

**CABINET – 3 APRIL 2013**

## **APPLICATION FOR FUNDING SUPPORT TO PROTECT LYMINGTON HARBOUR**

### **1.0 INTRODUCTION**

- 1.1 Lymington Harbour Commissioners have approached the Council to request that consideration be given to the Council providing a borrowing facility of £3.24 million to the statutory Lymington Harbour Authority to support the funding of an important scheme in order to protect the harbour. The scheme involves the construction of breakwaters which are essential in order to maintain the viability of the harbour and to keep it open for business.
- 1.2 This report sets out the background to the request and suggests a way forward which would enable the borrowing facility to proceed.

### **2.0 BACKGROUND**

- 2.1 The statutory Harbour Authority's principal activity is to manage the Lymington Harbour as a small Trust Port in accordance with various Harbours Acts. It is governed by an independent Board of ten Commissioners (who receive no remuneration) with day to day management delegated to the Harbour Master/Chief Executive. The Commissioners seek to exercise their authority in a manner which is consistent with the special environmental character of the area whilst maintaining the safe use of the harbour and its enjoyment by both commercial and leisure users. The statutory Harbour Authority for Lymington Harbour is a "not for profit" organisation.
- 2.2 The Harbour Authority is totally self financing and derives its income from harbour dues, the provision of marine facilities and services, and from the rental of a small part of its estate. No grant funding is currently received from either local or national government. Any financial surplus is reinvested back into the development of the harbour and marine services.
- 2.3 In 2008 the Harbour Authority was granted licences and consents to undertake an initial phase of a Harbour Protection Project to protect the harbour from exposure to wave attack due to the loss of salt marsh through the long term trend of natural erosion. Their strategy is multi phased and will be undertaken over a period of 30 years. Phases 1 and 2 are expected to provide protection for a minimum of 10 to 12 years. Phase 1 was completed in 2010 at a cost of £1.4 million funded from a combination of reserves and a £1 million private loan.

### **3.0 THE LOAN PROPOSAL**

- 3.1 The Harbour Authority, through the Commissioners, has asked the Council for funding support to enable Phase 2 to be undertaken in 2014. The funding required is £3.24 million. The request is for the Council to take out a loan from the Public Works Loan Board (PWLB) for a 10 year period which would be passed onto the Harbour Authority and it would guarantee repayment to the Council. The Harbour Authority is not able to

apply directly to the PWLB and thus not able to avail themselves of the preferential loan rates available from the Board.

- 3.2 Essentially, the proposal would involve the Council taking out the loan from the PWLB and making that finance available to the Harbour Authority. There would then be a loan agreement between the Harbour Authority and the Council which sets out the repayment terms of the loan. The proposal is based on there being no costs to the Council in setting up the arrangement and in respect of the on-going administration of the loan. Any such costs in this respect would be payable by the Harbour Authority.

#### **4.0 LEGAL POWER TO PROVIDE FINANCIAL SUPPORT**

- 4.1 Senior officers of the Council are satisfied that the Council has the legal power to grant a loan in these circumstances and have met with the Harbour Authority on a number of occasions to carry out due diligence checks which were necessary before there could be a recommendation to grant a loan in these circumstances.
- 4.2 The Public Works Loan Board have been notified of the proposed arrangements by the Council of the purpose of the funding request and are happy with the arrangements.

#### **5.0 HARBOUR AUTHORITY'S FINANCIAL STANDING**

- 5.1 Internal Audit have undertaken a review and are satisfied that, based on their current financial standing, the Harbour Authority would be able to meet the repayments due on the 10 year loan. Currently the Harbour Authority is financially sound and has a firm statutory basis for its income stream. It is a well-managed Authority and its mooring business is thriving, despite the difficult economic times. There are, however, some residual risks that the Council would have to bear in making this finance available to the Harbour Authority. While the chance of the Harbour Authority defaulting on the loan is low (bearing in mind their current financial standing), senior officers of the Council have informed the Harbour Authority that security will need to be offered to mitigate the risk of default. The Harbour Authority is currently considering this and have indicated that, while they have little by way of fixed assets, they could hopefully provide some security over their strong income stream, possibly by way of a legal charge. This needs to be explored further with the Harbour Authority.

#### **6.0 ENVIRONMENTAL IMPLICATIONS**

- 6.1 The breakwater scheme is essential to protect the Harbour and to ensure its continuing viability. Without such works that protection and viability could be severely compromised.

#### **7.0 CRIME AND DISORDER AND EQUALITY IMPLICATIONS**

- 7.1 None arising from this report.

## **8.0 CONCLUSION**

8.1 The viability of the harbour is essential and without this phase of the 'Breakwater' scheme going forward, that could be compromised. The Harbour Authority are unable to deal directly with the PWLB and have asked the Council to do so and to make that finance available to the Harbour Authority subject to a loan agreement whereby all costs and loan repayments are met by the Authority. The Harbour Authority is in a strong position financially. Whilst there are some residual risks to the Council, they are considered to be low.

## **9.0 RECOMMENDATION**

9.1 It is recommended that Council:

- (1) agree the principle of the granting of £3.24 million to the Lymington Harbour Authority on the basis set out in this report;
- (2) authorise the Chief Executive, Executive Director and Head of Legal & Democratic Services in consultation with the Leader of the Council to finalise the terms of the loan with the Authority, including making appropriate arrangements in respect of securing the loan.

### **For Further Information Contact:**

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### **Background Papers:**

Published Documents