

# Service Charge Operating Report

## Retail Parks

**SCOR 2025**

 InsightRE™



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# 1. Foreword – Julie Barry, Estates Manager, B&Q

## Welcome to the 2025 edition of the Service Charge Operating Report (SCOR) for Retail Parks.

As the UK's largest occupier of retail park floorspace, B&Q has a vested interest in service charge costs and transparency.

As you read this report, you will see that compliance with the current RICS Professional Standard falls woefully short.

Service charge disputes often remain unresolved for years, tenant queries frequently remain unanswered, budgets may not come out prior to the budget year, expenditure that is not recoverable under the terms of the lease may be included within the service charge, reconciliations may take several years to produce, tenant balances and information do not always transfer on a change of ownership, and I could go on.

I was recently asked to investigate service charge arrears where the managing agent was threatening legal action. The reason for B&Q withholding? A significant sum of missing balancing credits from 2018-20, prior to a sale to the current landlord but with the same managing agent, and a further missing large balancing credit from 2021 under the current landlord's ownership. The former credit has

"disappeared", and the latter is not in dispute but has not been returned. The managing agent is chasing arrears but simply failing to deal with the root cause.

This has led me to consider how we might develop a more effective framework for dealing with such disputes. Use of a Scott Schedule when raising a dispute would help to clearly define the nature of the dispute and highlight any lack of engagement by either of the parties. Agreeing service levels covering response times and escalation timescales with our landlords would help to ensure that issues are faced into until resolved, not simply avoided. A full transaction listing being provided with the reconciliations for each site would help to reduce the volume of tenant queries. In addition, tenant engagement prior to budget setting may resolve issues before money is spent.

I have approached one of our largest landlords with a view to changing the 'culture' around how service charges are managed. They have engaged and are keen to work together to help drive such changes. Why wouldn't they be? The timely resolution of disputes benefits all.

If you are reading this report, you too will have a vested interest in the service charge industry. You too will have some responsibility to improve standards and drive the industry forwards as best we can. Much as I welcome the awaited 2nd Edition of the RICS Professional Standard and agree with the need for greater regulation, it should not take an external body to cause the industry to introduce transparency and best practice. This should come from being property professionals who wish to be industry leading. Join with me in identifying ways that you can influence the market towards positive change. Until the industry collectively takes meaningful action, we will continue to be in the same position.

***"Much as I welcome the awaited 2<sup>nd</sup> Edition of the RICS Professional Standard and agree with the need for greater regulation, it should not take an external body to cause the industry to introduce transparency and best practice. This should come from being property professionals who wish to be industry leading."***

– Julie Barry,  
Estates Manager, B&Q

## 2. Introduction – Russell Heath, Head of Occupier Services

**Welcome to the 2025 edition of the Service Charge Operating Report (SCOR) for Retail Parks. The more “eagle-eyed” of you will have noticed that we have jumped straight from 2023 to 2025. This is due to us now releasing this research after the New Year and so we thought it more appropriate to name it as per the year of its issue.**

SCOR for Retail Parks 2025 benchmarks the service charge costs at UK retail parks by analysing them according to the Cost classifications and categories specified by the Royal Institution of Chartered Surveyors (RICS) professional standard (formerly statement) – Service charges in commercial property. The research includes 2024 budgetary cost information for a representative sample of 81 UK retail parks that fall within the UK’s 100 largest by total net lettable floor area. As you may recall, we previously made the decision to switch and focus exclusively on budgetary data – whilst this is perhaps not ideal, it is unfortunately a reflection of where we are in terms of the timeliness of reconciliations as an industry!

In last year’s foreword I highlighted the need for the RICS to seize the initiative in the forthcoming edition of the RICS professional standard by taking further positive steps to support greater transparency and compliance, particularly in the certification of service charge costs.

You will have seen that Julie Barry of B&Q has written the foreword to this year’s publication – huge thanks to Julie for committing to this. I am also delighted that Julie has chosen to shine further light on some of the ongoing challenges of the industry and, irrespective of what the forthcoming 2nd edition of the RICS professional standard provides, has ultimately “thrown down the gauntlet” to us all as property professionals.

Those of you who have a copy of last year’s publication to hand are, like me, likely to be concerned to note the size of the overall median increase (Figure 3), particularly in London. A more in-depth review and comparison of the information broken down by RICS Cost Class (Table 3) seems to suggest that the increase in London is primarily as a result of the significant increases in Soft services, Management and Exceptional expenditure. The increases in Soft services and Exceptional expenditure seems to be driving the median increases in the ROUK. With the forthcoming increases and changes to the National Minimum and Living Wages, I anticipate that we will see some further upward pressure, particularly within Soft services. Hopefully, at least some of this can be mitigated by efficiencies elsewhere.

In terms of the data around compliance with the RICS professional standard, I am mindful that we have unfortunately seen a reduction in the size of the dataset but, again, this is perhaps reflective of where we are as an industry.

Certainly, a review of Table 8 (within Section 5.2) implies that there is a mixed picture around compliance, with some requirements seemingly showing a promising year-on-year improvement, whilst others sadly offer little encouragement on progress to date.

This brings me back to a comment that I have made previously – the industry needs to continue to evolve, with agents increasingly moving away from viewing themselves / acting as a landlord’s agent, in favour of being a “managing agent” – potentially operating in a quasi-independent capacity, with an acknowledged duty of care to both occupiers and their landlords. This would also effectively help segregate property management from asset management, addressing the inherent conflict that currently exists.

Similarly, if occupiers are to ascribe meaningful value to an independent review of the service charge accounts then the liability issue needs to be solved, and far greater clarity is required around the terms and scope. That said, I genuinely believe that the inclusion of the transaction listing on which the independent review has been based would arguably be the biggest single shift the industry could make to aid transparency – regardless of whether the RICS decide to make it a requirement moving forwards. As property professionals, we could of course all take matters into our own hands and, in my view, this would be a very good place to start!

Finally, the datasets and methodology used are described in more detail in the next section, but it must be noted that the budget-based research findings presented here are not designed to be used by industry stakeholders as justification for modifying current service charge costs. Regardless of these limitations, SCOR’s benchmarks provide a starting point for more transparent and constructive service delivery, lease compliance and value for money.

Once again academic oversight for SCOR for Retail Parks is provided by Dr Andrew Holt, Metropolitan State University of Denver, and we hope that you find this latest edition useful for both managing and monitoring your service charges.

**– Russell Heath BSc (Hons) MRICS,  
Head of Occupier Services**



### 3. Methodology – Dr Andrew Holt, Metropolitan State University, Denver

The data for SCOR's core cost benchmarking was obtained from analysis of service charge budgets supplied to occupiers at 81 of the UK's 100 largest retail parks by total net lettable floor area (NLA). SCOR 2025's cost data is obtained from analysis of annual budgets of service charge costs which included at least six months of 2024. The decision to focus exclusively on budgetary data is not ideal but is seen as necessary.

The dataset is unbiased and representative as it includes cost information for any retail park that Bellrock Real Estate deals with where complete budgetary information was available for at least six months of 2024. As a result, no self-selection or bias was used in establishing the dataset, and a unique population of properties was used for the analysis.

***“Since many source documents do not use the RICS cost classification system, cost data is entered into Bellrock’s service charge system - InsightRE™ - under the exact naming conventions used within each document. Bellrock’s Data Supervisor then allocates the costs to the correct RICS mandated Cost Category, thus allowing the research to compare like with like.”***

This “modified” data is then exported from InsightRE™ and, using the NLA of each park, is converted into £ per sq. ft. figures. The median has long been the average employed by SCOR to represent the figures as, by its nature, it eliminates “outliers” (very high or very low figures). Lower quartiles and upper quartiles - the first signifying the figure that 25% of the buildings fall below and the latter the figure that 25% of the buildings are more expensive than - are also shown. The quartiles also give an idea of the spread of the costs, the smaller the difference between the two figures suggests a more bunched up data set.

