1. On 30 June, the Home and Social Affairs Committee agreed that draft White Papers on the Reform of Housing Finance should be brought before the Cabinet.

2. I attach the draft White Paper for Scotland. It sets out the policies for Scotland previously agreed in Home Affairs Committee and Cabinet (CM(70) 34th Conclusions, Minute 9, CM(71) 17th Conclusions, Minute 7).

3. The proposals for rents in the private sector are the same for Scotland as for England and Wales. They provide for the conversion of the remaining controlled tenancies to rent regulation and for the payment of rent allowances to private tenants with low incomes. The average rent of controlled tenancies in Scotland is at present only 25p a week, and the average fair rent of the properties concerned may be about £1 a week. Any increase of more than 50p will be phased over up to two years. For employed tenants with gross incomes below supplementary benefit level, rent allowances may be paid amounting to the whole of the fair rent. The rents of other low income tenants will be covered by supplementary benefit.

4. The Home Secretary is circulating a paper drawing attention to the main issues affecting the timing of the publication of White Papers.

G C

Scottish Office SW1

5 July 1971
1. As announced in Parliament on 3 November 1970, it is the Government's intention to reform the system of housing finance so as to ensure that Government assistance is directed to those authorities and tenants in greatest need. In addition, the Government's aim is to relieve the very heavy burden of housing expenditure borne by Scottish ratepayers - many of whom are themselves tenants of public authority houses. There have been detailed discussions with the local authority associations about the most satisfactory way of achieving these objectives, and this White Paper sets out the basis for legislation on which the Government has decided in the light of these discussions.

THE EXISTING SYSTEM

2. The present system of housing subsidies originated in 1919 because of the need for houses to relieve the very bad housing conditions of the lower income groups which was revealed by a Royal Commission in 1917. The chosen method of providing the houses was by Government financial assistance to local authorities, to enable them to build and let the houses at below cost rents. After the Second World War, council houses were made available to all sections of the community. Houses provided by public authorities now represent about half of all houses in Scotland, and the financial circumstances of council tenants vary greatly.

3. These changes in the character of public sector housing have not however been reflected in the financing of it. Rents have been kept artificially low by Government subsidies heavily augmented by contributions from the rates; and these subventions have not been related to authorities' or tenants' needs. Of the total expenditure on local authority housing in Scotland in 1969-70, only 40% was met by rents and 60% by other payments (37% from ratepayers, 23% from taxpayers). These payments represent a large and rapidly growing burden on the ratepayer and the taxpayer; in 1969-70, for local authority houses, they amounted to £42m from the rates and £28m from taxes. In addition, Government subsidies amounting to over £7.5m were paid to New Town Corporations in Scotland and to the Scottish Special Housing Association.

4. These large subsidies are indiscriminate in two respects. In the first place they are not distributed so as to relieve the housing problems of the
worst areas: the amounts paid to particular local authorities depend largely on the history of council house building in the area and do not necessarily bear any relation to current needs. Secondly, the rents paid by tenants are not related to their capacity to pay: help is given through low rents to some who do not need it, but is not available to all who do. In Scotland, the average local authority rent in 1970 was £74 per annum (£1.42 per week) compared with an average of £116 per annum (£2.23 per week) in England and Wales.

5. The artificially low rent level in the public sector discourages the supply of modern houses in Scotland for purchase or for private letting. There has therefore been increasing dependence on public sector housing, which is distorting the housing pattern and is a discouragement to new firms and new industry which are needed for Scotland's industrial development. Also, due to the low rental income, it has necessitated ever growing charges falling both on the ratepayer and the taxpayer. The present system of rent control in the private sector is creating new slums at the very time when local authorities are replacing existing slums by new houses. In addition, there is at present no help available in the form of rent rebates to the tenants of privately rented accommodation.

THE NEW SYSTEM

6. The Government's proposals are designed to alter this indiscriminate subsidy system so that assistance is directed to areas with housing problems and to tenants who need help. A new system for fixing the rents of public sector houses will be introduced; rents will be increased over a period by a series of reasonable annual steps, and a national rent rebate and allowance scheme will be introduced to ensure that those who cannot afford the new rents will not suffer. Rent allowances under this scheme will also be available to tenants of privately rented unfurnished accommodation who need help.

