AdministrativeBudget User Guide

The Sectional Title Schemes Management Act

Under the Sectional Title Act, the Trustees of a Body Corporate had to prepare a budget in which they estimated the expenses that would be incurred in the next financial year. Those expenses could include day-to-day expenses such as utility costs (water, electricity and refuse collection), managing agent fees, insurance, premiums, etc. and infrequent, large cost items such as repainting or replacing fences or security systems.

In 2016, the Sectional Title Schemes Management Act (STSMA) and Sectional Title Schemes Management Regulations (STSMR) came into effect. Under the STSMR, the Trustees need to present *two* budgets: An administrative budget and a reserve fund budget. The administrative budget describes the anticipated expenses for day-to-day expenses.

This user guide describes a simple spreadsheet for preparing the administrative budget. There is a separate spreadsheet for preparing a reserve fund budget that can be downloaded or cloned from https://github.com/tokaivillas/ReserveFundBudget

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Finally, the STSMR is a legal document and the creators of the spreadsheet are not lawyers but we've tried to interpret the requirements for drawing up an administrative budget in a reasonable way.

Preparing an Administrative Budget

Preparing an administrative budget using this spreadsheet has two steps:

- Capturing the previous year's administrative expenses under various categories and sub-categories
- Using the previous year's expenses to project the current year's expenses

Step 1: Recording the Previous Year's Expenses

If you open the AdministrativeBudget.ods spreadsheet, you will see that it has four worksheets:

- An "About" worksheet
- A "Previous Year's Financials" spreadsheet
- A "Budget Planner" spreadsheet
- A "Budget Summary" spreadsheet
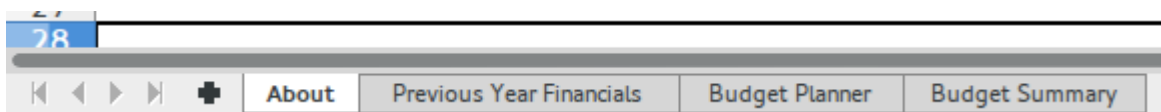
The "About" spreadsheet contains the legal stuff governing the use of the spreadsheet. More useful is the "Previous Year Financials."

The first three values to enter are:

- The name of the Body Corporate

- A Yes/No answer to whether the figures are audited. You might present a budget where the figures used for planning are different (hopefully, not dramatically different) from the figures presented in your Audited Financial Statements (AFS) and answering "No" to this helos to explain at the AGM why the figures aren't in agreement

- The year under review

You next need to capture the amounts under category and sub-category headings. The spreadsheet is opinionated. It regards putting a category and sub-category on the same line as a mistake

12	Body Corporate Name	Acme		
13	Audited figures?		No	
14	Financial year end		2017	
15				
16	Category	Sub-category	Amount	
17	Repairs and Maintenance			
18	Insurance	Premiums		Don't specify category and subcategory on the same line

The spreadsheet also doesn't like it if you assign an amount directly to a category

12	Body Corporate Name	Acme		
13	Audited figures?		No	
14	Financial year end		2017	
15				
16	Category	Sub-category	Amount	
17	Repairs and Maintenance			
18	Insurance		R 5,000.00	Don't specify an amount for the category.
19				

Amounts must be assigned only to sub-categories. If you open the E*xample1.ods* spreadsheet in the *Examples* folder and select the "Previous Year Financials" worksheet you can see a worksheet that has been correctly populated.

	Category	Sub-category	Amount
11			
12	**Body Corporate Name**	**Acme**	
13	**Audited figures?**	No	
14	**Financial year end**	2017	
15			
16	**Category**	**Sub-category**	**Amount**
17	Repairs and Maintenance		
18		Electrical	R 35,000.00
19		Plumbing	R 70,000.00
20		Pool	R 10,000.00
21		Fire equipment	R 6,500.00
22			
23	Security		
24		Guards	R 155,000.00
25			
26	Utilities		
27		Water	R 30,000.00
28		Sewerage	R 35,000.00
29		Electricity	R 22,000.00
30		Refuse	R 30,000.00

You can choose whatever category and sub-category names you like with one exception; your spreadsheet must contain a "Repairs and Maintenance" category. The "Repairs and Maintenance" line item has special significance since the STSMA requires that the minimum amount contributed each year to the Reserve Fund is partially determined by the amount that a BC anticipates will be spent on Repairs and Maintenance.

