



# Housing (Financial Provisions) (Scotland) Act 1972

1972 CHAPTER 46

## PART VI

### HOUSING ASSOCIATIONS

#### *Subsidies*

#### **51 Introduction of new subsidies for housing associations**

- (1) The following subsidies shall be payable to housing associations in the circumstances, and subject to the conditions, set out in this Part of this Act, namely—
  - (a) the basic residual subsidy ;
  - (b) the special residual subsidy ;
  - (c) the new building subsidy ;
  - (d) the improvement subsidy.
- (2) None of the subsidies may be paid for the year 1971-72, or for an earlier year.
- (3) The subsidies shall be paid by the Secretary of State out of money provided by Parliament.
- (4) Section 13 of this Act shall apply in relation to the payment of subsidies under this Part of this Act as it applies in relation to the payment of subsidies under Part I of this Act to a housing authority.

#### **52 The basic residual subsidy**

- (1) This section has effect as to the circumstances in which basic residual subsidy is payable to housing associations and also, subject to section 54 of this Act, as to the amount of basic residual subsidy so payable.

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- (2) A housing association shall be entitled to basic residual subsidy for the year 1972-73 if the association's subsidies for the year 1971-72 exceed the withdrawal factor, and the amount of the basic residual subsidy for that year shall be equal to the excess.
- (3) A housing association which is entitled to basic residual subsidy for the year 1972-73 shall also be entitled to the subsidy for any subsequent year for which the amount of basic residual subsidy payable to the association for the immediately preceding year exceeds the withdrawal factor, and the amount of the basic residual subsidy shall for each such year be equal to the amount obtained by deducting the withdrawal factor from the amount of the basic residual subsidy payable to the association for the immediately preceding year.
- (4) In this section the " association's subsidies for the year 1971-72 " means the aggregate of such sums received or to be received by the association as the Secretary of State determines and notifies the association as representing payments made or to be made to the association for the year 1971-72 under or by reference to any of the enactments described in Parts V and VI of Schedule 1 to this Act.
- (5) The withdrawal factor for the purposes of this section shall be determined, in relation to each housing association, by the Secretary of State.
- (6) For the purposes of subsection (5) above, the Secretary of State shall determine the number of houses as at the end of the year 1971-72 in respect of which the association's subsidies for the year 1971-72 are payable.
- (7) For the year 1972-73 the withdrawal factor is the sum produced by multiplying £5 by the number of houses determined under subsection (6) above.
- (8) For each year subsequent to the year 1972-73, the withdrawal factor is the sum produced by multiplying £20 by the number of houses determined under subsection (6) above.

### **53 The special residual subsidy**

- (1) This section has effect as to the circumstances in which special residual subsidy is payable to a housing association and also, subject to section 54 of this Act, as to the amount of special residual subsidy so payable.
- (2) A housing association shall be entitled to special residual subsidy for relevant works approved for subsidy before the coming into force of this Act and completed during the year 1972-73, 1973-74 or 1974-75.
- (3) In this section—
  - " approved for subsidy " means approved by the Secretary of State for the purposes of sections 1 to 12 of the Act of 1968;
  - " relevant works " means the erection of a house.
- (4) If an association complete any relevant works during any of the three years 1972-73, 1973-74 and 1974-75, being works approved for subsidy before the coming into force of this Act, they shall be entitled for that year to special residual subsidy of such an amount as in the opinion of the Secretary of State represents the financial assistance which would have been given for that year in respect of those works under sections 1 to 12 of the Act of 1968, if those sections had been in force throughout the year.

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- (5) For the purpose of calculating the amount of special residual subsidy for the year 1972-73, 1973-74 or 1974-75, the Secretary of State may adopt, after consultation with such bodies representative of housing associations as appear to him to be appropriate, a rate of interest for that year which is to be treated as if it had been specified for that year by an order made under section 2(2) of the Act of 1968 (which relates to the calculation of aggregate cost subsidies).
- (6) An association entitled under subsection (4) above to an amount of special residual subsidy for the year 1972-73 shall, in addition, be entitled—
  - (a) for the year 1973-74 to the said amount of subsidy less the reduction factor for houses completed during the year 1972-73, and
  - (b) for the year 1974-75 to the amount of subsidy payable to the association under paragraph (a) above less the reduction factor for houses completed during the year 1972-73.
- (7) An association entitled under subsection (4) above to an amount of special residual subsidy for the year 1973-74 shall, in addition, be entitled for the year 1974-75 to the said amount of subsidy less the reduction factor for houses completed during the year 1973-74.
- (8) For the year 1975-76 and subsequent years the amount of an association's special residual subsidy shall be the amount, if any, produced by deducting the reduction factor for houses completed during the three years 1972-73, 1973-74 and 1974-75 from the amount of their special residual subsidy for the immediately preceding year.
- (9) In this section " the reduction factor " for houses completed during any specified year or years means the sum produced by multiplying £20 by the total number of houses the erection of which was approved for subsidy before the coming into force of this Act and which are completed by the association during the year or years.

