

# QUESTIONS RAISED OVER OUR LONG TERM MAINTENANCE FUNDS

Newsletter 7/2024



We are an independent group of residents and investors at Southport Central Residential who want to raise important issues about the management of our beautiful three tower complex.

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## **ABC brands Queensland body corporate law as 'the wild west'**



ABC TV Queensland recently screened a feature segment (see above) on the shortcomings of body corporate law in Queensland, branding it as 'the wild west'. We took part in the segment hosted by presenter/reporter Lexy Hamilton-Smith. Jessica Black wrote and posted an online version. Link: <https://tinyurl.com/3mdk4bzv> The problem is that, while body corporate law exists, it is often near impossible to enforce. And we have limited rights. We've been making representations to both sides of politics about this. At Southport Central Residential, it is difficult to obtain details of our body corporate's financial dealings, apart from annual statements. We can't easily see how our money is spent, or examine invoices to be sure money is used wisely, and our rights to documents are limited. We have to pay to access them. We can't get up spontaneously at meetings and ask questions, and hold discussions. We need to submit questions in advance and receive scripted answers at the end of the next body corporate committee meeting. There is no follow up discussion. This makes it hard not only to assess whether money is spent prudently, but importantly, it is hard to gauge the overall health of our finances - in particular, whether there will be enough money in our sinking fund over the next decade for the millions of dollars in maintenance that our big three towers will require. That includes sufficient funds for replacing nine lifts. Let's hope there will be enough in the kitty, because otherwise we could face special levies to make up any short fall. In the case of other buildings, those special levies have sometimes amounted to five figure sums. At the moment, we have to trust the committee that all is well, as we have little idea of how big those future maintenance costs will be. Have they done the sums? The last comprehensive report on our long-term maintenance needs was in 2018 - six years ago, and building, maintenance and material costs have skyrocketed since, mostly due to the pandemic and the scarcity of replacement parts, and inflation. We asked the committee about this report, called the sinking fund forecast. See below for the answer.

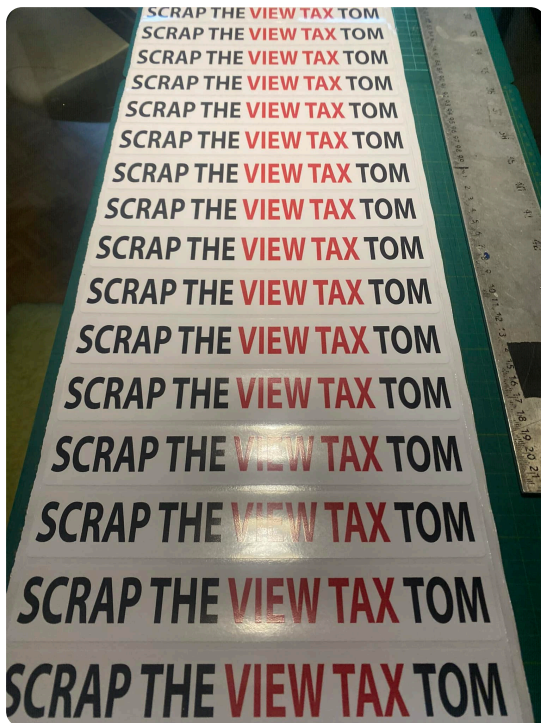
## **A merry Christmas to all owners**

Year 2024 has been tough for everyone, but that's no reason to shirk celebrations and climb into your shell. The Southport Community Towers Facebook Group has been

listing local community events and Christmas markets operating during the festive season. You can access the group, get the good oil (and join it) here: <https://tinyurl.com/3swjdunv>



## Scrap the View Tax car stickers



## Stickers galore

The caretaker's office on level three of tower one has kindly been stocking a supply of high-quality car stickers. They can adorn your car's back window or bumper if you feel as strongly about council's View Tax, as many of us do. After all, paying up to 50 per cent more in rates for the view you paid for anyway, when you brought your apartment, is more than unfair. This particular batch of stickers is free, so grab one while stocks last, and send a message to Mayor Tom Tait and his merry band of Gold Coast councillors.

