Paradigm	**Service Charge Policy**
Policy statement	Service charges are a means of recovering the cost of providing specific services to customers which are outside those covered by a rent charge. This policy sets out Paradigm's approach to the setting and management of service charges.
Objective	To provide clear framework for setting and managing service charges which comply with lease or tenancy agreement terms and conditions, current legislation and good practice, whilst promoting transparency, accountability and consistency in the administration of service charges.
Scope	This policy covers all tenure types where a service charge is payable and applies to Paradigm Housing Group and its subsidiaries. Affordable Rents (excluding London Affordable Rents) generally cover the cost of any communal services provided. However, these customers may be required to pay for any personal services, for example personal gas, electric and water, in addition to their inclusive rent. The policy sets out: • how we estimate and apply service charges • how we recover unpaid service charges • when we will consult with customers • how we manage sinking fund/reserve funds, where these apply • how we will manage enquiries or complaints about service charges. If there is any conflict between this policy and any relevant contractual agreements in place, then the contractual agreement will take precedence.
Policy	**Service Charges** Service charges are a recharge of the costs incurred to provide certain services to customers on their estate and block. Customers may receive different types of services depending on their block or estate and as such will have different service charge amounts to pay. Service charges will be calculated based on terms outlined in their respective tenancy or lease agreements. Where any lease or agreement does not specify how the service charge cost is calculated or shared, we will share /divide the costs of services fairly between all the properties in the scheme that benefit from the service. Common examples of services that may be included in service charge are: • cleaning of communal areas • lawn mowing and looking after planted areas • servicing and maintenance of shared facilities such as lifts, door entry systems and lighting

- heating and lighting of communal areas
- management costs set by a third-party managing agent providing services to the site.

Service charge for homeowners may also include:

- building insurance
- cost of repairs and renewals of structure, such as repairs to the roof or external brickwork maintenance
- contribution towards a sinking fund to meet the costs of future repairs and refurbishments.

We set variable service charges other than where it is obligatory through lease or inherited by acquisition to set fixed service charges.

Variable service charge means customers receive an estimated charge at the start of the year, which is later adjusted to reflect the actual costs incurred. For customers on a fixed service charge, any difference between the estimated and actual costs of providing the service will be borne by Paradigm.

We set charges at a level needed to cover the cost of services provided and make no profit on service charges.

Service charge estimates

We estimate service charges each year based on the anticipated costs for the forthcoming year taking into consideration what was spent in recent years, expected inflation and any increases or decreases due to changes in contracts or service requirements.

We group together properties that share common or communal spaces into what is known as a scheme. The costs to deliver services in that scheme will be shared amongst the customers whether they directly or indirectly benefit from or use the service.

For new properties, the initial service charges will be set based on the information supplied by the developer, managing agent, estate services team, housing management teams and quotes received from contractors.

Where we do not own the freehold to the property or the surrounding communal areas, certain services may be provided by a separate managing agent. In such cases, we will include an estimate for managing agent charges in our service charge estimates, clearly identifying these costs in the service charge breakdown.

Customers will be notified of service charge estimates in writing at least four weeks prior to charges applied. For tenants and leaseholders paying a variable service charge the notifications will be accompanied by “Service charges - summary of Tenants’ Rights and Obligations”. This summary explains the rights and obligations of both the landlord and the customer.

Year End Service Charge Accounting

Our service charge accounting period runs from 1st April to 31st March.

Where any accounting period of service charges is different for example through stock transfers, and where leases and tenancy agreements allow, we will bring the periods in line with the above.

At the end of each accounting year, the actual cost of providing the service will be compared to the estimates.

Customers who pay a variable service charge will receive an annual statement detailing the service charges and calculation of over or under recovery from previous years (if any) by the end of September following the accounting period end.

An under recovery is when the actual spend at the end of the year was more than the estimated cost. The shortfall is recovered from customers by increasing the future year’s charges. An over recovery is when actual cost is less than the estimated cost. The surplus is given back to customers by reducing the future year’s charges.

