

## Chapter 24

# Saskatchewan Housing Corporation – Housing Maintenance

### 1.0 MAIN POINTS

The Saskatchewan Housing Corporation's maintenance of the 18,300 housing units it owns is essential to preserve good living conditions for current occupants and for those requiring housing in the future. Our audit found that during 2011 the Saskatchewan Housing Corporation (SHC) did not have effective processes to maintain its housing as it did not have consolidated information about the condition of its housing to make decisions about its maintenance planning and reporting. We make four recommendations to improve SHC's information about the condition of its housing and to strengthen its maintenance planning and reporting processes.

### 2.0 INTRODUCTION

As part of its mandate, the Ministry of Social Services, through SHC, promotes self-sufficiency and independence by providing housing and housing services to people who could not otherwise afford adequate, safe, and secure shelter.<sup>1</sup>

*The Saskatchewan Housing Corporation Act (Act)* sets out SHC's responsibility for all matters relating to housing, including the responsibility to own and maintain housing units. A housing unit is a dwelling for an individual or single family. Housing units are organized as stand-alone or as multiple family dwellings, dormitory accommodation, or a combination of these, together with any public space, recreational facilities, commercial space and other appropriate buildings.<sup>2</sup> A housing project is a group of housing units, generally based on proximity and time of construction.

Throughout the province, SHC supports<sup>3</sup> approximately 30,000 affordable and social housing units that are government-funded in various ways. In August 2011, it released an eight-year strategic plan: *The Housing Strategy for Saskatchewan (Housing Strategy)*. The Housing Strategy contained one objective related to maintenance, which was to maintain and improve the existing housing.

SHC owns about 61% or 18,300 of the 30,000 housing units. At December 31, 2011, SHC's wholly-owned housing had a recorded cost of \$263.6 million, a net book value of \$124.7 million, and management estimated a replacement value of \$3.2 billion. In 2011, SHC spent \$93.4 million on maintenance and renovation expenses for its wholly-owned housing units.

Saskatchewan's provincial rental-housing vacancy rate was 2.4% in April 2011 (2010 – 2.5%).<sup>4</sup> In recent years, Saskatchewan has had low rental-housing vacancy rates

<sup>1</sup> Saskatchewan Housing Corporation *Annual Report 2010*, p. 8.

<sup>2</sup> Abbreviated from section 2(1)(i) of *The Saskatchewan Housing Corporation Act*.

<sup>3</sup> "Supported" housing units include both housing units that SHC owns and housing units owned by others where SHC funds maintenance.

<sup>4</sup> Canada Mortgage and Housing Corporation *Rental Market Report*, Spring 2011.

([http://publications.gc.ca/collections/collection\\_2011/schl-cmhc/nh12-207/NH12-207-2011-1-eng.pdf](http://publications.gc.ca/collections/collection_2011/schl-cmhc/nh12-207/NH12-207-2011-1-eng.pdf)).



because of strong economic and population growth. This growth has driven the demand for rental housing beyond its supply. Vacancy rates in some Saskatchewan communities have been very low, leading to the risk of homelessness.

Housing is more than just shelter. It promotes healthy individuals, personal safety, family cohesiveness, and stability.<sup>5</sup> Appropriate housing supports individuals to participate in society and achieve a reasonable quality of life. SHC's maintenance of existing housing units is essential to preserve good living conditions for current occupants and for those requiring housing in the future.

Figure 1 sets out the number of housing units SHC owns, and related maintenance and renovation expenses for the past five years. The value and condition of housing units change over time due to physical deterioration and use. In general, the cost of maintenance rises as the infrastructure ages. Most of SHC's housing units were constructed over 30 years ago and have reached the age where significant improvements may be required to replace components such as roofs, windows, siding, and mechanical equipment.

**Figure 1 – Housing Units and Maintenance and Renovation Expense, 2007-2011**

Year	Number of Housing Units SHC Owns	Maintenance and Renovation Expense (\$ millions) <sup>6</sup>
2011	18,300	93.4
2010	18,300	78.7
2009	18,300	58.7
2008	18,600	41.8
2007	18,600	41.2

Source: Saskatchewan Housing Corporation's annual reports and information.

