Statutory Review of the Owners Corporations Act 2006 – Final Report

Prepared in accordance with section 210 of the *Owners Corporations and Other Acts Amendment Act 2021*

December 2025

Acknowledgment of Country

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

Marsha Thomson
Chairperson
Expert Panel for the Owners Corporations Act Review

17 December 2025

The Hon. Nick Staikos
Minister for Consumer Affairs
2 Treasury Place East Melbourne VIC 3002
By email: nick.staikos@parliament.vic.gov.au

Dear Minister,

I am pleased to present to you for consideration the Final Report prepared by the Expert Panel appointed to conduct the statutory review of the *Owners Corporations Act 2006* in accordance with section 210 of the *Owners Corporations and Other Acts Amendment Act 2021*.

This report has been prepared in accordance with the Terms of Reference.

Please contact me if you have any questions or would like to discuss the report.

Kind regards,



Marsha Thomson
Chairperson

Contents

Executive Summary ..... **iv**

Chapter 1: Background and context **9**

The landscape in Victoria 9

The review 13

Chapter 2: Key governance changes **15**

The tiered regulatory framework 15

Other key governance changes 16

Chapter 3: Key roles in OCs **17**

Developers 17

OC committees 21

OC managers 24

Chapter 4: Owners corporation managers **25**

Background 25

OC manager registration 26

Appointment and removal of OC managers 28

Duties and obligations of OC managers 32

Chapter 5: Financial management **40**

Insurance 40

Record keeping, financial statements and audits 41

Maintenance plans and funds 43

Benefit principle 45

Chapter 6: Property management **47**

Changes to OC powers and responsibilities regarding property 47

New rule-making powers 48

Sustainability items 50

Chapter 7: Voting **55**

Background 55

Findings 57

Recommendations 61

Chapter 8: Other matters **64**

2021 amendments impacting legal proceedings 64

Annexes **65**

A. Chapter 3 Technical Annex 65

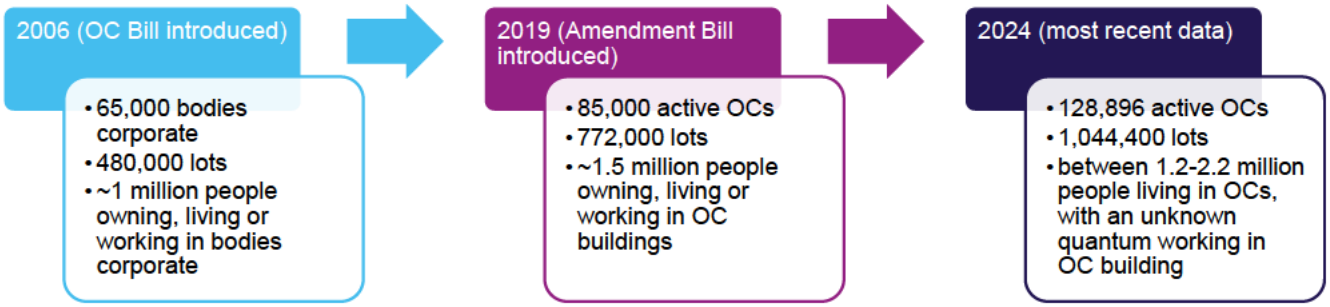
B. Review participants 67

C. Glossary and abbreviations 72

Executive Summary

In June 2025, the Hon. Nick Staikos MP, Minister for Consumer Affairs, appointed an Expert Panel to conduct a statutory review (the review) of the *Owners Corporations Act 2006* (Vic) (the OC Act) and the amendments made by the *Owners Corporations and Other Acts Amendment Act 2021* ('2021 Amendment Act') to ensure they have been and are effective.

The owners corporation (OC) sector in Victoria has grown considerably over the past ~19 years since the introduction of the Owners Corporation Bill 2006. To exemplify the shift in the strata sector recently:[1]



The OC sector is set to grow considerably as the Victorian Government planning reforms seek to make way for 800,000 homes to be built over the period 2024-2034, with a specific focus on medium- and high-density developments.[2]

Many Victorians would choose to live in an apartment or townhouse if more were available. Apartments, townhouses and semi-detached dwellings made up 32% of Melbourne's dwelling stock in 2021. This is well short of the 52% of these property types that Victorians say they want.[3] The Grattan Institute's recent analysis has found that the Victorian Government's significant reforms for their planning systems will boost zoned capacity by ~1.6 million homes in Melbourne.[4]

While the need for OC buildings has never been more important, there is declining consumer confidence in OC living, with concerns about governance, transparency, professional standards, and dispute resolution within the sector.[5] Further, with more Victorians living in OCs comes a need for additional consumer support by the Victorian Government.

It is with this backdrop that the Expert Panel has reviewed the OC Act and related legislation to identify opportunities to restore consumer confidence in the OC sector and identify opportunities to future-proof the OC Act through the critical period from now until 2034.

The Expert Panel was guided in its review by principles of broad stakeholder engagement, data-driven analysis, and a commitment to enduring, future-proof recommendations. A consistent theme across the OC/strata sectors in states and territories is the absence of effective data collection and analysis to inform regulatory policy and reform. Despite this, the review received available data from

[1] University of New South Wales, *Australasian Strata Insights 2024* (Report) p. 9 <https://cityfutures.ada.unsw.edu.au/documents/769/Australasian_Strata_Insights_2024_Report.pdf> ('UNSW Strata Insights').
[2] Victoria's Housing Statement p. 3. <https://www.vic.gov.au/sites/default/files/2023-09/DTP0424_Housing_Statement_v6_FA_WEB.pdf>
[3] Grattan Institute analysis of Census of Population and Housing, 2021. Australian Bureau of Statistics. <https://www.abs.gov.au/statistics/people/housing/housing-census/2021>
[4] Grattan Institute, *More Homes, better cities: Letting more people live where they want* (2025 Report) p. 51 <https://grattan.edu.au/wp-content/uploads/2025/11/More-homes-better-cities-Grattan-2025-report.pdf>
[5] 'The hidden strata fees costing Australians', *Four Corners* (Australian Broadcasting Corporation, 9 September 2024) <https://www.youtube.com/watch?v=LdbCTFWAR5Y>; Linton Besser, 'Exorbitant fees and undisclosed kickbacks: Inside the poorly regulated strata management industry', *ABC News* (online), 2 April 2024 <https://www.abc.net.au/news/2024-04-02/fees-and-kickbacks-poorly-regulated-strata-managment-industry/103654322>; Rachael Dexter, "Anarchy': Technicality renders owners corporations effectively useless', *The Age* (online) 25 October 2025 <https://www.theage.com.au/politics/victoria/anarchy-technicality-renders-owners-corporations-effectively-useless-20251020-p5n3xa.html> ; 'Unlawful strata fees are banned, managers are charging them anyway', *The Age* (online) 29 November 2025 <https://www.theage.com.au/politics/victoria/unlawful-strata-fees-are-banned-managers-are-charging-them-anyway-20251120-p5nh6i.html>

Victorian Government agencies, regulators in other jurisdictions, including 159 submissions and 300 survey responses to the public consultation process undertaken. In addition, the Expert Panel met with 53 stakeholders representing industry peak bodies, community interest groups, government, and specific OCs, undertook multiple roundtables with other jurisdictions regulators and policy agencies, and attended industry events. The Expert Panel was supported by a dedicated secretariat (Proximity Advisory Services Pty Ltd), which provided consultation support, desktop research, and documentation of the review.

In total, 28 detailed findings and 23 recommendations have been made throughout the report, in relation to the 2021 Amendment Act which are summarised below. Recommendations are intended to ensure the OC Act and its enforcement by Consumer Affairs Victoria (CAV) remain light touch for compliant regulated entities but simultaneously, enabling more robust regulation and enforcement for non-compliance.

Key governance reforms

The review found that the introduction of a tiered regulatory system was a beneficial reform that supports proportional regulation, but further refinement is needed to ensure obligations at each tier remain appropriate and responsive (**Finding 1**). Overall, the 2021 Amendment Act delivered some improvements in governance, transparency, and lot owner empowerment (**Finding 2**). The subsequent chapters explore how further improvements could be made.

Key roles in OCs

The Expert Panel found that decisions made by the initial owner (developer) at the inaugural OC meeting often benefit the initial owner and often to the detriment of subsequent lot owners (**Finding 3**). Key decisions made during development, such as arrangements regarding embedded energy networks, have not benefitted residents, lot owners and OCs as expected (**Finding 4**). It is important to note that since the 2021 Amendment Act, other legislation has been reformed to improve regulation of builders and developers, including with the introduction of the Building and Plumbing Commission and their broadened regulatory remit. However, more needs to be done to protect OCs and lot owners. Separately, OC committee members are volunteers who often lack the skills and experience to manage complex OC issues, creating a high reliance on OC managers (**Finding 5**).

The Expert Panel has made the following recommendations regarding key roles in OCs:

- **Recommendation 1:** The OC Act should be amended to create a duty for the initial owner to act in the best interests of subsequent lot owners.
- **Recommendation 2:** Establish a requirement for independent certification of the initial maintenance schedule (to be commissioned by developer, with penalties for non-compliance).
- **Recommendation 3:** The relevant Acts should be amended to prohibit a developer and/or an OC from entering into an embedded network contract unless there is a demonstrable ongoing benefit for non-developer lot owners, including consideration of the ease of switching to another provider or exiting the embedded network in the future.
- **Recommendation 4:** CAV should develop fit-for-purpose, accessible education modules for OC committee members to assist in increasing capability.

OC managers

The Expert Panel has met extensively with stakeholders and conducted independent inquiries into legislative provisions regulating the conduct, professionalism, and contractual arrangements of OC managers in Victoria. Importantly, only 11% of survey respondents believe the current OC Act ensures OC managers act honestly. This aligns with the Expert Panel's overarching finding that the 2021 Amendment Act has not remedied unprofessional practices amongst OC managers (**Finding 6**).

Registration

Registration requirements for OC managers are light, and professional standards are insufficient. The role of the OC manager is complex and requires specific and increasingly complex skills, and there is

currently a lack of mandatory training to develop and maintain these skills. However, this is currently being improved by the Victorian Government's recent work including the *Consumer and Planning Legislation Amendment (Housing Statement Reform) Act 2025* (Vic). That legislation, among other things, imposes registration requirements for officers in effective control (OIEC) of OC management companies, and regulation-making powers to prescribe initial education and CPD requirements for natural persons registered as OC managers and OIECs of OC management companies. The Victorian Government is currently working on draft OC Education Regulations that have recently been consulted on with the public.

Appointment and removal of OC managers

The Expert Panel has found that OC manager contracts often contain unfair and problematic terms (**Finding 7**), and notes there is ambiguity about the application of the Australian Consumer Law (ACL) to these contracts depending on characteristics of the OC manager's company structure and size (**Finding 8**).

There is also a considerable lack of fee transparency in OC manager contracts (**Finding 9**). OCs can still face significant barriers when terminating OC manager contracts and transitioning to new arrangements, despite the 2021 amendments aimed to support OCs doing so (**Finding 10**).

Duties and obligations

The Expert Panel found that OC manager conflicts of interest are systemic, with commissions and related-entity arrangements distorting incentives and ultimately leading to suboptimal outcomes for OCs (**Finding 11**). The Expert Panel has determined that commissions and broker fees sharing arrangements embed conflicts of interest and distort OC manager incentives (**Finding 12**). Further, the enhanced 2021 Amendment Act OC manager duties and obligations are ineffective without proper enforcement and awareness (**Finding 13**).

The Expert Panel has made the following recommendations regarding OC manager conduct:

- **Recommendation 5:** CAV should develop and mandate a model OC manager contract that OCs and OC managers must use in appointing an OC manager. Failure to do so would be subject to regulator infringement notices and prescribed penalties.
- **Recommendation 6:** The OC Act should be amended to ban an OC manager and any related entity from receiving a financial benefit or reward in any dealing regarding their duties and functions, other than through fees for service specified in the prescribed OC manager contract.
- **Recommendation 7:** Incorporate an invoice transparency model with standardised line-item disclosure for insurance-related invoices.

Financial management

The 2021 Amendment Act made a range of changes to financial management-related provisions including those affecting OC insurance, record keeping, financial statement preparation and auditing, and regarding maintenance plans and funds.

The Expert Panel found that gaps exist regarding insurance requirements for buildings, including OC buildings, which could result in some OC structural elements not being insured (**Finding 14**).

Access to OC records is an important feature of the OC Act and underpins a lot owner's access to relevant information regarding their property. Further, it supports the sale of OC lots through the provision of relevant OC records to prospective purchasers for due diligence. The Expert Panel found that some OC managers are denying access to OC records without a statutory basis under section 146 of the OC Act (**Finding 15**).

Regarding maintenance plans and funds, the Expert Panel observed that low initial levies set by the initial owner can hamper the ability for maintenance plans and funds to be sustainable for OCs (**Finding 16**). Further, the current tier-based requirement for a maintenance plan and fund leaves Tier 3 and Tier 4 OCs vulnerable to poor maintenance, safety risks, and unexpected costs (**Finding 17**). The broadened benefit principle has also increased complexity by requiring OCs to justify differential fees based on unequal benefit or cost (**Finding 18**).

The Expert Panel has made the following recommendations regarding financial management:

- **Recommendation 8:** The OC Act and *Building Act 1993* ('Building Act') should be amended to ensure all structural elements of an OC building are insured.
- **Recommendation 9:** The OC Act should be amended to increase and include penalties for record keeping and information access-related obligations on OCs and OC managers.
- **Recommendation 10:** The OC Act should be amended to include an OC's budget as 'prescribed information' under section 151(4).
- **Recommendation 11:** The OC Act should be amended to introduce a new duty to require OCs to implement approved maintenance plans.
- **Recommendation 12:** Section 36 of the OC Act should be amended to extend maintenance plan requirements to Tier 3 and Tier 4 OCs.
- **Recommendation 13:** The Victorian Government should conduct a review of the Subdivision Act to simplify the definition of property boundaries, including common property, and the establishment of an appropriate OC scheme to minimise the reliance on the benefit principle.

Property management

The 2021 Amendment Act enabled OCs to authorise persons to enter a lot to carry out repairs or maintenance and requires the occupier of a lot to grant entry to those persons. Further, the 2021 Amendment Act clarified that rainwater occurring on common property is taken to be part of the common property, and OCs have the power to deal with water rights associated with common property.

The Expert Panel found that uncertainty remains regarding the boundaries of common property, especially with regard to water disputes (**Finding 19**). Further, smoke drift remains a health risk and regulatory challenge for OCs (**Finding 20**).

The 2021 Amendment Act empowers an OC to make certain rules and limited the making of rules regarding sustainability items. Challenges remain regarding the uptake of sustainability items such as solar in apartment buildings significantly lags that of detached homes (**Finding 21** and **Finding 22**), and the 2021 Amendment Act has not led to considerable uptake of sustainability items.

The Expert Panel has made the following recommendations regarding property management in the OC Act:

- **Recommendation 14:** The Victorian Government should implement initiatives to further support the prevention of smoke drift in OCs, including removing limitations on smoking bans in OC model rules, more accurately define smoking to include e-cigarette products, recognise smoke drift as a health hazard under the OC Act, recognise smoke-free status on an OC certificate, and ensure OC rules are provided to tenants.
- **Recommendation 15:** Section 71(2) of the OC Act should be amended to require consideration of sustainability items as a standing agenda item of an AGM.

Voting

Voting is a critical part of OC governance, allowing lot owners to make decisions regarding aspects of their OC. The Expert Panel reviewed the governance and decision-making processes within the OC Act, focusing on voting systems, thresholds for different types of resolutions, proxy voting, and owner engagement.

Unfortunately, there is widespread and growing incidence of low OC engagement by lot owners, making OC decision-making by voting outcomes difficult to obtain much of the time (**Finding 23**). The review found that low owner engagement and high voting thresholds has caused decision-making paralysis (**Finding 24**), especially for beneficial decisions such as on sustainability items. The proxy vote limit reforms have largely been effective but has not stopped all forms of proxy abuse (**Finding 25**). Positively, interim resolutions have helped mitigate decision-making paralysis in OCs (**Finding 26**). Generally, the complexity and inflexibility of OC voting procedures hinders effective participation (**Finding 27**).

The Expert Panel has made the following recommendations regarding voting in the OC Act:

- **Recommendation 16:** The OC Act should be amended to prohibit the exercise of proxy votes by OC managers, building managers, real estate agents, and developers (and employees and associates of each).
- **Recommendation 17:** The OC Act should be amended to introduce a penalty for breach of the proxy cap under section 89D of the OC Act.
- **Recommendation 18:** The OC Act should be amended to support greater lot owner engagement through electronic communication, participation and OC decision-making over time. This includes requiring the OC to obtain and maintain an email address for each lot owner and recognising virtual and hybrid meetings as valid formats for OC decision-making.
- **Recommendation 19:** Section 85 of the OC Act should be amended to allow the time for a voting ballot to be open for 21 days (extended from 14 days).
- **Recommendation 20:** CAV should provide accessible OC lot owner education on voting, including plain-language resources and guidance.
- **Recommendation 21:** The OC Act should be amended to require the AGM agenda and all voting-related information to be shared four weeks prior to the AGM.
- **Recommendation 22:** The Victorian Government should undertake a comprehensive review three years after the implementation of related governance amendments to assess their combined impact on OC decision-making. The review should include the impacts of amendments on reaching quorum, voting fairness, conflicts of interest, related parties, developer obligations, and proxy controls.

Other matters dealt with in the 2021 Amendment Act

The Expert Panel also identified that the recent Deputy President-made VCAT decision regarding the interpretation of section 18(2) is not in line with the legislative intent of the Victorian Government and must be resolved by legislative amendment as a priority (**Finding 28**).

To address this issue, the Expert Panel recommends the following:

- **Recommendation 23:** Section 18(2) of the OC Act should be amended to expressly reflect the Victorian Government's intention as provided in the 2021 Amendment Act explanatory memorandum, clarifying that an OC may commence any legal proceedings in the Magistrates' Court, VCAT or any other tribunal, or a court of another State or Territory that corresponds to the Magistrates Court by ordinary resolution, provided the monetary amount does not exceed the civil jurisdictional limit.

Implementation

Throughout the report, the Expert Panel has indicated appropriate review periods from the commencement of key changes. It is important that implementation of recommendations is evaluated and continually refined to ensure that the OC sector continues to meet the needs of Victorians.

Chapter 1: Background and context

This chapter sets the scene for the review, including providing background on the Victorian property context and the OC sector, as well as information about how the review was conducted.

The landscape in Victoria

A brief history of strata laws in Victoria

Strata laws in Victoria have developed significantly since the first purpose-made strata subdivision Act was introduced in the 1960s. Since then, new house typologies, legal entity concepts, regulatory obligations and oversight have evolved, changing the strata landscape in Victoria.

The first Victorian strata laws were introduced in March 1967 with the *Strata Titles Act 1967* ('Strata Titles Act'). The Strata Titles Act was the first to facilitate the subdivision of land in strata, issuing titles to units shown on plans of strata subdivision, and dealt with the administration of land subdivided in strata.[6] It established key roles including the 'body corporate incorporated under the Act', the 'committee' of the body corporate being the governing body, and defined common property by reference to the plan of strata subdivision or a registered plan. It set out the laws for the creation of strata subdivisions, registration of plans, governance of common property, including the need for insurance of common property, as well as introduced the concept of 'by-laws' to regulate the use of common property, maintenance responsibilities, and dispute resolution.

The *Cluster Titles Act 1974* (Vic) ('Cluster Titles Act') was then added to address limitations in the Strata Titles Act, particularly for developments that did not fit the 'vertical subdivision model' (townhouses, villa units, etc.). The Strata Titles Act enabled the subdivision of land in 'cluster form', allowing for horizontal developments to be subdivided into individual lots with shared common property. It also introduced the concept of cluster plans, which could include accessory lots such as gardens, garages or storage spaces, intended for separate ownership but used in conjunction with a primary lot. It also adapted the concepts of common property and the creation of a body corporate to suit low-rise, spread-out developments.

The Cluster Titles Act laid the groundwork for the *Subdivision Act 1988* (Vic) ('Subdivision Act'), which consolidated and modernised Victoria's subdivision laws. The Subdivision Act created a unified legal regime for all forms of land subdivision in Victoria, replacing the fragmented frameworks of the Strata Titles Act and Cluster Titles Act. It still applies today and governs the certification and registration of subdivision plans, governs and defines the creation of an OC where common property exists and vests common property in the OC, and provides for the alternation of subdivisions. The Subdivision Act was supported by the *Subdivision (Body Corporate) Regulations 1989*[7] and *Subdivision (Body Corporate) Regulations 2001*[8] which set out governance requirements, including:

- Six standard rules for the use of common property that applied to all OCs unless they registered their own,[9]
- Meeting and decision-making requirements,[10]
- Financial management obligations,[11] and
- Mechanisms for dispute resolution between lot owners and the OC.

In December 2007, the OC Act and *Owners Corporations Regulations 2007* (OC Regulations) came into effect, marking a significant shift regarding the governance of OC and management of common property. The OC Act created a new legal framework for the governance of OC created under the Subdivision Act. It reformed the regulatory scheme applying to bodies corporate, addressing issues in the Subdivision Act and Subdivision (Body Corporate) Regulations, including:

- Clarifying the roles and responsibilities of OCs, committees of management, managers, lot owners and occupiers,
- Improved protection for body corporate funds,

[6] *Strata Titles Act 1967* (Vic).
[7] *Subdivision (Body Corporate) Regulations 1989* (Vic).
[8] *Subdivision (Body Corporate) Regulations 2001* (Vic).
[9] *Subdivision (Body Corporate) Regulations 1989* s 407(2).
[10] *Subdivision (Body Corporate) Regulations 1989* pt 6.
[11] *Subdivision (Body Corporate) Regulations 1989* s 612 (2).

- Improved avenues for dispute resolution,
- Improved governance arrangements,
- Enhanced regulation of disclosure of information, and
- Improved enforcement.[12]

The OC Act has been subject to review and amendment over the past 18 years. Since its introduction, the OC Act has been amended 21 times, with its most current form commencing on 1 January 2025. Over that period, there have been three significant changes to the OC Act:

- **Version 11 – 18 December 2013:** Included the revision and extension of the benefit principle, whereby costs of repair, maintenance, replacement, and upgrade works would be allocated to lot owners where common property benefitted only those owners.
- **Version 16 – February 2019:** With the advent of short stay accommodation platforms like Airbnb becoming more popular, a new Part 10 Division 1A and Part 11 Division 1A were added to define short stay accommodation, prescribe conduct and behaviour rules for short stay occupants, permit complaints to the OC, require OC decisions on complaints, and added legal remedies, including VCAT orders, compensation and penalties.
- **Version 19 – 1 December 2021:** Following the CPL Review, the OC Act was amended to introduce a tiered regulatory system, strengthen financial management safeguards, imposed stricter disqualification criteria for OC managers (including a requirement to hold professional indemnity insurance), broadened developer obligations, and implemented governance reforms to restrict proxy farming, expand rule-making powers, and enable targeted levies for costs linked to specific lot use.

It is important to note that while the primary laws that govern OCs and their affairs is the OC Act and OC Regulations, other laws are intricately linked with the operation of the OC Act. The legislation and rules relating to OC include:

- The OC Act,
- OC Regulations,
- Subdivision Act,
- *Subdivision (Registrars Requirements) Regulations 2011,*
- Australian Consumer Law and *Fair Trading Act 2012,*
- *Victorian Civil and Administrative Tribunal Act 1998,*
- Building Act*,*
- *Building Regulations,*
- *Domestic Building Contracts Act 1995,*
- *Sale of Land Act 1962,*
- *Victorian Civil and Administrative Tribunal Act 1998,*
- *Planning and Environment Act 1987,* and
- Registered rules of the OC (not reviewed as part of this review).

Victorian strata sector in 2025

Key strata statistics

To exemplify the shift in the strata sector in Victoria since the early strata legislation was enacted:

- In 1988 when the Subdivision Act was passed, approximately 35,000 bodies corporate existed, and 200,000+ lived and worked in bodies corporate,
- In 2006 when the OC Act was passed, approximately 65,000 bodies corporate incorporating 480,000 lots with an estimated 1 million people owning, living or working in bodies corporate, and
- In 2019 when the OC Amendment Bill was introduced (the 2021 OC Amendment Act), there were 85,000 active OCs in Victoria covering more than 772,000 lots with an estimated 1.5 million Victorians living and working in bodies corporate.

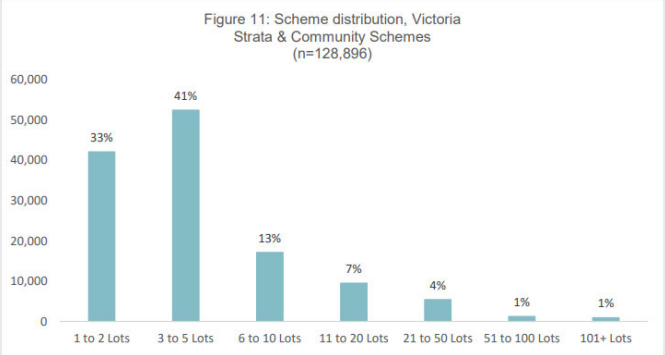
[12] Explanatory Memorandum, Owners Corporation Bill 2006 (Vic) p. 1.

