

Topic 4 - Administrative fund and sinking fund

The body corporate must establish and keep both an administrative fund and a sinking fund. All amounts received by the body corporate for the credit of the administrative or sinking fund must be paid into the body corporate's financial institution account (SM s146).

Funds must not be transferred between the administrative fund and the sinking fund (SM s146).

Revenue - Administrative and sinking fund (SM s146)

The body corporate must pay into its sinking fund:

- the contributions raised to cover anticipated spending of a capital or non-recurrent nature, periodic replacement of major items of a capital nature and other spending that should reasonably be met from capital;
- amounts received from insurance policies for the destruction of items of a major capital nature; and
- any interest received from investment of the sinking fund.

Any revenue the body corporate receives that is not required to be paid into the sinking fund must be paid into the administrative fund.

Expenditure - Administrative and sinking funds (SM s148)

The sinking fund may be used to pay for:

- spending of a capital or non-recurrent nature;
- the periodic replacement of major items of a capital nature; and
- other spending that should reasonably be met from capital.

All other expenditure must be paid from the administrative fund.

All payments from the administrative and sinking funds must be made from the financial institution account and may only be made on receipt of:

- a written request for payment, such as an invoice; or
- written evidence of payment, for example, a receipt (SM s146).

Reconciliation statements (SM s149)

If a body corporate manager is authorised to administer the body corporate's administrative or sinking fund or if the body corporate decides by ordinary resolution that reconciliation statements must be prepared, a statement must be prepared within 21 days after the last day of each month for each account kept for the fund showing the reconciliation of:

- the financial institution statement showing amounts paid into and from the account during the month;
- invoices and other documents showing payments into and from the account during the month.

The reconciliation statement must be prepared by a body corporate manager who is authorised to administer the fund or otherwise the treasurer.