

Submission to the review of training for licensed occupations in the New South Wales property services industry

January 2016

Executive Summary

Ace Body Corporate Management is one of Australia's largest specialised strata management companies with over 20 years' experience and over 100 franchised areas located in all states. Ace manages over 60,000 lots Australia-wide and is responsible for managing property and assets worth over \$A20 billion.

The Strata industry in Australia helps oversee, advise or manage a combined property portfolio with an estimated replacement value of over \$1.2 trillion however in most states anyone can hangout a shingle and call themselves a strata manager.

This response to the review has been prepared from a national perspective rather than purely from a state specific perspective. The principals of strata and the selling/managing of private property are the same in every state (and around the world for that matter) but the licencing and education required is not. Delivering strata education in Australia is a real challenge with different terminology and licence requirements.

NOLA stalled just as the industry was about to align with National Licencing, however this should not stop each state trying to reshape and still achieve this outcome.

Strata community management is now on the world stage, with our nearest neighbours (New Zealand, Singapore, Malaysia) all wanting to export our educational standards.

Part of the problem has been that educators, regulators, council and government have not understood the difference between the real estate sector and the strata sector and as a result has used a "one size fits all" approach to the education and licencing regime.

The reality is they are completely different sectors with differing consumer risks.

Licensing is not the panacea for protection from risk. We have already seen licenced companies fall to fraud, buildings not maintained and insurance not paid, however the count would be significantly higher if there was no licencing.

Around Australia there is strata reform happening, with each of states and territories watching to see what each jurisdiction does.

This NSW reform can only address the requirements for NSW, **but the impact of those decisions will influence** what happens elsewhere in Australia and this is an opportunity for NSW to help harmonise the licencing and education levels.

If we continue the one size fits most approach, then the aligning of the educational requirement matching the licence requirement could be brought into line with other states and territories.

For instance Victoria, which is currently unlicensed, has just posed this very important question and I would encourage the panel to extend their thinking and include this question as well when determining the final outcome:

64 *Are there benefits in aligning the eligibility requirements for an owners corporation manager to the extent practical with those of estate agents?*

Real Estate Industry – Licensee qualifications								
	NSW	VIC	QLD	SA	WA	NT	TAS	ACT
Diploma								
Cert IV								
Units of competency only			19 units					18 units

Table 1 – qualification required for a reals estate licence

From table 1 it is interesting to note that the smaller states have a higher entry bar to be a licensee for a real estate agency than the larger states where the volume of sale property values is considerably higher.

A good place to start would be for NSW & VIC to align with SA, WA, NT & TAS to make the requirement to hold a licence with the higher educational qualification for BOTH the real estate agency and the strata agency – this includes the sole trader as well as the person in effective control for corporate companies.

Align with SA, WA, NT TAS and ACT for a Diploma qualification for holding a licence for the strata company licensee.

Of course holding a licence and operating the business is one thing, seeing that you have competent staff is another. Around Australia for the real estate industry the requirements for staff working in the office are:

Real Estate Industry – staff qualifications								
	NSW	VIC	QLD	SA	WA	NT	TAS	ACT
Cert IV and or units of competency		3	7	17	6			5
Units of competency Cert III	4					2	0	

Ideally we would like to see a recognition of skill required to the strata manager from the admin support staff and suggest that anyone conducting meetings hold the CPP40516 Certificate IV in Strata Community Management and support staff the relevant units of competency CPP40516 Certificate IV from Strata Community Management (say 3 or 4).

Suggested Units would be:

- BSBRKG304 Maintain business records
- CPPDSM3017 Work in the strata community management sector
- CPPDSM3019 Communicate with clients in the property industry
- CPPDSM4045 Facilitate meetings in the property industry

Alignment for the sector in Australia however would support using a number of the units of competency from the **CPP40516 Certificate IV in Strata Community Management** as the minimum entry level for operational staff in a strata office.

