2017

Service Charge Operating Report *for* OFFICES

SCOR *for* OFFICES

CONTENTS PAGE

1. INTRODUCTION

Welcome to the 2017 edition of the Service Charge Operating Report (SCOR) for Offices which is the 7th edition in the series. This introduction describes the current state of the industry and provides details of a new research focus that will assist the debate over the future regulation and governance of service charge management and accounting practices.

2017 finds the industry at yet another important crossroads. The Royal Institution of Chartered Surveyors (RICS) Code of Practice – *Service Charges in Commercial Property* (the Code) was first issued in 2000 and since that time has been updated and extended several times. Whilst the Code marked considerable progress for the industry, compliance with its provisions is voluntary for RICS members and as a result, there are ongoing concerns about whether its requirements are being universally adopted. In 2014, the Code's provisions were supplemented by an Institute of Chartered Accountants in England & Wales (ICAEW) Technical Release that sets out - should the landlord wish to engage an accountant on this basis - a mandatory framework to be followed by professional accountants when carrying out a review and accounting sign-off of the service charge accounts. Despite these initiatives, this year's SCOR results on Code Compliance suggest that progress towards best practice and good governance is still, at best, fragmented.

It is understood that the RICS is currently deliberating whether to issue its forthcoming Code update as a Professional Statement, which all RICS members must comply with. Property Solutions (UK) Ltd is undertaking new research on the legal and contractual framework embodied within commercial leases that underpins the recoverability of UK service charges to better understand the barriers to the adoption of best practice. In the absence of overriding national legislation, it is the individual lease contract between the landlord and tenant that sets out the rights and obligations of each party.

> "...full results of the new commercial lease research project to be released later in 2017..."

Our new research investigates the actual service charge provisions within commercial leases to obtain a better understanding of current leases and identify how provisions might be improved to encourage the adoption of best practice in service charge management. The full results of the research will be published later in 2017 and it is hoped will promote further work and discussion about the role of the lease in fostering best practice.

The next section describes the lease research in more detail and provides some initial results, while the remainder of SCOR 2017 provides the normal benchmarking reports on service charge costs and Code compliance.

2. THE COMMERCIAL LEASE RESEARCH PROJECT

While the Code attempts to foster the adoption of best practice within the management and financial reporting practices for commercial service charges, issues arise when the provisions of the underlying lease conflict with the Code's requirements or are silent as to the exact nature of the management, accounting, certification and auditing requirements for the service charge process. As a result, it is critical that modern leases are drafted with provisions that comply with the Code to facilitate the adoption and dissemination of best practice. At present, little is known about the degree to which UK commercial leases comply with the Code's requirements for accountability and management transparency, or whether these documents provide adequate guidance in these key areas. In earlier research, Holt (2015) reviewed 20 leases at UK multi-let office buildings larger than 50,000 sq. ft., and found that none included a requirement for an audit or independent accountant's report nor specified whether accounts should be prepared on a cash or accruals basis. In addition, only 50% of the leases included a provision that entitled the occupier to inspect the service charge records or vouchers. While it is hard to generalize from such a small study, this pilot exercise identified the need for further lease-based research, as lease deficiencies appeared to exist that could prevent or delay the adoption of the Code's best practice requirements.

The present Commercial Lease Research Project was subsequently undertaken by Property Solutions (UK) Ltd and Professor Andrew Holt from MSU Denver, and investigates specific provisions within a representative sample of 90 leases at UK multi-let commercial office buildings. These leases were randomly selected from a population of 112 leases, and 83 had an inception date after the Code's first official publication*. The project assesses transparency of provisions within leases, and identifies whether provisions exist that support the requirements of the Code. A research paper on this project is being finalized, but selected findings include:

Lease provision	No. of leases disclosing	Percentage
Includes direct reference to RICS Code	11 of 83 applicable*	13%
Accounting basis prescribed (i.e. cash or accruals basis)	0 of 90	0%
Process for annual service charge certification specified	85 of 90	94%
Requirement that an annual service charge budget be prepared and disclosed	38 of 90	42%
Requirement for an "audit" or review of service charge accounts	37 of 90	41%
Importance and management of environmental issues described	31 of 90	34%

Table 1: Selected findings from the Commercial Lease Research Project

Some of these results are disappointing, but hardly a surprise. The analysis clearly indicates that most leases are not adopting the Modern Commercial Lease (MCL) template commissioned by the British Property Federation (BPF, 2017), which incorporates many of the Code's accounting and reporting requirements. Furthermore, the initial results suggest that most leases do not include provisions that support the Code's best practice requirements.

