

RESERVE FUND PLANSTM

Insurance Valuations · WHS (Safety) Reports · Asbestos Reports

ABN 90 620 626 565

Independent Professional Reports

10 YEAR RESERVE FUND PLAN

DATE OF INSPECTION: 3 FEBRUARY 2022



SOUTHGATE, 472 CRAWFORD ROAD, DIANELLA :: SP8223



RESERVE FUND PLANS

WESTERN AUSTRALIA

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RESERVE FUND PLANSTM

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ABN 90 620 626 565

Independent Professional Reports

The Owners of Southgate, Strata Plan 8223
472 Crawford Road, Dianella

7 February 2022

Dear Owners,

RE: 10 Year Reserve Fund Plan - 472 Crawford Road, Dianella - Strata Plan 8223

Thank you for your instructions to provide a 10 Year Reserve Fund Plan for your strata scheme.

You will find that our Reports are easy to read and understand, however if you have any questions feel free to contact us directly.

Over 34% of all Strata Managers in Western Australia utilise Reserve Fund Plans to carry out various property compliance reports including the 10 Year Plan required under s102 of the Strata Titles Act 1985 and Regulation 77 of the Strata Titles (General) Regulations 2019.

As far as we know Reserve Fund Plans are the only company that provides a 10 Year Plan that complies with the legislation in Western Australia.

Our other services include:

- Asbestos Registers
- Building Insurance Valuations
- Common Property Safety Reports
- COVID-19 Plans
- Cladding Clearance Certificates
- Life Cycle Maintenance Reports

The above Reports, Plans and Certificates are carried out on all types of property including residential, retail, commercial, industrial, high rise, CBD, marinas, stratum, non-strata and others.

Contact your Strata Manager to engage Reserve Fund Plans to provide any of the above additional Reports, or alternately contact us if you have any questions on these Reports.

Congratulations, you now comply with the Strata Titles Act 1985 and the Strata Titles (General) Regulations 2019, in regard to obtaining a compliant 10 Year Plan from Reserve Fund Plans.

Your sincerely,



Wal Dobrow FAPI FRICS FREI REIV(Aust) CDP CPP CPV

Director



Specialist Strata Property Professionals

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Contents

Identification of Covered Items	3
Condition Report - Method and Reasoning	4
Condition Report - Estimated Lifespan.....	4
Payment Plan.....	5
Proof of our Recommendations	5
Assumptions.....	5
Recommendation - First Year Reserve Fund Contributions per lot	6
Graph - Reserve Fund Balance, Costs and Contributions.....	7
Method	8
Additional Comments.....	8
Recommendation.....	9
Points of consideration.....	9
Summary.....	10
The Legislation	11
Budget.....	11
Decisions made by the Strata Company about the Plan.....	11
Covered Items.....	12
Condition Report.....	12
Long Term Capital Items.....	12
Reserve Fund Plans compliance with the Legislation.....	12
General background comments	13
Explanation of a Reserve Fund Plan.....	13
Practical Approach.....	13
Benefit of a well prepared Reserve Fund Plan.....	13
Maintenance Plan v 10 Year Plan.....	13
Contractors and Consultants.....	14
Photographs.....	15

