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BODY CORPORATE MANAGEMENT

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Guide to Strata Living



Ernst Body Corporate Management (Ernst)
ABN 87 010 209 784

Disclaimer

The information provided in this publication is general only and is not legal, financial or personal advice. This material is provided to assist members living in strata. If further information is required an appropriately qualified professional should be consulted.

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Hello,

Congratulations on the purchase of your property and welcome to the Body Corporate managed by Ernst Body Corporate Management (Ernst).

At Ernst, our vision is to deliver smart solutions to create a better lifestyle for people living and invested in communities. The key to achieving our vision is to provide our customers with accurate and practical advice that assists them to understand their rights, responsibilities and obligations on a myriad of strata issues.

For owners who are new to strata living, this Guide to Strata Living will assist you in understanding some basic matters, and a refresher for owners who are accustomed to bodies corporate.

Body Corporate legislation and regulations in Queensland have been designed to help community schemes run efficiently and effectively. If you are an owner of an apartment, villa or townhouse, you may be familiar with your investment being referred to as a 'lot'. That's the inside of your individual apartment, villa or townhouse.

As an owner, you also share ownership and are jointly responsible for the management of any common property such as foyers, fences, driveways, lawns and gardens and any facilities such as lifts, gymnasiums or pools.

Understanding exactly how strata works will help you get the most from your property and your strata scheme, regardless whether you are an owner occupier or owner investor.

As a manager of more than 20,000 lots, looking after over 300 buildings across Queensland, we live and breathe these questions, day in day out. Our teams are well-placed to assist you or your Body Corporate.

Please reach out to your Community Manager or contact our Gold Coast office on +61 7 5519 2900 or our Brisbane office on +61 7 3620 0600. We are here to take away the complexities of strata, so you are free to enjoy your investment.

Kind regards,



Mark Roy

General Manager –
Northern Communities

ABOUT ERNST

Ernst Body Corporate Management (Ernst) has been successfully managing buildings throughout Queensland since 1979. Originating from a division of Arthur Young & Company (now EY), one of the world's top accounting firms, Ernst is a high performing Body Corporate management company with nearly 40 years of proven experience providing seamless management solutions for bodies corporate of all sizes.

We manage a diverse portfolio from mixed-use high-rises to small-medium residential blocks including townhouses and villas, commercial properties and hotels. Our teams understand each Body Corporate is unique and we design our solutions to meet the specific needs of each property.

The ERNST difference

Breadth	<ul style="list-style-type: none">• Diverse portfolio of 20,000 lots• Over 300 buildings from 10 lots to over 1,000 lots• Existing buildings to new developments
Depth	<ul style="list-style-type: none">• Partnering with bodies corporate for nearly four decades• Local teams on the ground in Brisbane and Gold Coast who understand your community• Infrastructure and financial backing from one of Australia's largest Community Management companies – Smarter Communities
Value Add	<ul style="list-style-type: none">• Dedicated repairs and maintenance team• Partnership with Australia's largest specialist strata insurance broker

Local expert, National support

Ernst is proudly part of Smarter Communities, one of the largest Community Management companies in Australia. Nationally we manage over \$30 billion of properties across New South Wales, Queensland, South Australia and Victoria.

Our brands include Adelaide Strata & Community Management (ASCM), Challenge Strata Management, Ernst Body Corporate Management (Ernst), Strata Title Management (STM) and Victoria Body Corporate Services (VBCS).



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Three modern, clear glass light bulbs with copper-colored bases hang from thin brown cords against a bright yellow background.

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WHAT IS A STRATA SCHEME?

A strata scheme is a building, or collection of buildings, where individuals each own their own portion of the scheme (known as a 'lot').

Strata schemes vary in size, from two-lot duplex developments up to large 1,000+ lot residential developments. They can also be commercial, mixed-use, industrial, hotel and retirement village strata developments.

Within each strata scheme are individual lot owners, forming a self-governing community, and this community operates as a democracy.

