



# Housing SA, Community Partnerships and Growth

## Maintenance Plan 2009

### Excel Templates for (1) Summary Maintenance Plan September 2009 and (2) Hot Water System Replacement Costs Survey 2009

#### SUPPLEMENT TO THE GUIDELINES (as of 06 August 2009)

Since the release of the Summary Maintenance Plan template, Guidelines and Training CP&G, has received several requests for clarification and advice. This Supplement provides responses to those enquiries and is designed to assist all community housing organisations in the preparation of this year's summary maintenance plans and hot water system survey.

***Q1. A pop-up message appears and asks whether to enable or disable macro when the summary maintenance plan template is opened. Should Macro be disabled?***

**A1.** Organisations are requested to **enable macro** as the summary maintenance plan template has a macro program attached to the "Update" button.

***Q2. Security setting of my PC does not allow any macro to run and the 'Update' button in the 'Sep 2009 (Values)' worksheet does not work.***

**A2.** Security settings may be configured to protect your PC from malicious softwares, which take the form of macro programs at times. The summary maintenance plan template is an Excel file (with macro) sent from a legitimate source (Housing SA). Organisations are advised to change the security setting when the "Update" button needs to be clicked.

To do so,

- (i) open the excel file containing the summary maintenance plan template;
- (ii) go to "Tools" in the top menu bar;
- (iii) click "Options" in the drop down menu under "Tools";
- (iv) click "Security" tab among the rows of tabs in the top part of the pop-up;
- (v) click "Macro Security..." at the bottom right section (just above the "OK" and "Cancel" buttons at the very bottom right);
- (vi) select **"Medium"** among the available levels of macro security settings;
- (vii) click "OK" to get out of "Macro Security...";
- (viii) click "OK" to get out of "Options";
- (ix) close the excel file, choose to "save" the changes, and re-open the same file;
- (x) Choose "enable macro" in the pop-up question which appears when the file is opened;
- (xi) use "Update" button in the template as necessary;
- (xii) After "Update", set the macro security setting back to the original level by repeating the steps from (ii) to (ix) above. When it comes to the step (vi), select the original macro security level ("very high" or "high") to restore the original setting.

If an organisation has an established IT policy, which requires the macro security level to be set at “high” or “very high” at all times, officers involved in preparing the summary maintenance plan should obtain an exemption to enable use of the template. If the exemption is denied, please contact CP&G for further advice.

### **Q3. What information is necessary to fill Column F “Actual 2008/09” in the worksheet “Sep 2009 (Values)”?**

**A3.** Organisations are requested to fill cells with green background in Column F “Actual 2008/09” with appropriate figures. This will allow organisations and CP&G to compare what was forecasted for 2008/09 against what was actually undertaken and assess any problem/s that occurred during the forecast and/or implementation phases.

#### Forecasted Maintenance Requirements by Property

Organisations are requested to add the **actual** maintenance expenditure incurred for **each** property in 2008/09 and insert the figure in the relevant cell in Column F. Organisations are also requested to separate actual “Breakdown Maintenance expenditures” and “Vacancy Maintenance expenditures” from the actual maintenance expenditure for each property.

#### Breakdown Maintenance Expenditures

Organisations are requested to add actual breakdown maintenance expenditures incurred for **all** properties in 2008/09 and insert the figure in the relevant cell in Column F. Breakdown maintenance is defined as an unscheduled work of urgent, health, safety or emergency nature. Examples may include burst pipes, blocked drains, major dripping (pouring) taps, leaking toilet s-bend, gas leak (pipe or kitchen stove), electrical fault (with risk of electrocution) etc. There may be a situation/work which an organisation may not easily distinguish between “forecasted maintenance” and “breakdown maintenance”. Organisations are asked to exercise their judgement to the best of their ability and knowledge to ensure all expenditures are accounted for either as “forecasted maintenance” or “breakdown maintenance”.

#### Vacancy Maintenance Expenditures

Organisations are requested to add actual vacancy maintenance expenditures incurred for **all** properties in 2008/09 and insert the figure in the relevant cell in Column F. Vacancy maintenance is defined as maintenance works required to bring the vacant/vacated property/s to a standard suitable for re-occupation. There may be a situation/work for which an organisation may not easily classify between “forecasted maintenance” and “vacancy maintenance”. Organisations are asked to exercise their judgement to the best of their knowledge and ensure that all expenditures are accounted for either as “forecasted maintenance” or “vacancy maintenance”.

