
Health Real Estate Tip of the Week: Have your say on the Service Charge Code

Published 11 December 2017

You may be involved in a service charge regime either as an occupier, or as a landlord of, for example, retail income-generating space. RICS have published a code of practice for the management of service charges in commercial property since 2006, and the 4th edition of this code (the "New Code") is due for publication on 1 April 2018.

This professional statement will contain a number of mandatory requirements aimed at improving standards and promoting 'best practice, uniformity, fairness and transparency' to the management and administration of service charges.

The core principles of the New Code, as currently drafted, require that professionals involved in the management of service charge accounts must act in accordance with eight core principles, including:

1. An annual obligation to provide budgets, statements of actual expenditure and apportionment schedules;
2. An obligation to hold the service charge monies in a discrete bank account; and
3. A restriction on recovery of expenditure which is not expended in accordance with the terms of the lease.

The New Code also specifies a number of areas of best practice designed to support and further the core principles, including guidance on the level of management charges and fees that may be levied and a requirement of value for money in the procurement of services RICS are currently running a consultation on the provisions of the New Code, with a deadline for providing comments of 6 December 2017. The New Code will no doubt be oft quoted, and may have a wide reaching impact on the future operation of service charges. If your estate contains leased commercial properties subject to service charges, you may wish to take this opportunity to have your say.

Authors



Madeline Ball
London - Walbrook
mball@dacbeachcroft.com



Stan Campbell
Bristol
scampbell@dacbeachcroft.com



Andrea Proudlock
Newcastle
aproudlock@dacbeachcroft.com