

RICS Practice Standards, UK

# Apportionment of service charges in mixed use developments

Information paper



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# **Apportionment of service charges in mixed use developments**

## **RICS information paper**

1st edition



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# RICS information papers

This is an information paper. Information papers are intended to provide information and explanation to members of the RICS on specific topics of relevance to the profession. The function of this paper is not to recommend or advise on professional procedure to be followed by surveyors.

It is, however, relevant to professional competence to the extent that a surveyor should be up to date and should have informed him or herself of information papers within a reasonable time of their promulgation.

Members should note that when an allegation of professional negligence is made against a surveyor, the court is likely to take account of any relevant information papers published by the RICS in deciding whether or not the surveyor has acted with reasonable competence.

# 1 Introduction

Mixed use development is increasingly common and no doubt here to stay, yet the objectives of residential and commercial developers are varied in no small part due to diversity of occupier requirements. Residential developers sell their property on long leases (99 or more years) with little or no interest in the ongoing maintenance and management (service charge). Their profit is derived from the price at which the long lease is sold and therefore they seek to maximise that sale price by giving certainty of lease terms with less consideration to the longer term. Indeed in service charge terms not all developers allow for the initial service charge percentage to be varied.

In fact the ability to change apportionment ratios is prescribed in Part 4 of the *Landlord and Tenant Act 1987* which requires more than 80 per cent of the flats to vote for a change before the Leasehold Valuation Tribunal (LVT) can be forced to decide the matter. Typically, if leases contain percentages the LVT will be content not to amend them.

In summary, residential leases are rarely individually negotiated and standard documentation with fixed percentage apportionment is more commonly used.

Commercial developers have a different relationship with their occupiers. Leases granted are now typically six years long and even the more substantial leases (save to anchor tenants) will not exceed 25 years. These will be tailored to each individual deal whilst conforming to a framework. Even if the developer sells his investment he will be conscious of the ongoing closeness of the relationship between owner and occupier and will therefore want to deliver fairness in the service charge and the ability to make it reflect changing circumstances as they happen. There will therefore be greater flexibility in a commercial lease in service charge terms and the ability to change apportionment to reflect current factors. This may cause difficulty in the context of mixed use development if such changes in circumstances adversely affect the contributions of the residential tenants.

Those responsible for the apportionment of service charges should also be aware of scale. What may be appropriate in a large complex multi-use development is unlikely to be appropriate in a small neighbourhood parade of shops and flats. Care must be taken to ensure the methodology applied reflects the size and scale of the property and its occupiers.

## 2 The aim of this information paper

This information paper is written to address new developments where the service charge apportionment strategy can be constructed simultaneously with the lease documentation. In addition, the principles it sets out can be used when considering revising the apportionment of existing developments where the existing leases do not allow for apportionment to be amended. But consequent complications must be taken into account.

Whatever the circumstances the resultant apportionment strategy must be clearly and transparently set out. It must enable all parties to understand the basis of apportionment and allow for future modifications in the event that circumstances change making a revised apportionment strategy necessary.

## 3 The purpose of a service charge

A service charge exists to recover the costs of operating the services and expenses of a property. Thus it is the means to spread the cost of those services and expenses between the beneficiaries and users of those services in a fair and reasonable manner. The RICS code of practice, *Service Charges in Commercial Property* states that ‘the term “fair and reasonable” requires the owner to ensure no occupier is disadvantaged’.

Service charges are ‘*not for profit, not for loss*’ although suppliers of services are expected to make a reasonable profit on the services they provide.

## 4 The principle differences between residential and commercial service charges

There is little regulation by government or statute of commercial service charges. The industry agreed RICS code of practice: *Service charges in commercial property code of practice* (The Code) sets out best practice. RICS members who do not comply with this code may be required to explain their non-compliance.

Dispute resolution in commercial service charges is dependent on the Lease which may contain no provision to resolve disputes, leaving the parties to seek court help to determine their dispute. However the parties may not be able to agree the issue but are able to agree to use Alternative Dispute Resolution (ADR) as a means of resolving their dispute. Typically this might mean Mediation (facilitative or evaluative), Independent Expert Determination or Arbitration. The Property Litigation Association (PLA) in conjunction with the commercial service charge steering group is preparing a protocol to assist Dispute Resolution.

Residential service charges are highly regulated by both government and statute.

