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YSP Podcast Transcript: Episode 191. All you need to know about strata remedial works, with MaxBuild

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Amanda Farmer: Hello and welcome. I'm Amanda Farmer and this is Your Strata Property. Caroline McConnachie is the General Manager at MAX Build. Since the company's inception, Caroline has directed MAX Build's business operations to ensure a strong, measured and scalable organisation. Under her financial stewardship, the organisation has sustained an annual average growth of 45% since 2012. Caroline is also a board member of ACRA, the industry association raising the standards in remedial building. Today I am delighted to welcome Caroline McConnachie of MAX Build. Welcome, Caroline.

Caroline McConnachie: Hi, Amanda. Thank you for having me on your podcast.

Amanda Farmer: It is a pleasure to have you here with us today, Caroline, and you have been a guest on my invitation list for some time, I have to say. I heard you speak at the Griffith University conference earlier this year in September and not only are you one of the few females in this part of the sector, you and MAX Build are doing some fabulous things, very, very interesting projects you have with some Sydney apartment buildings and I thought I'd love to bring you on to chat about those specifically and also generally about this big bad world that is remedial building work in our apartments.

Caroline McConnachie: Yes.

Amanda Farmer: So great to have you here, finally. And I'm going to kick off by asking you why is it so important for our strata buildings to be getting remedial works right?

Caroline McConnachie: Foremost, you never want to have a repeat visit from a remedial builder. The level of intrusion and disruption that it causes, the amount of coordinating to get access to your building. You just, if you can avoid it, you want to get it right the first time. There's a lot of moving parts with remedial building that makes it very unique. For a start that you have an existing structure. We can't x-ray a building unfortunately. So we don't always know the full scope of works until we actually start breaking away the layers. So this can lead to variations quite soon into a pace or you can change tech in your methods that you use. So that's quite an interesting part of remedial that you don't get in new construction at all. It's a far more linear project style. The second thing is that you had multiple clients, so it's collective decision-making.

It's not just answering to one person. For that reason you want to have a really healthy, strong relationship between the key decision makers. So your strata committee, your strata manager and your building consultant that's on board.

The third component is that it is a live site environment. You have people living in their homes generally. So understanding that, that's probably the key thing to understand about remedial building. You have access issues, you have PR that you have to do in a building. So that's not factored into builder's programs. But the amount of time you have to take out to communicate with people, build their trust, so that you can gain access potentially at short notice at times.

But coming back to why it's important, for many people their apartment is their primary asset. But, unfortunately we tend to think of our apartment and we don't look outside the apartment at the common property and treat that in the same way that we treat our apartment. The common property is also part of your asset and it can need major just structural repairs or even upgrades and this is going to have a major impact on your finances. So you need to make really sound rational decisions that are beyond your apartment. So they're the key reasons why getting it right is important.

Amanda Farmer: And it would be remiss of me if I didn't remind our listeners that you have a legal obligation as an owner's corporation, as a body corporate to be repairing and maintaining your common property. And that is not a legal obligation that can be avoided. So remedial works projects are something that many buildings if not most, go through at one stage or another,

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sometimes large, sometimes small. Sometimes it's exciting. You're doing cool things like adding on balconies where you may not have had them before or expanding some space and other times it's something that's not so exciting and a little bit painful like dealing with concrete cancer.

That's right. And because it's probably the least sexy component of construction and no one wants to pay for repairs, there's no feel good aspect to paying for repairs, but that's where you need a rational decision making process at play to understand you have to look after your assets. It's like a car. It needs to be maintained. So it is critical.

And in terms of just going back to decision making and collective decision making, often the biggest strain on a committee is before we've gotten involved. It's deciding what you're going to do to your building and understanding how you stage it out as well. It can be very daunting because a lot of us don't have construction knowledge, which means that we like to park these decisions and just put them off till they become urgent, which is obviously more expensive when they become urgent and we don't tend to make as good decisions when we're in a stressed, urgent place mindset as well.

There are reasons why we don't make good collective decisions fast such as we all have different financial capabilities. We've all got different appetites for risk and again, like we all have different ideas of, or knowledge of construction as well. So all of those things really don't help fast sound decisions to be made in remedial. But unfortunately for the preservation of your asset, they do need to be done.

