New Trustees/Directors – Induction and Familiarisation

Introduction

There is always the need for skilled and committed Trustees/Directors in a Community Scheme, but these are not always readily available.

In many instances, Trustees/Directors are co-opted onto Boards under duress, or due to a lack representation, or by default or due to concern for their underlying investments in a Community Scheme. Most owners/interested parties are reluctant to serve as Directors/Trustees as the role is both time consuming and demanding and invariably goes without reward.

Notwithstanding that the role is largely volunteerism, to perform effectively, the role of a Trustee/Director or Office Bearer requires broad based knowledge and skills extending from finance to legal.

Given that the skills set required to manage a Community Scheme are very broad, it is likely that they will not all be found in single individuals. As such the appointment and selection of Trustees/Directors needs to try and strike a balance of individuals that collectively have the required skills and experience. This is even more critical where a Community Scheme is self-managed, and the skills and knowledge of the managing agent can't be leveraged off.

Ideally responsibilities and accountability of Trustees/Directors should be matched/aligned with their respective skill sets e.g. financial skills, people skills, project management, building/ maintenance skills, legal knowledge etc.

It is equally important that all new or prospective Trustees/Directors familiarise themselves fully with the affairs and issues facing the Community Scheme as best they can. This extends from the financial position, revenue and expense dynamics, budgets, level of compliance, legal and other disputes, operational challenges and issues, and the general level of complexity and specific challenges associated with the Community Scheme. The complexity extends from how difficult it is to manage the Community Scheme and includes the inherent complexities associated with the physical buildings and common property in question.

Given the turnover of Trustees/Directors due to parties selling/moving/death and resignation, it is preferable to have alternate Trustees/Directors in place from a continuity perspective until the next AGM, rather than have an under complement of representatives. The same applies to the appointment of non-owners or third parties who can bring strength and add value to the governance of the Community Scheme. The size, complexity and specific requirements of the Community Scheme should also dictate the number of Trustees/Directors.

An alternate trustee will have the powers and be subject to the duties of a trustee. The alternate trustee will cease to hold office if the trustee they replace ceases to be a trustee or if their appointment as alternate is revoked (PMR 8).

Trustees/Directors who are owners are not entitled to remuneration for their time and services, unless otherwise determined by special resolution of the members. However, the body corporate/board may agree (PMR 10), to remunerate trustees who are not owners. Trustees/Directors (owners and non-owners) are entitled to be reimbursed for all disbursements and expenses actually and reasonably incurred while carrying out their duties and exercising their powers.

Trustees are indemnified, by the body corporate (PMR 12) against any costs, losses, expenses and claims they may incur or become liable to during their term as trustee, unless they are found to be fraudulent or grossly negligent. Trustees are however obliged to put indemnity insurance in place for their conduct or omission.

The roll of a Trustee/Director requires commitment, investment in time and energy and assumption of fiduciary duties. It remains critical that all parties who act as Trustees/Directors do so in good faith without any ulterior motives. Any potential conflicts of interest should be disclosed, and if possible averted.

Skills Required

1. Organisational – planning, organising, controlling, monitoring
2. Financial – understanding of core controls, budgeting, cash flow management, expenditure management, asset management, procurement and payment controls, liability management
3. Operational – administration, people/HR, operations, security, general IT skills, project management
4. Legal – contracting, compliance, record and documentation control
5. Communication – writing skills

Induction and Familiarisation

1. Familiarisation with the level of governance and oversight, the inherent complexity within and facing the Community Scheme, controls in place, delegation of authority to third parties/Trustees/Directors, adherence to controls and procedures as well as with the fiduciary responsibilities of Directors/Trustees.
2. Familiarisation with financials and financial controls – balance sheet (physical and other assets), income statement, current budget and latest management accounts. Level of monthly receipts and disbursements – regular creditors and payments – recurring and non-recurring expenses, debit orders, management fees, utility usage levels/billing. Monthly cash flow position – surplus/deficit, reserve levels. Segregation of duties, procurement and payment controls.
3. Scrutiny of latest banking accounts and associated activity – balances, credits/collections, debit orders, bank charges, recurring payments, creditors.
4. Familiarisation with current House/Conduct rules and level of compliance by residents/owners.

5. Scrutiny of levy receipts/debtors outstanding – level of arrears, history of levy increases/special levies.
6. Familiarisation with 10 year maintenance plan, projects and operational routines.
7. Familiarisation with the state of the building, fixed and moveable assets and common property.
8. Familiarisation with all contracts, agreements, service providers and any outsourcing arrangements.
9. Familiarisation with any litigation or disputes.
10. Familiarisation with any owner or tenant specific issues -disputes/ complaints/ litigation.
11. Familiarisation with employees, contracts, job descriptions, key performance areas, disciplinary issues.
12. Familiarisation with the state of security, perimeter fences/walls, access controls, crime incidents.
13. Familiarisation with technology and IT systems being used – controls/disciplines/ roles.
14. Familiarisation with communication processes- use of social media, notices, circulars.
15. Responsibilities and accountability of Trustees/Directors/Estate management/Managing Agent.
16. Familiarisation with Managing Agents, their representative, latest minutes of meetings, last AGM pack.
17. Familiarisation with the state of compliance of the Community Scheme – CSOS, Sectional Title Management Act, Labour, Health and Safety.
18. Familiarisation with risks facing the Community scheme – natural, crime, other and insurance held/excesses applying.
19. Familiarisation of the reputation of the Community Scheme and issues facing owners/tenants.
20. Familiarisation with the level of preparedness for disasters or catastrophes – continuity plans.