



JOHANNESSEN LEGAL

# COMMITTEE HANDBOOK

## ABOUT THIS HANDBOOK

Johannessen Legal has developed this Handbook to assist you in the management of your Body Corporate or Owner's Corporation committees.

**THIS IS NOT LEGAL ADVICE.** This guide is provided as general information only.

The task of running a community is never without challenges, however with good processes and procedures in place, as well as an understanding of each member's roles and responsibilities, the management of a committee should not need to be unnecessary stressful or difficult.

## CONTENTS

---

1	THE CHAIRPERSON.....	4
1.1	What does the role involve?.....	4
1.2	Tips on being an effective Chairperson .....	4
1.2.1	RELY ON EXPERT ADVICE.....	4
1.2.2	DELEGATE TO YOUR OTHER COMMITTEE MEMBERS .....	5
1.2.3	COMMUNICATE WITH OWNERS .....	5
1.2.4	KNOW YOU CAN'T SOLVE EVERYTHING IMMEDIATELY .....	5
1.2.5	TAKE ON CHALLENGES ONE AT A TIME .....	6
1.2.6	TAKE A STEP BACK TO THINK ABOUT THE BIGGER PICTURE .....	6
1.2.7	SEPARATE "CHAIRPERSON" LIFE AND HOME LIFE .....	6
1.2.8	HAND OVER THE REINS WHEN YOU ARE READY .....	6
2	THE TREASURER .....	7
2.1	What does the role involve?.....	7
2.2	Tips on being an effective Treasurer .....	7
2.2.1	USE YOUR STRATA MANAGER.....	7
2.2.2	TRACK SPENDING.....	7
2.2.3	UNDERSTAND INCOMES.....	8
2.2.4	CONSIDER THE PURPOSE OF LEVIES.....	8
2.2.5	GIVE OWNERS CONFIDENCE.....	9
3	THE SECRETARY .....	10
3.1	What does the secretary role involve? .....	10
3.1.1	Meetings.....	10
3.1.2	General .....	10
3.2	Tips to being an effective Secretary.....	11
3.2.1	OUTSOURCE TO AN EXPERT .....	11
3.2.2	BE AWARE OF POTENTIAL DISPUTES .....	11
3.2.3	CONSIDER TIMING.....	11
3.2.4	KEEP COMMITTEE DISCUSSION ON TRACK .....	11
3.2.5	ASK QUESTIONS.....	12
4	ORDINARY MEMBER .....	13
4.1	What does the role involve? .....	13
4.1.1	PARTICIPATE.....	13



COMMITTEE HANDBOOK

4.1.2 TAKE ON A PROJECT .....13  
4.1.3 CONSIDER SUB-COMMITTEES ..... 14  
4.1.4 BRING PERSPECTIVE ..... 14  
5 CONCLUSION.....15



## 1 THE CHAIRPERSON

---

The chairperson of the body corporate often plays a leading role in the committee and the body corporate community more generally. It is a volunteer position which can be very rewarding, but also can take an investment of time and effort from the member. Owners who become elected as chairperson often come into the role with:

- a. A professional leadership background (e.g. school teacher, police officer, business owner)
- b. A strong vision for the body corporate community
- c. Leadership skill on a particular project (e.g. major renovations for the building)
- d. Experience in other chair roles (e.g. sports club, professional association, school, PCYC)
- e. Sometimes – just because no other owners put their hand up for the job

Even though the role often attracts good leaders, there are no pre-requisites for the job. Every new building needs a chairperson, and every chairperson has a first time in the role.

### 1.1 WHAT DOES THE ROLE INVOLVE?

The role of chairperson under the legislation is actually a very specific and simple one. The chairperson 'chairs' or runs the body corporate meetings and has a power to sign documents on behalf of the body corporate.

In reality however, the chairperson generally:

- a. Works closely with the body corporate manager
- b. Works closely with the on-site manager or caretaker (if applicable)
- c. Leads the general agenda for the committee
- d. Leads the conversations in committee meetings
- e. Delegates specific projects to committee members to work on
- f. Speaks at the AGM to give owners a general overview of the activity of the committee

These are not formal requirements of the role of chairperson, however they are a pretty accurate summary of the usual role. Naturally each body corporate is different, and the amount of work often depends on the size and complexity of the individual body corporate and also on the particular projects or objectives for that year.

### 1.2 TIPS ON BEING AN EFFECTIVE CHAIRPERSON

#### 1.2.1 RELY ON EXPERT ADVICE

As chairperson, you are not expected to know everything about body corporate management and about your building. Think of yourself as a coordinator of experts. It is perfectly reasonable to ask your strata manager, on-site manager, lawyer and other consultants for lots of advice and support, as much as you think is beneficial for the owners as a whole.

