

David Parr
Chief Executive
Halton Borough Council
Municipal Building
Kingsway
Widnes
Cheshire WA8 7QF

24 February 2016

Dear David,

MERSEY GATEWAY BRIDGE PROJECT - FULL APPROVAL

- (i) Further to Stephen Fidler's letter of 25 March 2014 which informed you that Ministers had approved the funding package for the Mersey Gateway Bridge Project and following the Chancellor of the Exchequer's announcement on 25 July 2014¹, this letter sets out the revised conditions which must be satisfied and the wider funding conditions for the Project. This letter supersedes the Full approval letter of 25 March 2014.
- (ii) Please provide written confirmation that Halton Borough Council ("HBC") agrees to these revised terms and conditions including certification from your section 151 officer that HBC accepts the requirements set out in this document.
- (iii) This Funding Offer, subject to the conditions set out below, comprises:
 - 1. **Development Cost Grant** of up to £86m (including preparatory, land and remediation costs) of which up to £8m may be paid as resource funding;
 - 2. **Availability Support Grant** of a graduated payment as set out at Annex A following receipt of a Minimum Revenue Collection Certificate, Compliant Revenue Collection Certificate or Full Revenue Collection Certificate (as the case may be) under the proposed DBFO agreement;
 - 3. **Extended Discount Scheme Grant** of a graduated payment as set out at **Annex A** which will be paid in conjunction with the Availability Support Grant;
 - 4. **Additional Liquidity Maintenance Reserve Grant** of £9m to be paid at the same time as the initial Availability Support Grant payment following full service commencement under the proposed DBFO agreement; and
 - 5. **Additional Availability Support Grant** of variable amounts to provide additional revenue support in exceptional circumstances.
- (iv) This Funding Offer is made on the conditions below and is based on the Full Business Case ("FBC") submitted to the Department for Transport (the "Department" or "DfT") on 16 September 2013 as subsequently updated and agreed with HM Treasury together with subsequent information provided by you. Payment of grant pursuant to this Funding Offer is made under section 31 of the Local Government Act 2003.
- (v) The Funding Offer is conditional on:

¹ See Annex C for further details.

1. receipt of signed certification from HBC's s.151 officer accepting the requirements set out in this revised document;
2. the Project not having been abandoned by HBC or the Mersey Gateway Crossings Board (the "Crossings Board");
3. no substantive alterations being made to the Project as described in the FBC without prior consent of the Department, with the exception of the Chancellor's announcements described in Annex C and the alterations resulting from this Funding Offer;
4. the duly incorporated Crossings Board remaining sufficiently staffed; and
5. HBC agreeing to review the financial robustness and value for money of the Project, taking full account of updated forecasts (including traffic levels, toll charges, discount arrangements and anticipated revenue and costs) 12 months prior to opening of the Project, full details of this review will be agreed prior to it being initiated.

(vi) In relation to the **Development Cost Grant**:

1. Development Cost Grant will be paid in accordance with this Funding Offer and normal DfT grant rules and, always subject to a cap of £86m, will be limited to net costs necessarily incurred directly by HBC in connection with the development of the Project.
2. To the extent that actual eligible costs incurred, net of any actual or potential cost recovery, are less than £86m in total then the total Development Cost Grant payable will be the lower amount.
3. HBC is responsible for seeking to minimise development costs incurred and any development costs above the maximum Development Cost Grant are at HBCs' own risk or borne by the Project to the extent they are unavoidable and are deemed efficient expenditure.

(vii) In relation to the **Availability Support Grant**:

1. The Department, HM Treasury and HBC acknowledge that the Project is not a PFI, but recognise that the principles set out in the Department for Communities and Local Government Local Government PFI Project Support Guide 2009 - 10, 1st Revision (September 2009), available on DCLG's website will apply to the Project unless otherwise agreed.
2. A copy of the final FBC should be published on HBC's website (with any sensitive information redacted) as soon as possible after submission to the Department.
3. The maximum annual Availability Support Grant payable is set out in Appendix A.
4. Should the Project undergo refinancing, any gains for HBC will be shared on a 50/50 basis with the Department, in a manner to be agreed at the time.
5. Amongst other issues, HBC will establish, prior to the introduction of tolls/road user charges on either the Mersey Gateway or the Silver Jubilee bridges, a Liquidity Maintenance Reserve. The Liquidity Maintenance Reserve will comprise of cash or cash equivalent assets. Its initial minimum value on the service commencement date under the DBFO Agreement will be at least 20% of the net toll/road user charge revenues forecast for the period of 12 months beginning on this service commencement date. On each anniversary of the service commencement date under the DBFO Agreement the minimum value of the Liquidity Maintenance Reserve will be adjusted so that it represents at least 20% of the forecast net toll/charge value for the following period of 12 months.

