



Rent and Service Charge Setting Policy – Rented Housing

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Policy to take effect from:	February 2022
To be reviewed:	January 2025
Version No.	1.0

Introduction

This policy statement explains how Empowering People Inspiring Communities sets its rent and service charge levels. It has been designed to ensure that rents are set fairly and in accordance with applicable legislation and regulatory guidance.

Aims of the Policy

- To set and maintain rents at levels which are affordable to existing and potential customers.
- To provide a fair and transparent method for the calculation of rents and service charges.
- To ensure we adhere to appropriate legislation and regulatory guidance.
- To be easily understood.
- To maintain EPIC's financial viability.
- To deliver an economic return to EPIC sufficient to improve and sustain the delivery of high-quality housing, tenancy management and maintenance services.

Policy Statement

Empowering People Inspiring Communities will follow the appropriate legislation and guidance in setting rents and service charges, specifically:

- The Rent Standard issued by the Regulator of Social Housing in April 2020 and updated in November 2021.
- The Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2017

In implementing the above guidance Empowering People Inspiring Communities will consider the overall affordability of its housing offer in relation to the local housing allowance.

Rent & Charge Increase Decisions

Each year, generally in January, a report is presented to the EPIC Board to request Board approval of our recommendations in relation to the future year's rent reviews. Annual increases will be calculated by multiplying the current rent by the formula set out in the standard of the preceding September's CPI, plus 1%. No increases are actioned without prior approval from the Board. All recommendations remain subject to regulatory guidance and must fully comply with the rent standard.

Board minutes should be referred to in order to determine the actual increases that were applied in any given year.

Main Body of Policy

Rent Setting

We offer four main rental products:

1. Social Rent & Supported Rent (in partnership with a managing agent)
2. Affordable Rent
3. Intermediate Rent
4. Shared Ownership

Where appropriate service charges are applied in accordance with the individual leases. The main principle of setting the rent for each of these products is described in the table below:

1. Social Rent Setting & Background (including Supported)

- 1.1 Following an announcement from the government in 2018, the Rent Standard was issued by the Regulator of Social Housing in April 2020 (and further updated in November 2021). This provision has allowed for social rents from April 2020 to increase by a maximum of CPI+1% (with CPI based on the figure in the previous September). It is intended that this formula will apply for a minimum of 5 years. The regulator also introduced an amended regulatory policy framework following a consultation process that took place in the first half of 2019. In addition to the regulatory guidance on how rents should be increased, the policy contains flexibility for registered providers to set new rents at up to 5% above the formula rent for general needs properties, and 10% above formula rent for supported properties.
- 1.2 The formula for the setting of social rents is included in the rent standards regulatory guidance. EPIC is required to ensure that this formula is used as per the regulator's instructions when setting rents for our social-rented tenants. The formula uses several indices and calculations that include the 1999 valuation of the property, average earning of those in work in the geographical location and a weighting dependent on the number of bedrooms.
- 1.3 There are established rent limits calculated using the formula in 1.2 above. For social-rented properties, the maximum rent that can be charged is the formula rent + 5%. The limit for supported tenancies is the formula rent in the year + 10%.

- 1.4 Each year, generally in January, a report is presented to the EPIC Board to request Board approval of our recommendations in relation to the future year's rent reviews. Annual increases will be calculated by multiplying the current rent by the formula set out in the standard of the preceding September's CPI, plus 1%. No increases are actioned without prior approval from the Board. All recommendations remain subject to regulatory guidance and must fully comply with the rent standard.
- 1.5 Tenants will be notified of rent increases in line with the guidance set out in the Rent Standard with 1 calendar-month notice prior to the application of the increase.
- 1.6 When social-rented properties become available for re-letting, the new rent will be the same. Unless the property has been modernised, in which case it will be let at the standard social rent for that scheme/archetype.

