

# PROPERTY MANAGER SEMINAR

Wednesday 3 August 2016

**Capitol**  
BODY CORPORATE ADMINISTRATION

## Disclaimer

While all care has been taken in the preparation of this material, no responsibility is accepted by the presenter, Capitol Body Corporate Administration or its team, for any errors, omissions or inaccuracies.

This presentation provides general information only. It should not be relied upon or be a substitute for legal or other professional advice.

**Capitol**  
BODY CORPORATE ADMINISTRATION

## Introduction

- Capitol was established by Josephine D'Arcy in December 1995
- This year marks our 20<sup>th</sup> anniversary
- We have grown from a small home-based business to now having offices in 3 locations:  
Alderley, Redcliffe and Gold Coast



## Introduction

- Josephine started by managing just 1 body corporate
- Capitol now manages 1,067 schemes and over 13,000 lot owners
- All directors, Josephine D'Arcy, Ian D'Arcy and Ashley Fox, continue to work in the business



## Introduction

### How are we unique from other firms?

- We publish direct contact details for directors and managers on our website so owners get a personalised service
- Ongoing training for managers
- Monthly status reports to committees
- 6 monthly reviews to committees
- Dedicated in-house support teams
  - Accounts
  - Insurance
  - System

## Introduction

### Ongoing training for managers

- There is no requirement in Queensland for a body corporate manager to be licenced
- Capitol ensures all of our managers are accredited members with the industry body, Strata Community Australia
- We invest in the ongoing training of our managers by way of an internal professional development program and external conferences and workshops
- The SCA training is specific body corporate training

## Introduction

### Our team

- Each Community Relationship Manager (CRM) is supported by a Community Relationship Assistant (CRA)
- Capitol has specialist in-house teams
  - Insurance
  - Accounts
  - Systems, design and marketing
    - Systems support for owner login and invoice approval hub
    - Online training materials via our website



## Introduction

### Owner login

Secure online access to:

- Statements and levy information
- Community management statement (including by-laws & plans)
- Building reports (including insurance valuations, safety audit reports and sinking fund forecasts)
- Meeting minutes

*Committee members have additional access to body corporate financial information.*



## Introduction

- Emergency exit information
- Don't forget to turn your mobile phone to silent



- We have been supporting Act for Kids as our chosen charity for a number of years
- Our current goal is \$16K in 2016
- Thank you if you have already donated and please kindly make a donation at the door if you haven't already



## Introduction

### Session topics

Question time at end of each session

- Budgets and levies
- Insurance
- Committee
- Maintenance



# Budgets and levies

**Matthew Savage**  
Community Relationship Manager



## Budgets and levies

### Administrative fund

- For annual or ongoing expenses
- General repairs and maintenance
- Fund is annual, not a savings account
- Budget precisely based on spending pattern



## STATEMENT OF INCOME AND EXPENDITURE

FOR THE PERIOD 1 SEPTEMBER 2015 TO 13 JULY 2016

<u>ADMINISTRATIVE FUND</u>	<u>ACTUAL</u> 01/09/15-13/07/16	<u>BUDGET</u> 01/09/15-31/08/16	<u>ACTUAL</u> 01/09/14-31/08/15
<b><u>INCOME</u></b>			
Levies - Administrative Fund	66,000.00	66,000.00	66,010.00
Insurance Levy	7,000.00	7,000.00	6,400.00
Interest On Overdue Levies	175.21	0.00	164.91
<b><u>TOTAL ADMIN. FUND INCOME</u></b>	<b>73,175.21</b>	<b>73,000.00</b>	<b>72,574.91</b>
<b><u>EXPENDITURE - ADMIN. FUND</u></b>			
Bank Charges (Gst Incl)	4.20	0.00	5.60
Community Power	5,652.08	8,500.00	7,744.22
Consultant's Fees	0.00	0.00	1,027.00
Fees & Permits	235.50	250.00	230.80
Fire Protection	4,858.60	3,000.00	3,004.35
Income Tax Returns	132.00	132.00	132.00
Insurance	8,422.94	9,500.00	9,088.98
Insurance Valuation	0.00	0.00	728.00
R & M - Building General	792.50	800.00	725.11
R & M - Plumbing	866.35	500.00	482.35
R & M - Grounds Contractor	3,275.45	4,200.00	4,209.15
R & M - Electrical	100.27	500.00	528.25