6. Upon creation, the Liquidity Maintenance Reserve is to be held in a separate bank account, made available to the Crossings Board in accordance with the terms of the Governance Agreement and used solely (if necessary) to fund any shortfall between (a) actual toll revenues and Availability Support Grant and (b) HBC's and the Crossings Board's financial obligations for the Project. The Department will need to be satisfied that these arrangements are robust, ensure that the Crossings Board can access the Liquidity Maintenance Reserve as required (in accordance with the Governance Agreement) and are in place before any tolls/user charges are introduced.

(viii) In relation to the **Extended Discount Scheme Grant**:

1. As at 25 July 2014, HBC was proposing a Local User Discount Scheme with the following vehicle eligibility requirements:
 - a. class two vehicles;
 - b. no more than one vehicle per person older than 17 living within the HBC area; and
 - c. vehicles of a person resident in a property within Council Tax Bands G and H were excluded unless the person concerned was eligible for the scheme on economic hardship grounds or other special circumstances.
2. This Local User Discount Scheme entitled registered users to up to 300 free journeys per year with any excess journeys paid at the rate available for tag-registered accounts.
3. HBC intends to fund the annual cost of this Local User Discount Scheme from (1) 10% of the revenues that would have been earned in the absence of any Discounts; and (2) HBC's share of the procurement savings calculated at Financial Close.
4. On 25 July 2014 the Chancellor of the Exchequer announced that those vehicles previously included in HBC's proposed Local User Discount Scheme (as defined at sub-paragraph 1 above) would benefit from 100% toll discounts, rather than 300 free journeys per year.
5. HBC undertakes to extend the Local User Discount Scheme to give effect to the Chancellor's announcement of 25 July 2014. Any subsequent change to the scheme that would impact upon this announcement will require the written consent of the Department, who will consult HM Treasury as appropriate. The Department has agreed to fund the cost of this extension in accordance with the terms of this letter.
6. The Extended Discount Scheme Grant is payable in addition to Availability Support Grant to fund the difference between the actual toll/road user charge revenue receipts and the estimated receipts had free trips for eligible vehicles (as defined at sub-paragraphs 1 and 2 above) been limited to the first 300 trips per year per vehicle. The amount of the Extended Discount Scheme Grant that shall be payable shall be as set out in Annex A, subject to any adjustment under the review procedures at the First Review Point or any subsequent Review Point as set out in this letter. For the avoidance of doubt the First review will not determine the nature of the Local User Discount Scheme or HBC's contribution to it. Also the Extended Discount Scheme Grant is not payable for the extension of the scheme to other vehicles or to meet the costs of administering the scheme.

(ix) In relation to the **Additional Liquidity Maintenance Reserve Grant**:

1. The additional grant funding of £9m will be paid in conjunction with the initial Availability Support Grant payment following full service commencement under the DBFO agreement.

2. For the avoidance of doubt, the Additional Liquidity Maintenance Reserve Grant is additional to the sum referred to at paragraph (vii)(5) above but will form part of the overall Liquidity Maintenance Reserve available.

(x) In relation to the **Additional Availability Support Grant**:

1. In exceptional circumstances the Department agrees to pay HBC or the Crossings Board additional financial support ("Additional Availability Support Grant") (subject to the following sentence) up to the amount of the base case toll/road user charge revenue forecasted in the FBC. Additional Availability Support Grant will be payable to fund the difference between the actual toll/road user charge revenue receipts and the base case toll/road user charge revenue forecasted in the FBC if, as a result, HBC is unable to fully meet its obligations under the DBFO Agreement, DMP Agreements (including in respect of any termination compensation obligations following early termination of the DBFO Agreement or DMP Agreement provided any such termination payments are payable in instalments over the life of the relevant agreement prior to termination), prudential borrowing interest cost or other direct Project costs from the combination of the Availability Support Grant and the toll/road user charge revenue.
2. In order for HBC, the Crossings Board and the Department to assess the need for Additional Availability Support Grant HBC and the Crossings Board undertake to provide an annual rolling five-year look forward projection of Availability Support Grant, Extended Discount Scheme Grant and the toll/road user charge revenue and costs under the DBFO Agreement and DMP Agreement.
3. The Department will provide Additional Availability Support Grant, either in the form of a grant or loan, at the sole discretion of the Department, to HBC or the Crossings Board to enable HBC and the Crossings Board to meet their obligations under the DBFO Agreement, DMP Agreement, prudential borrowing interest cost or other direct Project costs in a timely manner². The Department hereby agrees to provide as a grant any Additional Availability Support Grant required as a result of extending the local discount arrangements for the vehicles specified at (viii)(1) above beyond 300 trips per year per vehicle.
4. After identifying a shortfall between estimated and actual toll/user charge revenue potentially requiring Additional Availability Support Grant, HBC and the Crossings Board will demonstrate to the reasonable satisfaction of the Department that they are undertaking the following measures (to the extent required), in this paragraph and paragraph (x)(5) below, to remove or reduce that shortfall: (a) utilisation of the Liquidity Maintenance Reserve; (b) increasing the toll/road user charge rates above the toll/charging levels set out in the FBC (if and to the extent legally possible) by up to 20%; (c) subject to securing any necessary agreements as set out in paragraph (viii) 5 above, reducing/removing toll/road user charge discounts to local residents³; (d) providing additional funding from HBC towards the costs of toll/road user charge discounts to local residents not covered by Extended Discount Scheme Grant; (e)

² HBC/MGCB Additional Availability Support Grant request and subsequent DfT payment timetable to be agreed to ensure financial obligations can be met.

³ The Department recognises that Local Discounts may include those: (a) provided for within the 10% revenue cap set out at (xvii); (b) discounts that HBC has chosen to fund through its share of procurement savings; (c) discounts funded by the Extended Discount Scheme Grant; and (d) in the absence of this grant, the minimum amount needed to extend the Local User Discount Scheme in accordance with (viii)((1) to (5)) above. In considering whether actions taken by HBC are to its reasonable satisfaction, the Department does not anticipate requiring HBC to forego or defer a share of its procurement savings that is disproportionate to any share of the procurement savings foregone or deferred (or effectively foregone or deferred - including through provision or anticipated provision of Additional Availability Support Grant) by DfT.

- taking steps to reduce the Crossings Board's costs; and (f) re-scoping the service provision to the extent permitted under the contracts.
5. In addition to the mitigation measures set out in paragraph (x)(4) above, HBC and Crossings Board shall use reasonable endeavours to agree a revenue rectification plan with the Department setting out such additional measures required to remedy any shortfall in toll/road user charge revenues outlined above. Such measures could include further increasing the toll rates (to the maximum level permitted in the Orders); assessing the possibility of using other sources of income available to HBC and the Crossings Board, and ensuring HBC and the Crossings Board both have a continuing commercial incentive to maximise the financial performance of the crossings. For the avoidance of doubt, the measures in paragraphs (x)(4) and (5) are not required to be implemented to:
 - (a) cover funding shortfalls in payment of those procurement savings not already taken out of the Project; or
 - (b) reduce or remove funding shortfalls that HBC or the Crossings Board is able to demonstrate to the Department is due to the additional cost of Local Discounts arising from extending the local discount arrangements for the vehicles specified at (viii)(1) above beyond 300 trips per year per vehicle; or
 - (c) reduce or remove funding shortfalls which occur as a result of a delay or failure by the DfT (in consultation with HM Treasury) to consent to a change to the local discount arrangements pursuant to (viii)(5) above.
 6. HBC and the Crossings Board undertake that where any Additional Availability Support Grant is advanced as a loan then interest will accrue at the prevailing Public Works Loan Board rate matched to the expected repayment profile of the Additional Availability Support Grant, from time to time, and this together with the principal will be repaid by HBC or the Crossings Board in the manner set out in the loan agreement or, if no repayment provisions are included, as soon as possible.
 7. If any Additional Availability Support Grant is paid, HBC and the Crossings Board further undertake to maintain the measures required under paragraphs (x)(4) and (x)(5) until the earlier of such time as (i) the amount of Additional Availability Support Grant, if lent as a loan, is repaid to the Department in full or (ii) in the sole discretion of the Department, the Department agrees that the measures can cease.
 8. Should HBC or the Crossings Board fail to meet their obligations to the Department in respect of the Additional Availability Support Grant (including, for the avoidance of doubt, their obligations in paragraphs (x)(4) and (5) above) and as a result cause the Department or HM Treasury to either incur expenditure it/they would not have otherwise incurred or fail to collect revenue it/they would otherwise have collected the Department reserves the right to:
 - (a) require HBC to, and/or require HBC to instruct the Crossings Board to, undertake the measures set out in paragraphs (x)(4) and (x)(5); and/or
 - (b) step in to the role of HBC under the Governance Agreement in order to direct the Crossings Board to undertake the measures set out in paragraphs (x)(4) and (x)(5); and/or
 - (c) reduce the Department's contribution to HBC's future funding for transport projects or HBC's share of funding to the Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral combined authority.

