Upcoming changes- new tiered system for owners corporations

New five-tier system for owners corporations
The concept of a prescribed owners corporation (OC) – that is, one that levies fees of more than $200,000 in a financial year, or consists of more than 100 lots - is being replaced with a new tiered OC system.

Under the new tiered system, larger OCs will be subject to more stringent regulations than smaller OCs.

What are the five tiers?

| Tier | Definition |
| --- | --- |
| 1 | More than 100 occupiable lots (and not a services only OC) |
| 2 | 51 to 100 occupiable lots (and not a services only OC) |
| 3 | 10 to 50 occupiable lots (and not a services only OC) |
| 4 | 3 to 9 occupiable lots (and not a services only OC) |
| 5 | 2 lot subdivision or a services only OC |

# How will the tier system work?

The tiered system will establish different requirements for committees, financial reporting and maintenances plans, depending on the size and nature of the OC.

## Committees

Tier 1, 2 and 3 OCs must elect a committee at the annual general meeting. Tier 4 and 5 owners corporations may choose to elect a committee.

OC committees must have at least three but not more than seven members, unless the OC resolves to increase the committee to a maximum of 12 members, through an ordinary resolution.

Members of committees and sub-committees also have new duties to:

* act honestly and in good faith
* exercise due care and diligence
* act in the interests of the owners corporation when performing their function
* not make improper use of their position to gain a direct or indirect advantage for themselves or anyone else.

## OC manager

Tier 1 OCs must appoint a manager, unless it opts out by special resolution.

Tier 2, 3, 4 and 5 OCs may choose to have a manager, but it is not compulsory.

## Financial statements

Tier 1, 2 and 3 OCs must prepare annual financial statements in accordance with the Australian Accounting Standards, and present them at its annual general meeting.

Tier 4 OCs must prepare annual financial statements for any financial year in which it levies annual fees.

Annual financial statements prepared under this section may be either general purpose financial reports or special purpose financial reports as defined by the Australian Accounting Standards Board.

## Audits of financial statements

At the end of each financial year:

* tier 1 OCs must have their financial statements audited by a registered or authorised auditor, or an accredited accountant.
* tier 2 OCs must have their financial statements reviewed by an independent person who is a member of CPA Australia, the Institute of Public Accountants or Chartered Accountants Australia and New Zealand.

Tier 3, 4 and 5 OCs may choose to have their financial statements audited by either method.

A written report of the audit or review must be provided to the OC. A review or audit cannot be conducted by someone with a direct or indirect personal or financial interest in the OC.

## Maintenance plans and funds

Tier 1 and tier 2 OCs must now prepare and approve a maintenance plan.

Tier 1 OCs will have 12 months after the commencement of the Act to prepare and approve a plan, while tier 2 OCs will have 24 months.

Tier 3,4 and 5 OCs may choose to prepare and approve a maintenance plan, but it’s not compulsory.

Maintenance plans can be amended by the OC by an ordinary resolution.