



Aldwark Toll Bridge LLP

Re: Application to increase tolls pursuant to Transport
Charges & c. (Miscellaneous Provisions) Act 1954

June 2024

1. Introduction

Terms of Reference & Purpose

- 1.1 Hawsons Chartered Accountants (“we” or “Hawsons”) have been instructed by Aldwark Toll Bridge LLP (the “LLP”) to provide supporting evidence for its application to increase the toll fees Aldwark Toll Bridge, Boat Lane, Great Ouseburn, York, YO26 9SJ (“the bridge”) pursuant to section 6 of the Transport Charges & c. (Miscellaneous Provisions) Act 1954 (“the 1954 Act”). In particular, Hawsons have been instructed to provide financial projections/forecasts in order to justify the proposed increases within the ambit of section 6(3) of the 1954 Act.
- 1.2 Financial forecasting is not an exact science. These projections reflect what Hawsons consider to be a reasonable approach to ascertain the future running costs of the bridge and what a reasonable increase in toll fees would be to ensure that the bridge remains commercially viable and for members of the LLP to receive a reasonable return on capital, in accordance with Section 6(3) of the 1954 Act.
- 1.3 Work by Hawsons on this project was completed during May 2024 and we have not updated our workings since that date. We are not aware, nor can be held responsible for, any incident occurring after our work was completed that might have an impact on the financial information presented in this report.

2. Sources of Information

- 2.1 In carrying out our work we had access to the following:
 - Historical financial information supplied by Management of the LLP; and
 - Discussions/email correspondence with Management of the LLP.
- 2.2 We have reviewed the above information and explanations provided to us and have satisfied ourselves, so far as possible, that the information presented is consistent with other information obtained by us during the course of the work undertaken to prepare this report.
- 2.3 The financial projections and underlying assumptions relate to future periods. Actual results are likely to be different from the projected results because events and circumstances frequently do not occur as expected. However we have based our projections on reasonable assumptions and forecasted trends to provide a sensible and sustainable plan for the bridge for a ten year period.

3. Disclaimer

- 3.1 This report has been prepared by Hawsons on the instruction solely of the LLP to assist the members plan for the future of the bridge.

- 3.2 We have based our report on financial and other information that has been provided to us by the members of the LLP. If any aspect of the LLP or its levels of income or profitability have changed since the latest information provided to us then the projections are likely to change.
- 3.3 Our projections are based on a limited review and on less information than would be required if the bridge was to undertake a statutory audit. We have not carried out any kind of audit or due diligence exercise and have not in any way sought to verify the truth or accuracy of representations made to us.

4. Income Assumptions

Toll bridge crossings

- 4.1 The financial projections have been prepared on the basis that annual crossings will remain consistent with post-pandemic traffic levels, between the operational hours in which the bridge operates.
- 4.2 Total crossings, in the hours of operation, in recent years have been as follows:

Year ended 31 July 2021 – 339,878

Year ended 31 July 2022 – 368,788

Year ended 31 July 2023 – 245,525 (*represent 8/12ths due to the closure of the bridge to undergo the refurbishment project*) Annualised this figure would be 368,288.

The 2021 financial year would have been impacted by the pandemic and has therefore been discounted.

- 4.3 We have discussed what the reasonable approach to crossing volumes with Management and have based our financial projections on the average of the 2022 and 2023 (annualised) to give an average projected crossings number of 368,538. This number of crossings has been used for the entirety of the forecasts, covering a ten year period.

Toll fees

- 4.4 The Management of the LLP are requesting an uplift to toll fees to ensure the bridge can continue to operate on a commercially viable basis, and to ensure a comprehensive ten year budgeting plan for the on-going maintenance works required to keep the bridge on good working order for many years to come.
- 4.5 The current owners have recently undertaken a significant refurbishment of the bridge, costing in excess of £700,000, with total capital now employed being a total of £2,090,829.
- 4.6 The bridge has many known (or reasonably known) fixed costs and the Management have now owned the bridge for a number of years so can reliably forecast on future costings based on recent historic levels of expenditure.

- 4.7 Ultimately with consistent levels of traffic flow and a strong estimate of future expenses, this provides Management with an intuitive estimate of where toll fees need to be for future periods as set out in the ten year plan.
- 4.8 Vehicles weighing less than 3.5 tonnes:
- Years 1 to 3 - £1.00
- Years 4 to 6 - £1.20
- Years 7 to 9 - £1.30
- Year 10 - £1.40
- 4.9 Proposed tolls fees for vehicles weighing between 3.5 tonnes and 7.5 tonnes are Years 1 to 3 £2.00, Years 4 to 6 £2.20, Years 7 to 9 £2.40 and Year 10 £2.60.
- 4.10 The financial projections have been based on standard cars/vans weighing less than 3.5 tonnes only. The bridge does permit crossings for cars/vans towing caravans/trailers weighing between 3.5 tonnes and 7.5 tonnes. Given there is limited numbers of these crossings, the financial projections do not factor these in.

