



LookUpStrata

**FINANCIAL
CONTROL &
BETTER
BUDGETING
STRATA
SCHEMES'**

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WHAT ARE THE STATUTORY REQUIREMENTS FOR BUDGETING (S102)

A Strata Company must prepare a budget for each financial year and submit it for approval at their AGM.

- 10 Year Plan
- By - Laws
- Ordinary Resolution
- Varying a budget also requires an ordinary resolution. (except under section 91(2) which requires a special resolution.



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- Should not be copying of actuals from previous year
- Starts 12 months from EOFY
- Keep track of actual as % of budget
- Note known variances and impact events
- Note external influences – Contractual Increases, government policies

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BUDGET PREPARATIO N

ACCOUNT	ACTUAL	BUDGET	% OF BUDGET	NOTES
Utility - Electricity	\$ 136,578.69	\$ 34,300.00	398.19	offset sub billing income \$102,0000
Utility - Gas	\$ 120.02	\$ 500.00	24.00	
Utility - Phone Charges - Building Manager	\$ 236.96	\$ 1,092.00	21.70	
Utility - Water Consumption	\$ 35,191.74	\$ 37,994.00	92.62	Burst Pipe Leakage Allowance \$1250.00

COST REDUCTION

- Tender services regularly
 - Cheapest isn't always best
 - Short contracts where best
- Energy reduction and efficiency – start with audit
 - Solar
 - Home energy efficiency retrofits - LED lighting
 - Carbon abatement – Carbon credit units
 - Solar photovoltaic (PV) systems -reduced daytime reliance
 - Energy procurement –wholesale pricing
 - Design – building changes
 - Government Incentives
- Communication
 - Insurance – reduced risk can = reduced premium's
 - Negotiation
 - Organization to reduce call out costs.
- Maintenance
- Service frequency – e.g. sub billing
- Time of year makes a difference



STRATA COMPANY INCOME

- Common
 - Administration Fund
 - Reserve Fund
 - Interest
 - Status Certificates & Prescribed Fees
- Other
 - Energy Retailer
 - Common Area Lease
 - Common Area Usage Agreements
 - Phone Tower
 - Sustainable Energy Infrastructure
 - Laundry Collections





INCOME CONSIDERATION FOR BUDGET PREPARATION

- Proposed expenditure.
- Balance sheet / Cash flow
- Legislation & Environmental / 3rd Party Influences
- Ad Hoc collection from prior year



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Strata Levies (income received from owners) is considered mutual income

Income derived from any other source is considered non-mutual income

ATO Tax Ruling TR 1025/3 requires that non-mutual taxable income derived from the common property forms part of the lot owners taxable income as a % of their unit entitlement.

Tax summary's should be provided upon request by the treasurer or SC Manager.

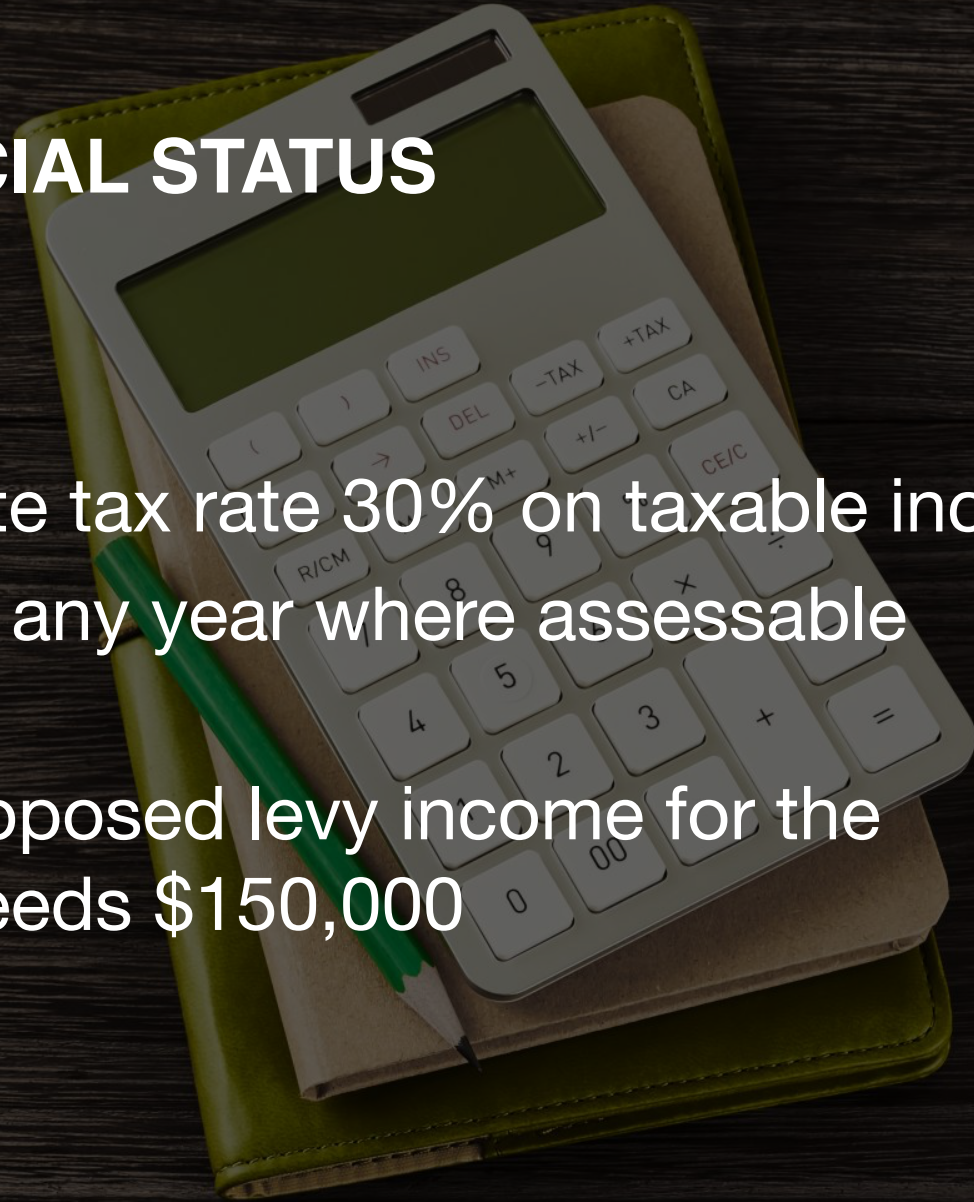
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MUTUAL OR NON-MUTUAL

“PRINCIPAL OF MUTUALITY – YOU CAN NOT PROFIT FROM YOURSELF”

STRATA COMPANY FINANCIAL STATUS

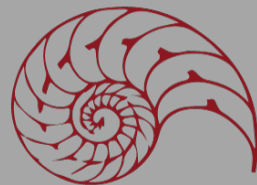
- Company taxed at corporate tax rate 30% on taxable income
- Submit company returns in any year where assessable income is \$1 or more
- Be GST registered if the proposed levy income for the proceeding 12 months exceeds \$150,000



FINANCIAL MANAGEMENT

- Monthly analysis against budget
- Approval requirements
- Know your Strata Company's responsibilities
- Arrears = Cash flow issues
- Have an operating balance
- Balance sheet is important
- Be aware of fraud

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