



A guide to your tenancy charges 2017/2018

April 2017

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

We are pleased to confirm that the basis for charging remains unchanged for most tenants but this guide does contain some important information which will help you understand your charging schedule and subsequent invoices. Where there are changes for specific tenant groups we will write to you separately.

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"Our overriding priority is to provide an excellent level of service to GPs, the NHS and other health and community service providers who occupy our buildings."

Dr Sue O'Connell, Chief Executive Officer

How your charges are calculated

Department of Health 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, removing the confusion that has arisen from legacy or historic charges. A clear understanding of actual costs means that you will be able to agree the appropriate level of funding (or reimbursement) with your commissioner.

We will continue to bill monthly as we need to settle with the superior landlord each month, and invoices will be issued in line with lease terms which means you will normally receive the invoice by the fifth working day of each month and you are required to pay by the end of the same month. Late payments will mean that interest is added 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.

Understanding your Annual Charge Schedule

Your Annual Charge Schedule shows the costs that make up your charge for occupancy, and at the end of the schedule we have outlined the tenancy invoices you will receive and how these will be split across the financial year.

The charges are calculated in the same way for all tenants, based on the amount of space you occupy within the building, with the only difference being the way these costs are described for GP tenants.

Each tenant's total annual charge will be reconciled on a quarterly basis with any significant movement being adjusted for in the following quarter. A final year-end adjustment will be calculated in April 2018 and reflected in the Annual Charge Schedule for the next financial year (2018/19).

Although the basis of charging remains unchanged there are of course changes to underlying costs that will mean the actual amount you are charged will be different to the last financial year, and the most significant of these can be summarised as follows:

- The rent for the space you occupy increases in line with the retail prices index (RPI) for February each year meaning an increase of 3.2% for 2017/18.
- You will also see changes in business rates but in this case the impact will vary depending on your circumstances. Working with partners, rateable values have been challenged and in some cases significant reductions have been achieved. However, changes beyond our control such as amendments to the 2017 rating list can also lead to an increase in cost.

Understanding your Annual Charge Schedule

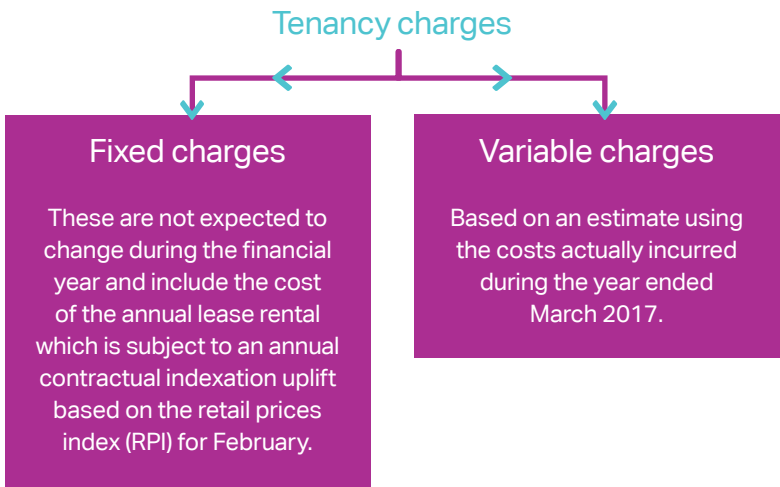
- You will be aware that a major procurement exercise took place during 2016/17 to secure new and improved contracts for 'soft' facilities management services in much (but not all) of the NHS LIFT estate. This work was undertaken by experts at NHS Property Services on behalf of CHP. If you are a tenant in one of the affected buildings, we will write to you separately to explain the status of this work.

Understanding your new 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.

For 2017/18 the management fee will be included in the fixed (or reimbursable) invoice as that better reflects the nature of those costs which will not change in year.



Your questions answered

1. How do I pay my invoice?

Wherever possible, we ask that a monthly standing order is put in place, with 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 it is the case and you have not already had an explanation from your property manager, 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 Soft FM charges or if you now occupy less space.

If it is the case and you have not already had an explanation from your property manager, 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 it 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.

Your questions answered

4. Does my charge cover all services?

The Annual Charge Schedule relates to your percentage share (as determined by space occupied) of the operating costs for the building.

It does not include charges for sundry items such as telecoms, franking, variations, 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 the costs actually incurred during 2016/17.

If you require additional evidence to support these fixed costs please contact our dedicated Tenant Invoicing Customer Service Team on 0161 209 3463 or by email at: c.services@communityhealthpartnerships.co.uk

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.

Your questions answered

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. The tax status of most of our tenants means that the VAT charged can be recovered from HMRC. Although the majority of General Practices cannot recover VAT, in most cases your commissioner will meet the tax charge on reimbursable items.

GP tenants should refer to the separate letter from CHP's CFO regarding VAT on non-reimbursable expenses.

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's Property division 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 maintain a service for you.

9. Why do I need a lease?

As NHS LIFT buildings are not NHS owned assets, the landlords are obligated to require occupiers to agree an under-lease. An under-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.

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 also ensure you are covered by the insurance terms set out in the Lease Plus Agreement.

Your questions answered

10. Does CHP charge a management fee?

Greater clarity on building costs also extends to management charges. Whilst CHP is mandated to operate on a cost recovery basis it is necessary and reasonable to recover the actual costs incurred in delivering a service to tenants and commissioners.

These costs include CHP's directly-employed Property & Asset Management Team, the overheads associated with engaging third parties to manage some property functions, and the centre management service.

In total these costs approximate to a relatively modest 2.0% of total operating costs and will be included in service charge estimates for 2016/17 in accordance with Department of Health Guidance.

11. Why do you 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.

12. 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 8.25% in April 2017.

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

What else can you expect from CHP?



339

Total number of buildings

305

CHP Head Tenant



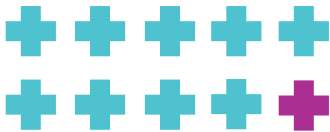
An estimate of

80%

of construction spend has been on local businesses (i.e. within 30 miles)



£2.5 billion



Nearly 9 in every 10

LIFT projects are in areas with above average health needs

The developments to date provided employment opportunities for approximately

30,000 people



Our estate

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 property manager.

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.

New for 2017 is our Tenant Access Portal or (TAP) and your tenant liaison manager will be able to provide details on how you can:

- make room bookings directly;
- manage your contact details;
- log case queries for billing, occupancy, and site issues; and
- view reports on bookables and billing

Customer Services:

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