

Queensland Bodies Corporate

SINKING FUNDS

In Queensland the law regulating sinking funds can be found in the regulation module that applies to a particular body corporate. Most bodies corporate are regulated by the *Body Corporate and Community Management (Standard Module) Regulation 1997* (“**Standard Module**”), although, in relation to sinking funds, the provisions of all regulation modules are substantially the same. The content of the various regulation modules is authorised by the *Body Corporate and Community Management Act 1997*.

Under the regulation modules Sinking Funds are compulsory.¹ Bodies corporate are under a statutory duty to:

- Establish and keep a sinking fund
- Adopt, by resolution of a general meeting, a sinking fund budget each financial year.²

This sinking fund and its annual budget are in addition to their administrative fund and its annual budget.

The sinking fund is set up to cover:

- Spending of a capital or non-recurrent nature
- The periodic replacement of major items of a capital nature
- Other spending that should reasonably be met from capital.³

Budgeting for the sinking fund must be done over a period of at least 9 years after the year currently being budgeted for.⁴ In other words, the capital or non-recurrent requirements of the body corporate must be looked at over a 10 year period each financial year. This requirement has resulted in:

- The use of professional firms to undertake periodic sinking fund reserve studies on behalf of bodies corporate
- Significantly higher sinking fund contributions by lot owners
- Larger sinking fund reserves.

Despite this, many older buildings (particularly those situated in coastal areas) have had difficulty “catching up” from the years of neglect and under-budgeting that occurred when the laws relating to sinking funds were much more relaxed.

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¹ Section 100(1) Standard Module.

² Section 94 Standard Module.

³ Section 101(1) Standard Module.

⁴ Section 94(3)(a) of the Standard Module.