



PEGASUS
HOMES



Understanding *Service Charge*

If you are not used to renting your home, or owning it through leasehold, the concept of a service charge may be new to you. There are many benefits to paying a service charge and this guide will explain what a service charge is, what is and isn't included and anything else you may need to know.

What is the difference between leasehold and freehold?

If you own a property and the land that it is built on, you own the freehold to that property. Most traditional houses will be freehold, meaning the owner is responsible for all matters relating to the property and the land it is built on.

If you live in a property with a leasehold, it means that you own or rent the property for a period of time but not the land that it is built on (subject to the terms of the lease). The lease will set out how long you will own the property for; the majority of Pegasus Homes leases are up to 999 years.

The landlord is usually responsible for maintaining and insuring the whole building (although you'll insure your own contents). As a leaseholder you will therefore need to pay a service charge to cover your share of the buildings insurance, cost of maintaining the building and any communal areas inside or outside plus staffing and any services provided.

What is the service charge used for at Pegasus Homes?

Residents pay a service charge which is used to pay for maintenance and insurance of the building and all communal areas, inside and outside plus staffing and any services provided. The landlord has the responsibility to ensure that works are completed and to a high standard.

With Pegasus Homes, every community is different. The services provided at each community will be set out in the lease which will influence the amount of service charge each community will pay. The amount will differ depending on the amenities available to residents, the number of homes, size of the building etc. But generally, service charge will include what is outlined in the following lists.

What isn't included?

Any costs that relate to the individual home, such as contents insurance, heating and electricity bills, water, council tax and broadband etc, are still the responsibility of the owner / resident and the costs are not included in the service charge.



Utilities

Electricity, heating & water in communal areas



Contract, Maintenance & Services

Emergency Monitoring Response and Out of Hours Emergency Services and Equipment

Repair and maintenance of the building structure as well as communal areas inside and outside

Maintenance of building safety systems, Mechanical and Electrical Plant Room (or "Building") Assets, car park, gardens, lifts and CCTV

Gutter and roof repair and maintenance

Cleaning of communal areas

Pest control

Refuse & recycling

Window cleaning



Insurance

Buildings insurance

Public liability

Engineering insurance



Fees

Accounts preparation & audit

Health & safety fees including for risk assessments or audits

Management fees



On-site administration costs

Office stationery & sundries

Building & Communities office PC, telephone, broadband and mobile devices

Salaries and other employment costs relating to on site staff



Contingency fund

Where the lease allows, a reserve of money is set aside to cover planned maintenance and possible unforeseen future expenses

Is car parking included?

Depending on the community, a car parking space may be demised in your lease or you may need to pay an additional fee for the right to use a space (subject to availability). Each community is different so please speak to your Sales Advisor or on-site team to clarify.

How is service charge calculated?

The management of the majority of Pegasus Homes communities is done in-house. We are there from the very start of the process, from buying the land and building the community, to looking after the ongoing maintenance. We want to provide the best possible service to our residents and will always endeavour to give our communities good value and a quality service. Costs are competitively sourced from a number of trusted suppliers on a regular basis.

When suitable suppliers are appointed, the total cost of all of the services previously listed is generally split between all of the apartments in the community. The lease will set out how these costs are apportioned between each of the apartments, but typically would be based on the size of the apartment.

For example, if the total annual cost to manage a community was £1,000,000 and the total size of all homes within the community was 100,000 square feet, the cost per square foot would be:

$$\left[\frac{\pounds}{\text{sq ft}} \right] \quad \pounds 1,000,000 / 100,000 \\ = \pounds 10 \text{ per square foot}$$

If your apartment size was 850 sq ft for example, the amount of service charge you would pay each year would be:

$$\left[\frac{\pounds}{\text{sq ft}} \right] \quad 850 \text{ sq ft} \times \pounds 10 \\ = \pounds 8,500 \text{ per annum}$$

Will the service charge increase?

The service charge is likely to be increased each year with inflation and as other costs rise. For example, when you renew your car insurance each year, even if there are no significant changes in the year it is likely that your insurance premium will increase. The same applies to service charge and all that the charge covers.

We will always let residents know in advance what the new service charge budget is each year and explain the reason for any changes. We will always make sure it is done fairly and with justifiable reason.

Does service charge apply to renters?

Yes, everyone who lives in a Pegasus community regardless of if they own their home or rent it, will pay into the service charge. There are some small differences however in how the service charge is paid.

If you rent your home through Pegasus, the service charge will be combined with your rent to be paid in one single payment, even though the rental amount and the service charge will be managed separately by the Pegasus Homes team.

Service charge increases for renters

The financial year for your service charge accounts will be determined by your lease unless we let you know otherwise. Generally, if the service charge is increasing, it will be done from the start of the service charge year. For tenants, the increase will be effective from the renewal date of your tenancy.

For example, if you started your tenancy on the 1st September, if the service charge increased from 1st July the following year, you would only pay the increased amount from the 1st September, your tenancy renewal date.

How can you tell the service charge is being managed effectively?

Detailed records are kept for audit purposes and every year, the on-site team will share the accounts with you so that you can see how the costs were managed.

Who to speak to if you have any other questions?

If you have not yet purchased or rented your home, please speak to the Sales Advisors who can advise you on the service charge amount for each community.

If you already live in a Pegasus Homes community and have a query on the service charge, please speak to your on-site team who will be happy to help you.



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Information contained in this document is correct at the time of print, and subject to change. What is included in the service charge may differ depending on each community. Please speak to the team for further information.