Annexure A - Annual Individual Lot Contribution over the 10 Year Plan

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COVERED ITEMS					Identification of Covered Items - 10 Year Reserve Fund Plan - Cost Estimates (includes GST)										Page 3	
10 Year Plan for:					The Owners of Southgate, Strata Plan 8223 - 472 Crawford Road, Dianella							Strata Plan:		SP8223		
Period covered by the Plan:					30 June 2022 to 30 June 2032							Plan prepared on:		7 February 2022		
					End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7	End of Year 8	End of Year 9	End of Year 10		
Ser- ial	*Covered Items	Current Cost	Approx year work required	Escalated amount	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32		
1	Structure															
2	Roof	\$22,000	10	\$34,165										\$34,165		
3	Long term capital items (see page 12)	\$5,000	10	\$7,765										\$7,765		
4	Appendages															
5	Common prop. doors + windows	\$2,500	7	\$3,402							\$3,402					
6	Common property lighting	\$1,700	2	\$1,821		\$1,821										
7																
8																
9	Converting to external downpipes	\$1,200	2	\$1,285		\$1,285										
10	Guttering + downpipes	\$3,500	9	\$5,201									\$5,201			
11	Distribution boards	\$1,800	8	\$2,560								\$2,560				
12	Timberwork	\$1,000	3	\$1,109			\$1,109									
13	Brickwork + seal brick mortar	\$2,600	9	\$3,864									\$3,864			
14	Other															
15																
16	Asbestos fencing (when broken)	\$2,500	5	\$2,969					\$2,969							
17																
18	Waterblast + silicone seal	\$900	8	\$1,280								\$1,280				
19	Outside															
20	External painting	\$14,000	3	\$15,522			\$15,522									
21	Utility services, cabinets, conduits	\$1,900	6	\$2,474						\$2,474						
22	Fences + gates	\$2,400	8	\$3,413								\$3,413				
23	Driveway + pavers + bollards	\$3,900	4	\$4,475				\$4,475								
24	Garden + reticulation	\$3,100	5	\$3,682					\$3,682							
25	Garbage bin area	\$2,200	6	\$2,865						\$2,865						
26	Trip or slip hazards	\$1,000	1	\$1,035	\$1,035											
27	Stormwater pits + pipes	\$850	6	\$1,107						\$1,107						
28	Car ports + awnings	\$3,500	7	\$4,763							\$4,763					
29																
30	Signage	\$800	3	\$887			\$887									
31	Mail boxes	\$750	4	\$861				\$861								
	Total Estimate (rounded)	\$79,100		\$106,506	\$1,035	\$3,107	\$17,518	\$5,336	\$6,651	\$6,446	\$8,165	\$7,253	\$9,065	\$41,930		

*Covered Items are the items as defined in regulation 77(1)(e) of the Strata Titles (General) Regulations 2019.

CONDITION REPORT	Condition Report - 10 Year Reserve Fund Plan - Method and Reasoning for the Costs Estimates (includes GST)			Page 4
10 Year Plan for:	The Owners of Southgate, Strata Plan 8223 - 472 Crawford Road, Dianella	Strata Plan:	SP8223	
Period covered by the Plan:	30 June 2022 to 30 June 2032	Plan prepared on:	7 February 2022	

Method and Reasoning						
Ser- ial	*Covered Items	Current Cost	*Approx year work required	Details of any maintenance, repair, renewal or replacement that is anticipated to be required in the period covered by the Plan	Current Condition or operating state	Estimated Lifespan after work carried out
1	Structure					
2	Roof	\$22,000	10	Contribution towards the repair of the roof	Average condition	15-20 years
3	Long term capital items (see page 12)	\$5,000	10	Contribution towards the repair of the long term capital items (see page 12)		More than 20 years
4	Appendages					
5	Common prop. doors + windows	\$2,500	7	Contribution towards the repair of the common prop. doors + windows	Average condition	5-7 years
6	Common property lighting	\$1,700	2	Contribution towards the replacement of the common property lighting	Average condition	3-5 years
7						
8						
9	Converting to external downpipes	\$1,200	2	Allowance for converting to external downpipes	Average condition	11-15 years
10	Guttering + downpipes	\$3,500	9	Contribution towards the repair of the guttering + downpipes	Average condition	11-15 years
11	Distribution boards	\$1,800	8	Contribution towards the upgrade of the distribution boards	Average condition	11-15 years
12	Timberwork	\$1,000	3	Allowance for the repair of the timberwork	Below average cond.	7-10 years
13	Brickwork + seal brick mortar	\$2,600	9	Contribution towards the maintenance of the brickwork + seal brick mortar	Average condition	7-10 years
14	Other					
15						
16	Asbestos fencing (when broken)	\$2,500	5	Allowance for the replacement of the asbestos fencing (when broken)	Average condition	11-15 years
17						
18	Waterblast + silicone seal	\$900	8	Allowance to waterblast + silicone seal	Average condition	5-7 years
19	Outside					
20	External painting	\$14,000	3	Allowance for the renewal of the external painting	Poor condition	7-10 years
21	Utility services, cabinets, conduits	\$1,900	6	Contribution towards the repair of the utility services, cabinets, conduits	Average condition	11-15 years
22	Fences + gates	\$2,400	8	Allowance for the repair of the fences + gates	Average condition	15-20 years
23	Driveway + pavers + bollards	\$3,900	4	Contribution towards the repair of the driveway + pavers + bollards	Below average cond.	7-10 years
24	Garden + reticulation	\$3,100	5	Contribution towards the renewal of the garden + reticulation	Average condition	5-7 years
25	Garbage bin area	\$2,200	6	Allowance for garbage bin area		7-10 years
26	Trip or slip hazards	\$1,000	1	Allowance for trip or slip hazards	Average condition	5-7 years
27	Stormwater pits + pipes	\$850	6	Contribution towards the maintenance of the stormwater pits + pipes	Average condition	7-10 years
28	Car ports + awnings	\$3,500	7	Contribution towards the repair of the car ports + awnings	Average condition	7-10 years
29						
30	Signage	\$800	3	Contribution towards the replacement of the signage	Average condition	5-7 years
31	Mail boxes	\$750	4	Contribution towards the repair of the mail boxes	Average condition	7-10 years
	Total Estimate (rounded)	\$79,100				

