

Leasing Policy

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1.3	15 th Aug 2023	N Gordan	1. Change AFH to ATH 4. Change title from CFOO to DL 5. Changes to table – removal of governing body tier 3. Removal of box and move box in No.5 amending values and process in line with scheme of delegation
1.4	1 Nov 2024	S Kiff	1. Section 2 was amended to reflect changes to the ATH and the ability to enter into finance leases. 2. Section 3 was amended to show AO approves operating leases only and all finance leases are approved by the board. 3. Section 4 was amended to include finance leases. 4. Section 5 amended to include a table of authorisation limits.
1.5	26 Oct 2025	S Kiff	1. Introduction – ESFA amended to DfE. 2. Throughout – ESFA amended to DfE. 3. Section 6 remove reference to Head of School.

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1. Introduction

Dartmoor Multi Academy Trust (DMAT) is committed to ensuring that its systems of financial governance conform to the requirements of both propriety and sound financial management.

This extends to the entering into of leases, where the Academies Trust Handbook issued by the Department for Education (DfE) and Generally Accepted Accounting Principles impose certain requirements.

Other references include:

DMAT Financial Scheme of Delegation (internal)

[Academies Trust Handbook](#)

[Leasing guidance for academy trusts](#)

2. Types of Leases

There are two types of leases; operating lease and finance lease. The characteristics are as described in Appendix 1 below.

Under the Academies Trust Handbook, academies are permitted to enter into finance leases (which are a type of borrowing) if the items being leased appear of the DfE approved list, and other items must have DfE approval, without obtaining prior DfE approval. It is unlikely that such approval will be given other than in exceptional circumstances and therefore DMAT has a policy of not entering into finance leases for items that are not on the approved list. Items on the approved list can be leased with approval from the Board of Trustees Operations Committee.

DMAT may enter into operating leases without the DfE's approval (with certain exceptions relating to land and buildings). In these cases, the Trust has its own procedures to approve and sign such leases

3. Approval of Operating Leases

The Scheme of Financial Delegation for the Trust details the levels of authority regarding entering into operating leases as follows:

Hub Principal / Principal/Headteacher	Recommend that a lease or license should be entered into.
Deputy Trust Leader	Review recommendation recommend course of action to Accounting Officer or Board of Trustees, depending on value.
Accounting Officer	Review and approve all leases up to a total value of £50,000 (operating leases only).
Board of Trustees	Review and approve all leases over a total value of £50,000 and all finance leases irrespective of value.

4. Procurement and Value for Money

Schools must ensure that any lease arrangement maintains the principles of value for money, regularity and propriety. When entering into an operating lease the value of the contract is calculated as the amount of the any payment multiplied by the number of payments that will be made under the lease. Using this value determines the authority level required for the procurement under the Financial Scheme of Delegation. It also determines the number of quotes or tenders that will be required.

All finance leases must be referred to the Deputy Trust Leader, a business case for consideration would need to be submitted to the Trustees Operation Committee approval.

If you are unsure as to whether a proposed lease is operating or finance then advice should be taken from the central finance team or ultimately the Deputy Trust Leader before proceeding.

When signing any lease, the Deputy Trust Leader will consider the following:

- Whether the lease is operating or finance
- All terms and conditions of the contract are understood
- Whether the equipment is new or refurbished
- The expected life of the equipment and whether the lease is for longer than this
- The costs and any potential for costs to increase
- Cost of early settlement
- Ensuring that no previous leases are “rolled up” into the new lease.
- The cost of the equipment is filled in and is reasonable compared to outright purchase.

5. Land and Buildings

The Trust must obtain DfE consent before entering into the following leasing transactions:

- 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

Should a school be thinking about entering into such agreements then advice should be sought from the Deputy Trust Leader in advance who will obtain the necessary permissions.

The Scheme of Financial Delegation for the Trust details the levels of authority regarding granting of a lease or license over 1 year as follows:



Hub Principal / Principal/Headteacher	Recommend that a lease or license should be entered into.
Deputy Trust Leader	Review recommendation recommend course of action to Accounting Officer or Board of Trustees, depending on value.
Accounting Officer	Review and approve all leases up to a total value of £50,000 (operating leases only).
Board of Trustees	Review and approve all leases over a total value of £50,000 and all finance leases irrespective of value.

6. Financial Disclosure

The financial disclosure of leases in the Financial Statements of the Trust is the responsibility of the Deputy Trust Leader and central finance team, relying on the register of all leases kept in school by the Principal/ Executive Head/ Head Teacher.

7. Appendix 1 (Identification of Operating Lease or Finance Lease)

The following explanation of the difference between an operating lease and a finance lease is provided by the Institute of School Business Leaders (ISBL)

a. Operating Lease:

An Operating Lease requires the school to pay only a proportion of the capital value of the equipment and over a shorter agreement term, classed usually as the equipment's 'useful economic life.'

With an operating lease you will only finance a percentage of the total cost of the equipment over the term of the lease, as the provider of the finance must retain a proportion of the original cost, known as the Residual Value.

The length of the agreement should not exceed the expected 'useful economic life' of the equipment (equipment such as MFDs and photocopiers typically have a useful life of 3-4 years). If you are offered longer, consider the expected whole life of the asset and lease for a term which represents a proportion of this

At the end of the agreed lease term, the school can choose to either return the equipment or continue with the rental agreement but be mindful of the point above on "useful life" of equipment. The ownership of the asset should remain with the leasing company. There should be no option for the school to gain ownership of the asset at any time.

The leasing company might retain responsibility for maintenance

Payments are shown on the profit and loss account and not the balance sheet due to the nature of the payments



b. Finance Lease:

The finance company or lessor is the legal owner of the asset yet will permit the school to have use of that asset during the lease, paid for via a series of rentals or instalments over an agreed term.

A finance lease is a form of borrowing, where 100% of the capital plus interest is repaid during the primary term.

The school has the option to keep the asset by either paying the last rental or in some cases, paying a nominal fee or a significantly reduced purchase price.

Under a finance lease, the school repays rentals over the term of the lease but the rentals are not discounted. During the lease term the total rentals will normally cover the value of the asset.

c. Questions to ask about finance and operating leases

If you are not sure about the type of lease being offered, it is worth asking the following questions using the tables below in order to find out more. Questions to ask to ascertain whether the lease is operating or finance:

Question	Answer	Answer
Does the lease transfer ownership of the asset to the lessee (i.e., the school) by the end of the lease term?	Yes - finance lease	No - operating lease
Does the lessee have the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised?	Yes - finance lease	No - operating lease
Is the lease term for the major part of the economic life of the asset, even if title is not transferred?	Yes - finance lease	No - operating lease
At the inception of the lease does the Net Present Value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset?	Yes - finance lease	No - operating lease



Are the leased assets of a specialised nature such that only the lessee can use them without major modifications being made?	Yes - finance lease	No - operating lease