



your guide to
OWNING IN A BODY CORPORATE





your guide to **BODY CORPORATE**

Congratulations on purchasing in a body corporate community.

Whether it's your first property, or your fifth, this environment will allow you the privacy and space of your own home, with the security and collective benefit of shared facilities and communal living.

Our **Guide to Owning in a Body Corporate** will help you understand the basics of a body corporate - including how levies are set, what they contribute to, and the role of the body corporate manager.

We encourage you to familiarise yourself with the scheme's by-laws, get to know your committee members, and have a voice in the running and future of your building.

If you have any general body corporate questions, head over to the **BCsystems' website** where you'll find an extensive library of content.

Here we simplify the complex world of body corporate by providing the knowledge and tools necessary to make informed decisions about the community you live in.

STRATA OR BODY CORPORATE?

Often you'll see the words *body corporate* and *strata* used interchangeably, and can even be referred to as the owners' corporation in some states.



[Click here to learn more about BCsystems and visit our extensive content library.](#)

what is a **BODY CORPORATE?**

A body corporate is the collective term for the legal entity created and is made up of all owners within a **community titles scheme (CTS)**.

It can also be known as a strata-titled scheme - the structure that **allows individuals to jointly own, manage, and pay** for shared areas of a development. The sole purpose of the body corporate is to manage and operate the development for which it was created.

A body corporate has the following legal obligations:

- Maintenance of common property
- Accounts management
- Record keeping
- Compliance
- Insurance
- Governance and management
- Taxation

All **owners are automatically members** of the body corporate. Membership is not optional and comes with obligations like paying levies, however, participation in the running of the body corporate or its decision-making process is optional.



[Click here to learn see our FAQ section on body corporate basics.](#)



body corporate TERMINOLOGY

Body Corporate Lot - is the technical term for a unit or townhouse within a community title development.

A lot is the physical property that is bought and sold, and each lot is formally identified by a number in both the community management statement (CMS) and survey plans (SP).

You automatically become a lot owner when you buy into a body corporate development.

Community Management Statement (CMS) - is a document containing the essential body corporate information for your scheme. It is registered with the Queensland Land Titles registry, and it can be updated if the body corporate decides to make a change. It includes:

- The body corporate's legal name
- What legislation applies to the body corporate
- What lots are included in the body corporate
- The lot entitlements and totals for each lot
- Any exclusive use areas allocated to the lots
- Any statutory easements over the body corporate scheme land

Common Property - is all the area of the land and buildings not included in any lot. It is jointly owned by all owners, and the body corporate is responsible for its management.

The boundaries of each lot and all common property are defined in your community management statement and survey plans.

Contribution Schedule Lot Entitlements (CSLE)

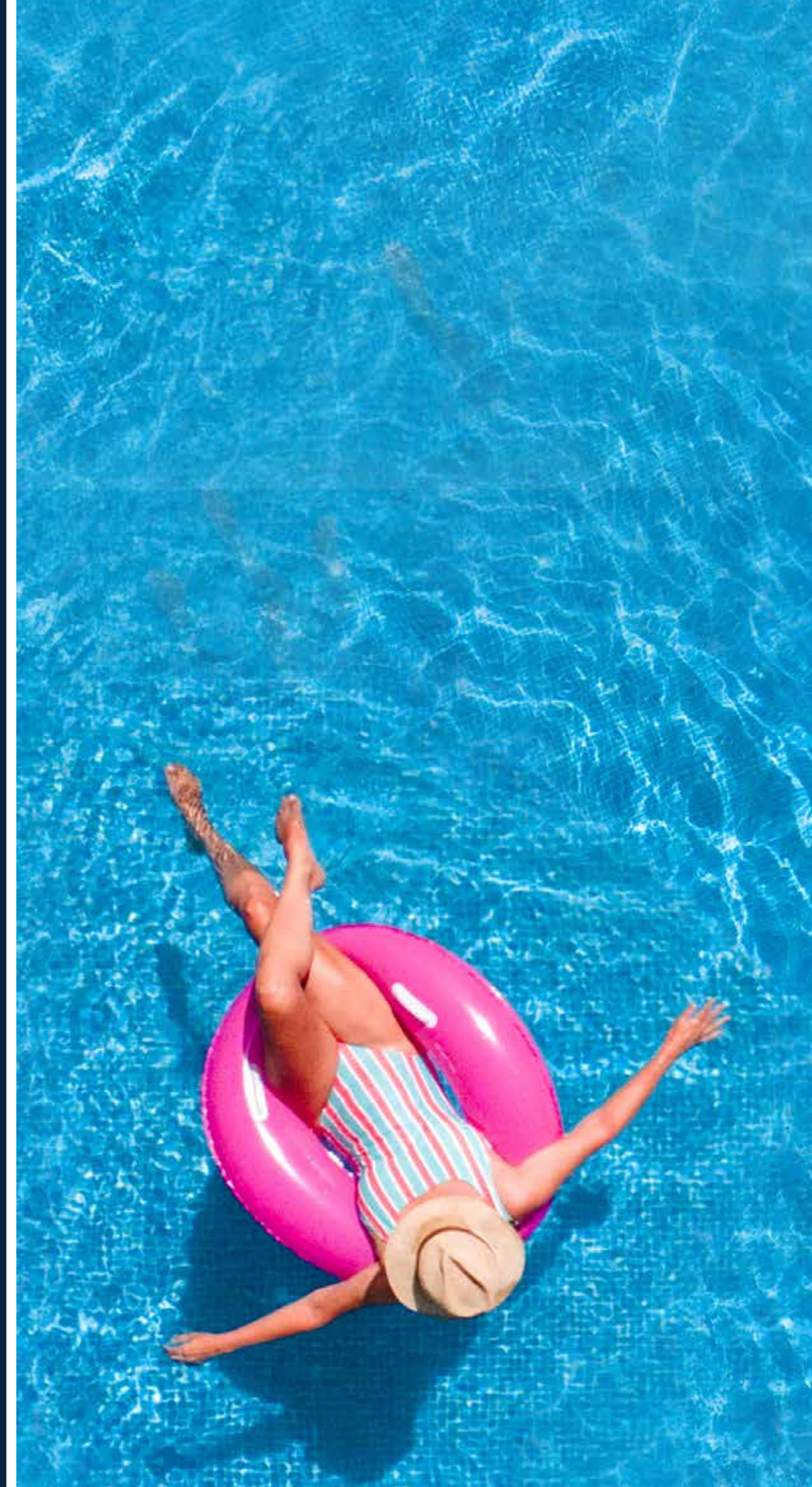
The CSLE allocated to each lot in the CMS is the index or number used to apportion each lot owner's share when it comes to paying contributions towards the administrative and sinking fund.

