

The states' latest game of strata law tag

Flat chat



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Stories about incompetent or dishonest strata building managers are the stuff of apartment dinner party one-upmanship. Or should that be one-downmanship?

Most managers are honest, decent and hard-working. But how bad do the worst ones have to be before state governments change the laws to curb their excesses?

Victoria is preparing plans to restrict strata management contracts to maximum three-year terms. This would improve the current situation where some contracts start at 10 years and are virtually open-ended, with managers given the option to renew endlessly.

But there are other major restrictions on owners corporation managers (the official term for strata managers in Victoria) in the

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pipeline. The good news for them is that tier 1 schemes – those with more than 100 lots – must appoint a manager unless they apply for special permission not to have one.

After that, things get progressively tighter. For a start, contracts with developers for setting up the strata schemes expire at the first AGM of the new owners corporation.

Also, the developers or their associates cannot be appointed as managers. After the first AGM, any new and subsequent contract is limited to three years, with



State governments are cracking down on dodgy strata managers. PHOTO: TONY MOORE

restrictions on what they can contain.

For instance, contracts cannot demand that the owners' corporation convenes a general meeting or passes a special resolution to sack the manager.

The contracts also cannot contain clauses that allow for automatic renewal or as an option for the managers. When it comes to sacking the manager, the contracts cannot insist on notice of more than three months for larger schemes of more than 50 lots, and one month for smaller blocks.

So far, so procedural.

But as you dig into the detail of the changes you discover where the issues of integrity and honesty lie. For example, unlike in Queensland, developers in Victoria are not allowed to sell management contracts.

Managers must ensure goods and services acquired on behalf of the owners' corporation are procured on genuinely competitive prices and terms, and any special relationships with suppliers and service providers have to be declared to the strata committee.

Where managers are entitled to receive commissions from securing a contract – such as owners corporation insurance – they have to notify the chairman of the corporation in advance.

Managers also are not allowed to exert pressure on owners to influence the outcome of a vote or election.

Now, while this may seem like a crackdown on managers, apart from the restrictions on contract terms, it is mostly just a clarification of roles and responsibilities – a redrawing of lines so everyone knows what is expected of them.

Doubtless there will be a few dodgy operators who will be caught on the hop, but that is the same in any business.

The Victorian law changes come into force in December. In the meantime, NSW legislators are consulting strata residents about what they think should be in their next revamp of strata law.

In the game of strata law tag, where one state leads the way until another overtakes it, NSW strata schemes can expect to see time limits on facilities management contracts, to match strata managers' three-year maximums.

This is all important stuff.

Strata and building management is a huge and growing industry with an increasing influence on all our lives.

But strata managers, building facilities managers and strata committees acting out of mutual self-interest rather than for the greater good of their communities can be as damaging to your investment as cracks in the concrete. ■

Jimmy Thomson edits the strata living advice website, flat-chat.com.au, and hosts the Flat Chat Wrap podcast. State strata laws vary.