



**EKAYA HOUSING ASSOCIATION
RENT SETTING & SERVICE CHARGES POLICY**

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1.0 Purpose and Scope of the Policy and Procedure

1.1 The purpose of this policy is to:

- Establish how rents and service charges are calculated, set and varied annually
- Ensure rent setting is in compliance with the statutory and regulatory requirements
- Ensure that rent levels are set to enable Ekaya meet its obligations to customers, maintain its housing stock and to remain financially viable.
- Respond to government changes and any other changes to the rent Policy statements and Rent standards.

1.2 This policy applies to rent charges setting for all properties owned and leased by Ekaya It covers new lettings, relets and rent increases for each type of property. It also covers Service charges

1.3 Ekaya current has the following tenure types:

- Social Rent – General Needs Assured Tenancies and Supported Housing
- London Affordable Rent
- Temporary accommodation – operated under licences
- London Living Rents
- Shared Ownership

The tenure types below are not currently held, however these are included, in the event that any units acquired through transfers include any such tenures.

- Fair Rent tenancies
- Affordable Rent

1.4 Ekaya aims to:

- Meet our legislative and regulatory requirements together with the adoption of nationwide good practice.
- Meet our commitments to the terms and conditions of our tenancy agreements, leases and licences in relation to rent setting.
- Provide transparency and accountability to our residents and other stakeholders.
- Act in line with our social and charitable purpose.

2.0 Policy details

This policy outlines the approach taken by the association to rent setting in residential units. It covers all stock including units exempt from the Rent Standard.

Service charge setting for all units is also covered within this policy.

Effective and compliant rent setting will assist in maximising rental efficiency for the association, give clarity to the tenants and other stakeholders on their rent costs and balance this with its objectives of providing effective and excellent quality services.

As a Registered provider, we must meet the Regulatory Standards including the Rent Standard 2020 together with any subsequent revisions. Compliance with this policy will ensure compliance with the both the Rent Standard and its legal obligations.

As the 2023 Rent standard is required to sit alongside the 2020 Rent Standard, this policy outlines the core aspects of the 2020 standard, and specifically highlights the application of the 2023 standard.

3.0 Statutory and Regulatory Framework.

This policy will be delivered in accordance with all relevant legislation, regulation and relevant guidance, which include:

- Data Protection Act 2018 and UK GDPR
- Equality Act 2010
- Housing Act 1985, 1988 and 2004
- Rent Act 1977
- Latest Mayor's Housing Covenant (Relevant Authority).
- Regulator of Social Housing Rent Standard 2020
- Regulator of Social Housing Rent Standard 2023
- Policy Statement on Rents for Social Housing February updated 14 December 2022
- The Capital Funding Guide
- Landlord and Tenant Act 1985 and 1987
- Housing and Regeneration Act 2008

4.0 Related Policies:

- Allocations and lettings
- Former tenant credits and arrears
- Rent arrears
- Data Protection

5.0 Legal and Regulatory Requirements

The association operates within the Regulatory Framework for Registered Providers (RP). The Rent Standard contains the Regulator of Social Housing's expectations on setting rent and rent increases.

The 2023 Rent standard was published in February 2023 and requires rents to be set in line with the Government's Policy Statement on Rents for Social Housing published by the Department for Levelling Up, Housing and Communities (DLUHC) (the Policy Statement).

The 2023 Rent Standard applies to rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024 in relation to low-cost rental accommodation. The 2023 Rent Standard does

not apply to any type of supported housing. The setting of rent for supported housing must continue to comply in full with all the requirements and expectations set out in the 2020 Rent Standard.

Specifically, the 2023 Rent Standard applies to all 'low-cost rental' accommodation, except the following categories of property:

- Shared ownership low-cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- Private Finance Initiative social housing
- Temporary social housing
- Care homes.

The 2023 Rent Standard sits alongside the 2020 Rent Standard, effective from April 2020 which continues to apply to supported housing. This policy therefore reflects the 2020 and 2023 Rent standards.

In addition to the regulatory requirements, we must also meet the statutory legislative provisions in relation to rent setting.

