

Breaking the code

With a new code of practice on service charges about to be released, new research shows compliance with the existing code is patchy at best



The RealService Best Practice Group 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.

And the results show that property owners and managers are finding it hard to demonstrate that they are complying with just three simple tenets of the code.

The researchers from RealService looked at just three of the mandatory actions that landlords are required to take. First was the requirement to provide occupiers with a service charge budget for the coming year one month before it was to come into effect. And only 70 per cent of the accounts surveyed could prove that they met this deadline, down from 78 per cent a year ago.

Second was the requirement to provide reconciled financial service charge statements within four months of the end of the service charge year. Here, just 69 per cent of accounts were found to be compliant, the same level as last year.

British Land's Justin Snoxall, who chaired

the RealService Best Practice Group, said: "Many people say they comply with the code, but that's not enough. You have to be able to demonstrate that you comply." And he added: "Occupiers say that timeliness of information is crucial if they are to make the right decisions for their businesses."

The third element of the survey looked at the requirement to transfer a service charge accounts pack to the new managing agent within four months after the completion of a sale of the property. Here, the low level of property transactions meant that only a small sample was available, too small to be statistically valid. But again there was scant evidence of improvement.

Snoxall warned: "Owners and agents will need to focus on this area as in coming years we expect there to be more activity."

However, on a more positive note, more than half of the landlords surveyed achieved 100 per cent compliance in all three areas. Among those taking part were landlords British Land, Highcross, MAG Developments and Marchday alongside managing agents Broadgate Estates, Colliers, DTZ, GVA, Lambert Smith Hampton, Montagu Evans, Monroe K,

Savills and Smith Young.

Liz Peace, chief executive of the British Property Federation, said: "Our industry now has all the tools to demonstrate 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."

And service charge consultant John Gray, chair of the PMA's shopping centre management sub-committee, said: "The audit 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." ■

Find out more:

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Landlords struggle with service charges

Property owners and managers are struggling to show they are complying with RICS standards on managing service charges, new research shows.

Property consultant Real Service last Tuesday published its second annual Service Charge Compliance Index, which measures property owners and managers' compliance with the RICS service charge codes.

The results indicate that landlords and property managers are struggling to produce data to show they are complying with service charge deadlines.

The RICS code says tenants of

commercial premises should be given service charge budgets at least one month before the start of the financial year, and reconciled

financial service charge statements within four months of the end of the financial year. But the percentage of landlords and managers providing the budgets on time dropped from 78% in 2010 to 70% in 2011. Reconciliations stayed level at 69%.

The research was compiled by the Real Service Best Practice Group, which includes British Land, Broadgate Estates, Highcross, MAG Developments and Savills.

Justin Snoxall, chairman of the group and head of the business group at British Land, described industry progress as "slow and disappointing" but said many firms are improving their systems to demonstrate compliance.

Chris Oppe, director at Service Charge Consultants and former director of service charges at Land Securities, verified the index. He says firms could introduce new technology to show they are complying. ■



