



NEWS RELEASE

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RealService Best Practice Group

publishes first Service Charge Compliance Index results

The RealService Best Practice Group (RSBPG) has published a new 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 RealService Best Practice Group Service Charge Compliance Index (SCCI) represents a significant step to responding to occupier demands for greater transparency around service charges. The Group has been working on this initiative since 2008 with input from the RICS, BCSC, BPF, Property Managers' Association (PMA) and CoreNet Global UK.

It brings together evidence of Code compliance by 11 Group members: British Land, Broadgate Estates, The Crown Estate, DTZ, GVA Grimley, Mainstay Group, Marchday and Storeys SSP, PRUPIM, RLAM, SEGRO and Stow Securities/ Ashville Properties.

This important new Index takes into account data supplied for more than 1,000 properties 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.

Regarding budgets, the results show compliance in 78% of the 1070 properties meeting the strict data audit requirements. However, the results also demonstrate that some organisations are performing better than others - compliance ranging from 7% to 100% when the results of individual members are compared.

In terms of reconciliation, 69% of the 879 properties with valid data comply with the Codes. The range in performance of individual members stands at 33% to 100%.



There were 46 properties with valid data for information transfer, resulting in 83% Code compliance.

Participants were also invited to provide further optional data about compliance with other aspects of the Codes, which revealed that occupiers were given advance notice of material budget variances in 90% of properties. Another finding is that Standard Cost Codes are used for about 50% of the properties when reporting to occupiers.

Interest is credited to occupiers' service charge account for less than 15% of properties for which data was supplied.

British Land's Justin Snoxall, chair of a RSBPG SCCI working group set up to develop and launch the Index, urges caution when viewing the results.

He says: "From a positive standpoint, we can see that even from the SCCI pilot study conducted a year ago that the industry is increasingly understanding the importance of producing budgets and reconciliations on a timely basis and that compliance is improving, albeit from a low base. Some of the larger owners and managing agents in particular now seem to understand the importance of measuring and monitoring this process."

"However, we are not suggesting that because RSBPG members have participated in this study that the results reflect the level of compliance by the industry as a whole. RSBPG members include organisations with a serious commitment to improving customer service and are probably among only the handful managing and monitoring the process of Code compliance. Our members are likely to be the best of the best in the industry – Code compliance in the industry as a whole is likely to be a lot lower. The results demonstrate that the industry is only starting to grasp these issues and still has a long way to go."

Snoxall add: "We will be looking to expand the SCCI in 2011 through participation by all of our existing members and others interested in contributing data to this new benchmark."

The RealService Best Practice Group is a not for profit benchmarking and best practice group of 20 UK property owners and managers backed by the British Property Federation (BPF).

RSBPG Steering Group Chairman, Paul Harding of DTZ, says: "I am delighted that the Real Service Best Practice Group has led the way, by creating the benchmark that can now be used by every company, landlord and occupier, to judge their performance to the key criteria of the RICS Service Charge Code.

"Real Service Best Practice Group members' challenge is now to keep raising the bar, promote and expand the benchmark and encourage all in our industry to equal or beat it. If we can achieve this we will have succeeded in demolishing the single biggest barrier facing owner and occupier harmony."



Ian Fletcher, Director of Policy at the BPF, says: "It's important that the industry can demonstrate that it can set and adopt best practice and has the ability and willingness to regulate itself. It's far better that the industry improves customer service of its own volition than constantly having occupiers, or the Government, on its back. This initiative allows landlords to say with confidence that they are pursuing best practice and provides occupiers with the peace of mind that those are not just bold claims, but independently verified."

John Gray, Chair of the PMA Shopping Centre Management Sub Committee, says: "The latest sample shows magnificent progress. I would like to see the SCCI initiative continue with an even larger sample size. Anything that drives best practice and performance has got to be welcomed with open arms."

Davinder Jhamat, Knowledge and Research Manager at the BCSC, says: "Having taken part in the Pilot Study, it is interesting for BCSC to see how the Service Charge Code Compliance Index has developed. It will be good to see how it progresses going forward, particularly in terms of how it succeeds in bringing the smaller players along and how it complements other standards. Compliments to the RealService Best Practice Group for bringing the SCCI this far."

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