



Building Commission NSW – Proposed Co-regulation Model

Strata Community Association NSW Submission
28 August 2024

INTRODUCTION

1. Strata Community Association NSW Overview

Founded in 1980, Strata Community Association NSW (SCA NSW) was formerly known as the Institute of Strata Title Management. SCA NSW serves as the peak industry body for Strata and Community Title Management in New South Wales. The association proudly fulfils a dual role as both a professional institute and consumer advocate.

2. Membership

SCA NSW boasts a membership of over 3,000 members, including lot owners, suppliers, and professional strata managers who oversee, advise, and manage a combined property portfolio estimated to be worth over \$450 Billion.

3. Strata and Community Title Schemes in NSW

NSW is home to 89,049 Strata and Community Title Schemes. A significant 95 per cent of these schemes are comprised of residential lots. Altogether, the total number of Strata and Community Title lots in NSW stands at 1,043,690.¹

4. NSW as a Leader in High-Density Living

According to the 2022 Australasian Strata Insights Report, there are 2,501,351 people residing in apartments across Australia. A majority of these apartment dwellers (51 per cent) are in NSW.² NSW also leads the way in the trend to higher density living in Australia and boasts the highest proportion of apartment households relative to all occupied private dwellings, standing at 22 per cent.

5. Employment Impact

Strata is a significant employer, directly providing jobs to 1,413 managers throughout NSW, as well as an additional 1,317 other related employees.³

6. Promoting Professionalism

1. SCA NSW is dedicated to fostering a high standard of professionalism in the strata industry with initiatives like the Professional Standards Scheme (PSS), which contributes to ensuring strong consumer outcomes for over 1 million strata residents in NSW.
2. SCA NSW membership encompasses a wide range of entities, from large corporate companies to small family businesses to dedicated volunteers. Members possess expertise in all aspects of strata management, service provision, and governance.

For further information about this consultation, please contact Dylan Lin, Policy and Advocacy Officer, SCA NSW. Dylan.lin@strata.community

¹ Hazel Easthope, Danielle Hynes, Yi Lu and Reg Wade, Australasian Strata Insights 2022, City Futures Research Centre, UNSW, Accessed at https://cityfutures.adu.unsw.edu.au/documents/717/2022_Australasian_Strata_Insights_Report.pdf

² Ibid, p.8-13

³ Ibid, p.8.

SCA NSW'S POSITION

Introduction

SCA NSW welcomes the opportunity to provide feedback on the Building Commission NSW Consultation Paper about competency assessments and the proposed co-regulation model. SCA NSW's position is informed by our commitment to high standards in the strata sector and ensuring that regulatory frameworks effectively support both strata schemes and the professionals who work within them.

SCA NSW's Response to the Consultation Paper Questions

1. Do you support the proposed compliance and enforcement tools outlined above? What other compliance mechanisms should the Commission consider?

SCA NSW supports the proposed compliance and enforcement tools, recognising their importance in maintaining high standards among licensed professionals working on strata properties. The association recommends additional mechanisms such as routine audits of completed works and mandatory reporting of significant building defects by contractors to the Commission. These measures will protect strata schemes from poor workmanship and enhance contractor accountability, aligning with the recent efforts of the Commission.

However, careful implementation is essential to prevent misuse. Specifically, it is important to ensure that these tools are not used to coerce owners into carrying out unnecessary works or to determine which defects need to be reported.

2. What further information could the Commission provide to support Accredited Industry Bodies?

The Commission should provide detailed guidelines on how Accredited Industry Bodies (AIBs) will interact with strata schemes. This should include specific processes for dispute resolution, management of contractor assessments and clear communication channels for reporting non-compliance or concerns about contractor performance. Such information is invaluable for strata management and ensuring alignment among all stakeholders.

3. Are you supportive of a two-tiered model? Why or why not? If you do not support a two-tiered model, do you propose an alternative approach?

A two-tiered model could offer more specialised and rigorous assessments for complex projects, but it is essential to ensure it does not create unnecessary administrative burdens and barriers for contractors, especially those providing essential services. If a two-tiered approach is not implemented, ***SCA NSW proposes a single-tier model with enhanced oversight and regular audits as a practical alternative.*** This would maintain high standards without overcomplicating the regulatory environment.

