

Chapter 43

Saskatchewan Housing Corporation – Maintaining Housing Units

1.0 MAIN POINTS

By May 2017, the Saskatchewan Housing Corporation (Sask Housing) implemented two of four recommendations originally made in our 2012 audit of Sask Housing’s processes for maintaining housing units.

Since our 2014 follow-up, Sask Housing uses an asset management IT system to track key information about each unit and component (e.g., boilers, outdoor structures) it owns. Sask Housing keeps this information current, updating the condition of units and components annually. Sask Housing prioritizes its maintenance activities for the upcoming year based on units or components that have exceeded their life-span and are in poor condition.

However, as of May 2017, Sask Housing had not yet developed a medium to long-term corporate maintenance plan that aligns with its maintenance objective of maintaining all units at a fair-condition rating level. At July 2017, the units in Sask Housing’s housing portfolio, on an overall basis, were in poor condition. In addition, reporting to senior management did not include information about delayed or incomplete maintenance on housing units, or a summary of the inspections completed yearly. Such information would help management assess whether completed maintenance keeps units sufficiently safe and secure. Not doing the right maintenance activity at the right time increases the extent and cost of future maintenance. In addition, it increases the risk of units not being safe or secure for tenants.

At March 31, 2017, Sask Housing owned approximately 18,300 housing units located in 4,913 buildings across the province. These units are available to less fortunate individuals at reduced rents to enable self-sufficiency and independence. Sask Housing must effectively maintain these units so that they provide safe and secure shelter for tenants.

2.0 INTRODUCTION

In our *2012 Report – Volume 1*, Chapter 24, we reported on Sask Housing’s processes to maintain the 18,300 housing units it owned. We made four recommendations. In our 2014 follow-up,¹ we found that while Sask Housing was addressing one of four recommendations, all four recommendations remained outstanding. This chapter describes our second follow up of management’s actions on the four recommendations.

Under *The Saskatchewan Housing Corporation Act (Act)*, Sask Housing is responsible for all matters relating to housing including the responsibility to own and maintain housing. The Act allows Sask Housing to create public housing authorities to administer and operate housing. Public housing authorities must comply with Sask Housing’s policies in carrying out their duties. As such, Sask Housing works with the housing authorities to operate and maintain housing units that it owns.

¹ *2014 Report – Volume 1*, Chapter 26, Saskatchewan Housing Corporation – Housing Maintenance.



In 2016, Sask Housing spent \$42.6 million (2015: \$50.5 million) on maintenance and renovation which is almost one-quarter of its total expenses for the year (2015: 27%).²

To conduct this audit engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance* (including CSAE 3001). To evaluate Sask Housing’s progress towards meeting our recommendations, we used the relevant criteria from the original audit. Sask Housing’s management agreed with the criteria in the original audit.

As part of our work, we reviewed Sask Housing’s asset management IT system, inspection reports, annual maintenance plans, and reports on maintenance provided to the Board and senior management.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at May 31, 2017, and Sask Housing’s actions up to that date. We found that Sask Housing implemented two recommendations and has work to do on the remaining two.

3.1 Longer-Term Maintenance Plan Needed

We recommended that the Saskatchewan Housing Corporation develop a corporate maintenance plan for the medium to long-term timeframe.

(2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Not Implemented

Sask Housing does not have a medium to long-term corporate maintenance plan that aligns with its maintenance objective. Rather maintenance planning continued to focus on activities only for the upcoming year.

Sask Housing indicated that it plans to complete a review of social housing programs prior to setting a long-term maintenance plan. It plans to complete the review by spring of 2018.

At July 17, 2017, the overall facility condition index (FCI)³ for Sask Housing’s portfolio of housing units it owns was in poor condition with an index value of 12.1%. Sask Housing indicated it aims to maintain housing units it owns at the industry standard FCI of 10% – meaning overall, units would be in fair condition (see **Figure 1**).

We estimate that if Sask Housing continues maintenance activities at its 2016 level, the overall FCI for its portfolio of housing units will near the critical condition in about 10 years (i.e., 2027).

² Saskatchewan Housing Corporation, *Annual Report 2016*, p. 26.

³ Facility condition index (FCI) is used in facilities management to provide a benchmark to compare the relative condition of a group of facilities. The lower the FCI the better the condition of the unit.

Figure 1 – Facility Condition Index

Facility Condition Index % (Current year maintenance cost divided by its replacement value)	Condition
0-5	Good
5-10	Fair
10-30	Poor
>30	Critical

Source: Retrieved from the International Facility Management Association knowledge library, <https://community.ifma.org/fmpedia/w/fmpedia/2459> (21 July 2017).

Having a medium to long-term maintenance plan helps control the costs of maintenance and keep units maintained at the level expected. Not doing the right maintenance activity at the right time increases the risk that housing units may not be suitable for tenants or provide safe and secure housing. In addition, delayed maintenance causes increases in the extent and cost of future maintenance.

3.2 Documented Housing Unit Conditions Guide Maintenance Decisions

We recommended 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. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Implemented

Sask Housing consistently documents key information about its housing units in an asset management IT system.

In June 2013, Sask Housing contracted with a capital asset consultant company for consulting services and the use of an asset management IT system. Sask Housing tracks in the IT system all of its owned housing units and their associated components (e.g., windows, walls, boilers), including their condition, current age, and expected life span (i.e., expected period of operation or use).

Sask Housing had the consultant company input each building, the related units, and the associated components into the IT system. Sask Housing verified the accuracy of the information in the system by having housing authority staff do inspections and comparing results to system information.

Each year, Sask Housing updates the system information through various methods including inspections, management tours, housing authority reviews, and purchase and sale reports.

The information tracked in the system is sufficient to facilitate corporate decision-making.



3.3 Life-Span Information Guides Maintenance

We recommended 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. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Implemented

Sask Housing uses building and component life-span information in the IT system to prioritize maintenance activities.

The asset management IT system documents the life-span for each building and item in a building unit.

We found Sask Housing uses this information when making maintenance decisions for the upcoming year. For example, housing authorities give Sask Housing an annual listing of planned maintenance items. Sask Housing assesses each requested maintenance item against its life-span in the system to confirm that the item is in need of maintenance. Sask Housing also checks the item against its listing of outstanding maintenance items from prior years.

3.4 Better Maintenance Reporting for Senior Management Needed

We recommended 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. (2012 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Partially Implemented

While Sask Housing provided adequate reporting to the Board, senior management did not receive sufficient detail on certain maintenance activities.

Annually, Sask Housing reports on maintenance to the Board. One report, provided as part of the annual budgeting process, presents three maintenance funding scenarios for the Board's consideration, and shows the risks for each. This shows the Board the impact of funding decisions. Another report compares actual spending on maintenance to planned, facilitating discussion of differences.

Senior management receives the same information as the Board even though its role differs. Reporting to senior management does not include information about delayed or incomplete maintenance, or summarized information on unit inspections completed yearly. This type of information would facilitate discussions regarding implications of delayed projects and inspections required for future maintenance activities.

Sask Housing indicated that it expects to improve its reporting of maintenance information to senior management by December 2017.