The legal entity of all lot owners within a scheme is called the Body Corporate. The Body Corporate is legally responsible for the good management of the strata scheme.

AS AN OWNER, YOU HAVE RESPONSIBILITIES. NOT ONLY DO YOU OWN YOUR OWN INDIVIDUAL LOT, BUT YOU SHARE OWNERSHIP AND RESPONSIBILITY OF COMMON PROPERTY WITH THE OTHER OWNERS AS WELL.

WHAT IS A BODY CORPORATE?

A Body Corporate is the legal entity given to the group of all lot owners within a strata scheme. When you purchase an apartment, or 'lot', you automatically become part of the Body Corporate for your building.

The Body Corporate is responsible for the overall good management of the strata scheme. This includes managing finances and arranging insurance, record keeping, by-laws, following strata laws, and managing repairs and maintenance of common property.

As an owner, you have responsibilities. Not only do you own your own individual lot, but you share ownership and responsibility of common property with the other owners as well.

Common property is all the areas of land and building not included in any lot. This can include foyers, fences, driveways, lawns and gardens, lifts, gymnasiums and pools.

The Body Corporate should hold regular meetings to discuss the areas mentioned above and decide on a course of action.

As an owner, it's in your best interest to attend Body Corporate meetings, especially the Annual General Meeting (AGM), and you have a right to take part in the decision making for your scheme.

THE BODY CORPORATE COMMITTEE

The Body Corporate Committee helps to administer and manage the day-to-day running of the strata scheme and can make decisions on behalf of the Body Corporate.

The Committee is also responsible for putting the lawful decisions of the Body Corporate into place. The Committee can make decisions by calling a committee meeting or by voting outside a committee meeting.

Election of the Committee

The Body Corporate must elect a Committee at each Annual General Meeting and appoint executive positions of Chairperson, Secretary and Treasurer. Some of these positions can be held by the same person.

The Committee must have at least three members and maximum of seven members (for schemes with 7 or more lots). If there are less than 7 lots, the maximum is the same as the number of lots.

You can be elected to the committee if you are:

- an owner;
- a company nominee of a corporation that is an owner; or
- an immediate family member.

A ballot may need to be held to decide executive positions and ordinary committee members.



WHAT ARE BODY CORPORATE LEVIES?

As an apartment owner, you must financially contribute towards the running costs associated with your building and common property.

These contributions are called levies and are typically paid in quarterly instalments to meet the financial obligations of the Body Corporate. The full range of payment options are detailed on the levy notice.

Levies are payable to your strata scheme. As part of our management agreement we will send you levy notices on behalf of your Body Corporate.

It is important for you to pay your levies on time. It is your scheme who receives these funds. Fees are usually applicable for late payments.

REMEMBER:
IT IS THE OWNERS WHO VOTE ON AND APPROVE BUDGETS.
THIS DETERMINES THE LEVIES THEY NEED TO PAY EACH YEAR TO
MAINTAIN THEIR BUILDING.

WHO DETERMINES HOW MUCH TO PAY AND WHERE IS THE MONEY SPENT?

Levies are voted on and approved by the Body Corporate at the Annual General Meeting (AGM) each year. They are based on budgets prepared by the Body Corporate Committee.

Just to confirm, it is the owners who vote on and approve budgets. This determines the levies they need to pay each year to maintain their building. All owners need to pay levies to contribute to the running costs of the building and its surrounds.

