HOW TO UPDATE THE 10-YEAR PLAN

A user's guide

mirfin

VALUATION SERVICES

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INTRODUCTION

The Sectional Title Schemes Management Regulations - or STSM Rules - prescribe that a long-term maintenance, repair and replacement plan (a.k.a. MRRP) for the major capital assets be presented at the annual general meeting for approval by its members.

The aim of the MRRP is to protect the capital investments which your sectional title unit represents. Planned and regular maintenance will ensure that your life investment will not depreciate in value.

The MRRP is also essential to maintaining a sound reserve fund plan - Mirfin provides trustees and property managers with the ultimate tool for steering your body corporate clear of financial straits with little effort and no prior accounting knowledge.

This manual will navigate you through Mirfin's online dashboard and assist you in effectively managing the MRRP as well as the reserve fund forecast.

Should you require any assistance, please do not hesitate to contact us at 010 595 3883 or info@mirfin.co.za.

UNDERSTANDING THE 10-YEAR PLAN

Below are a few points to bear in mind when reviewing the 10-year plan supplied by Mirfin.

- It is based on the financial data submitted by the client and a light inspection of the common areas by Mirfin, taking into account the current state of repair as well as the estimated remaining lifespan / maintenance cycle for the capital assets.
- It has been compiled under the assumption that the body corporate is financially capable; therefore, the plan must be adjusted by the trustees to best suit the body corporate's true financial ability.
- The maintenance costs reflected in the 10-year plan represent the surveyor's reasonable estimate.
- The onus is on the client to obtain contractor quotations as per the body corporate's specific requirements.
- It is best practice to make provision for preventative maintenance rather than to allow a capital asset to deteriorate before allocating a maintenance activity to it.
- Capital expenditure is paid from the reserve fund whereas operational expenses are allocated to the administrative fund.
- The 10-year plan is a "living" document and must be updated and adjusted from time to time by a representative of the body corporate.

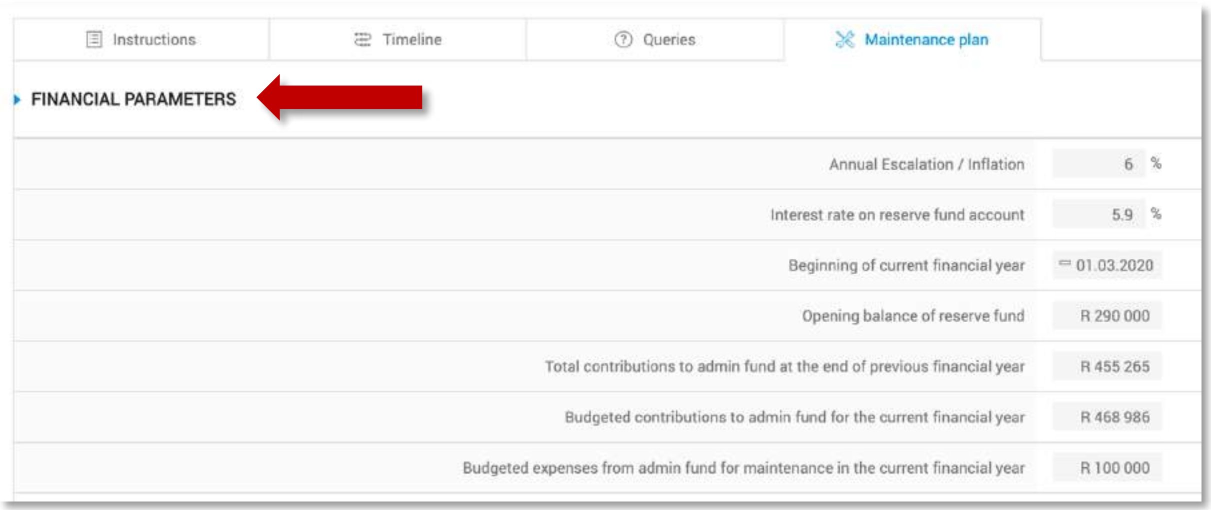
STEP 1 – ACCESS THE DASHBOARD

Click the button in the bottom right corner of any page of the PDF document to access the 10-year plan dashboard.

The fee paid for the MRRP includes free access to the dashboard for 12 months, following which dashboard access can be extended for an annual subscription fee of R360 plus VAT.