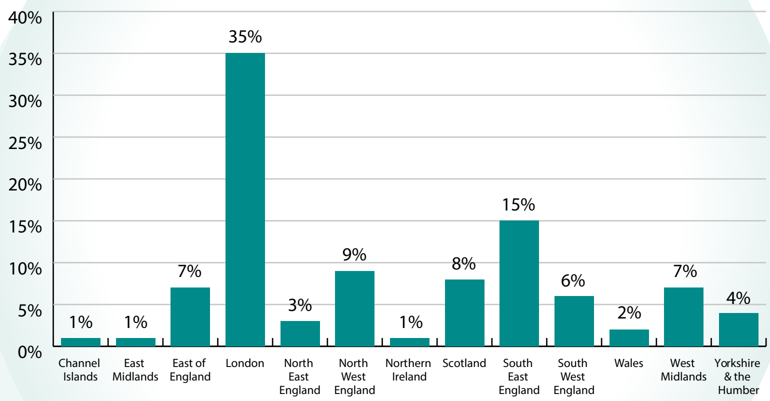
3. SCOR METHODOLOGY

The data for SCOR's core cost benchmarking is obtained from analysis of the service charge documents supplied to occupiers at 209 UK multi-let office buildings/developments. This sample data provides an unbiased and representative dataset, and this year includes commercial service charge information from 143 and 79 unique landlords and managing parties, respectively. For the compliance analysis, service charge certificates for the latest financial year are used for analysis.

While the majority of SCOR's data collection and analysis is performed by a research team at Property Solutions (UK) Ltd, the work is closely monitored by an independent academic supervisor. Professor Andrew Holt has held this position since the inception of the SCOR Report and has helped to establish its methodology and ensures the neutrality and independence of the reported results.

As part of this verification process, during the preparation of each year's report, the academic supervisor conducts a comprehensive audit of the data collection, analysis and archiving process. In terms of data verification, a random sample of the documents used for SCOR's cost and compliance analysis are selected in order to determine the accuracy of the data input, analysis and results.

Figure 1: Geographical spread of the properties in the dataset, classifying them by their UK Government Office Region (GOR).



3.1 The Dataset

The geographical spread of these buildings as per their Government Office Region (GOR) is given in Figure 1. This shows that almost a third of buildings are located within London, with another fifth being in the South East and South West combined.

The analysis is split into buildings which fall within the London GOR and those which lie in the "Rest of the UK". In addition, for parts of the analysis, the dataset within these two geographical classifications are then divided further based on their total floor areas. Figures 2 and 3 illustrate the way in which each geographical classification has then been sub-divided showing the number of properties in each area division. The area divisions are not the same in both geographical classifications as buildings tend to be larger in the capital.

Figure 2: Sub-division of London properties as per total area

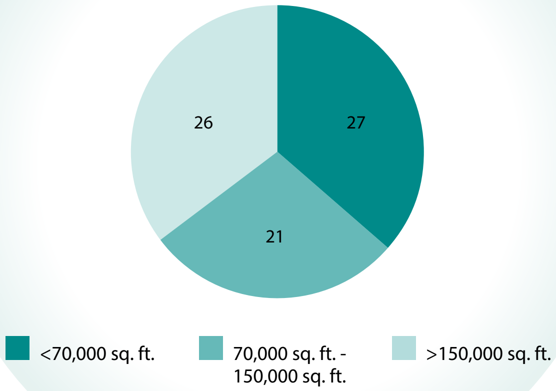
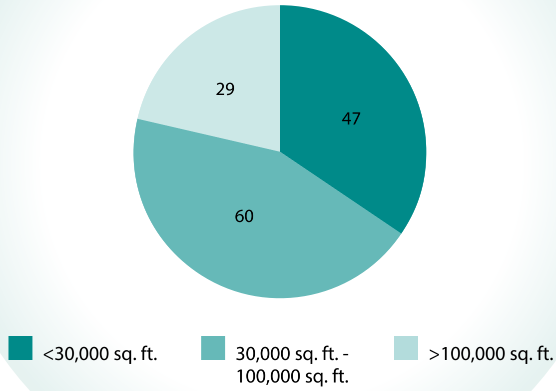


Figure 3: Sub-division of Rest of the UK properties as per total area



4. FINDINGS AND ANALYSIS - COST BENCHMARKING

4.1. Cost benchmarking of the most recent year

The core data for SCOR was obtained from the analysis of service charge documents supplied by occupiers from 209 multi-let offices. The 209 buildings had a total service charge expenditure of circa £173 million per annum and included a total floor area of just over 21 million sq. ft. The characteristics of the cost analysis dataset are described in Table 2.

