



Usually, the consideration of service charges is a collaboration between asset, property and facilities managers. The following steps should be considered in relation to reflecting sustainability, and other cost elements, within service charges:



## STEP 1: PREPARE THE BUDGET

Budget preparation enables the consideration of environmental activities over a 12-month period, and also, for longer-term strategies, over several years.

For example:

### A Net Zero pathway

- The payback period for environmental or energy saving works planned to reduce costs in the long term should be taken into account.
- Occupier engagement through building user meetings and engagement groups, such as those suggested in the Better Building Partnership Green Lease Toolkit, should be used to discuss proposals.

### Responding to COVID-19

- COVID-19 has resulted in some asset managers and occupiers looking at ways to reduce costs.
- It remains important to ensure that buildings' mechanical services continue to operate properly and specialist advice should be sought before reducing service levels.
- Common parts cleaning levels may need to be increased depending on building occupancy levels, so a balanced approach needs to be taken to ensure the building is operated safely.

### Energy Performance Certificates (EPC)

The cost of obtaining an EPC is not normally considered to be a recoverable cost within service charges. EPC's are only required when a building is sold or rented and is, therefore, of no relevance to, or a requirement for, the provision and management of common building services.



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## STEP 2: PRESENT THE BUDGET TO OCCUPIERS

The [RICS Code](#) states that budgets must be presented to occupiers no later than one month before the start of the service charge year and provides guidance on how to layout the budget.

Whichever presentation format is used for the budget, it is important to identify environmental related costs and anticipated savings and energy consumption estimations.

New facilities, which may have been installed at the asset managers expense, such as electric vehicle charging points or cycle facilities and showers, will have running costs which could be recovered in the service charge. The methodology used to apportion these costs should be clearly explained.



## STEP 3: MONITOR EXPENDITURE DURING THE YEAR

Regular monitoring of expenditure enables services to be reviewed and adjusted and makes the year end reconciliation easier and quicker to complete.

Green lease or Memorandum of Understanding commitments to share data on energy, water and waste consumption should be used to make informed decisions on adjusting levels. Building occupier groups should be used as a means of communication and for debating ideas, for example, cleaning during normal working hours rather than out of hours to reduce lighting and heating costs.



## STEP 4: RECONCILE EXPENDITURE

The [RICS Code](#) states that reconciliations must be issued within four months of the service charge year end. Undertaking regular reviews of expenditure throughout the year and issuing interim statements of expenditure will make this an easier target to achieve.

Asset and property managers should consider when to use external auditors to certify the service charge accounts, normally for higher value service charges and/or where the lease provides for external audit.

Such an audit will bring greater credibility to the figures particularly for larger buildings, shopping centres or mixed-use developments with more complex service charges.

The [RICS Code](#) provides examples of templates for expenditure reports, apportionment schedules and variance reports.



## STEP 5: ISSUE THE STATEMENT OF RECONCILIATION TO OCCUPIERS

The Green Lease toolkit highlights the need to separately identify environmental initiative costs and savings and provide a detailed analysis of energy consumption.

In the event that a dispute arises over the service charge, the RICS Code contains a section with guidance on dispute resolution and offers a mediation service using service charge specialists.

## DIRECT COST RECHARGING

From the sustainability perspective the most relevant area of direct cost recharging relates to energy costs for the area which has been leased to an occupier for their sole use. Electric car charging points are also becoming more common and give rise to several different recharging situations.

### Energy costs

The [BBP Better Metering Toolkit](#) describes:

- What energy metering opportunities exist.
- Why improving metering and energy measurement is important.
- How to choose which meter to use and use the data effectively.

The benefits of stimulating changes in behaviour and reducing consumption and cost should develop from more accurate energy measurement and installing sub meters for occupier space will add further impetus to this.

The [Heat Networks \(Metering & Billing\) Regulations](#), came into effect in December 2014. These stipulate that those operating central systems that provide heating, cooling or hot water to users, for example in a multi occupied office building, must install meters and use readings taken from them as a basis of billing customers.

### Electric vehicle charging points

In relation to installing electric charging points at multi occupied commercial buildings, estates and retail sites, the costs of installation are usually borne by either the building owner or operator. If occupier demand is strong, then consideration of the service charge funding all or some of the cost can be discussed with occupiers.

Income from charging points can be treated in different ways normally dependent on who has funded initial installation and the guide considers different measurement options to assist billing strategies.

The provisions of the lease should always be taken as the initial basis for assessing the alternatives here.