

INDUSTRY STANDARD COST HEADINGS

Provided below is the full Cost Headings and structure, as developed by Jones Lang LaSalle as part of its OSCAR report and now endorsed by the RICS, within this Code of Practice, as the Industry Standard. Further endorsement of the Cost Heading structure is found in its ability to map readily and fully to the Cost Codes utilised within ITOCC (the International Total Occupancy Cost Code from IPD).

The Standard Cost Headings have a three tier hierarchy running as follows:

- Cost Class
- Cost Category
- Cost Code

It is intended that each landlord or agent be allowed complete freedom at property level to select whatever Cost Code (or nominal code) is most appropriate. The Code of Practice seeks only to dictate how the chosen Cost Code is then mapped to an overriding Cost Category and ultimately to the Cost Class above that.

It is intended that analysis and benchmarking be undertaken at Cost Category level. It is therefore important that reporting (service charge budget, reconciliation and variance reports) be presented with expenditure consolidated at Cost Category level. However, this is not to say that further detail at Cost Code level need not be provided if reasonably requested. Examples reports are also provided under Appendices of E2, E3 and E4 of the Code.

A further principle of the Cost Headings is that Exceptional Expenditure (Major Works / Forward Funding) should be clearly identified and 'ring-fenced' within a separate Cost Class. This will allow base-level costs (routine / reoccurring operational expenditure) to be benchmarked on a like-for-like basis, before 'layering' the Exceptional Expenditure back on-top to derive the total service charge cost.

A similar approach is taken with Insurance expenditure, although it is recognised that the industry has on the whole moved towards direct charging insurance premiums to tenants. There are many challenges to be faced before a level and true benchmark analysis of Insurance premiums can be undertaken. Issues concerning commission and the breadth and quality of cover come to the fore. For this reason it is envisaged that the Insurance Cost Class will be used (at least initially) to identify and remove Insurance expenditure from a service charge prior to benchmark analysis.

INDUSTRY STANDARD SERVICE CHARGE COST HEADINGS

COST CLASS	NOTES				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cost Category</td> <td style="width: 20%;"></td> </tr> <tr> <td>Cost Code</td> <td></td> </tr> </table>	Cost Category		Cost Code		
Cost Category					
Cost Code					
<p>MANAGEMENT</p> <p>1 Management Fees Management Fees</p> <p>2 Accounting Fees S/C Audit Fees</p> <p>3 Site Management Resources Staff Costs</p> <p>Receptionists / Concierge</p> <p>Site Accommodation (Rent / Rates)</p> <p>Office Costs (Telephones / Stationery)</p> <p>4 Health, Safety and Environmental Management Landlord's Risk Assessments, Audits and Reviews</p> <p>UTILITIES</p> <p>5 Electricity Electricity</p> <p>Electricity Procurement / Consultancy</p> <p>Fuel (Standby Electrical Power)</p> <p>6 Gas Gas</p> <p>Gas Procurement / Consultancy</p> <p>7 Fuel Oil (Heating) Fuel Oil</p> <p>Fuel Oil Procurement / Consultancy</p> <p>8 Water Water & Sewerage Charges</p> <p>SOFT SERVICES</p> <p>9 Security Security Guarding</p> <p>Security Systems</p> <p>10 Cleaning & Environmental Internal Cleaning External Cleaning Window Cleaning Hygiene Services/Toiletries Carpets/Mats Hire Waste Management</p> <p>Pest Control</p> <p>Seasonal Decorations</p> <p>Internal Floral Displays</p>	<p>Owner or Managing Agent fees for managing and administering Building Services excluding rent collection etc.</p> <p>Auditor's fees to review the year end service charge reconciliation</p> <p>Direct employment or contract costs for provision of staff for management of on-site facilities.</p> <p>Direct employment or contract costs for provision of reception and concierge staff, including associated administrative and training costs</p> <p>Rent, service charge and rates associated with site management accommodation</p> <p>Costs of equipping and running site management office</p> <p>Consultancy fees and other costs associated with provision and review of owner's health & safety management systems</p> <p>Electricity supply to common part and retained areas and central plant excluding occupier direct consumption.</p> <p>Consultancy and procurement fees for negotiating electricity supply contract and auditing of energy consumption</p> <p>Fuel oil to run any Standby Electrical Power systems</p> <p>Gas supply to owner's central plant, excluding occupier direct consumption</p> <p>Consultancy and procurement fees for negotiating gas supply contract and auditing of energy consumption</p> <p>Fuel oil supply to owner's central plant, excluding occupier direct consumption</p> <p>Consultancy and procurement fees for negotiating oil supply contract and auditing of energy consumption</p> <p>Water supply to central plant, common part and retained areas excluding occupier direct consumption</p> <p>Direct employment or contract costs incurred in providing building security guarding</p> <p>Servicing and maintenance of building security systems (e.g. CCTV / Access Control / Intruder Alarm)</p> <p>Cleaning of internal common part and retained areas</p> <p>Cleaning of external common part and retained areas</p> <p>Cleaning and servicing of common parts toilet accommodation</p> <p>Provision of dust and rain mats to common part areas</p> <p>Refuse collection and waste management services provided for building occupiers</p> <p>Pest control services provided to common part and retained areas</p> <p>Provision and maintenance of seasonal decorations to common part areas.</p> <p>Providing and maintaining floral displays within the common part areas</p>				

