NSW Parliament Select Committee Inquiry into Emergency Services Funding Reform/NSW Treasury Options Paper

Strata Community Association NSW Submission

19 June 2026

INTRODUCTION

1. Strata Community Association (NSW) Overview

Founded in 1980, Strata Community Association (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 91,346 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 1,073,277[1]. 44% of these schemes have been registered since 2000.

4. NSW as a Leader in High-Density Living

According to the 2024 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 20 per cent.

5. Employment Impact

Strata is a significant employer, directly providing jobs to 1,259 managers throughout NSW, as well as an additional 854 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 Andrew Jefferies, Senior Policy and Advocacy Advisor, SCA NSW. Andrew.Jefferies@strata.community

[1] Authored by Hazel Easthope, Yi Lu and Alejandra Rivera, Australasian Strata Insights 2024, City Futures Research Centre, UNSW.
[2] Ibid, p.8-13
[3] Ibid, p.8.

INQUIRY INTO EMERGENCY SERVICES FUNDING REFORM - STRATA SECTOR RESPONSE

Introduction

Strata Community Association NSW (SCA NSW) appreciates the opportunity to provide feedback to the NSW Parliament's Legislative Assembly Select Committee Inquiry into Emergency Services Levy (ESL) Funding Reform and the NSW Treasury Options Paper.

We note that the Options Paper presents alternative models for funding the state's three emergency services agencies — Fire and Rescue NSW, the NSW Rural Fire Service and the NSW State Emergency Service — in response to the Minns Labor Government's commitment to reform the ESL. These options, and stakeholder responses to them, are intended to inform the Legislative Assembly Select Committee's Inquiry.

SCA (NSW) acknowledges and agrees with the NSW Government's position that the current insurance-based ESL places an unsustainable burden on insured households and businesses. This burden is particularly acute for strata communities across NSW, which are required to maintain compulsory building insurance under section *160 of the Strata Schemes Management Act 2015* and have therefore been required to contribute disproportionately to the cost of the ESL.

The strata sector strongly believes this reform is both necessary and long overdue. NSW is the last mainland state in Australia to rely on an insurance-based levy to fund its emergency services agencies. Other states have long since transitioned to property-based levies, which are more equitable and avoid distortions in the insurance market.

SCA (NSW) also believes the NSW Government has a once-in-a-lifetime opportunity to align ESL reform with the recent *NSW Productivity and Equality Commission Review of the market impacts of prohibiting strata managers from accepting commissions*. Together, the replacement of the ESL and the prohibition of insurance commission acceptance could reduce strata insurance costs for owners by up to 25% over a three-year period.

In 2024, SCA (NSW) commented on the NSW Government's consultation on the design principles for cost recovery and the preferred revenue-base model to underpin funding for the state's three emergency services agencies.

KEY RECOMMENDATIONS

- **Recommendation 1 – Reform is long overdue and must proceed:** NSW remains the last mainland state in Australia to rely on an insurance-based levy to fund its emergency services agencies. The strata sector disproportionately funds these agencies because Owners Corporations are required to maintain compulsory building insurance under section 160 of the *Strata Schemes Management Act 2015*. ESL components on strata insurance in NSW have historically been up to three times higher than in Victoria. The NSW Treasury Options Paper also highlights that, since 2017–18, the ESL has added an average of 18% to residential property insurance, before the compounding effects of GST and stamp duty are considered.

- **Recommendation 2 – Option B or Option C are preferred by the strata sector:** Having regard to the NSW Government's stated design principles of cost recovery, equity, efficiency, simplicity, and sustainability, as well as the benefits for strata owners, SCA (NSW) considers Option B (four residential tiers) and Option C (six residential tiers, with additional lower and higher brackets) to be the most equitably calibrated options. Both provide greater protection for properties with lower land values.

