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Dear Nicola

Housing PFI Projects

As you know the Department for Communities and Local Government has been considering its position on Housing PFI following last month's Spending Review settlement.

That process has now been completed and the Department has been able to ensure that the Spending Review settlement provides funding for all Housing PFI projects under contract and in procurement. Regrettably, there is no funding for pipeline projects.

The Department will continue to support Housing PFI projects in procurement, subject to rigorous demonstration of value for money. An assessment process is currently underway and we expect to make decisions on individual projects in December. Naturally, projects in procurement will also be subject to normal PFI approval processes and requirements.

Housing PFI pipeline projects, that is those where the outline business case has not yet been approved by the Department and HM-Treasury, do not have funding provision and therefore we cannot continue to guarantee future Departmental funding support.

For Hull City Council the settlement means that, unfortunately, we will not be able to offer continued support for your Orchard Park project.

We appreciate that this will be disappointing news, however we want to reassure you that the HCA will work with you to consider future options. There will be active follow up at an appropriately senior level to ensure broad consideration of the impact on your housing and related strategies. In particular, the Agency will give consideration to possible means and

prospects to support local authority-led estate regeneration schemes through non-PFI mechanisms. However, we do not wish to raise any expectation of alternative funding at this time given DCLG's tight capital and resource funding settlement.

Authorities with pipeline projects are asked to be aware that the Department may be able to consider their outline business cases in the event of any further resources being made available in the latter part of the Spending Review period, or a bid being made for PFI funding in the following Spending Review. However, whether it is worth you continuing to invest in developing your plans for possible future PFI or non-PFI funding routes must clearly be your decision.

Your local HCA contact or a member of the HCA PFI project team would be pleased to discuss and respond to any queries from you, and in the meantime, the HCA PFI project team will be in contact with your lead Housing PFI officers.

We recognise and very much regret the difficulties that will be caused by the withdrawal of guaranteed funding support for PFI pipeline projects. However, we realised it was important to let you know the position at the earliest opportunity in order that you can minimise any abortive work and focus your efforts, with HCA support, on alternative funding and delivery options.

Yours sincerely

Pat Ritchie
Chief Executive, HCA

Richard McCarthy
Director General, DCLG

Cc: Diana Johnson MP, Kingston-upon-Hull