

# **HUMBER BRIDGE BOARD**

## **STATEMENT OF ACCOUNTS**

**2017 - 18**



# HUMBER BRIDGE BOARD

# STATEMENT OF ACCOUNTS

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## **BUSINESS INFORMATION**

CHIEF EXECUTIVE	DR KEVIN MOORE
BOARD DIRECTORS	COUNCILLOR CHRIS MATTHEWS (CHAIR) UNTIL 15.6.18 COUNCILLOR MATTHEW PATRICK (DEPUTY CHAIR) UNTIL 15.6.18 COUNCILLOR SEAN CHAYTOR COUNCILLOR RICHARD HANNIGAN LORD CHRIS HASKINS CHARLIE SPENCER (RESIGNED 3.9.18) COUNCILLOR DAVE WATSON (CHAIR) FROM 15.6.18 PETER DRENON (EFFECTIVE FROM 21.12.18)
REGISTERED OFFICE	FERRIBY ROAD HESSLE EAST YORKSHIRE HU13 0JG
SOLICITORS	HULL CITY COUNCIL LEGAL DEPARTMENT GUILDHALL HULL HU1 2AA
BANKERS	NAT WEST BANK LIMITED 34 KING EDWARD STREET HULL HU1 3SS
AUDITORS	MAZARS LLP SALVUS HOUSE DURHAM DH1 5TS

# **NARRATIVE REPORT**

## **1. Executive Summary**

The Humber Bridge has been a highly successful toll bridge and a key part of the transport infrastructure of the Humber region since it opened in 1981. From 1981 to 1998 the Humber Bridge was the longest single span bridge in the world, making it a global icon of British engineering achievement. It remains the longest bridge in the world that you can cycle and walk across. It is a bridge that can be enjoyed at leisure, not purely as the quickest route across the Humber Estuary.

This year has been a year of excellent progress, with significant improvements in the management and operation of the Bridge and its service to its customers and other users. This work has laid the foundations for us to build on this success over the next three years, as we are 'creating the best bridge experience in the world'.

The Humber Bridge will offer the best bridge experience in the world to all our customers, whether crossing the Bridge by motorised vehicles, bicycles and on foot, or visiting the Bridge as a tourist attraction.

We will continue to ensure and improve a safe and sustainable crossing for all our users. We will also enable visitors to explore the Humber Bridge as a world-class visitor attraction.

Our strategic objectives for 2018 to 2021 are to:

1. Improve the experience of customers, while maintaining the tolls at current prices
2. Maximise and diversify our income and minimise our expenditure
3. Develop a world class visitor experience

Through these objectives the Humber Bridge will continue to play a significant and developing role in the economic and social regeneration of the Humber region.

## **2. Strategic Overview**

### **2.1 Background**

For centuries the Humber Estuary was a barrier to trade and development between the two banks. Local interests campaigned for over a hundred years for the construction of a bridge or tunnel across. There were ferries across the Estuary, but the route by road involved going to Goole, which is 29 miles from Hull and 53 miles from Grimsby.

Approval for the construction of a suspension bridge was granted in 1959 with the passing of the Humber Bridge Act and the creation of the Humber Bridge Board, although it was not until 1972 that work finally began. The reasons why a suspension bridge was chosen were twofold. First, the Humber Estuary has a shifting bed and the navigable channel along which ships can travel is always changing. Therefore, a suspension bridge with no support piers in mid-stream would not obstruct the estuary. Second, because of the geology and topography of the area, the cost of constructing a tunnel would have been excessive.

Work on the construction took eight years, during which time upwards of one thousand workers were employed at times of peak activity. Traffic first crossed the bridge on 24th June 1981 and on 17th July 1981 Her Majesty the Queen performed the formal opening ceremony. The Bridge provided an opportunity for the Humber region to realise its potential in commercial and industrial development. The journey from Hull to Grimsby, for example, was reduced from 82 miles to 42.

The Bridge has saved many millions of vehicle miles and valuable hours of drivers' and passengers' time - an important factor not only for the drivers and operators of commercial vehicles but also for tourists who would have had to travel around the estuary to reach destinations in the region. The Bridge has also made a significant environmental contribution in reducing vehicle emissions.

The Humber Bridge Board is a statutory body, established by the 1959 Humber Bridge Act, and amended through subsequent legislation. This also includes the statutory roles of Highway and Traffic Authority. The Humber Bridge Act in 1959 followed the promotion of a parliamentary bill by the then Kingston upon Hull Corporation. This provided for the creation of the Humber Bridge Board ("the Board") with the powers to: construct and afterwards operate and maintain the bridge and approach roads; to acquire the necessary land; and to borrow such sums as necessary to build the bridge and take tolls from vehicle users. The tolls are used to operate the Bridge, ensure it is maintained in a safe and serviceable condition and to repay the debt of the funding borrowed to construct it.

The Humber Bridge was built at a time of very high inflation (up to 26 per cent p.a.) and so the Bridge opened with a much higher than planned debt. The cost of the bridge increased from the original estimate of £28 million to £98 million, so by the time the Bridge opened in 1981, interest charges incurred during the construction period meant the Board had a debt of £151 million.

The debt continued to rise, due to further borrowing to meet the subsequent interest charges, reaching £439 million in 1992. By 2012 the debt had fallen to £332 million, largely due to the considerable grants received from the Government during that period. In March 2012 the Government agreed to write off a further £150 million of the debt to the Department of Transport (DfT), reducing it to £182 million, and to charge a fixed interest rate of 4.25 per cent for the remaining life of the loan, in return for which the Board and the four local authorities agreed to :

- (1) A reduction in the toll for cars from £3.00 to £1.50 and significant reductions in the tolls for the other classes of vehicle.
- (2) A radical reform of the Bridge Board to bring in new expertise and give it a sharper commercial focus, so that costs are controlled and opportunities to bring in new revenue are seized.
- (3) The local authorities taking on full responsibility for the remaining lower level of debt, and sharing it out much more broadly and realistically between them.

The Humber Bridge Act 2013 came into force on 15 January 2014. This enabled amongst other things:

- The two observers from the private sector to become full directors of the Board.
- The Board to promote the economic development of the Humber area.

- The Board to provide economic, social, cultural and environmental benefits to the residents of and visitors to the area.
- The Board to carry over any net deficit for up to two years which, if it cannot be made good, is recoverable from the four constituent local authorities in equal proportions.
- The Board to exercise a new general borrowing power for any relevant purpose.
- The Board to amend tolls but to undertake consultation with the Secretary of State, users and the local population if a proposed increase is more than inflation as measured by the retail prices index.

On 1 April 2015 the Board took out a Public Works Loans Board (PWLB) loan of £166.6m at a fixed interest rate of 2.54 per cent for a period of 23 years and repaid the Department for Transport debt. Repayments of the PWLB loan in the year to 31 March 2018 totalled £3.621m thus bringing the loan outstanding at 31 March 2018 to £148m. The loan will be fully repaid by 2038.

In November 2015 the bridge tolling system underwent its largest change since opening, with the introduction of the UK's first hybrid tolling system. The new system enabled bridge users with a pre-paid 'HumberTAG' account to cross the bridge without stopping at the toll plaza by using the open road tolling lanes. Recognising that many bridge users would like a choice of payment methods, the toll plaza was kept open, enabling users to continue to pay their toll by cash, chip and pin and contactless at the booths.

## **2.2 Strategic Importance of the Bridge**

The Humber Bridge makes a significant contribution to the economy of the Humber region, providing the only direct link across the Humber for public, private and commercial vehicles and provides significant access links for pedestrians and cyclists. It also provides vital access to health, education and leisure services. 10 million vehicles, 200,000 pedestrians and 50,000 cyclists cross each year.

The Humber Bridge is also a key transport connection from the region to the north and south of the country. Indeed, it could form part of a third route to the North from London, along with the M1 and A1(M), as was the original plan for the M11. Cambridgeshire County Council is currently considering extending the M11 north of Cambridge. Such a route could relieve the frequent congestion between London and the North on the M1 and the A1(M). Lincolnshire Council is aiming to dual those remaining sections of the A46 which bypass the city which are not yet dual carriageway. This would complete a dual carriageway route with the A46 from the M1 at Leicester and the A1 at Newark to the Humber Bridge and Hull. An eastern bypass for Lincoln is being planned, which would also relieve congestion on the A46 at Lincoln. In addition, Lincolnshire County Council is exploring the A15 from Lincoln to the M180 becoming a dual carriageway, though the very substantial funding required for this would need to come from central Government. Upgrading of the A164 from the Humber Bridge to Beverley to be a dual carriageway along the whole route is also being considered. The Humber Bridge is very supportive of these potential developments.

The Humber is one of England's three major estuaries, along with the Thames and the Severn. River water from the land of 20 per cent of England drains out through the Humber Estuary into the North

Sea. The Humber is the largest trading estuary in the UK (by tonnage) and the fourth largest in northern Europe.

The Humber Bridge therefore plays an important role in the achievement of the objectives of the Humber Local Enterprise Partnership (LEP), to maximise the potential offered by the Humber Estuary, leading the Humber to become a renowned national and international centre for renewable energy and an area whose economy is resilient and competitive.

## **2.3 The Legal Position**

### **2.3.1 Legislation prior to 2013**

The Humber Bridge Act 1959 established the Humber Bridge Board and conferred powers on it to construct and maintain a bridge across the Humber Estuary, together with approach roads and other works.

Further provision was made in relation to the Board and the proposed bridge, in particular to enable financing for the construction of the bridge, by the 1971 and 1973 Humber Bridge Acts.

The Board agreed with the Secretary of State as part of revised financial arrangements in 2012 that the Board should be re-constituted and that certain other changes should be sought to the Humber Bridge Acts 1959 to 1973.