- **Recommendation 3 – Strongly oppose Option E:** Option E proposes a $50 surcharge on residential units in addition to a standard tiered land-value charge. SCA (NSW) notes that adopting this model would not only discriminate against strata owners in the design of the ESL replacement but would also make NSW the only Australian jurisdiction with a property-based emergency services levy to apply an additional unit-specific surcharge. This surcharge could extract an estimated $60 million per year from apartment owners, who are often first-home buyers, downsizing retirees, or renters whose landlords would most likely pass the cost through.

- **Recommendation 4 – Strata-specific concession, hardship, and transitional design:** SCA (NSW) supports the proposed $60 fixed pensioner concession, which can be collected through councils' existing pensioner rebate frameworks and is therefore automatic and well understood. Hardship provisions must be accessible to Owners Corporations facing collective financial stress, including defects, cladding remediation, and insurance affordability pressures. Transition arrangements should align with annual strata budget and AGM cycles and include a refund mechanism for any prepaid ESL within unexpired insurance policies.

- **Recommendation 5 – Combine ESL reform with the NSW Productivity and Equality Commission Review recommendations:** SCA (NSW) believes that implementing these reforms together could deliver a significant reduction of up to 25% in total strata insurance costs for owners over three years. This economic dividend would help relieve cost-of-living pressures and support lower-income households. The NSW Treasury Options Paper estimates that 80% of the beneficiaries of these reforms sit within the lowest income quintile.

- **Recommendation 6 – Collect funds through rate notices:** The proposed 2016–17 Emergency Services Property Levy architecture was designed to collect the levy through council rate notices, with classification by Revenue NSW. SCA (NSW) believes this is the most effective and appropriate practice, aligning with the models used in Victoria, Queensland, Western Australia, the ACT, and Tasmania. Councils already issue rate notices to every strata lot, classify properties by land use, administer pensioner and hardship concessions, and hold complete address data. This would eliminate the 52%-unit data-matching gap acknowledged in the NSW Treasury Options Paper and represents the most accurate and administratively efficient collection mechanism available.

SCA NSW's Response

Insurance is compulsory in strata

Section 160 of the *Strata Schemes Management Act 2015* imposes a statutory obligation on every Owners Corporation in NSW to maintain a damage policy covering the building for its replacement value, together with public liability insurance, voluntary workers cover, and any other prescribed insurance. This obligation is not discretionary. Strata Owners Corporations cannot self-insure, under-insure, or elect to forgo cover without breaching their statutory duties and exposing committee members to potential personal liability under Part 4 of the Act.

This is the single most important contextual fact when considering ESL reform from a strata perspective. Other property classes in NSW — including freestanding houses, commercial premises, industrial holdings, and farms — have some degree of choice about whether to insure. According to the data referenced in the NSW Treasury Options Paper, NSW has among the highest rates of building non-insurance in Australia. Every property owner who chooses not to insure, or who under-insures, contributes nothing to emergency services funding under the current ESL system. The cost is instead borne by those who do insure — including every strata lot in NSW.

The result is that, for decades, the strata sector has subsidised the broader property market. The 2020 Strata Community Association (NSW) data is illustrative: in that year, 53,983 NSW Owners Corporations paid more than $301 million in strata insurance premiums and approximately $120 million in duties, levies, and taxes, including approximately $52 million in ESL alone. ESL components on strata insurance in NSW have historically been almost three times higher than in Victoria. This is not a marginal difference; it is a fundamentally different burden imposed by virtue of being on the wrong side of a state border.

ESL rates added to Strata Insurance

Sample insurance data for ESL rates applied by insurers to NSW strata premiums in 2025–26 highlights the significant loadings added to strata premiums:

- **Residential strata:** approximately 13–18% loading on base premiums.
- **Commercial strata and mixed-use:** approximately 22–30% loading on base premiums.

NSW Treasury's modelling in Table 1 of the Options Paper records that, on average since 2017–18, the ESL has **added 18% to residential property insurance** and 34% to non-residential property insurance, before the cascading effects of GST and stamp duty are applied. Residential insurance premiums in NSW have risen by 48% between 2017–18 and 2024–25, nearly double the 25% growth in CPI over the same period. NSW also has insurance affordability stress above the national average and the second-highest rate of home building non-insurance among Australian states.