Years	No. of buildings	Type of documents	Total service charge cost (£)	Total floor area (sq. ft.)
2015-2017	209	Certificates/Budgets	173,488,030	21,446,378

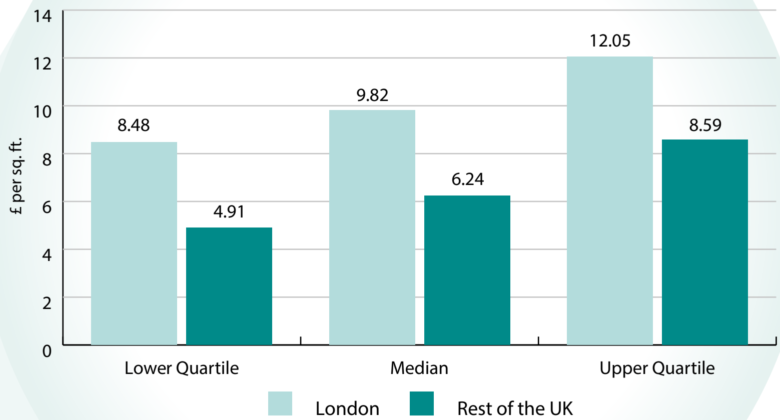
Table 2: Characteristics of the core dataset used for the main cost analysis

Figure 4 shows that the service charge costs per sq. ft. were significantly higher in London than the Rest of the UK.

In terms of costs in London, this year's median and upper quartile are 3% and 5% higher, respectively, than last year with the lower quartile falling slightly. For the Rest of the UK, the median cost per building remained virtually unchanged from last year, with the upper and lower quartiles increasing by 2% and 10% respectively. Further discussion of these cost trends can be found in the Longitudinal Cost Benchmarking section of this report.

Table 3 shows the median cost results for ten RICS cost categories split by geographical region. This year, "Gas" expenditure has been added to the list of costs monitored, and these ten categories are reviewed since they typically represent the most significant proportion of total service charge costs.

Figure 4: Total service charge costs compared between properties located in London and the Rest of the UK



The results in Figure 4 and Table 3 clearly indicate that Security costs are a much higher proportion of total median costs in London, than the Rest of the UK. Of the other categories, only M&E service costs are appreciably higher in London. If Fabric repairs & maintenance and Major works are added together they account for the same percentage of total cost across

Median cost (£ per sq. ft.)	London	Rest of the UK
Management fees	0.69	0.47
Site management resources	0.62	0.41
Electricity	1.34	0.83
Gas	0.34	0.43
Security	1.78	0.57
Cleaning & environmental	1.13	0.90
Mechanical & electrical (M&E services)	1.75	0.81
Lifts & escalators	0.19	0.12
Fabric repairs & maintenance	0.32	0.43
Major works	1.04	0.47

Table 3: Service charge expenditure across ten RICS Cost Categories

both geographical classifications. However, Major works are higher in London, and Fabric repairs & maintenance are higher in the Rest of the UK. This anomaly may be partially explained (although no empirical evidence is available to support this) by items designated as Major works in London being classified as Fabric repairs & maintenance outside the capital.

As the budgets and certificates for many buildings do not include and/or populate the Major works cost category, analysis of this cost was conducted by using the mean expenditure for those locations that had such a cost. In London and the Rest of the UK, the mean values for Major works expenditure were £1.33 per sq. ft. and £1.74 per sq. ft., respectively, and are much higher than the median results shown in Table 3.

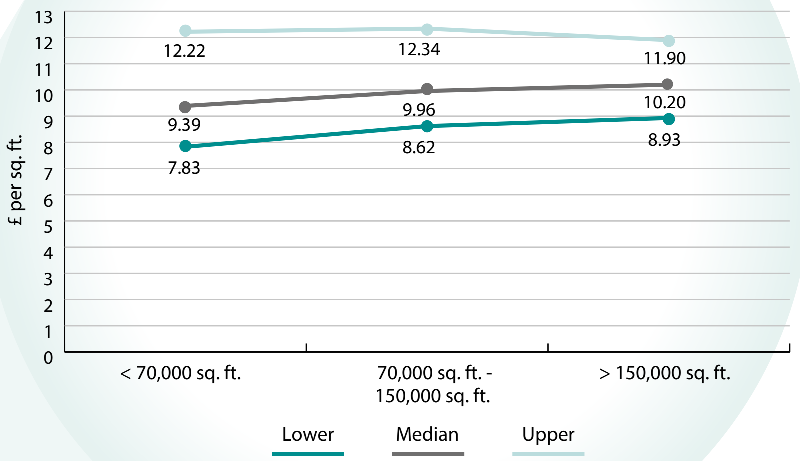
In addition to its geographical categorisation of cost, SCOR now analyses costs by building size, with service charge costs analysed by three building area categories as explained in Section 3.1 of this Report. These results are also provided in graphical form in Figures 5.1 and 5.2.

In the Rest of the UK, the reduction in median service charge cost from the smallest building area category to the largest was marked at approximately 16% (£6.35 to £5.32), whereas in London there was a rise of nearly 9% (£9.39 to £10.20). The reason for this could be that economies of scale play a role outside the capital with the larger the building the lower the service charge being a general rule. This, however, in the capital does not seem to be the case.

