

SCHEDULES

SCHEDULE 1

Sections 6, 9.

GRANT-AIDED LAND

Definition of " grant-aided land "

- 1 For the purposes of section 9(1)(b) (control by Corporation of dispositions of land by unregistered housing associations) " grant-aided land " means land—
- (a) in respect of which a payment of a description specified in paragraph 2 falls or fell to be made in respect of a period ending after 24th January 1974, or
 - (b) on which is, or has been, secured a loan of a description specified in paragraph 3 in respect of which a repayment (by way of principal or interest or both) falls or fell to be made after 24th January 1974.

Payments

- 2 The payments referred to in paragraph 1(a) are—
- (a) payments by way of annual grants or exchequer contributions under—
section 31(3) of the Housing Act 1949,
section 19(3) of the Housing (Scotland) Act 1949, or
section 121(3) of the Housing (Scotland) Act 1950 (arrangements by local authorities for improvement of housing accommodation);
 - (b) payments by way of annual grants or exchequer contributions under—
section 12(1) or 15 of the Housing (Financial Provisions) Act 1958,
section 89(1) of the Housing (Scotland) Act 1950,
section 12 of the Housing (Scotland) Act 1962, or
section 21 of the Housing (Financial Provisions) (Scotland) Act 1968
(contributions for dwellings improved under arrangements with local authorities or grants for hostels);
 - (c) payments by way of annual grant or exchequer contributions under—
section 12(6) of the Housing Subsidies Act 1967,
section 121 of the Housing (Scotland) Act 1950,
section 62 of the Housing Act 1964, or
section 17 of the Housing (Financial Provisions) (Scotland) Act 1968
(subsidies for conversions or improvements by housing association);
 - (d) payments by way of annual grant under—
section 21(8) of the Housing Act 1969 (contributions for dwellings provided or improved by housing associations under arrangements with local authorities) ;
 - (e) payments by way of subsidy under—
section 72, 73, 75 or 92 of the Housing Finance Act 1972,

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section 52, 53, 55 or 57 of the Housing (Financial Provisions) (Scotland) Act 1972, or
 Parts I, II, VI and VII of Schedule 5 to this Act (basic or special residual subsidy, new building or improvement subsidy, hostel subsidy).

Loans

- 3 The loans referred to in paragraph 1(b) are—
- (a) loans under—
 - section 119 of the Housing Act 1957,
 - section 152 of the Housing (Scotland) Act 1966,
 - section 58 of this Act, or
 - section 59 of this Act
 (powers of certain local authorities to promote and assist housing associations);
 - (b) loans to housing associations under—
 - section 47 of the Housing (Financial Provisions) Act 1958,
 - section 78 of the Housing (Scotland) Act 1950,
 - section 24 of the Housing (Financial Provisions) (Scotland) Act 1968,
 - section 67 of this Act, or
 - section 68 of this Act
 (loans by Public Works Loan Commissioners to certain bodies) ;
 - (c) advances made under—
 - section 7 of the Housing Act 1961,
 - section 11 of the Housing (Scotland) Act 1962. or
 - section 23 of the Housing (Financial Provisions) (Scotland) Act 1968
 (advances to housing associations providing housing accommodation for letting) ;
 - (d) loans under—
 - section 2 of the Housing Act 1964
 (loans by Housing Corporation to housing associations).

SCHEDULE 2

Section 11.

FURTHER PROVISIONS AS TO CERTAIN DISPOSALS OF HOUSES

Repayment of discount on early disposal

- 1 (1) This paragraph applies where, on a disposal of a house under section 8, in accordance with a consent given by the Housing Corporation under section 9, a discount has been given to the purchaser by the housing association ; but this paragraph does not apply in any such case if the consent so provides.
- (2) On the disposal the conveyance, grant or assignment shall contain a covenant binding on the purchaser and his successors in tide to pay to the housing association on demand, if within a period of five years there is a relevant disposal which is not an

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exempted disposal (but if there is more than one such disposal then only on the first of them), an amount equal to the discount reduced by 20 per cent. for each complete year which has elapsed after the conveyance, grant or assignment, and before the further disposal.

Liability to repay is a charge on the premises

- 2 (1) The liability that may arise under the covenant required by paragraph 1 is a charge on the house, taking effect as if it had been created by deed expressed to be by way of legal mortgage.
- (2) The charge has priority immediately after any legal charge securing an amount—
- (a) left outstanding by the purchaser, or
 - (b) advanced to him by an approved lending institution for the purpose of enabling him to acquire the interest disposed of on the first disposal, or
 - (c) further advanced to him by that institution ;
- but the housing association may at any time by written notice served on an approved lending institution postpone the charge taking effect by virtue of this paragraph to a legal charge securing an amount advanced or further advanced to the purchaser by that institution.
- (3) A charge taking effect by virtue of this section is a land charge for the purposes of section 59 of the Land Registration Act 1925 notwithstanding subsection (5) of that section (exclusion of mortgages), and subsection (2) of that section applies accordingly with respect to its protection and realisation.
- (4) The approved lending institutions for the purposes of this paragraph are—
- a building society,
 - a bank,
 - a trustee savings bank,
 - an insurance company,
 - a friendly society,
 - the Housing Corporation
- and any body specified, or of a class or description specified, in an order made under section 156 of the Housing Act 1985 (which makes provision in relation to disposals in pursuance of the right to buy corresponding to that made by this paragraph).

Restriction on disposal of houses in National Parks, etc.

- 3 (1) Where a conveyance, grant or assignment executed under section 8 is of a house situated in—
- (a) a National Park,
 - (b) an area designated under section 87 of the National Parks and Access to the Countryside Act 1949 as an area of outstanding natural beauty, or
 - (c) an area designated as a rural area by order under section 157 of the Housing Act 1985 (which makes provision in relation to disposals in pursuance of the right to buy corresponding to that made by this paragraph),
- the conveyance, grant or assignment may (unless it contains a condition of a kind mentioned in section 33(2)(b) or (c) of the Housing Act 1985 (right of pre-emption or restriction on assignment)) contain a covenant limiting the freedom of the purchaser

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(including any successor in title of his and any person deriving title under him or such a successor) to dispose of the house in the manner specified below.

