



NATIONAL ASSOCIATION
OF MANAGING AGENTS
SHAPING OUR PROFESSION

Frederik Nel

CEO - CURASURE



NAMA 2019 National Conference



10 Year Maintenance Plans

- What does it entail
 - How is the 10-year maintenance plan drafted
 - How will the 10-year maintenance plan be applied and managed

Presenter: Frederik Nel (Curasure)

Where do we stand

It is almost 3 years since the introduction of the Legislation and specifically the Maintenance Plan and Reserve Fund requirements.

**How are
we doing ?**

**Have you
found the
winning
recipe?**

**Are all
your
schemes
compliant?**

**What are
your
challenges?**

What is the size of the market and challenge?

BILL RAWSON

Chairman at Rawson Property Group
April 2017

- well over **700,000 sectional title homes**
- more than **6-million people**
- value of sectional title property at around **R665bn**

CSOS

ANNUAL REPORT 2017/2018

The information obtained from Deeds Office indicates that there is a total of **76 677 registered Sectional Titles** in South Africa.

Between 01 April 2017 to 31 March 2018, a total of **17 446** of community schemes were **registered**

The total number of Sectional Titles registered with the CSOS is 20 969 with the remainder of **56 705 not registered** with the CSOS.

The total registered with CSOS represent **27,7%** of total Sectional Titles Schemes in South Africa.

What is the size of the market and challenge?