Failure to adhere to the strict statutory procedures and time scales laid down for residential service charges can result in the manager being limited on how much can be recovered from the tenants or in certain circumstances prohibit the manager from collecting anything from the tenants. RICS, endorsed by various industry associations, has recently published the *Service charge residential management code* which is approved by the Secretary of State under s. 87 of the *Leasehold Reform Housing and Urban Development Act 1993*.



All residential tenants have the right to have their service charge disputes resolved by the Leasehold Valuation Tribunal (LVT). Alternatively they may resolve disputes by ADR although this is likely to incur further costs for tenants than at the LVT.

## **5 Principles of apportionment**

These service charge clauses in the lease will usually set out the principles by which the service charge is to be apportioned. These will be paramount and the main methods of apportionment are set out in the Code.

On occasion the lease may call for the Landlord or his surveyor to revise or amend the apportionment methodology as circumstances change and further require that revision shall be fair and reasonable. Here the decision will need several factors to be taken into account, not least of which are the principles of availability, benefit and use of the services.

The primary question must be ‘does the premises benefit from the service?’ Only once that has been established can one address the issue of use. Here custom and practice in the residential and commercial fields have varied and the Landlord or his surveyor will need to consider carefully how these issues of benefit and use might be applied.

In any event best practice requires that the methodology of how a service charge is apportioned must be set out in a clear and transparent document (often referred to as a Policy), available to all parties involved in the service charge.

## **6 Availability, benefit and use**

Clearly where a service is not available to all the tenants, those to whom it is not available cannot be expected to pay. Typically in residential all who have the service available are expected to pay notwithstanding the following comments on benefit and use. Remember often commercial tenants may have negotiated an ‘opt out’ in their lease from some services. They are therefore available but will not be charged.

Where a limited number of people benefit from or use the services, separate ‘schedules’ can be employed allowing the cost of these services to be spread only amongst those who benefit from and/or use them.

A simple example of this would be ‘Estate’ and ‘Building’ service charges, for instance on a business park. The estate charge would comprise the general grounds maintenance of the estate, estate security, street lighting etc and each office building within the park would also have a separate Building service charge for the heating, ventilation, security, maintenance and specific building services that just benefit and are used by that individual office block.

An alternative example might be waste disposal where some tenants do not use the communal facility having negotiated their own arrangements to deal with their own waste disposal as part of their lease. In this situation the cost of waste disposal would be apportioned separately from the general service charge (by using a separate apportionment “schedule” for waste).

Waste is particularly relevant in mixed use apportionment as domestic refuse disposal may be a free service from the local authority whereas commercial refuse disposal will incur a cost which will need to be included in the appropriate service charge schedule.

In addition, within a schedule, whether due to size or for some other reason the benefit or use received by one tenant might be in a different proportion to the size that the premises bear to the aggregate size of all the premises. In the circumstances a ‘weighting’ may be applied. This will adjust the apportionment between the tenants thus reflecting the different costs involved in servicing different sized units and the different benefit and use applicable to each unit.

## **7 The apportionment matrix**

The result of these considerations will be an apportionment matrix which communicates transparently how the cost of each of the services in whichever schedule will be split between the tenants. Accordingly, it is possible to see how much everybody is contributing towards the services provided and the cost of them.

Apportionment usually takes place at unit level. Of course, it is quite possible that a tenant may occupy more than one unit. An example of an apportionment matrix is attached in Appendix 1.

## **8 Alternative methods of apportionment**

The traditional methods of apportionment are set out in Appendix 2 of this information paper. (This is an extract from the Code; section D4, ‘Common methods of apportionment’.)

The steering group responsible for the Commercial Code no longer recommends rateable values as a method of apportionment, although it does recognise where leases stipulate this as the apportionment method and no alternative is permitted, it must still be used. The perceived benefit of the rateable value method of apportionment is that rateable values are set independently. Further they are likely to reflect the ‘quantum scale and size’ of each constituent ‘unit’ and therefore the benefit and use received of the services. This may well provide some discount to larger users.

Service charges need certainty. The appeal process for rateable values is outside the control of the parties to a service charge and falls to the individual occupiers. Once an appeal has been decided, which may be a number of years after the appeal has been lodged, substantial re-apportionment and re-calculation of those years’ service charges can become necessary when just one occupier wins a reduction in rateable value of whatever size. By this stage, several of the other occupiers may no longer occupy the building or scheme. Thus it may well be very difficult to ensure equitable historic apportionment. It is for these reasons that the steering group no longer recommends rateable value as a method of apportionment.

