

Report

To: CIPFA LASAAC

From: Sarah Sheen, CIPFA Secretariat Advisor

Date: 9 March 2022

Subject: Update on Guidance on the application of IFRS 16 to Schools Assets Owned by Religious Bodies (Report for Note)

Purpose

This report provides an update on the current position in relation to guidance on assets owned by religious bodies and used by schools. Currently this is an item for CIPFA LASAAC to note.

Report

1. Introduction

- 1.1 CIPFA LASAAC considered that the accounting treatment under IFRS 16 *Leases* for assets used by schools but owned by religious bodies should be subject of application guidance and set up a working group to look at the issue in October 2019. This work of this group was postponed following the deferral of IFRS 16 and a new Task and Finish group was established in 2021.
- 1.2 Most property/land assets used by voluntary aided and voluntary controlled schools are provided under 'mere' or 'bare' licences. The licences are intended to ensure that use of the asset does not meet the definition of trespass. In addition, if the properties are withdrawn from use by schools, schools are allowed reasonable time to leave the site because of specific statutory provision and case law. The new group met several times to consider whether these 'mere' or 'bare' licences provided to schools by religious body trustees, constitute a lease.
- 1.3 The group has considered the issue in detail, but it has not yet been possible to obtain a consensus view, with significant dissenting views being provided by a FRAB Member. It is understood that a view that such licences are not leases has been agreed for Department for Education, academy schools where similar arrangements exist; this is more formalised by means of the Church Supplemental Agreement though the Secretariat would note that this should not in itself lead to a different accounting treatment.

2. CIPFA Bulletin

- 2.1 As application guidance this is a matter which can be considered by the Accounting and Financial Reporting Forum and approved by CIPFA's Public Financial Management Board. A

Bulletin has been prepared and more work can be done to accommodate comments made by HM Treasury.

- 2.2 It is possible that application guidance may not be able to resolve the issue and it may be necessary to return to CIPFA LASAAC for it to provide a definitive position. Additionally, if it is determined that these assets are generally the subject of a lease then it may be necessary for temporary arrangements to be made to allow time for measurements of these assets to be made.

Recommendations

CIPFA LASAAC is invited to note:

- **this report**
- **the possibility that it may be necessary to return to the Board to discuss the treatment, and**
- **potentially allow further time for the measurement of the items of property and land.**