The CSLE is also used to determine the share an owner is obligated to pay if special levies are required.

Lot entitlements are determined by the size and value of the lot, access and use of amenities, facilities or assets and any other impact by the lot to common property.

For example, in a high-rise apartment complex where there are lifts, the ground floor unit owner who does not require the lift will have a lesser entitlement than the owner who lives on the top floor who requires the use of the lift.

Interest Schedule Lot entitlements (ISLE)- The ISLE allocated to each lot in the CMS is the index or number used to apportion each lot owner's share when it comes to paying contributions towards the insurance levies (only where the CSLE and ISLE are different). Where the CSLE and ISLE are the same, separate insurance levies are not required.



[Click here to read our 'industry jargon' post and understand more about body corporate.](#)



the role of the **BODY CORPORATE MANAGER**

Each body corporate is legally required to manage and maintain the shared property and services of the scheme and ensure it is **compliant with all of Queensland's strata laws**.

This takes time, experience, and an intimate understanding of the complex legislation that governs strata in Queensland. That's why most bodies corporate choose to **engage the services of a professional body corporate manager**.

The tasks and responsibilities of the body corporate manager vary, depending on the scheme and the agreement, but generally this role covers:

- Guiding and supporting the body corporate committee
- Preparing all documents and meeting paperwork
- Financial management including opening and operating bank accounts, issuing levies, creditor payments and preparing financial statements.
- Coordinating other services like the ATO or legal support
- Dealing with lot owner enquiries
- Record keeping



[Click here to read our article 'why partner with a professional body corporate manager?'](#)

the role of **THE COMMITTEE**

The committee is a smaller group of body corporate members, elected for a 1-year term by vote at the body corporate's annual general meeting (AGM).

The committee's role is to **manage the administrative and day-to-day running of the body corporate, make decisions on behalf of the body corporate, and put the lawful decisions of the body corporate into place.** All decisions are binding and apply to all lot owners in the scheme.

The body corporate manager and the building manager/caretaker are also non-voting members of the committee. This allows them to perform an advisory and support role without voting on the decisions.

The body corporate **must elect a committee each year at the AGM.** If it fails to do so, then the body corporate must appoint a body corporate manager to take over the management in full - similar to a company going into administration.

Committee members are also usually lot owners within the scheme. This means the **people making the decisions also have a vested interest** in the future of the building and its management.

As long as your levy contributions are paid up to date, all lot owners are eligible to join the body corporate committee.

The roles within the body corporate committee are:

Chairperson

The chairperson chairs the body corporate meetings, and is a signatory on important documents. The body corporate manager can also run meetings on behalf of the chairperson.

