

# A guide to your tenancy charges

2020/21



Community Health Partnerships is committed to ensuring that all tenants have a clear understanding of the charges for occupation of NHS LIFT buildings

The following guide is to enable you to understand the methodology on how charging is calculated and what services are provided at your building in return for the service charge.

Your charging schedule contains a list of cost categories of what is provided at your building and further details of what is included in that cost category is included within the guide.

Where there are changes to the charging methodology for specific tenant groups, CHP will write to you separately.

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CHP is striving to be as clear and transparent as possible with tenant charges. CHP's priority is to ensure that all our tenants have access to safe, efficient, high quality, well maintained buildings and receive excellent levels of customer service.

*Mark Day, Chief Operating Officer and Deputy Chief Executive*

## Understanding your Annual Charge Schedule

Department of Health and Social Care policy on charging remains extant with all tenants to be charged the full cost of occupied space unless a lease has previously been agreed that states otherwise. Where a lease sets out charges that recover less than the full cost, the balance will be charged to the appropriate commissioner.

This means that the costs associated with your occupancy will continue to simply be a function of the amount of space you occupy. A clear understanding of actual costs means that you will be able to agree the appropriate level of funding (or reimbursement) with your commissioner.

While there is no obligation to, CHP aspires to follow the highest professional standards in property management following the introduction of the RICS Service Charge Code – *Service Charges in Commercial Property (1<sup>st</sup> Edition)* - on 1 April 2019. Key aims of this RICS Practice Statement are that we are transparent and fair as well as communicating in a timely and effective way with our tenants. For further information CHP has issued a Service Charge Guidance note which is available on request from your Area Property and Asset Manager.

We will continue to bill monthly. Invoices will be issued monthly and you will normally receive the invoice by the fifth working day of each month; you are required to pay by the end of the same month. Where payments are late, we reserve the right to add interest to your account. Where you have a lease, the rate will be in accordance with the terms of that agreement and, where you do not, in line with the Government's rules on late commercial payments. We hope that it will not be necessary to add interest but borrowing and credit control expenses need to be recovered from those who do not pay in a timely manner.

**Please note:** If you have any specific funding issues relating to the services you provide or the space you occupy, you will need to work directly with your Commissioner to resolve those.

## **How your charges are calculated**

Your charges are calculated on a cost recovery basis in line with either the terms in your lease or, in the absence of a lease, the percentage of space you occupy within the building.

Your annual charge statement shows all costs incurred in operating the building, but only those relevant to your organisation will be charged to you. At the end of the statement, monthly billing amounts are shown which we expect not to change in year unless there is a significant change, and not without prior consultation. Any cost adjustments will be dealt with via the year end reconciliation unless they are significant, in which case we will make contact once they are known.

### **Basis of Calculation**

The charges are calculated in the same way for all tenants, either using the terms of a lease, or based on the amount of space you occupy within the building, with the only difference being the way these costs are described for General Practice tenants in terms of reimbursable and non-reimbursable charges.

A tenant's apportionment of the service charge is calculated by reference to the total internal lettable area of the area they occupy, expressed as a percentage of the total internal lettable area of the building.

### **Empty Units and Bookable Rooms**

The Commissioner pays the service charge for any void or empty rooms within a building. Bookable room charges are taken from an apportioned amount of the internal lettable area of the building costs and prorated to a half hourly fee in agreement with the relevant commissioner.

### **Year End Reconciliation**

Any significant changes to costs throughout the financial year will be dealt with in that year following appropriate consultation. Each tenant's total annual charge will be reconciled on an annual basis at year end and communicated to tenants and commissioners with appropriate invoices/ credit notes being issued with supporting documentation.

## Annual Charge Schedule

The following section gives more detail on each of the cost categories within the annual charge schedule.

### Rent, Rates & Insurance

**Rent or a Lease Plus Payment (LPP)** for the space you occupy increases in line with the retail prices index (RPI) for February each year, meaning an increase of 2.5% for 2020/21. This cost covers the rent, Hard FM and LifeCycle for the building.

**Non-Domestic Rates** is the business rates provision for the building set by the Valuation Office Agency (VOA). Our retained consultants GL Hearn manage the business rates for and on behalf of CHP. Your rates demand will be generated from the local authority and a copy of their assessment can be seen on-line or from your Area Property and Asset Manager.