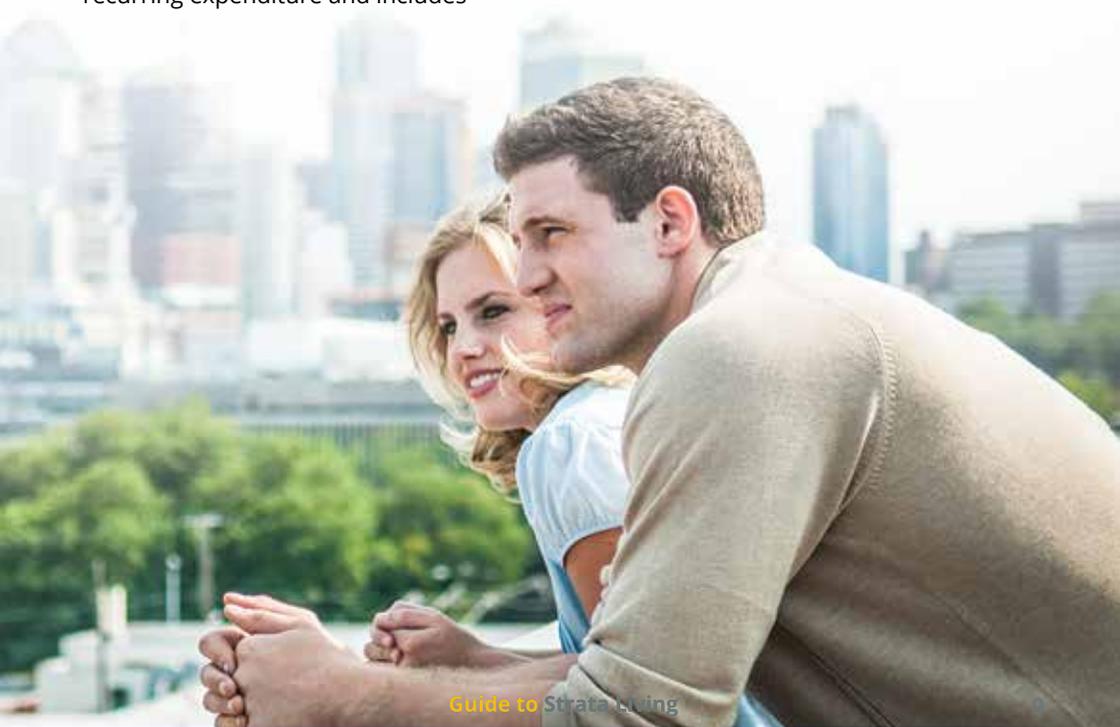
The Body Corporate Committee typically prepares two budgets for the AGM; one for the Administration Fund and a Sinking Fund.

The Administration Fund is for regular recurring expenditure and includes

payments to service contractors, management fees, insurance, utilities, ongoing maintenance and repairs and the upkeep of common property.

The Capital Works Fund is essentially a separate savings account for the Owners Corporation. This fund covers future non-recurring maintenance expenses, such as painting, or any unexpected major expenses, or the purchase of new Owners Corporation assets.

By having a healthy Capital Works fund this reduces the need to raise a 'special levy' to pay for unexpected costs. It makes good management sense.



BY-LAWS

An essential and unique part of living within a strata scheme is the necessity to follow rules, or by-laws, to ensure all residents' enjoyment of their home.

So, what is a by-law? By-laws are the rules and regulations adopted by the Body Corporate that all owners and occupiers living within a strata scheme legally must follow to live safely and harmoniously together.

Some rules are set out in legislation and these can be found in the Body Corporate and Community Management Act 1997 (the BCCM Act). Other by-laws are adopted by the Body Corporate.

Each individual strata scheme can decide on and enforce its own set of rules to suit the way its owners want to live together. It's important to understand your responsibilities and obligations.

Remember: we can advise your Body Corporate on how by-laws can be changed, or new ones created, to meet the needs of all owners.

What are some common by-laws?

Pets, parking, noise, renovations, behaviour of residents, use of common property, and smoking are common articles found in strata schemes.

By-laws can vary significantly from scheme to scheme. It's important you are aware which by-laws apply to your scheme.

Living in a strata scheme is different to owning a free-standing home. You need to check the rules first and seek permission if required. And you must abide by these rules. That relates to pets, parking, renovating your lot, noise and disturbing neighbours... and more.