* This means the year after the Plan is prepared.

PAYMENT PLAN	Recommended Annual Reserve Fund Payment Plan and verification of our recommendations			Page 5
10 Year Plan for:	The Owners of Southgate, Strata Plan 8223 - 472 Crawford Road, Dianella		Strata Plan:	SP8223
Period covered by the Plan:	30 June 2022 to 30 June 2032		Plan prepared on:	7 February 2022

End of Year	Year Ending	Recommended Reserve Fund Payment (inc gst)	Annual % change in Reserve Fund Payment	Adjusted Reserve Fund Payment (increase/decrease)	Res/Fund Balance + Interest + Annual Res/Fund Payment	Costs in each year refer to the table above (page 3)	Reserve Fund Balance	Interest on the Reserve Fund Balance
A	B	C	D	E	F	G	H	I
					H+I+C		F-G	0.75%
							\$3,315	\$25
1	Jun-23	\$9,071			\$12,411	\$1,035	\$11,376	\$85
2	Jun-24	\$9,434	4.00%		\$20,896	\$3,107	\$17,789	\$133
3	Jun-25	\$9,812	4.00%		\$27,735	\$17,518	\$10,217	\$77
4	Jun-26	\$10,204	4.00%		\$20,498	\$5,336	\$15,162	\$114
5	Jun-27	\$10,612	4.00%		\$25,888	\$6,651	\$19,237	\$144
6	Jun-28	\$11,037	4.00%		\$30,418	\$6,446	\$23,971	\$180
7	Jun-29	\$11,478	4.00%		\$35,630	\$8,165	\$27,464	\$206
8	Jun-30	\$11,937	4.00%		\$39,608	\$7,253	\$32,355	\$243
9	Jun-31	\$12,415	4.00%		\$45,013	\$9,065	\$35,947	\$270
10	Jun-32	\$12,912	4.00%		\$49,129	\$41,930	\$7,198	\$54
11	Jun-33	\$13,428	4.00%		\$20,680		\$20,680	\$155

