

Mandatory sinking fund budgets

**Changes to community and strata titles legislation
To take effect from 28 October 2013**

Introduction

The *Statutes Amendment (Community and Strata Titles) Act 2012* will change the laws (the *Community Titles Act 1996* and the *Strata Titles Act 1988*) governing community and strata titles in South Australia, to take effect from **28 October 2013**.

The changes to the community and strata titles laws are designed to improve protections for consumers who buy into or own units in strata and community titled developments. In doing so, they introduce further rights for owners and further obligations for body corporate managers as well as, in some cases, further obligations for community and strata corporations.

The following fact sheet is one in a series of fact sheets that have been prepared to explain the effects of these impending law changes and what they mean for owners and community and strata corporations and for body corporate managers.

Apart from 2-lot corporations, all community corporations must establish a sinking fund for irregular maintenance or capital works and make annual estimates, or budgets, of future spending (sections 113, 116 *Community Titles Act*).

Contributions to the sinking fund can, however, be set at negligible levels. Under the *Strata Titles Act*, there is no requirement to have a sinking fund. This will not change. To improve planning, however, and to encourage sinking funds, strata and community corporations other than small groups (6 or less) will be required to prepare a longer-term forward budget for maintenance and capital works.

- Medium sized groups of between 7 and 20 lots or units will have to prepare a 3 year sinking fund budget to be reviewed every 3 years; and
- Large groups of over 20 lots or units will have to prepare a 5 year budget and review it every 5 years.

Groups with 6 or less lots or units, and community corporations with common property insurance cover of \$100,000 or less, will be exempt from the requirement for these longer-term sinking fund budgets.

