CABINET

REFORM OF HOUSING FINANCE IN ENGLAND AND WALES:
DRAFT WHITE PAPER

Memorandum by the Secretary of State for the Environment
and the Secretary of State for Wales

1. At its meeting on 30 June the Home and Social Affairs Committee
invited us to circulate to the Cabinet the draft of the White Paper prepared
by the Minister for Housing and Construction on the reform of housing
finance in England and Wales which the Committee considered. We attach
this draft, with minor drafting amendments as suggested by the Committee.
The White Paper sets out the policies previously agreed by the Cabinet
and Home Affairs Committee (CM(70) 34th Conclusions, Minute 9,
CM(71) 17th Conclusions, Minute 7).

2. The Home and Social Affairs Committee considered the proposals
for the de-control of privately rented dwellings. The proposals
affecting rents are the same throughout Great Britain. In England and
Wales rents will move from an average of about £1 a week to an average
of about £3 a week. The rent increase will be phased over three annual
increments. Poorer tenants will be protected either by supplementary
benefit if they are not in full time work or by rent allowances if they are.
In many cases the rent allowance will cover the whole of the rent increase
and in some cases some or even all of the controlled rent as well.

3. The Home Secretary is circulating a separate paper on the timing
of an announcement of the Government's proposals for the reform of
housing finance.

PW
PT

Department of the Environment, SW1

2 July 1971
DRAFT WHITE PAPER ON THE REFORM OF HOUSING FINANCE

INTRODUCTION

1. Over the last 50 years the housing problem has been transformed. It has not been solved. In 1914 there were some 8 million dwellings in England and Wales. Nine-tenths of them were rented from private landlords. Today there are some 17 million dwellings. Over half of these are owner-occupied. A fifth are rented from private landlords; more than a quarter from local authorities. Of these 17 million dwellings 6½ million have been built since 1945 and another 1½ million improved and modernised during the same period.

2. But millions of our fellow citizens still face acute housing problems. There are nearly 2 million slums. There are another 2 million homes without such essentials as bathrooms or indoor sanitation. There are many tenants who find the cost of their home a hardship. There are still people with no home at all.

3. Successive Governments have sought to tackle the housing shortage, aggravated as it was by two world wars, in two ways. They controlled rents to prevent the exploitation of the shortage. They subsidised new building to overcome the shortage itself. As a result of their efforts there is no longer an acute overall shortage of houses in England and Wales. But the very policies which have produced this result have become a hindrance to the solution of the problems that remain. They take too little account of the need to keep the existing stock of houses in good heart. They provide too little help for people in need. Moreover they are fundamentally unfair. They take from people who can ill afford it to give to others who often have no need of help.
4. In these changed circumstances the time has come for a radical change in housing policy. Nothing less will create the conditions for a final assault on the slums, the overcrowding, the dilapidation and the injustice that still scar the housing scene.

THE NEED FOR CHANGE

5. The Government's housing objectives are:
   i) a decent home for every family at a price within their means;
   ii) a fairer choice between owning a home and renting one;
   iii) fairness between one citizen and another in giving and receiving help towards housing costs.

6. The achievement of these objectives is thwarted in the following ways by the present system of housing finance.

   **Public Sector**

   i) Existing subsidies for new building are indiscriminate. In 1970/71 Exchequer housing subsidies amounted to about £157 million. In addition, local authorities paid a housing subsidy from the rates of about £60-£65 million. 90% of these subsidies was used to reduce the general level of rent regardless of the need of tenants. Only 10% was used to pay rent rebates for poorer tenants. As a result many in need received little or no help.

   ii) The present system provides subsidy for housing authorities which do not need it. It gives too little to authorities with the worst problems of slum clearance and overcrowding.
iii) The burden of the subsidies is unfairly distributed. Many ratepayers pay no housing subsidy. But those who do make a disproportionately heavy contribution towards the housing costs of some of their fellow ratepayers. Many taxpayers who pay their share of Exchequer housing subsidies (and all taxpayers do so), and many ratepayers who meet the cost of rate fund contributions, are poorer and worse housed than the council tenants whom they subsidise.

iv) The present system has produced a pattern of rents which varies unfairly between the tenants of one authority and another. In March 1970 the national average local authority rent before rebate was £2.23 a week. But in London for example that average varied from one borough to another by as much as from £1.90 to £4.41 a week. Such indefensible variations are only partly caused by indiscriminate subsidy. They also arise from the historic accidents which have determined the composition of each local authority's housing stock. An authority which built most of its houses when costs were much lower can balance its Housing Revenue Account by charging rents far below the present value of its houses. But an authority which has had to build most of its houses recently may be obliged to charge much higher rents for houses of similar quality. The difference in historic costs works to the disadvantage of the authority with unsolved housing problems, and of its tenants.

v) Housing subsidies from taxpayers and ratepayers cost some £220 million in 1970/71. If they continued, their annual cost would increase over the next ten years by at least £300 million. This sum would not produce the new building required nor remove the injustices of the present system. But it would be a staggering addition to the nation's tax burden.
Private Sector

vi) In the private sector rent control was introduced to protect the tenant. Most controlled rents today barely cover the cost of proper maintenance and insurance. Tenants are thus being subsidised by their landlords. The rent of private tenants subject to rent control has not moved since 1957 and is typically 85p a week outside London and £1.50 a week in London. Many landlords of controlled tenants are poorer than the tenants who enjoy a very low rent at the landlord's expense.

vii) It is not only the landlord who suffers. It is the housing stock of the country. Rent control has accelerated the deterioration of our older houses. A landlord who only receives a controlled rent cannot be expected to maintain, let alone improve his house. Indeed if the present system is continued the effort devoted to the removal of slums will be neutralised by the drift into slumdom of controlled dwellings.

viii) Meanwhile, tenants subject to rent regulation may have their rent increased. But, outside Birmingham, there is no help for those in need if they are in full-time work.

7. The Government has accordingly decided that there is an urgent need for a thorough reform of housing finance. It will introduce the appropriate legislation in the autumn. This White Paper sets out the proposed reform in the context of the Government's other housing policies, especially those concerned with the encouragement of House Improvement and Home-ownership.
HOUSE IMPROVEMENT

8. Many of our older houses are fundamentally sound. They can be given a new lease of life at a fraction of the cost of building a new home. When a house and its surroundings are improved people can continue living in the community and environment to which they are attached. Improvement can also play a very important part in rehabilitation of urban areas and enhancing the quality of the urban environment.

9. The Housing Act 1969, provided a sound framework for a policy of modernising houses other than those subject to rent control. Grants can be made for improving both the house and its surroundings. The Government is giving fresh impetus to this policy. The number of improvement grants has increased substantially and progress is being made in establishing general improvement areas. This progress must be tested against the continuing decay of older houses. The Government has just embarked on a sample survey of the condition of the housing stock in England and Wales. This will make it possible to assess the rate at which houses are becoming unfit and to take the necessary measures in the light of this assessment.

10. Housing associations can make a particularly valuable contribution to improvement. The voluntary housing movement is well equipped to acquire dwellings and to convert and improve them. In 1970 about 3,600 dwellings were acquired by housing associations for this purpose. Certain local authorities, notably the Greater London Council, have given substantial financial support to this valuable activity. The Government urges other local authorities to follow their example in thus alleviating the housing needs of their areas.
11. But the Housing Act, 1969, gave insufficient encouragement to the improvement of the many rent controlled dwellings which lack basic amenities. In the two years since it was enacted, less than 4,000 controlled dwellings have been improved up to the qualifying standard of repair and amenity. The landlord of a controlled dwelling who wishes to improve it, has to undergo a daunting procedure before obtaining the right to charge a fair rent; and must then wait 4 years after the improvements have been made before that rent can be obtained in full. The Government proposes to simplify the procedure and to allow the increase to the fair rent to be phased more quickly.

12. As soon as the landlord has obtained approval for any grant claimed, improvement work will be able to go ahead without further formality. If the tenant does not agree, the landlord will still have the right to apply to the county court for leave to carry out the works. The tenant will still have the right to object to the landlord's proposals on such grounds as disturbance or loss of accommodation, but not - once rent allowances are introduced (see paragraph 46) - on grounds of financial hardship.

13. The landlord will still be allowed to charge, as soon as the improvement works have been carried out, a rent increase whose annual rate is 12\% of the amount (net of grant) spent on the improvements. But charging this increase will no longer interfere with the landlord's right to apply for a fair rent. When the house has been certified as up to the qualifying standard of repair and amenity and the fair rent has been registered, then (unless the first increase was small) the remainder of the rent increase needed to bring the rent up to the fair rent will be chargeable in two equal annual increments. The first would generally come one year after the 12\% increase and the second one year later. If the tenant cannot afford the increased rent, he or she will be able to obtain a rent allowance.
HOME OWNERSHIP

14. Home ownership is the most rewarding form of house tenure. It satisfies a deep and natural desire on the part of the householder to have independent control of the home that shelters him and his family. It gives him the greatest possible security against the loss of his home; and particularly against price changes that may threaten his ability to keep it. If the householder buys his house on mortgage, he builds up by steady saving a capital asset for himself and his dependants. In this country the existence of a strong building society movement helps him to realise these advantages.

15. It is scarcely surprising, therefore, that home ownership should have gained so much ground in the last half-century. In 1914 about a tenth of all houses in England and Wales were owner-occupied; by April, 1951, the proportion had increased to 31%; now it is more than half. As the White Paper of 1965 ("The Housing Programme 1965 to 1970"; Command 2838, paragraph 15) noted, this trend is a sign of social advance.

16. The Government shares this view. Home ownership helps savings. And experience shows that the owner-occupied house is visibly better maintained, and at less cost in real resources than the rented one.

17. Tax relief on mortgage interest derived originally from the first Income Tax legislation of 1798. Since then the principle of helping this socially desirable form of house tenure has been affirmed and reinforced, especially in recent years, by successive Governments. In 1963 the owner-occupier's liability to Schedule A Tax was abolished. In 1967 the previous Government brought in the Option Mortgage Scheme enabling mortgagors whose tax liabilities were small to exchange their tax relief for a more favourable subsidy. In 1969, when it abolished tax relief on loan interest generally, it reaffirmed its support for owner occupation by giving a specific exemption to the interest paid on loans for the acquisition or improvement of property.
18. The present Government has taken further steps to encourage home ownership.

(i) The Land Commission has been disbanded and the Betterment Levy abolished to encourage private building.