STEP 2 – FINANCIAL PARAMETERS

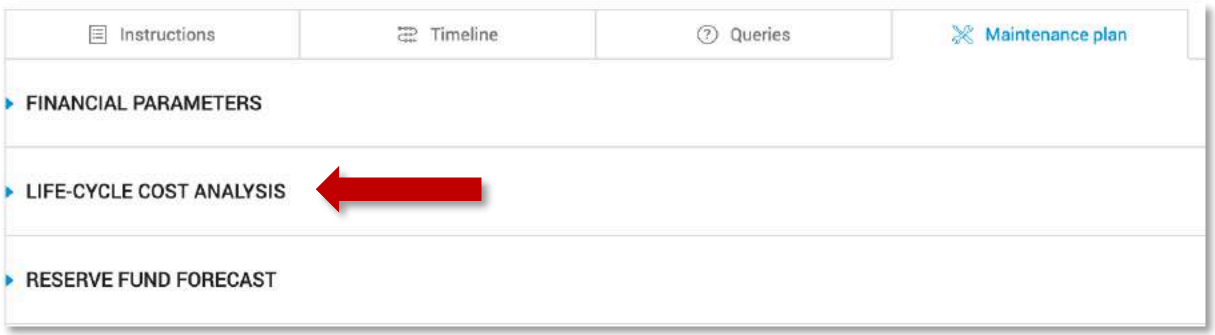
This segment sets the cornerstone for calculating the minimum required reserve fund contribution, as well as the reserve fund forecast.



1. Verify that the financial figures have been captured correctly as per the latest annual financial statement.
2. The financial parameters must be updated at the beginning of each new financial year.
3. Any amended values will reflect throughout the 10-year plan in real-time.
4. Click the “save” icon before closing or generating a new PDF report.

STEP 3 – LIFE-CYCLE COST ANALYSIS

This segment (LCCA) sets the parameters from which the 10-year maintenance, repair and replacement plan is auto-calculated.



1. Adjust the values in each column to suit the body corporate's planning schedule or financial capability.
2. Update the 10-year plan in accordance with cost proposals obtained from maintenance contractors.
3. Maintenance should not be planned in accordance with an asset's apparent condition at the beginning or in the middle of its life cycle, but rather according to its anticipated condition at the end of its maintenance cycle.
4. A capital asset's lifespan and maintenance cycle can only be estimated on the basis of personal experience, industry standards and vendor warranties – these values are not set in stone and can be tweaked to suit the body corporate's budget, however, they should not be over-stretched to the detriment of the principles of practising preventative maintenance.
5. Note that any adjustment made to the LCCA will have an immediate impact on the 10-year maintenance, repair and replacement plan, the reserve fund forecast and the monthly contribution schedules.

STEP 3 – LIFE-CYCLE COST ANALYSIS *(continued)*

Legend

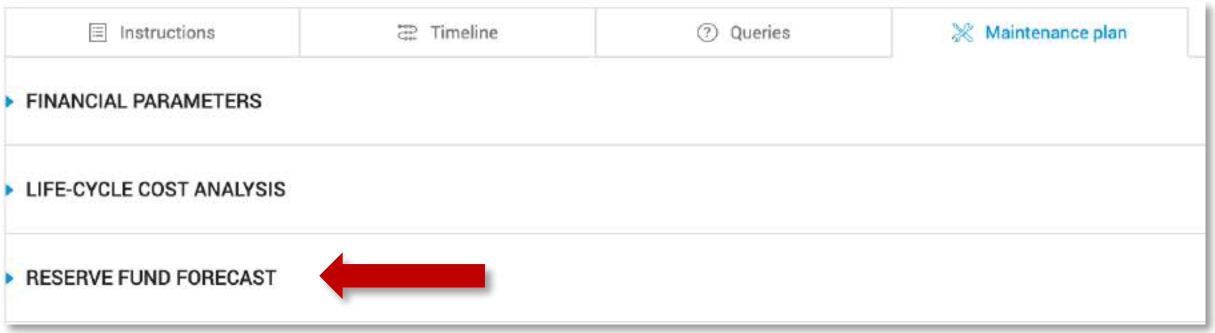
Description	Label the capital asset.
Major Capital Item Category	Allocate the capital asset to one of the prescribed categories.
Maintenance Required	Allocate the level of maintenance needed.
Estimated Maintenance Cost Today	Enter the total amount (incl. VAT) as quoted in a contractor’s proposal.
Year of Construction / Last Maintenance	Set the first year of the asset’s lifespan or current maintenance cycle.
Normal Lifespan / Maintenance Cycle	Set the anticipated lifespan or maintenance cycle for the capital asset.
Apparent Condition / State of Repair	Allocate an appropriate description of the capital asset’s condition.
Remark	Motivate your assessment of the capital asset’s condition.
Maintenance planned for Financial Year starting in	Enter the year for which a maintenance activity is scheduled.
÷	Split a maintenance activity into multiple phases over several years.
−	Delete a maintenance activity.
+	Add a maintenance activity.
Reset	Return all values in the table to “as delivered by Mirfin”.

