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Sinking fund

A body corporate must have a sinking fund if is registered under the:

- Standard Module
- Accommodation Module
- Commercial Module
- Small Schemes Module.

Schemes registered under the Specified Two-lot Schemes Module do not need formal budgets. They may, though, agree on certain body corporate expenses to ensure good financial planning.

Money paid into the fund

A body corporate must have an administrative fund as well as a sinking fund (<https://www.qld.gov.au/law/housing-and-neighbours/body-corporate/finance-insurance/funds>). Money cannot be transferred between the funds. Money paid into the sinking fund includes:

- owners' contributions to the sinking fund
- interest received from the fund's investments
- money from insurance pay outs (for major, capital items that are destroyed or damaged).

Money spent from the fund

Money in the sinking fund can be spent on:

- big or one-off items, like painting or structural repairs to common property
- replacing major items, like common property fences or carpets
- other items that should reasonably be met from capital, like pool furniture.

Budgets

The body corporate must prepare a sinking fund budgets (and an administrative fund budget) each financial year. The sinking fund budget must:

- provide for necessary and reasonable spending for the financial year

- reserve an amount to meet likely spending for at least 9 years after the current financial year.

In the 10 year period, it must allow for:

- likely spending of a capital or non-recurrent nature (e.g. painting of a building)
- replacement of major capital items (e.g. replacing a boundary fence)
- other costs that should reasonably be met from capital.

The fund must decide the amount to be raised from contributions to cover the expected capital costs

See body corporate budgets (<https://www.qld.gov.au/law/housing-and-neighbours/body-corporate/finance-insurance/managing/body-corporate-budgets>) for more information.

Planning ahead

A body corporate needs to budget for major capital spending for the current financial year and the next 9 years. A body corporate may ask a professional to prepare a sinking fund forecast for it. However a body corporate does not have to get a professional sinking fund forecast. The committee or an owner can estimate the likely spending requirements. This is a matter for each body corporate..

Sinking fund investments

The body corporate can invest money from the sinking fund if it's not needed immediately. This is similar to the way a trustee can invest funds.

See *section 96(2)(b)* of the Body Corporate and Community Management Act 1997 (<https://www.legislation.qld.gov.au/view/html/inforce/current/act-1997-028>) for more information.

It is up to the body corporate to decide how to manage and invest its funds.

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