CENSW Strategic Asset Management Plan 2021

1. INTRODUCTION

Common Equity's Strategic Asset Management Plan provides base information to formulate strategies to manage 518[1] units of accommodation. The plan reviews the current housing stock and highlights the future housing needs for our tenants. The plan will outline Common Equity's acceptable level of maintenance and service that meets requirements of Land and Housing Corporation (LAHC) Asset Management Framework and the Residential Tenancy Act (NSW) and the views of our tenants.

2. OBJECTIVES

Provide housing that meets the needs of our current and future member co-operatives and tenants and is balanced with the demand for Social and Affordable Housing within our areas of operation. It shall review future pressures on existing stock and future needs of tenants.

Ensure our housing assets are well managed and used effectively and responsibly to achieve growth and ensure expenditure achieves maximum housing outcomes.

3. RESPONSIBILITY

The plan forms a direction for both Common Equity and Co-Ops to achieve outcomes that suit the sector of Co-operative Housing. The plan provides an operational framework for the sector to achieve Common Equity's Strategic Plan.

4. PRINCIPLES

4.1. Mission and Values

Common Equity aims to manage maintenance and asset responsibilities in pursuit of our agreed mission and values statement, "To lead and grow Co-operative Housing for the independence and well-being of people and communities" which has been endorsed by the CENSW Board.

4.2. Timely Maintenance

Common Equity works to ensure responsiveness and timely undertakings of all maintenance; reviewing co-operative and tenant satisfaction to improve our services.

Maintenance will be undertaken in a timely manner to reduce future liabilities and more costly long-term maintenance requirements. Best use of new technologies and materials may improve

[1] No of individual units – does not include sub-letting of rooms.

performance. Maintenance will be undertaken by the determination and review of priorities. These will be reviewed in accordance with costs, necessity, safety and security. The use of sustainable and efficient materials is also an important consideration as part of our future planning.

4.3. Consult with Co-ops to Determine Fit for Purpose.

Common Equity recognises and acknowledges the autonomy and independence of co-operatives; and collaborates with the Co-Ops in decision-making. LAHC is the owner of 98% of the portfolio which will restrict the degree of autonomy and independence over the properties.

Common Equity works collaboratively and co-operatively with housing co-operatives reviewing maintenance priorities to develop individual asset management plans to ensure property condition targets are met within the budget framework approved by the Common Equity Board. Common Equity seeks to improve the condition and utility of the properties in collaboration with housing co-operatives; to make homes more 'livable' in a cost-effective way and ensuring value for money.

4.4. Target Condition for All Properties

Common Equity seeks to ensure that our properties are maintained at a high level and consistent withHousing New South Wales Asset Standard Version 6 and in pursuit of the National CommunityHousing Standards.

Ninety eight percent of the properties managed are owned by NSW Land and Housing Corporation (LAHC). As a minimum the properties are maintained to the PAS (Property Asset Survey) standard of "Maintained or Well Maintained".

In addition to the PAS standard, Common Equity will strive to maintain all properties at CGI (Condition Grades Index – as calculated through the SPM Assets Program) of <= 2.0.

4.5. Compliance with Statutory and Legal Requirements

There are several statutory and legal requirements that impact on the asset portfolio. The following are not exhaustive however, but should be referred to in the normal course of business: -

- Work Health and Safety (NSW)
- National Code of Building
- Environment Protection and Assessment Act – fire safety and inspections
- Home Building Act NSW
- Building and Construction Industry Long Service Payments Act)(NSW)

4.6. Environmental Sustainability

Common Equity shall embrace NSW Government goal of net zero emissions by 2050. Common Equity will partnership with Government agencies that provide funding for programs that contribute to the NSW Government goal of net zero emissions.

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4.7. Accessibility Modifications

Common Equity will fund accessibility modifications (e.g., Seniors, disability), to enable tenants to sustaintheir tenancies, in a cost-effective manner. It should be noted that Common Equity is not a specialist disability provider and accommodation may not be able to be adapted to suit all needs. Disability modifications shall be in accordance with the current Disability Modification policy.

5. LINKAGE

Common Equity's Strategic Asset Management Plan is closely linked to and influenced by other Common Equity's key documents and policies (Appendix 1). The Strategic Asset Management Plan should be read in conjunction with the other plans and policies.

6. ASSET PROFILE

6.1. Asset Ownership

Under head lease from LAHC	480 No.
Freehold with interest registered by LAHC	36 No.
Unencumbered freehold, development sites	2 No.

Common Equity has 518-dwellings under management either through Co-Op's or Direct Management.

