

**Adroddiad Y  
Gweithgor Ar  
Gynyddu Buddsoddi  
Yn Nhai  
Llywodraeth Leol  
Trwy Gyllid Preifat**



**Report Of The  
Working Party  
On Securing  
Additional  
Investment  
In Local Authority  
Housing  
Through Private  
Finance**

on this site.

# ADRODDIAD Y GWEITHGOR AR GYNYDDU BUDDSODDI YN NHAI LLYWODRAETH LEOL TRWY GYLLID PREIFAT.

## Cyd-destun ein gwaith

**1.1** Mae llawer o awdurdodau lleol yn Lloegr wedi trosglwyddo eu stoc dai yn gyfan i gorff Landlord Cymdeithasol Cofrestredig newydd sydd wedi'i sefydlu yn unswydd at y diben hwnnw. Hyd at 31 Mawrth 1999, cafodd 350,000 o dai eu trosglwyddo gan 109 o awdurdodau (yn fawr a mân) gan esgor ar £6 biliwn mewn cyllid preifat. Yn ystod y flwyddyn ariannol hon, ceir bwriad i drosglwyddo 142,000 o gartrefi pellach, gan godi £2 biliwn pellach. Mae'r Alban hefyd erbyn hyn yn teimlo'r pwysau i redeg cynllun trosglwyddo tebyg. Ystyrir bod saith awdurdod (148,000 o gartrefi i gyd) ar drywydd a allai, gan ddibynnu ar benderfyniadau a phleidleisiau yn y dyfodol arwain at drosglwyddo eu stoc erbyn 2002. Mae 17 awdurdod arall yn yr Alban wedi neilltuo arian i gynnal astudiaethau o ymarferoldeb y syniad. Ar y llaw arall, ni chafwyd unrhyw gynigion pendant i drosglwyddo stociau tai ar raddfa fawr yng Nghymru.

**1.2** Yr amcangyfrif yw y bydd y gwaith trwsio a moderneiddio sydd angen ei wneud ar dai cyngor Cymru yn costio tua £750 miliwn i'w gwblhau. Mae hynny'n golygu nad yw cyfran uchel o'n tai cyngor mewn cyflwr addas i bobl fyw ynddynt wrth inni gamu i'r mileniwm nesaf. Mae £194m wedi'i neilltuo ar gyfer gwariant cyfalaf awdurdodau lleol ar dai yn 2000-2001. Mae hynny i lawr o'r £201m a werir ym 1999-2000. Ym 1999-2000, nid yw awdurdodau lleol yn bwriadu gwario mwy na £60m o hyn ar dai cyngor; mae'r gweddill yn cael ei gadw ar gyfer gwaith adnewyddu yn y sector preifat yn unol â blaenoriaethau'r awdurdodau lleol. Mae eisiau buddsoddi £80m o gyfalaf bob blwyddyn ar ben y lefel bresennol ar wariant refeniw ar waith cynnal a chadw dim ond i rwystro'r stoc rhag dirywio ymhellach heb sôn am ddechrau mynd i'r afael â'r gwaith sy'n aros am gael ei wneud.

**1.3** Er hynny mae gwariant cyfalaf ar dai yng Nghymru yn uwch nag yn Lloegr. Ymddengys yn annhebygol y bydd Cynulliad Cenedlaethol Cymru yn gallu cynyddu cyfran y gyllideb a neilltuir ar gyfer tai. Mae gofynion rhaglenni eraill - addysg, iechyd, y gwasanaethau cymdeithasol, trafnidiaeth - yn rhy drwm. Yn yr un modd mae'n rhaid tacio'r gwaith trwsio a moderneiddio sy'n aros am gael ei wneud. Ni ddylai tenantiaid orfod goddef amodau sy'n is na'r safon.

**1.4** Yn ogystal, cafwyd llai o alw am dai cyngor yng Nghymru yn ystod y blynyddoedd diwethaf. Mae rhestrau aros bellach yn fyr ac nid ydynt yn bodoli o gwbl mewn rhai ardaloedd. Ni fydd buddsoddi cyfalaf yn datrys amhoblogrwydd llawer o'n tai cyngor, ond mae'n amlwg na ellir gweddnwid llawer o'n stadau cyngor i lefydd y bydd pobl eisiau byw ynddynt heb fuddsoddi'n sylweddol mewn gwaith trwsio a moderneiddio. Yn unol â hynny rhoddodd Gweinidogion y Swyddfa Gymreig awdurdod i sefydlu Gweithgor gyda'r Cylch Gwaith canlynol.

## Cylch gwaith

**2.1** "Mae'r Swyddfa Gymreig wedi'i hymrwymo i archwilio ffyrdd o sicrhau cyllid preifat i stoc y cyngor, er mwyn gwella cynhwysiant cymdeithasol, gwneud gwaith adnewyddu'n haws a gwella safon bywyd tenantiaid y cyngor. Yn unol â hynny mae wedi sefydlu Gweithgor gyda Chymdeithas Llywodraeth Leol Cymru, Ffederasiwn Tenantiaid Cymru, Sefydliad Siartredig Tai, Cyngor y Benthycwyr Morgais a Ffederasiwn Cymdeithasau Tai Cymru.

**2.2** Bydd y Gweithgor yn ystyried pob dull o sicrhau buddsoddi ychwanegol o ffynonellau preifat yn nhai yr awdurdodau sy'n cydymffurfio â rheolau'r Gofyniad Benthycar Sector Cyhoeddus. Bydd hyn yn cynnwys rhoi'r dewis i awdurdodau lleol gadw eu gafael ar eu stoc neu i'w throsglwyddo i gorff newydd."