(ii) SET which added £120 or more to the cost of building an ordinary family house has been halved and will be abolished next year.

(iii) The restrictions imposed by the previous Government on the sale of council houses to tenants have been lifted.

(iv) The stamp duty on the mortgage deed is being abolished.

(v) Following discussions between the Government and the Building Societies Association, the Association leaders have commended to their members practices which will improve the prospect of a mortgage for people whose earnings are good but whose capital resources are limited (for example skilled workers and those who have completed long studies for a professional qualification). They have done the same for people who might otherwise think they were too old for a mortgage advance.

(vi) The Option Mortgage Scheme is being made more flexible. The money limit governing the scheme by which the Government can help guarantee 100% mortgage advance to an option mortgagor is being raised from £5,000 to £7,500. The period after which a mortgagor can relinquish option mortgage terms and switch back to tax relief is being shortened from 5 years to 4.
(vii) The Government has removed the money ceiling in force from 1967 to 1970 on local authority mortgage advances. This will help people who, by the nature of their housing need, might reasonably look to local authorities rather than to the ordinary mortgage institutions for a house purchase advance.

(viii) A local authority has power to pay the removal expenses of a tenant who is willing to vacate his dwelling by purchasing a private dwelling. The Government proposes to enable local authorities to pay such a tenant's legal expenses - conveyance etc. - in the same way as a private landlord. As a result authorities in areas of housing shortage will be helped to make additional accommodation available to the badly housed and homeless.

A FAIR PATTERN OF RENTS

19. Despite the continuing growth of home ownership, there are still over 8 million rented dwellings. Renting indeed will always play a vital part in meeting peoples' needs. It is in the rented sector that the greatest problems arise. Many of the existing evils - unfairness between one citizen and another, neglect of people in need, dilapidation of property, waste of resources - are caused by the absence of any consistent principle underlying the pattern of rents. Rents are not consistently related either to the value of the accommodation or to the means of the tenant.

20. In the Government's view, the right principle is first to determine a rent which is reasonable for the dwelling and then to consider whether the tenant needs help towards that rent. Any rent subsidy should be directed to the tenant rather than to the house. To achieve this, the Government proposes a new deal for rented houses based upon:
(i) fair rents for all unfurnished tenants who can afford them;
(ii) a rent rebate or allowance for those who cannot;
(iii) the concentration of Exchequer subsidies on authorities with the worst housing problems.

Fair Rents in the private sector

21. So long as there is a shortage of dwellings to let, tenants will need to be protected by rent restriction and given security of tenure. Yet both measures make landlords less willing to let. If rents are kept unreasonably low by law, tenanted property loses value and becomes difficult and finally impossible to maintain. Thus any Government which contemplates rent legislation has to maintain a delicate balance. Abuses—whether by landlords or tenants—must be stamped out. But if the landlord is needlessly knocked, it is the tenants who feel the bruise longest. Rent legislation cannot cure housing shortage. It can only mitigate the effects of shortage by giving comfort to sitting tenants at the expense of prospective tenants. And if it tilts the balance too much in favour of tenants it frightens off those landlords who have accommodation to let and thus makes matters worse for all who need it.

22. For many years rent legislation has been unbalanced. Landlords, of whom the majority own only one or two dwellings, have been discouraged by the burden of rent restriction. Many have ceased to maintain their property or disposed of it as soon as they could get vacant possession. More and more private dwellings to let have fallen into disrepair to the serious disadvantage of the tenant. Some have become unfit and been lost to the housing market altogether.

23. The Government intends to restore the balance of rent legislation for the benefit of both tenant and landlord by basing its policy on the fair rent system introduced in the Rent Act 1965. A "fair rent"
is the likely market rent that a dwelling could command if supply and demand for rented accommodation were broadly in balance in the area concerned. Some critics of the fair rent system have argued that fair rents are too high; others that they are too low. The Francis Committee was set up in 1969 to look into these criticisms. It concluded unanimously that the system is working well. This is a tribute to the rent officers and rent assessment committees who operate it. The Government accepts this conclusion and endorses the tribute. It will build on the success so far achieved.

24. For a start the Government proposes to bring controlled tenancies more speedily into the fair rent system. At present more private rented dwellings are outside the fair rent system than within it. There are still 1.3 million tenancies which are controlled as distinct from regulated. Apart from those formally notified unfit, these will be brought into rent regulation under a staged programme beginning 1 January 1973. This is the date when rent allowances for private tenants will generally become available under the Government's proposals. The transfer from control to regulation will take about three years. It will be staged by rateable value bands beginning with the highest rateable values. Landlords will be able to apply to the rent officer for registration of a fair rent three months before the tenancy comes out of control. The transition from the controlled rent to the registered fair rent will be phased in three equal annual instalments (ie over a two-year phasing period). But, until the fair rent is reached, the annual increment will be not less than 50p per week. At the end of the day no tenant whose rent was previously controlled will pay more than the fair rent for his accommodation. Those who cannot afford the fair rent will be helped by a rent allowance from the community instead of a subsidy from their landlord.
25. In accordance with a majority recommendation of the Francis Committee the Government proposes to allow landlords and tenants to agree rent increases between themselves. This will be on the basis that either party has the right to apply to the rent officer at any time for a fair rent. Such agreements will be possible in three situations:

(i) for the tenancy which comes out of rent control;

(ii) for the tenancy already regulated but for which no rent has been registered, (under existing law the current rent cannot be increased unless a fair rent is first registered);

(iii) for the tenancy for which a fair rent has been registered and has been in force for three years, but where landlord and tenant are able to agree the rent.

26. It is not the function of the State to interfere in private contracts freely made. But the law should ensure that a contract between landlord and tenant is made on equal terms. The Government, therefore, proposes to make rent agreements subject to the following safeguards for the tenant:

(i) When a tenancy passes from control to regulation, the tenant will have had no recent experience of what constitutes a reasonable rent for his dwelling. The Government therefore propose that if the landlord and tenant agree the new rent without reference to the rent officer, the agreement will have to be written on a prescribed form. This form will explain all the tenant's rights, and a copy will have to be left with the tenant. The landlord will be required to lodge the agreement with the local authority. He will not be free to increase the rent until four weeks after the agreement has been lodged. The agreement will be open to public inspection.
(ii) When the tenant of a tenancy which is already regulated but for which no rent has yet been registered agrees to a new rent, the agreement will have to be in writing, so that the tenant knows what he is agreeing to.

(iii) When a rent has been registered at least three years, and the parties agree on a new rent, they can apply jointly to the rent officer for cancellation of the registration. He will cancel the registration only if he is satisfied that the proposed rent does not exceed a fair rent.

(iv) In all three situations, there will be no obligation on the tenant to agree a new rent with the landlord. If the tenant declines to agree a new rent, the onus will be on the landlord to ask the rent officer to register a fair rent. Where the tenant does agree to a new rent, but later feels it was too high, he will be able at any time to apply to the rent officer. If a tenant is reluctant to approach the rent officer, he or anyone on his behalf can bring the case to the notice of the local authority. The local authority will be empowered to refer it to the rent officer, as the Francis Committee recommended.

27. The Government also proposes to prescribe new rent book notices to make sure that each tenant of a weekly tenancy is given clear information about his rights. Information leaflets will be provided free to all offices and other agencies which advise tenants.

28. The Government has taken a decision on three other major recommendations of the Francis Committee. As the Minister for Housing and Construction announced on 10 March, 1971,
(i) The Government agrees that indefinite security of tenure for furnished tenants would cause the supply of furnished accommodation to dry up and so be against the longer term interest of tenants themselves.

(ii) The Government will take the earliest legislative opportunity to propose increases in the maximum penalties for harassment and illegal eviction.

(iii) The Government rejects the recommendation to take out of rent regulations tenancies of dwellings with a rateable value between £300 and £400 in Greater London, and between £150 and £200 elsewhere.

29. The Government is considering the many other recommendations of the Francis Committee on both furnished and unfurnished tenancies. When these have been subjected to public debate and examination, it will propose any new legislation necessary.

Fair Rents in the public sector

30. The Government proposes to apply the principle of fair rents to local authority dwellings. These rents will be subject to the same broad criteria as the rents of private unfurnished dwellings. In consequence, the two main sectors of the market for rented housing will, for the first time, be governed by one common equitable principle - fair rents for all.

31. The rent of every council dwelling will in future reflect its value by reference to its character, location, amenities and state of repair, but disregarding the value due to any local shortage of similar accommodation. Council tenants will no longer be liable to rent increases resulting from the state of their authority's Housing Revenue Account or the size of its housebuilding programme. The rent of the tenant without a rebate will no longer be affected by the rebates granted to other tenants. Nor will it be affected by the extent to which the Housing Revenue
Account is made to bear part of the high cost of slum clearance or community benefits connected with council housing. Nor will the rent of the dwelling depend on the amount of Exchequer subsidy available to the authority, nor of any rate fund contribution which it chooses to make, nor on the application of such subsidies to the dwelling. The only criterion of the rent of the dwelling will be the fair rent for that dwelling.

32. The proposed procedure for determining the fair rent of local authority dwellings will be as follows:

(i) The local authority will assess a fair rent for every dwelling. It will be free to consult the Rent Officer on the level of fair rents in its area, and the Government believes that authorities will find such consultation helpful.

(ii) The authority will then publish its provisional assessments and consider any representations which any tenant may wish to make about the assessment for his home.

(iii) Thereafter the authority will submit its assessments to a special committee drawn from the Rent Assessment Panel (from which Rent Assessment Committees are also drawn). The committee will test the assessments by inspecting typical dwellings and making sample checks. If in the light of these tests the committee agrees with the local authority's assessments, it will confirm them and they will thereupon become the fair rents of the authority's dwellings concerned. If the committee disagree with any of the authority's assessments, it will inform the authority and, after considering any comments by the authority, will, as necessary, alter the assessments in the light of the statutory criteria. The altered assessments will then become the fair rents of the dwellings concerned.
33. These proposals are not as novel as they may at first appear. As the law now stands, a local authority can charge rents which it considers comparable with the fair rents registered for private tenants in its area. A number of authorities already fix rents on this basis for some of their dwellings. Local authorities are at present required to make reasonable charges for their dwellings. In future they will be required to apply new statutory criteria to give effect to the fair rent principle. But there will be two significant changes:

(i) In future every authority will be under a duty to consider the views of tenants on its assessment of the fair rent, and to subject this assessment to the independent scrutiny of members of the Rent Assessment Panels. These Panels have now built up an impressive expertise on the fair rent levels appropriate in the private sector and their members are well qualified to undertake this new responsibility.

