



Ministry of Housing,
Communities &
Local Government

Policy statement on rents for social housing

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Chapter 1: Introduction

Purpose

1.1 This document sets out the government's policy on rents for social housing from 1 April 2026 onwards

1.2 We have directed the Regulator of Social Housing ('the Regulator') to have regard to this policy statement when setting its rent standard for registered providers of social housing ('registered providers') from that date. The term 'registered providers' includes both private registered providers of social housing and local authorities that are registered with the Regulator.

1.3 Subject to the exceptions set out in chapter 5, the policy set out in this document applies to 'low cost rental accommodation', as defined in section 69 of the Housing and Regeneration Act 2008. It does not apply to 'low cost home ownership accommodation', as defined in section 70 of that Act.

1.4 This document replaces the Rent Policy Statement issued in 2020 and updated in December 2022.

Rent policy background

1.5 Since 2001, rents for properties let at 'Social Rent' (which constitute a majority of rented social housing properties) have been set based on a formula set by the government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. Registered providers have then had the flexibility to set rents at up to 5% above formula rent (10% for supported housing), provided there is a clear rationale for doing so that takes into account local circumstances and affordability.

1.6 In 2011, the then government introduced 'Affordable Rent' which permitted rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). Landlords can only let new properties at Affordable Rent where certain conditions apply.

1.7 From April 2015, the then government permitted registered providers to charge a full market rent where a social tenant household has an annual income of at least £60,000.

1.8 Rent policy has also limited maximum annual changes in Social Rent and Affordable Rent levels. This limit has varied over time. Between 2002-2015, Social Rent levels were permitted to increase by up to RPI plus 0.5 percentage points each year. Between 2002-2015, a convergence mechanism also applied to Social Rent properties that were

below formula rent, so that Registered Providers were permitted to increase rents by an additional £2 on top of RPI plus 0.5 percentage points each year until those rents converged with formula rent.

1.9 From April 2016, the Welfare Reform and Work Act 2016 required registered providers to reduce their rents by 1% each year for four years, (the 'Social Rent reduction'). This was subject to a number of exceptions (most of which applied for all four years, while some only applied for the first year).

1.10 Since April 2020, rent policy has permitted annual rent increases on both Social Rent and Affordable Rent properties of up to CPI plus 1 percentage point – other than in rent years that began in the 12 months from 1 April 2023 to 31 March 2024, when this was replaced by a 7% 'ceiling', with the exception of supported housing. During that year, registered providers were only allowed to increase rents by up to 7%. This restriction applied to both Social Rent and Affordable Rent homes, with the exception of supported housing (as defined at 2.39 and 2.40). However, it did not affect the calculation of the maximum initial rent when properties were first let or subsequently re-let. In particular, the restriction did not apply to the calculation of formula rent or the rent caps that applied to Social Rent properties; these continued to increase by CPI plus 1 percentage point and CPI plus 1.5 percentage points respectively.

Rent policy from 2026 onwards

1.11 From 1 April 2026, providers may generally increase the rent on both Social Rent and Affordable Rent properties by up to CPI plus 1 percentage point each year.

1.12 The policy is to remain in effect for at least five years; to provide the stability that providers need to borrow and invest in new and existing homes, while ensuring appropriate protection for tenants. It is the intention of the Government that any rent settlement that follows the one set out in this policy will also be in place for at least five years.

Chapter 2: Social Rent

Overview

2.1 This chapter applies to all accommodation that is not permitted to be let at an Affordable Rent (see Chapter 3) and to which the exceptions in Chapters 4 and 5 of this document do not apply.

Rent caps

2.2 The rent caps apply as a maximum ceiling on Social Rent and depend on the size of the property (the number of bedrooms it contains as set out in the tenancy agreement).

2.3 Registered providers must not at any time charge a rent for a Social Rent property that exceeds the rent cap level for the size of the property concerned.

2.4 The rent caps for 2026-27 are set out in Appendix A. From 2026-27 onwards, the rent caps will continue to increase by CPI (at September of the previous year) plus 1.5 percentage points annually.

2.5 While the rent caps will increase annually by CPI plus 1.5 percentage points, the annual change in rent for the tenant in a 'rent capped' property must still be governed by the limits on rent changes set out in paragraphs 2.16 - 2.19.

