

**Publication Date: 11 April 2016**  
**YSP Podcast Transcript: Episode 006. Why communities should consider tendering strata management contracts - with Helen Wells**

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**Amanda Farmer:** Hello and welcome. I'm Amanda Farmer and this is Your Strata Property. Today, we are very privileged to have Helen Wells joining us on the show. Helen is the owner of Acumen Strata. Helen recently formed Acumen after fifteen years as a strata manager with strata management company Dynamic Property Services. Helen is fast developing a speciality in providing consulting services to large strata schemes and community associations who are tendering their strata management contracts.

Today, I'm delighted to welcome Helen Wells from Acumen Strata to chat with us about strata management tenders. Welcome, Helen.

**Helen Wells:** Thank you, Amanda. It's a pleasure to be here.

**Amanda Farmer:** Helen, could you tell us a bit about why you think communities should put their strata management contracts out to tender?

**Helen Wells:** Yes, I think these days we can all recognise that the skills needed to manage strata schemes have vastly accelerated and varies from building to building. There are all sorts of factors that can affect them, affect the management and affect the requirements for particular skills, and that could be the type of building: so it could be a residential or a commercial or a mixed use scheme in terms of size, location, demographic issues or problems that they may be facing.

I'm not suggesting that each manager has only one skill set, but I think what is important is that perhaps it's time to focus on the demands of the scheme and identify the best manager and the best managing agent to deliver that service. I don't think we should ever focus on, or try and find the cheapest price, I think we're moving away from that and moving onto things that really matter. There's obviously an enormous amount of change that is about to affect the strata industry with the introduction of new legislation...

**Amanda Farmer:** Yes.

**Helen Wells:** Which I believe is coming in very shortly, we have been given a variety of different dates and yet we still don't have a firm one to rely on. But this will affect strata schemes, quite profoundly, in that they will then be required to have a valid written agreement with a license managing agent, and that agreement must not exceed three years and there is no role over provision, so very shortly it will be a requirement that buildings consider how they're going to address that, and obviously tender is one of those solutions to that problem. Obviously, larger schemes have a different problem, and that is every contract that's over thirty thousand dollars requires a second quote or a second option and therefore tendering is a good solution for them also. Strata schemes or community associations will include them as well, and any other type of association that's registered these days should tender the appointment of the strata managing agent to find the most suitable agent for their property, and more importantly, the most suitable individual manager who has the skill set that can deliver the service that's required by that particular building.

In my view, all strata schemes should undertake a tender for their management services to get the best that they can afford. It's just a case of when they do it and if they're compelled to do it by law.

**Amanda Farmer:** Sounds like good advice to me. How do you put together a good request for tender?

**Helen Wells:** I think that the most important thing of all is to listen to the client. In order to prepare the appropriate documents, you really do need to listen to what their needs are, what they want, what they feel they might need in the future.



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Also, some of the problems that they might be experiencing at the time, so that could be things like complying with the law, complying with by-laws, or defect rectification and all these sorts of things will have an effect on the type of manager that they could potentially identify and appoint.

The skills that they might need from that manager or that management company – whether they need somebody who's multilingual, or has an accounting background – all of these sorts of things will potentially help find the right manager. Flesh out obviously the scope of work because that's paramount, because we need to know what we are actually asking for, but more importantly, what things they want as a fixed fee and what things that they are prepared to pay for on an hours-and-when basis.

**Helen Wells:** So what we are doing here is we are basically trying to identify all of their needs, consolidate them and put them into a package that we can then tender, and offer to other strata management companies that might fit the brief. Some of the other things that are important are the unique qualities of each building, or whether there are any peculiarities like car stackers, or public bars, or differential levies. All of these things we need to know about so that we can prepare the appropriate documents.

**Amanda Farmer:** Some schemes would be engaging somebody like you who can help them put together their tender package and you obviously have the expertise to understand how you cover off all of those issues, and other schemes who are doing it themselves, it's sounding to me that your advice is: focus on your pain points, focus on where you might have had difficulties with management issues in the building in the past, and raise those with your perspective new managers and be asking them how would you deal with this? How would you deal with these unique aspects of our building and these problems that we've been experiencing?

**Helen Wells:** Yes, I think very much so. I think once you have identified those things you can certainly ask those questions. You know, just like you need a specific strata manager, you also have to prepare a specific brief for tender. Keeping it simple of course is key and ask the direct questions that you want direct answers to.

