



**CIRCULAR**

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# Rents, rent differentials and service charges for housing associations

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October 2008

# 04/08

### This Circular is for the attention of:

- Registered Social Landlords
- Registered Social Landlords; more than 1,000 properties
- Registered Social Landlords; less than 1,000 properties
- Unregistered landlords owning or managing social housing properties developed with grant
- Co-ownership Societies
- Co-ownership Equity Sharing Societies
- Almshouse Charities
- Abbeyfield Societies
- Co-operatives

### Relevant legislation:

N/A

### Regulation and/or policy requirements:

Housing Corporation Regulatory Code and Guidance

Circular 27/01 Rent influencing regime – Implementing the rent restructuring framework

Circular 30/01 Rent influencing regime – Supplemental guidance for implementing the rent restructuring framework

Circular 02/02 Rent influencing regime – Guidance on the valuation of supported housing

### This Circular replaces Circular number:

Circular 09/07 – Rents, rent differentials and service charges for housing associations.

**Note:** ‘Housing association’ is used as a generic term for registered social landlords. ‘Corporation’ means Housing Corporation.

From 1 December 2008 the regulatory functions of the Housing Corporation will pass to a new social housing regulator, the Tenant Services Authority (TSA).

## 1 Definitions

The value for Retail Price Index (RPI) is the figure for the month of September preceding the year of assessment, based on the all items RPI.

## 2 Corporation/TSA expectations and/or policy

The regulatory requirements on rents state that housing associations should keep their annual rent increases to no more than the set guideline limit specified by the regulator. This is subject to the requirement that an individual rent does not change by more than £2 a week, in addition to the guideline limit – i.e. RPI+0.5% plus or minus £2, in any one year.

However, the relaxation of the downward limit of RPI+ 0.5% minus £2 per week on rent changes, applied to local authorities via the Three-Year Review of Rent Restructuring, has also been extended to housing associations who are encouraged to do the same, where their finances permit.

The rent influencing regime is set out in Circular 27/01 Rent Influencing Regime – Implementing the Rent Restructuring Framework, which is relevant to the overall

level of change to existing rents. Target rents, which are part of that regime, should also be increased by the guideline limit. The guideline limits for 2009-10 and the previous four years are set out in Table A below.

Circular 30/01 Rent Influencing Regime – Supplemental Guidance for Implementing the Rent Restructuring Framework includes Appendix H to the rent influencing regime guidance and sets out details of the rent cap applicable to properties by bedroom size. The caps increase each year by RPI + 1%. The rent cap increases for 2009-10, and the previous four years are set out in Table B below.

The Three-Year Review of Rent Restructuring introduced higher bedroom weights for three- and four-bed properties, and new, higher weightings for properties with five and six (or more) bedrooms. These bedroom weights should be used to set target rents for properties using the rent restructuring formula as set out in the Housing Corporation publication Rent Influencing Regime – Implementing the Rent Restructuring Framework. The higher bedroom weights are accompanied by a set of higher rent caps. The bedroom weights applicable in 2009-10 are set out for information in Table C below. Rent cap levels are set out in Table D below. Note the higher

rent caps for 2009-10 have been calculated based on the notional levels that would have been applicable if these higher caps had existed in 2004-05 as a base year.

Associations should endeavour to keep increases in housing benefit eligible service charges to no more than the guideline limit.

### 3 Assessing compliance

The regulator will use the guideline limit to assess whether a housing association meets the regulatory requirements which relate to rent increases.

Table A – Target rent guideline limits

Year	Guideline limit	All items RPI increase at previous September	Guideline limit for rent increases	Maximum change to individual rent
1 April 2009 to 31 March 2010	RPI + 0.5%	+5.0%	5.5%	5.5% plus or minus £2
1 April 2008 to 31 March 2009	RPI + 0.5%	+3.9%	4.4%	4.4% plus or minus £2
1 April 2007 to 31 March 2008	RPI + 0.5%	+3.6%	4.1%	4.1% plus or minus £2
1 April 2006 to 31 March 2007	RPI + 0.5%	+2.7%	3.2%	3.2% plus or minus £2
1 April 2005 to 31 March 2006	RPI + 0.5%	+3.1%	3.6%	3.6% plus or minus £2

Table B – Rent cap increases

Year	Rent cap increase limit	All items RPI increase at the previous September	Increase in rent cap levels
1 April 2009 to 31 March 2010	RPI + 1.0%	+5.0%	6.0%
1 April 2008 to 31 March 2009	RPI + 1.0%	+3.9%	4.9%
1 April 2007 to 31 March 2008	RPI + 1.0%	+3.6%	4.6%
1 April 2006 to 31 March 2007	RPI + 1.0%	+2.7%	3.7%
1 April 2005 to 31 March 2006	RPI + 1.0%	+3.1%	4.1%

Table C – Bedroom weights applicable in 2009-10

	Bedroom weights in 2009-10
0	0.80
1	0.90
2	1.00
3	1.10
4	1.20
5	1.30
6 or more	1.40

Table D – Rent cap levels

Bedroom size	Rent cap in 2009-10	Rent cap in 2008-09	Rent cap in 2007-08	Rent cap in 2006-07	Rent cap in 2005-06
Bedsit and one bedroom	£113.78	£107.34	£102.33	£97.83	£94.34
Two bedrooms	£120.46	£113.64	£108.33	£103.57	£99.87
Three bedrooms	£127.16	£119.96	£114.36	£109.33	£105.43
Four bedrooms	£133.85	£126.27	£120.37	£115.08	£110.97
Five bedrooms	£140.53	£132.58	£126.39	£120.83	£116.52
Six or more bedrooms	£147.23	£138.90	£132.41	£126.59	£122.07

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