2.6 However, where a property whose rent has been subject to the rent cap comes up for re-let and formula rent remains above the rent cap, the new rent may be set at up to the rent cap level – which will have been increasing by CPI plus 1.5 percentage points.

Initial rent

2.7 Registered providers may set the initial rent for new tenants of properties to be let at Social Rent at a level that is no higher than formula rent, subject to the rent flexibility level (see paragraphs 2.14-2.15 below).

2.8 A "new tenant" is one to which a tenancy of the property in question is granted for the first time. This includes a person to which a new tenancy is granted following a mutual exchange under Section 158 of the Localism Act 2011. A person who has been assigned a tenancy in a mutual exchange under section 92 of the Housing Act 1985 is not a "new tenant" for these purposes.

Formula rent

2.9 The basis for the calculation of formula rent is:

Weekly formula rent is equal to:

70% of the national average rent
Multiplied by relative county earnings
Multiplied by the bedroom weight

Plus

30% of the national average rent
Multiplied by relative property value

National average rent means the national (England) average rent in April 2000.

Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels.

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.

2.10 The amounts to use for the national average rent, average manual earnings for the county, national average manual earnings and the national average property value are set out in Appendix A. Bedroom weights are also set out in Appendix A.

2.11 Putting the relevant information into the above formula will give the formula rent for 2000-01 for the property. The 2000-01 formula rent must then be adjusted, for each year, using the relevant adjustment set out in the tables in Appendix A. Formula rents will continue to be adjusted by CPI (at September of the previous year) plus 1 percentage point each year, after 1 April 2026. Should CPI plus 1 percentage point fall below 0%, rent for the following year may not be increased.

2.12 Registered providers may wish to convert their weekly rents to monthly rents. If they wish to do so, they may multiply weekly rents by 52.18 and divide by 12. This would capture the occasional 53rd rent collection day that occurs every five-six years.

2.13 Formula rent is subject to a rent cap – see paragraphs 2.2 to 2.6 above.

Rent flexibility level

2.14 The government recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants.

2.15 As a result, the policy contains flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing – as defined in paragraphs 2.37-

2.38 below). If applying this flexibility, providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.

Changes to rents

2.16 Registered providers may increase actual weekly rents by up to CPI (as at September of the previous year) plus 1 percentage point in any year where those rents do not exceed the rent flexibility level.

2.17 Registered providers may increase actual weekly rents by up to CPI (as at September of the previous year) in any year where those rents exceed the rent flexibility level, until the rent is brought within the rent flexibility level.

2.18 Where actual weekly rents do not exceed the rent flexibility level, registered providers are not required to reduce rents (in nominal terms) should CPI fall below minus 1%. Where actual weekly rents exceed the rent flexibility level, registered providers are not required to reduce rents (in nominal terms) should CPI fall below 0%. In both those circumstances, registered providers may not increase rents but they are not obliged to reduce them (i.e. there is a 'floor' of 0%).

2.19 Registered providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so. They should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

Property valuations

2.20 To ensure consistency, a common approach must be followed to the valuation of properties for rent purposes as far as possible. Valuations must be in accordance with a method recognised by the Royal Institution of Chartered Surveyors (RICS). RICS sets out its principles for valuations in 'Royal Institution of Chartered Surveyors Valuation – Professional Standards' (known as the Red Book). This is available free to their members and can be purchased online or as a hard copy.

2.21 In calculating the formula rent, the relative value of the property should be based on an existing use value, assuming vacant possession and continual residential use. Existing use values must be produced by the comparative method and not by a discounted cash flow method. However, where it is not appropriate to value supported housing properties on this basis, registered providers can use a Depreciated Replacement Cost (DRC) method of valuation as an alternative to the existing use value approach. To calculate the DRC of an existing property, it is first necessary to calculate the cost of its replacement with a modern alternative. This replacement cost will need to be depreciated where the condition of the existing property does not meet modern standards. The value of the land will then need to be added to this calculation.

2.22 Existing use value is not the same as 'existing use value – social housing', which is typically used for accounting purposes, and makes a downward adjustment to the existing use value to reflect the lower value of properties when used for social housing.

2.23 As set out above, the valuation must be made at January 1999 prices.

2.24 A downward adjustment to open market valuations – to reflect factors such as sub-market rents – must not be made for the purpose of determining formula rent.

2.25 Registered providers are not expected to carry out an individual valuation for each property, although they will need to attribute a value to each Social Rent property in order to calculate its formula rent. Rather than carrying out individual valuations, registered providers may rely on more generic valuations for particular types and sizes of properties in different locations.

