

# NSW 2023 Election Priorities

Strata Community Association (NSW)  
27 February 2023



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## ABOUT US

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Strata Community Association (NSW), formerly the Institute of Strata Title Management and founded in 1980, is the peak industry body for Strata and Community Title Management in New South Wales. SCA (NSW) has more than 3,000 members including lot owners, suppliers to the sector and professional strata managers who oversee, advise, or manage a combined property portfolio with an estimated replacement value of over \$400 Billion. There are currently 83,998 Strata and Community Title Schemes in NSW, of which 95 percent are residential lots. There are 961,544 Strata and Community Title lots in the states. <sup>1</sup> SCA (NSW) proudly fulfills the dual roles of a professional institute and consumer advocate.

NSW leads the way in the trend to higher density living in Australia with apartments accounting for more than half of all new dwellings expected to be built to 2032. Based on the 2020 Australasian Strata Insights Report, there are 2,200,793 people living in apartments in across Australia, over half (51 percent) are in NSW, followed by 21 percent in Victoria and 16 percent in Queensland. <sup>2</sup> New South Wales also has the highest proportion of apartment households relative to all occupied private dwellings (at 22 percent).

Strata is responsible for the direct employment of 1413 managers throughout NSW, as well as a total of 1317 other related employees. <sup>3</sup> SCA (NSW) has strived to foster a high standard of professionalism within the strata services industry with initiatives like the Professional Standards Scheme (PSS), which is helping to facilitate strong consumer outcomes for the over 1 million strata residents in NSW. SCA (NSW) membership ranges from large corporate companies to small family businesses to volunteers. They have expertise in all facets of strata management, service provision and governance.

**For further information about this consultation, please contact Shaun Brockman, National Policy and Advocacy Manager, SCA. [Shaun.brockman@strata.community](mailto:Shaun.brockman@strata.community).**

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<sup>1</sup> Hazel Easthope, Sian Thompson and Alistair Sisson, Australasian Strata Insights 2020, City Futures Research Centre, UNSW, Accessed at <https://cityfutures.be.unsw.edu.au/research/projects/2020-australasian-strata-insights/>

<sup>2</sup> Ibid, p.8-13

<sup>3</sup> Ibid, p8.

# INTRODUCTION

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Strata Community Association (NSW) is committed to working with the NSW Government to carry out a wide range of transformative reforms, which, if implemented by the next NSW Government, will benefit the millions of NSW residents living in strata complexes.

**At the 2023 NSW election, SCA (NSW) is seeking commitments from all political parties across the following three areas:**

## Continuing Cooperation

SCA (NSW) seeks a continuation, with targeted improvements, on key projects ahead of the 2023 state election to improve consumer confidence in strata schemes and the property sector:

- Project Intervene
- Project Transform
- Project Elevate
- Project Engage
- Strata Hub
- Strata Survey

## Supporting Smarter and Stronger Reforms

SCA (NSW) has been heavily involved with the Department of Customer Service and Fair Trading, as well as other key government departments in ongoing legislative reform. As a key stakeholder, we are seeking for our input to continue to be heard and integrated into any reform legislation, and for the further engagement and passage of the following critical legislation in a timely manner:

- Statutory Review of the Strata Schemes Development Act 2015 (SSDA) and the Strata Schemes Management Act 2015 (SSMA)
- Design and Building Practitioners Act
- Certificate of Registration
- Strata Hub Review
- Building Bond Scheme
- Building Management and Services Contracts

## Future-proofing Emerging Issues

SCA (NSW) has identified three key areas that need specific attention and commitments from all political parties at the March 2023 election:

- The Emergency Services Levy (ESL)
- Electric vehicle integration and safety in strata complexes
- Property Services Council strata industry representation

## CONTINUING COOPERATION

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SCA (NSW) is working with the NSW Government and the Office of the NSW Building Commissioner (OBC) to elevate the social and economic prosperity of the property sector. The Strategic Overview and Workplan Property Services Strategy include several important projects that SCA (NSW) is working on to create a trusted, empowered, and accountable property industry.

**The work carried out by the NSW Government in partnership with SCA (NSW) and other stakeholders has been, on the whole, incredibly positive for people living in strata communities and the strata industry. SCA (NSW) would like to see, with some identified improvements, any future government commit to the timely and effective continuation of the following projects.**

### **Project Intervene**

*What is Project Intervene?*

Project Intervene is an initiative by the NSW Government to assist Owners Corporations (OCs) address serious defects in residential apartment buildings that are less than six years old and where there is an active developer to attend to remediation responsibilities.

*Why is Project Intervene important?*

Project Intervene is important for finding resolutions for OCs that have serious defects to work towards remediation, without going through the expensive and time-consuming process of litigation.