Number of schemes - 76,000



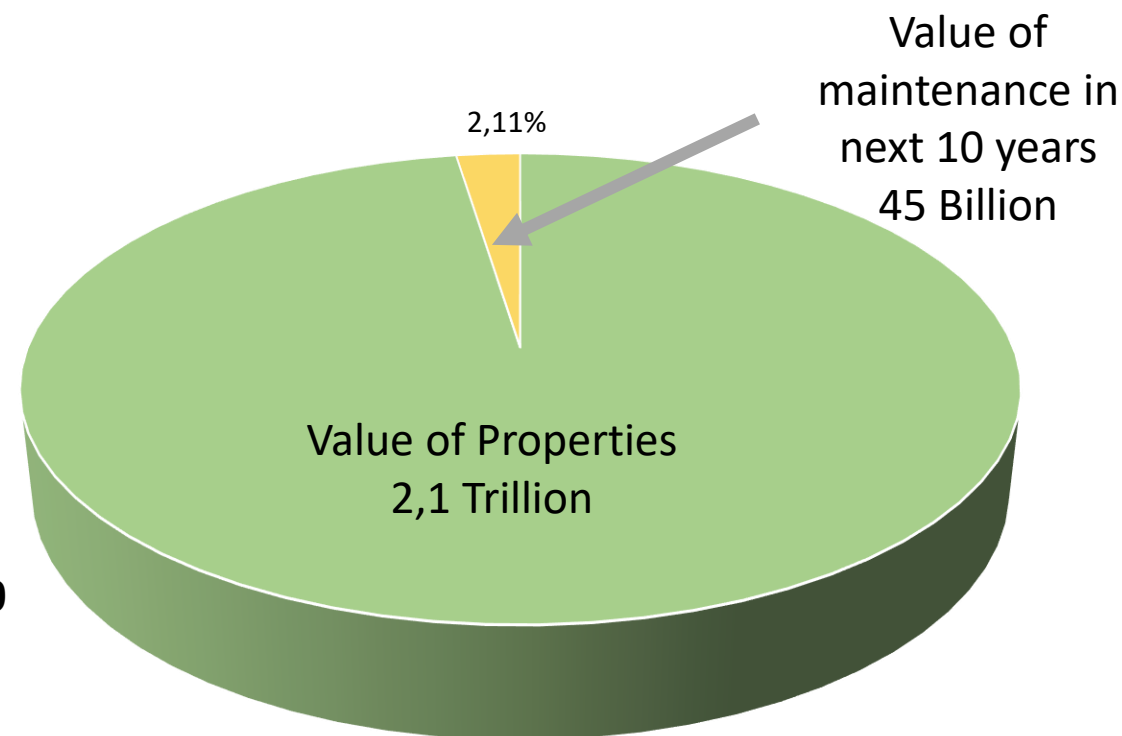
Number of Sections (30 ave) – 2,280,000

Number of residents (3 ave) - 6,840,000

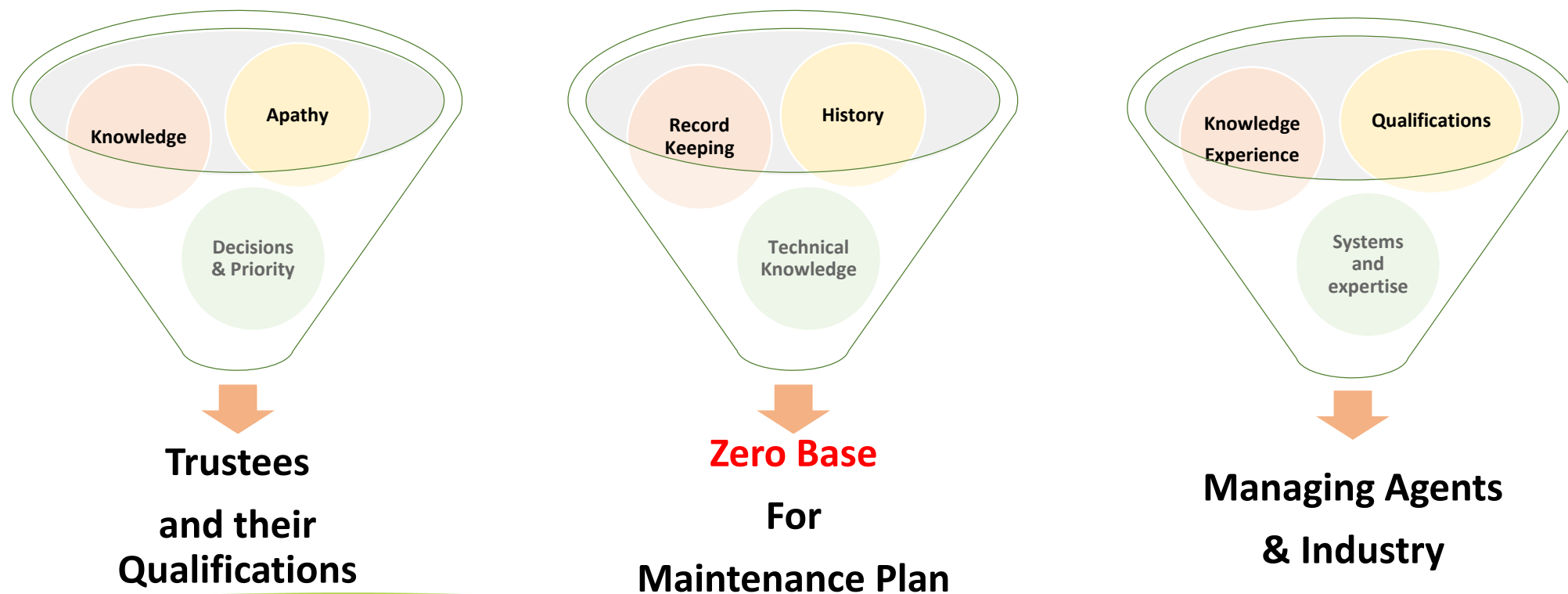
Value of Property (950,000) - 2,166,000,000,000

Maintenance spend in next 10 years (20k per unit) - 45,600,000,000

MA yearly fees at R95 / month - 2,599,000,000



Challenges



What does it entail = What is our understanding?

- Maintenance Plan (MRRP)
- 10-Year Forecast
- Separate Budget
- Separate Bank Account
- Accounting and Records
- Funding and Contributions
- Annual review and presentation at each AGM



No Legal stuff today,
Speaking to experts

What does it entail = Why should we maintain?

- To protect the Asset Value – Our Investment
- Managing the cost of maintenance over life of asset
- Arresting of failures
- Preventing of failures and degradation / increased long-term costs
- Increased value of well-maintained asset (a healthy community !)
- It is a fiduciary requirement in Law due to the fact that we manage buildings and infrastructure on behalf of the entire community and investors



What does it entail = Which property would you invest in?



What does it entail = Which property would you invest in?

OR

What does it entail = Same Building?



What does it entail = Which property would you invest in?

If you want to **measure what you value**,
or wish to protect,
look at your budget,
and you'll know where the value is positioned.

What does it entail = What are we maintaining?

Communities

Where people celebrate
birthdays

Their first property



The safe place where parents
let their kids play

Where friends meet

The place they call
HOME

What does it entail = What are we maintaining?

- Common Property
- Building structurers – the Building Envelope
- Freestanding structures (Carports, boundary, etc.)
- Infrastructure (Roads, dams, etc.)
- Services / Systems (Electrical, Plumbing, Security, Solar etc.)
- Plant and machinery (Lifts, Generators, etc.)
- Consumption / use and needs (Energy, Water, Waste, sustainability, etc.)



What does it entail = What are the categories of maintenance?

- Re-active maintenance
- Planned maintenance
- Pro-active maintenance
- Day-to-day (ongoing) maintenance
- Capex / replacement
- Emergency repairs (unplanned sudden event)



**IMPORTANT
NOTICE**

What does it entail = What is the ideal maintenance scenario?

- Full sight and records of past maintenance
- Detailed past record of maintenance per item and category
- Accurate assessment of current condition (Technical assessment)
- Breakdown of requirements, per item and maintenance category
- Projections for current and planned maintenance, per item & category
- A Marriage between technical and financial requirements presented on a projected time-line

ZERO BASE



What does it entail = it is three distinctly different boxes

Maintenance Category

- Common Property
- Building structurers – the Building Envelope
- Freestanding structures (Carports, boundary, etc.)
- Infrastructure (Roads, dams, etc.)
- Services / Systems (Electrical, Plumbing, Security, Solar etc.)
- Plant and machinery (Lifts, Generators, etc.)
- Consumption / use and needs (Energy, Water, Waste, sustainability, etc.)

