

## 10 – year Sinking Fund Plans

The 10-year sinking fund plan obligations of the Strata Schemes Management Act 1996 will be gradually extended to all strata schemes (except those 2-lot strata schemes that are not required to establish a sinking fund), over the next few years. A Regulation was gazetted on 28<sup>th</sup> April 2006 bringing about this change. This means that most owners corporations, if they have not already done so, will have to seriously consider their needs for capital expenditure in future years and calculate levies payable by lot owners accordingly. 10-year plans should be in place by the second annual general meeting after the date for the scheme is brought within the requirements. Plans are to be reviewed after 5 years at the latest. Outside assistance may be used to help in devising the plan or owners corporation may use their own resources in putting together the 10-year plan.

Schemes will be brought under the requirements on the basis of their strata plan number. As set out in the last edition of Strata and Community Living, schemes will be covered as follows:

**SP 50,000 and above from 1<sup>st</sup> July 2006**

**SP 30,000 – 49,999 from 1<sup>st</sup> July 2007**

**SP 10,000 – 29,000 from 1<sup>st</sup> July 2008**

**SP 1 -9,999 from 1<sup>st</sup> July 2009**

### Newer schemes

Strata schemes that have been registered since 7<sup>th</sup> February 2005 are already covered by the 10-year sinking fund provisions. Many will have their second annual general meeting coming up soon and need to ensure that they have their plan in place by this meeting. Otherwise they may find that an application to a Strata Schemes Adjudicator is made by one of the lot owners for an order to comply with their obligations.

Fair Trading has been receiving a number of calls about the issue recently. It appears that there has been some misunderstanding of the issue. The most common misconceptions have been that all schemes have to begin 10-year planning immediately and that outside experts must be used to calculate the sinking fund needs over the coming 10 years.

While there is nothing to stop any owners corporation devising a 10-year plan at any time, as stated earlier, the actual requirement under the strata laws to do so depends on the number of strata plan. It is known that a number of prudent owners corporations already have 10-year plans in place to ensure that lot owners are not faced with large one-off levies when any major item of capital expenditure arises.

Some owners corporations are concerned over the possible cost of engaging experts to devise their 10-year sinking fund needs. While there are individuals and companies that specialize in this type of work, and owners corporations are free to use them, it is up to each owners corporation to decide on how to approach the issue. It may be that they have sufficient expertise within their ranks to carry out the task.