



Hull
City Council

Justine Greening
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Your Ref:

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Contact: Nicola Yates
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Date: 26 February 2012

Chloe Smith,
Economic Secretary to the Treasury
HM Treasury
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LONDON SW1A 2HQ

Norman Baker,
Parliamentary Under-Secretary of State
for Transport
Department for Transport
Great Minster House
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Dear Justine, Chloe, Norman

Humber Bridge Review – Acceptance and Terms Relating to Government Offer

We write further to your letter of the 29th November last offering, on behalf of the Government, to write down £150 million of the Bridge debt to enable car tolls to be reduced from £3 to £1.50, on condition that there was radical reform of the Bridge Board to bring in new expertise and give it a sharper commercial focus and that the Humber area local authorities take on full responsibility for the remaining debt, sharing it out much more broadly and realistically between them.

The Board and authorities warmly welcome the government proposal set out in your letter which we consider an imaginative and helpful way forward to resolve the outstanding matter of the Humber Bridge debt. (On a point of clarification the reference to taking on responsibility for the remaining debt means taking on any operating deficit which the Bridge Board may incur after fully utilising all of its reserves). We do however, feel we



The Guildhall, Alfred Gelder Street, Hull. HU1 2AA

should reiterate the Board and authorities long term goal that the Bridge should become part of the national highway network free of tolls, but we reluctantly accept that the economic circumstances are such that this is not achievable at the present time.

The Board and authorities accept the conditions set out in your offer letter dated 29 November 2011, subject to the conditions set out in the attached document and clarifications of the issues therein. The Board and authorities agree to the proposal to reform the constitution of the Board and wish you to accept this letter as an application under S97 of the Humber Bridge Act 1959 to alter the membership of the Board in the terms outlined in the attached document.

With regard to tolls, it is the Board's intention from the 1st April 2012, or the date of the write down of the debt if later, to reduce the tolls to the following levels:-

| | |
|---------|--------|
| Class 1 | Free |
| Class 2 | £1.50 |
| Class 3 | £4.00 |
| Class 4 | £4.00 |
| Class 5 | £12.00 |
| Class 6 | £12.00 |

Surcharge payments for lightweight trailers, including caravans, will also be removed. This goes far beyond a halving of the car toll and the Board and the authorities believe provides a real incentive for commercial vehicles to use the Bridge and promote the local economy.

The authorities also confirm and agree to underwrite any operating deficit of the Bridge Board on the basis of each authority undertaking a 25% share of any such deficit. The mechanism by which this is proposed to be carried out will be contained in a legally binding agreement between the authorities and the Board and can be reflected in the Private Bill to follow.

On the understanding that this will receive Government support it is the intention of the Board and authorities to jointly instruct Parliamentary agents to promote a Private Bill within six months of the write down of the debt, or sooner if practicable. The precise nature of the Bill is uncertain as the Board and authorities need advice on whether they should simply amend the existing Acts or take this opportunity to replace the existing Acts, as we understand has happened with the Forth and Severn legislation.

In any event the Board and authorities would wish to promote provision to secure the following:-

- To formally change the liabilities of the local authorities for debt as set out above;
- To change Board membership to include two private sector representatives with full voting rights;
- To give an economic regeneration power to rank equally with the Board's existing powers and objectives;

- Borrowing powers, including the ability to refinance the existing loan, finance major capital or maintenance projects, and temporary borrowing pending receipt of revenues. These borrowing powers would be subject to the Prudential Code under the terms of the Local Government Act 2003, or equivalent constraints having the same effect.
- To extinguish the existing statutory time limit for the repayment of debt to better facilitate the use of the new borrowing power above, but clearly subject to safeguards;
- The Board is given full and unfettered statutory powers to set and take tolls and charges including any classes of tolls, exemptions, concessions and discounts without any requirement to hold a local inquiry or to obtain ministerial approval.
- To give the Board the freedom to use any of its reserve funds for any purpose however they are originally designated;
- To give the Board enforcement powers to take action against those who seek to evade tolls;
- To clarify the Board's responsibility to appoint external auditors; and
- To redesignate Board members as Directors to reflect their increased responsibilities and provide for their payment;

We would like to take this opportunity on behalf of the Board and the authorities to thank officials at Department for Transport and HM Treasury for all of their invaluable help and support and in particular for the model provided which enabled this matter to be moved on.

