

# Leasing Policy

Approved by Finance & Resources  
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## Document Control

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## 1. Why does the Council need this Policy?

- 1.1 This policy has been introduced in order to support compliance with the new Accounting Standard International Financial Reporting Standard 16 (IFRS 16) – Leases. This standard must be implemented in the Council's Annual Accounts from 31 March 2024.
- 1.2 This means that all information relating to any lease, hire or rental for all assets owned or used by Aberdeen City Council whether for a monetary value or not must be collected and recorded.
- 1.3 All references to lease, hire and rental are considered to be a "lease" for the purposes of IFRS 16 and this document
- 1.4 This policy sets out the process that needs to be followed when hiring, renting or leasing an asset to ensure compliance with IFRS 16.

## 2 Application and Scope Statement

- 2.1 The policy affects all services within the Council that lease, hire, rent or make any monthly payment for any assets whether for a monetary sum or not.

## 3 Responsibilities

- 3.1 The Chief Officer Finance is responsible for managing the policy including ensuring that guidance is issued and staff are appropriately trained.
- 3.2 Any instances of non-compliance with the policy should be reported to the Chief Officer-Finance.
- 3.3 All Chief Officers are responsible for ensuring lease assets relating to their Services are appropriately identified and accounted for.
- 3.4 All officers and budget holders are responsible for complying with the Policy, following the guidance and completing the required documentation
- 3.5 The Chief Officers responsible for Digital & Technology and Fleet should ensure that they provide input to the acquisition of IT and plant/vehicle purchases when appropriate and that such acquisitions are managed through their approval process.
- 3.6 Procuring officers (Delegated Procurers) are responsible for ensuring that the correct procurement procedure is followed in respect of the lease or hire of equipment.

- 3.7 The Commercial and Procurement Service are responsible for ensuring that the standard terms and conditions for contracts contain the wording given in the guidance document so that IFRS 16 information can be requested from suppliers, where supplier terms are to be used for the lease or hire procuring officers should seek advice by e-mail from [cpslegal@aberdeencity.gov.uk](mailto:cpslegal@aberdeencity.gov.uk).
- 3.8 Feedback on the policy should be communicated to the Finance Service – [accounting@aberdeencity.gov.uk](mailto:accounting@aberdeencity.gov.uk)
- 3.9 If the asset purchased is IT equipment or Plant/Vehicles then Digital & Technology/Fleet must be contacted.

## 4 Supporting Procedures & Documentation

- 4.1 [Financial Regulations](#)
- 4.2 [The Procurement Manual](#)

## 5 About this Policy

- 5.1 The aim of this policy is to ensure that there is a consistent approach to leasing assets within the Council and also that the necessary information required for compliance with IFRS 16 is obtained and available.

## 6 Risk

- 6.1 There is a risk that if this policy is not followed then the Council will not be able to obtain all the required information for complying with IFRS 16 within our annual accounts and that the annual accounts will not reflect the correct assets and liabilities of the Council if they are not identified. This policy and its supporting documentation will reduce the risk of non-compliance with IFRS 16 and inaccurate reporting as it sets out the Council's policy and procedures to be applied when arranging new lease/hire agreements.
- 6.2 There is also a risk the correct procedure for procurement of assets is not followed. This policy ensures that the correct procedure is in place and that Chief Officers ensure assets and leases are identified and accounted for.

## 7 Environmental Considerations

- 7.1 This policy will not have a positive or negative impact on the environment.
- 7.2 Environmental considerations should be taken into account when preparing the business case and going through the procurement process.

## 8 Policy Performance

- 8.1 An annual review will be undertaken by the Finance Service to prepare for the Annual Accounts. This will identify the effectiveness of the policy, and highlight areas of non-compliance.
- 8.2 The Chief Officer - Finance will be notified of the outcome of these reviews and will decide what action is to be taken. Breaches of policy will be reported to the Risk Board.

## 9 Design and Delivery

- 9.1 This policy conforms with the strategic objectives of the LOIP and aligns to support the Council's statutory objectives.
- 9.2 This policy has financial implications for the Treasury Management Strategy, Capital Programmes and Financial Statements. The value of all leased assets will be recorded as assets on the Council's Balance Sheet and a liability for the lease showing the amount due to be paid over the life of the asset will also be recorded on the Council's Balance Sheet.

## 10 Housekeeping and Maintenance

- 10.1 This policy and supporting documentation will be reviewed and updated annually, or sooner, if there is new legislation or guidance issued.
- 10.2 This policy will be available on the organisation's intranet within Financial Services.

## 11 Communication and Distribution

- 11.1 This policy will be shared with the Extended Corporate Management Team (ECMT) to enable communication and will be cascaded to all Chief Officers, budget-holders and project managers.
- 11.2 This policy will be available on the organisation's intranet within Financial Services.
- 11.3 A training video will also be available on the Intranet to accompany the policy.

## 12 Information Management

- 12.1 Information generated by the application of this policy will be managed in accordance with the Councils Corporate Information Policy and supporting procedure.

## 13 Definitions and Understanding this Policy

**Embedded Lease** – An Embedded Lease exists if there is an explicit or implicit identified asset in the contract and the customer controls the use of the asset, in order to continue the service.

**Lease** - The definition of a lease for the public sector is "A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain all the economic benefits from that use." The definition of a lease extends to cover items on lease, hire, within service contracts and being rented. Any asset that requires a regular payment may be seen as a lease so requires to be identified as such.