STEP 3 – LIFE-CYCLE COST ANALYSIS *(continued)*

When to -		How to do it:
- update a maintenance line item:	When you obtain a contractor's cost proposal; when the BC's financial status allows or necessitates an update.	Simply adjust the relevant fields.
- add a maintenance line item:	When a capital asset has been added to the common property.	Click and complete the fields as explained in the legend on p.6.
- remove a maintenance line item:	When a capital asset has been decommissioned.	Click to delete the relevant row.
- stagger maintenance phases:	When the BC's financial status requires that a major maintenance activity be split into multiple years, for example splitting the exterior painting of a complex into several phases to alleviate the financial impact of completing the maintenance project all in one year.	Click in the relevant row; the dashboard will automatically propose an equal distribution of costs over consecutive years; adjust the values for "*Estimated Maintenance Cost Today*" and "*Maintenance Planned for Financial Year Starting in*" as required.
- defer maintenance to another year:	When the BC's financial status necessitates an adjustment.	Adjust the value for the field "*Maintenance Planned for Financial Year Starting in*".
- revert to the original values:	When you have created various maintenance scenarios that are not desirable.	Click Reset to return all LCCA values to "as delivered by Mirfin".

STEP 4 – RESERVE FUND FORECAST

The purpose of this segment (RFF) is to determine the minimum annual contribution amount that will result in financial stability for the body corporate in the short term.



1. To achieve a state of financial stability, the correct balance must be found between a sustainable year-1 **Annual Contribution** and a reasonable year-10 **Closing Balance**, while keeping with the following guidelines:

   a) **Annual Contribution year 1:** Keep this value affordable but without falling below the legally required minimum reserve fund contribution which is based on the ratio between the previous year's closing reserve fund balance and the administrative fund contributions (refer to STSM Rule #2a-c).

   The higher the Annual Contribution, the sooner the body corporate will achieve a state of financial stability.

   b) **Closing Balance year 10:** Aim to achieve a value that amounts to roughly 10% of the total "*Estimated Maintenance Cost in 10 Years*".

   c) **Supplementary Contribution:** Use this as a last-resort measure to compensate for a shortfall in the reserve fund balance. If necessary, spread the Supplementary Contribution amount over multiple years leading up to the forecast cashflow shortage to avoid an excessive financial burden on the members of the body corporate. The Supplementary Contribution can be a special levy or a bridging loan.

2. If the **minimum required reserve fund contribution** seems unreasonably low or high, try to find the right balance between the reserve fund's closing balance and the total annual admin fund contributions, going forward (refer to STSM Rule #2a-c).

STEP 4 – RESERVE FUND FORECAST *(continued)*

Legend

Financial Year (starting)	This indicates the subject financial period, also referred to as Year 1 to Year 10.
Opening Balance (Beginning of Financial Year)	The year-1 value reflects the amount of money in the reserve fund account at the start of the financial period as entered in the segment FINANCIAL PARAMETERS.
Annual Contribution (basic, incl. Inflation)	The year-1 value sets the benchmark for the subsequent years and is annually escalated by the inflation rate set in the segment FINANCIAL PARAMETERS.
Reserve Fund Account Interest	This form of reserve fund income is based on the Opening Balance amount and is calculated according to the interest rate set in the segment FINANCIAL PARAMETERS.
Supplementary Contribution	This represents a special levy or financing loan that the body corporate would institute to compensate for a cashflow shortage.
Estimated Expenditure	This reflects the total estimated expenditure per year as shown in the PDF document on the page titled “10-YEAR MAINTENANCE, REPAIR & REPLACEMENT PLAN”.
Closing Balance (End of Financial Year)	The reserve fund’s closing balance of one year is equal to its opening balance for the following year.
Reset	Return all values in the table to “as delivered by Mirfin”.

ACTION BAR

Save your progress after editing fields and before generating a new PDF report.

View a PDF report or generate a new report after making adjustments.

Share the dashboard with someone – be mindful of who you allow to edit the MRRP.

Request an updated report.

Manage user profiles or switch to the Mirfin website.