

**Report of Director of City Development**

**To Executive Board**

**Date: 22<sup>nd</sup> August 2007**

**Subject: Major Transport Schemes – Local Government Act Section 31 Grant Claim**

**Electoral Wards Affected:**

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

**Executive Summary**

From 1<sup>st</sup> April 2007 The Department for Transport (DfT) has changed the way Major Road schemes are funded. All future grants will be awarded under Section 31 of the Local Government Act 2003 (s31). This report seeks authority to accept the terms and conditions of the grant and give delegated authority for the Director of Resources to accept and submit all future claims. S 31 Grant is currently being paid on Leeds Inner Ring Road Stage 7 and East Leeds Link Road.

**1.0 Purpose of this Report**

This report seeks authority for Executive Board to accept the terms and conditions of the Section 31 Grant Determination for Major schemes in 2007/08 and give delegated authority for the Director of Resources to accept and submit all future claims.

**2.0 Background Information**

Prior to 2007/08, once a Major scheme was fully approved, the Central Government funding provision usually comprised a split between borrowing approvals and grant. Grants were provided by way of Transport Supplementary Grant (TSG), borrowing by way of Supported Capital Expenditure (Revenue), SCE(R).

The aim was to achieve roughly a 50% grant and 50% borrowing approval balanced over the life of the scheme. Transport Supplementary Grant is issued under Section 87 of the Local Government Finance Act 1988. To date it has been allocated in four quarterly payments in May, August November and February. Levels of TSG awarded are dictated by the LTP Capital Settlement allocations in the previous December, and the grant paid out partly in advance and partly in arrears.

From 1<sup>st</sup> April 2007 The Department for Transport (DfT) has changed the way Major schemes are now funded. All future grants will be awarded Under Section 31 of the Local Government Act 2003 (s31). This award will now be 100% Section 31 grant, paid in arrears and claimed quarterly after the expenditure has been incurred.

As part of the DfT's Section 31 Grant Determination for Major schemes in 2007/08, the DfT has asked authorities to confirm that they accept the terms and conditions of grant and provide documentary evidence to this effect. Section 31 Grant will be paid in 2007/08 on Leeds Inner Ring Road Stage 7 to a value of approx £13m and East Leeds Link Road of £4.169m.

The first Grant claim is now to be submitted, but prior to this, evidence of the acceptance of the terms and conditions must be provided.

### **3.0 Main Issues**

The offer of Section 31 Grant carries with it certain terms and conditions which the authority has to accept before any grant will be paid.

Some of these conditions carry a potentially significant financial impact upon the authority, particularly 20 to 24 which commit the authority to repay the grant if the grant conditions are not met. These include, for example, the condition that the scheme must operate for a period of 10 years. A copy of the conditions is attached at Appendix 1.

However rare it may be to invoke these conditions, the Department for Transport are bound, as a matter of due diligence, to seek assurance that they have been accepted by the Authority in a way which would be legally binding and no grant will be payable until the council has accepted all the terms and conditions. None of the conditions are considered to be unacceptable or likely to cause the council any difficulties.

The DfT have determined that under current council delegations the Director of Resources and Section 151 Officer does not have the delegated authority to agree to the grant terms and conditions.

Executive Board is therefore required to accept the grant terms and conditions in this instance and to give the Director of Resources delegated authority to accept and submit future Section 31 grant claims.

Members should note that this is purely procedural and that all Major schemes are subject to prior approval by the Executive Board.

### **4.0 Implications for Council Policy and Governance**

The Assistant Chief Executive (Corporate Governance) considers that the Director of Resources existing delegated authority regarding making arrangements for the proper administration of the authority's financial affairs covers the acceptance of the grant terms and conditions and allows him to accept and submit s31 grant claims. However to assist the DfT in their due diligence process and for the avoidance of

doubt, it is suggested that Executive Board confirm this position for this and future grant claims.

This report is considered not to be eligible for call in due to the short timescales that have been given by the DfT for the Council to provide evidence that the Council has accepted the terms and conditions of the Section 31 Grant offer. The original deadline for submission of the signed form accepting the grant terms and conditions was the 27<sup>th</sup> July 2007. As the original form submitted by the Council was not accepted by the DfT the Council has been given an extension to the 29<sup>th</sup> August 2007 to resubmit the form. If this deadline is not achieved then there is a significant risk that the Council would not receive the first quarter grant payment due in September and payment would not be received until the next quarter's payment date on the 7<sup>th</sup> December 2007.

## **5.0 Legal and Resource Implications**

### **Capital Funding and Cash Flow**

The payment of the Section 31 Grant will be used towards the funding of Leeds Inner Ring Road Stage 7 and East Leeds Link Road, both included in the approved capital programme. Future major road schemes which will fall within this grant claim include the A65 Quality Bus scheme.

### **Revenue Effects**

There are no revenue effects to this report.

### **Risk Assessments**

The DfT will not make any grant payments until the grant terms and conditions have been accepted by the Council under what it considers to be appropriate powers. If the DfT deadline for submitting the form accepting the terms and conditions of the Section 31 Grant is not met or if the Council does not accept the terms and conditions then there is a significant risk that the Council will not receive grant payment or payment will be delayed. This could have a major impact on the Council's cash flow position and on the funding of the Leeds Inner Ring Road Stage 7 and East Leeds Link Road, approximately £17m in 2007/08.

## **6.0 Conclusions**

In order to comply with the requirements of The DfT, Leeds City Council are required to provide evidence of acceptance of the terms and conditions of the Section 31 grant. Approval of the grant and the terms and conditions by Executive Board will provide the necessary evidence and will enable the Council to draw down the approved funding for the Inner Ring Road Stage 7 and East Leeds Link Road.

## **7.0 Recommendations**

Executive Board is requested to:

(i) Approve the acceptance of the Section 31 Grant offer to Leeds City Council for 2007/08 under the terms and conditions offered, as set out in Appendix 1 to this report.

(ii) Confirm that the Director of Resources delegated authority includes the acceptance and submission of all future such grant offers under the terms and conditions offered.

## **Supporting Documentation**

(i) Local Authority LTP Major Project Grant Determination 2007/08 Annex B – Grant Conditions