One methodological issue relates to the calculation of median costs for certain types of costs. Not all retail parks incur all types of costs during a specific year, and sometimes an absence of cost is entered on the document as an amount of “0” or merely left blank. This inconsistency in accounting has the potential to distort the cost analysis. For example, where an amount is entered as “0”, it will impact the calculation of the median cost for the entire population, whereas a blank entry will not. As a result, in order to prevent distorted figures, SCOR's analysis of the RICS Cost Category “Major works” and the wider RICS Cost Class “Exceptional expenditure” specifically excluded amounts of

“0” when calculating their median costs as did the RICS Cost Category “Marketing & promotions” and the RICS Cost Class “Insurance”.

The data for the compliance analysis was obtained from analysis of the annual statements of service charge expenditure prepared at 42 of these largest retail parks.

SCOR's compliance data was drawn from an unbiased and representative dataset, as it included data for any location that Bellrock Real Estate deals with, where a complete statement of annual service charge expenditure was available for a fiscal year that included a six-month period falling in the 2023 calendar year. As a result, no self-selection or bias was used in establishing the dataset, and a unique population of properties was used for the compliance analysis.

While having a representative dataset is crucial, it is also vital that information is collected and analysed in a neutral manner, free from researcher bias and inaccuracy. In terms of data collection, all of SCOR's compliance data was obtained from analysis of the primary accounting documents provided to commercial occupiers. Supplementary information, such as data contained within covering letters and additional attachments (i.e. “service charge packs” and “appendices”), was also reviewed where relevant. As data was hand collected by the research team from actual service charge documents, there is no potential for third-party bias in terms of manipulation or selective exclusion of documents. Furthermore, all available service charge data for the given period is included, unless underlying source documents are deemed to be incomplete.

In terms of analysis, content analysis was used to obtain the compliance data, which often requires some degree of subjective interpretation on behalf of the research team. In practice, the potential for bias in this type of work is remote as it requires limited interpretation by the researcher. The data codification required for the compliance analysis is primarily binary in nature and unproblematic, especially when a document provides explanatory information. Judging the efficacy of such information might be contentious in theory, but in practice the nature of the service charge document renders the analysis relatively straightforward. Hence, most of the data could be utilised directly, and the resulting compliance analysis provides a valid examination of current service charge accounting and certification practices.

While a major part of SCOR's data collection and analysis is performed by a research team at Bellrock, the work is closely monitored by an independent academic supervisor. This position has been held by Dr. Andrew Holt (Professor of Accounting at Metropolitan State University of Denver) since the inception of the various SCOR reports. This academic oversight helps to create the current set of rigorous cost benchmarking and compliance measurement methodologies, serves to monitor and oversee the objectivity of the data collection and statistical analysis process, and assists the team in the interpretation and write-up of the research findings and conclusions.

### 3.1 The Datasets

Detailed cost analysis was undertaken for 81 UK retail parks within the UK's 100 largest in terms of NLA. Table 1 and Figures 1 and 2 provide descriptive information about the cost benchmarking dataset.

Cost Year	Number of Retail Parks	Types of Document	Total Area (Sq. Ft.)	Total Service Charge Cost
2024 (>6 mths in year)	81	Service Charge Budget	24,572,604	£66,824,774

Table 1. Characteristics of the cost benchmarking dataset for SCOR for Retail Parks 2025.

Figure 1 shows the geographical spread of the retail parks included in the dataset. Figure 2 shows that, for analysis purposes, the properties were split into three size groupings: those up to 250,000 sq. ft., from 250,001 sq. ft. up to 300,000 sq. ft. and those above 300,001 sq. ft. These boundaries were chosen so that the dataset splits roughly into thirds.

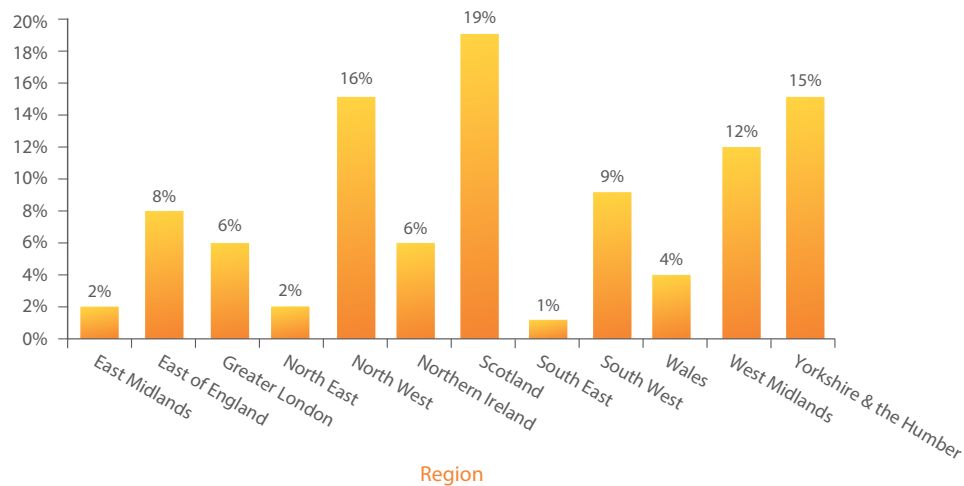


Figure 1. Geographical location of retail parks in the dataset.

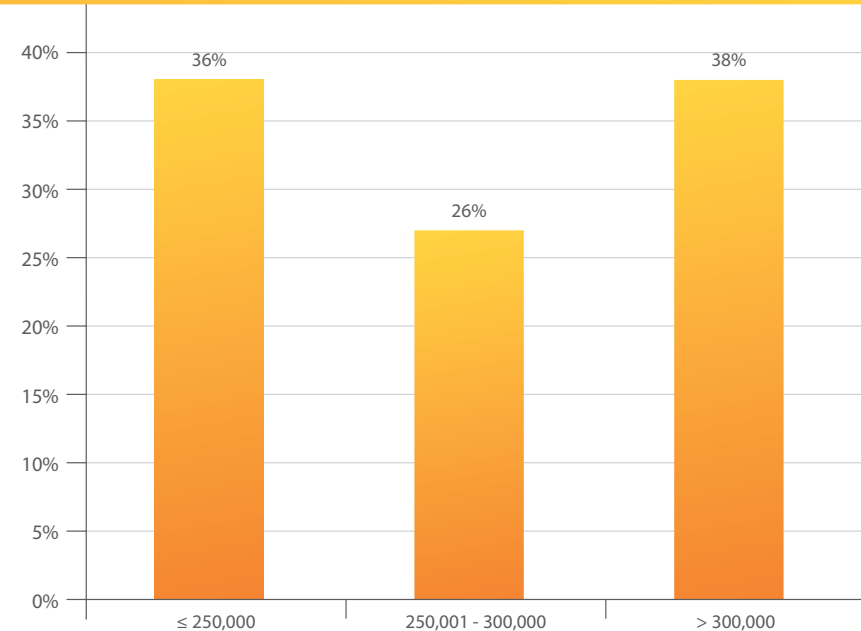


Figure 2. Property sizes (in sq.ft.) of retail parks in the dataset.

Compliance analysis against 16 accounting requirements of the 2023 RICS Professional Standard (updated from “Statement”) was undertaken of the service charge reconciliation statements for 42 UK retail parks within the same 100, all that were available. Table 2 provides descriptive information about the compliance benchmarking dataset.

