

**Submission
No 170**

**INQUIRY INTO REGULATION OF BUILDING
STANDARDS, BUILDING QUALITY AND BUILDING
DISPUTES**

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PROBLEMS IN MANAGEMENT OF GROUP HOUSING DRIVEN BY POWERFUL EXTERNAL FINANCIAL INTERESTS

To the NSW accountability committee inquiry into Building Standards, Building Quality and Building Disputes:

This is to alert you to problems in management in group housing. See below and attached for information.

Yours truly

Carol O'Donnell

A PERSONAL DISCUSSION OF STRATA PLAN ADMINISTRATIVE FUND MANAGEMENT AND UNCONTROLLABLE COSTS

Strangely, after I wrote about our financials below, ABC TV pointed out the horrible situation faced by building contractors when Waltons stopped paying its bills and went broke in arrangements arrived at with NAB. How could you not fear and hate such financial arrangements with a bitter passion?

I know I would if I were much caught up personally in the business machinery of these people. My loathing for what Macquarie Bank and its DEFT systems stand for to me is outlined below in reference to strata accounting where the most basic social welfare and management expectations at government level appear completely missing in private circle operations marching to totally different sets of drummers.

I have no clue whether what I say is true or not below but why not reveal the particular reasons for one's fear and loathing of apparently typical market relations being followed in building (s?) and construction, so that they may be allayed or confirmed somehow?

(I just went to see The Lehman Trilogy at the Dendy and learned a bit more about the origins of the global system. I strongly recommend the movie, although we only get to see one war - the US civil war - to fuel the middle men's balancing both sides of their business of buying and selling everything. We need to understand more about risk management and strata management is a great place to start this properly.

COMPARISON OF VERDUN WALSH AND WHELAN'S PROPERTY GROUP ACCOUNTING PRACTICES: THE FORMER ARE PREFERRED FOR STRATA PROJECT IDENTIFICATION AND COST CONTROL PURPOSES

This is a consideration of the draft minutes and financials for the 10775 strata plan meeting 26.8. 2019, undertaken in historical and comparative terms. This is necessary for quality management of the place and persons in it.

I only had time to look at the Whelan accounts shortly before the meeting and decided I had a lot of questions, so would look at them properly later.

One seeks to address Strata Plan 10775 Balance Sheet and related accounts on historical, comparative grounds. This is automatic personal and scientific medical practice when faced with

the person to be treated somehow. It is also the World Health Organization (WHO) and UNESCO view of life in theory, including in Oz.

One assumes that for quality management, the need for capital works is addressed as a result of experiences in the administrative fund, in many cases, and that strata levies and agent's fees must be in a position to **manage** both funds effectively.

These questioning comments and related advice are given to you and Whelan's Property Group in the light of the **minutes of the meeting (26.8.2019)** below:

2. Financials accepted.

It was noted that the Administrative Fund is in deficit.

It was suggested that the project of the walls be amalgamated under one account code.

I couldn't understand the Administrative Fund when I read it and I still don't know how it is in deficit. (I didn't raise this and voted with the rest, which happens a lot.)

Question (1). If it can't be put more clearly as a matter of course, **I would like to know how to read the *Administrative Fund in the Whelan's Property group Balance Sheet Detailed As at 26.8.19.***

I guess we would be better off without a lot of administrative detail discussed later which seems unclear, unnecessary and confusing.

Would less detail cost less? Are our agent's costs rising rapidly in an uncontrolled manner, compared with Verdun Walsh? It seems likely to me.

We appear to have somewhat lost our former growth in quality financial management direction in our balance sheet and accounts when we changed our **strata managers** (now called simply **agents**), from Verdun Walsh to Whelan's Property Group in March 2019. Since we changed, however, we have built up our funds to **\$132,093 in 26.8.19** compared with **\$112,259 in 30.9.2018**. All capital work is still stalled?