## Ein darganfyddiadau

### Rhoi tenantiaid yn gyntaf

**3.1** Ni ddylid canlyn mentrau cyllid preifat er eu mwyn eu hunain. Dylent wasanaethu amcanion strategol yr awdurdod lleol a chydymffurfio ag agenda polisi cytûn Cynulliad Cenedlaethol Cymru a llywodraeth leol ar faterion megis datblygu cynaliadwy, dieithrwch cymdeithasol, adfywio, cyfranddeiliadaeth a phartneriaeth. Ond yn fwy na dim, dylai buddsoddi cyllid preifat yn nhai'r awdurdod lleol ddiwallu anghenion tenantiaid y cyngor am dai modern o safon uchel. Ni ddylai mentrau cyllid preifat weithredu er lles tenantiaid yn unig, mae angen iddynt weithredu gyda'r tenantiaid hefyd. O'r herwydd, yr ydym wedi dewis ymdrin yn gyntaf â materion sy'n ymwneud â thenantiaid yn yr adroddiad hwn, a sut i ennyn eu cefnogaeth cyn symud ymlaen i ystyried ffyrdd o sicrhau buddsoddi ychwanegol trwy fentrau cyllid preifat a goblygiadau hynny.

**3.2** Mae'r Gweithgor yn **argymell** y dylai'r awdurdodau lleol ddim ond bwrw ati i greu cynigion pendant ar gyfer trosglwyddo'u stoc neu drosglwyddo rheolaeth ymarferol ar ôl iddynt gynnal arolwg ar y cyd â chynrychiolwyr y tenantiaid o'r problemau y mae angen mynd i'r afael â hwy, ynghyd â chymharu rhinweddau'r dewis o fuddsoddi sydd ar gael.

## Tenantiaid yn cymryd rhan

**4.1** Dylid sicrhau bod tenantiaid yn cymryd rhan cyn gynted â phosibl hy yn ystod y broses o lunio'r cynigion, a dylid gallu dangos prawf o'u cefnogaeth i'r cynigion pan ddaw'n amser gofyn i Gynulliad Cenedlaethol Cymru gymeradwyo unrhyw fenter. Yn Lloegr, y drefn ar hyn o bryd yw bod yn rhaid cynnal pleidlais ffurfiol ar drosglwyddo stoc ond nid yw hyn yn ofynnol o dan y cynllun Menter Cyllid Preifat (PFI). Mae'r Gweithgor yn **argymell** cynnal pleidlais ffurfiol os bydd perchnogaeth y stoc yn newid neu reolwr y stoc yn newid. Dylid ymgynghori ar fentrau cyllid preifat eraill nad ydynt yn golygu newid perchnogaeth neu reolwr y stoc, er mwyn sicrhau bod tenantiaid yn cytuno â blaenoriaethau'r awdurdod lleol. Byddai hyn yn digwydd trwy ddefnyddio'r dulliau ymgynghori arferol (fel a bennwyd yn y Compact Tenantiaid) yn hytrach na thrwy gynnal pleidlais ffurfiol.

Dull o gaffael yw '**PFI**' sy'n dod â chyllid preifat i'r sector cyhoeddus. Dim ond yn ddiweddar y dechreuwyd ei ddefnyddio ym maes tai cyngor. Mae'n golygu trosglwyddo risg a chyfrifoldeb i ddarparwr cyllid preifat er mwyn sicrhau bod y gwariant cyfalaf "oddi ar y fantolen" ac na chaiff ei drin fel gwariant cyhoeddus.

**4.2** Dylid pwysleisio pwysigrwydd rhoi cyngor annibynnol i denantiaid. Er mwyn sicrhau hyn, mae'r Gweithgor yn **argymell**, os cynhelir pleidlais, y dylai'r awdurdod lleol benodi Ymgynghorydd Tenantiaid ar ddechrau'r broses, fel y gall y tenantiaid elwa o gyngor annibynnol.

**4.3** Mae Adran yr Amgylchedd, Trafnidiaeth a'r Rhanbarthau (DETR) wedi cyhoeddi Canllawiau Trosglwyddo Tai ar gyfer Lloegr. Mae'r Gweithgor yn ystyried y byddai'n ddefnyddiol pe bai Cynulliad Cenedlaethol Cymru yn cyhoeddi canllawiau tebyg i bawb sy'n ymwneud â'r maes yng Nghymru. Mae'r Gweithgor eisoes wedi paratoi drafft o Ganllawiau Trosglwyddo Tai sy'n ymdrin â throsglwyddo i Berchnogaeth Gymunedol a throsglwyddo i Landlordiaid Cymdeithasol Cofrestredig. Mae'r Gweithgor yn **argymell** bod Cynulliad Cenedlaethol Cymru yn mabwysiadu'r Canllawiau Trosglwyddo Tai a gyhoeddir ar wahan.

## Perchnogaeth Gymunedol

**5.1** Mae'r Gweithgor wedi nodi ac wedi'i ddenu gan y syniad o drosglwyddo stoc a ddefnyddir yn yr Alban ie "Perchnogaeth Gymunedol". Mae'n rhaid sicrhau'r tenantiaid mai diben trosglwyddo stoc yw gwella amodau byw ac nid preifateiddio neu drosglwyddo i landlord "Rachmanaid". Mae'r term "Perchnogaeth Gymunedol" yn helpu i gyfleu hynny. Y rheswm y dylai'r awdurdodau lleol a Chynulliad Cenedlaethol Cymru ystyried trosglwyddo stoc yw er mwyn sicrhau tai cymdeithasol o ansawdd da ar gyfer y gymuned, wedi'u rheoleiddio gan Gynulliad Cenedlaethol Cymru a'u cyd-reoli gan gynrychiolwyr yr awdurdodau lleol a chynrychiolwyr tenantiaid a fydd yn fwyafrif ar y Bwrdd. Mae'r Gweithgor yn **argymell** mabwysiadu 'Perchnogaeth Gymunedol' fel y disgrifiad byr o'r model ar gyfer trosglwyddo stoc sy'n cael ei gefnogi gan Gynulliad Cenedlaethol Cymru.