## 9 Fair and reasonable proportion

The reader's attention is drawn to this section of D4 of the Code which reads:

*“The lease will usually incorporate a provision for the proportion to be determined by the owner's surveyor. This provides flexibility and, for the owner, full recovery. Unless coupled with a statement about how the occupier's apportionment is to be calculated, the lease can give rise to disputes. The terms ‘fair and reasonable’ requires the owner to ensure no occupier is disadvantaged”.* (emphasis added)

Care must be taken to ensure fairness between all the parties.

## 10 Mixed use development

For many years residential law and regulation have little bearing on mixed use management methods. Commercial managers believed and acted as if residential law and regulation did not apply. Often a single overriding lease of the entire residential element would have been granted which purportedly was not considered to be governed by residential regulation. Two recent court cases, however, have changed this, being *Heron Maple House Ltd v Central Estates Ltd* [2002] 1 EGLR 35, [2002] 13 EG 102, CC and *Oakfern Properties Ltd v Ruddy* [2006] EWCA Civ 1389, [2006] 49 EG 96.

The Court of Appeal in the latter case noted that the purpose of the *Landlord and Tenant Act* 1985 was to protect a residential tenant against excessive or unreasonable service charges. It held that a tenant of part of the residential element under such leases is a tenant of a dwelling within the meaning of s. 38 of the Act and therefore entitled to the protection afforded by the Act.

Managers of mixed use properties therefore must be very careful to ensure those residential tenants within the scheme are managed within the constraints of the residential law and regulations, s. 20 notices are served if necessary and accounts are handled in timely proper fashion and comply with the regulations. Non-compliance with these requirements will have severe financial consequences for owners and/or managers as well as potentially causing a costly LVT Appearance.

## 11 Alternative apportionment strategies

The issues raised by apportionment in mixed use property are no different to those which existed before. It is still necessary to apportion costs, initially per the specific lease requirements and if there is discretion then based on the benefit and use of the services received. However, the increase of mixed use development and the clarification that residential law applies means more transparency is advised and that process and timeliness are essential. Accordingly, below are some alternative strategies as to how one might apportion some or all of a mixed use service charge between the varying elements.

## **12 Pedestrian/customer flow monitoring**

Many now think using pedestrian/customer flow monitoring ('footfall') is a potential basis for the apportionment of service charges. The steering group has considered this carefully.

In principle anticipated footfall may well give an indication of the relative benefit that different parts or uses of a mixed-use scheme might gain from certain services. However if the apportionment were to be calculated based on actual annual footfall figures then difficulties are likely arise. These can be compared to those with rateable value apportionment referred to earlier. Actual measured footfall might vary from time to time for a number of reasons which would be un-associated with the provision or benefit derived of services. For example closure of an anchor or key customer flow generator during the year, breakdown in measuring systems, etc. would lead to large variations in the service charge apportionments for individual tenants leading to major uncertainty. Thus footfall, whilst an important part of assessing potential benefit and use is not recommended as an apportionment method in its own right.

## **13 Benefit and use**

The key to service charge apportionment is to recognise the benefits and use the users receive from each service. If only some users benefit from and use a particular service, then the cost should be allocated to a separate schedule and the cost apportioned only to those tenants that receive the benefit or use of the service. Apportioning the cost within that schedule (or indeed the main service charge) can then itself be based on perceived extent of benefit and use.

There can be a difference between benefit and use. For example an office occupier decides not to use the lift and instead utilises the stairs to reach his demise. But whilst he might choose not to use the lift he still benefits from the availability of the lift service and should therefore contribute to the ongoing maintenance costs.

The principle as to the quantum of the contribution will vary on a case by case basis. A discounted charge may be appropriate in some circumstances and a full charge appropriate in others.

## 14 User matrix

There will be occasions where the Landlord's surveyor or manager feels it necessary to consider the direct benefit and use relevant to each type of occupier. (This may be useful when considering the relative weighting of charges to different occupiers or groups of occupiers).

Set down below is a matrix which examines the services provided to a development and the use which each different user makes of those services. In this example the main service charge is apportioned by area.

In the example, it can be seen that the hotel is assessed as receiving the least benefit from the services provided. Accordingly, the service charge apportionment for the hotel would be weighed to reflect this reduced benefit.