7. The additional rent income from local authority houses will be used in part to relieve the ratepayers of the heavy payments they are at present making towards deficits on housing accounts. At the same time the basis of Government subsidies will be altered. Existing subsidies will be extinguished over a transitional period and will be replaced by subsidies to meet the greater part of the cost of the rent rebate and allowance scheme, and by new subsidies to assist those authorities with continuing housing needs who must incur heavy
expenditure in the future. These will consist of a housing expenditure subsidy to assist authorities whose costs are increasing rapidly; a high cost subsidy, for authorities with high overall housing costs; and a slum clearance subsidy. The various grants for the improvement and conversion of houses by local authorities and by private persons will be unaffected by these arrangements, and will continue to be dealt with separately.

DETERMINATION OF RENT

8. It is proposed that each local authority should be required to fix the standard rents of its houses in such a way that by the end of the transitional period the total rental income obtained by the authority, together with the subsidies on housing expenditure described below, meets the total expenditure falling on the housing revenue account. Within the framework set by this level of rental income, each local authority will be free to fix the individual rents of its houses to take account of differences in situation, age and amenity. This system will ensure that tenants who are able to pay the full standard rent without the need of a rebate will not be subsidised unnecessarily by the ratepayer and the taxpayer. They will however be protected against rising building costs through the new subsidies on housing expenditure (see paragraphs 15, 16 and 17). The pooling of costs over the whole of an authority's housing stock, together with the freedom to fix individual rents, should ensure that tenants do not pay a higher rent than is justified by the equality of the houses they occupy. Also, the amount by which rents may rise each year will be limited (para 13).

9. The Secretary of State intends to keep this arrangement under review and to consider, not later than the financial year 1975-76, the possibility of moving to a "fair rents" basis for local authority houses.

RENT REBATES

10. It is an essential part of the Government's plan that no tenant should be required to pay more rent than he can reasonably afford. Local authorities in Scotland will therefore be placed under a duty to operate a rent rebate scheme which will be prescribed by the Secretary of State. In considering the form and content of such a scheme, the Government have been greatly assisted by the Scottish Housing Advisory Committee report "Rent Rebates for Council Tenants", and by detailed discussions with the local authority associations. In the light of
these considerations, and of the relationship with other income-related benefits, the Secretary of State proposes that the rebate scheme should take the form given in Appendix A. In general this will mean that all those with below average incomes will be protected by rent rebates which will be largely financed by the Government. Provision will be made in the legislation for the scheme to be kept under review and adjusted from time to time in consultation with the local authorities.

11. The cost of rebates will be eligible for Government subsidy and this subsidy will be one of the main means of redirecting Government assistance towards those in need. In 1972-73, the first year of the new arrangements, the subsidy will represent 90% of the cost of rebates; in 1973-74 85%; in 1974-75 80%; and in 1975-76 and subsequent years 75%. The remainder of the cost will be met by a specific charge on the rates, and not from the housing revenue account. The number and size of the rebates given in any particular authority's district will consequently not affect the standard rents charged in that district.

THE EFFECT ON TENANTS

12. In 1970 the average standard rent of a local authority house in Scotland was £74 per year (£1.42 per week). If local authorities had balanced their accounts in 1969-70 the average standard rent (i.e. before taking account of rebates) in 1970 would have been about £160 a year (£3.10 per week) with the figures for the major housing authorities lying between £145 a year (£2.90 per week) and £185 a year (£3.55 per week). The subsidies described in paragraphs 16 and 17 below, had they been in operation, would have reduced these figures substantially. The tenant in need would have had his rent further reduced by rebate. For example, a married tenant with 3 children, earning £1,300 a year (£25 a week) would have had a rebated rent of £90 a year (£1.75 per week).

