

Constructing Building Integrity: Raising Standards Through Professionalism

Industry Factsheet: Strata Managers

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Overview

In Australia, strata managers are not consistently regulated. Regulatory frameworks and licensing requirements vary state to state (see Figure 1). While some states require minimum educational qualifications (e.g. NSW and WA), others do not and while strata managers are required to be licensed (e.g. NSW) or registered (e.g. VIC) in some states, in others they are not (e.g. QLD). The most regulated state is NSW where strata managers must be licensed and where a Professional Standards Scheme is in place for members of the peak industry body Strata Community Association (SCA).

Strata managers (also referred to as owners corporation managers, body corporate managers) are appointed by the 'owners corporation' of a strata scheme. The owners corporation is made up of the owners of all of the lots (units) in the strata scheme. Upon registration of the strata plan, the developer owns all of the lots and hence controls the owners corporation. This changes over time as pre-sale contracts are settled and lots are sold. Strata managers can provide advice to developers when setting up a strata titled development and remain involved as the properties transfer to individual owners and are occupied. This means they are also often involved in defects rectification processes. Strata managers assist with the administration of owners corporations, including coordinating meetings, preparing budgets and managing levies, organising insurance and paying invoices.

This fact sheet outlines strata managers' goals, values, and professional standards before summarising the ethical challenges that the industry in Australia faces. It should be read in parallel with the industry report – [Constructing Building Integrity: Raising Standards Through Professionalism](#) – which describes the full scope of this work, methods used and recommendations.

Goals and values of peak professional bodies

Strata Community Association (SCA) is the peak body for the strata management industry across Australia and New Zealand. State-based Real Estate Institutes also offer membership chapters for strata managers. Membership of SCA or Real Estate Institutes is not mandatory.

SCA self-identifies as a 'professional institute and consumer advocate' and operates on a state-by-state and national scale. In July 2021 the NSW chapter of SCA adopted a Professional Standards Scheme (PSS).

SCA has five strategic goals, as stated in their 2022-23 National Annual Report:

- Respected and understood profession
- Considered career choice
- Recognised specialist profession in the property industry
- Pathways to professionalism for strata management
- National Professional Standards Scheme

In response to a 2024 ABC exposé into the conflicts of interest of a NSW strata management firm, SCA announced a six-point plan to 'ensure confidence' in the industry, covering disclosure, complaints management and training.

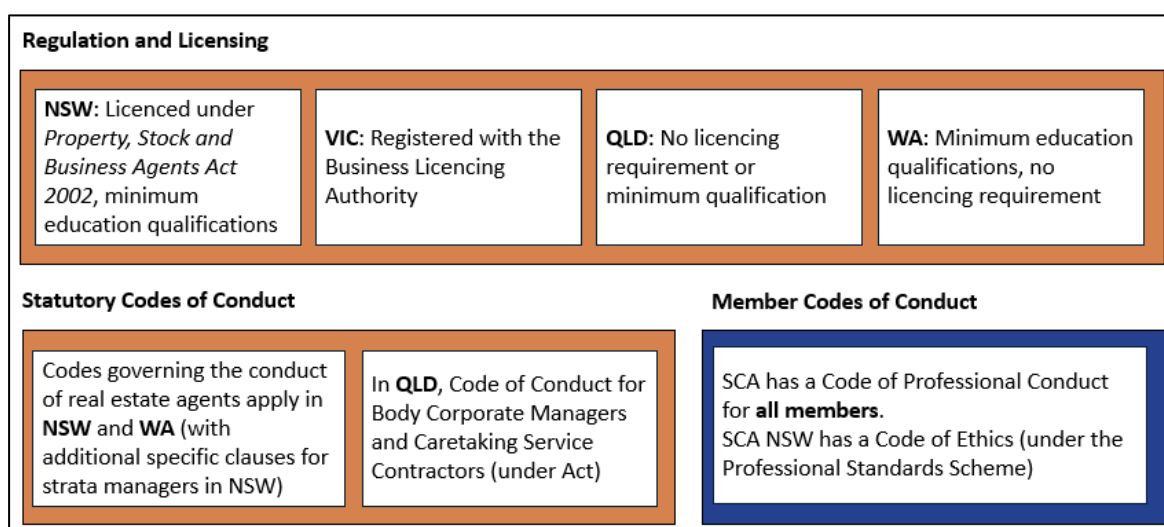









Figure 1. Simplified overview of the regulatory regime for strata managers across the four project study states. Source: Authors.