'**Perchnogaeth Gymunedol**' - dull o berchnogaeth ar dai a fu gynt yn dai cyngor gan landlord newydd 'nad yw'n gwneud elw', ac a reoleiddir gan Gynulliad Cenedlaethol Cymru. Byddai'r mudiad tai annibynnol o dan gyd-reolaeth cynrychiolwyr awdurdod lleol a chynrychiolwyr tenantiaid a byddai'n cynnwys pobl sydd â sgiliau busnes a phrofiad ar y Bwrdd. Diben y landlord fydd darparu amodau byw gwell i denantiaid a gwasanaeth parhaus i'r gymuned.

# Trosglwyddo stoc

## *a. Maint y trosglwyddiadau*

**6.1** Bu'r Gweithgor yn ystyried a ddylid pennu uchafswm neu leiafswm maint ar gyfer trosglwyddo stoc. Y prif ddadl o blaid pennu terfyn uchafswm ar faint y trosglwyddiad yw er mwyn atal parhad monopoli lleol. Yn Lloegr pennwyd terfyn o 5000 uned yn wreiddiol fel y trosglwyddiad mwyaf i unrhyw landlord newydd. Er hynny, mae cynigion trosglwyddo diweddar yn Lloegr wedi bod yn llawer mwy na hyn (ee. Coventry â'i 22000 uned). Yng Nghymru, mae gan y landlord awdurdod lleol mwyaf ryw 17000 o dai. O fewn yr un awdurdod, ceir rhyw 9000 o dai Landlordiaid Cymdeithasol Cofrestredig (LCC). Arweiniodd hyn y gweithgor i ddod i'r casgliad nad yw sefyllfa monopoli'n debygol ac na ddylid cyfyngu ar uchafswm maint y trosglwyddiadau.

**6.2** Un ddadl sydd o blaid pennu lleiafswm maint ar gyfer trosglwyddo yw'r angen am greu endid cyllidol dichonadwy. Er bod yn rhaid ystyried hyn uwchlaw popeth arall, mae amrywiaeth o fodelau ar gael ar gyfer trosglwyddo ar raddfa lai:

- LCC newydd ar wahân â strwythur staffio traddodiadol;
- LCC newydd ar wahân i brynu'r holl wasanaethau ac i gyflogi craidd bychan iawn o staff;
- dod yn rhan o strwythur grŵp LCC sydd eisoes yn bodoli;
- trosglwyddo stoc i LCC sydd eisoes yn bodoli.

**6.3** Mae'n rhaid i bob un o'r strwythurau hyn fodloni'r meini prawf cofrestru a bennir o dro i dro gan Gynulliad Cenedlaethol Cymru, yn enwedig y meini prawf sy'n ymdrin ag annibyniaeth. Mae'r Gweithgor yn **argymhell** y dylid ystyried pob cynnig am drosglwyddo stoc yn ôl ei ddichonadwyedd ac i ba raddau y mae'n cynnig gwerth am arian.

**6.4** Dadl arall o blaid cyfyngu ar drosglwyddiadau stoc ar raddfa lai yw fod gosod stoc o ansawdd uchel gyda stoc o ansawdd isel yn golygu fod mwy o asedau ar gael i'w benthyca. Mae'r Gweithgor yn **argymhell** mai mater i'r awdurdod lleol a'r tenantiaid yw penderfynu faint o stoc sydd i'w drosglwyddo.

## *b. Tybiaethau rhent*

**6.5** Mae deall y tybiaethau rhent a ddefnyddir yn hanfodol, gan mai dull o gyfalafu'r llif rhenti yw prisio yn y bôn. Modelau yn unig yw'r tybiaethau a ddefnyddir yn y papur hwn. Mae materion ehangach ynglyn â pholisi rhent yng Nghymru y tu hwnt i gylch gwaith y gweithgor hwn.

**6.6** Mae'r Llywodraeth eisoes wedi cyhoeddi y bydd rhenti'n codi 4.5% ar gyfartaledd yn ystod 2000-01 a 2001-02. Ni wnaed unrhyw benderfyniadau pellach y tu hwnt i'r dyddiadau hyn. Fodd bynnag, tybir y bydd rhenti cyngor yn codi yn unol â'r Indecs Prisiau Manwerthu +1% o 2002-2003 ymlaen, nes eu bod yn cyrraedd y lefel meincnod ar gyfer LCC.

**6.7** Ar gyfer LCCau tybir y bydd y meincnodau rhent yn codi yn ôl cyfradd yr Indecs Prisiau Manwerthu bob blwyddyn. Dylid cymryd bod chwyddiant yr Indecs Prisiau Manwerthu yn 2.5% y flwyddyn.

