

Statutory Requirements of a Capital Works Fun Plan - Also covering IMS, BMC & SMS

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IMS (Initial Maintenance Schedule)

Section 115 of the new *Strata Schemes Management Act 2015* requirement the original owner must have an IMS prepared. The purpose of the IMS is to provide information to the owners corporation (i.e. all owners in the scheme at the time) about the obligations and costs relating to the maintenance of common property.

The schedule must adhere to section 29 of the *Strata Schemes Management Regulation 2016*

Following the maintenance requirements set out in an IMS helps manage construction defects risk. If a Strata Scheme follows the maintenance regime a builder/supplier is unable to blame a failing assets on a Strata Schemes lack of appropriate maintenance.

CWFP (Capital Works Funds Plan)

A CWFP is designed to budget for non-recurrent (we define longer than 12 month frequency) maintenance costs to keep the building in the same condition as when first built. A quality CWFP take into account items based on Size or quantity of item, Rate to maintain/replace and Anticipated lifespan.

Be tailored to the building in other ways: Age, Type of construction, Environment, Construction technique, Recent sinking fund expenditure and Existing issues/defects (generally these need to be defined/ specified and quoted by a contractor to be accurately included). CWFP's are not engineering reports.

Why regularly update your CWFP?

Required for Strata Plans, Community Associations and Building Management Committees. *Section 80 of the Strata Schemes Management Act 2015* – requirement for 10 year CWFP to be in place. *Section 76 of the SSMA* - Allows funds transfer from admin to CWF.

Building costs fluctuate constantly. Factors include: Building Supply and demand – basic economics E.g. Disasters, Construction boom – other sectors affect this E.g. Mining and infrastructure, International demand – E.g. Dubai for labour & China for materials.

Latest stats – Building Price Index 107.71 2015 to 143.37 2022. A 33% increase.

Where it gets complicated.....

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Community Associations / Neighbourhood Schemes - *NSW Community Land Development Act 2021* allows for certain land in a Community scheme to be owned jointly by all the lot owners in the scheme. Strata titles are defined by the boundaries of the building rather than the land, with an area of common property for all residents, while community titles are defined by the lot boundaries and surveyed measurements.

Known as 'Association Property' it's everything that's shared by all the lot owners e.g. Landscaping / Lighting / Mailboxes / Signage, Roads / Curbing / Channeling, Bikeways / Footpaths / Security Gates, Recreational Facilities - Golf Course, Children's playground, Swimming Pool.

BMC (Building management Committees) are a mechanism to share the costs Where there are a mix of Strata Schemes types in a complex and occupants receive differing benefits from and may have defined areas of common property. E.g. Commercial Office, Residential Tower and Carpark in one complex.

Strata Management Statement Where part of a building is subdivided by a strata scheme or schemes.

An SMS will exist and contain a list of Shared Facilities to assist in the management and operations of the building. The Percentages are worked out by a QS and included in the SMS SF List

If the percentages are worked out unfairly a professional can provide an Allocations of Costs Report to re-assess them.

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