



Appointment of a Strata Company Manager

Part of the STIWA **Best Practice Series**



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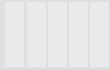


This booklet is one of three in STIWA's Best Practice Series dealing with the relationship between strata company managers and their client strata companies. You are encouraged to obtain and consider the contents of all three booklets.

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Purpose of this booklet

This booklet provides interested parties with general information which will assist in the process of selection and appointment of a professional strata company manager on terms that are appropriate for the particular strata company and agreed to by the company and the manager.

At the end of this booklet there is an example of a simple matrix form which enables evaluation of multiple submissions from prospective strata company managers. This booklet and the form are available as a free download at www.stiwa.com.au and the form can be amended to suit the requirements of individual strata companies.

Two lot schemes are exempt from certain requirements of the Strata Titles Act 1985 (WA) (**Act**) unless they wish to comply and 3–5 lot schemes are able to exempt themselves from those same requirements [s36A & 36B]. This booklet does not differentiate for those exemptions, and unless otherwise stated, a reference to by-laws is a reference to the by-laws contained in Schedule 1 & 2 to the Act.

Reference should also be made to other booklets in this series “Role of the Strata Company Manager” and “Strata Company Financial Reports and Information”. The Guides are available from the STIWA office or are free to download in PDF file format from the STIWA website at www.stiwa.com.au.



Why appoint a strata company manager?

The Act is a catalyst for confusion and confrontation partly due to the following factors:

- » The technical and complex language of parts of the Act
- » The financial and emotional involvement of the people who have personal and business interests to promote and protect.

A strata company manager is appointed to assist the Council of the strata company to perform its functions, duties and powers as required and allowed by the Act. That appointment **does not** remove the requirement for there to be an active Council. The Council has the ultimate responsibility for management of the strata company's affairs.

The Act requires that every strata company performs some duties and also enables it to exercise a wide range of powers, all of which are management functions intended to protect and maximise asset values.

Power to appoint

Pursuant to section 44 of the Act, the functions of the strata company are performed by the Council. The Council is empowered to appoint such agents as it thinks fit in connection with the control and management of the common property and the exercise and performance of the powers and duties of the strata company.

The authority, responsibility and accountability for the timely management of the affairs of the strata company can be delegated to a professional strata manager for an agreed fee.



Benefits of appointing a professional strata company manager

Typically, a professional strata company manager is appointed as a matter of convenience to provide a centralised point of communication, a range of agreed services and can readily outsource specialist providers of goods and services.

Each strata company has unique factors which affect the nature and extent of its management and service requirements and may determine the degree of involvement the manager is expected to have. Such factors include:

- » Location
- » Use
- » Physical aspects of the property
- » Type of scheme
- » Age of the buildings
- » Extent of the common property
- » Socio/economic circumstances of the owners
- » Immediate and long term plans for the appearance and amenity of the property

The underlying role of the strata manager is to assist the Council, and consequently the strata company, to make and implement business decisions. Those decisions, when implemented, ensure that its duties are performed and any discretionary powers are exercised in accordance with the Act, the relevant by-laws and any applicable resolutions of general meetings of the owners.



Some of the major benefits of appointing a professional strata company manager include:

- » Technical knowledge and experience in respect to the Act
- » No personal involvement with other owners or occupiers
- » Availability of management systems and staff
- » Reduced time demands on volunteer Council members
- » Access to competent contractors and service providers
- » Ability to objectively deal with owners about behaviour or money matters
- » Availability of business and financial systems
- » Risk management experience

For a more detailed explanation of the role of a strata company manager you are encouraged to obtain a copy of the STIWA booklet entitled “The Role of the Strata Company Manager” available from STIWA members, the STIWA office, or via download at www.stiwa.com.au



Management authority, responsibility and accountability

The appointment of a strata company manager is similar to any executive employment arrangement. The contractual arrangement is between the strata company and a firm specialising in the management of strata companies which gives the manager the authority and responsibility to act. The Council has the responsibility to supervise and hold the manager accountable for the timely achievement of the objectives of the strata company.

A strata company manager should not undertake the duties or powers of the strata company without first receiving clear written authority to do so. The manager cannot and should not be requested to perform duties and powers which require any form of resolution of the strata company or the Council until and unless such resolutions have been properly passed. This is especially so where any major obligation of the strata company is created.

Any agreement must set out the services to be provided, the fees and other expenses payable as have been agreed between the parties. The use of the STIWA approved management agreement and suitably detailed schedules of services and charges will meet this need.