Removing the ESL is conservatively estimated to deliver an 18% reduction in residential strata insurance premiums and a 25–30% reduction in commercial strata premiums, before accounting for the compounding savings on GST and stamp duty applied to the ESL component.

Every other state has transitioned to a property-based model

NSW is the only mainland state that still funds its emergency services predominantly through an insurance-based levy. Every other mainland jurisdiction has transitioned to a property-based model: Queensland in 1984, South Australia in 1999, Western Australia in 2003, and Victoria in 2013. The ACT introduced a property-based levy in 2007. Tasmania alone retains a partial insurance-based component, accounting for around 40% of its emergency services funding.

These transitions have not been controversial. The 2010 Henry Tax Review, the 2014 NSW IPART Review of State Taxes, the 2020 Thodey Review, and successive Productivity Commission analyses have all identified insurance-based ESLs as among the most economically inefficient taxes in the Australian tax mix. The reasons are well documented:

- **Underinsurance and non-insurance:** Insurance-based levies inflate premiums and discourage adequate insurance cover, leaving households and the State exposed to greater post-disaster costs.
- **Cascading taxation:** The ESL is charged on the base premium, which then attracts GST and stamp duty — effectively creating a tax on a tax.
- **Free riding:** Property owners who choose not to insure pay nothing towards emergency services, despite receiving the same protection.
- **Capacity-to-pay misalignment:** The ESL is correlated with insured value and risk, not income or wealth. Owners of properties in flood- and bushfire-exposed regions pay the highest ESL, while typically having the lowest capacity to pay.
- **Distorted commercial incentives:** Distribution channels, including insurers, brokers, and commission-earning strata managers, receive percentage-based remuneration calculated on the gross premium, including the ESL. This creates a structural incentive to defend a system that inflates premiums.

The NSW Treasury Options Paper estimates that replacing the ESL with a more efficient property-based levy would **add around $1.8 billion to the NSW economy** in today's terms, equivalent to an increase in average annual household income of around $300. Importantly, more than 80% of modelled beneficiaries in the lowest household income quintile would no longer experience severe insurance affordability stress.

This modelling appears to use a 2024–25 economic baseline, prior to the most recent quarter of insurance market data and the further premium increases observed across the strata sector in late 2025 and early 2026.

Critically, whether by reference to strata title, company title, or any other indicator of higher-density residential use, each jurisdiction treats each lot as a separate property while applying the standard calculation. Option E in the NSW Treasury Options Paper proposes a $50 surcharge on units in addition to the standard tiered land-value charge. If adopted, NSW would become the only jurisdiction in Australia to discriminate against apartment owners in the design of its emergency services funding regime. **SCA (NSW) strongly opposes this option.**

SCA (NSW) believes Option E is regressive because it would impose an additional tax on apartment owners, who are often first-home buyers, downsizing retirees, or renters whose landlords would likely pass the cost through. These groups are among the least able to afford a $50 surcharge on top of a tiered charge based on land value.

Importantly, no other Australian jurisdiction collects its emergency services levy through insurance premiums. The design architecture used in Victoria, Queensland, Western Australia, the ACT, and Tasmania involves councils issuing rate notices with a separate line item for the emergency services levy. South Australia uses council valuation data with State-issued notices.

The table below shows how each jurisdiction with a property-based emergency services levy treats strata lots, units, and apartments.