#### Negotiated Maintenance (Comhouse Member Only) (B)

Comhouse will prepare an itemised list of maintenance works actually undertaken in 2008/09 for each Comhouse-member organisations. The list will include both major and minor works and also work completed by Comhouse at no extra cost to the members, and work completed by Comhouse but paid by the members. Comhouse-member organisations are requested to add prices for all works done by Comhouse in 2008/09 and insert the figure in the relevant cell in Column F.

### Maintenance Allowance

Organisations are requested to insert the figure for the maintenance allowance actually retained by them in 2008/09 in the relevant cell in Column F.

### Major Maintenance (Comhouse) Levy Payment

Comhouse-member organisations are requested to insert the figure for the major maintenance levy actually paid to Comhouse in 2008/09 in the relevant cell in Column F.

### Transfer to Admin Account

If an organisation had 90 or more properties and transferred 25% (or any other portion not exceeding 25%) of its maintenance allowance to its administration account in 2008/09, the organisation in question is requested to insert the figure for the actual amount it transferred from its maintenance allowance to the administration account in the relevant cell in the Column F.

### Maintenance Provision – from Groups

Organisations are requested to enter the closing balance of their Maintenance Provision as of 30 June 2009 in the relevant cell in Column F.

### **Q4. What is “commercial rent” mentioned in Question 5 at the top of the worksheet “Sep 2009 (Values)”?**

**A4.** It is more technically termed “commercial-supply” rent. If a tenant is charged rent at or more than 75 percent of the Australian Taxation Office Benchmark Rental Rates, such rent is deemed “commercial-supply” rent and such an organisation is deemed to be providing a “commercial supply” of accommodation.

Members and officers involved in preparation of this year’s summary maintenance plans are advised to contact their rent coordinators and obtain the necessary information.

Organisations are advised to count only tenants who are constantly charged “commercial-supply” rent. If an organisation has a tenant who is charged “commercial-supply” rent for a limited period of time in a year (for example due to seasonal extra works and income during holiday season), the organisation in question is advised not to count such a tenant (and the property he/she occupies) for this exercise.

### **Q5. Is it necessary to inflate forecasted future maintenance expenses to accommodate inflationary effects?**

**A5.** No, it is not necessary and organisations **should not** inflate the forecasted future maintenance expenses except for inflationary adjustments already built into the templates. As was the case in the last year’s summary maintenance plan, this year’s summary maintenance plan as well as the template has been designed as a **constant-price** long-term projection. This characteristic of a constant-price model is also evident from the maintenance allowances in the template, which have been kept constant at \$25.90 (after the final inflationary adjustment of 1.5% as advised in our letter of 23 July, 2009) throughout the forecast period (from 2009/10 to 2015/16). The template is designed to calculate each organisation’s future surplus or deficit in **today’s (2009/10) dollar value**. Accordingly, organisations are also requested to forecast future maintenance expenses in a **constant-price** environment. That is to say, if an

organisation forecasts painting of external walls for a property on xx ABC Street, Adelaide 5000 to cost \$1,300 in 2009/10, the same work on the same property should cost \$1,300 in 20015/16.

**Q6. Is it necessary to adjust the forecasted maintenance provision in future with the forecasted interest income?**

**A6.** No, it is not necessary and organisations are requested not to incorporate any interest income in the calculation of future maintenance provisions. The summary maintenance plan template does not have any cell or function to incorporate forecasted future interest income.

This is because the summary maintenance plan is, as mentioned in A5., designed as a constant-price model. In this constant-price environment, the applicable real (NOT nominal) deposit interest rate is expected to be minimal in a long run.

**Q7. Should the forecasted maintenance expenses be inclusive or exclusive of GST?**

**A7.** As was the case in the last year's summary maintenance plan, organisations are requested to forecast future maintenance works and expenses **exclusive of GST**. This year's summary maintenance plan template only accommodates unclaimable GST on Comhouse levies paid for properties rented to commercial-supply-rent-paying tenants. We may improve the template to accommodate unclaimable GST on other maintenance expenses next year.

**Q8. How should expenditures on tools and equipment which can be used repeatedly over years be treated?**

**A8.** It is possible that some organisations might have purchased tools and equipment, for repeated maintenance work. Organisations are requested to assign such expenditures to the properties where such items are kept for storage/safeguarding. If an organisation requires the last user of such tools and equipment to safeguard them until next use by other tenant(s), the organisation in question is requested to put such expenditures against the maintenance co-ordinator's property.