Management Fees	4,513.86	4,558.00	4,286.20
Management Fees Additional Svc	342.88	300.00	262.08
Maintenance Co-Ordination	480.76	400.00	385.00
Pest Control	311.50	220.00	220.00
Disbursements	690.59	600.00	866.14
Stratamax License Fee	374.40	373.00	355.20
Fixed Disbursements	1,631.52	1,647.00	1,580.62
Resident Manager Contract	30,808.79	35,500.00	35,238.13
Swimming Pool Maintenance	140.00	200.00	39.25
Swimming Pool Chemicals	579.00	200.00	219.15
Workplace Health & Safety	517.00	517.00	0.00
<b><u>TOTAL ADMIN. EXPENDITURE</u></b>	<b>64,730.19</b>	<b>71,897.00</b>	<b>71,357.58</b>
<b><u>SURPLUS / DEFICIT</u></b>	<b>\$ 8,445.02</b>	<b>\$ 1,103.00</b>	<b>\$ 1,217.33</b>
Opening Admin. Balance	365.64	365.64	(851.69)
<b><u>ADMINISTRATIVE FUND BALANCE</u></b>	<b>\$ 8,810.66</b>	<b>\$ 1,468.64</b>	<b>\$ 365.64</b>

## Budgets and levies

### Sinking fund

- Long term savings
- Budget based on sinking fund report, not on spending each year
- Report provided by quantity surveyor around every 5 years or after major spending



### STATEMENT OF INCOME AND EXPENDITURE FOR THE PERIOD 1 SEPTEMBER 2015 TO 13 JULY 2016

<u>SINKING FUND</u>	<u>ACTUAL</u> 01/09/15-13/07/16	<u>BUDGET</u> 01/09/15-31/08/16	<u>ACTUAL</u> 01/09/14-31/08/15
<b><u>INCOME</u></b>			
Levies - Sinking Fund	24,000.00	24,000.00	18,000.00
Interest Received	1,606.19	1,600.00	1,593.02
Insurance Claim Proceeds	2,271.70	0.00	3,302.84
<b><u>TOTAL SINKING FUND INCOME</u></b>	<b>27,877.89</b>	<b>25,600.00</b>	<b>22,895.86</b>
<b><u>EXPENDITURE - SINKING FUND</u></b>			
Fire Equipment	0.00	0.00	4,502.03
Income Tax	450.13	400.00	346.96
Insurance Claim Costs	2,133.70	0.00	4,052.84
Maintenance	1,398.10	2,000.00	2,157.41
Maintenance - Gardens&grounds	2,760.00	0.00	1,441.00
Electrical/Lighting	0.00	0.00	966.90
<b><u>TOTAL SINK. FUND EXPENDITURE</u></b>	<b>\$ 6,741.93</b>	<b>\$ 2,400.00</b>	<b>\$ 13,467.14</b>
<b><u>SURPLUS / DEFICIT</u></b>	<b>\$ 21,135.96</b>	<b>\$ 23,200.00</b>	<b>\$ 9,428.72</b>
Opening Sinking Fund Balance	75,795.19	75,795.19	66,366.47
<b><u>SINKING FUND BALANCE</u></b>	<b>\$ 96,931.15</b>	<b>\$ 98,995.19</b>	<b>\$ 75,795.19</b>



## Budgets and levies

### Common complaints about levies

#### *“Capitol is charging too much”*

- Owners vote on budgets and levies each AGM, Capitol does not set them.
- Levies are not paid to Capitol as a business, they are paid into the body corporate account
- Capitol’s fee is a very small part of the budget
- Levies may be high due to insurance, maintenance costs, saving up for painting etc.



## Budgets and levies

### Common complaints about levies

#### *“My levies are high but it is a small complex”*

- All lot owners pay levies.
- Larger complexes have more people to share the costs.

**Example:** An average pool costs \$2,000/year to maintain

- In a complex of 20 units, each owner pays \$100/year for the pool
- In a complex of 10 units, each owner pays \$200/year (double)
- In a complex of 5 units, each owner pays \$400/year (quadruple)



## Budgets and levies

### Common complaints about levies

*“My friend has a unit and their levies are much lower”*

Bodies corporate are very difficult to compare:

- Fire servicing: some older complexes do not have extinguishers, hose reels, fire doors; so do not pay for servicing.
- Some plan types do not include building maintenance, painting etc so those levies are very low but owners are personally responsible for those maintenance costs.
- Insurance: External cladding e.g. timber, weatherboard and alucobond influence insurance premiums.