13. There will be transitional arrangements to ensure that the tenants who can reasonably afford the new rents without requiring a rebate do not face unreasonably sharp increases, but have time to adjust their family budgets so as to absorb the increased rents. It is proposed that increases in standard rents should be limited to an average of £26 per annum (50p per week) in any one year and that no individual tenant should have his rent increased by more than £39 per annum (75p per week) in any year.
14. Special provisions will be required for the first year of the new system - 1972-73. In that year, the average increase in standard rents will be limited to £24 (about 46p per week). Local authorities will have to adjust their rents by 1 October 1972, but will be able to take credit for any increase made on or after 1 October 1971. Local authorities which delay action until 1 October 1972 will face their tenants with a bigger weekly increase than those which adjust their rents earlier. A formula which ensures that the necessary additional rental income is obtained, but which leaves local authorities complete freedom to choose the time of year at which to adjust their rents, is set out in Appendix B.

NEW SUBSIDIES

15. In addition to the rebate subsidy there will be three new Government subsidies, related directly to the expenditure of local authorities on housing. These will be a housing expenditure subsidy, designed to assist those authorities which, because of a heavy building programme, have rapidly rising expenditure on the housing revenue account; a high cost subsidy, to assist authorities, particularly in the remote areas, which have considerably higher costs to bear; and a slum clearance subsidy.

16. The housing expenditure subsidy will be payable towards the amount by which expenditure on the housing revenue account rises by more than an average of £6 per house in any one year. That sum will be paid as an annual subsidy for the period and at the rates set out below:

<table>
<thead>
<tr>
<th>On the increased expenditure arising in</th>
<th>Until</th>
<th>Rate of Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
<td>1981-82</td>
<td>90%</td>
</tr>
<tr>
<td>1973-74</td>
<td>1981-82</td>
<td>85%</td>
</tr>
<tr>
<td>1974-75</td>
<td>1981-82</td>
<td>80%</td>
</tr>
<tr>
<td>1975-76</td>
<td>1981-82</td>
<td>75%</td>
</tr>
<tr>
<td>1976-77</td>
<td>1981-82</td>
<td>75%</td>
</tr>
<tr>
<td>1977-78</td>
<td>1982-83</td>
<td>75%</td>
</tr>
<tr>
<td>Subsequent years</td>
<td>For five years</td>
<td>75%</td>
</tr>
</tbody>
</table>

The purpose of this subsidy is to delay the impact of increased housing expenditure so that it does not have an immediate effect on the level of standard rent. The £6 per house element will be met from rental income (see paragraph 21), and the balance which is not met by Government subsidy, from the rate fund.

5.

CONFIDENTIAL
17. Where a local authority, because of a consistently high level of expenditure on its housing revenue account, would have to charge unduly high standard rents the **high cost subsidy** will be paid. This subsidy will be equal to 75% of the amount required to reduce the rents to a fixed amount above the Scottish average, the remaining 25% of the difference being contributed by the rates. The standard rent level at which the subsidy will become payable will initially be £39 above the Scottish average. It is unlikely that any authorities will in practice qualify for this subsidy within the next two or three years and it is intended to review this threshold figure in 1975-76 when the Secretary of State will be reviewing the rent basis for local authority houses (paragraph 9).

18. The **slum clearance subsidy** will give direct financial help to those authorities which still have to close or demolish houses that do not meet the tolerable standard laid down in the Housing (Scotland) Act 1969. Slum clearance expenditure will be accounted for separately from the housing revenue account and the subsidy will be calculated on expenditure incurred in demolishing property comprising houses below the tolerable standard and on the cost of making payments for well maintained houses (under section 11 of the 1969 Act) and payments to owner occupiers (under section 18 of that Act). The amount of the Government subsidy will be 75% of such expenditure, the remainder being met from the rates. Land transactions, both expenditure on the purchase of land for slum clearance and income from the sale of cleared land, will be excluded from the grant calculation, but expenditure incurred in paying compensation for disturbance etc to owners of commercial premises necessarily demolished will be included. So that immediate encouragement is given to local authorities, it is proposed that this subsidy will be paid in 1972-73 on slum clearance expenditure incurred in the current financial year (1971-72).