Ideally the best structure that would support the operation and career pathway for the sector would be:

- Licensee – Officer in effective control – Diploma of Strata Community Management
- Licensed strata manager - CPP40516 Certificate IV in Strata Community Management and CPP50316

Certified Strata Manager – CPP40516 Certificate IV Strata Community Management
 (limited number of units of competency)

Risk Management

Unlike the other professions in the property services a mistake either accidental or deliberate, effects all lot owners in a strata community at the same time. The exposure is not limited to one person’s loss, as it is in conveyancing or sale or property management. The loss or damages claim is far higher than an individual claim.

Around Australia the primary objective of licensing is to protect consumers of real estate, business broking and conveyancing services from agent misconduct or negligence. Regulators seek to achieve this through legislating that agents be licensed, accountable and meet certain standards of professional competence.

The following licenced occupations are all part of the creation, selling and management of a strata property. NSW has already taken the step to licence strata managers, it is clear that the other states need to address this.

Related property sector								
	NSW	VIC	QLD	SA	WA	NT	TAS	ACT
Land surveyor								
Builder								
Valuer								
Conveyancer								
Property agent								
Strata agent		**						

**Registration only anyone can apply

So what are the risks in strata management?

Understanding the difference between the role of the real estate agency and the strata agency is fundamental to determining the risks to the consumer. Whist some of the risks are similar in nature to that of a real estate agency, the quantum at stake is vastly different.

1. Failure to re-new the insurance – this exposes all lot owners on the scheme to a loss.
2. Failure to manage the debt recovery process – this exposes the lot owners to special levies to “carry” the un-financial lot owners – these funds are recoverable but may cause financial hardship in the meantime.
3. Failure to disclose at point of sale of a lot – incorrect settlements for outstanding levies.
4. Failure to supervise staff adequately – inadequate business practices resulting in fraud (on the increase).
5. Failure to understand how the building works – inadequate setting up & maintaining essential service contracts, lift contracts, pool, cooling towers etc. this has resulted in loss of property and life.
6. Poor ethics – secret commissions, non-disclosure

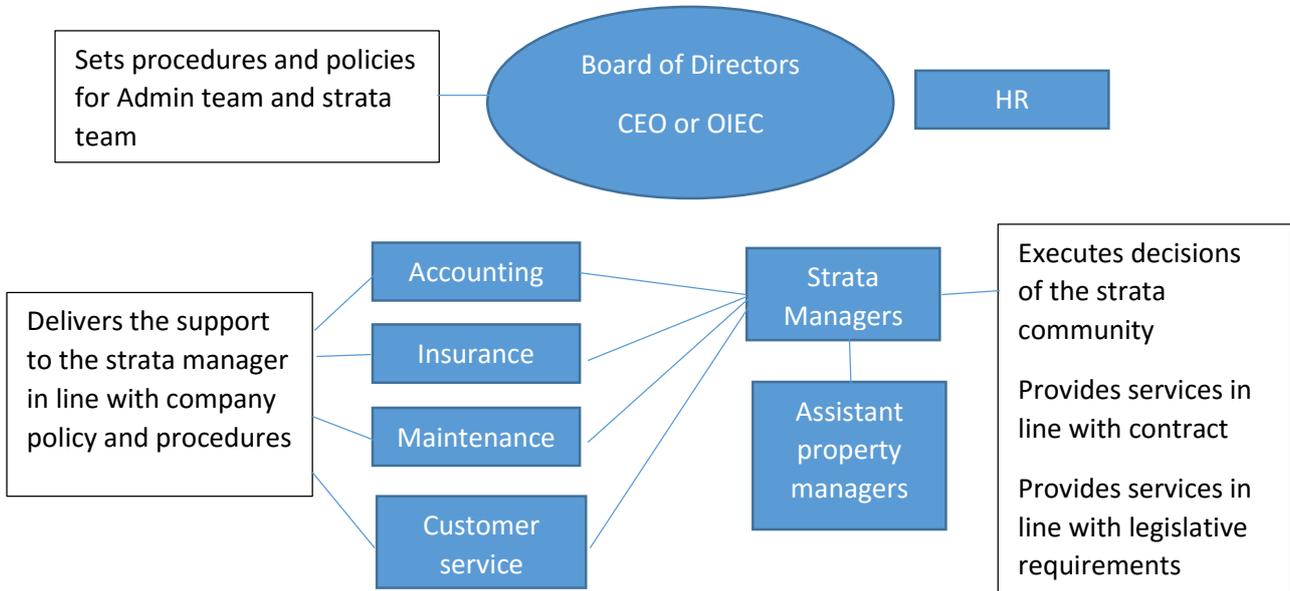
Most strata legislations require the strata company to hold professional indemnity, but some do not. Most legislated values are between \$1.5million to \$5 million.