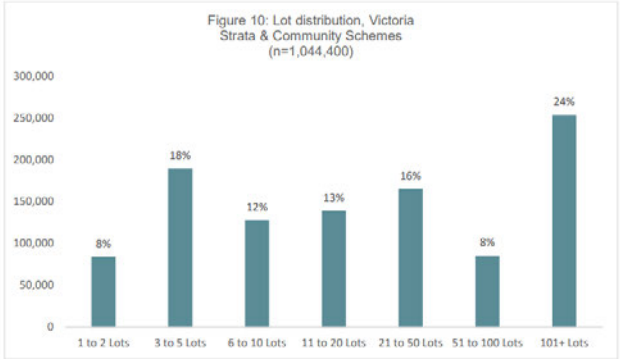
As of 2024,[13] approximately 18% of Victorians live in bodies corporate, distributed across 128,896 active OCs comprising 1,044,400 lots.[14] The distribution of these schemes reveals an interesting disparity:

- 74% of all OCs have five or fewer lots. However, these schemes collectively account for only 26% of all lots in the state.
- Conversely, schemes with more than 51 lots constitute just 2% of all OCs but contain nearly 32% of all lots.[15]

This distribution is particularly relevant as it indicates that a vast majority of schemes fall into the lower tiers of the Victorian regulatory system (Tiers 4 and 5), which generally have fewer administrative obligations placed on them.

Figure 1: Key Figures Snapshot – OC Sector in Victoria[16,17]





Planning and property reform in Victoria

The Victorian Government is implementing policies and planning approvals to try and meet the Housing Statement target of building 800,000 new homes over the next decade and 2.24 million homes by 2051.[18] With an increasing proportion of Victorians living in medium and high-density developments, OCs play a vital role in managing common property and financial assets.

The success of Victoria's Housing Statement requires the Victorian Government to balance the need for more effective urban renewal to help Victoria achieve its targets, while ensuring the increasing population of Victorians living in these developments have confidence that their rights are protected.[19] As the Victorian Government accelerates its agenda to boost housing supply and density, OCs will continue to multiply in scale and complexity, directly impacting the collective wealth and amenity of millions of Victorians.

Key initiatives released since the Housing Statement include:

- The Townhouse and Low-Rise Code, which aims to increase what is permissible to build in low-density zones. The Grattan Institute estimates the Townhouse Code has boosted zoned capacity in Melbourne by 980,000 homes, of which 420,000 are commercially feasible to build today.[20]
- The Activity Centre Program, which permits more higher-density apartments around key transport hubs. 10 of the 60 announced precincts are active, with the next 25 draft maps being consulted on.[21] It is expected that all 60 will take effect by the end of 2026.

In addition to these key initiatives, the Victorian Government has recently undertaken the following:

[13] Most recent dataset available.
[14] University of New South Wales, *Australasian Strata Insights 2024* (Report) p.9 <Australasian_Strata_Insights_2024_Report.pdf> ('UNSW Strata Insights').
[15] University of New South Wales, *Australasian Strata Insights 2022* (Report, 2022) <https://cityfutures.ada.unsw.edu.au/documents/768/2022_Australasian_Strata_Insights_Report_ReissueMar24.pdf>.
[16] Ibid.
[17] Ibid, p. 42.
[18] Ibid.
[19] State Government of Victoria, 'Victoria's Housing Statement' (24 September 2023) <https://www.vic.gov.au/victorias-housing-statement-0>.
[20] Grattan Institute, *More homes, better cities: Letting more people live where they want*. (Report, 2025) p. 54 <https://grattan.edu.au/wp-content/uploads/2025/11/More-homes-better-cities-Grattan-2025-report.pdf>
[21] Department of Transport and Planning, *Activity Centres Program – Phase 2: Sharing Our Draft Maps*. <https://engage.vic.gov.au/activity-centres-program>

- The fast-tracked approval by the Minister for Planning of 11 and 12 storey residential buildings in Coburg,[22]
- Approval of planning for 700 new homes in the Docklands, to be built in 3 new high-rise buildings, on top of the approval earlier in 2024 of plans for 900 rental apartments in Docklands.[23]
- Investment in public and community housing, including building 769 homes within next 5 years with Commonwealth Government funding, investing $1 billion in the *Affordable Housing Investment Partnership* program providing low interest loans and government guarantees to finance social and affordable housing.[24]

With this growth will come an increase demand for education about OC living, facilities to support effective dispute resolution within OCs, and increased regulated entities to be monitored and possible enforcement action to be taken.

Further, recent investigations into the strata industry in Victoria and across Australia have shown that confidence has been significantly undermined by misconduct in the OC/strata sector, including:

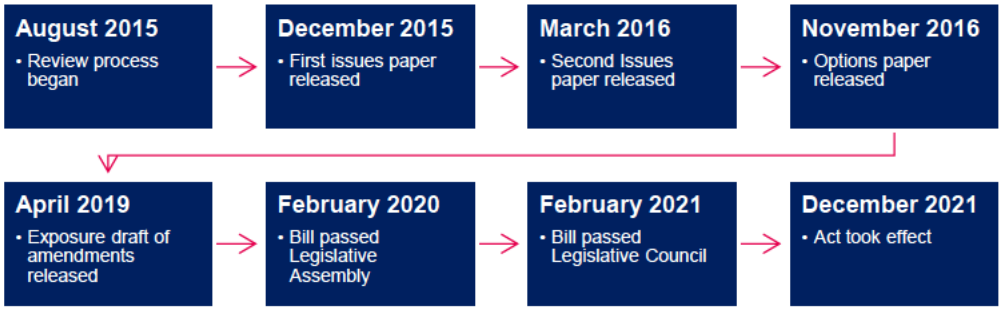
- September 2024 Four Corners investigation into hidden strata fees and manager misconduct,[25] and
- Newspaper articles into fees, manager misconduct and recent precedent-setting VCAT rulings impacting on OC governance. [26]

Strata regulatory frameworks across Australia are at a critical juncture, with many common issues plaguing the sector in each jurisdiction.[27] This review provides an opportunity to assess, within the scope of the ToR, whether the OC Act is fit for purpose to support the growing sector, and to recommend improvements that build trust and confidence in purchasing and residing in OC buildings related to the 2021 Amendment Act.

Background to the 2021 Amendment Act

The 2021 Amendment Act was introduced following a comprehensive review of the legislative framework governing OCs in Victoria (**Figure 2**).[28] This review, forming part of the broader CPL Review, examined the conduct of OC managers as well as the governance, financial management, and internal operations of OCs.[29]

Figure 2: Development journey of the 2021 Amendment Act[30]



In line with the outcomes of the CPL Review, the objectives of the Amendment Act were to:[31]

---

[22] Premier of Victoria, 'Clearing The Way for Hundreds of Homes in Coburg' (18 October 2024) <https://www.premier.vic.gov.au/clearing-way-hundreds-homes-coburg>.
[23] Premier of Victoria, 'Hundreds More Homes In Docklands' (18 October 2024) <https://www.premier.vic.gov.au/hundreds-more-homes-docklands>.
[24] State Government of Victoria, 'Affordable Housing Investment Partnerships' (26 August 2025) <https://www.vic.gov.au/ahip>.
[25] 'The hidden strata fees costing Australians', *Four Corners (Australian Broadcasting Corporation, 9 September 2024)* <*https://www.youtube.com/watch?v=LdbCTFWAR5Y*>
[26] Linton Besser, 'Exorbitant fees and undisclosed kickbacks: Inside the poorly regulated strata management industry', *ABC News* (online), 2 April 2024 <https://www.abc.net.au/news/2024-04-02/fees-and-kickbacks-poorly-regulated-strata-managment-industry/103654322>; Rachael Dexter, "Anarchy': Technicality renders owners corporations effectively useless', *The Age* (online) 25 October 2025 <https://www.theage.com.au/politics/victoria/anarchy-technicality-renders-owners-corporations-effectively-useless-20251020-p5n3xa.html>; 'Unlawful strata fees are banned, managers are charging them anyway', *The Age* (online) 29 November 2025 <https://www.theage.com.au/politics/victoria/unlawful-strata-fees-are-banned-managers-are-charging-them-anyway-20251120-p5nh6i.html>
[27] NSW Government, 'Productivity and Equality Commission to review commissions for strata managing agents' (2 August 2025) <https://www.nsw.gov.au/ministerial-releases/productivity-and-equality-commission-to-review-commissions-for-strata-managing-agents>; Western Australian Land Information Authority, 'Five year review of WA's strata laws' (2024) <https://www.landgate.wa.gov.au/strata-and-community-titles/strata-titles/strata-law-and-reform/five-year-review-of-was-strata-law/>.
[28] Owners Corporations and Other Acts Amendment Bill 2019 (VIC), Second Reading Speech, Parliament of Victoria (OC Bill).
[29] OC Bill Second Reading Speech.
[30] OC Bill Second Reading Speech.
[31] Explanatory Statement, OC Bill.

- Rationalise the regulation of OCs,
- Improve the quality of OCs managers and enhance protection for OCs,
- Expand and improve developers' duties to the OCs they create and enhance protection for OCs,
- Improve the governance and financial administration of, and internal relations in, OCs,
- Improve and rationalise the regulation of OCs in retirement villages, and
- Make a number of minor and technical drafting improvements.

In the second reading speech for the 2021 Amendment Act, the Hon. Marlene Kairouz (then Minister for Consumer Affairs, Gaming and Liquor Regulation) stated that the reforms would help ensure that OCs are "better governed, more financially responsible and sustainable, with greater social cohesion, making them better places to live."[32]

The review

Scope of the review

On 23 June 2025, the Hon. Nick Staikos MP appointed an Expert Panel to conduct an independent review of the OC Act, comprising the Hon Marsha Thomson (Chairperson), Karen Chester and David McKenzie. The purpose of the review is to evaluate the operation of the amendments made to the OC Act by the 2021 Amendment Act, including how the OC Act as amended has operated and whether further or other amendments are required.[33]

In his press release on the review, the Hon. Nick Staikos MP stated:

> *Significant reforms were made to laws in 2021 to better reflect the needs of Victorians living in apartments and other owners corporations properties – this expert panel will ensure those reforms are strengthened and improved even further*.[34]

It is important to note that the report's findings and recommendations represent the current state of the OC sector and its regulation in Victoria in 2025. Throughout the report, the Expert Panel has identified appropriate future review periods to inform future evaluation of reforms and continuous improvement.

Approach to the review

The Expert Panel undertook the review based on five core principles:

1. Stakeholder engagement and a diversity of views is critical.
2. Findings and recommendations must be informed by evidence and data, both quantitative and qualitative.[35]
3. The review must analyse the effectiveness and appropriateness of reforms undertaken in other states and territories in considering options for reform in Victoria.
4. Recommendations of the review should support the Victorian Government's related policy objectives.
5. Recommendations of the review must be enduring and consider the current and future needs of the OC sector in Victoria.

The review included a range of stakeholder engagement activities, including:[36]

[32] OC Bill Second Reading Speech.
[33] OC Amendment Act, s 210(3).
[34] Premier of Victoria, 'Expert Panel To Review Owners Corporations Laws' (13 June 2025) <https://www.premier.vic.gov.au/expert-panel-review-owners-corporation-laws>.
[35] Where quantitative and qualitative data is available, it has been referenced throughout the report. Where data has not been collected on a topic or issue, it is explicitly called out. Where possible, both quantitative and qualitative data is used to validate findings and the case for change with the recommendations, however, where required, either quantitative or qualitative data alone is used throughout the report.
[36] Public consultation occurred through the Engage Victoria platform: Engage Victoria, 'Review of the Owners Corporations Act 2006' (September 2025) <https://engage.vic.gov.au/OCActReview>; Industry events included the '*From Defects to Solutions – A Strata Sector Response'* Conference held by Network Pacific and Deakin University on 22 July 2025, and the 'Owners Corporation Conference', held by the Real Estate Institute of Victoria on 17 October 2025; Listening sessions were held in Point Cook, VIC and Ringwood, VIC.

159 written submissions	**300** survey responses	**53** Consultations	**3** industry events	**2** listening sessions by MPs	**7** inter-government consultation

Extensive desktop research was undertaken prior to, throughout and following stakeholder engagement to understand the Victorian and other jurisdictional contexts. Desktop review included analysis of industry reports, academic research, previous government inquiries and reviews in Victoria and elsewhere. It also included approaches employed overseas to resolve common issues, legislation relating to OC and strata schemes across Australia, and case law on the interpretation of key legislation.

Chapter 2: Key governance changes

The tiered regulatory framework

Prior to the 2021 Amendment Act, there were three tiers of regulation for OCs:[37]

- Two-lot subdivisions, which were exempt from large portions of the OC Act,
- OCs between three and 99 lots, which were subject to a higher level of regulation, and
- The largest OCs (more than 100 lots or more than $200,000 in annual fees, called 'prescribed OCs'), which were subject to the greatest level of regulation.

The introduction of a new tiered system for OCs was one of the most significant structural changes in the 2021 reforms. By categorising OCs into five tiers based on the number of occupiable lots, the system was intended to better align regulatory obligations with the scale and complexity of each OC (**Figure 3**).

Figure 3: New OC tier system, introduced in 2021[38]

Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
More than 100 occupiable lots (and not 'services only')	**51 to 100** occupiable lots (and not 'services only')	**10 to 50** occupiable lots (and not services only)	**Three to nine** occupiable lots (and not a services only)	**Two-lot** subdivision or services only

Each tier created new thresholds for the obligations to have OC committees, prepare annual financial statements and commission external audits or independent reviews, and have maintenance plans and funds (**Table 1**).

Table 1: Different tier obligations[39]

Topic	Tier obligations
OC committees	• **Tiers 1, 2, 3:** must elect an OC committee at the AGM. • **Tiers 4, 5:** may choose to elect an OC committee.
OC manager	• **Tier 1:** must appoint a manager (unless opted out by special resolution). • **Tiers 2, 3, 4, 5:** may choose to have a manager.
Financial statements	• **Tiers 1, 2, 3:** must prepare annual financial statements and present them at their annual general meeting. • **Tier 4:** must prepare annual financial statements for any financial year in which they levy annual fees.
Audits of financial statements	• **Tier 1:** must have their financial statements audited. • **Tier 2:** must have their financial statements reviewed. • **Tiers 3, 4, 5:** may choose to have their financial statements audited.
Maintenance plans and funds	• **Tiers 1, 2:** must prepare and approve a maintenance plan. • **Tiers 3, 4, 5:** may choose to prepare and approve a maintenance plan.

Finding 1: The tiered OC system is a beneficial reform that supports proportional regulation. Further refinement may be needed to ensure the obligations at each tier

[37] CPL Review Options Paper, p. 43.
[38] Consumer Affairs Victoria, 'Tiers of owners corporations' (23 July 2023) <https://www.consumer.vic.gov.au/housing/owners-corporations/tiers-of-owners-corporations>.
[39] Consumer Affairs Victoria, 'Tiers of owners corporations' (23 July 2023) <https://www.consumer.vic.gov.au/housing/owners-corporations/tiers-of-owners-corporations>.

remain appropriate and responsive to the changing needs of the Victorian OC community.

The review received evidence that the new tiered model is broadly seen as a useful and effective regulatory tool to help right-size compliance requirements for OCs. For example, feedback collected from over 200 Strata Community Association (Vic) (SCA (Vic)) members, was that almost 70% of respondents found the tier system clearer.[40]

Some concerns were raised about how obligations are distributed across the tiers. While basing tiers on lot numbers is a simple and administratively efficient approach, it is at times a blunt tool that does not always reflect the true complexity or risk profile of a scheme. Stakeholders highlighted that some smaller OCs with only a few lots can still be difficult to manage, particularly where there is conflict, disengagement, or significant shared infrastructure, yet they are subject to less regulatory obligations. Conversely, some large OCs may appear complex based on lot count but are relatively low risk in practice (such as those with limited common property).

While the tiered system is a positive step toward proportionate regulation, there appear to be opportunities to fine-tune which obligations apply at each tier and to introduce new obligations in certain tiers to better reflect the evolving needs of the sector. These are explored further throughout this report.

Other key governance changes

Other key governance changes introduced by the 2021 reforms can be broadly categorised as affecting:

- **Key roles in OCs:** Clarifying and expanding the responsibilities of key individuals involved in OCs, including developers, OC committees, and OC managers (**Chapter 3** and **Chapter 4**),
- **Financial management:** Changing how OCs manage their finances, including how they budget, report, and allocate spending (**Chapter 5**), and
- **Property management:** Changing how OCs maintain and manage common property, including access, maintenance planning, use of shared spaces, and rule-making powers (**Chapter 6**),
- **Voting:** Changes in how voting in OCs is conducted, including quorum, interim voting and fairness amendments (**Chapter 7**).

Finding 2: Overall, the 2021 Amendment Act delivered some improvements in governance, transparency, and lot owner empowerment.

Generally, many stakeholders welcomed greater clarity on responsibilities, streamlined administrative processes, and strengthened governance mechanisms introduced by the 2021 Amendment Act. However, many of these changes are viewed as incremental. There remains a strong view that further reform is needed to address persistent challenges, particularly around financial sustainability, enforcement, and the practical realities of managing OCs.

A number of the changes partially achieved their intended purpose. In other instances, however, the changes created further ambiguity or had unintended consequences.

[40] SCA (Vic) Submission, p. 9.

Chapter 3: Key roles in OCs

Developers

Background

Developers can have significant influence over an OC, often establishing the initial structure, governance and financial foundations which shape how the OC functions and is managed in the long-term. Developers typically have significant commercial interest at the beginning of an OC, which decreases over time, as lots are sold to new owners.

Developer obligations under the OC Act

The OC Act does not explicitly define "developer" but does refer to the initial owner as "the person who was the applicant for the registration of the plan of subdivision."[41] In practice, this initial owner is usually the developer, as they are typically responsible for subdividing the land, registering the plan, and establishing the OC. The first meeting of an OC is a foundational event in the life of a newly established OC, where key decisions are often made, such as appointing an OC manager, approving budgets, and adopting rules. For this reason, the first meeting has a special place in the OC Act, and special obligations relating to it.

Prior to 2021, the initial owner had general duties to act honestly and in good faith, and with due care and diligence in the interests of the OC, when exercising rights under the Act.[42] These obligations applied while the initial owner owned a majority of the lots in an OC, and for a period of five years. The CPL Review found that those general duties were inadequate in addressing the adverse impacts on OCs of the contract that developers enter into on behalf of the OC.[43]

As a result, to expand and improve developers' duties, the 2021 reforms made several changes in relation to the responsibilities of the initial owner, and to the requirements to be met at the first meeting of an OC. These included both increased positive duties (to do things) and negative duties (not to do things) including (summarised in **Annex A, Table A1**):

- The developer must:
  - engage a licensed surveyor to set out the initial allocation of lot liability and lot entitlement in the plan (unless the OC is a tier five OC)
  - provide additional documents at the first meeting of the OC (the building maintenance manual, an asset register, copies or details of any warranties, copies of any specifications, reports, certificates, permits, notices or orders in relation to the plan of subdivision.
  - disclose additional information at the first meeting of the OC (any relationship the developer has with the OC manager, any immediate or future financial transactions that will, or will foreseeably, arise out of the relationship between the developer and the OC manager, any specific benefits which the developer will receive as a result of their relationship with the OC manager)
- The developer must not:
  - appoint themselves as OC manager (unless the OC relates to retirement village land),
  - appoint an associate, such as a spouse or employee, as OC manager,
  - vote on any resolution of the OC that relates to a defect in or on a building on the plan of subdivision,
  - propose an annual budget of the OC which is unreasonable or unsustainable,
  - designate as a private lot what would normally be common property or services, and
  - receive any payment from the OC manager in relation to the OC manager's contract of appointment.

Further, some existing obligations were extended from 5 to 10 years, including to act honestly and in good faith and with due care and diligence in the interests of the OC in exercising any rights under the OC Act, and to take all reasonable steps to enforce any domestic building contract they have entered into to the extent that it relates

[41] OC Act, s 68.
[42] CPL Review Options Paper, p. 19.
[43] CPL Review Options Paper, p. 19.

to the common property and provided the developer is aware or should reasonably be aware of the breach of the domestic building contract.

The 2021 Amendment Act also introduced new constraints on contracts entered into by developers:

- If the developer appoints an OC manager who is neither the developer or a lot owner prior to the first meeting of the OC, the contract of appointment of the OC manager expires at that first meeting.
- If the developer enters into any other contract that relates to the OC and benefits the developer, that contract term must not exceed 3 years in duration (excluding hotel and resort management contracts).

Collectively, these changes went some way to replicating the obligations NSW place on developers, but not completely. NSW's approach goes beyond Victoria's in a number of ways. These include:

- For special resolutions (where the developer owns >50% of the lots), developer votes are reduced by two thirds. This includes prohibiting the developer from voting on resolutions on the appointment of OC committee members and the OC manager,[44]
- The developer cannot appoint the OC manager for a term beyond the date of first AGM. At the first AGM, the OC manager can only be appointed for maximum term of 1 year and 3 thereafter,[45]
- The developer's voting rights are excluded in relation to building defects or the rectification of building defects,[46]
- A person who is connected with the developer is not eligible to be on the OC committee unless they give full disclosure before the election is held,[47]
- The OC manager is prohibited from being a related entity to developer or builder for 10 years post-occupancy permit,[48]
- OC managers must disclose any services provided (for a fee or not) or fees paid to developer at the AGM,[49] and
- The Tribunal can order compensation from the developer if estimates and levies determined by developer before the first AGM were or will be inadequate. These orders can be made for up to 3 years post-first AGM.[50]

Embedded networks

An embedded network is a private network providing energy to multiple lots or tenancies within the one property. Generally, the embedded network operator buys energy in bulk from a licensed retailer then supplies and sells it to customers within the embedded network.

Embedded networks are often established during the development phase of a building as they require specific infrastructure to be built, meaning that developers (as initial owners) play a key role in deciding whether an embedded network is installed and how it is structured.[51] The Expert Panel received evidence of instances where energy suppliers enter into an arrangement with the developer whereby they pay for the build of the embedded network on the basis that the contract will be awarded to them at the first OC meeting. As such, the developer's decisions can have long-term implications for lot owners, particularly in relation to energy pricing, consumer protections, and the ability to switch providers. Depending on the developer's lot ownership, these early decisions should fall within the broader obligation of developers to act in the interests of the OC.

The Victorian Government has undertaken a significant review of embedded networks due to concerns about customers facing higher prices, prohibitive costs in switching and lacking the same consumer protections as those with traditional energy arrangements.[52] This has led to reforms, including the introduction of a new General Exemption Order from January 2023, which effectively bans new residential embedded networks with

[44] SSM Act cl 14, Sch 1.
[45] SSM Act s 26.
[46] SSM Act cl 15, Sch 1.
[47] SSM Act s 71.
[48] SSM Act s 49(3).
[49] SSM Act s 71.
[50] SSM Act s 89.
[51] Within the City of Melbourne, there are approximately 168 residential apartment buildings with embedded networks. (City of Melbourne, 'Buildings energy use and emissions study' (2024) <https://mvga-prod-files.s3.apsoutheast-4.amazonaws.com/public/2024-11/buildings-energy-use-and-emissions-study.pdf>).
[52] Department of Energy, Environment and Climate Action, *The Embedded Networks Review*, <https://www.energy.vic.gov.au/about-energy/legislation/regulatory-reviews/the-embedded-networks-review>

10 or more residential customers unless they meet strict renewable energy conditions.[53] As of mid-2025, work is ongoing to implement these broader Victorian Government reforms. Following this review, consideration should be had for the impacts of the Expert Panel's recommendations on the broader reforms to embedded networks.

Findings

Finding 3: Decisions made by the initial owner (developer) at the inaugural OC meeting often benefit the initial owner and often to the detriment of subsequent lot owners.

Initial and continued developer influence

Despite the introduction of new duties and restrictions in the 2021 Amendment Act, evidence from submissions and consultations demonstrate that some developers can continue to exert significant ongoing influence on OCs. As was the case before 2021, this ongoing influence can undermine independent governance, constrain consumer rights, delay defect rectification, and embed higher costs over time.

This was particularly highlighted in insights provided by Cladding Safety Victoria (CSV).[54] Through its program, CSV worked closely with over 1,700 OCs along with builders, and developers, and found that some OCs were still "dominated by the developer or original builder."[55] CSV also identified that the developer or original builders deliberately blocked and obstructed owners from resolving problems with their building, and that OCs controlled by builders or developers refused to accept the technical findings about their building and refused to make the investment required to resolve building defects.[56] This was also reflected in anecdotal evidence provided throughout the review.[57]

Negative outcomes of developer control

The review received evidence that developer control over OCs (particularly during the early life of a building) can give rise to significant governance and operational challenges. A key concern was that some developers, while still in control of the OC, make decisions to prioritise their own commercial interests over the long-term needs of the building and its future owners. In some cases, developers delay or avoid addressing known defects, which results in essential rectifications being deferred (sometimes until the insurance obligations have passed).

Over time, this leads to the deterioration of common property and significantly increases the cost of repairs. In buildings affected by cladding-related damage, CSV found that OCs which the developer or original builder still controlled would often actively block or obstruct owners from rectifying serious defects. The result is a legacy of underinvestment in building-related rectification, compounded by a lack of trust and capacity within the OC to rectify issues once developer control ends.