### **2.3.2 Humber Bridge Act 2013**

The Humber Bridge Act 2013 amended the Constitution as follows:-

#### **“Constitution of Board**

1. The Board is to consist of six directors to be appointed as follows:-
  - (a) One director by the East Riding of Yorkshire Council;
  - (b) One director by Kingston upon Hull City Council;
  - (c) One director by North Lincolnshire Council;
  - (d) One director by North East Lincolnshire Council; and
  - (e) Two directors appointed by the directors of the Board for the time being appointed by the constituent authorities, the appointments being made from amongst persons nominated for this purpose by the Humber Local Enterprise Partnership (LEP) or such body or bodies as the Secretary of State may from time to time by order made by statutory instrument substitute as the nominating body.

Each director appointed under subsection (1) (e) must be a person who appears to the directors appointing that director to have special knowledge or experience of the operation of commerce in the whole or some part of the area of the constituent authorities.

## **General Powers**

The General Powers of the Board were amended as follows: -

- (1) Subject to the other provisions of the Humber Bridge Acts 1959 to 2013, the Board may:
  - (a) do anything which appears to the Board to be necessary or desirable for the purpose of, or in connection with the maintenance, operation management, improvement, repair and renewal of the bridge;
  - (b) promote, or participate with others in the promotion of the economic development of the Humber area; and
  - (c) do any other thing (including the provision of facilities and the carrying on of any business) which in the opinion of the Board can usefully be undertaken by the Board by virtue of the Board's functions in relation to the bridge and which, in the opinion of the Board, is likely to provide economic, social, cultural or environmental benefits to all or some of the population of, or visitors to, the Humber areas.
- (2) In exercising the powers of this section, the Board must have regard to the desirability of minimising in the longer term the level of tolls to be levied in respect of vehicles passing over or on the bridge."

## **2.4 The Assets**

The core service is delivered via a specially designed suspension bridge which addressed the difficult and differing geological challenges of the site. The design incorporated the latest technologies of the day and is a masterpiece of civil engineering. With appropriate maintenance, the Humber Bridge has an anticipated service life of 120 years.

The importance of the Humber Bridge as a structure was recognised in July 2017 when it was awarded Grade I listed status by Historic England, which is the public body that looks after England's historic environment. The Humber Bridge is the longest listed structure in England.

Historic England champions and protects historic places, helping people understand, value and care for them. Listing is the term given to the practice of listing buildings, scheduling monuments, registering parks, gardens and battlefields and protecting wreck sites. Grade I buildings are of exceptional interest, only 2.5 per cent of listed buildings are Grade I. Listing allows Historic England to highlight what is significant about a building or site, and helps to make sure that any future changes to it do not result in the loss of its significance.

In addition there are approach roads and bridges to the suspension bridge and c. 14 hectares of land, which includes parking.

## 2.5 The Board

The six Board members at present are: -

Councillor Chris Matthews (Chair)	East Riding of Yorkshire Council
Councillor Richard Hannigan	North Lincolnshire Council
Councillor Sean Chaytor	Hull City Council
Councillor Matthew Patrick (Deputy Chair)	North East Lincolnshire Council
Lord Chris Haskins	Humber LEP
Mr Peter Drenon	Humber LEP

The Chair is appointed for one year at the Annual General Meeting.

## 2.6 The importance of the tolls

The tolls are required in order to pay off the debt remaining from the construction of the Bridge (currently £144 million) and to meet the costs of the operation and maintenance of the Bridge. Any further reduction of the tolls could jeopardise the ability of the Bridge to meet its obligations to pay off the debt (at over £7 million p.a.) and to safely operate and maintain the Bridge. 60 per cent of the Bridge's annual income is required to meet the debt repayments. The remaining 40 per cent is required for the operation and maintenance of the Bridge. The tolls are therefore vital for the continued operation of the Bridge. The tolls also offer excellent value for money, given the costs incurred in making the journey by an alternative route.

## 2.7 Stakeholders

The key stakeholders of the Humber Bridge are:

### **The Secretary of State for Transport, HM Government**

To whom, as a Statutory Authority, the Bridge is accountable under the 1959 and 2013 Humber Bridge Acts.

### **The four local authorities**

East Riding of Yorkshire Council, Kingston upon Hull City Council, North Lincolnshire Council and North East Lincolnshire Council, which equally between them have full responsibility for the Board's debt. Each Council has the nomination right for one of the six Board directors of the Bridge.

### **Humber Local Enterprise Partnership (LEP)**

The Humber LEP is a key partner, as we share the LEP's objective 'to maximise the potential offered by the Humber Estuary, leading the Humber to become a renowned national and international centre for renewable energy and an area whose economy is resilient and competitive'. The LEP has nomination rights for two of the Board's six directors.

### **All the Bridge's customers and users**

Whether in motor vehicles, on bicycles or on foot, or simply sightseeing at the Bridge.

### **Other Stakeholders**

A wide range of other stakeholders are important to the Bridge. The staff at the Humber Bridge are key to our success and the trade unions which represent our staff, Unite and Unison, also have a very valuable role to play. We could not achieve what we do without the range of contractors who provide services to us. Our partnership with SICE is vital to the success of our tolling system. Hessle and Barton Town Councils are crucial in ensuring we have excellent relationships with local residents and businesses.

We work very closely with a range of organisations to ensure the safety of our users, including: Humberside Police; Humberside Fire and Rescue Service; Humber Rescue; Highways England; Ambulance Service; National Counter Terrorism Policing; Safer Roads Humber; HM Coastguard; Humber Local Resilience Forum; East Riding of Yorkshire and North Lincolnshire Councils' Highways Departments; Hull and East Yorkshire Mind; Hull & East Riding and Scunthorpe Samaritans.

We work very effectively with Associated British Ports, which controls and operates the Humber Estuary, including shipping passing under the Humber Bridge. We assist and facilitate a number of universities with research projects at and relating to the Bridge, including the University of Cambridge and the University of Hull.

We benefit greatly from our links with a number of professional organisations, including: The Institution of Civil Engineers (ICE); The Institution of Occupational Safety and Health (IOSH); Constructing Excellence Yorkshire and Humber; and we are members of the Bridge Managers & Owners Forum, the Toll Tunnels & Bridges Group and the International Cable Supported Bridge Operators' Association.

Now that the Bridge is Grade I listed, Historic England is a key and highly valued partner. In developing our visitor experience on site, we are already working closely with a number of organisations, including: the Humber Bridge Country Park and Tourist information Centre; other local cultural attractions, such as Hull City Museums, the Ropewalk in Barton-upon-Humber; Hull 2017 UK City of Culture; Welcome to Yorkshire; and VHEY (Visit Hull & East Yorkshire).

### **3. Humber Bridge: Mission Statement**

We are:

#### **'Creating the best bridge experience in the world'**

The Humber Bridge will offer the best bridge experience in the world to all our customers, whether crossing the Bridge by motorised vehicles, bicycles and on foot, or visiting the Bridge as a tourist attraction.

#### **What are we?**

The Humber Bridge is:

- a unique engineering triumph
- the longest single span bridge in the world you can walk or cycle across
- Grade 1 listed by Historic England
- The longest listed structure in England
- the major landmark and icon of the region
- a vital part of regional and national transport infrastructure

- the key economic connector for the Humber region

The Humber Bridge Board is a Highway and Traffic Authority. This means it is responsible for all aspects of the management of the Bridge as a regionally important traffic route.

**What do we do?**

- Ensure safe and sustainable crossing - by motorised vehicles, bicycles, and on foot

**What will we also do?**

- Enable visitors to explore the Humber Bridge as a world-class visitor attraction

**Who do we do it for?**

- Road users, pedestrians, cyclists, leisure visitors

The Bridge is inclusive; it is available to all, regardless of age, ability, background or other factor or characteristic which might limit a person's access to our services

**Why do we do it?**

- To promote economic development through shortened journey times and workforce mobility
- To enhance social, cultural and community development – bringing the north and south of the estuary together
- To provide a unique visitor experience, which will give economic and social benefits to the region

**How do we aim to do it?**

- Excellent maintenance and improvement of the Bridge and associated infrastructure
- Outstanding operations, customer service and management in all we do
- Developing an excellent visitor experience on site
- Partnership working with our stakeholders
- Sharing best practice with other major bridge owners and operators
- Constant innovation and improvement

**Where do we do it?**

At the heart of the Humber region, but also forming part of one of the major north-south routes for the UK.

**When?**

The Bridge is operational 365 days a year, 24 hours a day.

**How is it paid for?**

Income received from tolls and other sources provide the funding to ensure the continued operation and maintenance of the Bridge and that all debt repayments are met. The Board has a debt to repay, which dates back to the initial costs in building the Bridge.

**Who are we?**

The Humber Bridge Board is a statutory body, established by the 1959 Humber Bridge Act and amended through subsequent legislation.

The Board consists of six directors appointed as follows:

- one director by the East Riding of Yorkshire Council;
- one director by Kingston upon Hull City Council;
- one director by North Lincolnshire Council;
- one director by North East Lincolnshire Council; and
- two directors nominated by the Humber Local Enterprise Partnership

The Board employs a team of about 83 staff, led by a Chief Executive.

## **Core Values**

Our core values are:

### **Safety**

#### **Safety is our first priority**

The safety of our staff and customers is paramount.

### **Customers**

#### **Our customers come first**

All that we do is aimed to meet the needs of our customers, including our local communities.

### **Money**

#### **Generating a surplus to improve what we do**

Our surplus income is reinvested in the services we offer to our customers.

### **People**

#### **Everything is thanks to our people**

We can only achieve our goals through the work of our dedicated staff team.