Cost Year	Number of Retail Parks	Types of Document	Total Area (Sq. Ft.)	Total Service Charge Cost
2023	42	Annual statement of service charge expenditure (“Reconciliation”)	12,153,386	£30,407,752

Table 2. Characteristics of the compliance dataset for SCOR for Retail Parks 2025.

# 4. Findings and Analysis

## 4.1 Overall Cost Benchmarking

Figure 3 shows the lower quartile, median and upper quartile service charge costs, in £ per sq. ft., for retail parks in London and the Rest of the UK. It should be noted that only five of the retail parks were situated in the “London” area and, consequently, the median and quartiles for such a small dataset should be treated with caution.

Comparing this year’s medians with last year’s, London has seen a rise of 46% and the Rest of the UK a rise of 15%. These increases are well ahead of inflationary expectations.

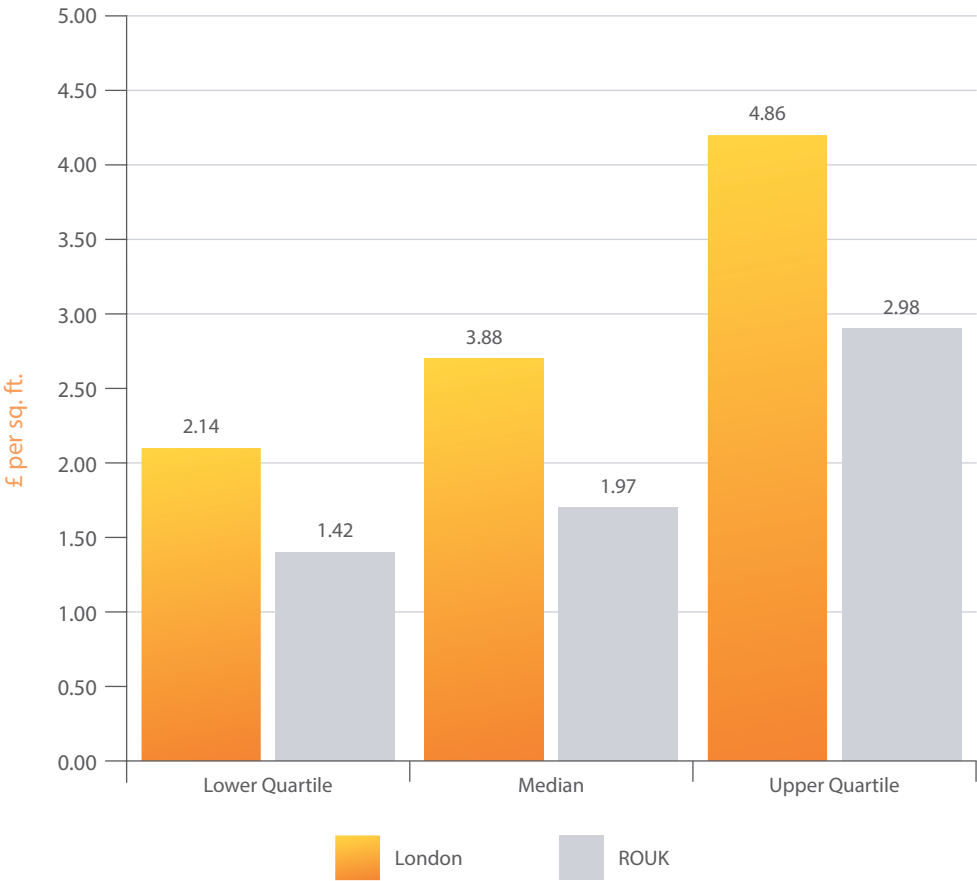


Figure 3. Total service charge costs compared between retail parks located in London and ROUK.





## 4.2. RICS Cost Class Benchmarking

### 4.2.1 RICS Cost Class Benchmarking – Irrespective of Location

In this analysis of budget figures by RICS Cost Class, two classes – Income and Miscellaneous charges – have been excluded.

Figure 4 illustrates the costs for the 81 centres by RICS Cost Class, and highlights that Soft services account for more than half of the service charge costs, with Management and Hard services making up a further 32%.

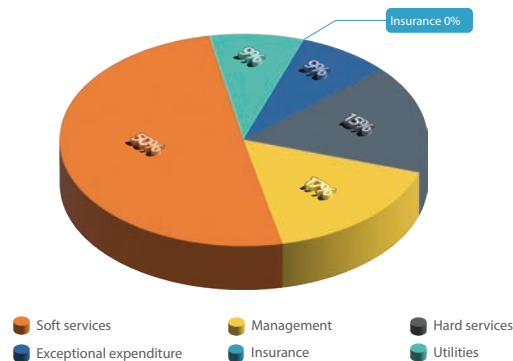


Figure 4. Percentage of total service charge costs per RICS Cost Class across the whole dataset.

### 4.2.2 RICS Cost Class Benchmarking – London and the Rest of the UK

Figures 5.1 and 5.2 compare the relative impact on the total budgeted costs that each RICS Cost Class type has within London and the Rest of the UK. Soft services account for a marginally larger percentage of the total cost in London than the Rest of the UK, (56% versus 50%). However, Exceptional expenditure accounts for a smaller proportion of the total cost in London than the Rest of the UK (4% versus 10%).

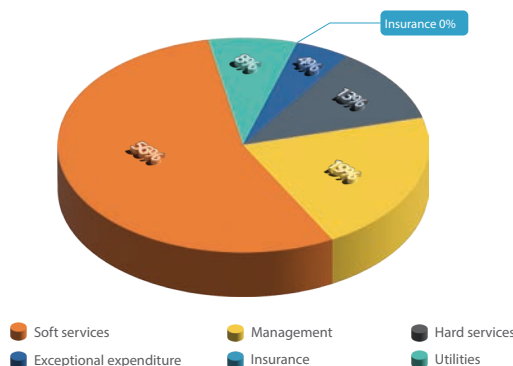


Figure 5.1. Percentage of total service charge costs per RICS Cost Class for retail parks located in London.

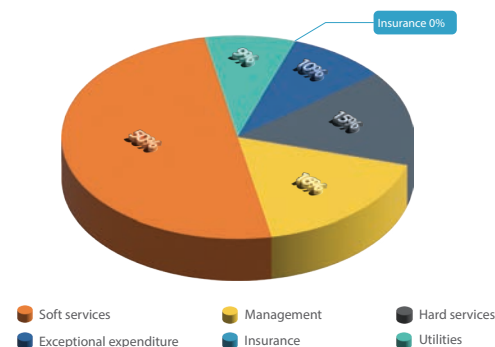


Figure 5.2. Percentage of total service charge costs per RICS Cost Class for retail parks in ROUK.

Table 3 shows the quartiles of service charge costs by RICS Cost Class (in £ per sq. ft) for both London and the Rest of the UK.

£ Per sq. ft.	Lower Quartile		Median		Upper Quartile	
RICS Cost Class	London	ROUK	London	ROUK	London	ROUK
Management	0.30	0.17	0.75	0.23	0.94	0.55
Utilities	0.11	0.09	0.21	0.17	0.32	0.30
Soft services	0.63	0.56	2.48	0.92	2.69	1.62
Hard services	0.29	0.20	0.45	0.30	0.52	0.47
Insurance	0.01	0.00	0.01	0.01	0.02	0.01
Exceptional expenditure	0.14	0.16	0.17	0.32	0.18	0.60
Quartiles of total costs	2.14	1.42	3.88	1.97	4.86	2.98

Table 3. Service charge costs across RICS Cost Classes split between London and ROUK.