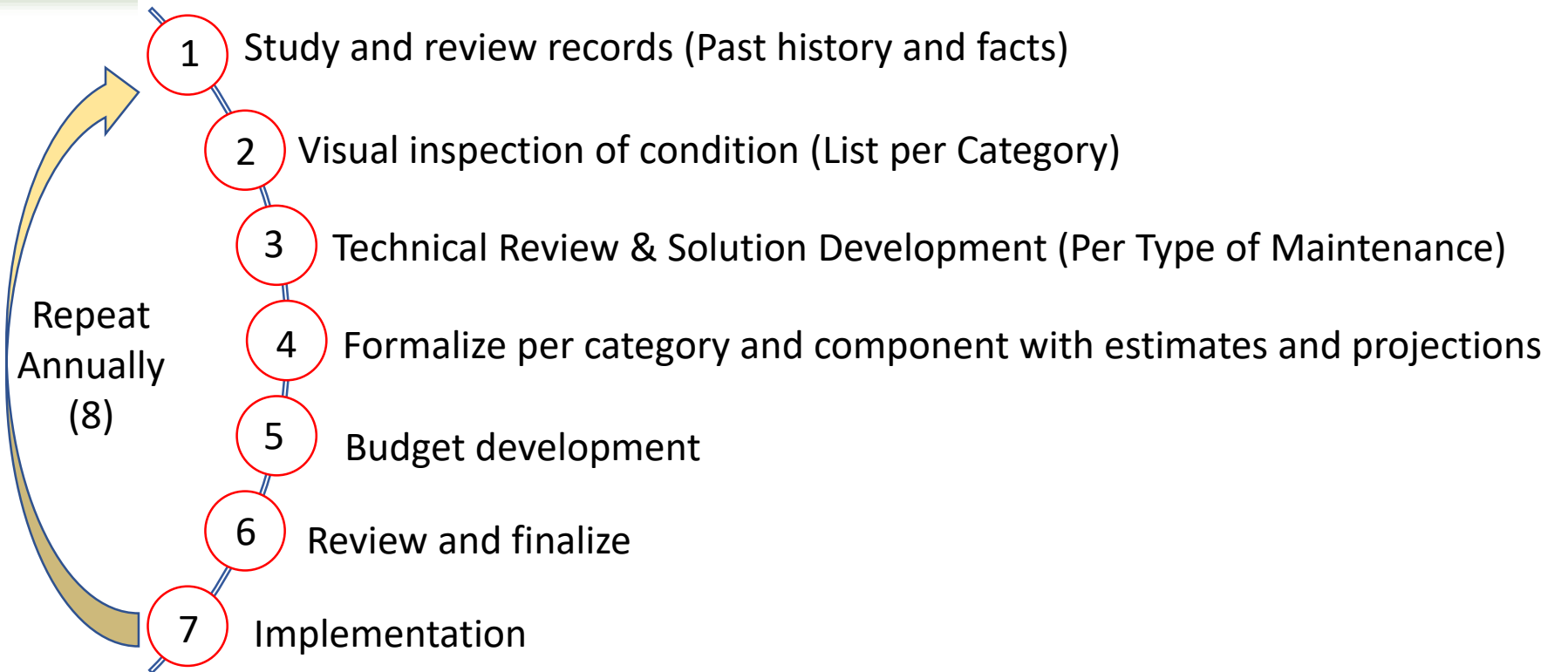
Type of Maintenance

- Re-active maintenance
- Planned maintenance
- Pro-active maintenance
- Day-to-day (ongoing) maintenance
- Capex maintenance / replacement
- Emergency repairs (unplanned sudden event)

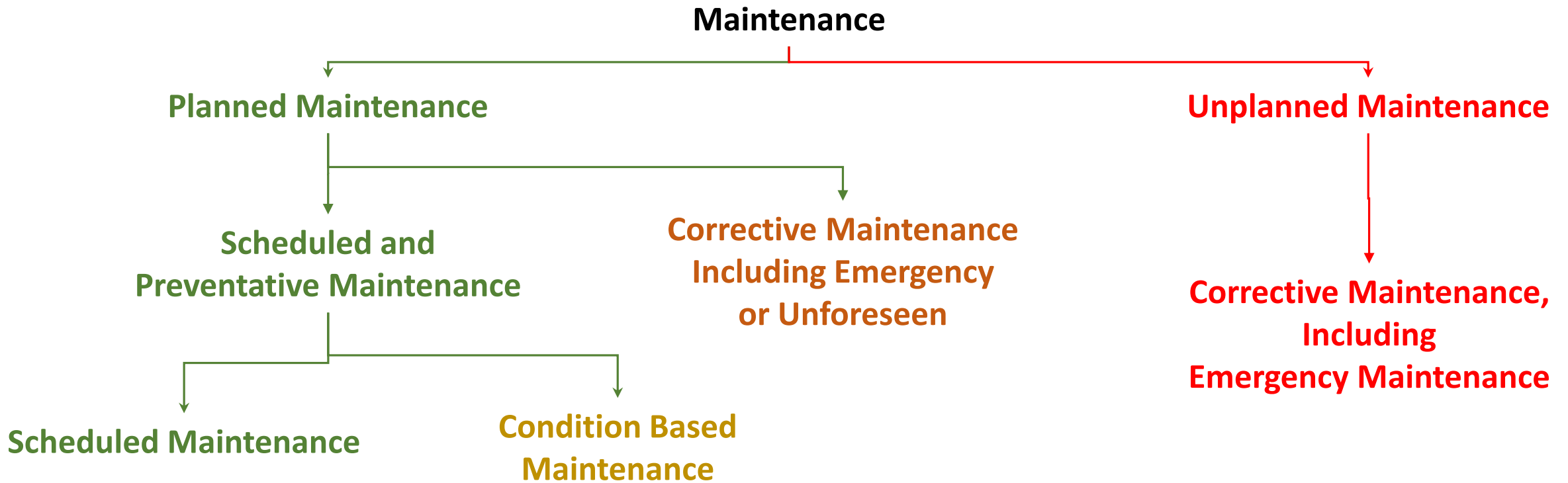
Planning for Maintenance

- Separate Maintenance Categories
- Identify and list items per Category
- Determine type of maintenance required
- Review Current Condition
- Evaluate and estimate
- Breakdown per category, items and type of maintenance being planned for

