



## 5 September 2013 Capital item written responses

### Note on Accounting for Schools Assets when Transferring to Academy Status

The Finance, Resources and Performance Select Committee requested clarification on the position of assets where schools transfer to academy status. This note is aimed at responding to that request.

There are several categories of school in existence and each attracts a different accounting treatment. The table below briefly sets out the way that that schools assets are treated by Buckinghamshire County Council. It should be noted that the treatment of schools assets is currently the subject of national debate within the accounting profession and it is therefore possible that the position described here will change over time.

Funding Source	School Type	Land	Buildings	Other Assets
Local Authority Maintained	Community	On Council's Balance Sheet	On Council's Balance Sheet	On Council's Balance Sheet
	Voluntary Controlled	On Council's Balance Sheet	On Council's Balance Sheet	On Council's Balance Sheet
	Voluntary Aided	On Council's Balance Sheet	Elsewhere	Elsewhere
	Foundation	Elsewhere	Elsewhere	Elsewhere
Funded direct by Government	Academy	On LA B/S or Elsewhere depending upon origin.	Elsewhere	Elsewhere
	Free School	On LA B/S or Elsewhere depending upon origin	Elsewhere	Elsewhere
Fees	Independent	Elsewhere	Elsewhere	Elsewhere

Schools can convert to academy status from any of the other categories.

For a community school converting to an academy the freehold of the Land and Buildings remains with the local authority and is subject to a 125 year peppercorn lease with the



academy trust. Under these arrangements it is deemed that the economic benefit of the property is derived by the academy and accordingly the buildings are removed from the Council's balance sheet; the land is retained on balance sheet.

Where the school land is larger than is needed by the academy the local authority may retain control of the surplus land and only lease what is necessary to the trust. However, the trust may appeal this and the ultimate decision rests with the Secretary of State.

Where economic control of the property has already been transferred to the academy and due to changes in circumstance land becomes surplus to requirements then any capital receipt would come to the freehold owner, i.e. the Council, unless the Secretary of State explicitly over-rides this default position. This principal that the freeholder benefits from the capital receipt also applies to Academy schools that were formerly VC or VA schools – however in this instance the freeholder, may be the Council or (for example) may be the Diocese

For Foundation Schools, even where they were formerly maintained schools, or any of the categories of school not maintained by the local authority, the assets are not on the Council's balance sheet prior to academy conversion and there is no need for any accounting transfers. However, in most cases there is a clause in the academy agreement that states that should the school dispose of land the Council can state a claim on the proceeds. This has happened in the case of Great Marlow School, where the Council secured a proportion of the proceeds.

The legislation and accounting regulations underpinning these arrangements are actually quite complex. It follows that the description above is necessarily a simplified summary. It is therefore possible that in particular unusual circumstances the apparent, or actual, arrangements may differ from this description. However, the above descriptions should stand good for the vast majority of cases.

### **Response to Business Investment Group (BIG) question**

**The most recent Capital Programme Annual Report available on our Intranet is for 2010/11, and the latest Business Investment Group (BIG) minutes are dated Oct 2012. Are these still produced and if so, how are they being made available?**

- a) There remains an intent on the part of the Business Investment Group to produce an annual report for capital either as a freestanding document as in the past, or as part of a larger annual report. However, for the last two years, resources and more pressing events have prevented this from happening, as its production is quite resource intensive. It remains to be seen whether as the organisation faces further financial challenges the resources can be found to do this. It is, however, recognised that it would be good to do so.
- b) The lack of up to date BIG minutes on the intranet was a known problem stemming from a change of personnel and resulting restrictions on access to the intranet site. As it happens these obstacles have now been overcome and you should find that up to date minutes are now available on the intranet.