

**NORTH YORKSHIRE COUNCIL**  
**Children & Young Peoples Services**  
**Executive Members**

**24<sup>TH</sup> MARCH 2026**

**NORTH YORKSHIRE COUNCIL LEASING ARRANGEMENTS FOR LOCAL  
AUTHORITY MAINTAINED SCHOOLS**

**1.0 PURPOSE OF REPORT**

- 1.1 To present proposed changes to the North Yorkshire Council accounting arrangements for leases for local authority-maintained schools to the CYPS Executive Members for their consideration and approval.

**2.0 BACKGROUND**

- 2.1 Prior to April 2024, where a local authority gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. The determination was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.

On 1 April 2024, a new International Financial Reporting Standards rule (IFRS 16 Leases) came into effect. This rule changes how local authorities are required to record leases in the financial accounts of their maintained schools.

IFRS 16 Leases ends the distinction between operating and finance leases for accounting purposes. Now all leases will count, in principle, as capital, unless the total value of the lease is deemed low value (where the value of the asset as at the commencement date on an individual asset's value when new is below the threshold set) or is short term (where the lease at commencement date has a lease term of 12 months or less)

Under the Education Act 2002, all leases are classed as borrowing and require the Secretary of State for Education's consent. The Secretary of State has however agreed to provide blanket consent to a range of the most common leasing activities, as set out in the IFRS16 Maintained Schools Finance Lease Class Consent 2024. Leases not included in this Order require the written consent of the Secretary of State.

**2.0 PROPOSED AMENDMENTS**

- 2.1 IFRS 16 Leases came into force on 1<sup>st</sup> April 2024 and therefore North Yorkshire Council needs to ensure that local authority-maintained schools align with the updated legislative requirements.
- 2.2 In order to comply with the changes North Yorkshire Council will need to set the value of the local capitalisation threshold for leases for local authority-maintained schools. In

December 2017 North Yorkshire Education Partnership (now Schools Forum) approved a de minimis level for schools' capital expenditure of £2k. The Department for Education (DfE) have confirmed that North Yorkshire Council is able to set the local capitalisation threshold for school leases as it is a local decision for the council to make in accordance with its accounting policy.

2.3 Under IFRS 16 Leases, the value of a lease for accounting purposes is based on the total value of the term of the lease, not just the in-year costs. Therefore, if the Council sets the local capitalisation threshold for leases at £2k (the de minimis level for schools' capital expenditure of £2k) it would include non-material, low value assets such as photocopiers, IT peripherals etc and would increase the administrative burden for schools.

2.4 The intention is for North Yorkshire Council's local capitalisation threshold to be set at £20k; it is recommended that the local capitalisation threshold for leases for local authority-maintained schools is also set at this level. When the Council accounts are prepared, the Council's threshold is applied when determining what leases are included.

### 3.0 **FINANCIAL IMPLICATIONS**

3.1 There is no direct impact on the Council's budget from this proposal.

### 4.0 **LEGAL IMPLICATIONS**

4.1 No specific legal implications are identified as a result of the recommendation contained within this report. The Council is required to comply with the IFRS 16 Leases accounting standard.

### 5.0 **EQUALITIES IMPLICATIONS**

5.1 An Equalities Impact Screening Assessment (EIA) has been undertaken in respect of the proposal contained in this report. It is anticipated that there will be no impact on any persons with protected characteristics as defined by the Equality Act 2010. The EIA is attached at Appendix 1 of the report.

### 6.0 **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

6.1 No climate change or environmental implications have been identified, through the completion of Climate Change Impact Assessments (Initial Screening Form), with the proposal outlined in this report. The Climate Change Impact Assessment (Initial Screening Form) is attached at Appendix 2 of the report.

### 7.0 **REASONS FOR RECOMMENDATIONS**

7.1 The local authority is required to comply with the IFRS 16 Leases accounting standard.

**8.0      RECOMMENDATIONS**

- 8.1      CYPS Executive Members are asked to consider and approve the changes to the North Yorkshire Council accounting arrangements for leases for local authority-maintained schools.

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