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Identifying Capital Expenditure for Carbon CLEVER Community Grant Fund purposes

The Highland Council offers capital grants to community based organisations through the Carbon CLEVER Community Grant Fund. These grants are provided through the Council's capital budget, and as such, should only be spent on items deemed to be capital expenditure.

Capital expenditure includes acquiring assets such as land, buildings and plant and equipment. To qualify as capital, expenditure must result in either the acquisition/construction or addition/enhancement of an asset. In addition, the benefits to the organisation from the works must last for more than one accounting period (i.e. more than one financial year). Monies spent on the project must be recorded as capital expenditure in the end of year accounts of the grant recipient.

In all cases, the Council's *de minimus* limit of £6,000 will apply in terms of whether or not vehicles, plant and equipment is classified as capital expenditure, with a £20,000 *de minimus* limit for land and buildings. However, this does not necessarily mean that all applications to the Carbon CLEVER Community Grant Fund must total at least £6,000 or £20,000. For example, an application for £3,000 towards the cost of a new asset could be considered as long as the total value of the asset is at least £6,000, and £3,000 match funding from an alternative source is in place.

It is also important to remember that assets acquired for projects must support the aims of Carbon CLEVER. Application guidance and assessment criteria can be found [here](#).

Please feel free to contact us to clarify any of the above by email: carbonclever@highland.gov.uk or tel: 01463 702844.

Below are some examples of expenditure, explaining whether or not they might qualify as capital spend. Please note that this list is not exhaustive.

Type of Expenditure	Is it capital expenditure?	Reason
Construction of new building	Yes	Creation of an asset, which will provide benefit for more than one accounting period.
Electric Car / Van	Potentially	An asset which will provide benefit for more than one accounting period. Funding can be provided to cover the difference in cost between an electric car / van and its petrol / diesel equivalent. Alternatively, funding can be provided for lease purchase cost of electric vehicle, as risks & rewards related to ownership are transferred to organisation and can thus be treated as capital expense. Be careful to clarify with finance company and / or your accountant. Please contact us to clarify if you are uncertain about any of this.
Replacement roof	Yes	Major structural repair, which will extend useful life of building while increasing economic benefits offered by it e.g. improved energy efficiency.
Replacing a few roof tiles / section of flat roof	No	Repairs only maintain asset; they do not increase life or efficiency of building.
New boiler	Yes	Creation of an asset, which will provide benefit for more than one accounting period.

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Repairs to boiler after breakdown	No	Repairs only maintain asset; they do not increase life or efficiency of boiler
Signage	Potentially	Can be considered as part of overall project costs, which results in the creation of an asset that will provide benefit for more than one accounting period.
Internal signs (e.g. "Fire Exit")	No	No new asset created. However, could be considered as part of spend on a larger energy efficiency renovation.
Furniture – e.g. chairs and tables	Yes	New assets which provide benefit for more than one accounting period.
Televisions, projectors, computers etc	Yes	New assets which provide benefit for more than one accounting period.
Replacement windows	Potentially	Repair of broken or worn out windows is not capital. However, costs could be considered if single glazed windows are being replaced with a better product, such as double or triple glazing (enhancement)
Conversion of garage or barn into a community use facility	Yes	Enhancement of existing asset which will last for more than one accounting period.
Internal decoration of existing building	No	Decoration only maintains the asset; it does not increase the life of the building.
Materials for building / renovation project	Yes	If materials are used for enhancement / betterment of the building, then purchase of materials can be classed as capital. Materials for routine repairs and maintenance are classed as revenue costs.
Consultancy (e.g. feasibility studies)	No	If no new asset is being created, then the cost cannot be treated as capital expenditure.
Architect / legal fees re extension or new building.	Yes	Can be considered as capital expenditure if included as part of whole project costs of the extension or new building.
Creation of a new community shop / hub / business	Yes	Creation of an asset, which will provide benefit for more than one accounting period. However, be mindful of State Aid rules in respect of business creation.
Purchase of land / building	Yes	Acquisition of an asset, which will provide benefit for more than one accounting period.
Development of software (e.g. website)	Yes	Software which has been developed or purchased by an organisation is normally regarded as an intangible asset and as such, can be considered as capital and depreciated over the life of the asset.
Training of staff	No	No asset is being created.