RESPONSE AND OBSERVATIONS

29 June 2010

Introduction:
The above document is a step in the right direction; however voluntary schemes have proven in the past not to be strong enough in protection or providing the clients with the service required. Clients pay large sums of money for their property which is supposed to be maintained by professional property managers, these same managers receive thousands of pounds in floats, yet have the power to walk away from developments when things go wrong without being questioned. The property managers association is a great example of why a voluntary scheme is not a good idea.

A&K have created a new scheme which is proven and is recognised by the clients and other professional organisations, see attached document. (ASSOCIATION OF FACTORS SCOTLAND)

This document was presented to the Scottish government in 2010, after A&K where interviewed by the office of fair trading, as the OFT stated, how can A&K turn around a development like Kingston Quay when 2 major factors failed, after receiving large amounts of money in floats. A&K adopted a policy which suits the clients and not the factor.

The following points and observations are in general form and are only a guide; there is always room for improvement.

I only have 1 question, why was Kingston Quay owners not asked to take part in the consultation? Considering it was recognised as the worst development in the UK, also it should be noted it’s probably the largest in Scotland, the majority findings required are contained within Kingston Quay.

Point 1:
Location: Forward:
The scheme should be chaired and regulated by the clients. (See A&K proposal)

Point 2:
Location: Introduction page 1:
It was recognised that the property managers association was part of the problem and not the solution, I expressed this in 2009, I’m amazed they where invited to take part.
Point 3:
Location: Introduction page 1:
What about those property managers who feel they have a higher standard than those being implemented by the new scheme. (See A&K proposal)

Point 4:
Location: Introduction page 2:
Types of standards, membership of a so called professional voluntary body can also bring distrust with the clients; this was recognised by users of the property managers association.

Point 5:
Location: Introduction page 2:
Value for money, where applicable residents should be encouraged to participate in securing their own tenders, in partnership with the property manager.

Point 6:
Location: Introduction page 2:
Property managers should not promise but provide their services in their proposal and be used by the client as a legal document; this is what the client really wants above all.

Point 7:
Location: Communication and Consultation Section 2:
Time scales should be flexible; however there should be 3 scales, priority, general and individual, each with a fixed response time.

Point 8:
Location: Financial Obligations Section 3:
See A&K proposal on finance.

Point 9:
Location: Debt Recovery Section 4:
Property managers should be liable for unrecovered debt; it should be in their proposal as part of their service. If they can’t do it what are they getting paid for, this is the core of their service, and without the correct financial collection services no maintenance services can be provided. Property managers should not be allowed to transfer debt to other owners who are paying; I’m amazed this is allowed to happen.

Point 10:
Location: Insurance Section 5:
It is recognised that most if not all apart from A&K that property managers take a commission from the building insurance, in some cases this is thousands, it should also be noted that property managers do not declare this to the clients. This is why the clients don’t trust factoring organisations in Scotland. Also property managers should provide directors and officers insurance to residents association where applicable, at present I believe only A&K provide this service, most property managers don’t even understand it.
Point 11:
Location: Contractors and Repairs Section 6:
Residents association should be encouraged to locate their own tenders for works and repairs in partnership with the property manager.

Point 12:
Location: Complaints and Resolution Section 7:
See A&K proposal.

Point 13:
Location: Staff Training Section 8:
See A&K proposal.

Conclusion:
Major changes are required not to improve the service but to totally transform it, which is recognised as a corrupt service provided by inadequate property managers. The clients spend millions of pounds per year, they own the property but yet they feel they work for the factor.
On a positive note we are starting to question the systems and services we provide.

THE CLIENTS PROPERTY IS HIS CASTLE

Regards

Alex McDivitt
Introduction:
This document is in response to the office of fair trading findings to factoring in private developments within Scotland.
It is quite apparent that a majority of owners have no confidence or trust of factors and their property managers.
The lack of trust and confidence is basically based on the systems and procedures conducted by factors. It is also based on their billing system which never seems to add up and factors fail to identify the basic rule of factoring, the owner is the client and the client pays for a service. Most owners believe that factors have their own rules and they print money to suit themselves, and when things go wrong they walk out without being questioned or punished.
When an owner refuses to pay their fees they are in breech of contract, however when a factor deserts a complex this is not classed as a breech of contract. This cannot be right and totally unfair to the owners. It is quite clear a new and unique organisation is required to control, monitor and discipline factoring in Scotland. The organisation would be based on the same ideas as ABTOL and provide a more secure and fairer factoring service to the owners, developers and the community in general.

