

Navigation Committee

03 September 2020

Agenda item number 10

Potential use of the Capital Receipts Reserve to fund improvements to the public facilities at Acle Bridge

Report by Chief Financial Officer and Director of Operations

Purpose

The report seeks members' views on options for the use of the Capital Receipts Reserve (CRR), to fund improvements to the public facilities at Acle Bridge.

1. Introduction

- 1.1. At the Audit and Risk Committee (ARC) in November 2019, a member raised a question regarding the repayment of the Public Works Loan Board (PWLB) loan taken out to purchase the Dockyard from May Gurney in 2007. The loan was for a 20-year period at a fixed interest rate of 4.82%. The suggestion was that the repayment could be funded by the Navigation share of the Capital Receipts Reserve (CRR), which contains the proceeds from the sale of the Ludham Fieldbase.
- 1.2. This was discussed again at the ARC meeting in March 2020, where the early repayment fee was highlighted. It was noted that, although it would bring small-scale savings (at that date), any other capital works such as improvements at Acle Bridge would then need to be funded by an increase in tolls or additional borrowing. The early repayment of the loan has been looked at a number of times over the years but had not been considered affordable. The CRR meant this was no longer the case. It was agreed that a report would be taken to the Navigation Committee in April and the Broads Authority in May. Due to Covid-19 restrictions and the cancellation of meetings, this reporting has been delayed.

2. Repayment costs

- 2.1. As at the time of writing, there remains £108,750 outstanding on the loan. Repayments are made every six months (March and September) of equal instalments of principal (EIP). These instalments are included in the revenue budget for the next 7 years. The repayment of the loan is calculated on the rate in force when the repayment is agreed over the remaining terms of the original loan. The figures below will change on a daily

basis and if repayment was authorised by the Authority it cannot occur until October, if cash flow permits, and after another instalment has been paid.

- 2.2. Table 1 below shows that, because of the early repayment fee, there is little financial benefit in early repayment of the loan compared to the costs of continuing the budgeted repayments until 2027.

Table 1
Loan costs

Cost type	Early Repayment Costs £	Continued Budgeted Costs £
Capital Repayment	108,750.00	108,750.00
Early repayment fee	19,835.69	0
Interest	1,904.79	20,967.04
Total	130,490.48	129,717.04

- 2.3. The CRR balance is £405,000 and is split 60% National Park and 40% Navigation. The Reserve can be used only for the repayment of debt or capital expenditure. Following the outbreak of Covid-19, interest rates are very low. The highest interest rate is currently 1.05% (1-year fixed deposits) and the lowest is 0.1% (instant access). If we take the higher rate, the Authority would lose £1,701.00 in interest compared to the saving of £773.44 by repaying earlier. Depending on cash flow, notice maybe required to access the funds, which can take between 32 and 95 days. If this was the case, then repayment may not take place until January 2021.

3. Capital options

- 3.1. With the availability of the CRR, the Authority has an opportunity to make further improvements to the facilities offered to our waterway users, visitors and local people at Acle Bridge.
- 3.2. The Navigation share of the CRR is approximately £162,000 and the Acle site is currently 100% funded by Navigation. Depending on the facilities to be offered there is a potential to add a National Park contribution and external funding to upgrade the public facilities in line with the agreed vision.
- 3.3. The Acle Bridge mooring was purchased to safeguard the long length of mooring provision offered at this site. The public toilets were subsequently purchased from Great Yarmouth BC. The Authority has invested in new piling, capping, waling and mooring posts. Using existing budgets, electric charging points are being installed along with safety ladders and chains, making it a safe and well provided Authority 24hr free mooring. The CRR gives us an opportunity to go further at this site. The Authority has an ambition to upgrade the old toilet block. This could be replaced with new year-

round, 24/7 public toilets with showers and baby changing facilities. The car park could be remodelled and expanded and the thatched kiosk restored and enlarged to allow a bigger café offering.

- 3.4. The toilet and shower facilities could be coin operated, and income from their use would be used to help fund the upkeep of the site. Using the latest design for public toilets would ensure they were well illuminated, bright, hygienic, easy to clean and vandal proof. Both North Norfolk and South Norfolk have recent experience of revamping public toilets and their advice could be sought.
- 3.5. If this option to use the CRR to enhance the site is supported by the Committee and the Broads Authority, then plans would be developed, fully costed and brought back to the Committee at a future date.

4. Conclusion

- 4.1. The early repayment fee and the funding of future capital projects makes the early repayment of the PWLB loan unattractive. The Authority is not allowed to borrow in advance of need; however, current fixed interest rates from PWLB vary from 1.96% for a 10-year repayment and 2.2% for a 20-year period. These rates move on a daily basis and, given the current climate and the uncertainty about future boat numbers, it may be unwise to commit future capital projects being financed by debt. However, the Capital Receipts Reserve provides funding to continue the upgrade of the facilities for visitors at Acle Bridge.

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