The sections below consider compliance with the Rent Standard and other legislation for each of the tenure types.

6.0 Performance and Compliance

The Board will approve the annual rent increase on recommendation from the Audit and Risk Committee. The Board will also consider if it is appropriate for the permitted flexibility to be applied.

The Board will approve this policy annually or after any change in the regulatory or legal framework.

7.0 POLICY

7.1 Social Rent - General Needs – Assured tenancies

7.1.1 Applicability

Applies to all General needs Assured tenancy stock.

7.1.2 Initial Rent Setting

Social formula rents for general needs housing will be set based on the formula rent calculation (see Appendix 1 Social Formula Rent Calculation). In calculating the formula rent, the 1999 value of the property (set by a professional valuer with suitable experience) should be based on an existing use value, assuming vacant possession and continual residential use.

The Rent Standard allows some rent flexibility provided there is a rationale for doing so which takes the local market context and affordability into account in consultation with tenants. The Board has considered the permitted flexibility of 5% for general needs (10% for supported housing) and consider there is a clear rationale for doing so taking into account local

circumstances and affordability and consultation with residents. The flexibility will be applied subject to the rent not exceeding the rent cap.

Service charges will be charged in addition to the rent.

7.1.3 Rent increase

a) Registered providers may not increase rents by more than CPI+1% in any year (the CPI used is the September of the previous year). This limit is a ceiling and Ekaya can apply a lower increase, or to freeze or reduce rents, if it wishes to do so.

If the current rent exceeds the formula rent plus flexibility, the increase is restricted to CPI only.

In determining the level of the rent increase, if any, the Senior Management Team will consider the local market context, especially the levels of Housing Benefit or Universal Credit that are available to claimant households who might occupy their properties.

This increase is exclusive of service charges or personal charges.

b) 2023 RENT STANDARD APPLICABILITY – A 7% ceiling on the annual increase of rent for low-cost rental accommodation (for both social and affordable rented housing) in rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024.

This increase is exclusive of service charges or personal charges; (Please note that for affordable rents, any increases are inclusive of service charges).

7.1.4 Relet Rents

General needs social rent properties will be relet at formula rent plus the 5% flexibility.

If a property was previously let at more than formula rent plus flexibility, then at relet, the rent must be reduced to formula rent plus flexibility. If a property was previously let at less than formula rent plus flexibility, at relet, the rent can be increased to formula rent plus flexibility.

However, if a property was previously let at cap as the formula rent plus flexibility exceeded the cap, the relet rent should be recalculated, as the rent cap is increasing faster than the formula rent.

In determining formula rents, the property is not permitted to be revalued unless there have been structural alterations such as adding an extra room, or an extension.

Service charges are excluded from the above rent charges.

2023 RENT STANDARD APPLICABILITY - The 7% ceiling does not apply to the calculation of formula rent or the rent cap that applies when social rent properties are first let or relet; these continue to increase by CPI plus 1 percentage point and CPI plus 1.5 percentage points, respectively.

This rent charge is exclusive of service charges or personal charges.

7.2 Social Rents – Supported Housing

7.2.1 Applicability

Supported housing is defined in the policy statement as low-cost rental accommodation that:

- is made available only in conjunction with the supply of support.
- is made available exclusively to households including a person who has been identified as

needing that support and

- falls into one or both of the following categories:
 - accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently; and
 - accommodation that has been designated as being available only to individuals within an identified group with specific support needs

For the purposes of this definition, the Policy Statement includes as support:

- sheltered accommodation
- extra care housing
- domestic violence refuges
- hostels for the homeless
- support for people with drug or alcohol problems
- support for people with mental health problems
- support for people with learning disabilities
- support for people with disabilities
- support for offenders and people at risk of offending
- support for young people leaving care
- support for teenage parents
- support for refugees

7.2.2 Initial Rent Setting

Initial rents are set as for general needs however 10% permitted flexibility is applied to the formula rent. The Board has considered the permitted flexibility of 10% for supported housing and consider there is a clear rationale for doing so taking into account local circumstances and affordability and consultation with residents. The flexibility will be applied subject to the rent not exceeding the rent cap.