	Security	Cleaning	Waste	Total	Weighting %	Area	Weighted area	SVC %
Amusements	3	2	1	6	75.86	2,000	1,517	0.48
Bar	4	3	3	10	126.44	5,000	6,322	2.02
Bingo	2	2	3	7	88.51	22,500	9,914	6.35
Bowling	4	3	3	10	126.44	26,000	132,874	10.49
Cinema	3	4	4	11	139.08	68,000	94,575	30.17
Health club	2	2	2	6	75.86	15,000	11,379	3.63
<b>Hotel</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>50.57</b>	<b>150,000</b>	<b>75,862</b>	<b>24.20</b>
Kids play	3	3	3	9	113.79	1,500	1,707	0.54
Restaurant	2	3	3	8	101.75	10,000	10,115	3.23
Restaurant/ bar	3	3	3	9	113.79	10,000	11,379	3.63
Water park	3	2	2	7	88.51	54,000	47,793	15.25
<b>Totals</b>				<b>87</b>		<b>364,000</b>	<b>313,437</b>	<b>100.00</b>
<b>Average</b>				<b>7.91</b>				

<u>Key</u>	<u>Use</u>
1 =	Low intensity use
2 =	
3 =	Medium intensity use
4 =	
5 =	High intensity use

The matrix above would suggest that different uses derive varying benefit from the services compared to the average. To account for this the floor area of the hotel (highlighted) would be adjusted (or weighted) by approximately 50%.

Therefore although representing approximately 41% of the total scheme by floor area, the hotel's proportion of the service charge payable would only be 24.2%.

The floor area for the other uses would similarly be adjusted to reflect the relative comparison of the use and benefit derived from the services.

For the avoidance of doubt these adjustments would be applied in addition to any appropriate quantum discount given to tenants, which would usually be applied to the adjusted floor areas as above and not visa versa.

However, where separate schedules are in use for unique or discreet services applicable to only one or a limited number of tenants an adjustment as above would not be appropriate.

## 15 Summary

Landlords' surveyors or managers will increasingly have to justify their decisions. The principle of the term 'fair and reasonable' when applied to apportionment, requires the apportionment to ensure that no occupier is disadvantaged.

When calculating tenant service charge apportionments regard should be had to the principles set out in the RICS code of practice: *Service Charges in Commercial Property*. Further advice for consideration is set out in this paper.

If residential property is involved be aware of the regulations flowing from The *Landlord and Tenant Act* 1985 as amended by the *Commonhold and Leasehold Reform Act* 2002. These place regulatory controls, procedures and timescales on the managers of the services with regard to levels of expenditure and accounting requirements. The Leasehold Valuation Tribunal has jurisdiction in disputes and in some circumstances the tenants may have the right to form a company and take over the management of the service charge.

The principles set down in this information paper are intended to help those who have to make apportionment decisions in their deliberations and to help Solicitors in their drafting of new and renewal leases. Comments and criticism are encouraged to better inform the debate. Please send your views to the RICS Service Charge Steering group c/o Paul Bagust (pbagust@rics.org).

# Appendix 1

## Extracted Section D5 of the RICS code of practice: services charges in commercial property

### 5. Apportionment matrix – example

Unit	Ground floor area (sq. ft)	First floor area (sq. ft)	Total area	Total weighted floor area	Schedule 1 All tenants %	Schedule 2 Waste removal %
1	940	585	1,525	1,232.50	2.1489	3.3085
2	830	500	1,330	1,080.00	1.8830	2.8991
3	900	495	1,395	1,147.50	2.0007	3.0803
4–6	6,355	3,290	9,645	8,000.00	13.9482	21.4751
7	2,550	2,110	4,660	3,605.00	6.2854	9.6772
Supermarket	16,255	7,695	23,950	20,102.50	35.0493	0.0000
9	1,170	620	1,790	1,480.00	2.5804	3.9729
10–11	2,500	1,155	3,655	3,077.50	5.3657	8.2612
12	1,295	775	2,070	1,682.50	2.9335	4.5165
13	2,195	655	2,850	2,522.50	4.3980	6.7714
14	945	1,820	2,765	1,855.00	3.2342	4.9795
15	1,590	850	2,440	2,015.00	3.5132	5.4090
16	780	435	1,215	997.50	1.7392	2.6777
17	720	340	1,060	890.00	1.5517	2.3891
18	690	515	1,205	947.50	1.6520	2.5435
19	625	550	1,175	900.00	1.5692	2.4159
20	485	240	725	605.00	1.0548	1.6241
21	1,175	550	1,725	1,450.00	2.5281	3.8924
22	1,670	1,190	2,860	2,265.00	3.9491	6.0801
23	1,265	470	1,735	1,500.00	2.6153	4.0266
<b>Totals</b>	<b>44,935</b>	<b>24,840</b>	<b>69,775</b>	<b>57,355.00</b>	<b>100.0000</b>	<b>100.0000</b>

“The two tables above have been kept simple to aid dissemination of the Principle.

