Reporting your leasing in the schools accounts

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Hertfordshire County Council

1. Leasing Changes

1.1 On 1 April 2024, a new international financial reporting rule (IFRS 16 leases) came into effect. This rule changes how local authorities record leases in the financial accounts of their maintained schools.

1.2 IFRS 16 leases ends the distinction between operating and finance leases for accounting purposes. Under the Education Act 2002, all leases are now classed as borrowing (capital) and will require the Secretary of State for Education's consent.

1.3 Governing bodies do not need to make a specific request for consent where a lease falls under the general consent granted by the Secretary of State for Education which can be found using the following link or in Annex A:

The IFRS16 Maintained Schools Finance Lease Class Consent 2024

2. Treatment in the accounts

2.1 Many governing bodies of maintained schools take out leases to support day-to-day operations. This can be a sensible value-for-money approach as an alternative to buying assets outright and it is purely the treatment of such leasing arrangements that we need to ensure is recorded appropriately in the schools accounts.

2.2 Hertfordshire County Council has set a de-minimis value for capital spend on leasing of £10k, this value refers to the purchase price of the asset at the time you entered the leasing arrangement, not the value of the lease itself.

2.3 The £10,000 De-Minimis for leases does not affect the £2,000 de-minimis for outright capital purchases.

2.4 The full cost of the lease should initially be budgeted for in revenue

2.5 Anything above £10k, which in many leases will be vehicles or solar panels, and which excludes the maintenance costs and/or repairs, must be treated as revenue to capital spend and you will be required to complete a "capital shuffle" at year end as well as complete the lease section in your capital return.

2.6 **You should not use DFC balances** for lease costs as the funding for lease costs is in revenue funding, the authority and by default the school is required to demonstrate that the lease is a capital asset.

3. How To Record in The Accounts

3.1 Determine the purchase price of the asset

- If it is > £10k, then follow the treatment below
- If it is < £10k the costs remain in revenue.

This means largely that all photocopier arrangements are not capital and can therefore remain in your revenue accounts. Please do continue to ensure that all leases, regardless of asset value, are included in your capital return so that verification of the assessment can be concluded.

3.2 Example Treatment

School enters a lease arrangement for a new minibus. The purchase price of the vehicle £65,000

Customer maintained agreement value *(Customer is responsible for all servicing and maintenance)* **-** monthly rental £780 + Initial rental £2290 = £11,650

Fully Maintained agreement value *(Lease provider covers service and maintenance costs)* – monthly rental £800 + initial rental £2400 = £12,000

As only the lease value is to be charged to capital then £11,650 should be charged to CE03 (vehicle purchase) the additional costs should be remain in revenue.

Code £11,650 to CE03 301200

Code £350 (12000-11650) to E19 300300 fixed mtce. vehicles

The transaction required for the revenue to capital transfer would consist of two transactions:

A revenue expenditure transaction (DR) to E30 660400 with £11,650

A capital income transactions for the same amount (CR) to CI04 750800 with £11,650 to fund the capital expense.

You should annotate this clearly in both your budget/ forecasting submission to the school finance team and included in your capital returns in November and the financial year end; submitted to capital finance.

4. ANNEX A - Existing Leases in place as at 1st of April 2024

Existing leases in place on 1 April 2024 for items included in this list:

1. Leases related to IT equipment (for example laptops, tablets, desktop computers, printers, photocopiers, servers, door entry security systems, CCTV Systems, whiteboards, and touch screen boards)

2. Leases related to telephony (for example mobile phones, landline phones, and telephone systems)

3. Leases related to catering and cleaning equipment (for example tills, water coolers, vending machines, dishwashers, washing machines, ovens, fridges, freezers, water boilers, small kitchen appliances, crockery, and cutlery)

4. Leases related to furniture (for example desks, tables, and chairs)

5. Leases related to bathroom and sanitary items (for example hand dryers, towel dispensers, sanitary bins)

6. Leases related to gym equipment (for example treadmills, free weights and weight machines, rowing machines and exercise bikes)

7. Leases related to groundskeeping equipment (for example lawn mowers, string trimmers, leaf blowers and salt spreaders)

8. Leases related to LED lighting system (for example lightbulbs, control mechanisms, and control panels) - consent is granted where the product has been sourced with support from the Department for Education through Get help buying for schools or from a recommended route on our Find a framework website

9. Leases related to minibuses and other vehicles for the use of the school

10. Leases related to temporary classrooms and equivalent structures (but not land leases they sit on, which may require separate consent – see school land transactions guidance)