Note: some figures may be rounded

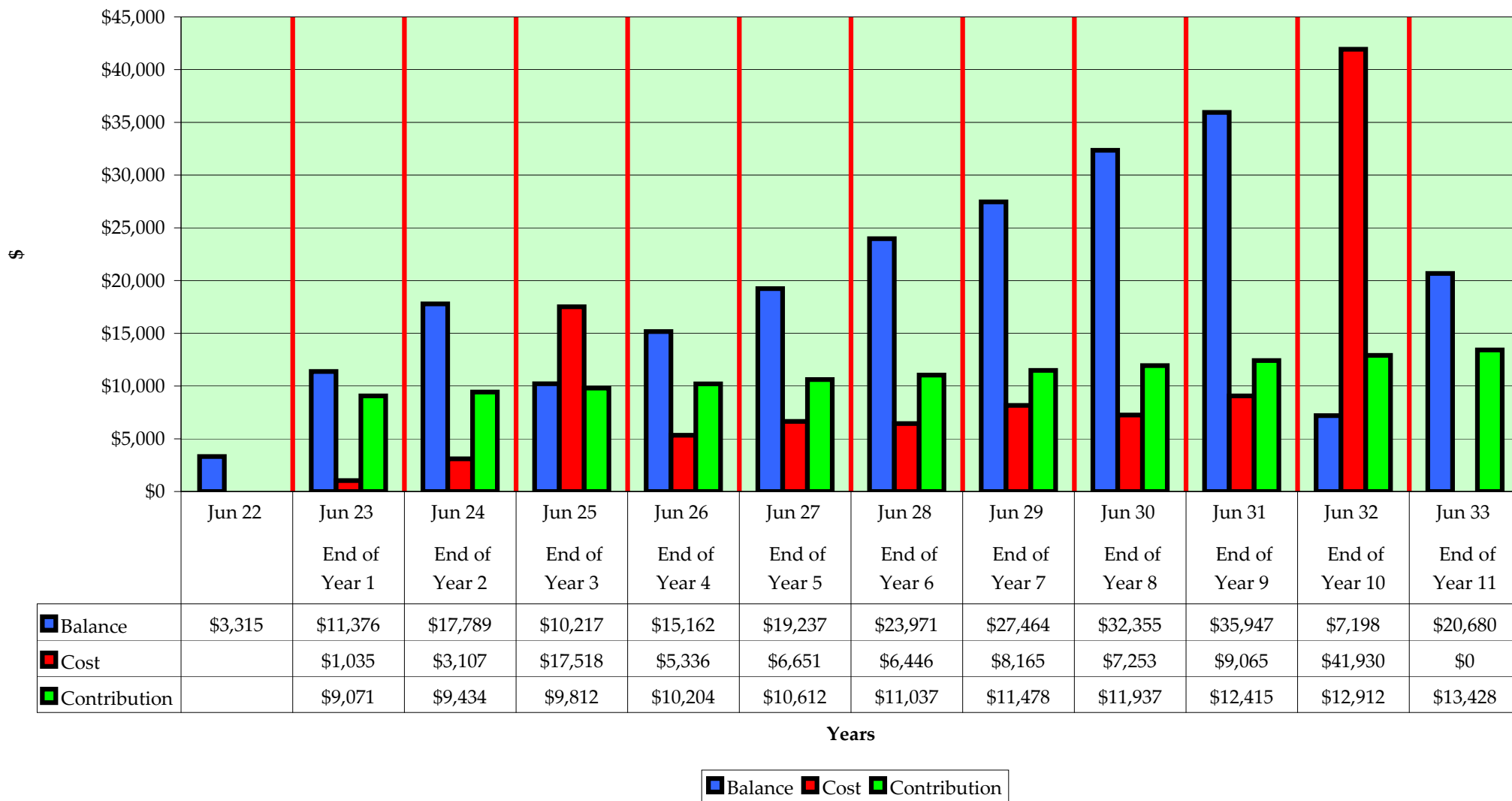
Assumptions		Our Recommendation of the Annual Reserve Fund Payments for the next 11 years is set out in the Table above. Column C (Recommended Reserve Fund Payment) may include Extra Costs Payments (positive adjustment) or reductions in the Recommended Reserve Fund Payment (negative adjustment) from Column E to ensure that the Reserve Fund Balance remains positive in each year. Column F includes the Reserve Fund Balance as at the end of the previous year plus any interest earned plus the Recommended Reserve Fund Payment for the current year. Column G sets out the Anticipated Expenses in each year. Column H is the Reserve Fund Balance which remains positive and proves our Recommendations are correct.
Base Annual Reserve Fund contribution for Capital Items	\$10,421	
Buffer (or adjustment to the base annual contribution)	-\$1,350	
Recommended Annual Fund Contribution (After Buffer) inc gst	\$9,071	
Current Annual Reserve Fund contribution (as instructed)	\$3,000	
Current Reserve Fund Balance (as instructed)	\$3,315	
Annual Reserve Fund Payment increase rate	4.00%	
Adopted Investment Rate after tax	0.75%	

RECOMMENDATION	First Year - Recommended Annual Reserve Fund Contributions for each Lot PER ANNUM			Page 6
10 Year Plan for:	The Owners of Southgate, Strata Plan 8223 - 472 Crawford Road, Dianella	Strata Plan:	SP8223	
Period covered by the Plan:	30 June 2022 to 30 June 2032	Plan prepared on:	7 February 2022	

Rate per U/E	Lot No	Unit Entitlem.	First Year Reserve Fund Payment PA
\$907.15	1	1	\$907
	2	1	\$907
	3	1	\$907
Total Unit Entitlement	4	1	\$907
	5	1	\$907
	6	1	\$907
10	7	1	\$907
	8	1	\$907
	9	1	\$907
Recommended First Year Reserve Fund Contribution	10	1	\$907
			\$9,071
			\$9,071