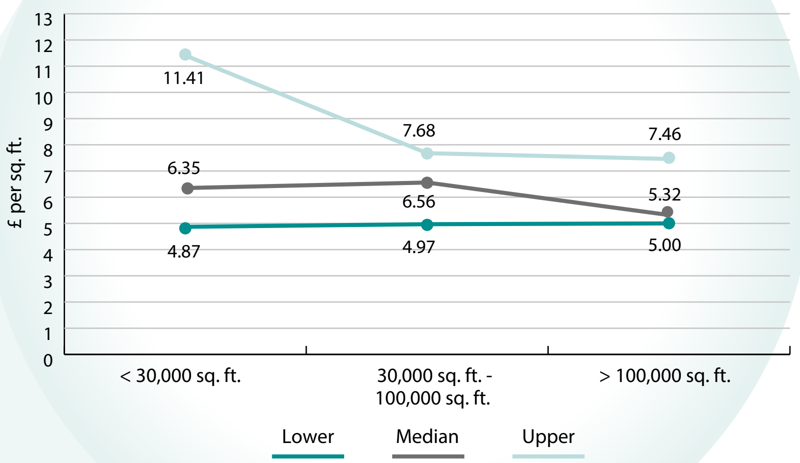
Tables 4.1 and 4.2 provide further cost analyses by building area across the ten chosen RICS cost categories within each geographical classification.

For certain cost categories, the results indicate the presence of economies of scale, with bigger properties having cheaper (on a sq. ft. basis) services. The main beneficiary of this phenomenon are Fabric repairs & maintenance and Major works, both of which reduce significantly as building size increases. However, other costs appear to increase with building size particularly Security and M&E services.

Figures 5.1: London service charge expenditure split by total building area



Figures 5.2: Rest of the UK service charge expenditure split by total building area



Median cost (£ per sq. ft.)	London		
	< 70,000 sq. ft.	70,000 sq. ft. - 150,000 sq. ft.	> 150,000 sq. ft.
Management fees	0.75	0.66	0.65
Site management resources	0.62	0.55	0.75
Electricity	1.12	1.52	1.34
Gas	0.42	0.38	0.24
Security	0.80	1.77	2.23
Cleaning & environmental	1.13	1.08	1.13
M&E services	1.33	1.70	2.02
Lifts & escalators	0.23	0.19	0.19
Fabric repairs & maintenance	0.78	0.28	0.24
Major works	1.12	1.57	0.88

Table 4.1: London service charge expenditure across ten Cost Categories split by total building area

Median cost (£ per sq. ft.)	Rest of the UK		
	< 30,000 sq. ft.	30,000 sq. ft. - 100,000 sq. ft.	> 100,000 sq. ft.
Management fees	0.59	0.47	0.36
Site management resources	0.29	0.50	0.39
Electricity	0.66	0.80	0.98
Gas	0.51	0.40	0.27
Security	0.17	0.66	0.92
Cleaning & environmental	1.10	0.86	0.80
M&E services	0.79	0.78	0.81
Lifts & escalators	0.16	0.11	0.09
Fabric repairs & maintenance	0.57	0.44	0.21
Major works	1.54	0.63	0.41

Table 4.2: Rest of the UK service charge expenditure across ten Cost Categories split by total building area

Median cost (£ per sq. ft.)	London AC (65 buildings)	London overall benchmark	Rest of the UK non-AC (35 buildings)	Rest of the UK AC (87 buildings)	Rest of the UK overall benchmark
Lower Quartile	9.82	8.46	3.63	5.15	4.91
Median	9.88	9.74	5.52	6.57	6.24
Upper Quartile	12.04	12.03	7.39	8.78	8.59

Table 5.1: Service charge costs compared between air-conditioned (AC) and non-AC properties

Median cost (£ per sq. ft.)	London AC	Rest of the UK AC	Rest of the UK non-AC
Electricity	1.35	0.97	0.37
M&E services	1.78	0.91	0.57

Table 5.2: Electricity and M&E services compared between AC and non-AC properties

The number of non-AC properties in London is too low to allow meaningful analysis and this is why it is missing from the reported results in Tables 5.1 and 5.2.

4.2. Longitudinal cost benchmarking

Longitudinal cost analysis for four continuous years (2014-2017) was also undertaken on 79 office buildings. These buildings were selected from the total population of 209 buildings based on the availability of source documents for each of the four years. This analysis was performed to identify cost trends and provide greater insight into the changing nature and magnitude of service charge costs over time. We believe this year-on-year comparison is fundamental to understanding service charge expenditure.

Years	No. of buildings	Type of documents	Total SC cost for 2017 (£)	Total floor area (sq. ft.)
2014-2017	79	Certificates/Budgets	69,064,140	8,094,022

Table 6: Characteristics of longitudinal cost analysis dataset

Figure 6 shows the total annual service charge cost per sq. ft. for all 79 properties, regardless of geographical location.