(ii) At present a local authority is not obliged to rebate the rent of any dwelling. In future each authority will be under a duty to grant a rebate to any tenant who cannot afford the fair rent. The rebate will be governed by the national scheme described below.

34. The Secretary of State for the Environment and the Secretary of State for Wales propose to set up a Committee to advise them on any general problems which may arise in connection with the determination of fair rents in the local authority sector. This advisory committee will have an independent chairman and a membership reflecting the points of view of Rent Assessment Panels, Local Authorities and their tenants.

35. With the introduction of fair rents a council tenant will be entitled to the same protection against summary eviction as any other tenant. The Government, therefore, proposes to terminate the application of the Small Tenements Recovery Act 1838 which enables
local authorities to obtain possession under a summary procedure not available to other landlords. In future a local authority will be able to evict a tenant only by an order from the county court.

36. The rents of most council dwellings are at present less than the fair rent. To apply the fair rent without phasing would dislocate the budgets of many families who will not qualify for a rebate. The Government, therefore, proposes to introduce fair rents by annual steps.

37. The formula governing the size and date of the steps is explained in detail in Appendix 1. Its main features are as follows:

(i) The weekly rent of all dwellings of a local authority whose rent is below the determined fair rent, or whose fair rent has not yet been determined, will be increased by an average of 50p for the whole of each financial year beginning with 1972/3, with a maximum of 75p for each year for any dwellings.

(ii) Within this maximum the authority will be free to effect the average increase by whatever increases it considers suitable for the individual dwellings to which the average increase applies. If the authority considered that the rents of certain dwellings were already at or near the fair rent level, it could make little or no increase in those rents and make a somewhat larger increase in the rents of other dwellings.

(iii) The authority will be free to secure the average weekly increase of 50p for the whole financial year by making that increase at the beginning of April in 1972/3 and subsequent years. But, if it so prefers, the authority will be free to alter the timing in ways which will still achieve broadly the same financial result as an annual increase in April. For this purpose
rent increases made between 1 October 1971 and 31 March 1972 can count as having been made in 1972/3.

38. If, when the fair rent is determined, it proves to be less than the current rent, the rent will be reduced and overpayments refunded.

39. Once fair rents have been determined for council dwellings, they will be redetermined at three yearly intervals by the same procedure as for the first determination. Any rent increase resulting from a redetermination of the fair rent will also be subject to phasing.

40. The effect of the transition on any individual tenant will vary according to circumstances. Every local authority will be required to apply the national rent rebate scheme not later than October 1972. The Government expects that most authorities will apply the scheme in conjunction with the first annual rent increase to be made under the transition to fair rents. Tenants with low incomes or heavy family commitments will benefit from the scheme. For some of them the current rent will be reduced.

PEOPLE IN NEED

41. The Government's central policy of subsidising people, not bricks and mortar, will be carried out through the national rent rebate scheme. At present many local authorities grant no rent rebates to their tenants. Others operate rebate schemes which give too little help to tenants in need. Private tenants receive no rebate at all, however poor they may be, except in Birmingham where a progressive authority has pioneered a rent allowance scheme on its own account. Under the national scheme proposed by the Government, all council tenants will be able to claim a rebate which is fair in relation to their means and family circumstances. So, for the first time, will private tenants of unfurnished accommodation.
42. The national scheme will also be an important new weapon against family poverty. The Family Income Supplement was devised to help those whose incomes are low in relation to their family responsibilities. But people with low incomes and high rents need more help than those with low incomes and low rents. The national scheme and the Family Income Supplement scheme will in combination give effective help to people with low incomes who have children to support but who are not eligible for Supplementary Benefit because they are in full-time work.

43. The basic structure of the rent rebate scheme for council tenants will be as follows. When the scheme is introduced, every tenant will have a needs allowance of £13.50 for himself and his wife and £2.50 for each child. If his gross income is exactly the same as his needs allowance he will pay 40% only of the rent of his house. For every £1 by which his income exceeds the needs allowance the 40% rent will be increased by 17p. For every £1 by which his income falls short of the allowance, the 40% rent will be reduced by 25p.

44. For example, a married council tenant with 2 children, living in a house with a weekly rent of £5, will have his weekly rent reduced to £3.95 if his weekly income is £30, to £3.10 if it is £25, and to £1.37 if it is £16. If his weekly income were £25, his rebate would be calculated on the following basis:

   i) the "need allowance" is first deducted from the tenant's weekly income, to allow for the basic cost of necessities for himself and his family. In this case the allowance will be £18.50, i.e £13.50 for himself and his wife

*If the 40% rent is less than £1, the starting point for calculating the rent payable will be £1.
and £2.50 for each of his 2 children.

ii) as his needs allowance is less than his income, the rent paid by him will be 40% of the rent of his house (£5) plus 17% of the difference (£6.50) between his income (£25) and his needs allowance (£18.50). The rent paid by him will therefore be £3.104 (£2.00 plus £1.104) and his rebate will be £1.896.

The rent paid thus takes account not only of the tenant's income and family circumstances but also of the value of his house. The rebate, however, does not rob him of the incentive to increase his income. If his weekly income were to increase by £1 he would have to pay only 17p a week more in rent.

45. If the weekly income of a married council tenant with 3 children were only £16, and the rent of his house were £5, his rebate would be calculated as follows:

i) his needs allowance will be £21, i.e. £13.50 for himself and his wife and £2.50 for each of his 3 children.

ii) as the needs allowance is greater than his income the rent paid by him will be 40% of the rent of his house (£5) minus 25% of the difference (£5) between his needs allowance (£21) and his income (£16). The rent paid by him will therefore be 75p (£2.00 minus £1.25) and his rebate will be £4.25.

If the weekly income of the tenant were only £13, the rent paid by him will be 40% of the rent of his house (£5) minus 25% of the difference (£8) between his needs allowance (£21) and his income (£13). The rent paid by him will therefore be nil (£2 minus £2).

46. The rent allowance scheme for private tenants will work in the same way as the rent rebate scheme for council tenants except that the private tenant will receive a cash allowance whereas the council tenant's rent payment will be reduced by the amount of any rebate granted to him. The amount of the rent allowance paid to a private tenant will be the same as the rent rebate granted to a council tenant if their rent, income and family circumstances are the same.
47. Further examples of the operation of the national scheme in both the public and the private sector are given in Appendix 2. This sets out in detail the model provisions for rent rebates and allowances which will initially be prescribed by the Secretaries of State for the Environment and for Wales. The examples illustrate the Government's approach to the problem of helping tenants with their rent. A rent subsidy differs from other income related benefits. Housing is a basic necessity, but its cost varies greatly for householders with similar incomes and family commitments. To be fair the rent subsidy must not only be available to tenants whose income is at or below the minimum level judged to be tolerable for such purposes as Supplementary Benefit. It must also be available to tenants with incomes above this level, if the rent of their home would otherwise impose an unfair burden on their family budget. This subsidy must be wide in scope and flexible in application.

48. The Government propose a national scheme locally administered. Local authorities have, by law, special responsibilities towards their own tenants and a general responsibility for assessing the housing needs and problems of their area. Since a rent subsidy is a contribution towards housing costs, the Government considers that it is appropriately administered by local housing authorities. This view is shared by the local authority associations in England and Wales.

49. The Government propose that each authority should be required to introduce a rent rebate scheme for its own tenants not later than October 1972 and a similar scheme of rent allowances for private tenants of unfurnished accommodation in its area not later than January 1973.* The different dates of introduction are proposed for administrative reasons.

*Footnote:— In London the rent allowance scheme would be operated by the Boroughs. Each London authority will grant rebates to its own tenants.
50. The provisions of each scheme will have to be no less favourable to the tenants than the prescribed model provisions. An authority will, however, be free to make the schemes more favourable, provided the alterations apply to both rebates and allowances and do not increase the cost of either by more than 10% over the estimated cost of adopting the model provisions. For example a local authority will be free to disregard the full amount of a war disablement pension. The Secretaries of State will revise the model provisions from time to time in the light of experience and changing circumstances. They will be advised in this by an expert Advisory Committee.

51. The national scheme will integrate the rent subsidies given to tenants in work and tenants receiving Supplementary Benefit. A tenant whose income is low because he is not in work needs the same rent subsidy as a tenant who obtains the same income from his earnings. In the Government's view, the local housing authority has no less duty to help a tenant with his housing costs when he falls sick, becomes unemployed or retires than when his earnings are low. Each authority's rebate and allowance scheme will therefore cover also those tenants who receive Supplementary Benefit. But, under arrangements agreed with the local authority associations such tenants will have to apply for help only to the Supplementary Benefits Commission. The Commission will then inform the local authority who will grant the appropriate rebate or allowance, and any remaining rent will be taken into account in calculating Supplementary Benefit.

52. Rent allowance will be paid to the tenant except in the special circumstances described in paragraph 7 of Appendix 2. It will not enable the landlord to obtain more than the fair rent. The local authority will pay the allowance only if the rent of the tenancy is the controlled or registered fair rent, or if it is satisfied that the rent towards which the allowance is payable does not exceed the fair rent. If it is not so satisfied, it will be able to help the tenant by granting him an interim allowance, until the fair rent is registered, which will be based on its own assessment of a reasonable rent. The allowance will be based on only a proportion of the fair rent if the dwelling is much larger than the tenant requires or is situated in an area of high property values where the tenant is living from choice rather than from necessity.
53. A rebate reduces the rent income obtainable by the local authority and this reduction may lead to a deficit in the Housing Revenue Account. Such a deficit could be met only from the Exchequer or the rates. The Government considers that a 100% Exchequer subsidy for rebates would be wrong in principle, call in question the financial independence of local housing authorities, and fail to reflect their responsibilities. 10% of the deficit in 1972/73 rising to 25% in 1975/76 and subsequently, and the cost of administering the rent rebate scheme, will therefore fall to be met from the rates on the basis described in paragraphs 8 and 9 of Appendix 3.

54. The Government also considers it right in principle for the local authorities to meet part of the cost of rent allowances. But the cost of rent allowances is uncertain. Its incidence on particular authorities cannot be predicted, and the expenses of administration are likely to exceed those of administering rent rebates. The Government is therefore prepared to meet the whole amount of the statutory rent allowances paid in the years 1972/73 to 1975/76 and to meet at least 80% of this amount thereafter on the basis described in paragraph 13 of Appendix 3.