**Insurance** Under the terms of our Lease the LIFTCo insure the building for material damage, terrorism, business interruption and public /products liability. A copy of cover and premiums is available on request.

The Utilities Cost is for electricity, gas, water and sewerage charges for the whole building and prorated according to tenants' proportion of the building.

**Electricity** The budget for the year is based on using current expenditure to date. A projection is then made for the following year. Please contact your Area Property and Asset Manager for more details regarding your supplier.

**Gas** The budget for the year is based upon historic expenditure and a projection of likely costs. Please contact your Area Property and Asset Manager for more details regarding your supply.

**Water and Sewerage** Charges will apply based upon historic costs.

Any statutory charges (such as Climate Change Levy) will be applied as due.

Please note during the year TLMs undertake quarterly energy walks of the buildings with occupiers. The primary purpose of the energy walk is to identify areas for reduction in energy usage through the reduction in waste and switching off applicable electronic devices, when not in use. This is focused on but not limited to switching off lights, making sure that taps are not dripping, checking that windows are all intact and ensuring that computers and other power-using devices are switched off when the tenant is not using the areas checked.

In addition, it also provides an opportunity to ensure the LIFTCo are adhering to their contractual obligations. Please speak to your TLM for further details.

CHP employ Energy Assessors who conduct Energy Performance assessments as required by law.

## **Soft Facilities Management**

Please refer to your Annual Charge Statement for what items are included for you and your building. For a further breakdown of what is included for your building please speak to your TLM, APAM or Soft FM team.

- **Cleaning services**
- **Cleaning consumables**
- **Pest control**
- **Security services (to include CCTV monitored, security guard, key holding services etc.)**
- **Window cleaning**
- **Waste**
- **Clinical waste**
- **Hygiene services/toiletries**
- **Grounds and gardens/landscaping**
- **Catering**
- **Laundry and linen**
- **Reception/Centre management**

## **FM Contract Management**

Soft Services are managed by an Internal CHP Contracts Team who work closely with your APAM and TLM to ensure that each building has the appropriate soft services depending on each building's individual requirements. The contracts team are responsible for ensuring contractor performance by providing audits as and when available. The team are dedicated to each region and service. If you require any further information please contact your TLM who can put you in touch with your contracts manager.

We remind tenants that our suppliers have to reflect statutory changes to wage increases, such as National Minimum Wage, and this will be a factor in cost increases of some services.

To confirm CHP are providing value for money to our tenants in the provision of their cleaning services, a spend benchmarking exercise has been undertaken against national levels of spend through looking at comparative reference sites. NHS Digital's validated and published ERIC data, which details estates and facilities spend and related information for all NHS acute sites through England, average levels of cleaning spend were analysed, segmenting the spend in accordance with CHP's regional divisions.

## Professional Services

### Health, Safety and Environmental

This cost is to cover the annual H&S Reports, Water Safety Group management, Display Energy Certificates (DEC) which are required annually, and 10-year Building Energy Building Certificates (EPCs). Previously these services were provided by NHS Property Services or contracted out and the cost included an overhead charge on other SoftFM services. Now that CHP directly employs a Health & Fire Safety team, we are able to clearly identify this cost.

The team provides a range of services to tenants that includes building-wide Fire Risk Assessments, delivering Health & Safety clinics/roadshows, delivery of fire safety warden training and providing specialist advice and support. A letter detailing this service was sent to tenants in April 2019. Also included with the charge are essential items such as evacuation equipment supply and fit, fire drill/evacuation exercises and audit documentation for CQC purposes.

**Fire Safety** Included within this charge is the Fire Risk Assessment (FRA) for the whole building. This covers tenant areas as well as common and shared, and as well as negating the need for you to expend on your own assessment, ensures consistency across the property. The FRA will be shared with you for your action and records once it is completed.

If you would like a copy of your building's FRA please speak with your TLM.

## Overheads

The **CHP Management Fee** is for managing the building and administering the service charge - the charge is approximately 2% of the total operating cost in accordance with current DHSC guidance.

This charge covers costs for the CHP Property and Centre Management teams, property finance and administrative support, including proportional elements of our Corporate Services teams (such as HR and IT).

