

## Facilities Management from A to Z



Based on The FM Lexicon by Martin Pickard  
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### **S**ervice charges

Facility Service charges are levied by landlords to recover the costs they incur in providing services to a dwelling. The way in which the service charge is organised is set out in the tenant's lease or tenancy agreement. The charge normally covers the cost of such matters as general maintenance and repairs, insurance of the building and, where the services are provided, central heating, lifts, portage, lighting and cleaning of common areas etc. The charges may also include the costs of management by the landlord or by a professional managing agent and for contributions to a reserve fund.

Details of what can and cannot be charged by the landlord and the proportion of the charge to be paid by the individual leaseholder will be set out in the lease. The landlord, or, sometimes, a management company that is party to the lease, provides the services, while the leaseholders pay for them. The landlord will generally make no financial contribution for the services, but sometimes he has to pay for the services before he can recover their costs.

Originally, the costs of services were included in rental payments, but as costs and inflation escalated, landlords wanted to make sure they recovered all their costs every year. Some old leases still provide for a fixed charge to be levied. These charges cannot be varied, regardless of the actual costs to the landlord. However, most service charges are based on the actual or estimated cost of the services and thus vary from year to year. These are known as variable service charges.

Service charges can go up or down without any limit, but the landlord can only recover those costs which are reasonable. Leaseholders have rights to challenge service charges that they feel are unreasonable. Service charges have been a frequent cause of dispute between owners and occupiers. In many cases, disputes arise because of poor communication between the parties concerned.

The Royal Institution of Chartered Surveyors (RICS) has published a Code of Practice for its members who are involved in all aspects of service charges for commercial property. This Code of Practice is now generally accepted by the property industry as setting best practice principles for the management and administration of service charges in commercial property

*The RICS Service Charge Code and guidance documents can be downloaded at [www.rics.org/servicechargecode](http://www.rics.org/servicechargecode)*