

Chapter 27

Saskatchewan Housing Corporation – Long-Term Capital Planning

1.0 MAIN POINTS

In this chapter, we report that Saskatchewan Housing Corporation (SHC) has addressed the recommendation we made in our *2004 Report – Volume 1* regarding long-term capital asset planning for its housing portfolio. By March 2015, SHC had put into place a new computer system that contains the key information related to its capital asset plan.

2.0 INTRODUCTION

At March 2015, SHC owned approximately 18,000 housing units located throughout the province. To sustain this portfolio over the long term, SHC must have a good capital asset plan.

Our *2004 Report – Volume 1*, Chapter 15, concluded that SHC's capital asset plan was adequate for decision making except that it did not include how SHC expected to determine and measure how well it sustained its housing portfolio over the long term. We made one recommendation. This chapter reports the results of our fourth follow-up of the recommendation we made in 2004.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SHC's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SHC's management agreed with the criteria in the original audit.

We reviewed various capital asset reports and other relevant documents. We also conducted interviews with SHC officials.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2015, and SHC's actions up to that date. We found that SHC has implemented the recommendation.



3.1 Capital Asset Plan in Place

We recommended that SHC's capital asset plan show:

- › The specific measures SHC would use to determine appropriate size, mix, and condition of the housing portfolio (i.e., performance measures)
- › The starting point of each measure (i.e., baseline), and
- › What SHC expects to achieve with the housing portfolio and by when (i.e., targets) (2004 Report – Volume 1; Public Accounts Committee agreement September 28, 2004)

Status – Implemented

In June 2013, SHC entered into a contract with a capital asset consultant for the use of an asset management software system. By December 31, 2014, SHC had collected and entered information on its housing units into the system. The information and the functionality of this system forms its capital asset plan. This system allows SHC to project future component replacement costs to better predict future budget requirements.

SHC, through this system, has set specific measures for each housing unit such as the location, size, type and other significant components of the units (e.g., installation date, useful life). SHC also measures the condition of each unit and the portfolio as a whole based on industry standards (i.e., asset condition is good, fair, poor, or critical) and the total replacement cost.

Upon implementation of the new system, SHC established starting point information (i.e., baseline) related to the overall condition of its portfolio and determined the estimated cost to replace needed components. For example, as of December 2014, SHC estimated \$300 million of required component replacements. Over one-half of this amount is related to non-critical work such as interior renovations (e.g., cabinets, countertops).

SHC is using the baseline information established in the system. It plans to maintain the portfolio based on industry standards.