**EXPLANATORY MEMORANDUM TO**

**THE HUMBER BRIDGE (DEBTS) ORDER 2011**

**2011 No. 1718**

**1.** This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

## 2. Purpose of the instrument

2.1 The purpose of the Humber Bridge (Debts) Order 2011 ("the Order") is to waive an amount of money in the form of interest owed to the Secretary of State for Transport by the Humber Bridge Board ("the Board") under the terms of agreements dated 29th March 1972, 1st July 1998 and 19th June 2007 ("the Agreements"). Interest is currently payable on all sums owed under the Agreements ("the Debt") at 7.75%, by virtue of paragraph 2 of the Schedule to the Humber Bridge (Debts) Order 1998 ("the 1998 Order"). This Order has an effect equivalent to setting an interest rate of 4.25% per annum on the entire debt not excluding the releases referred to in 7.5, owed by the Humber Bridge Board to the Secretary of State for Transport (£332,128,000 as at 31st March 2011) over a five year period.

## 3. Matters of special interest to the [Joint Committee on Statutory Instruments *or* the Select Committee on Statutory Instruments]

3.1 None.

## 4. Legislative Context

4.1 This Order waives an amount to be paid in interest by a revision of the rates of interest to be paid on the Debt, in accordance with the power in the Humber Bridge (Debts) Act 1996 relating to sums owed to the Secretary of State by the Board under the Agreements made under section 5(3) of the Humber Bridge Act 1971.

## 5. Territorial Extent and Application

5.1 This instrument applies to England.

## 6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## 7. Policy background

- ***What is being done and why***

7.1 In 2006 the Board advised the Department for Transport that, because traffic growth had not met the levels predicted, and because of the requirement for previously unforeseen major maintenance work, the Debt would become unmanageable from 2007–08 at the 7.75% interest rate which is payable under clause 2 of the Schedule to the 1998 Order.

7.2 In principle, if the Board was unable to service the Debt, it would have to be met by the residents of Hull, Haltemprice and Barton-upon-Humber and would fall heaviest on the council tax payers of Hull.

7.3 To avoid this, and after consultation with the Board, the Secretary of State agreed to waive part of the amount the Board owed in interest on the Debt and did so through the Humber Bridge (Debts) Order 2007 ("the 2007 Order"). The effect of the 2007 Order was that a proportion of interest which accrued on the Debt was waived. This enabled the Board to meet its obligations to repay the Debt and to finance higher maintenance costs, without the need to call on the residents for financial assistance.

7.4 There was a review in 2010 which determined that there was a similar difficulty in the Board meeting the Debt and, without a further waiver, the consequences would be those set out in 7.2. Therefore, the Secretary of State agreed to a further such waiver over five years from 2011-12 to 2015-6. This Order provides for that waiver.

7.5 Under the 1998 Order interest is not payable on amounts of the Debt set out in the Schedule to that Order ("releases") for each year from 1998-99 until 2013-14, and interest can only accrue on the remainder of the Debt until the end of the releases on the 31st March 2014. Therefore interest can only be calculated on the Debt, after taking account of releases for the years commencing on the 1st April 2011 up to 31st March 2014, set out at items 14-16 of the Table in the Schedule to the 1998 Order. The policy intention behind the rates set out in the Table was to set a manageable and appropriate rate which was determined to be rates equivalent to 4.25% per annum on the entire debt, without taking account of releases. To achieve this policy aim for each financial year between 2011-12 and 2013-14, the Humber Bridge (Debts) Order 2011 sets interest rates higher than 4.25% per annum for each year to accrue on the Debt.

7.6 The rates of interest specified by the Order will apply from 1 April 2011 until 31 March 2016 at which time the rates will be reviewed or allowed to revert to a rate of 7.75% the rate specified in the 1998 Order.

## 8. Consultation outcome

8.1 There is no statutory requirement to formally consult in these circumstances and the Order does not affect any other body or class or persons and therefore a public consultation was not carried out.

## 9. Guidance

9.1 A Written Ministerial Statement will be issued when the new Order is laid before Parliament. Local MPs will also be informed.

## 10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument.

## 11. Regulating small business

11.1 The legislation does not apply to small business.

## 12. Monitoring & review

12.1 The interest rate will be reviewed at the end of the five year period.

## 13. Contact

13.1 Evette Johnson at the Department for Transport Tel: 0207 944 2041 or email: evette.johnson@dft.gsi.gov.uk who can answer any queries regarding the instrument.