

Habitare Homes: Rent and Service Charge Setting Policy

Version:	5.0
Author:	Man Global Private Markets (UK) Limited
Policy Owner:	Board
Date adopted:	February 2026
Date of next review:	February 2027
Approved by:	Board

1 | Introduction

- 1.1. This policy sets out Habitare Homes Limited's ("Habitare") policy regarding the setting of rent and service charges. Habitare expects its Managing Agents to set rents and service charges on its behalf that are consistent with this policy.

2 | Scope

- 2.1. This policy applies to our affordable homes. This includes Shared Ownership and rental homes (Social, Affordable and Intermediate Rents) and where our properties are let to a third party organisation (e.g. Managing Agents).

3 | Purpose

- 3.1. The purpose of this policy is to ensure that Habitare has appropriate measures in place to:
- Meet the requirements of the Regulator of Social Housing's ("RSH") rent standard
 - Ensure that renting a property from us is genuinely affordable for tenants while also securing the organisation's financial viability in the long-term.
 - Comply with all relevant legal and regulatory requirements when setting rents and service charges. Specific rents will be set in accordance with the rent setting mechanism that is applicable to the capital funding and planning obligations.
 - Provide clarity to applicants and tenants at the outset of the allocations process and during their tenancy on which rent setting mechanism will apply to their tenancy.

4 | Definitions

- 4.1. Managing Agent - for simplicity and consistency we have defined our Housing Association partners whether engaged via lease or management agreement as Managing Agent.
- 4.2. Resident - means a Shared Owner or rental tenant.
- 4.3. Social Housing: As defined in the Housing and Regeneration Act 2008.
- 4.4. Market Rent – the rent that a property could be expected to achieve on the open market.
- 4.5. Affordable Rent – rent setting mechanism where the rents are set as a proportion of the market rent of a given property. Affordable Rents must not exceed 80% of the market rate or, where applicable, the Local Housing Allowance ("LHA") whichever is lower (including service charge).
- 4.6. Social Rent – rent setting mechanism where rents are set in accordance with the formula and associated guidance provided by the RSH. Social Rents are exclusive of service charges.
- 4.7. Core Rent – the element of the gross rent that covers the standard landlord costs of developing, operating and managing the home, set within a rent setting model (see, Social Rent, Affordable Rent & Intermediate Rent).
- 4.8. Gross Rent – the total value of 'core rent' and 'service charge' combined.
- 4.9. Service Charges – the element of the gross rent that covers the delivery and management of communal services, equipment and building fabric that are necessary to the homes within a scheme. Service Charges may also be applied to shared ownership leasehold properties, however the administration of such will be in accordance with the provisions within the lease.

5 | Relevant Legislation

- 5.1. This policy should be read in conjunction with the legal and regulatory documents listed below:
 - The Housing Act 1988 (as amended)
 - The Localism Act 2011
 - The Welfare Reform and Work Act 2016; the Landlord and Tenant Act 1985
 - Section 20 Service Charges (Consultation Requirements) (England) Regulations 2003.
 - Commonhold and Leasehold Reform Act 2002.
 - The Regulator of Social Housing's Regulatory Standards
 - The Rent Standard 2026 (from April 2026)
- 5.2. and the following strategies and policies:
 - Allocations and Lettings Policy

- Complaints Policy
- Rent Arrears Policy

6 | Our responsibility

- 6.1. The RSH Rent Standard states that we as a Registered Provider (“RP”) must set rents in accordance with the Government’s Policy Statement on Rents for Social Housing.
- 6.2. The Regulator of Social Housing’s Rent Standard and supplementary guidance apply to social housing rent setting. The Rent Standard and the consumer standards do not apply to a shared ownership or privately owned leasehold schemes, nor to certain types of social housing detailed in the Government’s Policy Statement on Rents for Social Housing, including intermediate rent.
- 6.3. Shared Ownership rents are set in accordance with the Capital Funding Guide. The rent will be reviewed at the times set out in the lease.

7 | Rents – Rented Properties

7.1. **Approach to rent calculation**

- 7.1.1. All rents will be set over 52 weeks.

7.1.2. **Market Rent**

Market Rent levels will be determined by an independent surveyor using a RICS ‘Red Book’ valuation methodology at the point that the scheme is due to become available to let. Market Rents will subsequently be re-assessed on a dwelling by dwelling basis using the same approach in conjunction with other internal and external market intelligence that may be available as and when a property becomes vacant and is to be made available for relet to enable the Affordable Rent to be rebased to the market.