Co-operative Management	416
Direct Management	102

Dwellings Age Profile:

Age of Units	No. of Dwellings
>100 years of age	19
80 years to 100 years	13
60 years to 80 Years	35
40 years to 60 years	87
20 years to 40 Years	178
0 years to 20 years	180

On average, the generally expected and acceptable lifespan of a home should last at least 60 years (Property Registry May 2018 – https://propertyregistry.com.au)
In the next 10 years there will be another 75 dwelling over 60 years of age. This will present significant maintenance challenges and costs.

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6.2. Dwelling Types and Configurations

Common Equity manages a variety of dwelling types as noted in the below:

Unit Type	No of Dwellings
Bed sits	51
Cottage	76
Duplex	6
House	6
Townhouse	157
Unit[2]	185
Villa	45
Total	**526[3]**

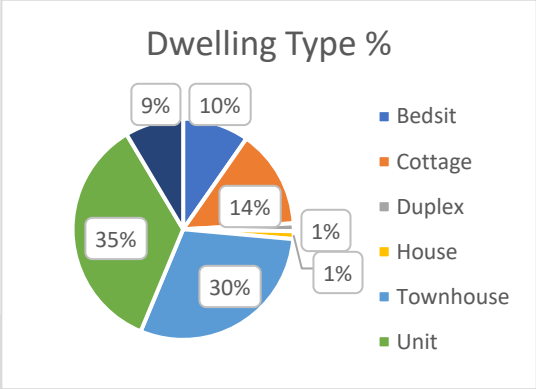
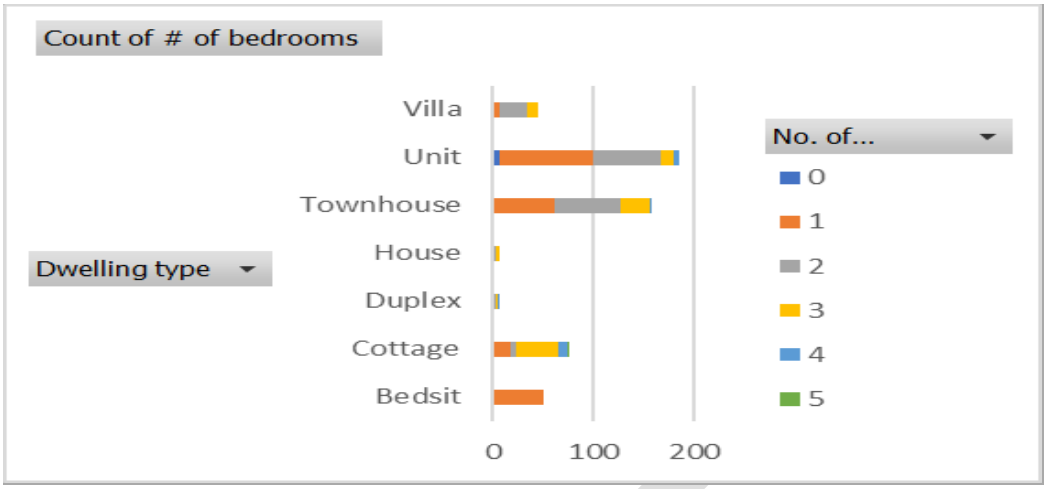


Table 1

Table 1 provides a distribution of unit types by bedroom numbers. This distribution provides a snapshot of accommodation with 76% of our portfolio in the 1- and 2-bedroom category. This in turn should focus our target group of tenants who are singles, couples or parent and child.

	No. of Bedrooms						
Unit Type	**0**	**1**	**2**	**3**	**4**	**5**	**Total**
Bedsit		51					**51**
Cottage		18	4	42	10	2	**76**
Duplex			2	3	1		**6**
House			3	3			**6**
Townhouse		61	66	29	1		**157**
Unit	6	93	68	13	5		**185**
Villa		7	27	11			**45**
Total	**6**	**230**	**170**	**101**	**17**	**2**	**526**

[2] This includes four units in strata complexes.
[3] This includes sub-let rooms.



7. CONDITION STANDARD IN DETAIL

Common Equity undertook a whole of portfolio condition grade inspection during 2019-2020. The inspection undertaken by SPM Assets Pty Ltd has provided base line data for analysis and measurement of the condition of the property. The base line data forms an integral part of the Strategic Asset Management Plan and the direction of asset management.

7.1. Condition Standard

LAHC condition standard reporting is received once every twelve months. The 2019-2020 report had a small sample (due to COVID) but the results returned showed that 100% of the properties had a "maintained or well maintained" status. The 2018-2019 report indicated that 94% of properties reported as "maintained or well maintained."