## Budgets and levies

### Consequences of not paying by due date

**If levies are not received on or by the due date:**

- Owner loses the right to vote at AGM
- Owner loses the right to join the committee
- Owner loses the right to nominate a person to the committee
- Late fees for reminder notices
- Penalty interest on levies - paid to the body corporate fund

## Budgets and levies

### Paying by due date

- If you pay levies on behalf of an owner – consider withholding some funds to cover levy notices when they come in. There is a minimum 30 day notice period before the due date.
- If levies are due and are paid by the agent and there are insufficient funds, ask your client to pay some or all of the levy directly.

## Committee

**David Pak-Poy**  
Community Relationship Manager

## Committee

The body corporate committee is responsible for day to day operations of the body corporate.

Duties include:

- Acting in best interest of all owners
- Overseeing operation of body corporate
- Instruct and work with body corporate manager (Capitol)
- Carry out body corporate's lawful instructions

## Committee

- Committee members are bound by a statutory code
- View codes of conduct on Capitol's website
  - *Resource centre > Codes of conduct*

## Committee

- Capitol is a member of the committee (non-voting)

Manager duties include:

- Carry out various functions of the committee
  - Administration of bank accounts
  - Issuing levy notices
  - Preparing and sending notices of meetings and minutes

## Committee

- Duties are delegated to the body corporate manager through the administration agreement
- Committee cannot delegate its ability to make decisions through the agreement
- The committee remains responsible for making decisions and instructing the body corporate manager
- Appointment of a body corporate manager does not change the requirement for the body corporate to elect a committee

## Committee

- Committee's primary function is to make decisions to enable the efficient and effective management of the duties of the body corporate.

Committee's power to make decisions is limited by factors such as:

- Spending limits
- Restriction on decisions
  - Fixing/changing levies
  - Changing rights, privileges or obligations of lot owners

## Committee

Decision making process

- Must be done a committee meeting or by vote outside of a meeting (VOCM)
- Provisions set by relevant regulation module
- Decisions must be recorded in full and accurate minutes

## Committee

How and when is the committee formed?

- At the AGM
- Requirements vary depending on relevant regulation module
- All bodies corporate are required to elect a committee annually

## Committee

Roles available

- Chairperson
- Secretary
- Treasurer
- Ordinary committee member

## Committee

### Committee authority in emergency events

- The body corporate committee does not receive any special or increased powers in the case of an emergency.
- May allow committee to expedite decision process in best interests of body corporate.
- If repair cost is above committee spending limit, committee is not authorised to act, even in an emergency.

## Capitol's role

- Work with our committees, resident managers, lot owners and contractors to build strong communities.
- Provide advice on legislative requirements under the Body Corporate and Community Management Act 1997 and the Regulation Modules.



## Capitol's role

Ensure our bodies corporate are compliant under:

- Work Health and Safety 2011
- Asbestos Reporting and Management of Asbestos containing Materials
- Insurance Valuations
- Fire Safety Requirements



## Capitol's role

What we do for our agreed fees

- Act and implement the decisions of the body corporate
- Organise/attend AGM
- Hold, use and supervise use of common seal
- Ensure insurance are in place
- Maintain body corporate registers relating to roll
- Keep books and records including financial statements



## Capitol's role

What we do for our agreed fees

- Prepare budgets, calculate levies
- Prepare and distribute notices
- Inward/outward correspondence
- Provide general advice
- Follow code of conduct



HOME



WHO WE ARE



OUR SERVICES



RESOURCE CENTRE



NEWS



CONTACT US



OWNER LOGIN

### ONLINE FORMS

RESOURCE CENTRE

ONLINE FORMS

INTRODUCTION TO BODY CORPORATE

THE COMMITTEE

LEVIES

MAINTENANCE

INSURANCE

BY-LAWS

DISPUTE RESOLUTION

LEGISLATION + FACT SHEETS

CODES OF CONDUCT

Update your contact details

Disclosure statement request

Information certificate request

Certificate of currency request

Pet request

Air conditioning request

Maintenance request

General improvement request

Insurance claim

Reimbursement request

Completed improvement notification

Owner login request

## Contacting Capitol

### Be proactive

- Capitol are not onsite and most buildings do not have onsite management
- New buildings are often investment only buildings, with owners not living onsite
- The owners delegate their responsibility to inspect the property to their property managers
  - Whilst it is not the owner's responsibility to maintain the common property, inspecting the property generally is a duty delegated to the property manager
- If you notice anything on common property that requires attention, take photos and let us know immediately
  - Check gutters, gardens and other common areas