Case Study 1: Insights from CSV[58]

CSV found that developers or builders who retained majority ownership in a building were able to control the OC and resist efforts to address serious defects, including cladding issues. In many cases, developers refused to accept technical findings about their buildings and declined to invest in necessary rectification works, leaving owners exposed to safety risks and financial burdens. CSV conducted research into the corporate structures of approximately half the buildings in its program and found that in 38 per cent of cases, the same individuals were directors of both the building and development companies, with the true figure likely to "much higher".

In the most concerning examples, developers who were also the original builders established shell companies to act as OC managers, allowing them to maintain control of the building post-completion. CSV observed instances where OC managers had direct family or commercial ties to the builder or developer, or were entities

[53] Note that some stakeholders suggested that moving to individual exemptions (where developers must demonstrate the benefit to the OC and consumers in each instance) could be a better approach than broad class exemptions, which risk applying to a wide range of developments.
[54] CSV is a government agency established to support the rectification of non-compliant cladding on residential apartment buildings.
[55] Cladding Safety Victoria, *Victoria's cladding program: The role of owners corporations* (Research Analysis No. 4) p. 3,13. <https://www.vic.gov.au/sites/default/files/2025-08/Research-Analysis-Victoria%27s-cladding-program-The-role-of-owners-corporations.pdf>
[56] Ibid p. 15.
[57] LIV Submission, p.2, REIV Submission, p. 14.
[58] Cladding Safety Victoria, *Victoria's cladding program: The role of owners corporations* (Research Analysis No. 4) p. 17. <https://www.vic.gov.au/sites/default/files/2025-08/Research-Analysis-Victoria%27s-cladding-program-The-role-of-owners-corporations.pdf>

owned and controlled by them. These arrangements created clear conflicts of interest and contributed to governance deadlocks, particularly in buildings with serious defects not limited to cladding.

During the initial setup of an OC, developers can also enter financial or contractual arrangements that benefit themselves but impose long-term obligations on lot owners. A common example is the appointment of an OC manager selected by the developer, sometimes without adequate scrutiny of the contract terms. These OC managers may have pre-existing relationships with the developer, embedding potential conflicts of interest.

Although the 2021 legislative changes introduced safeguards to limit developers from locking in long-term contracts with OC managers, the developer's early influence can still shape the OC's culture, priorities, and financial arrangements from the outset. Given the typically low levels of OC-related knowledge and engagement among lot owners, OCs don't often revisit or renegotiate these initial contracts once they are in place.

While the restriction introduced in 2021 limiting contracts entered into by the initial owner to a maximum term of three years has helped prevent some long-term lock-in arrangements (such as 20-year OC management contracts), some issues continue to persist. In some cases, this restriction is ignored, with contracts renewed without OC consent or active participation after the initial term.[59] This can occur because the OC is unaware of the pre-existing relationship between the contracted company and the developer or lack the skills or capacity to properly interrogate the arrangements. As a result, the developer's influence can continue well beyond the initial setup, shaping the OC's financial and operational arrangements without transparency.

Finding 4: Residents, lot owners and OCs are not receiving the expected benefits from embedded networks.

The damaging impact of early developer control is particularly evident in the application of embedded networks in apartment buildings. These networks were originally promoted as a way to deliver *significantly* cheaper energy services by enabling bulk purchasing of electricity at wholesale rates, with savings passed on to residents. However, in the Expert Panel's view, this benefit has not been consistently realised.[60]

While some embedded network customers in Victoria achieve modest initial savings (a median reduction of 2 cents per kilowatt hour (6.07%) compared to regular residential consumers) (see **Annex A, Table A2**), this comes at a significant future cost to consumer choice. The Essential Services Commission (ESC) has undertaken further analysis which demonstrates that residential electricity consumers with a regular (i.e. not embedded) connection have opportunities to achieve greater savings.[61] Consumers in an embedded network:[62]

- Cannot obtain access to the broader retail market, as they are typically tied to the embedded network operator or its appointed retailer,
- Face complex exit and metering requirements, making it difficult to leave the network or get access to competitive offers and lower prices in the future,
- Experience limited transparency and unclear rights, often unaware of how their energy costs compare to market rates or what steps (and at time prohibitive costs) are required to switch providers, and
- Limit their options to achieve net zero outcomes such as EV charging due to no control over the energy infrastructure.

Even where prices are marginally better than the median, residents are deprived of the opportunity to receive the most competitive offers available to other consumers.

Recommendations

Recommendation 1: The OC Act should be amended to create a duty for initial owners to act in the best interests of subsequent (non-developer) lot owners.

[59] Anecdotal evidence obtained through confidential presentations to the Expert Panel, including provision of extracted clauses from OC manager contracts.
[60] Victorian Government, 'Embedded Networks Review' (Issues Paper, 2022) <https://engage.vic.gov.au/embedded-networks-review>.
[61] Evidence provided by the ESC indicated that in the Jemena distribution zone across 2024-25, the median quarterly offer in that distribution zone would cost $241. The 10th percentile offer (a proxy for the lowest offer in the market) would cost $209 – a 14% difference. Further, The Citipower distribution zone has a high proportion of embedded network customers. In that distribution zone, the median and 10th percentile offers would cost $218 and $191 respectively. This is a difference of 13%. These examples are based on 526 kWh per quarter.
[62] Let Me Be Frank, 'The Handbook - Working with apartment and strata communities' (16 May 2025) p. 55-8 <https://vic.strata.community/wp-content/uploads/2025/06/Handbook-Working-with-the-Apt-Sector.pdf> (The Handbook).

Developers play a critical role in shaping the long-term financial viability of an OC. Despite existing duties to act in best interests of the OC, without a clear duty to act in the best interests of non-developer lot owners, there continues to be a risk that initial owners may enter contracts or arrangements that serve their own interests (and "lock in" non-developer lot owners to unfavourable terms).

The Expert Panel recommends that a new statutory duty be introduced to help prevent these practices and promote fairer outcomes. To be effective, this needs to be supported by penalties for non-compliance and increased supervision and enforcement by the regulator.

Recommendation 2: Establish a requirement for independent certification of the initial maintenance schedule (to be commissioned by the developer, with penalties for non-compliance).

Some initial maintenance schedules and levy estimates set the financial and operational foundation for the OC. Yet developers have a clear incentive to minimise projected costs to make properties more attractive to buyers. This can result in unrealistic levies and inadequate planning for future maintenance. In NSW, the original owner of a strata scheme must engage an independent surveyor to review and certify the initial maintenance schedule before submitting it to the OC.[63]

The Expert Panel recommends the OC Act and Building Act are amended to require developers to obtain independent certification of the initial maintenance schedule, including condition assessments and servicing requirements for common property assets.[64] Certification should be required only for Tier 1 and 2 OCs initially, and should be carried out by a qualified, independent professional with no financial ties to the developer.

To be effective this needs to be supported by prescribed penalties for non-compliance and increased monitoring and enforcement by the regulator.

Recommendation 3: The relevant Acts should be amended to prohibit a developer and/or an OC from entering into an embedded network contract unless there is a demonstrable ongoing benefit for non-developer lot owners, including consideration of the ease of switching to another provider or exiting the embedded network in the future.

The Expert Panel recommends that a developer or OCs ability to enter into an embedded network contract be constrained to circumstances where there is a demonstrable ongoing benefit for non-developer lot owners.

In addition to this overarching recommendation, once there is a demonstrable benefit for non-developer lot owners, established at the first OC/committee meeting, OCs should only be allowed to enter embedded network contracts if they meet the following requirements:

- Limited term (maximum five years), and
- The embedded network has market compatible infrastructure (especially metering) and provides customer visibility that would allow customers to go 'on market.'[65]

This should be factored into the Victorian Government's ongoing work regarding embedded networks.[66]

OC committees

Background

An OC committee is a group elected by lot owners to manage the affairs of the OC. Since 2021, an OC committee is mandatory for OCs with 10 or more lots, and optional for OCs with fewer than 10 lots.[67] Members of OC committees must be lot owners (or hold a proxy for a lot owner), and only one OC committee member is allowed per lot. OC committees must have a chairperson, who leads meetings and may have delegated powers, and a secretary, who manages meeting notices, agendas, minutes and correspondence. The OC manager is

[63] NSW Government, 'Initial Maintenance Schedule – Strata' (27 October 2025) <https://www.nsw.gov.au/housing-and-construction/strata/strata-publications/initial-maintenance-schedule-strata>.
[64] This includes both essential safety measures currently regulated by the BPC and other expected maintenance of a building.
[65] (see ACCC - Inquiry into the National Electricity Market report - June 2024 – section 4.2.2 (p. 67).
[66] <https://www.energy.vic.gov.au/about-energy/embedded-networks>
[67] Consumer Affairs Victoria, 'Owners Corporation Committees' (12 November 2021) <https://www.consumer.vic.gov.au/housing/owners-corporations/meetings-and-committees/committees>.

often appointed as the secretary, as the obligations of the secretary to schedule meetings, set agendas and take minutes can be onerous.

Being an OC committee member is an important role. *The Handbook – working with apartment and strata communities*, commissioned by City of Melbourne, presents a clear picture of the multiple issues and responsibilities faced by OC committees:

> *The functioning of a building and OC relies on a small set of hardworking, unpaid committee members tackling a huge range of issues such as financial management, budgeting, insurance, dispute resolution, property maintenance, collective decision-making, contracting, liaising with local government, and compliance.*[68]

Obligations under the OC Act

Prior to 2021, OC committee members were required to act honestly and in good faith, exercise due care and diligence, and avoid improper use of their position for personal gain.[69] However, they were not specifically required to act in the OC's interests, a duty that is imposed on developers who control OCs initially.

The CPL Review highlighted this gap and noted that OC committee functioning was frequently described as dysfunctional or apathetic.[70] Common issues included OC committee members being unclear about their roles, and tensions arising between members with differing levels of experience. The review also found that the maximum OC committee size of 12 was too large to support effective decision-making, and that the process for arranging OC committee ballots lacked clarity.[71]

Following the review, the 2021 amendments introduced several changes to how OC committees operate, including:

- Changing the threshold number of lots that determines when an OC must or may elect an OC committee.
- Reducing the number of OC committee members from X-12 to 3-7 (allowing up to 12 by special resolution).
- Clarifying the responsibilities of chairpersons in giving notice for ballots and confirming that OC committee resolutions only take effect when the matter falls within the OC committee's powers.
- Introducing a new obligation for OC committee members to act in the best interests of the OC.

Findings

Finding 5: OC committee members are volunteers who often lack the time and experience to manage complex OC issues, creating a high reliance on OC managers.

The Expert Panel found that despite the changes in 2021, many of the issues regarding inexperienced OC committees remained the same. Stakeholders frequently pointed towards a lack of skills and experience as the main cause of this.

OC committee experience

The Expert Panel found that as volunteers, OC committee members often don't have the expertise needed to manage OC affairs. This can result in a power imbalance, where more experienced members or the OC manager dominate decision-making. During consultations, multiple OC committee members expressed confusion about their roles and responsibilities under the OC Act, further reinforcing their reliance on OC managers. In their paper on the role of OCs in cladding rectification, CSV encountered delays in the building rectification process due to the lack of experience and understanding of many members of OCs. This included the need to repeat information multiple times, owners not understanding their responsibilities, indecision that sometimes led to costly involvement of lawyers and other consultants, and many emotionally charged meetings with owners who displayed stress, anger or lack of trust.[72]

Engage Victoria public survey results

Should there be accessible online education for owners corporation committee members similar to that recently introduced in NSW?

Yes: 95%
No: 5%

[68] Let Me Be Frank, *The Handbook – Working with apartments and strata communities* (2025) p. 34 <https://ocn.org.au/wp-content/uploads/2025/06/Handbook_Apartments_City_of_Melbourne.pdf>
[69] CPL Review Options Paper, p. 27.
[70] CPL Review Options Paper, p. 28.
[71] CPL Review Options Paper, p. 36.
[72] CSV Report, p. 15.

The work involved in being an OC committee member also means that it is difficult to recruit willing, informed volunteers.[73] The *Handbook – working with apartment and strata communities*, identified "a lack of knowledge and active participation" as a key governance challenge, noting:

> *"An overwhelming number of people who buy into apartment buildings do not understand their role and their legal obligation to actively participate in the management and maintenance of the building. People often buy an apartment because it's what they can afford or because they think it's low maintenance."* [74]

The variability in OC committee experiences and governance quality suggests a need to harmonise access to information and build sector-wide capability. Multiple stakeholders recommended that the Victorian Government provide free or low-cost, easily accessible education and training for OC committee members, to help build skills in governance, financial oversight, and dispute resolution.[75]

Views differed, however, as to whether training should be mandatory. Some stakeholders suggested mandatory training only for OC committee members in larger OCs, while others preferred an optional model. NSW is moving towards mandatory training for strata committee members with key reforms enacted under the *Strata Schemes Legislation Amendment Act 2025* (NSW), with expected implementation in April 2026.[76] This model is supported by peak industry bodies like SCA. QLD relies heavily on the Office of the Commissioner for Body Corporate and Community Management for extensive educational resources, guidance, and a dedicated dispute resolution service. While this step in NSW is acknowledged, stakeholders in Victoria shared that a voluntary, self-service model is preferred.

OC committee size

Stakeholder views were mixed on whether the change to OC committee size has improved governance. Some noted that smaller OC committees have made decision-making more efficient, while others highlighted practical challenges in larger or more complex developments. For example, one lot owner commented:

> *"In our case, with three separate owners' corporations requiring representation, the smaller committee size made it challenging to ensure adequate representation across different lot types and interests. The current OC committee is totally controlled by the developers, employees and related entities."*

The Expert Panel received evidence that stakeholders would like the ability to add additional OC committee members without requiring a special resolution, suggesting that the 2021 Amendment Act made it too difficult for larger OCs to add more members to the OC committee.

Recommendations

Recommendation 4: CAV should develop fit-for-purpose, accessible education modules for OC committee members to assist in increasing capability.

OC committee members play a critical role in managing complex legal, financial, and governance responsibilities, yet many lack formal training or support. The Expert Panel recommends that CAV develop free education modules for OC committee members, available online, and adaptable to different levels of experience and building types. They should also be engaging and based on practical, real world case studies and they should also be made available to individual lot owners. The goal is to increase the skills of OC committee members and to give them knowledge and confidence to fulfil their roles effectively and equitably.

Given issues with attracting and retaining OC committee members, the Expert Panel recommends that the education is optional.

The education should include topics such as:

- Functions and duties of an OC, OC committee, delegate (including OC managers),
- OC committee chairperson and secretary roles,
- OC financial & budget management, OC management tenders,
- Evaluating budgets and reasonable expenses,
- Information management, and

[73] SCA (Vic) Submission, p. 10.
[74] The Handbook, p. 50.
[75] City of Melbourne Submission, p. 8; LIV Submission, p. 3; REIV Submission, p.9; Strata Owners Alliance Submission, p. 13; KCL Law Submission, p. 5; Insurance Council of Australia Submission, p. 1; Confidential Submission.
[76] NSW Government, 'Guide to strata law changes for strata committees and owners' (27 October 2025) <https://www.nsw.gov.au/housing-and-construction/strata/guide-to-strata-law-changes-for-strata-committees-and-owners>.

- Tender evaluations for best value for money.

OC managers

Background

An OC manager is any person or entity appointed by an OC to carry out its functions in managing and administering common property. Under the OC Act, Tier 1 OCs are required to appoint an OC manager, unless they opt out via a special resolution. For Tier 2, 3, 4, and 5 OCs, appointing a manager is optional and may occur through delegation of powers at a general meeting.

OC managers play a critical role in the governance and day-to-day operation of OCs. Their responsibilities often include financial management, maintenance coordination, dispute resolution, and compliance with legal obligations. Given this central role, OC managers were a major focus of the CPL Review, which considered issues concerning:[77]

- Licensing versus registration of professional OC managers,
- Continuing professional development,
- Unfair terms in, and termination of, management contracts,
- The duties and obligations of OC managers arising from conflicts of interest, and
- The pooling of money held on behalf of multiple OCs.

The 2021 Amendment Act introduced a suite of reforms aimed at improving the transparency, accountability, and professionalism of OC managers (**Figure 4**).

Figure 4: Summary of 2021 amendments regarding OC managers[78]

Contract and appointments	Duties	Financial transparency	Registration
•Limited contracts to a maximum of three years (or five years for retirement villages). •Prohibited a range of restrictive contract terms (e.g. automatic renewals, excessive notice periods, or requirements for special resolutions to terminate).	•Obligation to procure goods and services on competitive terms and to avoid exerting undue influence on voting or elections. •Duty to disclose any commissions, payments, or beneficial relationships with suppliers.	•Provide bank statements for trust accounts upon request. •Trust money includes any interest earned, and OC managers may only hold funds for multiple OCs in a shared account under strict conditions.	•Individuals with certain criminal convictions (e.g. fraud, violence, sexual offences) within the past 10 years are ineligible for registration. •RegisteredOC managers must maintain professional indemnity insurance.

Findings

Finding 6: The 2021 Amendment Act has not remedied unprofessional practices amongst OC managers.

Despite the 2021 reforms introducing several new obligations and restrictions intended to improve the conduct and professionalism of OC managers, consultation and stakeholder feedback suggest that many of the structural challenges identified in the CPL Review continue to affect the sector. While the reforms have addressed some issues, they have not shifted the culture or raised the baseline of professional practice across the industry. **Chapter 4** of this report examines the role of OC managers in more detail. It includes discussion regarding the impact of the 2021 reforms, ongoing conduct issues, and options and recommendations for further reform to support a more transparent, accountable and professional OC management sector.

[77] CPL Review Options Paper, p. 10.
[78] Consumer Affairs Victoria, 'Changes to the Owners Corporations Act from 1 December 2021' (December 2021) <https://www.consumer.vic.gov.au/licensing-and-registration/owners-corporation-managers/changes-to-the-owners-corporations-act-from-1-december-2021>.

Chapter 4: Owners corporation managers

This chapter provides the Expert Panel's assessment of whether the existing arrangements in the Owners Corporations Act to promote the probity and ethical conduct of OC managers are sufficient to protect the interests of lot owners.

Background

The importance of OC manager performance and conduct cannot be overstated – it is critical to the residential wellbeing of lot owners over time and consumer confidence in the sector. As such, their role has been distinctly addressed, separate from the other key roles in an OC in **Chapter 3**.

Their responsibilities can be complex, combining financial management, maintenance coordination, safety, people management, dispute resolution, and compliance with legal obligations.[79] Whilst many OC managers wish to do the right thing by the OC's they manage there is a significant number that are not motivated in the same way. This undermines the sector and is why many OC managers support the sector having stronger regulation.

Growing management industry

As apartment developments have increased, so has the OC management industry. SCA (Vic) estimates that it's over 2,000 OC profession members manage around half of the 1,000,000+ lots in Victoria.

OC management is delivered through a range of operating models from established strata management firms to individual operators. While this can be appropriate given diverse property needs, it can also result in varied quality of service. For example, CSV has noted that the corporate approach to strata management has meant that, in some strata management companies, the ratio of buildings allocated to an individual OC managers is far too high for an OC manager to adequately deliver quality services.[80] One stakeholder observed that in the last 15 years, "what started as small family run practices based around accounting or real estate have morphed into businesses with large employee numbers and significant turnovers."[81]

The sector has faced growing public scrutiny across Australia, including in Victoria, amid concerns about unchecked misconduct, opaque fee structures, and contract arrangements that may disadvantage owners. Reporting, such as that by ABC's Four Corners and the University of New South Wales,[82] have amplified these concerns and eroding confidence in the sector. SCA (Vic) have responded with a "Six Steps to Ensure Confidence Initiative" in an effort to build trust within the industry.[83] SCA (Vic) shared during the review that they are "confident that these cases represent only a very small percentage of OC managers, and that the vast majority of professionals in the sector are ethical, diligent, and committed to high standards."[84] While SCA (Vic) share this view, many others throughout the review and more broadly do not.

---

[79] Vic Strata Magazine, April 2023 edition (summarised at <https://www.theknight.com.au/our-news-and-insights/important-roles-that-support-an-owners-corporation/>)
[80] CSV Report, p. 21.
[81] Southbank 3006 Submission, p. 16.
[82] Echo Hui, 'Push to overhaul unfair strata contracts that favour managers to better protect apartment owners' *ABC News* (online) 15 November 2024 <https://www.abc.net.au/news/2024-11-15/calls-to-overhaul-strata-management-contracts-unfair-clauses/104579634>; Hazel Easthope, Charles Sampfrod and Hugh Breakey, 'Many strata managers who handle apartments are conflicted: here's how' *UNSW Sydney Newsroom* (online), 11 September 2024 <https://www.unsw.edu.au/newsroom/news/2024/09/many-strata-managers-handling-apartments-conflicted>.
[83] The 'Six Steps to Ensure Confidence Initiative' involves: (1) Fast-tracking the date for mandatory requirements for SCA members to implement SCA's Best Practice Insurance Disclosure Guide to 30 June 2024, with full enforceability under the SCA complaints and conduct pane; (2) Appointing an independent Chair for the SCA Australasia complaints and conduct panel; (3) Allocating additional resources and improved accessibility to the SCA Australasia complaints process; (4) Commencing the production of a rigorous best practice guideline that clearly addresses conflicts of interest in the strata sector and other disclosures, outside of insurance; (5) Offering additional support for SCA member businesses to have access to appropriate resources, advice and training to improve practice where identified; and (6) Supporting the independent review SCA (NSW) will be conducting (Strata Community Association, Media Release 26 June 2024) <276112_ed0d5ed0b2a4417eb39071ae5f7027d5.pdf>).
[84] SCA (Vic) Submission, p. 18.

Regulation in the OC Act

OC managers are regulated under Part 6 of the OC Act. This includes rules on appointment and removal,[85] contracts of appointment,[86] functions,[87] and duties.[88] Part 12 of the OC Act sets registration requirements, including eligibility and application processes.[89]

As noted in **Chapter 3**, the OC Act requires Tier 1 OCs to appoint an OC manager, unless they opt out via a special resolution.[90] For Tiers 2-5, appointing an OC manager is optional and may occur through delegation of powers at a general meeting.[91]

An OC manager can be a professional (managing for fee or reward) or a volunteer. Professional OC managers must be registered and insured, while volunteer OC managers do not.[92] However, both have the same legal obligations to the OC.

Given the central role of OC managers to OC living, they were a major focus of the CPL Review, which considered issues concerning:[93]

- Licensing versus registration of professional OC managers,
- Continuing professional development,
- Unfair terms in, and termination of, management contracts,
- The duties and obligations of OC managers arising from conflicts of interest, and
- The pooling of money held on behalf of multiple OCs.

The 2021 amendments introduced major reforms to improve transparency, accountability, and professionalism among OC managers. Key changes included new requirements for OC manager registration, contracts and appointments, and expanded duties. These reforms are discussed in detail in the following sections.

Figure 5: Touchpoints of an OC manager



OC manager registration

Background

'Authorisation' refers to the process of giving a person or organisation permission to do something.[94] It is one of the foremost regulatory activities of government and takes many forms, including registration and licensing.[95] Authorising a person or organisation to do something is intended to:

- Ensure practitioners possess a minimum level of competence, ethical character, and financial stability, protecting consumers from poor advice, misconduct, and fraud,[96]

[85] OC Act s 119.
[86] Ibid s 119A.
[87] Ibid s 120-1.
[88] Ibid s 122, 122A, 122B, 126, 127.
[89] Ibid pt 12.
[90] Ibid s 119(1A).
[91] Ibid s 119(1C).
[92] Consumer Affairs Victoria, 'Working with your owners corporation manager' (18 March 2021) <https://www.consumer.vic.gov.au/housing/owners-corporations/meetings-and-committees/working-with-your-owners-corporation-manager>.
[93] CPL Review Options Paper, p.10.
[94] Better Regulation Victoria uses the term '*permission*' to describe the process of giving a person or entity 'the ability to undertake certain operations or activities that would otherwise be unlawful' (Better Regulation Victoria, 2023).
[95] Arie Freiberg, *Regulation in Australia* (Federation Press, 2nd edition, 2025) p. 349-358. The key distinction between registration and licensing is that a licence creates a specific relationship between the regulator and the licence holder so that the holder's conduct is restrained not only by rules of general application but by the conditions of the licence itself, whereas registration is limited to the regulator receiving information that is entered into a register and is primarily aimed at addressing the problem of information asymmetry.
[96] The Allen Consulting Group, 'A framework for considering the use of occupational licensing' (*Report to Consumer Affairs Victoria*) April 2007 <https://www.consumer.vic.gov.au/library/publications/resources-and-education/research/a-framework-for-considering-the-use-of-occupational-licensing-2007.pdf>.

- Establish clear, enforceable standards one must meet to be authorised, and must continue to remain authorised (e.g., mandatory education, Continuing Professional Development (CPD)), which elevates the quality and integrity of the sector,[97] and
- Grant the regulator the power to swiftly impose conditions, suspend, or cancel the right to practice if misconduct occurs, providing a direct, market-based enforcement tool.[98]

In Victoria, the key form of authorisation under the OC Act is the registration of persons that carry out any function as an OC manager for fee or reward. Part 12 of the OC Act provides in particular:

- that it is an offence to act as an OC manager for a fee or reward without being registered, eligibility requirements for registration,[99]
- application requirements for OC managers,[100]
- requirement for an OC manager to hold professional indemnity insurance,[101] and
- provisions about how a registration can be cancelled or surrendered.[102]

Further, a public register of registered OC managers is kept by the BLA and is accessible by searching for a specific OC manager online.[103]

Existing registration requirements

Before 2021, professional OC managers were required to register with the BLA. Registration was limited to individuals who were at least 18 years old, not insolvent, and not under guardianship. Registration could be cancelled if an OC manager failed to lodge an annual statement and pay the fee, became insolvent or a represented person, or obtained registration through false or misleading information.