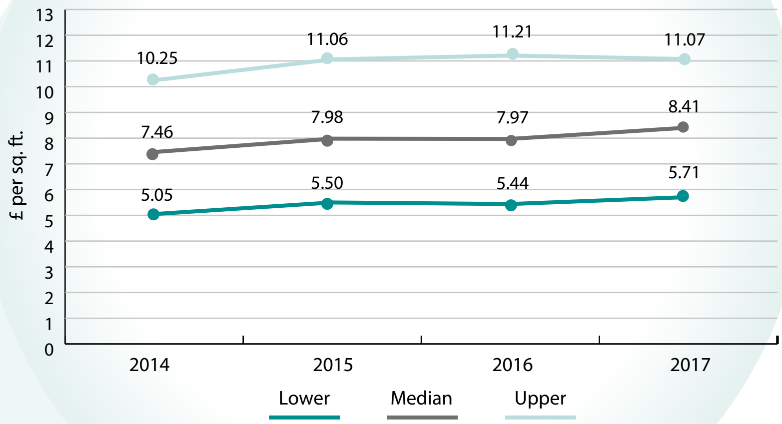
The results indicate that there has been a circa 13% increase in total median cost over the four years (2014 – 2017), and 5.5% increase in median cost during the last year. This overall rise may be the result of the increase in the National Living Wage (and it's counterpart in the capital) affecting costs included within a service charge which by its nature is labour intensive. This effect will not have completely filtered through and further overall cost increases in excess of inflation are expected in next year's results.

As with the main cost analysis, the annual median cost per sq. ft. for ten cost categories were compared year on year as shown in Table 7.

As with the earlier cost analysis, the results for the longitudinal analysis are split into London and the Rest of the UK, and are shown in Table 8.

The median costs at properties across the UK increased from 2016 to 2017 after having seen a reduction in the 2015 to 2016 figures. As already mentioned this could well be due to the rise in labour costs due to the National Living Wage taking hold.

Figure 6: Total service charge cost trends for the years 2014-2017



Median cost (£ per sq. ft.)	2014	2015	2016	2017
Management fees	0.56	0.58	0.59	0.59
Site management resources	0.48	0.51	0.59	0.54
Electricity	0.90	0.86	0.91	0.89
Gas	0.40	0.38	0.34	0.36
Security	0.98	0.77	1.05	1.02
Cleaning & environmental	0.97	1.00	1.03	1.10
M&E services	1.21	1.31	1.06	1.18
Lifts & escalators	0.13	0.12	0.15	0.17
Fabric repairs & maintenance	0.29	0.33	0.33	0.41
Major works	0.39	0.77	0.91	0.80

Table 7: Service charge expenditure across ten Cost Categories compared over four years: 2014-2017

Median cost (£ per sq. ft.)	London				Rest of the UK			
	2014	2015	2016	2017	2014	2015	2016	2017
Lower Quartile	7.83	8.33	9.40	9.29	4.44	4.50	4.52	5.10
Median	9.94	10.46	10.41	10.73	5.97	6.06	5.74	6.32
Upper Quartile	11.33	11.92	12.67	12.35	7.45	8.07	7.60	7.77

Table 8: Service charge expenditure across four years split into London and Rest of the UK properties

Table 9 provides longitudinal cost analysis for each of the ten cost categories over the four years. Costs have remained fairly consistent, although aggregate figures suggest labour costs are starting to increase.

Median cost (£ per sq. ft.)	London				Rest of the UK			
	2014	2015	2016	2017	2014	2015	2016	2017
Management fees	0.69	0.73	0.74	0.76	0.49	0.50	0.49	0.48
Site management resources	0.54	0.59	0.62	0.64	0.46	0.45	0.49	0.43
Electricity	1.32	1.39	1.38	1.36	0.41	0.42	0.49	0.43
Gas	0.34	0.30	0.27	0.28	0.42	0.39	0.39	0.42
Security	1.99	2.06	2.07	2.01	0.40	0.29	0.57	0.56
Cleaning & environmental	1.05	1.15	1.14	1.23	0.86	0.93	1.00	0.95
M&E services	1.86	1.86	1.79	1.90	0.64	0.77	0.63	0.81
Lifts & escalators	0.15	0.15	0.19	0.19	0.10	0.09	0.11	0.13
Fabric repairs & maintenance	0.29	0.25	0.28	0.33	0.31	0.46	0.38	0.55
Major works	0.40	0.90	1.49	0.77	0.05	0.01	-	-

Table 9: Longitudinal comparison across ten Cost Categories over four years split between London / Rest of the UK