- (2) The limitation is that until such time (if any) as may be notified in writing by the housing association to the purchaser or a successor in title of his, there will be no relevant disposal which is not an exempted disposal without the written consent of the housing association; but that consent shall not be withheld if the disposal is to a person satisfying the condition stated in sub-paragraph (3).
- (3) The condition is that the person to whom the disposal is made (or, if it is made to more than one person, at least one of them) has, throughout the period of three years immediately preceding the application for consent—
 - (a) had his place of work in a region designated by order under section 157(3) of the Housing Act 1985 which, or part of which, is comprised in the National Park or area, or
 - (b) had his only or principal home in such a region ;
 or has had the one in part or parts of that period and the other in the remainder; but the region need not have been the same throughout the period.
- (4) A disposal in breach of such a covenant as is mentioned in sub-paragraph (1) is void.
- (5) The limitation imposed by such a covenant is a local land charge and, if the land is registered under the Land Registration Act 1925, the Chief Land Registrar shall enter the appropriate restriction on the register of title as if application therefor had been made under section 58 of that Act.
- (6) In this paragraph " purchaser " means the person acquiring the interest disposed of by the first disposal.

Relevant disposals

- 4 (1) A disposal, whether of the whole or part of the house, is a relevant disposal for the purposes of this Schedule if it is—
 - (a) a conveyance of the freehold or an assignment of the lease, or
 - (b) the grant of a lease or sub-lease (other than a mortgage term) for a term of more than 21 years otherwise than at a rack rent.
- (2) For the purposes of sub-paragraph (1)(b) it shall be assumed—
 - (a) that any option to renew or extend a lease or sub-lease, whether or not forming part of a series of options, is exercised, and
 - (b) that any option to terminate a lease or sub-lease is not exercised.

Exempted disposals

- 5 (1) A disposal is an exempted disposal for the purposes of this Schedule if—
 - (a) it is a disposal of the whole of the house and a conveyance of the freehold or an assignment of the lease and the person or each of the persons to whom it is made is a qualifying person (as defined in sub-paragraph (2));
 - (b) it is a vesting of the whole of the house in a person taking under a will or on an intestacy;
 - (c) it is a disposal of the whole of the house in pursuance of an order made under section 24 of the Matrimonial Causes Act 1973 (property adjustment orders in connection with matrimonial proceedings) or section 2 of the Inheritance

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- (Provision for Family and Dependants) Act 1975 (orders as to financial provision to be made from estate);
- (d) it is a compulsory disposal; or
 - (e) the property disposed of is property included with the house by virtue of paragraph (b) of the definition of " house " in section 106(1) (yard, garden, outhouses, &c).
- (2) For the purposes of sub-paragraph (1)(a), a person is a qualifying person in relation to a disposal if—
- (a) he is the person or one of the persons by whom the disposal is made,
 - (b) he is the spouse or a former spouse of that person or one of those persons, or
 - (c) he is a member of the family of that person or one of those persons and has resided with him throughout the period of twelve months ending with the disposal.

Meaning of " compulsory disposa"l

- 6 In this Schedule a " compulsory disposal" means a disposal of property which is acquired compulsorily, or is acquired by a person who has made or would have made, or for whom another person has made or would have made, a compulsory purchase order authorising its compulsory purchase for the purposes for which it is acquired.

Exempted disposals which end liability under covenants

- 7 Where there is a relevant disposal which is an exempted disposal by virtue of paragraph 5(1)(d) or (e) (compulsory disposal or disposal of yard, garden etc.)—
- (a) the covenant required by paragraph 1 (repayment of discount on early disposal) is not binding on the person to whom the disposal is made or any successor in title of his, and that covenant and the charge taking effect by virtue of paragraph 2 cease to apply in relation to the property disposed of, and
 - (b) any such covenant as is mentioned in paragraph 3 (restriction on disposal of houses in National Parks, etc.) ceases to apply in relation to the property disposed of.

Treatment of option

- 8 (1) For the purposes of this Schedule the grant of an option enabling a person to call for a relevant disposal which is not an exempted disposal shall be treated as such a disposal made to him.
- (2) For the purposes of paragraph 3(2) (requirement of consent to disposal of house in National Park, etc.) a consent to such a grant shall be treated as a consent to a disposal made in pursuance of the option.

SCHEDULE 3

Section 26.

ACCOUNTING REQUIREMENTS FOR CHARITABLE HOUSING ASSOCIATIONS

Books of account, &c

- 1 (1) The association shall in respect of its housing activities—
- (a) cause to be kept proper books of account showing its transactions and its assets and liabilities, and
 - (b) establish and maintain a satisfactory system of control of its books of account, its cash holdings and all its receipts and remittances.
- (2) The books of account must be such as to enable a true and fair view to be given of the state of affairs of the association in respect of its housing activities, and to explain its transactions in the course of those activities.

Accounts and balance sheets

- 2 (1) The association shall for each period of account prepare—
- (a) a revenue account giving a true and fair view of the association's income and expenditure in the period, so far as arising in connection with its housing activities, and
 - (b) a balance sheet giving a true and fair view as at the end of the period of the state of the association's affairs.
- (2) The revenue account and balance sheet must be signed by at least two trustees of the association.