### **Region**

#### **Keeping the region moving**

The Bridge has a vital role in the economic development of the Humber region and beyond.

## **4. Progress Report**

This has been an excellent year for the Humber Bridge. The Bridge has continued to provide a key economic connection for the Humber region and beyond. Overall traffic numbers grew by 4.2 per cent, from 9,388,344 to 9,785,596, and income grew by 3.6 per cent from £18,586k to £19,251k. We have also made a number of significant improvements to the efficiency and effectiveness of the business.

We have improved the experience of our customers, while freezing the tolls, by maintaining commuter traffic during peak hours, minimising queues at the tolls, and improving our customer account management, through the increasingly popular HumberTAG. The HumberTAG now accounts for 51.7 per cent of our total income. We have launched a very successful education campaign for drivers relating to vehicle safety in high winds and significantly improved our management of traffic in high wind situations.

We have taken a range of measures to minimise our expenditure, without any compromise in our services to our users. We have also taken a number of steps to maximise and diversify income, which will expand over the next three years.

We have made significant improvements in security and safety, for all our customers and users. We would like to thank the Counter Terrorism Advisory Service (CTSA) for their guidance and support. Our improvements in health and safety led to a visit by Craig Foyle, the President of IOSH, the Institution of Occupational Safety and Health, the world's biggest professional health and safety membership organisation. We have made significant improvements in traffic management, including signage and response to incidents, working closely with Humberside Police and East Riding of Yorkshire Council, and North Lincolnshire Council.

All major and minor maintenance works have been completed on time and on budget.

We have also developed an outstanding “Strategic Masterplan” for the development of the Humber Bridge as a major visitor experience.

In November 2017, thanks to one of the original engineers of the Humber Bridge, Douglas Strachan, we hosted a reunion for 26 engineers and their wives at the Humber Bridge. This included tours to the top of the towers of the Bridge and attracted substantial local media interest. Councillor John Hewitt, Lord Mayor of Kingston upon Hull, hosted a Civic Reception at the Hull History Centre for the engineers and their wives. We are very grateful to him for this. Councillor Sean Chaytor and Councillor Chris Matthews were also able to attend. Councillor Matthews was invited to the Engineers Dinner in the evening in Hull and spoke along with Rosie Millard, Chair of Hull City of Culture 2017.

We held an excellent Civic Day at the Bridge in June 2018. The Chair of the Humber Bridge Board had a prior engagement, so Deputy Chair Councillor Sean Chaytor officiated. Those attending included: Councillor John Briggs, Mayor of North Lincolnshire; Hon Mrs Susan Cunliffe-Lister, Lord Lieutenant of East Riding of Yorkshire; Councillor Margaret Chadwick, East Riding of Yorkshire Chair Person; Martin Credland, Chair of Elloughton, Brough Council; Councillor Phil Davison, Hessle Town Mayor; Councillor John Dennis, East Riding of Yorkshire Council; Councillor Nigel Pinchbeck, Mayor of Barton; Sir Reggie Tyrwhitt, Deputy Lieutenant of Lincolnshire; Councillor Steve Wilson, Deputy Lord Mayor of Hull. Guests visited the tower top and road deck, and heard an update on the Heritage Lottery Fund – funded Hidden Histories of the Humber Bridge Project.

We are very grateful to the Heritage Lottery Fund for awarding us a grant of £65,700 in October 2017 so that the stories of people whose lives have been shaped by the Humber Bridge can be captured. Thanks to National Lottery players, ‘Hidden Histories of the Humber Bridge’ will reveal the histories of those who designed and built the Bridge, and the social and economic impact the Bridge has had in the region since 1981. The ultimate goal is to create an online archive, which will be fully accessible. The project runs until June 2019.

The Board commissioned a strategic review, undertaken by visitor attraction experts Fourth Street, to assess: the need for a visitor attraction at the Humber Bridge in the first instance; what that attraction might be; and how best to deliver and manage it. The review built on the wealth of information collected and analysed through previous studies commissioned by the Humber Bridge Board, as well as its constituent local authorities. The ultimate aims expressed by the brief called for a visitor experience that is:

- World class and compelling
- Commercially viable and sustainable in the long term
- Based on robust market intelligence
- Sympathetic to the site’s environment, history and heritage

- Complementary to the plans of neighbours and local stakeholders
- Deliverable in the short term, with opportunity to grow and adapt over time

As an engineering and architectural icon of international renown, the Humber Bridge is already one of the region's most popular visitor destinations and its most readily identifiable landmark. As such, the question of whether the Board should develop it as an attraction has – in a sense – been rendered moot by the very fact that it is already seen and experienced that way by residents, their friends and families, and tourists. The substance of the attraction review was therefore about crystallising an opportunity that already exists rather than creating a whole new destination.

A set of destination development principles were established to underpin any physical design or business model. These are summarised as follows:

- Focus on programming over product, which is to say that it is best to think about the Humber Bridge and its wider estate and environment as a platform on which to stream a constantly changing and evolving programme of events, exhibitions and activities. It should seek to deliver 'things to do' as much as it provides 'things to see'.
- Develop the product incrementally over time, which not only mitigates financial risk and exposure, but also provides for more product renewal in what is largely a 'static' and unchanging market that relies on a high proportion of repeat visits.
- Accepting that the Humber Bridge has a rich variety of stories to tell and experiences to offer – spanning subjects like history, economics, geography, science & technology, engineering & architecture – the plan recognises that effective 'storytelling' does not imply the need for a museum. There are other, better ways to tell these stories and engage people in these stories.
- To the extent that if any new buildings or structures are required, then they should embody architecture and design of the highest standard, which is consistent with examples set by the Bridge itself. The Humber Bridge, now a Grade I listed structure, is itself an iconic landmark. There is no need to 'over invest' in architecture that will, at best, amplify or, at worst, steal focus from what is already an internationally known landmark.
- Finally, the review is predicated on an understanding of both the tangible and measurable economic benefits of destinations (new tourists, longer stays, more spend) as well as the arguably even more important intangible benefits. The latter include the 'signalling' effect that thoughtfully conceived visitor destinations can have on the way that a place is perceived. Any new visitor experience at the Humber Bridge should be mindful of its ability to shape the way that people – be they tourists, residents, businesses or investors – think about the region, its people and its values.

These principles are used to inform a conceptual approach to the improvement and expansion of the Humber Bridge as a visitor experience. The ambitious vision for the project is as follows:

"The Humber Bridge is a local icon and landmark, immediately identifiable and awe-inspiring for its history, grandeur, scale and setting. The Humber Bridge visitor experience will set the global standard for the use and interpretation of major infrastructure as a tourism, cultural, educational and economic asset. The Humber Bridge will be a platform that invites all local stakeholders – from councils and communities, schools, colleges and universities, to artists and individuals – to participate in the co-curation of a programme that celebrates and communicates the region's strengths as a place to live, a place to visit, a place to work and a place to invest."

This vision is supported by a more specific set of objectives:

- Improve the experience for people that are already visiting
- Provide new and compelling reasons for people to visit
- Create a physical platform and a corporate culture that encourages regular change, renewal and experimentation
- Provide opportunities for community, corporate, academic, civic and public sector organisations to partner with the Board in the delivery of new product and programmes
- Develop incrementally as a visitor destination that is financially viable, operationally competent and environmentally sustainable
- Crucially, the Humber Bridge will use the visitor experience as a mechanism to advance the economic and inward investment agendas of the region

The resulting product will be rich and diverse, encompassing active experiences in the landscape, events and activities, arts programming, and exhibitions of varying type and scale. To ground these in a consistent and unifying ‘theme’, there will be a focus on ‘engineering’. While other destinations have focussed on design at one end of the STEAM (Science, Technology, Engineering, Arts, Maths) spectrum, or more generally on sciences at the other end, no destination has emerged as the definitive, authoritative voice for engineering. That the Humber Bridge is so easily identified as a standout example of innovative British engineering, combined with the fact that so much of the current inward investment strategy for the region is based on its strengths in chemical, environmental renewables, mechanical and civil engineering and modular construction makes this a compelling prospect that should be further explored. This would take as its definition of engineering that of Professor David Blockley, Emeritus Professor of Civil Engineering, University of Bristol, that is ‘The art, science and craft of changing a dream into a reality through conception, feasibility, design, manufacture or construction to operation of something that fulfils a human need’ (*Engineering: A Very Short Introduction*, Oxford University Press, 2012).

The review recognised that none of this work should interfere or distract from the Humber Bridge Board’s core business of managing and maintaining a piece of critical transport and communications infrastructure. Accordingly, the suggested business model proposed is one that minimises risk through a cautious, market-led, incremental approach where the Board creates the space, platform and opportunity for product to be delivered by operational partners and a carefully curated set of tenants. Through this strategic approach the Bridge will have a high quality visitor experience offer in place for its 40th anniversary.

Following this the Board commissioned a Strategic Masterplan for the development of the Bridge as a visitor destination by Ian Ritchie Architects, which has an international reputation for excellence in this field, having, for example, produced the ten-year Masterplan for the British Museum in 2006. This visionary Strategic Masterplan was approved by the Board in August 2018. The Masterplan creates ‘a beautifully engineered landscape of extraordinary experiences and activities’ on Humber Bridge Board land and the Humber Bridge Country Park. The £30m, 10-year plan is divided into four phases – near future (2018-2019), short term (2019-2022), medium term (2023-2027) and long term (2028-2030) – with new and exciting developments being planned for each stage. The scheme, which has been inspired by the Humber Bridge’s engineering and topography, is forecast to generate

up to £29m for the local economy during the 10-year development period, and up to £4.2m annually thereafter.