Proposal:
That A&K continue with other organisations to Set up the Association of Factors Scotland. (Private Development)
The composition of the association is based on a cross breed of organisations providing individuals to create a collective group with their own professional and qualified experiences. An example set up would include the following appointments with each individual having their own responsibilities.

Chairman:
My survey has shown that most owners would prefer to support a chairman who is an owner and a chairman of a residents committee, rather than a chairperson who is employed by a property company. This would provide the trust required and bring confidence the association.
Secretary/Assistant Chair:
This position would also be filled by an owner who is also sitting on a residents committee.

Legal: At present I recommend this position be filled by McClure & Naismith. They have shown successful financial statistics not seen before, an example in Kingston Quay they are sitting at 87.5%. This is what owners demand in financially protecting their property. The legal department would also be required to provide training to all members on legal issues, deeds of conditions and other relevant subjects.

Federation of Small Businesses:
The federation brings a total new concept to the association. It provides opportunities on massive savings on various services which would be offered to all members. The federation also would be required to provide training modules and certification, management, tendering process, contract managements, customer care and other relevant subjects.

Treasurer/Accountant:
This role I would recommend to an outside accountancy agency, probably on the recommendation of the lawyer/federation of small business, this role might be filled by either organisation.

Member:
I would recommend that a maximum of 3 factoring organisations become members. This will allow the other members not to be out voted. These members would change annually if required.

Member:
TBC: Housing executive

Member:
TBC: Scottish power

Member:
TBC: Hamilton & Robertson (Insurance Brokers)

Mission:
The mission of the association of factors Scotland is to create a unique factoring service which is safe, secure and provides stability and trust with owners and developers. It will also work in partnership with other organisations in providing the ultimate service, land registration offices, council tax officers, lawyers and the local police.

Aims:
To provide a safe and secure factoring service.
To assist developers in factor selection.
To support land registration.
To support local council tax officers.
To support the police.
To never leave a development.
Services:
Factoring is divided into 5 basic services.
  a. Finance
  b. Maintenance
  c. Security
  d. Management
  e. Legal

Finance:
The most important part of factoring is the factoring fees, without the fees no services can be provided. The correct systems and procedures are required to issue accurate and unquestionable billing. The majority of owners do not believe or trust the factors bills when issued and cause much stress to owners. Majority of owners cannot believe the price difference between factoring organisations. It would be the association intention to set standard prices across the board and no increase unless authorised by the association. As part of the associations membership rules all organisations will conduct their business as per the code of conduct and service levels. In general they must work to an open book policy. The tried and tested system at present conducted at Kingston Quay in Glasgow has proven this is what the owners want.

‘NO HIDDEN CHARGES’

Security:
This broken down into 2 parts, financial security and development security. All owners expect their investment to be financially stable and the correct level of personal security. The association would implement tried and tested new financial measures which safeguard developments and provides the required funds to implement all required maintenance services.

Personal safety is the top priority in all aspects of security; all developments should have the required level of security provided. The association would consult with developers at the early stages to advice on security issues along with the local police.

Management:
The association has identified that most property managers are not trained to the required level and fail to identify the early indicators of potential problems especially in the financial section. The association would provide training courses for its members to cover various fields, administration, finance, legal, management, health &safety, security, data protection and customer services. All attending the courses would be issued with association certificates and SIA badges. We believe this is the base of providing a new and unique factoring service with recognised standards.

Legal:
Property managers employed by factoring organisations are not lawyers or legal advisors, this a special field on its own. The association would provide basic training to all its members on property issues conducted by a senior legal organisation. This would bring added confidence to the managers working in the field with the owners.
Training:
The association plans to run courses in the following fields. We believe by these fields will produce a much better and recognised service to owners and developers.

- Administration
- Finance
- Legal
- Management
- Health & Safety
- Data Protection
- Customer Service
- Deeds of condition

Partners:
The association firmly believes that to produce the best service possible it must assist other organisations in creating it. The 5 main organisations identified are.

