



Why you need to be involved in bodies corporate

By **Wendy Priestly** PMC president

I have taken the view that the ownership of multiple properties is akin to owning a number of franchises. A business owner who expects to be successful would not consider leaving their multiple franchises to run themselves, nor would they ignore maintenance issues that affected the appearance or internal presentation of their franchise's business locations.

As a multiple property owner of a number of strata properties, I have taken the view that being on the committee of a body corporate is the same as being on the board of a company. If I am expecting good performance out of my business then I need to be personally on the board to ensure this is achieved. As a member of the 'board' of this business, I am a party to the management of the budget and have the authority to investigate the expenses and the amounts of income that are being processed. I am also able to review all items of expenditure and help ensure the management service is being provided to the best achievable standard for all owners.

As a member of the committee of a body corporate you are able to look more closely at cost areas. For most bodies corporate there are three major items that make up 60 to 80 per cent of your budget. These include:

- an onsite manager's fee;
- insurance policy premium; and
- body corporate manager's fee and their administration charges.

ONSITE MANAGER'S FEE

The onsite manager's fee is set under the terms of their caretaking/management agreement and usually contains an inflation linked rise in their annual fee of say 3 per cent per annum. There is very little you can do to alter this charge as it is a contractual amount. Only if the onsite management agreement comes up for renewal (say after 10 or 25 years from the beginning of the completion of the development) would there be any capacity

to review. At this time it may be possible to review the duties and responsibilities of your onsite manager, but in my experience it provides little scope for variations. The role of the committee is more to ensure value for money is being achieved. From this point of view it is the responsibility of the committee members to monitor the onsite manager and ensure for all owners that the development is always looking its best to gain the highest achievable rental payments and ongoing equity growth achievable in the current market.

INSURANCE POLICY PREMIUM

At the moment most bodies corporate take out insurance for the building and common property. There are such a small number of strata insurance providers (and in far north Queensland only one insurer) that there is very little capacity to negotiate premium reductions, as most policies are raising

40 to 100 per cent. However you could increase the excess payable for claims from \$500 to \$1000 or \$1500. This means with less claims (as small claims will be repaired by the body corporate itself) the body corporate may be able to reduce the premium slightly as it would be making less claims on the insurance policy and only submitting claims for larger items.

Building valuations for insurance purposes also need to be re-done every few years. This is an expense, and may raise your premium in the short term, but can be a positive move when any large claim is made and your policy is showing an inaccurate figure for cover. Under insuring your building is very false economy. For when a claim is made, if work done is far more than the building was insured for, the body corporate may then find the insurance company will only pay a lower



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repair invoice and the body corporate would be required to make up a large portion themselves. This may require a special levy for work to be done and cost owners far more than it should.

BODY CORPORATE MANAGER'S FEE AND THEIR ADMINISTRATION CHARGES

There may be some scope for competitive pricing to be achieved for body corporate management fees. In a number of bodies corporate I have been able to review the body corporate manager's contract and arrange for lower fees through seeking other quotes to hold against existing managers. I have even gone as far as putting a motion forward to the Annual General Meeting for a new body corporate manager with more competitive pricing. The expected result is for a fair market price for efficient service. There is no point in getting the lowest price if a lower quality of service is provided.

By becoming involved in your bodies corporate you are able to ensure that you and your fellow owners are getting the best performing business that can be achieved for your money. It is my view your investment property is your business and you need to be involved.

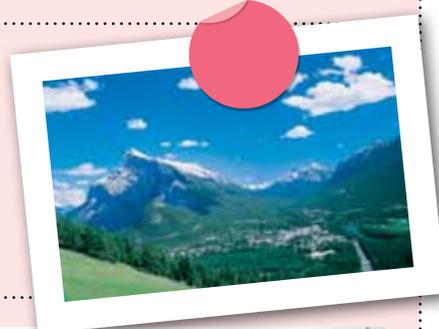
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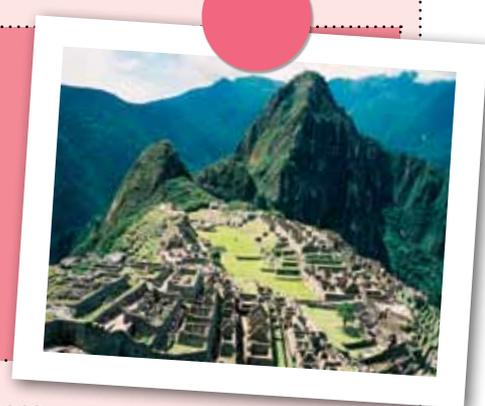
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