

Rent Policy

1 Purpose & Background

- 1.1 Hastoe's policy is for rents to be set at a level that provides a reasonable balance between affordability for the resident and ensuring the Group's continued financial viability.
- 1.2 In setting rents, the Group follows the Regulator of Social Housing's (RSH) Rent Standard and the maximum fair rents registered by the Valuation Office Agency for secure tenancies, whilst also ensuring the overriding need to comply with the terms of the Group's tenancy agreements.
- 1.3 From April 2020, the Government has, by way of a Policy Statement from the Secretary of State for Housing, directed the RSH to put into place a new Rent Standard for the 5 years from 2020-21 to 2025-26.
- 1.4 This Rent Standard and Policy Statement form the basis of the Group's Rent Policy.
- 1.5 Further information on the process by which the Group amends and sets rents can be found within the Rent Accounting & Setting Procedure.

2 The Rent Standard & Policy Statement

- 2.1 The Rent Standard, as in effect from 1 April 2020, broadly allows for yearly increases based on the previous September's Consumer Price Index (CPI), plus 1%. There are some exceptions to this which are outlined in further sections of this policy.
- 2.2 The Rent Standard does not apply to specific types of property, the exemptions relevant to the Group being shown below:
 - Shared Ownership
 - Intermediate Rent
 - Market Rent
 - Properties owned by non-Registered Providers (Gaymer Memorial Cottages, Bernard Herridge)
- 2.3 Hastoe will review the exceptions within the Rent Standard each year as applicable to Hastoe's properties, to ensure that these continue to apply.

2.4 The rent (as well as any service charges) for the Group's tenancies will be reviewed yearly, in line with the date shown in the tenancy agreement.

3 Assured Tenancies

3.1 Assured tenancies are tenancies where Hastoe charges a social rent, based upon a formula described in the Rent Standard (known as "formula rent"). Assured tenants may pay a service charge in addition to their rent.

3.2 From 1 April 2020, the current rent for Assured tenancies should increase by the previous September's CPI, plus 1%.

3.3 The formula rent is initially calculated using a formula that includes an historic property value, number of bedrooms and local earnings.

3.4 The 'rent flexibility level' is defined in the Rent Standard as an up to 5% tolerance for general needs housing, or up to 10% for sheltered/supported housing. The Standard states that the use of the tolerances must be justified by reference to local factors and affordability and its use must be consulted on with tenants.

3.5 The process by which Hastoe consults with current tenants on our use of the 'rent flexibility level', and decides on its use for new schemes, can be found in the Rent Setting & Accounting Procedure.

3.6 Formula rents will increase annually by the previous September's CPI, plus 1%, from 1 April 2020, and at the start of each financial year thereafter. The financial year is deemed to commence on 1 April.

3.7 The Rent Standard sets out rent caps which serve as a ceiling on the rent for social rented properties. Social landlords must not allow either the formula or current rent to rise above the rent caps.

3.8 For re-lets of existing social rent properties from 1 April 2020, the rent must be set no higher than formula rent, plus the 'rent flexibility level', subject to the relevant rent cap for the property size.

3.9 All new tenancies should have a rent review date of 1 April. Where a property is relet in the March, a notice will be served with the tenancy agreement to permit the rent to be reviewed on 1 April.

3.10 For any social rent properties where their current rent is higher than the formula rent plus the 'rent flexibility level', the current rent can only be increased by the previous September's CPI. This does not currently apply to any Hastoe properties, but will be reviewed each year to ensure this remains the case.

4 Secure/Fair Rent Tenancies

- 4.1 Secure tenancies are tenancies where the rent is subject to a maximum fair rent. This is set upon application to the Rent Officer at the Valuation Office Agency (VOA). Secure residents may pay a service charge in addition to their rent.
- 4.2 A register is kept of the current fair rent registrations, and Hastoe is able to apply for a new maximum fair rent to be determined every two years.
- 4.3 From 1 April 2020, the current rent for Secure tenancies should increase by the previous September's CPI, plus 1%.
- 4.4 However, the rent cannot increase beyond either the maximum fair rent, or the formula rent, including the 'rent flexibility level', whichever is the lower.
- 4.5 Upon re-let of a Secure property, it should be converted to an Assured tenancy with a social rent. This means that the rent must be set no higher than formula rent, including the 'rent flexibility level'. Please refer to section 3 Assured Tenancies for further details.