The current SPM data provides a greater clarity around condition of the portfolio: -

Graph 1

Portfolio	
COMMON EQUITY	
Star Rating ★★★★½ CGI 1.88 Properties 561 Components 49,330 Assessed Components $59,226,167 Residual $0 CRV $0	• Overall, the portfolio has a 4.5 star rating , generally in good condition. • The CGI (Condition Grade Index) for the portfolio is at 1.88 which is below Common Equity's bench mark of 2.0

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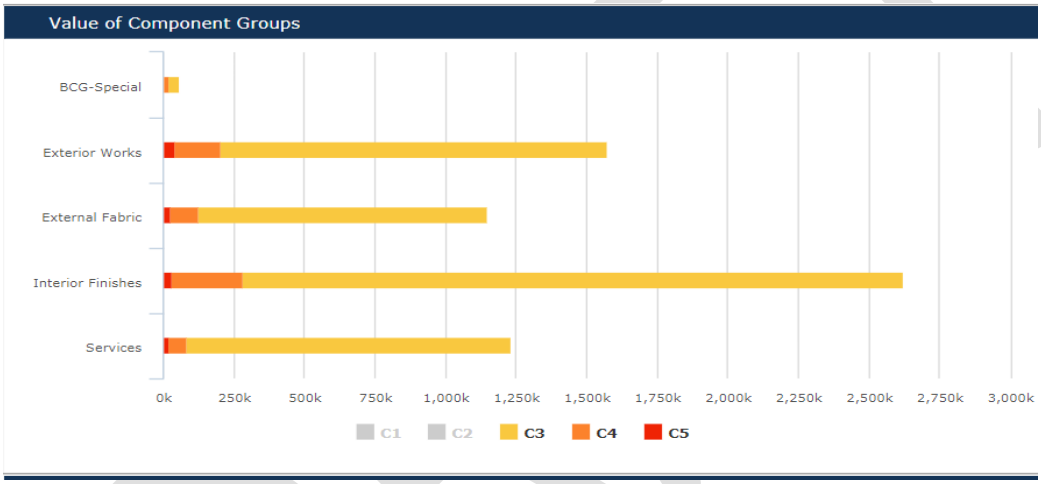
Units greater than CGI of 2.0 number 158 including common areas[4].
These units have a dollar value of:

C3 – Moderate Condition	$ 3.7 million
C4 – Poor Condition	$ 367 thousand
C5 – Very Poor Condition	$ 54 thousand

Future planning should target the C4 and C5 components over a two-year period. Requiring a budget of approximately $250 thousand per year to clear the backlog.

Investigation into the components at a moderate level C3 shows this is primarily internal paint. This item is generally an appearance factor and a greater time frame can be employed to better manage maintenance expenditure over a 10-year period.

The following graph demonstrates the significant impact of interior finishes (Graph only views C3, C4 and C5 components):



7.2. Property Condition Measurement and Inspection Regime

Common Equity will use SPM Assets program to undertake inspections to inform and drive proper maintenance process to ensure that properties remain at or below Condition Grade Index (CGI) of 2.0. Common Equity will develop a correlation link between the LAHC PAS standards and SPM Assets to ensure maintenance strategies fulfil the needs of the owner of the properties and Common Equity's.

The whole of portfolio shall be inspected once in every three years.
The next 12 months will see maintenance works on properties with CGI >= 2.0 and as work is undertaken re-inspection of these properties will occur.

Inspection Program for the next three years shall be: -

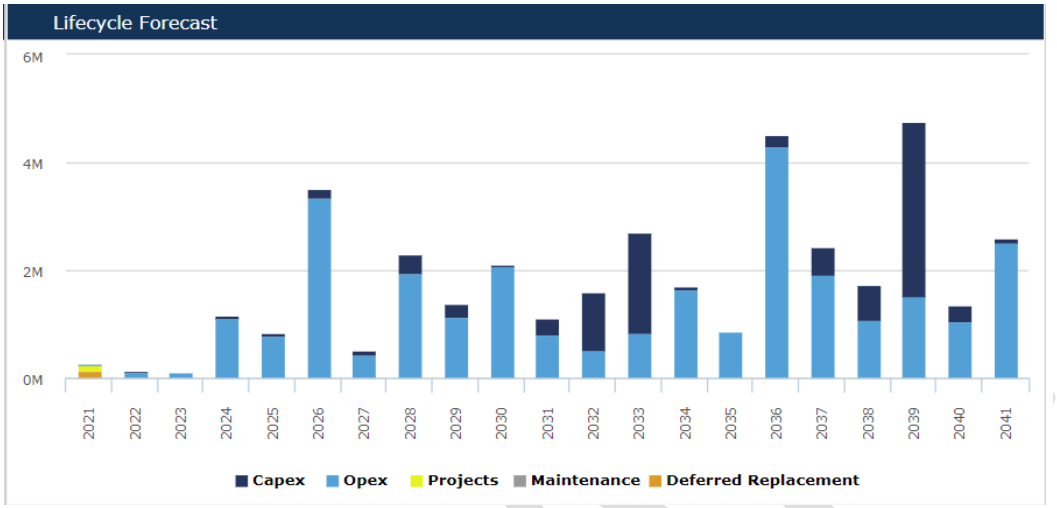
2021/22	CGI>2.0, approximately 155 properties
2022/23	CGI >1.86 and < 2.0, approximately 157 properties
2023/24	CGI < 1.86, approximately 206 properties

