



Guidance

Academies land and buildings valuation: guide

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1. Introduction

Between September and December every year, the Department for Education (DfE) procures valuations of the land and buildings of all new academies that opened between 1 September of the previous year and 31 August of the current year, as well as revaluations of academy land and buildings that were last valued 5 years ago.

DfE commissions professionally-qualified valuers to carry out the valuations and revaluations. We procure these valuations to allow us to consolidate academies (as part of academy trusts) into the Sector Annual Report and Accounts (SARA).

2. How DfE 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 will use publicly available information. We may 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).

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

DfE moderates valuations when they are complete.

3. Using the land and buildings valuation

New academies opening between 1 September and 31 August and those academies whose land and buildings are revalued, can find copies of their valuations in the [ESFA document exchange](#) in March of the following year.

The copy is for information only and academies don't need 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.

4. Depreciated replacement cost (DRC)

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 DfE purposes to meet government accounting requirements and the valuers owe no duty of care to you in conducting the valuation. To secure value for money, the valuations are commissioned in bulk as at 31 August and we will not generally enter into correspondence on them. We do not carry out valuations on request.

5. Using other land and buildings valuations

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. If you choose to use the DfE's DRC valuation in your accounts, you must make it clear that DfE carried out the valuation at DRC.

An academy and its governors can decide on the most suitable valuation to include in their year-end financial statements in discussion with their external auditors. You may decide that a valuation based on a physical survey of your academy is more robust than the desktop valuation commissioned by DfE. This survey should be carried out by valuers with the appropriate skills and knowledge of such valuations and it must comply with the relevant accounting and valuation standards and requirements.

6. Differences in valuations

There may be a difference between DfE's DRC valuation and a valuation that you 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. DfE'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 valuers' assumptions and availability of market evidence.

The valuation relates to buildings occupied and used by the academy at the valuation date of 31 August. You may feel that the valuation figures are high. DfE'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 DfE 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. The market value could be significantly below or above the valuation figures commissioned by DfE.

ESFA enquiries

Contact form
<https://form.education...>

For all enquiries for the Education and Skills Funding Agency

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