5. FINDINGS AND ANALYSIS: RICS CODE COMPLIANCE

5.1. Code Compliance 2017

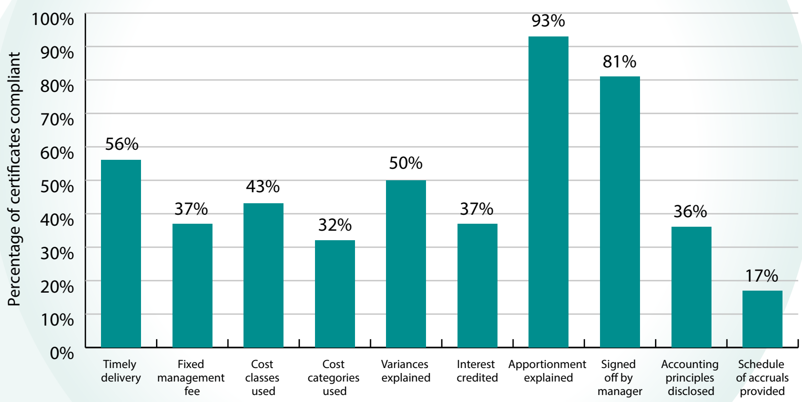
Based upon a review of 100 Annual Statements of Service Charge Expenditure (certificates), this section provides the results of our compliance analysis which investigates whether selected transparency requirements of the Code are being adopted in practice. SCOR monitors compliance with the Code's requirements for the preparation and issuance of certificates, and additional metrics are added as new versions of the Code are published. In total, the level of compliance with ten specific accounting requirements of the 2014 Code were evaluated, and the dataset used for this analysis is described in Table 10.

Year	No. of buildings	Type of documents	Total service charge cost (£)	Minimum no. of property owners represented	Minimum no. of managing agents represented
2016-17	100	certificates	56,701,308	68	44

Table 10: Characteristics of the dataset used for the compliance analysis 2017

Figure 7 shows the compliance results for this year. Over 80% of certificates complied with the following two requirements of the Code: "Apportionment explained" and "Signed off by manager". The requirement to include a schedule of opening and closing accruals and prepayments was introduced in the 3rd edition of the Code in 2014, and it is encouraging to see that an increased number of certificates disclosed this information this year (17% compared to 8% in SCOR 2016, and 1% in SCOR 2015). The disclosure of key accounting principles - whether the accounts are prepared on a cash or accrual basis – has also increased this year to 36% (SCOR 2016 – 31%).

Figure 7: RICS Code compliance 2017 results



The use of a Fixed management fee has seen a large drop in the compliance score from 80% last year to 37% in this year's figures. Although this is partially explained by poor adherence to the best practice guidelines, it is also due to the researchers now requiring clearer evidence that a Fixed management fee is actually being used. In many instances, despite being provided with many pages of certificate disclosures, it is hard to determine the precise nature of a building's management fee, and the research team has decided to take a hard line with certificates that fail to adequately describe the basis for such fees.

Of the remaining six requirements only one – "Timely delivery of the document" – achieved a compliance score of over 50%, which is disappointing. The fact that 44% of certificates are not issued within the time period required by the Code (4 months from year-end) is a key problem area, and the poor adoption of RICS approved cost classes and cost categories continues to be a stumbling block to occupiers wishing to compare service charges between buildings and developments. Accounting packages should be adapted to code costs as per the best practice requirements of the Code. Although adoption of the RICS cost classes and categories may cause some initial confusion at building level, the long-term benefits for occupiers is obvious. The crediting of interest is another easy requirement to satisfy, as it simply needs to be recognised as a cost category under income and be accompanied by a disclosure comment highlighting that interest, if any, has been credited to the service charge account.

