HIGHWAYS & TRANSPORT
CAPITAL RECHARGE GUIDANCE

Definition of capital expenditure

Capital expenditure is defined as the acquisition, construction, enhancement or replacement of a fixed asset. An asset is typically land & buildings, vehicles, plant, furniture & equipment or infrastructure. In order for an asset to be capitalised it should yield benefits to the authority for a period of more than one year.

Enhancement works are intended primarily to substantially lengthen the life of an asset or increase its market value.

Other capital costs

Activities directly attributable to bringing an asset up to working condition may be capital, including labour costs where they arise directly from the construction, acquisition or enhancement of a specific tangible fixed asset.

Costs not chargeable to capital

Activities not directly linked to the acquisition, construction, etc. of a specific capital asset are not chargeable to capital, e.g. general overheads and administration, management of the capital programme, LTP preparation, etc.

Activities which take place before the intention to acquire or construct a specific capital asset is confirmed are also not chargeable to capital, e.g. project definition, initial assessment of need, option appraisal & feasibility studies.

Intangible Assets

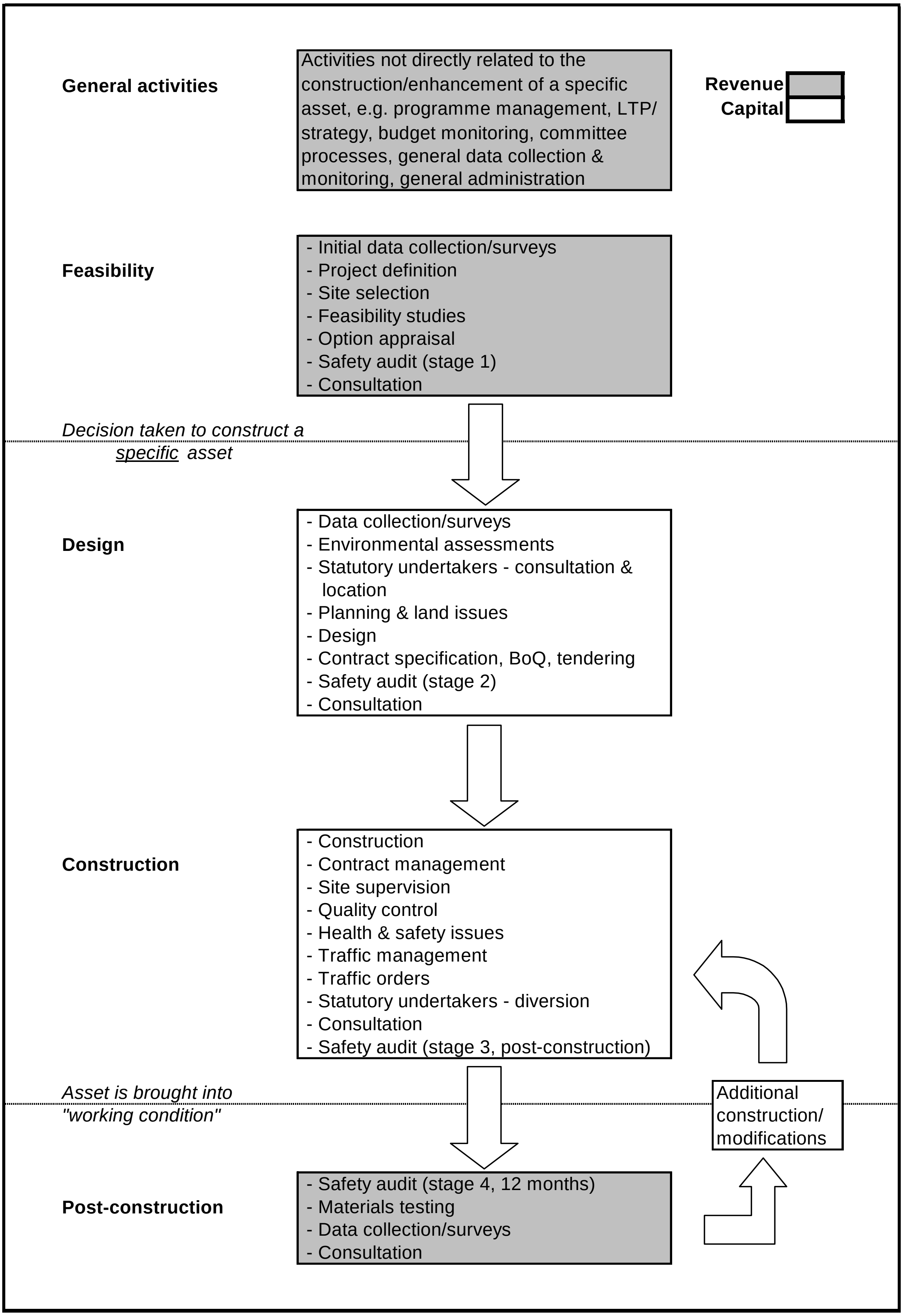
In some circumstances intangible assets (e.g. purchase of software) may be capitalised – advice should be sought from Finance on a case-by-case basis.

Abortive costs

Where costs are charged to a scheme that proves abortive those costs should then be written off to revenue. In most cases it is therefore necessary to identify capital costs at scheme level.

Where there is any doubt please consult the Finance team.

The following diagram follows the stages of a scheme and identifies revenue and capital activities.



General activities
Activities not directly related to the construction/enhancement of a specific asset, e.g. programme management, LTP/ strategy, budget monitoring, committee processes, general data collection & monitoring, general administration
Revenue
Capital
Feasibility
- Initial data collection/surveys
- Project definition
- Site selection
- Feasibility studies
- Option appraisal
- Safety audit (stage 1)
- Consultation
Decision taken to construct a specific asset
Design
- Data collection/surveys
- Environmental assessments
- Statutory undertakers - consultation & location
- Planning & land issues
- Design
- Contract specification, BoQ, tendering
- Safety audit (stage 2)
- Consultation
Construction
- Construction
- Contract management
- Site supervision
- Quality control
- Health & safety issues
- Traffic management
- Traffic orders
- Statutory undertakers - diversion
- Consultation
- Safety audit (stage 3, post-construction)
Asset is brought into "working condition"
Additional construction/ modifications
Post-construction
- Safety audit (stage 4, 12 months)
- Materials testing
- Data collection/surveys
- Consultation