Appointment of auditor

- 3 (1) The association shall in each period of account appoint a qualified auditor to audit the accounts prepared in accordance with paragraph 2.
- (2) A person is qualified for the purposes of this paragraph if he is either a member of one of the following bodies—
- the Institute of Chartered Accountants in England and Wales,
 - the Institute of Chartered Accountants of Scotland,
 - the Association of Certified Accountants,
 - the Institute of Chartered Accountants in Ireland,
 - any other body of accountants established in the United Kingdom and recognised by the Secretary of State for the purposes of section 389(1)(a) of the Companies Act 1985.
- or is a person who is for the time being authorised by the Secretary of State under section 389(1)(b) of that Act or any corresponding earlier legislation as being a person with similar qualifications obtained outside the United Kingdom.
- (3) But none of the following shall be appointed—
- (a) a trustee, officer or employee of the association or of an associated body,
 - (b) a person who is a partner of, or in the employment of, or who employs a person within paragraph (a), or
 - (c) a body corporate ;

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and a body of persons (whether corporate or unincorporate and whether or not itself a charity) is for this purpose an associated body if it is essentially under the same management or control as the association.

- (4) A Scottish firm is qualified for appointment as auditor, notwithstanding subparagraph (3)(c), if each of the partners in it is qualified for appointment

Auditor's report

- 4 (1) The association's auditor appointed under this Schedule shall make a report to the association on the accounts audited by him.
- (2) The report shall state whether in the auditor's opinion—
- (a) the revenue account gives a true and fair view of the state of income and expenditure of the association in respect of its housing activities and of any other matters to which it relates, and
 - (b) the balance sheet gives a true and fair view of the state of affairs of the association as at the end of the period of account.

Duties of auditor

- 5 The auditor in preparing his report shall carry out such investigations as will enable him to form an opinion as to the following matters—
- (a) whether the association has kept, in respect of its housing activities, proper books of account in accordance with the requirements of this Schedule ;
 - (b) whether the association has maintained a satisfactory system of control over its transactions in accordance with those requirements, and
 - (c) whether the accounts are in agreement with the association's books;
- and if he is of opinion that the association has failed in any respect to comply with this Schedule, or if the accounts are not in agreement with the books, he shall state that fact in his report.

Auditor's right of access to books, etc.

- 6 The auditor—
- (a) has a right of access at all times to the books, deeds and accounts of the association, so far as relating to its housing activities, and to all other documents relating to those activities, and
 - (b) is entitled to require from the trustees or officers of the association such information and explanations as he thinks necessary for the performance of his duties ;
- and if he fails to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit, he shall state that fact in his report.

Periods of account

- 7 A period of account for the purposes of this Schedule is twelve months or such other period not less than six months or more than 18 months as the association may, with the consent of the Corporation, determine.

SCHEDULE 4

Sections 69, 70.

HOUSING ASSOCIATIONS: CONTINUATION OF ARRANGEMENTS UNDER REPEALED ENACTMENTS

PART I

ARRANGEMENTS WITH LOCAL AUTHORITIES FOR PROVISION OR IMPROVEMENT OF HOUSING

(ss. 120 and 121 of the Housing Act 1957)

- 1 Arrangements between a local authority and a housing association under section 120 of the Housing Act 1957 (arrangements for provision of housing) which were made before 10th August 1972 and are in force immediately before the commencement of this Act remain in force under this paragraph.
- 2 Arrangements between a local authority and a housing association under section 121 of the Housing Act 1957 (arrangements for improvement or conversion of housing) which were made before 1st April 1975 and are in force immediately before the commencement of this Act remain in force under this paragraph.

PART II

SUBSIDY AGREEMENTS WITH LOCAL AUTHORITIES

*(s. 79 of the Housing Finance Act 1972 and s. 59 of the
Housing (Financial Provisions) (Scotland) Act 1972)*

- 1 In this Part "subsidy agreement" means an agreement made between a local authority and a housing association which provides for payments to be made under or by reference to any of the following enactments—
 - section 2 of the Housing (Financial Provisions) Act 1924,
 - section 29(1) of the Housing Act 1930,
 - section 27(3) of the Housing Act 1935,
 - section 26 of the Housing (Scotland) Act 1935,
 - section 94(3) of the Housing Act 1936,
 - section 87(1) of the Housing (Scotland) Act 1950,
 - section 1(2)(b) of the Housing Subsidies Act 1956,
 - section 2, 3 or 4 of the Housing and Town Development (Scotland) Act 1957,
 - section 1(2)(b) of the Housing (Financial Provisions) Act 1958,
 - section 1(2) of the Housing Act 1961,
 - section 2, 4, 5, 6 or 7 of the Housing (Scotland) Act 1962,
 - section 1(5) or 9(4) of the Housing Subsidies Act 1967,
 - section 2, 4, 6, 7, 9 or 10 of the Housing (Financial Provisions) (Scotland) Act 1968,

(being enactments with respect to which it was provided by the Housing Finance Act 1972 or the Housing (Financial Provisions) (Scotland) Act 1972 that no further payments were to be made for 1972-73 or any subsequent year).

- 2 Where a subsidy agreement provides for the payment of greater amounts than those which the authority would have been obliged to pay under the relevant enactment, the authority shall continue to pay to the housing association sums equal to the difference between the amounts for the payment of which the agreement provides and the amounts which they would have been obliged to pay by that enactment

PART III

SPECIAL ARRANGEMENTS WITH THE SECRETARY OF STATE IN SCOTLAND

(s.1(1)(d) of the Housing (Scotland) Act 1962 ; s.1(2)(d) of the Housing (Financial Provisions) (Scotland) Act 1968)

Arrangements made between the Secretary of State and a housing association under section 1(1)(d) of the Housing (Scotland) Act 1962 or section 1(2)(d) of the Housing (Financial Provisions) (Scotland) Act 1968 (special arrangements for provision of housing) which were made before 3rd August 1972 and are in force immediately before the commencement of this Act remain in force under this paragraph.

SCHEDULE 5

Section 69, 71.