- (xi) There will be specified Review Points prior to and following full service commencement of the Project where the Crossings Board and Department will consider the financial performance of the crossings and the Board since the last Review Point (or in the case of the first Review Point, a range of forecasts from commencement of full service) and agree forecasts for the revenues and costs of the Project together with the operating costs of the Crossing Board for the period to the next Review Point (or in the case of the last Review Point, for the period to the end of the concession period). The first Review Point will be 12 months prior to full service commencement. The full details of this review will be agreed prior to it being initiated, but it will make use of the existing model which is to be updated as appropriate and agreed to allow a robust estimate of the impact of the Local User Discount Scheme to be obtained and will cover financial robustness and value for money of the project.
- (xii) A second Review Point will be held five years after full service commencement and subsequent Review Points every three years thereafter until the end of the period during which Availability Support Grant is payable or procurement savings or Additional Availability Support Grant is receivable. The full details of this review will be agreed prior to it being initiated, but it will make use of the existing model which is to be updated as appropriate and agreed to allow a robust estimate of the impact of the Local User Discount Scheme to be obtained and will cover financial robustness. Any model update/analysis should take account of actual information generated by the toll collection system. At each Review Point due consideration should be given to the value for money of the Project, ensuring the forecasts of Project benefits continue to follow a trajectory that will deliver at least high value for money as defined by the Department at the time of any review, subject to affordability and the impact on the value for money of the Project of extension of the Local User Discount Scheme following the Chancellor's announcement of 25 July 2014 and the potential extension of local discount arrangements to users who reside outside of Halton or business users. This should include considerations of the demand, tolling structure and discounts.
- (xiii) Subject to paragraph (xv), at the second and each subsequent Review Point the Extended Discount Scheme Grant receivable over the following Review Period will be calculated through the use of a model that has been appropriately updated and agreed by the Department, that allows a robust estimate of the impact of the Local User Discount Scheme. This model can also be used to estimate the toll income that would have been received in the absence of discount arrangements, in accordance with paragraph (xxi) below. Any model update/analysis should take account of actual information generated by the toll collection system.
- (xiv) Any Review Point will involve the review of performance for the next period, including a consideration of revenue levels achieved in the preceding years, future economic and transport forecasts and other issues that will impact on revenues as agreed between the parties. In the event that revenues for the next period cannot be agreed, then the average of the annual revenues since the last Review Point, adjusted for expected future changes in RPI, will be used as the forecast revenues for each year during the next period.
- (xv) At the second and each subsequent Review Point the Department will consider, whether the Government's commitment to a 100% discount scheme and the associated Extended Discount Scheme Grant should continue. This is in accordance with the Chancellor statement of 25 July 2014 that "The government's funding commitments to the scheme are due for review five years after full service commencement.
- (xvi) At the Review Point immediately preceding the end of the Availability Support Grant payments and each Review Point thereafter, HBC in conjunction with Crossings Board will reconcile actual costs of the Project to the estimated costs as documented at Financial Close in calculating the amount of procurement savings. The Department's share of any change in the amount of procurement savings will be added or deducted from the amounts outstanding to the Department which it is forecasted to receive, as set out in Annex A

following the last payment of the Availability Support Grant, as calculated using the same methodology as set out in Annex B of the Full Approval letter dated 25 March 2014.

