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## Reserve Fund Calculations



Article by  
**GUSTAV TAUTE**  
MG Taute Auditors

Minimum Reserve Fund Calculations in terms of the Regulations to the Sectional Titles Scheme Management Act 8 of 2011.

The Sectional Title Schemes Management Act (STSMA) 8 of 2011, stresses that one of the functions of a Body Corporate is to “establish and maintain a reserve fund in such amounts as are reasonably sufficient to cover the cost of future maintenance and repair of common property but not less than such amounts as may be prescribed by the Minister”.

Under the Sectional Titles Act (STA) 95 of 1986, owners in the scheme could determine the provision to be made for the reserve fund and determine increases, if any. However, the STSMA now places a statutory minimum contribution on schemes in accordance with what they currently have in their reserve fund.

The following rules apply in terms of STSMA regulation 2:

1. If the amount of money in the reserve fund at the end of the previous financial year is less than 25% of total contributions to the administrative fund for that previous financial year, the budgeted contribution to the reserve fund must be at least 15 percent of the total budgeted contribution to the administrative fund.

Year end 30/9/2017. Budgeted contributions R550,000.  
Previous year end 30/9/2016

Reserve fund 30/9/2016 R100,000.  
Total contributions 30/9/2016 R500,000.  
25% of the Total contributions of R500,000 is R125,000.

The reserve fund is thus less than 25% of the Total contributions of R500,000.

15% of the budgeted contribution to the administrative fund of 2017 must be budgeted for extra. (15% of R550,000, thus R82,500.)

The budgeted amount for the new year must be R550,000+R82,500 = R632,500.

2. If the amount of money in the reserve fund at the end of the previous financial year is equal to or greater than 100% of the total contributions to the administrative fund for that previous financial year there is no minimum contribution to the reserve fund.

Year end 30/9/2017. Budgeted contributions R550,000.  
Previous year end 30/9/2016.

Reserve fund 30/9/2016 R550,000.  
Total contributions 30/9/2016 R500,000.  
No extra amount.

The budgeted amount for the next year will be R550,000.

3. If the amount of money in the reserve fund at the end of the previous financial year is more than 25% but less than 100%

of the total contributions to the administrative fund for that previous financial year, the budgeted contribution to the reserve fund must be at least the amount budgeted to be spent from the administrative fund on repairs and maintenance to the common property in the financial year being budgeted for.

Year end 30/9/2017. Total budgeted amount R550,000. Budgeted amount for repairs and maintenance R100,000. (included)  
Previous year end 30/9/2016.

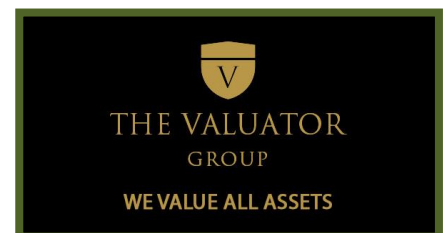
Reserve fund 30/9/2016 R150,000  
Total contributions 30/9/2016 R500,000.

25% of the contributions is R125,000. Therefore, more than 25% and less than 100%.

The budgeted amount for 30/9/2017 must be R550,000 plus R100,000 (maintenance and repairs).

Total amount of R650,000.

The objective is for every scheme to have at least one year's levy income / administrative or operational fund in their reserve fund. The administrative fund is simply your schemes budgeted expenses for 1 year, **excluding** the reserve fund contribution. 🏠



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 Presenters : Marina Constat (BBM Law Inc.), Suzanne Coppin (Coppin Attorneys), Christian Pretorius (HC Pretorius Inc.), Barend Engelbrecht (Curasure)  
 Email [namawest@nama.org.za](mailto:namawest@nama.org.za) for more information

**KwaZulu-Natal Region**

**16 November 2016** - Breakfast Seminar @ Westville Country Club, 1 Link Road, Westville  
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**24 November 2016** - Breakfast Seminar, Venue to be confirmed  
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 Speaker : To be confirmed  
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**Eastern Cape and Border Regions**

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 Presenter : Dave James  
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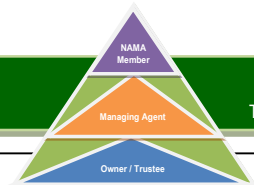
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