**TRANSITIONAL ARRANGEMENTS**

19. The new arrangements will start to come into operation in the course of the local authority financial year 1972-73. In that year the first rent increases will be made and the new rent rebate scheme will be brought into operation. At the same time the first instalment of existing subsidies and rate fund contributions will be withdrawn and the initial payments of the new subsidies will be made. This will be followed by a transitional period during which the standard rents will be rising, by stages indicated in paragraph 13, to the level necessary to balance
housing revenue accounts after taking account of the new subsidy payments which will be established; and during which the existing rate fund contributions and subsidies will be extinguished. The length of this transitional period will vary between authorities, depending on the time required for each to balance its accounts. In the majority of cases balance will be reached in 1975-76 or 1976-77, but a few authorities will reach balance earlier and some will take a year or two longer.

20. In order to establish the rate of reduction of the existing subsidies (as they are replaced by the new subsidies), a calculation will be made for each local authority at the end of the financial year 1971-72 to establish its total entitlement to all housing subsidies (except improvement grants - see paragraph 7). Included in this amount will be the subsidy entitlement under the Housing (Financial Provisions) (Scotland) Act 1968 for all houses included in proposals submitted to the Secretary of State before 1 December 1971. The subsidy entitlement for any houses submitted before that date which are not completed when the new arrangements come into operation will be calculated as if they had been completed in the financial year 1971-72. The total entitlement to existing subsidies established in this way, less an amount equal to £9 per house, will be paid to local authorities in 1972-73. In subsequent years the amount will be reduced annually by £10 per house until it is extinguished (paragraph 7).

21. The additional rental income resulting from the progression to the new levels of standard rent (paragraph 13) will be available to reduce rate-borne deficits on housing revenue accounts in addition to covering the reduction in particular subsidies referred to above and up to £6 per house of normal increases in expenditure. Any further increases in expenditure will be met by the arrangements for housing expenditure subsidy set out in Paragraph 16.

OVERSPILL

22. Overspill receiving authorities will be able to include in their subsidy entitlement, described in the paragraphs above, the amounts to which they are entitled of Government overspill subsidy and of the matching contributions from exporting authorities, both of which will cease under the new system. For the future local authorities will be able to reach agreements on a voluntary basis for payments from exporting to receiving authorities, the precise nature of which they will be free to determine. In certain circumstances these might, for example,
cover the rate-borne costs of rebates to overspill tenants. 25% of the amount of any such contributions will qualify for housing expenditure subsidy (paragraph 16) to the exporting authority. Town Development grants will remain unaffected.

TOWNS AND THE SCOTTISH SPECIAL HOUSING ASSOCIATION

21. Similar arrangements applying to their special circumstances will be made for the finance of housing built by the New Town Development Corporations and the SSHA, and their tenants will be eligible for rent rebates on the same scale. In the case of these tenants, however, the whole cost of rent rebates will be met by the Government and no part of the cost of rebates will fall on the local authority in whose area the tenant lives. The system of fixing rents will also be kept under review (see paragraph 9).

TELENTS OF PRIVATE LANDLORDS

24. Until now rent rebates have generally been available only to council tenants. The Government propose to extend this principle by giving help through a new system of rent allowances to the tenants of private landlords. These allowances will be calculated on exactly the same basis as rent rebates for council tenants (Appendix A). The cost of allowances including the cost of administering them will be shared between the local authorities and the Government on the same basis as the cost of rent rebates: that is, in the first year, 90% of the cost will be met by the Government, reducing by 5% each year until the grant is at 75% by 1975-76.

25. In order to ensure that rent allowances are not paid to assist tenants to meet excessive rents, it will be a condition of their payment that the rent of the house had been registered by the Rent Officer, or that the local authority is satisfied that the rent does not exceed a fair rent.

