

# Rents, rent differentials and service charges for private registered providers

2011-12

**TSA**

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## 1 Introduction

In March 2010 the Tenant Services Authority (TSA) issued the regulatory framework for social housing in England, with rents being covered by section two of the Tenancy Standard. The expectations contained within that standard for rents apply to all private registered providers of social housing.

Section 197 of the Housing and Regeneration Act 2008 (the Act) permits the Secretary of State to issue a direction to the TSA on rents. Communities and Local Government (CLG) issued such a direction in November 2009<sup>1</sup>.

This notice replaces the note on rents published by the TSA in November 2009.

## 2 TSA expectations

The TSA standard on rents came into effect from 1 April 2010. That part of the Tenancy Standard, set out following the CLG direction, continues the principles of rent restructuring as previously published. It is therefore a regulatory requirement that private registered providers keep their annual rent changes to no more than the set limit specified by the TSA. This is subject to a requirement that an individual rent does not change by more than £2 a week, in addition to the guideline limit — ie RPI+0.5% plus £2 per week, in any one year.

The relaxation of the downward limit of RPI+0.5% minus £2 per week on rent changes continues to be extended to private registered providers 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. Target rents, which are part of that regime, should also be changed by the guideline limit. The guideline limits for 2011-12 and the previous four years are set out in Table A on page 3.

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 change each year by RPI+1%. The rent cap changes for 2011-12, and the previous four years, are set out in Table B on page 3. Circulars 02/02 and 05/03 remain valid for supported housing.

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<sup>2</sup>. These bedroom weights should be used to set target rents for properties using the rent restructuring formula as set out in the Rent

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<sup>1</sup> The Directions on Regulatory Standards – 10 November 2009

<sup>2</sup> First introduced in Housing Corporation circular 05/05

Influencing Regime – Implementing the Rent Restructuring Framework<sup>3</sup>. The higher bedroom weights are accompanied by a set of higher rent caps. The bedroom weights applicable in 2011-12 are set out for information in Table C on page 4. Rent cap levels are set out in Table D on page 4. The higher rent caps for 2011-12 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.

Registered providers should endeavour to keep increases in Housing Benefit-eligible service charges to no more than the guideline limit of RPI+0.5%.

### 3 Convergence with target rents

The rent influencing regime commenced on 1 April 2002 and specified a ten-year implementation period. The restructuring of rents should therefore be broadly complete by 31 March 2012. This means that rent levels for 2011-12 should not exceed five per cent above target rent levels, subject to the maximum rent caps.

Supported housing rents were allowed an additional year to achieve rent restructuring and are also permitted a tolerance of ten per cent over target rent levels.

### 4 Continuation of rent influencing regime

Some registered providers may still have rents below target levels by the due date. Others may have received permission from the regulator to implement rent restructuring over an extended period. In all cases the principles of the regime should continue until rents have reached the levels planned, following which the guideline limit should continue to be applied.

Any changes to the regime will be clearly communicated to the sector by the social housing regulator.

### 5 Enquiries

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<sup>3</sup> Issued with circular 27/01

**Table A** Target rent guideline limits

Year	Guideline limit	All items RPI change at previous September	Guideline limit for rent changes	Maximum increase to individual rent
1/4/11 to 31/3/12	RPI + 0.5%	+4.6%	+5.1%	+5.1% plus £2 per week
1/4/10 to 31/3/11	RPI + 0.5%	-1.4%	-0.9%	-0.9% plus £2 per week
1/4/09 to 31/3/10	RPI + 0.5%	+5.0%	+5.5%	+5.5% plus £2 per week
1/4/08 to 31/3/09	RPI + 0.5%	+3.9%	+4.4%	+4.4% plus £2 per week
1/4/07 to 31/3/08	RPI + 0.5%	+3.6%	+4.1%	+4.1% plus £2 per week

**Table B** Rent cap changes

Year	Rent cap change limit	All items RPI change at the previous September	Change in rent cap levels
1/4/11 to 31/3/12	RPI + 1.0%	+4.6%	+5.6%
1/4/10 to 31/3/11	RPI + 1.0%	-1.4%	-0.4%
1/4/09 to 31/3/10	RPI + 1.0%	+5.0%	+6.0%
1/4/08 to 31/3/09	RPI + 1.0%	+3.9%	+4.9%
1/4/07 to 31/3/08	RPI + 1.0%	+3.6%	+4.6%

**Table C** Bedroom weights applicable in 2011-12

Number of bedrooms	Bedroom weights in 2011-12
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 2011-12	Rent cap in 2010-11	Rent cap in 2009-10	Rent cap in 2008-09	Rent cap in 2007-08
Bedsit & one bedroom	£119.67	£113.32	£113.78	£107.34	£102.33
Two bedrooms	£126.70	£119.98	£120.46	£113.64	£108.33
Three bedrooms	£133.74	£126.65	£127.16	£119.96	£114.36
Four bedrooms	£140.78	£133.31	£133.85	£126.27	£120.37
Five bedrooms	£147.81	£139.97	£140.53	£132.58	£126.39
Six or more bedrooms	£154.85	£146.64	£147.23	£138.90	£132.41

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This notice covers the guideline limit for rents, revised rent caps and bedroom weights. It replaces the note on rents published by the TSA in November 2009.

