Appendix A: Values for calculating formula rents

This appendix provides the values, apart from property-specific details, that is needed to calculate formula rents in Brent.

Since 2001 rents have been set in line with government policy using a social rent formula (often referred to as a target rent). The formula is based upon three distinct factors namely

- The relative RICS property values at January 1999 valuations, and
- Relative county income levels in 1999, and
- The size of the property

Rents

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

Property Values

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

Earnings

The Greater London average manual earnings data to be used, for 1999, is £354.10

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.

Bedroom weights

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
2	1
3	1.1
4	1.2

Number of bedrooms (as set out in the tenancy agreement)	Bedroom weight
5	1.3
6 or more	1.4

The aim of this formula-based approach is to ensure that similar rents are charged for similar social rented properties within a region

The weekly social rent formula is equal to:

- 70% of the national average weekly rent (£54.62)
- Multiplied by relative county earnings (£354.10)
- Divided by national weekly manual earnings of £316.40
- Multiplied by a bedroom weighting

Plus

- 30% of the national average rent (£54.62)
- Multiplied by relative individual 1999 property value.
- Divided by national property average in England of £49,750

The combined base rent figure is then uplifted to 2026/27 rents by

- 215.36% for general needs stock with tenancy date pre 31 March 2021(capped)
- 223.61% for general needs stock with tenancy date post 1 April 2021 (uncapped)
- 227.91% for supported accommodation

Formula Rent example: three-bedroom property in Brent

The following example demonstrates how Formula Rent is calculated for a three-bedroom Social Rent property in the London Borough of Brent.

For the purposes of this example, the property's value at January 1999 is assumed to be **£55,000**. This is an illustrative figure used to demonstrate the calculation and does not represent the value of an average Brent property.

Using the Government's prescribed figures:

Calculation factor	Figure
National average rent at April 2000	£54.62
Greater London average manual earnings	£354.10
National average manual earnings	£316.40
Bedroom weight for a three-bedroom property	1.1
Illustrative property value at January 1999	£55,000
National average property value at January 1999	£49,750

Step 1: Earnings and property size element

70% of the national average rent is:

70% × £54.62 = £38.23

This is then adjusted for relative earnings in Greater London:

£38.23 × (£354.10 ÷ £316.40) = £42.77

The bedroom weight for a three-bedroom property is then applied:

£42.77 × 1.10 = £47.05

The earnings and property size element is therefore approximately **£47.05 per week**.

Step 2: Property value element

30% of the national average rent is:

30% × £54.62 = £16.39

This is then adjusted for the relative value of the property:

£16.39 × (£55,000 ÷ £49,750) = £18.12

The property value element is therefore **£18.12 per week**.

Step 3: Calculate the Formula Rent

The two elements are added together:

£47.05 + £18.12 = £65.17 per week

The Formula Rent for this illustrative three-bedroom Brent property would therefore be approximately **£65.17 per week for 2000-01**.

The Government's published example follows the same calculation methodology.

Updating Formula Rent

The Formula Rent calculated above is the property's **2000-01 Formula Rent**. The Government requires the 2000-01 Formula Rent to be updated using the prescribed annual adjustments to establish the Formula Rent for the relevant financial year.

From 2026-27 onwards, Formula Rents are generally adjusted annually by **CPI plus 1 percent**, based on CPI at September of the previous year.

The Council will use the Government's prescribed annual adjustment figures when calculating Formula Rents for new properties and when determining the applicable Formula Rent for existing properties.