5 Affordable Rent Tenancies

- 5.1 Affordable rent tenancies are tenancies where Hastoe can charge up to 80% of market rent, inclusive of any service charges, when letting a property to a new tenant.
- 5.2 The Affordable Rent on each new letting is determined by an independent valuation. From 1 April 2020, the current rent for Affordable tenancies should increase by the previous September's CPI, plus 1%.
- 5.3 Exceptions to 5.1:
 - Where prescribed within a section 106 agreement, the rent for a new tenant should be limited to the Local Housing Allowance.
 - The Executive Team has the authority to set the rent at 70% of market rent, where the LHA is below 70% of the market rent. Any use of this exception should consider local need and the financial viability of the scheme.
 - If the rent calculated by the process described in 5.2 would cause a new tenant to exceed the benefit cap, a Director has the authority to agree that the rent should be set as calculated by 5.2 but with a deduction equal to the tenant's full benefit entitlement less the benefit cap.

- Where 80% of the market rent is below the applicable formula rent for the property, the property should be relet at the formula rent – the formula rent serving as a ‘floor’ for the Affordable Rent level.
- 5.4 When a tenant moves from an Affordable Rent Probationary tenancy to an Assured Affordable tenancy, this should be treated as one continuous tenancy and no amendment made to the rent charged as a result.
- 5.5 If Hastoe re-lets an Affordable Rent property to the **existing tenant**, for example if granting a new Assured tenancy following the expiry of the old Fixed Term, a new valuation must be obtained. The new rent should be the lower of 80% of the new market rent value or the existing rent.
- 5.6 All new tenancies should have a rent review date of 1 April.

6 High Income Social Tenants (HIST)

- 6.1 The Rent Standard does not apply to rental accommodation let by private registered providers to a social housing tenant household during a financial year where the household income was £60 000 or more in the tax year which ended in the preceding financial year.
- 6.2 The Group’s policy is not to use the HIST exemption from the Rent Standard.

7. Shared Ownership

- 7.1 Shared Ownership rents are excluded from the Rent Standard. Shared Owners may pay a service charge in addition to their rent.
- 7.2 Shared Ownership rents are generally set at 2.75% of unsold equity, the maximum level recommended by Homes England, unless scheme viability and shared owner affordability justifies using the maximum of 3% of unsold equity.
- 7.3 Shared Ownership rents are increased annually, using the formula and dates stated in the lease.

8 Intermediate Rents

- 8.1 Intermediate rents are excluded from the Rent Standard.
- 8.2 Intermediate rent properties are increased each year in line with their tenancy agreement at the previous September’s RPI + 1%, with the exception that in every fifth year from 2020 the rent may be increased by up to RPI + 7.5% dependant on Hastoe taking into account it’s overall financial position, rent

increases in previous years, the need to cover its annual expenditure and the intention to provide homes for people with below average incomes.

- 8.3 The aim of any adjustment over and above RPI + 1% in the fifth year would be to realign rents plus service charges with 80% of the current market rent value, or the Local Housing Allowance (LHA) for the area, whichever is lower.
- 8.4 Upon letting an Intermediate Rent property to a new tenant, Hastoe should obtain a valuation. Hastoe can then charge rent plus service charges up to 80% of the new market rent value, or the Local Housing Allowance (LHA) for the area, whichever is lower.

9 Market Rents

- 9.1 Market rents are excluded from the Rent Standard.
- 9.2 Market rents will be established by independent valuation and will be increased annually based upon the advice of lettings agents or valuers with knowledge of the local area.
- 9.3 Upon letting a Market Rent property to a new tenant, Hastoe should obtain a valuation to establish the new rent.

10 Garages and Stores

- 10.1 Charges for garages and stores let under separate garage or store licences are not governed by the Rent Standard.
- 10.2 Garage and stores charges will be increased on a yearly basis linked to inflation, as well as being subject to periodic market reviews.
- 10.3 Garages and stores included in the tenancy of a house or flat are included within the property valuation for formula rent, and as such there is no additional charge.

11 Service Charges

- 11.1 Assured & Fair Rent tenants, as well as Shared Owners, may pay a service charge in addition to their rent for services Hastoe provides to their block and/or estate. This can include (not an exhaustive list):
- maintenance and upkeep of communal areas and facilities
 - cleaning and lighting of communal areas
 - the running and maintenance costs of sewage treatment plants

11.2 Although paid together with the rent, service charges are set and reviewed separately in accordance with the requirements of legislation and the terms of the tenancy agreement. For further information, please refer to the Service Charges policy.

12 Related Policies & Procedures

- **Hastoe Service Charges Policy**
Located on Hastoe Intranet.
- **Hastoe Rent Accounting & Setting Procedure**
Located on Hastoe Intranet.