Housing SA, CP&G will review the treatment of such maintenance expenditures not readily allocatable to specific properties and if appropriate make necessary adjustment(s) in the next year's summary maintenance plan template.

**Q9. How shall an organisation calculate the actual costs/prices for Comhouse major and minor maintenance works? (Applicable to Comhouse-member organisations only)**

**A9.** From this year, organisations are required to provide information on the actual costs incurred on all maintenance works during the 2008/09 year (as discussed in A3.). For Comhouse members this will involve adding and inputting the:

- (i) actual costs incurred on maintenance works organised/done and paid for by the organisation itself (for which Comhouse has no knowledge of) during 2008/09;
- (ii) actual costs incurred on maintenance works done and paid by Comhouse;
- (iii) actual costs incurred on maintenance works done by Comhouse and paid by the organisation itself.

Detailed lists of maintenance work descriptions and costs/prices sorted by property will be made available by Comhouse to the member organisations. Each organisation is requested to fill applicable cells for property-by-property actual (forecasted/scheduled) maintenance costs in the

summary maintenance plan template with figures from the list prepared by Comhouse for the organisation in question.

Organisations are reminded that the lists prepared by Comhouse will not include any maintenance work organised and paid by the organisations themselves (without involving Comhouse). Organisations are also reminded to add costs of such works (organised and paid by the organisations themselves) to the information (cost figures) to be provided by Comhouse for its works.

The actual costs organisations will be dealing with are those incurred in 2008/9. It is therefore not necessary to apply any inflationary adjustment.

***Q10. How shall an organisation update the forecasted figures for “Negotiated Maintenance (Comhouse Member Only)” (B)?***

**A10.** Comhouse will make the updated “Comhouse Major Maintenance Stock Audit Summary” available to each member organisation. The updated Stock Audit Summary will reflect any major maintenance work left undone in 2008/09 to be rolled over to 2009/10. Furthermore, the figures in the updated Stock Audit Summary will have been already adjusted with inflation since the last Stock Audit Summary (February 2008). Organisations are requested to input the annual sums for the forecast period (from 2009/10 to 2015/16) in the corresponding cells in the worksheet “Sep 2009 (Values).”

***Q11. How could \$5 per-week per-property rebate currently available from Comhouse be incorporated? (Applicable to Comhouse-member organisations only)***

**A11.** The actual costs incurred by utilising the minor maintenance rebate are contained in the Comhouse reports, and therefore will be included in your actual maintenance costs and also to the actual negotiated maintenance figures in column F (as discussed in A3 and A9).

Organisations are requested not to recognise/add the \$5 per-week per-property rebate as forecasted Maintenance Funds Income or the balance of available rebate as maintenance provision in this year’s summary maintenance plan template (However, we may review the nature of arrangement and if appropriate make necessary changes in the next year’s template.)

***Q12. How should organisations complete the Hot Water System Survey template taking into consideration new regulatory requirements?***

**A12.** Housing SA, CP&G is requesting information from all Community Housing Organisations in regard to the costs of replacing hot water systems under the new regulatory requirements. This will provide a complete picture of the financial impact on the current maintenance funding allowance. All organisations are therefore requested to complete the hot water system survey template. To this effect, Comhouse-member organisations are advised they are NOT exempt from this requirement despite the fact that the recent change in regulatory requirements (on hot water system) does not have any financial impact on them.

The impact of the regulatory change is expected to be most significant for the replacement of aging electric hot water systems. The impact is expected to be far less for the replacement of aging gas hot water systems.

## Structure of the Hot Water System Survey Template

The template consists of two parts. Rows 7 to 11 concern the forecast done by organisations in their last year's summary maintenance plan preparation under the old regulatory requirements (on hot water systems). Rows 13 to 16 concern the forecast done (or being done) by organisations in this year's summary maintenance plan preparation under the new (current) regulatory requirements.

Organisations are requested to fill cells with green background in Rows 8-9 and Rows 14-15.

### Rows 8-9 (Number of Hot Water Systems to be Replaced and Costs of Replacement)

Organisations are requested to look into last year's forecasted maintenance data, which formed the basis of **last year's** summary maintenance plans May 2008. Such data should include forecasted timing and the cost of replacing aging hot water systems in future years. Organisations are requested to fill (i) relevant cells in Row 8 with the number of aging hot water systems to be replaced in future years, and (ii) relevant cells in Row 9 with the forecasted replacement costs. Built-in formulae in Rows 10-11 will automatically calculate the inflation-adjusted costs and average costs of replacement based on last year's information (hence under the old regulatory environment).

