



Ministry of Housing,
Communities &
Local Government

Policy statement on rents for social housing



© Crown copyright, 2019

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence visit
<http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/>

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at
<http://forms.communities.gov.uk/> or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/mhclg>

February 2019

ISBN: 978-1-4098-5428-9

Contents

Chapter 1: Introduction	4
Chapter 2: Social Rent	6
Chapter 3: Affordable Rent	12
Chapter 4: Rents for social tenants with high incomes	15
Chapter 5: Types of accommodation not covered by this policy statement	16
Appendix A: Information for calculating formula rents	20
Appendix B: Example calculation of a formula rent	24

Chapter 1: Introduction

Purpose

- 1.1 This document sets out the government’s policy on rents for social housing from 1 April 2020 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’). The term ‘registered providers’ includes both private registered providers of social housing (mainly housing associations) 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 by section 69 of the Housing and Regeneration Act 2008. It does not apply to ‘low cost home ownership’ accommodation, as defined by section 70 of that Act.
- 1.4 This document replaces the Guidance on Rents for Social Housing issued in May 2014.

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 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. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.
- 1.6 In 2011, the government introduced ‘**affordable rent**’ which permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). The introduction of affordable rent made it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good quality home at a sub-market rent. Landlords can only let new properties at affordable rent where certain conditions apply. Within the terms of the government’s affordable homes programmes, existing vacant properties can be converted from social rent to affordable rent in certain circumstances.
- 1.7 From April 2015, the government made it possible for social landlords to charge a full market rent where a social tenant household has an annual income of at least £60,000. This was designed to allow landlords to make better use of their social housing, rather than requiring them to provide sub-market rent properties to households with relatively high incomes.
- 1.8 Government policy has also limited maximum annual changes in social rent and affordable rent levels. From April 2016, the Welfare Reform and Work Act 2016 has required social landlords to reduce their rents by 1% each year for four years (the ‘social rent reduction’). This is designed to help put welfare spending on a more

sustainable footing, to ensure that the social housing sector plays its part in helping to reduce the deficit and to reduce costs for tenants paying all or part of their rent. The social rent reduction is subject to a number of exceptions. Most of these exceptions apply for all four years of the reduction, although some only applied for the first year.

Key changes to rent policy from April 2020 onwards

Limit on annual rent increases

- 1.9 In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years ('the new policy').
- 1.10 The new policy recognises the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan ahead. The government is now looking to the social housing sector to make the best possible use of its resources to help provide the homes that this country needs.
- 1.11 The new policy will come into effect from 1 April 2020. It will not override landlords' statutory obligation to complete the four year social rent reduction as required by the Welfare Reform and Work Act 2016. Where a landlord has not completed the social rent reduction by 31 March 2020 (because its rent year begins after 1 April), it must complete the reduction before applying the new policy.

Application of the rent standard to local authority registered providers

- 1.12 For the first time, the government has directed the Regulator to apply its rent standard to *all* registered providers – i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations).
- 1.13 The government intends that the rent standard should apply to local authority registered providers from 2020 onwards because the previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit.

Chapter 2: Social Rent

Overview

2.1 This chapter applies to accommodation let at a social rent. This means all low cost rental accommodation to which chapters 3, 4 and 5 of this document do not apply.

Formula Rent

2.2 Registered providers may set the initial rent on 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 2.13-2.14 below).

2.3 The basis for the calculation of formula rents is:

- 30% of a property's rent is based on relative property values
- 70% of a property's rent is based on relative local earnings
- a bedroom factor is applied so that, other things being equal, smaller properties have lower rents

2.4 This can be expressed as a formula, in which the formula rent for a property is calculated using the following approach:

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. Appendix A contains details of the earnings data to be used.

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

2.5 The amounts to use for the national average rent, 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.

2.6 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 up rated, for each

year, using the relevant uplift set out in the table in Appendix A. Formula rents will increase by CPI + 1 percentage point each year from 2020-21 onwards.