The Masterplan development will be completely self-funded from the start, with ongoing work paid for by revenue generated by the attraction itself. None of the work will be funded by the toll fees.

## **5. Staffing**

To achieve its objectives, the Humber Bridge employed 83 staff on average during the 2017-2018 year. This staff number will significantly increase as the Bridge is developed as a major tourist attraction, but these additional costs will be fully met by the surplus generated from the visitor experience.

During this year there has been a complete restructure of the Bridge's staff team, at all levels. This has been in full consultation with our two recognised trade unions, Unite and Unison. The Bridge now has a staff team and staff structure to achieve its ambitious objective over the next three years, to create 'the best bridge experience in the world'.

## **6. The Future**

Over the next few years, as we create 'the best bridge experience in the world', we will continue to improve the experience of customers, minimise our expenditure and maximise and diversify our income. The rapid pace of technological change means that there will be new opportunities for more advanced and cost-effective tolling systems.

We will continue with our programme of major maintenance projects to ensure the Bridge remains in the appropriate condition, safe to users and provides uninterrupted use long term. In 2021, the 40th anniversary of the Bridge, there will still be much to do to fulfil the visitor experience potential with our strategy to 2030. By all these measures we will continue to play a significant role in the economic and social regeneration of the Humber region. By supporting wider road transport developments, such as the potential extension of the M11 and the dualling of the A15, the Bridge can also play a role in improving both regional and national transport infrastructure.

Throughout our development the four local authorities and the Humber LEP will remain our key partners. By becoming a major tourist attraction and diversifying our income the Bridge will also develop partnerships with a range of businesses and public and private sector funders.

## **Fair Review of Business 2017-2018**

### **Revenue**

Strong vehicle growth throughout the year resulted in an annual turnover of £19.3m, this is a year on year increase of £0.7m – a 3.6 per cent increase in turnover.

### **Traffic Volume**

Traffic volume in the year concerned showed a healthy increase of 4.2 per cent. This is lower than had been anticipated due to extreme adverse weather conditions in February/March 2018. The “Beast from the East” resulted in a loss of 116,000 crossings, a £225k revenue impact and a negative impact on traffic growth of 1.2 per cent.

### **Cost/Cost Savings**

A cost control programme introduced mid-year resulted in the business beating its budgeted cost expenditure by £120k. This is after allowing for additional costs relating to prior year employment costs of £308k. The final cost outcome represents an overall cost saving, in comparison with 2016/17 levels of expenditure, with similar staffing levels.

### **Loan**

The business holds a Public Works Loan which will be fully repaid in 2038. The loan currently stands at £148.5m. One payment was made during the year with the 31<sup>st</sup> March 2018 instalment being collected on 2<sup>nd</sup> April 2018.

### **Capital Expenditure**

During the year, work commenced on a project to replace the side span joints on the Bridge, with the works being c.70 per cent complete at year end. Works were slightly behind programme due to inclement weather but have been completed in 2018 within amended time-scales and budget.

A number of minor capital projects (£600k) have been successfully completed during the financial year.

### **Overall Performance**

An excellent financial performance during the year, beating revenue budget, coming under cost target whilst delivering the capital programme and meeting loan liability requirements.

### **Principal Risks**

The principal risks and challenges are reviewed by the Board at each of its scheduled meetings, in order to assess whether the overall risk profile of the business is being maintained at an appropriate level. Further, the business maintains appropriate insurance cover that is reviewed each year with its insurance provider.

The main risks to the Board are: -

- i. Maintenance of sufficient liquidity – control measures including preparing and monitoring forecasts of cash flow on a regular basis, effective management of the investment in working capital and monitoring liquid funds.
- ii. Re-financing risk – the possibility that when the board renews an instrument, such as a loan, the terms deteriorate in comparison with the original terms.
- iii. Failure to maintain the operational infrastructure to the necessary standard resulting in closure or restricted access which will impact on traffic volumes.
- iv. Failure of tolling asset resulting in inability to collect tolls over a period of time resulting in lost revenue.

### **Uncertainties**

There remains considerable uncertainty about the impact on the local economy and its ports in relation to Brexit and its impact in the levels of traffic volume.

Economic uncertainty and the risk of an economic downturn could have a more UK specific impact on traffic volumes.

The diversification into the provision of a visitor attraction with the pursuance of commercial opportunities should provide a buffer against any adverse economic impact on tolling revenues.

The Board considers that it is well placed as an organisation to manage its business risk.

### **Pension**

The business provides employees' pension provision via the East Riding of Yorkshire Council Pension Scheme. This is a deferred benefits scheme based on pay and service levels.

The Board's contribution rate is determined by the fund actuary, and is set to meet 100% of the overall funds liability. The Board is fully compliant with the provisions of IAS19.

### **Financial Instruments**

The business use financial instruments comprising of cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of the financial investments is to raise finance for business operations.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

1. The Board's Responsibilities

1.1. The Board is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Board that officer is the Treasurer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

I certify that this Statement of Accounts shows the true and fair position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2018.

Signed for and on behalf of the Board:

.....  
**COUNCILLOR DAVID WATSON**  
**CHAIR OF THE BOARD**

Date:.....

**2. The Treasurer's Responsibilities**

2.1 The Treasurer is responsible for the preparation of the Board's Statement of Accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present the true and fair financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2018.

2.2 In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were responsible and prudent;
- Complied with the applicable parts of the Code.

2.3 The Treasurer has also:

- Kept proper accounting records which were up to date;
- Taken responsible steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts shows the True and Fair position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2018.

Signed for and on behalf of the Board:

.....

**ANDY DALBY**  
**HEAD OF FINANCE & COMMERCIAL**

Date:.....

HUMBER BRIDGE BOARD  
 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
 FOR YEAR ENDED 31 MARCH 2018

	Notes	2018		2017 Restated	
		£000	£000	£000	£000
Income			19,251		18,586
<u>Expenditure:</u>					
Employees	20	3,507		2,932	
Premises	20	2,081		4,177	
Transport	20	22		31	
Supplies	20	1,415		927	
Miscellaneous	20	311		285	
Depreciation	10	4,780	(12,116)	4654	(13,006)
Net Income from continuing operations			7,135		5,580
Gains/Losses NCA	8		(18)		(5)
Financing Investment Income and Expenditure	5		3,899		4133
Surplus on Provision of Services			3,254		1,452
Re-measurement of net defined benefit liability	9		(418)		(576)
Total Comprehensive Income and Expenditure			3,672		2,028

HUMBER BRIDGE BOARD  
BALANCE SHEET  
FOR YEAR ENDED 31 MARCH 2018

	Notes	31/03/2018		31/03/2017	
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	10		<u>398,176</u>		<u>346,695</u>
			398,176		346,695
Current Assets					
Stocks	11	183		144	
Debtors falling due within 1 year	12	504		254	
Investments	13	5,000		1,000	
Cash in bank and in hand	14	<u>1,089</u>		<u>1,493</u>	
		6,776		2,891	
Creditors: amounts falling due after 1 year	15	<u>(10,679)</u>		<u>(9,572)</u>	
Net Current Assets			<u>(3,903)</u>		<u>(6,681)</u>
Total Assets less Current Liabilities			394,273		340,014
Creditors: amounts falling due after 1 year	16		<u>(141,247)</u>		<u>(144,870)</u>
			253,026		195,144
Provisions for Liabilities	17		<u>(3,901)</u>		<u>(3,935)</u>
Net Assets			<u>249,125</u>		<u>191,209</u>
Reserves					
Usable Reserves -		Revenue	15,272		7,816
		Maintenance	1,914		3,983
		Capital Receipts	51		0
Unusable Reserves -		Revaluation	132,955		80,293
		Capital Adjustment	102,834		103,052
	1	Pension Reserves	<u>(3,901)</u>		<u>(3,935)</u>
			<u>249,125</u>		<u>191,209</u>

HUMBER BRIDGE BOARD  
 MOVEMENT IN RESERVES STATEMENT  
 FOR THE YEAR ENDED 31 MARCH 2018

	Revenue Reserve £000	Capital Receipts	Maintenance Fund £000	Total Usable Reserve £000	Revaluation Reserve £000	Capital Adjustment £000	Pension £000	Total Unusable Reserve £000	Total Reserve £000
Balance at March 2016	4,036	0	5,169	9,205	81,751	102,679	(4,454)	179,976	189,181
<b>Movements in Reserves during 2016/17</b>									
Surplus in Provision of Services	1,452	0	0	1,452	0	0	0	0	1,452
	1,452	0	0	1,452	0	0	0	0	1,452
Funding Basis under regulations	4,633	0	0	4,633	(1,458)	(3,118)	519	(4,057)	576
	6,085	0	0	6,085	(1,458)	(3,118)	519	(4,057)	2,028
Minimum Reserve Provision	(3,491)	0	0	(3,491)	0	3,491	0	3,491	0
Transfer to Earmarked reserves	1,186	0	(1,186)	0				0	0
	3,780	0	(1,186)	2,594	(1,458)	373	519	(566)	2,028
Balance B/F	7,816	0	3,983	11,799	80,294	103,052	(3,935)	179,411	191,210
Surplus in Provision of Services	3,254	0	0	3,254	0	0	0	0	3,254
	3,254	0	0	3,254	0	0	0	0	3,254
Funding Basis under regulations	5,182	0	0	5,182	(1,582)	(3,198)	34	(4,746)	436
	8,436	0	0	8,436	(1,582)	(3,198)	34	(4,746)	3,690
Minimum Reserve Provision	(1,130)	0	0	(1,130)	0	1,130	0	1,130	0
Asset Gain	0	51	0	51		(69)	0	(69)	(18)
Revaluation	0	0	0	0	54,243	0	0	54,243	54,243
Transfer to Earmarked reserves	150	0	(2,069)	(1,919)		1,919		1,919	0
	7,456	51	(2,069)	5,438	52,661	(218)	34	52,477	57,915
Balance as at 31 March 2018	15,272	51	1,914	17,237	132,955	102,834	(3,901)	231,888	249,125