55. The majority of tenants who now receive a rent rebate will receive a larger rebate under the national scheme than they do today under their authority's existing scheme. Special arrangements will be made to avoid hardship for any tenant already enjoying a rebate who would otherwise have to pay substantially more rent when the new system is introduced.
AREAS IN NEED

Slum Clearance

56. The main financial obstacle to slum clearance is that cleared land is often worth less than it costs to acquire and clear. Under the present system, local authorities can mitigate this loss by redeveloping the land with their own housing. The land and clearance cost is then charged to the Housing Revenue Account and the loss is offloaded largely on to the tenants and the Exchequer. But a growing number of authorities with slums to clear do not need the cleared land for council housing and want to use it for other purposes, including redevelopment for owner occupation, commercial purposes or as public open space.

57. The Government proposes a new Slum Clearance Subsidy. The details are set out in paragraphs 14 & 15 of Appendix 3. This will provide for slum clearance operations to be financed separately. It will meet, for at least the first fifteen years, 75% of the loss to the general rate fund incurred through slum clearance whatever the use chosen by the authority for the cleared land. It will enable the authority, at no cost to its tenants and moderate expense to its ratepayers, to accelerate slum clearance and put the cleared land to the use best suited to local needs.

58. No local authority need defer slum clearance in order to obtain the Slum Clearance Subsidy. The new subsidy will be payable towards losses arising from slum clearance for any year from 1971/2 onwards. It will also cover expenditure on land acquired for slum clearance after 31 March 1968 if this had not been put to another use by the beginning of 1971/2.

New Building

59. Not only must the slums be cleared but overcrowding must be relieved, especially in the great conurbations. The Government proposes to redeploy subsidies to achieve this end.
60. Once the full fair rent is payable for all council dwellings there is likely to be a surplus in the Housing Revenue Account of those authorities who built up their housing stock in earlier years. Such authorities will need no Exchequer or rate subsidy for that Account. But authorities with historically high costs and continuing building programmes will have a deficit.

61. The existing housing subsidies to local authorities are geared to a system in which the state of the authority's housing account determines the level of rents. They are manifestly not suited to a system in which the income from rents determines the state of the account. If the account is in surplus, they will be unnecessary. If it is in deficit, they will not match that deficit nor provide the authority with the resources for its building needs. The existing subsidies must, therefore, be replaced by a new subsidy structure adapted to the new system. The change to this structure, like the change to fair rents, will be phased and the new subsidies will ease the transition. The details of the proposals are set out in Appendix 3.

62. In areas of housing stress the most powerful instrument for the promotion of new building will be the proposed new Rising Costs Subsidy. This is described in paragraphs 5 to 7 of Appendix 3. It will meet the bulk of the deficit incurred when housing costs rise faster than rent income. It will thus play a key part in the relief of overcrowding and the rehousing of those now living in slums.

63. Other subsidies will help authorities with the deficits arising during the transition to the new system. They are described in detail in Appendix 3.

64. The Exchequer will relieve ratepayers of most of any deficits in the Housing Revenue Account and initially of the whole cost of rent allowances. The Government, therefore, considers that the Exchequer should share in any surplus arising in that account. The arrangements for sharing the surplus are explained in paragraph 22 of Appendix 3.
65. The Secretaries of State will also review the operation of the new system in consultation with the local authority associations towards the end of its first 10 years. They will then make, by Order, appropriate adjustments for the years following this period within the range of adjustments permitted by the Act. This is explained more fully in paragraph 23 of Appendix 3.

The Effect of the New Subsidies

66. Under the new system total Exchequer subsidies for housing in England and Wales, instead of growing rapidly, will remain at about their present level (at current prices). The national total of rate fund contributions to Housing Revenue Accounts will progressively fall below its present level and the burden of rate fund contributions will be more evenly spread. It is true that in the transition period most authorities not now making a rate fund contribution will make one until their Housing Revenue Account moves into surplus. But authorities with severe housing problems will make smaller contributions in the course of solving these problems in the longer term than they would have made under the present system. Those with the worst problems will be able to reduce their contribution as soon as the new system is introduced.

67. The new subsidies will not be confined to new building. They will meet the major part of deficits caused by all the housing activities of a local authority, including repairs, management and the refinancing of maturing debts.

68. This subsidy structure will give a new deal to those local authorities whose needs are greatest.

THE VOLUNTARY HOUSING MOVEMENT

69. The voluntary housing movement holds a special place in the Government's housing policies. It makes a distinctive contribution to meeting people's housing needs. It can rely on the Government's continued encouragement and support.
70. Co-ownership societies have justified the hopes of the Government which launched them in 1961 and 1964. They are able to meet the demand for co-ownership with the help of the option mortgage subsidy available to their members. The Government will maintain the present arrangements governing this form of tenure which increases the range of housing choice.

71. Under the Government's proposals housing associations and societies which provide rented accommodation will be brought within the ambit of the fair rent principle and the national rent rebate scheme. For their future schemes the rent will be limited to the fair rent. Like private landlords they will be able to have a fair rent registered for all their dwellings. They will be able to raise the weekly rents of existing dwellings to the fair rent by annual steps not exceeding 75p and beginning not earlier than January 1973 - when their tenants will become eligible for rent allowances under the local authority's rent allowance scheme.

72. These measures will secure for many housing associations a greatly increased rent income without hardship to those of their tenants who cannot afford the rent increases involved. Those associations which have already built up a stock of accommodation to rent will thus be able to accumulate the funds needed to support further new building or conversion and improvement with the help of Exchequer subsidies. The existing Exchequer contributions for acquisition, conversion and improvement will continue, and their adequacy will be kept under review.

73. The Government proposes that subsidies paid in the past for new building should be withdrawn from housing associations on a basis similar to that which will apply to local authorities. The withdrawal will be timed to take account of the rate at which associations can increase their rents to the registered fair rent and of the extent to which their rents are already at or above the fair rent level.
74. To stimulate further new building the Government proposes a subsidy related to the initial deficit arising on schemes built for rent (other than by an industrial housing association) where the income from fair rents, which will be guaranteed by virtue of the rent allowances available, does not cover the initial expenditure on loan charges, repairs and management.

75. The Government considers that the objections to a 100% deficit subsidy for local authorities apply also to housing associations. Moreover the subsidy should not encourage the further fragmentation of the voluntary housing movement. It is in the movement's best interest that its members should be financially strong and engage on the major enterprise of new building only from a sound financial base secured by charitable monies or surpluses from properties already owned.

76. The new deficit subsidy will run for ten years, beginning with the year in which the scheme is completed, and will be reduced by stages to coincide with the triennial review of fair rents. For the first three years the subsidy will meet 90% of the deficit arising in the year of completion. For the second three years the subsidy will meet 60% of that deficit, for the third three years 30% and for the last year 10%. Many local authorities may wish, as some already do, to support housing associations with contributions from the rates.

77. There may exceptionally be schemes where, owing to unforeseen difficulties, there is a deficit not met by subsidy which cannot in the event be covered by rent income and reserves. In such cases the local authority or the Housing Corporation may be ready to allow repayments of principal and interest to be deferred and interest to be capitalised. Where this measure is inadequate or inappropriate, the Secretary of State will have power to defer reducing the subsidy on the basis set out in the preceding paragraph, if the association can satisfy him that its total financial position justifies special treatment.
78. At present housing associations wishing to build with the help of subsidy cannot borrow from the Housing Corporation. Instead they normally obtain a loan from the local authority. In future, they can continue to borrow from the local authority provided the authority has the right to nominate not less than 50% of the tenants of the dwellings to be built. Otherwise the association will be free to approach the Corporation for loan finance for new building schemes from the Housing Corporation. The Government is discussing with the building societies the possibility of enlarging their powers so as to enable them to lend direct to the Housing Corporation. The Government hopes that building societies will be willing to use such powers and thus give the voluntary housing movement more access to private savings.

79. These measures will be adapted as necessary for those housing associations and societies which are charities, including almshouse charities which cannot charge a rent but normally obtain a contribution from the occupants of their dwellings. Special arrangements will also be made for the North Eastern Housing Association. Appropriate arrangements will be made for schemes approved for subsidy, but not completed, before the introduction of the new system.

80. The Government is also considering other aspects of the voluntary housing movement in the light of a report based on the evidence presented to a sub-committee of the Central Housing Advisory Committee set up in February 1968. Further changes may be necessary to consolidate and streamline the movement if it is to realise its full potential in a reformed system of housing finance.
NEW AND EXPANDING TOWNS

81. The reforms described in this White Paper which affect local housing authorities and their tenants will generally apply to new town development corporations, the Commission for the New Towns and their tenants. The details and provisions involved are explained in paragraph 33 of Appendix 3.

82. The local authorities will have the same responsibility to pay rent allowances to tenants of private landlords and housing associations within the area covered by the development corporations and the Commission for the New Towns as they have for other private tenants.

83. The new subsidy system will also help to maintain the momentum of overspill schemes, and so ameliorate the housing problems of our conurbations. The arrangements for expanding towns are set out in paragraphs 2 and 12 of Appendix 3.

CONCLUSION

84. Present housing policies will not cure the slums, the overcrowding, the dilapidations or the individual hardships and injustice suffered by many tenants, landlords and owner occupiers. This is because they fail to concentrate resources to help people and areas in need. The cure can only come through a radical reform of housing finance.

85. The proposals described in this White Paper will sweep away a financial structure which has been assembled piecemeal in response to housing policies pursued with varying determination and consistency over the last half century. These proposals will also give the greatest help to areas of greatest need. Subsidies will be concentrated on these areas where they will stimulate the clearance of slums, the building of new houses and the improvement of existing houses and so relieve overcrowding, bad conditions and housing stress.
86. The reformed system is geared to meet the circumstances of the individual. It treats housing as a personal service. Tenant householders will be helped in accordance with a discriminating assessment of their needs. Those who wish to own their own home will be helped to do so in every practicable way. These reforms are based on the principle of fairness. They will establish a fair balance between owner occupiers and tenants and parity of treatment for council tenants and private tenants. They will do justice between landlord and tenant. They will have due regard to the reasonable claims of the citizen as a taxpayer and as a ratepayer, without placing on either the inflationary burden of unnecessary taxes.

