



Niagara Regional Housing

# Notice

No: 14-06

**APPLICABLE TO:**

**DATE: May 30, 2014**

<input checked="" type="checkbox"/>	Municipal & Private Non Profit
<input checked="" type="checkbox"/>	Co-operative
<input checked="" type="checkbox"/>	Federal Non Profit
<input type="checkbox"/>	OCHAP/CSHP
<input type="checkbox"/>	Rent Supplement

<input checked="" type="checkbox"/>	Mandatory
<input type="checkbox"/>	For Information

**SUBJECT: Capital vs. Operating Expenses**

## BACKGROUND

In February 2004, Niagara Regional Housing (NRH) issued Notice #04-01 which provided the Ministry of Municipal Affairs & Housing’s definitions of capital vs. operating expenses. Housing providers were required to comply with the rules as outlined by the Ministry.

Over the years, our year-end reconciliations have shown that housing providers have interpreted the requirements differently, which has led to inconsistencies in year-end reporting and reconciliation.

## REPORT

This Notice is provided to clarify eligible capital items and items considered to be day-to-day operating expenses.

### Capital

Appendix A provides a list of eligible capital items. Appendix B provides definitions of several capital items, and Appendix C provides a Q&A related to capital.

Capital items are grouped by the following major categories:

1. GROUNDS
2. BUILDING
3. UNIT

Each major category is broken down into sub-categories, and each sub-category provides a list of all eligible capital items for that sub-category.

Under no circumstances is painting considered a capital expense, regardless of the dollar amount.

## **Operating**

Appendix D provides a list of eligible operating items.

## **Replacement of Single Items Due to Damages**

If a single item, such as a unit's kitchen cabinets is replaced on move-out as a result of damages, and it is not included as a bulk item in the provider's capital plan for the current year, the item would not be considered a capital expense. It is expected that all damages are charged back to the household. As a result, these costs are considered operating and will eventually be repaid by the household or written off as a bad debt.

## **Bulk Capital Items**

The UNIT category allows some items, normally considered operating, to be deemed capital if the items are replaced as a "bulk" replacement job. However, in order to be deemed capital, the bulk job must be included in the provider's capital plan in the year the bulk job is undertaken. Examples of bulk jobs include kitchen cabinets, taps/sinks, and exhaust fans. A full list of eligible bulk items can be found on Appendix A under UNIT.

If a provider has identified a bulk job in a particular year, they must endeavor to complete the numbers that have been identified under that bulk job. If they are not able to complete the number identified, the provider is required to contact their Housing Administrator to provide clarification.

## **Unexpected Capital Expenses**

If an unexpected eligible capital item is required in the current year, and it has not been identified in the provider's capital plan, the housing provider is required to discuss and obtain approval from their Housing Administrator to add the unexpected capital item to their current year's plan.

Advising the Housing Administrator of unusual situations throughout the year will reduce the adjustments to the financial statements at year-end.

## **Housing Provider's Role**

Housing providers are required to account for their capital and operating expenses according to this Notice.

### **Service Manager's Role**

NRH will review the housing provider's financial statements annually to ensure compliance with this Notice.

If you have any questions or concerns regarding this notice, please contact your Housing Administrator at (905) 682-9201.

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Lora Beckwith, General Manager

Enclosures:

Appendix A – Capital Expenses

Appendix B – Capital Definitions

Appendix C – Capital vs. Operating Expenses – Q & A