Future reviews

- 4.11 Management feel that a planned and regular interval to review tolls fees periodically is the right course of action to ensure delivery of a sustainable ten-year plan for the bridge. It should be noted that the bridge has not had an uplift in toll fees for a considerable amount of time and at current toll fee levels the bridge is not commercially viable.

5. Expenditure Assumptions

Employment costs

- 5.1 The largest costs incurred by the LLP for the operation of the bridge are in relation to staffing. This is expected to be the case for the foreseeable future and the owners must ensure that their employees continue to earn wages which are in line with relevant National Living Wage and National Minimum Wage regulations.
- 5.2 The financial projections have based future employment costs over the ten-year plan period based on actual wages uplifts that have been imposed by the Government over the last ten years. This is a reasonable assumption given the continued pressure on Government and employers to increase living standards across the United Kingdom. As a responsible employer, the LLP is subject to these regulations.

Other costs

- 5.3 Management has provided details of the current running costs for the bridge. These costings are expected to increase over the ten-year plan period. As a result, an increase at the current inflation rate of 2.3% has been included at Year 2, together with future annual uplifts being forecast at 2%, based on the government's inflation target. These uplifts are believed to be prudent based on inflation rates that the economy has seen over recent years.

Depreciation

- 5.4 Depreciation has been included in the financial projections to ensure consistency with the annual statutory accounts prepared for the LLP. Management have assessed that a reasonable rate of depreciation is 4% on a straight-line basis.
- 5.5 Having read the previous Inspector's decision letter, we have noted the comments raised previously on what a reasonable rate of depreciation for the bridge might be given that it is a listed heritage asset. As is the case with all accounting policies, this can be subject to management bias and for the purposes of this report all depreciation costs have been eliminated from the return on capital calculations.

Future refurbishments

- 5.6 In accordance with Section 6 of the 1954, the owners of the bridge should set aside reasonable contributions to a reserve or contingency fund. The LLP has recently overseen a substantial refurbishment of the bridge, costing in excess of £700,000.
- 5.7 Included in the financial forecasts is an amount of £50,000, uplifted annually for inflation, to provide a sinking fund for future refurbishment works. Given the recent spend on refurbishment costs the amount provided is considered to be reasonable.

6. Return on Capital

- 6.1 In accordance with Section 6 of the 1954, the owners of the bridge are permitted to a reasonable return on capital. This is not currently being achieved and the bridge is not commercially viable.

Historic return

- 6.2 Over the last three years the return on capital returns have been as follows:

- Year ended 31 July 2021: **-2.98%**
- Year ended 31 July 2022: **-10.36%**
- Year ended 31 July 2023: **-2.72%**

Current return

- 6.3 On a normalised annual income and expenditure basis, at current income and expenditure rates and levels, the anticipated return on capital is as follows:

- Normalised annual return: **-2.93%**

Proposed return

- 6.4 On a normalised annual income and expenditure basis, at proposed income and expenditure rates and levels, the anticipated return on capital is as follows:
- Normalised annual return: **7.65%**
- 6.5 Over the course of the ten year plan period provided by Management, the blended average rate of Return on Capital is 8.52%. This is considered to be a reasonable rate of return for the bridge owners which is in accordance with the provisions of section 6(3) the 1954 Act.

Historic and Current Financials

	Proposed toll fees £	Current toll fees £	Y/ending 31/07/2023 £	Y/ending 31/07/2022 £	Y/ending 31/07/2021 £
Turnover					
Toll bridge fees	368,538	147,415	98,210	147,515	135,951
Other income	-	-	-	75	344
	<u>368,538</u>	<u>147,415</u>	<u>98,210</u>	<u>147,590</u>	<u>136,295</u>
Admin expenses					
Wages and salaries	85,000	85,000	63,159	70,756	68,007
Employers NIC	4,000	4,000	1,827	3,693	2,128
Staff pensions	400	400	127	273	170
Light, heat and power	2,000	2,000	1,822	63	776
Insurance	3,500	3,500	3,416	2,198	1,635
Repairs and maintenance	25,000	25,000	1,590	4,299	20,672
Telephone	1,000	1,000	911	581	982
Printing, postage and stationery	3,500	3,500	97	8,136	3,133
Sundry expenses	500	500	436	575	1,481
Travel and subsistence	1,200	1,200	918	1,274	82
Advertising	1,000	1,000	-	1,094	32
Accountancy fees	3,000	3,000	913	3,180	1,650
Legal and consultancy fees	7,500	7,500	-	8,191	15,342
Management fees	20,000	20,000	9,600	114,487	1,000
Bank charges	1,000	1,000	691	936	920
Depreciation	83,633	83,633	46,823	40,002	40,002
	<u>242,233</u>	<u>242,233</u>	<u>132,330</u>	<u>254,738</u>	<u>158,012</u>
Capital reserve					
Future bridge refurbishment	50,000	50,000	50,000	50,000	50,000
Profit/(loss) for the year	<u>76,304</u>	<u>- 144,818</u>	<u>- 84,120</u>	<u>- 157,148</u>	<u>- 71,717</u>
<i>Return on capital - excluding depreciation</i>	7.65%	-2.93%	-2.72%	-10.36%	-2.98%

