

Body corporate budgets

The information on this page is for body corporate schemes 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. However, they may agree on certain body corporate expenses to ensure adequate financial management.

Find out [what module applies for your body corporate](#).

Funds

A body corporate must have an administrative fund and a sinking fund. Budgets for these funds must be prepared every financial year.

Read more about the:

- [administrative fund](#)
- [sinking fund](#).

The budgets for these funds forecast how much the body corporate expects to spend. How much each owner pays in body corporate levies depends on the budgets that the body corporate sets.

Preparing budgets

The committee must prepare the budgets for owners to consider at each [annual general meeting](#). A copy of the proposed budgets must be included in the notice of an annual general meeting.

A budget can be approved by ordinary resolution.

Owners can also propose budgets for annual general meetings or extraordinary general meetings. A proposed budget must be submitted by the owner in the form of a motion.

Read more about [drafting motions](#).

Changing budgets

When there is a need to change the budget, an explanatory schedule is sent to owners with the annual general meeting notice. It must include an explanatory note telling all owners that the budget might be adjusted.

A body corporate can only adjust a proposed budget at an annual general meeting if:

- the amount of the adjusted budget is not more or less than 10% of the budget originally proposed
- the adjustment is because of a decision at the meeting on a motion (on the agenda) to approve spending
- the adjustment is approved by a majority of voters present and entitled to vote.

The levies that owners need to pay must be adjusted if the proposed budget is changed.

Budgets cannot be adjusted just because owners think the amounts are too high or too low.

If adjusted, a copy of the approved budget must be given to each owner with a copy of the minutes of the meeting.

Budget increases

The cost of goods and services often increase from year to year. Body corporate levies will normally increase to account for rises in the Consumer Price Index (CPI).

All bodies corporate are different so levels of spending (and levies) needed must be decided individually.

There is a range of information that can help the body corporate prepare its budget. Owners and the committee can get several quotes for goods or services when deciding how much they need to spend. A body corporate may also choose to obtain a professional sinking fund forecast.

Disputing budgets and levies

If you (as an owner) believe the proposed budgets and levies are too high, you can vote against any motion to approve the budget.

You can also propose a different sinking fund or administrative budget. You can do this by submitting a motion for owners to vote on at the annual general meeting.

Even if the annual general meeting decides to approve a budget, you can submit an alternative budget to be considered at an extraordinary general meeting.

There are a number of adjudicators' orders about budgets and whether they are reasonable.

For example, *Panorama 22 [2001] QBCCMCmr 80* (13 February 2001) discussed the requirements for budgets and says the body corporate is not prevented from making subsequent decisions on their budgets and contributions at an extraordinary general meeting if necessary.

See the [full statement of the order](#) and reasons for it.

You can apply for dispute resolution if you think the budget is unreasonably high.

If you apply for dispute resolution, you must explain which budget items you object to and why.

You should try all other ways to resolve your dispute before you apply for formal dispute resolution such as proposing alternative budgets that you believe are reasonable and necessary.

Spending

Putting an item of expenditure in a budget is not authority to spend the money.

Spending must be authorised by the body corporate, either at a general meeting or by the committee (within its spending limit).

Some expenses can only be paid from the [sinking fund](#) (e.g. the replacement of major items like fences or common property carpets).

All other expenditure must be paid from the [administrative fund](#). The body corporate cannot transfer money from one fund to the other.

Payments from the funds can only be made by written request (like an invoice) or written evidence of payment—(like a receipt).