The CPL Review received strong stakeholder feedback that these registration requirements were inadequate to address the risk of harm for consumers from the lack of knowledge and poor conduct of OC managers.[104] The CPL Review presented two options:

1. Introducing a full licensing scheme, and
2. Enhancing the existing registration scheme.

The 2021 Amendment Act adopted the second option, enhancing the existing registration scheme by adding:[105]

- New restrictions on registering an OC manager who has been convicted or found guilty of the certain offences within the last 10 years, including an offence involving fraud, dishonesty, drug cultivation or trafficking, sexual slavery or servitude, child pornography or violence, a sexual offence or an offence connected with sex work, or an offence committed outside Victoria that would constitute an offence referred to any of the examples above, if it was committed in Victoria.
- A new requirement to be covered by professional indemnity insurance and to notify the BLA if the OC manager ceased to be covered.

Qualification and training requirements

Victoria has historically not required formal qualifications or continuing professional development (CPD) for OC managers.

However, this is changing under the Victorian Government's Housing Statement reforms. In March 2025, the *Consumer and Planning Legislation Amendment Act 2025* (Vic) was enacted to support the introduction of mandatory training and licensing for property professionals, including OC managers. This legislation expands

[97] Senate Select Committee on Red Tape, Parliament of Australia, *Effect of red tape on occupational licensing* (Interim Report, August 2018) <https://www.aph.gov.au/-/media/Committees/redtape_ctte/OccupationalLicensing/Interim_report/report.pdf>.
[98] Morris Kleiner, 'Occupational Licensing' (2000) 14(4) *Journal of Economic Perspectives* p. 189-202.
[99] *Owners Corporations Act 2006* (VIC) s 179 (OC Act).
[100] OC Act s 180.
[101] OC Act s 185A.
[102] OC Act s 186.
[103] Consumer Affairs Victoria, *Public Register of Owners Corporation Managers* (Website, 19 November 2025) <https://www.consumer.vic.gov.au/licensing-and-registration/owners-corporation-managers/public-register>.
[104] Consumer Affairs Victoria, 'Consumer Property Law Review: Options for reform of the Owners Corporations Act 2006' (2018) p. 10 <https://nla.gov.au/nla.obj-2804182189/view> (CPL Review Options Paper).
[105] Consumer Affairs Victoria, 'Changes to the Owners Corporations Act from 1 December 2021' (December 2021) <https://www.consumer.vic.gov.au/licensing-and-registration/owners-corporation-managers/changes-to-the-owners-corporations-act-from-1-december-2021>.

the regulatory framework and provides the legal basis for prescribing education and CPD requirements through regulations, including:

- **Mandatory initial education:** From 30 June 2027, all individuals seeking registration as OC managers, including those acting as OIECs of an OC management business, must complete prescribed initial training,
- **Annual CPD requirements:** From 1 April 2028, all registered OC managers and OIECs will be required to undertake annual CPD to maintain their registration, and
- **Expanded registration scheme:** The registration requirement has been extended to include OIECs, meaning each OC management business must appoint a registered OIEC by 30 June 2027.[106]

These changes aim to lift professional standards while balancing industry costs and consumer protections. The Victorian Government has indicated that this is an initial step,[107] with a future review to assess whether registration should be extended to all individuals performing OC management functions.

This recognition by the Victorian Government of the importance of initial and ongoing education requirements is a step in the right direction. Other jurisdictions have implemented mandatory qualification requirements (e.g. NSW requiring a Certificate of Registration/Certificate IV in Strata Community Management).[108]

Appointment and removal of OC managers

Once an OC manager is registered, appointment marks the OC manager's formal engagement by an OC. This typically involves negotiation of the OC management contract, and clarification of roles and responsibilities, as well as setting the tone for the working relationship and the commencement of professional duties under the OC Act. Likewise, the removal of an OC manager marks the formal conclusion of their engagement by the OC. Termination may arise from performance concerns, breach of duty, or a strategic OC decision to change management.

Background

The CPL Review received feedback that long-term management contracts would often contain terms that financially disadvantage the OC and were complex and difficult to terminate.[109]

The 2021 Amendment Act introduced provisions aimed at improving transparency and fairness in contracts between OC and their OC manager. Specifically, any of the following terms included in a contract entered into after 1 December 2021 are now considered void:[110]

- A term that requires the OC, before revoking the appointment of the OC manager, to pass a special resolution, a unanimous resolution or any other resolution requiring more than a simple majority of votes; or to convene a general meeting of the OC; or to take any other prescribed step.
- A term that allows the OC manager to renew the contract of appointment at the OC manager's option.
- A term requiring a Tier 1 or 2 OC to give 3 months or more notice of its intention to revoke the OC manager's appointment.
- A term requiring a Tier 3, 4 or 5 OC to give one month or more notice of its intention to revoke the OC manager's appointment.
- A term providing for the automatic renewal of the contract of appointment if the OC fails to give notice, in accordance with the terms of the contract, of its intention not to renew the OC manager's contract.
- A term that restricts the ability of the OC to refuse consent to an assignment of the contract of appointment to a person appointed as the OC manager, other than a requirement that such consent must not be unreasonably withheld by the OC.

The 2021 Amendment Act also limited OC manager appointments to a maximum of three years (or 5 years for a retirement village OC).[111]

---

[106] Engage Victoria, 'Education and fees regulations for property industry professionals' (2025) <https://engage.vic.gov.au/education-and-fees-regulations-for-property-industry-professionals>.
[107] Regulatory Impact Statement for the Housing Statement Property Regulations (2025), p. vi <https://engage.vic.gov.au/education-and-fees-regulations-for-property-industry-professionals>
[108] NSW Government, 'Strata managing agent licence' (2025) < https://www.nsw.gov.au/business-and-economy/licences-and-credentials/becoming-a-property-agent/strata-managing-agent-licence>.
[109] CPL Review Options Paper, p. 14.
[110] Changes to the OC Act from 1 December 2021.
[111] Ibid. The Expert Panel received evidence that this requirement is not operationally practical for OC manager contracts in retirement villages. In most cases, the operator of a retirement village also acts as the OC manager, with responsibility for both the village and the OC

Findings

Finding 7: Contract terms in management contracts continue to contain unfair and problematic terms, impacting OCs and lot owners.

The review received strong evidence that the standard contract template promoted by industry bodies such as SCA (Vic), while widely adopted, contains terms that could disadvantage OCs and lot owners.[112] Problematic clauses identified by stakeholders providing evidence to the review in template contracts include indemnities for the manager's own negligence, restrictions on termination rights, excessive project management charges, and penalties linked to lost insurance commissions when an OC uses an independent broker.[113] This includes terms disallowed by the 2021 reforms that have remained in use. These provisions shift risk and cost onto OCs and undermine principles of accountability and consumer protection. Stakeholders reported that these templates are often presented as non-negotiable, resulting in near-identical contracts across the market and limiting the ability of OCs to secure fair terms.[114]

Consistency in contract structure is desirable because it enables comparability and supports competition. However, consistency must be designed to promote transparency, not entrench unfair practices. Some stakeholders suggested that a government-mandated contract, likened to the standardised property sale contract, could reduce bias and improve transparency.[115] However, others, including the SCA (Vic) and PICA Group, expressed concerns that this would limit flexibility that is necessary to provide the best outcomes for OCs.[116] The current approved form of the contract of appointment under section 119(3) provides only a minimal framework and does not adequately safeguard OCs. It permits extensive variation, allowing parties to insert numerous terms and conditions, including those that may disadvantage OCs. The Expert Panel also acknowledges the work of the LIV and the REIV to develop a model contract template.

Finding 8: There are gaps in the application of the Australian Consumer Law (ACL) applying to OC manager contracts. This has led to confusion about whether key ACL provisions, including protections against unfair contract terms, misleading conduct, and unconscionable behaviour apply to OC management agreements.

Within the ACL, the Unfair Contract Terms (UCT) regime voids terms in a standard-form contract that:[117]

- causes a significant imbalance in the parties' rights and obligations;
- is not reasonably necessary to protect the legitimate interests of the party who would be advantaged by such a term; and
- would cause detriment to a party if the term were to be applied or relied on.

The UCT regime applies to terms of consumer and small business contracts.[118] Consumer contracts must be to an individual, and small business contracts relate to parties carrying on a business, neither of which appear to apply to OCs. This essentially creates a gap in coverage of the ACL, despite the fact that OC contracts are generally of a type that receive protection (i.e. goods and services acquired for personal, domestic, or household use or consumption).[119]

By comparison, recent amendments in NSW have explicitly extended the unfair contract terms provisions of the ACL to apply to contracts for the supply of goods or services to an OC, and sales or grants of an interest in land to an OC.[120] The NSW Fair Trading Act was amended to include a section, stating:

> **32A Application of Australian Consumer Law to owners corporations and associations**
>
> 1) The following provisions of the ACL apply to a relevant contract as if it were a consumer contract

extending beyond the 5-year period. The Victorian Government should consider exempting retirement villages from the cap. (Property Council of Victoria Submission).

[112] ABC News: 'Push to overhaul unfair strata contracts that favour managers to better protect apartment owners'.

[113] Strata Owners Alliance Submission, p. 8, 17; ABC News: 'Push to overhaul unfair strata contracts that favour managers to better protect apartment owners'.

[114] Strata Owners Alliance Submission, p. 8.

[115] Confidential Submission.

[116] SCA (Vic) Submission, p. 21; Confidential Submission.

[117] Unfair Contract Terms reforms commence | ASIC; ACL section 24.

[118] ACL section 23.

[119] <https://ocn.org.au/wp-content/uploads/2024/01/OCN-Submission-Australian-Consumer-Law-Owners-Corporations-January-2024-Commonwealth.pdf>

[120] Fair Trading Act 1987 (NSW), s32A

a) Part 2-3,

b) Part 5-2.

2) In this section—
association has the same meaning as in the Community Land Management Act 2021.
owners corporation has the same meaning as in the Strata Schemes Management Act 2015.
relevant contract is a contract for the following—
(a) a supply of goods or services to an owners corporation or association,
(b) a sale or grant of an interest in land to an owners corporation or association.

The review received mixed views on this issue, with some stakeholders stating that the ACL already applies to OCs,[121] while others arguing it should be made more explicit in legislation and guidance.[122]

Finding 9: Many OC manager contracts lack fee transparency, frustrating comparability for competition and leading to opaque and at times questionable service charges.

Despite reforms aimed at improving transparency, the review found that many OC manager contracts continue to present challenges for lot owners and OC committees seeking to understand and budget for the cost of management services. Fee schedules are often bundled, vaguely described, or subject to discretionary charges that are not clearly defined at the time of engagement. This lack of clarity can obscure the basis for invoicing, hinder effective oversight, and erode trust in the management relationship.

Low balling and drip pricing

A recurring issue raised by stakeholders is the difficulty to compare OC manager tenders due to the disparate approach to fee schedules and pricing. The problematic practice of presenting a low base management fee that excludes many foreseeable services and core functions.[123] OC managers often present contracts to OC committees with the base fee, only to charge separately for tasks that would reasonably be considered foreseeable or core to the role, such as issuing levy notices, responding to emails, or obtaining quotes.[124] This practice obscures the true cost of management services and prevents owners from making fair, like-for-like comparisons between providers.

In cases presented during the review, hourly charges can exceed $200 for routine administrative work.[125] Stakeholders report that some OC managers aim to match or exceed the base fee through additional Schedule 2.2 fees effectively doubling their income from each contract.[126]

Opaque fee reporting

Management costs are often fragmented across multiple accounting categories in OC financial statements, making it difficult for OC committees to identify the total amount paid to the OC manager.[127] In some cases, even when OC committees questioned their OC manager, the manager could not clearly explain what certain fees covered.

The review received evidence that this lack of transparency creates significant barriers for lot owners seeking to understand and challenge costs. It also increases the risk of hidden or excessive charges. As with many issues identified in this review, these practices are compounded by lot owner disengagement, which limits scrutiny and accountability.

Finding 10: OCs can still face significant barriers when terminating OC manager contracts and transitioning to new arrangements.

Despite the 2021 Amendment Act restricting contract terms that "lock in" OCs to a particular OC manager, the review found that OCs continue to face serious challenges when attempting to transition to a new management

[121] Confidential Submission.
[122] Southbank 3006 Submission, p. 20.
[123] FCA Joint Submission; Strata Owners Alliance Submission, p. 6.
[124] Southbank 3006 Submission, p. 20; Strata Owners Alliance Submission, p. 6; Nicole Johnston, 'At the Crossroads: Addressing Pervasive Conflicts of Interest in Strata Management' (2025) *Strata Knowledge* p. 27-28 <https://strataknowledge.com/wp-content/uploads/2025/10/FINAL_REPORT_At_the_Crossroads_Addressing_Pervasive_COI_in_Strata-_Management.pdf>,
[125] Strata Owners Alliance Submission, p. 6.
[126] Strata Owners Alliance Submission, p. 6.; Nicole Johnston (2025) p. 19; Strata Owners Alliance Submission, p. 6; Nicole Johnston (2025) p. 19.
[127] Strata Owners Alliance Submission, p. 6.

arrangement.[128] Despite existing legal obligations, the review heard evidence that many OC managers retain control over key financial and administrative systems prior to and after termination, obstructing access to bank accounts, records, and communication channels.[129] This behaviour delays the transition process, undermines governance, and in some cases, directly contravenes the OC Act.[130] The review received evidence of instances where OC managers have refused to release the OC register, preventing lot owners from contacting each other to convene meetings or vote on terminating the OC manager contract.[131]

Upon termination, issues can continue to persist, with some OC managers delaying or obstructing the transfer of funds and records, falsely claiming that transfers can only occur to another OC manager, or imposing excessive fees for preparing records.[132] SCA (Vic) noted that many of its members reported that the handover of records between outgoing and incoming OC managers is often of a very low standard.

Many stakeholders recommended legislating minimum standards for the quality and content of records provided during a handover.[133] CSV suggested that if OC managers were required to lodge certain information[134] in a centralised location, this would improve recordkeeping and information accessibility for OCs, as well as providing a foundation to monitor compliance with requirements.[135] Stakeholders highlighted that similar issues can arise from high turnover in OC management companies, which can lead to a loss of corporate history, lack of follow through or mistakes.[136] The use of bespoke finance and IT tools can also make transition burdensome, both in terms of time and risk of data loss.[137]

Recommendations

Recommendation 5: The Victorian Government should mandate a model OC manager contract that OCs and OC managers must use in appointing an OC manager. Failure to do so would be subject to prescribed penalties and regulator infringement notices.

The Expert Panel recommends that the regulator develop and mandate the use of a model OC manager contract with standard terms across the headings in the current OC manager contract of appointment approved form. This contract should be required for all OC manager appointments. This would provide a consistent, transparent, and enforceable foundation for the relationship between OC managers and OCs.

The model contract should contain provisions that address the issues raised in this chapter. Specifically, the model contract should ensure that no unfair contract terms are included, such as indemnities in favour of the OC manager, prescribe the categories of fees that may be charged (rather than leave an OC manager to specify what they can/will do), and require that all reasonably foreseeable costs be included upfront. Further, the model contract should allow for termination of the OC management contract with a month's notice in circumstances where the OC manager loses the trust and confidence of the OC (e.g. breach of a statutory duty including in relation to another OC).

The contract should allow for limited customisation to suit the needs of individual OCs, but core terms should remain mandatory. Importantly, breaches of obligations or conduct requirements under the OC Act should be grounds for contract termination and may trigger suspension or cancellation of the OC manager's licence. Use of non-compliant contracts should also attract prescribed penalties.

[128] Strata Owners Alliance Submission, p. 7.
[129] KCL Law Submission, p. 13; OCN, p. 9; Strata Owners Alliance Submission, p. 7; Southbank Residents Association Submission, p. 2.
[130] KCL Law Submission, p. 13.
[131] Strata Owners Alliance Submission, p. 7.
[132] OCN Submission; Strata Owners Alliance Submission, p. 7; Southbank Residents Association Submission, p. 2.
[133] SCA (Vic) Submission, p. 21; Southbank Residents Association Submission, p.2; OCN Submission.
[134] Such as: the OC manager contract, a list of the OC committee members and their roles, a register of Conflicts of Interest for both the OC manager and OC Committee members, the OC rules, AGM minutes, annual financial report and building maintenance plan.
[135] CSV Report, p. 3.
[136] CSV Report p. 21.
[137] OCN Submission; Southbank 3006 Submission, p. 3-4.

Duties and obligations of OC managers

Background

Prior to 2021, OC managers had basic statutory duties to act honestly, in good faith, with due care and diligence and to avoid improper misuse of their position. The OC Act also required OC managers to report to the annual meeting on their 'activities'. The CPL Review found that those general duties were inadequate to deal with a range of specific, 'real world' issues, which would exist even with a licensing or enhanced registration scheme.[138] Particularly, the CPL Review received concerns relating to commissions, payments and other benefits received, and a general lack of transparency regarding financial matters. Residents also expressed frustration with their inability to access the financial records of their OC from the OC manager.[139]

In response to these long-standing concerns, the 2021 amendments made key changes to the duties of OC managers,[140] including:

- A duty to ensure any goods and services they procure on behalf of the OC are competitively priced and/or procured under competitive terms,[141]
- A duty to not exert pressure on any member of the OC to try and influence the outcome of a vote or election,[142]
- A duty to give written notice to the OC chair disclosing any commission, payment or other benefit they are entitled to receive under a contract to supply goods or services to the OC,[143]
- A requirement to provide copies of financial statements for bank accounts that contain money OC managers hold on trust on behalf of the OC, upon request from an OC,[144]
- A requirement that they can only hold trust money for multiple OCs in the same bank account under specific circumstances,[145]
- A duty to disclose any beneficial relationship they have with a supplier of goods and services they propose to enter into a contract with on behalf of the OC. They must disclose this in writing to the OC chairperson as soon as they become aware of the beneficial relationship,[146]
- An expansion of the information required to be provided in manager's report at each AGM, including details of receipts and disbursements of money the OC manager has held on trust for the OC, and any commissions, payments or other benefits they have received in relation to contracts for goods or services supplied to the OC.[147]

However, no new specific penalties were introduced for breaches of these obligations. Instead, the regime continues to rely primarily on disclosure-based mechanisms, not punitive measures.

Disclosure requirements in other jurisdictions

Modern regulatory frameworks increasingly recognise that structural safeguards such as prohibitions are necessary to prevent harm, rather than relying solely on disclosure. The Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry highlighted that disclosure alone is often ineffective in addressing conflicts of interest and protecting consumers.[148] This shift underpins the need for stronger obligations and penalties in the OC sector.

Different jurisdictions take different approaches to regulating conflicts and disclosures of OC managers. In NSW, reforms now ban OC managers from receiving commissions on insurance if the OC independently obtains and pays for the policy.

There are also continued calls in NSW for a complete ban on sharing commission or broker fees with strata managers. At the request of the NSW Government, the NSW Productivity and Equality Commission are

[138] CPL Review Options Paper, p. 16.
[139] CPL Review Options Paper, p. 16-17.
[140] See also Annex A, which details OC manager duties and obligations, as well as all other duties and obligations under the *OC Act*.
[141] OC Act s 122(1)(d).
[142] OC Act s 122(1)(e).
[143] OC Act s 122(1)(f).
[144] OC Act s 122(2)(d).
[145] OC Act s 122(2)(b).
[146] OC Act s 122(2)(c), s 122(3).
[147] OC Act s 126(2).
[148] Department of Treasury, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Volume 1, 2019) p. 174 <https://treasury.gov.au/sites/default/files/2019-03/fsrc-volume1.pdf>

undertaking a review of the market impacts of prohibiting strata managing agents from accepting commissions or other conflicted payments.[149] The NSW Productivity and Equality Commission has recently published an issues paper, which explores three potential policy options:[150]

1. Self-regulation, building on the SCA (NSW) plan to support and encourage members to transition away from insurance commissions.
2. The NSW Government would introduce a ban on strata managers accepting commissions of any kind.
3. Like option two, but with an additional ban on strata managers arranging certain services for the OC that involve commissions further up the supply chain.

In the Options Paper, the NSW Productivity and Equality Commission note that all three options are expected to provide the following general impacts:[151]

- **Better consumer value from more effective competition:** increasing clarity for owners on the actual cost of the services that managers are procuring on their behalf, and allowing OCs to better compare between different managers and products they purchase on their behalf.
- **Lower compliance costs:** reducing any burden involved with disclosing conflicts and less need for other regulations aimed at addressing conflicts.
- **Transition costs for businesses, strata committees and government:** costs for strata managers in the short term due to having to amend and update their standard contract and to educate OCs, and for government in supporting the transition.
- **Commission savings transferred to owners:** an immediate cost saving for service providers, such as insurers and brokers, who no longer need to pay out these explicit fees, which are expected to transfer to owners.

SCA (NSW) have decided to phase out insurance commissions in management contracts, including those payments made by insurance brokers, in favour of fee-for service from January 2026.[152]

Findings

Finding 11: Conflicts of interest are systemic in OC management. Disclosure alone is inadequate to manage conflicts of interest – they must be avoided.

While the 2021 Amendment Act disclosure requirements are intended to promote transparency, the Expert Panel has found that they do not adequately address the underlying conduct risks associated with conflicts of interest. OC manager statutory duties coupled with their role in arranging third party service providers means potential conflicts of interest are more common and arguably systemic in OC management.[153] The practices and relationships of OC managers can create conflicts of interest in a number of ways, summarised in **Table 3** below.

Table 3: Common OC manager practices and relationships that can create conflicts[154]

Conflict of interest topics	Practices / relationships
Commissions – insurance, energy	OC manager receives a commission from insurer/broker based on insurance premium or from energy broker.
Developer consulting work – front end structuring	OC manager undertakes pre-registration consulting work for scheme developer for low or no fee in exchange for OC management agreement, insurance commission, certificate fees or other benefits (trips).

[149] <https://www.nsw.gov.au/ministerial-releases/productivity-and-equality-commission-to-review-commissions-for-strata-managing-agents>
[150] NSW Productivity and Equality Commission, *Strata Commissions Review: Assessing the market impacts of payments to strata managers* (Issues Paper, November 2024) <https://www.nsw.gov.au/sites/default/files/noindex/2025-11/issues-paper-nsw-productivity-and-equality-commission-strata-commissions-review.pdf>
[151] Ibid, p. 30-32.
[152] LookUpStrata, 'NSW: SCA (NSW) Moves to Phase Out Strata Insurance Commissions: A Turning Point for Transparency in the Strata Sector' (22 September 2025) <https://www.lookupstrata.com.au/nsw-sca-phase-out-strata-insurance-commissions/>.
[153] Nicole Johnston (2025) p. 5; Alison Anderson, 'Conflicts of Interest: Efficiency, Fairness and Corporate Structure' (1978) 25 *UCLA Law Review* p. 738 <https://heinonline.org/HOL/LandingPage?handle=hein.journals/uclalr25&div=41&id=&page=>.
[154] Nicole Johnston (2025) p. 18-9.

Service provider / supplier referrals	OC manager receives/demands a fee or other benefit from supplier or service provider for referring company to OC clients.
Affiliated and associated entities	OC manager (entity, directors, employees) has a legal or familial relationship with another entity (or its members) that provides services to OC manager's OC clients.
Staff remuneration schemes based on additional services	OC managers (staff) remuneration tied to OC additional services charges – incentive/bonus.
Training	OC manager receives training from supplier or service provider for free or non-commercial rate in exchange for preferred supplier status.
Event sponsorship	OC manager receives payment from supplier or service provider for hosting or paying for events – e.g. party and in exchange supplier receives work from OC clients.
Software / bank integration	OC manager only holds accounts with one banking institution – as accounting software is integrated with that institution. In exchange the OC manager receives some benefit including reduced software fees.
Gift	OC manager receives a gift from supplier or service provider for referring OC clients or as an incentive to do so.

OCs enter into numerous contracts, including for OC management, building management, cleaning, and maintenance services. In addition to being a party to its own management agreement, the OC manager typically plays a central role in negotiating, procuring, and overseeing contracts with third-party suppliers on behalf of the OC.[155] OCs depend on their managers to navigate a "web of compliance and interpersonal challenges," [156] creating a vulnerability because OC law and governance are rarely areas of expertise for most owners.

The review received evidence that some OC managers continue to act in ways that prioritise their own commercial interests over those of the OC. This includes favouring preferred contractors based on commissions and pre-existing relationships, delaying the provision of quotes, and discouraging competitive tendering processes.[157] Disclosure is often ineffective because transparency can be perversely mistaken for condoning the conduct.[158] Even when information is disclosed, it can be incomprehensible, overwhelming, misleading, inaccessible, or irrelevant.[159]

The review received evidence that, as a consequence, there is a growing practice of OC managers advising OCs to engage intermediaries.[160] In many cases, related-party financial arrangements are not subject to meaningful scrutiny, and OC committees lack the tools or capacity to challenge them effectively.[161] Even where disclosures are made, they may be buried in contract documentation or presented in ways that are difficult for lot owners to interpret. These risks are amplified by the consolidation of OC management businesses and the bundling of services, such as facilities management, insurance brokering, and property management.[162]
In response, many stakeholders called for clearer conflict of interest obligations for OC managers or prohibitions on arrangements with related entities to the OC manager.[163]

Finding 12: Commissions and broker fee sharing embed conflicts of interest and distort OC manager incentives.