GRAPH RESULTS	Graph - Recommended Reserve Fund Contributions, Estimated Costs, Reserve Fund Balance - 10 Years			Page 7
10 Year Plan for:	The Owners of Southgate, Strata Plan 8223 - 472 Crawford Road, Dianella	Strata Plan:	SP8223	
Period covered by the Plan:	30 June 2022 to 30 June 2032	Plan prepared on:	7 February 2022	

10 Year Reserve Fund Plan



Method

The Method by which the estimated costs for the maintenance, repair, renewal or replacement of the Covered Items as set out in the 10 Year Plan were determined is set out below: See Regulation 77(1)(g). The assessments contained in this Plan have been calculated in accordance with the Strata Titles Act 1985 (Act), in particular section 100(2A), and the Strata Titles (General) Regulations 2019 (Regulations), specifically, Regulations 77 and 179.

The recommended Contributions are calculated from an amalgam of cost estimates and a single figure is provided for practical purposes from within a range of values and a combination of a range of estimates. Areas have been calculated from our on-site measurements of the external parts of the building or the subject Strata Plan. Building plans or building surveys should be provided if the Strata Company requires more accurate areas.

I have relied upon published Building Costs Guides and my extensive experience in costs assessment to determine the costs of maintenance, repair, renewal, replacement or upgrading of Covered Items and do not accept responsibility for any errors from the above providers of source data. The estimated cost in a future year is escalated from a today's cost to allow for the increase in building costs and normal uncertainty and risk over time.

The easily accessible areas of the property are physically inspected at the time of our inspection, and the Covered Items requiring maintenance, repair, renewal or replacement are identified, and then an estimated cost within the likely range of cost for that item is made having regard to quotes, costings from Building Costs publications, and using my over 30 years experience as a Valuer, and specialising in strata matters and 10 year Sinking and Reserve Fund Plans.

Additional comments

The property appears to be reasonably maintained for its age. I have made allowances for timberwork when showing signs of deterioration, brickwork including sealing brick mortar with Bondcrete when required, water blasting brickwork including pavers and silicone sealing to freshen their appearance to reduce mould and discolouration in the future, driveway repairs, more common property lighting (some of which can be as simple as solar gutter lights), a garbage area, replacement or treatment of any broken asbestos fencing, converting the internal downpipes to external downpipes in order to prevent the stormwater leakage into the eaves lining which causes mould, discolouration and other issues, upgrading the electrical boards with Residual Current Devices (kill switches) if needed, external painting renewal, maintenance and repairs to the roof, and other Covered Items of a capital (not recurrent) nature, amongst other things.

Recommendation

I consider that the existing Reserve Fund Balance is low, the Current Contributions are not sufficient and additional allowances should always be made for any unforeseen circumstances. I recommend that the Owners adopt as a minimum, the Reserve Fund Payments as shown.

Points of consideration

I have made the following allowances:

- contribution towards the repair of the roof, if required.
- contribution towards the repair of the long term capital items (see page 12), if required.
- contribution towards the repair of the common prop. doors + windows.
- contribution towards the replacement of the common property lighting in year 2, if required.
- allowance for converting to external downpipes in year 2.
- contribution towards the repair of the guttering + downpipes, if required.
- contribution towards the upgrade of the distribution boards.
- allowance for the repair of the timberwork in year 3, if required.
- in year 9, contribution towards the maintenance of the brickwork + seal brick mortar.
- in year 5, allowance for the replacement of the asbestos fencing (when broken), if required.
- allowance to waterblast + silicone seal, if required.
- allowance for the renewal of the external painting in year 3, if required. If performed regularly, repainting will prevent excessive preparation costs in the future.
- contribution towards the repair of the utility services, cabinets, conduits in year 6.
- allowance for the repair of the fences + gates. Where appropriate, at 50% of the cost in accordance with the Dividing Fences Act 1961.
- contribution towards the repair of the driveway + pavers + bollards in year 4, if required.
- in year 5, contribution towards the renewal of the garden + reticulation. The owners may wish to refresh and restore the landscaped areas.
- in year 6, allowance for garbage bin area, if required.
- allowance for trip or slip hazards in year 1.
- contribution towards the maintenance of the stormwater pits + pipes, if required.
- contribution towards the repair of the car ports + awnings.
- in year 3, contribution towards the replacement of the signage.
- in year 4, contribution towards the repair of the mail boxes, if required.