Secretary

The secretary is responsible issuing and receiving documents, counting votes, and is a signatory on important documents. The body corporate manager can carry out most of the legal functions of the secretary.

Treasurer

The treasurer is responsible for overseeing the body corporate's financial business. The body corporate manager can carry out most functions of the treasurer.

Ordinary committee member

Ordinary committee members have a vote on committee matters but do not have any other special or executive functions.



[Click here to watch our video on the 'role of the body corporate committee'.](#)

the role of **THE CARETAKER**

Some buildings will have a building manager, often called the **on-site manager or caretaker**. This role can be based on-site in a full-time capacity, or off-site with regular attendance to carry out their physical duties.

The building manager **will have a separate contract** - known as the management or caretaking agreement, and is paid by the body corporate and accountable to the body corporate committee.

Their role is to:

- Maintain the common property. Tasks like cleaning the pool or BBQ area, and maintaining the gardens.
- Maintain and supervise other service contracts including fire safety equipment, lifts and pool pumps.
- Assist the committee to monitor by-law compliance.
- Carry out minor repairs to the common property.
- Dealing with lot owner enquiries.

Each caretaking agreement differs from scheme to scheme. To understand what duties and their frequency your caretaker is required to undertake, review the duties schedule in their agreement.

the role of **THE LOT OWNER**

Living in a body corporate community offers owners a unique and enjoyable experience, provided they actively engage in the community's rules and practices.

The two most critical roles of the lot owner are **paying their levy contributions on time**, and **abiding by the scheme's by-laws**. These, combined with tolerance and respect for small-space living are pivotal for a positive community atmosphere.

While not compulsory, we recommend getting to know your body corporate committee and taking an interest in the property - report any common property maintenance, read the minutes from all meetings, and vote.





DO I HAVE TO PAY MY LEVIES?

The body corporate is legally obligated to recover all levies from lot owners, as these funds are essential for covering the operational costs of the property..

what are **LEVIES?**

Body corporate contributions, generally called levies, are the payments made by all lot owners **towards the maintenance and upkeep of the common property, and the ongoing operation of the body corporate.**

All lot owners must pay annual levies into a separate bank account in the name of the body corporate. These funds are under the control of the body corporate committee, not the body corporate manager, however it is the body corporate manager who generally administers and maintains them.

There are three types of contributions payable:

- Administrative fund levy contribution
- Sinking fund levy contribution
- Insurance fund levy contribution

The amount each lot owner pays in levies is determined by the CSLE and ISLE which can be identified in the CMS.

how are **LEVIES SET?**

The levies are set at the AGM each year where all owners have the opportunity to vote on what is proposed.

Setting the levies is a relatively simple process. The committee and body corporate manager work together to **prepare a budget for the upcoming year's expected operational costs**, taking into account whether last year's costs were over or under budget.

The budget is then divided by the total number of lot entitlements and assigned to each lot owner based on their entitlements.

There is **no profit margin on levies**. If your body corporate comes in under budget, the savings are rolled forward to offset next year's levies. If they go over budget, the difference must also be made up in the next year's levies.

what is the SINKING FUND

The sinking fund is the body corporate's long-term savings fund. Owners pay each year as an ongoing contribution to the future cost of repairing or upgrading major components within the building and common property.

These include:

- Painting the exterior of the building
- Roof replacement
- Pool resurfacing
- Replacing or upgrading a lift
- Purchasing new equipment for the gym

Given the complexity of calculating the sinking fund, these levies are usually set by an independent expert. Every 5 years the body corporate engages a quantity surveyor to inspect the property and provide an estimate for all capital expenses likely to arise in the next 15 years. It considers the future cost of each item and estimates the remaining life span of the existing ones, providing a report called the sinking fund forecast.

The sinking fund forecast includes the levy amount required each year to meet the savings target for those capital expenses or works to be completed when they are due.

what is the ADMINISTRATIVE FUND

The administrative fund pays for the annual operating costs of the body corporate.

Think of this as a 'running costs' fund, including things like:

