

## Quartz Housing Limited: Rent and Service Charge Policy

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### 1 | Introduction

- 1.1. The purpose of this policy is to outline the approach that Quartz Housing Limited (Quartz) will take to setting rents and service charges of its rental and shared ownership properties. This includes rent and service charge setting in the following circumstances:
- Setting rents and service charges for new properties to be let to tenants.
  - Setting rents and service charges for existing properties to be let to tenants.
  - Setting rents and service charges for new properties to be let to shared owners.
  - Setting rents for staircasing events and resales.
  - Annual rent increases/decreases.
- 1.2. In setting rents and service charges Quartz will be transparent with its tenants and shared owners and balance its need to maintain financial viability with ensuring that charges are affordable for tenants and shared owners.
- 1.3. Quartz will comply with all relevant legislation and regulations when setting rents and service charges. Where applicable rents and service charges for all properties will be set in full compliance with planning obligations, including Section 106 agreements and other legal covenants tied to the development. These obligations may specify the type, tenure, and affordability criteria of the housing to be provided. Tenants and shared owners will be clearly informed at the start of their tenancy or lease about the rent that will apply.

### 2 Legal and Regulatory Requirements

- 2.1. The Regulator of Social Housing's ("RSH") Rent Standard and supplementary guidance applies to social housing rent setting. The Rent Standard and the consumer standards do not apply to a shared owners or privately owned leasehold schemes, nor to certain types of social housing detailed in the Government's Policy Statement on Rents for Social Housing 2019, including intermediate rent.
- 2.2. 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 2019 (as the same is updated from time to time).

- 2.3. The collection and spending of service charges is governed by legislation including:
- the Landlord and Tenant Act 1985, Sections 18 – 30 (as amended by the 1987 Act and the Housing Act 1996) and the Leasehold Reform Act 2002, Part 2, Sections 150-159.
  - Section 20 Service Charges (Consultation Requirements) (England) Regulations 2003.
  - Commonhold and Leasehold Reform Act 2002.
- 2.4. In addition, service charges also need to consider:
- Housing Benefit (General) (Amendment) Regulations 2005.
  - Regulator of Social Housing Rent Standard and associated guidance.

### 3 | **Scope**

- 3.1. This policy applies to all Quartz's rental and shared ownership properties. All staff and subcontractors are expected to work in line with this policy.

### 4 | **Definitions**

- 4.1. Affordable Rent: Properties let at up to 80% of the market rate on the basis of agreement with Homes England or the Greater London Authority, as set out in the funding guides.
- 4.2. Intermediate Rent: shall have the meaning as set out in The Ministry of Housing, Communities and Local Government's *Policy statement on rents for social housing* published in February 2019.
- 4.3. London Affordable Rent Housing: Rented housing offered to eligible households on a time-limited tenancy at rents not exceeding the relevant maximum rents published by the GLA annually (excluding service charge).
- 4.4. Market Rent: the rate at which a property could be let on the commercial housing market.
- 4.5. Section 106 Rent: rental levels set for affordable housing delivered through a Section 106 planning agreement under the Town and Country Planning Act 1990. These rents are typically defined in the agreement and can include social rent, affordable rent (capped at 80% of market rent), or other specified rent levels to ensure affordability for eligible households. The specific rent level depends on negotiations between the local planning authority and the developer, considering local housing needs and viability.

- 4.6. 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 units of accommodation within a scheme.

## 5 | **Policy Commitment: Rents**

### 5.1. Approach to Setting Rent

- 5.1.1. Rents will be set in line with any s106 agreements, Homes England/Greater London Authority funding conditions and relevant legislation and regulation. In setting rents Quartz will meet the requirements of the Housing and Regeneration Act 2008, the Rent Standard 2020 (as updated from time to time) and the Government's Policy statement on Rents for Social Housing as applicable.