2.26 As the price base is constant, the valuation of a property for Social Rent purposes should generally remain the same over time. However, a registered provider may re-value where it has carried out major works that materially affect the value of the property. This is only likely to arise in exceptional circumstances, as 'major works' do not include normal stock management activity such as repairs, maintenance or updating of properties (for example, fitting new kitchens or bathrooms). Major structural alterations (such as adding an extra room or extension) would be an example of 'major works' that materially affect the value of the property.

Fair rents

2.27 Some tenants enjoy 'fair rent' protections. The principles set out above are subject to 'fair rent' requirements. If the 'fair rent' set by the rent officer is lower than the rent that would otherwise be permissible under this policy the tenant must not be charged more than the 'fair rent'. However, 'fair rent' may not be charged if it exceeds the rent permissible under the above policy.

2.28 Upon re-let of a property where a tenant previously enjoyed a fair rent, Social Rent or Affordable Rent (where applicable) should be charged.

Conversion of social rent properties

2.29 The rents of properties previously let at Social Rent must continue to be set in accordance with the principles set out in this chapter on re-let. This applies even if, before the property is re-let, a higher rent was being charged to tenants with high incomes (see chapter 4).

2.30 In particular, Social Rent properties may not be converted to:

(a) market rent (other than in the circumstances set out in chapter 4); or

(b) intermediate rent.

Re-setting Social Rent

2.31 When Social Rent housing is let to a new tenant, registered providers can re-set the rent according to the principles set out in paragraphs 2.1 to 2.15.

2.32 When Social Rent housing is let to an existing tenant, the rent must not be re-set. 'Existing tenant' is one to which a tenancy of the property in question is not granted for the first time, which would include tenants that have been re-let that property as a consequence of a probationary tenancy coming to an end or following the end of a fixed term tenancy. One who has been assigned a tenancy in a mutual exchange under section 92 of the Housing Act 1985 is also considered an existing tenant.

Service charges

2.33 In addition to their rent, tenants may also pay service charges. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of a dwelling. Service charges are subject to separate legal requirements and are limited to covering the cost of providing services, as set out in a tenant's tenancy agreement.

2.34 Registered providers are expected to set reasonable and transparent service charges which reflect the service being provided to tenants. Tenants should be supplied with clear information on how service charges are set. In the case of Social Rent properties, providers are expected to identify service charges separately from the rent charge.

2.35 Service charges are not governed by the same factors as rent. However, registered providers should endeavour to keep increases for service charges within the limit of CPI (as at September in the previous year) plus 1 percentage point, to help keep charges affordable.

2.36 Where new or extended services are introduced, and an additional charge may need to be made, registered providers should consult with tenants.

Definition of supported housing

2.37 In this policy statement, the term 'supported housing' means low cost rental accommodation provided by a registered provider that:

(a) is made available only in conjunction with the supply of support;

(b) is made available exclusively to households including a person who has been identified as needing that support; and

(c) falls into one or both of the following categories:

(i) accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently;

(ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs.

2.38 For the purposes of this definition, 'support' includes:

- sheltered accommodation
- extra care housing
- domestic violence refuges
- hostels for the homeless
- support for people with drug or alcohol problems
- support for people with mental health problems
- support for people with learning disabilities
- support for people with disabilities
- support for offenders and people at risk of offending
- support for young people leaving care
- support for teenage parents
- support for refugees

Chapter 3: Affordable Rent

Overview

3.1 Affordable Rent housing is exempt from the Social Rent requirements outlined in chapter 2 of this policy statement.

3.2 Affordable Rents are typically higher than Social Rents. The intention behind this flexibility is to enable properties let on this basis to generate additional capacity for investment in new affordable housing.

What is Affordable Rent housing?

3.3 Affordable Rent housing means accommodation that:

(a) is provided by a registered provider pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency (now known as Homes England) or the Greater London Authority and the accommodation is permitted by that agreement to be let at an Affordable Rent;

(b) is provided pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an Affordable Rent; or

(c) is provided by a local authority and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an Affordable Rent.

3.4 Where paragraph 3.3 does not apply, providers may let properties on an Affordable Rent basis provided that they have not previously been let on a Social Rent basis.