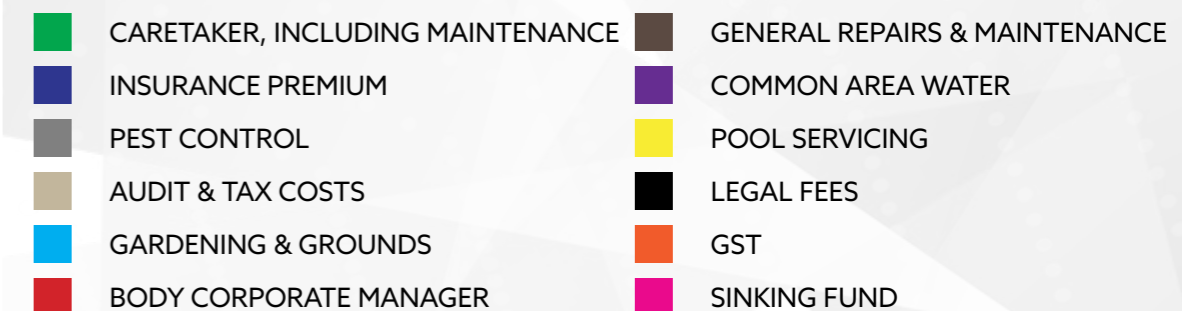
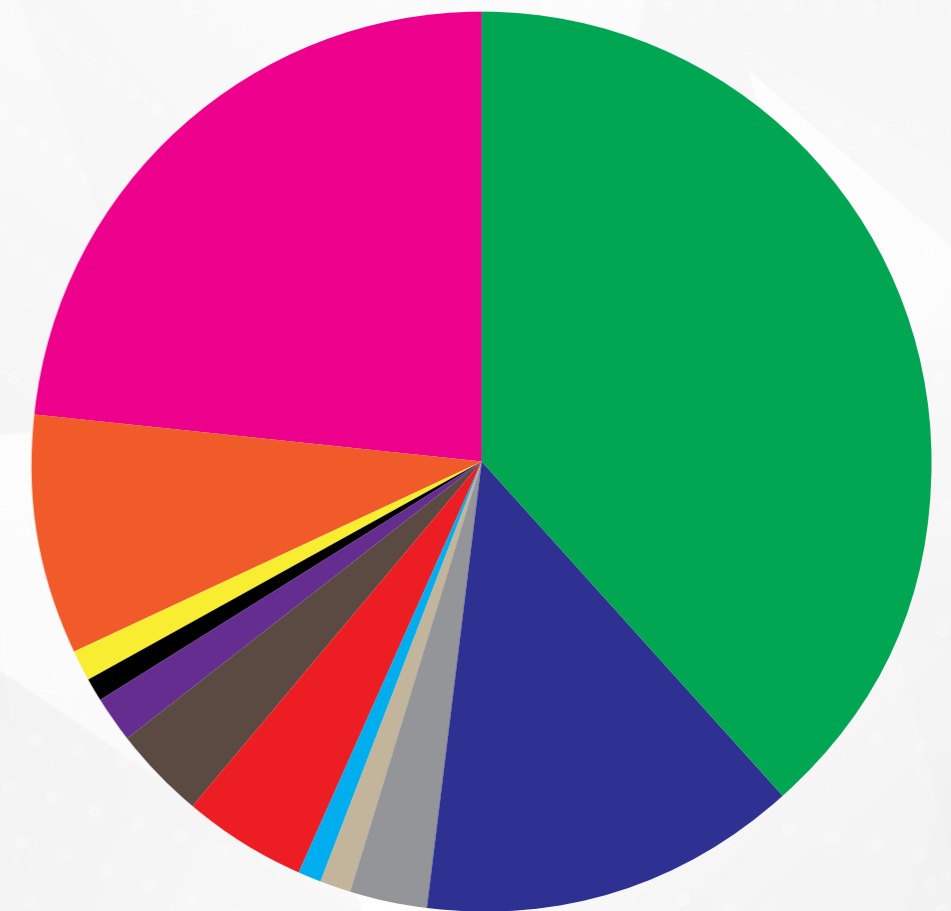
- General repair and maintenance
- Insurance
- Service contractors - eg the body corporate manager or caretaker
- Common area utility costs - eg electricity, gas and water
- Audit and taxation
- Legal costs

The administrative fund budget is set by the body corporate committee, in conjunction with the body corporate manager, based on the projected operating costs for the coming year.

This chart illustrates **how levies are calculated and allocated** in an average body corporate scheme.

For developments that are larger or smaller than average, the total costs change but the proportion per owner is usually similar.

If your body corporate does not have a caretaker, this cost is usually replaced by separate gardening, cleaning and maintenance contractors.



body corporate BY-LAWS

The body corporate is regulated in two main ways:

- Legislation
- By-laws – the internal rules for each body corporate

By-laws regulate what can and cannot happen inside the community titles scheme, and cover a wide range of topics:

- Changes to each lot's external appearance
- Parking
- Renovations of lots
- Rules for using the shared recreation areas
- Pet ownership
- Speed limits on the shared driveways
- Opening times of the shared facilities
- What plants can be grown in the courtyards

By-laws are originally decided by the developer, but the body corporate has the power to change them through a democratic voting process.

Complying with the body corporate by-laws is compulsory and they apply equally to owner-occupiers, tenants, and visitors.

If a by-law is unsuitable or unpopular, owners can submit a motion to their body corporate to change the by-law in question.



Read our article on enforcing body corporate by-laws here.

