

PRACTICE NOTE 10-2018

This updates the previous practice note PN 10-2018 issued June 2018.

Purpose

This practice note aims to outline the requirements for guarantees or bonds that may apply to the issuing of a building permit in accordance with the Building Regulations 2018 (the Regulations).

Guarantees and bonds

Regulation 48 sets the prescribed circumstances where guarantees or bonds as referred to in section 22 of the Building Act 1993 (the Act) are:

- *the demolition or removal of a building, must not exceed the lesser of —*
 - *the estimated cost of building work to which the building permit applies; or*
 - *the sum of \$100 for every 1m² of floor area of the building; and*
- *the re-erection of a building, must not exceed the lesser of —*
 - *the estimated cost of the building work to which the building permit applies; or*
 - *\$10 000.*

Under section 22, the relevant building surveyor (RBS) may issue a building permit with a condition that a guarantee or bond be deposited with the relevant council or the Victorian Building Authority (the Authority). This section gives permission to include a condition on a building permit that would not ordinarily be appropriate.

Note: Where the RBS is a Private Building Surveyor (PBS) the guarantee or bond is lodged with the Authority.

Where the RBS is the Municipal Building Surveyor (MBS) the guarantee or bond is lodged with the relevant council.

The prescribed circumstances where, a guarantee or bond maybe required are outlined in regulation 48. However, there is discretion for the RBS to determine the appropriate amount and how they are imposed. The amount set out in the regulation is the upper limit of the bond or guarantee.

Purpose of guarantee or bond

The purpose of the bond or guarantee enables the council or the Authority to use these funds to carry out any work necessary to finish the demolition, removal or re-erection of the building where the applicant has not completed the work (sections 123(2) & 205 (3)(b) of the Act). Therefore, the RBS should set a realistic amount that would cover the cost of completing the work.

If an RBS sets an unrealistically low amount, the Authority could investigate the building surveyor. The RBS must set the amount of bond for each building permit issued. Transport costs are not to be included in the bond.

Refund of guarantee or bond

The RBS is responsible for ensuring that the building work is completed in accordance with the Act, the Regulations and the building permit.

The RBS can apply for a partial refund of the bond if they believe this will enable the owner to complete the necessary building work for completion in accordance with the Act, the Regulations and the building permit.

Once the building work has been completed and a certificate of final inspection or an occupancy permit has been issued, the RBS should then notify the relevant council (if an MBS) or the Authority (if a PBS) and seek the return of the guarantee or bond.

Upon receipt by the relevant council or Authority of written confirmation from the RBS that the building work has been completed in accordance with the Act and Regulations and along with a copy of the building permit, certificate of final inspection or occupancy permit, the bond or guarantee will be refunded.

When applying to the Authority, the letter must include the;

- VBA reference number (found on the VBA receipt); and
- the Building permit number and issue date; and
- the owners name and current address; and
- the RBS printed name, registration number and contact number.

Further information

Refer to VBA website for [Guarantees and Bonds Returns Form](#)

Want to know more?

If you have a technical enquiry, please email technicalenquiry@vba.vic.gov.au or call 1300 815 127.

Victorian Building Authority
733 Bourke Street Docklands VIC 3008

www.vba.vic.gov.au