Expert advice does not come for free, but when you engage expert advice:

- a. The burden on you personally is reduced,



- b. All owners share a small percentage of the cost, instead of one person
- c. being burdened with the workload,
- d. The outcomes should be better – experts are experts for a reason,
- e. You will naturally take a guiding and coordinating role.

Think of this example - either you spend 2-hours researching a particular topic and coming up with advice, or each owner contributes \$3.00 in their levies to engage a lawyer for one hour to give an expert answer on the same topic. Consider which one of those outcomes better serves the interests of all owners in the long term.

### **1.2.2 DELEGATE TO YOUR OTHER COMMITTEE MEMBERS**

The chairperson's role may be one of leadership, but it should also involve delegation. If at your committee meeting the committee agrees to work on two or three topics for the next meeting, you might ask the other committee members to pair up to work on progressing those topics for the next meeting.

Often committee topics stagnate because nobody really wants to put their hand up and assert that they will do a better job than others. Most committee members are quite capable of working on getting quotes for a project, with the assistance of the building manager or strata manager.

It can be as simple as the chairperson assigning groups and setting an expectation that those groups will have something to contribute for the next meeting. Generally, committee members respond very well to being given a task to do.

### **1.2.3 COMMUNICATE WITH OWNERS**

In some schemes, owners can become disgruntled with the lack of progress on a particular topic. If an owner has not been on the committee before, they may not appreciate the time and complexity that can be involved in a project (for example painting in a townhouse complex).

Often a lot of discussion, thinking and planning happens in between committee meetings, and owners often do not get a sense of that happening as it is not visible progress.

It is important for the committee and body corporate to keep owners on-board with the committee's agenda.

Sometimes the best approach is for the chairperson to put out a note or newsletter (or even just an email) summarising the projects that the committee is working on and giving some direct personal feedback on the work and time commitment involved. Often owners will receive this type of communication quite differently if it comes from a volunteer-chairperson rather than the strata manager or on-site manager.

### **1.2.4 KNOW YOU CAN'T SOLVE EVERYTHING IMMEDIATELY**

It can be frustrating if within your first 3-months on the committee, you have not ticked several items off your project list. Often, body corporate decision making is naturally fairly slow, and there are processes in the law that ensure all owners are given ample opportunity to be involved in nearly every decision.

Even excellent committees very rarely see immediate improvements from their actions. If for example your committee decides to work on a problem with visitor parking, it can take several months of commitment and reiterating messaging in the community before things start to improve.



This is again where communication with owners and reiterating the goal is important.

#### **1.2.5 TAKE ON CHALLENGES ONE AT A TIME**

Some projects take a lot of planning, and a focus to keep progressing those to a resolution. When faced with 2 or more important objectives, it may be a better long-term outcome if you deal with those one at a time, instead of progressing them together.

This of course depends on a range of factors including the cost of the work and how it will be funded. It is worthwhile having a planning discussion with your committee members and strata manager at the start of each year, so everyone is on the same page about the goals for the year.

Having too much on your plate can make it harder to get anything done.

#### **1.2.6 TAKE A STEP BACK TO THINK ABOUT THE BIGGER PICTURE**

It can be tempting to get distracted by new issues as they arise. Some projects are much more important to the overall viability of the community than others. For example, a deteriorating roof may not get as much attention as a unit having constant parties, but only one of those is likely to increase in significance and cost if it is not addressed immediately.

It can be difficult to quarantine what gets the committee's attention first, and what can be managed by others in the meantime, for example by the on-site manager.

#### **1.2.7 SEPARATE "CHAIRPERSON" LIFE AND HOME LIFE**

This one is for all chairpersons, but particularly if you also live in the community that you are serving. Many of us learned the value of home/work separation during 2020.

Even if you are a very active chairperson, you are still entitled to a home life and to 'switch-off' from your chairperson duties. Remember that you are not under any obligation to respond to all owners or take up all issues immediately.

If you are walking home from dinner on Saturday night and notice a tree branch overhanging the body corporate fence, that will likely still be there on Monday. Enjoy your weekend and put some time aside at a time that suits you to focus on your chairperson duties.

#### **1.2.8 HAND OVER THE REINS WHEN YOU ARE READY**

If you took on the role because of a particular interest or skill set and then you completed that agenda, consider if it is time to move to a different position.

New owners are coming into your body corporate community all the time, and someone else may bring a different perspective and renewed passion for the role.

Often members start on the committee as an ordinary member and demonstrate the qualities of a chairperson – you might enjoy the break from leadership and taking on a mentoring role from a different position.



