

Accounting guidance notes

Extract from the accounting guidance notes

Definition of expenditure for capital purposes:

- The acquisition, reclamation, enhancement or laying out of land
- The acquisition, construction, preparation, or enhancement of roads, buildings or other structures
- The acquisition, installation or replacement of mobile/immobile plant, machinery and apparatus, and vehicles and vessels.

The expenditure on an asset must achieve one of the following to be capital:

- Lengthen the life of the asset
- Increase the value of the asset on the open market
- Increase the use of the asset by the local authority.

Meaning of enhancement: For expenditure on these items to be considered as an enhancement, the expenditure must result in:

- Substantial extensions to asset lives, or
- A substantial increase in open market value of an asset, or
- A substantial increase in the use of the asset.

Examples given of these conditions include:

- Re-roofing buildings
- Structural maintenance of roads
- Installation of new engines in vehicles
- Installation of central heating or double glazing
- Widening of roads
- Bridge strengthening
- Enlargement of leisure facilities so that more people can use the facilities.

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- [No](#)

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