87. Taken together they provide a fair deal in housing with increased help for areas and people in need.
APPENDIX I

PROPOSED FORMULA FOR THE TRANSITION TO FAIR RENTS

1. For the purpose of rent increases made in 1972/3 and subsequent financial years, a "qualifying dwelling" is a dwelling in the Housing Revenue Account of the local authority whose current rent is below the fair rent for that dwelling as confirmed or altered by the Rent Assessment Committee or a dwelling for which a fair rent has not yet been so confirmed or altered.

2. If the local authority has made a general rent increase between 1 April 1972 and 30 September 1972, it will be required to make on 1 October 1972 only such a further general rent increase (if any) as is needed
   (a) to secure an average increase in rent income for 1972/73 of £26 per qualifying dwelling; and,
   (b) if the earlier increase averaged less than 50p a week per qualifying dwelling, to bring the sum of the averages of the two increases to 75p a week per qualifying dwelling.

3. If the local authority has made no general rent increase between 1 April 1972 and 30 September 1972, but has made such an increase between 1 October 1971 and 31 March 1972, it will be required to increase rents on 1 October 1972 by whichever is the greater of
   (a) the amount which, together with the previous increase, secures an average increase in rent income of £26 per qualifying dwelling for the period between the date of the previous increase and 31 March 1973, and
   (b) an average of 50p a week per qualifying dwelling,
   provided that
   (c) if the average of the previous increase was less than 25p a week per qualifying dwelling the average increase on
1 October 1972 is not less than 50p per qualifying dwelling plus that deficiency.

4. If the local authority has made no general rent increase between 1 October 1971 and 30 September 1972 it will be required to make a rent increase on 1 October 1972 of £1 a week for every qualifying dwelling.

5. In 1973/4 and subsequent years, the local authority will be required to make a rent increase averaging 50p a week per qualifying dwelling on the following dates:

(a) if there was a general rent increase on 1 October 1972, in October;

(b) if there was no general rent increase on 1 October 1972, but a general rent increase between 1 April and 30 September 1972, in the month in which that general increase was made;

(c) if there was no general rent increase on 1 October 1972, and no general rent increase between 1 April and 30 September 1972, but if there was a general rent increase between 1 October 1971 and 31 March 1972, in April.
THE PROPOSED NATIONAL RENT REBATE SCHEME

SCOPE OF THE SCHEME

1. The local housing authority's rebate scheme will apply to tenants of unfurnished dwellings in the Housing Revenue Account, except for service tenants. (The authority will have discretion to apply its scheme to tenants of its unfurnished dwellings in other accounts.)

The authority's rent allowance scheme will apply to tenants of protected or statutory tenancies under the Rent Act 1968 (except for tenants of service tenancies and premises with a business use), and to tenants of housing associations, in the authority's area.

CALCULATION OF REBATES AND ALLOWANCES

2. The model provisions prescribed by the Secretary of State for calculating any rebate or allowance are expected to be initially as follows (all calculations will be made on a weekly basis):

   (1) NEEDS ALLOWANCE
   
   The authority will calculate a needs allowance, to take account of the basic needs of the tenant and the other members of his family living in the dwelling, as follows:
   
   - Single tenant: £9.50
   - Tenant and spouse: £13.50
   - Each dependent child of the tenant or spouse: £2.50

   For a blind tenant or spouse the needs allowance will be increased by £1.25 if one of them is blind and by £2.00 if both are blind.

   (2) TENANT'S INCOME
   
   For the purpose of calculating the amount of any rebate or allowance the "tenant's income" will be the average weekly gross income of the tenant and his spouse (plus 0.1% of any uninvested capital over £300) except that the following amounts will be disregarded:
(a) any payment made to the tenant in respect of rent by another member of his household and by any sub-tenant;
(b) the first £2.50 of the earnings of the tenant's wife;
(c) the first £2 of any pension or payment made for disablement to the tenant or his spouse;
(d) the first £2 of any excess of war/industrial injuries widows' pension over national insurance widow's pension payable to the tenant or his spouse;
(e) the first £1 of any voluntary or charitable payments to the tenant or his spouse excluding voluntary payments for maintenance or any payment under (a) above provided that the total reduction under (c) – (e) does not exceed £2;
(f) any attendance or constant attendance allowance, any maternity or death grants, or any sums payable as holder of the Victoria or George Cross paid to the tenant or his spouse.

(3) MINIMUM RENT

Subject to the exception below, a part of the rent (the "minimum rent") will not be met by a rebate or allowance. The minimum rent will be 40% of the rent of the dwelling or £1.00 whichever is higher, except if the tenant is in work (or out of work and subject to the "wage-stop") and his income is less than his needs allowance. In that case the minimum rent as calculated above will be reduced by 25% of the difference between his needs allowance and his income.
If the general level of rents in a local authority area is exceptionally high, the Secretary of State will be empowered to authorise the authority to provide in its rebate an allowance scheme for a minimum rent of less than 40%; and any provision so authorised will count as the model provision for the purpose of calculating the rent rebate or allowance subsidies referred to in paragraphs 8 and 13 of Appendix 3.

(4) REBATE OR ALLOWANCE

If the tenant's income equals, or is less than, his needs allowance, the amount of the rebate or allowance is to be the sum equal to the difference between the rent of the
dwelling and any minimum rent, subject to (5), (6) and (7) below. If the tenant's income exceeds his needs allowance the minimum rent will be increased by 17% of the excess. If the resultant amount is less than the rent of the dwelling, he will receive a rebate or allowance equal to the deficiency, subject to (5), (6) and (7) below.

(5) MINIMUM REBATE OR ALLOWANCE
There will be no rebate or allowance if the entitlement is less than 20p.

(6) MAXIMUM REBATE OR ALLOWANCE
There will be a maximum rebate or allowance of £6.50 outside London, and £8 in London. (The authority may be authorised to increase this maximum if a lower minimum rent is authorised under paragraph 2(3) above.)

(7) REDUCTION FOR NON-DEPENDENTS
The rebate or allowance will be reduced for the following non-dependents living in the dwelling occupied by the tenant by the following amounts:­

(a) For each non-dependent aged 18 years or more and not undergoing full-time education or training: £1.50

(b) For each non-dependent of pensionable age and not in receipt of Supplementary Benefit: £1.00 (except that where two such non-dependents are husband and wife the combined total for both will be: £1.50)

(c) For each non-dependent receiving Supplementary Benefit (for this purpose the recipient and his dependents will count as one non-dependent): 65p
SPECIAL CIRCUMSTANCES
The authority will have discretion to grant a special rebate or allowance if the personal circumstances of the tenant are exceptional (eg to deal with special cases of hardship not covered by (1)-(7) above). The authority will also have discretion to treat as the tenant, for the purpose of calculating any rebate or allowance, another adult in the household if he is the principal earner.

PUBLICITY FOR THE REBATE AND ALLOWANCE SCHEMES
Before its rebate scheme comes into force the local authority will inform its tenants in writing of the circumstances in which a tenant would be likely to be granted a rebate, the procedure for applying and the details to be provided in an application. It will give similar written information to its tenants once a year and in any case on a first tenancy or when the scheme is changed or rents are increased. The authority will also publish annually similar information about its rent allowance scheme in the local newspapers and will make available this information in written form to any private tenant or landlord who requests it. Private landlords will be required to insert this information, within 4 weeks, in any rent book issued on or after 1 January 1973.

PROCEDURE FOR OBTAINING REBATES OR ALLOWANCES
The procedure for obtaining a rent rebate or allowance will be broadly as follows. The tenant will apply to the local authority for a rebate or allowance, unless he is receiving or eligible for Supplementary Benefit (see paragraph 9 below), and will furnish such information as will enable the authority to calculate the amount of any rebate or allowance in accordance with paragraph 2 above. For the calculation of the tenant's weekly income the authority will normally confine itself
to ascertaining, and as necessary checking, the income of the tenant and his wife during the last 5 weeks (if they are paid weekly) or the last 2 months (if they are paid monthly) preceding the application. It will ascertain income over a different period if this is appropriate e.g. in the case of employment subject to seasonal variations or the self-employed.

5. If the authority decides to grant a rebate or allowance in response to an application, it will normally have effect from the date of the application until 6 months (12 months in the case of pensioners) from the date on which the tenant was notified of the decision. Thereafter the procedure in paragraph 4 will be repeated for as long as the tenant qualifies for a rebate or allowance under the authority's scheme.

6. During any period for which a rebate or allowance has been granted, it will be possible to alter (or, if appropriate, to terminate) the rebate or allowance to take account of changes in the tenant's circumstances, the rent of his dwelling or the authority's scheme.

7. The local authority will be empowered to require evidence from any private tenant who has applied for, or is receiving, a rent allowance of the amount of rent which he is paying; and to terminate the allowance, or to pay it to the landlord, if the tenant is failing to pay his rent regularly.

8. The local authority will have discretion as to the method and frequency of paying rent allowances provided that these have regard to the reasonable needs and convenience of the tenant.

9. Tenants receiving Supplementary Benefit will not have to apply to the local authority for a rent rebate or allowance. For the first eight consecutive weeks benefit will be assessed on the basis of the rent currently paid by the tenant (after taking account of any rent allowance) and any rebate or allowance granted will continue. From the beginning...
of the ninth consecutive week the local authority will grant automatically a rebate or allowance equal to the difference between the rent of the dwelling and the minimum rent (less any reductions to be made for non-dependents and subject to the maximum rebate or allowance) and the Supplementary Benefits Commission will reassess the tenant's benefit on the basis of that rebate or allowance. While the tenant receives benefit the local authority will normally need to ask him for information only about the age and marital status of any non-dependents living in the same dwelling (and whether they are undergoing full-time education) and, for private tenants, whether the tenancy is protected or statutory. When the tenant ceases to receive benefit, he will be invited to make a fresh application for a rent rebate or allowance based on his new circumstances. Special arrangements will be made for "wage-stop" cases.

PAYMENTS TO THE DEPARTMENT OF HEALTH AND SOCIAL SECURITY

10. Under an agreement reached in 1970 between the Government and the local authority associations for England and Wales a local authority which operates a rent rebate scheme but excludes from the scheme tenants receiving Supplementary Benefit was recommended to pay to the Department of Health and Social Security a lump sum annually, calculated on an agreed formula, in respect of tenants so excluded. Since existing legislation does not enable local authorities to make such a payment, they will be empowered to make one for 1970/71 and 1971/72.