NB: if you consider item 1 above, the PI will probably tile the foyer on each level.

Item 5 has already resulted in two deaths as the outcome.

What is the strata company business model?

Generally medium to large strata companies are set up the same way. Everything revolves around the strata manager for reporting, approval and management of issues within the strata scheme. The administrative staff support the strata manager.



In a smaller company the strata manager will do all the operations.

Experience

A franchise model is set up to recruit anyone with the finance, business acumen and drive to become a franchisee. We recruit, train and mentor a franchisee to become a capable and profitable strata management company. They are the lucky ones.

Previously NSW had a time bound qualification, this ensured that you could not just do the Certificate IV and hang out a shingle. Now that bar has been dropped, we have seen many small start-up companies.

The risk to the consumer is high, whilst the new VET courses are better than they were, nothing really prepares you for strata management like hands on job experience.

In Victoria we are seeing large international companies with no experience in strata buying up strata companies to get access to lot owners to on sell their other services.

How do we fill the gap?

There is a gap between the Licensee, the strata manager and the support staff and only two mandated categories to work with so the gap is filled with continuing professional development (CPD) and peak body (Strata Community Australia) accreditation.

Should CPD be mandated?

Yes, CPD should form part of the ongoing requirement.

All around Australia Strata Communities are subjected to over 109 Acts, Regulations and local laws all of which are in constant reform. A strata manager needs to have broad knowledge of some and some very specific knowledge of others.

Impacts from burning buildings, grass fires, tornados, hurricanes, balconies collapsing, asbestos in buildings need to be discussed and shared so as an industry we are prepared.

Strata Managers and/or strata companies are not engineers, builders, architects, lawyers, accountants or physiologists but they are required to have a broad knowledge of these areas. CPD assists with keeping that knowledge up to date and help understand the risks associated with the obligations around the management of strata committees and their common property.

The regulators should set the total number of points and mandate only two subjects to be completed every two years; Ethics and Risk Management and let the peak body deal with the balance of professional development.

Strata Community Australia is the peak body for this sector and is in an excellent position to deliver the CPD requirements for the industry.

SCA's accreditation links both qualification levels and CPD together.

Recommendations:

1. If a differentiation between the Strata Management Licensee and the Licensee in charge can be made then;
 - Licensee – Officer in effective control – Diploma of Strata Community Management
 - Licensed strata manager - CPP40516 Certificate IV in Strata Community Management and CPP50316
 - Certified Strata Manager – Four units of competency from CPP40516 Certificate IV in Strata Community Management

2. If (1) above is not possible at this stage then to align with rest of Australia;
 - Licensee –Diploma of Strata Community Management
 - Certified Strata Manager - CPP40516 Certificate IV in Strata Community Management
3. Time based requirement for Licensee only. Peak Body Accreditation program will provide the experience for the staff of the Licensee.
4. Number of CPD points required annually to be mandated and evidenced by report issued from peak body.
5. Mandatory CPD subjects limited to only Ethics and Risk Management, every 2 years.



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