



ACT
Government

Concessional Loan

Remediation Guidelines

Version 3, June 2023



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1. About the Concessional Loan

The ACT Government is committed to working with Owners Corporations to address the issue of combustible cladding on multi-storeyed apartment buildings.

In July 2021, the ACT Government established the Private Buildings Cladding Scheme (the Scheme). The Testing and Assessment Scheme offered a rebate to eligible Owners Corporations to test and assess the cladding on their buildings. Applications for the Testing and Assessment Scheme have now closed.

The ACT Government is now offering a Concessional Loan (the Loan) to Owners Corporations that participated in Testing and Assessment Scheme to remediate combustible cladding from buildings where it poses a moderate or higher fire safety risk to residents.

Owners Corporations of eligible buildings can apply for a low interest loan to engage suitably qualified service providers to remediate combustible cladding and replace these products with acceptable products under the National Construction Code. The Concessional Loan will assist Owners Corporations to meet their responsibility to maintain a safe premises, ensuring the safety and wellbeing of residents and visitors in eligible buildings.

The Concessional Loan is being administered by Major Projects Canberra, which has appointed Lannock Strata Finance, as a Loan Administrator, to manage the funding and repayment of the loan.

2. Purpose of these Guidelines

These Guidelines set out compliance requirements for remediation works funded through a Concessional Loan including approvals, service provider, recycling and certification requirements.





The [Concessional Loan Application and Assessment Guidelines](#) explain the eligibility requirements to access the loan, the types of costs which may be funded through the loan, and how the loan will be disbursed to an Owners Corporation.

3. Key aspects of the Concessional Loan

Applications open	29 August 2022
Applications close	30 June 2024
Who can apply for the loan?	Owners Corporations of eligible buildings.
Who will be the parties to the loan agreement?	Lannock Capital and each Owners Corporation that has applied and been approved for a Concessional Loan. A separate agreement will exist between the Owners Corporation and ACT Government to cover the requirements of the Guidelines.
Interest rate at the commencement of the Scheme	4.2% fixed rate at the date of commencement of the Scheme. The interest rate offered to applicants is at the cost of Government borrowing which is subject to change (see the Concessional Loan Application and Assessment Guidelines).
What is the maximum that can be borrowed?	Owners Corporations can borrow up to \$15 million (see note). In exceptional circumstances, the ACT Government can consider allowing access to loans over this limit. This will be decided on a case-by-case basis.
When must the loan be repaid?	Whilst the works are in progress, the Owners Corporation will pay interest on the amounts drawn under the loan. When the works have been completed, the Owners Corporation must make principal and interest payments over a 10 year repayment period.
What is the amount of time to pay back a loan?	Owners Corporations will have 10 years after the remediation works are completed to pay back the loan – this period is known as the Loan Repayment Period.
When does the loan need to be drawn down?	The loan needs to be drawn down in full within 24 months of the execution of the contract for remediation funds (the Final Loan Contract) between the Loan Administrator and the Owners Corporation.
How often do repayments have to be made?	Repayments are to be made monthly. However, it's likely that Owners Corporations will raise levies on a quarterly basis.

Note: all monetary amounts quoted in this Guideline are GST Inclusive

4. Overview of the remediation process and resources

Phase	Resource
 Testing and Assessment	Assessing Cladding Register of Suppliers
 Concessional Loan – application and approval	Concessional Loan Application and Assessment Guidelines
 Remediation process	Concessional Loan Remediation Guidelines Register of Suppliers
 Loan repayments	Concessional Loan Application and Assessment Guidelines Lannock Strata Finance website

All capitalised words which are not at the beginning of a sentence, are defined in the Glossary at the end of these Guidelines.



5. Investigation and Tender Process

As the first step of the Concessional Loan process, the Owners Corporation will need to commission a site investigation to identify the Scope of Works required in the External Wall, and then to conduct a tender process to attract a suitable builder to undertake the Eligible Works. This is called the Investigation and Tender Process.