We hope this letter assures you that the Board and the four local authorities have worked together to seize the opportunity that your Humber Bridge Review has presented for the benefit of all residents and businesses in the Humber area and beyond, and we have more than met the conditions that you imposed.

The Board and authorities would like finally to thank you for the opportunity that the proposal has given all parties to create a long term solution to the Humber Bridge debt.

When responding to this letter please contact Nicola Yates, Chief Executive and Secretary to the Unitary Leaders Group (nicola.yates@hullcc.gov.uk) and Darryl Stephenson, Clerk to the Bridge Board (darryl@hardmoorgrange.com).

Yours sincerely



.....
Cllr David Gemmell OBE, Chairman, Humber Bridge Board

[REDACTED]

Cllr Stephen Parnaby OBE, Leader, East Riding of Yorkshire Council

[REDACTED]

Cllr Steve Brady, Leader, Hull City Council

[REDACTED]

Cllr Chris Shaw, Leader, North East Lincolnshire Council

[REDACTED]

Cllr Liz Redfern, Leader, North Lincolnshire Council

[REDACTED]

HUMBER BRIDGE REVIEW

ACCEPTANCE AND TERMS RELATING TO GOVERNMENT OFFER

1. East Riding of Yorkshire Council, Kingston upon Hull City Council, North East Lincolnshire Council, North Lincolnshire Council and the Humber Bridge Board welcome the Government's offer to write down £150 million of the Bridge debt, set out in the joint letter from the Department for Transport and Treasury dated 29 November 2011.
2. Discussions with Department for Transport officials to clarify points raised in the letter and better understand the financial models underpinning the offer have been extremely useful to ensure all parties understand the benefits and risks of the offer.
3. In respect of the conditions of the offer:

All parties agree to the radical reform of the Bridge Board.

It is the Board and authorities intention to reduce the number of local authority representatives to 4 (one from each authority in the sub region), as soon as possible. In addition two representatives from the private sector, will be nominated by Lord Haskins, Chair of the Local Economic Partnership initially these members will be non-voting until new legislation is passed. The covering letter contains the application from the authorities and the Board under S97 of the Humber Bridge Act 1959 to reduce the numbers and quorum and we trust this will be approved to take effect from 1 April 2012.

All parties agree that the Board will operate with a sharper commercial focus, so that costs are controlled and opportunities to bring in new revenue are seized.

A formal agreement will be put in place between the authorities and the Bridge Board to ensure the strategic plans of the authorities and Bridge Board align to promote the economic regeneration of the area and that financial oversight of the Bridge Board is robust. This will be achieved through an agreement that ensures that the draft budget and the strategic plans of the Board for each financial year will be

submitted to the authorities for consideration. This will ensure that there is oversight of the finances of the Board and will replace the requirement for the Board to have the power to levy the authorities. Such an arrangement would be easy to set up and would better reflect the spirit of working together that the Government wishes to promote. Any such arrangements set up between the Board and the authorities could then be reflected in any future legislation.

The four Councils agree that each will take a 25% share of any deficit arising in any year once all Bridge Board reserves have been exhausted.

The debt and responsibility for it will remain with the Bridge Board. This agreement is conditional on:

- i. The Department for Transport confirming that the maximum rate of interest payable on the outstanding loan is 4.25%.
- ii. The Department for Transport providing an extension to the loan, if required.
- iii. The Board is given full and unfettered statutory powers to set and take tolls and charges including any classes of tolls, exemptions, concessions and discounts without any requirement to hold a local inquiry or to obtain ministerial approval.
- iv. That in the event of a catastrophic event affecting the Bridge, e.g. high impact/low likelihood event e.g. terrorism, bridge collapse, prolonged closure, the Department for Transport would underwrite the debt and any other costs associated with such an event, e.g. disposing of the bridge if it collapsed.
- v. The Bridge Board entering into a formal agreement with the authorities to provide financial information, budgets and strategic plans for consideration and agreement.