

Stock or Capital?

What is Stock?

Stock generally refers to items expensed in the financial year (or previous financial years) 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 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, textbooks, 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
- Plant and ICT equipment under £3,000 per item purchased from 1st April 2023 e.g. Interactive white boards, laptops and iPads.

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 (i.e. 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 expensed 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 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 school's 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 Take Portal to view/download and must be verified each year.
- 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.
- Software, digital downloads and licences – as these cannot be transferred/ resold.
- School kitchen and canteen items – these items are included by school meals accommodation service.

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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 and;
- 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.

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What is Capital?

Capital refers to relatively high value items your school has purchased, which will provide long term benefits, or will be 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.

EA apply a capitalisation threshold as a minimum unit cost at which an asset is reflected in the accounting records. The EA capital thresholds, effective from April 2023 are outlined below and relate to purchases of:

- Computer equipment (ICT) greater than £3,000 per device;
- Plant and equipment greater than £3,000 per item and
- Intangibles e.g. Software or individual licences greater than £3,000 (covering a period of more than 1 year)

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