

COMMON DEFINITIONS

Owners Corporation

An owners corporation (formerly body corporate) manages the common property of a residential, commercial, retail, industrial or mixed-use property development.

You are likely to be a member of an owners corporation if you own a flat, apartment or unit. Your 'body corporate' became an owners corporation on 31 December 2007, when the *Owners Corporations Act 2006* came into force. This law sets out the duties and powers of owners corporations.

Multiple Owners Corporations

More than one owners corporation can be created in a subdivision of land or buildings. Common in large multi-storey buildings, commercial properties or developments that combine residential and commercial lots.

Plan of Subdivision

An owners corporation is automatically created when a plan of subdivision containing common property is registered at Land Use Victoria. Land Use Victoria registers and records owners corporation applications received either with a plan of subdivision or lodged following registration of the plan of subdivision.

Common Property

Common property is stated on the plan of subdivision and may include gardens, passages, walls, stairwells, pathways, driveways, lifts, foyers and fences. The owners corporation is responsible for the common property. The *Owners Corporations Act 2006* states that the owners corporation must, among other things, manage, administer, repair and maintain the common property.

Private Property / Lots

Property owned exclusively by an individual lot owner within a strata scheme, typically including the interior space of their apartment or unit, is known as Private Property. The plan of subdivision shows these parcels of land that can be sold separately. These are called 'Lots'.

Lot Owner

An individual or entity that owns a lot (e.g., apartment, unit) within a property development managed by an Owners Corporation.

Lot Liability

A lot's proportional share of the Owners Corporation's expenses and liabilities, often expressed as a percentage or share based on the size or value of the lot.

Lot Entitlement

The proportional voting power a lot owner has in an Owners Corporation, determining their influence in decision-making processes.

Annual General Meeting (AGM)

A mandatory yearly meeting where lot owners review the financial position, elect committee members, and discuss important issues affecting the Owners Corporation.

Ordinary Resolution

A decision made by a simple majority vote (more than 50%) of lot owners present, either in person or by proxy, at an Owners Corporation meeting. It is typically used for routine matters such as approving budgets or electing committee members.

Special Resolution

A decision that requires a vote passed by at least 75% of lot owners, often needed for significant changes like altering common property or amending the Owners Corporation rules.

Unanimous Resolution

A decision that requires 100% agreement from all lot owners, typically used for major decisions like dissolving the Owners Corporation or altering ownership of common property.

Strata or Owners Corporation Manager

A Strata or Owners Corporation Manager is a professional appointed to assist the Owners Corporation with administrative, financial, and operational tasks, including managing meetings, budgets, and compliance.

Building or Facilities Manager

A Building or Facilities Manager oversees the day-to-day operations and maintenance of a building, including managing repairs, coordinating contractors, ensuring safety compliance, and maintaining common areas to support the Owners Corporation and residents.

Committee:

The committee is elected by lot owners to make decisions on behalf of the owners corporation. It oversees management, finances, maintenance, and compliance. The committee acts as the main decision-making body and ensures the smooth running of the owners corporation.

Chairperson:

If an owners corporation does not have a committee, the lot owners must elect a member to be the chairperson of the owners corporation.

If an owners corporation has a committee, the chairperson is elected by the committee members and leads meetings, ensures meetings are conducted according to the rules, and facilitates effective decision-making. They have a casting vote if there is a tie during committee votes.

Secretary:

The secretary manages administrative tasks, such as organizing meetings, preparing agendas and minutes, handling correspondence, and maintaining records. The secretary ensures communication between the committee and lot owners is clear and timely.

The members of the committee must appoint a member of the committee or the manager of the owners corporation to be the secretary of the committee.

Subcommittee:

A subcommittee is a smaller group formed by the committee to focus on specific tasks or issues, such as maintenance or finance. It reports back to the main committee with recommendations, but it does not have the authority to make binding decisions.

Administrative Fund

A pool of money collected from lot owners through levies. This fund is used to cover the day-to-day expenses of managing and maintaining the property, such as repairs, cleaning, insurance, and utility costs for common areas.

Long Term Maintenance Fund (LTMF)

A pool of money collected from lot owners through levies. This fund is used to cover long-term maintenance of the strata scheme and/or capital works.

Tier 1 and Tier 2 Owners Corporations are required to have a Maintenance Fund and a Maintenance Plan. Other tiers may choose to have a fund and plan.

Past terminology for this fund was 'Sinking Fund'.

Long Term Maintenance Plan (LTMP)

A plan which co-ordinates the long-term maintenance of the strata scheme and/or capital works.

Levy

A **strata levy** is a financial contribution paid by lot owners to the Owners Corporation, used to cover the costs of maintaining and managing common property, such as repairs, insurance, and administrative expenses. The Owners Corporation prepares an Annual Proposed Budget which is approved at the AGM. This is used to forecast levy requirements for the year ahead, commonly invoiced to lot owners quarterly in advance.

Management Fee

The Owners Corporation Levy needs to be distinguished from the Owners Corporation Management fee.

The Owners Corporation Management fee is the payment made to a professional strata manager for providing administrative, financial, and operational services to the Owners Corporation, such as organising meetings, managing budgets, and ensuring compliance with legal requirements.

It is just one of the expenses that make up the total expenses of the Owners Corporation, outlined in the Owners Corporation annual budget, and then divided up to be paid amongst all owners by way of Levy invoices throughout the year.
