



Rent and Service Charge Setting Policy

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POLICY SUMMARY

Please note that where we use EPIC within this policy, we refer to EPIC Limited.

This Policy explains how EPIC 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.

1. APPLICABILITY

1.1. The Policy applies to:

- Relevant staff
- All tenants

2. INTRODUCTION

2.1 EPIC is committed to carrying out its business fairly, honestly, and openly, and thus the aims of this Policy are:

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

3. RENT SETTING

3.1. EPIC offers six main rental products; to give context, the bracketed figures represent the approximate proportion of the stock profile:

- Social Rent including Fair Rent (79.9%)
- Affordable Rent (13%)
- Intermediate Rent (4%)
- Low-Cost Home Ownership Rent (0.1%)
- Supported Housing Rent (in partnership with a managing agent) (1.5%)
- Leaseholder Ground Rent (1.5%)

3.2 In October each year the annual Consumer Price Index (CPI) figure for the previous September is published by the Office for National Statistics, this index is used to establish the basis for annual rent increases for social housing.

3.3 The government further sets parameters for the maximum annual increase, by virtue of applying a factor above or below the published September CPI figure.

3.4 Each year, the Board will be presented with a report recommending the annual rent increase, calculated in line with the latest government guidance. No increases will be actioned without prior approval from the Board. The exceptions to this are where increases are set by virtue of a legally binding lease e.g., Low-Cost Home Ownership and Leaseholders.

3.5 All recommendations will remain subject to regulatory guidance and must fully comply with the relevant Rent Standard.

3.6 Unless stated otherwise, EPIC will increase its rents annually in April each year.

3.7 Tenants will be notified of rent increases in line with the guidance set out in the Rent Standard with one calendar months' notice prior to the application of the increase.

4. SOCIAL RENT

- 4.1 The formula for 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 regulators 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 earnings of those in work in the geographical location and a weighting dependent on the number of bedrooms.
- 4.2 The formula rent for non-supported housing may include an upwards tolerance of 5%, referred to as “Rent Flexibility”.
- 4.3 If a tenant’s rent exceeds the rent flexibility level, the maximum rent increase is CPI in any year.
- 4.4 Formula rents are exclusive of any service charges.
- 4.5 Increases are limited by the government guidance in place at the time of the increase. The government is currently consulting on a rent settlement of CPI +1% for the next five years starting April 2026.
- 4.6 The guidance states that providers are free to apply a lower increase, or to freeze or reduce rents if they wish. Consideration should be given to the local market as well as the levels of Housing Benefit or Universal Credit that are available to EPIC’s tenants.
- 4.7 EPIC will look to maximise its rent increases to ensure that the increasing costs of property health and safety and net zero compliance can be met.
- 4.8 EPIC must adhere to the limits on rent increases even if a tenant’s rent is below formula rent. Where this is the case, EPIC will consider moving the rent to formula rent when the property is re-let following vacancy.
- 4.9 Fair Rents are set slightly differently.
- 4.10 In the case of tenancies being subject to fair rent protection, the maximum weekly rent is the lower of the fair rent set by the Rent Officer, and formula rent (subject to both the rent caps and the rent flexibility level).
- 4.11 The rent of a tenant with fair rent protection cannot be increased by more than CPI +1% in any year (even if the tenant’s rent is below the formula rent level and the maximum fair rent is increased by more than that amount).

5. AFFORDABLE RENT

- 5.1 Affordable rent determines that rents are set at up to 80% of market rent (inclusive of service charges).
- 5.2 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.
- 5.3 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 latest market rent. The rent will be set at 80% of this valuation, unless it is lower than the equivalent formula rent, in which case formula rent will be applied.
- 5.4 The rent limits outlined in 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.

6. INTERMEDIATE RENT

- 6.1 Whilst the 2020 Rent Standard, still in effect today, excludes intermediate rents from the standard, they are included by way of the Social Housing Rents (Exceptions & Miscellaneous Provisions) (Amendment) Regulations of 2019 (The Regulations). This covers both the mortgage rescue properties and the rent to buy properties that were funded under the Affordable Homes program that EPIC holds as intermediate tenures.
- 6.2 Intermediate rents are like ‘affordable rent’ and rent (inclusive of service charges) will be set at up to 80% of market and in line with the relevant funding agreement and terms of the lease.

- 6.3 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.
- 6.4 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, unless it is lower than the equivalent formula rent, in which case formula rent will be applied.

7. LOW-COST HOME OWNERSHIP RENT

- 7.1 Low-cost home ownership rent is dictated by the individual lease agreements. The leases, as legally prepared, refer to an annual review date, a specific inflationary increase calculation, a specific index and its relevant published date.
- 7.2 The two low-cost home ownership properties within EPIC's portfolio were acquired from another Registered Provider as part of a stock acquisition in 2021. These leases refer to an October increase with the June RPI +2% as the inflationary factor.

8. SUPPORTED HOUSING RENT (IN PARTNERSHIP WITH A MANAGING AGENT)

- 8.1 EPIC's supported housing tenancies will follow the same principles as outlined for Social Rents, the only difference being that the formula rent for supported housing may include an upwards tolerance of 10%.
- 8.2 EPIC will inform both the Managing Agent and our tenants of new rents within the required timeframes of both the Management Agreement and the Tenancy Agreements.

9. LEASHOLDER GROUND RENT

- 9.1 When a tenant exercises their right to purchase their flat outright, either through Right to Buy or Right to Acquire, they become liable for an annual Ground Rent fee of £10. This forms part of the terms and conditions of the lease agreement.