Note that this Reserve Fund Plan is only an estimate of what items may reasonably require maintenance, repair, renewal or replacement during the period covered by the Plan. There is no guarantee that a reasonable assessment of a future projection today may in fact come to pass. Additional items of capital repairs or replacement that are unforeseen at the time of preparing a Reserve Fund Plan may occur in the immediate future. This Reserve Fund Plan should be reviewed periodically to remove items that are no longer required and to add new items that are discovered.

Summary

The following annual Reserve Fund contributions are recommended at the dates shown below.

Year	Year Ending	Recommended Reserve Fund Payment (includes any Extra Costs payment)
1	Jun-23	\$9,071
2	Jun-24	\$9,434
3	Jun-25	\$9,812
4	Jun-26	\$10,204
5	Jun-27	\$10,612
6	Jun-28	\$11,037
7	Jun-29	\$11,478
8	Jun-30	\$11,937
9	Jun-31	\$12,415
10	Jun-32	\$12,912
11	Jun-33	\$13,428

For the recommended annual contribution for each Lot and for each year in the Plan see Annexure A.

Plan prepared by:



W. L. Dobrow FAPI FRICS FREI REIV(Aust) CDP CPP CPV

Licenced Valuer No. 44995 Western Australia - Unrestricted

Australian Property Institute - Certified Practising Valuer

Accredited Practitioner (Fire Safety) No F053119A

Suite 523, 1A Queen Street, Fremantle WA 6160

This Plan is for the use of the Strata Company and the Strata Manager to assist in determining budgets and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this Plan. Neither the whole nor any part of this Plan or any reference thereto may be included in any published document, circular or statement or published in any way without my written approval of the form and context in which it may appear. This Plan has been prepared on the basis of the instruction being for a 10 Year Plan for the Reserve Fund only and in order to satisfy the requirements of the Act and the Regulations, and for no other purpose.

A comprehensive Report including a 10 Year Reserve Fund Plan should be commissioned if a party requires a Report for another purpose or for use in litigation matters. I reserve the right to review or withdraw my Plan at any time. This Plan does not cover the structural condition of the property nor environmental contamination. This Plan does not identify or comment on the structural integrity (defect, pest or rot, etc), nor occupational safety and health, nor fire safety, nor council or building compliance in any respect (ie. flooding, cladding, building standards, etc) nor should it be construed as such.

The amounts shown on the Plan are a recommendation based upon my assessment of the likely expenditure on the Covered Items contained in the 10 Year Reserve Fund Plan, as requested by the Strata Company. The Strata Company is entitled to choose whatever Reserve Fund contributions they deem appropriate for their particular circumstances.

The Legislation

The Strata Titles Act 1985 was amended on 1 May 2020 and the Strata Titles (General) Regulations 2019 commenced operation on that date. The Act requires a Designated Strata Company to have a Reserve Fund and to prepare a 10 year plan.

A Designated Strata Company is defined as a strata company for a:

- a. strata company for a scheme with 10 or more lots, or
- b. strata company for a scheme that has a scheme building replacement cost of more than \$5,000,000, or
- c. strata company for a survey-strata scheme if the replacement cost of the improvements on the common property is more than \$5,000,000.

Section 100 of the Strata Titles Act 1985 states that any other strata company **MAY** establish a Reserve Fund, the purpose of which is to accumulate funds for contingent expenses of a non-routine nature and major expenses of the strata company likely to arise in the future.

Budget

The legislative purpose of a 10 Year Plan is to assist owners and a strata company in determining an appropriate annual budget for the reserve fund.

102. Budget (Strata Titles Act 1985)

- (1) *A strata company **must** prepare a budget for each financial year and submit it for approval to its annual general meeting.*
- (2) *The budget must be prepared -*
 - (a) *taking into account, if applicable, **the 10 year plan for the reserve fund** ; and*
 - (b) *in accordance with any requirements set out in the regulations and the scheme by-laws.*

I have called my Plan a **Reserve Fund Plan** because the 10 Year Plan is aimed at assisting owners to decide how much money to allocate to the Reserve Fund.

Decisions made by the Strata Company about the Plan

The Strata Company has instructed us to prepare the 10 year Plan on the following basis:

1. The Covered Items contained within the Plan are all of the items the Strata Company anticipates will require maintenance, repair, renewal or replacement in the period covered by the plan: see regulation 77(1)(e) of the Regulations.
2. The Covered Items contained within the Plan includes all of the items of value that form part of the common property or the personal property of the Strata Company that, in the opinion of the Strata Company, should be included in the Plan having regard to the maintenance, repair, renewal or replacement that it is anticipated will be required in the period covered by the Plan: see regulation 77(2) of the Regulations.
3. The Strata Company considers the way the items have been itemised separately or grouped together in the Plan as appropriate: see regulation 77(4) of the Regulations.
4. The Strata Company considers the information contained in the Condition Report within the Plan as the appropriate information for each Covered Item in accordance with regulation 77(6) of the Regulations.