- Land Registration
- Council Tax Office
- Local Police
- Developers
- Residents Association

Land Registration:
At present the land registration units have a tough task identifying new landlords and policing old landlords. The association would inform land registration of new owners and confirm present owners. The association would also report as those owners they feel are unfit landlords. The association would reduce the land registration unit’s workload allowing more time to deal with unfit landlords. This action would also combat rogue landlords and illegal tenancies such as over occupancy, this alone will create a better and safe environment for owners. No such systems or procedures have ever been implemented to combat and eradicate these issues.

Council Tax Office:
Once again the association feels this is an important area to providing a better service to the owners. The association would work closely with council tax officers to supply them with up to date owners/tenants. We feel this is quite important as the council services have to be paid for. Once again this will allow the tax officers to allocate more time to tax dodgers. We also feel the owners in the development would appreciate this close partnership.

Local Police:
The 1st line of security is provided by the individual, the 2nd is usually provided by the factor (CCTV) but the most important is the 3rd, the local police. At present we have tried and tested systems with local police with great success, in one case £100000 worth of drugs where seized. This partnership is important especially when trying to combat local crime and provide a more secure and safe development.
Developers:
In this day and age developers would like to hand over their development to a recognised organisation with safe and secure backing. The association is there to assist and provide that information. The association would also recommend the factor.

Residents Association:
The factor association would be implementing if required residents association in all its developments, once again we have proven with our tests that this is the way forward to creating the trust between owners and factors. The residents would have limited control of their development and would take part in the decision making process. The residents would also have limited control over funds and we would recommend the committee counter sign all invoices on a monthly basis and submit their report to the owners. The owners would also take part in contract tendering; we have proven that the owners like to participate in the progress of their investment. As an example it’s recognised that most organisations require 3 separate tenders for contract work, during out trials A&k supplied 2 tenders allowing the owners to sourcing the 3rd tender. The owners also pick the tender allowing control.

Banking:
The committee would insist as part of their membership that all members adopt the open book policy. They would recommend that all companies allow 2 members of residents committees to have visual access only to financial statements on request; this would normally be the treasurer and secretary. The survey has shown from a business point of view this is a unique selling point. The owners have limited control and can address issues before they snowball out of control. This is the trust the owners want but at present I would say A&K are the only organisation to provide this level of service.

Letting Agents:
At present A&K have implemented control measures to ensure letting agents provide the correct information to the factor in assisting in securing the factoring fees. A&K have also set up measures with letting agents where they deduct the factoring fees from the rental and pay the factor; this has achieved outstanding success and provides a higher quality of service.

Billing:
The day of factors collecting floats/sinking funds are over. Prior to accepting any development A&K complete their own survey in partnership with the owners, and create their monthly billing system, this would include any future repairs. The monthly billing is set by the owners and review on a regular basis.

Guidelines:
The association of factors plans to produce the following guidelines based on its trials.

- Code of Conduct
- Service Levels
- Monitoring
- Scoring System
- Accountability
- Discipline
Code of Conduct:
TBC

Service Levels:
TBC

Monitoring:
TBC

Scoring System:
TBC

Accountability:
TBC

Reporting Procedures:
TBC

Discipline Matters:
TBC

Recommendations:
A consultation programme would be required and provided to all factoring organisation. Thru seminars the association would present themselves and the basic outline of the association of factors and their role. It would also provide the opportunity for factors to raise important questions. The seminars would quash all rumours and bring confidence to this new organisation which is there to protect them as well as owners. It is also proposed a fact finding questionnaire is posted to all factoring companies followed by seminars. I would also recommend that the next stage after the association is set up the same model is used to form the association of letting agents.

Funding:
As in all new ventures in life financial considerations are required. I would suggest an initial budget be provided by the Scottish government to cover the first year during the set up of the association. The funds would also cover the association providing workshops to present it to factors, developers and owners. The association would be looking to the private sector for future funding; this would involve the following organisations. Scottish power, McClure & Naismith, Insurance brokers and developers, this is only an example. The association would also receive funds from the members on an annual basis. At present I only identify 3 salaries required. The chairman/Assistant and accounts.

Conclusion:
This document is only in general terms and more detailed findings are required. This would be provided by other organisations and the seminars.

‘WE ALL WANT OUR CASTLES PROTECTED’
‘IMMATERIAL HOW BIG OR SMALL’

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