

## **Definition of Capital Spend**

The definition of capital is (taken from the Practitioner's guide to Capital Finance in Local Government):

- Acquisition of land, buildings, plant, apparatus & equipment.
- Construction of roads and buildings
- Enhancement of a fixed asset (land, roads and buildings etc). Where enhancement lengthens the life of the building, or increases the extent or the economic benefit to which the asset can be used by the authority.

In relation to fixed assets, the definition provided by Financial Reporting Standard (FRS) 15 is: *'rights or other access to future economic benefits that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes on a continuing basis in reporting entity's activities'*.

For NHDC purposes, the cost of purchase of plant and equipment or the enhancement of Council owned plant and equipment must add up to or exceed £10,000. The limit for property is £20,000. However, the Council's policy was updated a couple of years ago to reflect the fact that there is no de-minimis (or lower limit) for expenditure to be classed as capital when that expenditure is on a third party's asset. Expenditure would still need to meet the definition of capital expenditure i.e. results in an enhanced asset which will provide benefits in future years.

Capital expenditure would be classed as: the production or supply goods or services such as a building, machinery, vehicles, and equipment or for administrative purposes such as laptops or desk top computers. Small value items in large quantity do not satisfy the stated definition.