



The Residents Association within my development where I own a 1 bedroom flat asked at the last meeting if the owners would consider establishing a sinking fund for the development. I would appreciate if you could educate me on what this actually is?

Ms Letham Paisley



Graham Mitchell, Managing Director

Mr & Mrs McGinty - East Kilbride

A sinking fund is a sum of money set up to build up a financial provision for future repairs or improvements. For example: in a tenement building or a block of flats, such as replacing a roof, major painting of the external building or a door-entry system. This means that when major work is carried out, the bill will not be as large due to the money collected over a period of time from owners.

The Residents Association and owners must have a clear policy set out as to the purpose to which the accrued monies are being built up for. Also, it needs to be established how much to collect each year, so there should be enough to cover some or all of the costs in the future. Therefore estimates for the works discussed will have to be produced. Sinking funds should be reviewed around every five years to make sure owners are not paying too much or too little. It has to be established where and how the monies will be collected by whom or held "in trust". All payments made from the fund should be clearly communicated to owners and be included as part of the annual reconciliation for the development. Financial arrangements must be set and monies protected from any liquidation or claim.

If you are selling your property, you should advise your solicitor that you have contributed to a sinking fund. This will make buyers aware that money has been accrued to cover some or all of the costs of major works. All contributions you pay into the fund will stay in the fund if you decide to sell.

If you wish to discuss this further please do not hesitate to contact me.

If you wish to ask Graham a question in connection with Property Management, please do so by either letter or email to:

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