- 2.7 Formula rent is subject to a rent cap – see paragraphs 2.8-2.12 below.

Rent Caps

- 2.8 The rent caps apply as a maximum ceiling on the formula rent, and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead.
- 2.9 Registered providers must not allow rents to rise above the rent cap level for the size of property concerned.
- 2.10 The rent caps for 2019-20 are set out in Appendix A. From 2020-21 onwards, the rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points annually.
- 2.11 While the rent caps will increase annually by CPI + 1.5 percentage points, the annual change in rent for the tenant in a ‘rent capped’ property must still be governed by the CPI + 1 percentage point limit on rent changes.
- 2.12 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 + 1.5 percentage points, rather than CPI + 1 percentage point.

Rent Flexibility Level

- 2.13 The government’s policy 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.
- 2.14 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 2.38-2.39 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

- 2.15 From 1 April 2020, registered providers may not increase rents by more than CPI (at September of the previous year) + 1 percentage point in any year. This limit is a ceiling and providers will be 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.

- 2.16 Registered providers must adhere to this limit on rent increases even if a tenant's rent is below formula rent, or if they have previously applied a lower – or no – annual increase. Where this is the case, the provider may only move the rent up to formula rent when the property is re-let following vacancy (subject to the rent cap).
- 2.17 Where the rent for a property exceeds the rent flexibility level, the provider:
- (a) must not increase the rent by more than CPI (rather than CPI + 1 percentage point) each year, until the rent is brought within the rent flexibility level; and
 - (b) must set a rent that does not exceed formula rent (plus the rent flexibility level) when the property is re-let.

Special arrangements for the first year

- 2.18 In the year following the final year of the social rent reduction period, registered providers are required to calculate the maximum rent increase for existing tenants – for both social rent and affordable rent properties – using the “2020 limit”. The purpose of the 2020 limit is to manage the transition from the social rent reduction (which is based on the rent payable in respect of a particular year) to the new Rent Standard (which, like previous rent standards, regulates weekly rent).
- 2.19 The 2020 limit requires registered providers to use as a baseline the average weekly rent payable by a tenant for accommodation in respect of the fourth and final year of the social rent reduction. It makes an exception where the weekly rent changes because the accommodation is re-let during the final year; in those circumstances, providers are required to calculate the average weekly rent based on the period since the property was last re-let.
- 2.20 As the 2020 limit is based on the rent payable in respect of the final year (or part thereof, where the exception described above applies) of the social rent reduction, any rent free periods should be disregarded in the calculation of the average weekly rent. So for example, if a registered provider charges weekly rent 48 times a year, it should calculate the average using 48 as the denominator. Registered providers must not change their rent charging arrangements (e.g. the number of times they charge weekly rent) in order to circumvent the requirement that rents should increase by no more than CPI+1% each year.

Property Valuations

- 2.21 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.
- 2.22 In calculating the formula rent, the value of the property should be based on an existing use value, assuming vacant possession and continual residential use. 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. Existing use values must be produced by the comparative method and not by a discounted cash flow method.

- 2.23 Existing use value is not the same as ‘existing use value – social housing’, which is typically used for resource accounting purposes, and makes a downward adjustment to the existing use value to reflect the lower value of properties when used for social housing.
- 2.24 As set out above, the valuation must be made at January 1999 prices.
- 2.25 A downward adjustment to open market valuations – to reflect factors such as sub-market rents – must not be made for social rent purposes.
- 2.26 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 decide to rely on more generic valuations for particular types and sizes of properties in different locations.
- 2.27 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’ for the purposes of this paragraph.