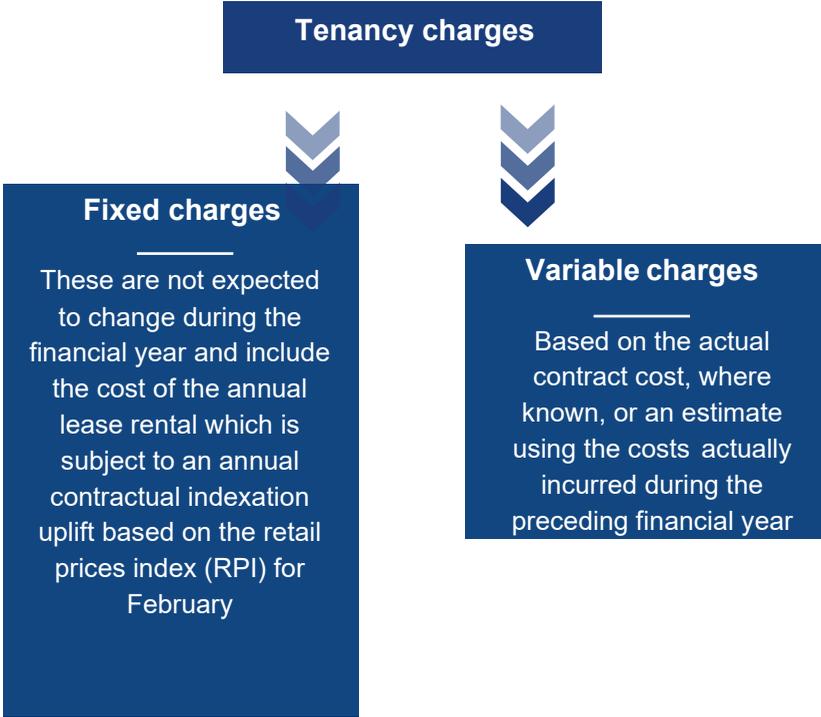
The contracts management fee is for the contracts management team who manage the contractors' quality and performance.

## Understanding your tenancy invoices

You will receive two invoices each month: one for the fixed charge and one for the variable charge.

The two sections in your Annual Charge Schedule reflect these two different charges. For General Practice tenants, the first section relates to charges that are reimbursable and the second section, non-reimbursable.

The management fee is included in the fixed (or reimbursable) invoice as that better reflects the nature of those costs which will not change during the financial year.



**CHP's priority is to ensure that all our tenants have access to safe, efficient, high quality, well maintained buildings and receive excellent levels of customer service.**

Clarity on the costs associated with your occupancy of an NHS LIFT building is just one element of what you can expect from us. We will also be continuing to work with all tenants who do not have a formal tenancy agreement in place to establish an agreed under lease.

**There are numerous advantages to agreeing an under lease:**

- It provides a clear understanding of your rights and obligations as a tenant as well as all the information you need to know for occupying the premises.
- It is most likely that you are required to have a formal tenancy agreement (lease) in place to be compliant with your commissioning contract.
- It will ensure you are covered by the insurance terms set out in the Lease Plus Agreement and may be a requirement of any other insurance you hold.

We also want to ensure that the space within our buildings is used as effectively as possible. If your requirements change, please contact your APAM.

## Your questions answered

### 1 How do I pay my invoice?

Wherever possible, we ask that a monthly standing order is put in place, for the full amount asked for on your Annual Charge Statement. The minimum payment being no less than the value of the fixed or reimbursable elements of the charge. If a standing order is not possible then payment should be made by BACs or cheque.

### 2 My charge is much higher than last year, and I do not have the funding in place to pay it. What can I do?

Given that the basis of charging has not changed, it is unlikely that your charges will have increased beyond RPI on the rent and the adjustments to rates and Soft FM unless you now occupy more space than you did previously.

If this is the case and you have not already had an explanation from your APAM please do contact him or her but please also speak to your commissioner as a matter of priority if you believe your funding base is insufficient.

### 3 My invoice is lower than last year, is this correct?

This is possible if you benefit from a reduction in business rates and/or SoftFM charges or if you now occupy less space.

If this is the case and you have not already had an explanation from your APAM, please do contact him or her. If you have reduced the space you occupy you should also speak to your commissioner as it is possible that in such circumstances they will seek an adjustment to your funding base.

There may be additional costs associated with your occupation that are not captured by the charge statement and these are explained in Question 4.

