

Policy Name	Rent Setting Policy
Version No.	2.0
Approval Date	June 2025
Category	Corporate
Classification	Public

Rent Setting Policy	
Authors	Head of Finance
Contributors	Executive Director Corporate Resources, Finance Manager, Income Management Lead, Director of Governance & Compliance, Senior Management Team
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Contents		Page No.
1. Policy purpose & aim		3
2. Objectives		3
3. Scope of policy		3
4. Responsibilities		4
5. Monitoring & review		5
6. Risk management		6
7. Statement of commitment		6
8. Additional Arrangements	8.1 Rent Setting	6
	8.2 Rent Flexibility Level	8
	8.3 Affordable Rents	8
	8.4 Market Rents	8
9. Other relevant ExtraCare policies & documents		9
10. Relevant legislative & regulatory requirements		9

Policy Name	Rent Setting Policy
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Version Control

Version	Date	Description	Updated By	Approved By
1.0	06/10/2021	First draft – for ELT	Income Manager	
2.0	April 2025	Minor updates including recommendations from internal audit, and added section for shared ownership rents and market rent.	Head of Finance	Board of Trustees

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1. Policy Purpose & Aim

The purpose of this policy is to detail how The ExtraCare Charitable Trust (ExtraCare) calculates and sets rent.

The policy ensures that the social rents set comply with the Regulator of Social Housing (RSH)'s Rent Standard 2020, ensuring those rents set from 1 April 2020 are done so in accordance with the Government's Policy Statement on Rents for Social Housing 2018.

The Rent Standard was updated in 2023 to provide guidance on rent increase limits that could be applied during 2023/24, owing to a period of unusually high inflation. This update did not impact ExtraCare, as there were a number of exceptions, which included Supported Housing providers.

2. Objectives

- To set fair and consistent property rent levels in line with the Rent Standard;
- To support a consistent and collaborative approach to rent setting for current properties and new developments;
- To communicate with residents about charges in line with the ARCO consumer code;
- To ensure that ELT and the Board have assurance that annual uplifts/decreases are proposed and agreed in line with current guidance; and
- To provide transparency of rent setting and promote equality for residents.

3. Scope of Policy

This policy applies to all our social rented properties owned and managed by ExtraCare. This policy does not cover rent setting for our partner organisations such as Rooftop Housing.

This policy does not cover associated property charges (such as service charges) that are paid by residents living in our locations: these charges are covered in our Property and Care Charging Policy.

Policy Name	Rent Setting Policy
Version No.	2.0
Approval Date	June 2025
Category	Corporate
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4. Responsibilities

ExtraCare is bound by its legal responsibilities to ensure that its rent setting is correct and falls within current government guidelines. A detailed list of the key legislation can be found later in the policy.

Trustees and employees of ExtraCare have legal and regulatory duties and responsibilities to comply with the requirements of this policy. Responsibilities are set out below:

Board of Trustees	• Approve the setting of rents for new developments; • Approve the annual increases (or decreases) in rent in accordance with the Rent Standard; and • Seek assurance on compliance with the Rent Standard.
ELT	• Approve, as part of the budget setting process, the rent increase proposal for the forthcoming year, prior to approval by the Board; and • Ensure compliance with the Rent Standard.
Operations Directorate	• Be responsible for ensuring that the timely delivery of rent change notifications to residents is carried out; and • Ensure that tenancy agreements meet the criteria for rent setting and annual uplifts/decreases contained within this policy.
Income Management	• Be responsible for calculating new rent figures once changes are approved; • Facilitate the updating of the Pricing Catalogue; and the uploading of revised residents' charges, into the Customer Portal Database by our support provider; and • Ensure that all price increase notifications are produced and sent to locations in reasonable time in order for them to deliver to residents within the correct timescales.
Finance	• Head of Finance is the policy owner; • Ensure that the value of social rents applied at all our owned

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	locations do not exceed the formula rent limits; • Having received the appropriate information from Development, to calculate the rent to be charged at new villages; • Propose the uplift/decrease to be applied as part of the budget setting process; and • Review the calculated new rents and ensure these agree to Board approved values before any correspondence with residents is released.
Sales Team	• Calculation of the Shared-Ownership rent on properties sold and communication of that to the residents
Development Team	• Ensure that the full build specification has been relayed to the relevant teams and that anything which may create an issue with regards to charge setting is discussed fully with the relevant teams; and • Ensure that the rent set is in accordance with any requirements of grant funding received for the project.

5. Monitoring & Review

The Head of Finance will monitor this policy in delivering its aims and ensuring compliance with relevant legislation.

Monitoring and review are to be undertaken as follows:

- Annual rent increases to be approved by the Board of Trustees;
- Rent setting for new village developments to be proposed to and approved by the Board of Trustees; and
- Formula rent values matrix document to be updated annually following approval of rent increases.

