Strata Levy Funding Shortfalls: Reaching Critical Levels

In 2026, proactive levy recovery is the primary mechanism for protecting your **scheme's financial stability.** Recent NSW reforms have introduced stricter notice requirements and mandatory payment plan protocols that demand 100% compliance. JS Mueller & Co Lawyers provides the specialist legal oversight required to ensure Owners Corporations recover arrears while remaining strictly compliant of the *Strata Schemes Management Act*.

The 2026 Reality: Low Bankruptcies' vs. Growing Shortfalls

Recent data from SCA Australasia suggests a significant contradiction, while strata bankruptcies remain statistically low (approx. 0.022%*), **funding shortfalls** are reaching* **critical levels**.

For a strata committee or strata manager, the takeaway is clear: owners are fighting to keep their keys, but buildings are struggling to keep their funds. When an owner cannot pay, the financial weight doesn't disappear – it shifts to the remaining owners. A scheme with a funding shortfall is a scheme at risk.

Why Cash Flow is Your Building's Lifeblood

- **For Committees:** Cash flow is what keeps the lights on and property values high.
- **For Strata Managers:** It is the resource required to

execute essential decisions.
- **The "Savvy" Buyer:** Due diligence is peaking. Sophisticated buyers and banks now scrutinize "ageing arrears" reports. High debt levels signal poor management and can directly devalue every lot in the scheme.

Stricter Compliance: The New Procedural Fairness Model

The legal landscape has shifted. If your scheme does not follow the new playbook to the letter, recovery efforts can be **set aside or invalidated** before they reach a courtroom.

Key 2026 Reform Update	Practical Impact for Managers & Committees
30-Day Notice Period	Notice of intent to sue increased from 21 to 30 days.
Mandatory Payment Plans	Committees must formally consider requests; "blanket refusals" are illegal.
Hardship Statements	All levy notices must include a *Financial Hardship Information Statement*.
Cost Restrictions	Legal costs are generally only recoverable if a payment plan was offered first.

The Cost of a Wait and See Approach

Delaying recovery action creates a "legal liability" for the owners corporation and an administrative nightmare for the strata manager:

1. **Section 106 Obligations:** The duty to repair common property is absolute. A lack of funds is not a legal

defence.

2. **Extended Liability:** Owners now have 6 years (up from 2) to sue an owners corporation for damages resulting from neglected maintenance.
3. **The Rising Bankruptcy Threshold:** With industry calls to increase the bankruptcy threshold from $10,000 to $20,000, statutory recovery options are becoming more restricted. As a greater portion of arrears may soon fall below the limit required for insolvency proceedings, proactive, early-stage collection is now more critical than ever to protect your scheme’s cash flow.

The Muellers Advantage: Results-Driven Specialisation

At JS Mueller & Co strata Lawyers, we provide a no-nonsense service backed by 45+ years of strata expertise. We act as a partner to strata managers and an advocate for committee financial health.

Feature	JS Mueller & Co Strata Lawyers	Standard Debt Agencies
Response Time	Action within 24 hours	Often 3-5 business days
Legal Compliance	Full oversight of 2026 Reforms	Generalist approach
Cost Structure	Costs recovered from debtor	Often commission-based
Expertise	Specialist Strata Paralegals	General clerks

Frequently Asked Questions (FAQ)

Can an Owners Corporation refuse a payment plan?

A scheme cannot pass a blanket resolution to refuse all plans. Each request must be considered on its merits. Refusals must be reasonable and provided in writing within 28 days.

Are legal costs always recoverable?

In most cases, yes, especially where the owners corporation has followed the correct statutory procedures (including the 30-day notice and payment plan offer) and costs have been ordered to be paid or the defaulting owner pays or agrees to pay the costs.

Secure Your Scheme's Financial Future

Don't let a deficit compromise your building's safety or long-term stability. Ensure your recovery process is compliant, persistent, and legally sound.

Adrian Mueller I BCOM LLB FACCAL I Partner

Since 2002 Adrian has specialised almost exclusively in the area of strata law. His knowledge of, and experience in strata law is second to none. He is the youngest person to have been admitted as a Fellow of the ACSL, the peak body for strata lawyers in Australia. Profile I Linked

Get Specialist Levy Debt Recovery Advice Today

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For all strata law advice including by-laws, disputes, building defects and levy collections contact our specialist NSW and Sydney strata lawyers **here** or call 02 9562 1266, we’re happy to assist.