

Capital Expenditure within Housing Zones

As part of the Housing Zones programme the GLA are making up to £200 million available on a flexible basis and largely through London boroughs. The GLA is funding this from a top slice of the 2015-18 affordable housing grant. This funding could be used to fund non housing items (such as infrastructure, site purchase or other similar items) providing the funding is capital expenditure and is state aid compliant.

Current regulations state that the following are eligible to be treated as Capital Expenditure:

- ✓ The Acquisition, Reclamation, Enhancement or Laying out of Land
- ✓ The Acquisition, Construction, Preparation, Enhancement or Replacement of Roads, Buildings and other Structures
- ✓ The Acquisition, Installation or Replacement of moveable or immoveable Plant, Machinery, Apparatus, Vehicles and Vessels.
- ✓ Exceptions (special cases) as Regulation allows or by government direction.

Enhancement is defined as:

- Lengthen SUBSTANTIALLY the useful life of an asset
- Increase SUBSTANTIALLY the market value of an asset
- Increase SUBSTANTIALLY the extent to which an asset can be used

Acquisition is defined as:

Purchase and construction costs plus any costs ***directly attributable to bringing the asset into working condition for its intended use***. Once the asset is ready for use (when its physical construction or acquisition is complete) further expenditure cannot be capital even if the asset is not or cannot be used. On that basis the following expenditure can be capitalised:

- Options appraisal / feasibility studies (*only if this relates to scoping an already agreed capital project and then only if the project is completed*)
- Costs of Acquisition – *stamp duty, import duty, non-refundable VAT*
- Site preparation and clearance costs
- Initial delivery and handling costs / installation
- Officer time – architects, surveyors, engineers, legal & site workers – salaries expenditure must be identifiable to a specific asset to be capital and not including general professional advice i.e accountancy or support services time / general administration.

The GLA will look to ensure that bidding Authorities confirm, via the accompanying letter of endorsement from their s151 Officer, that their proposed expenditure will be treated as Capital expenditure based on the above definitions.