## Will we have funds to meet our long-term maintenance needs?

Paying for long-term maintenance is possibly the biggest financial obligation a body corporate faces. It's where our sinking fund monies go. That obligation is even bigger for high rise buildings whose big-ticket replacement items include lifts, and

complicated air, electrical and water systems. Sure, we can meet those budgeting needs if there are sufficient funds. Without the money, owners face the grim prospect of special levies which, based on what's happened elsewhere, can be in the tens of thousands of dollars. It's obviously vital that levies are set to meet those obligations. But you must know how much money is needed in the first place. That's where a Sinking Fund Forecast report comes in. In the past, Southport Central Residential engaged Seymour Consultants to produce a 15-year projection of the maintenance needed and the money required. You can download the 2018 Seymour report here: <https://tinyurl.com/mpybddjr> . These projections were redone roughly every three years to keep the figures and maintenance requirements up-to-date. You may ask why we are making an old 2018 report available here? The answer is that 2018 is the last report commissioned. The body corporate committee confirmed to us at its committee meeting last week that this already six-year-old report is the most recent one available. "So the questions are, has there been any more recent sinking fund forecast commissioned and retained since 2018," said the chairman at the meeting. "The answer is 'No'." So there is no 15-year forecast more recent than the one produced in 2018. That is particular worrying given the massive rise in inflation and costs for building, maintenance, labour and materials/components. The pandemic also caused a widespread shortage of manufactured goods and parts across the world. Costs were reported as rising by more than 50 percent over that time. So those 2018 estimates are likely well and truly out of date. So how can the committee know, accurately, how much money is needed long term in the sinking fund without this information? We also asked whether the committee now relies on a different type of report/consultants

### Sinking Fund Contribution Summary

	Expected Expenses	Required Contribution	Sinking Fund Balance	Contribution Per lot P.A.
Year 0 - (2017)	\$0	\$0	\$4,953,075	\$0
Year 1 - (2018)	-\$1,958,392	\$1,040,000	\$4,135,551	\$33.47
Year 2 - (2019)	-\$868,059	\$1,081,600	\$4,457,819	\$34.81
Year 3 - (2020)	-\$2,291,144	\$1,124,864	\$3,373,827	\$36.20
Year 4 - (2021)	-\$1,141,730	\$1,169,859	\$3,487,004	\$37.65
Year 5 - (2022)	-\$1,021,998	\$1,216,653	\$3,773,701	\$39.16
Year 6 - (2023)	-\$1,720,695	\$1,265,319	\$3,401,283	\$40.72
Year 7 - (2024)	-\$916,684	\$1,315,932	\$3,895,544	\$42.35
Year 8 - (2025)	-\$1,344,985	\$1,368,569	\$4,017,107	\$44.05
Year 9 - (2026)	-\$1,319,076	\$1,423,312	\$4,224,376	\$45.81
Year 10 - (2027)	-\$1,039,682	\$1,628,269	\$4,933,288	\$52.41
Year 11 - (2028)	-\$2,811,179	\$1,693,399	\$3,910,895	\$54.50
Year 12 - (2029)	-\$1,890,718	\$1,761,135	\$3,875,845	\$56.68
Year 13 - (2030)	-\$3,139,977	\$1,831,581	\$2,631,635	\$58.95
Year 14 - (2031)	-\$1,194,110	\$1,904,844	\$3,425,929	\$61.31
Year 15 - (2032)	-\$3,498,436	\$1,981,038	\$1,956,245	\$63.76

for maintenance. The answer was that our caretaker, who is engaged by Mantra, manages maintenance tasks and this is addressed in caretaker's reports. Here is one: <https://tinyurl.com/csnvyrbj> But those reports, understandably, address current maintenance concerns, and don't obviously include 15-year financial projections. So the question is how does the committee know, accurately, how much sinking fund money needs to be stashed away and by when? There is also the issue of whether the body corporate adheres to the advice in the Seymour report anyway. It may be that the committee has dropped or is delaying certain maintenance items. We hope the

committee will update the sinking fund forecast with a new version containing a long-term projection of spending it will adhere to. And it should be open about this too. In the end, we don't want to be slowly drifting towards a large financial iceberg on the good ship Titanic, with nasty surprises in the form of expensive special levies.

## **Southport Central Residential Owners**

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