Costs of up to \$100,000 to fund the Investigation and Tender Process can be disbursed through the Concessional Loan.

Experience from around Australia shows that cladding rectification often requires supporting works in the External Wall. Conducting a site investigation enables Owners Corporations to get an early idea of some of the works that may be needed on the External Wall and minimises the potential for unforeseen expenses as the works progress. The Owners Corporation must commission an investigation to take off the cladding and investigate the state of the wall cavity. Builders must consider at least the following:

- the need to replace combustible sarking and insulation
- the cavity space and any pre-existing defects
- the need to replace the substrate frame, including the fixings and tophats
- the need to fix any problems relating to water proofing or vapour, and
- the need to replace combustible spandrels.

The builder undertaking the investigation must note the works needed on the items listed above and these notes must be included as part of the tender documentation that is provided to builders as part of the tender process.

Up to \$100,000 is available to undertake an Investigations and Tender Process. This funding can be used to:

- engage a project manager and builder or fund any other professional services required to complete the works
- undertake the required site investigations to confirm the Scope of Works needed for the remediation
- prepare tender documentation, and
- run the tender process.

Once an Owners Corporation has received an acceptable quotation from their preferred builder, this must be submitted to the ACT Government with the Scope of Works that was used as part of the tender process. When a building approval has been obtained, a copy must be provided to Major Projects Canberra.

Exemption from the Investigation process may be provided in exceptional circumstances. To obtain an exemption, an Owners Corporation must provide written advice from a builder, architect or structural engineer detailing why an investigation should not be carried out. These reasons must relate to the building itself and not be based on monetary considerations.

The Loan Administrator will then finalise the loan amount using the Accepted Quotation by the Owners Corporation, and, the builder's contract should be signed.

More information on the Concessional Loan is contained in the [Concessional Loan Application and Assessment Guidelines](#).

Please note, for works valued at \$1 million or more, a project manager is required. For works valued at less than \$1 million according to the P80 Estimate, a project manager is strongly recommended.



6. Remediation levels

Owners Corporations are required to use the loan to fund cladding remediation so that it poses a low fire safety risk. Where this is not feasible, or if recommended by a fire engineer, remediation may reduce the risk to nil (that is, all combustible cladding may be removed).

7. Compliance with Concessional Loan Guidelines

If successful in obtaining a Concessional Loan, Owners Corporations must abide by this guideline and the requirements of the Participation Deed.

An Owners Corporation will be responsible for ensuring that the Eligible Works are completed, including:

- sourcing and engaging building industry service providers who are on the Register of Suppliers or eligible to join the Register
- meeting their obligations under their loan contract with the Loan Administrator

- overseeing the Eligible Works through to completion, and
- ensuring Concessional Loan funds are only spent on eligible expenses as outlined in the [Application and Assessment Guidelines](#).

A definition of Eligible Works is in the glossary below.



8. Finding a service provider using the Register

The [Register of Suppliers](#) has been established to help Owners Corporations find service providers who have the qualifications, experience, licences and insurances relevant to cladding work in the ACT.

Owners Corporations applying for a Concessional Loan are required to use project managers, builders, architects, façade engineers, fire engineer, structural engineers and building certifiers/surveyors who are on the Register of Suppliers or, in the opinion of Major Projects Canberra, eligible to join the Register.

To be included on the Register, services providers must meet minimum qualification, insurance and license requirements. Inclusion on the Register is a confirmation of business' compliance with these minimum requirements, it should not be considered an endorsement of the ACT Government.

Owners Corporations should undertake their own inquiries to assess whether their chosen service provider is suitable for their needs and is reasonably costed.

All Owners Corporations must:

- advise Major Projects Canberra when they have appointed or change their project manager, builder, architect, façade engineer, fire engineer structural engineer and building certifiers/surveyor, and
- provide the name and contact details of the new supplier to Major Projects Canberra within five days of appointment.

