



# Understanding the 10-year maintenance plan

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# Discussion points

- Functions of bodies corporate
- What is a 10-year maintenance plan
- Advantages of having a plan
- Challenges facing the plan
- Calculating contributions to the plan
- Q & A With Bjorn Laubscher

# Functions of bodies corporate

## Sectional Title Schemes Management Act 8 of 2011:

- Establish & maintain an administrative fund to cover annual operating costs, which include:
  - Repair, maintenance, management & administration of common property
  - Which includes reasonable provision for future maintenance & repairs
- Establish & maintain a reserve fund to cover future maintenance & repair of common property
  - Not less than prescribed by the minister

# What is a 10-year maintenance plan?

Sectional Title Schemes Management Act (section 22) states:

- BC or trustees must prepare a written plan for the common property
- Major capital items requiring maintenance, repair or replacement
- Present condition or state of repair of those items
- When items or components need to be maintained, repaired or replaced
- Estimate costs of maintenance, replacement or repair
- Estimate life of items once maintained, repaired or replaced

# Advantages of having a plan

- Having a plan is prescribed by legislation (3.1.b of STSMA 211)
- Planning for future maintenance (preventative maintenance)
- Allows for regular contributions to funding of future maintenance
- Adds value to the scheme & each owners` asset
- Allows for annual adjustments to the plan & cashflow forecasting
- Reduces necessity of raising special levies
- Lower operating costs – reduce administrative levies

# Challenges facing the plan

- Not understanding what is required & why (trustees)
- Do it yourself approach (trustees & managing agents)
- Levy arrears, incorrect calculation of levies
- Poor financial planning – trying to keep levies low
- Management of finances – separate accounting required
- Not actively working the plan to its full purpose – regular review

# Calculating contributions to the plan

A minimum reserve fund contribution must be determined

- The ratio between:
  - the reserve fund total at the end of the financial year, and
  - the total contributions to the administrative fund in that year
- If ratio less than 25% then 15% of current contribution
- If ratio between 25% & 100% then amount equal budgeted to be spent on repairs & maintenance in current year
- If ratio 100% or more, then no minimum contribution

# Q & A with Bjorn Laubscher

1. What constitutes a “major capital expense”?
2. How do we decide when to allocate an expense to the Reserve Fund and when to the Admin Fund?
3. Is there a cost threshold for allocating an expense to the Reserve Fund vs the Admin Fund?
4. Does it suffice to set-up a 10-year maintenance plan and then revisit it again at the end of the 10 years?





# THANK YOU