### 4.2.3 RICS Cost Class Benchmarking – by Retail Park Size (Rest of the UK only)

To evaluate the impact of retail park size on total service charge cost, and how those costs are spread across the RICS Cost Classes, this section analyses the differences in costs across retail parks classified into one of three size categories. This analysis was not carried out on the five London parks as the results would not be statistically meaningful due to the small sample size.



4. Findings and Analysis

Median costs (£ per sq. ft.)	ROUK		
RICS Cost Class	≤ 250,000 sq.ft.	250,001 - 300,000 sq.ft.	>300,000 sq.ft.
	28 Parks	21 Parks	27 Parks
Management	0.22	0.23	0.34
Utilities	0.18	0.13	0.17
Soft services	0.78	0.83	1.19
Hard services	0.28	0.32	0.24
Insurance	0.01	0.01	0.01
Exceptional expenditure	0.23	0.38	0.39
Medians of total costs (£ per sq. ft.)	1.87	1.79	2.52

Table 4. Service charge costs across RICS Cost Classes by retail park size in ROUK.

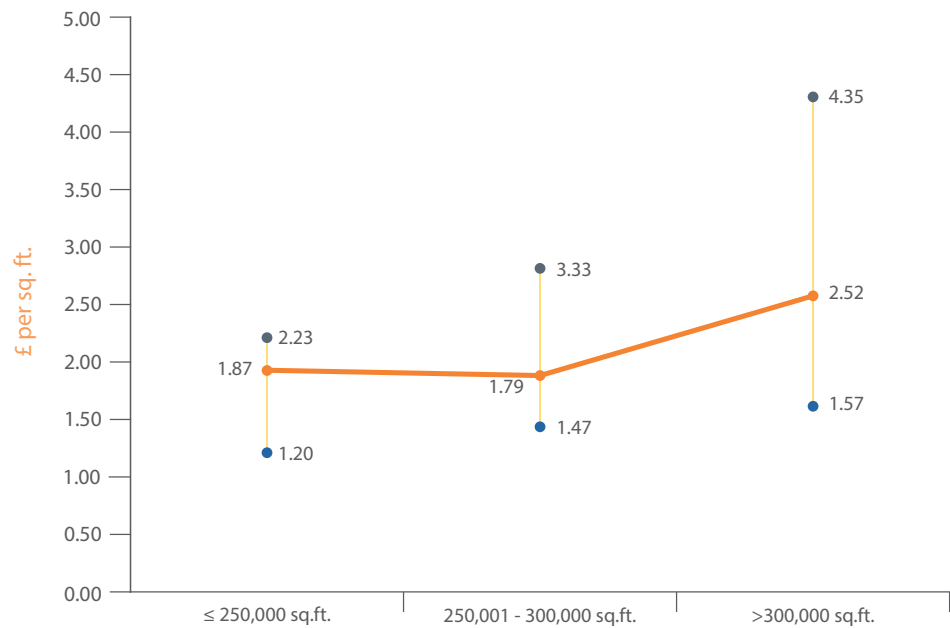


Figure 6. Quartiles of service charge costs by retail park size in ROUK.

Table 4 and Figure 6 illustrate that, in the Rest of the UK, as the size of the retail park increases, the budgeted service charge costs, in general, increase (£ per sq. ft.). The total increase from the smallest parks' banding to the largest is c. 35%. As was the case last year, the results also indicate that as park size increases so does the spread of the budgeted service charge costs.



### 4.3. RICS Cost Category Benchmarking

This section analyses ten RICS Cost Categories that together account for circa 97% of the total budgeted service charge costs. These categories are: Management fees, Site management resources, Electricity, Security, Cleaning & sustainability, Landscaping & environment, Marketing & promotions, Mechanical & electrical services, Fabric repairs & maintenance, and Major works. This is the order they appear in the RICS Professional Standard.

#### 4.3.1 RICS Cost Category Benchmarking – Irrespective of Location

Figure 7 shows the proportion of budgeted costs of each of the ten selected RICS Cost Categories across the 81 parks. Of these, 45% of the total cost was incurred on just two RICS Cost Categories: Security and Cleaning & sustainability (both of which are contained within the Soft services RICS Cost Class). The Total cost of management (summing the Management fees and the Site management resources) accounts for a further 16% of the total.

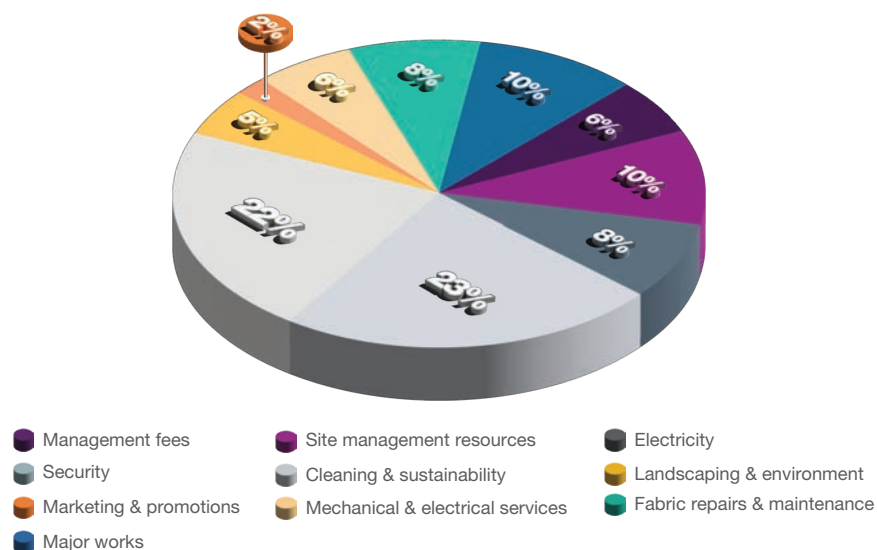


Figure 7. Percentage of total service charge costs per selected RICS Cost Categories across the whole dataset.

#### 4.3.2 RICS Cost Category Benchmarking – London and the Rest of the UK

Figures 8.1 and 8.2 illustrate the costs split by Cost Category in London and the Rest of the UK, respectively. Again, the fact that the London results are based on just five retail parks must be taken into consideration. The results indicate that Cleaning & sustainability shows a reduction in its percentage contribution to the total costs between London and the Rest of the UK, 28% in the capital against 21% elsewhere. There is an increase in the Major works category between London and the Rest of the UK; 5% against 10%, respectively.

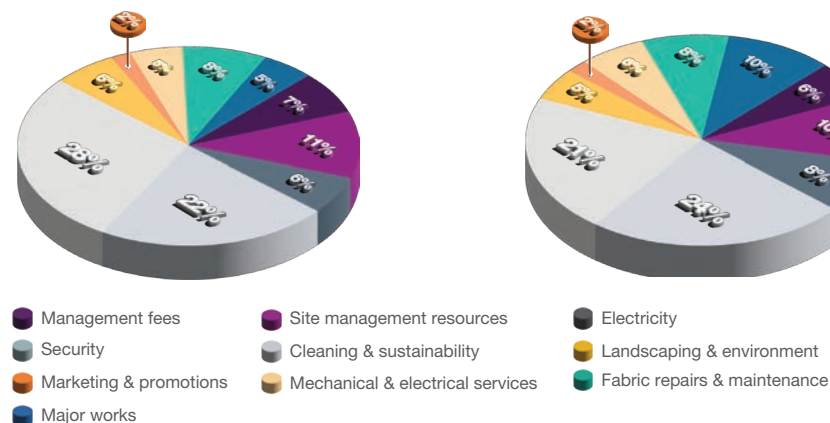


Figure 8.1. Percentage of total service charge costs per selected RICS Cost Categories in retail parks in London.

