



Sectional Title Living

The Bare Basics of AGMs

Importance to be an active Body Corporate Member

1) Members can be personally liable for judgement debt of the BC.

Section 15(1) of STSM Act

2) Investment Value of Personal Unit/s.

Who do you trust to manage your investment?

When?

AGM Timeframe	Within 4 Months after Financial Year End	PMR 17(1)
Deviations	Directive given by CSOS i.e. Covid-19 Lockdown to postpone AGM	
	All members waive right in writing to hold AGM	PMR 17(2)
Notice	General Resolutions: 14 Days	PMR 15(1)
	Special or Unanimous Resolution: 30 Days Proposed resolutions attached	STSMA 6(2)
	Deviations must be approved in writing.	
Notice Documents	Agenda Copy or comprehensive summary all documents to be considered or approved at meeting. - Incl. administrative budget + reserve fund budget Proxy Form	PMR 15(3)



Proxies

Amount	Maximum 2 per person.	STSMA 6(5)
Who?	<ul style="list-style-type: none"> Unnatural member: Company, trusts, CC, etc. 	
	<ul style="list-style-type: none"> Joint ownership: i.e. unit in name of both husband and wife 	PMR20(7)
	<ul style="list-style-type: none"> Any member who cannot attend and wish to have a vote. 	
Dual Agreement	Proxy must be signed by both parties	PMR 20(5)

Votes

By Value	As per PQ Allocation	STSMA 6(6)
By Number	One member = one vote i.e. one company = one vote	STSMA 6(7)
Voting cards	To be handed out at GM	PMR 17(6)(a)
	Kept for minimum of 60 days	CSOSA 41(1)
Deviations from Quotas		STSMA 11
Who can NOT vote	Member with outstanding fees after judgement	PMR 20(2)(a)
	Member breach of conduct rule after court or adjudicator order	PMR 20(2)(b)

AGM Procedures

Order of Business	Confirm proxies, nominees, Persons representing members Issue voting cards	PMR 17(6)(a)
	Determine quorum	PMR 17(6)(b)
	Quorum depends on motion to be passed.	
	Elect person to chair meeting	PMR 17(6)(c)
	Proof of notice or waivers of notice	PMR 17(6)(d)
	Approve agenda	PMR 17(6)(e)
	Approve minutes of previous general meeting	PMR 17(6)(f)
	Deal with unfinished business	PMR 17(6)(g)
	Deal with any business in sub-rule 5	PMR 17(6)(h)
	Receive reports on activities of trustees Reports of committees	PMR 17(6)(j)(i)
	Approve schedules of insurance replacement values (Sub-rule 23(3))	PMR 17(6)(j)(ii)
	Determine extent of insurance cover	PMR 17(6)(j)(iii)
	Approve budgets – Administrative + Reserve Fund	PMR 17(6)(j)(iv)
	Consider Annual Financial Statements	PMR 17(6)(j)(v)
	Appoint Auditor	PMR 17(6)(j)(vi)
	Determine amount of trustees	PMR 17(6)(j)(vii)
	Elect trustees	PMR 17(6)(j)(viii)
	Report on lodgement of amendments to schemes management rules or conduct rules	PMR17(6)(k)
	Any new or further business	PMR 17(6)(l)
	Give direction or impose restrictions in section 7(1) of Act	PMR 17(6)(m)
	Dissolve Meeting	

Chairperson of AGM

Who	Chairperson of trustees unless otherwise resolved at meeting	PMR 18(1)
Duties	Maintain order in accordance of common law of meetings	PMR 18(3)(a)
	Ensure motions and amendments within scope of notice and power of meeting	PMR 18(3)(b)
	Schemes rules, minute book and other relevant document available at meeting	PMR 18(3)(c)
	Act fairly, impartial and courteously to all members	PMR 18(3)(d)
	Everyone express views without disturbance or interruption	PMR 18(3)(e)
	Adjourn meeting if unable to continue	PMR 18(3)(f)
	Make decisions on point of procedure	PMR 18(3)(g)
	Surrender chair to temporary chairperson elected by members for period during which the chairperson wishes to engage in the debate of any item.	PMR 18(3)(i)
	Chairperson must not attempt to influence members views	PMR 18(4)(a)
	May not disclose in advance to vote how chairperson will be voting.	PMR 18(4)(b)

Trustee Meeting following AGM

	Elect chairperson	
	Resolve on levies agreed	

Perpetual Succession – Body Corporate as legal entity continues to exist.

The institutional history is kept in minute book and becomes the centre of any legal action.