Rent setting

3.5 The rent for Affordable Rent housing (inclusive of service charges) must not exceed 80% of gross market rent.

3.6 'Gross market rent' means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.

3.7 When setting rents, registered providers must also ensure that they comply with the terms of any agreements with Homes England, the Greater London Authority or the

Secretary of State. Providers must also have regard to the conditions and policies set out in the Frameworks for the government's affordable homes programmes, where they are letting properties on Affordable Rent terms within these programmes.

3.8 Properties let by registered providers are not subject to the Local Housing Allowance. Nevertheless, providers should have regard to the local market context, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting affordable rents.

3.9 If registered providers wish to convert their weekly rents to monthly rents they may do this by multiplying weekly rents by 52.18 before dividing by 12. This calculation reflects the occasional 53rd rent collection day that occurs every five to six years.

Property valuations

3.10 Valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors. This requirement is intended to help ensure that registered providers adopt a consistent and transparent approach to the valuation of market rents.

3.11 The Royal Institution of Chartered Surveyors sets out its principles for valuations in 'Royal Institution of Chartered Surveyors Valuation – Professional Standards' (known as the Red Book). This is available free to their members and can be purchased online or as a hard copy.

3.12 Registered providers may not always need to undertake a full valuation on each occasion that a property is let on Affordable Rent terms. In areas where Affordable Rent is widely used, providers might have a rolling schedule of tenancies coming up for re-issue or re-let. Where that is the case, providers might have adequate comparables readily to hand, and if so, there might be no need for a full valuation. In these circumstances, providers may decide to re-set rents using a desktop review of recent transactions.

3.13 Housing for vulnerable and older people often includes a range of services to support the particular needs of the client group. When setting an Affordable Rent level for housing for vulnerable and older people, the gross market rent comparables should be based on similar types and models of service provision, ideally within the local area. Where there are insufficient comparables for similar types of provision in the local area, valuers should be asked to identify comparables from other areas and extrapolate their best estimate of what the gross market rent would be.

Changes to rents

3.14 Registered providers must not increase rents for properties let on Affordable Rent terms by more than CPI plus 1 percentage point each year. CPI must be taken as at September of the previous year. Registered providers are not required to reduce rents (in nominal terms) should CPI fall below minus 1% – i.e. there is a ‘floor’ of 0%.

3.15 Providers are free to apply a lower increase, or to freeze or reduce rents, if they wish to do so. Providers should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

Re-setting Affordable Rent

3.16 When Affordable Rent housing is let to a new tenant, registered providers must re-set the rent based on a new valuation, to ensure that the new rent is no more than 80% of the relevant market rent. ‘New tenant’ in this context is one to which a tenancy¹ of the property in question is granted for the first time. This includes a person to which a new tenancy is granted following a mutual exchange under Section 158 of the Localism Act 2011.

3.17 When Affordable Rent housing is let to an existing tenant, the rent must not be re-set. ‘Existing tenant’ is one to which a tenancy of the property in question is not granted for the first time, which would include tenants that have been re-let that property as a consequence of a probationary tenancy coming to an end or following the end of a fixed term tenancy. One who has been assigned a tenancy in a mutual exchange under section 92 of the Housing Act 1985 is also considered an existing tenant.

Conversion of Affordable Rent properties

3.18 Affordable Rent housing must not be converted (including at re-let) to:

- (a) market rent (other than in the circumstances set out in chapter 4); or
- (b) intermediate rent.

¹ References in this policy statement to tenancies and tenants should be read as also referring to licences and licencees (as applicable).

Chapter 4: Rents for social tenants with high incomes

Overview

4.1 The government does not expect registered providers to adhere to its Social Rent and Affordable Rent policy requirements in relation to social tenants with high incomes.

Applicability

4.2 The requirements in chapters 2 and 3 do not apply to properties let to households with an income of at least £60,000 per year.

4.3 In this context, by household, we mean tenants named on the tenancy agreement, and any named tenant's spouse, civil partner or partner where they reside in the rental accommodation. By income, we mean taxable income in the tax year ending in the financial year prior to that in which the rent year in question begins.

4.4 To give an example, the income received in the 2024-25 tax year would guide the rent payable in the rent year that begins in the financial year 2026-27, where a household was above the threshold. Here, 2024-25 is the tax year ending (on 5 April 2025) in the financial year (2025-26) prior to the financial year (2026-27) in which the rent year begins.