Figure 8: Certificate compliance scores

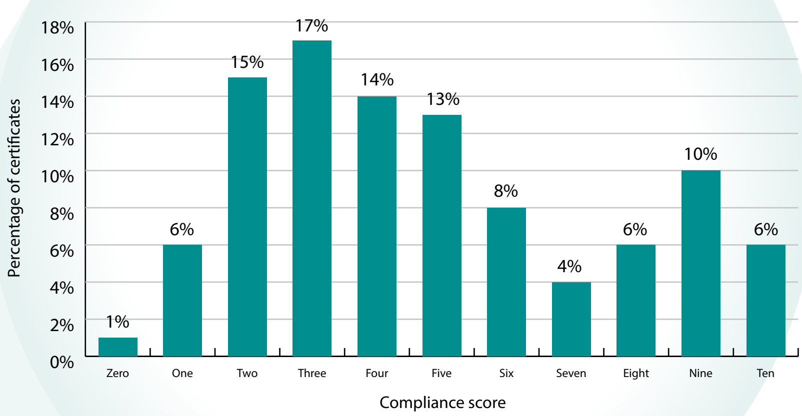
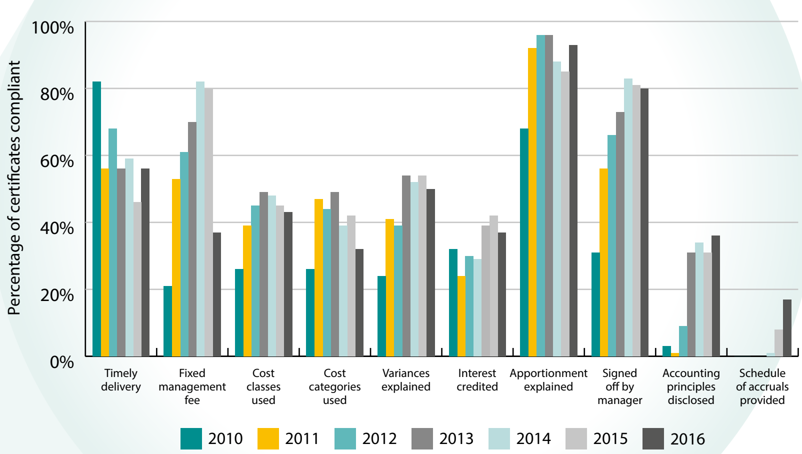


Figure 8 provides details of the overall compliance scores for each of the 100 certificates analysed. This year, 6 certificates achieved a maximum score of 10 out of 10 compared to only one last year. Approximately 33% of the sample certificates achieved a score of 7 or better, which is marginally worse than last year. It is worrying that over 50% of the certificates gained a score of 4 or less considering that complying with many of the Code's requirements are far from onerous. Overall, the results show a continuing trend where the good are getting better but the mediocre are slipping further down the performance scale.

5.2. Longitudinal Compliance Comparison

As the 100 buildings included within SCOR's seven years of annual compliance monitoring have changed over the period, it is difficult to clearly identify longitudinal trends in Code compliance. However, the level of compliance with each of the ten requirements of the Code between 2010 to 2017 are shown in Figure 9, although only three years of data is available for "Schedule of accruals provided" metric, as this was introduced by the 2014 Code.

Figure 9: Comparison of individual metrics over the last seven years



The yearly results indicate that there has not been a significant year-by-year increase in compliance with each of the Code requirements. This observation supports the claim by some industry commentators that real change in the standard of service charge accounting transparency and reporting can only be brought about through legislation. Another solution may be issuing the Code as a Professional Statement, thereby making its requirements mandatory on RICS members. Whether this latter change would cause a real difference may be tested in the near future, as it is suggested that the new edition of the Code will indeed be a Professional Statement.

To provide more detailed longitudinal benchmarking of Code compliance, the annual compliance results for 54 buildings included in both SCOR 2016 and SCOR 2017 were compared as shown in Table 11. Of the 54 locations, 18 showed an improved score this year, 15 were unchanged, and 21 achieved an inferior compliance result. Factors leading to these surprising results could be churn in managing agent and the more stringent evidence required by the researchers when assessing whether a fixed management fee was being levied. Irrespective of these factors, it is still worrying that there has been little improvement in compliance during the last twelve months, 2 years on from the publication of 2014 Code.

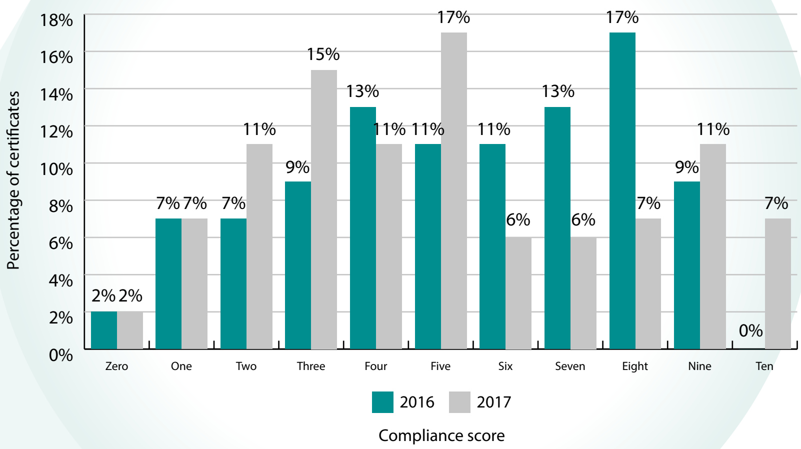
Figure 10 provides a comparison of the yearly compliance results from SCOR 2017 and SCOR 2016 for the 54 buildings, and suggests that good certificates are getting better and mediocre ones are worsening in terms of compliance. The 2017 certificates are bunched around scores of 9 (nearly 30 percent one score either side of this) and scores of 3-5 (just over half the certificates scoring a 2,3,4 or 5). In 2016, the peak was across scores of 4 to 8 with 65% of certificates scoring within this range.