10. MOVING BETWEEN RENT TYPES

- 10.1 Where a tenancy subject to fair rent protection ends and the property is re-let, that new letting should be at social rent (or Affordable Rent where applicable and permitted. See 10.3 below).
- 10.2 On re-letting of a property previously occupied by a high-income social tenant, the new letting should be at social rent (or Affordable Rent where applicable and permitted. See 10.4 below).
- 10.3 Social rent properties may not be converted to:
 - a. Affordable Rent (other than in the circumstances set out in chapter 2 of the Rent Policy Statement),
 - b. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement); or
 - c. intermediate rent.
- 10.4 Affordable Rent housing must not be converted (including on re-let) to:
 - a. market rent (other than in the circumstances set out in chapter 4 of the Rent Policy Statement on Rents for Social Housing 2019); or
 - b. intermediate rent.

11. SERVICE CHARGES

- 11.1 EPIC will only create a service charge where the cost of the items concerned are not covered by the rent.
- 11.2 Examples of service provision where a service charge may be required include:
- garden maintenance such as cutting communal grassed areas, weed killing etc.;
 - services to internal communal areas, such as cleaning;
 - lighting to common areas where consumption is not billed directly to tenants; and
 - other charges levied by third parties.
- 11.3 EPIC will recover all service costs from tenants together with a management fee for the cost of administering the services.
- 11.4 At present EPIC only levy service charges for the following activities:
- Garden maintenance for the communal gardens of our flats
 - Charges for maintenance of fire safety related equipment
 - Charges for caretaking services
 - Charges for asset replacement costs
 - Charges for communal area repairs
 - Charges for buildings insurance for shared ownership units only
 - Communal cleaning
 - Communal Aerials
- 11.5 Any proposal to introduce new service charges for other items of expenditure would be subject to consultation with the affected tenants prior to introduction. Any new service charge would need to be agreed by the tenants.
- 11.6 Most of the service charges applied are fixed although a small number of properties acquired from another registered provider have variable service charges.
- 11.7 Fixed service charges will be calculated on the basis of recovering the expected cost of providing a service plus a charge to cover administrative costs incurred in providing the service where stipulated in the individual tenancy agreements. 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/or Addendum 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. EPIC will look to recover services charges in full but will set charges fairly with no intention of making a profit on the charges.
- 11.8 Similarly to Fixed service charges, Variable service charges will be calculated on the basis of recovering the expected costs of providing that service together with 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. Unlike Fixed service charges, variable charges need to be reconciled annually, and statements issued to tenants within six months of the year end. If the six-month timetable cannot be met, tenants need to be informed in writing prior to the six-month deadline with an indication of when the information will be available. If as part of the reconciliation the actual costs vary from the current estimated charge in pay, adjustments will be made accordingly to ensure that only costs incurred are recovered. Any increase in the new charge requires a month's notice, decreases can be implemented without notice. EPIC will be liable to net off any over charges from the previous year against the next year's charges but will be able to recoup any under charges on the same basis.
- 11.9 All leaseholders will have variable service charges; this will be part of the lease agreement. Where individual leases refer to third-party preparation of service charge reconciliations this will be undertaken where required.

12. STATEMENT OF INTENT

- 12.1 EPIC 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 any updates applicable to specific years (e.g., The 2023 Rent Standard sat alongside the 2020 Rent Standard to reflect a 7% ceiling on rent increases for rents set between 1 April 2023 and 31 March 2024).
 - The Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2019.
- 12.2 In implementing the above guidance EPIC will consider the overall affordability of its housing offer in relation to other local providers, the local housing allowance and the private rented sector.

13. RESPONSIBILITIES

The roles and responsibilities for key stakeholders across EPIC are detailed below.

The Board – will approve the Rent and Service Charge Setting Policy and the annual rent increase.

The Chief Executive – will review the proposed rent and service charge increases.

Executive Team – will review the proposed rent and approve service charge increases.

Director of Resources – will oversee and review the rent and service charge setting process.

Director of Housing Management – will ensure that the finance team are fully informed about which services are received by individual properties.

Finance Manager – will calculate and apply the annual charges to the Housing Management System.

Housing Manager – will ensure 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 Housing Manager will also ensure that tenants are notified of any changes in rent on an annual basis.

14. TRAINING

- 14.1 Staff involved in the rent and service charge setting process will be trained and kept up to date on changes to legislation and regulation.

15. DATA VALIDATION, REVIEW AND MONITORING

- 15.1 Ahead of the annual rent increase, a report on the proposed increase will be presented to Board for consideration and approval.
- 15.2 As part of this report, rent levels will be assessed in relation to the prescribed rent limits.
- 15.3 A review of service charges will be undertaken by the Executive Team each year to maximise cost recovery.

16. EQUALITY AND DIVERSITY IMPLICATIONS

We are committed to ensuring and promoting equality of opportunity for all. We are opposed to discrimination on any grounds, including race, religion, gender, marital status, sexual orientation, disability, age, or any unjustifiable criteria. We are committed to developing a culture that values people from all sections of society and the contribution which each individual can make. We will ensure our approach to accessing properties is considerate to people's individual needs. We also adhere to the Equality Act 2010.

EPIC recognises that some people experience disadvantage due to their socio-economic circumstances and will strive to ensure no person or groups of persons is treated with injustice due to their personal circumstances. EPIC will also ensure that all services and actions are delivered within the context of current Human Rights legislation and will make sure the central principles of the Human Rights Act (1998) will be adhered to.

17. MONITORING / REVIEW

This Policy will be reviewed every three years. A review may be conducted earlier if there are significant changes to either regulation, legislation, or EPIC's operating practices.

18. ASSOCIATED DOCUMENTS

- Tenancy Management Policy
- Tenancy Debt Policy
- Leaseholder Policy
- Rent to Buy Policy

Version Control

Date of Review	Reviewer	Version Number	Changes	Date of Next Review	Approved By
January 2022	Interim Finance Director	1.0		January 2025	Board
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