26. The introduction of rent allowances for the tenants of private landlords will make it possible to speed up the conversion of the remaining controlled tenancies to rent regulation. The average rent of controlled tenancies in Scotland is still as low as 25 pence a week, and there has been no opportunity for the landlords of controlled tenancies to receive any increase in rent since that provided for in the Rent Act 1957. This situation has caused stagnation and decay in the case of many houses where the owner has limited resources, because such owners have been unable to maintain them in proper condition. As a result, the living conditions of many tenants have seriously deteriorated. The Government therefore propose to provide for controlled tenancies to be converted to rent regulation in stages, according to rateable value over a period of about 3 years. The resultant increased rents will be phased over a 2 year period.
27. The Government consider that, as recommended by the Francis Committee, it should be possible for a landlord and tenant to agree a rent if they wish to do so without going to the Rent Officer. They therefore propose that for regulated tenancies for which no rent has been registered, or for which the registered rent is more than three years old, a new rent can be charged following an agreement between the parties. It will be necessary to ensure that such an agreement is freely made and there will therefore be safeguards. In the case of controlled tenancies converted under the arrangements outlined in paragraph 26 above, the agreement will have to be in a prescribed form and lodged with the Rent Officer, who will have power to look into the case if the agreed rent appears excessive. In other cases the agreement will have to be in writing, and in every case, either party will retain the right to apply to the Rent Officer, at any time, for a fair rent to be fixed.

HOUSING ASSOCIATIONS

28. Housing associations in receipt of subsidy through authorised arrangements with local authorities under section 153 of the Housing (Scotland) Act 1966 at present own about 2,000 houses in Scotland. Their subsidies, like those paid to local authorities, will be progressively withdrawn over a period. To replace these, associations will be able to increase their rents up to the "fair rent" as determined by the Rent Officer, and their tenants will become eligible for the same rent allowance as tenants of private landlords. If in any year the costs of an association exceed the income derived from fair rents, the rate of subsidy withdrawal will be reduced. For housing associations building in the future there will be a subsidy related to any deficit arising where the income from fair rents does not cover the initial annual expenditure.

MISCELLANEOUS

29. It is also proposed to introduce a number of miscellaneous minor changes. These will include a relaxation of the conditions attaching to the payment of improvement grants to private persons, and the ending of grants for new house building by private persons for members of the agricultural population.

30. So that policies remain responsive to changing conditions and circumstances the Secretary of State intends to review all the proposed new provisions at the same time as he reconsiders the basis of rent fixing for local authorities, not later than 1975-76.
THE NEW POLICIES IN THEIR SETTING

31. These reforms, important in themselves, are only one part of the Government's plans for raising the standard of Scottish housing. They will progressively eliminate the financial distortions which over the years have tilted the balance against owner-occupation; and, along with other measures which are being and will be taken, they will give an increasing number of families greater freedom in the choice of their home. At the same time, the remaining heritage of bad housing will be strenuously attacked, by accelerated slum clearance, by new public authority building where it is needed, and by the improvement both of individual houses and of whole housing areas. Taken together, these policies are calculated as best to meet the urgent housing needs of Scotland today and the expected requirements of the next decade.
1. The Scheme will be prescribed by the Secretary of State and all local authorities will be under a statutory duty to operate it both for their own tenants and, as a rent allowance scheme, for tenants of private unfurnished accommodation. Subject to the consent of the Secretary of State local authorities will be able if they wish to vary the provisions of the scheme to be more favourable to tenants provided that the cost is not thereby increased by more than 10%. The cost of such a variation will not count for subsidy. The major provisions of the scheme which it is intended to prescribe are set out below.

2. Assessment of eligibility for a rent rebate or allowance will be based on:
   a. the aggregated gross income of the tenant and where applicable of his wife;
   b. the number of dependants of the tenant; and
   c. the number of non-dependent adults in the tenant's household.

3. From the aggregate gross income of the tenant and his wife the following fixed amounts will be deducted. (These amounts will be prescribed in the scheme but will be variable by order.)
   i. for a single tenant £9.50 per week
   ii. for a married couple £13.50 per week
   iii. where the wife is earning - First £2.50 per week of her income
   iv. the first £2 per week of any pension paid to the tenant or his spouse on account of disablement; or of any excess of war/industrial injuries widows' pension over national insurance widows' pension,
   v. for each child under the age of 18 or in full-time education £2.50 per week

Where the tenant or his spouse is blind the deduction from income will be increased by £1.25 (where both are blind, the increase will be £2.00).

