



LOCAL GOVERNMENT PFI ANNUITY GRANT DETERMINATION (No 1) 2009 (31/1352)

Sadiq Khan, Parliamentary Under Secretary of State at the Communities and Local Government department (“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 Annuity Grant Determination (No 1) 2009 (31/1352)

Purpose of the grant

- 2) The purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred by them up to 31 March 2010.

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 (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

A handwritten signature in black ink that reads "John Garrity".

John Garrity

A senior civil servant within the Community and Local Government department.

31 March 2009

ANNEX A

Local Authorities

Amber Valley Borough Council
The Council of the London Borough of Barking and Dagenham
The Council of the London Borough of Barnet
Barnsley Metropolitan Borough Council
Bassetlaw District Council
Birmingham City Council
Blackpool Council
Breckland District Council
Bradford Metropolitan District Council
Bristol City Council
Bolton Metropolitan Borough Council
Bournemouth Borough Council
The Council of the London Borough of Brent
Brighton and Hove City Council
Calderdale Metropolitan Borough Council
The Council of the London Borough of Camden
Cambridgeshire County Council
Central Bedfordshire Council
Cheshire East Council
Cheshire West and Chester Council
Cheshire Police Authority
Cleveland Police Authority
Copeland Borough Council
Cornwall Council
Coventry City Council
The Council of the London Borough of Croydon
Cumbria County Council
Cumbria Police Authority
Darlington Borough Council
Derby City Council
Derbyshire County Council
Derbyshire Police Authority
Devon County Council
Doncaster Metropolitan Borough Council
Dorset County Council
Dorset Fire and Rescue Authority
Dorset Police Authority
Dudley Metropolitan Borough Council
Durham County Council
The Council of the London Borough of Ealing
East Riding of Yorkshire Council
East Sussex County Council
The Council of the London Borough of Enfield
Gateshead Metropolitan Borough Council
Gloucestershire County Council
Gloucestershire Police Authority
Greater Manchester Fire and Rescue Authority

Greater Manchester Police Authority
Greater Manchester Waste Disposal Authority
The Council of the London Borough of Greenwich
The Council of the London Borough of Hackney
The Council of the London Borough of Hammersmith and Fulham
Hampshire County Council
The Council of the London Borough of Haringey
The Council of the London Borough of Harrow
Herefordshire District Council
Hertfordshire County Council
Hull City Council
The Council of the London Borough of Hounslow
Isle of Wight Council
The Council of the London Borough of Islington
Kent County Council
Kingston-upon-Hull City Council
Kirklees Metropolitan Borough Council
Knowsley Metropolitan Borough Council
The Council of the London Borough of Lambeth
Lancashire County Council
Lancashire Fire and Rescue Authority
Leeds City Council
Leicester City Council
The Council of the London Borough of Lewisham
Lincolnshire County Council
Liverpool City Metropolitan District Council
Manchester City Council
The Council of the London Borough of Merton
Newcastle-upon-Tyne City Council
The Council of the London Borough of Newham
Norfolk County Council
Northamptonshire County Council
Northumberland County Council
North East Derbyshire District Council
North East Lincolnshire Council
North Lincolnshire Council
North Tyneside Metropolitan Borough Council
North Yorkshire County Council
North Yorkshire Fire & Rescue Authority
Northumbria Police Authority
Norwich City Council
Nottingham City Council
Nottinghamshire County Council
Oldham Metropolitan Borough Council
Peterborough City Council
Plymouth City Council
Portsmouth City Council
Reading Borough Council
The Council of the London Borough of Redbridge
Redcar and Cleveland Borough Council
The Council of the London Borough of Richmond upon Thames

Rochdale Metropolitan Borough Council
Rotherham Metropolitan Borough Council
Salford City Council
Sandwell Metropolitan Borough Council
Sefton Metropolitan Borough Council
Selby District Council
Sheffield City Council
Shepway District Council
Shropshire Council
Slough Borough Council
Solihull Metropolitan Borough Council
Southampton City Council
South Gloucestershire District Council
South Tyneside Metropolitan Borough Council
The Council of the London Borough of Southwark
South Yorkshire Passenger Transport Authority
Staffordshire County Council
Stockton-on-Tees Borough Council
Stoke-on-Trent City Council
Suffolk County Council
Sunderland City Council
Surrey County Council
Sussex Police Authority
Swindon Borough Council
Tameside Metropolitan District Council
Telford and Wrekin Borough Council
Thames Valley Police Authority
Torbay Council
The Council of the London Borough of Tower Hamlets
Trafford Metropolitan Borough Council
Tyne and Wear Fire and Rescue Authority
Uttlesford District Council
Wakefield Metropolitan District Council
Walsall Metropolitan Borough Council
The Council of the London Borough of Waltham Forest
Warrington Borough Council
Warwickshire County Council
The Council of the City of Westminster
West Berkshire District Council
West Sussex County Council
Wigan Council
Wiltshire Council
Wiltshire Police Authority
Wirral Metropolitan District Council
Wolverhampton City Council
Worcestershire County Council
York City Council

