

# PFI model proposed to fill gap left by social housing grant

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## Consultant to suggest private finance to ODPM as a route to meet decent homes standard

By Stuart Macdonald

A new form of the private finance initiative is being touted as a potential replacement for councils that are no longer able to use local authority social housing grant.

A consultant is currently working on a model to simplify the process in non-housing revenue account schemes – those where the council does not own the stock involved.

This form of PFI is different from revenue account PFI schemes in which the council owns the stock involved – already one of the government's three options for councils to bring their stock up to the 2010 decent homes standard.

Andrew Drury of Housing Association Training and Consulting hopes the non-HRA model, which he was due to present to the Office of the Deputy Prime Minister as Housing Today went to press, will be endorsed by the government and persuade councils that PFI is a viable way of providing new housing.

LASHG allowed councils to fund small schemes of about a dozen properties, but the system has been abolished by the ODPM as part of its overhaul of council financing.

The annual £500m will instead be allocated through the nine regional housing boards that have been established around England. This funding will be added to the Housing Corporation's £1.4bn annual investment budget to form single regional housing pots.

Drury said: "We are proposing to the ODPM a series of revisions to the current standard contracts. The idea is to produce a contract that keeps the risk levels as close to that encountered in the use of LASHG as possible."

Elements that can be changed include the size of the project agreements, many of which run to 150 pages. Drury said these could be cut to about 24 pages.

The costs of the housing revenue account PFI are also prohibitive and mean private-sector bidders have to set aside hefty sums to cover against not winning a contract. These provisions can be as high as £500,000. Drury said his target was to reduce these to "a couple of hundred pounds" by streamlining the process and introducing greater certainty.

? The government published updated guidance on the housing PFI process last week following lengthy consultation with the sector.

The guidance covers areas such as the right to buy and the new power for councils to build new housing.