For example, before you choose a furry companion to live with you, or want to rip up your carpet and replace with floating floorboards – you need to check your by-laws first to see if:

- A) your scheme permits pets and if you have approval to have one; and
- B) whether your renovation is considered cosmetic, minor or major and whether you have permission to proceed.

Remember: these rules are in place to protect all residents and to promote a harmonious environment and community.

OUR ROLE AS YOUR COMMUNITY MANAGER

Each Body Corporate is legally required to manage and maintain shared property and services. By doing so comes the responsibility of ensuring the strata scheme is compliant with strata law and regulations, and a myriad of associated laws affecting strata buildings in Queensland.

Most Bodies Corporate choose to engage the services of a professional Body Corporate management company. That's where we come in.

As appointed by your Body Corporate, we are here to effectively manage your scheme while protecting, future-proofing and enhancing your investment... your home. We understand the intricacies of strata law and stay on top of any legislation changes and updates to help make strata simple for you.

Your property has been allocated a dedicated and experienced Community Manager, supported by an Assistant, who will facilitate all requirements of the Body Corporate including:

- conducting the Annual General Meeting;
- maintaining financial records and providing various financial reports;

- ensuring the most appropriate and cost-effective insurance is provided;
- issuing maintenance accounts and payment of invoices.

That's just a few areas we manage. There is so much more to managing your scheme and there are tasks you won't see us perform behind the scenes, but you will experience the difference.

It pays to invest in an experienced and reputable Community (Body Corporate) Manager. So you don't need to worry about these complex matters and can relax and enjoy the benefits of strata living.

Role of a building manager

If applicable, the role of a building manager/caretaker includes overseeing or undertaking on-site works and maintenance of shared property and services such as heating, air conditioning, ventilation, waste disposal, lifts, garages and utilities.

CHU Underwriting Agencies Pty Ltd (CHU) created the very first strata insurance plan in Australia and started trading in Sydney in 1978.



Now 40 years on, CHU has grown to become recognised as the world's leading strata insurance specialist, underwriting more than 100,000 schemes across Australia.

CHU now offering

Contents and Landlords Insurance for Strata



Why choose CHU's Contents or Landlords Insurance for strata?



Your Excess Waived

If you and your Body Corporate both make an accepted claim for the same event and they hold a CHU Residential Strata Policy then CHU will waive the Excess payable on your Contents or Landlord Policy.



Speedy repairs

If your property incurs damage in conjunction with building damage it will be repaired quicker with initial building repairs.



Easy Claims with Fix It

The CHUiverse app and Fix It allows you to submit a claim in a few taps of your finger.



Online 24/7

CHU Contents and Landlords Insurance can be purchased quickly and easily, online 24/7.

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Before making a decision to purchase either product, please read the Product Disclosure Statement (PDS). The PDS will contain important information about the particular policy which will assist you in making an informed decision about whether to purchase the policy. You should read it carefully to decide if the product features suit your objectives, financial situation and needs before making a decision about the insurance product. The PDS can be obtained by contacting CHU or visiting www.chu.com.au. In the event of a claim under a CHU policy, whether a policy covers the losses suffered and the extent to which it does so will depend on the specific terms, conditions and exclusions of the particular policy in question and the individual circumstances of the claim. CHU Underwriting Agencies Pty Ltd (ABN 18 001 580 070, AFSL 243261) is an underwriting agency acting on behalf of the insurers: QBE Insurance (Australia) Limited (ABN 78 00 3 191 03 5, AFSL 239545).



SMARTER BENEFITS

IT PAYS TO PROTECT YOUR INVESTMENT

One of the biggest misunderstandings from strata owners is they believe much of their personal contents will be covered by their strata building insurance policy. They're not.

The confusion lies over what the residential strata building insurance covers and what is covered by your personal contents or landlords policy.

To add to the confusion, there are slight differences between the strata legislation in each state regarding what is covered as part of the building or defined as common area contents.