Amanda Farmer: Now I just want to dig into something you said at the beginning there, Caroline, about the fact that we're working on a building that is existing. We have structures in place. We have, for example, if we're looking at a balcony, we've already got tiles, we've got layers of concrete under that. We've got the slab. We have a lot of parts of a building that we can't see that when we're starting a project and you've said for that reason there can be unforeseen variations to a contract, there can be additional costs and from my perspective as a lawyer often helping buildings and owners who are in the middle of this kind of project or, or even starting out this project and looking at a proposed contract.

I get the question a lot. "You know, Amanda, there seems to be a lot of flexibility here. There seems to be a lot of provisional Psalms. There seems to be a lot that this contractor doesn't know and how are we as owners supposed to prepare our other owners for that? How are we supposed to budget?"

How do you deal with those kind of questions and how do you help owners to understand that that is the nature of remedial building work?

Caroline McConnachie: I think that is one of the scariest parts, is the threat of the variation. The unfortunate fact is that we don't have a full comprehension of the building until we do breakaway components of it and peel back the layers that you just mentioned before. But one thing that I highly recommend is having an early contractor involvement. Contract with your nominated builder for 2 reasons: one, you can do investigation works then where you can get a better understanding of what the full scope of works going to be. It's much better to have everything upfront and tightened up in that scope, in the main contract rather than tacking a variation on. The other benefit to doing that aside from mitigating variations is you get to test out the remedial buildup on a smaller scale and see how they respond to the works.

Amanda Farmer: That's really exciting. I have not heard of this before. An early contractor involvement contract?

Caroline McConnachie: Yes. An ECI.

Amanda Farmer: An ECI, and that allows for some invasive investigations, does it?

Caroline McConnachie: Yes, it does.

Amanda Farmer: And is that something that your perhaps preferred contractor is doing? As you said, you're testing them out,

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they're doing that under supervision from your superintendent, whoever it is that you are engaging for that job. And they are limited to the work that is set out in that particular preliminary contract.

Caroline McConnachie: That's right.

Amanda Farmer: Now these ECIs, is that something you recommend to your clients? How many of them take up that recommendation or perhaps on the other hand see it as an additional burden and don't want to take it up?

Caroline McConnachie: I think a lot of owners are tentative and want to do something thing like that, that again mitigates the risk of unknowns. Especially a committee that has limited construction knowledge and they're representing all the other owners and essentially everyone else's money, so it's doing this is generally adopted if it is put forward.

That also depends on the consultant that we're working with and whether they are interested in that approach as well.

You still have provisional sums. They are unavoidable because of what we're doing. We can't always quantify the works, but you can put, you can have amounts of what it's likely to be so that can go up or down and, and it doesn't always go up. We've often had credits on provisional, some allowances in our contract, so ... there's a good message.

Amanda Farmer: Yes, I have definitely seen that before myself where perhaps the extent of concrete spalling has not been as significant as estimated by the contractor. So there's been a fair bit to save there, or on the other hand, some leftover to spend on something that wasn't foreseen, but it all balances out in the end. So there are a few good new stories.

Caroline McConnachie: Yes. Indeed.

Amanda Farmer: Now let's dig into this a little more. The actual project side of things. What are the elements of a successful remedial works project for a strata scheme? Do you have some kind of a framework that you follow or a tick list that our buildings can know that they're on the right track if they're heading in this direction.

Caroline McConnachie: I do, and I've actually produced a little booklet, which I'm happy to share with you as well. So I might actually read out some of that so that I don't forget anything.

So in terms of practical things that residents and committees can do, setting the foundation for the relationship management is really critical. Ensuring that the strata role is current so that those details are handed over to the contractor. That helps us communicate with everyone. It allows us to easily organise access to apartments, delays to access leads to delays in the project, which leads to costs. So that one is really important.

It also allows us to communicate and generate that goodwill with owners or occupiers. You need goodwill in a remedial project because of the level of intrusion that it requires and asks of everyone. I urge owners always to know what's happening, understand the project, the staging of the project, how it's going to affect the amenities of yourself and your neighbours, whether it's limited parking, whether it's limited daylight because there's scaffold and there's also mesh on the scaffold.

Just knowing those little things that are going to have a big impact on people. If you're on the committee, I highly recommend being a part of the project group that meets generally it's fortnightly, but it depends on the project and the scale of the project. Doing that is an educational process. You will learn so much more about building that you will become more confident in making sound decisions on behalf of all the other owners and making sound decisions, but also fast decisions. Because I mentioned before, delay can equal costs and make sure that those meetings are regular as well and get the minutes.

In terms of going back a step, selecting your builder on more than just price. When a tender is done, there's a analysis and it pretty much comes down to a table with dollar signs on it, which unfortunately if that's all you have, it's going to very much limit the quality of the decision that you make.