ANNEX B

CALCULATION OF PFI ANNUITY GRANT

1. Where grant was paid in respect of a project in 2008/09¹ and also in 2007/08², the amount payable to the authority in respect of that project in 2009/10 will be equal to the amount received in 2008/09; with the exception of projects where 2009/10 is the last financial year of the original PFI contract³ – see para. 4 below.
2. Where grant was paid in respect of a project in 2008/09¹, but not in 2007/08², the amount payable to the authority in respect of that project in 2009/10 will be calculated as follows:

$$\text{Grant} = \frac{G}{X}$$

where G = grant paid in 2008/09¹
 X = a factor determined in accordance with para. 9 by reference to the start month

3. Where grant is being claimed in respect of a project for the first time in 2009/10, the amount of grant payable to the authority in respect of that project in 2009/10 will be calculated as follows:

$$\text{Grant} = \frac{P}{\left(\frac{1 - (1 + r)^{-n}}{r} \right)} SX$$

where P = PFI credits (see para 5)
 r = interest rate (see para 6)
 n = annuity period (see para 7)
 S = scaling factor (see para 8)
 X = a factor determined in accordance with para. 9 by reference to the start month

4. Where 2009/10 is the last financial year of the relevant PFI contract, the amount of grant payable to the authority in respect of that project in 2009/10 will be calculated as follows:

$$\text{Grant} = \frac{G}{Y}$$

¹ This refers to payment of grant under the Local Government PFI Annuity Grant Determination (No 1) 2008 [No 31/1047] dated 31 March 2008.

² This refers to payment of grant under the Local Government PFI Annuity Grant Determination (No 1) 2007 [No 31/597] dated 29 March 2007.

³ Note that variations to extend a PFI contract are treated as a separate payment (provided additional PFI credits are issued), and do not extend the period over which PFI grant is paid.

where G = grant paid in 2008/09¹
 Y = a factor determined in accordance with para. 10 by
reference to the end month

5. **FACTOR P : PFI CREDITS.** The PFI credits will be the figure agreed between the sponsoring department and the authority in respect of the particular PFI project entered into, and as set out in the formal PFI credit letter.
6. **FACTOR r : INTEREST RATE.** This is the amount given by the table below by reference to the financial year applicable to the project. The financial year applicable to a project shall be determined as follows :
 - (i) for those projects which reached contract signature before 1 April 2005, the relevant financial year will be that in which the contract signature was reached. The date of contract signature will be taken as that specified in the formal PFI credit letter issued by the sponsoring department.
 - (ii) for those projects endorsed by a Project Review Group meeting held on or after 1 April 2005, the relevant financial year will be that in which that meeting took place.
 - (iii) for those projects endorsed by a Project Review Group meeting before 1 April 2005 but which did not reach contract signature (as defined at (i) above) before that same date, the relevant financial year will be 2005-06.

Financial Year	R
2005/06	0.063
2006/07	0.060
2007/08	0.059
2008/09	0.055
2009/10	0.054

7. **FACTOR n : ANNUITY PERIOD.** This is the length of the operational phase of the contract, measured in years. For the purpose of PFI grant this is calculated by deducting the “starting date” “end date” as defined in subparagraphs (a) and (b) below:

(a) The “starting date” is when service commencement occurs, based on the conditions for payment of grant set out in the PFI credit letter issued for that project. The figure used is the relevant year plus an adjustment for the month as required in the table below. For example August 2008 would be 2008.625.

(b) The “end date” is the year and month in which the contract expiry date occurs. Any extension, such as a secondary contract period, or other variation agreed to the contract will not alter the PFI annuity grant payments. Any support in respect of that extension or variation would be dependent on additional PFI credits being issued. The figure used is the relevant year plus an adjustment for

the month as required in the table below. For example March 2032 would be 2032.208.

Month	Adjustment factor
January	0.042
February	0.125
March	0.208
April	0.292
May	0.375
June	0.458
July	0.542
August	0.625
September	0.708
October	0.792
November	0.875
December	0.958

Using the examples above the period would be 2032.208 – 2008.625 = 23.853.