4. After adjustment of the aggregate gross income under paragraph 4 above, the resultant net figure ("reckonable income") is the basis of the calculation of rebated rent. Every tenant will pay a minimum rent (see paragraph 6 below); if the tenant's reckonable income is nil, he will pay only the minimum rent; in all other cases, the amount of rent payable (subject to paragraph 8 below) will be the minimum rent plus 17% of the reckonable income.

*Footnote: For example, local authorities may wish to disregard the full amount of war pensions.

1.
ADJUSTMENTS FOR NON-DEPENDANTS

The following fixed amounts will be added to the rebated rent (but not so as to exceed the standard rent of a council house or the fair rent of a privately let house) for each person living in the tenant's house who is not dependent on him:

i. for each person aged 18 or over not undergoing full-time education or training £1.50 per week

ii. for each person of pensionable age and not in receipt of supplementary benefit £1.00 per week (except that where two such non-dependants are husband and wife the combined amount for both is to be £1.50)

iii. for each person in receipt of supplementary benefit - £0.65 per week (for this purpose a husband and wife will count as one non-dependent).

MINIMUM RENT AND MAXIMUM REBATE

The minimum rent for a house (payable both by tenants whose reckonable income is nil and by other tenants as a component of rebated rent) will be the higher of £1.00 or 40% of the standard rent of a council house or of the fair rent of a privately let house. No rebate or allowance will be payable if the amount is less than 20p per week, and the maximum rebate or allowance payable will be £6.50 per week.

ADDITIONAL REBATE FOR LOW INCOME TENANTS

Where a tenant in employment has a gross income which is less than the sum of his allowances under paragraph 4, the minimum rent will be adjusted by an additional rebate of 25% of the difference between these income allowances and the aggregate gross income. Any additions for non-dependants will be added to the adjusted minimum rent.

SUPPLEMENTARY BENEFIT RECIPIENTS

The rebate and allowance arrangements will apply to tenants in receipt of supplementary benefit. Arrangements for dealing with such tenants at present vary, but many local authorities do not give them rebates at all. Under the new arrangements, where the cost of the rebate scheme will be shared by the Government and the local authority this would be inappropriate. The intention is that the local authority should charge a tenant in receipt of supplementary benefit the appropriate minimum rent (para 6). That amount of rent, together with the relevant rates, will be taken into account by the Supplementary Benefits Commission, in the allowance they pay. Suitable administrative arrangements will be made so that the tenant does not have to apply separately for his supplementary benefit and his rent rebate or allowance.
SPELLEW CALCULATION OF A REBT REBATE

9. The following example illustrates how the scheme will work for a married couple, the wife working part-time, with three children of school age.

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Item</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Husband's weekly gross income</td>
<td>£25</td>
</tr>
<tr>
<td></td>
<td>Wife's weekly gross income</td>
<td>£5</td>
</tr>
<tr>
<td>2</td>
<td>Total weekly household gross income</td>
<td>£30 A (£1,560 per annum)</td>
</tr>
<tr>
<td>4</td>
<td>Income Allowances:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Married Couple</td>
<td>£13.50</td>
</tr>
<tr>
<td></td>
<td>Wife's Income Allowance</td>
<td>£2.50</td>
</tr>
<tr>
<td></td>
<td>Children's Allowance</td>
<td>£7.50</td>
</tr>
<tr>
<td></td>
<td>Total Income Allowance</td>
<td>£23.50  B</td>
</tr>
<tr>
<td>5</td>
<td>Therefore Total Reckonable Income</td>
<td>£6.50 C (ie A - B)</td>
</tr>
<tr>
<td>7</td>
<td>If the standard rent is £22.50, the minimum rent is £1 D</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Therefore, the rebated rent payable (D + 17% of C) is £2.10 E</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>If the standard rent assumed is £23.50, the minimum rent (40% of £23.50) is £1.40 F</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Therefore, the rebated rent payable (F + 17% of C) is £2.50 G</td>
<td></td>
</tr>
</tbody>
</table>

