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Estimated Budget

An estimated budget is a way of forecasting & predicting the likely shared costs between the different lessees for servicing and maintaining the communal areas of a property. Right 2 Manage produce an estimated budget annually to provide lessees with an example of the likely costs for the upcoming expenditure for the next Service Charge period.

For blocks that Right 2 Manage have been newly appointed at, the expenditure is based upon estimates for similar sized blocks and the previous years' service charge accounts. Once the block has been managed for a year, the budget can be based upon the previous year's expenditure, any known scheduled works together with the previous years' service charge accounts.

Any anticipated increases in expenditure will be detailed within the budget at the time of preparation. Of course, each month these actual costs can differ. If an unexpected outlay occurs. Any unforeseen deficits may require an excess levy. Obviously, any funds which have not been spent within that budget year will remain in the service charge account for the property to be set off against future expenditure or added to the reserve fund.

The budget will be apportioned to each lessee based upon the terms of the lease. Invoicing periods are usually defined in your lease as every 6 months or annually.

Common services provided for properties managed by Right 2 Manage include:

- Regular cleaning maintenance of communal areas
- Gardening within communal areas
- Utility costs (Electricity and Water) of communal areas
- Window cleaning
- Lift maintenance
- Fire risk assessments
- Rebuild cost assessments.
- Emergency light testing
- Fire alarm testing
- AOV testing
- General repairs and maintenance
- Buildings insurance
- Reserve funds
- Accounting fees
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Sinking/Reserve Funds

A sinking fund or reserve fund is used to accrue monies for future large expenditure items. If for instance your roof needed replacing in 5 years your reserve fund would be used to save monies to pay for it so there isn't a huge unexpected bill. An amount may be applied from the reserve fund to go towards any Section 20 expenditure.

Over and/or Underspend in any financial year

Within the estimated budget there may be an item detailed as overspend. This is the amount that was underestimated in the previous years budget, resulting in an 'Overspend' in the previous financial year. To avoid using reserve funds (which are being collected for large expenditure items) it is necessary to recover a previous years overspend to ensure the block has sufficient monies available to cover the running costs of the building. If there has been less money spent than was detailed in the budget during any financial year this will result in an underspend. Any additional monies collected are used to either reduce future budgets or placed in the reserve fund to assist with future large items of expenditure. Its important to remember that your money is in your service charge bank account to be used to repair and maintain your building. If it hasn't been spent it stays in the dedicated bank account/s for your block.

Electing Contractors

When considering a budget, the contractors that are currently in situ at the property are reviewed to establish if they still represent good value for money, their quality of work is good and the lessees are happy with the service that is being provided. New quotes are obtained for works as and when necessary.

Contractors that are required regularly for the forthcoming year (your Gardner for example) are placed in an annual contract so their costs are known to enable the forecasted budget to be as accurate as possible and in order to limit budget overspends or underspends as much as possible.

After your dedicated property manager has all the fiscal information to hand, they will work with our accounts team to finalise the next forecasted annual budget. The goal is to create a budget which accurately predicts the amounts required to maintain the building.

The Service Charge

The service charge to be paid is specific to each property. It is calculated based upon the estimated budget and apportioned as per the terms of your lease.

Service charge payments are due as detailed within your individual lease. The most common payment terms are annually or 6 monthly.

Service Charge Accounts

Service Charge accounts are produced at the end of each financial year. An accountant is engaged to collate and detail, all income and expenditure for your block. This is called your Profit & Loss Account. They will also detail the amounts held in Reserve, your general Service Charge account together with the assets and creditors. This is called your Balance Sheet. A set of fully detailed accounts will usually be available within 3 months of your year end.

Your property manager will use the details from the previous year's accounts in order to help prepare future forecasted estimated budgets so that the estimate is as accurate as possible.

The service charge accounts are available to all lessees within six months of the year end.

Budget Queries

If you have a query after being presented the estimated budget for the forthcoming year at your property, please refer to our explanation of budget contents document which details the most common questions that we receive from lessees as your managing agents.

Constructive comments are always invited, this could lead to adjustments within the budget year prior to invoicing however you must remember. You agreed to pay to repair and maintain your building when you purchased your flat. You must contact us as soon as possible if you are having difficulties paying your Service Charges.

For any further explanation, please contact your property manager.

20/06/2023