8. **FACTOR S: SCALING FACTOR.** The total grant is multiplied by a Scaling Factor, which will be determined by the financial year in which the project was endorsed as shown in the table below:

Financial Year	S
Earlier than 2009/10	1.0
2009/10	1.0

9. **FACTOR X: START MONTH.** The level of support will be determined according to the month during which service commencement occurs, based on the conditions for payment of grant set out in the PFI credit letter issued for that project. The factor applied is given by the following table:

Start Month	X
April	0.958
May	0.875
June	0.792
July	0.708
August	0.625
September	0.542
October	0.458
November	0.375
December	0.292
January	0.208
February	0.125
March	0.042

10. **FACTOR Y: END MONTH.** The level of support will be determined according to the last month of the original contract, as recorded when the original grant calculation was carried out. The factor applied is given by the following table:

Start Month	Y
April	0.042
May	0.125
June	0.208
July	0.292
August	0.375
September	0.458
October	0.542
November	0.625
December	0.708
January	0.792
February	0.875
March	0.958

11. For projects where service commencement occurs before 1st April 2009 but no grant was paid during 2008/09⁴, in addition to the grant calculated using the factors set out above, an amount of grant will also be paid under this determination to cover the period before 1st April 2009 using the formula and factors set out in the Local Government PFI Grant Determination for the financial year in which the claims relate to.
12. For Gloucestershire County Council, the amount of the grant payable is to be based on the contract signed by the Avon Fire Authority, the Gloucestershire Fire Authority and the Somerset Fire Authority on 27 March 2001.
13. For the South Yorkshire Passenger Transport Authority, the amount of grant payable is to be based on the contract signed by the South Yorkshire Passenger Transport Executive on 08 June 2006.
14. From 01 April grant paid to those authorities that received grant in 2008/09, but have since been restructured to form part of a unitary authority will be reallocated as follows:
- (i) Grant formerly paid to Bedfordshire County Council for the Mid Bedfordshire Upper Schools PFI project will be paid to Central Bedfordshire Council.
 - (ii) Grant formerly paid to Cheshire County Council for Ellesmere Port & Neston School PFI project will be paid to Cheshire West and Chester Council. Grant for Non-HRA Extra Care Housing PFI project will be paid to Cheshire East Council.
 - (iii) Grant formerly paid to Penwith District Council for the Sports, Leisure and Health PFI project will be paid to Cornwall Council.

⁴ See footnote (1) above.

- (iv) Grant formerly paid to North Wiltshire District Council for the Office Accommodation PFI project will be paid to Wiltshire Council.

ANNEX C

GRANT CONDITIONS

1. In this Annex:
 - a) “eligible project” means a PFI project or a NHS LIFT LeasePlus Agreement which has been issued with a PFI credit letter from a central government department;
 - b) “PFI grant” means grant paid in respect of an eligible project during the financial year 2008/09 under The Local Government PFI Annuity Grant Determination (No 1) 2008 [No 31/1047] dated 31 March 2008
2. Payment of grant under this Determination will only be made in respect of an eligible project. Payment of grant will cease at the end of the financial year in which the original PFI contract⁵ expires.
3. Payment of grant to a local authority under this Determination in respect of an eligible project which previously received PFI grant does not require any claim to be made. Grant will be paid by four equal quarterly payments at the end of each quarter. The first quarter will commence on 1 April 2009.
4. Payment of grant under this Determination to a local authority in respect of an eligible project, which has not previously received PFI grant, requires completion of a valid claim. That cannot be done before the local authority has made the first payment of fees to the contractor. A valid claim must be made to the relevant sponsoring department and include:
 - a) a completed Community and Local Government claim form PFIG1 (2009/10), signed by the authority’s Chief Finance Officer;
 - b) confirmation that the first payment has been made to the contractor, together with evidence of payment (e.g. copies of BACS remittance slips or receipt from contractor);
 - c) documentation to confirm the start and end dates of the project (as defined in Annex B), the date of endorsement and the level of PFI credits, as required by the sponsoring department.
5. Where PFI grant has not previously been paid the number of instalments and timing of the first instalments will depend on the date when the claim form is endorsed as correct by the sponsoring department and forwarded to the Community and Local Government department. A claim for first payment in any quarter will need to be received at least 3 weeks before the end of the quarter in question. If the claim covers an amount in any period prior to 1 April 2009, a separate payment will be made.
6. The authority must share experience and contract documentation throughout and at the end of procurement (excluding any information of

⁵ See footnote (3) above.

genuine commercial sensitivity), at no cost, with other local authorities procuring similar projects, with Government departments and with the Public Private Partnerships Programme (the “4ps”).

7. 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.