Condo Management Fund vs Sinking Fund: Read the Budget

Description

The management fund pays day-to-day recurrent expenses; the sinking fund is for long-term major expenditure such as repainting, upgrading and replacement of major equipment. A healthy-looking cash balance is not enough: owners should compare each fund with the works it is meant to cover and the contribution schedule approved at a general meeting.

condo management fund vs sinking fund: the decision table

Situation	What to do
Utilities, cleaning or insurance	Management fund
Repainting or major equipment replacement	Sinking fund
Large work exceeds planned reserves	Special contribution may be proposed
Low contribution with ageing assets	Ask for the long-term maintenance schedule

Read both income and commitments

A fund balance without committed contracts, arrears and upcoming works can mislead. Ask for the budget, audited statements and known capital programme.

Share value drives the usual allocation

BCA explains that contributions are generally worked out in proportion to share value. Compare the unitâ??s share value, not just a neighbourâ??s monthly payment.

A special levy is a signal, not automatically mismanagement

Unexpected failures or insufficient reserves can require extra contributions. The useful question is what changed, what alternatives were considered and whether procurement is supported.

Age the expensive assets

List lifts, faÃ§ade, roofs, pumps, pools, fire systems and mechanical equipment with last replacement and next expected work.

Check collection quality

Arrears can weaken cash flow even when approved contributions appear adequate. Review aged receivables and recovery action.

Worked example

A buyer compares two condos with the same monthly maintenance fee. Estate A has a five-year lift and repainting plan funded by its sinking balance. Estate B has ageing lifts but no costed schedule. The identical fee does not mean identical risk; the second estate has greater uncertainty and possible special-levy exposure.

Turn the example into a decision record

The worked example is useful only if its inputs are replaced with the readerâ??s actual dates, amounts, documents or observations. For this taskâ??judge whether current contributions match routine costs and foreseeable major worksâ??keep the decision and its supporting record on the same line. That exposes a missing input before the action becomes difficult to reverse.

Trigger or question	Current action	Evidence to retain
1. Utilities, cleaning or insurance	Management fund	Save the dated input, confirmation or advice that supports this choice.
2. Repainting or major equipment replacement	Sinking fund	Save the dated input, confirmation or advice that supports this choice.
3. Large work exceeds planned reserves	Special contribution may be proposed	Save the dated input, confirmation or advice that supports this choice.
4. Low contribution with ageing assets	Ask for the long-term maintenance schedule	Save the dated input, confirmation or advice that supports this choice.

Record where each answer came from and when it was checked. If a live service, signed document or professional opinion conflicts with a general webpage, preserve both and resolve the difference with the body responsible for the decision. Do not silently substitute a convenient number or date.

Action checklist

1. Obtain audited accounts
2. Separate the two funds
3. List committed contracts
4. Map five-year major works
5. Check contribution arrears
6. Read AGM resolutions
7. Stress-test a special levy

Two practical tools to keep

A two-fund budget classification table. Put the controlling dates, amounts or observations in one place and attach the evidence beside each input. This makes the decision reproducible if a family member, colleague or adviser needs to check it later.

A five-year capital-work and special-levy stress test. Test the ordinary case and the failure case before money, a filing or a booking becomes irreversible. Mark calculations as calculations and leave uncertain fields unresolved until an authority or qualified professional confirms them.

What the primary sources establish

Primary source	Claim used here
BCA Strata Management Guides	Management and sinking fund concepts and owner responsibilities.
BCA Concept of Strata Living	Examples of recurrent and long-term expenditure and special contributions.

The links sit beside the claims they support. Live services, formal notices and individual facts can change the outcome, so re-open the controlling page immediately before acting.

Continue with the next useful step

For the adjacent task, read how MCST approvals affect renovation. If the decision moves into a different stage, continue with the separate approved-plan check before purchase.

Errors that change the outcome

- Looking only at the monthly fee
- Adding both funds into one balance
- Ignoring arrears
- Assuming every special levy is avoidable
- Buying before reading AGM papers

Keep dated records, confirmations and advice used for the decision. This article explains public information for a general fact pattern; it does not determine an individual legal, tax, medical, investment, employment or contractual outcome.

A final challenge before acting

The intended reader is a condominium owner or buyer reviewing mcst accounts. Before closing the task, challenge the file against the common failure points below. A â??not applicableâ?• answer should still have a reason, especially where a deadline, eligibility rule, payment, booking or safety decision is involved.

- **Have you ruled this out?** Looking only at the monthly fee. Write down the fact or document that answers it; an assumption is not a completed check.
- **Have you ruled this out?** Adding both funds into one balance. Write down the fact or document that answers it; an assumption is not a completed check.
- **Have you ruled this out?** Ignoring arrears. Write down the fact or document that answers it; an assumption is not a completed check.
- **Have you ruled this out?** Assuming every special levy is avoidable. Write down the fact or document that answers it; an assumption is not a completed check.
- **Have you ruled this out?** Buying before reading AGM papers. Write down the fact or document that answers it; an assumption is not a completed check.

Escalate any unresolved consequential point to the named authority or an appropriately qualified professional. The aim is not to collect more material; it is to identify the one missing fact that could change the result.

Questions readers ask

Who decides contributions?

The MCST reviews and approves contributions through its general-meeting process.

Can sinking funds pay daily bills?

Their purposes are distinct; consult the Act and BCA guidance for the permitted use.

What should a buyer request?

Recent audited accounts, budgets, AGM minutes and major-work plans.

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