

Basis for conclusions

Service charge residential management code and additional advice for landlords, leaseholders and agents, 4th edition, RICS professional standard, England

Background and executive summary

As part of RICS' ongoing commitment to build trust in the profession, we have updated our *Service charge residential management code and additional advice to landlords, leaseholders and agents* ('the code'), which was last published in 2016. This new edition reflects advances in professional practice and updates to legislation and regulatory requirements, in particular the Building Safety Act 2022 and the Leasehold and Freehold Reform Act 2024. As such, this removes the risk that RICS members and regulated firms are not complying with the current legal framework and best practice.

In addition, the code has been extended to cover for-profit and non-profit private registered providers of social housing (also known as housing associations), to provide their leaseholders with the same levels of openness and transparency in service charges as those in the private sector.

The code was authored by Jeff Platt FRICS, a Fellow of RICS with 40 years' experience of both commercial and residential property management across all sectors. He was supported by an expert group made up of representatives from the National Housing Federation, Ministry of Housing, Communities and Local Government (MHCLG), the First-tier Tribunal (Property Chamber), the Residential Management Group, Homeground Management and The Property Institute, as well as housing associations, surveyors, block managers and solicitors.

This basis for conclusions document provides a summary of the project's approach, as well as insights into the consultation responses received and the decision-making process.

Overview of changes

The updated code covers the following headings and themes.

Glossary (including a **new Building Safety Act 2022 glossary**)

- 1 Structure, aims and objectives (with **new subsections**)
 - 2 Ethical obligations and professionalism (with **new subsections**)
 - 3 Duties and conduct of a manager (with **new subsection**)
 - 4 Complaints and disputes
 - 5 Service charges, ground rent and administration charges (with **new subsections**)
 - 6 Additional guidance for managing agents: terms of engagement (with **new subsection**)
 - 7 Additional guidance for managing agents: accounting for other people's money (client money)
 - 8 Health and safety and fire safety: risk management
 - 9 Building Safety Act 2022 (**new section**)
 - 10 Repairs and other services
 - 11 Contractors and suppliers
 - 12 Works to extend or develop an existing block or new phase
 - 13 Insurance
 - 14 Provision of information
 - 15 Residents'/tenants' associations
 - 16 Right to manage
- Appendix A: Lease variations
- Appendix B: Statutory rights of leaseholders
- Appendix C: Information leaseholders can expect to receive during the ownership of a flat
- Appendix D: Additional information leaseholders can expect to receive during the ownership of a flat if they live in a higher-risk building (**new section**)

Summary of changes by section

Glossary

The glossary has been updated to ensure explanations are written in plain English. Relevant legislation has been added where it supports definitions.

New glossary definitions have been added for:

- Client money protection
- FME1
- Freeholder
- Management functions
- Planned preventative maintenance
- Private registered provider
- Registered provider
- Relevant costs
- Relevant person
- Responsible person
- Service charge expenditure
- Service charge monies
- Third-party management company.

The definitions of manager and managing agent have been separated to provide greater clarity.

Building Safety Act 2022 glossary

A new *Building Safety Act 2022* glossary has been added to reflect legislative changes.

Leasehold and Freehold Reform Act 2024 (section 1.1.1)

This new section has been added to reflect legislative changes.

Private registered providers of social housing (section 1.3)

While the principles of the 3rd edition of the code applied to both for-profit and not-for-profit registered providers, the 4th edition sets out clearly the sections that do and do not apply.

Local authorities (section 1.4)

While the principles of the 3rd edition of the code applied to local authorities, the 4th edition sets out clearly the sections that do and do not apply.

Freehold houses and variable estate rent charges (section 1.5)

Sets out the relevant principles that apply to rent owners and managers.

Leaseholders (section 1.7.2)

Further clarity is provided on the application of the code and on the use of the term 'leaseholder' in the code.

Duties regarding protected characteristics (section 2.4)

A new section has been added to reflect the *Equality Act 2010*.

Direct discrimination (section 2.5)

A new section has been added to reflect the *Equality Act 2010*.

Indirect discrimination (section 2.6)

A new section has been added to reflect the *Equality Act 2010*.

Duty to make reasonable adjustments (section 2.7)

A new section has been added to reflect the *Equality Act 2010*.

Section 3 Duties and conduct of a manager

Section 3 'Duties and conduct of a manager' has been moved from Part 4 under the 3rd edition of the code. The following subsections have been updated or added.

UK General Data Protection Regulation (GDPR) (section 3.3)

This section has been updated to reflect the *Data Protection Act 2018* and the increased use of CCTV.

Quiet enjoyment (section 3.5)

This new section has been added.

Money laundering (section 3.10)

This section has been updated to reflect the requirements of the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017*.

Section 4 Complaints and disputes

This was previously Part 5 under the 3rd edition of the code.

Section 5 Service charges, ground rent and administration charges

This was previously Part 7 under the 3rd edition of the code. The following subsections have been updated or added.

Approval of service charges statements and accounts (section 5.11)

This new section has been added.

Event fees (section 5.17)

This new section provides clarity on event fees and how they should be communicated to leaseholders and prospective purchasers.

Remuneration, including commissions (section 5.18)

This new section sets out that leaseholders should be notified annually of any remuneration, commission and other sources of income. As yet, MHCLG have not set out secondary legislation around moving to fees instead of commissions for insurance.

