

Guidance: Stock or Capital?

What is Stock?

Stock generally refers to items expensed in the financial year (or previous financial year), which continue to be held at a point in time for future use or benefit, and have not been previously treated as capital (see below for definition of capital).

Factors to consider in determining if an item is stock include whether the item:

1. has a value in use, e.g. does the items existence benefit the school, or would it require replacement if broke/lost/stolen;
2. has a potential monetary value, e.g. has a marketable value, or could be transferred to another school for benefit;
3. is expected to bring future benefits, i.e. will be used in the future; and
4. has not been classified as a capital item in the current or previous financial year (see below for definition of capital).

Common items of stock within schools include:

- Stationery items e.g. pens, pencils, paper, envelopes, print cartridges
- Art and craft materials e.g. paint, paint brushes, glue, modelling clay
- Cleaning products e.g. scrubber pads, cleaning fluids
- Books e.g. reading schemes, text books, school owned library books
- Toys and games e.g. bikes, jigsaws, building bricks
- Sports equipment e.g. footballs, mats, bibs/vests
- Science equipment e.g. chemicals, Bunsen burners, heat proof mats
- Musical instruments owned by the school, e.g. violins, drums
- White goods e.g. kettles, standard dishwashers, microwaves, toasters

The list is not exhaustive. EA recognise many schools have a diverse range of stock items. Where it is not clear whether an item is stock, EA recommends that schools include the item on the portal and EA will determine if the item meets the required criteria. Each item submitted by a school will be reviewed in line with criteria for stock (i.e. it is of monetary value, is of future benefit, and is not capital/), and all items submitted by schools are subject to audit.

Counting stock can benefit schools as:

- The value of stock counted by a school is treated as an asset – something which is held by the school at the end of the financial year, for use in the next financial year. The value of stock is calculated using information on current replacement costs, the age of items and resale market values.
- The value of stock held is deducted from the expenditure in the financial year to which it relates, and only expended in the year it is used (i.e. the cost is matched to the period in which it is used)

Some items of school stock such as iPads may be used in more than one financial year. These items, although expected to bring future benefit, tend to deteriorate with age and general wear. The value allocated to such items will reflect this. Further information on how EA value stock items is noted below.

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What is not stock?

Items not considered stock include:

- Items on your schools capital list as they have been considered to be a capital item (see below) and included within the asset register. School capital lists are available within the stock portal to view/download.
- Refurbishments/building extensions (considered capital or continued maintenance expense depending on work completed).
- Education Library Service Books – loaned by ELS to schools (these are counted by ELS).
- Music Service instruments – loaned by Music Service to schools (these are counted by Music Service).
- Playground markings/road markings (these cannot be lifted/transferred).
- Monthly photocopier/printer lease charges or other service charges for use of an item – these are expenses unless the photocopier/printer is owned by the school.
- School kitchen and canteen items – these items are included by school meals accommodation service.

The list is not exhaustive. EA recognise many schools have a diverse range of stock items. Where there is hesitation on whether an item is stock, schools are encouraged to include it. Each item submitted by a school will be reviewed in line with criteria for stock and all items submitted by schools are subject to audit.

How is stock valued?

Once your school has submitted a stocktake EA will complete the valuation process.

EA consider a number of factors in determining an appropriate value for items of stock. Factors include:

- the cost to replace an item
- potential wear and tear (based on information provided by the school and similar items submitted by other schools)
- average age (based on information provided by the school and similar items submitted by other schools)
- expected market value which may potentially recoverable should the items need to be sold
- value in use, i.e. the benefit the item brings to the school
- ability to transfer the item to another school

Valuations are estimates based on reasonable, modest assumptions. Whilst the price attributed might not purchase a new item, it reflects what the item is considered to be worth and recoverable at a point in time. EA must comply with accounting concepts and audit requirements, completing valuations based on the information provided and ensuring consistency across all valuations provided to schools.

Your school may benefit from considering how items in your stock return are grouped – rather than simply grouping items by category type, consider splitting such groups based on purchase date/age. If you have any queries you can contact a member of the stock team per contact information above.

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What is Capital?

Capital refers to relatively higher value items your school has purchased, which will provide long term benefits, or used for periods longer than one year. All capital items are recorded, tracked and revalued periodically on an asset register to enable EA to fulfil its "stewardship" duty to maintain public owned capital assets.

At the end of the financial year end, capital items are also treated as assets held by schools, for use in the next financial year. To avoid double counting items, i.e. an item being included as both stock and as capital, EA complete a review of the school stocktakes to the asset register.

Many items last or provide benefit for more than one year, but are not considered capital for practical reasons, e.g. jigsaws, pens and kettles. This is because their low value does not merit the administrative burden of recording and tracking the items on an asset register.

To determine the difference and define what is considered 'high value', many organisations will establish a 'capital threshold'.

A capital threshold is simply a value above which an item is considered capital. Due to the variety of capital assets across EA, different capital thresholds are used depending on the category of the item, e.g. buildings would have a different capital threshold to ICT equipment, etc.

In 2016/17 EA reviewed the thresholds for capitalisation of assets. In that financial year EA set new thresholds which extend to schools, as follows:

- computer equipment (ICT) costing at least £200;
- items other than computer equipment (ICT) costing at least £1,000 (e.g. vehicles, buildings); and
- software or licences costing at least £1,000 (covering a period of more than 1 year)

Items costing less than these thresholds can be counted as stock by schools.

Items costing more than these thresholds cannot be counted as stock, unless they were purchased before 2016/17 (see below).

Older capital items

Before 2016/17 EA's capital thresholds were:

- computer equipment (ICT) costing at least £3,000;
- items other than computer equipment (ICT) costing at least £3,000 (e.g. vehicles, buildings); and
- software or licences costing at least £3,000 (covering a period of more than 1 year)

This means that many items which are now considered capital, were previously not considered capital and will not be on your schools asset register. The change to lower capital thresholds was part of ongoing improvements in financial management in EA.

Items not included in your schools capital list can be included in your schools stocktake. EA will complete a review of items submitted by schools to school capital listings per the asset register.