In calculating a formula rent, the value of the property is based on an existing use value. However, where it is not appropriate to value supported housing properties on this basis, registered providers can use a Depreciated Replacement Cost (DRC) method of valuation. DRC is intended to provide a better indication of the particular qualities and characteristics of supported housing properties and the costs that may be involved in providing them.

Service charges will be charged in addition to rent.

7.2.3 Rent increase

a) Supported housing follows the same rules as for general needs as in 7.1.3 (a), noting flexibility for Supported Housing is 10%.

b) 2023 RENT STANDARD APPLICABILITY – Supported Housing rent increases are exempt from the constraints of the 2023 Rent Standard, and continue as above.

This increase is exclusive of service charges or personal charges.

7.2.4 Relet Rents

The same rules apply as for general needs except the flexibility is 10%

7.3 Social Rents – Fair Rent tenancies

7.3.1 Applicability

Fair rents can only be applied for units with Secure Tenants. These are generally tenancies issued prior to 15 January 1989.

It could apply to either General Needs housing or to Supported Housing.

The maximum rent charge is the registered rent set by the Rent Officer Service. The rent is registered every two years if an application is made. It is Ekaya's policy to apply for a new registered rent every two years (even if the registered rent is at or above the current formula rent level). Where the registered rent is lower than the formula rent plus rent flexibility or the capped rent, the registered rent is applied. Where it exceeds them, the lower of the two must be applied.

A social rent comparison is made in the intervening year and the rent may be increased by up to CPI + 1% (7% for General Needs units in 2023/24) subject to the registered rent.

7.3.2 Initial Rent Setting:

No new units are being developed. However, more units of this type could be acquired in the future via a stock transfer from another RP. If this were to happen registration dates, registered rents and existing social rent comparisons would have to be honoured under the terms of the transfer.

7.3.3 Rent Increases

The rent will increase by CPI + 1%, but cannot exceed the lower of the registered rent, formula rent plus flexibility or the rent cap. The registered rent will only increase every two years so it is acknowledged that this is more likely to restrict rent increases in the other years.

7.3.4 Relet Rent

If the incoming tenant is a secure tenant, the unit remains registered. If the registration is older than 2 years, it will be re-registered. The lower of the registered rent, formula rent plus flexibility or rent cap will be charged. If the incoming tenant is not a secure tenant, the unit will be de-registered and converted to (ordinary) social rented.

7.4 Affordable Rents

7.4.1 Applicability

Affordable Rent (AR) applies to new build properties and some converted tenure properties where permitted under a relevant Affordable Housing Programme with the Greater London

Authority (whether directly funded or s106). This can include such units later acquired from another RP. The housing may be either General Needs or Supported Housing.

London Affordable Rent is a specific type of affordable rent and has additional rules – indicated where applicable.

The terms of the delivery agreement for these properties will be adhered to when rent setting. Affordable rents are typically set at up to 80% of the market rental value, which is inclusive of any service charges but can exclude personal charges.

7.4.2 Initial Rent Setting

Initial rents (inclusive of service charges, but not personal charges (if any)) at the lower of:

- a) 80% of the market rent value for an equivalent property of that size and location
- b) Section 106 and/or delivery agreement restriction (see below for London Affordable Rent)
- c) the relevant level of Local Housing Allowance for that property

Provided that 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 will constitute a floor for the rent to be charged. Note: there is no additional 5% or 10% flexibility for Affordable Rent units.

Before each new let of a newly developed property, the Director of Finance & Resources/Dep CEO, will instruct a market rent value by a RICS qualified Valuer as stipulated by the Rent Standard and set the rent. Information on the instruction will be saved in a designated folder to ensure auditability

The final rent to be set will then be calculated as above by Finance.