## Contacting Capitol

### Benefits

- The body corporate becomes aware quickly and can address before things get worse
- This generally saves money and prevents injury/further damage
- Vacancy rates improve: well-maintained buildings are much easier to rent, which in turn improves the relationship between the owner and the property manager



## Enhance your reputation

When Capitol receives a report from a property manager, we pass that report on to the committee members.

Our typical email to the committee reads like this:

*Dear committee members,*

*John, from John's Property Management has reported that the garage door is not opening properly and requires a service call. John has also sent a photo of some graffiti on the fence.*

- This email is sent to the body corporate, including investor owners
- Capitol often receives feedback like "why hasn't my property manager reported this"
- Proactive property managers quickly gain a reputation amongst body corporate owners for excellent service which is good for your business

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## Maintenance

**David Pak-Poy**  
Community Relationship Manager

**Capitol**  
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## Maintenance

- General summary of maintenance
- Getting results quickly for your tenants
- Emergency maintenance
- Providing access

## Maintenance

Most bodies corporate are categorised either as a building format plan or standard format plan.

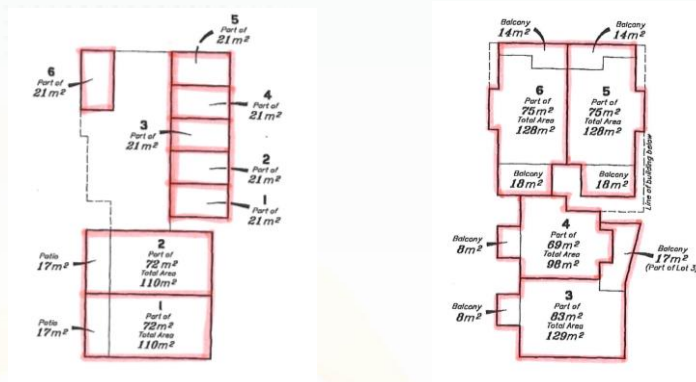
Defining the boundaries of a lot.

## Maintenance

### Building format plan

- Boundaries of a lot are defined by building elements (walls, balustrades, ceilings)
- This is the most common plan for units
- If the scheme contains stacked lots or lots over common areas it is probably a building format plan
- Many townhouse developments are building format plan
- In this plan, the roof and most external surfaces are body corporate

## Maintenance – building format plan (BFP)



## Maintenance – standard format plan (SFP)

- The owner owns the land within their boundary, like a normal house block
- The owner must maintain the structure within their lot (house, townhouse, villa etc.)
- Body corporate is only responsible for shared services (shared gutters, TV antennas, shared stormwater, sewerage etc.)



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## Source/location and responsibility

### Within the lot boundary

- Owner is usually responsible for maintenance, with very few exceptions (e.g. boundary fences)

### Inside the boundary structure of a lot

(e.g. wall between two units, wall between unit and common property)

- Body corporate is usually responsible, with some exceptions

### Courtyard

- Owner is usually responsible for maintenance (e.g. landscaping, hedges, water tanks and pumps etc.)
- Body corporate is usually partly responsible for fencing

### Common property area (hallway, parking area, roof)

- Body corporate is responsible for structure (walls, handrails, flooring, light fittings)
- Responsibility to repair service/utility infrastructure located on common property is dependent on who benefits from that infrastructure

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## Maintenance

### Is the breakdown impacting more than one lot?

- If more than one lot is affected, the breakdown is usually in a communal system (communal hot water system, communal electricity failure, communal sewerage blockage)
- Communal systems are normally a body corporate responsibility

### Examples

#### Garage doors and remotes

- Generally the garage doors are the responsibility of the body corporate
- Unless intentional malicious damaged was caused by a lot owner and/or tenant – that will most likely incur costs
- Remotes – the owners and/or tenants are responsible for these

## Maintenance

### Examples

#### Hot water systems

- Servicing only one lot – always an owner's responsibility, including connecting pipework
- Servicing more than one lot (communal) – normally a body corporate responsibility

#### Air conditioning

- Split systems and ducted systems where each lot's system is separate – an owner's responsibility
- Large central systems (high-rises, hotels) – normally body corporate



## Maintenance

### Examples

#### Courtyards

- Owners usually have exclusive use of a courtyard and this comes with the responsibility to maintain it
- Includes trees/plants in courtyard, pavers, shade sails, drainage etc.