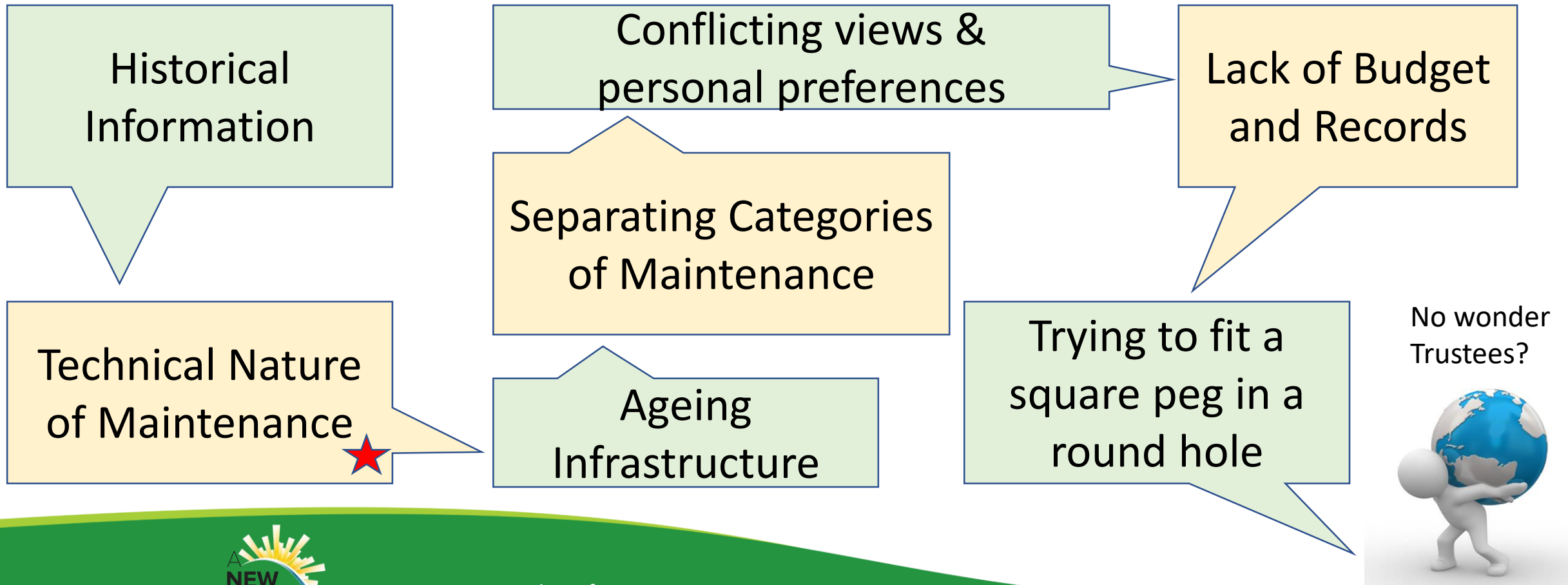
What does it entail = What is the ideal maintenance scenario?



What does it entail = Maintenance Matrix



What does it entail = Technical challenges?



What does it entail = Making it achievable?

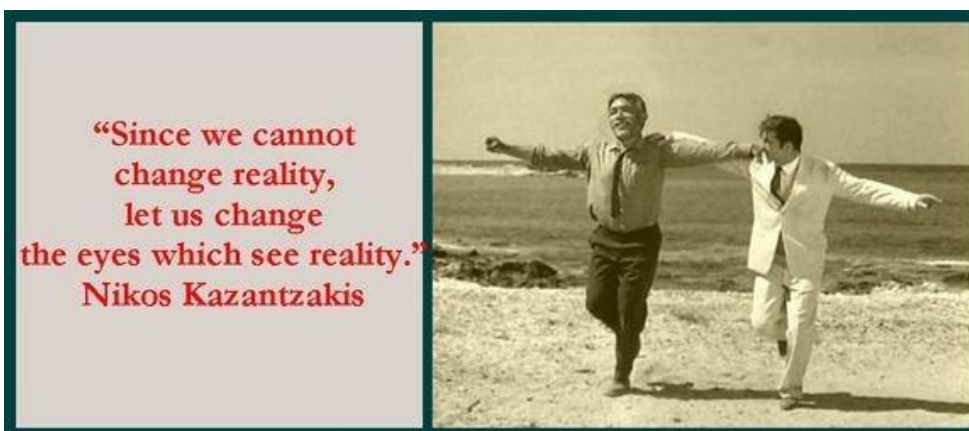
Is it not our duty and responsibility to make it easier and more achievable for trustees?

What are the solutions we are presenting to Trustees?

Do we have a step by step process to guide the trustees?

Life is just easier in 3's?

Let's take a practical approach



10-year maintenance plan = Before we start - List of items per Category

Category A – Building Envelope and Freestanding structures

Roofs / Walls / Windows / Carports / Boundary walls / etc.

Category B – Ongoing and day-2-day

Plumbing / Electrical / Swimming Pool / Gate Motors etc.

Category C – Speciality and Unqualified

Roads / Lift Replacement / Mechanical / Replacement / etc.



10-year maintenance plan = Step 1 Planned maintenance

Category A – Building Envelope and Freestanding structures

Sample BC				Current	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Area	Condition	First Cycle	Frequency of cycles	Estimate	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
ROOFS (Tiled)	FAIR	2020	5	50 000	50 000	-	-	-	-	50 000	-	-	-	-	100 000
EXTERNAL FACADES (Painted)	FAIR	2021	7	200 000	-	200 000	-	-	-	-	-	-	200 000	-	400 000
WINDOWS & DOORS (Wood)	FAIR	2021	3	30 000	-	30 000	-	-	30 000	-	-	30 000	-	-	90 000
CARPORT STRUCTURES (Shade-net)	FAIR	2020	5	15 000	15 000	-	-	-	-	15 000	-	-	-	-	30 000
BOUNDARY AND FREE-STANDING WALLS (Painted)	FAIR	2021	4	40 000	-	40 000	-	-	-	40 000	-	-	-	40 000	120 000
GENERAL (Metal, wood, gates)	FAIR	2021	3	15 685	-	15 685	-	-	15 685	-	-	15 685	-	-	47 056
Contingency (10%)				35 069	6 500	28 569	-	-	4 569	10 500	-	4 569	20 000	4 000	78 706
TOTAL				385 754	71 500	314 254	-	-	50 254	115 500	-	50 254	220 000	44 000	865 762