#### **54 Residual subsidies-supplementary**

- (1) If a housing association, by furnishing to the Secretary of State such information as to their financial position as he may require, satisfy him that for the year 1972-73 or for any year subsequent to that year their income from their houses will be inadequate, having regard to their normal sources of income, to meet such expenditure (including loan charges) as in his opinion it would be reasonable for them to incur for that year in the exercise of their housing functions, he may direct that section 52 or section 53 of this Act shall have effect in relation to that association for that year as if for any references to £5 or £20 there were substituted references to such smaller amounts as may be specified in the direction ; and the amounts which may be so substituted shall include zero.
- (2) The Secretary of State may reduce, suspend, or discontinue the payment of basic residual subsidy or special residual subsidy to a housing association if they lease or otherwise dispose of any of their houses in respect of which they are entitled to such a payment.
- (3) If any of the houses of a housing association are leased to or become vested in another housing association or trustees for another housing association, or are leased to or become vested in the Housing Corporation, the Secretary of State may pay to that association or the Corporation the whole or any part of any basic residual subsidy or special residual subsidy which he would otherwise have paid to the former association

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for any year beginning with the year in which the houses are so leased or come to be so vested.

- (4) For the purposes of this section houses are leased if and only if they are leased for a term exceeding seven years, or for a term not exceeding seven years granted by a lease which confers on the lessee an option for renewal for a term which, together with the original term, exceeds seven years.

## **55 The new building subsidy**

- (1) This section has effect, subject to section 56 of this Act, as to the circumstances in which new building subsidy is payable to a housing association and the amount of new building subsidy so payable.
- (2) A housing association shall be entitled to new building subsidy as provided by the following provisions of this section and section 56 below, in respect of a building scheme approved by the Secretary of State for the purposes of this section if they incur an initial deficit on it.
- (3) In this section and section 56 of this Act " building scheme " means a scheme approved by the Secretary of State for the erection by a housing association of a house or group of houses for the purpose of letting or for any purpose which in the opinion of the Secretary of State is comparable, and also includes the provision of other buildings or land connected with the requirements of the occupiers of the house or houses comprised in the scheme.
- (4) Subject to subsection (11) below, and to subsections (2) and (3) of section 56 of this Act, new building subsidy shall be paid to a housing association for ten years, namely the year of completion of the last or only house comprised in a building scheme (in this section referred to as the " year of completion ") and the nine years immediately following, and the amount of subsidy for a year shall be the percentage of the initial deficit shown for that year in the Table in subsection (6) below.
- (5) For the purposes of this section—
- (a) a housing association incur an initial deficit on a building scheme if their income from the scheme for the year immediately following the year of completion is less than their approved expenditure on the scheme for that year;
  - (b) the income from a building scheme for the year immediately following the year of completion is the income which would be obtained for that year from all the buildings and land comprised in the scheme, assuming, subject to subsection (8) below, that every house so comprised were let for the whole of that year at a rent equal to the amount which would be registered as a fair rent for the house under this Part of this Act;
  - (c) the approved expenditure on a building scheme for the year immediately following the year of completion is the association's expenditure on loan charges in respect of the expenditure on the scheme and on the maintenance and management of the buildings and land comprised in the scheme.
- (6) The following is the Table referred to in subsection (4) above:—

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TABLE

<i>Year for which subsidy is payable</i>	<i>Percentage of initial deficit to be met by subsidy</i>
Year of completion	100
Second	100
Third	100
Fourth	60
Fifth	60
Sixth	60
Seventh	30
Eighth	30
Ninth	30
Tenth.	10

- (7) Income from and approved expenditure on a building scheme shall be estimated in such manner and on such evidence as the Secretary of State may from time to time direct in the case of associations in general or any individual association or description of associations.
- (8) The Secretary of State may direct under subsection (7) above that paragraph (b) of subsection (5) above shall have effect with the substitution for the assumption specified in that paragraph of such other assumption as may be specified in the direction.
- (9) In any case where a housing association are entitled to new building subsidy but are precluded by their rules or constitution from charging a rent for their houses, the reference in paragraph (b) of subsection (5) above to the amount which would be registered as a fair rent shall be construed, in relation to the association's houses, as a reference to the amount which, in the opinion of the Secretary of State, would be registered as a fair rent if those houses were available for letting at a rent.
- (10) In any case to which subsection (9) above applies the Secretary of State may assume, without prejudice to subsections (7) and (8) above, that the houses would be let on such terms and in such circumstances as he considers appropriate.
- (11) The Secretary of State shall consult with such bodies representative of housing associations as he considers appropriate—
- before giving a general direction as to the method of estimating approved expenditure;
  - before determining, in any case to which subsection (9) applies, the assumptions as to letting which are to be made under subsection (10) above.
- (12) If a housing association, by furnishing to the Secretary of State such information as to their financial position as he may require, satisfy him, in relation to a building scheme, that for any year except—
- the year of completion, or
  - the second or third year for which new building subsidy is payable,