Section 6 Additional guidance for managing agents: terms of engagement

This was previously Part 3 under the 3rd edition of the code.

Core management service (section 6.5)

This section was titled 'Annual fee' in the 3rd edition of the code.

Additional management services (section 6.6)

This section was titled 'Menu of charges' in the 3rd edition of the code.

Redress scheme (section 6.8)

This new section has been added.

Manager appointed by tribunal (section 6.10)

This new section has been added, setting out what happens when the First-tier Tribunal appoints a managing agent.

Section 7 Additional guidance for managing agents: accounting for other people's money (client money)

This was previously Part 6 under the 3rd edition of the code.

Fire risk assessments (section 8.4)

This section has been updated to reflect the introduction of the *Fire Safety Act 2021* and the *Fire Safety (England) Regulations 2022*.

Section 9 Building Safety Act 2022

This new section has been added to reflect the introduction of the *Building Safety Act 2022*.

This section covers:

- Higher-risk buildings
- Accountable persons
- Duties on residents and owners
- Implied lease terms related to building safety
- Leaseholder protections

- Relevant building
- Relevant defect
- Qualifying lease
- Leaseholder protections (qualifying leases)
 - External cladding costs
 - Non-cladding costs
- Landlord certificate and leaseholder certificate
- Disputes
- Code of practice for the remediation of residential buildings.

Section 11 Contractors and suppliers

This was previously Part 10 under the 3rd edition of the code.

Section 12 Works to extend or develop an existing block or new phase

This was previously Part 11 under the 3rd edition of the code.

Section 13 Insurance

This was previously Part 12 under the 3rd edition of the code.

A number of the subsections have been moved in the structure of this section. It has been updated to reflect the position that MHCLG have set out with regard to commissions.

It now includes cyber cover in the list of appropriate insurance cover.

Section 14 Provision of information

This was previously Part 13 under the 3rd edition of the code.

Section 15 Residents'/tenants' associations

This was previously Part 14 under the 3rd edition of the code.

Section 16 Right to manage

This was previously Part 15 under the 3rd edition of the code.

Appendix D: Additional information leaseholders can expect to receive during the ownership of a flat if they live in a higher-risk building

This is a new appendix. It sets out the additional information that leaseholders should expect to receive if their flat is in a higher-risk building, who should provide it and when.

Development process overview

1. The code had a sole author, who was supported by an expert group made up of leading subject specialists selected for their knowledge and diverse range of experience (see [Background and executive summary](#) for more information on the author and expert group). The draft was shared with the expert group throughout its development for their comments/feedback and contributions.
2. A public consultation was held from 4 April to 30 May 2022 to gauge feedback to inform the development of the code.
3. The development of the code was informed by various internal and external stakeholders and governance groups, including RICS' [Knowledge and Practice Committee](#) and RICS' [Standards and Regulation Board](#).
4. Following the consultation, the code was redrafted based on the consultation feedback as necessary and as agreed by RICS, the author and the expert group. The code was then submitted to MHCLG for their review.
5. The code was agreed by MHCLG in January 2026.

Consultation

Process

1. A period of public consultation took place from 4 April to 30 May 2022.
2. Prior to the consultation, briefing sessions were held for RICS colleagues to provide an overview of the process and to encourage maximum engagement with stakeholders.
3. The consultation process was facilitated through the use of iConsult, our interactive platform, where participants were encouraged to provide feedback on the draft document itself and respond to a questionnaire.
4. A free webinar was held during the consultation period to give us the opportunity to meet with potential end users and gain a deeper understanding of feedback received.
5. The consultation was supported by a comprehensive communications strategy, which included a [press release](#), a social media campaign (e.g. [LinkedIn posts](#)), features in RICS newsletters and a [Property Journal article](#).

6. We also held roundtables with several housing associations and local authorities to gather their thoughts and feedback.

Consultation statistics

1. We received 340 responses from 30 participants, in the form of 19 questionnaire responses and 321 comments on the draft code. There were 921 downloads of the draft code.
2. Among the participants were representatives from Clarion Housing Group, L&Q Housing Association, the Property Bar Association, the Federation of Private Residents' Associations (FPRA), Rendall & Rittner Ltd, the Association of Residential Managing Agents (ARMA), Knight Frank, the Leasehold Advisory Service, Warner Bros., and Foundation Real Estate Ltd.
3. When asked whether the structure of the document was clear to respondents, 94% of the respondents said 'Yes'.
4. When asked whether there was any reason why the code could not be adopted by the respondent, 81% of the respondents said 'No'.
5. When asked 'Do you agree that the list of suggested services that a managing agent may undertake as part of their role within section 6.5 (Annual fee) is useful within the Service Charge Code?', 88% of the respondents said 'Yes'.
6. When asked 'Do you agree that registered providers should fall within the scope of the Service charge code?', 81% of the respondents said 'Yes'.

Conclusion

1. RICS is grateful for the invaluable contributions of our members, stakeholders and subject matter experts who took the time to review and help us develop the draft code, and we are delighted with the level of engagement the draft code received at consultation.
2. Due to the volume of feedback received, it has not been possible to summarise every comment in this document, but we wish to emphasise that each individual comment was fully considered, with responses documented by our dedicated author and expert group.
3. This code will play a vital role in helping the residential property industry with consistency and application of best practice when handling service charge fees for their residents and leaseholders.