10-year maintenance plan = Step 2 Day-2-day maintenance

Category B – Ongoing and day-2-day

ONGOING AND DAY-2-DAY	Last years spend	Future maintenance	Approved budget
ENTRANCE & ACCESS			
Entrance Gates, Gate Motors, Booms, Access Control, Security Systems and Guardhouse	9 600		10 272
ROAD SURFACING & TRAFFICABLE AREAS			
Paving	6 500		6 955
SWIMMING POOL AND CLUB HOUSE			
Swimming Pool and Pump	30 000		32 100
ELECTRICAL			
Electrified Fencing	3 500	25 000	3 745
Electrical Installations	5 000		5 350
PLUMBING			
Reticulation and Plumbing	36 000		38 520
Water-Tanks or Pump Systems	12 000		12 840
Fire Lines	3 500		3 745
SURFACE DRAINAGE AND / STORM-WATER SYSTEMS			
Surface Drainage And / Storm-Water Systems	-	30 000	-
GARDENS AND LANDSCAPING			
Gardens & Landscaping	42 000		44 940
OTHER & GENERAL			
Satellite and Arial Installations	-		-
Fire Equipment & Servicing	4 500		4 815
Pest Control & Rodent Traps	5 500		5 885
SPECIALIST ITEMS			
Lifts - Yearly service contract	30 000		32 100
Total	188 100	55 000	201 267

**Administrative / Operational
Budget ?**

10-year maintenance plan = Step 3 Identify specialist items

Category C – Speciality and Unqualified

SPECIALIST ITEMS	Last years spend	Future maintenance	Approved budget
Lifts - Future maintenance or replacement	-	750 000	-
Installation of water-meters		79 000	
SPECIFIC PROJECTS			
Replacement of Pergolas (options other than wood)	-	25 000	-
Total		854 000	

Action Items:

Get lift survey report
Investigate compliance of electrical installations
Investigate options for pergolas
Swimming-pool = When is re-lining due?

**In other words: If you don't know – then say:
“I don't know or I have insufficient information”**

It's better than
not knowing
what you
“don't know”



How will it be applied and managed

Let's start by dealing with the elephant in the room

Accruals

What are **accruals and provisions**?

'accrual':

Revenue that has been earned but payment has not been received

Business expenses that have been incurred but not yet paid

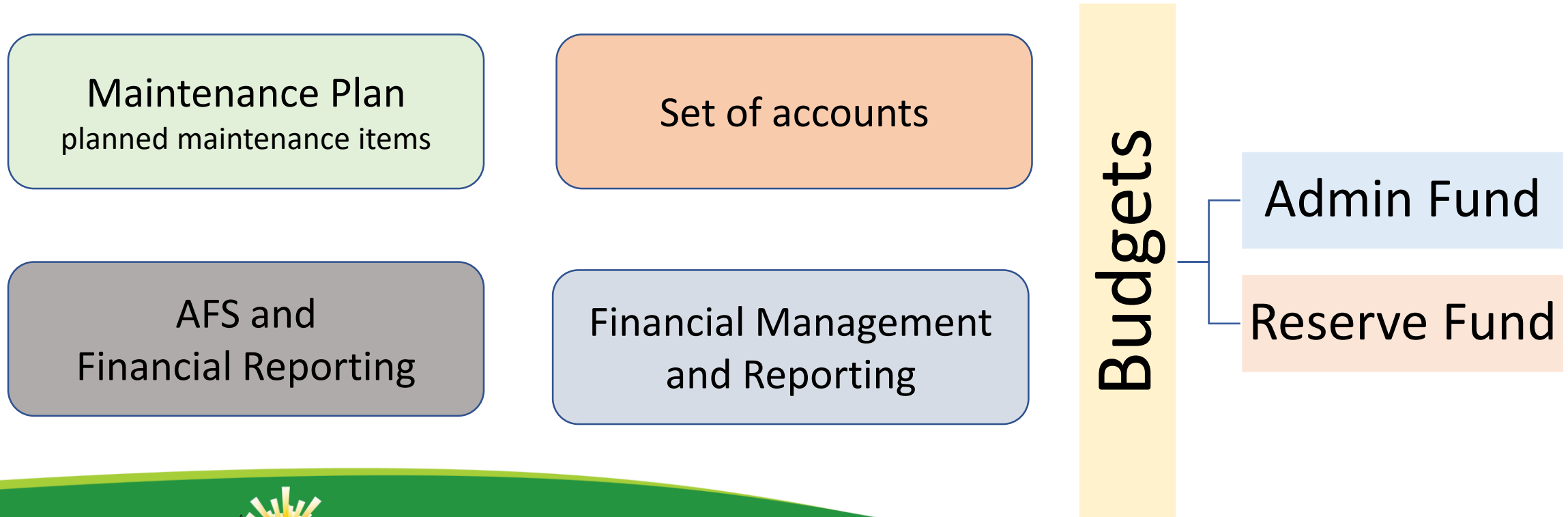
Provisions, meanwhile, are savings that should be put to one side to cover future expenses, potential liabilities, and imminent losses from pending transactions.

Escalations

Increase in price,
especially due to
inflation.