London Affordable Rent – Unless explicitly agreed by the GLA as part of the funding bid for the property the initial rent (excluding service charges) cannot exceed the benchmark rent for the relevant type of unit as calculated in accordance with the relevant GLA Funding Guidance published from time to time. The relevant guidance is at the following link:

[Homes for Londoners: Affordable Homes Programme 2016-2023 | London City Hall](#)

7.4.3 Rent increase

a) The Rent Standard 2020 caps Affordable Rent (including service charges) increases to CPI + 1% each year (7% for General Needs AR units for 2023/24). Ekaya's policy is to apply the permitted increase in full.

If service charges are increased by more than this level from one year to the next, the net rent increase will need to be restricted to take account of the Rent Standard application to the service charge inclusive figure. If service charges are increased by less than this level the net rent may be increased by more to reflect this 'inclusive' nature of Affordable Rents subject to not increasing rents more than once in any year.

b) 2023 RENT STANDARD APPLICABILITY – Affordable Rent housing may be either General Needs or Supported Housing. General Needs Affordable Rent is subject to the Rent Standard 2023. Supported Housing Affordable Rent increases are exempt from the constraints of the 2023 Rent Standard.

7.4.5 Relet Rents

Before each new let of a void property, = the Director of Finance & Resources/ Dep CEO will instruct a market rent valuation by a RICS qualified valuer as stipulated by the Rent Standard.

Finance Team will calculate the rent (inclusive of service charges) as follows:

If a new tenant, the lower of:

- a) 80% of the market rent value for an equivalent property of that size and location
- b) Section 106 and/or delivery agreement restriction
- c) the relevant level of Local Housing Allowance for that property and occupier

Provided that 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 will constitute a floor for the rent to be charged.

If an existing tenant is renewing an agreement for the same property, rents will be reduced if the market valuation has decreased. If the valuation has increased the rents cannot be increased further than by CPI + 1% (other than for General Needs units in the financial year 2023-24, where the re-based rent should have any increase capped at 7% in line with the requirements of the Rent Standard 2023).

London Affordable Rent – Unless explicitly agreed by the GLA as part of the funding bid for the property the re-let rent (excluding service charges) cannot exceed the benchmark rent for the relevant type of unit as calculated in accordance with the relevant GLA Funding Guidance published from time to time. The relevant guidance is at the following link:

[Homes for Londoners: Affordable Homes Programme 2016-2023 | London City Hall](#)

The final rent to be set will then be approved by the Financial Controller or the Director of Finance.

7.5 London Living Rents

London Living Rent is one of the types of 'genuinely affordable' homes funded by the Mayor. The others are Social Rent and 'London Affordable Rent', for households on low incomes, and 'London Shared Ownership'. London Living Rent is designed to help people transition from renting to shared ownership.

London Living Rent homes are for middle-income households who want to build up savings to buy a home through shared ownership. Landlords are expected to actively support their tenants into home ownership within ten years.

London Living Rent homes will be offered on tenancies of a minimum of three years. By offering a below-market rent, tenants are supported to save and given the option to buy their home on a shared ownership basis during their tenancy.

7.5.1 Applicability

Applies to all London Living Rents stock. London Living Rent is exempt from the Rent Standard 2020 and 2023 as a form of Intermediate Rent as this stock was provided with the benefit of public subsidy from the GLA pursuant to the Homes for Londoners: Affordable Homes Programme 2016 – 21 or Homes for Londoners: Affordable Homes Programme 2021 – 267.5.2 Initial Rent Setting

The GLA publishes maximum monthly rents (inclusive of service charges) by number of bedrooms for new London Living Rent homes in every ward in London, and updates these figures each year. The latest update was in December 2022, for London Living Rent homes let in financial year 2023-24. The current and historical rents can be found via the link below.

<https://www.london.gov.uk/programmes-strategies/housing-and-land/improving-private-rented-sector/london-living-rent?ac-38955=38952>

Housing providers have the flexibility to set rents below these levels if they wish, however rent levels must not exceed the benchmarks at the time of each new tenancy.

The Board considers the flexibility to charge rents, inclusive of Service charges at a level that does not exceed the benchmarks and will work within these to ensure compliance.