Media attention has increasingly focused on commissions paid to, and broker fee sharing with, OC managers, particularly regarding insurance that the OC Act requires an OC to hold. This has raised concerns about

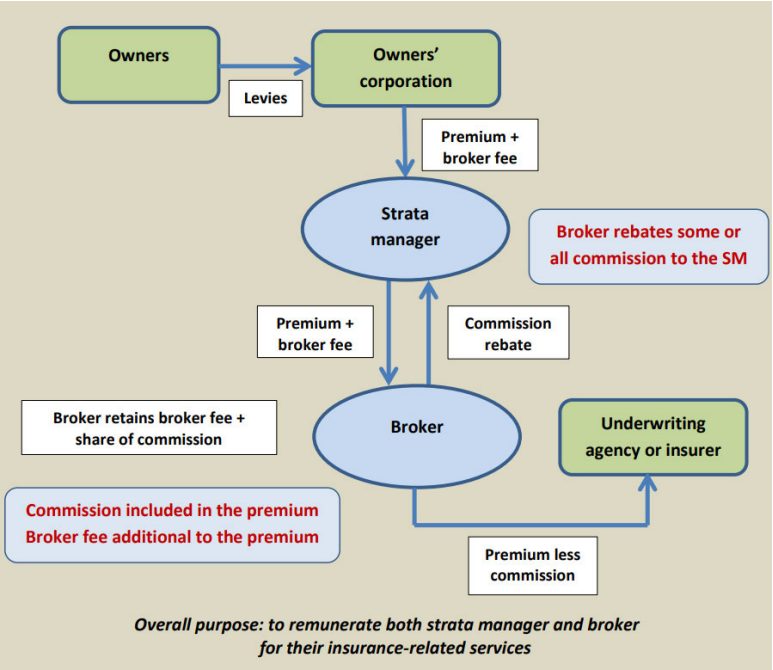
[155] OCN Submission, p. 16.
[156] Nicole Johnston (2025) p. 5.
[157] FCA Joint Submission.
[158] Nicole Johnston (2025) p. 13.
[159] Nicole Johnston (2025) p. 12, citing Daylian M Cain, George Loewenstein and Don Moore, 'Coming Clean but Playing Dirtier: The Shortcomings of Disclosure as a Solution to Conflicts of Interest in Don Moore et al *Conflicts of Interest: Challenges and Solutions in Business, Law, Medicine, and Public Policy* (Cambridge University Press, 2010).
[160] OCN Submission, p. 16.
[161] FCA Joint Submission.
[162] Southbank 3006 Submission, p. 7,16; Confidential Submission
[163]CSV Submission, p.5; OCN Submission, p. 16; Confidential Submission; Southbank 3006 Submission; Southbank 3006 Submission, p. 16.

transparency and whether these arrangements serve owners interests or create incentives that compromise impartiality.[164] The review examined these issues in detail and found that commissions and broker fee sharing embed conflicts of interest and distort OC manager incentives in ways that cannot be addressed through disclosure alone.

OC insurance remuneration arrangements

OC and strata insurance remuneration arrangements for intermediaries, being brokers and strata managers, are convoluted and poorly understood.[165] John Trowbridge's three phase independent review of strata insurance practices in NSW summarised the financial chain involved in insurance remuneration, including commissions for strata/OC managers.

Figure 6: Trowbridge summary of strata insurance financial chain[166]



Phase 2 of Trowbridge's review found that there are three insurance commission-related conflicts of interests:

- The strata manager agrees with the broker on a share of commission to be rebated to the strata manager,
- The broker agrees with the strata manager on a broker fee that is additional to the commission, and
- Broker fee only with no sharing.[167]

In *Benchmarking Strata Insurance Broker Pricing*, Trowbridge demonstrates those conflicts of interest in action for small scale, medium scale and large-scale properties,[168] and provides analysis of typical prices for insurance brokers and strata managers to obtain strata insurance (**Figure 7**).

[164] ACCC chair calls for ban on strata insurance commissions as insurance giant Steadfast Group caught misleading clients - ABC News; Strata companies' hidden fees, secret kickbacks and developer deals costing apartment owners - ABC News
[165] John Trowbridge, *Independent Review of Strata Insurance Practices: Phase 1 – Disclosure: Findings and Recommendations* (July 2022) p. 6 <strata-insurance-phase-1-paper-findings-and-recommendations-july-2022-1.pdf>
[166] Ibid.
[167] John Trowbridge, *Independent Review of Strata Insurance Practices: Phase 2 – Remuneration of intermediaries: Conclusions and recommendations* (December 2022) p. 5 <https://johntrowbridge.com.au/app/uploads/2025/03/phase-2-final-dec-22.pdf>
[168] Small scale, mid-scale and large scale are taken to be properties where the gross base premiums are in three ranges: below $5000, $5,000 to $40,000 and above $40,000. These boundaries were selected by Trowbridge for convenience and have no inherent significance other than to describe an approximate scaling of market pricing.

Figure 7: Trowbridge summary of typical prices for insurance brokers and strata managers to obtain strata insurance[169]

<table>
<tr><th>Method of charging</th><th>Insurance broker price</th><th>Strata manager price</th></tr>
<tr><td colspan="3">Small scale strata schemes (i.e. insurance base premium generally less than $5,000)</td></tr>
<tr><td>Commission rebate/broker fee</td><td>$300 to $600</td><td>17.5% to 20% of gross base premium (includes commission)</td></tr>
<tr><td>Broker fee only with sharing</td><td colspan="2">Rarely used</td></tr>
<tr><td>Broker fee only with no sharing</td><td>$300 to $600</td><td>N/A</td></tr>
<tr><td colspan="3">Mid-scale strata schemes (i.e. insurance base premium generally between $5,000 and $40,000)</td></tr>
<tr><td>Commission rebate/broker fee</td><td>7.5% to 10% of gross base premium (includes commission)</td><td>17.5% to 20% of gross base premium (includes commission)</td></tr>
<tr><td>Broker fee only with sharing</td><td rowspan="2">10% to 13% of net base premium (no commission)</td><td>10% to 17% of net base premium (no commission)</td></tr>
<tr><td>Broker fee only with no sharing</td><td>N/A</td></tr>
<tr><td colspan="3">Large scale strata schemes (i.e. insurance base premium generally more than $40,000)</td></tr>
<tr><td>Commission rebate/broker fee</td><td colspan="2">As for mid-scale but not usually justifiable</td></tr>
<tr><td>Broker fee only with sharing</td><td rowspan="2">10% to 13% of net base premium (no commission) but reducing with scale (e.g. could be 8% or 6% for very large insurance premiums)</td><td>Typically equal to broker fee or 1.5 times broker fee</td></tr>
<tr><td>Broker fee only with no sharing</td><td>N/A</td></tr>
</table>

His analysis found that only broker commissions are a manageable conflict of interest,[170] and the other two need to be addressed to safeguard an open market where all parties, principally consumers and suppliers, are well informed and understand financial arrangements.[171]

Disclosure of commissions

Recent research by Nicole Johnston found that disclosure does not resolve the inherent conflict of interest and described these conflicts as a fundamental structural problem institutionalised over more than 30 years.[172] Her report states that the industry has created a business model where profit systematically conflicts with legal and ethical duties, creating an "ethical black hole."[173]

For broker fee without sharing conflicts of interest, Trowbridge recommends introducing transparent disclosure of which involves eight financial items be included as a standard format in all broker quotations and invoices (**Table 4**).[174] He recommends that the sharing of commissions and sharing of brokers fees be phased out (banned).

[169] John Trowbridge, *Benchmarking Strata Insurance Broker Pricing* (October 2025), p. 5 <https://www.nsw.gov.au/sites/default/files/noindex/2025-11/benchmarking-strata-insurance-broker-pricing-trowbridge-report.pdf>
[170] Trowbridge Phase 2 Report, p. 5.
[171] Trowbridge Benchmarking Report, p. 8.
[172] Nicole Johnston (2025) p. 49.
[173] Nicole Johnston (2025) p. 49.
[174] Trowbridge Phase 1 Report, p. 10.

Table 4: John Trowbridge 8 disclosure items[175]

Disclosure item	Determined by	Definition
1. Base premium	Underwriter	The premium quoted by the underwriter to the broker or, if no broker, to the strata manager. The base premium includes commission (if any) but does not include stamp duty, any other government charges, GST or any other fees that may ultimately form part of the total amount payable by the OC as customer.
2. Commission	Underwriter	Any and all amounts included within the base premium that are to be paid or credited by the underwriter to the broker or, if no broker, to the strata manager.
3. ESL or FSL	Underwriter	The emergency services and volunteers fund (ESVF) will be collected by local councils and appear on your council rates notice. It will replace the fire services property levy (FSPL).
4. Stamp duty	Underwriter	
5. Underwriter fee	Underwriter	
6. Broker fee	Broker	An amount added by the broker to the invoice received from the underwriter and included in the broker's invoice to the OC as customer.
7. GST	Calculated as 10% of all items except stamp duty.	charged on all components of premium and other insurance charges but Stamp Duty is exempt.
8. Allocation of intermediary remuneration	Sharing arrangement between strata manager and broker	Total of commission and broker fee.

Beyond disclosure

The NSW Government is actively considering reforms to ban insurance commissions, and SCA (NSW) is already taking steps to lead this change.

In contrast, SCA (Vic) emphasised that OCs should be given the flexibility to choose their own insurance management option, noting that their standard contracts offers five model options.[176] The Insurance Council of Australia noted that while they understand it is a common business practice for brokers to share part of their commission paid by an insurer to the OC manager, insurers have no visibility of, or commercial interest in, these arrangements.[177] The National Insurance Brokers Association emphasised that brokers provide benefits to OCs, by helping to ensure that strata communities receive expert guidance on risk management and insurance coverage.[178]

Engage Victoria public survey results

Should managers' commissions on insurance or any other financial benefits be banned?

Yes: 90%
No: 10%

The industry itself is divided on this issue. While some OC managers defend commissions as a standard practice that helps keep management fees lower, others argue that the practice is unethical and makes genuine competition in tenders impossible.

[175] John Trowbridge, *Strata Insurance Disclosure Handbook – A reference guide for owners, strata committees, strata managers and brokers* (June 2023) p. 7 <strata-insurance-disclosure-handbook-june-2023.pdf>.
[176] SCA (Vic) Submission, p. 19.
[177] Insurance Council of Australia Submission p. 2-3.
[178] National Insurance Brokers Association Submission, p. 1.

A number of stakeholders in this review supported a ban on commissions to OC managers and OCs.[179] This position is supported by the Chairperson of the Australian Competition and Consumer Commission.[180]

The Expert Panel has also considered the financial implications of potential reform. Since commissions are widely relied upon as a core component of OC manager remuneration, a number of stakeholders noted that prohibiting commissions would require changes to remuneration structures to ensure managers can operate sustainably.[181] According to PICA Group, 70% of strata management companies would be unviable without receiving this remuneration.[182]

After considering these factors, the Expert Panel has found that OC managers receiving commissions or sharing broker fees has a net-negative impact on OCs and they make OC manager tender comparisons impossible, create unavoidable incentives for bias, and undermine trust in the OC sector. While prohibiting commissions and sharing of broker fees will require adjustments to OC manager fees, this change is necessary to restore transparency and integrity. A fee-for-service model offers a clear alternative, enabling price comparability, promoting fair competition, and removing embedded conflicts and bias toward service providers.

Finding 13: Enhanced OC manager duties are ineffective without enforcement and awareness.

The Expert Panel found that, despite the 2021 amendments, the duties and obligations of OC managers are not delivering effective accountability in practice. Despite the legislative framework setting out comprehensive requirements, these obligations are not consistently met.

Two factors explain this gap. First, the current framework does not include a robust penalty regime or enforcement mechanisms, resulting in a lack of deterrence. Without meaningful consequences for non-compliance, duties that appear strong fail to deter misconduct.

Second, there is a lack of awareness and understanding about the scope of OC manager responsibilities.[183] For example, SCA (Vic) reflected that several OC manager obligation provisions of the OC Act are currently open to interpretation, creating inconsistency in how responsibilities are applied and enforced across the sector.[184] Other stakeholders expressed a view that many OC managers fail to grasp their role under the OC Act, at times believing that their authority exceeds the OC committee.[185] This is exacerbated by a lack of understanding of an OC managers role and powers among lot owners.[186] This limits the ability of owners to monitor compliance and hold managers to account.

Engage Victoria public survey results

Do the current rules do enough to make sure OC managers act honestly and protect the interests of lot owners?

Yes: 11%
No: 89%

Case study 2: OC dominated by dysfunctional strata management company[187]

After very long delays caused by lack of cooperation from the OC Chair and two OC managers at the strata management company, CSV was able to identify unacceptable risk cladding and provide public funding for rectification totalling approximately $500,000 or $80,000 per owner. Despite this, the relationship continued to be difficult which led to owners and occupiers facing cladding risk longer than was necessary and the potential for additional costs due to the OC delaying the builder which could become an entirely avoidable and potentially significant cost for the owners.

[179] FCA, FCVic, MSV Submission, p. 5, 21; Urban Development Institute of Australia Submission, p. 2; Confidential Submission; Strata Owners Alliance Submission, p. 8; Southbank 3006 Submission.
[180] Linton Besser, Mayeta Clark and Echo Hui, 'ACCC chair calls for ban on strata insurance commissions as insurance giant Steadfast Group caught misleading clients' *ABC News* (online) 9 September 2024 <https://www.abc.net.au/news/2024-09-09/accc-chair-calls-for-ban-on-strata-insurance-commissions/104321746?utm_campaign=abc_news_web&utm_content=link&utm_medium=content_shared&utm_source=abc_news_web>
[181] SCA (Vic) Submission, p. 19; Confidential Submission; Insurance Council of Australia Submission, p. 2-3.
[182] Confidential Submission.
[183] SCA (Vic) Submission, p. 21; Strata Owners Alliance, p. 8; Southbank 3006 Submission, p. 7; CSV Report, p. 5.
[184] SCA (Vic) Submission, p. 21.
[185] Strata Owners Alliance Submission, p. 8.
[186] Let Me Be Frank Submission, p.4; CSV Report, p. 3, 20.
[187] CSV Report, p. 23.

Some stakeholders also suggested addressing these issues by amending the OC Act to clarify OC manager obligations,[188] expanding duties to include higher professional and ethical standards (such as through an industry-wide code of conduct),[189] or new duties to further upskill and professionalise the industry.[190]

Recommendations

The following recommendations are made regarding OC manager conduct, including their registration, appointment and removal, and duties and obligations.

Recommendation 6: The OC Act should be amended to ban an OC manager and any related entity from receiving a financial benefit or reward in any dealing regarding their duties and functions, other than through fees for service specified in the prescribed OC manager contract.

Current practices allowing OC managers and related entities to receive commissions or other financial benefits from third-party arrangements embed and crystalise conflicts of interest. These arrangements undermine trust and transparency, even where disclosures are made, and incentivise decisions that may not align with the best interests of the OC.

The Expert Panel recommends banning OC managers and any related entity from receiving any financial benefit in connection with their duties and functions, other than through a fee-for-service structure specified in the prescribed OC management contract established in **Recommendation 5**. The prohibition should extend to all forms of financial benefit, including commission components, broker fee components, and any future remuneration structures that could create conflicts. However, to avoid unintended impacts on insurance brokers, the ban should not prohibit brokers from receiving commissions (consistent with the NSW model).

The ban should take effect at the earlier of the expiry of an existing OC management contract or the commencement of a new contract.

The Expert Panel also recommends there should be significant penalties for non-compliance, including a civil penalty and potential licence suspension or cancellation.

Recommendation 7: Incorporate the John Trowbridge invoice transparency model with standardised line-item disclosure.

Insurance invoices lack transparency, making it difficult for OCs to understand costs and identify potential conflicts of interest. The Expert Panel recommends adopting the John Trowbridge framework for insurance-related invoices, requiring a standardised disclosure of eight-line items (**Table 4**).

This approach would ensure comprehensive transparency, enable informed consent, and allow OCs to compare insurance options easily, reducing perceived conflicts of interest and strengthening trust in insurance procurement processes.

[188] SCA (Vic) Submission, p. 21; Strata Owners Alliance Submission, p. 8.
[189] Confidential Submission; CSV Report, p. 5
[190] SCV Submission, p. 5, 21.

Chapter 5: Financial management

Effective financial management is essential for OCs to ensure the long-term sustainability of shared property assets and services. It enables OCs to plan for maintenance, respond to unexpected costs, and maintain adequate reserves, all while keeping levies fair and transparent.

Part of the CPL Review considered issues concerning OC finances, insurance and maintenance funds. Many of these resulted in changes as part of the 2021 amendments. The first element of this dealt with the process for recovering unpaid fees from defaulting lot owners.

Insurance

Background

Prior to 2021, an OC was required to take out reinstatement and replacement insurance for the common property, including the OC's portion of any shared services, and public liability insurance for the common property to a minimum liability of $10 million for any one claim. Additionally, OCs with more than 100 lots, or levying more than $200,000 in annual fees a year, were required to obtain a valuation of the buildings they are liable to insure at least every five years.

The CPL review found that there were a range of issues relating to the insurance obligations of OCs. In response, as part of the 2021 amendments:

- The minimum public liability insurance for OCs was increased to $20 million,[191]
- It was clarified that OCs in multi-level developments must insure individual lots,[192] and
- A new requirement was added for most OCs to obtain building valuations to ensure adequate insurance coverage.[193]

Adjacent to these reforms, the Victorian Government have recently implemented the *Building Legislation Amendment (Buyer Protections) Act 2025*, which is intended to strengthen insurance arrangements to improve consumer confidence. The Victorian Government is currently implementing a developer bond scheme for new developments as a precursor to decennial liability insurance. This is intended to cover structural defects in multi-storey apartment buildings for a period of up to 10 years.[194] It will apply to multi-storey apartments with more than three storeys.

Findings

Finding 14: Gaps exist regarding insurance requirements for buildings, including OC buildings.

The Expert Panel received submissions and evidence that in Victoria structural elements of a building may not be common property and hence not covered by the insurance the OC is required to hold.

This situation is different to NSW because the method of defining boundaries on plans of subdivision are substantially different.

The Subdivision Act and accompanying regulations are poorly understood and may require specialist expertise to read and understand a particular plan and the consequences of the boundaries.

Recommendations

Recommendation 8: The OC Act and Building Act should be amended to ensure all structural elements of an OC building are insured.

[191] OC Act s 60(3).
[192] OC Act s 61(3).
[193] OC Act s 65(1).
[194] BRAC Submission, p. 3.

The Expert Panel recommends that the OC Act and Building Act be amended to ensure that all structural elements of a building with common property are insured by the OC.

The Expert Panel notes that the *Building Legislation Amendment (Buyer Protection) Act 2025* is also having to address this issue.

Record keeping, financial statements and audits

Background

The 2021 amendments strengthened financial reporting and record-keeping requirements for OCs, including new financial statements and audit requirements as part of the new tier obligations (see **Table 5**).

Table 5: Financial statement and audit requirements

Tier	Financial statements	Audit
Tier 1 (more than 100 lots)	Must prepare annual financial statements in accordance with the Australian Accounting Standards and present them at its AGM.	Must have their financial statements audited by a registered or authorised auditor or an accredited accountant.
Tier 2 (51-100 lots)	Must prepare annual financial statements in accordance with the Australian Accounting Standards and present them at its AGM.	Must have their financial statements to be reviewed by an independent person who is a member of and holds a current practising certificate from a prescribed organisation.
Tier 3 (10-50 lots)	Must prepare annual financial statements in accordance with the Australian Accounting Standards and present them at its AGM.	No audit requirement.
Tier 4 (3-9 lots)	Must prepare annual financial statements for any FY in which it levies annual fees.	No audit requirement.
Tier 5 (2 lots or services only)	Not financial statements requirement.	No audit requirement.

The 2021 Amendment Act also added a requirement for OCs to provide a copy of any record of the OC at the request of a person entitled to inspect the records and on payment of a reasonable fee.[195] These changes also prohibit lot owners from authorising a representative who is not a lot owner from requesting any part of the register for a commercial purpose, without the OC's consent.[196]

This applies not only to financial records but also to all prescribed information, including:

- Fees payable in respect of the lot,
- Fees and charges that are imposed or proposed to be imposed on the lot,
- Fees and other money owing in respect of the lot,
- Insurance,
- Repairs and maintenance,
- The funds held by the OC,
- Liabilities and contingent liabilities of the OC including any liabilities or contingent liabilities arising from legal proceedings,
- Contracts, leases, licences and agreements affecting the common property,
- Services provided to lot owners and occupiers and the public,
- Notices and orders served on the OC,
- Legal proceedings to which the OC is a party,
- The manager,

[195] OC Act s 146(2).
[196] OC Act s 150(2A).

- Any appointment of an administrator,
- A copy of the rules, or, if the rules have been amended the consolidated rules of the OC as recorded on the register,
- A statement in the prescribed form providing advice and information to prospective purchasers and lot owners,
- A copy of all resolutions made at the last AGM of the OC,
- Any other documents of a prescribed kind, and
- A statement advising that further information on prescribed matters can be obtained by inspection of the OC register.

It is important to note that, under section 122 of the OC Act, CAV does not have regulatory oversight of accounts where the OC manager holds money on trust. This is in contrast to Part IV of the Estate Agents Act and Part 5 of the Conveyancers Act, which imposes requirements on trust money holders to deal with it in particular ways, such as notifying the regulator of the account's existence, the Secretary making arrangements with financial institutions regarding these trust accounts, etc. The Victorian Government may wish to explore the appropriateness of aligning these requirements to give CAV oversight of OC manager bank accounts holding OC money on trust.

Findings

Finding 15: Some OC managers are denying access to OC records without a statutory basis under section 146 of the OC Act.

Lot owners frequently report difficulties accessing essential documents such as meeting minutes, financial statements, and records of OC decisions.[197] These problems are compounded by poor information management practices, which erode confidence in OC governance. At its worst, some stakeholders recounted experiences of managers actively preventing owners contacting each other and preventing them getting contact details so owners cannot meet with owners without the manager present and terminate the management contract.[198] As one lot owner described:

> *"The records of the OC are not under the control of the owners, but under the control of the OC Manager's computer system. There are no file naming protocols and record capture requirements, so there is a complicated and highly variable approach. Records are often deleted, there is no clear responsibility for the capture of records or mechanisms for authorised people to find and use records."*

Engage Victoria public survey results

Have the reforms led to better financial management, planning, and decision-making within OCs?

Yes: 21%
No: 79%

Feedback from public consultations and survey responses consistently highlighted a broader lack of transparency in financial management and decision-making. Many lot owners feel excluded from key processes and unable to access or understand how decisions are made.

Submissions also indicated evidence of OC managers failing to comply with their statutory duty under section 127 to return records. Despite the existence of a penalty, this requirement is not effectively safeguarding the return of key OC records.[199]

Prospective buyers are also affected by poor access to financial records. The Expert Panel heard that prospective buyers do not always receive adequate financial information prior to purchase, especially relating to current and future annual and special levies, limiting their ability to make informed decisions.[200] As a result, unforeseen costs and levies can come as a surprise post-purchase, discouraging buy-in, eroding trust and at times resulting in financial hardship for new lot owners.

Without stronger accountability mechanisms, poor access to records will persist, to the detriment of both current and future lot owners.

[197] OCN Submission, p. 11.
[198] Strata Owners Alliance Submission, p. 8.
[199] OCN Submission; CSV Submission.
[200] City of Melbourne Submission, p. 7-8; SCA (Vic) Submission, p. 15; Confidential Submission.

Recommendations

Recommendation 9: The OC Act should be amended to increase and include penalties for all record keeping and information access-related obligations on OCs and OC managers.

Accurate and accessible record-keeping is fundamental to transparent and accountable OC governance. Despite clear obligations under sections 127 (manager to return records), 148 (OC register content) and 150 (inspection rights) of the OC Act, compliance is inconsistent, undermining owners' rights to information and the regulator's ability to monitor OC performance.

The Expert Panel recommends amending the OC Act to increase and include penalties for breaches of record-keeping and information accessibility obligations under sections 127, 148 and 150.

Recommendation 10: The OC Act should be amended to include an OCs budget as 'prescribed information' under s 151(4).

Prospective buyers need a clear understanding of the financial position of the OC and anticipated levies before purchasing a property (including annual levies). The Expert Panel recommend amending section 151(4) of the OC Act to explicitly require the OC's annual budget and proposed special levies to be included in the OC certificate. This would provide visibility into planned expenditure, reserve fund allocations, and anticipated levies.

To reinforce compliance, failure to include the budget should attract substantial civil and criminal penalties (applicable to the OC manager and developers/initial owners).

