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Academies land and buildings valuation: guide

Updated 21 April 2016

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1.

Introduction

Between April and June every year, the Education Funding Agency (EFA) procures valuations of the land and buildings of all new academies that opened between 1 April of the previous year and 31 March of the current year, as well as revaluations of academy land and buildings that were last valued 5 years ago.

We procure these valuations to allow us to consolidate academies (as part of academy trusts) into EFA's and the Department for Education's annual accounts.

2.

Land and buildings

We commission professionally-qualified valuers to carry out these valuations and revaluations.

Academies should complete the [online form](#)  within 6 weeks of opening as an academy.

Academies that fall into the 5-year revaluation exercise should complete and submit the online form when we request this. The land and buildings information form provides us with the basic background data we need to support the valuation. The valuation is as at 31 March.

Each academy that opened in the year between 1 April and 31 March, and those whose land and buildings have been revalued, will be able to find a copy of their valuation in the [EFA document exchange](#) in the following September. The copy is for information only and academies don't need to

do anything with it.

3.

How EFA prepares land and buildings valuations

The valuers do not need access to your academy's premises as this is a desktop valuation. As far as possible, they use publicly available information. We do need some additional basic background information on your academy's land and buildings in order for the valuers to do their work.

In accordance with financial reporting standards, the valuers will value each academy's land and buildings at depreciated replacement cost (DRC). You can read more about the basis of this valuation below.

We value the academy's land and buildings as at 31 March of the current year as this is our financial year-end. The valuers will exclude buildings under construction at 31 March. If they cannot verify that the building was occupied at 31 March, they will exclude it from the valuation.

Our commissioned valuation contains two figures, one for the land and one for the buildings. We need two separate valuations for accounting purposes. Land is regarded as having an indefinite life and we do not depreciate it in preparing our consolidated accounts, whereas buildings do depreciate over time. Our valuers also adjust the gross replacement cost of the academy's buildings to reflect obsolescence of the actual buildings.

Once the valuers have completed their valuations, the Valuation Office Agency (VOA) moderates them.

Using the land and building valuation

4.

The valuation is for your information only: you do not have to do anything with it. You should determine, in discussion with your academy trust's governing body and external auditors, whether it is suitable for you to adopt our valuation in preparing your financial statements as at 31 August.

Academies may use these valuations as the basis for their 31 August financial statements, but there is no obligation to do so.

5.

Depreciated replacement cost

DRC is the current cost of replacing an asset with its modern equivalent asset, minus deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

DRC is sometimes referred to as the 'cost approach.' It is commonly used to value properties such as educational premises when it is difficult to assess the market value because the property has a specific purpose and similar properties rarely come on to the market.

If you do opt to use our valuation, you should note that it is carried out for EFA purposes to meet government accounting requirements and the valuer owes no duty of care to you in conducting the valuation. To secure value for money, the valuations are commissioned in bulk as at 31 March and we will not generally enter into correspondence on them. We do not carry out valuations on request.

Using other land and building valuations

6.

You may have made a policy decision to hold the property assets in your balance sheet at depreciated historical cost or some basis other than DRC. You can commission your own valuation to support your decision, or may have already done so. If you choose to use the EFA's DRC valuation in your accounts, you must make it clear that EFA carried out the valuation at DRC.

It is up to the academy and its governors to decide on the most suitable valuation to include in their year-end financial statements, in discussion with the external auditors. If a valuer with appropriate skills and knowledge of such valuations undertakes your valuation, and it complies with the relevant accounting and valuation standard and requirements and bases the valuation upon a physical survey of your academy, then you might decide that it is more robust than the 'desktop' valuation commissioned by us.

Where your valuation was not commissioned from a qualified valuer (for example, a Board member) then you might decide that EFA's valuation is a more reliable reflection of the value of the asset.

There may be a difference between EFA's DRC valuation and a valuation that you may have commissioned. Your valuation is likely to be based upon a physical survey of your academy and will reflect your input on the fitness for purpose of the property; whereas EFA's valuation is based largely on information you supply or is publicly available. Differences in value could also arise from the basis of value used, the valuation date, the valuer's assumptions and availability of market evidence.

The valuation relates to buildings occupied and used by the academy at the valuation date of 31 March. You may feel that the valuation figures are high. EFA's valuation is based upon the 'value to the business' model, which is not necessarily the market value if the academy trust were to sell the land and buildings. In practice, very few academies do sell either land or buildings so there is little evidence of market value from such transactions.

The adjustments made by our valuers for the obsolescence of the academy's actual buildings may mean that their valuation may not represent what a buyer might pay you for the property. Often, that market value could be significantly below or above the valuation figures commissioned by EFA.

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