The Act allows SHC to create local housing authorities (Authorities) to administer and operate housing. SHC controls the Authorities. At December 31, 2011, SHC had more than 270 Authorities. Responsibilities of Authorities include the administration and routine maintenance of housing units assigned to their area. Figure 2 sets out the number of units managed by Authorities, and related maintenance and renovation expenses for 2011.

<sup>5</sup> Ministry of Social Services *A Strong Foundation – The Housing Strategy for Saskatchewan*, p. 18.

<sup>6</sup> SHC's policy is to capitalize costs of new housing units and costs related to substantially replacing existing housing units. SHC expenses maintenance and renovation costs as incurred.

**Figure 2—Units Managed and Maintenance and Renovation Expense by Local Housing Authorities, 2011**

Local Housing Authority	Number of Units Managed	Maintenance/Renovation Expense (\$ Millions)
Regina	2,900	18.7
Saskatoon	2,350	9.1
Prince Albert	975	3.1
Moose Jaw	860	3.7
All other housing authorities (about 270)	11,215	58.8
Total	18,300	93.4

Source: Saskatchewan Housing Corporation's annual reports and information.

SHC coordinates housing maintenance through its Authorities and central staff.<sup>7</sup> Central staff lead maintenance activities with costs greater than \$100,000 and are involved with Authority maintenance activities when costs are greater than \$50,000.

All housing units require timely repair and maintenance to keep them in good condition. Doing the right maintenance at the right time helps keep housing units in a suitable condition for tenants.

### 3.0 AUDIT OBJECTIVE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Saskatchewan Housing Corporation's processes, during January 1, 2011 to January 31, 2012, to maintain the 18,300 housing units it owned. We did not audit SHC programs that provide financial assistance for repairs or renovations to individual homeowners or landlords with rental housing for low-income tenants.

For purposes of this audit, maintaining housing units includes corrective and preventive maintenance as well as modernizing and upgrading housing including major equipment (e.g., elevators) or building components (e.g., roofs, windows).

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. Our approach to the audit included documenting our understanding of SHC's processes, conducting interviews, reviewing policies, manuals and other guidance SHC provided to its Authorities and staff, and testing key aspects of those processes during on-site visits to housing authorities. We did not determine the condition of the housing units.

To evaluate SHC's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. SHC's management agreed with the criteria.

<sup>7</sup> Central staff are staff of the Ministry of Social Services.



Our criteria specify that effective processes to maintain housing units include:

- › Keeping reliable information on housing
- › Developing a maintenance plan
- › Carrying out maintenance effectively
- › Monitoring performance of maintenance

**We concluded that, from January 1, 2011 to January 31, 2012, Saskatchewan Housing Corporation did not have effective processes to maintain the 18,300 housing units it owns.**

Effective maintenance processes reduce the risk that housing units may not be maintained as expected. Properly maintained housing units help reduce the risk of health and safety problems for tenants, loss of asset value and rents, and higher future repair costs.

## **3.1 Key Findings and Recommendations**

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In this section, we describe our key findings and recommendations related to our criteria. Our expectations are set out in italics under each subheading.

### **3.1.1 More Reliable Information on Housing Condition and Risks Needed**

*We expected the following. SHC would keep a complete list of its housing projects including all key components. It would keep key information current and reliable (e.g., condition, expected remaining life span). It would formally assess risks that could prevent its housing projects from meeting the needs of tenants.*

SHC uses a computer system (called the Homes system) to track housing projects. This system separately stores detailed financial and basic non-financial information. Financial information includes tenant rent information, unit vacancy, and maintenance expenses at the housing project level. Non-financial information includes address, type of unit or project/building (e.g., semi-detached, three story), and some major equipment such as the number of elevators. SHC has a process to add or subtract housing units from the Homes system but this system cannot record the changing condition of housing projects.