"Compliance Score"	SCOR 2017		SCOR 2016	
	Certificates		Certificates	
	Number	% of total	Number	% of total
0	1	2%	1	2%
1	4	7%	4	7%
2	6	11%	4	7%
3	8	15%	5	9%
4	6	11%	7	13%
5	9	17%	6	11%
6	3	6%	6	11%
7	3	6%	7	13%
8	4	7%	9	17%
9	6	11%	5	9%
10	4	7%	0	0%
Total	**54**	**100%**	**54**	**100%**

Table 11: Two-year compliance scores for certificates of the same 54 buildings

These longitudinal results, combined with those earlier in the compliance section, suggest that certain managing parties are in danger of being left behind by those who are adopting best practice within their service charge accounting practices. Ignoring best practice guidelines may soon be a luxury that the industry does not have, as having the Code as a Professional Statement will make compliance mandatory on RICS members. Should this step, if taken, not lead to improved Code compliance, the only remaining solution would be legislation and formal regulation of the commercial service charges.

Figure 10: Two-year compliance scores for certificates of the same 54 buildings



5.3. Pockets of Best Practice: Explaining variances

The 2014 Code states that *"the accounts are to give an adequately detailed and comprehensive summary of items of expenditure, with full explanations of any material variations (+ or -) against the budget, and in a reasonably consistent format year on year"* (RICS, 2014). The fundamental purpose is to allow the occupiers to compare the actual expenditure against the estimated budgets.

This year's compliance results indicate that only 50% of certificates provided explanation for material variances between planned and actual expenditure. Of these 50%, some certificates provided numeric variances with little supporting text, whereas others provided detailed narratives that explained the reasons for each variance. Certificates which support the numeric variances with detailed commentary should be commended, as they allow occupiers to develop a better understanding of the core differences between the actual and budgeted figures. For convenience of comparison, the ideal would be to adopt an industry-wide template and combine this with the use of the cost classifications as prescribed by the RICS. An illustrative example of what we regard as best practice disclosure for "variances explained" is shown in Figure 11.

Figure 11: Illustrative example of best practice disclosure when explaining variances

	Previous year actual	Current v Previous actual	Current year actual	Current year budget	Current actual v budget	Explanation of costs and variances (actual v budget)
MANAGEMENT						
Management fees	£60,000	0.00%	£60,000	£60,000	0.00%	The management fee is fixed.
Accounting fees	£1,500	6.67%	£1,600	£1,600	0.00%	Accountant's fee to audit the year-end service charge reconciliation as budgeted.
Site management resources	£66,000	22.93%	£81,135	£70,000	15.91%	Over budget due to two members of the management team taking maternity leave. Additional training courses necessary for new members of staff.
Health, safety and environmental	£5,000	100.00%	£10,000	£15,000	-33.33%	The property was included in the Landlord's sustainability programme helping reduce costs significantly.
SUBTOTAL	132,500	7.72%	£142,735	£146,600	-2.64%	
Cleaning and environmental	£176,543	10.87%	£195,730	£180,000	8.74%	This contract was re-tendered during the year and the costs increased due to the effect of the National Living Wage uplift.
Mechanical and electrical services	£193,750	-15.87%	£163,000	£180,000	-9.44%	Costs are under budget due to this contract being re-tendered and, as part of a portfolio-wide agreement, more efficiently sourced.
Fabric Repairs and Maintenance	0	0.00%	0	£45,000	-100%	There were no major repairs undertaken within this category.
Major Works	£87,500	113.71%	£187,000	£120,000	55.83%	Following a planned preventative maintenance programme commissioned by the landlord part way through the year, several unplanned repairs were identified and undertaken; work on two chiller units and a goods lift.
GRAND TOTAL						

NOTE: "Previous year": YE 30/09/2015, "Current year": YE 30/09/2016

6. RECOMMENDATIONS

Based on the findings set out in this Report and the upcoming Lease research, we would suggest:

1) Occupiers and Landlords concentrate on drafting lease terms that embody best practice especially as regards service charge accounting requirements. This will help standardise the way in which service charge accounts are managed and reported upon.
2) Occupiers should be aware of the service charge provisions within their lease and ask for an explanation if they have queries about the recoverability or level of service charge costs.
3) Landlords should require those entities managing their properties to implement policies and procedures that facilitate the transparent and efficient management and reporting of the service charge accounts.
4) Requirements such as timely delivery of service charge documents, using RICS cost classes and categories, explaining variances adequately and the disclosure and listing of material accruals must become a priority if transparency is to be enhanced in the industry.

Should you wish to discuss any aspects of this analysis, or, if you would be interested in including your properties in future studies, please do not hesitate to email us at research@property-solutions.co.uk

SERVICE CHARGE OPERATING REPORT for Offices 2017

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