2. Affordable Rent Setting & Background

- 2.1 In 2011, the government introduced 'affordable rent' which permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). The introduction of affordable rent made it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good-quality home at a sub-market rent. Landlords can only let new properties at affordable rent where certain conditions apply. Within the terms of the government's affordable homes programmes, existing vacant properties can be converted from social rent to affordable rent in certain circumstances.
- 2.2 Affordable rents are typically higher than social rents. The intention behind this flexibility is to enable properties let on this basis to generate additional capacity for investment in new affordable housing.
- 2.3 When setting rents, registered providers must also ensure that they comply with the terms of any agreements with Homes England, the Greater London Authority or the Secretary of State. Providers must also have regard to the conditions and policies set out in the Frameworks for the government's affordable homes programmes, where they are letting properties on affordable rent terms within these programmes.
- 2.4 An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.
- 2.5 Each year, generally in January, a report is presented to the EPIC Board to request Board approval of our recommendations in relation to the future year's rent reviews. Annual increases will be calculated by multiplying the current rent by the formula set out in the standard of the preceding September's CPI, plus 1%. No increases are actioned without prior approval from the Board. All

recommendations remain subject to regulatory guidance and must fully comply with the rent standard.

- 2.6 When affordable-rented properties become available for re-letting, an independent valuer will be appointed to undertake a review of the property to establish the market rent. The rent will be set at 80% of this valuation, provided that it is no lower than the equivalent formula rent, in which case formula rent will be applied.
- 2.7 The rent limits outlined in the Rent Standard do not apply to affordable-rented properties, therefore the maximum charge including all service charges will always be 80% of the market rent.

3. Intermediate Rent Setting & Background

- 3.1 Whilst the rent standard established in 2018 that is in effect today, it excludes intermediate rents from the standard. It is included by way of the Social Housing Rents (Exceptions & Miscellaneous Provisions) (Amendment) Regulations of 2017 (The Regulations). This covers both the mortgage-rescue properties and the rent-to-buy properties that were funded under the affordable homes program that we hold as intermediate.
- 3.2 Intermediate rents like 'affordable rent', which permits rents (inclusive of service charges) to be set at up to 80% of market and in line with the relevant funding agreement and terms of the lease.
- 3.3 Intermediate rents are typically higher than social rents. The intention behind this flexibility is to enable properties let on this basis to generate additional capacity for investment in new affordable housing.
- 3.4 An intermediate rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.
- 3.5 Each year, generally in January, a report is presented to the EPIC Board to request Board approval of our recommendations in relation to the future year's rent reviews. Annual increases will be calculated by multiplying the current rent by the formula set out in the standard of the preceding September's CPI, plus 1%. No increases are actioned without prior approval from the Board. All recommendations remain subject to regulatory guidance and must fully comply with the rent standard.
- 3.6 When intermediate-rented properties become available for re-letting, an independent valuer will be appointed to undertake a review of the property to establish the market rent. The rent will be set at 80% of this valuation, provided that it is no lower than the equivalent formula rent, in which case formula rent will be applied.

- 3.7 The rent limits outlined in the Rent Standard do not apply to intermediate-rented properties, therefore the maximum charge including all service charges will always be 80% of the market rent.

4.0 Shared Ownership

- 4.1 In order to determine the rent and charging policy in relation to shared ownership, a review of the leases and any related policies as transferred in the acquisition will be considered.

5.0 Service Charge Setting & Background

- 5.1 We will only create a service charge where the cost of the items concerned are not covered by the rent. Examples of where a service charge may be required include:

- garden maintenance such as cutting communal-grassed areas, weed killing etc.
- internal common areas that need to be maintained such as cleaning.
- lighting to common areas where consumption is not billed directly to residents.
- other charges levied by third parties for grounds maintenance etc.

- 5.2 At present EPIC only levy service charges for the following:

- Garden maintenance for the communal gardens of our flats.
- Specific property-related charges for special circumstances such as the treatment of Japanese knotweed.
- Charges for maintenance of fire-related equipment.
- Charges to cover caretaking services.
- Charges to cover asset management costs.
- Charges to cover communal area repairs.
- Charges to cover buildings insurance for shared-ownership units.
- Charges levied by third parties for grounds maintenance on specific estates.