*How has SCA (NSW) been involved?*

Currently, approximately 39% of buildings completed in NSW over the past six years have one or more severe defects. **SCA (NSW) is actively requesting the continuation of the strata building and property sector reforms that are currently underway in NSW, with an emphasis on avoiding any delay in the implementation of the critical, landmark, and necessary changes needed.**

## **Project Transform**

### *What is Project Transform?*

Project Transform is an initiative by the NSW Government to restore confidence in the strata sector, by addressing deficiencies in regulation to off-the-plan contracts.

### *Why is Project Transform important?*

Project Transform is important to protect strata communities from the regulatory loopholes in off-the-plan contracts.

### *How has SCA (NSW) been involved?*

**SCA (NSW) worked with the OBC to host the strata living roundtable which saw 40 sector leaders discuss solutions for future challenges in the strata sector.** Three expert working groups were launched to deliver collaborative solutions and advice to the NSW Government about regulatory reform, professional standards, equity, consumer empowerment, industry accountability, and improved education for strata communities. There were also an additional 41 action items to boost the strength of the sector for owners, practitioners, residents, and future buyers.

## **Project Engage**

### *What is Project Engage?*

Project Engage is an initiative by the NSW Government designed to improve compliance, consumer experiences, and the credibility of the property industry.

### *Why is Project Engage important?*

Project Engage is important to boost consumer confidence and trust in the property, education, and training industries.

### *How has SCA (NSW) been involved?*

**SCA (NSW) along with the OBC worked with over 90 key stakeholders, business partners, consumer advocates, and the Department of Customer Service to identify common goals, challenges, and opportunities.** SCA National President Chris Duggan is the chair of the industry conduit for consultations,<sup>3</sup> which was established by the Property Services Expert Panel.

## **Project Elevate**

### *What is Project Elevate?*

Project Elevate is an initiative by the NSW Government to improve the integrity of the occupational licensing scheme to address the needs of consumers, regulators, and industry leaders.

### *Why is Project Elevate important?*

Project Elevate is important to maintain high professional standards through fit-for-purpose education and licensing.

### *How has SCA (NSW) been involved?*

**SCA (NSW) has built a new national model to overcome challenges associated with skill development and training, to improve learning outcomes for the industry and consumer.**



## **Strata Hub**

### *What is the Strata Hub?*

The Strata Hub is an online digital platform created by the NSW Government to provide better transparency, accountability, regulation, and more engagement for owners and residents of strata schemes in NSW.

### *Why is the Strata Hub important?*

Strata Hub is important to increase accessibility to information and data about strata schemes, emergency services, and financial budgets.

### *How has SCA (NSW) been involved?*

**SCA (NSW) is attending meetings and working directly with the NSW Government and the Department of Customer Service, to ensure that they can strengthen the consumer complaints systems and promote industry standards in the property sector.** SCA (NSW) also has a dedicated page on its website with all the required links for consumers and regularly updates its members on the progress of these projects through emails and webinars. Webinars and additional information on the website have been developed by SCA (NSW) President Stephen Brell and the Board of Directors.



## **Strata Survey**

### *What is the Strata Survey?*

The Strata Survey is an initiative by the NSW Government to collect data about residential buildings with major defects.

### *Why is the Strata Survey important?*

The strata Survey is important to collect information about building defects to help inform consumers, the industry, and regulators about how they can best serve owners and residents of residential buildings in NSW.

### *How has SCA (NSW) been involved?*

**SCA (NSW) is currently working with the OBC on developing a strata survey. Further details will be announced in the future.**

## SUPPORTING SMARTER AND STRONGER REFORMS

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SCA (NSW)'s list of strata-specific legislative reforms will contribute towards increasing the effectiveness and efficiency of existing legislation to empower those living in strata-based communities.

### Reforming Strata-specific Legislation

#### Design and Building Practitioners Act 2020 No 7

*What is the Design and Building Practitioners Act 2020 No 7?*

The Design and Building Practitioners Act 2020 No 7 (DBA) imposes obligations on design and building practitioners to ensure better compliance with the Building Code of Australia.

*Why is the Design and Building Practitioners Act 2020 No 7 important?*

The DBA is important as it gives strata schemes greater scope for pursuing building defect claims and extending the duty of care rights to residents and owners.

*What is SCA (NSW)'s Response?*

**SCA (NSW) believes that a monetary threshold must be indexed.** Alternate metrics used could relate to the type of contractor used because the NSW Government already differentiates its compliance requirements for small businesses. There is also potential for imposing a complexity measurement or calculating the dollar value per lot to account for the size of the property.

A key concern relates to the escalation of costs. In the process of sourcing quotes for remedial building work, clients were informed that they need to have a design practitioner draw up and submit plans to a regulatory body prior to contractor quotes. The price of these quotes is more than double the original price. Consequently, developers have inflicted more harm by escalating costs and creating potential claims for loss of rent because construction work cannot commence and/or spending has exceeded budget limits.