4. Should the Commission consider any other restrictions or eligibility requirements for certain types of industry bodies? For example, requiring for-profit organisations to demonstrate how they would ensure that their revenue generation objectives would not detract from the overall objectives of the scheme.

SCA NSW supports the consideration of restrictions and eligibility requirements for industry bodies, particularly for-profit organisations. Such bodies should be required to demonstrate how they balance revenue generation with maintaining high standards to prevent cost-cutting measures that could compromise quality.

5. Should the Commission prescribe Accredited Industry Bodies within legislation (such as via Gazette) to provide certainty to industry and the public?

SCA NSW is of the opinion that prescribing Accredited Industry Bodies within the legislation would provide necessary certainty and clarity. This measure ensures that strata managing agents are aware of which bodies are authorised to assess and oversee contractors, thus reducing the risk of engaging unqualified or non-compliant service providers.

6. Do these proposed powers and requirements mitigate conflict of interest risks? If not, what other powers and requirements should be considered?

While the proposed powers and requirements seem to address conflict of interest risks, *SCA NSW recommends that there should be additional measures, such as mandatory third-party reviews of assessments by AIBs when the contractor is a member of the same body.* This would offer further protection for strata schemes and ensure unbiased evaluations.

7. Should the Commission, in conjunction with industry, develop and mandate one competency assessment for each licence class? Alternatively, should Accredited Industry Bodies be able to develop and implement a bespoke competency assessment? (Noting this would still be subject to approval by the Commission)

SCA NSW supports the development and mandate of a standardised competency assessment for each license class to ensure consistent standards across the industry. If bespoke competency assessments are allowed, they should be closely regulated to ensure they meet or exceed standardised requirements, providing flexibility without compromising quality.

8. Do you support the proposed approach to require Accredited Industry Bodies to provide an outcomes report to failed applicants? Why / why not?

SCA NSW supports requiring AIBs to provide outcomes reports to failed applicants. This promotes transparency and helps contractors understand areas for improvement. Over time, this can lead to higher-quality work as contractors align more closely with required standards.

9. Do you have any further questions relating to the financial viability of the proposed co-regulation model?

SCA NSW seeks assurances that the co-regulation model will not significantly increase the cost of services provided by contractors. Any additional fees associated with competency assessments or AIB oversight must not disproportionately impact strata schemes, which often operate under tight budgets.

10. Do you support Accredited Industry Bodies being required to notify the Commission of all assessment outcomes, including individuals who fail?

SCA NSW believes that requiring AIBs to notify the Commission of all assessment outcomes, including failures, is essential for maintaining transparency and accountability. This ensures that only qualified contractors are engaged, assisting strata managing agents in making informed hiring decisions for maintenance and construction work.

11. Should individual applicants be required to disclose to an Accredited Industry Body if they have recently failed a competency assessment?

SCA NSW thinks that it would be beneficial for individual applicants to disclose any recent failures of competency assessments. This transparency will help strata managing agents evaluate the reliability and competence of contractors before engagement, ensuring that only capable professionals are hired. To facilitate this, the Commission should establish an accessible method for strata managing agents to easily verify assessment outcomes, accompanied by educational initiatives.

12. Do you agree that these processes could mitigate risks relating to assessor availability and skills shortages?

The proposed processes appear adequate for mitigating risks related to assessor availability and skills shortages. However, effective implementation is key, and strata managing agents need assurances that project timelines will not be adversely affected by assessor shortages, which could impact strata property maintenance and upgrades.

13. Do you have any questions about how the co-regulation model would be integrated into the broader regulatory framework proposed under the draft Building Bill?

SCA NSW seeks clarity on how the co-regulation model will integrate with existing strata-specific regulations and standards. Ensuring that the new framework aligns with current strata legislation is crucial to avoid conflicts and ensure smooth operation within strata schemes, maintaining consistency in regulatory oversight.

For further information about this consultation, please contact Dylan Lin, Policy and Advocacy Officer, SCA NSW. Dylan.lin@strata.community