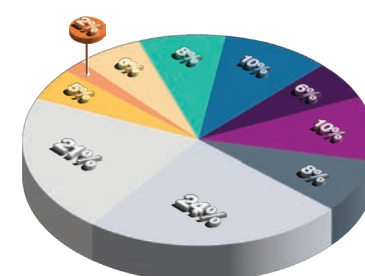


Figure 8.2. Percentage of total service charge costs per selected RICS Cost Categories in retail parks in ROUK.

Table 5 shows the quartiles of service charge costs by selected RICS Cost Categories across London and the Rest of the UK, the results are given in £ per sq. ft.

£ Per sq. ft.	Lower Quartile		Median		Upper Quartile	
RICS Cost Category	London	ROUK	London	ROUK	London	ROUK
Management fees	0.16	0.08	0.22	0.12	0.28	0.18
Site management resources	0.09	0.05	0.48	0.09	0.53	0.34
Electricity	0.11	0.09	0.16	0.13	0.18	0.26
Security	0.02	0.15	1.05	0.47	1.17	0.79
Cleaning & sustainability	0.59	0.26	0.99	0.38	1.32	0.69
Landscaping & environment	0.11	0.06	0.13	0.09	0.25	0.16
Marketing & promotions	0.06	0.02	0.08	0.05	0.12	0.09
Mechanical & electrical services	0.07	0.05	0.17	0.10	0.27	0.17
Fabric repairs & maintenance	0.17	0.11	0.23	0.16	0.28	0.28
Major works	0.14	0.16	0.17	0.32	0.18	0.60
Quartiles of total costs	2.14	1.42	3.88	1.97	4.86	2.98

Table 5. Service charge costs across selected RICS Cost Categories split between London and ROUK.



## 4. Findings and Analysis

### 4.3.3 RICS Cost Category Benchmarking – by Retail Park Size (Rest of the UK only)

Table 6 illustrates the impact of retail park size in the Rest of the UK on the ten selected RICS Cost Categories.

Centre size does appear to affect costs across certain cost categories. Site management resources sees nearly a two and a half times increase from the smallest to the largest parks with Major works nearly doubling.

Median costs (£ per sq. ft.)	ROUK		
RICS Cost Category	≤ 250,000 sq.ft.	250,001 - 300,000 sq.ft.	>300,000 sq.ft.
	28 Parks	21 Parks	27 Parks
Management fees	0.11	0.13	0.15
Site management resources	0.07	0.09	0.18
Electricity	0.14	0.10	0.16
Security	0.35	0.37	0.68
Cleaning & sustainability	0.34	0.37	0.43
Landscaping & environment	0.08	0.11	0.08
Marketing & promotions	0.02	0.07	0.08
Mechanical & electrical services	0.11	0.10	0.15
Fabric repairs & maintenance	0.16	0.18	0.14
Major works	0.23	0.38	0.39
Medians of total costs	1.87	1.79	2.52

Table 6. Service charge costs across ten selected RICS Cost Categories by retail park size in ROUK.



# 5. Compliance with the 2023 RICS Professional Standard

## 5.1 The Compliance Metrics

Based upon a review of the most recent annual statement of service charge expenditure at 42 of the UK's largest retail parks by NLA, this section presents compliance analysis investigating whether select accounting presentation and disclosure requirements of the 2023 RICS Professional Standard have been adopted.

While 42 reconciliations may appear to be a relatively low sample size, it must be remembered that annual reconciliation certificates need only be published within four months of the financial year end and SCOR only considers reconciliations that cover at least six months of the most recent "SCOR compliance year", which in this case is the calendar year 2023. As a result, the population of applicable reconciliations available for yearly analysis is obviously reduced. On the other hand, it does point towards an issue in the industry regarding the timely delivery of service charge reconciliations. At the date of export of the data in mid-October 2024, the team only had 42 reconciliations that had at least 6 months in 2023. SCOR 2025's measurement of the timeliness of the issue of reconciliations sits at 26 of the 42 documents available, however, it could be put forward that those retail parks for which we received no reconciliation all fall foul of this metric. All reconciliations meeting the SCOR selection criteria are included, unless they are deemed to be "incomplete".

SCOR uses 17 "must", "should" and "other" compliance metrics from the RICS Professional Standard to evaluate the main accounting and administrative requirements of the Professional Standard. Each of these can be identified via an unbiased, "binary" review (i.e. "yes" it is included, or "no" it is absent manner) of the text and numeric content within the annual service charge accounting statement. As the leases for many properties do not require the creation of a sinking or reserve fund, no metrics measure the accounting disclosures required in this area. Each of the 17 metrics are described in more detail in Table 7.

The compliance metrics include 4 "musts", 12 "shoulds", and 1 "other" requirement as per the language used within the Professional Standard. As the 1 "other" requirement included within the Professional Standard ("Openness and transparency can be further enhanced by the inclusion of a balance sheet or cash reconciliation") is neither a "must" nor a "should", each property's annual service charge accounts were ranked out of a total compliance score of 16 (i.e. the 4 "musts" and 12 "shoulds"), with separate reporting of compliance with the 1 "other" requirement.

The characteristics of the compliance dataset were discussed earlier in Section 2.1.

No.	Requirement	Must/Should	Measurement
1	The Professional Standard requires that fees be set on a fixed-price basis (Section 4.1.3.2, page 23)	Must	Binary coding – yes/no
2	Ensure that a service charge apportionment matrix for the property is provided annually to all tenants. Clearly shows the basis and method of calculation, and the total apportionment per schedule for each unit within the property. (Section 4.2.4, page 32)	Must	Binary coding – yes/no
3	Service charge monies must be held in one or more discrete [or virtual] bank accounts (Section 4.5, page 41)	Must	Clear statement – yes/no
4	Interest earned on service charge accounts must be credited to the service charge account after appropriate deductions have been made (Section 4.5.10, page 50)	Must	Binary coding based upon evidence – yes/no
5	Timeliness - Detailed statements of actual expenditure, together with accounting policies and explanatory text, should be issued within four months of the service charge year end (Section 4.5.12, page 51)	Should	Binary coding – yes/no
6	Industry Standard Cost Classifications should be used in reporting budget and actual expenditure. As a minimum acceptable level of reporting, service charge budgets and statements of actual expenditure should be prepared at cost class level ... (Section 4.5.5, page 46)	Should	Cost classes Binary coding – yes/no
7	...and cost category level (Section 4.5.5, page 46)	Should	Cost category Binary coding -yes/no
8	Service charge accounts should include a comprehensive list of accounting policies and principles including: whether the accounts are prepared on an accruals or where permitted, the cash basis (Section 4.5.1, page 41)	Should	Clear statement of whether accounts are prepared on an accrual or cash basis Yes/no
9	Where the accounts are prepared on an accruals basis, they should be accompanied by a schedule of opening and closing prepayments and accrued expenses (Section 4.5.4 & 4.5.6, page 46 & 48)	Should	Binary coding – yes/no
10	An analysis of any material variances between budget and actual expenditure, with a detailed commentary to explain trends and variances where significant (section 4.5.2, page 42)	Should	Binary coding – yes/no
11	Other information includes: A statement detailing how insurance claims are accounted for (Section 4.5.2, page 42)	Should	Clear statement on insurance claims – yes/no
12	Other information: Whether the owner has waived the exemption to charge VAT (opted to tax) (Section 4.5.1, page 42)	Should	Statement of whether owner has waived exemption to charge VAT Yes/no
13	The accounts should be approved by or on behalf of the landlord as complying with the following statements: the accounts produced represent the actual expenditure incurred by the owner in supplying the services to the building (section 4.5.3.2, page 43) and	Should	Clear statement – yes/no
14	That the expenditure the owner is seeking to recover is in accordance with the terms of the leases and where practicable, the provisions of the professional standard (section 4.5.3.2, page 43)	Should	Clear statement – yes/no
15	The approver should be an appropriately qualified and competent person with experience in dealing with service charges. The status of the person and the capacity in which they are acting should be made clear (section 4.5.3.2, p. 43)	Should	Clear statement of status and capacity – yes/no
16	Annual statements of service charge expenditure should be supported by an independent review of service charge accounts, such as specified with the ICAEW Technical Release (Section 3, principle 13, page 18)	Should	Includes an Independent Accountants' report – yes/no
17	Openness and transparency can be further enhanced by the inclusion of a balance sheet or cash reconciliation (Section 4.5.4, page 46)	Other	Binary coding – yes/no

Table 7. Metrics for assessing service charge accounting compliance with the RICS Professional Standard.