Jurisdiction	Levy structure	Treatment of strata lots / units	Unit-specific surcharge?
Victoria	Fixed charge + variable rate on Capital Improved Value (CIV)	Each lot assessed on its CIV. Same rate within residential classification regardless of property type.	No surcharge
Queensland	Pure fixed charge per property by 16 land use levy groups across 5 service-availability districts	Each strata lot charged the Emergency Management Levy as a separate property via council rates.	No surcharge. The fixed charge is essentially land-value-blind and favourable to units and apartment owners.
South Australia	Fixed charge + variable rate (capital value × area factor × land use factor × levy rate) across 4 service areas	Each strata lot assessed individually on its capital value with 7 land use categories.	No surcharge

Jurisdiction	Levy structure	Treatment of strata lots / units	Unit-specific surcharge?
Western Australia	Gross Rental Value (GRV) × ESL rate, across 5 ESL categories with minimum and maximum charges	Each strata lot assessed on its GRV. Minimum and maximum charges apply by land use type.	No surcharge
ACT	Fixed charge or variable rate by land use	Residential properties (including units): uniform fixed charge. Commercial properties: variable rate on AUV.	No surcharge
Tasmania	Mixed: property-based Fire Service Contribution on Assessed Annual Value, plus residual Insurance Fire Levy and Motor Vehicle Levy	Each strata lot assessed on its AAV.	No surcharge

Model Options Analysis – Support for Options B & C, Oppose Option E

SCA (NSW) assessed the five options presented in the NSW Treasury Options Paper against the Government's stated design principle objectives along with additional consideration of the impacts on the NSW strata sector.

Option	Approach	Strata impact	SCA (NSW) Position
A	4 tiers of fixed charges by land value	64% of units would fall into the lowest tier ($175)	NOT SUPPORTED. This is the simplest option, but lower and higher threshold tiers are our preference.
B	4 tiers with greater escalation (lower bottom, higher top)	The lowest tier reduces to $158, which benefits the majority of units	SUPPORTED. Best balance of simplicity, equity, and strata impact.
C	6 tiers with new lowest and highest brackets	Adds complexity, however the lowest tier of $141 helps lowest-value units	SUPPORTED. 6 tiers deliver a more equitable solution, albeit with additional complexity.
D	4 tiers with regional discounts (20%/40%/50%)	The bulk of strata living is in Greater Sydney, and these residents would face higher charges.	NOT SUPPORTED. Should not be adopted without proper service-availability mapping. SCA (NSW) is not opposed to regional discounts in principle.
E	4 tiers with $50 surcharge on all units;	Unit surcharge extracts an estimated $60M per annum and disproportionately targets strata owners.	STRONGLY OPPOSED. SCA (NSW) does not support a unit surcharge in any form as no other Australian jurisdiction has this option.

Option A is the simplest of the five models and most closely resembles the approaches used in Queensland and the ACT. The residential tier amounts ($175/$225/$300/$523) are sensibly calibrated against current median ESL costs for properties within each land-value band, which moderates change for most property owners.

From a strata perspective, Option A is acceptable but less than optimal. Approximately 64% of strata units in NSW have land values below $302,100 and would fall in the lowest tier at $175. Whilst this represents a meaningful reduction for many unit owners compared to current ESL costs (especially in fire- and flood-exposed areas), the next-lowest tier ($225 for land values $302,100–$728,000) covers a further 29% of units and may represent an increase in levy burden for some Greater Sydney unit owners whose current ESL costs are below this amount. Option A is not supported.

Option B retains the simplicity of Option A but recalibrates the tiers to reduce the lowest and highest amounts. For strata owners, the bottom tier reduces from $175 to $158 (–$17), the second and third tiers are unchanged, and the top tier increases from $523 to $573 (+$50).

SCA (NSW) supports Option B, as simplicity is maintained, the model offers a meaningful discount for owners with 64% of units falling into the lowest tier with a $17 reduction compared with Option A, the $50 increase for the top tier for owners with land values above $1.41 million is more equitably calibrated for properties with higher and lower land values.

Option C introduces two additional tiers. A new lower tier (capturing the bottom 25% of properties in each sector) and a new upper tier (capturing the top 5%), with adjusted amounts in the intervening bands. For the strata sector, the lowest tier reduces to $141, and the highest tier increases to $623.

SCA (NSW) also supports Option C and believes that the six-tier approach presents the best and most equitable solution given that it provides greater protection for the lowest-land-value properties and asks more of the highest, when compared with Options A and B. However, we note that the introduction of two additional tiers adds further complexity that will require a larger administrative and communication footprint.