Where an annual statement is not able to be provided within the timescales set out above, a formal notice will be issued to customers called a Section 20b Notice to make customers aware of that charges are due but there will be a delay in providing detailed statements.

When a property is vacant, we will cover the service costs for that property during the unoccupied period. These costs will be calculated as if the property were occupied, ensuring that other customers in the scheme are not unfairly burdened.

When a customer leaves a property due to selling their property or a termination of a tenancy agreement, any service charge surplus or shortfall attributable to the property will be repaid to or claimed from the new incoming customer.

Recovery of service charge
Any service charge arrears will be collected in line with the Rent Recovery Policy and our arrears collection procedures.

Communication
Customers will be provided with clear and transparent information, in simple language about service charges prior to the tenancy sign-up or during the conveyancing process and throughout the period they occupy or own the property.

Information on service charges and answers to frequently asked questions (FAQs) will be published on our website.

Customers will receive legally compliant notices for changes in service charge explaining the basis and reasons for any large increases or decreases.

We will continue to seek feedback from customers to improve services and communication on service charges.

Consultation

We will consult with customers who pay for a service when deciding whether it should be discontinued.

Where we are considering providing additional services or changes in the service, we will consult with those customers that are affected.

Before undertaking certain qualifying works or entering into a long-term agreement for the provision of services we will consult with affected customers. This consultation process is known as a Section 20 consultation. We will carry this out:

- when the cost of the work will exceed £250 for any one leaseholder, shared owner or contributing customer
- when we enter into an agreement for works or services that lasts more than 12 months and where the cost for any leaseholder, shared owner or contributing customer exceeds £100
- where any long-term agreement includes provision for carrying out works to the property and this will result in any one customer paying more than £100.

All observations from customers will be recorded by the Home Ownership Team in a central register and responded to within 21 days.

Following any consultation period and where major works or improvement works have been approved, Paradigm will serve written notices specifying the amount of actual costs of work. These costs will be requested no later than 18 months after the costs have been actually incurred.

Where a section 20 consultation has not been carried out in line with the legal or regulatory requirements, expenditure will be capped at the financial thresholds set out in the statutory process.

Sinking or reserve funds

Sinking or reserve fund contributions will be collected from customers where it has been identified that their lease allows for this. Contributions from customers on a scheme are pooled together to create a scheme fund.

The scheme fund helps to meet potential significant future costs of replacement, maintenance, and upkeep, for example costs relating to roof renewal, window replacement and block redecoration. This helps to avoid large service charges payable should such works be required for a scheme.

When setting sinking or reserve fund contributions for the first time, such as for new developments, the fund level will be set to ensure that sufficient reserves are accumulated over time to cover the replacement costs of components at the end of their useful life.

Where there are changes in cost of anticipated future works, sinking fund contributions may be adjusted as required, with appropriate notice to customers.

Customers will be kept informed of any reserve or sinking funds which may be used for any works. Where funds held are insufficient to cover a cost of relevant work, the homeowner will remain liable for any shortfall.

	Interest on any sinking fund amounts will be applied annually. Sinking fund statements will be available on request. **Enquiries and Complaints** Customers can request more details on how the service charge is calculated and spent and to inspect relevant supporting documents. When responding to queries, our responses will be clear and in simple language, deal with the matter raised and in line with the Customer Care Standards. Complaints will be dealt with in line with Paradigm's Complaints Policy. Where service charges are amended because of an enquiry or complaint, we will revise charges for all customers impacted and provide revised notification.
Equality Diversity & Inclusion	We are committed to fostering an environment that values and respects the diversity of all our customers, employees, and stakeholders. Our service charge policy is designed to reflect this commitment by ensuring fairness, transparency, and inclusivity in all our financial practices. We are dedicated to treating all individuals with equality and ensuring that our service charge policy does not discriminate against any person based on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation. Our service charges will be calculated and communicated in a clear, consistent, and transparent manner, ensuring that all customers understand how charges are determined and applied. We will ensure that our service charge policy and related documents are available in accessible formats and languages, catering to the diverse needs of our customers. We are committed to regularly reviewing and updating our service charge policy to reflect best practices in equality, diversity, and inclusion. This includes ongoing training for our staff to ensure they understand and uphold these principles in their work.
Roles and Responsibility	**Executive Board** are responsible for: • Approving and implementing this policy • Approving annual service charge budget • Reviewing year on year service charge movement and providing guidance on actions required to manage affordability concerns. **Chief Financial Officer** is responsible for: • Ownership of this policy • Ensuring suitable resource is made available to allow delivery of a sufficient service • Monitoring any significant risks surrounding the service charge provision • Ensuring compliance with current regulations.