#### Basis of Calculation

Service charge apportionments are calculated on a weighted floor area basis. The weighted floor area is calculated by reference to the net area of ground floor space added to the internal area of the upper floors multiplied by 0.5. All costs of refuse disposal are recovered under schedule 2 excluding the supermarket which has its own dedicated facilities.”



# Appendix 2

## Extracted Section D4 of the Code:

### *“4. Common Methods of Apportionment*

**The costs within a service charge are apportioned among the occupiers using formulae set down in a matrix. Specific services (perhaps only provided to some occupiers) can be set out in additional specific schedules apportioned only to those who benefit from the services.**

**Best practice requires this apportionment matrix to be shared with the occupiers, ensuring transparency.**

Care should be taken to limit the number of specific schedules. This is because the cost of operating these often substantially outweighs the benefits received by the occupiers from such detailed cost analysis and apportionment.

Where an owner owns adjoining property that uses services from the subject property (e.g. a car park) the adjoining property should be included in the apportionment matrix or the appropriate schedules that apportion the services used. Appropriate allowance will be made to reflect the benefit of the services enjoyed.

Most modern leases give the owner the right to vary the apportionment nearly always on the proviso that the substituted methodology is fair and reasonable. Best practice requires regular reviews to be undertaken to ensure that the apportionment matrix remains fair given any changes to the occupation or use of the property. This is best illustrated by the amount of property being redeveloped as ‘mixed use’.

When the apportionment matrix is created or amended it is best practice to ensure there is a commentary that explains the rationale behind the matrix. This ensures that when the apportionment methodology is reviewed, the circumstances and use prevailing at that time can be compared to the commentary. Similarly when circumstances cause alterations to take place (e.g. mezzanine floors) the matrix can be adapted to reflect the new build (as appropriate).

The method or combination of methods used to apportion the service charge must be fair and reasonable.

Leases vary in the way they define an individual occupier’s proportion of the total service charge costs for the property. The most common bases of contribution are:

- a fixed amount;
- a fixed percentage;
- floor area;
- weighted floor area;
- a fair and reasonable proportion; and
- rateable value.



### **A fixed amount**

This provides certainty for both owner and occupier and is simple to apply. However, a fixed amount is inflexible and can cause under or over recovery. The fixed amount is advantageous for short leases where costs are unlikely to vary significantly, or where limited services are to be provided with little risk of unforeseen expenditure.

### **A fixed percentage**

The percentage of the overall service charge costs the occupier pays is fixed at the time the lease is granted. The fixed percentage offers certainty and simplicity but is inflexible and will only be used where the owner's premises are unlikely to be altered. Provision is often included to review the fixed percentage if the property is altered or extended.

### **Floor area apportionment**

This is the most common and simplest method of apportionment. The standard floor area apportionment is the ratio the premises bear to the total lettable parts of the building.

RICS *Code of Measuring Practice* sets out definitions of the measurement of buildings and their recommended applications. Definitions of the calculation of service charges are:

- **Gross Internal Area (GIA)** – applied to industrial and warehouses (including ancillary offices);
- **Gross External Area (GEA)** – alternatively applied to industrial and warehouses (including ancillary offices); and
- **Net Internal Area (NIA)** – applied to offices and shops.

### **Weighted floor area apportionment**

In many larger properties or mixed use developments a 'weighted floor area' formula reflects the different costs involved in servicing different sized units. A 5,000 sq. metre unit will not cost five times that of a 1,000 sq. metre unit, but a 500 sq. metre unit may cost twice that of a 250 sq. metre unit.

A 'weighted floor area' apportionment discounts the percentage the occupier will pay over a certain size to reflect the benefit of the services provided. The floor area is divided into bands with a progressive discount and is a similar concept to the zoning of shops for rental purposes.

There is no standard weighting formula. Each should be devised to reflect the particular circumstances and use of the development being serviced.

For example:

The first 500 sq. metres	@	100%
The next 500 sq. metres	@	80%
The next 1,000 sq. metres	@	60%
The next 1,000 sq. metres	@	50%
The next 1,000 sq. metres	@	40%
Excess over 4,000 sq. metres	@	30%

Here, a 1,000 sq. metre unit has a weighted floor area of 900 sq. metre, i.e. (500 x 100%) + (500 x 80%), whereas a 10,000 sq. metre unit will have a weighted

area of 4,200 sq. metre. Although ten times larger in floor area, the 10,000 sq. metre unit pays approximately 4.5 times the service charge of the smaller unit.