We will not provide Market Rent housing, therefore the only purpose of the market rent calculation will be to support the calculation of rent levels for our Affordable Rent properties.

All market rent assessments will be in the format of a dated electronic report that will be recorded consistently on the organisations systems.

7.1.3. **Affordable Rent**

Affordable Rent levels will be calculated as 80% of the market rate (determined via the methodology above). Where a S106 or other agreement on the property requires rents to be let at a lower rate (e.g. lower Local Housing Allowance rates), this will be adhered to.

Affordable Rent levels will also be mindful of not exceeding the RSH annually published rent cap levels.

7.1.4. **Social Rent**

Social Rents are set according to the formula provided by the RSH within the Rent Standard and associated guidance. If Social Rents are in operation Habitare will undertake a formula rent calculation prior to first let.

7.2. Rent Increases & Decreases

- 7.2.1. Rents will be reviewed annually on 1st April each year. Rents will not increase for properties which have been let within 1 month of the rent review date; however, rent decreases, if applicable, will still apply.
- 7.2.2. Rents will increase by no more than CPI + 1% at each annual rent review unless a different approach is required by the RSH.
- 7.2.3. Affordable Rent is a 'Gross Rent' level inclusive of service charge, therefore the projected service charges are required to enable the 'Core Rent' to be calculated ensuring the combination of the two elements remains within the 80% of market rate limit. On occasions that the Service Charge requires a higher rate of increase, the Core Rent must be reduced to ensure compliance with the 80% of market rate limit.
- 7.2.4. Rents under any rent setting model will not be set or increased in breach of the RSH overall core rent caps.
- 7.2.5. Tenants will receive at least one month consultation notice of rent increases / decreases prior to their implementation in accordance with prescribed requirements.

7.3. Indexation at First Let - Affordable Rent

Where an Affordable Rent property is let for the first time, or re-let, before 1 April in any given year, the initial rent may be indexed by up to CPI + 1% (using the September CPI figure for the preceding year) at any time up to and including 28 February, to take effect from the following 1 April. This indexation at first let does not constitute a rent increase for the purposes of tenant notification requirements, provided that the indexed rent is included in the tenancy agreement at the point of signing.

For any Affordable Rent lettings that complete after 31 December in any given year, the tenancy agreement will include both the initial rent (applicable from the tenancy start date) and the indexed rent (applicable from the following 1 April). This ensures transparency for the tenant and avoids the need for a separate rent increase notice within the first months of the tenancy.

7.4. Re-letting

Affordable Rents

- 7.4.1. When properties are re-let, Affordable Rent rent levels will be 'rebased' utilising a new market rent valuation and/or other market intelligence, taking into account any relevant legislation or regulation that applies. Where the accommodation is re-let to the same tenant as a consequence of a starter tenancy coming to an end, Habitare will not re-set the rent to a revised level. It should be noted that the Core Rent may reduce if there has been an increase in Service Charge.

Social Rents

- 7.4.2. When properties are re-let, Social Rent rent levels will be 'rebased' utilising the rent calculated in accordance with the RSH's rent setting formula.

7.5. Appeals

- 7.5.1. Any tenant who feels that their rent has not been set in accordance with the policy can appeal using the process set out in our complaints policy.