Additionally, smaller entities are disadvantaged because they cannot cope with the increased costs and extensions of time; thus, increasing the likelihood that they will leave the property sector. Although the NSW Government prefers to deal with a reduced number

of smaller entities, this is problematic because smaller entities are important to increase innovation and competition.

However, larger entities would most likely factor their forecast of any additional costs and would pass this on to strata scheme lot owners to make a profit. Consequently, **SCA (NSW) proposes that as part of the impact assessment, there should be a reference to the potential impact of the legislation on innovation to encourage new entrants and competition.**

## **Building Management and Service Contracts**

### *What are building management and service contracts?*

Building management and service contracts are legal documents that spell out the rights and responsibilities as agreed between the builder, developer, and/or service provider and the client.

### *Why are building management and service contracts important?*

Building management and service contracts are important to comprehensively cover the rights and responsibilities of service providers in fulfilling their rights and responsibilities.

### *What is SCA (NSW)'s Response?*

**SCA (NSW) believes that there should be no service contracts spanning 10 years and over.**

Instead, SCA (NSW) proposes that the maximum period of a service contract should not exceed five years with no automatic rollover provisions. Similarly, building management agreements should also be brought under the same standards as strata agency agreements.

## **Strata Schemes Development Act 2015 (SSDA) and Strata Schemes Management Act 2015 (SSMA)**

### *What are the SSDA 2015 and the SSMA 2015?*

The Strata Schemes Development Act 2015 (SSDA) and the Strata Schemes Management Act (2015) are Acts created for freehold strata schemes; to provide for dealing with lots and common property, and sets the framework for resolving strata disputes.

### *Why are the SSDA 2015 and the SSMA 2015 important?*

The SSDA 2015 and SSMA 2015 are important in helping strata committees, owners, and residents work with service providers to provide greater clarity about roles and responsibilities in maintaining a strata scheme.

### *What is SCA (NSW)'s Response?*

**SCA agrees with the recommendations from the Report of the Statutory Review of the Strata Schemes Development Act 2015 (SSDA) and the Strata Schemes Management Act 2015 (SSMA).** In the goal of promoting consumer confidence within the industry, if the current reform is looking to expand the jurisdiction of the Office of the Building Commissioner, some clients are becoming aware of major issues which missed the initial period(s). Given that additional funding could be proposed for a discretionary compensation fund to alleviate the impact, this could help cover the cost for adversely affected buildings.

In review of the SSMA, Management Agency Agreements (MAA) bound MAA to the same terms as other providers. A blank five-year contract term for any contracts in strata will provide for MAA's to be appointed at the IGM for a term beyond the FAGM. There should also be improved requirements around developer handover timeframes and standardised details required for the initial maintenance schedule. These must be provided prior to the FAGM at the budget preparation phase.

## **Building Bond Scheme**

### *What is the Building Bond Scheme?*

The Building Bond Scheme is a scheme that requires developers to lodge a building bond with NSW Fair Trading that is two per cent of the relevant contract value.

### *Why is the Building Bond Scheme important?*

The Building Bond Scheme is important because it is used to secure funds that can pay for rectification costs for any defective works identified in a final inspection report.

### *What is SCA (NSW)'s Response?*

**SCA (NSW) believes that the scheme is ineffective in covering for the defects that remain on the premises and calls for a significant review of the impacts of the scheme.** Notably, with respect to the “unintended consequences” and the resultant “collateral damage” clauses because there is often little to no response when dealing with developers. As the only role of the developer is to increase the cost of implementation to the price of the unit, the scheme is expensive and decreases the liveability of strata complexes.

Additionally, the current bond percentage of two per cent is inadequate for providing cover to fix any remaining defects. The department dealing with the scheme requires more funding and workers as it is extremely difficult to get a response to important queries.

More importantly, in terms of encouragement of innovation, competition, and new entrants, a bond scheme is an example of poor regulation. SCA (NSW) believes that there should not be a reliance on the balance sheet (e.g., the financial viability or longevity of a developer to rectify deficiencies in any project), but a specific focus on quality.

## **Certificate of Registration**

### *What is the certificate of registration?*

The certificate of registration holders is an entry-level real estate course that must be completed to work as an assistant agent in real estate, stock and station, or strata management.

### *Why is the certificate of registration important?*

The certificate of registration is important to allow future strata managers to get the experience and knowledge required to become a licensed agent in the real estate and property industry.