For Comhouse-member organisations, the information provided above (i.e. timing and costs of replacing aging hot water systems) as of last year's maintenance plan can be found in "Comhouse Major Maintenance Stock Audit Summary Feb 2008", which must have formed a basis for last year's summary maintenance plans, May 2008. This spreadsheet prepared by Comhouse in February 2008 for each member-organisation, lists the timing and cost of hot water system replacement for each property.

### Rows 14 (Number of Hot Water Systems to be Replaced)

Organisations are requested to collect information from this year's forecasted maintenance data, which formed a basis of **this year's** summary maintenance plans Sep 2009, and fill relevant cells in Row 13 with the number of aging hot water systems to be replaced in future years. The number and the timing of replacement may be exactly the same as the forecast done last year (as shown in Row 8 discussed above). However, it is also possible that some organisations might have advanced and/or delayed the timing of replacement(s) of certain hot water systems taking into consideration their maintenance inspections since the last year's maintenance plans. If an organisation replaced some of its hot water systems in 2008/09, the organisation in question is requested to insert the number of hot water systems actually replaced in 2008/09 in Cell B14.

For Comhouse-member organisations, the required information for Row 13 can be found in "Comhouse Major Maintenance Stock Audit Summary Aug 2009", which will be made available by Comhouse to its member organisations in due course. If a Comhouse-member organisation had any hot water systems replaced by Comhouse in 2008/09, the Comhouse-member organisation in question is requested to enter the number of hot water systems actually replaced by Comhouse in 2008/09 in Cell B14.

### Row 15 (Cost of Replacement under the New Regulatory Environment)

Organisations are advised to use any reliable methodology suitable for their specific situations to estimate the costs of replacement in future years. However, CP&G has been made aware of difficulties experienced by some organisations in estimating replacement costs under the new regulatory environment.

While organisations are free to adopt their own methodologies, those organisations which currently do not have knowledge and/or resources to proceed with their own costing methodologies, may consider the following simplified methodology:

- (1) Identify whether the hot water systems due for replacement in future years are aging **gas** hot water systems or **electric** hot water systems;
- (2) Budget \$1,061 for replacement of each aging **gas** hot water system;
- (3) Budget \$3,860 for replacement of each aging **electric** hot water system;
- (4) Add aforementioned budgeted costs for the aging gas and electric hot water systems to be replaced in each year in the forecast period.
- (5) Fill relevant cells in Row 15 with the figures derived in (4) above.

For example, if an organisation currently forecasts to replace 5 aging hot water systems (2 gas and 3 electric) in 2013/14, the forecasted cost of replacement under the new regulatory environment would be \$13,702 (= \$1,061 x 2 + \$3,860 x 3). The organisation in question should therefore insert 5 in Cell F14 (i.e. the cell for 2013/14 in Row 14) and \$13,702 in Cell F15 (i.e. the cell for 2013/14 in Row 15).

If an organisation replaced some of its hot water systems in 2008/09, the organisation in question is requested to insert the actual costs incurred for the replacement in 2008/09 in Cell B15.

The worksheet "Example" in the hot water system survey template includes hypothetical costing different from what is discussed above. This is because the template and the contents were entered before the above-mentioned methodology and standard budget/costing was finalised. In order to avoid possible confusion, organisations are advised not to use or refer to the worksheet "Example" and focus on the worksheet "Template" from now.

Comhouse-member organisations are informed that Comhouse will **not** produce updated costs for replacement of hot water systems, which comply with the new regulations. This is because Comhouse does not have current and comprehensive information on what type (gas or electric) of hot water system is currently used in each property under Comhouse Major Maintenance Contract.

Comhouse-member organisations are therefore advised to estimate the replacement costs of their aging hot water systems from 2009/10 to 2015/16 and complete the Row 16 for themselves. To this effect, Comhouse-member organisations may decide to use the above-mentioned simplified methodology or their own. If a Comhouse-member organisation had any hot water system replaced by Comhouse in 2008/09, the Comhouse-member organisation in question is requested to enter the actual cost of replacement by Comhouse in 2008/09 in Cell B15. Such actual cost of replacement will be available from the list of actual works undertaken by Comhouse in 2008/09, which was also discussed in A3. and A9.

If you require further clarification or have new questions, please contact:

About Excel templates

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Thank you for your cooperation.