HOUSING ASSOCIATION FINANCE: SUPERSEDED SUBSIDIES, CONTRIBUTIONS AND GRANTS

PART I

RESIDUAL SUBSIDIES : ENGLAND AND WALES

(ss. 72 and 73 of the Housing Finance Act 1972) Entitlement to residual subsidies

- 1 (1) Basic residual subsidy is payable to a housing association in accordance with the following provisions where the association received payments from the Secretary of State for the financial year 1971- 72 under certain enactments under which, in accordance with the Housing Finance Act 1972, no payments were to be made for 1972- 73 or any subsequent year.
- (2) A housing association is entitled to basic residual subsidy for a financial year if—
- (a) it was entitled to basic residual subsidy under section 72 of the Housing Finance Act 1972 for the financial year 1972-73. and
 - (b) it has continued to be entitled to basic residual subsidy, under that section or this Schedule, for each succeeding financial year up to and including that immediately before the year in question.
- (3) The amount of basic residual subsidy payable to an association for any year is the amount (if any) by which the basic residual subsidy payable for the previous year exceeds the withdrawal factor.
- (4) Subject to any direction of the Secretary of State under paragraph 4(2), the withdrawal factor is the sum produced by multiplying £20 by the number of

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- dwelling as at 31st March 1972 in respect of which the association's subsidies for 1971-72 (as defined in section 72(4) of the Housing Finance Act 1972) were payable.
- 2 (1) Special residual subsidy is payable to a housing association in accordance with the following provisions in respect of dwellings which—
- (a) were approved by the Secretary of State for the purposes of Part I of the Housing Subsidies Act 1967 before 10th August 1972, and
 - (b) were completed during the year 1972-73, 1973-74 or 1974-75.
- (2) A housing association is entitled to special residual subsidy for a financial year if—
- (a) it was entitled by virtue of section 73 of the Housing Finance Act 1972 to special residual subsidy for any of the years 1972-73, 1973-74 or 1974-75, and
 - (b) it has continued to be entitled to special residual subsidy, under that section or this Schedule, for each succeeding financial year up to and including that immediately before the year in question.
- (3) The amount of special residual subsidy payable to an association for any year is the amount (if any) by which the special residual subsidy payable for the previous year exceeds the reduction factor.
- (4) Subject to any direction of the Secretary of State under paragraph 4(2), the reduction factor is the sum produced by multiplying £20 by the number of dwellings satisfying the description in sub-paragraph (1).
- 3 No basic or special residual subsidy is payable to a co-operative housing association.

Power to vary withdrawal factor or reduction factor

- 4 (1) This paragraph applies where a housing association, by furnishing to the Secretary of State such information as to its financial position as he may require, satisfies him as regards any financial year that its income from its dwellings will be, or was, inadequate having regard to its normal sources of income to meet such expenditure (including loan charges) as in his opinion it would be, or was, reasonable for the association to incur for that financial year in the exercise of its housing functions.
- (2) Where this paragraph applies, the Secretary of State may direct that the amount of basic residual subsidy or special residual subsidy payable to the association for the financial year in question shall be determined—
- (a) by reference to a withdrawal factor or reduction factor calculated by reference to a smaller sum of money per dwelling than that mentioned in paragraph 1(4) or 2(4), or
 - (b) by reference to a withdrawal factor or reduction factor of zero.
- (3) A direction under this paragraph may be varied or revoked by the Secretary of State by a further direction.
- (4) In sub-paragraph (1) " housing functions " means—
- (a) constructing or improving, or facilitating or encouraging the construction or improvement, of dwellings,
 - (b) managing dwellings,
 - (c) the provision of dwellings by conversion, and
 - (d) the acquisition of dwellings ;

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and includes functions which are supplementary or incidental to any of those functions.

(5) For the purposes of this paragraph "loan charges ", in relation to money borrowed by an association, means—

- (a) the sums required for the payment of interest on the money and for its repayment, either by instalments or by means of a sinking fund, and
- (b) the expenses of managing the debt,

and includes any such charges made by the association itself, whether in respect of borrowing from a capital fund kept by the association or in respect of borrowing between accounts kept by the association for different functions, or otherwise.

Administrative provisions

- 5
- (1) Payment of basic or special residual subsidy is subject to the making of a claim for the payment in such form, and containing such particulars, as the Secretary of State may from time to time determine.
 - (2) The amount of basic or special residual subsidy payable to a housing association for a financial year shall be calculated to the nearest pound by rounding up any odd amount of 50p or more and rounding down any lesser amount.
 - (3) Basic or special residual subsidy is payable at such times and in such manner as the Treasury may direct, and subject to such conditions as to records, certificates, audit or otherwise as the Secretary of State may, with the approval of the Treasury, impose.

Powers exercisable in case of disposal of dwellings by association

- 6
- (1) The Secretary of State may reduce, suspend or discontinue the payment of basic or special residual subsidy to an association if the association leases for a term exceeding seven years or otherwise disposes of any of the dwellings in respect of which the association is entitled to the payment.
 - (2) If any dwellings of an association are leased for a term exceeding seven years to, or become vested in—
 - (a) another housing association, or trustees for another housing association, or
 - (b) the Housing Corporation,the Secretary of State may pay to them any basic or special residual subsidy which he would otherwise have paid to the former association for any financial year, beginning with that in which the dwellings are so leased or become so vested.
 - (3) For the purposes of this paragraph a lease shall be treated as being for a term exceeding seven years where the original term is for a lesser period but the lease confers on the lessee an option for renewal for a term which, together with the original term, exceeds seven years.

Saving for financial years beginning before the commencement of this Act

- 7
- (1) The preceding provisions apply in relation to the financial year 1986-87 and subsequent financial years.

- (2) The repeal by the Housing (Consequential Provisions) Act 1985 of the provisions of the Housing Finance Act 1972 relating to basic and special residual subsidies does not affect the operation of those provisions in relation to previous financial years.

