The £1.20 option

Taking into account that we have 9 years to implement the changes and to bring properties up to the new formula rent.

It is recommended that:

1.   We base the rent increase as far as possible within the formula on moving one ninth towards the formula rent in 2003/2004.

2.   This means that:

   a)   **Where the formula rent is higher than the current rent**

   i)   where the difference between the formula rent and the current rent is less than £1.20, the formula rent will be charged;

   ii)   where the difference between the formula rent and the current rent is more than £1.20, the rent will be increased by £1.20 up to the point where one ninth is more than £1.20;

   iii)   Where one ninth of the difference between the formula rent and the current rent is more than £1.20, then the rent increase will be a ninth of the difference;

   Using this formula, the maximum increase will be under £2, with the exception of 2 properties which would increase by £2.13. The majority will increase by under £1.24 a week.

   b)   **Where the formula rent is lower than the current rent**

   i)   where one ninth of the difference between the formula and current rent is less than £1.20, the rent will be frozen at its existing level;

   ii)   where one ninth is more than £1.20, the rent should reduce by one ninth less £1.20 up to the prescribed cap of a maximum reduction of inflation of 1.7% plus 0.5 per cent less up to a maximum reduction of £2.

   Using this formula the maximum reduction will be 62p a week.

(The above figures do not include service charges)