London Living Rent benchmarks are currently capped at £1,400 a month for all homes (inclusive of service charges), which ensures that the homes remain affordable to household incomes up to £60,000

Ekaya will ensure LLR rents are within the annually benchmarked rents and homes remain affordable and let within housing income thresholds.

Service charges are not separately chargeable on these properties. They simply have a rent which means service charges will be included in the rent.

7.5.3 Rent increase

a) Registered providers may increase rents by CPI annually.

b) 2023 RENT STANDARD APPLICABILITY – This does not apply to London Living rents.

No separate service charges apply, as such any increases in service costs are included within the rent, which must comply with the annually published ward benchmark rents.

7.5.4 Relet Rents

If a unit is re-let, it will be on the basis of the applicable London Living Rent published for the relevant ward, for the year in question as published on the GLA website.

7.6 Temporary Social Housing

7.6.1 Applicability

This is defined in the Policy Statement as below:

‘temporary social housing’ means low cost rental accommodation made available to a person who is homeless (within the meaning of the Housing Act 1996) either:

(a) by a private registered provider under an assured shorthold tenancy agreement or a licence where:

- i. a local authority has nominated that person as a tenant of the accommodation on a temporary basis,
- ii. that local authority owes a duty under Part 7 of the Housing Act 1996 to that person, and
- iii. the registered provider:

- holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years, or
- holds the social housing on a lease with a term of 30 years or greater, or holds the freehold title to the social housing, and acquired the social housing without public assistance

Where all elements of the definition apply the housing is exempt from the Rent Standards.

Temporary Housing rent levels will depend upon the individual arrangement we have with the Local Authority the temporary housing is being provided on behalf of.

Ekaya currently has no new Temporary Housing units in the pipeline.

For any new units, the rents will be referenced to any agreements with other stakeholders, where these exist.

This paragraph is for information only and not the policy. A number of organisations use the following two methods:

The rent for temporary housing units will usually be calculated as either 90% of January 2011 LHA plus £40 per week (known as the Temporary Housing Subsidy formula) or 100% current LHA plus £45 per week. This is on the proviso that the rents charged with either of these methods do not put the organisation in a position where the rents are unviable, based on the lease rentals payable. However, some local authorities choose to apply different calculations to allow for flexibility and to address the issue of supply and demand.

Ekaya will explore acceptable options in the event that it looks to acquire new Temporary Housing provision.

7.6.2 Rent increases

Rents will increase in April of each year and shall be no less than the increase in lease rental paid by Ekaya to the lessor. The rent increase will remain unfettered although Ekaya will use its best endeavours to bring this within an affordable level.

The rent increase will usually be referenced to CPI where appropriate. In the 2023 year, this will be CPI + 1%, based on the published CPI rate of the previous year September. This will be considered and agreed by the Board annually.

7.7 Property where Ekaya is the managing agent

7.7.1 Applicability

This applies to property where Ekaya is not the landlord, and the landlord is responsible for setting the rent.

7.8 Shared Ownership

7.8.1 Initial rent setting

Ekaya will charge a rent equivalent to 2.75% of the share of the property it owns i.e. the remaining unsold share of the property or such other rent as may be specified in the lease (if not grant funded).

7.8.2 Rent increases

In line with Lease rent increase provisions – typically RPI + 0.5%, based on RPI in the previous September.

7.8.3 2023 RENT STANDARD APPLICABILITY – The 2023 standard does not apply to Shared Ownership properties. Increases continue in line with Lease agreement provisions.

A policy decision was made by the Board in December 2022 to increase the rents for the 12 months from April 2023 to March 2024 as per Lease agreement, and then apply a credit to bring in line with the 7% increase for social rents. This preserves the on-going rent levels into perpetuity whilst providing support during the cost-of-living crisis.

7.8.4 'Resale' homes

For 'resale' homes, the starting rent will be set at the same level as the previous shared owner was paying.

8.0 Errors in rent setting

We aim to resolve any errors in setting rents quickly and efficiently minimising the impact on residents.