#### Doors and windows

- If both sides of the window/door are inside the lot (e.g. door dividing the bathroom and bedroom), it is an owner's responsibility
- If the window/door is in the boundary structure of a lot (e.g. an external window on a 5<sup>th</sup> floor unit), the window/door is normally a body corporate responsibility

## Maintenance – get quick results for tenants

All correspondence should be received in writing through the property manager as we don't deal directly with tenants.

Provide as many details as possible in writing:

- Street address
- Bodies corporate name and CTS #
- Lot/unit #
- A comprehensive summary of what works is required:
  - Quotation if available
  - Photos if available
  - Provide specifics – e.g. gas or electric hot water system

## Maintenance

With the launch of Capitol's new website, please make yourselves familiar with the maintenance request form which is located in the resource centre.

<http://www.capitolbca.com.au/resource-centre/online-forms/>

Allow for 14 day turnaround from committee.



The screenshot shows the Capitol website's Resource Centre. The navigation bar includes: HOME, WHO WE ARE, OUR SERVICES, RESOURCE CENTRE (highlighted), NEWS, CONTACT US, and OWNER LOGIN. The 'ONLINE FORMS' section is expanded, showing a list of forms: Update your contact details, Disclosure statement request, Information certificate request, Certificate of currency request, Pet request, Air conditioning request, Maintenance request (highlighted), General improvement request, Insurance claim, Reimbursement request, Completed improvement notification, and Owner login request. A sidebar menu on the left lists: RESOURCE CENTRE, ONLINE FORMS (highlighted), INTRODUCTION TO BODY CORPORATE, THE COMMITTEE, LEVIES, MAINTENANCE, INSURANCE, BY-LAWS, DISPUTE RESOLUTION, LEGISLATION + FACT SHEETS, and CODES OF CONDUCT.

## Emergency maintenance

### Property manager authority

- Property manager can action works on behalf of an owner
- Capitol does not have the right to do so
- Roof leaks – if it's out of hours and is urgent, please arrange works yourself

## Emergency maintenance

### Business hours: 9am – 4:30pm Monday to Friday

- Capitol will always endeavour to obtain approval from the committee to carry out emergency maintenance work
- If approval can not be obtained, Capitol will endeavour to assist wherever possible in the hope of eliminating further health and safety risks and/or concerns.

### After hours, emergency maintenance only

- Call Capitol's after hours emergency maintenance service on 0431 149 772 to speak with the on duty Capitol manager

## Maintenance

### Providing access to units

- Body corporate often arranges fire door inspections, termite inspections etc. for all units
  - Owners pay for these inspections
- Tenant to provide access, or property manager if tenant is unavailable
- If inspection is missed, Capitol is not responsible, it goes back to the property manager
- Owners will always receive the reminder notice that an onsite inspection is taking place
- Additional fees apply for rescheduled call outs should access not be provided



## Q&A: who's responsible?

### Questions and answers

These scenarios have been compiled based on common maintenance requests received by Capitol. They are dependent on the specific circumstances of each case and should not be relied upon.

**Q:** A water leak is coming from a burst pipe in the wall between the ensuite and the walk-in wardrobe in a unit.

**A:** Owner

- The wall between the ensuite and wardrobe is within the lot. It is not in a boundary wall.
- The leak is in a pipe that services only that unit. It is not a shared pipe.



## Q&A: who's responsible?

**Q:** Sliding glass door from the lounge to the balcony needs repair (needs new runners, and new handle).

**A:** Owner

The lot boundary is the edge of the balcony, so the wall between the lounge and balcony is within the lot. The door is not in a boundary structure, because the lot boundary is the handrail around the balcony.

**Q:** A townhouse has a leaking roof caused by some sealant that has failed. You are not sure of the format plan type, so you phone Capitol and find out that it is a building format plan.