To help you protect your personal possessions and ably cover your investment, we've reached out to leading strata insurance specialist, CHU, and negotiated two exclusive offers for you:



CONTENTS INSURANCE
Receive 3% discount

AND



LANDLORDS INSURANCE
Receive 5% discount

Contents Insurance

Contents Insurance provides cover for personal possessions such as furniture, TV

and computers, clothing, jewellery, blinds and any of your own electrical appliances.

It also covers the financial cost of repairing or replacing your personal possessions in the event of loss or damage.

Landlords Insurance

Landlords Insurance protects you for tenant related loss/damage inside your investment property. It provides cover for accidental loss or damage to contents in your unit from events such as fire, flood or storms.

It covers items such as carpet, blinds, curtains and washing machines as well as loss of rent if the unit is unfit to be occupied. It also covers you and your investment property for malicious damage or if your tenant fails to pay rent.

Benefits of CHU's Contents or Landlords Insurance include:

- your excess waived*
- speedy repairs
- easy claims submission
- online purchasing 24/7.

*if you and your Owners Corporation both make an accepted claim for the same event and they hold a CHU Residential Strata Policy then CHU will waive the excess payable on your Contents or Landlords policy.

To enjoy these exclusive discounts, purchase now at:
smartercommunities.com.au/chu

Important Information CHU Contents Insurance and Landlords Insurance is issued by CHU Underwriting Agencies Pty Ltd ABN 18 001 580 070 (AFS Licence No: 243261), an underwriting agency acting on behalf of the insurer: QBE Insurance (Australia) Limited ABN 78 003 191 035 (AFS Licence No: 239545), and is introduced by Ernst Body Corporate Management (Ernst) Pty Ltd ABN 87 010 209 784, fully owned by Smarter Communities Limited ABN 25 065 006 859 for which Smarter Communities receives commission. For more information on the amount of the commission please refer to smartercommunities.com.au/disclosure. This exclusive discount is only applied when a policy is purchase via the unique link smartercommunities.com.au/chu.

SMARTER BENEFITS

MAKE THE MOST FROM YOUR INVESTMENT

As a property owner-investor, making the most from your investment makes good financial sense.

As you may be aware, properties depreciate due to gradual wear and tear, even if their value is appreciating. Its called property depreciation and as buildings and assets wear out over time, you can claim this depreciation come tax time.

Property depreciation is often overlooked by investors, resulting in a loss of taxation benefits to you as the owner.

As a property investor you are entitled by the Australian Taxation Office (ATO) to claim the expense of depreciation of your investment property over the years as a tax deduction.

The ATO recommends you only use a qualified Quantity Surveyor to prepare a report, a *Tax Depreciation Schedule*, to enable you to claim depreciation of your property against your taxable income.

If you haven't arranged a Tax Depreciation Schedule before, you could be missing out on entitlements that are rightfully yours to claim.

To help you put money back into your own pocket, we've asked well-established Quantity Surveying firm, Mitchell Brandtman, to offer their services at a discounted rate for you.

SPECIAL OFFER:

For just \$550 incl GST Mitchell Brandtman will prepare a comprehensive Tax Depreciation Schedule for your investment property.

That's a saving of \$110 straight away! Better still, Quantity Surveyors' fees are 100% tax deductible.

Remember: our vision is to deliver smart solutions and services to create a better lifestyle for people living in, and invested in, communities. Just like yours.

To take advantage of this discounted offer, visit us at:
smartercommunities.com.au/mb

Important Information: Mitchell Brandtman, The Trustee for Mitbrand NSW ACT ABN 38 372 658 067, is the issuer of the Tax Depreciation Schedule. This service is introduced by Smarter Communities Limited ABN 25 065 006 859 and/or its subsidiaries for which Smarter Communities receives a fee. For more information on the amount of the fee please refer to smartercommunities.com.au/disclosure. This exclusive offer is only available when a request is made via the unique link smartercommunities.com.au/mb.



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