



Office of the
Deputy Prime Minister
Creating sustainable communities

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Ayoola Ladega
Policy Officer
LGF4
ODPM
Zone 5/E1
Eland House
Bressenden Place
London
SW1 5DU

Directors of Finance
Local Authorities in England

Direct line: 020 7944 4228
Fax: 020 7944 4239

Web site: www.odpm.gov.uk

Dear colleague

28 January 2005

REFORMS TO LOCAL AUTHORITY PFI GRANT

You will be aware that Nick Raynsford announced the outcome of the ODPM Local Authority PFI Grant Reform consultation exercise on 28 January 2005. As part of the reforms announced, authorities with schemes already receiving grant have been given the option of either switching to an annuity system where grant will be paid at a constant level over the life of the contract, or remaining on the declining balance system they are currently on.

I am now writing to formally obtain confirmation on how your authority wishes to be paid grant from 1 April 2005/06.

The enclosed statements have been prepared to assist you in coming to a decision. It provides a breakdown of estimated annual/cumulative amounts existing PFI projects would receive under the annuity and declining balance systems. Additional, a life cycle chart has been prepared to demonstrate how a project is likely to fare over the life of the contract. It is important that in coming to a decision authorities take into account not only how a project is likely to be affected over the first few years of switching but also how it will fare over the entire contract period.

You might also like to take this opportunity to check that the details, in particular contract end dates, used in calculating the attached statements are correct. Should any corrections be necessary, please send the relevant information by e-mail to paul.andrews@odpm.gsi.gov.uk

Responses should be signed by the Chief Financial Officer and sent to ODPM at the above address by **Wednesday 16 February**.

Yours sincerely,

Ayoola Ladega