

## CARETAKING EQUIPMENT - IT CAME WITH THE JOB?

When you buy a Management Rights business, one of the assets you should acquire at the time is all the equipment used by the seller to perform the duties under the caretaking and letting agreements. If the seller was a hands-on building manager, depending on the features of the strata scheme you are buying into, you could expect to receive a mower, gardening tools, power tools, ladders, vacuums, mops and buckets, the list goes on. In some schemes, some or all of the equipment being used by the seller might belong to the Owners Corporation. For some building managers, the replacement and repair of equipment could be a significant expense for the business and should be factored in when preparing the budget for the business.

Most caretaking agreements will state clearly whether the building manager needs to provide their own equipment, or if the Owners Corporation will provide equipment for the building manager. It is common for building managers to have to supply their own caretaking equipment (except for pool maintenance equipment) while the Owners Corporation provides any materials or consumables needed. When equipment needs to be repaired or replaced, the cost of doing this typically falls on the party that is obligated to provide that equipment (e.g. if the building manager needs to provide their own mower, the building manager must replace the mower at their expense).

Although an Owners Corporation may not be obligated to provide equipment for the day-to-day duties being performed by the building manager, it is often the case that the Owners Corporation will provide the equipment needed specifically for a task unique to the strata scheme or expensive equipment that is only needed on an infrequent basis. Who has to provide equipment in these circumstances can be a grey area in many caretaking agreements and what is or isn't provided might be decided by the Owners Corporation committee on a case-by-case basis. Any equipment provided by the Owners Corporation belongs to the Owners Corporation and does not become an asset of the building manager's business. For building managers that operate multiple locations, equipment from one Owners Corporation should not be used when performing caretaking duties for another Owners Corporation.

It is important for building managers to keep a clear record of the equipment that they use that belongs to the Owners Corporation. When selling a business, the building manager needs to let the buyer know which equipment is included in the sale and if the building manager owns it. When we act on Management Rights purchases it is not uncommon for us to see business inventories that include equipment listed as if it belongs to the seller when it actually belongs to the Owners Corporation. This is not usually a significant concern and once clarified it is generally a positive for the buyer, as it means one less expense in the future when it comes time to replace the equipment.

On the other hand, what can be a significant concern for buyers is when the equipment being provided by the Owners Corporation is equipment that is actually meant to be provided by the building manager. From time to time we see businesses where essential equipment needed to perform day-to-day caretaking duties (such as a ride on mower) has been provided by the Owners Corporation even though the Owners Corporation is under no obligation to do so. How these circumstances arose is not always clear, but what Management Rights buyers need to be aware of is that just because the Owners Corporation has provided certain equipment in the past, doesn't mean the Owners Corporation will do so again in the future (if the caretaking agreement does not require it).

An Owners Corporation agreeing to provide equipment for the building manager (when it doesn't have to) might be seen as a gesture of goodwill by the Owners Corporation and could save the building manager on significant expenses. Most building managers would not think twice about the Owners Corporation paying for the equipment they need. With hindsight and a catalyst however (like

a disgruntled owner with an axe to grind), the Owners Corporation spending its own money to provide the building manager with equipment (that the building manager should have provided itself), could be seen as a serious breach of the building manager's duties under the caretaking agreement. What might start as a short-term benefit to the building manager could end up being an agreement ending problem in the future.

Before you let the Owners Corporation pick up the tab for you, check if there might be some strings attached and consider what it might cost you in the long run if you ignore them.

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