Integrity system analysis – strata managers

The research identified 10 ‘integrity enablers’ and 10 ‘ethical tensions’ for construction sector professionals. In Australia, strata managers are an emerging profession and on the pathway to professionalisation. **Table 1** highlights common integrity enablers that can help promote ethical values and raise professional standards, and **Table 2** describes common ethical tensions (Table 2) within the strata management industry.

Table 1: INTEGRITY ENABLERS		Table 2: ETHICAL TENSIONS	
	Interviewees told us that they didn't view strata management as a profession yet, but recognised that some progress has been made. SCA has state and national awards that recognise industry success and performance.		Tensions can occur when the owners corporation (made up of all owners) is legally obliged to maintain the property (including rectifying defects), but is unwilling or unable to because of the costs involved. Where defects are substantial, and costs of rectification can't be recovered elsewhere, owners must pay, often at significant financial cost. The strata manager has to balance obligations to the public (and potential future owners) against its client's immediate wishes.
	SCA National was registered as an organisation in 2011, with the first PSS adopted in 2021 in NSW. SCA provides strata managers with opportunities for CPD, including on ethics. SCA have responded to recent scandals with initiatives that seek to restore consumer confidence in the industry.		Tensions can occur when strata managers receive a benefit from referring their clients to particular service providers.
	Some firms are able to implement structures, systems, practices, internal cultures and KPIs that enhance professional integrity, and some promote these as a point of difference in the market for competitive advantage. Other firms are struggling due to work overload and aggressive competition.		Tensions can occur between the strata manager's obligations to the owners' corporation and the interests of the developer who hired the strata manager. The strata manager might avoid recommending the owners corporation (now individual owners of units) take action against the developer (who originally hired the manager) over defects as a way of protecting their relationship with the developer to secure future work.
	Recent enforcement through regulation in NSW is notable, but beyond this, there are very few examples of robust governance and accountability regimes in practice. The federated model (with different legislation relating to strata management in each state and territory) adds an extra layer of complexity.		There are limited enforceable rules and penalties for professional misconduct of strata managers. There is also a clear need for adequately resourced profession-specific industry watchdogs that monitor professional standards & compliance.
	Some states (NSW, WA) require minimum education requirements, but requisite education levels are inconsistently applied across jurisdictions.		Strata managers often compete on price. This puts strata managers in a difficult position of either providing a lower quality of service or subsidising their income through other sources.
	Recent scandals regarding conflicts of interest have raised awareness, but these scandals are also evidence that clients would benefit from more education and guidance about the roles and responsibilities of strata managers.		While competing on price, strata managers often manage very large portfolios of buildings. This makes proactive management difficult, resulting in a reactive work model with high stress and burnout.
	SCA has a standard contract but it has received criticism for having terms and conditions that favour strata managing agents.		Competence is a challenge for strata managers who are expected to deal with wide-ranging complex issues. This challenge occurs when there are varying expectations on the part of the client as to what is a reasonable type and level of service to expect for the service fee being paid.

Key findings

In law, a strata manager is operating as an agent of a responsible corporation, committee or office holder. In practice, strata managers are frequently relied upon to provide guidance and advice and can influence decision-making and actions taken with respect to the running of a strata scheme.

Ethical tensions are complicated by of the messy way that creation of strata titles for a given building cuts across the normal contractual and ownership obligations. When a strata scheme is first registered the developer owns all of the lots and hence controls the owners corporation. As individual lots (units) are sold, the composition of the owners corporation changes and the developer's control is lessened.