9. Timeframes

The Investigation and tender process - the first step for owners corporations is to investigate whether any eligible works need to be undertaken on the External Wall and then tender for a builder to undertake all Eligible Works. A period of six months is allowed for this process, which is calculated from the time of the execution of the loan contract for the investigation and tender amount (also called the Preliminary Loan Contract).

The Remediation process - all Eligible Works should be undertaken and the loan contract for these works

(also called the Final Loan Contract) should be drawn down within 24 months from the date of the execution of the Final Loan Contract.

Remediation works are only considered to be completed when a Certificate of Occupancy is issued by the ACT Government under the Building Act 2004.

Once a Certificate of Occupancy is issued a copy must be provided to Major Projects Canberra.



10. Recycling

All combustible cladding removed from Cladding Remediation Sites must be recycled. There are private companies that will recycle all the cladding materials and remove the need to send this material to landfill.

The cost of recycling cladding is comparable to the waste disposal fees for landfill and results in optimal outcomes for the ACT community in regards reuse of valuable materials and reduction in landfill waste.

Owners Corporations are to ensure that recycling of materials is specified in their building contract and that they receive certification from the recycling companies, via their builder, that the material has been recycled.

As per the Participation Deed, Owners Corporations are required to submit a copy of the Recycling Outcomes Report from the recycler to the Cladding Team via the claddingprogram@act.gov.au inbox. The final milestone payment cannot be released until the Recycling Outcomes Report from the recycler has been received by the Cladding Team.

11. Communications

The Owners Corporation must engage ethically, honestly and transparently with the ACT Government, answering any questions or correspondence sent to them within five business days of the date of the correspondence. All correspondence will be sent by email.

The Owners Corporation must advise ACT Government within five business days after:

- they discover or are advised of any financial irregularities with regards to invoices received from service providers
- they discover or are advised of any building works that do not comply with the Scope of Works or the National Construction Code
- any new appointments or changes to the appointment of their project manager or builder, and/or
- they discover or are advised that the remediation works will not be completed within 24 months the relevant date per Section 9.



12. Program Assurance Officer

The ACT Government will engage a Program Assurance Officer who will provide advice to the ACT Government as to the completion of Eligible Works in accordance with the Scheme's requirements.

The Program Assurance Officer will undertake site investigations and will do random checks of invoices.

The Program Assurance Officer will not provide advice to Owners Corporations or Service Providers on the design, technical aspects of the remediation or any other issue to do with the actual undertaking of the remediation.

The Program Assurance Officer may inspect the Cladding Remediation Sites on an as-needs basis. Owners Corporations must instruct their project manager and/or builder to permit the Program Assurance Officer access to the Cladding Remediation Site after reasonable notice has been provided.

Where an Owners Corporation is not complying with the guidelines, the Program Assurance Officer will raise this issue with the Owners Corporation and/or their project manager or builder in an attempt to resolve the issue. If the issue remains unresolved, the ACT Government may issue a Notice to Remedy. The Owners Corporation must comply with the Notice to Remedy in order to receive their next Milestone Payment.

13. Removal from the Scheme

Where an Owners Corporation has not complied with the Notice to Remedy, the ACT Government may terminate the Deed and instruct the Loan Administrator not to disburse any further loan funds to the Owners Corporation.



14. Applying for a loan variation

Experience from around Australia indicates that once works commence it is likely that unforeseen conditions will be found which require additional works to be undertaken. For this reason, the Scheme requires that the loan amount is approved to 10% greater than the quote from the builder to provide a source of funding to cover variations. This 10% contingency can only be used to cover Eligible Works.

If the costs of variations for Eligible Works exceed the 10% allocated, the Owners Corporation will need to apply for an additional loan amount for the variation. A variation application can be obtained from the Major Projects website and, once complete, must be submitted to Major Projects Canberra.

A variation application will be assessed on the need, benefit, and the cost of the variation, and whether the variation fits within the guidelines. An Owners Corporation must include a statement from their builder outlining why the variation is needed and its benefits in their application.