### 4 Does my charge cover all services?

The Annual Charge Schedule gives details of what charges are included in the service charge

It does not include charges for sundry items such as telecoms, franking, minor works, tenant damage, IT or other costs associated with sessional use and licenses. Such costs will be invoiced separately as they arise and will be detailed accordingly.

**5 I need the actual costs (not an estimate) to secure my reimbursement from commissioners**

The Annual Charge Schedule only identifies those fixed / reimbursable elements that are known and can be evidenced at this stage. It is only possible to provide the variable /non-reimbursable costs as an estimate - based on contract costs or the costs actually incurred during 2019/20.

If you require additional evidence to support these fixed costs, please contact your APAM.

**6 I already have a lease in place that differs from this approach to calculating costs.**

Any extant lease arrangements will take precedence over the charging methodology we have outlined. If you already have a lease in place, then the terms of this will determine how you are charged, and CHP will invoice you on that basis.

**7 Why does CHP add VAT to things like rates?**

The tax status of CHP means we are obliged by HMRC to add VAT to all charges. All expenditure is therefore shown exclusive of VAT and VAT is charged at the appropriate rate on all service charge payments invoiced by CHP and shown as a separate item on a VAT invoice. The tax status of most of our tenants means that the VAT charged can be recovered from HMRC. Although most General Practices cannot recover VAT, in most cases your commissioner will meet the tax charge on reimbursable items.

**8 Under the Primary Care Trust I didn't pay for my accommodation, so why do I have to now?**

Unlike the former Primary Care Trusts, CHP does not have any funding other than the charges made to tenants and commissioners. Payments must be made directly to us to ensure we can meet the total costs of operating the NHS LIFT properties and in maintaining the provision of services for the benefit of all occupiers. Any bespoke services are also supplied on this principle and require a direct payment agreement with CHP to maintain these 'direct' services.

## **9 Why do I need a lease?**

As NHS LIFT buildings are not NHS owned assets, landlords are obligated to require occupiers to enter into a lease. A lease provides you with a clear understanding of your rights and obligations as a tenant as well as all the information you need to know for occupying the premises.

## **10 As a GP, can I have my CCG/NHSE pay reimbursable expenses directly to CHP to reduce administration and costs?**

Current regulations allow any General Practice to request direct payment of reimbursable expenses. A standard letter can be supplied by your APAM on request and we encourage this to help reduce your overhead costs and improve cashflow.

## **11 Does CHP charge a management fee?**

CHP is mandated to operate on a cost recovery basis only, and it is necessary and reasonable to recover the actual costs incurred in delivering services to tenants and commissioners.

These costs include CHP's directly-employed Property Management and Centre Management Teams, the overheads associated with these staff and engaging third parties to manage some property functions it is not cost effective for CHP to deliver directly.

These costs are then apportioned to each building as a share of total operating costs and will be included in service charge estimates for 2020/21 in accordance with Department of Health and Social Care Guidance and CHP's Service Charge policy.

## **12 Why do CHP reserve the right to charge interest on late payments?**

As head tenant CHP is contractually obliged to pay landlords and other suppliers and a failure to do so could mean an interruption to services. Servicing these obligations means we need to collect income from tenants promptly. Late payments mean that we incur interest charges and credit control costs that it would not be fair to charge to all tenants as an overhead.

## **13 I cannot find the contact details for who is responsible for my building?**

Your Tenant Handbook has full details of who is who for your building and a separate contacts sheet accompanies this guide.

## **14 What is the interest charge for late payments?**

Where you have a lease, the rate will be detailed in that agreement. Where you don't have a lease, or where a lease is silent on such issues, we will follow Government's guidance on late commercial payments. Interest charges will be the Bank of England Base Rate plus 8.0% meaning a total of 8.75% in March 2019. More details on the calculation of interest and other charges can be found at: [www.gov.uk/late-commercial-payments-interest-debt-recovery/when-a-payment-becomes-late](http://www.gov.uk/late-commercial-payments-interest-debt-recovery/when-a-payment-becomes-late)

If you would like to discuss any aspect of your Annual Charge Schedule or tenant invoices, please contact your Property Manager in the first instance.

## Contact Us

If you would like to discuss any aspect of your Annual Charge Schedule or tenant invoices, please contact your Area Property & Asset Manager in the first instance. A contacts schedule accompanies this guide and our Customer Services details are included below.

### Customer Services:

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