Seeking proposals from strata company managers

A list of STIWA members is available from the Institute at www.stiwa.com.au. STIWA recommends that the Council seek written management proposals from more than one of its members. This will ensure that there is a means of comparison which allows the Council to make a value based decision as to who is the best suited candidate. A reasonable deadline for submissions should be set and adhered to.

To avoid misunderstandings the Council should make the prospective managers aware of unique and unusual factors affecting the strata company as well as the desired level of service. This should include any history of disharmony between the owners, the Council and/or the existing manager. Financial matters which affect the management process should also be disclosed at the outset. If there has been a sudden and unexpected change in existing management arrangements this should be clearly communicated.

A strata management firm may comfortably be able to take on a new client where the records are easily integrated and there are no immediate major issues to be resolved. On the other hand they may not immediately be able to absorb and sort out long standing maintenance and financial problems. For these reasons it is important that the candidates know when the appointment is to take effect.

Those contacted should be encouraged to make their own enquiries, visit the property and make themselves aware of what it is they would be managing. This often brings to light matters which have not been considered or effectively managed in the past.

The prospective managers should also be encouraged to demonstrate their capability to meet the expectations of the strata company. They should be aware whether the Council are going to make a decision based on cost alone or that perceived value will be the determining factor.

Selection process

Once received, all submissions should be evaluated against criteria which enable the Council to make an objective assessment of which candidate is most likely to meet the needs of the strata company. It will be helpful if all Councillors have had a copy of the submissions in advance of a Council meeting convened specially to make this assessment. That meeting can make a decision based on the written submissions and perhaps personal knowledge of members.

It is not unusual that two or more submissions are equally meritorious. In that case and because of the importance of the management relationship some Councils may want to interview a representative of short listed candidates. This will allow them to decide whether they will be compatible with the person they will be dealing with if the appointment is made.

If the decision is made to conduct interviews the Council should prepare a structured series of questions or subjects to be covered. These should be designed to gather information about the capability and attitude of the representative being interviewed. It should be remembered that while it is the management firm which is being appointed, it is a staff member of the firm who will actually provide the agreed services.

It is helpful if the candidate is asked to provide examples of financial reports and records to demonstrate their understanding of those requirements.



Selection criteria

The following criteria are those most often considered by Councillors in the selection process.

Essential qualifications, services and qualities

- » Proposal is clear and persuasive
- » Member of STIWA
- » Uses STIWA approved management agreement
- » STIWA accredited management staff
- » Professional indemnity insurance
- » Strata specific computer software
- » Provided detailed schedules of agreed and any additional services
- » Provided detailed schedules of service and transactional fees
- » Electronic banking facilities
- » Operates a trust account for all company funds
- » Good working knowledge and understanding of:
 - The Act
 - Duties and powers of strata companies, Councils and owners
 - Composition of lots and common property
 - Application and enforcement of behavioural by-law
 - Application of procedural by-laws
 - Meeting protocol and procedures
 - Insurance requirements
 - Accrual accounting and budgeting principles
 - Financial reporting and frequency requirements
 - Collection procedures
 - Record retention and access requirements
- » Access to reliable and competitive contractors and service providers
- » Communication guarantee
- » Encourages Council involvement
- » Discloses any commissions received
- » Has direct experience with this size and type of scheme
- » Initial contract period not exceeding two years
- » The management proposal and contract terms were effectively communicated



Desirable qualifications, services and qualities

- » Recommended by another strata company Councillor or owner
- » Management proposal tailored to this proposed or existing strata/survey-strata scheme
- » Enquired as to any unique or unusual factors that affect the management process
- » Met with a Councillor or visited the property
- » Has taken account of reasons for seeking the proposal
- » Emergency contact facility
- » Provides an owner awareness package
- » Good inter-personal skills
- » More than two years business operation
- » Reputation for honesty, fairness and professionalism
- » Willing to provide references
- » Provides record storage facilities.
- » Can provide Council meeting facilities
- » Has a website with owner access availability



Making the appointment

On the following page there is an example of a simple matrix form which enables evaluation of multiple submissions from prospective strata company managers. This form is available as a free download at www.stiwa.com.au and can be amended to suit the requirements of individual strata companies.

The Council has the responsibility to make a decision and should rightly give weight to the cost of the services to be provided by the appointed manager. Cost, however, is almost never the most important factor. As with any other “purchase” decision, the value factor will prove to be the most relevant element.

The value of a service agreement is determined by the capability of the provider and the compatibility of the people who will provide and receive the service. By reference to the booklet “The Role of the Strata Company Manager” and the use of the matrix overleaf, the value factor will readily be recognised and should be the final basis of making the decision to appoint the right manager for your strata company.