4.5 Where a household is subject to a sudden and ongoing loss of income, having declared that they are above the threshold, we would expect registered providers to reconsider the rent that household is being charged, and vary it if appropriate.

4.6 Where a high income social tenant's tenancy comes to an end, and they vacate the property, we would usually expect the property to be let to a household in housing need at a rent determined in accordance with chapters 2 or 3 of this policy statement.

4.7 See further information on [income in scope](#).

4.8 Where more than two persons within the household (as defined) have an income, only the two highest incomes should be taken into account.

4.9 We expect registered providers to use additional capacity generated to fund new affordable housing, where possible.

Chapter 5: Types of accommodation not covered by this policy statement

Overview

5.1 This policy statement does not apply to certain categories of low cost rental accommodation. These excepted categories are:

- shared ownership low cost rental accommodation
- intermediate rent accommodation
- specialised supported housing
- relevant local authority accommodation
- student accommodation
- PFI social housing
- temporary social housing
- care homes

5.2 These categories are defined in more detail below.

Shared ownership low cost rental accommodation

5.3 In this policy statement, 'shared ownership low cost rental accommodation' means accommodation which is both low cost rental accommodation (within the meaning of section 69 of the Housing and Regeneration Act 2008) and low cost home ownership accommodation (within the meaning of section 70 of that Act).

Intermediate rent accommodation

5.4 In this policy statement, 'intermediate rent accommodation' means low cost rental accommodation which satisfies either (a), (b) or (c) below:

(a) The accommodation:

i. was built or acquired by a private registered provider without public assistance;

ii. is provided either:

- to a tenant who is not a person nominated by a local housing authority under section 159(2)(c) of the Housing Act 1996, or
- to a tenant nominated by a local housing authority under section 159(2)(c) where any conditions set by the local housing authority regarding the circumstances in which the registered provider may grant a tenancy of

intermediate rent accommodation are satisfied in respect of that accommodation,

iii. has not previously been let on a Social Rent or Affordable Rent basis, and

iv. is not Affordable Rent housing.

(b) The accommodation was funded wholly or in part by public assistance under a programme that the Secretary of State has notified the Regulator is an intermediate rent accommodation enabling programme, where any conditions under that programme regarding the circumstances in which the accommodation may be let as intermediate rent accommodation are satisfied.

(c) The accommodation is key worker housing.

Specialised supported housing

5.5 In this policy statement, 'specialised supported housing' means supported housing (as defined in chapter 2):

(a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community;

(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home;

(c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006);

(d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and

(e) in respect of which at least one of the following conditions is satisfied:

i. there was no, or negligible, public assistance, or

ii. there was public assistance by means of a loan (secured by means of a charge or a mortgage against a property).

Relevant local authority accommodation

5.6 Accommodation is 'relevant local authority accommodation' if it is accommodation provided by a local authority and the Secretary of State has agreed that it would be inappropriate to apply this rent policy to the accommodation because this would cause the authority unavoidable and serious financial difficulty.

5.7 See [Local authority guidance for formal applications to disapply government rent policy](#).

Student accommodation

5.8 In this policy statement, 'student accommodation' means accommodation provided by a registered provider pursuant to an agreement which grants a right of occupation in a building or dwelling that is used wholly or mainly for the accommodation of persons who are in full-time education at a university, college, school or other educational establishment.

PFI social housing

5.9 In this policy statement, 'PFI social housing' means low cost rental accommodation which satisfies either (a) or (b) below:

(a) Accommodation built, provided or refurbished under a private finance initiative scheme contract where:

- i. the public sector party to the contract is a local authority;
- ii. the consideration received by the local authority includes:
 - the building, provision or refurbishment of the social housing for the purposes of, or in connection with, the discharge of its functions in relation to social housing, and
 - the provision of services for the purposes of, or in connection with, the discharge of those functions; and

iii. the contract contains a statement that it is entered into under the private finance initiative.

(b) Accommodation built, provided or refurbished under a private finance initiative scheme contract where:

- i. the public sector party to the contract is not a local authority;
- ii. the consideration received by the public sector party includes:

- the building, provision or refurbishment of the social housing for the purposes of, or in connection with, the provision of housing to persons working for the public sector party, and
- the provision of services for the purposes of, or in connection with, the provision of housing to those persons; and

iii. the contract contains a statement that it is entered into under the private finance initiative.