Please note that the 10% for variations is different from the second source of funds needed to cover Ineligible Works - that is, works which are not covered by the Concessional Loan.

15. Further information

For enquiries relating to the ACT Cladding Program, including the Register of Suppliers and the Concessional Loan, please contact Major Projects Canberra (MPC) at claddingprogram@act.gov.au or by phone on **6205 3303**.

You can also submit an enquiry using [this form](#).

16. Glossary

Term	Definition	Source of Definition
A Complete Application	<p>For those who have undertaken a testing and assessment report, a complete application is:</p> <ul style="list-style-type: none"> • an application form with all relevant questions completed • a Comprehensive Testing and Assessment Report attached, and • a Scope of Works attached, where one exists • an accepted quote from a builder and building contract if available <p>For those who have an existing Commercial Loan and wish to transfer to the Concessional Loan, a Complete Application is:</p> <ul style="list-style-type: none"> • an application form with all relevant questions completed, • a statement from the bank from 21 July 2021 until the date of the application which includes interest rates and the amount of interest paid • the Scope of Works submitted for the tender process • the Accepted Quote from the builder used by the Owners Corporation to remediate the cladding • the building contract • the Certificate of Occupancy 	
Accepted Quote	<p>A quotation from a builder to undertake the Eligible Works that was provided as part of a tender process in which the builder's tender was accepted as the approved tender by the Owners Corporation.</p>	
Building Approval	<p>Building Approval (also known as a BA) will be required as you are building, altering, adding to, or demolishing a building. The purpose of a Building Approval is to check your proposed building work:</p> <ul style="list-style-type: none"> • complies with building laws, including the building code • will be safe and structurally sound • will provide the required levels of fire resistance 	<p>Build, Buy, Renovate. Planning ACT</p>

Term	Definition	Source of Definition
Building Industry Service Provider	<p>A person who has the qualifications, experience, licences and insurances relevant to cladding work in the ACT.</p> <p>Note: Owners Corporations applying for a concessional loan are required to use project managers, builders, architects, façade engineers, structural engineers and building surveyors who are on the Register of Suppliers or eligible to join the Register</p>	
Certificate of Occupancy	A Certificate provided by the Territory once the building works and any associated electrical, gas fitting and plumbing work have been certified as complete and compliant.	ACT Government Section 69 of the Building Act 2004
The Cladding Team	The team responsible for the administration of the Private Buildings Cladding Scheme, located in Major Projects Canberra directorate.	
Cladding Remediation Site	An affected building which is or will undergo cladding remediation works and these remediation works are funded by the Concessional Loan.	
Class 1a Buildings	A single dwelling being a detached house; or one of a group of attached dwellings being a town house, row house or the like.	National Construction Code
Class 2a Buildings	Class 2 Buildings are apartment buildings. They are typically multi-unit residential buildings where people live above and below each other. Class 2 Buildings may also be single Storey attached dwellings, where there is a common space below.	National Construction Code

Term	Definition	Source of Definition
Cluster of Buildings	<p>A Cluster of Buildings is defined as a grouping of residential dwellings with shared walls which provide for the potential for fire spread between buildings should a fire event occur.</p> <p>The residential complex must have an Owners Corporation.</p> <p>A Cluster of Buildings must consist of:</p> <ul style="list-style-type: none"> • Class 1a multi Storey residential buildings, such as townhouses or semi-detached terraces of three Storeys or higher, • Where there are at least five (5) separate residential dwellings joined together by shared walls between buildings. <p>Owners Corporations of buildings which fall into the definition of a Cluster of Buildings will need to provide evidence of the Class of building as defined under the Unit Titles Act 2001.</p>	
Commercial Loan	<p>A loan taken out by an Owners Corporation with a private financial institution to fund cladding remediation works.</p>	
Comprehensive Testing and Assessment Report	<p>A Comprehensive Testing and Assessment Report is prepared by a building services professional and:</p> <ul style="list-style-type: none"> • confirms whether the cladding is combustibile cladding • details the level of fire safety risk to residents as a result of the cladding, its placement on the building and the fire safety measures taken on the building • details the scope of remediation works to reduce the fire safety risk • includes a comprehensive and detailed Cost Estimate of these remediation works to a P80 level and • details any interim fire safety measures that should be implemented while the remediation works are being undertaken. 	