How will it be applied and managed - Understanding the relationship

Now let's understand the relationship created in our Act



How will it be applied and managed - Understanding the relationship

What is our interpretation:

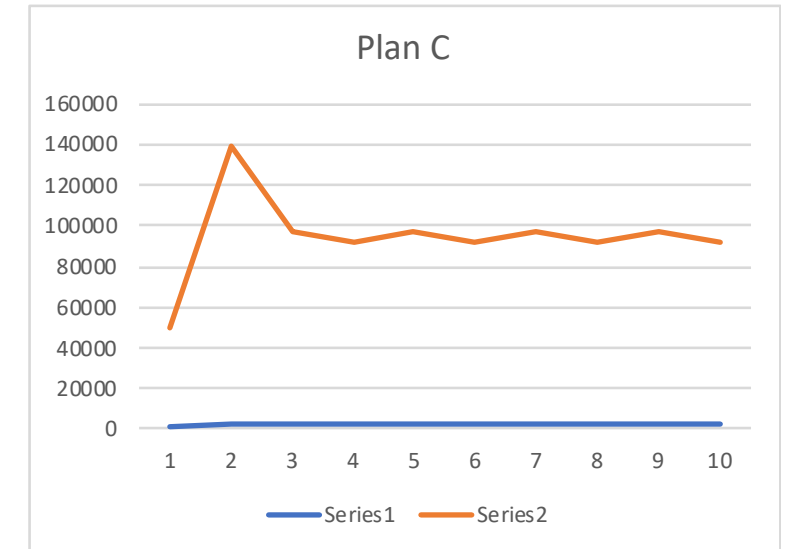
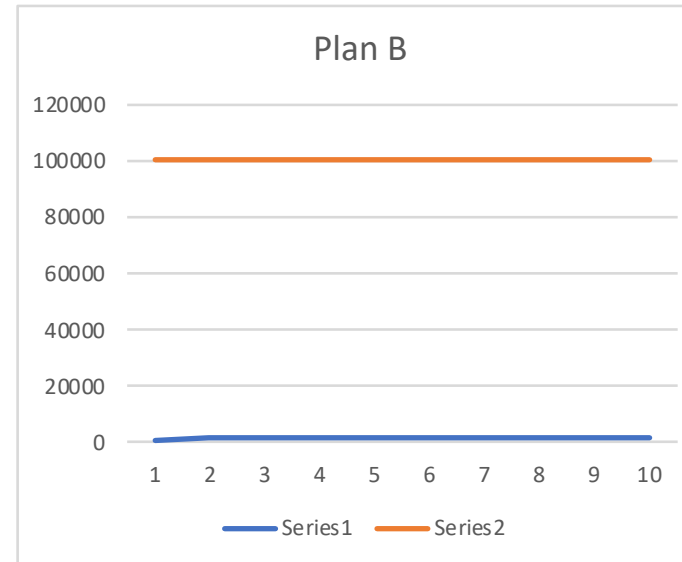
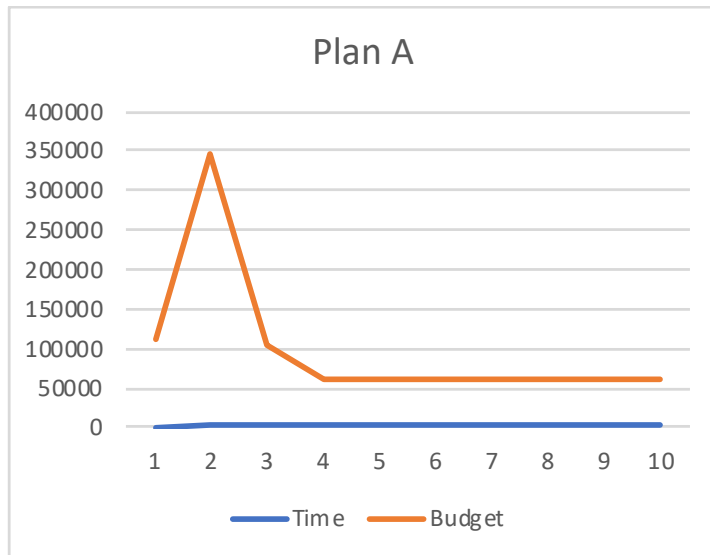


A practical approach aligned for prudent and planned management, within the parameters of the Act:

Accruals, provisions and escalation is an accounting & Budget Function, and is not required in the Maintenance Plan

Base info												
Last Fin year Admin Fund	750,000	Opening Balance	120,000	161,000	192,425	296,129	358,351	370,320	317,042	379,264	391,233	233,455
Closing balance Reserve Fund	120,000	Min Requirement	112,500									
Budget for Day-2-Day in next Budget	205,000	Required from Plan	71,500	314,254	-	-	50,254	115,500	-	50,254	220,000	44,000
Minimum Requirement for RF	187,500	RF budget for approval	112,500	345,679	103,704	62,222	62,222	62,222	62,222	62,222	62,222	62,222
		Spent	71,500	314,254	-	-	50,254	115,500	-	50,254	220,000	44,000
		Closing Balance	161,000	192,425	296,129	358,351	370,320	317,042	379,264	391,233	233,455	251,677

How will it be applied and managed - Funding the Plan



Let's see how Guy can take us through the minefield of AFS, budgeting and planning ahead !!!

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ROOFS (Tiled)	FAIR	2020	5	50,000	50,000	-	-	-	-	50,000	-	-	-	-	100 000
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BOUNDARY AND FREE-STANDING WALLS (Painted)	FAIR	2021	4	40,000	-	40,000	-	-	-	40,000	-	-	-	40,000	120 000
GENERAL (Metal, wood, gates)	FAIR	2021	3	15,685	-	15,685	-	-	15,685	-	-	15,685	-	-	47 056
Contingency (10%)				35,069	6,500	28,569	-	-	4,569	10,500	-	4,569	20,000	4,000	78 706
TOTAL				385,754	71,500	314,254	-	-	50,254	115,500	-	50,254	220,000	44,000	865 762
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				Spent	71,500	314,254	-	-	50,254	115,500	-	50,254	220,000	44,000	
				Closing Balance	161,000	192,425	296,129	358,351	370,320	317,042	379,264	391,233	233,455	251,677	
Add specialist items															
Lifts					750,000.00										
Reticulations					2,000,000.00										
Tennis Court					1,000,000.00										