PART II

RESIDUAL SUBSIDIES: SCOTLAND

(SS. 52 AND 53 OF THE HOUSING (FINANCIAL PROVISIONS) (SCOTLAND) ACT 1972)

Entitlement to residual subsidies

- 1 (1) Basic residual subsidy is payable to a housing association in accordance with the following provisions where the association received payments from the Secretary of State for the financial year 1971-72 under certain enactments under which, in accordance with the Housing (Financial Provisions) (Scotland) Act 1972, no payments were to be made for 1972-73 or any subsequent year.
- (2) A housing association is entitled to basic residual subsidy for a financial year if—
- (a) it was entitled to basic residual subsidy under section 52 of the Housing (Financial Provisions) (Scotland) Act 1972 for the financial year 1972-73, and
 - (b) it has continued to be entitled to basic residual subsidy, under that section or this Schedule, for each succeeding financial year up to and including that immediately before the year in question.
- (3) The amount of basic residual subsidy payable to an association for any year is the amount (if any) by which the basic residual subsidy payable for the previous year exceeds the withdrawal factor.
- (4) Subject to any direction of the Secretary of State under paragraph 4(2), the withdrawal factor is the sum produced by multiplying £20 by the number of houses as at 31st March 1972 in respect of which the association's subsidies for 1971-72 (as defined in section 52(4) of the Housing (Financial Provisions) (Scotland) Act 1972) were payable.
- 2 (1) Special residual subsidy is payable to a housing association in accordance with the following provisions in respect of houses—
- (a) the erection of which was approved by the Secretary of State for the purposes of sections 1 to 12 of the Housing (Financial Provisions) (Scotland) Act 1968 before 3rd August 1972, and
 - (b) which were completed by the association during the year 1972-73, 1973-74 or 1974-75.
- (2) A housing association is entitled to special residual subsidy for a financial year if—
- (a) it was entitled by virtue of section 53 of the Housing (Financial Provisions) (Scotland) Act 1972 to special residual subsidy for any of the years 1972-73, 1973-74 or 1974-75, and
 - (b) it has continued to be entitled to special residual subsidy, under that section or this Schedule, for each succeeding financial year up to and including that immediately before the year in question.

- (3) The amount of special residual subsidy payable to an association for any year is the amount (if any) by which the special residual subsidy payable for the previous year exceeds the reduction factor.
- (4) Subject to any direction of the Secretary of State under paragraph 4(2), the reduction factor is the sum produced by multiplying £20 by the number of houses satisfying the description in sub-paragraph (1).
- 3 No basic or special residual subsidy is payable to a co-operative housing association.

Power to vary withdrawal factor or reduction factor

- 4 (1) This paragraph applies where a housing association, by furnishing to the Secretary of State such information as to its financial position as he may require, satisfies him as regards any financial year that its income from its houses will be, or was, inadequate having regard to its normal sources of income to meet such expenditure (including loan charges) as in his opinion it would be, or was, reasonable for the association to incur for that financial year in the exercise of its housing functions.
- (2) Where this paragraph applies, the Secretary of State may direct that the amount of basic residual subsidy or special residual subsidy payable to the association for the financial year in question shall be determined—
- (a) by reference to a withdrawal factor or reduction factor calculated by reference to a smaller sum of money per house than that mentioned in paragraph 1(4) or 2(4), or
 - (b) by reference to a withdrawal factor or reduction factor of zero.
- (3) A direction under this paragraph may be varied or revoked by the Secretary of State by a further direction.
- (4) In sub-paragraph (1) "housing functions" means—
- (a) constructing or improving, or facilitating the construction or improvement, of houses,
 - (b) managing houses,
 - (c) the provision of houses by conversion, and
 - (d) the acquisition of houses ;
- and includes functions which are supplementary or incidental to any of those functions.
- (5) For the purposes of this paragraph "loan charges", in relation to money borrowed by an association includes loan charges made by the association itself (including charges for debt management), whether in respect of borrowing from a capital fund kept by the association or in respect of borrowing between accounts kept by the association for different functions, or otherwise.

Administrative provisions

- 5 (1) Payment of basic or special residual subsidy is subject to the making of a claim for the payment in such form, and containing such particulars, as the Secretary for State may from time to time determine.

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- (2) The amount of basic or special residual subsidy payable to a housing association for a financial year shall be calculated to the nearest pound by rounding up any odd amount of 50p or more and rounding down any lesser amount.
- (3) Basic or special residual subsidy is payable at such times and in such manner as the Treasury may direct, and subject to such conditions as to records, certificates, audit or otherwise as the Secretary of State may, with the approval of the Treasury, impose.

Powers exercisable in case of disposal of houses by association

- 6 (1) The Secretary of State may reduce, suspend or discontinue the payment of basic or special residual subsidy to a housing association if the association leases for a term exceeding seven years or otherwise disposes of any of the houses in respect of which the association is entitled to the payment.
- (2) If any houses of an association are leased for a term exceeding seven years to, or become vested in—
 - (a) another housing association, or trustees for another housing association, or
 - (b) the Housing Corporation,
 the Secretary of State may pay to that association or to the Corporation any basic or special residual subsidy which he would otherwise have paid to the former association for any financial year, beginning with that in which the houses are so leased or become so vested.
- (3) For the purposes of this paragraph a lease shall be treated as being for a term exceeding seven years where the original term is for a lesser period but the lease confers on the lessee an option for renewal for a term which, together with the original term, exceeds seven years.

Saving for financial years beginning before the commencement of this Act

- 7 (1) The preceding provisions apply in relation to the financial year 1986-87 and subsequent financial years.
- (2) The repeal by the Housing (Consequential Provisions) Act 1985 of the provisions of the Housing (Financial Provisions) (Scotland) Act 1972 relating to basic and special residual subsidies does not affect the operation of those provisions in relation to previous financial years.

