

CAPITAL RENEWAL RESERVE POLICY

Policy: Capital Renewal Reserve Policy
Originating Branch: Continuing Care
Original Approval Date: July 25, 2007
Revised Date: October 31, 2022
October 15, 2010



Approved By:

Paul Lafleche, Deputy Minister, Seniors and Long-term Care

1. POLICY STATEMENT

- 1.1. The Department of Seniors and Long-term Care (“the Department”) may provide funding to replace Facility Components. This Policy outlines how the Capital Renewal Reserve must be managed and administered by Service Providers eligible for a Capital Renewal Reserve.

2. DEFINITIONS

Additional Space is the building space that is outside the requirements outlined in the applicable 2007 Long Term Care Facility Requirements – Space & Design for the Service Provider.

Capital Renewal Reserve is the funds received, managed, and invested by eligible Service Providers with respect to a Facility to support the replacement of Facility Components.

Development Agreement is a legal agreement between the Minister of Seniors and Long-term Care and the Service Provider governing the acquisition of land, development of Facility, purchase of equipment and furnishings, inspection, licensing, and occupancy.

Existing Facility is a Licensed Facility operating under the jurisdiction of the Minister of Seniors and Long-term Care prior to the signing of the Service Agreement.

Facility is the building, its furnishings, and equipment used to provide long term care to Residents pursuant to the *Homes for Special Care Act*.

Facility Component is a component that is normally capitalized as part of the original construction or generally used to provide service for more than one year. Examples include boilers, roofing, windows, flooring, resident beds, resident tubs, and dining room furniture.

Gross Square Footage is the approved area as measured using CSA Z317.11 Area Measurement for Health Care Facilities, modified for the exterior wall to a point within the wall and 6 inches (150 mm) from the inside face.

License is defined as a License issued pursuant to the *Homes for Special Care Act*.

Protected Envelope is that portion of the Approved Budget as defined in section 4.3 of the *Funding Envelope Policy*.

Service Agreement is a legal agreement between the Minister of Seniors and Long-term Care and/or Nova Scotia Health Authority and the Service Provider governing the provision of services and operation of the Facility.

Service Provider is the owner and operator of a Facility with a Licence.

Theoretical Life is the estimated point in time at which a Facility Component is no longer able to function as intended, assuming normal wear and tear and proper maintenance.

Traditional Funding Process involves requesting funding approval for capital renewal initiatives through the annual long term care business planning process.

Unprotected Envelope is that portion of the Approved Budget as defined in section 4.4 of the *Funding Envelope Policy*.

3. POLICY OBJECTIVES

- 3.1. The objective of this Policy is to provide a high-quality physical environment by maximizing the life of the Facility which is assumed to be up to 50 years, while ensuring efficient use of government resources.

4. APPLICATION

- 4.1. This Policy applies to each Facility or part of a Facility that:
 - a) has a Service Agreement with the Minister of Seniors and Long-term Care;
 - b) has a Development Agreement with the Minister of Seniors and Long-term Care; and
 - c) the Minister of Seniors and Long-term Care has agreed to provide funding for capital renewal as part of the Service Agreement and/or Development Agreement.

5. POLICY DIRECTIVES

- 5.1. Management of the Capital Renewal Reserve

- 5.1.1. Funding for Capital Renewal will be provided by the Department to each Service Provider with respect to a Facility based on \$3.30 per approved Gross Square Footage (GSF) for each Facility or part of a Facility, subject to a Development and Service Agreement between the Minister of Seniors and Long-term Care and Service Provider. The amount of \$3.30 per approved GSF is a fixed annual amount for the life of the 25-year mortgage.
 - 5.1.2. To qualify for Capital Renewal Reserve Funding, each Service Provider must provide the Department with electronic as-built drawing(s) in Design Web Format (DWF) or similar that easily allows verification, through electronic measurement, of the actual building gross square footage.
 - 5.1.3. In the first year, funding for the Capital Renewal Reserve will be prorated based on the number of days the Facility is licensed that year. In subsequent years, funding for the Capital Renewal Reserve will be provided through a lump sum payment each April.
 - 5.1.4. Service Providers will be responsible for managing the Capital Renewal Reserve and investing Department funding provided for Capital Renewal within this Reserve.
 - 5.1.5. The Department will not provide any additional funding for the replacement or upgrading of Facility Components for each Facility or part of a Facility which was constructed under the terms of a Development Agreement and is being operated under a Service Agreement with the Minister of Seniors and Long-term Care.
- 5.2. Administration of the Capital Renewal Reserve
- 5.2.1. This funding should be used for the replacement of a Facility Component that has failed or is about to fail provided that:
 - The Facility Component was developed under the Development Agreement;
 - Facility Component is in normal use and location within the Facility in accordance with the terms of the Development Agreement;
 - The Facility Component is listed in Appendix A (included herein); and
 - The Theoretical Life of the Facility Component as provided in Appendix A, included herein, has been met or exceeded.
 - 5.2.2. Ongoing regular maintenance costs and the replacement of any items not listed in Appendix A, included herein, should not be funded through the Capital Renewal Reserve.

