

# 1 Agreement to retain monies included in a budget and already collected but where work has been deferred until a subsequent service charge period

(See sections 4.8.4.5 and B5.5 of RICS' *Service charges in commercial property*, 2nd edition.)

The text in italics is produced for guidance only and sets out examples of the key elements of a communication. Practitioners should give consideration as to how the agreement of parties will be formalised before implementing as this is likely to be a voluntary agreement outside lease provisions and legal advice should be sought on implementation.

<i>Property address</i>	
<i>Service charge period ending dd/mm/yyyy [current service charge period]</i>	
<i>Description of the works proposed and included in budget</i>	
<i>Total project cost</i>	<i>£</i>
<i>Sum to be incurred within the service charge year</i>	<i>£</i>
<i>Sum proposed to be incurred in future period (and when)</i>	<i>£</i>
<i>Explanation of reasons for delay in incurring liability during current service charge period</i>	

*In accordance with the detail above, expenditure within this budget year against specific works will not be fully incurred leaving a sum to be incurred in the next service charge period. In accordance with the current edition of RICS' *Service charges in commercial property*, the intention of this communication is to formalise agreement and treatment of these works in the accounts.*

*The intention is to include the full costs related to the above works in the current service charge year accounts and hold these on account to complete the project in the subsequent period. This is felt to be a more practical treatment of the funds that have already been collected and avoids the need to re-issue the budget to include the anticipated expenditure in that year. It also negates the need to*

*generate a large balancing service charge credit at year end and increased demands in the following service charge year, which would have the effect of increasing quarterly on account service charge liability over the year.*

*All retained monies will be held in an interest-bearing account and applied against the anticipated expenditure against the specific works in the forthcoming year. These costs will be disclosed within the year end accounts as 'agreed retention of funds already collected' and will be subject to reconciliation on completion of the project.*