## 2 THE TREASURER

---

The treasurer of the body corporate often plays a leading role in the committee and the body corporate community more generally. It is a volunteer position which can be very rewarding, but also can take an investment of time and effort from the member.

Owners who become elected as treasurer often come into the role with:

- a. 1. A professional financial or accounting background
- b. 2. A good understanding of the numbers
- c. 3. A commitment to being an active participant in the committee governance
- d. 4. Sometimes – just because no other owners put their hand up for the job

Even though the role typically attracts individuals with a particular skill or passion for numbers, there are no pre-requisites for the job. Every new building needs a treasurer, and every treasurer has a first time in the role.

### 2.1 WHAT DOES THE ROLE INVOLVE?

The requirements of financial management must be managed by the body corporate committee, but not specifically by the treasurer; more often than not, the financial management is assigned to your body corporate or owner's corporation manager, with the treasurer generally taking a supervisory and reporting role on these functions.

### 2.2 TIPS ON BEING AN EFFECTIVE TREASURER

#### 2.2.1 USE YOUR STRATA MANAGER

With the increasing size, complexity and sophistication of body corporate communities, it would be functionally impossible for a volunteer treasurer to properly administer all of the financial functions of a body corporate.

In the 1990s, it was very rare for bodies corporate to operate beyond a typical group of 6 apartments. Now it is increasingly common for bodies corporate to operate annual budgets exceeding \$1Million.

Your body corporation or owner's corporation manager should have an accounting department which manages these functions in conjunction with the individual strata manager, overseen by the Treasurer and Committee.

#### 2.2.2 TRACK SPENDING

Whilst your strata management team may be experts in their field, there is no replacement for 'on the ground' knowledge of what is happening at your body corporate scheme.

It is best practice for the treasurer to approve all outgoing creditor payments, to ensure that the body corporate is paying accurately for the work it has undertaken. You can leave the GST considerations to our accountants, instead focus on whether the work has been done and the payment can be released.

The treasurer generally undertakes this function jointly with the caretaker or building manager.



Most management companies offer a no-cost online invoice approval system which allows the relevant approver authorities to conveniently view and approve invoices online before payment.

If you approve each invoice before it is paid, that will enable you to have confidence about the financial statements, and a good background knowledge of the type of expenses your body corporate incurs.

### **2.2.3 UNDERSTAND INCOMES**

Bodies corporate generally have multiple income streams, which are reported on separately, and often have different taxation treatments:

#### **2.2.3.1 Levy income**

This is always the main type of funding for a body corporate. Levy income is set by the body corporate and collected from each lot owner. This is mutual income, meaning it is not considered a taxable income or 'profit' when the body corporate reports income tax. Levy income is reported on an accrual basis, with any levy arrears or levy pre-payments by owners shown as assets shown on the balance sheet.

#### **2.2.3.2 Investment income**

Generally, most bodies corporate have one or more term deposit income accounts. Income generated on term deposit investments is non-mutual income derived from a body corporate asset (money), and this is reportable income for the body corporate when it comes to income tax time.

#### **2.2.3.3 Other income**

The increasing sophistication of body corporate schemes means income sources are also increasingly diversified.

Whilst a body corporate is legally barred from conducting business activities as a substantial function, a body corporate is entitled to receive other income to offset body corporate expenses, such as renting out car spaces on community title land or allowing a third-party operator to provide a good or service on-site and collecting royalties or rent, such as a parking company managing the visitor's parking area.

### **2.2.4 CONSIDER THE PURPOSE OF LEVIES**

We often see committees aiming to 'keep levies as low as possible'. Is that really the goal?

Certainly, when considering many of the individual costs by a body corporate, such as possibly pool servicing, the goal is to achieve the best service outcome at the lowest cost. In other words, to get value for money.

Body corporate levies also serve a 'savings' purpose – by putting money away into the sinking fund to provide for future capital repairs and building improvements.

Unlike fine art and wine, buildings do not get better with age. Even a premium building starts to show its age as new developments go up around it – the best way to combat that gradual decline in appeal is by maintaining and improving your building.

Whilst owners certainly appreciate low levies in the short term – reducing levies does not do anything to your costs, many of which are fixed costs.

Fixed costs that are not covered by levies often require special levies or loans, both of those quickly un-do the benefits of low levies.





It is always best to:

- a. Think first about value for money in your services and building repair and improvement projects;
- b. Set levies to achieve those goals;
- c. Communicate this methodology to owners.

### **2.2.5 GIVE OWNERS CONFIDENCE**

By now you probably gather that body corporate financial management is complex. The body corporate has an obligation to give copies of financial statements to owners each year – but that alone does not do a good job of communicating your goals, priorities and challenges.