SHC does not have one consolidated list of all of its housing projects, their major equipment and building components such as roofs (e.g., flat or peaked). It keeps separately some information in numerous paper files (e.g., maintenance contracts) and some in spreadsheets (e.g., for each type of major equipment such as boilers and elevators). Without a consolidated list, SHC may not have information about all key building components and their condition. SHC needs accurate, current information on key building components to effectively plan maintenance.

Through management agreements with each Authority, SHC sets out the roles and responsibilities of each Authority including those for maintenance of assigned housing units. SHC provides guidance to Authorities in various manuals and guides. SHC requires staff at Authorities to keep complete records of all housing units managed, all potentially hazardous items, and all fixed assets that have serial numbers. SHC also requires that local records be kept on major equipment (e.g., plumbing and heating systems) and for risk-related items (e.g., smoke detectors). However, this information is not kept in such a way as to support maintenance decisions.

Only some Authorities have their own inspectors with expertise to assess housing condition. SHC uses qualified central staff (central inspectors) to inspect housing projects administered by the remaining Authorities. At times, SHC may engage outside experts to inspect certain types of equipment. While SHC requires staff at Authorities to inspect housing projects annually (i.e., inspect for regular “wear and tear” and obvious problems) and to use this information for maintenance planning, it has not set requirements for inspections done by central inspectors or others.

SHC does not keep statistics on the extent of its inspection activities each year. It does not know or report to management the proportion of its housing projects that central staff inspected within the last three years or the number of units in poor condition.

Without current information on the condition of its housing, SHC cannot monitor and report risks. SHC’s 2011 annual Business Plan includes limited information on risks. SHC does not formally assess risks related to its housing projects (e.g., whether each housing project can continue to serve the purpose for which it was intended (the service objective)) or identify the remaining service life of housing units it owns.

Central inspectors and staff at Authorities complete detailed visual inspections and document the condition of housing components. This information is collected in paper files for each housing unit and includes photographs, any technical reports, and completed standard inspection reports. The inspection reports describe identified deficiencies (e.g., size of cracks in walls), recommend how and when to fix the deficiencies, and estimate the cost of repairs/upgrades required immediately and over the next five years. These reports provide key information about the condition of the housing unit and related risks. Central inspectors retain some information electronically and the Authorities retain the paper files.

Information about the housing condition and related risks contained in the paper files related to the 18,300 housing units is not aggregated or summarized and is not readily accessible for decision making. Current, readily accessible condition information would help SHC more effectively plan for maintenance or replacement of key components on a corporate-wide basis and over the long term. SHC needs this information to focus its maintenance on housing units at highest risk.

- 1. We recommend that the Saskatchewan Housing Corporation better document key information about the condition and risks of all its housing units to facilitate corporate-wide maintenance decision-making and planning.**



### 3.1.2 Corporate Maintenance Plan Needed

*We expected the following. SHC would define long-term service objectives (the intended purpose over a specific service life span) for its housing projects. SHC would have a corporate maintenance plan outlining maintenance objectives, performance measures, and strategies for its housing projects. Its maintenance plan would set priorities for targeted and timely maintenance and help evaluate the cost of maintenance strategies compared to estimated available resources over the short, medium, and long term.*

SHC's maintenance planning process is informal and, in recent years, has primarily responded to urgent maintenance needs. SHC does not have an overall corporate maintenance plan and has not documented its central processes for planning housing maintenance or for setting maintenance objectives and priorities. At January 2012, SHC's corporate maintenance planning focuses on major equipment such as elevators and boilers, and other risks such as smoke detectors and fire alarms.

SHC has not documented service objectives for its housing (i.e., the intended use and expected service life span of each housing project). For example, a service objective could be that a wooden housing project provide safe, affordable housing for seniors over a 70-year housing life span. Documented service objectives are the starting point for corporate-wide maintenance planning. Use of centrally-approved service objectives would support consistent maintenance planning and would help SHC prioritize maintenance for all of its housing units across all Authorities in the short, medium, and long term.