Strata Management Proposals Evaluation Matrix

Value Elements								
Essential	Candidate 1		Candidate 2		Candidate 3		Candidate 4	
STIWA member	✓	X	X	✓	X	✓	✓	X
STIWA accredited staff	X	✓	✓	X	✓	X	X	✓
STIWA agreement	✓	X	X	✓	X	✓	✓	X
Professional indemnity insurance	✓	X	✓	X	✓	X	X	✓
Strata specific software	X	✓	X	✓	X	✓	✓	X
Electronic banking available	✓	X	X	✓	✓	X	X	✓
Trust account security	X	✓	✓	X	X	✓	✓	X
Accrual basis of accounting	X	✓	✓	X	X	✓	X	✓
Financial reports satisfactory	✓	X	X	✓	✓	X	✓	X
Favours reserve funds	✓	X	X	✓	X	✓	X	✓
Manages similar schemes	X	✓	✓	X	✓	X	X	✓
Contract period two years or less	✓	X	X	✓	X	✓	✓	X
Will use our preferred contractors	X	✓	✓	X	✓	X	X	✓
Wants Council involvement	✓	X	X	✓	✓	X	✓	X
Communication guarantee	X	✓	✓	X	X	✓	X	✓
Insurance arranger	✓	X	X	✓	✓	X	X	✓
Disclosed commission	X	✓	✓	X	X	✓	✓	X
Well presented proposal	X	✓	X	✓	X	✓	✓	X
Confident and knowledgeable	✓	X	✓	X	✓	X	X	✓
Accomplished communicator	X	✓	X	✓	✓	X	X	✓
Desirable	Candidate 1		Candidate 2		Candidate 3		Candidate 4	
Recommended	✓	X	X	✓	✓	X	✓	X
Referee reports complimentary	✓	X	X	✓	X	✓	X	✓
Reputation (if known)	X	✓	✓	X	✓	X	X	✓
Researched our scheme	✓	X	X	✓	X	✓	✓	X
Attended at property	X	✓	✓	X	✓	X	X	✓
Asked relevant questions	✓	X	X	✓	✓	X	✓	X
Raised interesting issues	X	✓	✓	X	X	✓	X	✓
Emergency a/hours contact service	✓	X	X	✓	✓	X	X	✓
Experience 2 years+	X	✓	✓	X	X	✓	✓	X
Compatible personality	X	✓	X	✓	X	✓	✓	X
Has owner awareness package	✓	X	✓	X	✓	X	X	✓
Record storage available	X	✓	X	✓	✓	X	X	✓

Desirable (continued)	Candidate 1		Candidate 2		Candidate 3		Candidate 4	
Meeting room at office	X	✓	X	✓	X	✓	✓	X
Website access available	✓	X	X	✓	✓	X	X	✓
	X	✓	✓	X	X	✓	✓	X
	X	✓	✓	X	X	✓	X	✓
	✓	X	X	✓	✓	X	✓	X
	✓	X	X	✓	X	✓	X	✓
	X	✓	✓	X	✓	X	X	✓

Cost Elements								
	Candidate 1		Candidate 2		Candidate 3		Candidate 4	
Quoted annual fee per lot	.....	.....	.....	.....
Hourly charge rate	.....	.....	.....	.....
Other fees/charges	.....	.....	.....	.....
Within budget/authority	✓	X	X	✓	✓	X	X	✓
Other	X	✓	✓	X	X	✓	✓	X
	X	✓	✓	X	X	✓	X	✓
	✓	X	X	✓	✓	X	✓	X
				
				

Application Outcome								
Councillor's recommendation	Candidate 1		Candidate 2		Candidate 3		Candidate 4	
	✓	X	X	✓	X	✓	✓	X
	X	✓	✓	X	✓	X	X	✓
	✓	X	X	✓	✓	X	✓	X
	X	✓	✓	X	X	✓	X	✓
	✓	X	X	✓	✓	X	X	✓
	X	✓	✓	X	X	✓	✓	X
	X	✓	X	✓	X	✓	✓	X

Decision in favour of _____ Date _____

Decision to be communicated to successful and other candidates by _____

The Strata Titles Institute of Western Australia (STIWA) is the peak industry body for people and organisations working in the strata titles profession and associated industries in WA.

Our mission is:

“To be acknowledged as the foremost industry forum of professionals which establishes and mutually recognises members’ competency, integrity and practise standards, and promotes public confidence in the strata titles profession within Western Australia”.

Our members represent a wide range of industry sectors including strata company managers, surveyors, financial and insurance service providers, conveyancers, solicitors, real estate agents, property and strata title consultants.