[4] Common areas are typically stair wells and common rooms.

8. LIFE-CYCLE STRATEGY AND CYCLICAL APPROACH

8.1. Property Life Cycle Budgetary Commitment.

Current data from recent portfolio inspections have identified that in the next four years there is manageable maintenance expenditure required. However, whilst in the short term this is welcomed in the medium-term expenditure increases. This is demonstrated in the graph below.



Planning for the next 10 years should focus on bringing forward maintenance where possible to allow an evening of the expenditure. This provides stability in budget forecasting and prioritising maintenance within maintenance budgets set by Common Equity Board.

A view for the period 2032 -2041 should be noted for its uneven volatile expenditure shown. Of significant note is the high amounts required for capital expenditure. It is acknowledged that many changes can occur when looking out to 20 years it would be wise to know what items constitute the capital expenditure. Correlation between the expenditure and expected life of the dwelling should also be considered. Note: in the next 10 years 142 units will be over 60 years of age. This represents 27% of the portfolio with added maintenance expenditure to maintain the standard of the dwelling.

8.2 Cyclical Maintenance Approach:

Cyclical maintenance under Common Equity's approach covers items that are done on a 6 to 12 month cycle and are budgeted as recurring expenditure. Common Equity separate maintenance items that only occur more than 12 months apart, these items are grouped as ***Planned Maintenance***. Determination and timing of Planned Maintenance is driven by condition assessment inspections. Common Equity is moving away from a time-based planned maintenance regime. The following table (whilst not extensive) gives an overview of the approach taken.

Item	Cyclical or Planned
Grounds and gardens	Cyclical
Gutter cleaning	Cyclical
Fire Inspections and repair	Cyclical
Pest Inspections	Cyclical
Painting	Planned
Floor covering replacement	Planned
Bathroom or Kitchen upgrades	Planned

Note: Hot water units, stoves, hot plates are to be repaired until they are beyond economical repair. *(Economical repair means the component cannot be repaired, parts are no longer available or the sum of all parts and labour exceeds the cost of a new component and installation)*
Planned works when they are at condition grade 4 (C4) will be further assessed against the remaining life of the component to determine the timing to add to the planned works program. *(A component when reaching C4 does not automatically need to be replaced, there will generally be a few years of life left in the component. Caution: Just because a component is old does not mean it is in poor condition.)*

9. ASSET PERFORMANCE into the FUTURE

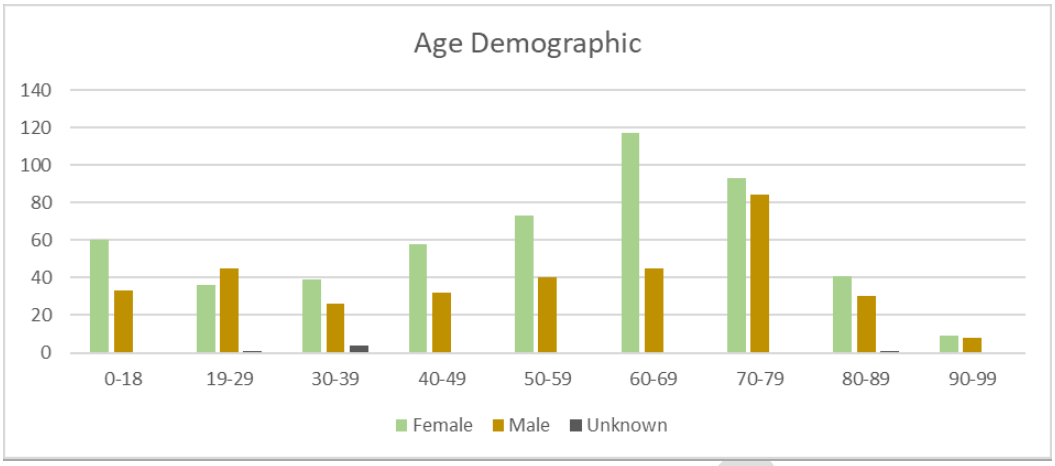
9.1. Tenant Demography

Common Equity demographics indicates an aging profile of our tenants. The following table identifies that more than 50% of our tenants are over 50 years of age. In the next 10 years there will be a large cohort in the upper range of age.