Regulation 77 of the Regulations allows the Owners the discretion to choose or confirm the list of Covered Items scheduled within the 10 year plan provided, as well as the discretion to augment the Condition Report within the Plan with further details if they choose. These additional details for any Covered Item in a Condition Report include the installation, construction or acquisition date, the present condition, working or operating state, the date of last inspection, details of any anticipated maintenance, repair, renewal or replacement costs and future dates required, if the Owners so choose (see Regulation 77(2) and 77(6)). If the Strata Company or the Owners choose not to provide any of the above information, this Reserve Fund Plan is a 10 Year Plan that still complies with the Strata Titles Act 1985 and the Strata Titles (General) Regulations 2019.

When I prepare the 10 year Reserve Fund Plan, I already take into account the above details as best available, and the Owners may choose to add or amend the information provided within my issued Reserve Fund Plan. The benefit of this approach is the time saving for the Owners and the Strata Manager, as well as compliance with the legislation.

Covered Items

I take into account the list of Covered Items set out in Regulation 77(3) being the items of value of common property of the scheme and personal property of the Strata Company, as well as any other relevant items of value that should be included within the 10 year Reserve Fund Plan. The Owners may choose to add additional items and their estimate of the costs to repair, maintain, renew or replace those items. The additional items may include cladding rectification, building defects, the construction of improvements upon the common property such as a new pergola, garbage bin enclosure, landscaping upgrading, additional car parking and the like.

Condition Report

My 10 year Reserve Fund Plan includes a Condition Report which sets out the current condition of each item scheduled within the Plan, the expected lifespan once the item has been maintained, repaired, renewed or replaced, as well as the method and any assumptions used to determine the estimated costs in order to comply with Regulation 77.

Long Term Capital Items

My Long Term Capital Items comprises two broad components. (1) minor and small items that would not warrant a separate inclusion on the Plan ie hinges, glass window rollers or glass door rollers, seals, locks and similar fittings; and (2) contingency and larger long term items such as an allowance for improved fire rating between Sole Occupancy Units (BCA or National Construction Code term) if they may require upgrading, future structural improvements, ie sagging roof timbers in villas and townhouses, that would be beyond the 10 year plan but contributed as a user pays approach in the 10 years contained within the Plan. These items are typically reflected as an amount ranging between \$500 and \$750 per Lot, and on a more simplistic straight-line approach, it is \$50 to \$75 per lot for the 10 year Plan.

Reserve Fund Plans Compliance with the Legislation

In weighing up the above approach and analysis of the legislation, my Reserve Fund Plan complies with each relevant aspect of the Strata Titles Act 1985 and Strata Titles (General) Regulations 2019 relating to 10 Year Plans.

General background comments

The following comments and observations do not form part of the Plan and are only provided to assist the owners.

Explanation of a Reserve Fund Plan

Primarily the purpose of a Reserve Fund Plan is to determine the most practical and cost effective annual contribution for the reserve fund budget, and which covers the anticipated costs for the maintenance, repair, renewal, replacement or the upgrade of items of value that form part of the common property of the scheme and the personal property of the Strata Company for the 10 year period that the Plan covers.

Practical approach

My recommended contribution takes into account any of the 'Covered Items' scheduled under Regulation 77(3) that apply to the Strata Company as well any other relevant common property including personal property of a scheme, for example, lawnmowers, vehicles, computers, gardening or maintenance equipment and signage.

Benefit of a well prepared Reserve Fund Plan

The benefit of this change in strata legislation is that owners now know the extent of their common property assets, and the amount of money that should be budgeted to cover the cost of properly maintaining, repairing, renewing or replacing items primarily of a capital nature, rather than those costs and items of a routine nature.

My 10 year Reserve Fund Plan smooths out the cash flow lumps, and provides practical and useful recommended annual contributions for your Reserve Fund.