- 5.3 Any proposal to introduce service charges for other items of expenditure would be subject to consultation with the affected tenants prior to introduction. Any new service charges would need to be agreed by the tenants. Any proposal to introduce new service charges would also be presented to the Board for consideration and approval.

- 5.4 Most of the service charges applied are fixed and recently acquired property from another registered provider have a number of variable service charges.

- 5.4.1 Fixed service charges will be calculated on the basis of recovering the expected cost (including appropriate on costs) of providing that service plus a charge to cover the administrative costs incurred in providing the service. These costs shall be apportioned on an equal basis across properties benefiting from the service with the weekly charge for each element being shown on the Tenancy Agreement, and the annual change of rent notification. As a fixed charge, should the cost of the service exceed the estimate, EPIC cannot recoup the difference from

affected tenants. Similarly, no refund of monies is due should the actual cost of the service be less than the estimate.

5.4.2 Variable service charges will be calculated on the basis of recovering the expected costs of providing that service plus a charge to cover the administrative costs where stipulated in the individual tenancy agreements. These costs shall be attributed to the properties to which the costs are directly related. The weekly charge will be derived following an annual review with each element being charged as stipulated in the individual Tenancy Agreement. Tenants will be notified of the service charges as part of the annual change of rent notification. As they are variable charges, should any estimates be incorrect at the time of calculation, adjustments can be made in the following year. EPIC will be liable to net off any overcharges from the previous year against the next year's charges but will be able to recoup any under charges on the same basis.

5.4.3 For Affordable Rent tenancies, the service charge is counted as part of the rental charge and is therefore liable for an annual reduction until April 2019.

Monitoring and Reporting

Each tenant will be issued with an annual notification of a change to their rent one calendar month in advance of any changes. The average rents charged are reported annually per product type and number of bedrooms in the regulatory Statistical and Data Return (SDR).

Responsibilities

The Finance Team are responsible for calculating and applying annual rent changes to the Housing Management System; the Operations Team are responsible for ensuring the correct charge is levied on each new let and re-let on the Housing Management System in line with the Rent Standard and tenancy agreements. The Operations Team are also responsible for notifying tenants of any changes in rent on an annual basis.

Review Mechanism

Annually a report on the proposed increase will be presented to Board for consideration and approval, typically each January. As part of this, rent levels will be assessed in relation to the rent limits and the policy revisited if the limits are breached. A comprehensive review of the Rent Setting Policy will take place in January 2025.

April 2022 to April 2025

Product	Relet	New Let	Annual Change
Social Rent & Supported Rent	The rent on a relet will not change unless the property has been modernised as part of the relet process. A modernised property will be charged at the standard social rent for that scheme.	Rents are derived using a formula incorporated within the regulatory Rent Standard. The formula uses several indices including the 1999 valuation of the property, average earning of those in work in the geographical location and a weighting dependent on the number of bedrooms.	An increase of CPI + 1% (based on CPI in the previous September) will be applied each year from 2020-2025.
Affordable Rent	A desktop valuation of the market rent will be obtained from a valuer (unless the valuation on file is less than 3 months old). The rent will be set at 80% of the market rent.	An independent valuer will be appointed to undertake an exercise to determine the market rent for the property. The rent will be set at 80% of the market rent.	An increase of CPI + 1% (based on CPI in the previous September) will be applied each year from 2020-2025.
Intermediate Rent	A desktop valuation of the market rent will be obtained from a valuer (unless the valuation on file is less than 3 months old). The rent will be set at 80% of the market rent.	An independent valuer will be appointed to undertake an exercise to determine the market rent for the property. The rent will be set at 80% of the market rent.	An increase of CPI + 1% (based on CPI in the previous September) will be applied each year from 2020-2025.
Shared Ownership	In order to determine the rent and charging policy in relation to shared ownership, a review of the leases and any related policies as transferred in the acquisition will be considered.		