The association's policy is to:

- Rectify the rent by reducing (if applicable) the rent to the correct level.
- Remediate the position by refunding any overpayment to either the tenant or the relevant benefit authority depending on how the rent was paid.

For each instance, the association will investigate the cause of the overcharge and how controls can be improved to prevent the incident recurring.

9.0 Service Charges

9.1 Service Charges are costs incurred by the Landlord or landlord agent(s) for provision of shared services to a building or in an estate, which the landlord can recover from the tenants or leaseholders.

9.2 A Service charge, includes costs of maintaining 'shared services', such as common stairwells and corridors, cleaning of common areas, door intercom maintenance, provision of utilities for shared services, etc.

9.2 Ekaya operates a **Fixed Service Charge basis**. This means that, should the costs of maintaining buildings or estates be overspent at the end of the year, Ekaya cannot request any further sums from our tenants or leaseholders to cover these. It also means that should the building or estate be underspent, no money will be returned to residents either.

9.4 Ekaya uses the actual **Service Charge** costs from the previous financial year (from January of the prior year to December of the current financial year), this means that prior 12 months cost is used to project future service charge costs, applying an increase based on CPI from the September prior to the new financial year (April) where the increase will be effected.

- 9.5 Ekaya charges an 'administration fee' of 15% for providing the services
- 9.6 For Affordable Rent, London Affordable Rent and London Living Rent the relevant regulatory regimes operate on a service charge inclusive basis.

10. Data Protection

This policy will be operated in accordance with the principles of the Data Protection Act 2018 and UK GDPR and our Data Protection Policy. Documents relating to rent setting will be retained and disposed of in line with our Data Retention Guidelines.

Any breaches are to be reported immediately to the association’s Data Protection Officer – Director of Finance & Resources/ Deputy CEO.

11.0 Training

We will ensure that the staff involved in setting rents have the specialist skills and knowledge. Staff will receive induction, training, and refreshers during their employment.

12.0 External sources of help and assistance

Rent setting is complex and staff may need to seek external, independent assistance where required. Any associated costs must be approved by the Director of Finance & Resources /Deputy CEO or the CEO.

13.0 Equality and Diversity

We will ensure that this policy is applied fairly and consistently, we will not discriminate against any person on any grounds set out in our Equality and Diversity policy.

Document control

Author - Allison Sofekun – Director of Finance & Resources / Deputy CEO
Approval date - August 17 2023
Approved – Audit & Risk Committee
Policy owner – Director of Finance

Version Control

Date Amendment Version

APPENDIX 1 - CALCULATION OF SOCIAL RENTS – Policy Statement requirements

The requirements for setting initial rent are included in the rent policy statement. Initial rents are set at formula rent, based on the following calculation:

- 30% of a property's rent should be based on relative property values compared to the national average.
- 70% of a property's rent should be based on relative local earnings compared to the national average
- A bedroom factor should be applied so that smaller properties have lower rents.

This can be expressed as a formula:

The weekly formula rent calculates a rent for 1999/2000 and then this is adjusted for each year using the following two step process:

- Uprate to 2023/24 by the published factors in Appendix A of the Policy Statement. These factors are different for general needs, and supported housing and for domestic violence hostels.

This formula calculates a rent. For social rented properties the service charges are an additional charge.

This contrasts with Affordable Rent (including London Affordable Rent) and London Living Rent where service charges are included within the gross rent.

The basic formula rents for general needs and supported housing are the same however flexibilities can be applied to them depending on the type of stock.

Weekly formula rent is equal to

70% of the national average rents

Multiplied by relative county earnings

Multiplied by a bedroom factor

Plus

30% of average sector rent

Multiplied by relative property value

The rent caps act as a maximum ceiling on the formula rent, and depends on the size of the property, based on the number of bedrooms it contains. Where the formula rent would be higher than the rent cap, for a particular size of property, the rent cap must be used instead. Registered providers must not allow rents to rise above the relevant rent cap.

NOTE – FORMULA RENT TOOL

To provide assurance around the calculation of the Formula rents, we utilise the Formula rent calculation tool provided by Beever & Struthers, our External Auditors.