



# Policy Proposal:

## Introducing Mandatory Community Contributions in Strata Schemes

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## EXECUTIVE SUMMARY

This proposal seeks to introduce a legal framework allowing strata schemes in New South Wales to allocate a portion of levies toward community initiatives. Under current legislation, strata schemes are restricted to funding administrative, capital works, and maintenance expenses related to the common property.

This document outlines the legal barriers, the benefits of community initiatives, and a recommended approach to legislative amendments to enable strata schemes to contribute to broader community initiatives.

## BACKGROUND & CURRENT LEGAL CONSTRAINTS

The Strata Schemes Management Act 2015 (NSW) (SSMA) governs financial contributions within strata schemes. Key restrictions include:

- **Section 79 (Levy Contributions):** Funds can only be raised for administrative and capital works. Crucially, pursuant to Section 73(4)(d) an Owners Corporation may pay money from its administrative fund for the purpose of exercising functions under the 'by-laws' for the scheme.
- **Section 83 (Use of Funds):** Expenditure is limited to the upkeep and governance of the strata scheme.
- **Section 81 (Voluntary Contributions):** Owners may make voluntary payments, but mandatory community contributions are not permitted.

These constraints mean that strata schemes cannot currently contribute financially to community initiatives such as local infrastructure, environmental programs, or charitable organisations – unless the by-laws for the scheme specifically provide for community initiatives.

## PROPOSED LEGISLATIVE AMENDMENTS

To facilitate mandatory community contributions, we recommend amending the Strata Schemes Management Act 2015 (NSW) in the following ways:

1. **Amend Section 77** of the SSMA to include new category of levies for 'community benefit contributions' for strata schemes with a certain number of lots. clarify that introducing this in existing schemes would require special resolution – it is therefore opt-in and there are no penalties for those who do not join.
2. **Amend Section 79** to introduce a new category of levies for 'Community Benefit Contributions.'

3. **Amend Section 81** how will the sum of the levy each scheme needs to generate be determined - i.e. % based on how many lots in the scheme? This section should also clearly outline the parameters any community funding could be used for and that it would require the same estimates to be produced by the owners corporation as is required for the cwf and admin fund. How will it be enforced? what would happen in the case of non-payment by an individual?
4. **Revise Section 83** to expand permitted fund usage, allowing contributions toward approved external/community initiatives. What kinds of initiatives? need to have a definition of that - how are the funds used, where and for whom?
5. **Introduce a new provision** specifying:
  - A **clear definition** of eligible community contributions (e.g., local sustainability projects, aged care, public amenities, charitable donations).
  - A **governance structure** ensuring transparency and accountability in fund allocation.
  - **Approval mechanisms**, such as a minimum **75% special resolution vote** by owners.
  - **Caps on contributions**, ensuring financial sustainability and preventing overreach.
  - *In our view the community contributions initiative should be opt-in not opt-out. It would be difficult to enforce opt-out provisions for all existing eligible schemes.*

At present, the most effective means of instituting a community initiative mechanism would be by way of passing a by-law requiring owners to contribute to community activities. An awareness campaign could be carried out by which strata managers are educated about the benefits of such by-laws. The government or a charity focused on addressing loneliness in the community could fund the programme and registration of by-laws that go to the raising of money for community initiatives.

## ADDRESSING COMMUNITY ACCESS & INCOME GENERATION

A key challenge identified is the potential tension between strata-funded initiatives and broader community access. If strata levies fund a project like Little BIG but serves a wider public audience, some owners may feel they are subsidising non-residents.

To address this, we propose the introduction of an income-producing model to help offset costs, such as:

- **Community Membership Fees:** Charging a modest fee for external community members who wish to participate. All external community members have to pay a fee + % surcharge for their involvement at individual events as they cannot contribute to levies for a scheme.
  - **NOTE:** this may have implications for the charitable status of the organisation operating the facility depending on their charity sub-class.
- **Event-Based Revenue:** Hosting workshops, wellness sessions, or local markets with entry fees.
- **Commercial Partnerships:** Partnering with local businesses to sponsor programs or lease space for community events.



- **Grant & Government Funding:** Seeking local council or state grants to support initiatives with broader social benefits.

The implementation of such income streams would need to be clearly defined within the strata governance framework to ensure financial sustainability and fairness for residents.

## **SOCIAL & HEALTH BENEFITS OF COMMUNITY CONTRIBUTIONS**

### **1. Social Connection as Preventative Healthcare**

- Research has shown that strong social connections contribute to lower stress levels, improved mental health, and increased life expectancy.
- Community-based activities in strata schemes can reduce social isolation, a key factor in mental health conditions such as depression and anxiety.
- Encouraging structured social programs can serve as a form of preventative healthcare, reducing reliance on mental health and aged care services.

### **2. Enabling 'Social Prescribing'**

- Social prescribing is a growing healthcare initiative, where doctors and health professionals refer individuals to non-medical social activities to improve well-being.
- By incorporating community-led engagement opportunities within strata schemes, residents can access a network of activities that support their overall health.
- This approach aligns with government public health strategies, reducing demand for medical interventions and hospital visits.

### **3. Strengthening Intergenerational Engagement**

- Community contributions can fund activities that bring together different age groups, creating support networks for young families, working professionals, and elderly residents alike.
- Programs such as mentorship, childcare support, and wellness activities foster a sense of collective belonging within strata communities.

## **ECONOMIC BENEFITS OF COMMUNITY CONTRIBUTIONS**

### **1. Boosting Property Values**

- Enhanced community infrastructure and improved amenities can significantly increase property values, making the strata complex more attractive to buyers and renters.
- A well-connected, vibrant neighbourhood fosters higher demand for properties within the strata, leading to stronger long-term capital growth.

## 2. Attracting Local Investment & Business Growth

- Community contributions can support local business ecosystems, encouraging retail, hospitality, and service industries to invest in strata-connected precincts.
- A thriving strata-integrated community space creates a more attractive location for commercial enterprises, leading to job creation and economic stimulus.

## 3. Reducing Government Burden

- Government often bears the financial load of public infrastructure and local programs. Strata-funded community contributions help bridge this gap, ensuring sustainable urban development without placing additional strain on state and local budgets.
- The reduced dependency on government grants and funding enhances fiscal efficiency.

## CONSIDERATION FOR MINIMUM SCHEME SIZE

While community contributions have significant benefits, smaller strata schemes may lack the financial scale to implement them effectively. We propose that:

- A minimum scheme size threshold be introduced, exempting boutique schemes (e.g., fewer than 20 lots) unless they voluntarily opt in.
- Contribution rates be scaled based on scheme size, ensuring fairness in financial commitments.
- Government support or co-funding be made available for smaller strata schemes seeking to participate in community engagement initiatives.

## CONCLUSION & NEXT STEPS

We recommend forming a **working group** comprising legal experts, strata representatives, and policymakers to refine this proposal and initiate discussions with the **NSW Government**. The introduction of community contributions within strata schemes presents an opportunity to enhance liveability, strengthen social infrastructure, and build more connected communities.



# LITTLE MOMENTS BIG SMILES

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