Maintenance plans and funds

Background

A maintenance plan for an OC is a document outlining the scheduled upkeep, repair, and replacement of common property.[201] It helps the OC anticipate future works and associated costs, ensuring the property remains safe, functional, and compliant. The maintenance fund (sometimes called the sinking fund or reserve fund) is the financial reserve set aside to cover the costs identified in the maintenance plan.[202] It is intended to ensure that the OC can meet its obligations through annual fees/levies without relying on sudden special levies, which can be financially burdensome for lot owners.

Prior to the 2021 Amendment Act, the OC Act required 'prescribed OCs' (more than 100 lots or more than $200,000 in annual fees) to prepare a maintenance plan for major capital items that were expected to require repair and replacement within the following 10 years.[203] The maintenance plan did not have any effect until it was approved by the OC, and there was no set time by which this had to be done. Where the OC approved such a plan, it was required to establish a maintenance fund for the purposes of implementing the plan, and certain moneys were permitted to be paid into the fund, such as any part of the annual fees designated for maintenance. However, even if a plan was approved, there was no express requirement for any portion of annual fees to be set aside to fund the plan.

The CPL Review found that those existing requirements for maintenance plans and maintenance funds were "inadequate to address maintenance requirements, particularly in apartment buildings with extensive infrastructure."[204] Therefore, the 2021 Amendment Act provided that both Tier 1 and Tier 2 OCs must prepare and approve a maintenance plan for the property for which it is responsible.

Findings

Finding 16: Low initial levies can hamper the ability for maintenance plans and funds to be sustainable for OCs.

[201] Consumer Affairs Victoria, 'Owners corporation maintenance plan' (20 March 2021) <https://www.consumer.vic.gov.au/housing/owners-corporations/property-maintenance/maintenance-plan>.
[202] Ibid.
[203] CPL Review Options Paper, p. 53.
[204] CPL Review Options Paper, p. 53.

The Expert Panel heard evidence that low initial levies (often set by developers during the establishment of the OC) are contributing to financial challenges for OCs including in their early years.[205] These artificially low levies can create the impression of affordability for prospective buyers, but they often fail to reflect the true cost of maintaining shared infrastructure and planning for future capital works.

There was support for requiring upfront contributions to maintenance funds in new developments, helping to smooth future costs and avoid financial shocks.[206] A similar reform has been introduced in NSW, where early-stage funding requirements are intended to mitigate steep cost escalations and improve long-term planning.[207]

Finding 17: The current tier-based requirements for a maintenance plan and fund leaves Tier 3 and 4 OCs vulnerable to poor maintenance, safety risks, and unexpected costs.

Tier 3 and Tier 4 OCs, which include schemes with 3-50 lots, are not required to prepare and approve a maintenance plan. As a result, many of these OCs operate without structured planning for long-term maintenance, leaving them vulnerable to safety risks, unexpected costs, unfunded liabilities and potentially unaffordable special levies.

The Expert Panel heard that this contributes to a lack of accountability and financial preparedness in lower-tier buildings. Without a mandated maintenance plan or fund, these OCs may defer essential works, fail to build adequate reserves, and face sudden financial pressure when major repairs become unavoidable. This can lead to reactive decision-making, special levies, and disputes among lot owners.

Various stakeholders supported extending maintenance planning and fund obligations to lower-tier OCs, particularly where shared infrastructure or building complexity warrants it. At the same time, concerns were raised about the rigidity of current rules that tie maintenance funds strictly to approved plans. In simpler schemes, such as townhouse developments with only shared driveways or fences, it was noted that this can create inefficiencies and unnecessary administrative burden.

Recommendations

Recommendation 11: The OC Act should be amended to introduce a new duty to require OCs to implement approved maintenance plans.

OCs are legally required to prepare and fund a maintenance plan, but there is currently no clear obligation to implement the repairs and maintenance identified in that plan. This can lead to deferred maintenance, increased costs over time, and deterioration of common property, impacting safety and amenity for all lot owners.

The Expert Panel recommends that the OC Act be amended to require OCs to action repairs and maintenance set out in their approved maintenance plan within the timeframes specified in that plan, with appropriate penalties attached. This obligation should include an ability for the regulator to enforce action, when the OC fails to implement the plan without reasonable cause.

Recommendation 12: Section 36 of the OC Act should be amended to extend maintenance plan requirements to Tier 3 and Tier 4 OCs.

Maintenance plans are a critical tool for ensuring the long-term upkeep of the OC's shared property and infrastructure. The current tier requirements leave Tier 3 and 4 OCs without a structured approach to asset management.

The Expert Panel recommends amending section 36 of the OC Act to require Tier 3 and Tier 4 OC to prepare and update maintenance plans. Implementation of these plans ensures that maintenance is proactive rather than reactive, reducing reliance on special levies and improving financial sustainability. It also supports equitable outcomes by ensuring all lot owners (regardless of OC size) benefit from consistent standards of building care and asset value preservation.

Consideration should be given to phasing implementation of this new requirement.

[205] REIV Submission, p. 14.
[206] REIV Submission, p. 14.
[207] REIV Submission, p. 14.

Benefit principle

Background

The benefit principle under the OC Act is intended to ensure that lot owners contribute to shared costs in proportion to the benefit they receive or the burden they impose. Prior to the 2021 Amendment Act, the application of this principle was limited, primarily confined to special fees and charges under section 24 and retrospective cost recovery under section 49.[208] Routine expenses, including annual fees, were generally apportioned based on lot liability, even in cases where certain lots clearly benefited more or imposed greater costs on the OC.

While differential costs could theoretically be addressed through the lot liability schedule in the plan of subdivision, these allocations were often outdated or misaligned with current lot usage. If a lot's use changed over time and began incurring higher costs, the OC had no power to adjust fees accordingly. The only formal remedy was to seek a unanimous resolution to amend the plan of subdivision, a process that could be blocked by the very lot owner affected. Alternatively, the OC could apply to VCAT for an order, but this was often a complex, time-consuming, and uncertain process.

The 2021 amendments addressed these limitations by expanding the OC's powers to apply the benefit principle more broadly. OCs can now levy additional annual fees, insurance-related fees, and special fees and charges where a lot benefits more or causes additional costs.

Current benefit principle framework

The current legislative framework for applying the benefit principle spans sections 23, 23A, 24, 42, and 49 of the OC Act. Each provision introduces a distinct mechanism with its own criteria and context (**Table 6**).

Table 6: Different elements of the benefit principle framework

Section	Topic	Explanation
s 23	*Annual fees*	These are generally levied based on lot liability. However, since the 2021 amendments, OCs may consider differential benefit when setting additional annual fees, particularly where some lots impose greater costs (e.g. higher insurance risk).
s 23A	*Insurance-related fees*	Introduced in 2021, this section allows OCs to levy additional fees against individual lot owners whose actions or circumstances have led to increased insurance premiums, excesses, or uninsured losses.
s 24	*Special fees and charges*	Applies to extraordinary expenditure. Subsection 24(2A) requires that where works substantially benefit only some lots, those lots must bear a greater share of the cost.
s 42	*Maintenance fund contributions*	These are levied prospectively and based on lot liability. The benefit principle does not apply to these contributions.
s 49	*Cost recovery as debt*	Enables retrospective recovery of costs for repairs, maintenance, or other works that benefit only some lots. This reinforces the benefit principle where upfront levies were not appropriately applied.

Together, these provisions create a framework in which the benefit principle can be applied both prospectively (via levies under sections 23A and 24) and retrospectively (via recovery under section 49), while excluding certain budgeted contributions (section 42).

[208] OC Act s 24, s 49.

Findings

Finding 18: The broadened benefit principle has increased complexity by requiring OCs to justify differential fees based on unequal benefit or cost.

The benefit principle aims to ensure fairness but is complex to apply. OC committees are responsible for deciding whether all lots benefit equally or some benefit more than others, as clarified in the *Grundl* case. [209] In practice, fragmented and context-specific provisions create uncertainty, inconsistent interpretations, and frequent disputes, often requiring costly VCAT intervention. This has led to a sector-wide preference for a streamlined, predictable framework that offers clarity on liability and fee allocation. Overall, feedback highlights the need for clear, accessible guidance to support consistent application of the principle, particularly in cases involving changing lot use, retrospective recovery, and fee transparency.[210]

[209] *Owners Corporation PS407621Y v Grundl* [2017] VCAT 1550.
[210] SCA (Vic) Submission, p. 10; Strata Owners Alliance, p. 13; KCL Submission, p. 6.

Chapter 6: Property management

Changes to OC powers and responsibilities regarding property

Background

Access to private lots

Prior to the 2021 amendments, OCs could enter private lots with notice to carry out works on services that benefited other lots or the common property.[211] However, there was no specific power allowing entry for general repairs or maintenance of common property, nor any obligation on lot owners or occupiers to provide reasonable access for such works. The OC Act only required lot owners not to use or neglect common property in a way that could cause damage or deterioration.

The 2021 Amendment Act changed this, enabling OCs to authorise persons to enter a lot to carry out repairs or maintenance,[212] and requiring the occupier of a lot to grant entry to those persons.[213]

Water rights

Prior to the 2021 amendments, it was unclear whether OC powers to acquire, hold, lease, and dispose of personal property extended to water rights under the *Water Act 1989*.[214] There was also ambiguity around whether water that falls, occurs, or flows on common property is itself considered part of the common property. The 2021 Amendment Act clarified that rainwater occurring on common property is taken to be part of the common property, and OCs have the power to deal with water rights associated with common property.[215]

Findings

Finding 19: Uncertainty remains regarding the boundaries of common property, especially with respect to water disputes.

Despite reforms introduced in 2021, the Expert Panel heard that understanding of the definition and extent of common property, particularly in complex, multi-storey buildings is low. While the legislation clarified certain aspects, stakeholders reported ongoing confusion about what constitutes common property and who is responsible for its upkeep.

This ambiguity can lead to disputes, unauthorised works, delayed repairs, and inconsistent management practices. OC managers noted that significant time is spent educating lot owners about the distinction between private and common property, highlighting the need for clearer guidance and communication tools.[216]

Survey feedback reflected some of this confusion, with only 38% of respondents agreeing that the recent clarifications had improved the management of common property and reduced disputes.

Engage Victoria public survey results

Have the clarifications around water rights, maintenance of common property and abandoned goods on common property helped improve the management of common property and reduced disputes?

Yes: 38%
No: 62%

[211] CPL Review Options Paper, p. 24.
[212] OC Act s 50(2).
[213] OC Act s 50.
[214] CPL Review Options Paper, p. 30.
[215] OC Act s 17A.
[216] SCA (Vic) Submission, p. 9.

Recommendations

Recommendation 13: The Victorian Government should conduct a review of the Subdivision Act to simplify the definition of property boundaries, including common property, and the establishment of an appropriate OC scheme to minimise the reliance on the benefit principle.

To improve understanding of the definition and extent of common property, it is recommended that the Victorian Government review the Subdivision Act to simplify property boundary definitions and clarify what constitutes common property. The benefit principle should also be reviewed, with its operation simplified where possible.

Further, the Subdivision Act should be reviewed to identify opportunities to minimise reliance on the benefit principle, including how an OC is established.

New rule-making powers

Background

An OC may make rules by special resolution in relation to any of the matters specified in Schedule 1 of the OC Act.[217] The 2021 amendments expanded and clarified the scope of these rule-making powers, enabling OCs to make rules in several new areas, including:

- Fire safety procedures and the operation of fire alarm systems,
- Drifting of tobacco smoke from a lot in a multi-level development,
- Access to the common property, access to equipment, services and amenities on common property, and
- The payment of fees by instalments.[218]

In addition to expanding rule-making powers, the amendments strengthened protections for lot owners by prohibiting OC rules that are not only discriminatory, but also oppressive or unfairly prejudicial.[219] This change enhances the legal basis for challenging unreasonable or inequitable rules.

Findings

Finding 20: Smoke drift remains a health risk and regulatory challenge for OCs.

Risks of exposure

The health risks associated with second-hand smoke are well established, particularly for children and individuals with cardiovascular or respiratory conditions. [220] Similar concerns are now emerging around exposure to vape aerosol. [221] Research from Australia and overseas consistently shows that residents of multi-unit housing are more likely to be exposed to second-hand smoke than those in detached dwellings.[222]

Other evidence presented to the Expert Panel included:

---

[217] OC Act s 138(1). The Expert Panel received evidence that the OC rules affect the rights of tenants under the Residential Tenancies Act (e.g. owning pets, limiting tenant access to common areas, etc.) however this was not within the scope of the review. The Victorian Government should consider investigating the relationship between OC rules and the Residential Tenancies Act to ensure tenant rights are not inadvertently (or deliberately) impacted by OC rules.
[218] OC Act sch 1.
[219] OC Act s 140.
[220] Quit/Cancer Council Victoria Submission, p.6; Cancer Council, 'The Health Effects of Secondhand Smoke' in *Tobacco in Australia: Facts and Issues* (Cancer Council Victoria, 4th edition, 2012) <https://www.tobaccoinaustralia.org.au/>.
[221] Quit/Cancer Council Victoria Submission, p.6; Cancer Council, 'The Health Effects of Secondhand Smoke' in *Tobacco in Australia: Facts and Issues* (Cancer Council Victoria, 4th edition, 2012) <https://www.tobaccoinaustralia.org.au/>.
[222] Billie Bonevski et al, 'Smoky homes: gender, socioeconomic and housing disparities in second hand tobacco smoke (SHS) exposure in a large population-based Australian cohort' (2014) *Preventive Medicine* p. 95-101 <https://www.sciencedirect.com/science/article/abs/pii/S0091743513004945>; Karen M Wilson et al. 'Tobacco-smoke exposure in children who live in multiunit housing' (2011) 127(1) *Pediatrics* 85-92 <https://www.ncbi.nlm.nih.gov/pubmed/21149434>; Karen M Wilson et al., 'Tobacco smoke incursions in multiunit housing' (2014) 104(8) *American Journal of Public Health* p. 1445-53 <https://www.ncbi.nlm.nih.gov/pubmed/24922124>; Catrina Chambers, Hai-Yen Sung and Max Wendy, 'Home exposure to secondhand smoke among people living in multiunit housing and single family housing: a study of California adults, 2003-2012' (2015) 92(2) *Journal of Urban Health* p.279-90 <https://www.ncbi.nlm.nih.gov/pubmed/25466438>; Louisa M Holmes et al., 'Drifting Tobacco Smoke Exposure among Young Adults in Multiunit Housing' (2020) 25(2) *Journal of Community Health* p. 319-28 <https://www.ncbi.nlm.nih.gov/pubmed/31535264>.

- A Cancer Council WA survey found that nearly two in five non-smoking adults living in strata dwellings had been bothered by neighbours smoking tobacco,[223]
- A Singapore pilot study found that residents exposed to second-hand smoke from neighbouring units had higher levels of particulate matter and poorer respiratory health,[224]
- Children living in apartments were found to have higher average cotinine levels, indicating greater exposure to tobacco smoke,[225] and
- A Korean study reported that over half of non-smoking households in multi-unit buildings experienced smoke infiltration, which was associated with increased symptoms of wheeze, rhinitis, and eczema in children.[226]

Regulatory limitations

The 2021 Amendment Act introduced model rule 1.4, which prohibits smoke caused by tobacco or other substances from penetrating common property or other lots in multi-level developments. While this was a positive step, stakeholders noted that the rule:

- Applies only to multi-level developments, leaving residents in single-level or lower-density strata schemes without protection,[227] and
- Does not clearly define "smoke" or include vape aerosol, creating further ambiguity.[228]

Others, including OC managers, noted that even where rules are in place, they have had limited impact due to enforcement challenges and procedural complexity, resulting in many OCs avoiding the process altogether.[229] A joint submission from Quit and Cancer Council Victoria[230] recommended a suite of reforms to strengthen protections against smoke drift. Their key proposals included:

- Remove the "multi-level development" limitation from clause 7.3 of Schedule 1 and model rule 1.4, as it creates ambiguity and excludes many vulnerable residents,
- Define "smoke" to include vape aerosol and omit references to "tobacco" to avoid ambiguity,
- Introduce a new subrule under model rule 6.2 to specify that smoke that regularly penetrates other lots or common property constitutes unreasonable interference with the peaceful enjoyment of that other lot, aligning Victoria with NSW[231] and QLD[232] approaches,
- Recognise smoke drift as a health hazard in clause 1.1 of Schedule 1,
- Amend clause 7 of Schedule 1 to empower OCs to regulate or prohibit smoking and vaping on common property and outdoor areas of lots,
- Amend regulation 16 of the OC Regulations to include smoke-free status in OC certificates, helping prospective buyers and tenants make informed decisions and enabling better data collection on smoke-free strata schemes, and
- Amend section 143 of the OC Act require lot owners to provide OC rules to occupiers, ensuring tenants are aware of smoke drift restrictions.

[223] Cancer Council Western Australia, 'Smoke first in strata dwellings: 2024 survey of WA residents' (October 2024) 5 https://cancerwa.asn.au/assets/public/2024/11/20241029-Smoke-drift-in-strata-dwellings-Report.pdf>.
[224] Lina Ang et al., 'Second-hand smoke and fine particulate matter exposures among multi-unit housing residents in Singapore: A pilot study' (2023) *Environmental Pollution* 331 <https://www.ncbi.nlm.nih.gov/pubmed/37230171>.
[225] Karen M Wilson et al. 'Tobacco-smoke exposure in children who live in multiunit housing' (2011) 127(1) *Pediatrics* p. 85-92 <https://www.ncbi.nlm.nih.gov/pubmed/21149434>.
[226] Jeonghoon Kim et al., 'Relationships Between Secondhand Smoke Incursion and Wheeze, Rhinitis, and Eczema Symptoms in Children Living in Homes Without Smokers in Multi-Unit Housing' (2019) 21(4) *Nicotine & Tobacco Research* p. 424-429 <https://www.ncbi.nlm.nih.gov/pubmed/29518241>.
[227] Quit/Cancer Council Victoria Submission.
[228] Quit/Cancer Council Victoria Submission.
[229] SCA (Vic) Submission, p. 9.
[230] Endorsed by the Heart Foundation, Lung Foundation, Stroke Foundation, Australian Council on Smoking and Health, and the Public Health Association Australia.
[231] SSM Act s 153; *Shaw v Euen* [2023] NSWCATCD 68 (29 June 2023); *Pittman v Newport* [2022] NSWCATCD (11 October 2022).
[232] BCCM Act (Qld) s 167; *Georgina Views* [2024] QBCCMCmr 357 (27 September 2024); *Champelli Palms* [2024] QBCCMCmr 347 (20 September 2024); *Regency Place South* [2024] QBCCMCmr 138 (9 April 2024); *Dewsbury Park* [2023] QBCCMCmr 297 (1 August 2023).

Recommendations

Recommendation 14: The Victorian Government should implement initiatives to further support the prevention of smoke drift in OCs, including removing limitations on smoking bans in OC model rules, more accurately define smoking to include e-cigarette products, recognise smoke drift as a health hazard under the OC Act, recognise smoke-free status on an OC certificate, and ensure OC rules are provided to tenants to ensure smoke drift rules are understood.

The Expert Panel recommends the Victorian Government implement the initiatives contained in the joint submission noted above.

Sustainability items

Background

The OC Act defines 'sustainability items' as anything that eliminates or reduces reliance on non-sustainable energy sources.[233] This includes, for example, solar hot water, solar energy panels and a roof with colours providing a particular solar absorption value. Sustainability upgrades offer multiple benefits, including reduced energy costs, improved environmental performance, and increased property value (see **Figure 8**).

Figure 8: Benefits of sustainability items in strata[234]

Lower energy bills to ease cost-of-living pressures

- Converting an existing home with solar panels from gas to electricity can save around $2,000 a year, in addition to around $940 of savings each year from adding a 6.6 kW solar system.
- Installing ceiling insulation can deliver an estimated $454 a year in benefits to occupants.
- Switching to an electric vehicle can save households $2000 per year on fuel costs if charging at home - with even greater savings possible when paired with rooftop solar or off-peak electricity tariffs.

Reduced health risks and health system cost

- Victoria's Healthy Homes Program, delivered by Sustainability Victoria between 2018 and 2020, found that energy efficiency upgrades for vulnerable people with chronic health conditions generated $887 per person in healthcare system savings over the winter period. Over 10 years, these upgrades yielded net savings of $4,783 in combined energy and health costs. Notably, savings were heavily weighted towards healthcare – for every $1 saved in energy costs, more than $10 was saved in health costs.

Reduced greenhouse gas emissions to meet Victoria's legislated targets

- The Victorian Government has legislated a 2035 target to reduce Victoria's greenhouse gas emissions by 75-80% below 2005 levels and brought forward the date to achieve net zero emissions from 2050 to 2045. Residential energy use is responsible for the largest share of Victoria's emissions (33% of total emissions), with fossil gas consumption (primarily for residential heating) accounting for 7.6% of Victoria's total emissions.

Energy system benefits

- Inefficient buildings add to peak demand on our energy networks (particularly on hot summer days and cold winter days), increasing the cost of the energy transition. They also have limited capacity to provide demand response flexibility in the electricity grid.

Improved property values

- Apartments with sustainability features such as solar are obtaining an average of $95,000 more at auction than non-energy efficient apartments.

OC approval requirements

Unlike detached homes, sustainability upgrades in apartment buildings largely involve upgrades to shared services and common areas which are the responsibility of the OC. As a result, individual lot owners typically require OC approval to install or modify sustainability items that affect common property or shared services.

---

[233] OC Act s 138B(4).

[234] Department of Energy, Environment and Climate Action (DEECA), 'Victoria's Gas Substitution Roadmap Update' (2024) <https://www.energy.vic.gov.au/renewable-energy/victorias-gas-substitution-roadmap>; Victorian Government, 'Regulatory Impact Assessment – *Residential Tenancies and Residential Tenancies (Rooming House Standards) Amendment (Minimum Energy Efficiency and Safety Standards) Regulations 2024*'; Electric Vehicle Council, 'Frequently Asked Questions about EVs <https://electricvehiclecouncil.com.au/faqs/>; Sustainability Victoria, 'The Victorian Healthy Homes Program: Research Findings' (2022) <https://www.sustainability.vic.gov.au/researchdata-and-insights/research/research-reports/the-victorian-healthy-homes-program-research-findings>.

Whether external surfaces (e.g. walls, windows, and balconies) are classified as common or private property depends on the building's plan of subdivision. **Table 7** below outlines common examples of energy performance upgrades that may require OC approval, both in the context of upgrades to common areas and upgrades to private lots.

Table 7: Energy performance upgrades that may require decision making by OCs[235]

Upgrades to common areas and shared services	Upgrades to lots (apartments and car parks)
Installing solar panels and batteries	Installation of solar panels by a lot owner (usually on a common property roof)
Upgrading centralised hot water services to hot pump hot water services	Upgrading individual hot water services to hot pump hot water services
Upgrading centralised heating, ventilation and air conditioning (HVAC) services to a heat pump HVAC system	Installing cooling and upgrading heating to a reverse cycle air conditioner
Other energy efficiency and electrification improvements (e.g. upgrading lighting, installing sensors, servicing equipment, updating control settings, upgrading pool heaters and covers, installing a Building Management System)	Other energy efficiency and electrification improvements (e.g.: upgrading to an induction cooktop and efficient electric oven, installing ceiling fans)
Improving building thermal efficiency (e.g.: upgrading to double-glazed windows, installing insulation, increasing green infrastructure)	Improving apartment thermal efficiency (e.g.: upgrading to double glazed windows, installing external window shadings, installing insulation)
Installing shared electric vehicle charging infrastructure	Installing individual electric vehicle charging facilities

OC rules banning sustainability items

Prior to the 2021 amendments, OCs could make rules prohibiting the installation of sustainability items on the external surfaces of private lots. The 2021 Amendment Act introduced a new provision allowing OCs to make rules about proposed renovations or changes to the external appearance of a lot, provided the rules aim to: [236]

- protect the quiet enjoyment of all lot owners and the common property during those works,
- protect the structural integrity of any building on the plan of subdivision from those works, or
- ensure the market value of any other lot does not decrease as a result of those works.

However, OCs must not make rules that unreasonably prohibit the installation of sustainability items on the exterior of a lot (e.g. they cannot be refused for purely aesthetic reasons). This change was intended to support broader adoption of energy-efficient infrastructure in OC settings.

The Expert Panel acknowledges that more recent technological advances, alongside public policy and consumer benefits, heighten the imperative to remove any remaining OC related impediments to the deployment of sustainability upgrades.

Comparative analysis

Other jurisdictions have taken further steps to facilitate sustainability upgrades in strata environments:

- **NSW:** In 2020, the law was amended to allow sustainability upgrades via ordinary resolution (i.e. less than 50% voting against), replacing the previous 75% majority requirement.[237] From 1 July 2025, strata rules cannot prohibit sustainability infrastructure based solely on appearance, unless the building is heritage listed.[238]

[235] Confidential Submission.
[236] OC Act s 138B.
[237] SSM Act.
[238] NSW Government, 'Guide to strata law changes for strata committees and owners' (27 October 2025) <https://www.nsw.gov.au/housing-and-construction/strata/guide-to-strata-law-changes-for-strata-committees-and-owners>.

- **ACT:** In 2023, the law was amended to allow OCs to approve and finance EV charger installations on common property via ordinary resolution.[239] Refusal is only permitted for safety, structural, financial, or equitable access reasons, but not appearance.

Findings

Finding 21: The uptake of sustainability items (such as solar) in apartment buildings significantly lags that of detached homes.

