a premature repayment in whole or in part, in all instances the terms will not favour the borrower over the National Loans Fund.

3.3 This is because breakage costs are charged equivalent to the net present value of the outstanding amount of the loan, in line with standard actuarial practice. This means a premium will be payable when the interest rate on the loan to be repaid is higher than the current ‘premature repayment’ rate for a loan repayable by the same method as, and over the same period as that remaining on, the loan which it is proposed to repay. The ‘premature repayment’ rate is determined as at the date the loan is to be repaid on.

**4. Summary**

4.1. Due to the limited term remaining on the loan, only £427.80 in interest payments spread over the course of the remaining 2.5 years remains to be paid, and therefore penalty costs for seeking early redemption are unlikely to provide best value.

**5. Recommendation**

5.1 It is recommended that Full Council:

* Note this report.
* Service the loan to the end of its 25 year period.