## 5. Compliance with the 2023 RICS Professional Standard

### 5.2. Compliance results for Retail Parks 2025

This is the third year of analysing retail park compliance, so is important to draw comparisons with SCOR for Retail Parks 2023 and 2022, although it must be acknowledged that the samples of annual reconciliation statements used in each year's compliance analysis differ. As a result, there was some churn in the population of retail parks analysed, preventing detailed analysis of longitudinal compliance. SCOR will include longitudinal compliance analysis when a statistically significant dataset is available.

Table 8 provides the compliance results for each of the 16 “must” and “should” metrics for the 42 retail parks analysed this year, together with the comparative results for the 58 and 50 retail parks analysed in SCOR for Retail Parks 2023 and 2022, respectively.

Requirement	Must/ Should	SCOR for Retail Parks 2025		SCOR for Retail Parks 2023		SCOR for Retail Parks 2022	
		Compliance for 42 Retail Parks		Compliance for 58 Retail Parks		Compliance for 50 Retail Parks	
		No.	%	No.	%	No.	%
1. Fixed Management Fee	M	30	71.4%	48	82.8%	42	84.0%
2. Apportionment matrix is provided for each unit in the property	M	33	78.6%	42	72.4%	31	62.0%
3. Statement that service charge monies are held in one or more discrete bank accounts	M	31	73.8%	47	81.0%	36	72.0%
4. Interest earned credited to the service charge account	M	31	73.8%	51	87.9%	44	88.0%
5. Timeliness Compliant (date) - annual accounts produced within four months of year end	S	26	61.9%	28	48.3%	26	52.0%
6. Cost Classes Used	S	39	92.9%	55	94.8%	45	90.0%
7. Cost Categories Used	S	41	97.6%	58	100.0%	48	96.0%
8. Statement that accrual accounting or cash basis used	S	31	73.8%	47	81.0%	39	78.0%
9. Schedule of accruals and prepayments*	S	27*	65.9%*	37**	66.1%	39	78.0%
10. Description of Variances	S	36	85.7%	55	94.8%	45	90.0%
11. Statement about how insurance claims are accounted for	S	17	40.5%	21	36.2%	10	20.0%
12. Statement about whether owner has waived exemption to charge VAT	S	32	76.2%	47	81.0%	40	80.0%
13. Statement that accounts represent the actual expenditure incurred in supplying services	S	28	66.7%	50	86.2%	44	88.0%
14. Statement that amounts seeking to be recovered are in accordance with the lease and where practicable the PS	S	24	57.1%	35	60.3%	42	54.0%
15. Approver should be an appropriately qualified and competent person. Status of person should be made clear	S	25	59.5%	40	69.0%	37	74.0%
16. Accounts should be supported by an independent review in line with ICAEW Technical Release	S	28	66.7%	35	60.3%	39	78.0%
** As 2 certificates in SCOR 2023 used the cash basis, Metric 9 was ranked out of 56 certificates							
* As 1 certificate in SCOR 2025 used the cash basis, Metric 9 was ranked out of 41 certificates							
	<b>Total</b>	<b>42</b>		<b>58</b>		<b>50</b>	
Includes a balance sheet		<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
Qualified basis for opinion within independent accounting report		<b>4</b>	<b>14.3%</b>	<b>4</b>	<b>11.4%</b>	<b>0</b>	<b>0.0%</b>
Prepared on a cash rather than an accrual basis		<b>1</b>	<b>2.4%</b>	<b>2</b>	<b>3.4%</b>	<b>0</b>	<b>0.0%</b>
Should Metrics exceeding 75%			<b>4</b>		<b>6</b>		<b>8</b>

Table 8: Compliance against 16 “must” and “should” accounting requirements of the Professional Standard.

While three of these “must” metrics are specifically listed under the Professional Standard’s list of “mandatory” requirements (RICS, 2023, p.15 & 16), the Standard also “requires that [management] fees be set on a fixed-price basis” (RICS, 2023, p.23) so SCOR classifies this as a “must” rather than merely a “should”.

Compliance with three of the four “must” requirements of the Professional Standard ranged between 71.4% and 78.6% (Metrics 1-4 in Table 11), which were comparatively worse results when compared to those reported by SCOR 2023.

This year, compliance with none of these “must” metrics exceeded 80%, with the highest compliance result being the provision of an apportionment matrix for each unit in the property at 78.6%.

In terms of compliance with the 12 “should” requirements, the overall results for 2025 were disappointing, with compliance for only 4 of the 12 metrics either meeting or exceeding 75% (SCOR 2023: 6 of 12, SCOR 2022: 8 of 12). This demonstrates a relative lack of commitment in abiding by the recommendations of the RICS Professional Standard. However, as these results were obtained from a limited sample of 42 UK retail parks, more work is required before compliance trends can be clearly established for the retail park sector.

While compliance with all 12 of the “should” metrics is important, there are some that are more critical than others, and any compliance rate of less than 100% potentially harms the information content and quality of the resulting accounting document. Furthermore, poor compliance in any area suggests a departure from “best practice”, something the RICS is attempting to prevent in order to improve the overall relevance, reliability, and comparability of UK service charge accounts.

The “relatively” low level of compliance in certain critical areas, such as “Statement that accrual accounting used” (Metric 8: 73.8%) and to certify that the accounts represent actual expenditure incurred in supplying services and are in accordance with the lease (Metric 13: 66.7% and Metric 14: 57.1%, respectively), are concerning, since this information is essential for determining the preparation basis for the accounting information and whether the accounts provide “true and fair” and faithfully representative information for occupiers. The importance of complying with Metric 13 is especially relevant this year, since 1 statement (2.4%) was prepared using a cash, rather than more usual accrual basis. If cash accounting, it is difficult for an occupier to compare annual expenditure against retail parks where expenses are calculated using the preferred accrual basis, and there will obviously be no need to provide a schedule of opening or closing accrued

or prepaid amounts. While differences in the accounting basis used may limit user understandability of the resulting information, these situations are surprisingly rare, due in large part to the almost overwhelming use of accrual accounting for preparing UK annual service charge accounts. What is more critical, however, is that 26.2% of the 42 accounting statements failed to provide an accounting note or policy that explained the accounting basis used for the calculation of annual expenditure incurred (SCOR 2023: 19%). Because of this, the occupier does not know what accounting basis was used and what additional explanatory disclosures should be supplied by the preparing accountant, and as a result, the information lacks credibility and usefulness from a user perspective.

In terms of Metric 14, that the accounts should include a “statement that the amounts seeking to be recovered are in accordance with the lease and where practicable the Professional Standard (PS)”, it was surprising that a number of the *non-compliant* certification statements still certified compliance with the RICS Professional Standard, but then failed to specifically mention that the amounts seeking to be recovered were in accordance with the lease. As the lease is the contractual document that governs the service charge agreement between the parties, it is vital that the certification statement primarily refers to it, and additionally, where practicable,





## 5. Compliance with the 2023 RICS Professional Standard

compliance with the RICS Professional Standard. Many of these same issues are unchanged from last year, as can be seen from SCOR 2023's comparative compliance results included in Table 8.