8 | Service Charges

8.1. Setting Service Charges

- 8.1.1. In setting Service Charges, we are mindful of the need to be open and transparent to enable tenants to accurately forecast their personal finances, and to ensure that our properties remain genuinely affordable.
- 8.1.2. Service charges will be set before properties are let, and the costs will be included on adverts for the property and in any affordability assessment.
- 8.1.3. Where possible, Habitare operates a 'fixed' Service Charge approach. This means that each year Habitare, or its agent on its behalf, will set a Service Charge budget, any surplus or loss on that Service Charge budget will be carried by the organisation, therefore accurate budget setting using previous year expenditure, comparables and quotations for services is essential. For rental homes, the Service Charge is fixed and included in the rent payable. For Shared Ownership homes, the charge is variable and linked to the nature of the required expenditure in the corresponding accounting period. For social rents, the tenant will pay a fixed Service Charge in addition to the rents which will cover cleaning and grounds maintenance but will exclude insurance and maintenance of the fabric.
- 8.1.4. Service charges must be operated on the basis of reasonable recovery of expenditure. Where possible Service Charge provisions will be based on actual quotations for the elements to be provided and/or on previous years expenditure if available with an appropriate uplift to address inflation. Whenever possible, the application of blanket inflationary uplifts across all Service Charge elements should be avoided as this can lead to Service Charges becoming detached from actual expenditure incurred. The rationale and data used for setting all Service Charge elements for all properties will be recorded and saved for a period of at least five years.
- 8.1.5. Service charges will be calculated in good time to allow at least a month consultation period (longer if contractually required in the tenancy agreement) ahead of their implementation on the first of April each year.
- 8.1.6. Service charges will be monitored throughout the year. If a budget is found to be significantly over or under spent, subject to regulatory and legislatively required consultations, Habitare Homes Board reserves the right to vary the Service Charges within the accounting period.
- 8.1.7. When setting Service Charges, Habitare will be mindful of the RSH expectation that RP's will endeavour to ensure that Service Charge increases do not exceed the maximum permitted Core Rent increase.

8.2. **Service charge items**

- 8.2.1. Service charges are set to recover reasonable known and unknown costs of the services provided, plus appropriate administration costs incurred as part of the accommodation provision.
- 8.2.2. The Service Charge regime will be used to recover eligible costs, as applicable, that may differ from scheme to scheme which principle elements including:
- Communal services and communal maintenance where properties are part of a block
 - Estate maintenance and management costs where the properties are part of an estate
 - Buildings insurance
 - TV aerials or satellites where these provide a service to tenants
 - Provision of heating or utilities to a tenant (where possible these costs will be metered and charged on a variable basis).
 - Provisions for capital improvements and renewals to the common parts and shared fabric of the building, such as 'sinking funds'
 - The costs associated with scheme based staffing such as concierge and communal cleaning staff
 - Service charge administration costs
- 8.2.3. The following items will not form part of a Service Charge
- Repairs, maintenance and capital improvements within the self-contained aspect of dwellings within a scheme
- 8.2.4. The above elements do not represent an exhaustive list and additional Service Charge services may be added or deleted as the requirements and operating context of a scheme develops.
- 8.2.5. It should be noted that not all potential cost elements of Service Charges may be eligible for assistance through Universal Credit or Housing Benefit. Therefore in setting Service Charges, particularly when amending Service Charges Habitare will be mindful of such eligibilities and the impact this may have on affordability for residents.

9 | **Shared Ownership**

9.1. **Rent Setting**

- 9.1.1. Shared owners pay rent on the share of their property that they do not own. This rent is calculated at the purchase of the initial share of the property and at the time of this agreement and subsequent increases are carried out in accordance with the provisions of the lease for the individual properties.
- 9.1.2. Shared ownership properties may also be subject to Service Charges. Where this occurs, the Service Charges will be set in the same manner as Habitare fully rented

housing stock. Rents on Shared Ownership properties are not required to be inclusive of service charges.

9.2. **Staircasing**

- 9.2.1. When a shared owner buys additional shares in their home the rent will decrease by the proportion purchased. Habitare will notify the shared owner as soon as reasonably practicable, with a target of 10 days, of their new rent. If a shared owner staircases to 100% they will no longer be required to pay rent, although they may still be required to pay Service Charge. Service charges do not reduce with staircasing.

9.3. **Resale**

- 9.3.1. The Shared Ownership rent and Service Charges will not vary when a shared owner sells their property.

10 | Policy Management

- 10.1. The Board has overall responsibility for this policy.
- 10.2. Rent and Service Charge levels for both existing tenants and relets will be agreed annually by the Board.
- 10.3. The Board will seek assurance that the policy is being complied with through reports of the rent and service charge setting process from managing agents, reporting of proposed rents and service charges to Board and via regular internal audit activity.

Date	Amendment	Version
<u>June 2025</u>	<u>Minor text and formatting updates</u>	<u>v4.0</u>
<u>February 2026</u>	<u>Updated regulatory references to Rent Standard 2026. Added affordable rent indexation provisions for new lettings. Updated rent increase protection period. Corrected minor textual and grammatical errors.</u>	<u>v5.0</u>