

# Wiltshire County Council

## SCHOOLS FORUM

June 2010

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### School Funding Scheme – Proposal to amend the scheme in respect of leases

#### Purpose of the paper

1. To seek Schools Forum agreement to consult schools on an amendment to the Schools Funding Scheme.

#### Background

2. The School Funding Scheme sets out the rules appertaining to the type of lease that schools may enter in to.
3. There are two kinds of leases, operating leases and finance leases. Finance leases are in substance borrowing and therefore schools are not empowered to enter into such leases without specific borrowing approval from the Secretary of State. Operating leases are in substance rental agreements and are therefore an option available to schools. However, the rules that a LA must use to define leases have changed with the implementation of International Financial Reporting Standards (IFRS) from 1 April 2010 and the assessment is not as straightforward as before.
4. Previously schools could utilise a “SSAP 21 Test”, which was available on WISENET, to determine whether a lease was an operating or a finance lease. This test no longer applies and has been removed.
5. Several years ago the LA put in place an internal leasing arrangement for schools. This option will continue.
6. The LA has also worked closely with Unilink Finance over a number of years and schools have been informed that this company’s lease arrangement is IFRS compliant.
7. In the interim schools have been advised to seek Central Finance endorsement for any new lease that they enter in to.

#### Main issue for consideration.

8. As the new test is not as clear cut as the old SSAP 21 Test i.e no “pass” or “fail” outcome, schools may find themselves entering into finance leases which would be contrary to the requirements of the School Funding Scheme.

## **Proposal**

7. To amend the School Funding Scheme to require schools to obtain Central Finance endorsement before entering into a lease arrangement, unless it is with a company whose arrangements have been confirmed as compliant and schools informed accordingly.

## **Recommendations**

8. That a formal consultation with schools is undertaken to amend the School Funding Scheme to require schools to obtain Central Finance endorsement before entering into a lease arrangement (unless it is with Unilink Finance)

CAROLYN GODFREY  
Director, Department for Children & Education

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Unpublished documents relied upon in the production of this Report: NONE

Environmental impact of the recommendations contained in this Report: NONE KNOWN

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*Report author: Phil Cooch., Schools Accounting & Budget Support Manager, Children & Education Finance Team, Resources Department      Tel: 01225 713814 e-mail: philcooch@wiltshire.gov.uk*