

Leasing vs Buying in UK Education (2026)

IFRS 16, Secretary of State Consent, and the Future of School Asset Funding

The introduction of IFRS 16 (effective April 2024) has fundamentally reshaped how schools in England approach leasing. Key changes have shifted leasing from a restricted workaround to a structured, government-supported funding model for schools.

All Leases = Borrowing

Every lease is now treated as borrowing under the new framework

Mandatory Consent

Secretary of State consent is now required for leasing

Class Consent (2024)

Enables widespread leasing of key assets across the sector

The Pre-IFRS 16 Landscape (Before 2024)

Historically, the leasing environment for schools in England was highly restrictive, creating significant barriers to accessing modern equipment and technology.

Historical Restrictions

- ◆ Schools were prohibited from borrowing
- ◆ Leasing was limited to operating leases only
- ◆ Finance leases were effectively restricted

This Created:

- Limited flexibility
- Delayed access to equipment
- Heavy reliance on capital budgets

- ❑ The pre-2024 framework left schools with few options for funding essential assets outside of capital budgets, constraining their ability to modernise.

What Changed: IFRS 16 in Schools

Core Accounting Change

From April 2024:

- IFRS 16 removes the distinction between operating and finance leases
- All leases must be treated as on-balance sheet liabilities (borrowing)

Practical Impact

Every lease now:

- Appears on the balance sheet
- Creates a right-of-use asset + lease liability
- Improves financial transparency and planning

Before IFRS 16

Operating leases off-balance sheet, limited finance lease reporting

Balance Sheet - Before IFRS 16			
Income Statement	Assets	Liability	Equity
Assets	\$90	\$12.00	\$4.00
Operating Lease Expense		\$10.00	\$1.00
Working Assets	\$50	\$7.00	\$4.00
Lease Assets	\$100	\$3.00	\$2.00
Liability	\$50	\$2.40	\$0.00
Part asset Assets	\$20	\$4.00	\$4.00
Debt asset Assets	\$100	\$1.00	\$0.00
Non-asset Liability	\$50	\$0.00	\$4.00
Flag Liability	\$100	\$1.00	\$4.00
Account Asset	\$50.00	\$3.00	\$0.00
Expense Asset	\$100.00	\$1.00	\$0.00
Income Asset	\$120.00	\$14.00	\$0.00

Balance Sheet - After IFRS 16			
Income Statement	Liability	Asset	Equity
Right-of-use Asset	\$10.00	\$24.00	\$4.00
Right-of-use Asset		\$18.00	\$0.00
Non-asset Asset	\$0.00	\$0.00	\$4.00
Non-asset Asset	\$0.00	\$5.00	\$0.00
Liability	\$0.00	\$2.00	\$0.00
Right-of-use Asset	\$10.00	\$0.00	\$4.00
Lease-of-use Asset	\$0.00	\$0.00	\$0.00
Lease Liability	\$0.00	\$0.00	\$4.00
Lease Liability	\$0.00	\$4.00	\$0.00
Lease Asset	\$10.00	\$0.00	\$0.00
Finance Asset	\$0.00	\$24.00	\$0.00
Income Asset	\$4.00	\$27.00	\$0.00

After IFRS 16

All leases on-balance sheet as ROU asset and lease liability

Strategic implication: Leasing is no longer "off-book"—it is now a formal financing decision.

The Critical Constraint: Leasing = Borrowing

Under the **Education Act 2002**, schools cannot borrow without approval. IFRS 16 means all leases are legally classified as borrowing — therefore, every lease requires **Secretary of State for Education consent**.

Education Act 2002

Schools cannot borrow without approval — this is a fundamental legal constraint on school finances.

IFRS 16 Classification

All leases are legally classified as borrowing under the new standard.

The Consequence

Every lease requires Secretary of State for Education consent — without exception.

The Solution: Class Consent (2024)

To prevent leasing from becoming unworkable, the Department for Education introduced:

"The IFRS16 Maintained Schools Finance Lease Class Consent 2024"



Blanket Pre-Approval

Provides blanket (pre-approved) consent for common leasing categories across the sector.



No Case-by-Case Approval

Removes need for case-by-case approval for most operational assets.



Continuity for Schools

Enables schools to continue leasing without administrative burden — a practical, scalable solution.

What Schools Can — and Cannot — Lease Without Approval

✓ Pre-Approved Asset Categories (Class Consent)

- ◆ IT equipment — Laptops, desktops, servers, whiteboards
- ◆ Telephony systems
- ◆ Catering & cleaning equipment
- ◆ Furniture
- ◆ Bathroom and Sanitary items
- ◆ Gym equipment
- ◆ Groundskeeping equipment
- ◆ LED lighting
- ◆ Vehicles
- ◆ Temporary classrooms and equivalent structures

⚠ Still Requires Explicit Approval

- Land and buildings
- Complex infrastructure projects
- Non-standard or high-value bespoke assets
- Any asset category not listed on the Class Consent

Academy Trusts vs Maintained Schools


The leasing environment now spans both maintained schools and academy trusts, with important distinctions in accounting treatment — but a broadly aligned outcome.

Maintained Schools

- IFRS 16 applies from April 2024
- All leases treated as borrowing
- Operate under Class Consent framework

Academy Trusts

- Follow FRS 102 accounting
- Must seek consent for borrowing
- Benefit from same Class Consent (from Sept 2024)

 **Net effect:** The leasing environment is now aligned across the education sector.

Strategic Impact on Leasing vs Buying

¾ Classroom Technology & Digital Learning



Buying challenges:

- Rapid obsolescence (3–5 years)
- Large upfront capital requirement

Leasing advantages under IFRS 16:

- Fully compliant under Class Consent
- Enables rolling refresh cycles
- Aligns cost with usage

¾ School Infrastructure & Modular Expansion



Buying challenges:

- Capital approval delays
- Long-term commitment

Leasing constraints:

- May require specific approval (not always in Class Consent)

Key insight: Leasing viable, but structuring and approval strategy critical.

Financial Implications Under IFRS 16 & New Decision Framework

Impact Area	Buying	Leasing (Post-IFRS 16)
Balance Sheet	Asset only	Asset + liability
Cash Flow	Upfront	Spread over time
Budget Type	Capital	Revenue
Transparency	Moderate	High
Flexibility	Low	High

Lease When:

- ◆ Asset is included in Class Consent
- ◆ Budget flexibility is needed
- ◆ Affordability is preventing the project moving forward
- ◆ Speed is critical

Buy When:

- Asset is not included in the Class Consent
- Approval risk is high
- Long term ownership is strategic

Conclusion

IFRS 16 + Class Consent has created: A **"controlled leasing market"** — where leasing is encouraged, but only within defined asset categories.

For Schools

The introduction of IFRS 16 and the Class Consent regime has legitimised leasing in UK education, increased financial transparency, and created a structured, scalable route to market. Leasing is now a **strategic financial tool**.

Key Sources & Policy References

- UK Government – Leasing for Maintained Schools
- Changes to Leasing Agreements (DfE, 2025)
- Education Act 2002 – Borrowing Rules
- IFRS 16 Maintained Schools Finance Lease Class Consent 2024
- Academy Trust Leasing Guidance
- Industry analysis on IFRS 16 in schools