Regular review of this policy will be carried out by the Finance Manager.

Policy Name	Rent Setting Policy
Version No.	2.0
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Category	Corporate
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6. Risk Management

If rents are not calculated on a fair, transparent and consistent basis, then ExtraCare may be exposed to an increased likelihood of challenge from either residents or the RSH. This is a legal and regulatory risk for which the Board has a minimalist risk appetite.

The income from social rent forms a vital part of our revenues. Rents should be calculated correctly to maximise income whilst ensuring the Rent Standard is adhered to.

7. Statement of Commitment

In enacting this policy, ExtraCare will adhere to calculate and set social rents complying with all relevant regulatory and legal requirements.

8. Additional Arrangements

8.1 Rent Setting

Social Rent:

In accordance with the Rent Standard, ExtraCare will update the rents annually, in April each year. The increase is currently defined as a maximum of Consumer Price Index (CPI) +1% (CPI is defined as being the rate published by the Office for National Statistics (ONS) for the month of September in the year prior to the increase). The proposed rent increases will be presented to the Board for review and approval, prior to being communicated to residents, as part of the budget proposals for the forthcoming financial year.

When increasing any social rent, ExtraCare will issue increase notification letters in line with current guidance and legislation, currently at least a month before the increase is to be applied.

We will be transparent with residents regarding our rent. Our charges will be laid out clearly in a Key Facts document which will be given to individuals interested in renting a property from ExtraCare. This is in line with the requirements of the Associated Retirement Community Operators (ARCO) Consumer code.

Policy Name	Rent Setting Policy
Version No.	2.0
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In all cases, where rounding is required to two decimal places, we will round down to the nearest penny to ensure that charge increases do not exceed those allowable.

Since 2001, rents for properties let at 'social rent', have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.

ExtraCare will set all social rents in line with this formula ensuring the rent does not exceed the rent cap as detailed in the Limit on annual rent increases guidance (updated annually and published by the Government). All rents will comply with the Rent Standard and ARCO requirements.

Due to the unique nature of ExtraCare properties and communal settings, it is difficult to provide an accurate property value as at January 1999 prices (which is the base position used in setting social rents). There is scope for supported housing providers like ExtraCare to use a Depreciated Replacement Cost (DRC) method of valuation where an Existing Use Value (vacant position) is not able to be calculated. DRC is a more appropriate method for calculating our property costs and therefore this is what ExtraCare use in the rent formula calculations.

Shared Ownership Rent:

Residents who part-own their property pay a rent based on the value of the unsold equity. The annual shared ownership rent charge is calculated at 4.5% of the value of the unsold equity at purchase.

Shared ownership rents are revised annually in accordance with the conditions of the lease.

Policy Name	Rent Setting Policy
Version No.	2.0
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8.2 Rent Flexibility Level

For supported housing, rent flexibility of up to 10% can be added to the rent formula calculation. ExtraCare meets the definition of supported housing and we have a clear rationale for utilising the rent flexibility which takes into account local circumstances and affordability.

Whilst the Rent Standard allows us to relet properties at the formula rent, upon relet, the new tenant will be charged the social rent per the approved Pricing Catalogue for the relevant year, to ensure fair and equal charging within our locations.

8.3 Affordable Rents

The regulator expects a landlord of a of an Affordable Rent property to increase the rent (inclusive of service charges) by a maximum of CPI plus 1%. The inclusion of service charges within the Rent charge is not compatible with ExtraCare's model, as it would make our rental properties financially unviable. Where there are grant stipulations that state rent must be calculated using the Affordable Rent calculation, which is 80% of market rent, we will compare this rent to the Social Rent formula calculation. The Rent Standard states that Affordable Rent should not be lower than formula rent and we will work with Homes England to gain consent to charge the appropriate Social Rent figure.

8.4 Market Rents

This policy will be updated to cover Market Rent as a tenure option if offered in the future.

Policy Name	Rent Setting Policy
Version No.	2.0
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9. Other Relevant ExtraCare Policies & Documents

Related Policies	- Property and Care Charge Policy - Income Management Policy - Lettings Policy - Financial Regulations
Work Instructions	None

10. Relevant Legislative & Regulatory Requirements

Legislation	Regulation
Housing Act (1988, 1996, 2004)	- RSH Rent Standard - RSH Rent Standard Guidance

Guidance Documents
Rent Standard April 2020: https://assets.publishing.service.gov.uk/media/65e73fe83f6945a00603608e/Rent_Standard_-_April_2020_1.pdf Limits on annual rent increases: https://www.gov.uk/government/publications/limit-on-annual-rent-increases-2025-26-from-april-2025