



The Body Corporate must approve two budgets for each financial year, for the two 'aspects' of their bank account:

1. The Administrative Fund
2. The Sinking Fund

The Sinking Fund is for expenditure of a capital or non-recurrent nature. This includes, but is not limited to, such things as the repainting of Common Property, replacement of assets, common property fencing etc.

All Lot Owners must pay Annual Contributions (commonly called Levies) into their Body Corporate bank account, these are determined from the budget of the Administrative Fund and the Sinking Fund. The Treasurer drafts an annual budget for both funds for anticipated expenditure for the upcoming financial year. The Body Corporate Manager (BCM) under its Management agreement may be acting in the position of Treasurer. The BCM often drafts the budget for the Committee to approve prior to it being put on the agenda of the Annual General Meeting. At the time of the AGM, the Lot Owners vote on whether to accept the proposed budget, and therefore pay the contributions required to meet the budget. The Sinking Fund Budget and Contributions motion is the motion that Lot Owners vote from to determine the Sinking Fund budget for the next financial year for the Body Corporate.

The website for the Office of the Commissioner for Body Corporate and Community Management states the following in relation to the Sinking Fund:

Budgets

The body corporate must prepare a sinking fund budgets (and an administrative fund budget) each financial year. The sinking fund budget must:

- provide for necessary and reasonable spending for the financial year
- reserve an amount to meet likely spending for at least 9 years after the current financial year.

In the 10 year period, it must allow for:

- likely spending of a capital or non-recurrent nature (e.g. painting of a building)
- replacement of major capital items (e.g. replacing a boundary fence)
- other costs that should reasonably be met from capital.

The fund must decide the amount to be raised from contributions to cover the expected capital costs

The Body Corporate Committee must prepare the proposed budgets for the consideration of owners at each Annual General Meeting (AGM). A copy of the proposed budgets must be included in the notice of an AGM.

The Body Corporate and Community Management (Standard Module) Regulation 2020 states the following in relation to the Sinking Fund:

160 Budgets

- (1)** The Body Corporate must, by ordinary resolution, adopt 2 budgets for each financial year:
- The administrative fund budget.
 - The sinking fund budget.

Note: See section 167 (Administrative and sinking funds).

- (3)** The sinking fund budget must:

- (a) allow for raising a reasonable capital amount both to provide for necessary and reasonable spending from the sinking fund for the financial year, and also to reserve an appropriate proportional share of amounts necessary to be accumulated to meet anticipated major expenditure over at least the next 9 years after the financial year, having regard to:
- (i) Anticipated expenditure of a capital or non-recurrent nature; and
 - (ii) The periodic replacement of items of a major capital nature; and
 - (iii) Other expenditure that should reasonably be met from capital; and

- (b) fix the amount to be raised by way of contribution to cover the capital amount mentioned in paragraph (a).

- (6)** Copies of the proposed budgets must accompany the notice of an Annual General Meeting.

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161 Adjusting Proposed Budgets At Annual General Meeting

- (1) The amount of an administrative or sinking fund budget adopted by a Body Corporate at an Annual General Meeting may be more or less than the proposed budget amount by an amount equivalent to not more than 10% of the proposed budget amount.

Example

A proposed administrative fund budget is \$5000. The administrative fund budget adopted by the Body Corporate at the Annual General Meeting may be between \$4500 and \$5500.

- (2) However, the amount of a proposed budget may be adjusted only to provide for spending, or remove amounts included in the proposed budget for spending, from the fund for the financial year if:

(a) The motion to approve the spending is stated in the agenda for the meeting; and

(b) Either:

(i) The spending is approved by the Body Corporate but is not adequately provided for in the proposed budget; or

(ii) The spending is provided for in the proposed budget but the Body Corporate does not approve the spending at the meeting.

- (3) The adjustment must be approved by a majority of voters present and entitled to vote on the adjustment.

- (4) If the amount of a proposed budget is adjusted in accordance with this section:

(a) The proposed contributions to be paid by owners of lots for the financial year are proportionately adjusted; and

(b) It is not necessary to amend the motion stated in a voting paper for the fixing of contributions to incorporate the adjustment; and

(c) A copy of the adopted budget must be given to each owner of a lot with the copy of the minutes of the meeting given to the owner under section 96.

162 Contributions To Be Levied On Owners

- (1) The Body Corporate must, by ordinary resolution:

(a) Fix, on the basis of its budgets for a financial year, the contributions to be levied on the owner of each lot for the financial year; and

(b) Decide the number of instalments in which the contributions are to be paid; and

(c) Fix the date on or before which payment of each instalment is required.

- (3) Also, the Committee may fix an interim contribution to be levied on the owner of each lot before the owner is levied contributions fixed on the basis of the Body Corporate's budgets for a financial year.

SOURCES:

- BCCM Office: <https://www.qld.gov.au/law/housing-and-neighbours/body-corporate>
- Act: <https://www.legislation.qld.gov.au/view/pdf/inforce/current/act-1997-028>
- Standard Module: <https://www.legislation.qld.gov.au/view/pdf/asmade/sl-2020-0233>
- Accommodation Module: <https://www.legislation.qld.gov.au/view/pdf/asmade/sl-2020-0229>
- Commercial Module: <https://www.legislation.qld.gov.au/view/pdf/asmade/sl-2020-0230>
- Small Schemes Module: <https://www.legislation.qld.gov.au/view/pdf/asmade/sl-2020-0231>

