



## Strata Reform 2016



### Fact Sheet #5 – Financial Management

#### + AGM

Section 92 specifies the next succeeding AGM must be within 2 months from the last AGM as the financial statements cannot be more than 2 months from the last financial statement presented at the last AGM.

#### + KEY FINANCIAL STATEMENT

Section 94 allows for a 1 page executive summary to replace the full set of financial statements for AGM agenda. The financial information to be provided is specified under regulation 20 and schedule 1.

#### + MANDATORY AUDIT

Currently under SMAA 1996, the Owners Corporation (OC) of a large strata scheme ie a scheme with 100 lots or more, must ensure the accounts are audited. However under section 95 the New Act, audit will be mandatory for any strata scheme with annual budget exceeds \$250,000. The calculation of annual budget is outlined under regulation 21:

- The amount of contributions levied for the year PLUS
- Any income of the OC from any source PLUS
- Any other amounts held by the OC including cash at bank and investments

#### + 10-YEAR PERIOD PLAN

Under section 80, a 10-year period plan must be prepared and commenced on FAGM and the next 10-year period plan is to be prepared on expiry of the previous plan. OC must review the plan at least once every 5 years.

#### + CAPITAL WORKS FUND

The OC must establish a Capital Works Fund (CWF) which replaces Sinking Fund. Furthermore, under section 79(6), an OC of a large strata scheme must include estimates and specific amounts relating to individual capital expense item at each annual general meeting. It must also provide reasons for the difference if any between the estimates and the 10-year plan prepared.

An exemption may apply to 2 lots strata scheme under section 74 (5).

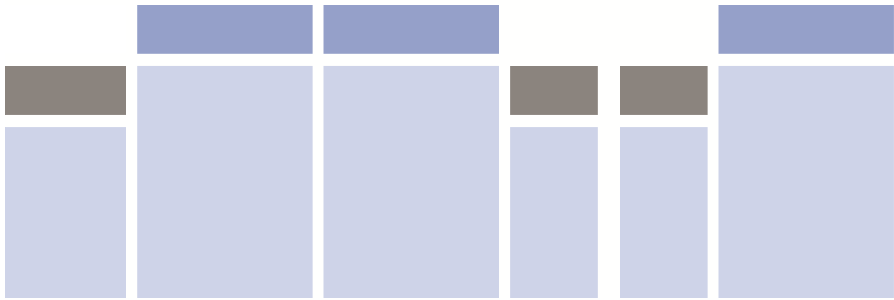
#### + SPECIAL LEVIES

Section 81(4) enables special levy to be raised to either the Administrative (AF) or Capital Works Fund (CWF)

#### At a Glance

- AGM must be held within 2 months from last AGM
- Capital works fund replaces sinking fund & special levy is permitted
- 30 days due date on levy notice
- Mandatory audit if annual budget > \$250,00
- Payment plans is allowed & 21 days notice for final demand





#### **+ LEVY NOTICES**

Section 83 specifies all levy notices must allow at least 30 days payment due date from the date of notice. Furthermore, section 86(1)(a) implies recovery of unpaid levies and interest can only be taken 1 month from due date

#### **+ PAYMENT PLANS**

The New Act permits payment plans for payment of overdue contributions. However all new payment plans must be approved by resolution at a general meeting and a payment plan is only limited to 12 months. Regulation 18 prescribes the requirements for payment plans that it must be in writing and contains certain information.

A monthly written statement that sets out the payments made during that month and the amount of unpaid contributions and interest owing must be provided to the lot owner on request.

#### **+ FINAL DEMAND LETTER**

A final demand letter to commence legal debt recovery must be issued and allow 21 days notice. The demand must set out in specified details under section 86(5) & regulation 19:

- The date the amount was due to be paid
- The manner in which the amount may be paid
- Whether a payment plan may be entered into
- Any other action that may be taken to arrange for payment of the amount

#### **+ GENERAL FINANCIAL**

- Levy register must be kept separate for each active lot and list all debits, credits and balances for all entries including how a payment was made in addition to date and amount
- Waive interest and/or allowing 10% discount is permissible by general resolution instead of special resolution
- Mortgagee in possession is now liable for legal fees under section 84(2)(c)
- Debt recovery can be referred to tribunal (NCAT) in stead of a Court
- An order by tribunal under section 89 requiring the original owner to pay compensation for inadequate budgets. Time is limited to 3 years after initial period ended.
- The New Act at last acknowledges other additional fund kept by the OC in addition to the AF and CWF. The reporting of the financial statements for additional fund is similar to that of the AF or CWF.
- An OC can approve by resolution to take out strata loan at a general meeting.
- Limits on spending by large strata scheme has been increased from \$25,000 to \$30,000. 2 quotations will be required.
- Legal services for non-urgent matter are allowed if the cost does not exceed \$3,000. Approval will be required by resolution at a general meeting if the legal cost is \$15,000 and above.