### 5.2. Section 106 Rent

- 5.2.1. Where planning obligations stipulate specific rent levels or methodologies for calculating rents (e.g., as a percentage of market rents, alignment with Local Housing Allowance, or adherence to social rent formulae), these requirements will take precedence. Service charges will also be set to reflect the costs of providing essential services to tenants, ensuring they remain reasonable and affordable, as required under the planning agreements and relevant regulatory guidance.
- 5.2.2. Quartz will conduct annual reviews of rents and service charges to ensure continued compliance with planning obligations, relevant legislation, and the Regulator of Social Housing's Rent Standard, and will maintain accurate records of all relevant obligations for audit purposes.

### 5.3. Market Rent

- 5.3.1. The market rent will be determined by an independent surveyor using a recognised Royal Institution of Chartered Surveyors (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.

### 5.4. Intermediate Rent

- 5.4.1. Quartz will let properties at an intermediate rent rate when there are no conditions that mean we are required to use another tenure.
- 5.4.2. Intermediate Rent properties will in all cases be let at no more than 80% of the prevailing market rental rate for the location of the relevant property, inclusive of any service charges that may be payable, and determined as set out in section 4.2.

### 5.5. Affordable Rent

- 5.5.1. Quartz may choose to enter into a short form agreement or otherwise agree with

Homes England or Greater London Authority or the Secretary of State (as applicable depending on the location of the property), so that it is able to let properties at an Affordable Rent level.

5.5.2. Affordable rent properties will be let at up to 80% of the market rental rate, determined as set out in section 4.2 and inclusive of any service charges. Where a s106 or other covenant on the property requires rents to be let at the lower of Local Housing Allowance rate levels or 80% of the market rate (or any other specified caps) this condition will be adhered to.

5.5.3. If the formula rent (calculated in accordance with the Rent Standard) is higher than 80% of the market rental rent (inclusive of service charges) for the tenant's accommodation, the maximum weekly rent will be set at formula rent (exclusive of service charges).

5.5.4. London affordable rent housing tenancies are affordable rent tenancies under the Rent Standard and so will comply with the Standard in their management. They will also have their rents set and increased in accordance with any guidance issued from time to time by the Mayor of London.

## 5.6. Shared Ownership

5.6.1. Where properties are offered as shared ownership accommodation by Quartz, a leaseholder may purchase an equity share of between 25% and 75% of the full market value of the property. Quartz will charge a rent based on the unsold equity.

5.6.2. Rents on the unsold equity will be calculated in accordance with the relevant planning obligations agreement or the GLA/Homes England Capital Funding Guide, with the planning obligations taking priority:

- where the planning obligations do not specify, rent will usually be set at 2.75% of the unsold equity at the initial point of sale.
- where an assessment of affordability for a scheme indicates that the total rent, service charge and mortgage costs would be unaffordable for a typical resident we may set a rent at a lower level.

5.6.3. The market value for the property will be set by an Independent Valuer registered with the Royal Institute of Chartered Surveyors.

## 5.7. Rent Review

5.7.1. Rents will be reviewed annually, and proposed adjustments across the portfolio will be carefully considered by the Board within the parameters set by the Regulatory Framework, tenancy and lease agreements, and any grant and planning conditions (where applicable). The annual review will be undertaken in advance of rents being adjusted from the 1<sup>st</sup> April following the Board's approval being granted.

5.7.2. Quartz does not intend to implement the High-Income Social Housing rents policy as introduced by the Housing and Planning Act 2016.

5.7.3. The rent of an affordable rent tenant (including where they have a new tenancy at their current property) may not be increased by more than CPI + 1% in any year. The

revised rent on re-letting to an existing tenant at their current property may only be re-based to 80% of current market value where the resulting rent would be no more than the rent arrived at by a CPI+1% increase.

- 5.7.4. For Shared Ownership, rent charged on unsold equity will usually be increased by RPI +0.5% each year and is governed by the terms of the individual lease. If RPI is nil or negative the rent increase will be 0.5%. Annual increases will be made on 1 April and will be calculated using RPI from the previous September. All inflation calculations will be subject to any relevant clauses in planning obligations and, where appropriate, with relevance to the performance of wider market rents where appropriate

5.8. Re-Letting

- 5.8.1. Subject to paragraph 5.6.4 above in the case of affordable rent tenancies, when properties are re-let the rents will be 'reset' on the basis of the initial rent calculation, taking into account any relevant legislation or regulation that applies. Where the accommodation is re-let to the same tenant as consequence of a starter tenancy coming to an end, Quartz will not re-set the rent to a revised level.