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I would check references on similar projects. Don't ask your cousin's a friend who had a renovation to quote on the project. They are not a specialist's remedial builder. You need to have a specialist on a project in remedial. Check the builder's HBCF eligibility limits. This is a good gauge of their capability to do a project. As part of HBCF, we had audited regularly, which includes them going through our finances. They look at our business plan and what they're trying to ensure is that we are a sound sustainable business that's not going to fall over. So that's really important for an owner to understand and it's a powerful tool for them to have a look at is the certificate of currency for HBCF eligibility.

Amanda Farmer: And we're talking about the homeowners warranty insurance there?

Caroline McConnachie: Correct.

Amanda Farmer: Yes.

Caroline McConnachie: Which is compulsory for any residential building over the contract value of 20,000, inclusive of GST. This will affect pretty much all reasonable size remedial projects. So if it's a new build, the cap is three stories or less. But if you're in the remedial space, if it's over 20,000, it's every project will require HBCF.

Get clarity on what's being subcontracted and the level of supervision that is going to be done with that subcontractor. The more you subcontract out, you're dissipating or diluting the level of accountability and ownership that people take on their work.

I think it's a really critical point to get across. So you need to ensure that the head contractor, the nominated builder, is very much active in supervising a subcontractor's works. And it's not just the workmanship, it's also how they conduct themselves on site because it's not a site, it's a person's home. So how respectful, how courteous ... not smoking and leaving cigarette butts around, being safe as well, having your PPE on even though it's a home, a construction project is dangerous.

So, safety is really critical. So I'd look at things like whether the building company has a quality assurance manager, a safety manager, even a remedial cleaner on board as well because it's often the small things like leaving some debris on a Friday afternoon that really gets the eye of a resident and then that just creates a snowball of bad relations. And then a lot of having to conflict manage as well.

With the tender process, and I recommend this with your consultant as well, you shortlist who's on that tender and you interview them, you bring them into your home and you see how they act and behave and it's a telling sign of how the company will act and behave when they come to your home to work on the project. Trust your gut on whether you, you think that they're going to be respectful because that's a really important part and collaborative as well. Often because of things like variations, there can be conflict or because of builder's debris being left there can be conflict again, so you really need to have a good relationship that's based on reason and a bit of compromise as well.

Amanda Farmer: Excellent. I am loving that list and I am sure many of our listeners will want to get their hands on that book. Thank you, Caroline. I will, if I can upload a copy of that or link to where you've got a copy of that uploaded and put the link in the show notes for this episode. I'm sure there's much, much more in there for our committees and our strata managers to be across.

Can you share a story with us, Caroline, about a client who has followed this process with you and really got it right and been happy with the outcome?

Caroline McConnachie: Yes. So we have a project that was in Pymont. It was a major defect rectification project. We ripped out and replaced 176 bathrooms over the course of 18 months to 2 years. So very, very invasive works quite a few renters, tenants in the building as well. What went right on this project, is that the, I call them owner champions, the people on the committee that really drive a remedial project.

Now he went into this, he was actually a well-seasoned chairman of a committee in terms of remedial building because we were

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the second builders to come through to rectify the original defects. So he'd already, the whole building had already gone through this process once before, like pretty horrific. So he, I guess he was much better prepared and informed of to how to run the second one. So he approached it as a partner with us. He didn't come in in a combative way, so we were able to knot out a few issues as we learnt along the project. He came to the fortnightly meetings and was very involved and decisive as well, which you need. He helped with some of the tenant problems that occurred, but us too. We had our processes on show. So for instance, on each of the door frames we would put a checklist of all of the works that were happening.

So replacing the bathroom was a 20-day process. So we'd have these sheets 20-days laminated and hung on the door frame and as each day would progress, we'd shift it across and then would drill down as to what we were doing in that particular home. So we had that on show. There was also a website where a weekly email went out to all stakeholders.

So the owner champion in this building said to me that you had to be living under a rock to not know what was going on in the building. So we had an 80% success rate. We did a client satisfaction survey. So that 80% while I would like a hundred in a building that size and a project that intrusive was a success.

Amanda Farmer: Yes. And it really is a testament to that excellent communication. It's something we talk about a lot on the podcast, how we can all be communicating better. And I do believe, and I preach that it is the key to a peaceful apartment living. Good communication. It is no excuse to say, "Oh well no one will read it."