11. When a local authority's rebate or allowance scheme comes into force, or when those schemes are subsequently changed, or when the rents of council dwellings are increased, it may not be practicable for the local authority immediately to calculate the amount of any rebate or allowance for tenants in receipt of Supplementary Benefit for more than 8 consecutive weeks, or for the Department of Health and Social Security to reassess immediately the benefit payable towards the rent. In that
case the authority, by agreement with the Department, will not for the
time being grant any rebate or allowance, or alter an existing one, and
will subsequently pay to the Department a sum in respect of the rebates
or allowances thus withheld.

12. The Tables below illustrate the effect of the model provisions
for the calculation of rebates and allowances set out in paragraph 2
of this Appendix in the case of households in which the tenant's wife
is not working, any children are dependent children of the tenant or
his wife and there are no adults other than the tenant and his wife.
### Table 1
Weekly Rebate or Allowance Where Rent of Dwelling is £2 Per Week

<table>
<thead>
<tr>
<th>Income Per Week</th>
<th>Single Person</th>
<th>Man &amp; Wife</th>
<th>Man, Wife &amp; 1 Child</th>
<th>Man, Wife &amp; 2 Children</th>
<th>Man, Wife &amp; 3 Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ 8</td>
<td>£ 1 37½</td>
<td>£ 2 0</td>
<td>£ 2 0</td>
<td>£ 2 0</td>
<td>£ 2 0</td>
</tr>
<tr>
<td>12</td>
<td>- 57½</td>
<td>1 37½</td>
<td>2 0</td>
<td>2 0</td>
<td>2 0</td>
</tr>
<tr>
<td>16</td>
<td>NIL</td>
<td>- 57½</td>
<td>1 0</td>
<td>1 62½</td>
<td>2 0</td>
</tr>
<tr>
<td>20</td>
<td>NIL</td>
<td>NIL</td>
<td>- 32</td>
<td>- 74½</td>
<td>1 25</td>
</tr>
<tr>
<td>25</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>- 32</td>
</tr>
<tr>
<td>30</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
</tbody>
</table>

### Table 2
Weekly Rebate or Allowance Where Rent of Dwelling is £3 Per Week

<table>
<thead>
<tr>
<th>Income Per Week</th>
<th>Single Person</th>
<th>Man &amp; Wife</th>
<th>Man, Wife &amp; 1 Child</th>
<th>Man, Wife &amp; 2 Children</th>
<th>Man, Wife &amp; 3 Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ 8</td>
<td>£ 2 17½</td>
<td>£ 3 0</td>
<td>£ 3 0</td>
<td>£ 3 0</td>
<td>£ 3 0</td>
</tr>
<tr>
<td>12</td>
<td>1 37½</td>
<td>2 17½</td>
<td>2 80</td>
<td>3 0</td>
<td>3 0</td>
</tr>
<tr>
<td>16</td>
<td>- 69½</td>
<td>1 37½</td>
<td>1 80</td>
<td>2 42½</td>
<td>3 0</td>
</tr>
<tr>
<td>20</td>
<td>NIL</td>
<td>- 69½</td>
<td>1 12</td>
<td>1 54½</td>
<td>2 05</td>
</tr>
<tr>
<td>25</td>
<td>NIL</td>
<td>NIL</td>
<td>- 27</td>
<td>- 69½</td>
<td>1 12</td>
</tr>
<tr>
<td>30</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>- 27</td>
</tr>
</tbody>
</table>
**Table 3**

Weekly rebate or allowance where rent of dwelling is £4 per week

<table>
<thead>
<tr>
<th>Income per week</th>
<th>Single person</th>
<th>Man &amp; Wife</th>
<th>Man, Wife &amp; 1 Child</th>
<th>Man, Wife &amp; 2 Children</th>
<th>Man, Wife &amp; 3 Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>£8</td>
<td>£2 77½</td>
<td>£3 77½</td>
<td>£4 0</td>
<td>£4 0</td>
<td>£4 0</td>
</tr>
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<td>£1 97½</td>
<td>£2 77½</td>
<td>£3 40</td>
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<td>£4 0</td>
</tr>
<tr>
<td>£16</td>
<td>£1 29½</td>
<td>£1 97½</td>
<td>£2 40</td>
<td>£3 02½</td>
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<td>£- 61½</td>
<td>£1 29½</td>
<td>£1 72</td>
<td>£2 14½</td>
<td>£2 65</td>
</tr>
<tr>
<td>£25</td>
<td>NIL</td>
<td>£- 44½</td>
<td>- 87</td>
<td>£1 29½</td>
<td>£1 72</td>
</tr>
<tr>
<td>£30</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>- 44½</td>
<td>- 87</td>
</tr>
</tbody>
</table>

**Table 4**

Rebate or allowance where rent of dwelling is £5 per week

<table>
<thead>
<tr>
<th>Income per week</th>
<th>Single person</th>
<th>Man &amp; Wife</th>
<th>Man, Wife &amp; 1 Child</th>
<th>Man, Wife &amp; 2 Children</th>
<th>Man, Wife &amp; 3 Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>£8</td>
<td>£3 37½</td>
<td>£4 37½</td>
<td>£5 0</td>
<td>£5 0</td>
<td>£5 0</td>
</tr>
<tr>
<td>£12</td>
<td>£2 57½</td>
<td>£3 37½</td>
<td>£4 0</td>
<td>£4 62½</td>
<td>£5 0</td>
</tr>
<tr>
<td>£16</td>
<td>£1 89½</td>
<td>£2 57½</td>
<td>£3 0</td>
<td>£3 62½</td>
<td>£4 25</td>
</tr>
<tr>
<td>£20</td>
<td>£1 21½</td>
<td>£1 89½</td>
<td>£2 32</td>
<td>£2 74½</td>
<td>£3 25</td>
</tr>
<tr>
<td>£25</td>
<td>£- 36½</td>
<td>£1 04½</td>
<td>£1 47</td>
<td>£1 89½</td>
<td>£2 32</td>
</tr>
<tr>
<td>£30</td>
<td>NIL</td>
<td>NIL</td>
<td>0 62</td>
<td>1 04½</td>
<td>1 47</td>
</tr>
<tr>
<td>INCOME PER WEEK</td>
<td>SINGLE PERSON</td>
<td>MAN &amp; WIFE</td>
<td>MAN, WIFE &amp; 1 CHILD</td>
<td>MAN, WIFE &amp; 2 CHILDREN</td>
<td>MAN, WIFE &amp; 3 CHILDREN</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------</td>
<td>------------</td>
<td>---------------------</td>
<td>------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>£ 8</td>
<td>£ 3 97½</td>
<td>£ 4 97½</td>
<td>£ 5 60</td>
<td>£ 6 0</td>
<td>£ 6 0</td>
</tr>
<tr>
<td>£ 12</td>
<td>£ 3 17½</td>
<td>£ 3 97½</td>
<td>£ 4 60</td>
<td>£ 5 22½</td>
<td>£ 5 85</td>
</tr>
<tr>
<td>£ 16</td>
<td>£ 2 49½</td>
<td>£ 3 17½</td>
<td>£ 3 60</td>
<td>£ 4 22½</td>
<td>£ 4 85</td>
</tr>
<tr>
<td>£ 20</td>
<td>£ 1 81½</td>
<td>£ 2 49½</td>
<td>£ 2 92</td>
<td>£ 3 34½</td>
<td>£ 3 85</td>
</tr>
<tr>
<td>£ 25</td>
<td>- 96½</td>
<td>£ 1 64½</td>
<td>£ 2 07</td>
<td>£ 2 49½</td>
<td>£ 2 92</td>
</tr>
<tr>
<td>£ 30</td>
<td>NIL</td>
<td>- 79½</td>
<td>£ 1 22</td>
<td>£ 1 64½</td>
<td>£ 2 07</td>
</tr>
</tbody>
</table>
APPENDIX 3

The proposed new subsidies for local authorities

1. The following new subsidies will replace all existing housing subsidies to local authorities, other than improvement contributions under the Housing Act 1969 and earlier Acts:

- Residual Subsidy
- Transition Subsidy
- Rising Costs Subsidy
- Rent Rebate Subsidy
- Operational Deficit Subsidy
- Town Development Subsidy
- Rent Allowance Subsidy
- Slum Clearance Subsidy

Residual Subsidy

2. The existing housing subsidies will in effect be phased out after 1971/2. This result will be achieved as follows. The existing subsidies will cease to be payable after 1971/2 but there will be a temporary and reducing subsidy, the Residual Subsidy, which will be related to the total amount of existing subsidies payable for 1971/2. The Residual Subsidy will be paid to the credit of the Housing Revenue Account (HRA). The Secretary of State will determine each local housing authority's total entitlement to the existing subsidies for 1971/2 (including any contribution received under Section 94 of the Housing Act 1964 and Sections 9 and 18 of the Housing Subsidies Act 1967). The amount so determined will then be reduced in 1972/3 by £20 for every dwelling (excluding temporary dwellings provided under the Housing (Temporary Accommodation) Act 1944) in the authority's HRA as at 31 March 1972. The balance (if any) will be the amount of Residual Subsidy payable for 1972/3. The amount of any Residual Subsidy payable for 1972/3 will be reduced by £20 for every dwelling in the HRA as at 31 March 1972 and...
any balance will be the amount of Residual Subsidy payable for 1973/74. In subsequent financial years the amount of Residual Subsidy payable for the preceding financial year will be reduced by £10 for every dwelling in the HRA as at 31 March 1972 and any balance will be the amount of Residual Subsidy payable for that year. This process will continue until no Residual Subsidy is payable for the financial year.

Transition Subsidy

Transition Subsidy will become payable to any authority, for the credit of its HRA, for any financial year towards the deficiency arising when the increase in net rent income for the year over the net rent income for the preceding year is less than, for 1972/3, £20 multiplied by the number of dwellings in the HRA as at 31 March 1972 or the authority's total entitlement to existing subsidies for 1971/2, whichever is less, and, for 1973/4 and subsequent years, the Residual Subsidy for the preceding year or the amount by which the Residual Subsidy for the preceding year exceeds the Residual Subsidy for the year, whichever is less. The Transition Subsidy will meet a percentage of this deficiency, and the balance of the deficiency will be met by a rate fund contribution to the HRA, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Transition Subsidy</th>
<th>Rate Fund Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972/3</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>1973/4</td>
<td>85</td>
<td>15</td>
</tr>
<tr>
<td>1974/5</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>1975/6 - 1981/2</td>
<td>75</td>
<td>25</td>
</tr>
</tbody>
</table>

Subject to paragraph 4 below, the Transition Subsidy and associated rate fund contribution which become payable for any financial year will continue to be payable for subsequent years up to and including 1981/2. Thus for any financial year from 1973/4 to 1981/2 there may be payable in the case of any authority an amount of Transition Subsidy, and a
corresponding amount of the associated rate fund contribution, consisting of

(a) the amount or amounts of subsidy and contribution which became payable for one or more of the preceding years, and/or
(b) the amount of subsidy and contribution which becomes payable for the year.