- (xvii) At the second Review Point, the Department will seek to recover any Additional Liquidity Maintenance Grant paid, taking into account the ongoing financial obligations of the Project and forecast revenues. To the extent there are sufficient funds over and above the sum referred to in paragraph (vii)(5) above in the Liquidity Maintenance Reserve these funds shall be repaid to the Department. Should there not be sufficient funds then HBC/the Crossings Board shall pay the amounts over time from surplus cash available at the end of each year.

Excess Revenue Sharing Procedures

- (xviii) At the second Review Point and every subsequent Review Point during the life of the DBFO agreement, the Crossings Board shall calculate whether there is an Actual Excess by updating Table 2 of Annex B.
- (xix) At the end of the DBFO agreement a final Review Point shall take place. Any surplus cash after repayment of the Liquidity Maintenance Reserve funded under paragraph (xvii) and extinguishing all liabilities, excluding Prudential Borrowing drawn for the purposes of the project, shall be treated as an Actual Excess. If such liabilities cannot be extinguished by the final Review Date then there will be no Actual Excess and the project will continue to be operated by HBC and the Crossings Board without any sharing with the Department unless and until all HBC and Crossings Board liabilities are repaid in full and the project is reviewed by HBC and DfT pursuant to paragraphs (xxv), (xxvi) and (xxvii).
- (xx) 85% of any Actual Excess shall be payable by HBC or the Crossings Board to the Department within 30 days of the end of the Review Point out of available cash balances subject to ensuring the financial robustness of the Project at all times by HBC and the Department, and the Council shall be entitled to the balance of any Actual Excess.

Discounts

- (xxi) For the avoidance of doubt, the terms:

“Local Discount” or “Local Discounts” when used in this letter refer to all discounts given to local Halton residents pursuant to the Local User Discount Scheme as amended or supplemented from time to time; and

“Discount” or “Discounts” shall refer to any form of toll/charge discount offered to users of the Crossings in all vehicle types, including Local Discounts, economic discounts or discount schemes made available to users who are residents of other local authorities.

Total Local Discounts not funded separately by HBC (including through HBC’s share of the procurement savings) or by the Extended Discount Scheme Grant shall be limited to the higher of: (a) 10% of the revenue that would have been earned in the absence of any Discount regime subject to paragraphs (x)(4) and (x)(5); or (b) if the Project is not in receipt of Extended Discount Scheme Grant, the minimum necessary to extend the Local User Discount Scheme in accordance with (viii)(1 to 5) above.

The annual projection provided for at paragraph (x)(2) shall include:

1. the estimated toll income for the preceding year had Local Discounts not been in place;
2. the estimated toll income for the preceding year had the Local Discount arrangements for the vehicles specified at (viii)(1) above been limited to 300 trips per year per vehicle with detailed supporting data of actual usage agreed by the Department;

3. the cost of Local Discounts in the preceding year;
4. the estimated additional cost of Local Discounts in the preceding year arising from extending the local discount arrangements for the vehicles specified at (viii)(1) above beyond 300 trips per year per vehicle;
5. an explanation of the reasons for any discrepancy between the actual cost of Local Discounts and any previous estimate of the cost of Local Discounts in the year concerned;
6. an explanation of the reasons for any discrepancy between the estimated and actual additional cost of Local Discounts arising from extending the Local Discount arrangements for the vehicles specified at (viii)(1) above beyond 300 trips per year per vehicle in the year concerned;
7. details of any funding HBC has provided to support Local Discounts in the preceding year including through retaining some or all of its share of procurement savings within the project;
8. details of the Extended Discount Scheme Grant received and due to be received;
9. the forecast cost of Local Discounts for each of the five years covered by the annual projection;
10. details of any funding HBC is committing to provide to support Local Discounts in any (or each) given year including through retaining some or all of its share of procurement savings within the project; and
11. the forecast requirement for Extended Discount Scheme Grant for each of the five years covered by the annual projection.

Without the written consent of the Department, the annual projection shall not, for any given year, forecast Local Discounts greater than the higher of: (a) the aggregate of 10% of the revenue that would have been earned in the absence of any Discounts plus Extended Discount Scheme Grant due to be received in the year in question plus any funding identified under sub paragraph (10) above; or (b) if the project is not in receipt of Extended Discount Scheme Grant, the minimum necessary to extend the Local User Discount Scheme in accordance with (viii)(1 to 5) above.

