



"MANAGING YOUR COMPLEX SITUATION"

13 October 2016

ALL OWNERS OF COMMUNITY SCHEMES
CHANGES TO SECTIONAL TITLE REGULATIONS AND THE FORMATION OF AN OMBUD
SERVICE

Dear Owner,

The Community Schemes Ombud Service Act (CSOS) and the Sectional Title Schemes Management Act (STSM Act) have been signed into force by the President and are effective from the date of publication of the Government Gazette being the 7th October 2016.

The reason for the formation of the Community Schemes Ombud Service (CSOS) is to facilitate with dispute resolution of any kind, in a cost effective, expedient time frame, thereby, doing away with the high costs currently associated with taking disputes to mediators, arbitrators, attorneys, and high court.

The implications for all types of community schemes (Bodies Corporate, Share Block & Homeowners Associations), will be seen by way of an additional mandatory monthly levy, payable through the scheme to the Ombud service, by each member. At this stage, the associated levy will be reflected on levy statements from the 1st January 2017, and paid over to CSOS quarterly. Should this change, we will advise you.

CSOS will handle disputes at a nominal fee of R50.00 and if taken further to arbitration, an additional fee of R100.00 will be applicable.

The formula for the monthly contribution payable to CSOS is the lesser of R40.00 or 2% of the amount by which the monthly levy charged by a scheme exceeds R500.00. This amount will be raised by the scheme and shown separately on each member's monthly levy statement, with the maximum monthly amount payable being R40.00

"The lesser of R40 or 2% of the amount by which the monthly levy charged by a scheme exceeds: R500" is to be paid to the Ombud Office, e.g.

Unit 1: Levy R 1 200 (less R500 x 2%) - R 14

Unit 2: Levy R 1 500 (less R500 x 2%) - R 20

Unit 3: Levy R 2 200 (less R500 x 2%) - R 34

Unit 4: Levy R 2 500 (less R500 x 2%) - R 40 (Maximum monthly charge)

Unit 5: Levy R 3 000 (less R500 x 2%) - R 40 (Maximum R40)

P.O. BOX 1762
Westville 3630

PHONE: (031) 2624035 / (031) 262 4983
FAX : (086) 542 7860

E-MAIL: len@complexes.co.za
WEB : www.complexes.co.za



"MANAGING YOUR COMPLEX SITUATION"

For community schemes with levy finance in place, there may be an additional amount of collection commission payable to the finance company. This remains to be confirmed as well.

The more relevant and real-world changes in the new The Sectional Title Schemes Management Act are as follows:

- A quorum for a General Meeting in schemes greater than 4 units is one third of the total value of votes by members.
- A person may not act as a proxy for more than two members (i.e. there is now a restriction on the number of proxies any one person can have!).
- A judgment must be obtained against an owner in arrears for them to be disqualified from voting. Likewise a judgment must first be obtained for a Trustee to be disqualified.
- A maintenance repair and replacement plan for the common property must be prepared setting out the major capital items expected to require repair / replacement within the next 10 years.
- A scheme must endeavour to have administration and maintenance reserves – must strive for a minimum reserve of 15% - 25% of total levy contributions for the year.
- There must be an annual contribution to the reserve fund for such major capital items.
- All schemes must be audited by an independent Auditor (previously schemes of less than 10 could engage an "Accounting Officer" - this will possibly incur a high cost for such service.
- A professional Insurance Valuation has to be obtained every three years.

Should you wish to obtain a copy of either this publication, or download any of the new Acts, please feel free to download them from our website:

<http://www.complexes.co.za/sectional-title/the-act/>

Thank you, and we will keep you updated on these matters as they evolve.

L. Sack

Property Management Services

High Court Appointed Sectional Title Administrator

Committee Member National Association of Managing Agents

"Managing your complex situation"

P.O.BOX 1762
Westville 3630

PHONE: (031) 2624035 / (031) 262 4983
FAX : (086) 542 7860

E-MAIL: len@complexes.co.za
WEB : www.complexes.co.za



"MANAGING YOUR COMPLEX SITUATION"

P.O.BOX 1762
Westville 3630

PHONE: (031) 2624035 / (031) 262 4983
FAX : (086) 542 7860

E-MAIL: len@complexes.co.za
WEB : www.complexes.co.za