HUMBER BRIDGE BOARD  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £000	2017 £000
Net Surplus	3,254	1,452
Adjustments to net (surplus)/Deficit on Provision of services for non movement of cash	6,038	4,713
Adjustments for items included in Net (Surplus)/Deficit on Provision of Services that are investing activities		57
Net Cash Flow from Operating Activities	<u>9,292</u>	<u>6,222</u>
Investing Activities	(2,073)	(78)
Financing Activities	(7,623)	(7,244)
Net Increase/Decrease in cash equivalents	<u>(404)</u>	<u>(1,100)</u>
Cash and Cash equivalents at 1 April	1,493	2,593
Cash and Cash equivalents as at 31 March	<u>1,089</u>	<u>1,493</u>

## 1. Pensions

As part of the Board's terms and conditions of employment, retirement benefits are offered to its employees through the East Riding of Yorkshire Council's Pension Scheme which provides members with defined benefits related to pay and service. Although these will not actually be payable until employees retire, the Board has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

This is a funded scheme to which both the Board and its employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets. The contribution rate is determined by the Fund's Actuary based on triennial valuations, and under Pension Fund Regulations the contribution rates are set to meet 100% of the overall liabilities of the Fund.

### **IAS 19 Disclosure**

Post-employment benefits are accounted for in accordance with IAS 19. The objective of IAS 19 is to ensure the Board's financial statements reflect at fair value the future Pension Fund Obligations which have been incurred, and the extent to which assets have already been set aside to fund them.

### **Retirement Benefits**

The Board operates a defined benefit scheme. Contributions are charged to a comprehensive Income & Expenditure Account in accordance with the rules of the Scheme. The net pension liability attributable to the Bridge is provided in the Balance Sheet.

The cost of retirement benefits are recognised within the Board's net operating income from continuing operations when they are earned by employees rather than the actual contributions paid to the Pension Fund. However, the amount charged into the accounts is based on the cash payable in the year, so the real cost of retirement benefits (as assessed under the triennial valuation) is reversed out of the accounts. The following transactions have been made from the Income and Expenditure Account.

HUMBER BRIDGE BOARD  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2018

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2017-18 £000		2016-17 £000
	Service Cost	
<u>(814)</u>	-current service cost	(412)
(814)	Total service cost	
	Financing and investment I&E (note 4)	
366	- interest income on plan assets	426
<u>(468)</u>	- interest cost on defined benefit obligation	<u>(581)</u>
(102)	Total net interest	(155)
<u>(916)</u>	Total defined benefit cost recognised in I&E	<u>(567)</u>
	Remeasurement of the net defined benefit liability comprising:	
83	-return on assets excluding amounts included in net interest	1,893
0	-actuarial gains arising from changes in demographic assumptions	266
337	- actuarial gains/(losses) arising from changes in financial assumptions	(2,772)
<u>(2)</u>	- other experience	<u>1,189</u>
418	Total remeasurements recognised in other comprehensive income	576
<u>(498)</u>	Total post-employment benefits charged to the I&E Statement	<u>9</u>
	Movement in Reserves Statement	
<u>532</u>	- Employers contributions payable	<u>510</u>

Remeasurements are in line with the revised requirements of IAS19.

HUMBER BRIDGE BOARD  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2018

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Pension Assets, Obligations and Net Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Board's obligation in respect of its defined benefit scheme is as follows

2017-18		2016-17
£000		£000
15,194	Fair value of employer assets	14,560
(19,037)	Present value of funded liabilities	(18,437)
(58)	Present value of unfunded liabilities	(58)
(3,901)	Net Liability Arising from Defined Benefit Obligation	(3,935)

Reconciliation of the Movements in Fair Value of Plan Assets

2017-18		2016-17
£000		£000
14,560	Opening fair value of employer assets	12,148
366	Interest income	426
	Remeasurement gain/(loss):	
83	Return on plan assets excluding amounts included in net interest	1,893
532	Contributions from employer	510
125	Contribution Employees	100
(472)	Benefits paid	(517)
15,194	Balance as at 31 March	14,560

Reconciliation of the Present Value of Plan Liabilities  
(Defined Benefit Obligation)

2017-18		2016-17
£000		£000
(18,495)	Opening fair value of plan liabilities	(16,602)
(814)	Current service cost	(412)
(468)	Interest cost	(581)
(125)	Contributions from plan participants	(100)
	Remeasurement gain/(loss):	
0	Actuarial losses arising from changes in demographic assumptions	266
337	Actuarial (gains)/losses arising from changes in financial assumptions	(2,772)
(2)	Other experience	1,189
472	Benefits paid	517
(19,095)	Balance as at 31 March 2018	(18,495)

HUMBER BRIDGE BOARD  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2018

The obligations show the underlying commitments that the Board has in the long-run to pay retirement benefits. The deficit of £3.901m will be made good by increased employer's contributions over the next 20 years as assessed by the Fund's Actuary.

Pension Scheme Assets Comprised:

Asset Category	Period Ended 31 March 2018				Period Ended 31 March 2017			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£000	£000	£000		£000	£000	£000	
<b>Equity Securities:</b>								
Consumer	1,442	0	1,442	10%	1428	0	1,428	10%
Manufacturing	845	0	845	6%	793	0	793	5%
Energy & Utilities	800	0	800	5%	821	0	821	6%
Financial Institutions	668	0	668	4%	904	0	904	6%
Health & Care	819	0	819	5%	851	0	851	6%
Information Technology	574	0	574	4%	558	0	558	4%
Other	0	0	0	0%	5	0	5	0%
<b>Debt Securities:</b>								
Corporate Bonds (investment grade)	207	0	207	1%	226	0	226	2%
Corporate Bonds (non-investment grade)	222	592	814	5%	149	279	428	3%
UK Government	595	0	595	4%	432	0	432	3%
Other	389	0	389	3%	448	0	448	
<b>Private Equity:</b>								
All	302	377	679	4%	315	265	681	5%
<b>Real Estate:</b>								
UK Property	500	1,219	1,719	11%	366	1,337	1,763	12%
Overseas Property								
<b>Investment Funds and Unit trusts:</b>								
Equities	3,948	0	3,948	27%	3,384	0	3,384	23%
Bonds	0	0	0	0%	0	0	0	0%
Hedge Funds	0	0	0	0%	0	0	0	0%
Commodities	0	0	0	0%	0	0	0	0%
Infrastructure	137	469	606	4%	138	391	529	4%
Other	215	444	659	4%	268	678	946	6%
<b>Derivatives:</b>								
Inflation	0	0	0	0%	0	0	0	0%
Interest rate	0	0	0	0%	0	0	0	0%
Foreign Exchange	0	0	0	0%	0	0	0	0%
Other	0	0	0	0%	0	0	0	0%
<b>Cash and Cash Equivalents:</b>								
All	430	0	430	3%	425	0	425	3%
<b>Totals</b>	<b>12,093</b>	<b>3,101</b>	<b>15,194</b>	<b>100%</b>	<b>11,509</b>	<b>3,051</b>	<b>14,560</b>	<b>100%</b>

HUMBER BRIDGE BOARD  
 NOTES TO FINANCIAL STATEMENTS  
 FOR YEAR ENDED 31 MARCH 2018

Basis for Estimating Assets and Obligations

Obligations have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2016, on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future dependent on assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the Actuary have been:

	2017-18	2016-17
Mortality assumptions (years)		
- Longevity at 65 for current pensioners		
- Males	21.7	21.7
- Females	24.2	24.2
- Longevity at 65 for future pensioners		
- Males	23.7	23.7
- Females	26.4	26.4
Rate of increase in pensions	2.4%	2.4%
Rate of increase in salaries	2.6%	2.6%
Rate for discounting scheme obligations	2.6%	2.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as set out in the table above. The actuary has determined a sensitivity analysis as detailed below:

Changes in assumptions at 31 March 2018	Approximate % increase to Employer Liability	Approximate monetary Amount (£000)
0.5% decrease in Real Discount Rate	9%	1,748
0.5% increase in the Salary Increase Rate	1%	274
0.5% increase in the Pension Increase Rate	8%	1,449

In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2018 on varying bases. The approach taken is consistent with that adopted to derive the IAS 19 figures. To quantify the uncertainty around life expectancy, the difference in cost to the employer of a one year increase in life expectancy has been calculated. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3% to 5%. Please note the above figures have been derived based on the membership profile of the Board as at the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

HUMBER BRIDGE BOARD  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2018

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Impact on the Board's Cash Flow

One of the main objectives of the Pension Plan is to maintain a relatively stable employer contribution rate. The Board's contribution rate is determined by the actuary and is currently set at the primary rate plus secondary rate as shown below:

Valuation contribution rate results

	Primary Rate % Payroll		Secondary Rate £(000) pa
Contributions in payment 2016-17	19.6%	Plus	95

The latest triennial valuation was completed as at 31 March 2016, with the next valuation date as at 31 March 2019.