	Assistant Director Finance Operations is responsible for: • Obtaining annual budget approval • Monitoring any significant risks surrounding the service charge provision • Ensuring this policy is reviewed to reflect changes in relevant legislative or regulation, and that this policy is compliant with those changes. **Head of Rent and Service Charge is** responsible for: • Issuing timely service charge statements and demands in line with current legislation and policy • Setting service charges at an appropriate level to support anticipated expenditure and comply with lease or tenancy agreement terms and conditions, current legislation and good practice • Approving service charge expenditure within their budget and limit • Monitoring service charge income and expenditure in line with budgets and estimates and ensuring accuracy of cost allocation • Highlighting any operational risks • Engaging with Asset Management in respect of sinking funds spend and budgeting • Responding to complaints and enquiries in accordance with Paradigm's Customer Care Standards • Management of the day-to-day service charge operations. **Head of Procurement** is responsible for: • Working with the business to procure contracts that meet the requirements of each scheme and deliver value for money • Ensuring contracts are procured in line with the internal financial policy and the Procurement Act • Maintain reconciled utility accounts and ensuring meter reads are provided to energy suppliers regularly where required. **Head of Project Delivery** is responsible for: • Provision of complete, timely and relevant information relating to new schemes and acquisitions to support the setting of initial service charge, in line with development process review. **Head of Sales and Aftercare** is responsible for: • Clearly communicating service charge information to customers on sales or resales. **Rent Recovery Managers** are responsible for: • Collecting overdue service charge that has been billed to customers. **Head of Lettings and Customer Support** is responsible for: • Clearly communicating service charge information to customers as part of new lettings. **Head of Customer and Neighbourhood** is responsible for: • Responding to general service charge queries at first point of contact from customers

	• Management of section 20 consultations. **Head of Risk Assurance** is responsible for: • Arranging appropriate buildings insurance cover that complies with the requirement of leases.
Monitoring / Reporting and Assurance Controls	The Executive Board receive high level monthly reports of the service charge expenditure vs budget, as part of the monthly management accounts reporting cycle. The Assistant Director Finance Operations and Chief Financial Officer review the annual service charge budget prior to Executive Board approval. An Equality Impact Assessment (EIA) is carried out ensuring that we have mitigated any impact on specific protected characteristics and that we have measures in place to mitigate any identified risks. The Finance Business Partner and Head of Rent and Service Charge review monthly trends in relation to service charge income and expenditure and explain significant variances in monthly management reports to Executive Board. Assistant Director Finance Operations and Head of Rent and Service Charge review and perform appropriate checks prior to notices being issued and systems updated. Head of Rent and Service Charge's presentation at monthly Finance Managers meeting with Chief Financial Officer includes monitoring on customer complaints relating to service charges.
Cross References	Rent Setting Policy Complaints Policy Arrears Policy Service charge procedures

Policy Owner	Chief Financial Officer
Prepared by	Assistant Finance Director – Financial Operations
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Record of Amendments			
Date	**Version**	**Approved By**	**Details of Amendments**
June 2020	V2	Management Team	Replaces v1 dated Feb 2017
Sept 2023	V3	Executive Team	Policy reviewed
August 2024	V4	Executive Team	Policy updated to cover updated approach to service charge including fixed service charges and addition of Equality & Diversity section.