**Amanda Farmer:** And I think that's a really good point that you make in relation to fees as well, and some less experienced committees or buildings who might not have done this before may not think to ask 'which part of the fee is fixed?' and 'what are the additional fees?' because, at least in my experience, different strata management companies approach that issue in very different ways and some can be quite innovative with offering fixed fees, and others a little bit more old fashioned and you're getting charged for things you think are included but are actually additional extras. So it's just important to be aware of that upfront from the very beginning.

**Helen Wells:** Yes, I think so and I think if you can incorporate that in the brief and specifically state the things that you want to be included and the things that you want to be excluded, and just like the scope, be very clear about that, you will receive back hopefully tenders that can be viewed and analyzed alike. So, you are comparing apples with apples effectively.

**Amanda Farmer:** Yes, that's a really important and I guess that's why it's important to have a proper brief put together and not approach this on an ad hoc basis if you like.

**Helen Wells:** Yes, absolutely.

**Amanda Farmer:** So Helen, could you share a story around how you've helped the community with your skills in this area?

**Helen Wells:** Of course, I would love to. I was approached by a committee of a large strata scheme, they contacted me to discuss their current strata management arrangement. They were generally happy with their agent and they liked their strata manager, but their contract had expired and it was currently on roll-over.

They felt that it was good practice, and in the interest of their owners' cooperation, and so they went to the market and they ran a tender. The committee were made up of a group of volunteers – all professional, all professional men and women – but they just didn't have the time or the expertise and they recognised that they didn't have the expertise to run a professional strata tender,

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which is why they asked me to get involved. Going through that process, to approximately 4 months from start to finish the committee were involved in that process through that period of 4 months. They undertook some interviews, but then as a result of the process and the interviews and the report that I prepared at the end, the outcome was that they would keep the existing manager.

**Amanda Farmer:** Right.

**Helen Wells:** They saw this as a great benefit because they had gone through the process, ticked off that box that they had to do that, and they felt that they had done the best they could for their owners. The benefits of doing the process were that they had included a whole a lot of other things that were otherwise additional fees into a fixed fee.

They locked in a three-year agreement. They included a term in the clause to terminate, or have the option of terminating, should the manager that they have been quite comfortable with for a number of years were to leave the company.

**Amanda Farmer:** Right.

**Helen Wells:** They negotiated out of their insurance commission and they felt that they were getting greater value for money as a result of running that process, and incidentally they didn't go with the cheapest...

**Amanda Farmer:** Yes.

**Helen Wells:** They felt that the knowledge and the history that the manager had certainly made out for that.

**Amanda Farmer:** That's a really great story and it just goes to show a little bit of competition can produce some valuable results perhaps, and that committee was able to get their current strata manager thinking about what extra value can be offered to an existing client, and I think it's great that they have been able to achieve that result by running a tender and be left with someone that they know, that they are comfortable with...

**Helen Wells:** Yes.

**Amanda Farmer:** But they feel like they're saving some money in the process and getting better outcomes for all of their owners. Great story.

**Helen Wells:** Yes. They were very very happy.

**Amanda Farmer:** Helen, what are the most common challenges you've noticed communities face when it comes to tendering their strata management contract and what's worked best in terms of overcoming them?

**Helen Wells:** I think that generally there's an expectation based on executive committee members to do everything to manage the building, to arrange repairs, address complaints and sort out individuals' problems. They have to remember that they are extremely skilful, but they're volunteers.

They don't have the time or the inclination to take hold of a such a large and time-consuming project as running the tender, and I think that overcoming that, or at least acknowledging that there are other ways of doing things, has been a great benefit to them. I've worked with some amazing committees and they've achieved some amazing things and one of the things that they have always been quite comfortable with is bringing in experts when they've needed them. They're not afraid to ask questions when they don't know the answers, and they're not afraid of paying for experts' advice either.

And similarly, I think when it comes to tendering strata management, incorporating a figure in the budget to engage a professional to undertake the tender is extremely important and it takes that burden away from them.

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**Amanda Farmer:** Yes, and I think there's another key point in what you're saying there. It's about communicating to the other lot owners, who are not members of the committee, that this is a huge job, or can be a huge job, and a heavy burden on the committee members. So it seems to me like there needs to be at the outset, that understanding conveyed to other lot owners that this the process of a strata management tender. These are the things that we will need to do, we are all volunteers as committee members, we have other lives, we have other jobs and we can't actually do all of this on our own, so we recommend as your committee that you bring in experts, consultants, property advisers or lawyers to assist in putting this tender together and collating the results for us and helping us to make a decision, and conveying to the lot owners' why there's value in that, because I imagine some committees may find it difficult to convince their lot owners that that's something valuable to do. Because the lot owners take the view "well that's what the committee's there for, this is your job, you guys run with it" but as you're saying, that's a heavy burden to carry and there are others out there who can help carry it.

