

" STRATA MANAGERS "

Professionals who are responsible for the administration of owners corporations

It is their task to ensure buildings and common areas within a strata titled or community titled scheme are properly maintained for the benefit of all lot owners. They follow specific instructions issued by the owners committee. Strata managers are specialists in their field, possessing the knowledge and skill to administer the owners corporation in accordance with the complex requirements of the particular state-based legislation. They also work to achieve consensus in decision making by committee the lot owners and to otherwise assist the lot owners by assuming onerous responsibilities. Their functions are not those of real estate agents or resident managers.

Performance Management



Specific Duties

Strata managers are involved in coordinating the affairs of lot owners including conducting meetings, collecting and banking levies, arranging property maintenance, advising on asset management, placing insurance and keeping financial accounts.

Their duties include:

- Set dates for committee meetings, the annual general meeting, extraordinary meetings
- Prepare and distribute notices, agendas and minutes
- Attend to correspondence

Organise and co-ordinate repairs and maintenance of common property, including a preventative maintenance program

- Maintaining the owners corporation register
- Arrange payment of all invoices
- Prepare and distribute financial statements and budgets
- Prepare and distribute contribution notices
- Attend to orders, submissions and appeals
- Ensure the strata scheme complies with all the Work Health & Safety (WHS) regulations
- Provide advice in handling 'difficult' or complex strata issues
- Check your Managing Agency Agreement for services not provided under the agreement

Professionalism

Engaging a strata manager that is a member of Strata Community Association (SCA) and Association of Strata & Community Managers is an important step to ensure the professional and compliant administration of a strata scheme.

Strata legislation is complex and designed to protect the interests of its lot owners. A strata manager who knows the legislation well can prevent inadvertent errors which can be made by self-managing owners.

Members of SCA and Association of Strata & Community Managers practising as strata managers are required to keep abreast of all changes in the relevant legislation through a program of continuing professional development and also maintain professional indemnity insurance

Funding Options for Strata Improvements



"How much were you thinking of borrowing, dear?"

Strata improvements are almost always on the agenda for owners corporations. If it's not

mechanical or structural improvements, such as lift refurbishments or roofing repairs, it is aesthetic improvements such as painting or rendering. No sooner is one improvement addressed than another invariably crops up.

This raises the question of funding, with the default option often being to save funds through regular sinking fund contributions or through raising a special levy. There are however other funding options that owners corporations may also consider.

Capital Works contributions/special levy

Saving funds through regular Capital Works fund contributions or raising a special levy carry with them the comfort and perceived security of familiarity. They also provide flexibility and freedom for owners corporations to choose their ongoing suppliers or contractors without third party restrictions.

However, what owners corporations must also consider is the funds currently available in their sinking fund and the time it may take to raise sufficient additional funds to carry out the necessary improvements. Waiting to build adequate funds in their Capital works fund can lead to a delay in works and potentially increased costs.

The opportunity cost to some lot owners of paying a special levy alongside their capacity to pay the levy, are also key considerations for this type of funding.

Strata Improvement loans

Borrowing is an alternative option, with some funders offering loans specifically tailored for owners corporations to address strata improvements, such as the [Macquarie Strata Improvement Loan](#). Such loans reduce the financial dependence on existing lot owners and their levy contributions, spreading the cost of any capital works over a longer and potentially more manageable timeframe.

Improvement works can commence immediately and in some cases there may be reduced disruption for lot owners / tenants by funding and supporting the coordination of a variety of improvements at the same time.

Strata improvement loans also maintain the lot owners' flexibility to freely choose their service providers. Conversely, owners corporations are required to pass a resolution to borrow funding, which means that a majority or potentially all lot owners must be comfortable with the concept of borrowing. Strata improvement loans generally have a term of five years, and there will often also be an increase in strata levies during the term of the loan to meet principal and interest repayments.

Supplier finance

While supplier finance means improvement works can commence quickly and the immediate financial dependence on lot owners and their strata contributions is reduced, not all suppliers offer finance which may lead to a more limited choice of contractors.

Owners corporations should also be aware that some supplier finance can include contracts for longer term maintenance, again potentially limiting the freedom to choose and review suppliers in the future.

Supplier finance can involve a combination of up-front and ongoing payments, with strata levies often needing to be increased to meet the costs of the works as well as any additional charges or margins.

Conclusion

Whatever the nature of improvements, owners corporations should be armed with a clear picture of all options available and the pros and cons of each, so they can make an informed decision in the best interests of lot owners.

Before acting on this information you must consider its appropriateness having regard to your objectives, financial situation and needs. You should obtain financial, legal and taxation advice before making any decision.

NEW PROPERTY LICENSING LAWS

It is anticipated that mid 2018 changes to the NSW property licensing laws are planned to take effect, subject to NSW parliament approval, which means changes for some strata managers. The new NSW property licensing laws have been designed to increase consumer protection measures and will include the improvement of entry requirements for the real estate and property industry, including strata managers.

The main reasons for these changes are to:

- Provide a clearer career progression for real estate and property industry professionals
- Avoid start-up companies by individuals with no



experience

- Reduce the risk of misappropriation of trust funds

Strata managers who currently hold a licence will still hold a licence under the new legislation. Post introduction of the new laws, to obtain a licence in NSW will require strata managers to have 12 months' experience working in strata. Currently, there is no strata experience required. Continuing Professional Development (CPD) will also change to 'hourly' rather than a 'points' based system.

In summary, NSW property owners can rely on the fact that every strata manager in NSW will have a strata property manager licence within four years of the new legislation coming into force. **For further information on these proposed changes please refer to [NSW Fair Trading](#).**

RISING STRATA INSURANCE PREMIUM IS IT MANAGEABLE?