Great treasurers often:

- a. Write a cover note about the financials, budgets and levies to send out with the AGM papers; and
- b. Make some comments at the AGM for owners who are in attendance

This does not need to be an onerous task, and if you have generally kept up to date with the financial throughout the year, you might be confident to speak off the cuff at the meeting.

This is something that your strata manager can help you to prepare. They can assist with a record of what big projects or goals you have achieved, changes to your sinking fund forecast, general levy trends across other similar buildings and really assist you to brainstorm the best way to communicate with your owners.

In our experience owners are much more willing to accept budgets and levies if they hear from the treasurer that some thought and work went into setting them, and that the levies are not an arbitrary decision.



## 3 THE SECRETARY

---

The secretary of the body corporate often plays an organisational and generally administrative role in the committee and the body corporate community more generally. It is a volunteer position which can be very rewarding but also can take an investment of time and effort from the member.

Owners who become elected as secretary often come into the role with:

- a. A desire to get things right
- b. General leadership background
- c. Business or other committee experience
- d. A commitment to being an active participant in the committee governance
- e. Sometimes – just because no other owners put their hand up for the job

Even though the role typically attracts individuals with a particular skill, there are no prerequisites for the job. Every building needs a secretary, and every secretary has a first time in the role.

### 3.1 WHAT DOES THE SECRETARY ROLE INVOLVE?

The secretary has a very long list of duties, many of which can require a high degree of organisational skill.

Here are some examples of the secretary's responsibilities:

#### 3.1.1 Meetings

- a. Call meetings
- b. Set the agenda
- c. Issue meeting agendas and voting papers
- d. Manage a list of persons entitled to vote
- e. Record all proxy forms
- f. Receive and collect returned voting papers
- g. Count votes
- h. Manage committee election ballots
- i. Record meeting minutes
- j. Issue minutes to owners

#### 3.1.2 General

- a. Invite committee nominations
- b. Keep all body corporate records
- c. Make records available for inspection
- d. Maintain the owner roll
- e. Send all outgoing correspondence
- f. Receive all incoming correspondence
- g. Sign documents



## **3.2 TIPS TO BEING AN EFFECTIVE SECRETARY**

### **3.2.1 OUTSOURCE TO AN EXPERT**

As the list above demonstrates, the secretary's duties are intensely supported by the strata management company.

The trend towards larger body corporate developments with more lots means the secretary for a 100 lot building is doing 5 times the work of a 20 lot building. A strata manager enables the secretary to exercise a decision-making function, with the resulting action to be executed by the Strata manager's administration team.

It would be functionally impossible for a volunteer secretary to properly administer all of the functions of a body corporate in accordance with the law, without assistance.

### **3.2.2 BE AWARE OF POTENTIAL DISPUTES**

The secretary's function is often the first line of defence against disputes between owners and the body corporate. It is inevitable that through the body corporate's democratic voting process to make decisions, that some owners may strongly disagree with the outcome of some decisions. In buildings with significant caretaking or on-site management agreements, there can be millions of dollars at stake based on the outcome of an AGM motion.

In these hotly contested disputes, often the first line of attack by an owner or solicitor is against the voting process itself, for example:

- a. Arguments that meeting paperwork was not received or distributed correctly
- b. Voting papers not meeting stringent requirements
- c. Owners not all treated consistently
- d. Ballot processes being corrupted by influence

Careful management of meeting timing, notices and voting processes is required to minimise this risk. Whilst your strata manager's advice and work may seem unnecessarily involved or complicated, they are aware of the key role they play in assisting committees to minimise this risk, and a Secretary should be involved in the process to ensure risk is minimised.

Accurate administrative processes protect the integrity of the body corporate and committee's decisions, which is very important for the long-term success of a strata community.

### **3.2.3 CONSIDER TIMING**

On the same theme as the point above, timing is very important in strata meeting administration and issuing documents.

Technically any committee action or decision needs to be made at a committee meeting, which involves a notice period leading up to the decision, and a requirement to distribute minutes.

Remain in contact with your strata manager and ensure you have a calendar of the appropriate deadlines, dates for meetings and AGMs.

### **3.2.4 KEEP COMMITTEE DISCUSSION ON TRACK**

Emails are a way of life for committees, and they serve an important purpose of allowing committee members to discuss issues without the need for formal meetings. Emails can however venture off-topic quickly and can sometimes be like following a trail of breadcrumbs through the woods.



