

NEWSLETTER ISSUE 21 AUGUST 2016

How are decisions made in my scheme?

It can sometimes seem confusing as to why some things are simply undertaken by us, but others we may say need to be referred to your Executive Committee. Eg you may contact us regarding a wasp nest and we will just go ahead and organise it to be removed, whereas if you apply to keep a pet or want the back fence replaced we don't sign this off.

As agents we have limited delegated authority: Just as if you had a real estate agent managing your unit, you would limit how much they can do/spend without referring the cost or request from the tenant to you to approve. How would you feel if they spent \$1000 without contacting you – or told the tenant they could have a pet without consulting you. So, we too have limits set out in our agency agreement with your scheme.

Your representatives: We can undertake some repairs and so generally we'll organise up to around \$1k-\$2k in value. When we think it is going to be more we will either refer it to your Executive Committee representatives (that is two persons who are elected at the AGM to be the liaison between us and the rest of the committee as a whole) or we will ask someone to quote. Then when we know the cost, the representatives can either make the decision – or we will advise them to have a committee meeting approve it. Depending on the sum - more quotes may be needed. This all takes time.

We do not work for an individual owner like a real estate agent: Their role would be to look after your one unit, whereas we and the committee act for the scheme as a whole. A strata plan is a legal entity that can be sued and pays tax etc, so everything has to be considered for the good of the majority – not what one individual wants.

As you can imagine in any scheme you will not have 100% agreement on things 100% of the time. That is why there is voting, and in most cases 51% carries the decision. So there is a committee who are a representative group, elected and charged with the administration of the scheme. It is our role to advise them and act on their lawful instructions.

Of course if a repair is urgent, that is it could result in more damage (eg water is running down the common property stairs), or cause an injury to someone, then we will intervene to contain the situation, and then the representatives are informed.

The representatives may not circulate every email we send to the rest of the committee, as there can be quite a bit of contact back and forth between us, but those things that should be considered by the group should be sent around by one of the two reps, removing us from those “conversations”.

Communication and instructions to us: This process is particularly important in case any of the committee is approached by a resident regarding that matter – ie they should be aware of what is happening. When there is a majority consensus between the committee as how to proceed, the representatives will feed that back to us as an instruction.

We should only be sent the following types of emails:

- i) **an instruction** – where the committee have decided they want us to do something – eg write a letter re a breach of bylaw, or issue a work order to a contractor.
- ii) **a request for information** (or RFI) – ie a query on procedure or advise on something
- iii) **FYI** – if something needs to be put on the scheme's records or we need to be aware – eg we are going to receive an invoice for work that we didn't instigate – so we know to it is OK to pay upon receipt.

Other chatter regarding opinions etc are unclear and we cannot work out from that what we are to do. Communication should always be explicit via one of the representatives – so your expectations can be met. Assumptions can often lead to problems – which take time for everyone then to resolve, which is un-necessary and un-productive!

If a decision needs to be made formal – ie minuted to protect the Owners Corporation that they have complied with their legal requirements – we will send a meeting by way of written vote around. This **MUST** be put on the notice board. This has a voting sheet for each committee member to complete regarding each motion which must be returned to us **before the date and time of the meeting**. Therefore, it is no different from a face to face meeting – but without the hassle of trying to get everyone together. The benefit being, decisions can be made decisively and quickly.

Executive meetings can be held at 72 hrs notice from the time it is put on the notice board. For more information on this process and why an “email around” between the committee members does not meet the legal requirements – please see our newsletter 7 on our website.

Burst proof sink hoses

In April this year Channel 7 ran a story regarding burst proof sink hoses – here is the link if you would like to view it

<https://au.news.yahoo.com/video/watch/31249672/aussie-plumbing-hoses-beginning-to-burst/#page1>

I received some enquires from owners afterwards and so I have obtained some advice from Simon Katz – a loss assessor with Katz Bergin who acts for some of the insurers in the strata industry. Here is what he had to say.

I had a claim in Darling Point involving a flexi hose bursting under a vanity resulting in \$200,000 plus dollars in damage. To replace the failed hose was less than \$50.00.

The hoses are often used under sinks and vanities as they are much easier and cost effective to install. They are compliant with relevant building codes and regulations although I'm unsure of their lifespan.

Are they fail proof? Absolutely not – but neither are many other hoses such as copper or high pressure PVC. Some flexi hoses would be better than others. Plumbers would know more about this. I doubt however if Builders and Developers would be installing the best materials available.

A proactive approach should always be applauded, and for the minimal cost involved this could save a great deal of inconvenience in mitigating potential damages. No one wants to come home to a flood. As I understand it these hoses are not common property so it would be up to Lot Owners to have their hoses inspected and replaced if necessary. Unlike copper pipes however, these types of pipes are generally easily inspected and do not cost much to replace.....

From a Building Insurance perspective, as you note the Act and policies issued cover such resultant damages to Insured Property. There's also an interesting section in the Act (92) which precludes an Insurer from recovering against a Lot Owner unless the damage was wilful.

I think you are on a good thing highlighting the potential problem and suggesting to clients the benefits of an inspection would far outweigh the consequences.

We've all seen the ad on TV where the young lady comes home to water flowing out from under her door, so next time you have a plumber around, why not ask him to replace these flexi pipes for you – as Simon says it is a minimal cost compared to the potential damages if one fails.