The energy performance of Victoria's housing stock is generally low, averaging less than 2-stars, which is significantly lower than the 7-star performance standards set for new homes.[240]

The Victorian Government is driving policy reform and investing in initiatives such as Solar Homes to improve housing energy performance, helping to meet emissions reduction targets and ease cost-of-living pressures. Eligible OC projects have failed to proceed due to challenges navigating the collective decision-making requirements embedded in strata governance, despite strong interest from OCs. This is despite the generous incentive on offer and new technologies making solar on apartments more financially viable.

Research from The University of Melbourne demonstrated that if the power were to go off during a heatwave, most of Melbourne's apartment blocks would fail international health standards.[241]

Recognising these barriers to efficiency and electrification upgrades, apartment buildings are largely exempt from the building electrification reforms and rental home efficiency standards recently announced by the Victorian Government, which will begin to take effect in 2027. In addition, strengthened energy performance standards for new homes under the National Construction Code 2022 including 7-star efficiency requirements and EV Readiness provisions (requiring all car spaces to be 'EV ready') only apply to new, rather than existing apartment buildings.

This means that the nearly one in five Victorians (approximately 1.2 million Victorians) who currently live in strata-controlled buildings and apartments, nearly half of whom (45%) are renters,[242] are missing out on the benefits of sustainability upgrades and being left behind in the energy transition.

Finding 22: The 2021 Amendment Act has not led to considerable uptake of sustainability items and barriers remain.

Despite the intent of the 2021 Amendment Act to facilitate sustainability upgrades, evidence suggests uptake remains limited. Public consultation survey results show that less than 1 in 4 respondents felt the current rules had made it easier to implement environmentally friendly upgrades to common property. This low response rate reflects broader systemic and practical barriers that continue to impede progress.

Governance and voting barriers

The review heard that a major impediment is the requirement for a 75% special resolution to approve changes to common property.[243] This threshold is particularly difficult to achieve in buildings with high proportions of investor owners, where engagement is often low. Data from the Solar for Apartments Program indicates that over 40% of eligible applications were likely cancelled due to failure to meet this threshold.[244] In contrast, jurisdictions such as NSW, WA and the ACT have lowered the

Engage Victoria public survey results

Have the current rules around sustainability items (such as solar hot water systems, solar energy panels or roof colours for solar absorption) made it easier for lot owners to implement environmentally friendly upgrades to common property?

Yes: 24%
No: 76%

[239] *Unit Titles (Management) Regulation 2011* (ACT).
[240] Sustainability Victoria 'The energy efficiency upgrade potential of existing Victorian houses' (December 2015) <https://assets.sustainability.vic.gov.au/susvic/Report-Energy-Energy-Efficiency-Upgrade-Potential-of-Existing-Victorian-Houses-Sep-2016.pdf>.
[241] *Pursuit* by the University of Melbourne, 'Why apartments are failing the heat stress test' (14 March 2017) <https://pursuit.unimelb.edu.au/articles/why-apartments-are-failing-the-heat-stress-test>.
[242] University of New South Wales, *Australasian Strata Insights 2022* (Report, 2022) <https://cityfutures.ada.unsw.edu.au/documents/768/2022_Australasian_Strata_Insights_Report_ReissueMar24.pdf>.
[243] Confidential Submission; Electric Vehicle Council Submission.
[244] Confidential Submission.

approval threshold for sustainability infrastructure, with NSW allowing resolutions to pass unless more than 50% of the value of votes cast are against.[245]

Stakeholders proposed alternative thresholds for sustainability items such as reducing the resolution type to an ordinary resolution, reducing the quorum to at least 25% of eligible voters present in person or by proxy (as in NSW), or changing the vote to be made by simple majority.[246]

The difficulty in securing special resolution decisions is not limited to sustainability items. Other recommendations in **Chapter 7** aim to address voter engagement barriers by enabling electronic lot owner contacts, online voting, and greater OC participation.

There are also no procedural requirements for OCs to assess sustainability upgrade applications fairly or in a timely manner, often leading to delays, indifference or unfair outcomes.[247] Governance capacity can also be challenging, including limited skills and knowledge among OC committee members and low owner engagement.[248]

Case Study 3: Allume Energy[249]

Allume Energy technology has been used in 70% of Round 1 and 2 Victorian Solar for Apartments Program, and 97% of approved projects under NSW's Solar for Apartment Residents program. Despite NSW offering a lower rebate than Victoria, Allume Energy have seen the conversion of projects through the ordinary resolution process in NSW to be 37% higher than in Victoria.

Funding and financial constraints

The review heard that the source of funds for sustainability infrastructure is another major barrier.[250] Projects often stall unless an OC has retained earnings, budgets for the expenditure, or borrows funds. High upfront costs, especially in older buildings, and limited access to affordable finance further constrain uptake. Interest rates on unsecured loans for OCs are typically high, and financial capacity varies widely among owners.

Cultural and attitudinal barriers

The review heard instances of OC committee members imposing personal views, such as scepticism about climate change or the safety of certain technologies.[251] These attitudes can block progress even when proposals are technically and financially viable. A commonly cited example was fire risks associated with EVs, which was widespread on social media and has influenced some insurance providers to increase premiums or decline coverage for EV infrastructure.[252]

Lack of structured consideration

OCs are not required to consider sustainability items as a standing agenda item at AGMs, which limits opportunities for considered decision-making and budgeting. Other jurisdictions are beginning to take a different approach, such as in NSW, where OCs must consider sustainability at each AGM and must consider costs for sustainability infrastructure when preparing estimates for the capital works fund each year.[253]

Technical and infrastructure challenges

The review acknowledges that older buildings often face significant engineering constraints, such as inadequate electrical infrastructure (e.g. switchboards, cabling), limited physical space for new systems (e.g. heat pumps, EV chargers), restrictions due to heritage overlays or shared amenity concerns, and a lack of dedicated infrastructure to enable sustainability items to be installed.[254] Different ownership structures (i.e. whether the roof is private or common property) can also affect access to rebates and coordinated installation. This

[245] SSM Act s 5; *Strata Titles Act 1985* (WA) s 102; *Unit Titles (Management) Act 2011* (ACT) s 23.
[246] Confidential Submission.
[247] Confidential Submission; Electric Vehicle Council Submission.
[248] Confidential Submission; Confidential Submission; Hip v Hype Sustainability, 'Unlocking sustainable strata' (17 December 2022) <https://hipvhype.com/sustainability/unlocking-sustainable-strata-victoria>.
[249] Confidential submission to the review.
[250] Confidential Submission; GHIC Submission.
[251] GHIC Submission; Confidential Submission Hip v Hype Sustainability, 'Unlocking sustainable strata' (17 December 2022) <https://hipvhype.com/sustainability/unlocking-sustainable-strata-victoria>.
[252] Confidential Submission; GHIC Submission; Electric Vehicle Council Submission.
[253] NSW Government, 'Guide to strata law changes for strata committees and owners' (27 October 2025) <https://www.nsw.gov.au/housing-and-construction/strata/guide-to-strata-law-changes-for-strata-committees-and-owners>.
[254] Confidential Submission.

complexity also results in a reliance on technical advice across a range of disciplines (e.g. strata legislation and governance, financing, engineering, legal, skilled trades and technical sustainability) which can be difficult and costly to procure.[255]

Recommendations

Recommendation 15: Section 71(2) of the OC Act should be amended to require consideration of sustainability items as a standing agenda item of an AGM.

The Expert Panel recommends amending section 71(2) of the OC Act to require the inclusion of "sustainability items" as a standard agenda item at each AGM. This would prompt annual discussion of potential upgrades, their costs and benefits, and whether they should be incorporated into the OC's maintenance plan or annual budget. It also enables informed decisions about the financial implications (i.e. whether covered by annual levies or requiring special levies). This change would support proactive planning, aligns with broader environmental goals, and empowers lot owners to participate in decisions that affect the long-term value and efficiency of their buildings.

[255] Hip v Hype Sustainability, 'Unlocking sustainable strata' (17 December 2022) <https://hipvhype.com/sustainability/unlocking-sustainable-strata-victoria>.

Chapter 7: Voting

Background

OCs in Victoria have historically faced persistent governance challenges. Stakeholders consulted during the review gave evidence that these challenges have undermined fair and effective decision-making. A key structural feature of the OC Act and the Subdivision Act is the requirement for different voting thresholds depending on the type of resolution.

The starting position under the OC Act is that all decisions must be voted on by the lot owners at a convened meeting or by ballot. The OC Act lists the situation where a simple majority of lot owners or lot entitlement are sufficient to pass a resolution. Those decisions are delegable and usually are delegated to the OC committee or the OC manager

The OC Act specifies distinct thresholds for various decisions, reflecting their gravity and impact on lot owners and common property (**Table 8**).

Table 8: Types of OC resolution and example decisions.

Resolution type	Threshold	Example of decisions
Ordinary resolution (s 89)	Simple majority of votes cast (50% + 1)	Adopting the annual budget; appointing the manager; approving minor expenditure (usually delegated to OC committee or OC committee member); fixing annual fees, commencing legal proceedings against a lot owner.
Special resolution (s 96)	At least 75% of the total lot entitlements	Major maintenance projects (over two times annual budget); making or amending rules; commencing legal proceedings against third parties (e.g. builders, developers); leasing or licensing common property.
Unanimous resolution (s 95)	100% agreement of total lot entitlements	Altering lot entitlements or lot liabilities; changing or altering the common property; disposing of common property; changing the plan of subdivision.

The special resolution and unanimous resolution thresholds govern the most significant, long-term, or financially impactful matters for the OC, such as major defects, borrowing, or a special levy exceeding twice the annual budget. The total proportion of OC decisions subject to a special resolution or unanimous resolution threshold is considered modest, yet these resolutions are the gatekeepers for major investments, safety upgrades, and long-term planning.

The vast majority of day-to-day administrative and financial decisions are handled by the OC committee under delegated ordinary resolution or by the OC manager under delegation from the OC committee.

- **OC committee/OC manager decisions (delegated ordinary resolution):** Mostly transactional OC work such as minor contracts and maintenance scheduling.
- **Lot owner ordinary resolution decisions:** These are required for routine but critical matters like adopting the annual budget and setting annual fees.
- **Special resolution/unanimous resolution decisions:** These resolutions are the gatekeepers for major investments, safety upgrades, and long-term planning. The impact of these decisions on an OC is high.

A source of complexity and potential conflict lies in the dual system of voting used to reach these decisions. The Act establishes two distinct methods for counting votes, which are triggered under different circumstances.

- **One vote per lot:** Under section 89(1) of the OC Act, the default method for voting on all resolutions is one vote per lot. This is a democratic principle that grants every lot owner a single vote, regardless of the size, value, or location of their property within the subdivision. This method is used initially for all resolutions, including ordinary resolution, where a simple majority of votes cast is required.

- **The poll and lot entitlement:** However, a lot owner has the right to demand a poll at any time during the vote.[256] When a poll is demanded, the votes are immediately determined by lot entitlement.[257] Lot entitlement is a proportion (percentage) of the total ownership of the common property specified in the plan of subdivision. It is typically determined by factors such as the value or size of the lot. The primary purpose of the lot entitlement system is to ensure that an owner's voting power aligns with their financial stake in the OC.

The dual system introduces significant complexity, as a resolution that passes under the "one vote per lot" count can be defeated if a poll is demanded and the same votes are counted by lot entitlement.

Prior to the Amendment Act, common problems included:

- **Decision-making paralysis:** A frequent failure to reach a quorum for general meetings caused resolutions to stall indefinitely. For an AGM to reach a quorum, over half the building must attend, a requirement rarely met in large schemes. After the meeting, every decision had to stand over in a 29-day moratorium before it could be acted upon, further slowing down essential business-like raising levies or signing contracts.
- **Proxy farming:** Individuals accumulating excessive voting power via proxies was a pervasive problem, often without transparency or accountability. This was particularly pronounced in buildings with low owner engagement, especially those with a high proportion of overseas or investor owners.
- **Inequitable outcomes:** Governance failures frequently allowed influential minorities to entrench control and push through contentious decisions, frustrating the majority. The slow pace of the system meant OCs often struggled to pursue urgent actions, like non-monetary VCAT actions against owners causing a nuisance, which required a difficult-to-obtain special resolution.

In response to the above issues, the Amendment Act introduced targeted reforms to improve the clarity, fairness, and functionality of voting processes within OCs. These included changes to the following provisions of the OC Act (**Table 9**).

Table 9: Amendment Act voting-related changes.

Change	Provision	Summary of Change
Interim resolutions at AGMs without quorum	s 78	Allows the manager of an OC to pass interim resolutions if no lot owner is present, unless the resolution involves an amount that is greater than 10% of the annual budget.
Ballot duration limit	s 85(2)	Ballots must close within 14 days of the date of the notice to prevent prolonged decision-making.
Clarified voting methods	s 87, s 89(3)	Confirmed default of one vote per lot; poll can be demanded to vote by lot entitlement.
Chairperson's casting vote	s 89A	Chairperson may cast a deciding vote on tied ordinary resolutions if they are a lot owner or proxy.
Proxy vote limits	s 89D	Limits proxies to 1 per person (OCs ≤20 lots) or 5% of lots (OCs >20 lots), with some exemptions.
Interim special resolutions	s 97(1A)	Special resolutions with >50% but <75% support can pass unless >25% of lot entitlements object within 29 days.

While the reforms aimed to increase participation and simplify decision-making, the data suggests that significant barriers remain, with 21% of survey respondents considered the reforms had led to better financial management, planning, or accountability.

[256] OC Act s 89(3).
[257] OC Act s 89(2).

Findings

Finding 23: There is a widespread and growing incidence of low OC engagement by lot owners. This makes effective OC decision making by voting outcomes difficult to obtain much of the time.

The review received evidence illustrating the difficulty in achieving the requisite level of engagement necessary to secure the simple, special, and unanimous resolution decisions required by the OC Act. This pervasive issue is a key driver behind the need for various governance and voting reforms. Low participation rates severely undermine the voting processes mandated by the Act, leading to inertia and preventing necessary maintenance, rule adoption, or upgrades. The requirement for a 75% special resolution to pass key decisions (e.g., sustainability upgrades, short stay bans) is frequently described as "impossible to get" or "unworkable" in larger buildings.[258]

Securing a quorum for General Meetings is often difficult due to low attendance. In many buildings, meetings operate perpetually on "interim resolutions," leading some owners to feel decisions are automatically passed unless someone actively objects, which in turn weakens engagement.

This inertia stalls decisions on critical issues like installing solar panels (where in one instance noted in a submission, 41% voted yes, 17% no, and 41% did not vote, resulting in failure) and EV charging infrastructure, because obtaining the necessary 75% agreement is deemed unrealistic.[259]

Low engagement is further perpetuated by the ownership structure and complex governance environment:

- Buildings, particularly large Tier 1 schemes, frequently have a large number of investor owners, absentee owners, or international owners who are often detached from the day-to-day amenity.[260]
- For Case Study 4, 31.1% of lots were owned by international or interstate investors, with only 26.7% of owners residing in the building. These groups generally lack the incentive to participate in governance decisions.[261]

Although proxy limits (5% cap on lots) were introduced to curb undue influence, they are often circumvented through "proxy farming," where proxies are distributed among multiple employees or associates of the same entity to consolidate voting power.

Many lot owners avoid meetings or official engagement due to a hostile environment, often involving bullying, feeling threatened, or simply fearing they will be marginalised by a strong, entrenched OC committee. In one example noted in a submission, the low participation in a vote to allow bicycle storage (to mitigate fire risk) resulted in the motion failing.[262]

Finding 24: The 75% special resolution threshold for specific, beneficial decisions is causing decision-making paralysis.

The requirement for a 75% special resolution under the OC Act has emerged as a significant barrier to decision-making. These types of decisions often fall into a “bucket” of matters requiring special resolutions, which include changes to common property, significant financial commitments, and long-term planning. In practice, the high threshold frequently prevents resolutions from passing**,** even when a majority of participating lot owners support the proposal**.** This is due to disengagement in certain owner groups, especially overseas and investor owners.[263]

Case Study 4: Short stay ban ballot failure due to voting threshold and owner demographics[264]

In 2025, an OC conducted a postal ballot seeking to pass a special resolution to prohibit short-stay operations within a residential building. While 86% of participating owners voted in favour, the motion failed to pass because it did not meet the 75% threshold of all lot entitlements required by a ballot. The result highlights a

[258] KCL Submission, p. 9; Tisher Liner Submission p.11; Strata Owners Alliance Submission, p. 22.
[259] K. Lucas-Healy Submission, p. 2.
[260] OCN Submission, p. 7.
[261] Confidential Submission.
[262] Confidential Submission.
[263] Electrify Southside Submission, p. 4; City of Melbourne Submission, p. 14-15; Confidential Submission; OCN Submission, p. 24.
[264] Confidential Submission.

structural issue: 55.22% of lot entitlements did not cast a vote, largely due to the building's ownership profile - 31.1% of lots were held by international or interstate investors, many of whom did not participate.

This case illustrates how high voting thresholds, combined with low engagement from non-resident owners, can block widely supported initiatives. It also exposes a legislative gap in communication, as many non-resident owners had not provided an Australian mailing address as required under section 135 of the OC Act. *This failure to comply with notice provisions undermines the effectiveness of postal ballots and contributes to decision-making paralysis.*

This disengagement contributes to quorum issues and raises questions about what constitutes a majority and how the voting denominator should be applied (i.e. whether the threshold should be based on all entitlements or only those participating). Submissions to the review have consistently highlighted that the current threshold is misaligned with the practical realities of participation and may be preventing OCs functioning effectively. Many stakeholders argue that lowering the threshold to an ordinary resolution (greater than 50%) for specific matters, particularly those related to sustainability, would make OCs more responsive and operationally viable.[265]

Recent reforms in NSW and the ACT have lowered voting thresholds for sustainability upgrades in strata schemes, making it easier to approve initiatives like EV charging and solar installations.[266] In NSW, the law was amended[267] to allow sustainability upgrades to be approved by ordinary resolution, defined as less than 50% voting against,[268] replacing the previous 75% special resolution requirement. Section 23 of the *Unit Titles (Management) Act 2011* (ACT) allows OCs to approve sustainability or utility infrastructure on common property by ordinary resolution.[269]

These changes are designed to reduce procedural barriers and accelerate electrification in apartment buildings.[270] They illustrate a practical pathway for overcoming an important decision-making gridlock in strata communities, showing that targeted adjustments to voting thresholds can enable OCs to act more effectively on sustainability and electrification priorities.

Finding 25: Voting procedures based on lot entitlement can lead to the perception that decision-making power is concentrated in the hands of a small cohort of owners, especially where they hold a large percentage of entitlements.

The reliance on lot entitlement in OC voting procedures frequently lead to the perception that decision-making power is concentrated in the hands of a small cohort of owners, especially where they hold a large percentage of entitlements. When a single lot owner holds a significant proportion of lot entitlements, they can exert disproportionate influence over OC decisions, effectively vetoing interim resolutions and shaping OC committee membership to reflect their own interests. This dynamic can raise concerns about the balance of power, particularly in developments with large commercial components or where developers retain a substantial number of lots.

For instance, one lot owner in a complex was found to control approximately 23% of all units of entitlement, enabling them to veto interim resolutions and elect an OC committee aligned with their interests, resulting in a decline in member participation.

The voting method, whether by one vote per lot or by lot entitlement, significantly influences outcomes. A "one vote per lot" approach gives each lot equal voting power, while "lot entitlement" weights votes according to the value of each lot.[271]

Submissions to the review highlighted the need to strike a more equitable balance between the two voting methods.[272] Under section 87 of the OC Act, voting on ordinary resolutions is generally conducted on a one vote per lot basis. However, section 89(3) of the OC Act allows any lot owner to require that a poll be taken, in which

[265] Electrify Southside Submission, p. 4; Electrify Yarra Submission, p. 2; Master Electricians Australia Submission, p. 1; City of Melbourne Submission, p. 14-15.
[266] Confidential Submission.
[267] via the *Strata Schemes Management Amendment (Sustainability Infrastructure) Act 2021* (NSW).
[268] SSM Act s 5(1)(b).
[269] *Unit Titles (Management) Act 2011* (ACT).
[270] Confidential Submission.
[271] Lot entitlement is formally defined in s 3 of the OC Act as the extent of the lot owner's interest in any common property. Its allocation, governed by s 27F of the *Subdivision Act 1988* (Vic), must be based on the comparative **market value** of the lot at the time the plan of subdivision is registered. It is the basis for determining a lot owner's vote when a poll is demanded or for special and unanimous resolutions.
[272] Electrify Southside Submission, p. 4; Yimby Submission, p. 1.

case votes are counted according to lot entitlement, significantly amplifying the influence of owners with larger lot entitlement. This mechanism can be used strategically, especially in developments where voting power is concentrated. Special resolutions, governed by section 96 of the OC Act, defines a special resolution as a resolution passed by a ballot or poll if taken, 75% of the total lot entitlements of all lots affected by the OC or in any case, 75% of the total votes for all the lots affected by the OC.

The influence of commercial lot owners or owners who retain a large number of entitlements is a specific and highly contentious aspect of disproportionate voting power:

- A lot owner with a large lot entitlement can use the poll demand mechanism (section 89(3)) to dominate decision-making. This can result in decisions that benefit a minority at the expense of the majority of owners, such as the awarding of poorly drawn maintenance contracts or the allocation of maintenance funds to services primarily benefiting a single lot.
- In one submission regarding a mixed-use building, residential owners manipulated voting to exclude the commercial lot owners from OC committee representation, worsening outcomes for that minority group.
- The concentration of power can lead to OC committee members who fail to attend meetings remaining on the OC committee, with efforts to dismiss them being blocked, highlighting a breakdown in basic governance.
- The risk of disproportionate power is also amplified when developers or their associates control key committee positions or hold proxies, leading to uncompetitive, long-term contracts being imposed on the OC.
- Some submissions advocate for a statutory provision for minority representation on OC committees, such as mandating at least one seat for commercial lot owners, to balance the OC committee's power.

Ambiguity in voting is also amplified by how proxy limits are calculated and the treatment of non-participation, which is often incorrectly counted as a “no” vote.[273] These practices can empower passive minorities and skew outcomes, further undermining confidence in the process.[274]

Difficult in understanding the voting rules and administrative failures significantly undermine confidence in the voting process. The treatment of non-participation is a key concern, as it is often incorrectly counted as a “no” vote when calculating the 75% special resolution threshold. This practice empowers passive minorities and skews outcomes.

There is noted misinterpretation in the Act's wording, such as the limits on proxy votes and the inability to inspect electronic votes. In one AGM involving 156 lots, as many as 37 votes (24%) were not counted, and the OC manager delayed declaring the results for a week, undermining confidence.

The voting process is vulnerable to manipulation when commercial interests are involved. One submission noted that a lot owner was able to bypass legal rules and regulations because they owned a majority of lots in a subdivision. Furthermore, OC committee members running a short-stay business within the building failed to disclose this as a conflict of interest on their nomination form.[275]

Finding 26: The proxy vote limit reforms have been largely effective but have not stopped all forms of proxy abuse.

The 2021 reforms have had a measurable impact in reducing proxy farming and concentrated influence.[276] In larger OCs, recent changes to proxy voting rules have significantly enhanced fairness by capping the number of proxies any one individual can hold. Previously, a single person could dominate meetings through proxy accumulation. The new restrictions have helped foster more balanced and representative decision-making.[277]

The review heard, however, that proxy abuse continues to undermine the integrity of decision-making in OCs, particularly where developer-affiliated individuals exploit disengaged international lot owners and accumulate proxy votes to gain control.[278] Although the introduction of proxy limits under section 89D of the OC Act was intended to curb this practice, these measures have not fully prevented some instances of ‘bloc control.[279]

Section 89D of the OC Act restricts a person from voting as a proxy on behalf of more than one lot owner (if there are 20 or fewer occupiable lots) or more than 5% of lot owners (if there are more than 20 occupiable

[273] Anonymous 137650 Submission p. 1; Confidential Submission.
[274] Owners Corporation Network Submission, p. 23.
[275] Anonymous Survey Respondent Submission.
[276] SCA (Vic) Submission, p. 31.
[277] KCL Submission, p. 27.
[278] In-person consultation with Tom Bacon.
[279] LIV Submission, p. 3.

lots), unless the proxy is for family members. However, these limits do not deal with the situation where one owner holds multiple lots and can dominate decision-making by proxy (and in person).[280]

Another issue is the loophole in relation to “bloc voting”. While the current caps limit the number of proxies an individual can hold, a loophole remains. Proxies from multiple lot owners can be distributed among different employees or associates of the same agency, allowing that agency to retain effective control over a large voting bloc, but not for the exception in section 89(7). In some buildings, this has resulted in one or two agencies exerting significant influence over OC decisions, including budgets, maintenance priorities, and major capital works - potentially skewing governance outcomes where agency interests diverge from those of the broader ownership group which may be excluded under section 11.[281]

Case Study 5: Proxy abuse in OC committee appointments[282]

In one development, the OC management company collected proxies from 30–40% of lot owners. To comply with the 5% proxy limit under section 89D of the OC Act*, these proxies were distributed among multiple staff members. While technically within the legal threshold, this tactic allowed the company to dominate voting at meetings.*

Using these proxies, the company appointed its own staff to the OC committee, effectively taking control of the building’s governance - despite opposition from other owners. This case highlights how proxy rules can be manipulated to override democratic intent.