Given that the secretary's role is really the official spokesperson of the committee, we recommend that the committee act to draw focus back to the issue at hand and try to guide the committee towards making a clear and concise decision about a particular topic. Below are some ways you can refocus the committee towards decision making:

*"I see there are a few different opinions presented on how to deal with this topic. There seems to be some general consensus that we deal with this matter by [taking some action]."*

*"Can each committee member please respond to this email with a YES or NO vote about whether you agree to proceed with this course of action"*

In a formal meeting the chairperson and strata manager can assist with this guidance, however committee emails are often exchanged in the evenings or not including the strata manager.

Some guidance by the secretary in this area can result in faster and more clear decision making, so that the committee members know what action will be taken, and that can be communicated clearly to the caretaker/building manager or to the strata manager.

### **3.2.5 ASK QUESTIONS**

If you are unsure about something, don't be afraid to ask questions. These processes involving the secretary are fairly routine to a strata manager, but it is helpful if the secretary is generally aware of the body corporate's work in progress.



## 4 ORDINARY MEMBER

---

The committee members are the bread and butter of the committee.

Whilst the chairperson, secretary and treasurer have special roles in the committee, other committee members are equally important to the operation of a committee. It is a volunteer position that can be very rewarding but also can take an investment of time and effort from the member.

Owners who become elected to the committee generally have an interest in contributing to the success of the scheme as a whole and an interest in decision-making.

### 4.1 WHAT DOES THE ROLE INVOLVE?

Committee members vote – that’s the short answer.

All committee decisions are made by a simple majority vote out of the committee members, so it is important for the functioning of a committee that each member gives a vote. The most common complaint from our clients is that the committee process is slow and difficult due to a general lack of interest by the owners. Luckily, this is an easy problem to solve.

#### 4.1.1 PARTICIPATE

It might seem obvious, but this is the single most important obligation for committee members.

If the committee has a committee meeting – attend the meeting! If the committee arranges a voting paper to make a decision outside a meeting – vote!

Voting dynamics can mean it is very difficult for committees to make decisions without 100% voting.

For example: if the committee has 6 members, at least 4 of them must approve any motion outside of a committee meeting. If there is a difference of opinion, and if two members just don’t participate, it is impossible to make decisions.

The legislation relies on every committee member participating in every vote.

#### 4.1.2 TAKE ON A PROJECT

If you are a committee member with a passion for interior design or renovation you may consider putting your hand up to take the lead on that project that the committee is considering. Whilst some projects might be delegated to the caretaker or building manager, often each project needs some input or guidance by a committee member and owner in the building.

Whilst the decision will still be made by the committee, you can do the research on paint colours, lobby furniture, and light fittings and then present your recommendation to the full committee.

There can often be too many cooks in the kitchen when it comes to projects undertaken by a body corporate. It can be very helpful to assign each task to a committee member (working in conjunction with the caretaker or strata manager) so that by the time a decision needs to be made, one person is the expert on that topic and can guide the rest of the committee members.



At committee meetings, you will see your strata manager increasingly asking which committee member would like to take the lead on each project. This approach will cut down on the emails back and forth and leads to good outcomes.

### **4.1.3 CONSIDER SUB-COMMITTEES**

Following on from the point above – for larger projects consider a subcommittee.

Whilst this is not a formal part of the body corporate law, it is a useful and practical way to keep things moving.

Many committees have experience with owners who have a particular interest in a topic (e.g. painting or gardening) but don't want to join the committee. Sub-committees are unofficial and are a great way of involving owners who want to be involved. Each sub-committee might be run by a committee member, who in turn reports back to the committee.

We have seen these sub-committees work well in the following examples:

- a. Selecting paint colours
- b. Preparing landscaping planting and design plans
- c. Investigating major upgrades such as intercom, CCTV
- d. Gym equipment upgrades (get your gym users to join the subcommittee)
- e. Monitoring parking
- f. Christmas decorations
- g. Researching blanket approvals (e.g. blinds, solar panels etc)

A sub-committee cannot make formal decisions, but they can put in the work and research and make really detailed proposals to the committee to consider.

This demonstrates to the committee that there is support for the project among the owners.

### **4.1.4 BRING PERSPECTIVE**

Each committee member brings their own unique perspective to the table.

Good committees reflect the diversity of the community in general, with a mix of owner occupiers, investors, people of different ages and backgrounds, professional and cultural backgrounds and different opinions.

It is important to always remain respectful with your fellow volunteer committee members and your advisors.

You never know when your own personal background or experience may come in handy and you can make an invaluable contribution to the committee.



## 5 CONCLUSION

---

Remember – there are professionals here to help!

We understand that being a volunteer committee member can be challenging and can take your precious time.

Developing good processes and procedures will allow you to minimise risk, increase productivity and, most importantly, build community.