Whelan's Property Group (**26.8.2019**) accounts fall behind Verdun Walsh (**30.9.2018**) for quality management purposes. The key dates above are the first indication of this. Whelan's appears managed so that regular quarterly or other comparisons with its own strata practice or with the strata practice of others is made more difficult by the comparatively random treatment of time and the environment surrounding the business. One assumes this may in time affect the timeliness of payments to smaller contractors to the business, as distinct from to bigger players.

We are all persons living in places, so consistent forms of understanding help communication which is also necessary for effective rather than disastrous or reasonably ordinary advance. Whelan's **Detailed Expenses for the financial year from 1.11.18 to 26.8.2019 provide too much pointless detail**. Payment of creditor; photocopying; postage; issue work order and trades compliance tell nothing useful about this lot. **Is this in addition to the Standard Management Fees?**

I cannot understand how the agent's fees in these Detailed Expenses relate to anything else. They both appear in comparatively meaningless and inconsistent statements all over the place. I can't understand the extent to which they are rising rapidly after a big hike above the Verdun Walsh rate in 2019, for example.

There is always a danger that the more we proceed the less we know and this appears to be getting worse instead of better in terms of any expected financial program and project management. This is frustrating as Verdun Walsh accounting in 2018 allowed one to follow up work done in particular project areas more easily.

I noted in the meeting minutes for item 4 (26.8.19):

4. We would like a request made to Landlay to provide the committee with a timetable i.e. Key milestones, expected completion dates etc. We are wanting to be advised that it may be possible to fast track the wall at No 18 should there be no need for drilling there.

I hope the clumsy phrase ‘**we are wanting to be advised**’ doesn’t mean we are about to insert yet more lawyers between all the many other decision layers that ought to be worked out openly by grown, expert and interested adults left to their own devices. Lawyers, like typists, have point if one writes clearly for others. has done so in regard to the NBN, for example. We are not supposed to be adversaries, we are trying to do the right thing in the open as it is cheaper and better.

I have always thought that the best thing about Verdun Walsh was the quality of their accounts for the purposes of general understanding and follow-up of performance on this place. I could do this with plumbing, for example, to understand and reduce the number of emergencies, when **Rivergum** were servicing St James Court in an uncontrollable way, and people had lots of problems with shit in their laundries.

One notes we used to have a **strata manager** and now we have an **agent** instead. I fear that in the absence of better central management of finances and work we are likely to be driven increasingly by the Macquarie DEFT agenda with another global recession possibly coming up, as we already have the inverted yield curve as notice.

On the other hand, I know and trust the work of , of Everready Plumbing, John and Robertson’s Painting and Decorating, as we know what they have done with us for years. Plot based familiarity enhances mutual trust and understanding.

I would like to change away from **Sydney Roof and Gutter**, on the other hand because quality management is impossible with them and with others in continuing relationships like them, where we never know who will come out next. The more agents and workers are working on this building, in terms of any particular time and place, the more quality management is made harder and unwanted administrative costs are increased. (Promaster appears the latest government sponsored and unclearly ongoing expense.) Our last service with new gutter clean people was great.

Surely many of these management and quality management practices should have been worked out in the industry long ago, as a matter of course? I speak as a mere beginner in this industry-based reality which appears to avoid good management. What in God’s name are the rest of them doing? I get the impression this industry is full of people working to rule to shift costs and perhaps invest our money on their own behalf, instead of cooperating effectively with each other to solve our problems.

(I was speaking to about this yesterday as a result of our plumbing experiences with neighbours with shared internal walls, pipes and wires, but won’t go into it here.)

Who pays debt collection fees? Surely the strata should not pay debt collection fees for individuals, especially in any environment where the Macquarie DEFT product is involved. Those on top are really big people who couldn't give a shit about us at the end of the line. I guess it will show up increasingly in the way they do their accounting. What makes business sense to them internationally may screw us here, with any coming recession. In an environment where we are supposedly involved in management according to much bigger boys' financial rules, I am worried. In my view, NAB and I manage my money clearly and others should follow.

I know it is early days in the change of agents but what do others think?

Cheers Carol