Term	Definition	Source of Definition
Cost Estimate	<p>A Cost Estimate detailing the likely costs of any remediation work suggested by a professional services provider in relation to the cladding on the affected building.</p> <p>The Detailed Cost Estimate should include all costs of Building Approvals, costs of insulation and sarking (if required), contingency costs (up to 30%) and any professional fees (eg architect, certifier). It needs to be of P80 certainty - that is it should include sufficient contingency to provide 80 per cent likelihood that this cost would not be exceeded.</p>	
Eligible Works	<p>Eligible Works include:</p> <ul style="list-style-type: none"> • works necessary to remediate the cladding of an Eligible Building, including removing the cladding, and replacing it with non-combustible material which is compliant with the National Construction Code, • works which are incidental to and only required because of the cladding remediation (for example; retiling, repainting and fixing garden beds), and • works in or on the External Wall which are necessary for certification. 	
External Wall	<p>A building element is considered to be part of an External Wall if it is integral to the construction of the wall. For example, the following elements are considered to be part of an External Wall:</p> <ul style="list-style-type: none"> • facade covering (e.g. render and external cladding) • framing • insulation • sarking • spandrels, and • internal lining (e.g. plasterboard) of an External Wall, and <p>Replacement of windows in the External Wall are excluded from the Eligible Works.</p>	
Final Loan Contract	<p>The contract between Lannock Strata Finance and the Owners Corporation to undertake all the Eligible Works.</p>	

Term	Definition	Source of Definition
Investigation and Tender Process	<p>In this process, the Eligible Works are designed and builders are asked to tender for these works. Owners Corporations that have not undertaken this process will be funded for the costs of this process. Such owners will be required to:</p> <ul style="list-style-type: none"> • determine the exact nature of works needed to remediate the cladding • undertake an investigation into the External Wall, and • tender for a builder to undertake the Eligible Works. 	
Loan Administrator	<p>The organisation that originates the loans, makes the milestone payments to the Owners Corporations and receives repayments from the Owners Corporations.</p>	
Major Projects Canberra (MPC)	<p>Major Projects Canberra is a directorate of the ACT Government and was established on 1 July 2019 to lead the procurement and delivery of the ACT'S infrastructure program</p>	
National Construction Code	<p>The National Construction Code is Australia's primary set of technical design and construction provisions for buildings.</p> <p>As a performance-based code, it sets the minimum required level for the safety, health, amenity, accessibility and sustainability of certain buildings. The Australian Building Codes Board, on behalf of the Australian Government and each State and Territory government, produces and maintains the National Construction Code.</p>	<p>Australian Building Codes Board</p>
Ordinary Resolution of the Owners Corporation	<p>A decision made at a meeting of the Owners Corporation for an eligible building in which a simple majority of the members agree to a course of action.</p> <p>For decisions made by a general meeting to be valid, there must be present, in person or by proxy, not less than half of the people entitled to vote on the matter(s) before the meeting.</p>	
Owners Corporation	<p>Owners Corporations are established under section 8 of the Unit Titles (Management) Act 2011. Collectively the Owners Corporation is responsible for carrying out tasks required under relevant laws including the maintenance of common property, infrastructure, and shared amenities.</p>	