PART III

CONTRIBUTIONS AND GRANTS UNDER ARRANGEMENTS WITH LOCAL AUTHORITIES

(s. 12 of the Housing (Financial Provisions) Act 1958; s. 12 of the Housing Subsidies Act 1967; s. 21 of the Housing Act 1969)

- 1 (1) Contributions by the Secretary of State in connection with arrangements made under section 121 of the Housing Act 1957 (arrangements between housing associations and local authorities for improvement of housing) remain payable—
 - (a) under section 12 of the Housing (Financial Provisions) Act 1958 and section 12 of the Housing Subsidies Act 1967 as regards arrangements made before 25th August 1969, and

- (b) under section 21 of the Housing Act 1969 as regards arrangements made on or after that date and approved under subsection (2) of that section before 1st April 1975.
- (2) The contributions are payable at such times and in such manner as the Treasury may direct, and subject to such conditions, as to records, certificates, audit or otherwise as the Secretary of State may, with the approval of the Treasury, impose.
- (3) Where such a contribution is paid to a local authority, the authority shall pay to the housing association by way of annual grant an amount not less than the contribution.
- 2 If the Secretary of State is satisfied, in the case of contributions payable under section 12 of the Housing (Financial Provisions) Act 1958, that the housing association have made default in giving effect to the terms of the arrangements, he may, as he thinks just—
- (a) reduce the amount of the contribution payable to the local authority, or
- (b) suspend or discontinue the payment;
- and the local authority may reduce to a proportionate or any less extent the annual grant payable by them to the association or, as the case may be, suspend the payment for a corresponding period or discontinue the payment.
- (*s. 17 of the Housing (Financial Provisions) (Scotland) Act 1968*)
- 3 (1) Contributions by the Secretary of State under section 17 of the Housing (Financial Provisions) (Scotland) Act 1968 remain payable in connection with arrangements made under section 121 of the Housing (Scotland) Act 1950 or section 155 of the Housing (Scotland) Act 1966 (arrangements between housing associations and local authorities for improvement of housing) and approved on or after 16th August 1964 and before 1st April 1975.
- (2) The contributions are payable at such times and in such manner as the Treasury may direct, and subject to such conditions as to records, certificates, audit or otherwise as the Secretary of State may, with the approval of the Treasury, impose.
- (3) Where such a contribution is paid to a local authority, the authority shall pay to the housing association by way of annual grant an amount not less than the contribution.
- 4 (1) The Secretary of State may, in any of the circumstances mentioned in sub-paragraph (2), reduce the amount of the contributions in respect of a particular subsidised unit, or suspend or discontinue the payment of the contributions, or part of them, as he thinks just in the circumstances.
- (2) The circumstances referred to in sub-paragraph (1) are—
- (a) that the housing association has made default in giving effect to the terms of the arrangements with the local authority, or
- (b) that the subsidised unit has been converted, demolished or destroyed, is not fit to be used or has ceased to be used for the purpose for which it was intended, has been sold or leased for a stipulated duration exceeding twelve months or has been transferred, whether by sale or otherwise.
- (3) The local authority may reduce to a corresponding or less extent the annual grant payable by them to the association, or, as the case may be, suspend payment of the whole or a corresponding part of the payment for a corresponding period, or discontinue the payment or a corresponding part.

PART IV

CONTRIBUTIONS UNDER ARRANGEMENTS WITH THE SECRETARY OF STATE IN SCOTLAND

(s. 16 of the Housing (Financial Provisions) (Scotland) Act 1968)

- 1 (1) Contributions by the Secretary of State under section 16 of the Housing (Financial Provisions) (Scotland) Act 1968 remain payable in connection with arrangements made under—
- section 14 of the Housing (Scotland) Act 1962, or
 section 154 of the Housing (Scotland) Act 1966,
 (arrangements between Secretary of State and housing associations) and approved before 1st April 1975.
- (2) The Secretary of State may, in any of the circumstances mentioned in sub-paragraph (3), reduce the amount of the contributions in respect of a particular subsidised unit, or suspend or discontinue the payment of the contributions, or part of them, as he thinks just in the circumstances.
- (3) The circumstances referred to in sub-paragraph (2) are—
- (a) that the housing association has made default in giving effect to the terms of the arrangements, or
 - (b) the subsidised unit has been converted, demolished or destroyed, is not fit to be used or has ceased to be used for the purpose for which it was intended, has been sold or leased for a stipulated duration exceeding twelve months or has been transferred, whether by sale or otherwise.

PART V

SCHEMES FOR THE UNIFICATION OF GRANT CONDITIONS

(s. 123 of the Housing Act 1957 ; s. 157 of the Housing (Scotland) Act 1966)

- 1 A scheme under section 123 of the Housing Act 1957 (schemes for the unification of divergent grant conditions affecting the management of a housing association's houses) which was made before 10th August 1972 and is in force immediately before the commencement of this Act remains in force under this paragraph.
- 2 A scheme under section 157 of the Housing (Scotland) Act 1966 (schemes for the unification of divergent grant conditions affecting the management of a housing association's houses) which was made before 3rd August 1972 and is in force immediately before the commencement of this Act remains in force under this paragraph.

PART VI

NEW BUILDING SUBSIDY AND IMPROVEMENT SUBSIDY

(s. 75 of the Housing Finance Act 1972 ; ss. 55 and 57 of the Housing (Financial Provisions) (Scotland) Act 1972)

- 1 (1) The following subsidies remain payable in respect of building schemes or improvement schemes approved by the Secretary of State before 1st April 1975—
 - (a) new building subsidy under section 75 of the Housing Finance Act 1972 or section 55 of the Housing (Financial Provisions) (Scotland) Act 1972, and
 - (b) improvement subsidy under section 57 of the Housing (Financial Provisions) (Scotland) Act 1972.
- (2) Payment of the subsidy is subject to the making of a claim for the payment in such form, and containing such particulars as the Secretary of State may from time to time determine.
- (3) The amount of the subsidy payable for a financial year shall be calculated to the nearest pound by rounding up any odd amount of 50p or more and rounding down any lesser amount
- (4) The subsidy is payable at such times and in such manner as the Treasury may direct, and subject to such conditions as to records, certificates, audit or otherwise as the Secretary of State may, with the approval of the Treasury, impose.
- 2 (1) The Secretary of State may make reduced payments of subsidy, or suspend or discontinue such payments, if—
 - (a) he made his approval of the scheme subject to conditions and is satisfied that any of the conditions has not been complied with, or
 - (b) he is satisfied that a dwelling comprised in the scheme has been converted, demolished or destroyed, is not fit to be used or is not being used for the purpose for which it was intended, has been sold or leased for a term exceeding seven years or has ceased for any reason whatsoever to be vested in the association or trustees for the association.
- (2) If any of the dwellings comprised in the scheme become vested in, or are leased for a term exceeding seven years to—
 - (a) a housing association, or trustees for a housing association other than the association which received approval for the scheme, or
 - (b) the Housing Corporation,the Secretary of State may, for any year beginning with that in which they come to be so vested or are so leased, pay them the whole or any part of the subsidy which he would otherwise have paid to the association which received approval for the scheme.
- (3) For the purposes of this paragraph a dwelling shall be treated as leased for a term exceeding seven years if it is leased for a lesser term by a lease which confers on the lessee an option for renewal for a term which, together with the original term, exceeds seven years.
- 3 (1) Where a housing association satisfies the Secretary of State, by furnishing him with such information as to its financial position as he may require, that the amount of new building subsidy for a year will be, or was, inadequate having regard to its normal sources of income to enable it to meet such expenditure (including loan charges) as in