Compliance with Metric 16, that the accounts should be supported by an independent review in line with the ICAEW Technical Release, was 66.7% (SCOR 2023: 60.3%). This is again disappointing. However, as many commercial leases do not include supporting provisions requiring a year-end independent accounting review, this is perhaps unsurprising. The situation appears more critical considering that 4 of the 28 independent accountant's reports (14.3%) included a qualified conclusion for either the inappropriate use of accrual accounting or an inability to review the accounting work of the prior managing agent or preparing accountant (SCOR 2023: 11.4%). Of these, 100% (4 of 4) received a qualified opinion for inappropriate use of accrual accounting.

In terms of the qualified opinion regarding accrual accounting, the sums inappropriately accrued were material, demonstrating the value of independent reviews and highlighting a potential service charge accounting issue requiring further investigation. If 14.3% of the 28 reconciliations independently reviewed required qualified conclusions, one wonders whether similar accounting issues might be present within the 14 reconciliations not subject to review by professional accountants. SCOR's results in this area indicate

that accrual accounting presents a challenging and ongoing issue for the commercial service charge sector, and managing parties need to do more to prevent accruals being included for works not carried out during the relevant financial year.

Finally, compliance with certain other accounting requirements, such as providing the financial statements within four months of the year end (Metric 5: 61.9%), that the person approving the accounts should be appropriately qualified and their status made clear (Metric 15: 59.5%), and stating how insurance claims are accounted for (Metric 11: 40.5%), should not be too onerous for professional managing parties to abide by. It is surprising that we still see compliance fall short in these areas, as we also observed in SCOR for Retail Parks 2022 and 2023.

In terms of the 17th Metric, the inclusion of a balance sheet, none of the 42 documents analysed this year included this type of accounting statement (2023: 0%) which continues to disappoint as a balance sheet provides transparency about the magnitude of end-of-period assets, liabilities, and reserves. In addition, the provision of a balance sheet keeps track of the changes between opening and closing accrued and prepaid amounts (and fund balances), benefits the auditing process, and assists during the handover of the service charge accounts to a new agent.

Figure 9 provides the comparative compliance rankings per certificate for SCOR 2025, 2023, and 2022 against the 16 "must" and "should" metrics of the 2023 Professional Standard. For this year's analysis, the mean and median compliance rankings per reconciliations were 11.4 and 13.0 out of 16, respectively (in SCOR 2023, 12.1 and 14.0). While it is difficult to generalise from such a small population of only 42 retail parks, it is clear that compliance levels vary widely with a huge degree of dispersion as measured by a standard deviation of 4.8 (SCOR 2023: 3.9), although the majority of documents scored on the higher end of the ranking scale as demonstrated with an upper quartile of 15.8 (SCOR 2023: 15.0). This year, 26.2% of documents fully complied with all 16 requirements and none failed to comply in any way (SCOR 2023: 17.2% and 0.0%, respectively). 29 documents (69.0%) complied with 10 or more metrics (SCOR 2023: 79.3%), 73.8% complied with 8 or more metrics (SCOR 2023: 86.2%), and 16.7% complied with 4 or fewer of the RICS requirements (SCOR 2023: 8.6%).



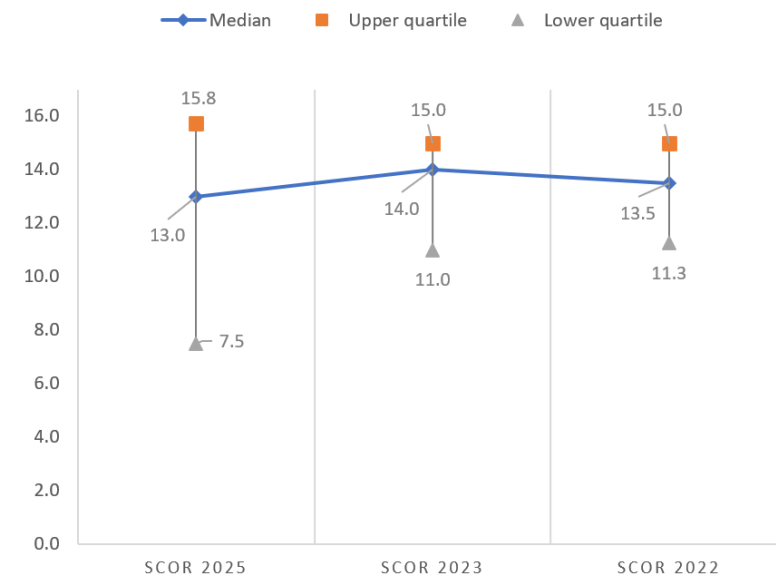
Table 9: Descriptive statistics on the 16 compliance requirements across three years.

	SCOR 2025	SCOR 2023	SCOR 2022
Sample of the Population (retail parks)	42	58	50
Mean	11.4	12.1	11.8
Median	13.0	14.0	13.5
Upper quartile	15.8	15.0	15.0
Lower quartile	7.5	11.0	11.3
Std Dev	4.8	3.9	4.2

While the overall compliance “scores” for the 42 reconciliations appear weighted towards higher rankings, a disclaimer or caveat must be placed against some of these results. Of the 42 reconciliations, 4 that achieved a final ranking score of between 13 and 16 were given a qualified basis of conclusion within their respective independent accountants’ reports for inappropriate use of accrual accounting. In all four cases, expenditure for the financial year included material accrued amounts for work not undertaken during that period. This observation reinforces the need for independent accounting scrutiny of service charge accounts, and also suggests that compliance with all of the accounting requirements of the Professional Standard does little to guarantee that a true and fair report of annual expenditure is presented to occupiers.

SCOR recommends that the upcoming 2nd edition of the RICS Professional Standard should include guidance on how to issue accounting corrections in these circumstances, and the