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payment of an amount of subsidy equal to the percentage of the initial deficit shown in the Table will be inadequate, having regard to their normal sources of income, to enable them to meet such expenditure (including loan charges) as in his opinion it would be reasonable for them to incur for that year in the exercise of their housing functions, he may direct that for that year the percentage of the initial deficit to be met by subsidy shall be greater than that shown in the Table but not greater than 90 per cent. or than the percentage met by subsidy for the immediately preceding year, if that was less than 90 per cent.

## **56 New building subsidy-supplementary**

- (1) The Secretary of State may make his approval of a building scheme subject to compliance by the association who apply for that approval with such conditions as he may specify.
- (2) The Secretary of State may make reduced payments of new building subsidy to a housing association in respect of a building scheme, or suspend or discontinue such payments—
  - (a) if he made his approval of the building scheme subject to compliance with any conditions and is satisfied that any of those conditions has not been complied with ; or
  - (b) if he is satisfied that a house comprised in the scheme—
    - (i) has been converted, demolished or destroyed; or
    - (ii) is not fit to be used or is not being used for the purpose for which it was intended; or
    - (iii) has been sold or leased ; or
    - (iv) has ceased for any reason whatsoever to be vested in the association or trustees for the association.
- (3) If any of the houses comprised in a building scheme are leased to or become vested in a housing association or trustees for a housing association other than the association who received approval for the scheme, or are leased to or become vested in the Housing Corporation, the Secretary of State may pay to them the whole or any part of any new building subsidy which he would otherwise have paid for any year beginning with the year in which they are so leased or come to be so vested to the association which received approval for the scheme.
- (4) For the purposes of this section houses are leased if and only if they are leased for a term exceeding seven years, or for a term not exceeding seven years granted by a lease which confers on the lessee an option for renewal for a term which, together with the original term, exceeds seven years.

## **57 The improvement subsidy**

- (1) This section has effect as to the circumstances in which improvement subsidy is payable to a housing association and the amount of improvement subsidy so payable.
- (2) A housing association shall be entitled to improvement subsidy as provided by the following provisions of this section in respect of an improvement scheme approved by the Secretary of State for the purposes of this section if they incur an initial deficit on it.
- (3) In this section " improvement scheme " means a scheme approved by the Secretary of State for the provision of a house or group of houses by a housing association by

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means of the conversion of houses or other buildings, or for the improvement of a house or group of houses by a housing association, for the purpose of letting or for any purpose which in the opinion of the Secretary of State is comparable.

- (4) Subsections (4) to (12) of section 55, and section 56, of this Act shall apply to improvement subsidy as they apply to new building subsidy except that—
- (a) for any reference to a building scheme there shall be substituted a reference to an improvement scheme;
  - (b) in subsection (4) of section 55 after the words " section 56 of this Act", there shall be inserted the words " as applied by section 57 of this Act ";
  - (c) in paragraph (b) of section 55(5) for the words " buildings and land " there shall be substituted the word " houses ";
  - (d) in paragraph (c) of section 55(5), at the beginning there shall be inserted the words " subject to subsection (5) of section 57 of this Act ", for the words " buildings and land" there shall be substituted the word " houses " and at the end there shall be added the words " and includes any expenditure incurred by the association in acquiring interests in land for the purpose of giving effect to the scheme ".
- (5) Where an exchequer contribution is payable under section 16 or 17 of the Act of 1968, or an improvement grant or a standard grant has been made to a housing association under section 27 or 40 of the Act of 1968 respectively, towards the cost of works of conversion for the provision of a house, or of improvement of a house, comprised in an improvement scheme, then the cost of such works shall not be included in the approved expenditure on the improvement scheme for the purposes of this section.
- (6) Where improvement subsidy is payable to a housing association in respect of a house comprised in an improvement scheme, then no exchequer contribution shall be payable under section 16 or 17 of the Act of 1968, and a local authority shall not approve an application by the housing association for an improvement grant or a standard grant under section 27 or 40 of the Act of 1968 respectively, towards the cost of works of conversion for the provision of such a house or of improvement of such a house.