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his opinion it would be, or was, reasonable for it to incur for that year in the exercise of its 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 otherwise applicable.

- (2) The percentage shall not, however, be greater than 90 per cent or the percentage met by subsidy for the immediately preceding year, whichever is less.
 - (3) This paragraph does not apply in relation to the year of completion or the second or third year for which new building subsidy is payable.
 - (4) In this paragraph—
 - " housing functions " means constructing, improving or managing, or facilitating or encouraging the construction or improvement of dwellings, the provision of dwellings by conversion and the acquisition of dwellings, and includes functions which are supplementary or incidental to any of those functions ;
 - " loan charges " includes any loan charges made by a housing association (including charges for debt management) whether in respect of borrowing from a capital fund kept by the association or in respect of borrowing between accounts kept by the association for different functions or otherwise.
- 4
- (1) Where before 1st April 1976 a registered housing association made an application for housing association grant in respect of a housing project which was or included a building scheme or improvement scheme which had been previously approved for the purposes of any of the provisions mentioned in paragraph 1 and the Secretary of State gave his approval to that project for the purposes of housing association grant, no further payments of new building subsidy or improvement subsidy shall be made in respect of that approved scheme.
 - (2) A condition imposed by the Secretary of State in such a case by virtue of section 35(2)(b) of the Housing Act 1974, requiring the repayment of all or any of the payments of new building subsidy or improvement subsidy already paid, if in force immediately before the commencement of this Act, remains in force under this sub-paragraph.
 - (3) No account shall be taken under section 47(2)(b) (estimation of net cost of project for purposes of housing association grant; income to include subsidies) of payments of subsidy received which are required to be repaid in pursuance of such a condition.

PART VII

PAYMENTS IN RESPECT OF HOSTELS UNDER PRE-1974 ENACTMENTS

(s. 21 of the Housing (Financial Provisions) (Scotland) Act 1968)

- 1 (1) Section 21 of the Housing (Financial Provisions) (Scotland) Act 1968 (exchequer contributions for hostels) continues to have effect in relation to buildings provided or converted by a housing association which were approved by the Secretary of State for the purposes of subsection (1) of that section before 1st April 1975.
- (2) A registered housing association may not make an application for housing association grant in respect of a housing project which consists of or includes the carrying out of works for the provision of hostels if before 1st April 1975 any

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contribution has been made under section 21 of the Housing (Financial Provisions) (Scotland) Act 1968.

- (3) If in a case where sub-paragraph (2) does not prevent the making of such an application a registered housing association makes an application for housing association grant in respect of a housing project falling within that sub-paragraph and the Secretary of State gives his approval to the project for the purposes of housing association grant, section 21 of the Housing (Financial Provisions) (Scotland) Act 1968 shall cease to have effect with respect to the provision of hostels referred to in that sub-paragraph.

SCHEDULE 6

Section 74.

CONSTITUTION OF HOUSING CORPORATION

Status of Corporation

- 1 (1) The Housing Corporation is a body corporate.
- (2) It is a public body for the purposes of the Prevention of Corruption Acts 1889 to 1916.
- (3) It shall not be regarded—
- (a) as the servant or agent of the Crown, or
 - (b) as enjoying any status, immunity or privilege of the Crown, or
 - (c) as exempt from any tax, duty, rate, levy or other charge whatsoever, whether general or local;
- and its property shall not be regarded as property of, or held on behalf of, the Crown.

Membership of Corporation

- 2 (1) The members of the Housing Corporation, of whom there shall be not more than fifteen, shall be appointed by the Secretary of State.
- (2) Before appointing a person to be a member of the Corporation the Secretary of State shall satisfy himself that he will have no financial or other interest likely to affect prejudicially the exercise of his functions as member; and the Secretary of State may require a person whom he proposes to appoint to give him such information as he considers necessary for that purpose.
- 3 (1) The members of the Housing Corporation shall hold and vacate office in accordance with the terms of their appointment, subject to the following provisions.
- (2) A member may resign his membership by notice in writing addressed to the Secretary of State.
- (3) The Secretary of State may remove a member from office if he is satisfied that—
- (a) he has been adjudged bankrupt or made an arrangement with his creditors or (in Scotland) has had his estate sequestrated or has made a trust deed for behoof of his creditors or a composition contract,
 - (b) he is incapacitated by physical or mental illness,
 - (c) he has been absent from meetings of the Corporation for a period longer than three consecutive months without the permission of the Corporation, or

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(d) he is otherwise unable or unfit to discharge the functions of a member, or is unsuitable to continue as a member.

(4) The Secretary of State shall satisfy himself from time to time with respect to every member that he has no financial or other interest likely to affect prejudicially the exercise of his functions as a member; and he may require a member to give him such information as he considers necessary for that purpose.

Chairman and Deputy Chairman

4 (1) The Secretary of State shall appoint one of the members to be Chairman and one to be Deputy Chairman; and the members so appointed shall hold and vacate those offices in accordance with the terms of their appointment, subject to the following provisions.

