



<b>Report To:</b>	Governance and Audit Committee
<b>Date:</b>	Thursday, 2 July 2026
<b>Subject:</b>	Rescheduling of Public Works Loan Board Housing Revenue Account Borrowing.
<b>Purpose:</b>	To provide Members with a written update on the S151 Officer's decision under delegation to reschedule the Housing Revenue Account (HRA) Public Works Loan Board (PWLB) borrowing.
<b>Key Decision:</b>	No
<b>Portfolio Holder:</b>	Councillor Redgate, Portfolio Holder for Finance.
<b>Report Of:</b>	Russell Stone – Executive Director of Finance/S151 Officer.
<b>Report Author:</b>	Sean Howsam, Treasury & Investments Manager (PSPSL).
<b>Ward(s) Affected:</b>	None directly.
<b>Exempt Report:</b>	No.

### Summary

The Council has had £67.456m of PWLB borrowing since 2012. This borrowing is kept under constant review with the aim of taking advantage of rescheduling opportunities when they are financially beneficial to the Council.

Following the commencement of the war in Iran in March 2026 rates rose sharply in the market and were extremely volatile. This presented the Council with the opportunity of rescheduling its existing £67.56m of borrowing at a significant discount and replace that borrowing with £50m of new loans from the PWLB.

A verbal update was provided by the S151 Officer at the last Governance and Audit Committee meeting on 19 March 2026. This report provides details of the opportunity that was available to the Council and the actions taken by the S151 Officer prior to the decisions taken under delegation.

This rescheduling of borrowing will result in an annual saving on interest payments of £83,469.

In addition to this, the actual discount received of £18.372m will provide a credit to the HRA revenue account of £1.837m in each of the next 10 financial years commencing in 2025/26.

## **Recommendations**

It is recommended that Members of the Governance and Audit Committee note the following S151 Officers decisions made under delegation:

- a) to prematurely repay the £67.456m of HRA PWLB borrowing at a discount of £18.372m resulting in a payment of £49.084m plus accrued interest being made on 20 March 2026.
- b) to borrow £50m from the PWLB on a maturity basis at the HRA concessionary rate on 20 March 2026, this new borrowing being split in five tranches of £10m maturing in 2.5, 3, 3.5, 4 and 4.5 years.

## **Reasons for Recommendations**

The S151 Officer has delegated authority to prudently manage the Council's borrowings and investments.

The Governance and Audit Committee have delegated responsibility for scrutiny of the Treasury Management function and therefore receive all Treasury Management reports.

This report informs Members of the Governance and Audit Committee of the decisions taken by the S151 Officer under delegation and the financial implications of those decisions.

## **Other Options Considered**

As this is an update report there are no other further options for consideration.

## **1. Background**

- 1.1** In March 2012 the Government introduced HRA Self-Financing which allowed Councils to retain all rental income to manage their own housing stock. This change required the Council to pay £67.456m to Central Government to buy itself out of the old pooling arrangements which existed at the time.
- 1.2** On 28 March 2012 the Council borrowed £67.456m from the PWLB on a maturity basis for 50 years at a fixed rate of 3.48% and this was used to pay Central Government.
- 1.3** PWLB loans can be repaid at any time before their maturity date. If new market loan rates are higher than the rate on the original loan a discount can be received. If new market loan rates are lower than the rate on the original loan a premium will be payable.
- 1.4** Where a discount is received by the Council, accounting regulations stipulate that the discount is allocated to revenue over the remaining life of the loan or 10 years, whichever is the shorter. For South Holland DC this would therefore be over a 10 year period.