The table shows the current age profile.

Age Brackets	Female	Male	Unknown	Total
0-18	60	33	0	**93**
19-29	36	45	1	**82**
30-39	39	26	4	**69**
40-49	58	32	0	**90**
50-59	73	40	0	**113**
60-69	117	45	0	**162**
70-79	93	84	0	**177**
80-89	41	30	1	**72**
90-99	9	8	0	**17**
Total	**526**	**343**	**6**	**875**

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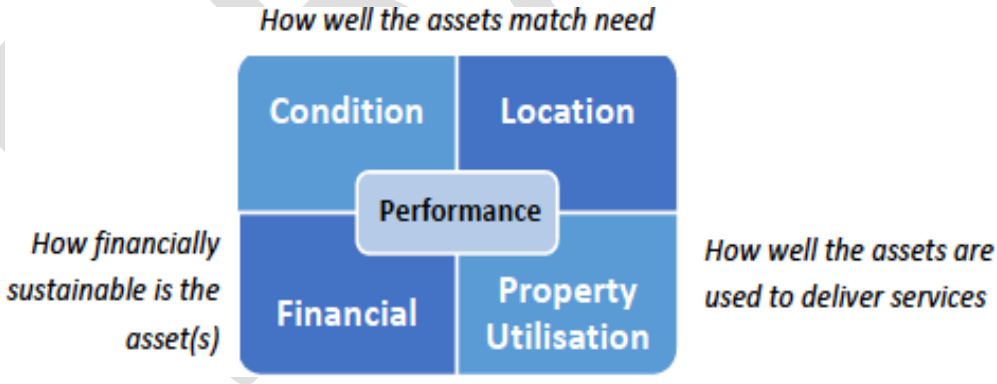
The challenges for Common Equity will be: -

- How to accommodate an aging demographic with potentially mobility, medical and social issues
- How to configure existing dwelling types to suit the needs of our tenants.
- What is the extent of disability modifications that can be reasonably undertaken to suit the changing needs?

9.2. Asset Financial Performance:

The image below shows the Property Performance Model being used by Common Equity. The model helps to understand how well a property performs by assessing the condion, location, property utilisation and financials of the property.

Table 2 -*Property Performance Model*



The Property Performance Assessment varies according to: -

- **Member** – views the property as a "home" where security, comfort and convenience is paramount
- **Co-Op** – looks at the property as a house that is there to serve the needs of the Co-op in providing well managed housing to its members while the Co-Op business remains viable and sustainable.
- **Common Equity** - looks at the property as an Asset within a "program", such that the program remains viable and grows sustainably.

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9.3. Specific Property Considerations:

Evaluation of Common Equity's 4 strata units needs to be undertaken. Are the properties contributing to the organisation's property utilisation? Could the capital invested in the strata units be better utilised by divesting the properties and investing in higher demand accommodation to address the aging demographic, in more appropriate locations?

9.4. Asbestos Cement

Common Equity's portfolio is substantially built prior to 1984 (which is the year use of asbestos cement was banned) all works undertaken is assessed by trades to ensure that the requirements of working in and around asbestos cement is dealt with in accordance with Work Cover NSW and the Environmental Planning and Assessment Act.

10. MEASURING SUCCESS

These are the measures which will be used to report progress against this plan.

- Asset Condition Status
- Asset Performance Score (from SPM Assets – program)
- Compliance with Safety, Fire Safety – Annual compliance certificates
- 10 Year Maintenance Plans with Co-ops – % of plans updated annually by 30 June

11. REPORTING

Performance against this plan will be reported to the Board annually.

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Appendix 1

Policies and Plans to be read in conjunction with the Strategic Asset Management Plan: -

- Strategic Plan
- Business Plans
- Growth Plan
- Financial Performance Report
- Risk Management Plan.
- Property Policies

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Date	Version	Comment
Oct 2014	V1	Four tenets of asset management
Jan 2017	V2	Streamlined to be more strategic and introduce model for utilization of assets
March 2021	V3	Full re-write