



NEWS RELEASE

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RealService Best Practice Group Service Charge Compliance Index (SCCI) Results 2011

The RealService Best Practice Group (RSBPG) has published its second benchmarking Index which shows the extent to which some of the UK's leading owners and managers are complying with the requirements of the RICS Service Charge Codes for commercial and residential properties.

The results show that property owners and managers are still finding it challenging to demonstrate compliance with the requirements set out by RICS. Producing data to show compliance levels is currently a time-consuming, labour-intensive activity for many companies. However, there's strong evidence that involvement in the SCCI is driving organisations to develop systems and processes to help.

Launched in 2010, the SCCI represents a significant step to responding to occupier demands for greater transparency around service charges. The Group began working on the initiative in 2008 with input and funding from the RICS, BCSC, BPF, Property Managers' Association (PMA) and CoreNet Global UK.

It brings together evidence of Code compliance supplied by organisations including:

Landlords - British Land, Highcross, MAG Developments, Marchday, Soho Housing Association and Stow Securities.

Agents - Broadgate Estates, Colliers, DTZ, GVA, Lambert Smith Hampton, Mainstay Group, Montagu Evans, Munroe K, Savills, Smith Young and Ashville Properties.

(more follows)

This Index takes into account data covering the office, industrial, shopping centre and residential sectors and focuses on three key areas identified in the Service Charge Codes:

- Budgets: submission of service charge budgets at least one month prior to the start of the financial year.
- Reconciled statements: submission of reconciled financial service charge statements within four months after the end of the financial year (six months for residential property)
- Transfer of information: completion and transfer of service charge account packs to the new managing agent within four months after the completion of sale of property.

SCCI yearly comparison table:

Year	Budgets		Reconciliations	
	No. of properties	% Compliance	No. of properties	% Compliance
2010	1070	78%	879	69%
2011	768	70%	1015	69%
Trend		- 8%		0%

There were 10 properties with valid data for information transfer, of which four comply with Code requirements (40%). In 2010, 46 properties were audited, resulting in 83% Code compliance.

The data verification process is over two stages, with information submitted being verified independently by service charge consultant, Chris Oppe.

Plans for the SCCI 2012 include increasing the sample size to include additional landlords and broadening the scope of the Index to include data from retailers and other occupiers in a bid to boost performance.

The RealService Best Practice Group is a not for profit benchmarking and best practice group comprising 21 UK property owners and managers backed by the British Property Federation (BPF).

(more follows)



British Land's Justin Snoxall, chair of a RSBPG SCCI working group set up to develop and launch the Index, says:

"Industry progress on Service Charge Code compliance is slow and disappointing. It is encouraging however to see more managing agents participating in this RealService Best Practice Group benchmarking, as well as developing processes to manage compliance more effectively. This should over time drive some improvement".

Independent verifier Chris Oppe says:

"There has been an improvement in both the speed of response and quality of evidence provided which has shown some lessons were learnt from last year. Contributors could make this process less painful by introducing central tracking systems to provide instant access to information which shows their compliance to the Service Charge Code".

RSBPG Steering Group Chairman, Paul Harding of DTZ, says:

"The SCCI demonstrates to occupiers that RSBPG members are committed to complying with the RICS Service Charge Codes and are willing to face up to the challenges that the audit process throws up along the way.

"The Index gives participating organisations a structure and drivers to improve their systems and processes for data collection around Service Charge compliance, resulting in greater accuracy, efficiency and transparency to occupiers."

Mark Butcher of Lambert Smith Hampton, participating in the SCCI for the first time this year, says:

"Collating all the relevant data for the SCCI was quite a task as we currently do not have a central repository for the required data. We will be developing one central Service Charge Tracking Document over the next few months to be put in place on a national basis to record each stage of a service charge closure, including setting the budget for the following service charge year. This will enable us to have wholly accurate and live service charge data available at the touch of a button, thus enabling us to provide the relevant information for the SCCI in 2012."

Liz Peace, BPF Chief Executive, says:

"Our industry now has all the tools to illustrate that it is adopting and following best practice on service charges. The new RICS code, which comes into effect in October, is a far more user-friendly document than its predecessor, but for peace of mind occupiers also want to know that their service charge managers are compliant. I therefore welcome the efforts of the RSBPG to integrate the SCCI into their activities and hope more landlords and agents will consider participating in the RSBPG and this Index."

(more follows)



Paul Bagust, RICS Associate Director, says:

“Since the launch of the Code in 2006, it is fair to say that a greater degree of professionalism has been brought to the way investors provide and charge for services. However, poorly managed service charges remain a frequent cause of dispute between owners and occupiers. The new RICS Service Charge Code of Practice has been developed to improve standards and promote consistency, fairness, transparency and best practice in the management and administration of service charges in commercial property.

“Whilst many prospective occupiers are fully aware of the existing Code and the help it can offer when negotiating with investors, the on-going commitment of the Real Service Best Practice Group to service charge benchmarking should be welcomed by an industry looking to improve the quality of service to its customers.”

John Gray, Chair of the PMA Shopping Centre Management sub Committee, says:

“It’s encouraging that RSBPG members are continuing to put focus on Service Charge Code compliance, which is timely given the focus on the latest revisions to the Service Charge Code. My participation in the RSBPG audit committee gives retailers confidence that the exercise is not just a back slapping one for the participants but does actually take effort to perform. It continues to frustrate me however that despite considerable global focus on costs these are not always accounted for in a code compliant manner as a matter of course.”

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