10. The following table shows the effect of the scheme for tenants with various financial and family circumstances at different levels of standard rent.
REBATED RENT PAYABLE AT THE FOLLOWING LEVELS OF STANDARD RENT:

<table>
<thead>
<tr>
<th>Gross Income weekly (annual)</th>
<th>£1.50</th>
<th>£2.00</th>
<th>£2.50</th>
<th>£3.00</th>
<th>£3.50</th>
<th>£4.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>1.08</td>
<td>1.08</td>
<td>1.08</td>
<td>1.23</td>
<td>1.48</td>
<td>1.68</td>
</tr>
<tr>
<td>Married</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.32</td>
<td>0.52</td>
<td>0.72</td>
</tr>
<tr>
<td>No</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Children</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

| £20 (£1040)                 | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| Married                     | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| No                          | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| Children                    | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |

| £30 (£1560)                 | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| Married                     | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| No                          | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| Children                    | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |

| £40 (£2080)                 | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| Married                     | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| No                          | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
| Children                    | 1.50  | 2.00  | 2.50  | 3.00  | 3.50  | 4.00  |
APPENDIX B

RENT INCREASES IN THE FIRST YEAR OF THE NEW SYSTEM

1. The special arrangements for the first year of the new system - 1972-73 - referred to in paragraph 14 are set out below. They will require authorities to adjust rents by October 1, 1972 but enable them to take credit for any rent increases made from 1 October 1971 and so plan ahead in the interests of their tenants. Authorities who take no action until 1 October 1972 will face their tenants with a bigger weekly increase at that date than those who adjust rents earlier. These arrangements also leave local authorities free to choose the time of year at which to adjust their rents; once the increase date is chosen, it will apply in each subsequent year until the housing revenue account is balanced.

2. The requirements are as follows:
   i. The local authority must adjust its rents before 1 October 1972 in order to obtain in the period from 1 October 1971 to the end of the financial year 1972-73, rental income which exceeds by £24 per house the income which would have been obtained if the rent charged had been that passing before 1 October 1971.
   ii. At the end of 1972-73 the rents must be at a level which, with a further average increase of 50p per week made on the anniversary of the previous increase, would produce rental income in 1973-74 which exceeds by £50 per house the income which would have been obtained ther if the rent charged had been that passing before 1 October 1971.
   iii. All rent increases made on or after 1 October 1972 must be one year after the preceding increase and must be an average of 50p per week until the authority reaches balance.

3. The effect of these arrangements will be that the time of year at which local authorities may make rent rises during the transition to the new system will be effectively determined by the date of their last increase before 1 October 1972. Local authorities wishing to make rent rises between October and May in 1972-73 and subsequent years will require to meet the requirements outlined above during the latter half of 1971-72. Authorities wishing to make rent rises in the period from May till October may either make increases in the latter half of 1971-72 followed by an increase on the chosen date to a level which meets the requirements, or may take no action until 1972-73 and meet the requirements by one or more increases before 1 October 1972.
The sequences of rent increases involved in these three broad options would be as follows:

a. A rent increase between 1 October 1971 and the end of 1971-72 sufficient to produce £24 per house of extra rent income by the end of 1972-73. The authority would then be required to make a further increase one year later to reach the required level. A possible sequence of increases would be about 32p in November 1971 followed by about 40p in November 1972.

b. A rent increase between 1 October 1971 and the end of 1971-72 insufficient to produce the required £24. The authority would then be required to make a further increase before 1 October 1972. A possible sequence of increases would be 20p in November 1971 followed by about 1p in September 1972.

c. No increase between 1 October 1971 and the end of 1971-72. The authority would require to make an increase before 1 October 1972. An increase of 46p in May 1972 or one of 75p on 1 October 1972 would meet the requirements.