Fair rents

- 2.28 The principles set out above are subject to ‘fair rent’ requirements.
- 2.29 A tenant who enjoys ‘fair rent’ protection must not be charged more than the lower of:
 - (a) The ‘fair rent’ set by the rent officer; and
 - (b) Formula rent (subject to the rent caps and the rent flexibility level).
- 2.30 As with other social rent properties, private registered providers may not increase any tenant’s rent by more than CPI + 1 percentage point in any year (even if a tenant’s rent is below the formula rent level and the maximum fair rent is increased by more than that amount).
- 2.31 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

- 2.32 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 also applies to properties previously let at social rent where a higher rent is being charged to tenants with high incomes (see chapter 4).
- 2.33 In particular, social rent properties may not be converted to:
- (a) affordable rent, except where this has been agreed by Homes England, the Greater London Authority or the Secretary of State (under the terms set out in the definition of affordable rent housing in paragraph 3.3 below);
 - (b) market rent (other than in the circumstances set out in chapter 4); or
 - (c) intermediate rent.

Service Charges

- 2.34 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 the services.
- 2.35 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.
- 2.36 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 on rent changes, of CPI + 1 percentage point, to help keep charges affordable.
- 2.37 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

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

2.39 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 is:
 - (a) 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) provided by a registered provider 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) 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.

Rent Setting

- 3.4 The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent.
- 3.5 '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.
- 3.6 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.
- 3.7 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.

- 3.8 An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.

Property Valuations

- 3.9 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.
- 3.10 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.
- 3.11 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.
- 3.12 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

- 3.13 Registered providers must not increase rents for properties let on affordable rent terms by more than CPI + 1 percentage point each year. CPI must be taken as at September of the previous year. Paragraphs 2.18-2.20 above set out the special arrangements which apply in the first year after the end of the social rent reduction period.
- 3.14 This limit is a ceiling and providers will be 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

- 3.15 When a tenancy¹ of affordable rent housing is let to a new tenant (or re-let to an existing 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. However, if the accommodation is re-let to the same tenant as a consequence of a probationary tenancy coming to an end, the rent must not be re-set.
- 3.16 Where a registered provider is re-setting the rent as a result of re-letting affordable rent housing to an existing tenant, the provider may not increase the rent by more than CPI + 1 percentage point. ‘Existing tenant’ in this context means an existing tenant of the specific property concerned.

Conversion of Affordable Rent Properties

- 3.17 Affordable rent housing must not be converted (including when they are 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 the financial (i.e. rent) year in question.
- 4.4 To give an example, the income received in the 2018-19 tax year would guide the rent payable in the 2020-21 rent setting year, where a household was above the threshold. Here, 2018-19 is the tax year ending (on 5 April 2019) in the financial year (2019-20) prior to the financial (i.e. rent) year in question (2020-21).
- 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 (as applicable) of this policy statement.
- 4.7 Further information on income in scope can be found at:
www.hmrc.gov.uk/incometax/taxable-income.htm.
- 4.8 Where there are more than two incomes within the household, as defined, 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 and low cost home ownership accommodation.

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 the private registered provider without public assistance;
- ii. is provided on an assured shorthold tenancy (other than an assured shorthold tenancy that is expressed to be a probationary or starter tenancy) or licence, 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 basis, and

iv. is not affordable rent housing.

(b) The accommodation is low cost rental accommodation which was funded wholly or in part by public assistance under a programme identified by the Regulator as an intermediate rent accommodation enabling programme and 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 The process for authorities to secure the Secretary of State's agreement will be set out in due course.

Student accommodation

5.8 In this policy statement, ‘student accommodation’ means low cost rental 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. one of parties ('the public sector party') to the contract is 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 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 an assured shorthold tenancy agreement or a licence 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—
 - o 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
 - o 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.

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.

