

Policy Name	Rent Setting Policy
Version No.	1
Approval Date	
Category	Corporate
Classification	Public

<b>Rent Setting Policy</b>	
Authors	Income Manager/Finance Manager
Contributors	Executive Director Corporate Resources, Head of Finance, Director of Governance & Compliance, Senior Management Team
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### Version Control

Version	Date	Description	Updated By	Approved By
1.0	06/10/2021	First draft – for ELT	Income Manager	

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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 and service charges.

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.

## 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 and Your Housing Group.

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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. Detailed responsibilities are set out below:

### Board of Trustees

- To approve the setting of rents for new developments;
- To approve the annual increases in rent; and
- Seek assurance on compliance with the Rent Standard.

### ELT

- To 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

- To be responsible for ensuring that the timely delivery of rent change notifications to residents is carried out;
- To facilitate the updating of the Pricing Catalogue; and the uploading of revised residents' charges, into the Customer Portal Database by our support provider; and
- To ensure that tenancy agreements meet the criteria for rent setting and annual uplifts/decreases contained within this policy.

### Income Management

- To take responsibility for calculating new rent figures once changes are approved; and
- To 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.

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## Finance

- Head of Finance is the policy owner;
- 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
- To review the calculated new rents and approve before any correspondence with residents is released.

## Development & Commissioning Teams

- To 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
- Ensuring that the rent set is in accordance with any requirements of grant funding received for the project.

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## 5. Monitoring & Review

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

Monitoring and review is 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.

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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.

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.

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## 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.

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## 8. Additional Arrangements

### 8.1 Social Rent Setting

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).

Because of 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.

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## 8.2 Rent Flexibility Level

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

Where rents are currently charged below formula +10%, we will increase the rent to this amount on re-let of the property.

## 8.3 Social Rent Notifications

In accordance with the Rent Standard, Extracare will update the rents on the 2<sup>nd</sup> Monday of April each year. The increase is currently defined as a maximum of CPI +1% (CPI as at September of the previous year). The proposed rent increase will be presented to Board for approval.

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

## 8.4 Affordable Rents

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.

## 8.5 Social Tenants with high incomes

Where we have Social residents with high income (in excess of £60,000) we reserve the right to charge a fair rent as set by a rent officer.

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## 9. Other Relevant ExtraCare Policies & Documents

<b>Related Policies</b>	<ul style="list-style-type: none"> <li>Income Management Policy</li> <li>Lettings Policy</li> <li>Income Management Strategy</li> <li>Financial Regulations</li> <li>ExtraCare Property and Care Charge Policy</li> </ul>
<b>Work Instructions</b>	<ul style="list-style-type: none"> <li>None</li> </ul>

## 10. Relevant Legislative & Regulatory Requirements

Legislation	Regulation
<ul style="list-style-type: none"> <li>Housing Act (1988, 1996, 2004)</li> </ul>	<ul style="list-style-type: none"> <li>RSH Rent Standard</li> <li>RSH Rent Standard Guidance</li> </ul>

Guidance Documents
<p>Policy statement on rents for social housing, February 2019 -  <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf</a></p> <p>Rent Standard April 2020-  <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/932836/Rent_Standard_-_April_2020.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/932836/Rent_Standard_-_April_2020.pdf</a></p>