

Broads Authority

25 September 2020

Agenda item number 9

Options for the use of the Capital Receipts Reserve funds

Report by Chief Financial Officer and Director of Operations

Summary

The report considers whether the Authority should repay the Public Works Loan Board (PWLB) loan early and proposes using the Capital Receipts Reserve (CRR) to fund improvements to the facilities for the boating public at Acle Bridge.

Recommendation

- i. Early repayment of the PWLB loan is not appropriate;
 - ii. Officers prepare costed plans for the improvement of the facilities at Acle Bridge for the Navigation Committee and the Authority to consider at future meetings; and
 - iii. Note that the Management Team has decided to use a PWLB loan to finance the replacement of an excavator as highlighted in paragraph 4.1. of this report.
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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. This was delayed by Covid-19 restrictions and the cancellation of meetings, and the Navigation Committee received the report on 3 September. The Navigation Committee supported the view that early repayment of the PWLB loan was not

advantageous and that a costed plan should be worked up to use the CRR to fund improvements to the facilities at Acle Bridge for further consideration by the Committee and the Authority.

2. Repayment costs

- 2.1. 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 were 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 no 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, in addition to the cost 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. Potential improvements at Acle Bridge

- 3.1. The Acle Bridge site was purchased to safeguard the long length of mooring and the public toilets were subsequently purchased from Great Yarmouth BC. Using existing budgets the Authority has invested in new piling, capping, waling and mooring posts, 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.

- 3.2. The Authority has had an ambition that Acle Bridge would be able to offer high quality facilities to waterways users on the lines of a modern 'yacht station'. The old toilet block could be replaced with new year-round, 24/7 public toilets with showers and baby changing facilities. At this stage it is not clear whether demolition and replacement of the existing building is a better option than refurbishment but the ambition is to provide well illuminated, bright, hygienic, easy to clean and vandal proof facilities. Both North Norfolk and South Norfolk councils have recent experience of revamping public toilets and their advice would be sought.
- 3.3. One option is for the new facilities to be coin operated, with the income helping to fund the upkeep of the site.
- 3.4. If the Authority supports this outline proposal then it is suggested that officers develop costed plans for the Navigation Committee and the Authority to consider at a future date. This will include examination of the potential use of external funding and the appropriate split between Navigation and National Park expenditure from the CRR.

4. 2020/21 Capital Expenditure

- 4.1. When the Budget and the Capital, Treasury and Investment Strategy were prepared for 2020/21 it was identified that one of the Authority's excavators would need replacing in this financial year. This type of equipment is replaced every 10 years where there remains some residual value to offset against the purchase of a new piece of equipment. Due to the significant cost of excavators (£100,000 plus), all of the Authority's previous excavators have been financed over five years directly with the manufacturer, and this had been the plan for this year. However, the historically low interest rates mean that all finance options have been considered. The Management Team has decided, with the benefit of the Chief Financial Officer's advice, to fund the purchase of the new excavator through a new PWLB loan. As stated above, interest rates change on a daily basis and assume a rate of approximately 1.91% would be achieved. It is intended to submit an application for the loan in October.

5. Conclusion

- 5.1. 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 the PWLB vary from 1.97% for a 10-year repayment to 2.32% for a 20-year period. These rates move on a daily basis and, given the current climate and the uncertainty about future boat numbers, members may not wish to commit large future capital projects being financed by debt. However, the CRR provides funding to continue the upgrade of the facilities for the boating public at Acle Bridge.

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[Broads Plan](#) objectives: 6.1, 6.2