



## **LOCAL GOVERNMENT PFI GRANT DETERMINATION (2004): No 31/39**

The Parliamentary Under Secretary of State ("The Parliamentary Under Secretary"), in exercise of the powers conferred on him by section 31 of the Local Government Act 2003, hereby makes the following determination:-

### **Citation**

- 1) This determination may be cited as the Local Government PFI Grant Determination (2004) [No31/39].

### **Purpose of the grant**

- 2) The purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them.

### **Determination**

- 3) The Parliamentary Under Secretary determines as the authorities to which grant is to be paid, the authorities named in Annex A, and that the amount of grant to be paid to each authority will be calculated in accordance with the methodology set out in Annex B.

### **Treasury consent**

- 4) Before making this determination in relation to local authorities in England, the Parliamentary Under Secretary obtained the consent of the Treasury.

### **Grant conditions**

- 5) Pursuant to section 31(3) and 31(4) of the Local Government Act 2003, the Parliamentary Under Secretary determines that the grant will be paid subject to the conditions in Annex C.

Signed by authority of the Parliamentary Under Secretary

Pam Williams

A senior civil servant within the Office of the Deputy Prime Minister

28 June 2004

## **ANNEX A**

### **Local Authorities**

**Salford Metropolitan Borough Council  
South Yorkshire Passenger Transport Authority**

## ANNEX B

### CALCULATION OF GRANT

1. For each authority listed in Annex A, the amount of grant payable is to be based on the PFI credits agreed with the authority in respect of the PFI project entered into by the authority.
2. An amount of grant will be calculated by reference to the “service commencement date”. This is the date when the authority starts receiving the service that is being paid for under the private finance transaction, not when the first invoice arrives or when the first payment is made.
3. The amount of grant payable to each authority will be the sum of the amounts calculated as follows for each of the authority’s supported PFI projects:

$$\text{GRANT} = \text{A} + \text{B}$$

Where:

**A** (notional interest) = **OPENING BALANCE** x **INTEREST RATE** x **X**

**B** (notional reduction of the balance) = **OPENING BALANCE** x **0.04** x **X**

4. The following definitions apply for the purposes of this calculation:

**(a) OPENING BALANCE** is the value of the initial PFI credits for the transaction ((a1) below) less the total notional reduction of the balance to date ((a2) below).

**(a1)** The *initial PFI credits* for projects endorsed by the Project Review Group (PRG) before 1 April 2004 will normally be the value of the Notional Credit Approval (“NCA”) issued. However, for a number of projects the NCA will be increased by the interest rate applying in the year of contract signature for each full financial year of delay between the financial year in which the contract is signed and the financial year in which the service commences (the “uplift”). The projects to be uplifted will be:

- (i) Those endorsed by PRG before 1 April 2002; and
- (ii) Those endorsed by PRG after 1 April 2002 but where the NCA was nonetheless calculated by discounting to the date of contract signature rather than the service commencement date.

The values of the uplift factors to be used are shown in the table below:

Year contract signed	Year of service commencement			
	2001/02	2002/03	2003/04	2004/05
1997/98	1.291	1.406	1.531	1.668
1998/99	1.184	1.288	1.401	1.525
1999/2000	1.084	1.175	1.274	1.381
2000/01	1	1.079	1.164	1.256
2001/02	1	1	1.075	1.156
2002/03	-	1	1	1.072
2003/04	-	-	1	1

(a2) The *total notional reduction of the balance to date* is the sum of all payments of item B made to the authority before 1 April 2004.

(b) **INTEREST RATE** is the amount given by the following table for the year in which the PFI contract was signed:

Year of Contract Signature	Interest Rate
1997/98	0.089
1998/99	0.088
1999/2000	0.084
2000/01	0.079
2001/02	0.075
2002/03	0.072
2003/04	0.070
2004/05	0.066

(c) **X** is the amount given by the following table which corresponds with the service commencement date as defined in paragraph 2 above:

Period in which service commencement date falls	X
1 April 1997 to 31 March 2004	1.000
1 April 2004 to 30 April 2004	0.958
1 May 2004 to 31 May 2004	0.875
1 June 2004 to 30 June 2004	0.792
1 July 2004 to 31 July 2004	0.708
1 August 2004 to 31 August 2004	0.625
1 September 2004 to 30 September 2004	0.542
1 October 2004 to 31 October 2004	0.458
1 November 2004 to 30 November 2004	0.375
1 December 2004 to 31 December 2004	0.292
1 January 2005 to 31 January 2005	0.208
1 February 2005 to 29 February 2005	0.125
1 March 2005 to 31 March 2005	0.042

In the first year of the project the level of support will be pro rata to the number of months for which services are being received.

5. If the level of the PFI Credit given for the transaction is reassessed after the original calculation of grant has been made, the amount of grant payable will be reassessed. If the amount of grant that has already been paid is higher than the amount that would have been paid if the level of the NCA had already been reassessed, an overpayment will have been made.
  
6. The grant payable to South Yorkshire Passenger Transport Authority is based on the PFI project entered into by the South Yorkshire Passenger Executive.

## **ANNEX C**

### **GRANT CONDITIONS**

1) In this Annex:

“the PFI project” means a PFI project:

- a) which meets the criteria set out in Section A (“Qualifying Criteria”) of the Guidance issued by the Office of the Deputy Prime Minister entitled “PFI project support - A Guide (2004)”;
- b) which has received PFI credits from a central government Department;
- c) which has reached service commencement by the date of this Determination; and
- d) in relation to which the first payment of fees to the contractor has been made.

2) Grant will be paid on condition that :

the Parliamentary Under Secretary has received a valid claim submitted by the authority in respect of the PFI project. A valid claim is one which is made on a form issued by the Parliamentary Under Secretary and which is signed by the authority’s Chief Finance Officer.

3) Grant will be paid by equal quarterly instalments depending on the quarter in which service commencement date falls. The number of instalments and timing of the first instalments will depend on the date when the claim form is received. A claim for first payment in any quarter should be made at least 3 weeks before the end of the quarter in question.

4) The grant payable to the South Yorkshire Passenger Transport Authority is for the purposes of the PFI project entered into by South Yorkshire Passenger Transport Executive and shall be paid by the South Yorkshire Passenger Transport Authority to South Yorkshire Passenger Transport Executive.

5) The authority must share experience and final contract documentation (excluding any information of genuine commercial sensitivity), at no cost, with other local authorities procuring similar projects, with Government departments and with the Public Private Partnerships Programme.

6) If an authority fails to comply with any of these conditions or if an overpayment is made under this grant or any amount is paid in error, the Parliamentary Under Secretary may require the repayment of the whole or part of the grant monies paid, as may be determined by the Parliamentary Under Secretary and notified in writing to the authority. Such sum as has

been notified shall immediately become repayable to the Parliamentary Under Secretary.