5.9. Rent setting following Staircasing or Resale

- 5.9.1. When there is a staircasing event, the rent charged to the shared owner will reduce dependent on the increased percentage share purchased. This will be determined by reviewing the current rent charged against the change in ownership percentage.
- 5.8.2. If a property is resold, the rent charged to the new shared owner will remain at the same amount as charged to the previous owner, unless there is a pending annual rent adjustment or the new shared owner wishes to staircase.

## 6 | **Policy Commitments: Service Charges**

6.1. Setting Service Charges

- 6.1.1. In setting service charges Quartz is mindful of the need to be open and transparent to enable tenants to plan financially, and to ensure that properties are affordable.
- 6.1.2. Quartz will normally use variable service charges and will set service charges annually, based on estimated costs for providing services. The actual charge will be reconciled within six months of the end of each Quartz financial year.
- 6.1.3. For intermediate and affordable rent tenancies, the rent and service charge which are either included within the overall rent or which are levied as a separate charge, will never exceed 80% of the prevailing market rent for the location of the relevant property.
- 6.1.4. After reconciliation where the shared owner is in credit this will be refunded to them within 3 months of reconciliation. Where the shared owner is in debit this will be apportioned over the following 12-month period.
- 6.1.5. Prior to sending out annual increase notices to tenants each year, Quartz will

estimate its likely spend in providing services over the coming year, and at the same time, establish the actual spend on services in the previous year. If tenants were overcharged in the previous year, the new service charge for the coming year will be reduced, and if tenants were undercharged, the coming year's service charge will be increased to take account of the under-recovery.

6.1.6. Where there are substantial costs associated with administering a variable service charge regime, disproportionate to the benefit of providing a variable service charge, the board will consider approving the use of a fixed service charge regime.

6.1.7. Service charges will be estimated before properties are let, and the costs will be included on adverts for the property and in the affordability assessment so that applicants are aware of these costs.

## 6.2. Service Charge Items

6.2.1. The service charge will be used to recover the costs, if applicable, of:

- 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)
- Building Safety Act 2022

6.2.2. Repairs and maintenance will not form part of a service charge for rental properties where this falls within our statutory obligations under section 11 of the Landlord and Tenant Act 1985 (although tenants may be recharged for repairs required due to malicious damage, or which are not covered by fair wear and tear).

## 7 | **Tenancy/Lease Agreement, Rent Notification, and Appeals**

### 7.1. Tenancies and Leases

7.1.1. The tenancies and leases issued to Quartz residents are governed by the Quartz Tenancy Policy. Where a shared owner's lease or a resident's tenancy states an approach to rents that is different from this policy, the lease or tenancy takes precedence.

### 7.2. Notification to Tenants and Shared Owners

7.2.1. Tenants and shared owners will receive written notification of an annual rent increase in accordance with the terms of their individual occupancy agreement, and not less than one calendar month's notice will be given before the increase is applied. Notification will include the new rent and service charge (if any) to be charged, the date from which it is payable, the calculation method, and the date of the next review.

7.3. Appeals

- 7.3.1. Any tenant or shared owner who feels that their rent has not been set in accordance with the policy or their lease can appeal using the process set out in Quartz's Complaints Policy.

## 8 | **Monitoring and Performance**

- 8.1. The board have overall responsibility for this policy, which will be implemented by Quartz's staff and/or sub-contractors.
- 8.2. Rents will be set annually by the board, and the board will approve any changes in the rent levels.
- 8.3. The board will receive assurance that the policy is being complied with through reports on the rent setting process and internal audit activity.

## 9 | **Background Documents**

- 9.1. This policy should be read in conjunction with the legal and regulatory documents listed below:
- The Regulatory Framework for Social Housing in England (as amended from time to time)
  - The Regulator of Social Housing (RSH) Rent Standard 2020
  - Housing and Regeneration Act 2008
  - Government's Policy Statement on Rents for Social Housing

and the following strategies and policies:

- Complaints Policy
  - Allocations and Lettings Policy
  - Equality and Diversity Policy
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