Option C provides a $34 reduction at its lowest tier compared with Option A, delivering further additional relief for strata units at the lowest land value, while also avoiding an additional unit surcharge, as presented in Option E. For pensioners, fixed-income lot owners, and lower-income households (who are disproportionately concentrated in the lowest land-value cohort), this is the most meaningful protection of any option.

Option D adopts the Queensland model of regional discounts (20% / 40% / 50%) based on geographical service availability[2]. SCA (NSW) understands the principle of this approach, given that emergency service provision is materially lower in remote and rural NSW, and it is fair

[2] Queensland Fire Department, Emergency Management Levy. Fire Services Regulation 2011 (Qld), Schedule 2 (16 levy groups and 5 levy district classes). The classification map is gazetted by the Minister for Emergency Services.

and reasonable for property owners in these regions to areas to expect their contribution to reflect this.

However, as the NSW Treasury Options Paper acknowledges, the regional classification proposed in Option D is not based on actual mapping of NSW emergency service availability. Rather, it is a proxy classification using ABS geographical categories. Without a transparent, verifiable methodology that maps the boundaries based on real service availability — as Queensland has done through its gazetted maps — the adoption of Option D risks producing arbitrary regional outcomes that could potentially be litigated by individual property owners and Local Government excluded from the regional classification.

While SCA (NSW) is not in principle, opposed to a regional classification discount, we don't support this option, as presented in the paper.

Option E proposes the application of a $50 surcharge on units (defined as properties forming part of a strata or company title scheme), in addition to the tiered land-value charges that apply to residential properties. Modelling contained within the NSW Treasury Options Paper indicates an effective $60 million per annum transfer from apartment owners to other property types under this proposal. **SCA (NSW) strongly opposes this option,** particularly given there is **no precedent across any other Australian jurisdiction for this model**, as well as our belief that it **unfairly discriminates against the strata sector**.

SCA (NSW) offers furthers grounds to oppose Option E:

- **Strata buildings are lower risk** - Modern strata buildings, particularly those constructed since the Building Code of Australia introduced compartmentalisation and sprinkler requirements, have significantly lower fire propagation risk than freestanding homes.[3] Strata buildings are typically located in higher density urban areas with shorter emergency response times and less exposure to bushfire, are subject to mandatory annual fire safety requirements and are subject to Decennial Liability insurance.

[3]Building Code of Australia, Volume One — Class 2–9 Buildings; Environmental Planning and Assessment (Development Certification and Fire Safety) Regulation 2021 (NSW), Parts 9–10. Sprinkler and fire compartmentalisation requirements apply to most multi-residential buildings.

- **Contradicts NSW Government policy to deliver more high density living -** The Minns Government has made the delivery of higher-density housing one of its central policy objectives, through its Transport Oriented Development (TOD) Program, Low and Mid-Rise Housing Reforms and agreed targets under the National Housing Accord. Applying a unit-specific surcharge through a change in the ESL sends a direct price signal. This surcharge increases the holding cost of apartments relative to houses and will be passed through to tenants in the rental market and signals to first-home buyers, who increasingly are entering the market via units rather than houses, that the NSW Government is willing to discriminate against the property class.

- **Strata Owners already carry shared infrastructure costs through levies** - Building insurance, lifts, common-area maintenance, capital works fund contributions, fire safety compliance, sprinkler servicing, and the new mandatory window safety device program all sit on the strata levy. Special levies to remediate defects and cladding, building management renegotiations and top ups to sinking funds also fall on the strata sector. Adding a unit-specific surcharge on top of a tiered fee structure compounds already tight household budgets for many strata owners.

- **Inequity of a $50, one size, fits all surcharge -** The fixed $50 surcharge applies regardless of unit size, value, owner income, or scheme type. A pensioner in a small Western Sydney studio pays the same amount as the owner of a harbour-front penthouse at Mosman. A first-home buyer in a regional NSW town pays the same as a high-net-worth investor in a luxury duplex in Mosman or Vaucluse. This is a flat, regressive tax overlaid on a tiered fixed charge that already produces some regressivity for low-value properties.