Resolutions @ Meetings

	Ordinary Resolution	Special Resolution	Unanimous Resolution
Quorum	1/3 vote value	1/3 vote value	80% in number & value
Voting (present & voting)	>50%	75% number & value	Everyone who vote
Round Robin	>50%	75% number & value	All members
Resolutions Required	<ul style="list-style-type: none"> • Approval of Administrative budget • Approval of Reserve Budget • Fidelity Cover • Installation of water & elect meters (not pre-paid) 	<ul style="list-style-type: none"> • Registering servitude • BC dealing in units • BC Borrowings • Leasing CP • Extension of sections • Alter vote value/contribution • Change Conduct Rules • EUA S27A STA Cancel • Sue Developer • Meet outside municipal area • Insure add risks • Short lease of CP • EUA rights i.t.o conduct rules • Pay member trustee • Appoint Executive Man Agent • Cancel Management Contract • Approve necessary improvements • Approve BC prepared on CP 	<ul style="list-style-type: none"> • Long lease CP • Create EUA S27A STA • Management Rule • EUR • Destruction buildings • Unnecessary Improvement • Extension of developer rights • Distribute expropriation compensation • Loans from BC funds

EUA: Exclusive Use Area; BC: Body Corporate; CP: Common Property; STA: Sectional Title Act 95 of 1986

Quorum if complex less than 4 units: 2/3 vote value

General Meetings or Round Robin

- 1) Resolution must be specified in notice - 30 days' notice
- 2) Minimum Two budgets: Administrative budget & maintenance budget
- 3) Third possible budget: EUA Budget (Costs specific to members with EUA)

Minutes

PMR 9(e) – distributed within 7 days after meeting

Each resolution need to be in writing with votes for and against recorded. PMR 20(8) PMR

17(6)(f) – approved by ordinary resolution at next AGM

PMR 14(4) – trustees vote in writing. Must give signature

Delivery of documents can be in email if stated in management rules.

Vote by number

Only one vote per member.

Legal person owner of 50% of units: 1 vote only per legal entity.

Shared ownership of unit, i.e. married couple: 1 vote

Trustees

A team can only be successful if each team member has a clearly defined point of responsibility.
(Demystifying Sectional Title; Constat & Bleijs)

Trustees Required

1. Chairman
2. Garden & Cleaning
3. Repairs & Maintenance (incl MR&R Plan)
4. Conduct Rules
5. Financial Management incl. debtors & legal work

The alternative to fully functional team of trustees is to appoint an **Executive Management Agent** who takes over the day-to-day management of the Body Corporate.

Standard management agents are normally only responsible for administration.

Read more about Executive Management Agents under PMR 28(3) & P-M4:11.

FINANCIAL MANAGEMENT OF A BODY CORPORATE

Administrative & Reserve Funds

Admin Fund

Reasonably sufficient to cover estimated annual operating cost incl.

- Repairs & maintenance to be carried out in current year
- Common property management and administration
- Municipality utility services
- Insurance
- Other costs

Reasonably sufficient – to avoid special levies.

The Admin budget should cover all operating costs within the current financial year.

STSM 3(1)(a) and (b)

Special levies – only for unforeseen unavoidable costs between AGM's



Maintenance Repair & Replacement Plan

BC must assess condition & prepare a written MR&R Plan for common property		PMR 22(1)
All major capital items expected to require MR&R within the next 10 years ;		PMR 22(1)(a)
Present condition or state of repair of items		PMR 22(1)(b)
Time for next maintenance, repair or replacement		PMR 22(1)(c)
Estimated cost		PMR 22(1)(d)
Expected life once MR&R done		PMR 22(1)(e)
Any other info relevant.		PMR 22(1)(f)
Responsible Parties		
Preparation of plan:	BC or Trustees	PMR 22(1)
Approval of plan:	BC @ AGM	PMR 22(3)
Report on execution:	Trustees @ AGM	PMR 22(4)
MR&R Definitions		PMR 2(1)
Estimated cost:	Estimated cost to maintain, repair or replace major capital items	
Expected life	Estimated number of years before it is expected that the cost of maintenance, repair or replacement will be incurred	
Major capital items	<ul style="list-style-type: none"> ○ wiring, ○ lighting and electrical systems, ○ plumbing, ○ drainage and storm-water systems, ○ heating and cooling systems, ○ lifts, ○ carpeting and furnishings, ○ roofing, 	
	<ul style="list-style-type: none"> ○ interior and exterior painting (of CP) ○ waterproofing, ○ communication and service supply systems, ○ parking facilities, ○ roadways and paved areas, ○ security systems and facilities, and ○ any other community and recreational facilities. 	



Ideal Plan	<ul style="list-style-type: none"> ○ should contain photos and description of each major capital item updated annually ○ presented @ AGM 	
Reasonably sufficient	<ul style="list-style-type: none"> ○ formula applied below for each major capital item 	STSM Regulation 2

If Trustees are not willing or able to prepare the MR&R plan, can appoint MA or MR&R Specialist.