**A:** Body corporate

Though the roof is only protecting that one townhouse, it is outside the lot, and therefore common property.

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## Insurance

**Suzy Pratt**  
Insurance Manager

**Capitol**  
BODY CORPORATE ADMINISTRATION

## Insurance

### Coverage

- What is covered
- What is not covered

## Insurance

### What is covered

- Building

Baths	Hand basins	Shower screens
Toilets	Sinks	Stoves
Antennas	Built-in cupboards	Doors
Windows	Fixed tiling	Paintwork
Wallpapering	Public light fitting (in common areas)	Ducted air-con (servicing more than 1 lot)

## Insurance

### What is covered

- Individual circumstance

The policy may respond differently to individual items being claimed dependant on the cause of the damage.

*For example, the policy will not respond to a leaking or faulty hot water system which is subsequently deemed a maintenance item however, if the hot water system has been damaged from impact or the like, the insurer will consider the HWS as a claimable item.*

## Insurance

### What is covered

- Common contents

Carpets (within hallways and lobbies)	Pot plants	Mirrors
Other decorations	Washing machines	Dryers
BBQ equipment	Gardening equipment	Garden/indoor furniture

## Insurance

### What is covered

- Improvements

The policy can allow between \$250,000 - \$300,000 for improvements to an individual lot.

*For example, if a lot has renovated the kitchen and replaced the bench tops with marble, this will be included within the policy under "lot owners fixtures and improvements" section. It is always recommended to provide our office with these improvements in order to advise the insurer for their records.*



## Insurance

### What is NOT covered

- Common contents

Curtains	Blinds	Carpets
Light fittings	Personal equipment	Valuables
Furniture	Household appliances within a lot	





## Insurance

### What is NOT covered

- Building and maintenance

The insurer will not cover repairs required due to:

Faulty workmanship	Building movement	Rust
Oxidation	Corrosion	Wear and tear

The claim being put forth to the insurer must be an insurable event such as storm damage, water leaks, impact damage, malicious damage and so forth.



## Insurance

### Decision

- Policy inclusions and exclusions may differ from individual insurers product disclosure statements.
- The decision is determined by the insurer and not Capitol Body Corporate Administration.



## Insurance

### Who pays and when?

The Body Corporate and Community Management Act 1997 dictates who pays an insurance excess depending on what event has occurred.

### Decision

Varying circumstances apply to the payment of excess and will be a case by case basis, subject to who was at fault, what incident occurred and to where.

## Insurance

### Property Manager's role during a claim

#### Cause versus resultant damage

*The most common claims are water damage.*

#### Cause

- Reason the water ingress occurred
- Must be rectified before the insurer will authorise the resultant damage
- Gaining access through walls or ceilings is still part of the cause rectification
- Not claimable under the body corporate's strata policy

## Insurance

### Property Manager's role during a claim

#### Cause versus resultant damage

*The most common claims are water damage.*

#### Resultant

- Damage caused by water escaping from the burst pipe, or through the cracked tile in the roof
- This can be claimed under the body corporate's policy

## Insurance

### Common misconceptions

- Costs incurred gaining access to the problem are covered by the policy
- Contents items can be claimed under the policy because the cause originated from a building problem
- The cause is a building problem so the body corporate will pay the costs

## Insurance

### Property Manager's role

- Complete claim form
- Arrange rectification of the cause
- Obtain quotes for resultant damage
- Lodge through Capitol
- Arrange access for loss adjusters and contractors
- Assist with supplying any information requested by insurers

## Insurance

### Loss of rent

- Provide rental ledgers
- Loss of rent will be paid for the period when the contractor starts repairs to the date repairs are complete

*If loss of rent is due to the necessity of drying out carpets, this cost will not be covered by the building insurer. It must be claimed under the owners contents/landlords policy.*

## Insurance

### Timeframes and expectations

#### Manage owner expectations

- Claims are not settled within a week
- Simple claims take a minimum of 2 weeks
- Complex claims take much longer

## Insurance

### Strata versus landlord insurance

- Body corporate insurance policy covers the interests of the body corporate
- Does not cover the interests of individual owners

## Insurance

### Strata versus landlord insurance

#### Landlord insurance policy covers:

- Property damage to items
- Public liability
- Loss of rent

#### Optional cover:

- Tenant rent default
- Malicious damage by tenants

# Questions?