Temporary social housing

5.10 In this policy statement, 'temporary social housing' means low cost rental accommodation made available to a person who is homeless (within the meaning of the Housing Act 1996) either:

(a) by a private registered provider under a specified tenancy where:

i. a local authority has nominated that person as a tenant of the accommodation on a temporary basis,

ii. that local authority owes a duty under Part 7 of the Housing Act 1996 to that person, and

iii. the registered provider:

- holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years, or
- holds the social housing on a lease with a term of 30 years or greater, or holds the freehold title to the social housing, and acquired the social housing without public assistance; or

(b) by a local authority under a licence where:

i. that local authority owes a duty under Part 7 of the Housing act 1996 to that person,

ii. the accommodation provided is accommodation to which the account held pursuant to section 74(1) of the Local Government and Housing Act 1989 (duty to keep Housing Revenue Account) does not relate, and

iii. the local authority holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years.

In paragraph (a) "specified tenancy" means:

i. a licence;

ii. an assured shorthold tenancy;

iii. an assured tenancy where the grant of the tenancy was in pursuance of a local housing authority's duty under section 193 of the Housing Act 1996.

Care homes

5.11 In this policy statement, 'care home' means an establishment that is a care home for the purposes of the Care Standards Act 2000.

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Appendix A: Information for calculating formula rents and rent caps

1. This appendix provides the information, apart from property-specific details, that is needed to calculate formula rents.

Rents

2. The national average rent that must be used, for April 2000, is £54.62.

Property Values

3. The national average property value to be used, for January 1999, is £49,750.

Earnings

The national average manual earnings data to be used, for 1999, is 316.4.

4. The average manual earnings by county data to be used, for 1999, is in the following table:

County	Earnings £ / week
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Avon	321.2
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Bedfordshire	343.7
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Berkshire	345.4
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County**Earnings £ / week**

Buckinghamshire

328.3

Cambridgeshire

330.1

Cheshire

322

Cleveland

338.4

Cornwall

255.5

Cumbria

323.7

Derbyshire

321.1

County

Earnings £ / week

Devon

278

Dorset

293.9

Durham

289.7

East Sussex

281.5

Essex

325.9

Gloucestershire

308

Greater London

354.1

County**Earnings £ / week**

Greater Manchester

307.3

Hampshire

328.7

Hereford & Worcs.

289.6

Hertfordshire

343.7

Humberside

318.4

Isle of Wight

288.5

Kent

316.4

County

Earnings £ / week

Lancashire

302.7

Leicestershire

303.1

Lincolnshire

286.7

Merseyside

324.9

Norfolk

302.5

North Yorkshire

299.6

Northamptonshire

328.5

County**Earnings £ / week**

Northumberland

276.1

Nottinghamshire

298

Oxfordshire

323.8

Shropshire

295.4

Somerset

299.7

South Yorkshire

299.1

Staffordshire

296.2

County

Earnings £ / week

Suffolk

304.3

Surrey

333.2

Tyne and Wear

307.9

Warwickshire

326.1

West Midlands

320.6

West Sussex

332.5

West Yorkshire

302.7

County**Earnings £ / week**

Wiltshire

313.9

5. These figures are derived from the New Earning Survey (produced by the Office for National Statistics) and represent the average gross weekly earnings of full-time manual workers over the 1997 to 1999 period, updated to 1999 prices. Pre-1996 counties are used, because of the problems of small sample sizes for what were (at the time) some of the new counties, especially unitary authorities.

Bedroom weights

6. The following bedroom weights must be used (specifically, applied to the earnings term in the formula):

**Number of bedrooms
(as set out in the tenancy agreement)****Bedroom weight**

0 (i.e. bedsits)

0.8

1

0.9

**Number of bedrooms
(as set out in the tenancy agreement)**

Bedroom weight

2

1

3

1.1

4

1.2

5

1.3

6 or more

1.4

Annual adjustment of formula rents

7. Once a formula rent for 2000-01 has been calculated, it must be adjusted for each year using the following two-step process.