Similarly, basement and upper floors accommodation can be 'weighted', e.g. by dividing the floor area by a factor of two, to reflect the benefit derived from the services as distinct from the ground floor retail space.

Weighted floor areas are also used to provide a discount to an anchor tenant to reflect the benefit the anchor tenant brings to the shopping centre. Such weightings need to be treated cautiously as the weighting is sometimes calculated to provide a 'concession', to spread the cost of the concession among the remaining occupiers. The owner should meet the cost of any special concession given to any one occupier.

A reasonable and fairly administered weighting formula for apportionment of the service charge cannot usually be considered a concession.

### **Fair and reasonable proportion**

The lease will usually incorporate a provision for the proportion to be determined by the owner's surveyor. This provides flexibility and, for the owner, full recovery. Unless coupled with a statement about how the occupier's apportionment is to be calculated, the lease can give rise to disputes. The term 'fair and reasonable' requires the owner to ensure no occupier is disadvantaged.

### **Rateable value apportionment**

The lease may state the occupier's proportion of the service charge is to be calculated as the percentage that the rateable value of the premises bears to the total rateable value of the lettable parts of the property (i.e. excluding common areas and management accommodation). The lease usually provides for recalculation as rateable values change.

Rateable values may be changed over time with the occupier having the right to appeal against any assessment by the Valuation Officer. Such appeals can take many years to be resolved which could result in recalculation of the occupier's service charge apportionment for previous years. Unless the lease makes specific provision to the contrary, on successfully appealing a rateable value, an occupier could insist on reimbursement of any overpayment of service charge. The owner could thus seek to recalculate the service charge apportionment for all other occupiers, and recover further balancing charges. This could occur every time an occupier successfully appealed a rateable value, giving rise to unwanted administrative problems for owner, manager and occupiers.

Many owners use the rateable values in the rating list on the last day of the service charge year. Subsequent variations to the list are used for calculating apportionments for future years. This could mean the apportionments matrix changes annually. Thus, by using the list at the year end date, the manager avoids continual retrospective adjustment as individual rateable values are appealed. Many occupiers accept this as a common sense approach. This Code considers this approach to be best practice.

There are other problems associated with this method of apportionment, usually only found in old leases, as other methods of apportionment are easier to apply and more accurately reflect the fair apportionment of costs to be borne by each occupier. Accordingly this method of apportionment is less and less used.

n many cases, e.g. in mixed-use buildings (such as offices with retail shops located on the ground floor), not all occupiers will benefit from the owner’s services to the same extent. Office occupiers may benefit from a full range of services including a lift and an independent central heating system while retail shops may only benefit from general repairs and maintenance to the exterior of the property, and maintenance of a fire protection system. It may be necessary to divide the service charge into separate parts, (or schedules) with the costs apportioned between occupiers according to usage.”

<i>Unit description</i>	<i>Floor area (sq. ft)</i>	<i>Schedule 1 (all tenants) %</i>	<i>Schedule 2 (offices only) %</i>
<i>Shop 1</i>	<i>1,000</i>	<i>5.0</i>	
<i>Shop 2</i>	<i>1,000</i>	<i>5.0</i>	
<i>Shop 3</i>	<i>2,000</i>	<i>10.0</i>	
<i>First floor</i>	<i>4,000</i>	<i>20.0</i>	<i>25.0</i>
<i>Part second floor</i>	<i>1,600</i>	<i>8.0</i>	<i>10.0</i>
<i>Part second floor</i>	<i>2,400</i>	<i>12.0</i>	<i>15.0</i>
<i>Third floor</i>	<i>4,000</i>	<i>20.0</i>	<i>25.0</i>
<i>Fourth floor</i>	<i>4,000</i>	<i>20.0</i>	<i>25.0</i>
<b><i>Total</i></b>	<b><i>20,000</i></b>	<b><i>100%</i></b>	<b><i>100%</i></b>

## **Acknowledgments**

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This paper is one in a series of information papers linked to the RICS Code of practice for service charges in commercial property.

To further develop the code the steering group would welcome your thoughts on this paper and any other matters relating to the RICS Code of Practice.

The service charge code of practice can be purchased from RICS Books on [www.ricsbooks.com](http://www.ricsbooks.com) or downloaded via [www.servicechargecode.co.uk](http://www.servicechargecode.co.uk)

If you have any comments on this paper please send them to [propertygroup@rics.org](mailto:propertygroup@rics.org)