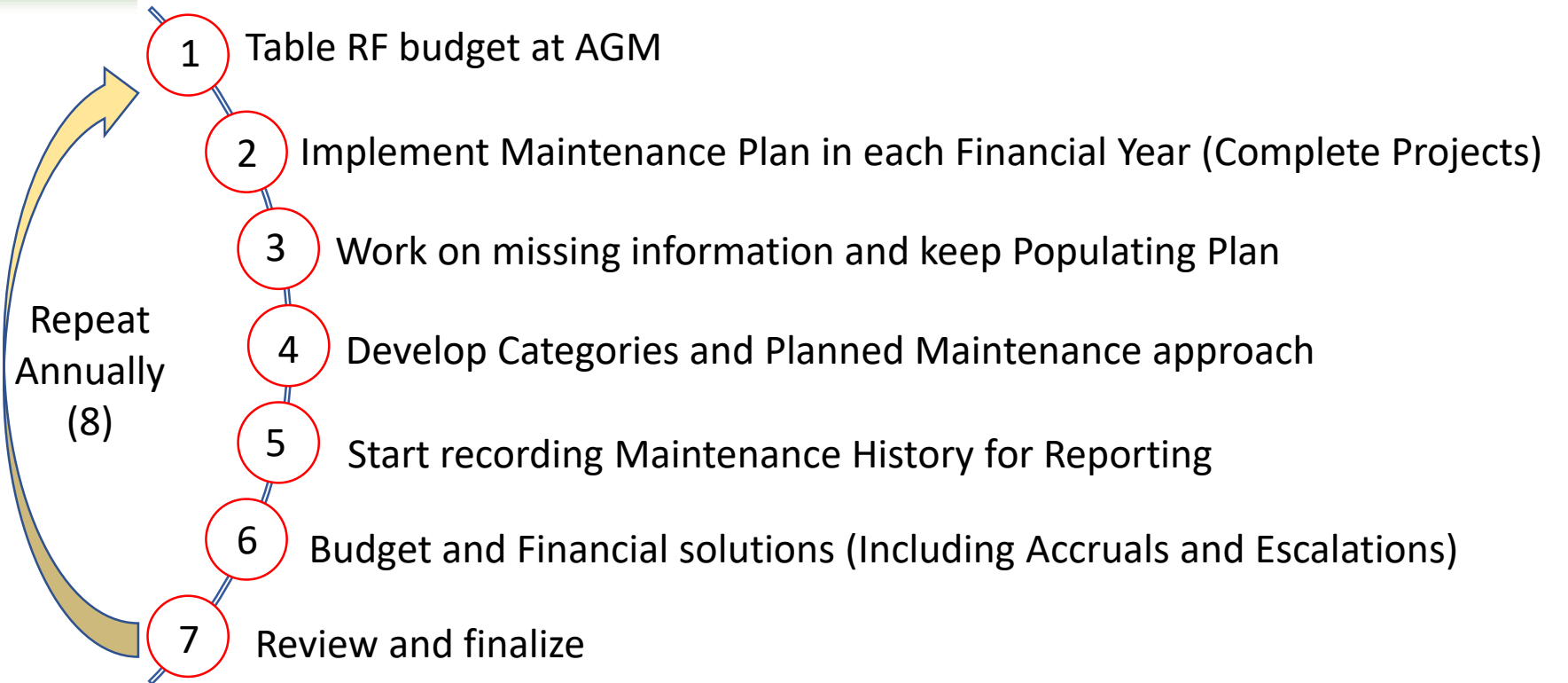
Start planning for specialist items

Complete investigations and get facts

Start funding model

What does it entail

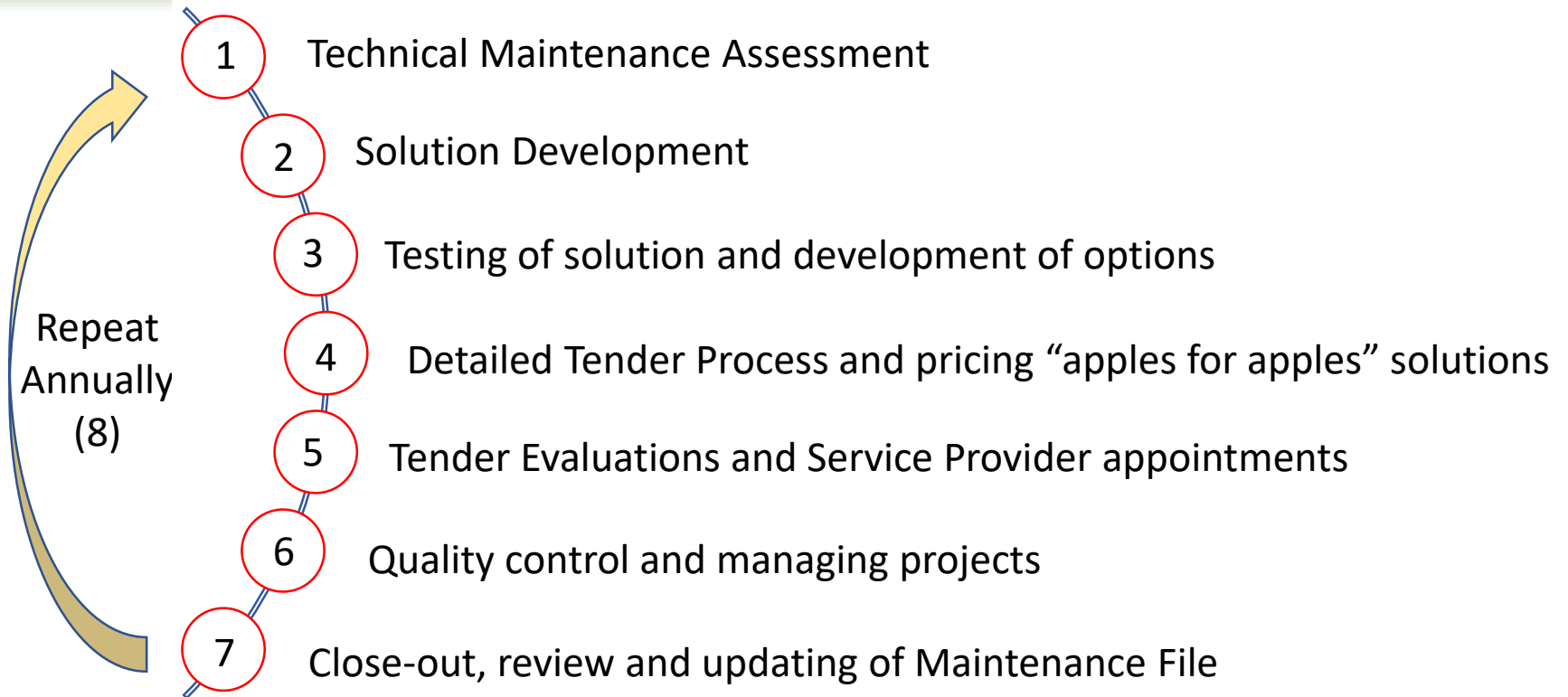
- Next Steps



What does it entail

- Implementation

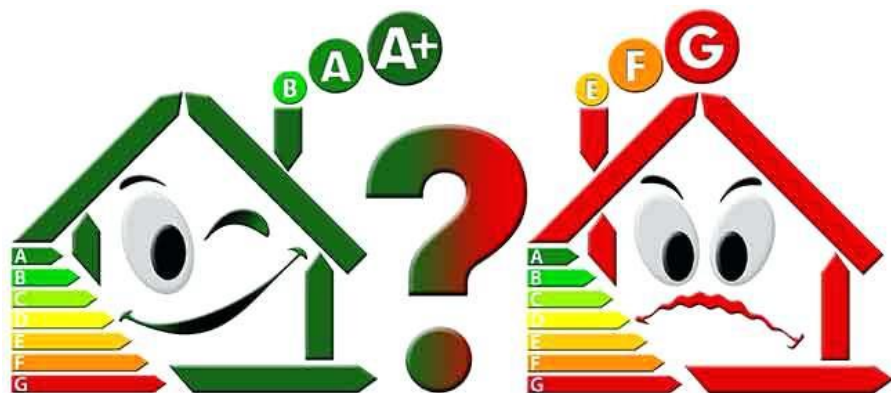
- Implementation is the key !!!
- I wish we had more time to study Implementation