HUMBER BRIDGE BOARD  
 NOTES TO FINANCIAL STATEMENTS  
 FOR YEAR ENDED 31 MARCH 2018

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**2. Auditors Renumeration**

Fees payable to the company auditors and associates

	2018 £000	2017 Restated £000
For Audit Services		
Audit of the financial statements of company	11	11
	<hr/> 11	<hr/> 11
For Other Services		
All other non-audit services	8	0
	<hr/> 19	<hr/> 0

**3. Officer Emoluments**

**4. Redundancy Emoluments**

<b>Redundancy Declaration</b>	<b>£000</b>	
Postion at the Humber Bridge Board	No of Staff	Exit Package
Bridge Master		141
Business Manager		75
Other £15k to £20k	2	35
Other £0 to £5k	2	9

**5. Financing and Investment Income & Expenditure**

	2018 £000	2017 £000
Interest Payable on Loans	3,818	4,001
Interest Income	(21)	(24)
Interest on Pension Obligations	102	156
	<u>3,899</u>	<u>4,133</u>

**6. Minimum Revenue Provision  
 Capital Expenditure and Financing**

The table shows the capital expenditure in year and how it has been funded.

	2018 £000	2017 £000
Opening Capital Finance Requirement	155,865	159,356
Capital Investment in Year	2,073	78
Source of Finance		
MRP	(1,130)	(3,491)
Revenue Contribution	0	(78)
Maintenance Reserve	(2,073)	
Closing Capital Finance Requirement	154,735	155,865
Movement	1,130	3,491

The MRP is calculated using the annuity rate and asset life method. The asset life is assumed to be 60 years which is confirmed based on discussion with Mike Armstrong KUHCC (Adviser), and the rate of interest applied is the same as the PWB loan at 2.54%.

**7. Accounting Standards that have been issued but have not yet been adopted.**

No standards have been issued that have not been adopted which would have had a material impact on the Humber Bridge Board's Financial Statements.

HUMBER BRIDGE BOARD  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2018

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**8. Gain on sale of fixed assets**

	2018 £000	2017 £000
Gain on disposal of fixed assets	18	5

**9. Other Comprehensive Income/Expenditure**

	<u>2018</u> £000	<u>2017</u> £000
Pension – Remeasurement of Defined Benefit	335	(1,317)
Expected Return on Pension Assets	<u>83</u>	<u>1,893</u>
	<u>418</u>	<u>576</u>

HUMBER BRIDGE BOARD  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 MARCH 2018

**10. Tangible Fixed Assets**

	Land and Buildings	Operational Infrastructure	Surplus assets	Asset under construction	Vehicles, Plant, Furniture & Equipment	IT	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 April 2017	5,923	358,723			371	0	365,017
PPA	(2,214)		2,962	0	(225)		523
At 1 April 2017 - restated	3,709	358,723	2,962	0	146	0	365,540
Additions	0	0		1,919	148	6	2,073
Disposals	(76)	0			(15)	0	(91)
Revaluation	(1,487)	32,775	(548)		(22)	0	30,718
<b>At 31 March 2018</b>	<b>2,146</b>	<b>391,498</b>	<b>2,414</b>	<b>1,919</b>	<b>257</b>	<b>6</b>	<b>398,240</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2017	65	17,981			276	0	18,322
PPA	748				(225)		523
	813	17,981	0	0	51	0	18,845
Depreciation Charge in year	16	4,736			28	0	4,780
Depreciation on revaluation	(808)	(22,717)			0	0	(23,525)
Depreciation eliminated in respect of disposals	(21)	0			(15)	0	(36)
<b>At 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>0</b>	<b>64</b>
<b>Net Book Value</b>							
At 31 March 2018	2,146	391,498	2,414	1,919	193	6	398,176
	Land and Buildings	Operational Infrastructure		Vehicles, Plant, Furniture and Equipment	IT	Total	
	£000	£000		£000	£000	£000	
<b>2016/17 Cost or Valuation</b>							
At 1 April 2016		5,923	358,723		407	0	365,053
Additions		0	0		78	0	78
Disposals		0	0		(114)	0	(114)
Revaluation		0	0		0	0	0
Closing Balance at 31 March 2017		5,923	358,723		371	0	365,017
<b>Accumulated Depreciation</b>							
At 1 April 2016		49	13,358		375	0	13,782
Depreciation charged in year		16	4,623		15	0	4,654
Depreciation on revaluation		0	0		0	0	0
Eliminated in respect of Disposals		0	0		(114)	0	(114)
Closing Balance at 31 March 2017		65	17,981		276	0	18,322
NBV at 31 March 2017		5,858	340,742		95	0	346,695

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**11. Stocks**

	2018 £000	2017 £000
Operational Stocks	183	144
	—	—

**12. Debtors**

	2018 £000	2017 £000
Amounts falling due within 1 year		
Trade Debtors	32	70
Prepayments	217	156
VAT	137	78
Bad Debt Provision	(50)	(50)
Accrued Income	168	0
	—	—
	504	254
	—	—

**13. Investments**

	2018 £000	2017 £000
Short Term Loans	5,000	1,000
	—	—

**14. Cash and Cash Equivalents**

	2018 £000	2017 £000
Bank	1,089	754
Short Term Investments	0	600
Cash Held	0	139
	—	—
	1,089	1,493
	—	—

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**15. Creditors : Amounts falling due within 1 year**

	2018 £000	2017 Restated £000
Loans	7,244	7244
Trade Creditors	835	235
TAG Creditors	955	760
TAG Deposits	818	660
Pre-Paid Tickets Creditor	401	518
Accruals and Deferred Income	268	155
Retentions held on Subcontractors	55	
Payroll	103	
	<u>10,679</u>	<u>9,572</u>

**16. Creditors : Amounts falling due after a year**

	2018 £000	2017 £000
Loans – Public Works	141,247	144,870
	<u>          </u>	<u>          </u>

**17. Provisions for Liabilities**

	2018 £000	2017 £000
Liabilities relating to Pension Scheme	3,901	3,935
	<u>          </u>	<u>          </u>

**18. Related Party Transactions**

During the year, the Humber Bridge continued to have relationships and transactions with the four neighbouring local authorities which provide a member of the Board under the Humber Bridge Board's constitution.

Service Level Agreements with Hull City Council for treasury management, democratic services, legal, and human resources together with works from Hull City Council internal audit resulted in charges of £156k (31 March 2017 £151k). East Riding Council provide Payroll Services £3k (31 March 2017 - £3K).

HUMBER BRIDGE BOARD  
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**19. Cash Flow Note**

	2018	2017
	£000	£000
Depreciation	4,780	4,654
IAS19	384	0
Increase/Decrease Stock	(39)	(4)
Increase/Decrease Debtors	(250)	(29)
Reversal of loss	55	0
Increase/Decrease in Creditors	1,108	92
	<u>6,038</u>	<u>4,713</u>

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**20. Income Statement Analysis**

	Note	2018 £000	Restated 2017 £000
a) Salary		3,015	2,932
Redundancy costs		223	
Consultancy		<u>269</u>	<u>      </u>
		<u>3,507</u>	<u>2,932</u>
b) Premises			
Major Maintenance		795	3385
Buildings		191	45
Rates and Services		284	386
Bridges / Roads		689	362
Maintenance of Grounds		29	33
Sundry		93	10
		<u>2,081</u>	<u>4,221</u>
Transport		<u>22</u>	<u>31</u>
Supplies/Services			
Legal/Professional		566	277
Purchases of Supplies		149	76
Repairs		544	352
Finance		88	93
Sundry		156	129
		<u>1,415</u>	<u>927</u>

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		<b>Note</b>	<b><u>2018</u></b> <b>£000</b>	<b>Restated</b> <b><u>2017</u></b> <b>£000</b>
Miscellaneous	Sundry		32	3
	Marketing		59	53
	Bank charges		220	229
			—	—
			311	285
			—	—

## 21. Disclosure of Nature and Extent of Risk Arising from Financial Instruments

International Financial Reporting Standards (IFRS) 7 (previously FRS 26) on Financial Instruments was incorporated into the accounting regulations in 2007/08. The definition in the standard of financial instrument is detailed below:

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity”

In practice this means financial instruments covers cash, debt, equity investments, debtors and creditors as well as complex instruments such as commodity contracts and derivatives.

### Key Risks

The standard requires the risks associated with financial instruments to be correctly accounted for so as to show the true impact as well as a proper understanding of the risks. The Board’s activities expose it to a variety of financial risks, the key risks are:

- **Credit risk** – the possibility that debtors do not repay the amounts that they owe.
- **Liquidity risk** – the possibility that the Board runs out of cash to manage its day to day cash flow.
- **Re-financing risk** – the possibility that when the Board renews an instrument such as a loan the terms deteriorate in comparison with the original terms.
- **Market risk** - the possibility of financial loss from market movements, for example interest rate movements.
- **Price risk** – this is the possibility of the price of assets held for trading losing or changing value.

#### Overall Procedures for Managing Risk

The Board should have due regard for the risks associated with the financial instruments that they hold the procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the Board to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. The Board manages risk in the following ways

- **by formally adopting** the requirements of the Code of Practice within its Treasury Management Practices.
- **by approving annually in advance**, prudential indicators for the following three years within the Treasury Management Strategy, limiting:
  - the Board's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt
  - its maximum annual exposures to investments maturing beyond a year.
- **by approving an investment strategy** for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Board's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Treasury Strategy. The Treasury Management Strategy was approved by the Board.

#### Liquidity Risk

The Board's only borrowing was to finance the building of the Bridge and subsequent interest Payments. The Board is required by the Humber Bridge Act 1959 to make a balanced budget, which ensures sufficient monies are raised to cover the annual debt repayments and other outgoings. In the unlikely event of an unforeseen deficit that cannot be met from the Reserve Fund, the Board has a number of options at its disposal, including increasing the level of tolls, which it would use to recover the position. Under the Humber Bridge Act 2013 the Board has two years to take action to recover such a deficit. If it was unable to do so, the Board would recover the remaining deficit in four equal proportions from levies on the constituent local authorities.

