

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Finance and Resources
<b>DATE</b>	22 November 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	New Lease Policy
<b>REPORT NUMBER</b>	RES/23/376
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	2.1.5

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek committee approval of a new Lease Policy.

### 2. RECOMMENDATION

That the Committee:-

- 2.1 approve the new Lease Policy as appended to this report.

### 3. CURRENT SITUATION

- 3.1 The new International Financial Reporting Standard (IFRS 16) "Leases" must be implemented by local authorities by 1 April 2024 in accordance with CIPFA Local Authority (Scotland) Accounts Advisory Board instructions.
- 3.2 Under this new standard all leases will be considered finance leases and will be reported on the Council's Balance Sheet unless they meet the specific exception criteria. This includes leases for land, buildings, vehicles, and software.
- 3.2 IFRS 16 requires that a register of mandatory lease data must be held for accounting purposes. This means that a process must be put in place to capture the information relating to all the Council's lease and hire contracts across all services.
- 3.3 Many of the Council's current lease and hire contracts do not contain all the mandatory information required for this new accounting standard. It is essential that any future contracts include this information to ensure correct reporting going forward.
- 3.4 The existing process of procuring an asset requires to be documented and enhanced to include an evaluation of the financing of the asset for Best Value purposes.

3.5 This Lease Policy addresses the above issues and also satisfies the recommendations of the Internal Audit Report AC2308, “Assurance Review of Finance Leasing” that was reported to Audit Risk & Scrutiny Committee on 23 March 2023.

- A formal process is put in place that all services must comply with.
- Procurement processes must be followed to ensure all mandatory data is detailed in relevant hire requests and lease contracts for recording.
- Every lease contract will now undergo an options appraisal to ensure best value is considered

3.6 The Policy will be reviewed and updated on an annual basis to incorporate any changes to organisation processes

3.7 It is intended that this policy will be considered a key control document that eliminates and reduces risk to the Council and ensures that Council meets its statutory and legislative financial duties.

#### 4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from this report.

4.2 By adhering to this Lease Policy there will be a responsibility to undertake an Options Appraisal through the Finance Service. This will inform which method of procurement provides Best Value for the Service/Council.

#### 5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

#### 6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations in this report.

#### 7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	There is the risk that the Council's Balance	Procedures have been established with procurement to ensure each lease	M	Yes

	Sheet/borrowing is misstated due to incorrect/missing lease information	contract is recorded on the Register		
<b>Compliance</b>	If the procedures are not complied with there is a risk that the Council will not have all the correct data recorded in its Lease Register and will quote incorrect figures in its Annual Accounts	Procedures have been established with Procurement to ensure all lease and hire contracts are assessed in line with requirements.	M	Yes
<b>Financial</b>	If the options appraisals are not undertaken there is a risk that the Council will be spending more funds than is necessary on procurement of assets.	All staff will be advised of updated procedure.	M	Yes
<b>Reputational</b>	There is a risk of reputational damage if public funds are wasted.	The Lease Policy ensures that there is a proper system in place to ensure funding is used appropriately.	M	Yes

## 8. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN 2023-2024</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <b><u>Working in Partnership for Aberdeen</u></b>	The proposals in this report have no impact on the Council Delivery Plan.
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	

Prosperous Economy Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan.
Prosperous People Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan.
Prosperous Place Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan.
<b>Regional and City Strategies</b>	The proposals in this report have no impact on Regional and City Strategies.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	Full impact assessment not required.
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	Not required

## 10. BACKGROUND PAPERS

10.1 Audit Risk and Scrutiny Committee, 23 March 2023, Report IA/AC2308, Lease Financing

## 11. APPENDICES

Appendix 1 – Lease Policy

## 12. REPORT AUTHOR CONTACT DETAILS

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