**6.8** Mae'r Gweithgor wedi archwilio'r tybiaethau rhent a ddefnyddir wrth lunio model ar gyfer trosglwyddo stoc ac mae'n **argymhell**:

- y dylid tybio na fyddai rhenti tenantiaid sy'n trosglwyddo yn codi'n gyflymach na rhenti tenantiaid yr awdurdod lleol. Byddent yn dal i godi yn unol â chyfraddau'r awdurdod lleol nes y byddai'r rhenti hynny yn cyrraedd lefel meincnod y Landlord Cymdeithasol Cofrestredig;
- os bydd system rhent bresennol yr awdurdod lleol yn golygu bod y corff a drosglwyddir iddo yn codi uwchlaw lefelau meincnod yr LCC, yna bydd yn rhaid gostwng rhenti un neu fwy o fathau o unedau er mwyn sicrhau eu bod yn cydymffurfio â'r system feincnodi.

**'Meincnodau Rhent'** - canllawiau ynglyn â'r lefelau rhent sy'n dderbyniol, mewn perthynas ag LCCau sydd eisoes yn bodoli.

c. Cyfradd y gostyngiad a ddefnyddir wrth brisio

- 6.9** Hyd at fis Mai 1999 defnyddiwyd gostyngiad o 8% ar gyfer y model prisiau yn Lloegr. Yn ddiweddar gostyngwyd hyn i 7% o dan amgylchiadau cyffredin, gan y DETR. Mae'r Gweithgor yn cydnabod y bydd yn rhaid ystyried pob awdurdod yn unigol. Bydd cyflwr y stoc yn ogystal â'r galw am dai yn yr ardal hono yn dylanwadu ar fenthycwyr.
- 6.10** Mae'r Gweithgor yn **argymhell** y dylid mabwysiadu cyfradd gostyngiad o 7% yng Nghymru ac y dylai awdurdodau lleol a landlordiaid newydd rannu'r arian/derbyniadau 'Hawl i Brynu', fel yn Lloegr. Daeth y Gweithgor i'r casgliad, ar ôl ymgynghori â benthycwyr, na fyddai cyfradd gostyngiad o lai na 7% o bosib yn bodloni cymarebau asedion safonol ac y gallai hyn arwain at gostau uwch ar fenthyciadau a/neu llai o gynigwyr. Mae hyn yn fwy tebygol os yw stoc yr awdurdod yn arbennig o wael a/neu os nad oes galw amdano.
- 6.11** Wrth drosglwyddo stoc, mae'r Gweithgor yn **argymhell** y dylid rhoi cyllid preifat allan ar dendr cystadleuol. Hyd yn oed wedi cystadleuaeth, mae'n cydnabod y gallai prisiau yr awdurdod lleol fod, ar adegau, yn wahanol i brisiad y benthycwyr (e.e. os cred yr awdurdod lleol ei bod yn briodol sichrau cyfradd gostyngiad o dan 7% oherwydd proffil stoc ffafriol). Mewn amgylchiadau o'r fath gellid trin y gwahaniaeth rhwng y ddau brisiad fel dyled ddarostyngedig. Er enghraifft os bydd awdurdod lleol yn rhoi benthyciad darostyngedig i LCC, yna telir llog i'r awdurdod yn uniongyrchol fel gyda benthyciad confensiynol. Os na chyflawnir rhai o'r amodau fodd bynnag, gellir gohirio talu'r benthyciad darostyngedig.
- 6.12** Mae'r tabl canlynol yn dangos goblygiadau defnyddio cyfradd gostyngiad o 7%. Mae'r ffigurau prisiau wedi eu cymryd o astudiaeth dichonadwyedd a gwblhawyd gan awdurdod lleol yng Nghymru, a'u haddasu ar gyfer gwahanol dybiaethau rhent a'r gyfradd gostyngiad gwahanol. Roedd yr astudiaeth dichonadwyedd yn cynnwys dwy dybiaeth wahanol ar werth stoc, yn ôl eu cyflwr. Defnyddir y dybiaeth fwyaf besimistaidd yn y tabl isod. Ffigurau

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Stoc	Dyled CRT	Cosb am	1998-99	Amcangyfrif	Benthyciad	Dyled	Gwarged
	1998-99	1998-99	ad-dalu'n fuan	Cyfanswm cost ad-dalu'n fuan	o bris y stoc (costau trosglwydd o net)	wedi ei ad-dalu	CRT sy'n weddill	ar ôl ad-dalu'r benthyciad CRT
	(Nifer)	(£ miliwn)	(£ miliwn)	(£ miliwn)	(£ miliwn)	(£ miliwn)	(£ miliwn)	(£ miliwn)
Abertawe	16,936	104.4	43.1	147.5	118.5	118.5	29.0	-
Blaenau Gwent	8,760	68.0	28.8	96.8	47.2	47.2	49.5	-
Bro Morgannwg	5,158	14.5	5.6	20.1	45.1	33.8	-	11.3
Caerdydd	17,225	106.6	38.9	145.5	143.5	143.5	2.1	-
Caerffili	13,624	88.0	32.3	120.3	99.5	99.5	20.8	-
Casnewydd	12,057	71.6	30.7	102.3	89.3	89.3	13.1	-
Castell Nedd Port Talbot	11,264	58.3	24.8	83.1	77.9	77.9	5.2	-
Ceredigion	2,710	16.8	6.1	22.9	27.6	22.9	-	4.6
Conwy	4,460	22.6	9.4	32.0	33.8	32.0	-	1.8
Gwynedd	7,642	34.1	13.4	47.5	61.4	47.5	-	13.9
Merthyr Tudful	5,836	39.6	20.0	59.6	36.3	36.3	23.3	-
Pen-y-bont ar	7,830	40.1	15.2	55.3	48.7	48.7	6.5	-