INDUSTRY STANDARD SERVICE CHARGE COST HEADINGS

COST CLASS	NOTES
Cost Category	
Cost Code	
External Landscaping	Provision and maintenance of external landscaped areas and special features.
11 Marketing & Promotions	
Events	Promotional events
Marketing	Marketing and advertising in accordance with marketing strategy
Research	Research into local market conditions, customer surveys etc.
Staff Costs	Direct employment or contract costs for provision of marketing and promotional activity
Landlord's Contribution to Marketing	Financial contributions made by Landlord towards marketing and promotions
Local Authority Contribution to Marketing	Financial contributions made by Local Authority towards marketing and promotions
HARD SERVICES	
12 Mechanical & Electrical Services	
M&E Maintenance Contract	Planned maintenance to the owner's Mechanical and Electrical services, including contractor's H&S compliance
M&E Repairs	Repair works to the owner's Mechanical and Electrical services
M&E Inspections and Consultancy	Auditing quality of maintenance works, condition of M&E plant and H&S compliance
Life Safety Systems Maintenance	Planned maintenance works to the owner's Life Safety systems, including contractor's H&S compliance
Life Safety Systems Repairs	Repair works to the owner's Life Safety systems
Life Safety Systems Inspections and Consultancy	Auditing quality of maintenance works, condition of Life Safety Systems plant and H&S compliance
13 Lift & Escalators	
Lift Maintenance Contract	Planned maintenance works to lifts in the common part and retained areas, including contractor's H&S compliance
Lift Repairs	Repair works to common parts lifts
Lift Inspections and Consultancy	Auditing quality of maintenance works, condition of lift plant and H&S compliance
Escalator Maintenance Contract	Planned maintenance works to escalators in the common part and retained areas, including contractor's H&S compliance
Escalator Repairs	Repair works to common parts escalators
Escalator Inspections and Consultancy	Auditing quality of maintenance works, condition of escalator plant and H&S compliance
14 Suspended Access Equipment	
Suspended Access Maintenance Contract	Planned maintenance works to the owner's Suspended Access Equipment, including contractor's H&S compliance
Suspended Access Repairs	Repair works to the owner's Suspended Access Equipment
Suspended Access Inspections and Consultancy	Auditing quality of maintenance works, condition of suspended Access equipment and H&S compliance
15 Fabric Repairs & Maintenance	
Internal Repairs & Maintenance	Repair and maintenance of internal building fabric, common part and retained areas
External Repairs & Maintenance	Repair and maintenance of external building fabric, structure, external common part and retained areas
Decorations	Re-decoration and decorative repairs
INCOME	
16 Interest	
Interest	Interest received on service charge monies held within owner's or Agent's bank account
17 Income from Commercialisation	
Car Park Income	Income yielded from any facilities, installed and maintained at the occupier's expense
Vending Machine Income	
Other	
Operational Expenses	
Contract Charges	Overheads, expenses and operational costs incurred in providing any of the above facilities
Repairs & Maintenance	
Staff Costs	