**Helen Wells:** Absolutely.

**Amanda Farmer:** So at the end of the day it comes down to improving that communication, which is something we talk about quite often on the show.

**Helen Wells:** Yes, where do you stop talking reminding people that good communication is key?

**Amanda Farmer:** Yes, exactly. Helen, what actions can a listener take today to get started if they are thinking about tendering their strata management contract?

**Helen Wells:** I think the first thing that I would suggest that they look at, and being aware of, is the term of the current contract...

**Amanda Farmer:** Yes.

**Helen Wells:** And the termination clauses. If you're not aware of those things, then you really can't proceed any further. Once you've resolved that little hurdle, you can then start planning. Be aware of obviously the new legislation, and to remind you again, you must have valid written contracts with terms not exceeding three years, and that's for an existing scheme – there're other restrictions on new schemes – and they're no rollover clauses. Consider the benefit of running a full tender or whether you just want to go to the market and just have a look at pricing it.

**Amanda Farmer:** That's it? Were there any other quick wins?

**Helen Wells:** Yes, so if you're going to run a tender, certainly consider the appointment of a professional to run that tender for you and incorporate a figure into the budget so that you can get on with it rather than having to go to a general meeting and make an allowance for that. Remember also when you run a tender, it doesn't necessarily mean that you are changing your agent, you may be able to just negotiate better terms with your current agent.

**Amanda Farmer:** Yes, really good point.

**Helen Wells:** And also be quite realistic about the time frames. I think this is really important. Running a tender for the appointment of a strata manager takes a fairly long time, particularly because the appointment has to be made at a general meeting.

**Amanda Farmer:** Yes really good point, and something that is, I agree, often underestimated by buildings and by committees. Always overestimate I suggest [laughing].

Helen, I want to ask you about any books you might have read that have had an impact on you, and why they've had that impact?

**Helen Wells:** Yes, I'm reading a book at the moment that is called Virtual Freedom by Chris Ducker.



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**Amanda Farmer:** Yes, I know that one.

**Helen Wells:** And I use the term 'reading' very loosely because, like most families and people managing their businesses or having very busy jobs, time is short. I'm virtually reading, by listening to Virtual Freedom by Chris Ducker...

**Amanda Farmer:** Fabulous!

**Helen Wells:** And I'm doing this in the car.

**Amanda Farmer:** Fabulous! I do things like that too.

**Amanda Farmer:** Very efficient.

**Helen Wells:** Yes, yes, it is. It is actually a very interesting book. I've always felt that my geographic location should be irrelevant and I should be able to run my own business from where I happen to be by using technology and cloud-based systems.

This allows me to work with my clients of their building and still be effectively online with my other clients.

**Amanda Farmer:** Fabulous!

**Helen Wells:** Chris Ducker goes further and almost reverses the concept by suggesting that employing highly skilled individuals whose geographic location is irrelevant – he calls them virtual assistants – there's an enormous highly skilled global workforce that can be employed if you're prepared to use technologies and incorporate those into your business.

Obviously, I can't appoint a virtual strata manager but...

**Amanda Farmer:** Hey, not yet! Something for the future. There's a business idea for someone [laughing].

**Helen Wells:** Yes, yes indeed. But like my committees, you know, as a business owner I need to be aware of what I should out-source so that I don't spend two weeks trying to build my own website, where I can appoint a Virtual Assistant who could build it in 2 hours. So it's been quite eye-opening reading through, or virtually reading through his book.

**Amanda Farmer:** Yes, it's a great book and there are some great tips in there. We will put a link to that book and probably to Chris' website in the show notes for the episode. It's one that I've read and I am well on the path to employing my own virtual assistant, so we can compare results in that respect.

Alright Helen before we wrap up, how do listeners find out more about you and is there anything you'd like to add before we say goodbye.

**Helen Wells:** Yes, I like to add that running a tender and the process of appointment of strata managing agent doesn't have to be a burden or stressful or expensive for that matter. There is help out there and that leads me to my website which is [www.acumenstrata.com.au](http://www.acumenstrata.com.au) my email address is [helen@acumentstrata.com.au](mailto:helen@acumentstrata.com.au) and I have a LinkedIn profile.

**Amanda Farmer:** Fabulous! Thank you so much for your time on the show today Helen. I'm sure our listeners are getting a lot of value out of what you have to say today and I'll catch up again with you soon.

**Helen Wells:** Thank you very much. It's been my pleasure.

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