

All Saints Schools Trust



Leasing Policy 2024-27

Category:	Financial Management
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Signature:	
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1 Statement of Intent

In order to ensure that the academies only enter into certain leasing arrangements, and that the leases are treated correctly in the financial statements, All Saints Schools Trust (ASST) has established a Leasing Policy.

The policy is reviewed every 3 years.

The purpose of this policy is to:

- Provide guidance for staff in understanding the difference between finance and operating leases.
- To ensure that the correct approval is sought when entering into different leases.
- To provide guidance for staff on accounting for leases.

2 Lease Classification

A finance lease – a lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to ownership to the lessee. These are considered to be a form of borrowing.

An operating lease – a lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to the ownership to the lessee. Operating leases also usually have a term which is significantly shorter than the useful life of the leased asset.

Leases for the Trust will still be identified as under Financial Reporting Standard 102 (FRS102). The additional requirement under IFRS16 is being introduced on 01.09.2024.

2 ESFA/DfE Approval

The following leased assets have been granted prior consent by the DfE: all existing leases prior to Sep'24, leases related to IT equipment, telephony, catering/cleaning equipment, furniture, bathroom items, gym equipment, groundskeeping items, LED/renewable activities, school minibus/vehicles, temporary classrooms.

As per the Academy Trust Handbook, prior approval **must** be sought from the ESFA/DfE the following finance lease transactions:

- Taking up a finance lease, not on the pre-approved list above, on any class of asset for any duration.
- Taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years.
- Granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

Other than the above, ASST does not require ESFA's approval for operating leases.

ASST must ensure that any lease maintains the principles of value for money, regularity and propriety whether or not ESFA's approval is required. ASST should seek advice from their professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing, following initial consultation with ASST Central Team.

4 Accounting treatment for an operating lease

A lessee shall recognise lease payments under operating leases (excluding costs for services such as insurance and maintenance) as an expense over the lease term on a straight-line basis unless either:

- another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis;
- the payments to the lessor are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost

increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

5 Recognition and measurement

Accounting for an operating lease, does not result in the recognition of the asset or the liability on the Trust's balance sheet.

Rentals payable under an operating lease are charged on a straight line basis to the income and expenditure account over the period of the lease.

The lease should be signed in accordance with the scheme of delegation and the details of the lease should be maintained on a contract register (managed by the ASST Central Team).

This contract register should detail the following:

- The location of the asset to which the lease relates
- The period to which the lease relates, start and end dates
- The monthly charge.

6 Disclosures

A lessee shall make the following disclosures for operating leases:

- the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:
 - not later than one year;
 - later than one year and not later than five years;
 - later than five years;
- lease payments are recognised as an expense.