- (xxii) The Department shall consult with HBC and the Crossings Board in relation to any discount arrangements for the Crossings to be offered to users who are residents of other local authorities or business users in order to implement the Chancellor's announcement of 23 April 2015 and any subsequent announcements made by HM Treasury or the Department. The Department, HBC and the Crossings Board shall agree the funding arrangements that are necessary to fund such discount arrangements to ensure that HBC is able to fully meet its obligations under the DBFO Agreement, DMP Agreements, prudential borrowing interest cost and other direct Project costs. Such funding arrangements shall include (without limitation) contributions from any local authorities (or other third parties) that participate in such discount arrangements and additional grants from the Department. The Department hereby agrees to extend the availability of Additional Availability Support Grant to cover funding shortfalls resulting from these discount arrangements and that in this case HBC or the Crossings Board would not be required to implement the measures set out in paragraphs (x)(4) and (5). The Department agrees that such Additional Availability Support Grant shall be provided as a grant (and not a loan). The Department also agrees to pay any costs incurred by HBC or MGCB as a result of the introduction or subsequent amendment of such discount arrangements, including any compensation due under the Project documentation.

- (xxiii) The procurement savings were calculated at Financial Close and the agreed procurement savings are set out in Table 3 of Annex B. The procurement savings will be updated as set out in paragraph (xvi) above.
- (xxiv) Payment shall be made to the Department of its share of outstanding procurement savings within 30 days of the end of each accounting period, subject to available cash surplus and ensuring the financial robustness of the Project at all times.
- (xxv) To the extent not retained in the Project to support Local Discounts, HBC shall be entitled to its share of outstanding procurement savings at the end of each accounting period subject to:
 1. available cash surplus;
 2. ensuring the financial robustness of the Project at all times with reference to the steps outlined in sub paragraph (x)(2) of this letter; and
 3. all Additional Availability Support Grant having been repaid in full.

Crossings Board Make Whole

- (xxvi) If at any time a shortfall between actual toll/road user charge revenue receipts and the base case toll/road user charge revenue forecasted in the FBC exists and HBC does not
 1. undertake the mitigation measures required under paragraph (x)(4) to the reasonable satisfaction of the Department;
 2. use its reasonable endeavours to agree a rectification plan with the Department in accordance with (x)(5); and/or
 3. undertake some or all of the actions set out in the rectification plan agreed with the Department, to the reasonable satisfaction of the Department;

HBC is required to deposit in to the Toll Collection Account an amount equal to the toll/charge revenue that would have otherwise been received by the Crossings Board.

Future Tolls and Charges

- (xxvii) At any date prior to the date being the later of:
 1. the end of the Availability Support Grant payment period; or
 2. repayment of procurement savings in full; or
 3. repayment in full of any HBC or Crossings Board prudential borrowing, borrowed for the purposes of this Project; or
 4. end of the DBFO Agreement.

no commitments shall be made by HBC or the Crossings Board as to whether tolls/charges will or will not continue after these dates and/or at what level.

- (xxviii) At a point 3 years before the later of sub paragraphs (xxvii)(1), (2), (3) or (4) above the Crossings Board, HBC and the Department will jointly assess the benefits of continuing with tolling/charges in the light of the economic and transport network needs of the region, the overall context relating to road charging, and also considering any legal constraints and the prevailing legal position at that time.
- (xxix) If after the end of the DBFO Agreement tolls/charges continue to be in place on one of both of the bridges then the Department will be entitled to share in the net financial benefits either directly in terms of direct payments to the Department or through reduced contributions to other local or regional transport schemes and initiatives as agreed with the Secretary of State. The sharing will be 70/30 in favour of Department unless otherwise agreed at the time.