## 2. Report

- 2.1 Officers within the Treasury Management team keep borrowing rates under constant review with the aim of achieving savings where market rates have moved in the Councils favour. In March 2026 PWLB loan rates rose sharply following the start of the Iran war and rates were extremely volatile. This increase in rates created an opportunity for the Council to repay the £67.456m at an increased discount.
- 2.2 The amount of discount the Council would receive depended on the PWLB market redemption rates which are reviewed twice daily. It was therefore important for the S151 Officer to take into consideration the volatility of market rates at the time.
- 2.3 The S151 Officer consulted with the Chief Executive, Leader, Finance Portfolio Holder and Housing Portfolio Holder about the opportunity that had arisen around debt redemption prior to making the delegated decision.
- 2.4 On 12 March 2026 a meeting took place between MUFG (external treasury advisors to the Council), Russell Stone (S151 Officer), Ramesh Prashar (Finance Consultant) and Sean Howsam (Treasury and Investments Manager PSPSL) on debt rescheduling. During the meeting discussions took place around the likely levels of discount available, current market rates for new borrowing, the global environment, local government reorganisation and financial sensitivity analysis.
- 2.5 On 13 March 2026 the S151 Officer made the delegated decision to:
- borrow £50m from the PWLB at the HRA concessionary rate in five tranches of £10m each in the 2.5, 3, 3.5, 4 and 4.5 year periods with maturity dates in June and December. The main reasons for this approach were to enable the Council to reborrow on maturity at a cheaper rate based on current market expectations and also to allow the new Council (following Local Government Reorganisation) to review borrowing requirements at those times. This borrowing was agreed on 13 March 2026 with the PWLB and payable to the Council on 20 March 2026.
  - Redeem the existing loans totalling £67.456m at a discount of £18.372m on 18 March 2026 with repayment to PWLB being on 20 March 2026.
- 2.6 The following information summarises the annual interest payment savings to the HRA resulting from these decisions:

Loan	Amount (£)	Rate (%)	Annual Interest Payable (£)
Interest on Old PWLB HRA Self Financing Loan	- 67,456,000	3.48	- 2,347,468.80
New PWLB Loan Maturing 30/06/28	10,000,000	4.44	444,000.00
New PWLB Loan Maturing 20/12/28	10,000,000	4.48	448,000.00
New PWLB Loan Maturing 29/06/29	10,000,000	4.53	453,000.00
New PWLB Loan Maturing 20/12/29	10,000,000	4.57	457,000.00
New PWLB Loan Maturing 28/06/30	10,000,000	4.62	462,000.00
<b>Annual Saving on Interest Payments</b>			<b>- 83,468.80</b>

In addition to the above, the HRA revenue account will be credited with £1.837m of the discount received in each of the next 10 financial years commencing in 2025/26.

### **3. Conclusion**

- 3.1** This report informs the Governance and Audit Committee of the recent treasury management decisions taken by the S151 Officer under delegation. A verbal update was provided to the committee at the last meeting on 19 March 2026 and this report provides the written update.

#### **Implications**

##### **South and East Lincolnshire Councils Partnership**

None

##### **Corporate Priorities**

None

##### **Staffing**

None

##### **Workforce Capacity Implications**

None

##### **Constitutional and Legal Implications**

The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.

Councils have the general power to borrow under Section 1 of the Local Government Act 2003.

##### **Data Protection**

None

##### **Financial**

The financial implications are covered in paragraph 2.6 of this report.

##### **Risk Management**

The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management Strategy.

The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

##### **Stakeholder / Consultation / Timescales**

The S151 Officer consulted with the Chief Executive, Leader, Finance Portfolio Holder and Housing Portfolio Holder about the opportunity that had arisen around debt redemption prior to making the delegated decision.

## Reputation

None.

## Contracts

None

## Crime and Disorder

None

## Equality and Diversity / Human Rights / Safeguarding

None

## Health and Wellbeing

None

## Climate Change and Environmental Implications

None

## Acronyms

HRA – Housing Revenue Account

MUFG – External Treasury Advisors (formerly known as Link Group)

PWLB - Public Works Loan Board

## Appendices

None

## Background Papers

Background papers used in the production of this report are listed below: -

### Document title.

### Where the document can be viewed.

Document title.	Where the document can be viewed.
SHDC Treasury Management Strategy Statement for 2025/26	<u>(Public Pack)Agenda Document for South Holland District Council, 27/02/2025 18:30</u>

## Chronological History of this Report

This is the first report on the subject of debt rescheduling.

## Report Approval

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