**2. We recommend that the Saskatchewan Housing Corporation set long-term, corporate-wide service objectives for its housing projects and use them to guide maintenance planning and priorities.**

SHC does not have a corporate maintenance plan. Management told us it has informal, unwritten maintenance objectives. For example, SHC aims to do sufficient maintenance to ensure the health and safety of tenants and to reduce the risk of further damage to the housing unit or project. Management also told us that it focuses on operating within its annual budget. However, SHC has not set out clear corporate-wide direction for the maintenance of housing units and projects that it owns. Documenting maintenance objectives would help SHC select the right maintenance activities at the right times over the life span of each housing project.

Not doing the right maintenance activity at the right times increases the risk that housing projects are not maintained at the level expected. SHC may incur unnecessary costs if Authorities maintain housing projects (or units) at a higher level than expected or necessary. Conversely, poorly maintained housing units could result in further damage and/or higher than necessary future repair costs.

During the audit period, SHC's maintenance priorities were primarily focused on the short-term. Management told us that this was done in order to maximize the impact of the federal/provincial stimulus spending. To set short-term maintenance priorities for large repairs and modernization work, SHC relies on the experience of Authorities'

managers, Authorities' plans, and inspection reports. SHC assessed maintenance and upgrade priorities for major equipment including elevators and heating systems (e.g., boilers) over a four-year period. Developing a corporate maintenance plan with maintenance-related objectives and performance measures would help SHC plan timely maintenance and identify written criteria for deciding local or corporate priorities both in the short-term and in the long-term.

SHC has not selected performance measures related to maintenance. Use of maintenance performance measures would help SHC monitor the effectiveness of its maintenance strategies and progress toward its short-term and long-term maintenance objectives.

**3. We recommend that the Saskatchewan Housing Corporation develop a corporate maintenance plan for the medium to long term timeframe.**

SHC communicates its maintenance expectations of Authorities in its Housing Authority Operations Policy Manual (Manual), the Asset Management Guidebook (Guidebook), and other documents. For example, the Manual requires Authorities to keep interior public areas "in a good state of repair." The Guidebook states SHC should maintain its housing projects in an adequate condition at the least possible cost.<sup>8</sup> Other documents expect housing to be maintained in "good condition." However, SHC does not define adequate or good condition in a measurable way. When SHC has a corporate maintenance plan with clear maintenance objectives, it will be better able to communicate its expectations.

Other guidance includes detailed maintenance strategies (e.g., Authorities should regularly inspect housing units and projects to ensure routine and preventative maintenance is completed).<sup>9</sup> We found that these SHC maintenance strategies are consistent with SHC's maintenance standards as set out in its manuals.

The Manual recognizes the benefits of long-term maintenance planning. It requires each Authority to prepare a maintenance plan each year and sets levels for certain types of maintenance. During the audit period, SHC received annual maintenance plans including budgets from each Authority. SHC management reviews each Authority's annual maintenance plans and budgets.

SHC uses tenant rents to finance housing maintenance activities. SHC's financial forecasts (as explained further below) include this information. Inspection reports for individual housing units include the estimated maintenance and upgrade costs expected over the next five years. However, there is currently no process to use these reports to make informed decisions on total maintenance costs for all housing units. Using inspection information to project total maintenance costs would help SHC assess if it has a lot of deferred maintenance. Management told us that there maybe a maintenance

<sup>8</sup> Saskatchewan Housing Corporation, *Housing Authority Operations Policy Manual*, Chapter 4, section 40, and Saskatchewan Housing Corporation *Asset Management Guidebook*, section 2, p. 2-1.

<sup>9</sup> The Saskatchewan Housing Corporation *Asset Management Guidebook*, pp. 3-7, defines three different types of maintenance. Routine maintenance is work typically scheduled (e.g., regular checks on equipment, internal care such as janitorial work, or external care such as watering a lawn). Preventative maintenance is regular service or maintenance work that corrects or prevents problems before they become serious. Emergency maintenance consists of any unscheduled maintenance that must be done immediately to prevent damage to property, significant discomfort, or danger to tenants.



deficit. When SHC develops a corporate maintenance plan, it will be better able to project total maintenance costs that will help SHC set priorities.