Appendix A: Information for calculating formula rents

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

4. County earnings data to be used is in the following table:

County	Earnings £ / week	County	Earnings £ / week	County	Earnings £ / week
Avon	321.20	Greater London	354.10	Nottinghamshire	298.00
Bedfordshire	343.70	Greater Manchester	307.30	Oxfordshire	323.80
Berkshire	345.40	Hampshire	328.70	Shropshire	295.40
Buckinghamshire	328.30	Hereford & Worcs.	289.60	Somerset	299.70
Cambridgeshire	330.10	Hertfordshire	343.70	South Yorkshire	299.10
Cheshire	322.00	Humberside	318.40	Staffordshire	296.20
Cleveland	338.40	Isle of Wight	288.50	Suffolk	304.30
Cornwall	255.50	Kent	316.40	Surrey	333.20
Cumbria	323.70	Lancashire	302.70	Tyne and Wear	307.90
Derbyshire	321.10	Leicestershire	303.10	Warwickshire	326.10
Devon	278.00	Lincolnshire	286.70	West Midlands	320.60
Dorset	293.90	Merseyside	324.90	West Sussex	332.50
Durham	289.70	Norfolk	302.50	West Yorkshire	302.70
East Sussex	281.50	North Yorkshire	299.60	Wiltshire	313.90
Essex	325.90	Northamptonshire	328.50		
Gloucestershire	308.00	Northumberland	276.10	England average	316.40

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, uprated 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	Bedroom weight
0 (i.e. bedsits)	0.80
1	0.90
2	1.00
3	1.10
4	1.20
5	1.30
6 or more	1.40

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: Update to 2019-20

8. Subject to the exceptions explained in paragraph 9 below, the following table must be used to adjust the 2000-01 formula rent to 2019-20 levels:

Year	Inflation	Additional	Total
2001-02	3.3%	1.0%	4.3%
2002-03	1.7%	0.5%	2.2%
2003-04	1.7%	0.5%	2.2%
2004-05	2.8%	0.5%	3.3%
2005-06	3.1%	0.5%	3.6%
2006-07	2.7%	0.5%	3.2%
2007-08	3.6%	0.5%	4.1%
2008-09	3.9%	0.5%	4.4%
2009-10	5.0%	0.5%	5.5%
2010-11	-1.4%	0.5%	-0.9%
2011-12	4.6%	0.5%	5.1%
2012-13	5.6%	0.5%	6.1%
2013-14	2.6%	0.5%	3.1%
2014-15	3.2%	0.5%	3.7%
2015-16	1.2%	1%	2.2%
2016-17	N/A	N/A	-1.0%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%
2019-20	N/A	N/A	-1.0%

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 housing**² (except domestic violence refuge accommodation, as this is covered in (b) below):

Year	Inflation	Additional	Total
2016-17	-0.1%	1.0%	0.9%
2017-18	N/A	N/A	-1.0%
2018-19	N/A	N/A	-1.0%
2019-20	N/A	N/A	-1.0%

- 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 trust**³:

Year	Inflation	Additional	Total
2016-17	-0.1%	1.0%	0.9%
2017-18	1.0%	1.0%	2.0%
2018-19	3.0%	1.0%	4.0%
2019-20	2.4%	1.0%	3.4%

Step 2: Adjust from 2020-21 onwards

10. For 2020-21 onwards, the formula rent must be adjusted annually by CPI (at September of the previous year) + 1 percentage point. This applies regardless of any exceptions that operated under the social rent reduction.

Rent Caps

11. Formula rent caps for 2019-20 are as outlined in the following table:

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

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

Number of bedrooms	Rent cap
1 and bedsits	£141.43
2	£149.74
3	£158.06
4	£166.37
5	£174.69
6 or more	£183.00

12. From 2020-21, rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points, each year.

Appendix B: Example calculation of a formula rent

1. Consider a three-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
Average earnings in Leicestershire	£303.10
National average earnings	£316.40
Bedroom weight	1.10
National average property value in January 1999	£49,750

3. Putting these figures into the formula:

70% of the average rent	$70\% \times £54.62$	£38.23
Multiplied by relative county earnings	$\times £303.10 / £316.40$	£36.62
Multiplied by bedroom weight	$\times 1.10$	£40.29 subtotal
30% of the average rent	$30\% \times £54.62$	£16.39
Multiplied by relative property value	$\times £55,000 / £49,750$	£18.12 subtotal
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 – provided this amount is not higher than the rent cap for the size of property. If it is higher, then the formula rent must be replaced by the rent cap amount.
5. Otherwise, the formula rent for future years is then calculated by uprating this amount using the figures outlined for each year in Appendix A.