Ogwr								
Powys	6,495	30.8	10.5	41.3	51.1	41.3	-	9.8
Rhondda Cynon Taf	13,845	133.7	54.4	188.1	87.9	87.9	100.2	-
Sir Benfro	7,182	27.4	9.6	37.0	54.8	41.1	-	13.7
Sir Ddinbych	4,281	16.4	4.8	21.2	32.2	24.2	-	8.1
Sir Fflint	8,825	47.1	23.9	71.0	81.5	71.0	-	10.5
Sir Fynwy	4,193	24.8	10.6	35.4	40.5	35.4	-	5.1
Sir Gaerfyrddin	11,254	64.4	23.5	87.9	84.9	84.9	3.1	-
Torfaen	10,811	35.4	16.5	51.9	79.6	59.7	-	19.9
Wrecsam	14,417	54.3	21.6	75.9	114.3	85.7	-	28.6
Ynys Môn	4,833	26.1	10.9	37.0	33.3	33.3	3.6	-
<b>Cymru</b>	<b>199,638</b>	<b>1,125.0</b>	<b>454.6</b>	<b>1579.6</b>	<b>1,488.9</b>	<b>1,361.6</b>	<b>256.4</b>	<b>127.3</b>

enghreiffiol a geir yn unig ac ni ddylid eu cymryd fel ffigurau pendant yn enwedig ar lefel awdurdod lleol unigol.

## GOBLYGIADAU CYLLIDOL TROSLWYDDIADAU SLYWEDDOL O STOC

### NODIADAU

Enghreiffiol yw'r tabl uchod, ac mae wedi ei fodelu ar sail nifer o Dybiaethau. Er bod lefel y ddyled CRT yn wybyddus, mae'r gosb am ad-dalu'n fuan yn amrywio (colofn 'c'). Mae'r gosb yn adlewyrchu'r gwahaniaeth rhwng y costau benthycu Gwreiddiol â chyfradd sefydlog a'r PWLB, a'r cyfraddau presennol. Daw'r wybodaeth yng ngholofn (e) o astudiaeth dichonadwyedd un awdurdod lleol. Yma tybir fod y cyfradd gostyngiad yn 7% a bod ansawdd y stoc yn is na'r arfer. Tybiwyd gwariant o £3.5m fel cost trosglwyddo ym mhob achos.

#### *d. Gwarantu*

**6.13** Yn ddiweddar awgrymwyd ffordd arall o ariannu trosglwyddo stoc sef drwy gyhoeddi bondiau gwarantedig. O dan y cynllun hwn, byddai'r landlord newydd yn cael benthycu arian gan 'gyfrwng diben arbennig' a fyddai'n codi'r arian drwy gyhoeddi bondiau ar y farchnad bondiau, a gaiff eu gwarantu yn erbyn llif incwm rhenti y landlord sy'n derbyn. Dylid nodi, fodd bynnag, nad yw cyhoeddi bondiau yn debygol o fod yn ymarferol ar gyfer symiau sy'n llai na £100 miliwn, ac felly byddai'n rhaid i ddau neu fwy o awdurdodau godi'r arian rhyngddynt drwy gyfryngwr. Mae cyhoeddi bondiau eisoes wedi cael ei ddefnyddio'n llwyddiannus gan sawl cymdeithas dai fawr yn Lloegr a weithiodd gyda'i gilydd i godi arian datblygu. Nid yw'r dull hwn wedi ei ddefnyddio eto yng nghyd-destun Trosglwyddo Stoc yn Wirfoddol Ar Raddfa Eang (LSVT).

**6.14** Byddai gwarantu'r llif rhenti yn trosglwyddo'r risg i ddarparwr cyllid y sector preifat, yn yr ystyr na fyddai'n rhaid i'r landlord sy'n derbyn dalu'r ddyled pe bai'r llif rhenti yn annigonol (fodd bynnag, gallai'r benthycwr ofyn am newid y dulliau rheoli os mai rheoli gwael sydd i gyfrif am y diffyg yn y llif rhenti). Gellir dadlau, felly, o ddilyn y trywydd ariannol hwn, nad yw benthyciad y landlord newydd yn dod o dan Gofyniad Benthycu y Sector Cyhoeddus, hyd yn oed os yw'r landlord sy'n derbyn yn gwmni a reolir gan yr awdurdod lleol. Nid yw barn y Trysorlys ar hyn yn hysbys eto. Ar hyn o bryd, caiff benthyciadau gan gwmnïau'r awdurdodau lleol eu trin o dan y Rheoliadau Cyllid Cyfalaf, yn yr un modd â benthyciadau'r awdurdodau lleol eu hunain. Byddai'n rhaid cael caniatâd y Trysorlys cyn defnyddio'r model hwn.

#### *e. Effeithiau trosglwyddo stoc ar wariant cyhoeddus*

ar y safle hwn.



# REPORT OF THE WORKING PARTY ON SECURING ADDITIONAL INVESTMENT IN LOCAL AUTHORITY HOUSING THROUGH PRIVATE FINANCE

---

## The context of our work

**1.1** Many local authorities in England have transferred their entire housing stock to a new Registered Social Landlord body set up for that purpose. Up to 31 March 1999 there have been 109 transfers (both large and small scale) involving 350,000 homes and raising £6 billion in private finance. In the current year there are proposals to transfer a further 142,000 homes, raising a further £ billion. There is now a considerable impetus to large-scale transfer in Scotland also. Seven authorities (148,000 homes in total) are considered to be currently on a path which, depending on further decisions and ballots could lead to stock transfers by 2002. A further 17 Scottish authorities have had resources provisionally earmarked for transfer feasibility and option appraisals. In contrast there have been no firm proposals for large-scale transfers to date in Wales.

