

## Smart Strata:

# The lowdown on strata levies

For most unit owners, the only contact with a strata manager is the strata levy notice. Generally sent quarterly, the levy sum can often appear quite hefty – begging the question, “What am I getting for my levies?”

The amount of levies paid by owners is decided at each annual general meeting of the owners corporation, by a majority vote. It is also based on the unit entitlements of each owner – the larger the lot, the greater the levy.

There are three types of strata levies - administrative, sinking and special.

### Administrative Fund

All lot owners in a strata scheme must pay administrative levies. These cover the day to day, regular expenses of the scheme, and are pooled into the Administrative Fund. They are usually collected by a strata management company, on the owners corporation’s behalf. The Administrative Fund covers such things as:

- » Cleaning of common areas such as entrances
- » Gardening
- » Utility bills for common use areas
- » Insurance premiums and excesses
- » Minor repairs and maintenance
- » Building valuations
- » Running costs of the Executive Committee
- » Auditing and tax return fees
- » Bank charges, GST and other taxes
- » Strata management fees (if not self-managed)

### Sinking Fund

All lot owners in a strata scheme must also pay sinking fund levies, with the exception of some two-lot schemes. These cover planned and unplanned expenditure on maintenance, replacement and repairs in the future, and are designed to alleviate any lack of funds for large-scale capital works, particularly on older buildings.

A healthy sinking fund allows a building to remain properly maintained, and adds resale value to all properties within.



Common property area gardening is paid for by levies from the Administrative Fund.

### Special levies

When there are significant or unexpected works that cannot be covered by the sinking or administrative funds, a special one-off levy will need to be raised. Examples could be a fire and engineering upgrade to a large building, lift replacement, or replacement of a driveway.

### Love your levy

Without levies, the owner’s corporation could be liable for huge legal claims where unrectified maintenance issues cause damage to person or property, a property would deteriorate and the lot owner’s asset would tumble in value. Strata levies are a necessary means of maintaining the safety, market value and enjoyment of a shared scheme for all owners.

For more information on levies contact your local BCS branch and speak to one of our Strata Managers.

BCS are the market leader in strata management in Australia, with branches from Port Douglas to Melbourne. Offering expert professional guidance and advice to owner’s corporations on all matters strata, BCS are backed by almost 40 years of industry experience.

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