Fair enough if nobody reads it, that's on them. Because when they do come back to you and say, "Hey, I didn't know you didn't tell me." You as the committee, you as the building champion can point to exactly the newsletter that went out, the minutes of the meeting, the notice that was on the door and say, "Hey, we did actually put that information out. We've done as much as we can. Even more that we've gone over and above and we're not quite sure how else we could have brought this to your attention." But if you don't take those steps, then you don't have that fallback of being able to say, "We've done everything that we believe we should have in that situation." So the more communication the better, as far as I'm concerned.

Caroline McConnachie: Yes, I agree with you.

Amanda Farmer: And that was a project where you were going in and rectifying original building defects, were you?

Caroline McConnachie: Correct. Yes. Well, the second defects, not the first defects. Yes.

Amanda Farmer: Yes. And as you pointed out at the beginning, that has to be a resident's worst nightmare where you've had to have a remedial works project done twice. And I know Dr. Nicole Johnston in her recent research has pointed out the difficulties that we have, not just with original building defects but with remedial works and how we need to look at that a bit more closely.

Caroline McConnachie: My lens in terms of increasing the quality is primarily within MAX Build. However, I have recently joined the ACRA board and I know that that association is there to raise the standards within remedial as well. And they run training courses for contractors and consultants and suppliers. So definitely a high profile status of building defects in new construction is having an effect on the remedial industry as well.

And I think as you said, like it's important to understand as an owner that there are defects in remedial just as much as there are in new construction.

Amanda Farmer: Oh, yes.

Caroline McConnachie: In building it's very hard to avoid defects full stop, but there are preventable defects. So it's trying to really get on top of those and having a very minimal list at the end of a project of what's still outstanding.

Amanda Farmer: And what I love about what you're talking about today, Caroline, is that there's a lot I can see that owners can be

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doing upfront when it comes to the planning stage. When it comes to interviewing, tendering contractors, perhaps engaging in one of these early contractor involvement contracts. There's a lot that you can do as a building to take control of that process and make sure that you have the right people on board, properly supervised, properly qualified. You don't have that certainly as an owner, perhaps buying off the plan or in a new development, the developer, the builder, the original builder, they are who they are and you've had no control over that. But definitely with remedial you can be doing a lot to make sure you've got the right people for the job.

Caroline McConnachie: 100% there is some control over it and a strata manager, if it's a larger scheme, a building manager, it's the consultant, it's the builder. So you can all be working far better as a team and choosing the right professionals in those 4 spots as well.

Amanda Farmer: Excellent. All right. Now we have talked about a few challenges that strata buildings face when they're going through these projects. Did you want to highlight any other particular challenges, Caroline, and how you've helped buildings to work through those?

Caroline McConnachie: Okay. One thing we haven't touched on is tenants. So often tenants, they are the least involved at the outset. Then the least informed of the project as well, but often the most impacted by the project really at what I would call the coalface. And unfortunately what happens is that tenant details aren't always up to date, so that when we get the contact sheet from the strata manager, we don't know who the correct tenant is.

There's also a property manager as well involved. You've got a landlord, a property manager, and a tenant. So in those chains it can quite easily break down in one of those chains in terms of getting those details. If they are impacted and they often are, they haven't been told about it, then they react and often in a hostile way because they're paying rent, full rent, when these works are impacting their amenities.

So what that then leads to is an angry tenant that then passes that onto the property manager that then passes that onto the landlord. If they'd been prepared in the first place, you've built up goodwill and they will be generally more reasonable, but you can also probably negotiate a rent reduction that is far less than you'd have to do if it's in a reactionary state.

And then it puts a strain obviously on the owner-investor as well on their finances because not only are they losing income but they're also paying for the remedial project. So getting that part right is so simple and it just requires people preparing and thinking of the full picture of what remedial is.

Amanda Farmer: Making sure that you know who the tenants are, I imagine is number one, making sure that strata roll is up to date.

Caroline McConnachie: Yes, absolutely. So that I believe if you have a building manager, they may have the correct details, but that information can't be passed on to and placed into the strata roll. It has to be information directly given to the strata manager.

Amanda Farmer: Yes, we do have a requirement in our new South Wales legislation that there is a tenancy notice issued by the landlord or their agent to the strata manager and that is the information that goes onto the strata roll for that particular tenant. And what I hear from strata managers all the time is that they do not get those notices. The landlords, the property managers just don't send them through, so there's a role there for the strata manager who would certainly have an address for service for the owner, whether that is the property manager or the owner directly to do a bit of work there, chasing down those notices to make sure that we have accurate up to date details for the tenant.