The Board manages its liquidity position through the risk management procedures described above, for instance the setting and approval of prudential indicators and the approval of the Treasury Management Strategy. It also, with support from Hull City Council, maintains detailed cash flow planning to manage its day to day liquidity. The Board also has an overdraft facility.

Refinancing Risk

The Board has an investment portfolio. The risk is that deposits are reinvested with less advantageous Terms when they mature. This risk is mitigated by monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Board's day to day cash flow needs, Also the use of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

This can be further split into interest rate risk, price risk and foreign exchange risk:

**Interest rate risk** – The Board is exposed to interest rate movements on its investments which are mostly deposits with financial institutions. Interest income forms part of the Income and Expenditure Account so any reduction in rates means less income is available to fund the Board's ongoing expenditure. The Board has a number of strategies for managing interest rate risk. The Treasury Management Strategy reviews expectations of interest rate movements and the treasury team monitors interest rates to invest appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

**Price risk** – This is the possibility that there is a change of value of quoted investments. However, this risk is mitigated because the majority of the Board's investments are in money deposits with financial institutions which are not subject to changes in values. The Pension Fund is also subject to changes in the value of quoted investments, although this is administered by East Riding of Yorkshire Council.

**Foreign exchange risk** – This is the possibility of changes in the value of foreign currency versus the pound. The Board has no financial assets and liabilities denominated in foreign currencies so this risk does not apply.

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Long Term Borrowing – Liabilities

The Board has a long term loan from the PWLB which is held on the Balance Sheet at its amortised cost as shown below and is scheduled to be repaid in 2038. The Board has no other long term borrowing. The interest rate is fixed at 2.54% for the remaining life of the loan.

	2018 £000	2017 £000
Financial Liabilities at amortised cost		
Outstanding loan as at 1 April	152,114	159,357
Interest payment charged to the Income & Expenditure Account	3,818	4,002
Cash Payment		
- Interest	(3,818)	(4,002)
- Capital repayment	(3,623)	(7,244)
	<hr/>	<hr/>
Outstanding loan as at 31 March	148,491	152,114
	<hr/>	<hr/>
Less Payable Within one year	<u>(7,244)</u>	<u>(7,243)</u>
Long Term Borrowing as at 31 March	<u>141,247</u>	<u>144,870</u>

Financial Instruments – Assets

Financial Assets can be classified into two types:

- **Loans and receivables** – assets that have a fixed or determinable payment but are not quoted in an active market.
- **Available-for-sale assets** – assets that have a quoted market price and/or do not have a fixed or determinable payment.

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Loans and receivables shown in the balance sheet – all due within one year.

	£000
Short Term Investments	5,000
Debtors and prepayments	249
Payments in Advance	0
VAT	137
Cash and bank in hand	<u>1,089</u>
	<u>6,475</u>

Short term investments are shown at fair value as they relate to short duration, fixed rate deposits.

Financial Instruments – Liabilities

Financial Liabilities can be classified into two types:

- Financial liabilities at fair value through profit or loss.
- Other financial liabilities measured at amortised cost using effective interest method.

Financial Liabilities shown in the balance sheet – all due within one year

	£000
Loans - Due in One Year	7,244
Income in Advance	401
Tag Deposits	818
Tag Creditors Balance	955
Sundry Creditors	456
Trade Creditors	835

Income in Advance has been excluded from the above creditors as these will be settled by the provision of goods and services rather than cash or other financial instruments

HUMBER BRIDGE BOARD  
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22. **Usable Reserves**

An analysis of the movement on each of the Board's usable reserves is shown below.

	2018 £000	2017 £000
<b>Maintenance Fund</b>		
Balance as at 1 April	(3,983)	(5,169)
Transfer from Revenue	-	-
Funding Revenue Expenditure	150	1,186
Funding Capital Expenditure	1,919	
	—————	—————
Balance as at 31 March	( 1,914)	( 3,983)
	—————	—————

**Unusable Reserves**

An analysis of the movement on each of the Board's unusable reserves is shown below.

	2018 £000	2017 £000
<b>Revaluation Reserve</b>		
Balance as at 1 April	(80,293)	(81,751)
Revaluation	(54,244)	0
Depreciation of revalued assets	1,582	1,458
	—————	—————
Balance as at 31 March	<u>(132,955)</u>	<u>(80,293)</u>

**Capital Receipts Reserve**

	2018 £000	2017 £000
Balance at 1 April		
Receipts in Year	<u>51</u>	<u>0</u>
Balance at 31 March	<u>51</u>	<u>0</u>

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	2018 £000	2017 £000
<b>Capital Adjustment Account</b>		
Balance as at 1 April	(103,052)	(102,679)
Depreciation of Fixed Assets	3,198	3,196
Write Out Gain	18	0
Finance of Fixed Asset Purchase	0	(78)
Minimum Revenue Provision	(1,130)	(3,491)
Use of maintenance reserve to fund Fixed Assets	(1,919)	0
Capital Receipt	51	0
Balance as at 31 March	<u>(102,834)</u>	<u>(103,052)</u>
	2018 £000	2017 £000
<b>Pension Reserve</b>		
Balance as at 1 April	(3,935)	(4,454)
Employer Contributions	532	510
Net Revenue Account Costs	(916)	(567)
Remeasurements	418	576
	<u>(3,901)</u>	<u>(3,935)</u>

**23. Maintenance Works Analysis**

	<b>£000</b>
Humber Bridge Experience	167
Hangar Testing	151
Side span Joints	1,919
Toll Plaza	120
Resurface	170
Sundry	<u>187</u>

2.7

**24. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates. The items in the Bridge Board's Balance Sheet as at 31 March 2018 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amounts of the assets fall.
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets – see note 1.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance an increase in the discount rate assumption would result in a decrease in the pension liability.
Pre-Paid Ticket Liability	The Board has made a creditor of £0.401m for the unredeemed pre-paid tickets liability as per IAS 18, practice note G. This is based on a calculation spanning 3 financial years.	As this creditor is calculated using 3 financial years it faces an uncertainty relating to unredeemed tickets from a period of more than 3 years.

## **25. Contingent Liability - Wykeland**

The Humber Bridge Board entered into an Equalisation Agreement with Wykeland Properties Ltd and the Hessle Golf Club in September 2009.

This agreement renders the HBB liable for a share of the project's development costs to a point where the project is in profit; at that point the Board shares the surplus in the same ratio.

At the 31 March 2018 the HBB was required to meet a 34.3% share of development cost.

The net loss of the scheme as at 31 March 2018 was £1,250,024 – HBB would be liable to fund a further £429k if no further sales were made.

The forecast return on completion of the scheme at 31 March 2018 was £2,096k, with the land valued at £2,400k, this could mean a potential loss on disposal of £304k in September 2025.

Subsequent sales in 2018 have removed this risk of a loss on the project, negating the HBB from the potential £429k loss, however the project is yet to achieve the £2.4m return required to meet current book valuation.

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**26. Adjustments Between Accounting Basis and Funding Basis Under Regulations  
For Year Ended 31 March 2018**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Surplus/Deficit on Provision of Services	(3,254)	(1,452)
<b>Amounts included in the CI&amp;ES but required to be excluded When determining the Movement on the Revenue Balance</b>		
Depreciation of Non Current Assets	(4,780)	(4,655)
Taxation and Non Specific Grants – MRP	1,130	3,491
Net Charges Made for Retirement Benefits in Accordance with IAS 19	(916)	(567)
Reversal gain on sale of assets	(18)	0
<b>Amounts not included in the CI&amp;ES but required to be included when determining the Movement on the Revenue Balance</b>		
Capital Expenditure Charged in-Year to the Revenue Account	0	78
Employers Contributions Payable to Pension Fund	<u>532</u>	<u>510</u>
Adjustments between Accounting Basis and Funding Basis Under Regulations	(4,052)	(1,143)
Transfer from Maintenance Fund	(150)	(1,186)
<b>Net additional amount required to be credited to the Revenue Account for the Year</b>	<b>(4,202)</b>	<b>(2,329)</b>
Decrease/(Increase) in Revenue Balance for Year	(7,456)	(3,709)
Revenue Account Balance as at 1 April 2017	(7,816)	(4,036)
	—	—
<b>Revenue Account Balance as at 31 March 2018</b>	<b>(15,272)</b>	<b>(7,816)</b>

## **Accounting Policies**

### **1. General Principles**

#### Accruals of Income & Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from tenants and Bridge users are accounted for as income at the date the Bridge provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stock on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest due but not received at the year-end is included as a debtor in the Balance Sheet.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or a creditor for the relevant amount is recorded in the Balance Sheet.

### **2. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change of value.

### **3. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Account or in these Notes, depending on how significant they are to an understanding of the Board's financial performance.

#### **4. Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Board's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

#### **5. Employee Benefits**

##### Benefits Payable during Employment

Benefits payable during employment can be separated into two categories:

- Short term
- Other long-term.

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Board.

Other long term employee benefits are employee benefits (other than post-employment benefits and termination benefits) not expected to be settled wholly before 12 months after the year-end in which the employees rendered the service to the Board. Other long term benefits would include:

- Long term paid absences such as long service or sabbatical leave
- Other long service benefits
- Long term disability benefits
- Bonuses

#### **6. Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement.

7. Post-Employment Benefits

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the East Riding Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis.

Liabilities are discounted to their value at current prices.

The assets of the East Riding Pension Fund attributable to the Board are included in the Balance Sheet at their fair value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurement comprising:
  - The return on plan assets – excluding the amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to East Riding of Yorkshire Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

## 8. Discretionary Benefits

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the East Riding of Yorkshire Pension Scheme.

### **Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, a disclosure is made in the notes of the nature of the events and their estimated financial effect.