MR&R Budget
 = Estimated Cost – Past Contribution/Expected Life
for each major capital item

MINIMUM AMOUNTS FOR RESERVE FUND

(Regulation 2 of STSMA – for the purpose of section 3(1)(b) of STSM)

MR&R Fund Balance vs Admin Contr P/FY	Minimum Contribution to MR&R Budget	
<25%	Total cost P – FY to Admin Fund	15% of admin fund
>= 100%		No minimum %
>25% <100%		100% of MR&R spent for current FY

Regulation 2 – STSM Act:

- (a) If the amount of money in the reserve fund at the end of the previous financial year is less than 25% of the total contributions to the administrative fund for that previous financial year, the budgeted contribution to the reserve fund must be at least 15% of the total budgeted contribution to the administrative fund;
- (b) if the amount of money in the reserve fund at the end of the previous financial year is equal to or greater than 100 per cent of the total contributions to the administrative fund for that previous financial year, there is no minimum contribution to the reserve fund, and
- (c) if the amount of money in the reserve fund at the end of the previous financial year is more than 25 per cent but less than 100 per cent of the total contributions to the administrative fund for that previous financial year, the budgeted contribution to the reserve fund must be at least the amount budgeted to be spent from the administrative fund on repairs and maintenance to the common property in the financial year being budgeted for.



Payments into Reserve Fund

PMR 24(3)

The following amounts must be paid into the reserve fund:

- (a) annual **levies** for the purpose of reserves or maintenance, repair and replacement plan;
- (b) any amounts received under **insurance** policy in respect of damage or destruction of property
- (c) **interest** earned on the investment of the money
- (d) any **other** amounts determined by body corporate and all other body corporate income must be paid into the administrative fund.

Ideal Reserve Balance = 100% of Admin Fund for Current Financial Year

Disbursement of Administrative Funds		
Authorised through:	<input type="radio"/> Annual Admin Budget	PMR 24(4)
	<input type="radio"/> Trustee Resolution	
Disbursement of Reserve Fund		
Authorised through:	<input type="radio"/> MR&R Budget	PMR 24(5)(a)
	<input type="radio"/> Court Order / Adjudicator	PMR 24(5)(b)(i)
	<input type="radio"/> Reasonable grounds to ensure safety / prevent significant loss or damage to persons or property	PMR 24(5)(b)(ii)
	<input type="radio"/> Not reasonably foreseen	PMR 24(5)(b)(iii)
	<input type="radio"/> To obtain adequate insurance	PMR 24(5)(b)(iv)
Limitations to payouts	<input type="radio"/> No non-urgent payments	PMR 24(6)
	<input type="radio"/> Not more than reasonably necessary	
	<input type="radio"/> i.e serious storm damage to CP Roof	

Assessment of Financial Position of Body Corporate

P-M5:5

1. MR&R Plan, budget & status quo
2. Audited financial statements
3. Administrative fund balance
4. Outstanding liabilities

Special Levies

Section 3(4) of the STSM Act reads as follows:

“Special contributions for the purposes of this sections, means any contribution levied under subsection (1) other than contributions which arise from the approval of the estimate of income and expenditure at an annual general meeting of a body corporate.”

Participation Quotas

Rounded off as a percentage correct to 4

Special Levy

EUA levy

Ballot paper – in writing or not?

Voting by AGM

- Approval of **financial statements** - These are *not to be "approved" at all*. Per PMR 17(6)(j)(v) and PMR 26(4), the AFS need to be considered, not approved. So the members can comment on the AFS, but do not have the power to "approve" it. So members do not vote on this item.
- Confirmation of the **minutes of previous AGM** - These need to be approved by the members by **ordinary resolution** [PMR 17(6)(f)]
- Consideration of the audited financial statements. - See comments under "approval of financial statements" above.
- **Approval of budget** - Remember, **"budgets", not "budget"**. These need to be approved by ordinary resolution [PMR 17(6)(j)(iv)].

- **Insurance renewal** - See PMR 17(6)(j)(iii) for the insurance matters that have to be voted on at the AGM. Any other insurance matters may be dealt with (and therefore voted on) by the trustees subject to section 7(1) of the STSMA.
- **Managing Agent Quotation** - the fees to be paid to the MA must be included in the scheme's administrative fund budget and therefore approved by the members by **ordinary resolution**.
- **To retain auditor** - the appointment of the scheme's auditor is to be approved by **ordinary resolution** at the AGM [PMR 17(6)(j)(vi)]
- **To retain domicilium** citandi et executandi of the Body Corporate - PMR 4(1) says the body corporate must determine its domicilium citandi et executandi from time to time. As PMR 17 does not require this to be done at a general meeting, the trustees are entitled to make this decision by passing a **trustee resolution** (subject to section 7(1) of the STSMA as always),
- **Voting for trustees** - to be done by **ordinary resolution** at the AGM [PMR 17(6)(j)(viii)]