Term	Definition	Source of Definition
Participant Deed	Participant Deed - a contract between the ACT Government and participating Owners Corporation, which sets out the responsibilities of the Owners Corporation, including in relation to recycling, using only services providers on or eligible to join the Register of Suppliers and seeking approval for Variations over the 10% amount allocated.	
P80 Cost Estimate	P80 refers to a confidence level regarding the probability of the cost not being exceeded. A P80 Cost Estimate will not be exceeded 80% of the time.	Commonwealth Department of Finance
Pre-existing Conditions	Pre-existing building material and/or structural conditions, which may include defects. Often these conditions cannot be identified without the removal of all the cladding material or during detailed site observations/investigations.	
Preliminary Loan Amount	The Preliminary Loan Amount is only available to Owners Corporations who have not undertaken a tender process. The Preliminary Loan Amount consists of: <ul style="list-style-type: none"> • an amount of up to \$100,000 to fund the Investigation and Tender Process, and • if sought by the Owners Corporation, an amount of up to \$10,000 for loan administration costs, including the cost of additional strata management fees as a result of a Strata Manager applying for and administering the loan 	
Program Assurance Officer	A person who provides advice to the ACT Government as to whether remediation work is being undertaken in accordance with the Concessional Loan's Guidelines – see Section 12 for more information.	
Recycling Outcomes Report	A report provided by the recycler which details: <ul style="list-style-type: none"> • the amount of combustible cladding removed from a site • the composition of the material • what the material was recycled into • any emissions saving from the recycling (eg car emissions) and • any energy or water savings from the recycle (water equivalent to how many olympic pools etc). 	

Term	Definition	Source of Definition
Rise in Storeys	<p>The Rise in Storeys is the sum of the greatest number of Storeys at any part of the External Walls of the building and any Storeys within the roof space -</p> <ul style="list-style-type: none"> • above the finished ground next to that part; or • if part of the External Wall is on the boundary of the allotment, above the natural ground level at the relevant part of the boundary. <p>A Storey is not counted if -</p> <ul style="list-style-type: none"> • it is situated at the top of the building and contains only heating, ventilating or lift equipment, water tanks, or similar service units or equipment; or • it is situated partly below the finished ground and the underside of the ceiling is not more than 1 m above the average finished level of the ground at the External Wall, or if the External Wall is more than 12 m long, the average for the 12 m part where the ground is lowest. 	National Construction Code
Scope of Works	<p>The Scope of Works is a detailed schedule of all the works which needs to be undertaken to complete:</p> <ul style="list-style-type: none"> • the remediation of the combustible cladding, and • Incidental make-good works (such as temporary removal of balcony lights/power points, re-tiling balcony edges, fixing damaged landscaping below balconies etc.) <p>The Scope of Works will be included in the construction contract. The Scope of Works should include:</p> <ul style="list-style-type: none"> • all works in the External Wall that are required for certification (excluding replacement of windows), as these are covered by the Concessional Loan <p>The Scope of Works funded under the Concessional Loan must not contain any pre-existing works not in the External Wall or additional works not related or incidental to the remediation.</p> <p>The Scope of Works provided to the Cladding Team must not contain any pre-existing works not in the External Wall or additional works not related or incidental to the remediation.</p>	
Special Resolution	Where 75% of the owners agree to an action. Buildings which are categorised as Class B Buildings under the Unit Titles Management Act 2011 need to pass a Special Resolution.	

Term	Definition	Source of Definition
Storey	<p>Storey means a space within a building which is situated between one floor level and the floor level next above, or if there is no floor above, the ceiling or roof above, but not—</p> <p>a. a space that contains only—</p> <ul style="list-style-type: none"> • a lift shaft, stairway or meter room; or • a bathroom, shower room, laundry, water closet, or other sanitary compartment; or • accommodation intended for not more than 3 vehicles; or • a combination of the above; or <p>b. a mezzanine.</p>	National Construction Code
Strata Manager	Strata Managers are individual employees of a Strata Managing Agency. The Agency is engaged by the Owners Corporation to manage the day-to-day affairs of the Units Plan under direction of the Executive Committee and Owners Corporation.	
Total Repayment Amount	After the remediation is completed and all drawdowns made, the Loan Provider will calculate the amount of credit utilised in undertaking the Eligible Works and determine the Total Repayment Amount – which is the amount that will have to be paid off by the Owners Corporation.	