- There should be a very detailed process



What does it entail

- Next Steps

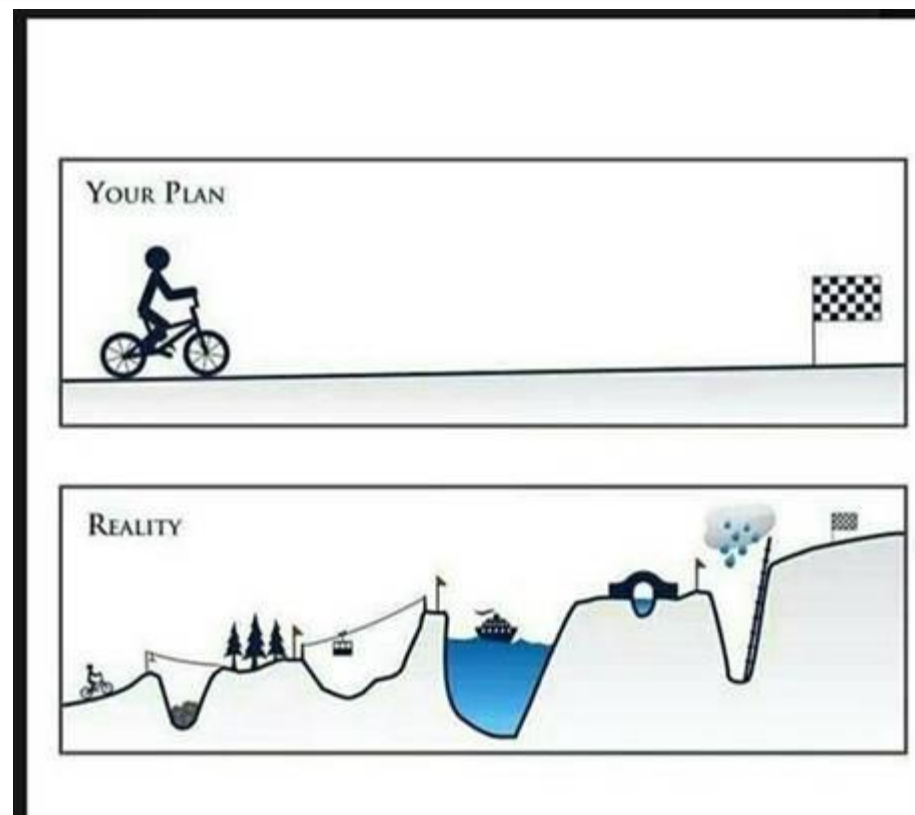
Implementation !!!



How will it be applied and managed - **The End**

**Over to the Accounting Guru,
Guy**

**Trust that your Maintenance
Plan and Journey will be
smooth and hassle free**



How will it be applied and managed - **The End**

Thank You

#loveyourbuilding