Mersey Gateway Crossings Board

- (xxx) The governance arrangements of the Crossings Board have been agreed with the Secretary of State and cannot be amended without the specific written agreement of the Secretary of State. The agreed governance arrangements are attached as Annex D to this letter.
- (xxxii) HBC and the Crossings Board shall inform the Department of any proposed changes to the Project documents that impact the obligations set out in this letter.
- (xxxiii) The Secretary of State reserves the right to withdraw funding if amendments to Governance arrangements are made without his written consent.
- (xxxiiii) The Crossings Board shall have an independent capability to carry out its main tasks and should not solely rely upon HBC and / or its officers.
- (xxxv) As a minimum the Crossings Board will be required to:
 1. increase average weighted tolls/charges annually by RPI;
 2. have the ability to decide independently to increase average weighted tolls/charges by as much as 20% (in real terms) above the toll/charging levels set out in the FBC during the life of the concession (subject to the limits set out in the Scheme Orders) to take into account revenue shortfalls and overall finances of the Crossings Board;
 3. act in a transparent and open book manner; and
 4. operate to ensure the financial stability of the Crossings Board.

Sub paragraph (xxxii)(1) is required to ensure the ongoing financial robustness of the Project, unless agreed otherwise between HBC and the Department at the time subject to both parties acting reasonably.

- (xxxvi) It will be for HBC and/or the Crossings Board to establish and implement their actual discounts policy in accordance with the Crossings Board governance arrangements, subject to paragraph (viii) above.

Other Requirements


- (xxxvii) HBC may not voluntarily terminate any agreements relating to the Project without prior consultation with and the written consent of the Department.
- (xxxviii) HBC, as a corporate body, shall exercise its reasonable endeavours - including through the terms of the DBFO and DMPA agreements - to ensure revenue collection under the relevant charging and discount schemes in place at any given time is maximised, to the extent that is consistent with the Project's objectives, unless otherwise agreed with the Secretary of State
- (xxxix) As set out in paragraphs (xi), (xii) and (xiii) above, at each Review Point due consideration needs be given to the value for money of the project, ensuring the forecasts of project benefits continue to follow a trajectory that will deliver at least high value for money, subject to affordability and the impact on the value for money of the Project of extending the Local User Discount Scheme following the Chancellor's announcement of 25 July 2014 and the potential extension of local discount arrangements to users who reside outside of Halton or business users. This will need to consider demand, tolling structure and discounts, and to enable this to be carried out we expect the model to be appropriately updated and agreed by the Department. This capability is likely to also be necessary in relation to paragraph (xxi) above. We would be happy to work with you nearer the time to help to specify this work and suggest you begin engagement with us at least 24 months prior to full service commencement. This work should be overseen and explicitly agreed by the Finance Director of the Crossings Board until such time as the first

permanent Chief Executive of the Crossings Board is appointed, neither of which shall be employed by HBC.

- (xxxix) The Department will continue to be invited to attend, at its discretion, the Crossings Board meetings to support the successful delivery of the Project and to monitor its progress.
- (xi) HBC will keep the Department closely informed on the progress of this Project, complete the Department's three monthly monitoring forms by the due date and provide such information as the Department may reasonably require in relation to this Funding Offer.
- (xli) HBC will provide all necessary support and information for post award evaluation.
- (xlii) HBC will notify the Department immediately in the event of any significant changes to the Project.
- (xliii) The Department's Transport and Works Act (TWA) Orders Unit has confirmed that it would deal with any further application(s) as expeditiously as appropriate, in accordance with the relevant statutory requirements, taking into account the circumstances that may arise in going through the statutory process.
- (xliv) The Department is committed to supporting this Project. Its policy is therefore to make Availability Support Grant and (if necessary) Additional Availability Support Grant available, consistent with the long term nature of the Project, subject to the usual public law constraints around the exercise of discretionary powers particularly the fettering of discretion.
- (xlv) HBC will keep the Department in touch about the progress of the Project. In particular, you must inform us immediately if you wish to change aspects of the Project in any material way from the case agreed. That particularly includes the scope, need for Availability Support Grant or Additional Availability Support Grant, or the timetable. If changes are required to any of these aspects of the Project you will need to obtain the Department's written agreement. Failure to obtain this agreement could potentially mean withdrawal of support for the Project, and would invalidate any arrangement by the Department to support it.
- (xlvi) The main Departmental contact point for this Project will be Charlie Sunderland (0207 944 8810 – Charlie.sunderland@dft.gsi.gov.uk).

We look forward to continuing to work with you on this Project.

Yours sincerely



Anthony Boucher

Annexes to be attached to final letter

Annex A and Annex B – Funding Profiles (separate Annexes)

Annex C - Chancellor's statement of 25 July 2014 (not attached)

Annex D – Governance Agreement (not attached)

