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Other interested parties

29 July 2004

Dear Colleague

LOCAL GOVERNMENT PRIVATE FINANCE INITIATIVE (PFI): CONSULTATION PAPER ON PFI GRANT REFORM

A new system for local government PFI grant was recently announced as one of the outcomes of the 2004 Spending Review. The aim is to achieve a better level playing field relative to the support provided for borrowing. The basic framework has been agreed - this will be to move to an annuity based system, ie a constant grant payment over the period of the PFI contract; and the introduction of a scaling factor broadly similar to that used for conventional support.

However, decisions have yet to be taken on the details of several areas and your views are sought. All authorities and interested parties are asked to send their comments on the proposals in this paper, bearing in mind the broad parameters described above. Views are particularly sought on those issues listed in para 4 of the paper.

The views of authorities which are already receiving PFI support for operational projects, and those with projects in procurement, are additionally sought on whether you wish to switch to receiving support under the proposed new system, and why (para 3).

The charts in this paper are included as embedded spreadsheets which have been designed so that they can be manipulated to see the results based on authority's own position. [To do this right-click on the relevant table in Word, select "Worksheet Object", then "Open".]

You are asked to send replies to this Office, preferably by e-mail, to Ayoola Ladega (Zone 5/E1, Eland House; tel: 020 7944 4228; e-mail: ayoola.ladega@odpm.gsi.gov.uk). These should reach us by at least **Friday, 15 October** but earlier replies would be appreciated if possible so that rapid decisions can be taken after that date. This will be necessary if the reforms are to be introduced in 2005-06.

If you have any queries on this paper or wish to receive a hard copy please contact Ayoola Ladega. If you do not have and need to access an electronic copy of the document it will be available on the ODPM website at www.local.odpm.gov.uk.

Yours faithfully,

Simon Oliver