



SMSC FACTSHEET ON PRACTICAL APPROACHES FOR

EFFECTIVE

BUDGET PLANNING





INTRODUCTION

Creating a robust budget for your residential block is essential for maintaining the property and ensuring financial stability. This guide provides a step-by-step approach to setting an effective budget, including advice on reserve funding and maintenance planning.

SETTING YOUR BUDGET

Identify Needs and Costs:

Repairs and Maintenance:

Obtain quotes for planned works to ensure accurate budgeting. Avoid guessing costs to maintain financial stability.

General Maintenance Allowance:

Allocate £300-£800 per unit annually for routine maintenance, excluding fixed costs like cleaning contracts. This fund covers repairs requested by residents throughout the year.

Contingency Funding:

Set aside 5-10% of the total budget as a contingency fund for unexpected repairs. Keep this as a separate line item, as unused funds can be returned to residents



RESERVE FUNDING

PURPOSE OF RESERVE FUNDS:

Reserve funds are crucial for covering significant future repairs or replacements, such as roofs, lifts, and driveways. These funds ensure that the property can be maintained at a high standard without placing a sudden financial burden on residents. By planning ahead, you can avoid large, unexpected expenditures that might otherwise lead to financial strain or disputes within the community.

CALCULATING RESERVE CONTRIBUTIONS:

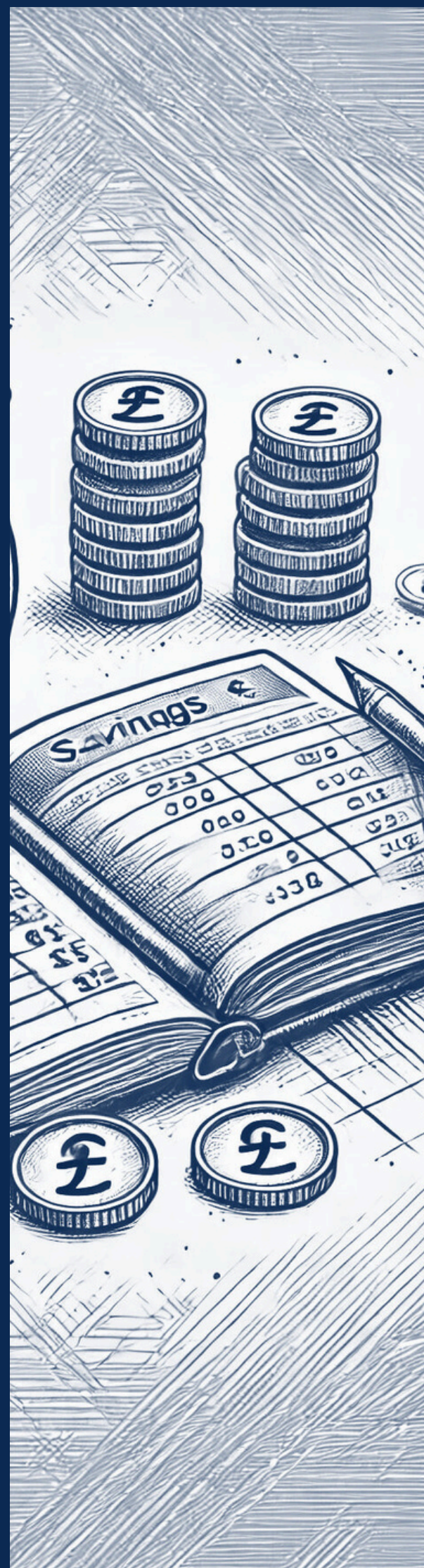
To effectively build a reserve fund, it's essential to understand the life expectancy and replacement costs of major building components. For example, if a lift has a life expectancy of 25 years and the replacement cost is £50,000, you should aim to collect £2,000 annually to build up the reserve. This systematic approach helps ensure that adequate funds are available when needed.

ESTABLISHING PRIORITIES:

Identify and list the major components of the building, such as roofs, communal boilers, and windows, along with their expected lifespans. Calculate the annual contributions needed to cover their future replacement costs. This prioritisation helps in efficiently allocating resources and maintaining the building's infrastructure.

STRATEGY FOR RESERVE FUNDS:

Regularly review and adjust the reserve fund based on updated cost estimates and building assessments. As inflation and market prices fluctuate, it's vital to keep your reserve fund contributions in line with current financial realities.





BEST PRACTICES FOR BUDGETING

TRANSPARENT FINANCIAL REPORTING:

Keep all financial transactions transparent and documented to maintain trust among residents. Regular updates and reports can help manage expectations. Ask your Managing Agent to compile this on your behalf. It is advisable to keep your own spreadsheet tracking annual spending to avoid any discrepancies at year-end.

RESIDENT INVOLVEMENT:

Engage residents in budget discussions at AGMs to ensure alignment with their needs and preferences, fostering a collaborative community atmosphere.

CONTRACTOR REVIEW CYCLE:

Review your contractors every 2-4 years to ensure they provide value and meet the needs of the block. Engage your managing agent to conduct these reviews and assess their performance.

OPTIMISE CONTRACTOR SCHEDULES:

Evaluate contractor schedules to maximise efficiency. For example, consider reducing gardener visits in winter months or changing window cleaning to quarterly instead of monthly if suitable.

MANAGING AGENT'S ADVICE:

Ask your managing agent for feedback on areas needing improvement and potential issues that require funding. A good managing agent will visit the site regularly and offer proactive advice on maintenance and operational efficiency.

**EMPOWER YOUR
COMMUNITY:
SECURE THE
FUTURE WITH
STRATEGIC
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PRACTICES.**



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