The benefit of a properly prepared and implemented Reserve Fund Plan is that it creates a form of forced savings plan on a user pays basis for the scheme that avoids or minimises irregular and unexpected special levies, and provides a pool of funds immediately available for the Strata Company to meet their legislative obligations to repair and maintain the common property.

10 Year Plan v Maintenance Plan

A Maintenance Plan is generally different to a 10 year Plan required under the Act, and will tend to schedule the cost of items such as the renewal of painting or roofing restoration after so much scheduled use. An analogy of a Maintenance Plan is getting your car tuned after so many kilometres or months of use. A Maintenance Plan is no different to the current circumstance for a Strata Corporation where large special levies are typically imposed upon owners in a scheme as a result of poor financial planning. For example, a Maintenance Plan for painting or other items may have no money required for years 1 to 4, and then have a large amount in year 5 for painting works, and then nothing for each of the following years, and that is all a Maintenance Plan provides.

A scheme that relies upon Maintenance Plans only is left with lumps of money required in various years, whereas a properly prepared 10 Year Plan will consider the Reserve Fund balance and make adjustments for reasonable and practical annual Reserve Fund contributions.

Contractors and consultants

Single tier strata schemes (typically villas and townhouses) may have consultants and contractors that provide maintenance servicing, testing, repairs and similar for common property services such as fire protection with hydrant tanks, pumps, piping, detection and alarm systems, external painting, roofing experts, landscaping and garden, waterproofing, stormwater drainage, plumbing, electrical, structural engineering (for retaining walls, foundations, masonry walls, roof support structures), and the like. Each of these servicing companies may be able to provide maintenance or servicing plans with more detailed estimates of the capital cost of maintaining, repairing, renewing or replacing common property items that are not of a routine nature, and these plans assist with informing some figures within a Reserve Fund Plan. In the absence of these figures I make an allowance towards these likely costs.

In addition, some schemes may have engaged engineers or fire or building consultants to make comment upon building defects or external combustible cladding, fire upgrading, and similar costs. All of these costs need to be allowed for in the budget. It really is impractical to have a building consultant inspect the property and list a series of items that need work carried out upon them, provide a cost estimate and then walk away. This sort of advice and situation leaves the Owners in exactly the same position they were in prior to the introduction of the strata reform legislation. That is, the Owners are still left with special levies when large items have not been allowed for nor saved in earlier years leading up to a major cost.

In contrast to the above, my 10 year Reserve Fund Plan is a practical budgeting tool that provides a saving plan approach that ensures that there is sufficient money in the Reserve Fund to pay for the estimated contingent costs to maintain, repair, renew, replace or upgrade each anticipated Covered Item.

COVID-19 effect on construction costs

There has been a **significant effect upon construction costs** throughout the world in general and upon the Australian market for building materials in particular. The key increases are timber and the flow on effect to steel framing and other products. There has been a consumption explosion due to people staying at home, the Australian government incentives for construction, labour shortages at timber mills due to stay at home orders, resource destruction (Australian bushfires caused a 40% loss of east coast timber in one year, Californian fires have had a similar effect, and Europe timber supply has been affected by the bark beetle), and coupled with the worldwide shipping crisis with significant increases in costs (400% in the USA), amongst other things.

In essence, consumption has surpassed the limited available supply. Obviously, I cannot predict the future effect of COVID-19 and the increases in construction costs as these are unknown, and as a result the Owners must make some further allowances beyond that already allowed for within this Plan.

Photographs







ANNEXURE A		Annual Individual Lot Contributions over the 10 Year Reserve Fund Plan (including GST)			
10 Year Plan for:		The Owners of Southgate, Strata Plan 8223 - 472 Crawford Road, Dianella			
Period covered by the Plan:		30 June 2022 to 30 June 2032			
		Strata Plan:		SP8223	
		Prepared:		7 February 2022	

End of Year		End of Year	End of Year	End of Year	End of Year	End of Year	End of Year	End of Year	End of Year	End of Year	End of Year	End of Year
1		2	3	4	5	6	7	8	9	10	11	
Lot No	Unit Ent.	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33
1	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
2	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
3	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
4	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
5	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
6	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
7	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
8	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
9	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
10	1	\$907	\$943	\$981	\$1,020	\$1,061	\$1,104	\$1,148	\$1,194	\$1,242	\$1,291	\$1,343
	10	\$9,071	\$9,434	\$9,812	\$10,204	\$10,612	\$11,037	\$11,478	\$11,937	\$12,415	\$12,912	\$13,428

Figures may be rounded