4. The amount of Transition Subsidy payable to an authority for any financial year, and of the associated rate fund contribution, will be limited to a total not exceeding the amount needed to balance the HRA in accordance with paragraphs 18 and 19 below.

Rising Costs Subsidy

5. This subsidy will become payable to any authority, for the credit of its HRA, when the reckonable expenditure falling on the HRA for any financial year exceeds the reckonable expenditure for the preceding year. "Reckonable expenditure" will include all expenditure properly debited to the HRA, subject, broadly speaking, to limits set for loan charges in respect of new dwellings (including car accommodation at the rate of one car per dwelling) under the housing cost yardstick procedure, and for the cost of repairs and management on a basis determined after consultation with the local authority associations.

6. Subject to paragraph 7 below, for 1972/3 and 1973/4 a percentage of the excess of any increase in reckonable expenditure over £6 for every dwelling in the HRA, and for 1974/5 - 1981/2 a percentage of the whole of any increase in reckonable expenditure, will qualify for Rising Costs Subsidy and the balance of that excess or increase will be met by a rate fund contribution to the HRA, as follows:
<table>
<thead>
<tr>
<th>Year</th>
<th>Rising Costs Subsidy</th>
<th>Rate Fund Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972/3</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>1973/4</td>
<td>85</td>
<td>15</td>
</tr>
<tr>
<td>1974/5</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>1975/6 - 1981/2</td>
<td>75</td>
<td>25</td>
</tr>
</tbody>
</table>

Subject to paragraph 7 below, the amounts of Rising Costs Subsidy and its associated rate fund contribution which become payable for any of the years 1972/3 - 1976/7 will continue to be payable for subsequent years up to and including 1981/2; the amounts of subsidy and contribution which become payable for any year after 1976/7 will continue to be payable for the four subsequent years. Thus, as in the case of Transition Subsidy, there may be payable for any financial year after 1972/3 an amount of Rising Costs Subsidy, and a corresponding amount of the associated rate fund contribution, consisting of the amount or amounts of subsidy and contribution which became payable for one or more of the preceding years and/or the amount of subsidy and contribution which becomes payable for the year.

7. The amount of Rising Costs Subsidy payable to an authority for any financial year, together with the associated rate fund contribution will, as in the case of Transition Subsidy, be limited to a total not exceeding the amount needed to balance the HRA in accordance with paragraphs 18 and 19 below.

Rent Rebate Subsidy

8. Subject to paragraph 9 below, each authority will make a rate fund contribution to the HRA in respect of rebates equal to the cost of rent rebates granted to the tenants of its dwellings in the HRA for any financial year (including for 1972/3 any rebates granted under any existing rebate scheme) plus any payments in respect of rebates made for
the year to the Department of Health and Social Security (see paragraph 11 of Appendix 2). If the provisions of the authority's rebate scheme are the same as the model provisions, the Rent Rebate Subsidy will be a percentage of the whole of the rate fund contribution in respect of rebates. If the provisions of the authority's rebate scheme are more favourable to the tenant than the model provisions (see paragraph 49 of the White Paper), the authority will need to keep comparative records of the actual amount of rent rebates granted (and payments made to the Department of Health and Social Security) and its estimate of what the amount would have been if its rebate scheme had contained the model provisions; and to apportion the rate fund contribution in respect of rebates between the total estimated amount and the excess over that amount: the Rent Rebate Subsidy will then be a percentage of that part of the rate fund contribution equal to the total estimated amount.

In either case the percentage will be determined by the year for which the rate fund contribution is made, as follows:

- 1972/3: 90%
- 1973/4: 85%
- 1974/5: 80%
- 1975/6 - 1981/2: 75%

The Rent Rebate Subsidy will be paid to the credit of the authority's General Rate Fund. It will not be payable towards the expenses of administering the authority's rebate scheme.

9. The rate fund contribution in respect of rebates will be limited to an amount not exceeding that needed to balance the HRA in accordance with paragraphs 18 and 19 below. If the rate fund contribution of which the Rent Rebate Subsidy is a percentage is limited in this way, the subsidy will be limited pro rata.
Operational Deficit Subsidy

10. Subject to paragraphs 18 and 19 below, this subsidy will be payable for 1972/3, for the credit of the authority's HRA, at the rate of 50% of
(1) the difference between the excess of HRA expenditure for 1971/2 per dwelling in the HRA as at 31 March 1972 over HRA expenditure for 1970/71 per dwelling in the HRA as at 31 March 1971 and £15, if the latter figure is less, multiplied by the number of dwellings in the HRA as at 31 March 1972,

plus

(2) the smaller of the rate fund contributions to the HRA for 1970/71 or 1971/72, if a rate fund contribution was made for both these years,

plus

(3) in the case of a receiving authority under a town development scheme, any contribution received from a sending authority towards a deficit in the HRA for 1971/72.

The authority will make a rate fund contribution to the HRA equal to the amount of Operational Deficit Subsidy payable.

11. Operational Deficit Subsidy will not be payable for any year after 1972/3 unless it was payable for that year. The amount payable for 1972/3 and the associated rate fund contribution will continue to be payable until 1981/2, unless they are limited for any year to a total not exceeding the amount needed to balance the HRA in accordance with paragraphs 18 and 19 below. If for any year the amount of subsidy and contribution has to be reduced on account of this limitation, they will be reduced by equal amounts and the reduced amounts will be the amounts payable for subsequent years. Once the amounts have been eliminated
for any year by reason of the limitation, the subsidy and contribution will cease to be payable for subsequent years.

Town Development Subsidy

12. An authority designated as a sending authority for the purpose of town development will make contributions from its general rate fund to the general rate fund of the receiving authority for 1972/3 and subsequent years. The contributions will meet the percentage of the rate fund contributions in respect of rebates which is not met by Rent Rebate Subsidy and the rate fund contributions associated with Transition Subsidy and Rising Costs Subsidy which the receiving authority makes in respect of tenants from the sending authority. A Town Development Subsidy equal to 25% of these contributions will be paid to the sending authority for the credit of its general rate fund.

Rent Allowance Subsidy

13. If the provisions of the authority's rent allowance scheme are the same as the model provisions, the Rent Allowance Subsidy will be a percentage of the total amount of the allowances paid for the year plus any payment in respect of allowances made for the year to the Department of Health and Social Security (see paragraph 11 of Appendix 2). If the provisions of the authority's rent allowance scheme are more favourable to the tenant than the model provisions (see paragraph 50 of the White Paper), the authority will need to keep comparative records of the actual amount of allowances paid (and payments made to the Department of Health and Social Security) and its estimate of what the amount would have been if its rent allowance scheme had contained the model provisions; and to make a total estimate of the latter amount: Rent Allowance Subsidy will then be a percentage of that total estimated amount. In either case the percentage will be 100% for the years 1972/3 to 1975/6. Before the percentage for the years 1976/7 to 1981/2 is determined the Secretary of State will
consult the local authority associations. The percentage for these years will be 80% unless the Secretary of State makes an Order providing for a higher percentage for all authorities or any class of authority. The Rent Allowance Subsidy will be paid to the credit of the authority's general rate fund. It will not be payable towards the expenses of administering the authority's rent allowance scheme.

Slum Clearance Subsidy

14. This subsidy will be payable for the credit of the general rate fund to meet 75% of the net annual loss for 1971/2 and subsequent years arising from the authority's slum clearance operations. The calculation of the subsidy will be similar to the calculation of planning redevelopment grants made under Section 7 of the Local Government Act 1966. Broadly, the net annual loss for any financial year will be determined by reducing to notional 60 year annuities:

(1) the capital expenditure on acquisition and clearance, and the capital values arising from the disposal or appropriation at the current market value for the new use, of any land acquired for slum clearance after 31 March 1968 and not disposed of, or appropriated for another purpose, before 1 April 1971; and

(2) any capital expenditure incurred and capital income due in any year beginning with 1971/72 in connection with the making of demolition, closing or clearance orders;

and adding to these annuities any revenue expenditure and income for the year relating to such land and orders.

Expenditure and income in respect of unfit houses retained to provide temporary accommodation after 31 March 1972 will be included in the calculation of the net annual loss, if possession has been taken of the houses after 31 March 1972 and they have not been approved under section 13 of the Housing (Financial Provisions) Act 1958.
The Secretary of State will have power to exclude from the calculation of the annual loss for any year from 1986/7 onwards an annuity in respect of capital expenditure, capital values or capital income which arose more than 15 years before the year.

15. For the purpose of the Slum Clearance Subsidy authorities will require the Secretary of State's prior approval only in special cases eg for counting for subsidy purposes expenditure and income relating to the purchase by agreement, or appropriation, for slum clearance purposes of land and buildings adjoining (but not surrounded by) a clearance area.

Rate Fund Contributions to the HRA

16. In addition to the rate fund contributions associated with Transition Subsidy, Rising Costs Subsidy and Operational Deficit Subsidy, and the rate fund contribution in respect of rebates authorities will make the following rate fund contributions to the HRA (subject to paragraph 18 below):

(1) a contribution in accordance with a formula to be determined by the Secretary of State after consultation with the local authority associations in respect of the expenses of administering the rent rebate scheme;

(2) a contribution equal to $1/3$ of any improvement contributions payable to the authority for the year under the Housing Act 1969 and earlier enactments in respect of the dwellings in its HRA; and a contribution equal to the excess for the year over the cost proper incurred by the authority in carrying out improvement works under the Housing Act 1969 in respect of such dwellings;

(3) any contribution which the Secretary of State will have power to require an authority to make in respect of land disposed of at less than market value, or to reflect the community's share of benefits or amenities arising from expenditure incurred in the exercise of the authority's housing functions;
(4) a contribution equal to any excess over the reckonable expenditure for subsidy purposes; such reckonable expenditure will be determined in the same way as reckonable expenditure for the purpose of Rising Costs Subsidy (see paragraph 5 above).

