

CAPITAL WORKS PLAN

This information guide is aimed at providing an understanding of the different requirements for a Capital Works Plan (CWP) as compared with the Sinking Fund Assessment reports under the previous legislation.

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Under the 1996 legislation schemes were required to prepare a 10-year sinking fund plan. That is, a plan was to be obtained/prepared containing anticipated major expenditure to be met over a 10-year period.

The *if, what* and *how* the 10-year plan was implemented was *not* regulated.

Thus, the owners corporation (OC) would decide whether to:

- + levy contributions in accordance with the 10-year sinking fund plan;
- + use the information contained within the plan to manage the common property capital works.

THE CAPITAL WORKS PLAN

The new legislation states that a CWP is to be prepared for each 10-year period and must be reviewed at least once every five years. This is a similar requirement. What is different is that the new legislation:

1. states that the owners corporation is to implement the CWP as far as practicable; and
2. details the format of the CWP which is to include:
 - + details of the proposed work / maintenance (similar)
 - + timing & anticipated costs of any proposed works (similar)
 - + the source of funding of the proposed works (new)
 - o capital fund levy
 - o capital fund special levy
 - o revenue from common property licenses or sales
 - + other matters decided by the OC (new)
 - + other matters prescribed by the Regulations (not yet addressed in the Regs)

Strata Plus has always encouraged our OCs to engage expert assistance. This is now suggested in the legislation. OCs are now also encouraged to consider:

- + obtaining a new CWP that meets the legislative format requirements;
- + which capital works they plan to commence over the next 2 years; and
- + whether they wish to obtain an asset register as part of the CWP request.

EVERY ANNUAL GENERAL MEETING (AGM)

Strata Plus's business practice was to include each year a motion to obtain a new or updated sinking fund plan. The legislation now states that each year the OC must estimate how much money to credit to the fund for actual and expected spending for:

- + painting or repainting common property
- + acquiring, renewing or replacing personal property for the scheme
- + renewing or replacing common property fixtures & fittings
- + replacing or repairing common property

The OC is required to consider the CWP in determining this estimate.

Large schemes must include:

- + specific amounts for each item or matter for the next 12 months
- + a note to explain any difference between the estimates and the CWP

STRATA INFORMATION CERTIFICATE

The OC obligation to provide this Certificate is delegated to Strata Plus. The usual reason for a Certificate to be requested is for the sale of a lot. The new legislation requires the proposal for funding of the 10-year capital works fund to be set out on the Certificate. Industry practice has determined the detail, though we consider that the focus of this part of the Certificate is on the 12 months to the next AGM. For this reason, Strata Plus will encourage the practice required for large schemes.

If you have any questions, simply contact your [Strata Plus strata manager](#).

The above information is contained in Sections 79 to 81 inclusive, and 184 of the *Strata Schemes Management Act 2015*



STRATA RESOURCES