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COST CLASS	NOTES		
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Cost Category			
Cost Code			
<p>INSURANCE</p> <p>18 Engineering Insurance Engineering Insurance Engineering Inspections</p> <p>19 All Risks Insurance Cover Buildings Insurance Loss of Rent Insurance Public & Property Owner's Liability Landlord's Contents</p> <p>20 Terrorism Insurance Terrorism</p> <p>EXCEPTIONAL EXPENDITURE</p> <p>21 buildings Insurance Project Works Refurbishments Plant Replacement Major Repairs</p> <p>22 Forward Funding Sinking Funds Reserve Funds Depreciation Charge</p>	<p>Exceptional and one-off project works, over and above routine operational costs</p> <p>Forward funding of specific major replacement projects (e.g. plant & equipment replacements, roof replacements)</p> <p>Forward funding of specific periodic works to even-out fluctuations in annual service charge costs (e.g. internal / external redecorations)</p> <p>Depreciation charge in lieu of sinking/replacement fund contribution of major plant & equipment</p>		

Service Charge Certificate

Expenditure Summary Report for the Period [Date From] to [Date To]

[Property Address]:

Cost Category	Expense Total	Schedule 1 Estate	Schedule 2 Building 1	Schedule 3 Building 2
MANAGEMENT				
1 Management Fees	£60,000.00	£10,000.00	£25,000.00	£25,000.00
2 Accounting Fees	£1,600.00	£1,600.00		
3 Site Management Resources	£71,135.00	£21,135.00	£26,600.00	£23,400.00
4 Health, Safety and Environmental	£10,000.00	£10,000.00		
Sub Total	£142,735.00	£42,735.00	£51,600.00	£48,400.00
UTILITIES				
5 Electricity	£229,900.00	£5,900.00	£112,000.00	£112,000.00
6 Gas	£11,050.00	£1,050.00	£5,000.00	£5,000.00
7 Fuel Oil (Heating)				
8 Water	£7,000.00		£3,500.00	£3,500.00
Sub Total	£247,950.00	£6,950.00	£120,500.00	£120,500.00
SOFT SERVICES				
9 Security	£144,100.00	£137,500.00	£3,500.00	£3,100.00
10 Cleaning & Environmental	£185,730.00	£52,250.00	£58,300.00	£75,180.00
11 Marketing & Promotions				
Sub Total	£329,830.00	£189,750.00	£61,800.00	£78,280.00
HARD SERVICES				
12 Mechanical & Electrical Services	£187,970.00	£32,750.00	£74,750.00	£80,470.00
13 Lift & Escalators	£24,500.00		£14,000.00	£10,500.00
14 Suspended Access Equipment	£5,300.00		£2,800.00	£2,500.00
15 Fabric Repairs & Maintenance	£99,325.00	£36,850.00	£40,700.00	£21,775.00
Sub Total	£317,095.00	£69,600.00	£132,250.00	£115,245.00
INCOME				
16 Interest	-£1,068.00	-£332.00	-£373.00	-£363.00
17 Income from Commercialisation				
Sub Total	-£1,068.00	-£332.00	-£373.00	-£363.00
INSURANCE				
18 Engineering Insurance	£900.00		£500.00	£400.00
19 All Risks Insurance Cover				
20 Terrorism Insurance				
Sub Total	£900.00		£500.00	£400.00
EXCEPTIONAL EXPENDITURE				
21 Major Works	£92,483.00		£92,483.00	
22 Forward Funding	-£92,483.00		-£92,483.00	
Sub Total	£0.00		£0.00	
Grand Total	£1,037,442.00	£308,703.00	£366,277.00	£362,462.00

I hereby certify that, according to the information available to me, the attached statement of the service charge expenditure records the true cost to the landlord of providing the services to the premises for the period [Date From] to [Date to], in accordance with the terms of the lease.

Signed..... Date.....

For and on behalf of:.....

As agents for:.....

Expenditure variance report

Expenditure Summary Report for the Period [Date From] to [Date To]

Service Charge Variance Report for the Period [Date From] to [Date To]

[Property Address]:

				Variance %		
	Previous years actual	Current year budget	Current year actual	Actual vs Budget	Current vs Previous Actual	
MANAGEMENT						
1	Management Fees	£60,000.00	£60,000.00	£60,000.00	0.00%	0.00%
2	Accounting Fees	£1,500.00	£1,600.00	£1,600.00	0.00%	6.67%
3	Site Management Resources	£66,000.00	£70,000.00	£71,135.00	1.62%	7.78%
4	Health, Safety and Environmental	£5,000.00	£15,000.00	£10,000.00	-33.33%	100.00%
	Sub Total	£132,500.00	£146,600.00	£142,735.00	-2.64%	7.72%
UTILITIES						
5	Electricity	£218,700.00	£236,000.00	£229,900.00	-2.58%	5.12%
6	Gas	£9,700.00	£12,500.00	£11,050.00	-11.60%	13.92%
7	Fuel Oil (Heating)					
8	Water	£6,880.00	£7,500.00	£7,000.00	-6.67%	1.74%
	Sub Total	£235,280.00	£256,000.00	£247,950.00	-3.14%	5.39%
SOFT SERVICES						
9	Security	£144,100.00	£144,100.00	£144,100.00	0.00%	0.00%
10	Cleaning & Environmental	£176,543.00	£180,000.00	£185,730.00	3.18%	5.20%
11	Marketing & Promotions					
	Sub Total	£320,643.00	£324,100.00	£329,830.00	1.77%	2.87%
HARD SERVICES						
12	Mechanical & Electrical Services	£193,750.00	£180,000.00	£187,970.00	4.43%	-2.98%
13	Lift & Escalators	£24,500.00	£24,500.00	£24,500.00	0.00%	0.00%
14	Suspended Access Equipment	£5,300.00	£53,000.00	£5,300.00	-90.00%	0.00%
15	Fabric Repairs & Maintenance	£34,500.00	£50,000.00	£99,325.00	98.65%	187.90%
	Sub Total	£258,050.00	£307,500.00	£317,095.00	3.12%	22.88%
INCOME						
16	Interest	-£989.00	-£1,000.00	-£1,068.00	6.80%	7.99%
17	Income from Commercialisation					
	Sub Total	-£989.00	-£1,000.00	-£1,068.00	6.80%	7.99%
INSURANCE						
18	Engineering Insurance	£800.00	£1,000.00	£900.00	-10.00%	12.50%
19	All Risks Insurance Cover					
20	Terrorism Insurance					
	Sub Total	£800.00	£1,000.00	£900.00	-10.00%	12.50%
EXCEPTIONAL EXPENDITURE						
21	Major Works		£90,000.00	£92,483.00	2.76%	2.76%
22	Forward Funding	£25,000.00	-£90,000.00	-£92,483.00	2.76%	-469.93%
	Sub Total	£25,000.00	£0.00	£0.00		-100.00%
	Grand Total	£971,284.00	£1,034,200.00	£1,037,442.00	0.31%	6.81%

Detailed expenditure report

Detailed Expenditure Report for the Period [Date From] to [Date To]

[Property Address]:

	Expenditure Total (£)	Schedule 1 Estate	Schedule 2 Building 1	Schedule 3 Building 2
MANAGEMENT				
1 Management Fees				
Management Fees	£60,000.00	£10,000.00	£25,000.00	£25,000.00
2 Accounting Fees				
S/C Audit Fees	£1,600.00	£1,600.00		
3 Site Management Resources				
Staff Costs	£15,000.00	£15,000.00		
Receptionists / Concierge	£50,000.00		£26,600.00	£23,400.00
Site Accommodation (Rent / Rates)	£4,335.00	£4,335.00		
Office Costs (Telephones / Stationery)	£1,800.00	£1,800.00		
4 Health, Safety and Environmental				
Risk Assessments & Audits	£10,000.00	£10,000.00		
Sub Total	£142,735.00	£42,735.00	£51,600.00	£48,400.00
UTILITIES				
5 Electricity				
Electricity	£224,000.00		£112,000.00	£112,000.00
Electricity Procurement / Consultancy	£5,600.00	£5,600.00		
Fuel (Standby Electrical Power)	£300.00	£300.00		
6 Gas				
Gas	£10,000.00		£5,000.00	£5,000.00
Gas Procurement / Consultancy	£1,050.00	£1,050.00		
7 Fuel Oil (Heating)				
8 Water				
Water & Sewerage Charges	£7,000.00		£3,500.00	£3,500.00
Sub Total	£247,950.00	£6,950.00	£120,500.00	£120,500.00
SOFT SERVICES				
9 Security				
Security Guarding	£132,000.00	£132,000.00		
Security Systems	£12,100.00	£5,500.00	£3,500.00	£3,100.00
10 Cleaning & Environmental				
Internal Cleaning	£91,200.00		£38,400.00	£52,800.00
External Cleaning	£15,500.00	£15,500.00		
Window Cleaning	£22,800.00		£9,600.00	£13,200.00
Hygiene Services/Toiletries	£8,180.00		£4,500.00	£3,680.00
Waste Management	£9,050.00	£9,050.00		
Pest Control	£1,600.00	£700.00	£500.00	£400.00
Seasonal Decorations	£1,000.00		£500.00	£500.00
Internal Floral Displays	£9,400.00		£4,800.00	£4,600.00
Estate				
Estate Cleaning	£18,000.00	£18,000.00		
External Landscaping	£9,000.00	£9,000.00		
11 Marketing & Promotions				
Sub Total	£329,830.00	£189,750.00	£61,800.00	£78,280.00