**1.2** It has been estimated that the backlog of repairs and essential modernisation for council housing in Wales will cost around £7 million to complete. This means that a high proportion of our council houses are not in a suitable condition for people to live in as we enter the next millennium. Planned provision for local authority housing capital expenditure in 2000-2001 is £194m, down from £201m in 1999-2000. In 1999-2000 local authorities plan to spend no more than £60m of this on council homes, the balance being set aside for private sector renovation activity in accordance with local authorities' priorities. An estimated £80m of capital investment is required each year on top of the current level of revenue maintenance, merely to stop the stock deteriorating further without starting to tackle the backlog.

**1.3** Yet per capita provision for capital expenditure on housing in Wales already exceeds that in England. It seems unlikely that the National Assembly for Wales will be able to increase significantly the share of its budget going to housing. The pressures on other programmes - education, health, social services, transport - are simply too intense. Equally the backlog of repair and modernisation does have to be tackled. Tenants should no longer have to put up with substandard conditions.

**1.4** Moreover, demand for council housing in Wales has been falling in recent years. Waiting lists are now short or non-existent in some areas. The need for capital investment is not the whole answer to the relative unpopularity of much of our council housing, but it is clear that run-down estates cannot be turned into places where people will want to live without significant investment in repair and modernisation. Accordingly in January of this year Welsh Office Ministers authorised the establishment of this Working Party with the following Terms of Reference.

## Terms of reference

**2.1** "The Welsh Office is committed to exploring avenues for bringing private finance into council stock, in order to enhance social inclusion and to facilitate regeneration and the quality of life of council tenants. Accordingly it has set up a Working Party with the Welsh Local Government Association, the Welsh Tenants Federation, the Chartered Institute of Housing, the Council of Mortgage Lenders and the Welsh Federation of Housing Associations.

**2.2** The Working Party will consider all methods of securing additional investment in local authority housing from private financial sources that are consistent with current Public Sector Borrowing Requirement (PSBR) rules. This will include options that retain ownership of stock by the local authority and those that transfer ownership to a new body."

## Our findings

### Putting tenants first

**3.1** Private finance initiatives should not be pursued for their own sake. They should serve the strategic aims of the local authority and be consistent with the shared policy agenda of the National Assembly for Wales and local government on such issues as sustainable development, social exclusion, regeneration, stakeholding and partnership. But above all, private finance initiatives in local authority housing should serve the need of council tenants for modern, high quality homes. Not only should private finance initiatives be for tenants, they need to be undertaken with tenants: tenant support is critical to the success of any initiative. For this reason, we have chosen in this report to deal first with the issues of involving tenants and securing their support before going on to consider different means of securing additional investment through private finance and their implications.

**3.2** The Working Party **recommends** that local authorities should only initiate firm proposals for stock transfer or the effective transfer of management following an open review with tenants' representatives of the problems which need to be addressed and the relative merits of the available investment options.

## Tenant involvement

**4.1** Tenants should be involved at the earliest possible stage ie whilst propositions are still at a very formative state, and their support evidenced when approval of any initiative is sought from the National Assembly for Wales. Existing practice in England is that stock transfers require a formal ballot but there is no such requirement in a Private Finance Initiative (PFI) scheme. The Working Party **recommends** that any initiative that involves change of ownership of the stock or a change of the identity of the manager of the stock should be subject to a formal ballot. Any private finance initiative that neither changes the owner or manager of the stock should still be consulted upon, to ensure that tenants agree with the priorities as put forward by the local authority. This would be through normal consultative mechanisms (as specified in the Tenant Compact) rather than through a formal ballot.

'PFI' is an approach to procurement which brings private finance into the public sector. Its use has only recently been extended to council housing. It involves the transference of risk and responsibility to a private sector provider to ensure that capital expenditure is "off balance sheet" and not treated as public expenditure.

**4.2** The importance of independent advice for tenants should be stressed. To ensure that this is achieved the Working Party **recommends** that where there is to be a ballot, that a Tenants Advisor should be appointed by the local authority at an early stage in order that tenants can benefit from independent advice.

**4.3** The Department of the Environment, Transport and the Regions (DETR) has published 'Housing Transfer Guidelines' for use in England. The Working Party considers that it would be helpful for all concerned in Wales if similar guidance were to be issued by the National Assembly for Wales. The Working Party has produced a draft of such Housing Transfer Guidelines which cover transfer into Community Ownership and transfer to existing Registered Social Landlords. The Working Party **recommends** that the National Assembly for Wales adopts the draft Housing Transfer Guidelines which are issued separately.

## Community Ownership

**5.1** The Working Party noted and was attracted to the concept of stock transfers that is current in Scotland ie "Community Ownership". Tenants need to be reassured that stock transfer would be about improving their living conditions, not about privatisation or transfer to a "Rachman-like" landlord. The term "Community Ownership" helps to convey that. The purpose of local authorities and the National Assembly for Wales in considering stock transfer would be to bring about quality social housing at the service of the community, regulated by the National Assembly for Wales and under the joint majority control of local authority representatives and tenant representatives. The Working Party **recommends** that 'Community Ownership' is adopted as the shorthand description of the stock transfer model which is endorsed by the National Assembly for Wales.

'Community Ownership' - ownership of former council housing by a new 'not for profit' landlord, regulated by the National Assembly for Wales. This independent housing organisation would be under the joint control of local authority representatives and tenants representatives, as well as including business skills and experience on the Board. The purposes of the landlord would be to provide improved living conditions for tenants and a continuing service to the community.



