

Merriott Parish Council

Clerk@merriottpc.org.ok

Meeting Date	9 February 2026	Appendix Item	
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Proposal Title	Repaying the Community Pavilion Mortgage 2026
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Description of Proposal
As of the end of December 2025, MPC has total reserves as savings in its 35-day Nat West account of over £112,000. There is £47,000 of general reserve available out of this sum. MPC has a Public Works Lending Board (PWLB) mortgage on the community pavilion. After our January 6 monthly payment of £4,524, the outstanding <i>balance</i> was £65,184. There are 8 1/2 years left on this mortgage. Following several email exchanges and a Teams meeting with PWLB on 20 January that, <i>at the rates at 14 Jan 2026</i>, the amount required to completely pay off the mortgage was £65,518. The repayment amount varies with changes to the UK government Gilts rate (which is currently quite stable) and, apart from unforeseen global financial calamities, the repayment amount is likely to remain £65,500 plus or minus £1000. It is proposed to draw down £66,500 from the 35day account as soon as is practicable and, as soon as the funds are available, approach PWLB and pay off the mortgage.

Background and Justification
The 35day account is currently offering 2.23% (around £200 monthly). The MPC Community Pavilion mortgage currently attracts interest charges of 3.81%. (Gilts 3.7% – 3.8%). Our 6 monthly payments of £4,524 include £1,363 interest. Future projects do not seem imminent and we would look to use further Sec106 monies reducing the call on MPC funds. Prudent budgeting and cost control should enable all known future non-project commitments to be met.

Proposer	Working Group
David Shillibier	Finance and Governance WG

Proposed Implementation Date	As soon as funds can be released
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PWLB interest rates are published twice daily.

Borrowing from the PWLB allows local authorities to share in the preferential rates at which the government may borrow, although PWLB new loan interest rates include a margin to ensure that government on-lending is not made at a loss.

When a loan is agreed with a local authority, it is funded by government borrowing in the gilt market over a matching period, however, whereas a local authority has the option to prematurely repay its loan, either in part or in full, a similar opportunity is not afforded to the government's borrowing, and its matching loan must continue until the original maturity date.

Therefore, when any PWLB loan is settled early, a calculation is made to compare current interest rates over the remainder of the original period of the loan and the rate of interest that it would have received had the original loan continued to maturity. Where the current interest rate is higher a discount is calculated, and where the rate is lower a premium is calculated.