



# **RENT POLICY**

# Contents

<b>1.</b>	Policy Statement	3
<b>2.</b>	Scope	3
<b>3.</b>	Principles	3
<b>4.</b>	Aims & Outcomes	4
<b>5.</b>	Statutory & Legislative Requirements	7
<b>6.</b>	Equality Impact Assessment	8

# 1. Policy Statement

- 1.1** This Policy sets out Eastlight Community Homes' (hereafter 'Eastlight') approach to the setting of rent.
- 1.2** We aim to set rents for our residents in a fair and consistent way. We will do this in accordance with the appropriate legislation and regulation, the terms of tenancy agreements and with industry best practice in mind.
- 1.3** This will enable us to manage and maintain our properties well and to invest in new housing and other community amenities, in accordance with our objectives and the aspirations of our residents.

# 2. Scope

- 2.1** This Policy provides guidance on the principles by which rents are set and ensures that those who are affected by the Policy are identified, considered and consulted.
- 2.2** The Policy is drafted in compliance with the applicable legislation, regulations and guidance, including but not limited to the documents listed in this Policy. Where these are silent or there is uncertainty, we will rely on legal advice and the current advice issued by statutory bodies.
- 2.3** The Policy assumes that all contractual obligations with regard to tenancy agreements will be fulfilled but does not identify specific terms of these documents within the content of the Policy, unless it is appropriate to do so.

# 3. Principles

- 3.1** We aim to ensure that our Rent Policy is clear and transparent for our customers.
- 3.2** Rent is the regular payment received by us from a resident for the use of our property.
- 3.3** Properties are classified into different categories, and this determines the method of rent calculation.
- 3.4** The categorisation of properties is, in the first instance, a matter of legality; secondly, as required or agreed with the Regulator; and thereon, as agreed through an internal approval process.

- 3.5** Rents are reviewed annually with increases / decreases applied in April each year or in accordance with the tenancy or lease agreement. The proposed changes to rent are reviewed by the resident committee before presentation and approval by the Board.

## 4. Aims & Outcomes

- 4.1** In setting our rent, our intention is that it is fair and consistent across all tenure types, whilst acting in accordance with the terms of the tenancy agreements and applicable laws and regulations. This means that there will be variations in the basis of calculation for rents, dependent on contractual obligations and the categorisation of properties. In addition, we will also make specific provisions in this Policy to address areas not driven by the legal position.

- 4.2** Where variations in tenancy agreements exist, and given due regard to our legal and ethical obligations, we will, in the future seek to harmonise agreements, enabling a consistent approach in our charging mechanisms.

- 4.3** The mechanism for recovery and increasing of rent charges are set out in the terms of the tenancy agreement or lease.

### **4.4 Social Rent**

Social Rent levels are set at Formula Rent which is set for all properties in accordance with 2.4 to 2.6 of the Policy Statement on Rents for Social Housing (Policy Statement).

- 4.4.1 Where the rent for a property is below formula level, it will remain unchanged until the property is re-let. On re-let or change of tenancy, the property will be re-let at formula rent.
- 4.4.2 The Rent Standard permits an additional 5% flexibility (10% for supported housing) on top of formula rent. The Board reserves the right to use this flexibility where it deems it appropriate to do so.
- 4.4.3 Where properties are subject to extension or structural works, and this results in a change to the number of bedrooms, we will recalculate the formula rent based on the number of bedrooms and the revised property valuation upon re-let.
- 4.4.4 From 1 April 2020, the rent of any existing tenancy may not be increased by more than CPI (as at September of the previous year) + 1%, in any year. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024 (2023/24), the limit is subject to a 7% ceiling, and rents may not increase by more than 7%. The 7% ceiling does not apply to supported housing (as defined in the Policy Statement).

- 4.4.5 If the tenant's rent exceeds the rent flexibility level, the 7% ceiling for rent increase applies for rent periods in 2023/24.
- 4.4.6 Where the formula rent would be higher than the rent cap for a particular size of property, the rent cap must be used instead. The rent caps are published each Autumn by the Regulator for the following year, and increase by CPI (at September of the previous year) + 1.5% annually.
- 4.4.7 Where the rent for a property exceeds formula rent plus the rent flexibility level, the increase in rent is restricted to just CPI, until the rent is brought within rent flexibility.
- 4.4.8 Social Rent properties may not be converted to either Affordable Rent (without Regulator approval), or Market Rent or Intermediate Rent.