Caroline McConnachie: Yes. I almost think it has to be driven by the owner; the whole thing. The owner is the one that's going to be impacted and putting their hand in their pocket, so it's in their interests to get on board and make sure that the professionals have the right information at their hands.

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Amanda Farmer: Yes, good point. Perhaps reminding our owners that they may be up for a rent reduction claim and therefore suffering lost rent, which they could avoid if they kept the tenant happy from the beginning. Might be good incentive to get them helping out with that process.

Caroline McConachie: Yes. Yes.

Amanda Farmer: All right. Now, Caroline, we did speak off air before we started recording that there was just so much we could talk about and there really is. I feel like we've just scratched the surface. There are so many other rabbit holes we could go down and answering all the questions that I get regularly from owners who are going through these processes. So I am sure we will have you back on the show very soon, but before I let you go, I do want to ask you the book question if you're ready for it. What books have had the greatest impact on you and why?

Caroline McConnachie: Okay, so greatest impact of books. For me over the last 2 years, I'd have to say the actually people rather than books. I read widely. I'm a little bit fickle. I don't reread a book, but I've read a gazillion business books and my favourite would be Scaling Out by Verne Harnish. I love Malcolm Gladwell for his Psychology studies. Seth Gordon for his marketing insights are amazing, and then Emma Isaacs brought out a book called Winging It. She's the founder of Business Chicks. They're all good, easy reads.

Caroline McConnachie: In terms of people, if I can, and organisations as well. The first step in my education process was joining NAWIC, which is the National Association of Women in Construction. Before that I didn't know that women existed in construction so that was such an eye opener to become a part of that and actually off the back of that I've created a mini Women in Construction group where we inform each other and with some shared learnings and send out event information.

Also the Entrepreneurs Organisation. EO, that's been a fantastic place for me to learn a lot about business, people, culture, execution, strategy, all of those things have been phenomenal and had great support there with a mentor called Vince Nikita.

And then I've had a mentor actually through NAWIC as well. I've had a mentor over the last year who has been amazing. Her name is Sally Ann Friedlaender and she's the Deputy Secretary of People Performance and Culture at the Department of Planning Industry and Environment. Bit of a mouthful, but she has probably had the greatest impact over the last 12 months as to how I run a business in a very male dominated environment as well. Because while the professional side might be very male dominated, the owner side is not and we have to reflect our business in a way that reflects the customer, reflects the client and showing that empathy and all those important things and showing that humanity can get lost on a construction site just purely by the nature of the works. And then also I've had a coach called Tracy Ward and she's also been very helpful. So they're the biggest impacts I would say rather than books at the moment.

Amanda Farmer: Excellent. Thank you so much for sharing all of that. We will have a nice long list in our show notes to make sure our listeners can access all of those resources and I agree with you completely. The power of good mentoring and having good support networks around you, you cannot overstate that. If you are running a business, whether you're a man or a woman, whether you have been doing it for years or you've just started out, you really do need to get yourself a mentor as well as or if not a network of people who have similar interests and are at a similar stage as you to be able to help you play your best game. Really.

Caroline McConnachie: Yes. Amanda Farmer: Excellent. Thank you for sharing all of that, Caroline. Let us know how our listeners can find out more about you and if there's anything you'd like to add before we wrap up.

Well, they can contact me via LinkedIn of course. Otherwise our website has a lot of information about our projects and what we do. In terms of other things that I would like to impart, we've recently become a major sponsor for OCN, which is the Owner's Corporation Network. I'm a huge passionate advocate for the owner in a remedial build. So it was a natural choice for us to jump on board to support them and I urge owners to also tap into that vast network of where there's shared learnings that can be imparted. We don't all have to reinvent the wheel. There's lots of existing information and people that can help you with that.

Amanda Farmer: Yes, absolutely. Well, thank you so much, Caroline, for your time. You are a busy lady on construction sites day-

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to-day. I know as well as managing this business and I can't wait to see what 2020 holds for MAX Build.

Caroline McConnachie: Thank you, Amanda. It's been a delight being on your show. Thank you.

Outro: Thank you for listening to Your Strata Property, the podcast which consistently delivers to property owners reliable and accurate information about their strata property. You can access all the information below this episode via the show notes at www.yourstrataproperty.com.au. You can also ask questions in the comments section, which Amanda will answer in her upcoming episodes. How can Amanda help you today?