Step 1: Uprate to 2025-26

8. Subject to the exceptions explained in paragraph 9 below, the following table must be used to adjust the 2000-01 formula rent to 2025-26 levels:

Year	Inflation	Additional	Total
2001-02	3.30%	1.00%	4.30%
2002-03	1.70%	0.50%	2.20%
2003-04	1.70%	0.50%	2.20%
2004-05	2.80%	0.50%	3.30%
2005-06	3.10%	0.50%	3.60%
2006-07	2.70%	0.50%	3.20%
2007-08	3.60%	0.50%	4.10%

Year	Inflation	Additional	Total
2008-09	3.90%	0.50%	4.40%
2009-10	5.00%	0.50%	5.50%
2010-11	-1.40%	0.50%	-0.90%
2011-12	4.60%	0.50%	5.10%
2012-13	5.60%	0.50%	6.10%
2013-14	2.60%	0.50%	3.10%
2014-15	3.20%	0.50%	3.70%

Year	Inflation	Additional	Total
2015-16	1.20%	1.00%	2.20%
2016-17	N/A	N/A	-1.00%
2017-18	N/A	N/A	-1.00%
2018-19	N/A	N/A	-1.00%
2019-20	N/A	N/A	-1.00%
2020-21	1.70%	1.00%	2.70%
2021-22	0.50%	1.00%	1.50%

Year	Inflation	Additional	Total
2022-23	3.10%	1.00%	4.10%
2023-24	10.10%	1.00%	11.10%
2024-25	6.70%	1.00%	7.70%
2025-26	1.7%	1.00%	2.7%

9. Different figures will apply for the period from 2016-17 to 2019-20 where the type of property concerned was covered by a full or partial exception from the Social Rent requirements of the Welfare Reform and Work Act 2016:

a) The following figures will apply for the period from 2016-17 to 2019-20 in the case of supported housing² (except domestic violence refuge accommodation, as this is covered in (b) below):

² As defined by the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 (as amended)

Year	Inflation	Additional	Total
2016-17	-0.10%	1.00%	0.90%
2017-18	N/A	N/A	-1.00%
2018-19	N/A	N/A	-1.00%
2019-20	N/A	N/A	-1.00%

b) The following figures will apply for the period from 2016-17 to 2019-20 in the case of domestic violence refuge accommodation; almshouse accommodation; accommodation provided by a co-operative housing association or a fully mutual housing association; and accommodation provided by a community land trust³:

Year	Inflation	Additional	Total
2016-17	-0.10%	1.00%	0.90%

³ As defined by the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 (as amended)

Year	Inflation	Additional	Total
2017-18	1.00%	1.00%	2.00%
2018-19	3.00%	1.00%	4.00%
2019-20	2.40%	1.00%	3.40%

Step 2: Adjust from 2026-27 onwards

10. For 2026-27 onwards, the formula rent must be adjusted annually by CPI (at September of the previous year) plus 1 percentage point. This applies regardless of any exceptions that operated under the Social Rent reduction. Where actual weekly rents do not exceed the rent flexibility level, registered providers are not required to reduce rents (in nominal terms) should CPI fall below minus 1%. In any year in which CPI falls below minus 1%, formula rent must be frozen in nominal terms.

Rent caps

11. Social Rent caps for 2025-26 are as outlined in the following table:

Number of bedrooms	Rent cap
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1 and bedsits	£194.06
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2	£205.46
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3	£212.87
---	---------

4	£228.27
---	---------

5	£239.69
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6 or more	£251.10
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12. From 2026-27, rent caps will continue to increase by CPI (at September of the previous year) plus 1.5 percentage points, each year.

Appendix B: Example calculation of a formula rent

1. Consider a 3-bed property in Leicestershire, for which the capital value is estimated to be £55,000 in January 1999.

2. The information needed to calculate the formula rent is in Appendix A. From this information:

Average rent at April 2000	£54.62
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Average earnings in Leicestershire	£303.10
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National average earnings	£316.40
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Bedroom weight	1.1
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National average property value in January 1999	£49,750
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3. Putting these figures into the formula:

70% of the average rent	$70\% \times £54.62$	£38.23
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Multiplied by relative county earnings	x £303.10 / £316.40	£36.62
<hr/>		
Multiplied by bedroom weight	x 1.10	£40.29 subtotal
<hr/>		
30% of the average rent	30% x £54.62	£16.39
<hr/>		
Multiplied by relative property value	x £55,000 / £49,750	£18.12 subtotal
<hr/>		
Adding together the sub-totals	£40.29 + £18.12	£58.41 total

4. In this example, the initial formula rent for 2000-01 is £58.41. The formula rent for future years is then calculated by uprating this amount using the figures outlined for each year in Appendix A. Formula rent is subject to a rent cap – see paragraphs 2.2-2.6.