While the rules have generally improved fairness, they have also introduced new challenges, particularly for smaller OCs.[283] These communities often rely on proxy assignments to meet quorum and pass resolutions. The proxy limits at times have led to decision-making deadlocks, delaying essential actions and disrupting operational continuity.[284]

Further, while current proxy caps limit the number of proxies an individual can hold, a potential loophole remains. Proxies from multiple lot owners can be distributed among different employees or associates of the same agency, allowing that agency to retain effective control over a large voting bloc.[285]

Finding 27: Interim resolutions have helped mitigate decision-making paralysis.

The introduction of interim resolutions under section 78(1A) of the OC Act has provided a practical mechanism for larger OCs to maintain operational continuity when quorum cannot be achieved at general meetings. These resolutions allow decisions to proceed after a 29-day delay, provided they are not challenged within that period.[286] This ensures that essential OC functions such as approving budgets or maintenance can continue despite low attendance.

Some owners assume that decisions will proceed regardless of quorum, which can result in powerlessness and exclusion for those outside of the circle of decision-making power. This raises concerns about transparency and representation. One lot owner considered interim resolutions have compounded powerlessness and exclusion for those outside the circle of decision-making power.

The distinction between interim resolutions (section 78) and interim special resolutions (section 97) is a common source of confusion.[287] The process for challenging an interim resolution can be difficult for dissenting lot owners, particularly in large schemes. To prevent a resolution from becoming final, owners must convene a special general meeting within the 29-day window,[288] requiring support from those holding at least 25% of lot entitlements, a threshold noted as "often unattainable in practice".[289]

The lack of required consensus for these resolutions can lead to concerns about fairness and bias. For example, an OC committee member in a large OC noted that "interim resolutions are generally passed as

[280] SCA (Vic) Submission, p. 31.
[281] Insights provided by Tom Bacon, Julie McLean and Dr Janette Corcoran in the OCN Webinar hosted on 29 August 2025 <Free OCN webinar: Victorian Owners urged to have their say on strata law reform - Owners Corporation Network>
[282] Confidential Submission.
[283] SCA (Vic) Submission, p. 31.
[284] KCL Submission, p. 27; SCA (Vic) Submission, p. 31.
[285] Owners Corporation Network, p. 23.
[286] OC Act s 78(4).
[287] Confidential Submission.
[288] OC Act s 97(4).
[289] Let Me Be Frank Submission, p. 5.
[289] Law Institute of Victoria Submission, p. 7.

people get to the stage they don't care and feel like they can't question them". Another lot owner suggested that this process "has caused other owners to be less involved". In one case, an OC committee member claimed that if quorum wasn't met, interim resolutions would just become permanent after 29 days, making owners "even less involved".

The current framework still has limitations that prevent OCs from using interim resolutions effectively or efficiently. The Act's limitations prevent OCs from using interim resolutions to address critical matters, such as budget approvals that exceed the permissible 10% increase. One submission argued that motions are sometimes "pushed through" by OC managers and OC committees using interim resolutions, leading to disputes and questionable outcomes. Evidence provided to the review raised concern about the administrative burden associated with the process, noting that multiple meetings are often required to finalise decisions, leading to increased costs, delays, and frustration.

While positive, interim resolutions have also been identified by stakeholders as slowing down action in OCs, and that their inclusion in the OC Act to address poor engagement should instead by dealt with by amending the definition of a quorum under the OC Act.

Finding 28: The complexity and inflexibility of OC voting procedures hinder effective participation.

The legislative framework for OC voting is characterised by complexity and at times practical inflexibility, which creates widespread confusion, hinders effective participation, and contributes to decision-making paralysis. This issue is compounded by the lack of consumer-focused, plain language guidance on key procedural matters.

The current system is difficult to interpret and apply consistently at the grassroots level, creating confusion for lot owners, OC committees, and OC managers. Uncertainty persists around when voting should be conducted by lot entitlement versus a show of hands, and how to correctly apply poll voting procedures (section 89(3) of the OC Act). OC managers sometimes provide inconsistent or incomplete guidance in explaining these distinctions [290]

Key statutory rules are seen as inflexible, including the 14-day ballot window and the inability to conduct secret ballots, which can lead to disputes when voting records are visible to other owners.[291] Voting procedures are frequently not followed precisely due to lack of awareness or misinterpretation. VCAT often rules that procedural errors do not materially affect outcomes, reflecting the systemic difficulty in applying the legislation and indicating that the legislation is difficult to interpret and apply consistently.[292]

The high quorum (50% for a General Meeting) and special resolution threshold (75% of all lot entitlements or lot owners) are frequently cited as the main cause of inaction, particularly in large schemes with many investor/absentee owners. One large OC struggled to get key initiatives (like solar panels) passed because the 75% threshold was "functionally useless" due to owner demographics and low participation.
The technical nature of the legislation leaves many owners uncertain about how to participate effectively, leading to reduced engagement. Meetings and agendas, often driven by the OC committee or manager, sometimes exclude general discussion or motions submitted by lot owners, eroding democratic participation. For the voting system to be effective and inclusive, it must be supported by clearer, more accessible guidance.

Recommendations

The following recommendations are designed to address the issues identified above in relation to voting transparency, owner engagement, equitable decision-making and governance integrity within OCs.

A lot of the voting recommendations are premised on the implementation of participation-focused changes, including explicit online meeting participation.

Recommendation 16: The OC Act should be amended to prohibit the exercise of proxy votes by OC managers, building managers, and developers (and employees and associates of each).

[290] KCL Submission, p. 26.
[291] SCA (Vic) Submission, p. 30.
[292] Strata Owners Alliance Submission, p. 21.

To further reduce the impact of conflicts of interest on OCs, the Expert Panel recommends introducing limits on an OC manager or building manager from holding and exercising a proxy vote.[293] This will assist to address a number of the findings noted above, but especially the bloc voting issue and issues in relation to larger developments where OC managers sometimes have more influence and control.

Recommendation 17: The OC Act should be amended to introduce a penalty for breach of the proxy cap under section 89D of the OC Act.

To strengthen the integrity of OC governance, it is recommended that a civil penalty be introduced for breaches of the proxy cap under section 89D of the OC Act. While the current 5% limit on proxies per individual has curbed many instances of proxy farming, a penalty is warranted to provide for ongoing deterrence.

Recommendation 18: The OC Act should be amended to support greater lot owner engagement through electronic communication, participation and OC decision-making over time.

Communication

The Expert Panel recommends that the OC Act be amended to create an obligation for the OC to obtain an email address for each lot owner and maintain a register of email address contact details for sharing of key OC information. This new obligation would be subject to regulatory action if an OC is found non-compliant.

Participation

To support flexible and inclusive OC decision making participation, Part 4 of the OC Act should be amended to recognise virtual and hybrid meetings as valid formats for OC decision-making, alongside traditional in-person meetings. Further, CAV should establish (in regulations or mandatory enforceable guidelines) minimum standards for virtual meeting platforms, including accessibility, security, and the ability to facilitate real-time discussion and voting.

Finally, CAV should clarify procedural requirements, such as how quorum is calculated in hybrid settings and how votes are recorded across different formats. This amendment would align the Act with contemporary meeting practices and reduce barriers for absentee or remote owners.

Recommendation 19: Section 85 of the OC Act should be amended to allow the time for a voting ballot to be open for 21 days.

To improve accessibility and support more inclusive decision-making, especially in increasingly diverse and time-constrained communities, greater flexibility is needed in how voting periods are structured. The fixed 14-day ballot period under section 85 can create unnecessary barriers to achieving special resolutions, particularly in communities with diverse ownership and limited engagement. At the same time, increasing demand for hybrid and after-hours meetings continues to place pressure on administrative resources and meeting coordination.[294]

To improve participation and reduce pressure on owners and managers:

- The current 14-day ballot window should be extended to 21 days, allowing more time for owners to review materials, seek advice, and cast informed votes.
- This change would be particularly beneficial for absentee owners, those with limited digital access, or those needing translation or support.
- The regulator should provide clear guidance on ballot timelines, including how extensions to ballot timelines interact with meeting schedules and resolution deadlines.

A longer ballot period supports more thoughtful decision-making and reduces the risk of rushed or uninformed votes. Extending the ballot period may improve the likelihood of achieving the required threshold for special resolutions or meeting quorum, particularly in cases where responses are needed from lot owners who are overseas, on leave, or otherwise unavailable.[295]

Recommendation 20: CAV should provide accessible OC lot owner education on voting processes.

[293] This was separately suggested in other strata reform forums by strata legal professionals including Tom Bacon who presented on this topic and others at the OCN webinar hosted on 29 August 2025 <Free OCN webinar: Victorian Owners urged to have their say on strata law reform - Owners Corporation Network>.
[294] SCA (Vic) Submission, p. 30.
[295] SCA (Vic) Submission, p. 30.

To further support lot owner engagement by ease of attendance and involvement, the Expert Panel recommends providing lot owners with information on key voting matters. Key features include:

- The regulator should develop and distribute plain-language educational resources explaining voting procedures, thresholds, and resolution types, including consolidating all voting-related provisions into a digestible help card.
- Resources should include:
  - Step-by-step guides to voting by show of hands, poll, and ballot.
  - Clarification of voting by lot entitlement versus one vote per lot.
  - Templates for meeting notices and motions.
  - FAQs and explainer videos tailored to different OC tiers.
- Education should be ongoing and targeted, with outreach to new owners, culturally and linguistically diverse communities, and smaller OCs.

Improved education will empower owners to participate meaningfully and is intended to also reduce procedural disputes.

Recommendation 21: The OC Act should be amended to require the AGM agenda and all voting-related information to be shared four weeks prior to the AGM.

To further support lot owner engagement in OC decision-making, and improve transparency of OC matters, the Expert Panel recommends amending the OC Act to require the AGM agenda and papers to be shared with all lot owners (and their proxies) four weeks prior to the date of the AGM.

Recommendation 22: The Victorian Government should undertake a comprehensive review three years after the implementation of related governance amendments (including, but not limited to, changes addressing voting fairness, conflicts of interest, related parties, developer obligations, quorum and proxy controls) to assess their combined impact on OC decision-making.

The Expert Panel proposes a single, future review, scheduled three years after the implementation of related amendments, to assess whether the cumulative impact of these changes has measurably improved OC governance.
The three -year period allows sufficient time for OCs to adopt the new rules and for meaningful data on participation and outcomes to be collected.

Key areas to be assessed in the review including:

1. **Quorum and Meeting Participation:**
   - Assess whether new mechanisms (e.g., improved voting clarity, proxy restrictions, electronic voting) have increased meeting participation and the ease of attaining a quorum, particularly for special resolutions requiring 75% approval.
   - Determine if legislative adjustments are needed to support more timely and representative decision-making for beneficial but time-sensitive matters, such as sustainability upgrades.
2. **Voting Fairness (Lot Entitlement):**
   - Evaluate whether implemented recommendations addressing conflicts of interest, related-party transactions, and developer obligations have mitigated the undue influence resulting from large commercial components or developers retaining significant entitlements.
   - Assess if the balance between voting by lot entitlement and one vote per lot (procedural matters) is appropriate and ensures equitable representation, particularly in light of concerns that non-participation effectively acts as a "no" vote.
3. **Proxy Control and Abuse:**
   - Review the effectiveness of the implemented recommendations in curbing undue influence and bloc control achieved through proxies.
   - Specifically, assess whether OC managers and developers should continue to retain the ability to hold proxies.
   - Consider the potential conflict of interest when these parties hold proxies while also managing or influencing OC committee appointments, especially in OCs with high absentee ownership.

Chapter 8: Other matters

2021 amendments impacting legal proceedings

The 2021 amendments introduced a key change regarding an OC's ability to commence legal proceedings:

- An OC requires only an ordinary resolution of the owners to commence a civil proceeding (in the Magistrates Court or VCAT) for matters where the monetary value is up to $100,000.
- A special resolution is required to commence proceedings for matters where the monetary value exceeds $100,000.

The new rule about commencement of civil proceedings with a monetary value up to $100,000 is contained in section 18(2) of the OC Act. It allows an OC to institute proceedings after an ordinary resolution (simple majority) if the matter is "within the civil jurisdictional limit of the Magistrates' Court." The current civil jurisdictional limit of the Magistrates' Court of Victoria is $100,000.

VCAT has subsequently narrowed the application of the new rule by a Deputy President-made decision.[296] The words "civil jurisdictional limit" has been found to be primarily applicable to proceedings seeking monetary relief, such as:

- Debt recovery (e.g., unpaid levies).
- Claims for damages.

Finding 29: The application of section 18(2) is not in line with the legislative intent of the Victorian Government.

The result of this decision is that all non-monetary enforcement actions, even those concerning minor breaches, must obtain a special resolution. Consequently, initiating proceedings for orders like compelling a lot owner to cease a breach (e.g. breaking an OC rule) requires a special resolution.

Recommendation 23: Section 18(2) of the OC Act should be amended to expressly reflect the Victorian Government's intention as provided in the 2021 Amendment Act explanatory memorandum.

It is recommended that section 18(2) is amended to provide that an OC may commence any legal proceedings in the Magistrates' Court, VCAT or any other tribunal, or a court of another State or Territory that corresponds to the Magistrates Court by ordinary resolution. If it relates to a monetary amount claimed, it must not exceed the civil jurisdictional limit of the Magistrates' Court.

[296] Owners Corporation 1 PS723350Q v Owners Corporation 2 PS723350Q (Owners Corporations) [2025] VCAT 592. <Owners Corporation 1 PS723350Q v Owners Corporation 2 PS723350Q (Owners Corporations) [2025] VCAT 592 (7 July 2025)>

Annexes

A. Chapter 3 Technical Annex

Table A1: Additional developer obligations imposed in 2021[297]

New positive obligations	New negative obligations
Developers must: • engage a licensed surveyor to set out the initial allocation of lot liability and lot entitlement in the plan (unless the OC is a tier five OC) • provide additional documents at the first meeting of the OC (the building maintenance manual, an asset register, copies or details of any warranties, copies of any specifications, reports, certificates, permits, notices or orders in relation to the plan of subdivision. • disclose additional information at the first meeting of the OC (any relationship the developer has with the OC manager, any immediate or future financial transactions that will, or will foreseeably, arise out of the relationship between the developer and the OC manager, any specific benefits which the developer will receive as a result of their relationship with the OC Manager)	**Developers are prohibited from:** • appointing themselves as OC manager (unless the OC relates to retirement village land), • appointing an associate, such as a spouse or employee, as OC manager, • voting on any resolution of the OC that relates to a defect in or on a building on the plan of subdivision, • proposing an annual budget of the OC which is unreasonable or unsustainable, • designating as a private lot what would normally be common property or services, and • receiving any payment from the OC manager in relation to the OC manager's contract of appointment.
Some existing obligations were extended from 5 to 10 years, including to: • Act honestly and in good faith and with due care and diligence in the interests of the OC in exercising any rights under the OC Act, • take all reasonable steps to enforce any domestic building contract they have entered into to the extent that it relates to the common property and provided the developer is aware or should reasonably be aware of the breach of the domestic building contract.	**New constraints on contracts entered into by developers:** • If the developer appoints an OC manager who is neither the developer or a lot owner prior to the first meeting of the OC, the contract of appointment of the OC manager expires at that first meeting. • If the developer enters into any other contract that relates to the OC and benefits the developer, that contract term must not exceed 3 years in duration (excluding hotel and resort management contracts).

Table A2: ACCC - Estimated effective prices paid by embedded network customers and regular residential customers (noting the median average consumption in Victoria is 526.6 kWh)

Usage band (kWh)	Estimated effective price (c/kWh)		Percentage difference (ESC calculation)
	Embedded network customers	Regular customers	
0-100	146	279	-47.62%
100-200	76	88	-13.08%
200-300	58	61	-5.52%
300-400	49	50	-2.62%
400-500	43	45	-4.63%
500-600	**39**	**41**	**-6.07%**
600-700	36	38	-6.65%
700-800	34	36	-7.37%

[297] Consumer Affairs Victoria, 'Changes to the Owners Corporations Act from 1 December 2021' (December 2021) <https://www.consumer.vic.gov.au/licensing-and-registration/owners-corporation-managers/changes-to-the-owners-corporations-act-from-1-december-2021>.

800-900	32	35	-8.36%
900-1000	31	34	-8.49%
1000-1100	30	33	-9.18%
1100-1200	29	32	-10.50%
1200-1300	28	32	-10.96%
1300-1400	28	31	-9.75%
1400-1500	27	31	-12.83%

B. Review participants

B.1. Consultation participants

1. Solar Victoria
2. Department of Energy, Environment and Climate Action
3. Consumer Affairs Victoria
4. Cladding Safety Victoria
5. Department of Transport and Planning
6. Department of Treasury and Finance
7. VCAT
8. Redacted for privacy
9. Redacted for privacy
10. Financial Counselling Vic
11. Financial Counselling Australia
12. NSW Fair Trading
13. Redacted for privacy
14. Mortgage Stress Victoria
15. UDIA representatives including Nick Holouigue, Guy Williamson, David Alt-Graham, Faten Sadik
16. Owners Corporations Network
17. Department of Government Services (Retirement Villages Act briefing)
18. Redacted for privacy
19. Redacted for privacy
20. REIV OC managers committee
21. REIV
22. Strata Community Association
23. Consumer Action Law Centre
24. Redacted for privacy
25. Building and Plumbing Commission
26. Redacted for privacy
27. Redacted for privacy
28. Yimby Melbourne
29. Building Regulations Advisory Committee
30. Redacted for privacy
31. Building Monitor
32. Property Council Victoria
33. Redacted for privacy
34. Business Licensing Authority
35. Redacted for privacy
36. Redacted for privacy

37. Redacted for privacy
38. Redacted for privacy
39. Alex Sutton, Chief Dispute Resolution (BPC and DSCV)
40. QLD Body Corporate Commissioner
41. Essential Services Commission
42. Law Institute of Victoria
43. Tenants Victoria
44. Redacted for privacy
45. Redacted for privacy
46. Building Monitor
47. IDSC OC Shadowing through CAV
48. Redacted for privacy
49. John Trowbridge
50. Heather Holst, Commissioner for Residential Tenancies
51. Redacted for privacy
52. Redacted for privacy
53. Redacted for privacy

B.2. Engage Victoria submissions (excluding confidential submissions)

In total, there were 459 engagements with the public consultation process. Of those 459 engagements:

- 300 were survey responses
- 159 were written submissions (of which, 85 wished to be published anonymously) along with supplementary and additional submissions provided to the secretariat via email.

Individuals and organisations that provided written submissions that were not anonymised are listed below.[298]

Name	Organisation
Adam Di Trocchio	Law Institute of Victoria
Adrian Cropley	
Allyssa Hextell	National Insurance Brokers Association
Andrew Hine	
Andrew Lowcock	Property Council of Australia - Victorian Division
Annie Woodger	Tenants Victoria
Redacted for privacy	Redacted for privacy
Barry Kelly	
Ben Ball	Docklands Representative Group
Brian Fish	

[298] Duplicate entries have been removed, although some respondents made multiple submissions.

Char Weeks	
Chris Sargeant	
Claire Painter	JET Charge
Clint Bravo	
Dan O'Brien	Cladding Safety Victoria
Dan O'Keeffe	Southbank Residents Association
Daniel Novakovic	The Evermore
David Hamilton	GH Industry Consultants
David Hamilton	Southbank3006 Inc
David Raynor	
David Strong	
Denise Boyd	Mortgage Stress Victoria - Melbourne
Redacted for privacy	
Ed Cox	NBN Co
Ethan Gilbert	YIMBY Melbourne
Redacted for privacy	Redacted for privacy
Geoff Bartlett	
Georgia Holmes	Maser Electricians Australia
Gregor Evans	The Knight Alliance 'The Knight'
Redacted for privacy	Redacted for privacy
Redacted for privacy	Redacted for privacy
Janette Corcoran	Owners Corporation Network
Redacted for privacy	Redacted for privacy
Redacted for privacy	Redacted for privacy
Jillian Angourias	Fundmasters Australia Pty Ltd (trading as Independent Body Corporate Management)
Redacted for privacy	
John Micallef	
Joshua Ellis	
Julie McLean	

Kat Lucas-Healey	Environment Victoria
Kate Nicolazzo	Let Me Be Frank
Kathleen Warlond	
Redacted for privacy	Redacted for privacy
Ken Gray	Arnold Bloch Leibler
Leo Boesten	Regency Towers Owner's Corporation (No PS 34927KK)
Mark Riddell	
Matthew Bond	
Meike Wagenhoff	
Merrick Morley	The University of Melbourne
Michael Crosby	Airbnb ANZ
Michael Kennedy	
Redacted for privacy	Redacted for privacy
Michael Smolders	Southside Gardens Owners Corporation
Redacted for privacy	Redacted for privacy
Morris Waters	
Mu Yee Thien	
Owen Miller	FUSION
Patrick Lawnham	
Redacted for privacy	
Redacted for privacy	Redacted for privacy
Phillip Leaman	Tisher Liner FC Law
Reece Agland	Housing Industry Association
Rhonda Small	Electrify Southside
Rob McLeod	Energy Efficiency Council
Robert Davis	
Ross De Rango	Vehicle Charging Solutions Australia
Ruth Jelley	
Redacted for privacy	Redacted for privacy
Samuel Owens	

Sarika Bhalla	Real Estate Institute of Victoria
Simon "Jack" Lord	
Steve Wilkins	Electrify Yarra
Susan Chandler	Strata Community Association (Vic)
Susie Richards	
Victorian Greens MPs	Victorian Greens
Vincent Le	
William Jay Albon	
[redacted]	
Yasemin N Selvi	Alchemy Charge Pty Ltd
William Baxter AM	
	Essential Services Commission
	Solar Victoria
	Strata Owners Alliance

C. Glossary and abbreviations

C.1. Glossary

Term	Description
Common property	Land shown as common property on a plan of subdivision or a plan of strata or cluster subdivision.
Financial hardship	The inability to meet one's financial commitments, often (but not always) due to an unexpected event or a significant change in circumstances.
Lot	A part (consisting of one or more pieces) of any land (except a road, a reserve or common property) shown on a plan which can be disposed of separately and includes a lot or accessory lot on a registered plan of strata subdivision and a lot or accessory lot on a registered cluster plan.
Lot entitlement	A number specified in the plan as the lot entitlement for that lot, expressing the extent of the lot owner's interest in any common property affected by the owners corporation.
Lot liability	A number specified in the plan as the lot liability for that lot, expressing the proportion of the administrative and general expenses of the owners corporation which the lot owner is obliged to pay.
Lot owner	An owner of a lot affected by the owners corporation.
Occupiable lot	A lot that is ordinarily used for residential or business purposes.
Owners corporation	A management body which is created by registration of a plan of subdivision.
Owners corporation committee	An elected group of lot owners who can make some decisions regarding the operations, maintenance, and financial decisions of an OC on behalf of all owners.
Owners corporation manager	A person appointed by the owners corporation or owners corporation committee to carry out its functions in managing and administering the common property.
Services only owners corporation	An owners corporation for a subdivision that has no land or building that is designated as the common property and either: (a) the initial owner of the subdivision has arranged for a utility company to install common meters that are designated as the common property; or (b) the subdivision has a common supply or common service that is unmetered.
Subdivision	The division of land into two or more parts which can be disposed of separately

C.2. Abbreviations

Abbreviation	Meaning
ACL	Australian Consumer Law
AER	Australian Energy Regulator
AFCA	Australian Financial Complaints Authority
AGM	Annual General Meeting
BCCM Act	*Body Corporate and Community Management Act 1997* (QLD)
BLA	Business Licensing Authority
BPC	Building and Plumbing Commission
Building Act	*Building Act 1993* (Vic)
CAV	Consumer Affairs Victoria
Cluster Titles Act	*Cluster Titles Act 1974* (Vic)
CPD	Continuing Professional Development
CPL Review	Consumer Property Law Review
CSV	Cladding Safety Victoria
DEECA	Department of Energy, Environment and Climate Action
DSCV	Dispute Settlement Centre of Victoria
EDR	External dispute resolution
ESC	Essential Services Commission
EV	Electric vehicle
FCA	Financial Counselling Australia
FCVic	Financial Counselling Victoria
HVAC	Heating, ventilation and air conditioning
IDR	Internal dispute resolution
LIV	Law Institute of Victoria
MSV	Mortgage Stress Victoria
NCAT	NSW Civil and Administrative Tribunal
NSW	New South Wales
OC	Owners corporation
OC Act	*Owners Corporations Act 2006* (Vic)
OCN	Owners Corporation Network
PICA Group	Property Industry Council of Australia Group
OIEC	Owner in effective control
PPR	Principal place of residence
QLD	Queensland
QCAT	Queensland Civil and Administrative Tribunal
REIV	Real Estate Institute of Victoria
SAT	State Administrative Tribunal
SCA (Vic)	Strata Community Association (Vic)
SRC	Strata renewal committee
SSD Act	*Strata Schemes Development Act 2015* (NSW)

SSM Act	*Strata Schemes Management Act 2015* (NSW)
Strata Titles Act	*Strata Titles Act 1967* (Vic)
Subdivision Act	*Subdivision Act 1988* (Vic)
ToR	Terms of Reference
UCT	Unfair Contract Terms
VCAT	Victorian Civil and Administrative Tribunal
VPA	Victorian Planning Authority
WA	Western Australia