- 5.2.3. For an Existing Facility where new beds are attached – it is intended that only the replacement of a Facility Component approved to be constructed under the Development Agreement would be funded through the Capital Renewal Reserve. The replacement of a common Facility Component that is not included within the Development Agreement should be funded as a percentage of the whole. For example, if 10% of the Facility square footage was constructed under the Development Agreement, a Service Provider should only fund 10% of the costs to replace the whole Facility roof from the Capital Renewal Reserve.
- 5.2.4. For an Existing Facility where new beds are attached – the Service Provider should apply for funding from the Department through the Traditional Funding Process for the replacement of a Facility Component that is part of the original Facility.
- 5.2.5. The replacement of a Facility Component can be a betterment or improvement over the quality or serviceability of the original Facility Component.
- 5.2.6. The Capital Renewal Reserve is not intended to fund a Facility adaptation as a consequence of technology or changing user needs.
- 5.2.7. The Capital Renewal Reserve is not intended to fund the replacement of Facility Components in Additional Space areas.
- 5.2.8. The Service Provider should invest interest earned by the Capital Renewal Reserve per Facility within the Capital Renewal Reserve.
- 5.2.9. Ownership of the Capital Renewal Reserve remains with the Service Provider. If the Service Agreement expires or is terminated, the Capital Renewal Reserve will remain with the Service Provider.
- 5.2.10. Service Providers will be responsible for submitting an audited financial statement for the Capital Renewal Reserve to the Department annually.

6. ACCOUNTABILITY

- 6.1. The Executive Director, Continuing Care Branch is responsible for ensuring compliance with this Policy.

7. MONITORING

- 7.1. The implementation, performance, and effectiveness of this Policy will be monitored by the Executive Director, Continuing Care Branch.

8. REFERENCES

Homes for Special Care Act
Homes for Special Care Regulations
Long Term Care Policy Manual
2007 Long Term Care Facility Requirements – Space & Design
Funding Envelope Policy

9. INQUIRIES

Project Manager, Infrastructure Management
Department of Seniors and Long-Term Care
PO Box 2065
Halifax, NS B3J 3X8
ContinuingCare@novascotia.ca

10. APPENDICES

Appendix A: Facility Components and their Respective Theoretical Life,
as determined by the Department of Seniors and Long-Term Care.

11. VERSION CONTROL

Version 3.0: Updated to align with new *Funding Envelope Policy*
Original Approval Date July 25, 2007, revised October 15, 2010.

**Appendix A:
Facility Components and their Respective Theoretical Life,
as determined by the Department of Seniors and Long-Term Care**

#	Facility Component	Theoretical Life (Years)
1	Underground Utilities	50
2	Aboveground Utilities	40
3	Signage	10
4	Site Related Stairs, Plazas & Decks	20
5	Storm Water Management Systems	44
6	Septic Systems	25
7	Water Well Systems	25
8	Paved Parking Lots	20
9	Paved Roadway	20
10	Paved Walkways	22
11	Footings & Foundations	200
12	Structural Framing	200
13	Exterior Walls	75
14	Exterior Exit Doors	22
15	Exterior Entry Doors	22
16	Exterior Door Hardware	15
17	Windows	32
18	Roofing	22
19	Partitions	75
20	Millwork	20
21	Interior Doors	25
22	Interior Door Hardware	15
23	Stucco Wall Finish	20
24	Ceramic Wall Tile	20
25	Painted/Sealed Concrete Floor	15
26	Ceramic Floor Tile	25
27	Quarry Tile	30
28	Carpeting	10
29	Vinyl Floor Tile	20
30	Sheet Vinyl Floor	20
31	Hardwood	20
32	Gypsum Board Ceiling	30
33	Suspended Acoustic Panel Ceiling	25
34	Lath & Plaster Ceiling	30
35	Painted Ceiling Structures	15
36	Wood Ceiling	25
37	Washroom Accessories	15
38	Interior Stairs	43
39	Vertical Movement	30
40	Boilers	35

41	Boiler Fuel Supply Systems	28
42	Heating & Cooling Piping Systems	45
43	Terminal Units	40
44	AHU Heating & Cooling Coils	26
45	DX Split & Packaged Units	22
46	Chillers	26
47	Cooling Towers	25
48	Air Handling Units	30
49	Humidifiers	22
50	Make-Up Air Units	25
51	Duct Systems	55
52	Ventilation Fans	25
53	Building Automation System	25
54	Plumbing Fixtures	25
55	Domestic Water Heaters	10
56	Plumbing Pumps	20
57	Plumbing Piping Systems	37
58	Water Treatment Systems	20
59	Stacks & Breaching	25
60	Standpipe Systems	47
61	Sprinkler Systems	47
62	Fire Pumps	30
63	Fire Protection Water Storage Tanks	45
64	Primary Switchgear	42
65	Primary Transformer	48
66	Secondary Switchgear	40
67	Secondary Transformer	30
68	Electrical Power Meter	50
69	Cabling, Raceways & Bus Ducts	40
70	Interior Lighting	30
71	Exterior Lighting	15
72	Exit Lighting	30
73	Emergency Lighting	18
74	Fire Alarm System	25
75	Emergency Power System	30
76	Communication Systems	25
77	Nurse Call System	25
78	Security System	25
79	Automatic Door Devices	15
80	Resident Lifts: ceiling, tub, mechanical	20
81	Therapeutic Bathing Systems	15
82	Window Coverings	18
83	Resident Beds	15
84	Resident Mattresses	10
85	Resident Room Furniture	22
86	Dining Room Furniture	17

87	Program Room Furniture	17
88	Walk-in-Coolers	20
89	Walk-in-Freezers	20
90	Commercial Dishwashers	15
91	Commercial Stock Pots	15
92	Commercial Stoves/Ranges	15
93	Commercial Steamers	10
94	Servery Equipment	15
95	Commercial Washers	25
96	Commercial Dryers	25