



OFFICE OF THE
DEPUTY PRIME MINISTER

Fair and affordable council rents



housing



Fair and affordable rents

This leaflet explains how the Government wants to change the way councils set their rents. You can get a separate leaflet about housing association rents from the National Housing Association Publications Unit at 175 Grays Inn Road, London, WC1X 8VP. That leaflet costs 25p.



Why change things?

Until recently, landlords in different areas have all used slightly different ways of setting rents (such as points systems). This means that it has not always been possible to compare the rents of different landlords, including those in neighbouring areas. For example, some council tenants are paying a third or more extra rent than tenants of similar properties in neighbouring council areas. And in some areas, housing association tenants pay 50% more rent than council tenants pay for a similar home.

This situation is confusing and unfair to those who pay their own rent. It restricts a tenant's choice in the size, condition and location of the house or flat they live in.

The Government would like there to be a sensible pattern of council and housing association rents across the whole country. So it is asking all social landlords in England to set their rents in the same way, based on a single formula. The process of moving to this single system is called 'rent restructuring' and the new rents are called 'formula rents'.



A new way of setting rents

The Government wants the rents charged by social landlords to be fair and affordable. It believes that their rents should:

- remain affordable in the future;
- generally be well below those charged by private landlords;
- be linked to the size, location and condition of the home; and
- be similar to rents for other council and housing association properties of a similar size, location, and condition.



The Government's approach

After consulting councils, housing associations, tenants' groups and other interested groups, the Government produced a formula for setting rents. This formula will result in rents that are based on the value of the property, the number of bedrooms in the property, and local earnings.

Because your new rent may be different from your rent now, social landlords have at least 10 years to gradually introduce the new system. The Government asked social landlords to start moving their rents towards the formula from April 2002. Your landlord will still set your rent and will have decided when to introduce the formula in your area. By 2012, your rent should have been set by using the Government's formula.



What will happen to my rent?

Moving to a fairer system means change. The higher your home's value, the more bedrooms you have, and the higher local earnings are, the higher your rent will be. The opposite is also true. Whether your rent will go up or down will depend on what your rent is now. Your landlord can tell you what will happen to your rent.



Will my rent go up suddenly by a large amount?

Because the changes are being made over a period of at least 10 years, any rent change (up or down) should be gradual. To make sure tenants don't face large increases, the Government has said that in any one year, a tenant's weekly rent cannot go up by more than the rate of inflation plus 0.5%, plus £2.

£60
100

For example, if your rent is £60 a week, and inflation is 2%, then the most your rent should go up by is $\frac{£60}{100} \times 2.5$ (inflation + 0.5) + £2 = £3.50 a week.

Because the Government is concerned about protecting tenants from large rent increases, this limit always applies, even if it means your rent cannot reach the formula rent by 2012. In fact, the rents charged by social landlords are expected to go up less in the next 10 years than they did in the last 10 years.

The Government has also set maximum 'caps' on formula rents to protect tenants in areas where property values are high (for example, parts of London). If you think you could be affected, please ask your landlord for further information.

What if my rent needs to go down?



If your rent is above the level it needs to be, it won't drop to the new level immediately. Your rent will either fall slowly, or go up by less than the rate of inflation, so that your landlord can keep providing a good level of service.



Will I have to pay any service charges?

The Government's formula only applies to the rent you pay for your home. Your council can also charge a separate service charge for services such as cleaning shared areas or gardening. However, the council should not make a profit out of these charges.

The Government thinks that tenants should know what services they are supposed to receive and at what cost. For this reason, the Government is encouraging councils to give you a breakdown of charges so you can see how much you pay for rent, how much you pay for services, and what you get for your money.

If you receive a service now (such as caretaking) which you pay for as part of your general rent, the Government expects the council to give you a breakdown of charges in future. The council has to decide how to do this, but the Government has said that this should not mean sudden big rises in charges for tenants. If your council charges you a single amount to cover your rent and a separate service charge, then the total should not go up by more than the rate of inflation plus 0.5%, plus £2.

£60

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For example, if your total rent is £60 a week, and you receive a caretaking service costing £10 a week, then the council could separate the charges into a rent of £50 plus a service charge of £10.

If inflation is 2%, then the council could put the total up by

$$\frac{£60}{100} \times 2.5 \text{ (inflation + 0.5)} + £2 = £3.50 \text{ a week.}$$

The Government is encouraging social landlords to keep service charge rises within similar limits in future years.

There are some services which, even though they are not provided to your particular home, are essential for you to be able to live there. For example, if you live on a high floor in a tower block, you cannot get to and from your home without a lift. The Government has said that any essential services for council tenants, such as lift maintenance in tower blocks, should be paid for from the formula rent without you having to pay any extra charge.



Will I still get help to pay my rent?

These changes do not affect any entitlement to Housing Benefit. So, if you receive help with your rent now, you should still be entitled to help as long as your circumstances stay the same.

Your local Housing Benefit office can tell you more about Housing Benefit rules.



Will the new system be looked at again?

Ministers will review the progress social landlords have made towards formula rents after about three years. The review will consider the effect the system has had on landlords and tenants, and whether any improvements need to be made.

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How can I find out more?

For further information, please ask your landlord, or look at the Office of the Deputy Prime Minister website at:

www.housing.odpm.gov.uk/information/index19.htm

Further copies of this leaflet are available from:
ODPM Free Literature, PO Box 236, Wetherby.
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