# Stock transfers

## *a. Size of transfers*

**6.1** The Working Party considered whether there should be a maximum or a minimum size of stock transfer. The main argument in favour of setting a maximum limit on the size of the transfer is to avoid perpetuating a local monopoly. In England a ceiling of 50 units was originally set as the maximum transfer to any one new landlord. However, recent English transfer proposals have been well in excess of this (e.g. Coventry with 22000 units). In the Welsh context, the largest local authority landlord has some 17000 homes. Within that same authority there are around 9000 RSL homes. This led the working group to conclude that there is little danger of a monopoly position and therefore no upper restriction on the size of transfers should be set.

**6.2** One argument that has been put in favour of a minimum size of transfer relates to the necessity of creating a financially viable entity. Whilst this must be an overriding consideration, there are a variety of models available for smaller scale transfers:

- stand alone new RSL with traditional staffing structure;
- stand alone new RSL purchasing all services and employing only a very small core staff;
- becoming part of an existing RSL group structure;
- transfer the stock to an existing RSL.

**6.3** All of these structures must meet the registration criteria as laid down from time to time by the National Assembly for Wales, particular that relating to independence. The Working Party **recommends** that each proposition for stock transfer should be judged on its merits as to whether it is financially viable and represents value for money.

**6.4** Another argument that has been advanced in favour of limiting smaller scale transfers is the desirability of batching together good quality stock with poorer quality stock, to maximise the available asset base for borrowing. The Working Party **recommends** that the numbers of stock to be included in transfers should be entirely a matter for the local authority and its tenants to decide.

## *b. Rental assumptions*

**6.5** An understanding of the rental assumptions to be used is key, since valuations are effectively a capitalisation of the rental stream. The assumptions used in this paper are for modelling purposes only. The wider issues of rent policy in Wales were not within the remit of this working party.

**6.6** For local authorities, government has already announced that the average rent increase for 2000-2001 and 2001-2002 will be 4.5%. No decisions have been taken beyond this time frame. However for the purposes of modelling it has been assumed that from 2002-2003 council rents will increase by RPI +1% until they are at the RSL benchmark level.

**6.7** For RSLs the working assumption is that the rent benchmarks will increase by the rate of increase of the Retail Price Index (RPI) each year for the foreseeable future. RPI inflation should be taken as 2.5% pa.

**6.8** The Working Party examined in more detail the assumptions to be made on rents in stock transfer modelling and **recommends** that:

- it should be assumed that rents of transferring tenants would not increase at a rate faster than that which would have been applied if they had remained tenants of the local authority. The level of local authority increases would continue to be applied until such time as those rents were at the RSL benchmark level;
- if the current local authority rent structure results in the transferred body exceeding the RSL benchmark levels then there must be some downwards adjustments in the rents of one or more unit types to ensure compliance with the benchmark system.

**'Rent Benchmarks'** - the system of guidance on acceptable rent levels currently applicable to existing RSLs.

## *c. Discount rate used in valuation*

**6.9** Up until May 1999 all stock transfers in England have utilised a discount rate of 8% in the valuation model. The DETR has recently reduced this to 7% in normal circumstances. The Working Party recognised that each authority will need to be looked at on an individual basis. Lenders will be influenced by stock condition and by demand for housing in that locality.

**6.10** The Working Party **recommends** that the standard approach to be adopted for modelling purposes in Wales at this time should be the 7% discount rate, with local authorities and new landlords sharing the Right to Buy (RTB) receipts, as in England. In reaching this view the Working Party took account of advice from lenders that a discount rate below 7% may not allow standard asset cover ratios to be met and could lead to either higher loan costs, fewer bidders, or both. This was particularly likely to be the case where an authority had unusually poor stock and/or low demand for the stock.

**6.11** In stock transfers the Working Party **recommends** that private finance should be tendered competitively. Even after competition it was recognised that there could be occasions where the local authority's view of valuation differs from lenders (eg the local authority believes that a discount rate below 7% is appropriate because of favourable stock profile). In these circumstances an appropriate approach might be for the difference in valuation to be treated as subordinated debt. Eg if a local authority made a subordinated loan to a RSL, interest would be repaid to the authority as with conventional loans. However, if certain conditions were not met repayments on the subordinated debt could be suspended.

**6.12** The following table illustrates the impact of using the 7% discount rates. The figures for valuations have been extrapolated from the figures used in a feasibility study undertaken by a local authority in Wales, amended for different rent assumptions and a different discount factor. That feasibility study contained two different assumptions about the value of the stock, depending upon condition. The table below uses the more pessimistic assumption.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Stock 1998-99	1998-99 Actual HRA debt	Penalty for early redemption	1998-99 Total cost of early redemption	Estimated value of stock (net of transfer related costs)	Receipt applied to loan redemption	Continuing HRA debt	Surplus over HRA/ loan redemption
	(Number)	(£million)	(£million)	(£million)	(£million)	(£million)	(£million)	(£million)
Blaenau Gwent	8,760	68.0	28.8	96.8	47.2	47.2	49.5	
Bridgend	7,830	40.1	15.2	55.3	48.7	48.7	6.5	
Caerphilly	13,624	88.0	32.3	120.3	99.5	99.5	20.8	
Cardiff	17,225	106.6	38.9	145.5	143.5	143.5	2.1	
Carmarthenshire	11,254	64.4	23.5	87.9	84.9	84.9	3.1	
Ceredigion	2,710	16.8	6.1	22.9	27.6	22.9	-	4
Conwy	4,460	22.6	9.4	32.0	33.8	32.0	-	1
Denbighshire	4,281	16.4	4.8	21.2	32.2	24.2	-	8
Flintshire	8,825	47.1	23.9	71.0	81.5	71.0	-	10
Gwynedd	7,642	34.1	13.4	47.5	61.4	47.5	-	13
Isle of Anglesey	4,833	26.1	10.9	37.0	33.3	33.3	3.6	
Merthyr Tydfil	5,836	39.6	20.0	59.6	36.3	36.3	23.3	
Monmouthshire	4,193	24.8	10.6	35.4	40.5	35.4	-	5
Neath Port Talbot	11,264	58.3	24.8	83.1	77.9	77.9	5.2	
Newport	12,057	71.6	30.7	102.3	89.3	89.3	13.1	
Pembrokeshire	7,182	27.4	9.6	37.0	54.8	41.1	-	13
Powys	6,495	30.8	10.5	41.3	51.1	41.3	-	9
Rhondda Cynon	13,845	133.7	54.4	188.1	87.9	87.9	100.2	