(2) The Chairman or Deputy Chairman may resign his office by notice in writing addressed to the Secretary of State.

(3) If the Chairman or Deputy Chairman ceases to be a member of the Corporation, he also ceases to be Chairman or Deputy Chairman.

Remuneration and allowances

5 (1) The Secretary of State may pay the Chairman, Deputy Chairman and members such remuneration as he may, with the consent of the Treasury, determine.

(2) The Housing Corporation may pay them such reasonable allowances as may be so determined in respect of expenses properly incurred by them in the performance of their duties.

Pensions

6 (1) The Secretary of State may, with the consent of the Treasury, determine to pay in respect of a person's office as Chairman, Deputy Chairman or member—

(a) such pension, allowance or gratuity to or in respect of that person on his retirement or death as may be so determined, or

(b) such contributions or other payments towards provision for such pension, allowance or gratuity as may be so determined.

(2) As soon as may be after the making of such a determination the Secretary of State shall lay before each House of Parliament a statement of the amount payable in pursuance of the determination.

(3) Sub-paragraph (1) does not apply in the case of a member who has been admitted in pursuance of regulations under section 7 of the Superannuation Act 1972 to participate in the benefits of a superannuation fund maintained by a local authority.

(4) In such a case the Secretary of State shall make any payments required to be made to the fund in respect of the member by the employing authority and may make such deductions from his remuneration as the employing authority might make in respect of his contributions to the fund.

Proceedings of the Corporation

- 7 (1) The quorum of the Housing Corporation and the arrangements relating to its meetings shall, subject to any directions given by the Secretary of State, be such as the Corporation may determine.
- (2) The validity of proceedings of the Corporation is not affected by any defect in the appointment of any of its members.
- 8 (1) Where a member of the Housing Corporation is in any way directly or indirectly interested in a contract made or proposed to be made by the Corporation—
- (a) he shall disclose the nature of his interest at a meeting of the Corporation, and the disclosure shall be recorded in the minutes of the Corporation, and
- (b) he shall not take any part in any decision of the Corporation with respect to the contract.
- (2) A general notice given by a member at a meeting of the Corporation to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract which may be made with the company or firm is a sufficient disclosure of his interest for the purposes of this paragraph in relation to a contract made after the date of the notice.
- (3) A member need not attend in person at a meeting of the Corporation in order to make any disclosure which he is required to make under this paragraph provided he takes reasonable steps to secure that the disclosure is brought up and read at the meeting.
- 9 (1) The fixing of the Housing Corporation's seal may be authenticated by the signature of the Chairman or of any other person authorised for the purpose.
- (2) A document purporting to be duly executed under the seal of the Corporation shall be received in evidence and be deemed to be so executed unless the contrary is proved.

SCHEDULE 7

Section 82.

POWERS EXERCISABLE WHERE LOAN OUTSTANDING
UNDER SECTION 2 OF THE HOUSING ACT 1964*Introductory*

- 1 This Schedule applies where the Housing Corporation has made a loan to a housing association under section 2 of the Housing Act 1964 before the repeal of that section by the Housing (Consequential Provisions) Act 1985 and the loan has not been repaid.

Directions as to disposal of land securing loan

- 2 (1) The Corporation may, with the consent in writing of the Secretary of State, give the association directions with respect to the disposal of land belonging to the association in which the Corporation has an interest as mortgagee under a mortgage, or as creditor in a heritable security, entered into by the association to secure the loan.
- (2) Directions so given may be varied or revoked by subsequent directions given with the like consent.

3 Where the Corporation proposes to give a housing association directions under paragraph 2 requiring the association to transfer to the Corporation the association's interest in any land, the Secretary of State shall not consent to the giving of the directions unless he at the same time approves, or has previously approved, a scheme under paragraph 5 with respect to that land.

4 Where the Corporation proposes to give directions under paragraph 2 to an association whose rules restrict membership to persons entitled or prospectively entitled (whether as tenants or otherwise) to occupy a dwelling provided or managed by the association requiring the association to transfer its interest in any such land to the Corporation, or to any other person, the Secretary of State shall not consent to the giving of the directions unless he is satisfied that arrangements have been made which, if the directions are given, will secure that the members of the association receive fair treatment in connection with the transfer.

Schemes for Corporation to provide housing accommodation in place of association

- 5 (1) If it appears to the Corporation—
- (a) that the association is experiencing difficulty in providing housing accommodation on any land which it has acquired or in managing housing accommodation provided by it on any land, or is in any way failing to perform its functions as a housing association in relation to any land, and that accordingly it is undesirable for the land in question to remain in the hands of the association,
 - (b) that there is no other housing association, whether in existence or about to be formed, to which the association's interest in the land in question can suitably be transferred, and
 - (c) that the land is capable of being, or continuing to be, used to provide housing accommodation for letting,

the Corporation may prepare and submit to the Secretary of State a scheme.

- (2) The scheme shall be for the Corporation—
- (a) to acquire the association's interest in the land,
 - (b) to undertake all such operations as may be required for the provision or continued provision on the land of housing accommodation for letting (including any operation which might have been carried out by a housing association in connection with the provision of housing accommodation), and
 - (c) to retain the accommodation and keep it available for letting so long as the scheme has not been terminated in any manner provided for in the scheme.
- (3) Where such a scheme is submitted to the Secretary of State by the Corporation, the Secretary of State, on being satisfied of—
- (a) the undesirability of the land remaining in the hands of the association, and
 - (b) the lack of any housing association to which it can suitably be transferred,
- may, if he thinks fit, approve the scheme.
- (4) If he does so the Corporation shall have power to acquire for the purposes of the scheme the association's interest in the land and to carry through the provisions of the scheme.

- (5) A scheme approved by the Secretary of State under this paragraph may be varied from time to time in accordance with proposals in that behalf made by the Corporation and approved by the Secretary of State.