Strata specific concession, hardship, and transitional design considerations

- **Pensioner Concession**: SCA (NSW) supports the proposed $60 fixed pensioner concession. Under the council collection model, the concession can be administered through a Council's existing pensioner rate rebate framework[4], which is automatic, accessible, and well understood by both councils and concession card holders. There is no requirement for an additional application or registration by an owner and annual eligibility is refreshed through this process. Importantly, the Owners Corporation and Strata Managers would not play any role in having to collect or administer the concession.

- **Hardship Provisions**: must be accessible to lot owners based on an inability to meet basic living expenses, be accessible to the Owners Corporation when extraordinary circumstances arise such as when schemes require special levies for major defects rectification, combustible cladding, uninsurable risk, and schemes where per-lot levy contributions exceed a reasonable proportion of typical lot owner income. These provisions should be linked to the existing provisions within the *Strata Schemes Management Act 2015* with a right of review through the NSW Civil and Administrative Tribunal (NCAT).

- **Transitional Arrangements:** SCA (NSW) supports the following inclusions:

    - **A maximum two-year phased transition,** rather than overnight removal. Strata insurance policies typically run on a 12-month renewal cycle and strata budgets are set annually at the AGM. A two-year phasing period allows two full renewal cycles for the ESL component of premiums to be unwound and for Owners Corporations to adjust budgeting accordingly.

    - **A mandatory pro-rata refund mechanism** for ESL prepaid by Owners Corporations through unexpired strata insurance policies at the transition date. Strata policies are typically paid in full at inception, meaning a scheme that renews its policy on 1 June and faces ESL removal on 1 July would otherwise be without recourse for 11 months of pre-paid ESL. The refund

[4] Local Government Act 1993 (NSW), section 575 (Pensioner concessions on council rates and charges). Pensioner concession card holders receive a mandatory reduction on council rates and charges (50% reduction up to a maximum); the concession is administered by councils and reimbursed in part by the State Government.

mechanism should be designed by IPART as Insurance Monitor and applied uniformly across all insurers.

  - **Strengthening the IPART Insurance Monitor mandate.** IPART should be expressly required to monitor strata insurance premium reductions during transition, with the strata sector as a specifically identified focus area. Strata premiums should reduce by no less than the ESL component (typically 13–18% for residential strata) at each renewal post-removal, and IPART should have powers to require refunds where this does not occur.

  - **Clear communication to Owners Corporations and lot owners.** NSW Fair Trading and Revenue NSW should develop a strata-specific communications package explaining the transition, including model AGM motions, budget templates, and disclosure requirements for sale contracts and Section 184 certificates.

- **Strata-Specific Considerations**: require further attention under a council rates collection model and are not addressed in the NSW Treasury Options Paper:

  - **Mixed-Use Schemes:** A substantial number of NSW strata schemes are mixed-use, combining residential and commercial lots under a single strata or building management committee structure. Each lot in a mixed-use scheme is assessed individually based on its own land classification and value, not as a portion of the scheme. The Local Government Act 1993 (NSW) classifications (residential, business, farmland, mining) at the lot level are used directly with Building Management Committees (BMCs) under the Strata Schemes Development Act 2015 excluded.

  - **Sale Contract and Disclosure Obligations:** Under section 184 of the SSMA 2015 and Schedule 2 of the Conveyancing (Sale of Land) Regulation 2017[5], the contract for sale of a strata lot must disclose certain matters relating to strata levies and insurance. Under the council collection model, the new emergency services levy will be disclosed automatically through the existing council rates

[5] Conveyancing (Sale of Land) Regulation 2017 (NSW), Schedule 2; Strata Schemes Management Act 2015 (NSW), section 184; Strata Schemes Management Regulation 2016 (NSW).

disclosure framework, with minor amendments recommended to Section 184 certificates to clearly identify the annual emergency services levy applicable to the lot, consistent with the treatment of council rates and water rates as well as the requirement for sellers to disclose both the remaining ESL component in current insurance and the projected emergency services levy under the new system, during the phase-out period.