Taff								
Swansea	16,936	104.4	43.1	147.5	118.5	118.5	29.0	
Torfaen	10,811	35.4	16.5	51.9	79.6	59.7	-	19
Vale of Glamorgan	5,158	14.5	5.6	20.1	45.1	33.8	-	11
Wrexham	14,417	54.3	21.6	75.9	114.3	85.7	-	28
<b>Wales</b>	<b>199,638</b>	<b>1,125.0</b>	<b>454.6</b>	<b>1579.6</b>	<b>1,488.9</b>	<b>1,361.6</b>	<b>256.4</b>	<b>127</b>

These figures are purely illustrative and no undue weight should be placed upon them, particularly at the individual local authority level.

## FINANCIAL CONSEQUENCES OF LARGE SCALE STOCK TRANSFER NOTES

The above table is essentially an illustration, and has been modelled against a range of assumptions. Whilst the level of HRA debt is known, the penalty for early redemption is a variable (column 'c'). This penalty reflects the difference between the original borrowing costs for fixed rate funds from the PWLB, and the current rates. Column (e) has been extrapolated from the feasibility study of one local authority. It assumes a discount rate of 7% and that the stock is in below average condition. Expenditure of £3.5m has been assumed as a cost of transfer in each case.

### *d. Securitisation*

**6.13** It has very recently been suggested that an alternative means of financing stock transfer might be the issue of securitised bonds. Under such a proposal, the new landlord body would borrow funds from a 'special purpose vehicle' which would raise the money from an issue in the bond market, to be secured against the rental income stream of the transfer landlord. It should be noted however, that the bond issue is not likely to be a viable proposition for volumes of finance much below £100 million, and would therefore require two or more authorities to be raising finance jointly through an intermediary. The issue of securitised bonds has already been used successfully by a number of large English housing associations who collaborated to raise development funding. The technique has not been used to date in the Large Scale Voluntary Transfer (LSVT) context.

**6.14** The securitisation of the rental stream is said to transfer risk to the private sector finance provider, in that there is no further obligation on the transfer landlord to service the debt should the rental stream prove insufficient (there would however, be provision for the lender to require a change of management if the rental flow were being jeopardised by poor management). Accordingly it is argued that on this financing route there is a good case for regarding the borrowing by the new landlord body as not constituting part of the Public Sector Borrowing Requirement, even if the transfer landlord was a local authority-controlled company. The Treasury view of the proposition is not yet known. At the present time, borrowing by a local authority company is treated under the Capital Finance Regulations as if it were borrowing by the local authority itself. The use of this model therefore depends on Treasury agreement.

### *e. Public expenditure effects arising from stock transfer*

**6.15** The cost of rent rebates to local authority tenants is treated as expenditure in the housing revenue account (HRA). This is currently funded by a combination of subsidy and the notional surplus on the HRA. A transfer to a new landlord results in the cost of housing benefit falling to the Department of Social Security (DSS). The Concordat between the Assembly and the DSS requires budget transfer from the National Assembly for Wales of 95% of the estimated costs of rent rebates. The summary position if all authorities transferred is :

Total cost of rent rebates	£262.2m
Budget transfer required (95%)	£249.1m
Currently funded by subsidy and available for budget transfer	£172.9m
Shortfall	£ 76.2m

Thus if all authorities transferred their stock a net budget transfer of £76.2m would have to be made from the National Assembly for Wales to DSS.

## *f. Overhanging debt*

**6.16** For some authorities, the receipt on transfer is not sufficient to clear the outstanding HRA loan debt. This is particularly the case since today's interest rates are in general substantially lower than those prevailing on existing local authority loan debt. Accordingly, authorities will be charged a substantial premium for premature repayment, which in some cases could be as high as 50% of the capital amount in question.

**6.17** The likelihood of capital receipts on transfer being sufficient to cover outstanding HRA loan debt has been modelled against range of assumptions. The table on page 6 illustrates the potential 'overhanging debt' position where the outstanding loan debt is assumed to have an average 30 years to run before maturity, at an assumed average interest rate of 4.75%.

There are three possible mechanisms for dealing with this overhanging debt:

- provide a one-off grant to wipe out the overhanging debt;
- retain the debt within the HRA and continue to fund loan charges through HRA subsidy;
- transfer the overhanging debt to the Council Fund and fund through Revenue Support Grant (RSG).

**6.18** In England the DETR are consulting on this issue. If the first option is given approval in England, then Wales will receive a consequential provision of the difference between the amount paid in grant to cover overhanging debt less the stock transfer levy receipt in England (see on this site).

