

THE STRATA BUILDING BOND AND INSPECTION SCHEME

INFORMATION FOR OWNERS CORPORATION / STRATA MANAGERS

The NSW Government introduced the Strata building bond and inspections scheme (SBBIS) which commenced from 1 January 2018.

This scheme includes a building bond by the developer and mandatory defect inspections and reports on the development by an independent building inspector. It provides a structured, proactive process that resolves building issues quickly and cost effectively, early in the life of the building.

What's changed

Under the new scheme **developers** (not builders) of new residential, and mixed-use purposes (that includes residential) strata developments that are four storeys or higher will be required to lodge a **building bond** with the Secretary¹ before an occupation certificate (OC) is issued (either interim or final certificates).

The amount secured by the building bond is to be **2% of the contract price** for the building work at a time just before the occupation certificate is issued (not the contract price at the start of construction).

Mandatory inspections and reports for defective building work are carried out by a building inspector who is a member of a strata inspector panel. The developer is required to obtain your approval before appointing the inspector.

What this means for you

The strata building bond and inspections scheme began on 1 January 2018. It applies to building contracts executed from this date – or where there is no written contract – building work that commences from this date, to construct residential or partially-residential strata properties that are four or more storeys.

As an owner

If you have just signed a contract for an off the plan or new apartment or moved into your new apartment, request the building contract between the developer and the builder to check the date signed – is your building protected by SBBIS? If so, advise the Strata building bond and inspections team.

As an owners corporation/strata manager

The developer is required to propose to the owners corporation a building inspector. The building inspector and developer will provide you with their disclosures and inform the owners corporation if there is any connection (requiring disclosure) between the developer and the building inspector. Information about the proposed building inspector should be freely available on their professional association's website in the area that refers to their Strata inspector panel (SIP).

The developer must appoint the building inspector within 12 months of the completion of the building work of your strata building. The developer must obtain owners corporation approval to appoint the proposed building inspector, otherwise Fair Trading will appoint a building inspector. The approval or consent of an owners corporation is to be given by resolution of the owners corporation at a general meeting. A resolution at a meeting is to be determined by a simple majority. A developer, is not entitled to vote, or exercise a proxy vote on a matter concerning building defects.

¹ Secretary means the Commissioner for Fair Trading, Department of Finance, Services and Innovation (DFSI), or if there is no person employed as Commissioner for Fair Trading – the Secretary of DFSI: *Strata Schemes Management Act 2015*: section 7

Once the owners corporation has approved the proposed building inspector, you must notify the Secretary within 14 days of making that decision. After the owners corporation has approved the proposed building inspector, an owner may submit an objection to the appointment of that a building inspector.

Strata inspector panel

A person who is a member of a strata inspector panel established by any of the following bodies is qualified to be appointed as a building inspector:

- (a) the Housing Industry Association,
- (b) the Master Builders Association of New South Wales,
- (c) the Australian Institute of Building,
- (d) the Australian Institute of Building Surveyors,
- (e) the Australian Institute of Building Consultants,
- (f) the Institute of Building Consultants Inc,
- (g) Engineers Australia,
- (h) the Australian Institute of Architects,
- (i) the Association of Accredited Certifiers

How to comply with legislative requirements

The strata building bond and inspections scheme is administered by an [online portal](#). Developers can register to use the portal at any time before the occupation certificate is issued. The developer will provide the owners corporation contact details and electronic email address for service.

The online portal will be available for stage one only of the eight stage process.

Building inspectors will be required to give at least **14 days written notice** to the owners corporation and certain owners, of any intention to enter any part of the strata parcel for carrying out an inspection to identify defective building work.

Builders will be required to give at least **14 days written notice** to certain parties, of any intention to enter any part of the strata parcel for rectifying defective building work.

Interaction with the Secretary is also required to provide **written notifications**. Further information will be provided after the developer has lodged the building bond.

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Scheme Stages



Want to find out more

For more information on the Strata building bond and inspections scheme, please visit <https://www.fairtrading.nsw.gov.au/housing-and-property/strata-building-bond-and-inspections-scheme>.

If the link does not redirect you to the site, please copy and paste in your browser's (Chrome) address line.

Alternatively, you can call us on 13 32 20 (8:30am to 5pm, Monday to Friday).

If you have a specific enquiry, email us on stratabond@finance.nsw.gov.au

Kind regards,

The Strata building bond and inspections scheme team

14 December 2018

FAQs

What Legislation do builders need to comply with?

The Strata building bond and inspections scheme is included in Part 11 of the *Strata Schemes Management Act 2015* and Part 8 *Strata Schemes Management Regulation 2016*.

Are all the stages of the scheme explained in an easy to follow manner?

Yes, all the stages for everyone involved, are explained on the Strata building bond and inspections website.

Are there guideline documents to assist builders comply with the new requirements?

Yes, the guideline documents are available on the Strata building bond and inspections website.

Who are the key participants in the Strata building bond and inspection scheme?

1. Developers
2. Owners corporation – owners in a strata scheme
3. Strata inspector panel – made up of nominated bodies in the *Regulation*
4. Building inspector – a member of the strata inspector panel
5. Builder – contracted by the developer, or is the developer performing the building work.

For further information, visit the [Fair Trading website](#).