- **Data limitations:** The NSW Treasury Options Paper identifies a gap in the data-matching process which produced lower matching rates for residential units (52%) than houses (73%). Under the council collection model, this data gap is fully resolved as councils hold complete lot address and land-use data. SCA (NSW) is available to provide supplementary industry data to help support the transition and to inform the design of the refund mechanism and IPART insurance monitor.

Productivity & Equality Commission Review

The Committee's work on emergency services funding reform is occurring in parallel with the NSW Productivity Commission's March 2026 Final Report on Strata Insurance Commissions. These reforms are conceptually and economically linked and considering them together would deliver a stronger policy outcome for NSW strata owners.

Strata insurance commissions in NSW are calculated as a percentage of the gross premium paid by an Owners Corporation. This includes the base premium, the ESL component, GST charged on the combined amount, and stamp duty charged on the combined amount. As a result, commissions earned by brokers, distribution channels, and, under current arrangements, strata managers are inflated by the ESL component of the premium.

Example: For a strata premium with a **$20,000 base premium** and an **18% ESL loading**, the ESL-affected components total approximately **$4,378**: ESL of **$3,600**, GST of **$362** on the ESL, and stamp duty of **$416** on the ESL plus GST.

At a typical broker commission rate of 20%, removing the ESL would reduce broker commission by approximately $876 per scheme per year. Across 89,000 strata schemes in NSW, this equates to approximately $78 million per annum in commission revenue tied to the ESL.

If the recommendations of the Productivity and Equality Commission Review are implemented alongside the removal of the ESL, the combined cost reduction for Owners Corporations procuring strata insurance would be substantial. Modelling based on typical scheme data suggests:

- **ESL removal**: 13–18% reduction in residential strata premiums, including the compounding GST and stamp duty effect.
- **Commission reform**: 5–10% reduction in premiums where current commission arrangements sit at the upper range of industry practice.
- **Combined effect**: 18–28% reduction in residential strata insurance premiums.

For a typical NSW strata scheme paying $25,000–$50,000 in annual building insurance, the combined reforms could save an Owners Corporation between $4,500–$14,000 per year.

Conclusion

Emergency services funding reform in NSW is long overdue. For the strata sector, this reform addresses a structural inequity that has, for decades, positioned apartment owners and Owners Corporations as a subsidising cohort within the broader property market. The compulsory nature of strata insurance under section 160 of the *Strata Schemes Management Act 2015* has, in effect, made the strata sector an involuntary primary funder of the state's three emergency services agencies.

SCA (NSW) supports the direction and intent of the proposed reforms and considers the design framework to be broadly sound. Options B and C are supported by the strata sector. SCA (NSW) considers Option C to offer the best balance of equity, capacity-to-pay alignment, and protection for property owners with the lowest capacity to pay, while Option B remains acceptable because it is simple to administer and provides a meaningful discount for the majority of property owners whose land values fall within the lowest tier.

Option E, by proposing a $50 unit surcharge on top of a tiered land-value charge, has no precedent in any other Australian jurisdiction. It would replace one inequity with another and should not proceed.

Consistent with the NSW Government's proposed 2016–17 reforms and the property-based models used in other Australian jurisdictions, SCA (NSW) believes the levy should be collected through Local Government rate notices.

Through the Legislative Assembly Select Committee Inquiry, the NSW Government has a once-in-a-lifetime opportunity to deliver reforms that finally place NSW on the same footing as the rest of Australia, while equitably returning hundreds of millions of dollars per annum to lot owners and households during a cost-of-living crisis. The strata sector has carried an unfair burden under the current emergency services funding arrangements for far too long and strongly supports these reforms.

For further information about this consultation, please contact Andrew Jefferies, Senior Policy and Advocacy Advisor, SCA NSW. Andrew.Jefferies@strata.community