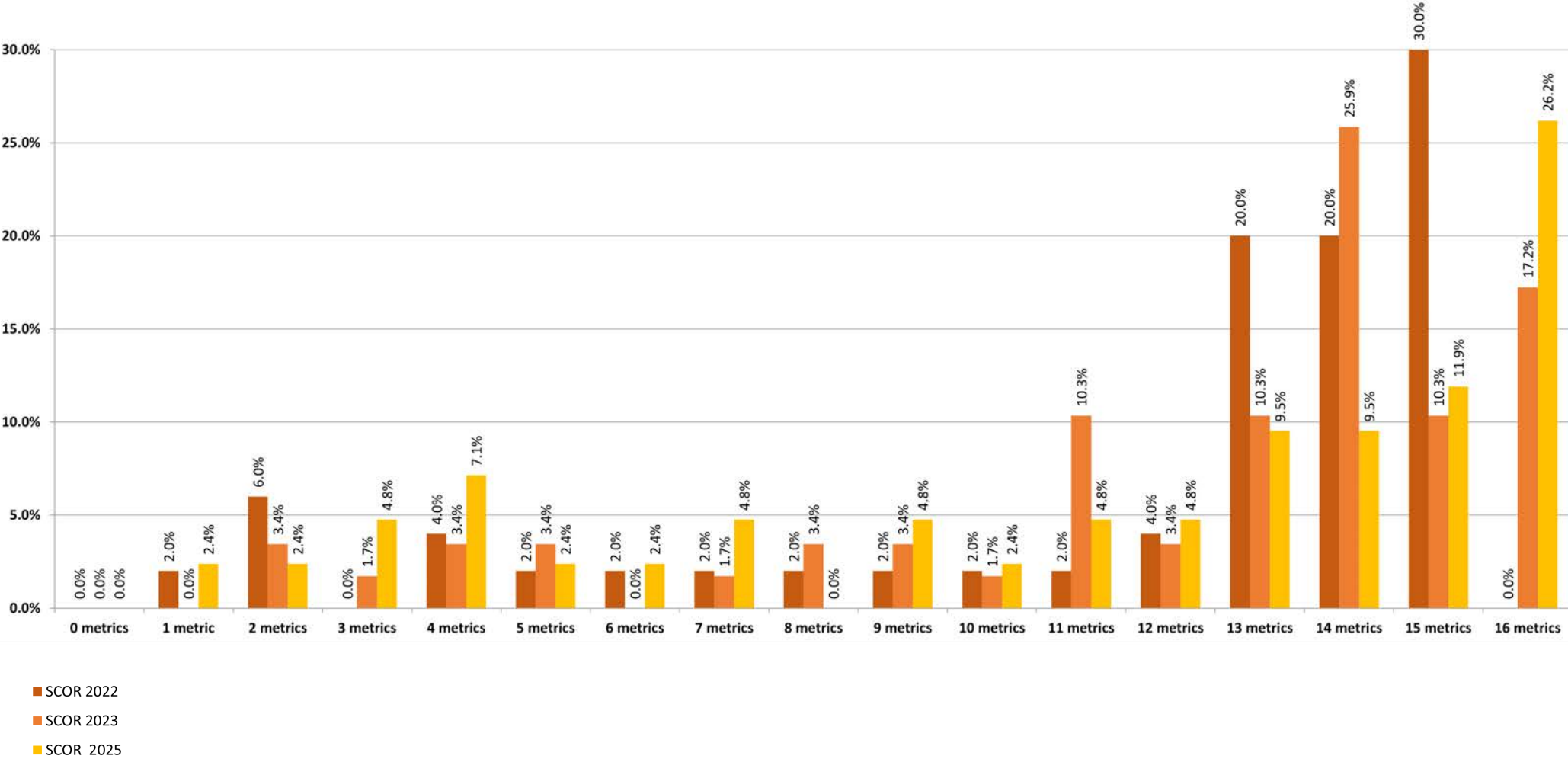
Figure 9: Descriptive statistics on the 16 compliance requirements across three years.



accounting firms involved need to go further to ensure that such errors are prevented in the first place, or subsequently corrected in a transparent manner. While some parties in the industry do view this as an insignificant issue, since “excessive” inappropriate accruals for expenditure in one period are corrected once the associated work/service is actually performed, what happens if the work is never performed or one of the occupiers that contributed to this amount leaves the building? The Professional Standard clearly states that “where provision for future expenditure is to be made within the service charge accounts such sums should not be included as accruals, [as accruals] are expenses for goods and services actually incurred in a period” (RICS, 2023, p. 61). If no expenditure has been incurred, costs should not be accrued into the service charge period, and where this does happen, an accounting adjustment must be made otherwise it negatively impacts the cash flow of occupiers.



Figure 10: Retail Park Compliance rankings against 16 accounting requirements of the 2023 Professional Standard.



## 6. 2025 Retail Park Service Charges at a glance

In analysing the 2025 budgeted service charge costs for 81 of the UK's 100 largest retail parks in terms of NLA, the results were as follows:

- ▶ The medians of the 2025 total service charge for retail parks in London and the Rest of the UK are £3.88 and £1.97 per sq. ft., respectively.
- ▶ The most significant RICS Cost Class, in terms of budgeted costs, is Soft services, representing 50% of the total, with Management and Hard services making up a further 32%.
- ▶ In regard to RICS Cost Categories, 45% of the total budgeted cost was incurred on just two: Security and Cleaning & sustainability (both of which are contained within the Soft services RICS Cost Class). In addition, the "Total Cost of Management" – summing the Management fees and the Site management resources – accounts for a further 16%.

At a glance, Tables 3 and 5 show the quartiles of Service charge budgeted costs across RICS Cost Classes and ten selected Cost Categories split between London and the Rest of the UK.

£ Per sq. ft.	Lower Quartile		Median		Upper Quartile	
RICS Cost Class	London	ROUK	London	ROUK	London	ROUK
Management	0.30	0.17	0.75	0.23	0.94	0.55
Utilities	0.11	0.09	0.21	0.17	0.32	0.30
Soft services	0.63	0.56	2.48	0.92	2.69	1.62
Hard services	0.29	0.20	0.45	0.30	0.52	0.47
Insurance	0.01	0.00	0.01	0.01	0.02	0.01
Exceptional expenditure	0.14	0.16	0.17	0.32	0.18	0.60
Quartiles of total costs	2.14	1.42	3.88	1.97	4.86	2.98

Table 3. Service charge costs across RICS Cost Classes split between London and ROUK.

£ Per sq. ft.	Lower Quartile		Median		Upper Quartile	
RICS Cost Category	London	ROUK	London	ROUK	London	ROUK
Management fees	0.16	0.08	0.22	0.12	0.28	0.18
Site management resources	0.09	0.05	0.48	0.09	0.53	0.34
Electricity	0.11	0.09	0.16	0.13	0.18	0.26
Security	0.02	0.15	1.05	0.47	1.17	0.79
Cleaning & sustainability	0.59	0.26	0.99	0.38	1.32	0.69
Landscaping & environment	0.11	0.06	0.13	0.09	0.25	0.16
Marketing & promotions	0.06	0.02	0.08	0.05	0.12	0.09
Mechanical & electrical services	0.07	0.05	0.17	0.10	0.27	0.17
Fabric repairs & maintenance	0.17	0.11	0.23	0.16	0.28	0.28
Major works	0.14	0.16	0.17	0.32	0.18	0.60
Quartiles of total costs	2.14	1.42	3.88	1.97	4.86	2.98

Table 5. Service charge costs across selected RICS Cost Categories split between London and ROUK.



## 6. 2025 Retail Park Service Charges at a glance

This year's compliance results suggest that managing parties at UK retail parks are attempting to improve the overall relevance, comparability, and representational faithfulness of service charge accounting information. However, as was also identified in SCOR for Retail Parks 2023 and 2022, there is widespread non-compliance with both the mandatory and "best practice" requirements of the Professional Standard.

Compliance with the Professional Standard should improve occupier satisfaction, increase tenant retention, and lower the risk for costly contractual disputes between parties. As a result, landlords and managing parties for UK retail parks are advised to devote more time and attention toward producing timely, transparent, comparable, and well-presented accounting information. SCOR 2025's compliance results suggest that accounting improvement is needed in many areas, especially in terms of:

- A statement about how insurance claims are accounted for
- Providing a certifying statement that the amounts seeking to be recovered are in accordance with the lease and where practicable the Professional Standard.
- Confirming that the approver is an appropriately qualified person
- Including a schedule of accruals and prepayments
- The timely delivery of annual service charge accounts
- Supporting the accounts by including an independent review in line with the ICAEW Technical Release.

Of the 66.7% of centres where the accounts were supported by an independent accountant's report, 14.3% (4 of 28) received a qualified opinion for inappropriate use of accrual accounting (SCOR 2023: 3 of 25 or 8.6%). While independent accountants' reports are often produced for the benefit of the landlord and/or the managing agent, the conclusions about accrual accounting suggest that occupiers must routinely review these statements and scrutinise reconciliations and transaction lists (if available) for any annual service charge expenditure related to works and services not carried out during the period. Such reviews may require third party professional assistance and the cooperation of managing parties but may ultimately help to reduce "hidden reserve accruals" being created at the tenant's expense.





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