

# FINANCE ACT 2014

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## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 300: Increase in Limit for Local Loans*

##### Summary

1. This section provides powers to increase the Public Works Loan Board ('PWLB') statutory lending limit (currently set at £70 billion) to £85 billion at an appropriate date in the future, and for that limit to be changed to another (lower or higher) amount not exceeding £95 billion via secondary legislation.

##### Details of the Section

2. Section 3(1) of the National Loans Act 1968 ('the 1968 Act') enables the Treasury to issue out of the National Loans Fund such sums required by the PWLB in making loans under that Act and any future Act. The power to make local loans under the 1968 Act includes a power to enter into undertakings to make loans (section 3(5) of the 1968 Act).
3. Both powers are subject to the limit for local loans out in section 4(1) of the 1968 Act. That section currently provides that the aggregate of – (a) any commitments of the PWLB to grant local loans, and (b) any amount outstanding in respect of the principal of any local loans – must not exceed £55,000 million or such lower or higher sum not exceeding £70,000 million as the Treasury may from time to time specify by order.
4. This section replaces the amounts £55,000 million and £70,000 million with the amounts £85 billion and £95 billion respectively. The new limit of £85 billion will come into effect at an appropriate date in the future via commencement order. This limit can be changed to another (lower or higher) amount not exceeding £95 billion at a later date via secondary legislation.

##### Background Note

5. The PWLB's main function is to make loans to local authorities for the purpose of capital spending and collecting the repayments. The PWLB account for about 75% of local authority borrowing in the UK.
6. This is an administrative measure to update the PWLB's statutory limit which will allow the PWLB to accommodate future applications for local authority loans. The Finance Act is the legislative vehicle used by the government to increase the PWLB limit in the past.