When asked about public perception of the strata management industry, those interviewed reflected on the lack of understanding of the general public as to what a strata manager does. As put by one interviewee: 'They [owners] think the strata manager is the owner's corporation'. A lack of public understanding on the limitations of a strata manager and the role of the owners corporation contributes to a negative public perception.

Owners typically measure value of strata managers through responsiveness of service, but due to aggressive competition, high service levels can be difficult to achieve: when 1) managers tend to hold large portfolios and 2) when owners seek to keep ongoing costs (i.e. levies) low.

The strata industry's national peak body (SCA) was referred to in interviews with strata managers as an important organisation to support raising of professional standards for the profession. SCA has a code of conduct and a complaints process. However, the most serious penalties are loss of membership of SCA and referral to a licensing authority (if one exists). The loss of SCA membership does not preclude the strata manager from operating a strata management business.

Considering recent high-profile coverage of strata management conflicts of interest, there is an urgent need to restore confidence in the strata management industry. In NSW, focused attention is being applied both by State regulators and the SCA to establish guardrails for strata managers to adhere to ethical practices.

RECOMMENDED PATHWAYS TO ACTION

It is recommended that the following actions are taken to address the ethical tensions and further strengthen the integrity system for strata managers:

R3 Raise standards in **education, training and accreditation** processes

- State/territory governments extend registration and licensing of managers tied to minimum qualifications and meaningful CPD to all jurisdictions (noting this already exists in NSW).
- Industry associations and employers support CPD opportunities for strata managers regarding best practice when managing defects rectification cases, including conflicts of interest and statutory requirements.

R4 Promote, protect and improve professional standards through **regulation**

- State/territory governments introduce statutory registration and co-regulation (between government regulators and professional associations) for strata managers. This should be done on a nationally consistent basis, requiring Federal government involvement.
- State/territory governments introduce legislation across jurisdictions to limit the ability of developers to enter into long-term contracts on behalf of the owners corporation (where these provisions do not already exist).
- State/territory governments introduce legislation to mandate disclosure of commissions received by strata managers (where these provisions do not already exist). However, disclosure provisions are not sufficient in themselves and banning insurance commissions (and other commissions) should also be considered.

R5 Enhance and support professional associations' **ethical standards frameworks**

- SCA already has awards, one of which includes a criteria for ethics, but there is potential for increased peer recognition of ethical conduct and promotion of 'shining examples' of strata managers through the SCA awards process.

FURTHER READING

Besser, L. & Kopel, N. (2024) 'Strata firm Netstrata apologises, managing director steps aside from peak body after being found to be charging excessive fees to home owners', *ABC News*, 21 March.

<https://www.abc.net.au/news/2024-03-21/netstrata-managing-director-stands-aside-from-peak-body/103617586>

Owners Corporation Network (2021) *OCN Strata Management Agreement User Guide*, August 2021.

<https://ocn.org.au/wp-content/uploads/2021/08/OCN-Strata-Management-Agreement-User-Guide-August-2021.pdf>

Strata Community Association (2024) 'SCA Australasia Initiatives: Six Steps to Ensure Confidence', April 2024.

<https://inside.strata.community/sca-australasia-initiatives-six-steps-to-ensure-confidence/>

Strata Community Association NSW (n.d.) *SCA (NSW) Professional Standards Scheme*

<https://nsw.strata.community/professional-standards-scheme/>

PROJECT RESEARCH

Additional research arising from the project (including the Final Industry Report) can be found at:

<https://www.griffith.edu.au/law-futures-centre/institute-ethics-law-governance/our-research/construction-building-integrity>

SUGGESTED CITATION

Gillon, C. & Easthope, H. (2024) *Constructing Building Integrity Industry Factsheet: Strata Managers*. November 2024. Brisbane: Griffith University.