You may be aware that strata insurance premiums have started creeping up since last year. Strata insurers have advised us that market conditions and the other contributing factors such as changes in underwriting guidelines, CPI, increasing reinsurance costs and rising loss ratios have made a further increase in premiums inevitable.

Factors that Affect Rising Premiums

1. Hardening Insurance Market

Softening market conditions brought on by increased competition in the insurance market had forced insurers to reduce premiums in order to remain competitive. Pressure to stay competitive meant that the ratio between claims settlements and the reduced premiums collected was increasing for insurers. To manage this, insurers can change their underwriting guidelines when accepting risks. When offering renewal terms, insurers may also increase their excesses as well as their rates to cover costs.

2. Individual Strata Property Loss Ratio

The Strata Property Loss Ratio is based on the amount of recurring claims incurred at a property. In some instances, recurring claims may result in the insurer declining to offer renewal terms or drastically increasing their premium and standard excess.

3. Water Damage/Burst Pipe Claims

According to one large strata insurer, 45% of their total claims portfolio in 2017 came from water damage and burst pipe claims. Water damage and burst pipe claims can lead to a series of smaller issues when they are not properly managed and maintained. These issues can then cause significant financial problems to the Owners Corporation due to the insurer opting for premium increases or restricted options at renewal.

4. Combustible Cladding

Insurers have started asking for more information regarding cladding material to enable them to underwrite the terms at the appropriate premium accurately. Providing minimal cladding information may initiate a premium loading. This is due to the underwriter charging their highest rate due to them assuming the worst case scenario.

5. Emergency Services Levy (ESL)

The NSW Government made plans to abolish the Emergency Services Levy (ESL) from insurance premiums. This Levy was then going to be charged through Council Rates instead. In anticipating these changes, insurers had charged nil ESL for a certain period in anticipation of these changes. However, this plan was postponed by the government and they re-introduced the ESL to the insurance premium. This means affected Owners Corporations will see an ESL re-appear in their premium next renewal.

How to make it more manageable?

We won't deny that it is probably the most challenging moment for Owners Corporations with all the issues attaching to their expenditures such as, window locks, cladding, maintenance costs, rectification costs to defects, other non-insurable events and increasing insurance premiums. Therefore, we strongly suggest the Owners Corporation, together with their Strata Manager, to make a plan and be proactive in managing matters within their control. These may include;

- Reviewing the strata's financial position against current and forecasted expenditures.

- Start making enquiries for an independent cladding inspector (if applicable)
- Reviewing the current maintenance program and commence repairs as soon as possible
- Actioning any risk recommendation/improvements and/or special conditions imposed by the current insurer.
- Commencing the rectification works to defects as soon as possible.

Key Dates - Tax 2018

Date	Obligation
5 June 2018	<p>Lodge tax return for all entities with a lodgement due date of 15 May 2018 if the tax return is not required earlier and both of the following criteria are met:</p> <ul style="list-style-type: none"> • non-taxable or a credit assessment in latest year lodged • non-taxable or receiving a credit assessment in the current year <p>Lodge tax returns due for individuals and trusts with a lodgement due date of 15 May 2018 provided they also pay any liability due by this date.</p> <p>Note: This is not a lodgment due date but a concessional arrangement where failure to lodge on time (FTL) penalties will not apply if you lodge and pay by this date.</p>
21 June 2018	Lodge and pay May 2018 monthly activity statement.
25 June 2018	Lodge 2018 Fringe benefits tax annual return for tax agents (if lodging electronically). Payment (if required) is due 28 May.
30 June 2018	Super guarantee contributions must be paid by this date to qualify for a tax deduction in the 2017–18 financial year.

NEWSFLASH

Strata storage units in Wollongong deliver stand out 10% returns!



The 'Silo Storage' facility is being developed by local Michael Perry, containing strata self-storage units just south of Wollongong. Catering to business owners and individuals who need space to store files, office furniture, tools and equipment – or for personal storage of caravans, vintage cars or even a 'man cave'.

This hugely anticipated development combines the benefits of self storage facilities with an investment twist that promises impressive returns on investment (ROIs) and capital growth in one package.

Michael, the creator of Silo Storage said *"being investors ourselves, we were always frustrated by the high maintenance, low yields of residential property, and hoping for capital growth to make money. We couldn't find a low risk, high yield investment that ticked all the boxes - so we made one ourselves. We are really excited about what that means for the people of the Illawarra and Sydney, now you don't have to choose growth, OR return you can get BOTH."*

Michael shared, *"Some of our customers are looking forward to paying off their mortgage faster, paying off debts faster, and some self-managed super funds doubling their retirement nest egg returns for the future."*

Integrity Strata is proudly supporting the project as Strata Management agents and builds on an already impressive Silo Storage team having over 30 years experience in the industry.

Leo, Director of Integrity Strata said *"I can assure people that with Integrity Strata, it'll be run perfectly. And with on-site management, it will be painless for everybody."*

Leo came across Silo Storage when looking for a place to store the Integrity archives, *"We had been renting a storage unit for many years. This was a perfect*

opportunity of not only securing an investment in our superannuation fund, but also to get a fairly healthy return of 10% on our investment for the first three years.” Leo highlighted, “It was a win situation, because, as you know, the banks and the super funds are only showing about 2.75%, so 10% was a no-brainer for us to invest”.

To kick off the project, Michael said “we wanted to stand out and give investors an amazing deal. So we set aside a few units and are offering ‘10% net returns guaranteed with a 3-year lease’ on those. It’s an amazing offer if you get in quick, that’s for sure.”

Integrity Strata will keep you up to date with this exciting project and if Silo Storage sounds interesting to you, visit www.silostorage.com.au or call Mike T on 0417 447 500



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