#### **4.5 Affordable Rent**

- 4.5.1 Properties let at Affordable Rent are provided pursuant to a housing supply delivery agreement between Eastlight and Homes England, which sets out that the accommodation is permitted to be let at Affordable Rent.
- 4.5.2 Affordable Rent is set at 80% of market rent, inclusive of service charges, save if the formula rent is higher than 80% of the weekly market rent (inclusive of service charges) for the resident's accommodation, the maximum weekly rent is formula rent exclusive of service charges.
- 4.5.3 Eastlight also caps rent on letting at Local Housing Allowance so the above rent must also not exceed this level at the time a property is let or re-let.
- 4.5.4 Any restrictions set out in a S.106 agreement for a scheme must be adhered to when setting the rent; for example, a limit to Local Housing Allowance ('LHA').
- 4.5.5 The rent of an existing Affordable Rent resident (including where they have a new tenancy) will not be increased by more than CPI + 1% in any year, subject to the 7% ceiling for 2023/24.
- 4.5.6 'Existing resident' in this context means an existing resident of the specific property concerned. The revised rent on re-letting to an existing resident may only be rebased to 80% of current market value where the resulting rent would be no more than the rent arrived at by a CPI+1% increase (subject to the 7% ceiling in 2023/24).
- 4.5.7 When re-letting an Affordable Rent property to a new resident, the rent must be rebased at 80% of the current market rent (inclusive of service charges).

4.5.8 Affordable Rent housing must not be converted (including on re-let) to Market Rent (other than in accordance with the Rent Policy Statement) or Intermediate Rent.

#### **4.6 Intermediate Rent**

4.6.1 Intermediate Rent is a regulated social rent and must be set below market rent. Eastlight sets Intermediate Rents at 80% of market rent, exclusive of service charges.

4.6.2 Mortgage Rescue residents were granted Intermediate Rent tenancies for 3 years upon grant, as per the Capital Funding Guide 2009/2010.

4.6.3 For a property to be classified as Intermediate Rent, the definition in 5.4 of the Policy Statement must be satisfied.

4.6.4 Rent increases will be implemented in accordance with the tenancy agreement. In 2023/24, Eastlight will apply the 7% ceiling to all Intermediate Rents.

#### **4.7 Shared Ownership Rents**

4.7.1 The rent for shared ownership properties is determined by the lease of each property and is not subject to regulation by the Regulator of Social Housing.

4.7.2 Where the shared ownership property was part of the stock transfer from Braintree District Council, rents are based on formula rents, reduced proportionately by the equity retained by Eastlight and then further by 20%, to reflect the maintenance responsibilities of the resident. When these properties are sold or transferred to new owners, the tenancy agreement may be amended to calculated rent in accordance with 4.7.3.

4.7.3 Where shared ownership properties are not part of the stock transfer in 4.7.2 above, the annual rent is in accordance with the lease. However, for 2023/24, the Board has taken the decision to cap shared ownership rent increases at 7%. Future years' increases will be based on this 7% increase. This cap is for one year only and future increases will be increased in accordance with the leases.

4.7.4 Private Sector Leased rents are set with reference to market rents and the Local Housing Allowances regulations that apply in the local housing allowance area where the property is located.

4.7.5 Rents are reviewed on the anniversary date of the commencement of the lease.

## 4.8 Fair Rents

- 4.8.1 There are a limited number of Secure Tenancies that are subject to Fair Rent Registration. The Fair Rent regime applies to tenancies which commenced before 15 January 1989. A Fair Rent is registered with the Valuation Office every 2 years, based on comparable rents in the local area. Service charges are levied in addition to rent.
- 4.8.2 A tenant who receives 'fair rent' protection must not be charged more than the lower of:
- The 'fair rent' set by the rent officer; and
  - Formula rent (subject to the rent caps and the rent flexibility level).
- 4.8.3 As with other social rent properties, Eastlight may not increase any Fair Rent by more than CPI (as at September of the previous year) + 1% in any year (even if a resident's rent is below the formula rent level and the maximum fair rent is increased by more than that amount). For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, this limit is subject to a 7% ceiling. In that year, registered providers may not increase rents by more than 7%. The 7% ceiling does not apply to supported housing accommodation.
- 4.8.4 Upon re-let of a property where a resident previously paid a Fair Rent, Social Rent or Affordable Rent (where applicable and with the correct Homes England agreement in place) should be charged.

# 5. Statutory & Legislative Requirements

## 5.1 Statutory & Legislative Requirements:

- Housing and Regeneration Act 2008
- Rent Standard
- Policy Statement on Rents for Social Housing
- Transparency, Influence and Accountability Standard – Consumer Standards April 2024
- Tenancy Standard – Consumer Standards April 2024

## 6. Equality Impact Assessment

- 6.1** In formulating this Policy, we have considered the implications for equality and diversity through the Equality Impact Assessment (EIA).
- 6.2** Within the remit of this Policy, the framework ensures that charges are applied in a fair and consistent way and without personal prejudice.
- 6.3** It has been identified that shared ownership residents may be negatively impacted relative to others, in the instance of rent reductions as increases are fixed into the terms of tenancies. However, this is driven by legislation and therefore no mitigating actions are required.
- 6.4** Where increases in rents impact residents, Eastlight will provide help and support to understand the revised rent and work with those in need to ensure they are able to pay monies due and claim the benefits to which they are entitled in this respect.
- 6.5** Where there are rent arrears or other debt, we will endeavour to agree arrangements with the resident to reduce the debt and ensure that debt is not exacerbated.



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