17. If in any year after taking into the HRA all the amounts properly credited and debited to the account there is a deficit in the account, the authority will make a rate fund contribution equal to the deficit.

Limitation of subsidies and rate fund contributions to balance the HRA

18. The amounts of Transition Subsidy, Rising Costs Subsidy, Operational Deficit Subsidy, their associated rate fund contributions, the rate fund contributions in respect of rebates and all other rate fund contributions payable to the HRA for any financial year are to be limited to an amount in total which is sufficient to balance the account without increasing the amount of the balance carried forward at the end of the year above the amount brought forward at the beginning of the year. The balance will be achieved by adding these subsidies and rate fund contributions (in full or in part) to the other income required to be credited to the account for the year in the sequence set out below until the total income in the account (including any deficit rate fund contribution which may be necessary under paragraph 17 above) equals the expenditure required to be debited to the account for the year plus any balance which the authority decides to carry forward at the end of the year, provided such a balance does not exceed any balance brought forward at the beginning of the year.

The sequence will be as follows:

(1) for the year 1972/73

(a) the rate fund contributions referred to in paragraph 16(1) - (4) above and any part of the rate fund contribution in respect of rebates which is in excess of the total estimated amount of rebates under the model provisions (see paragraph
8 above), in any sequence desired by the authority;

(b) the rate fund contribution in respect of rebates of which the Rent Rebate Subsidy meets a percentage;

(c) Rising Costs Subsidy and the associated rate fund contribution;

(d) Transition Subsidy and the associated rate fund contribution;

(e) Operational Deficit Subsidy and the associated rate fund contribution.

(2) for 1973/74 and subsequent years

(a) the rate fund contributions referred to at (1)(a) above;

(b) the rate fund contribution referred to at (1)(b) above;

(c) Operational Deficit Subsidy and the associated rate fund contribution;

(d) Rising Costs Subsidy and the associated rate fund contribution;

(e) Transition Subsidy and the associated rate fund contribution.

19. The rate fund contributions associated with Transition Subsidy, Rising Costs Subsidy and Operational Deficit Subsidy will be reduced, under paragraph 18 above, in the proportion they bear to the amount of subsidy with which they are associated. Where the total amount of Transition Subsidy or Rising Costs Subsidy, together with the associated rate fund contribution, which would otherwise be payable for any financial year is reduced in consequence of paragraph 18 above and the subsidy and rate fund contribution consist of amounts which become payable in different years, the reduction will be made in the following order: first the amount, if any, which would otherwise become payable for the year will be reduced; thereafter the amounts which became payable in preceding years will be reduced, beginning with the amounts which became payable in the earliest preceding year and finishing with the amounts which became payable in the latest preceding year.
Abolition of Housing Repairs and Equalisation Accounts

20. Local authorities will no longer be required to keep a separate Housing Repairs Account for 1972/3 and subsequent years and expenditure on repairs and maintenance for those years will be debited to the HRA. Any credit balance in the account at 31 March 1972 will be transferred to the HRA and become part of the working balance carried forward to the year 1972/73. If there is a deficit in the Housing Repairs Account at 31 March 1972 it will be transferred to the debit side of the HRA for 1972/73 and will be treated as part of the repairs expenditure for that year. A local authority which has a Housing Equalisation Account will close it at the end of 1971/72 and transfer the balance to the Housing Capital Account.

Working balances in the HRA

21. The working balance which may be carried forward at the end of any financial year will be limited to an amount equal to £30 multiplied by the number of dwellings in the HRA at the end of the year. Any excess over this amount will be treated as a surplus and will be dealt with in accordance with paragraph 22 below. An authority will have discretion to treat a working balance within this limit as a surplus. For any year an authority will be able to carry forward a working balance larger than the balance brought forward from the previous year only if none of the subsidies or rate fund contributions referred to in paragraphs 17 and 18 above are payable to the HRA (and subject to the limit of £30 per dwelling) It will have discretion either to maintain any working balance carried forward at the level of the balance brought forward or to reduce any working balance carried forward below the balance brought forward or to eliminate it altogether.
Surpluses in the HRA

22. The authority will pay any surplus (see paragraph 21 above) to the Secretary of State. If no Rent Allowance Subsidy is payable to the authority for the year in which the surplus arises, the Secretary of State will pay half the surplus to the local authority for the credit of its general rate fund. If any Rent Allowance Subsidy is payable to the authority for the year, the Secretary of State will retain the surplus if it is less than the Rent Allowance Subsidy payable for the year; if it is greater, he will retain the amount of the subsidy and 50% of any difference between the surplus and the Subsidy and will pay the remaining 50% of the difference to the local authority for the credit of its general rate fund.

10 year Review

23. The Secretaries of State will review the operation of the subsidy system in consultation with the local authority associations towards the end of the first 10 years. In the light of this review it will be possible to change the system as follows for any financial year after 1981/2:

(1) the amount of Operational Deficit Subsidy and any associated rate fund contribution payable for 1981/82 may continue to be payable for 1982/83 and any subsequent year;

(2) for any amounts of Transition Subsidy or Rising Costs Subsidy which first become payable in 1982/83 or any subsequent year, the relative percentages of subsidy and associated rate fund contribution may be altered so long as the percentage for subsidy is not less than 60% for any year.

(3) the percentage of Rent Rebate Subsidy payable for any year beginning with 1982/83 may be at a rate other than 75%, provided it is not less than 60% for any year;
the percentage of Rent Allowance Subsidy payable for any year beginning with 1982/83 may be at a rate other than the rate for 1981/82 (see paragraph 13 above) provided it is not less than 60% for any year;

there may be an extension of the period for which Rising Costs Subsidy and the associated rate fund contribution may be payable;

a fixed amount may be excluded from the increase in reckonable expenditure per dwelling towards which Rising Costs Subsidy and the associated rate fund contribution become payable for any year beginning with 1982/83.

The termination of existing housing subsidies

Apart from improvement contributions and the exceptions in paragraph 27 below, existing housing subsidies will cease to be payable for 1972/3 and subsequent years. As DOE Circular 39/71 and Welsh Office Circular 78/71 explain, any outstanding claims for subsidy under Acts prior to the Housing Subsides Act 1967 should be submitted by 8 October 1971 in order to ensure that the authority's full entitlement to such subsidies is taken into account both in winding up the existing subsidy system and in establishing the authority's entitlement to Residual Subsidy in the new system. Claims for subsidies under the 1967 Act in respect of dwellings completed up to and including 31 March 1972 should be submitted by the date on which the legislation comes into effect. No subsidy under the 1967 Act will be payable in respect of dwellings completed after 31 March 1972.

To facilitate the settlement of claims for existing subsidies the Secretaries of State will take power to settle on the basis of estimates outstanding claims in respect of which an application for subsidy has been submitted by the stipulated date.
26. Contributions which county councils are now required to make to a housing authority's HRA, contributions by a sending authority to a receiving authority under section 9 of the Housing Subsidies Act 1967 and contributions to an authority under section 18 of the 1967 Act will also cease to be payable for 1972/3 and subsequent years.

27. Recipients of payments from a local authority (whether these are Exchequer contributions passed on by the authority or additional contributions made by the authority under an agreement with the recipient) under section 2 of the Housing etc Act 1923, section 2 of the Housing (Financial Provisions) Act 1924, section 3 of the Housing (Financial Provisions) Act 1938 and section 46 of the Housing (Financial Provisions) Act 1958 will be allowed to opt, not later than 31 March 1974, to receive a capitalised sum in respect of payments which might otherwise have been received in respect of any period of entitlement remaining after 31 March 1974. Such capitalised sums will be based on 50% of the outstanding entitlement to allow for periods in respect of which, if a capitalised payment had not been made, no annual payment would have fallen due because the conditions attaching to its payment had not been observed. If the recipient does not opt for a capitalised payment, annual payments under the existing law will continue. Recipients who opt to receive a capitalised payment will be freed from any restriction as to the rent charged for the dwelling on which the annual payment is now conditional.

28. Houses acquired for "patching" under section 13 of the Housing (Financial Provisions) Act 1958 will be taken out of the HRA for 1972/3 and subsequent years. Where houses have already on that date been approved under section 13 of the Act, the site contribution will be treated as if it had been limited to a 10-year period; and any annual contributions
in respect of any unexpired period of the 15-year period for patching grant, will be compounded and a capitalised payment will be made. Where an authority has taken possession of dwellings for patching before 1 April 1972 but these have not at that date been approved under section 13 of the 1958 Act, the Secretary of State will have power to determine the amount of the capitalised sum on the same basis as for approved dwellings.

Temporary bungalows

29. Unless a local authority has submitted an application for their demolition before the new legislation comes into effect, temporary bungalows standing on land owned by the authority will become the authority's property and responsibility as from that date; no further payments or recoveries will be made by the Secretary of State in respect of those dwellings after that date, nor in respect of temporary bungalows standing on land leased by the local authority.

Government war buildings

30. No further payments or recoveries will be made by the Secretary of State in respect of these buildings after the date on which the new legislation takes effect and those standing on land owned by the local authority will become their property from that date.

E2 houses

31. These aluminium bungalows were provided under Section 92 of the Housing Act 1964. Except where a local authority has submitted an application for their demolition before the date on which the new legislation takes effect, the Secretary of State will not from that date be responsible for undertaking the demolition of such dwellings; nor will he have any right to the proceeds of the disposal of materials from dwellings demolished after responsibility for them has passed to the local authority.
Other recoveries by the Secretary of State

32. For any year after 1971/72 the Secretary of State will not recover any contributions under section 9 of the Housing Subsidies Act 1956, section 17 of the Housing Subsidies Act 1967, or section 11(4) of the Requisitioned Houses and Housing (Amendment) Act 1955.

New Towns

33. The arrangements for subsidies and rent rebates set out in this Appendix will generally apply to New Town development corporations and to the Commission for the New Towns. But the corporations and the Commission will not receive the Operational Deficit, Town Development, Rent Allowance and Slum Clearance subsidies as these subsidies are not appropriate to the circumstances of new towns. The new towns will be required to keep a Housing Account in a form similar to a local authority's Housing Revenue Account. They will make contributions to it from their General Revenue Account equivalent to the rate fund contributions to be made by local authorities and supplementary grants under new towns powers will be paid to the corporations and the Commission to make good these contributions. Any contributions by new towns to local authorities now made in order to facilitate comparable levels of rent will be phased out, as this object will be achieved by the application of the fair rent principle.