Once you've populated the "Previous Year Financials" worksheet, you can start budgeting for the current year.

Step 2: Preparing the Budget

If you open the "Budget Planner" worksheet of *Example1.ods* you can specify a default percentage change, i.e. some assumed rate of inflation. In this example, we assume 7%

	Category	Sub-category	Budgeted amount	Percent change
9				
10	Default percent change		7.0%	
11				
12				
13	**Category**	**Sub-category**	**Budgeted amount**	**Percent change**
14	Repairs and Maintenance			
15		Electrical	R 37,450.00	7.0%
16		Plumbing	R 74,900.00	7.0%
17		Pool	R 10,700.00	7.0%
18		Fire equipment	R 6,955.00	7.0%
19				
20	Security			
21		Guards	R 165,850.00	7.0%
22				
23	Utilities			
24		Water	R 32,100.00	7.0%
25		Sewerage	R 37,450.00	7.0%
26		Electricity	R 23,540.00	7.0%
27		Refuse	R 32,100.00	7.0%

You should now go through each line item and revise it based on additional information or, if you want, round the amount to a sensible approximation. The *Example1_revised.ods* spreadsheet contains the results of such an exercise. For example, the amount assigned to the "Electrical" sub-category in the "Repairs and Maintenance" category has been rounded to R37,000 from R37,450. The estimate for "Water" (under "Utilities") has been increased from R32,100 to R36,000 based on additional information (a 20% increase instead of the default value of 7%)

	Category	Sub-category	Budgeted amount	Percent change
13	**Category**	**Sub-category**	**Budgeted amount**	**Percent change**
14	Repairs and Maintenance			
15		Electrical	R 37,000.00	5.7%
16		Plumbing	R 75,000.00	7.1%
17		Pool	R 11,000.00	10.0%
18		Fire equipment	R 7,000.00	7.7%
19				
20	Security			
21		Guards	R 170,000.00	9.7%
22				
23	Utilities			
24		Water	R 36,000.00	20.0%
25		Sewerage	R 41,000.00	17.1%
26		Electricity	R 25,000.00	13.6%
27		Refuse	R 33,000.00	10.0%

Optionally, you can add a comment next to a budgeted item. You can use the comment to describe why

the budgeted amount for a line item is, say, significantly different from the previous year. For example, you might want to provide a comment like this

16	Security				
17		Guards	R 185,000.00	19.4%	Minimum wage in the security idnustry increased by 20%.

And that's pretty much all that's involved in preparing an Administrative Budget.

Viewing the Budget Summary

The "Budget Summary" worksheet shows a more digestible view of the budget. For example, the *Example1_revised.ods* summary

		Amount	Percentage		Change from 2017
5					
6	**Budget Summary**				
7	Total administrative budget	R 960,000.00			
8	Previous year's administrative expenses	R 879,100.00			
9	Percentage change	9.2%			
10					
11	**Expenses by category**				
12	**Category**	**Amount**	**Percentage**		**Change from 2017**
13	Repairs and Maintenance	R 130,000.00	13.5%		7.0%
14	Security	R 170,000.00	17.7%		9.7%
15	Utilities	R 135,000.00	14.1%		15.4%
16	Legal	R 6,000.00	0.6%		7.1%
17	Employee costs	R 190,000.00	19.8%		11.8%
18	Administration	R 73,000.00	7.6%		7.4%
19	Insurance	R 70,000.00	7.3%		7.7%
20	Gardens	R 170,000.00	17.7%		4.9%
21	Accounting and Auditing	R 16,000.00	1.7%		6.7%
22					

When looking at the budget summary, you can look at where potential problems in the finances are going to arise. For example, for the spreadsheet above:

- Employee costs are the greatest expense (19.8%) and increasing at a rate considerably above inflation (11.8%). How can that cost be brought down?

- The utilities budget has increased by 15.4%. Should individual water meters be installed and residents billed for their actual water usage? Are lights energy-efficient? Would using solar power be a sensible investment?

What Next?

After preparing an Administrative Budget, you need to prepare a Reserve Fund Budget. If you find this spreadsheet helpful, you might want to look at https://github.com/tokaivillas/ReserveFundBudget

Revision History

Version	Date	Changes
1.0.0	May 2017	
1.1.0	July 2017	Specify that you can add a comment to a line item in the budget planner worksheet.