### 3.1.3 Unclear if Maintenance is Carried Out Effectively

*To carry out maintenance effectively, we expected the following. SHC would have recognized maintenance standards and establish maintenance procedures consistent with those standards. SHC would provide staff with guidance on use of standardized maintenance procedures. SHC would require staff to track the completion of maintenance activities.*

SHC has maintenance standards and processes to update them periodically. SHC aligns its maintenance standards with the requirements of the Canadian Standards Association, the National Building Code, and other national standards related to maintenance. It uses the experience of staff, their research, and their participation on provincial and national committees<sup>10</sup> to update its maintenance standards and manuals.

As mentioned previously, SHC uses manuals to give guidance on maintenance planning and inspections to central staff and those at Authorities. For example, SHC's Rejuvenation Standards Manual sets specific standards for materials used to maintain housing, provides standard practices for routine maintenance, and gives detailed procedures on how to complete more complex activities. SHC's maintenance guidance is detailed and consistent with its maintenance standards including timing (e.g., central calendar suggests timing for maintenance tasks). However, as noted previously, because SHC has not formally set maintenance objectives and has incomplete information on the condition of housing it owns, it is difficult for SHC to determine whether it effectively completed the right maintenance at the right time.

SHC manuals guide Authorities to track completed maintenance activities. SHC has made General Managers of Authorities primarily responsible to monitor completion of work plans and to prioritize maintenance activities at their Authorities. Each Authority uses its own process (e.g., paper files, electronic spreadsheets) to document maintenance work completed, by whom, and when.

We found that Authorities rely on central inspectors and technical staff to make sure work is completed in accordance with SHC standards. Authorities consistently document that central inspectors determined if their completed work met SHC standards.

### 3.1.4 Better Reporting on Maintenance Needed

*To monitor performance, we expected the following. SHC would regularly review and report on its progress in carrying out its maintenance plan. SHC reports would provide enough information to enable management to review the results of maintenance activities and adjust plans. Key information including summarized inspection results that highlight the condition of housing projects would be reported regularly.*

<sup>10</sup> Central technical staff are members of the Saskatchewan Building Officials Association and of the Alliance of Canadian Building Officials Association (ACBOA). The ACBOA works with stakeholders to develop national standards. <http://www.acboa.ca> (2 Apr. 2012).

SHC has effective processes for monitoring financial performance and maintenance costs. SHC uses well-defined processes to track and prepare reports of costs (planned, actual, and forecasted). Central staff works with staff in Authorities to actively manage whether maintenance activities are within the approved budget. SHC summarizes financial information and produces reports at various times (formally at least twice per year, i.e., May and August). For example, SHC's forecast report includes updates on programs and revenues and expenses. It explains the reason for differences between actual, budget, and prior years' spending. It also includes an update on the costs-to-date of significant construction projects. Senior management and the Board review these forecast reports.<sup>11</sup>

Because it does not have a system to summarize housing condition information, SHC does not have a policy or documented procedures for reporting housing condition or the results of maintenance to senior management or the Board. SHC receives verbal information and informal reports about housing condition. It uses this information to adjust informal maintenance plans and make weekly verbal reports to senior management. SHC does not give written information to senior management about delayed or incomplete maintenance or a summary of the extent of inspections completed each year. It does not give the Board information on the overall condition of housing, significant changes, key risks, or the impact of deferred maintenance.

Written information is essential for decisions that have a long-term impact on the condition of housing projects. In addition, written information would provide a permanent record of the history of the results of maintenance activities. Such records are particularly important when experienced staff leave or senior management changes. Senior management needs to know the overall results of maintenance and inspection activities and related risks to make informed decisions about the overall long-term condition of housing units and the safety of tenants.

- 4. We recommend that the Saskatchewan Housing Corporation regularly give senior management and the Board appropriate written reports on planned and completed maintenance activities and the overall condition and key risks to the housing units it owns.**

## 4.0 SELECTED REFERENCES

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<sup>11</sup> Senior management includes the President and Executive Directors.



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