There are thirteen letters in “overbudgeting”. How much, if any, is acceptable?

Paragraph 7.3 of the RICS Residential Service Charge Management Code (3rd ed.) provides that “while it is prudent to slightly over-estimate the total level of funds required to run the development for the following year, the estimated budget should always be as close to the subsequent final accounts as possible”.

The Upper Tribunal considered overbudgeting in *Roberts v Countryside Residential (South West) Ltd v Ridgeway* [2017] UKUT 0386 (LC), a decision that covered many technical issues.

Noting that the service charge budget included amounts designed to cushion it against cash flow problems, HHJ Alice Robinson held that it could “not be reasonable for the landlord to charge on-account service charges for the purpose of providing a surplus to cover the costs of tenants who were in arrears of service charges because the lease did not authorise the recovery of a service charge for that purpose”.

I anticipate that it will be a rare lease that authorises such recovery.