## 9. **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. Typical financial instruments are:

### Assets

- bank deposits
- trade receivables
- loans receivable

### Liabilities

- trade and other payables
- borrowings
- financial guarantees

A financial asset or a financial liability is only recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provisions of the instrument.

## 10. **Reserves**

### Revenue Account Balance

Represents revenue reserves built up from operating surpluses following the payment of debt, appropriations etc.

#### Maintenance Fund

Represents amounts set aside from operating surpluses to help meet future major maintenance commitments. The Fund was established in 1998-99 to create a reserve to fund works which would be too expensive to be funded from current revenues.

#### Revaluation Reserve

The Revaluation Reserve was created on the 1 April 2007 and records the net gain (if any) from the revaluation of fixed assets after that date. Annual depreciation on the revalued element of fixed assets are written out of the reserve.

#### Capital Adjustment Account

The Capital Adjustment Account was created on the 1 April 2007 and reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The opening balance at the 1 April 2007 was the combined total of the brought forward balances of the Fixed Asset Restatement Account and the Capital Financing Account with these accounts now being redundant.

#### Pension Reserve

Created in the Board's accounts in 2003-04 following the full adoption of Financial Reporting Standard (FRS 17) on retirement benefits and represents the net pension liability of the Board relating to the Local Government Pension Scheme. The current net liability will be addressed by increased employer's contributions over the next 20 years as assessed by the Fund's Actuary.

### **11. Capital Expenditure**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts and has a de minimis level of £5,000.

Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

Balances at 31 March 2018 are stated in the Balance Sheet at open market value or existing use value with the exception of the actual Bridge and associated bridges and roads which have been valued on a depreciated replacement cost basis.

Revaluation of fixed assets take place at five yearly intervals and the assets were revalued in 2017-18 - as at the 31 March 2018. The next revaluation will be carried out in 2022-23. During the interim period material changes to asset valuations are included as they occur. Vehicles, plant, furniture and equipment are not revalued.

## **12. Capital Financing Charges**

The borrowing policy currently comprises the 23-year PWLB fixed interest loan topped up as required with temporary loans from public sector bodies at variable rates of interest. Repayments of the PWLB loan in the year totalled £3.621m thus reducing the loan outstanding at 31 March 2018 to £148.491m. Interest paid during the year amounted to £1.931m.

The Board is required to set aside an amount which it considers to be prudent for the repayment of debt, known as the minimum revenue provision (MRP). The Board is also required to approve a statement on its policy on making MRP for the year and agreed that option 3 – the asset life method (annuity) - would be used for all capital expenditure incurred from 1 April 2015 financed by borrowing.

## **13. Capital Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

## **14. Depreciation**

Depreciation is provided for on all property, plant and equipment with a finite useful life in accordance with the following policy:

- (i) Newly acquired assets are depreciated from the mid-point of the year.
- (ii) Depreciation is calculated over various periods according to the assets estimated life using the straight line method. Buildings, Bridges and roads are recorded in the accounts as having a remaining useful life of between 71 and 75 years as at the 31 March 2018. All other assets are given an estimated anticipated useful life on acquisition, the length of which is dependent on the individual asset.
- (iii) Land is not depreciated.
- (iv) Capitalisation of applied.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total of the item, the components are depreciated separately.

#### **15. Investments**

As at 31 March 2018 the Board has no investments other than surplus monies held on short term deposit.

#### **16. VAT**

All income and expenditure exclude amounts relating to VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

#### **17. Debtors and Creditors**

The revenue transactions of the Board are recorded in the Accounts on an accrual's basis. This means that sums due to or from the Board during the year are included whether or not the cash has actually been received or paid in the year.

The figure for pre-paid ticket income in advance is based upon the actual number of unused tickets still in circulation as at 31 March up to three years old and is based on the discount value of the tickets at the time they were sold.

A bad debt provision has been set up as a reserve against the future recognition of certain accounts receivable as being uncollectible.

#### **18. Stocks**

Stocks held at the year-end are valued at a price not exceeding the lower of the cost or net realisable value.

#### **19. Insurances**

Directors, employees, officials, third parties and most assets are fully insured for all risks. Due to difficulties in obtaining appropriate cover, and the fact that the Government has said that it would be responsible if a catastrophic event were to occur, the actual Bridge structure is not insured.

#### **20. Officers' Remuneration**

The Statement of Accounts is accompanied by a note of the number of employees in the year whose remuneration falls in a bracket of a scale in multiples of £5k starting with £50k. Remuneration means all amounts paid to or receivable by an employee, including expenses, allowances and all other benefits that are chargeable to UK tax.

**21. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Pre-Paid Ticket Liability – The Board has made a creditor of £0.401m for the unredeemed pre-paid tickets as per IAS18. This is based on a calculation spanning 3 financial years and as such faces an uncertainty relating to unredeemed tickets. The pre-paid ticket liability is based on ticket issue price as exchanges and refunds (due to toll price changes) are still occurring at the price at which they were bought. The difference in the liability at the start and end of the financial year is reflected in revenue for the year.

## **EXTERNAL AUDIT OPINION**



# ANNUAL GOVERNANCE STATEMENT

## 1. Introduction

This document describes the responsibilities of the Humber Bridge Board, and the governance arrangements in place to ensure that the Board was able to discharge those responsibilities during 2017-18. It goes on to report on the findings of a review of the effectiveness of its governance framework including the system of internal control.

## 2. Scope of Responsibility

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that its assets are safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Board is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Board has not adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government Framework (CIPFA/SOLACE, 2016) and the Bridge Board follows as far as it considers appropriate with this guidance. This statement explains how the Board has complied with the code.

## 3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Board is directed and controlled; and the activities through which it accounts to and engages with the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control should ensure that, on an on-going basis, identified risks to the Board's operations are evaluated and managed efficiently, effectively and economically.

The governance framework has been in place at the Board for the year ended 31 March 2018 and remains in place.

## 4. The Governance Framework

The governance framework within the Board is based on a framework of regular management information, Standing Orders, administrative procedures (including segregation of duties), management, supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by officers of the Board. Internal Audit function in the year was delayed to review the effectiveness of system changes. This work was undertaken by Hull City Council and Dutton Moore.

In addition, Mazars LLP carried out detailed testing agreed upon procedures on the cash income system.

Key elements of the governance framework are described below: -

#### **Establishing and monitoring the achievement of the Board's objectives**

- The Chief Executive is responsible for reporting progress to the Board against its objectives.

#### **Facilitation of policy and decision making**

- Standing Orders are set out how the Board operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processed are required by law while others are a matter for the Board to choose.

#### **Ensuring compliance with established policies, procedures, laws and regulations**

- The Chief Executive is responsible for ensuring compliance with policies, procedures, laws and regulations and for establishing and maintaining appropriate controls, as set out in the Board's Standing Orders and Financial Regulations.
- Internal Audit for the year has been provided by Hull City Council Internal Audit and Dutton Moore, with Mazars carrying out agreed upon procedures on the cash income system. A major overhaul of internal control systems is in progress and a balance of Internal Audit supplies was enlisted to ensure good progress in relation to strengthening key areas of control.

#### **Ensuring the economical, effective and efficient use of resources and for securing best value and continuous improvement**

- The Board has undertaken to pursue best value principles to ensure that resources are used economically, efficiently and effectively and is committed to the continuous improvement of the service.

#### **Financial management of the Board**

- The financial management of the Board is conducted in accordance with the Standing Orders (incorporating the Financial Regulations).
- The capital and revenue budgets for 2017-18 were approved by the Board.
- Budgets are managed by the Chief Executive through a series of delegated arrangements.

Performance management of the Board

- Various reports are presented to the Board on performance issues.

## 5. Review of Effectiveness

The Board has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive and his officers, internal audit, legal services and external auditors. Managers within the Board have responsibility for the development and maintenance of the governance environment.

During the financial year concerned, the Board ceased the practice of charging Fixed Assets via the Income Expenditure Account, and provided in full for Retention and Final Account payments on contracts.

The Annual Internal Audit Programme was deferred to allow a review and effectiveness and progress of systems development.

An agreed upon procedure review of Cash Income conducted by Mazars found only a couple of minor issues which are being resolved. Improvements in segregation of duties, daily reconciliations and cash management has reduced the risk of fraud.

A review of the main financial systems at the Board was undertaken by Dutton Moore in the Audit period with post year end systems to monitor the effectiveness of changes to systems. Although still a work in progress, the audit concluded "internal systems and process have been reviewed and significantly improved in the year", and "in conclusion the internal control system as a whole is working well, with massive improvements evident in the year".

The Board has strengthened the cash flow management system and introduced a cost control / cost saving initiative, which is an improvement on previous arrangements. The effectiveness of these controls will ensure that there will be no requirement to short-term borrow to fund working capital requirements.

## 6. Significant Governance Issues

As highlighted above, audit work has highlighted areas of concern, which gave risk to marginal opinions. This being:-

- ICT - levels of control continued to be an issue in 2017-18. Major changes in relation to ICT service provider, allied with the appointment of a DPO Officer, have significantly improved controls in the early part of 2018-19.
- External auditors Mazars LLP made a number of recommendations to improve governance, internal control and arrangements to prepare the financial statements in the 2017/18 Audit Completion Report.

- There are no other significant issues to report. As noted above, action plans have been produced to ensure that issues identified in the audits and in this Statement are addressed. Actions have been allocated to specific officers with agreed completion dates. Board officers will continue to work on Internal Audit to ensure that recommendations made in the audit reports are addressed and appropriate measures taken as soon as possible.

As Chair of the Humber Bridge Board I place reliance on the system and procedures identified above, subject to the foregoing measures being taken in the coming year.

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**COUNCILLOR DAVID WATSON**  
**CHAIR OF THE BOARD**

Date:.....