### *What is SCA (NSW)'s Response?*

**SCA (NSW) believes that if an old certificate of registration holder is prevented from working in the industry because of their inability to obtain a license, other businesses might appreciate the relief or deferral of such a consequence.** Especially given the shortage of people that are suffering among other industries at this time. SCA (NSW) understands that it is meant to motivate people to get a license, but it is uncommon that a person can become qualified only to then become ineligible due to the passage of time.



## **Strata Hub Review**

### *What is the Strata Hub?*

The Strata Hub is an initiative of the NSW government to provide better transparency, accountability, regulation, and more engagement for owners and residents of strata schemes in NSW.

### *Why is the Strata Hub important?*

The Strata Hub is important to improve information accessibility to schemes, services providers, and the NSW Government which will improve compliance with a strata scheme's statutory requirements for an improved standard of living.

### *What is SCA (NSW)'s Response?*

**SCA (NSW) believes that Strata Hub should have the ability for committee members to perform multiple tasks without having to enter multiple email addresses when uploading documents.** The rollout of Strata Hub also has significant issues such as online system failures. Consequently, the scope of information contacted in the portal and the timeframe for compliance should be extended by 12 months, to allow for a working bulk upload portal and payment system.

Moreover, public communications around Strata Hub and compliance issues should be communicated to the public to ensure that the NSW Government is taking responsibility for issues related to the Strata Hub rollout and the platform itself.

## FUTURE-PROOFING EMERGING ISSUES

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SCA (NSW) has identified emerging issues of interest and suggested changes to improve the standard of living for all strata communities and stakeholders in NSW.

### EMERGING ISSUES FOR STRATA COMMUNITIES

#### Emergency Services Levy

*What is the Emergency Services Levy?*

The Emergency Services Levy (ESL) is a payment that helps fund certain emergency services in NSW.

*Why is the Emergency Services Levy important?*

The ESL is an important issue because NSW is the only mainland state that funds its emergency services through a tax on insurance.

*What is SCA (NSW)'s position on the Emergency Services Levy?*

**SCA (NSW) believes that as strata insurance is compulsory, strata owners in NSW are doing an unfair share of the heavy lifting by paying the ESL.** The ESL increases home premiums by approximately 18% per annum and NSW strata owners are forced to pay these premiums because they are required to purchase compulsory strata insurance.

## **EV Safety Requirements in Strata**

### *What are EV safety requirements?*

EV safety requirements refer to additional safety measures required to integrate EV chargers in residential apartment buildings.

### *Why are EV safety requirements important?*

In NSW, one in five residents lives in some form of strata-titled property, which means a considerable number of EVs will be occupying strata parking structures.

As a result, SCA (NSW) is concerned with the safety implications that the rapid proliferation of EVs in strata will have. It is known that the failure of EV battery cells may result in the emission of dangerous hazards, including:

- Difficult to extinguish fires
- Thermal runaway effects
- Toxic and flammable gases and vapors
- Leaking of hazardous materials.

These effects are compounded when considering that strata parking may be in areas that are difficult for emergency services to access, like underground or high above-ground areas.

### *What is SCA (NSW)'s position on EV safety requirements?*

**SCA (NSW) is encouraged by the acceleration of the NSW Government towards the electrification of the state's passenger vehicle fleet and recommends a thorough investigation into additional safety considerations for the widespread integration of EVs into strata homes.** This recognition was exhibited by the NSW Government in the 2022-23 budget, which included \$10 million to co-fund 125 medium and large multi-residential apartment buildings to make EV charging electrical upgrades.

## **Property Services Expert Panel**

### *What is the role of the Property Services Expert Panel?*

The Property Services Expert Panel (PSEP) was formed to be an independent panel that provides advice to the NSW Government on pertinent issues relating to the property sector.

### *How does SCA (NSW) view the Property Services Expert Panel?*

SCA (NSW) and the PICA Group of Strata Companies were chosen to participate as representatives from specific organisations within the property services sector (as specified by the terms of reference (TOR)).

After the appointment of the Hon. Eleni Petinos to the property sector portfolio, a review of the TOR of the PSEP saw some alarming changes that included (but were not limited to):

- Membership appointments being made directly by the Minister
- The size of the panel being diminished, with the strata sector now represented by one appointee of the Minister
- The panel of eight consisting of four 'representatives' from the real estate industry
- The only persons on the panel with tenure beyond two years are the Chairperson and the Property Services Commissioner.

SCA (NSW) believes that these changes challenge the independence of the panel as the voice of the sector diminishes the representation of strata. **SCA (NSW) does not support the PSEP as it is constituted under the new TOR, and strongly recommends the required membership of the panel and its new application is reconsidered by the Hon. Victor Dominello, Minister for Fair Trading.**

**For further information about this consultation, please contact Shaun Brockman, National Policy and Advocacy Manager, SCA. [Shaun.brockman@strata.community](mailto:Shaun.brockman@strata.community).**