	Expenditure Total (£)	Schedule 1 Estate	Schedule 2 Building 1	Schedule 3 Building 2
<u>HARD SERVICES</u>				
12 Mechanical & Electrical Services				
M&E Maintenance Contract	£151,250.00	£20,000.00	£63,000.00	£68,250.00
M&E Repairs	£16,250.00	£2,150.00	£6,750.00	£7,350.00
M&E Inspections and Consultancy	£7,500.00	£7,500.00		
Life Safety Systems Maintenance	£11,350.00	£2,350.00	£5,000.00	£4,000.00
Life Safety Systems Repairs	£1,620.00	£750.00		£870.00
13 Lift & Escalators				
Lift Maintenance Contract	£21,000.00		£12,000.00	£9,000.00
Lift Repairs	£3,500.00		£2,000.00	£1,500.00
14 Suspended Access Equipment				
Maintenance Contract	£5,100.00		£2,700.00	£2,400.00
Repairs	£200.00		£100.00	£100.00
Inspections and Consultancy				
15 Fabric Repairs & Maintenance				
Internal Repairs & Maintenance	£50,000.00		£35,000.00	£15,000.00
External Repairs & Maintenance	£6,775.00			£6,775.00
Decorations	£5,700.00		£5,700.00	
Estate Repairs & Maintenance	£32,100.00	£32,100.00		
Car Park Repairs & Maintenance	£4,750.00	£4,750.00		
Sub Total	£317,095.00	£69,600.00	£132,250.00	£115,245.00
<u>INCOME</u>				
16 Interest				
Interest	-£1,068.00	-£332.00	-£373.00	-£363.00
17 Income from Commercialisation				
Sub Total	-£1,068.00	-£332.00	-£373.00	-£363.00
<u>INSURANCE</u>				
18 Engineering Insurance				
Engineering Insurance	£900.00		£500.00	£400.00
19 All Risks Insurance Cover				
20 Terrorism Insurance				
Sub Total	£900.00		£500.00	£400.00
<u>EXCEPTIONAL EXPENDITURE</u>				
21 Major Works				
Plant Replacement	£92,483.00		£92,483.00	
22 Forward Funding				
Sinking Funds	-£92,483.00		-£92,483.00	
Sub Total	£0.00		£0.00	
GRAND TOTAL	£1,037,442.00	£308,703.00	£366,277.00	£362,462.00

OVERRIDING PRINCIPLES

1. Transparency

- State fee basis.
- Explicitly show Management Fees and Site Resourcing costs
- State whether figures are given inclusive or exclusive of VAT. Industry benchmarking will be undertaken exclusive of VAT.

2. Flexibility

- The cost codes are not intended to represent an exhaustive list, but are used for illustrative purposes only.
- Owners and managing agents are encourage to include additional cost odes where this will assist to clarify the actual expenditure proposed although it is suggested that to maintain industry standards and to facilitate benchmark comparison, the Cost Class and Cost Category are not altered..
- If required, further differentiate between 'Estate' and 'Car Park' expenditure within 'Security', 'Cleaning & Environmental' and 'Fabric Repairs & Maintenance' cost categories.

3. Level Handedness

- Distinguish between Base Operational Costs (Management / Utilities / Soft Services / Hard Services), Income and Exceptional Expenditure to allow benchmarking on a like-for-like basis.
- Where income is being yielded to the service charge, separately identify any associated overhead and analyse this alongside the corresponding income to derive a net income. The true benefit any 'commercialisation' can thereby be clearly identified.