

LEASING PROCEDURE

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| CONSULTATION: | Audit Committee Senior Finance Staff |
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| POLICY SUMMARY |
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| The procedure outlines the process which should be undertaken as part of considering a new lease agreement for the Trust. |
| The Trust Monitors the implementation of and compliance with this policy in the following ways: |
| Internal Audit |

| Services | Applicable | Comments |
|-----------|------------|----------|
| Trustwide | ✓ | |

**The Director responsible for monitoring and reviewing this policy is
Executive Chief Finance Officer**

ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST

LEASING PROCEDURE

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ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST

LEASING PROCEDURE

1.0 INTRODUCTION

- 1.1 This procedure governs all leasing agreements entered into by the Trust. It is designed to ensure all contract leasing terms and prices are competitive and establishes procedures and related guidance notes for Trust staff.
- 1.2 For the avoidance of doubt, this procedure refers to a number of key staff within the Finance Department for the completion of a range of tasks. In the absence of these key members of staff, the task will be undertaken by the covering member of staff. In the event there are no suitable staff to cover the identified task, the decision will be referred to either the Deputy Chief Finance Officer, Head of Financial Accounts or Head of Financial Management.

2.0 PROCEDURE GUIDELINES

- 2.1 Leasing is a means of financing and may be used as an alternative to outright purchase of equipment, property or vehicles.
- 2.2 The procedure governs both finance and operational leases, and both leasing to and from the Trust where the Trust is either the lessor or lessee. The procedure is binding on all Trust's employees.
- 2.3 The procedure distinguishes 3 categories of leasing, which are:
 - a) Previously negotiated lease agreement through NHS Supply Chain
 - b) Equipment and other assets
 - c) Property
- 2.4 Before any leasing agreement is entered into, it is essential that the manager ensures:
 - a) Compliance with relevant procedures contained within this document.
 - b) Evaluate the option to lease by seeking necessary finance, estates and legal advice.
 - c) Complies with the authorisation limits set out in Section 3.

3.0 AUTHORISATION LIMITS

3.1 Leasing of Equipment and Other Assets

Authorisation Limits in respect of Leases are included within the Detailed Scheme of Delegation.

4.0 DEFINITION OF TERMS

4.1 Lessee

One who is seeking to lease.

4.2 Lessor

One who grants a lease.

4.3 Finance Lease

a) This type of lease transfers all risks and rewards of ownership to the lessee although the leased asset remains the property of the lessor, and the lessee is considered to have acquired the asset financing the acquisition by a loan from the lessor.

b) The asset acquired by this lease must be capitalised on acquisition.

c) Lessee must pay for repairs, maintenance and insurance of the asset required.

d) The lessee has uninterrupted use of the asset.

e) Capital charges are payable by the lessee over the primary lease term reduced by the amount of any residual payment; or over the life of the asset where there is reasonable certainty that the lessee will obtain ownership at the end of the lease.

4.4 Operating Lease

Any lease which is not a finance lease is an operating lease.

4.5 Capitalise

To treat expenditure as assets.

4.6 Capitalised Value

Total expenditure of acquiring fixed asset or additions thereto.

4.7 Residual Payment

Balance owed.

4.8 Asset

Any possession of value.

5.0 PROCEDURE NOTES

5.1 General guidance for all categories of leasing.

a) Expenditure projects must be assessed in accordance with the Trust's procedures on Tendering, Option Appraisals and Business Cases.

- b) The following circumstances are the most common reason for leasing as against outright purchase:
 - i. Unavailability of capital funding.
 - ii. Leasing may be the only option of acquiring the asset (i.e. properties).
 - iii. Some financial benefit can be demonstrated by leasing against outright purchase.
- c) Any category of leasing inquiry should be proceeded by 'Approval in Principal' from either the Service Director or the Executive Operational Committee by completing Section I of Lease Option Appraisal Form (Form A) (according to authorisation limits set out in Section B) where leasing has been identified as the possible/preferred method of financing and the item to be leased is not an item that is regularly leased by the Trust such as a photocopier.

5.2 Pre-negotiated Framework Agreement Leases (for example, photocopiers)

- a) Contact the Purchasing Department to receive lease quote(s) which are obtained from the Framework Agreement and consider the quote(s) in accordance with the Detailed Scheme of Delegation.
- b) Raise a purchase order via the E-Procurement finance system following the procedure in the corporate policy CPG8 - Purchasing Procedure.

5.3 Equipment and Other Leases (excluding property)

- a) Complete an option appraisal where leasing is identified as the preferred method of financing.
- b) Obtain Approval in Principal to proceed with formal enquiries.
- c) Identify various leasing options in accordance with the Trust's procedures on Tendering and Business Cases.
- d) Identify additional capital or revenue costs that have to be incurred for the lease to be operational.
- e) Seek financial and legal advice on the various options.
- f) Where the lease agreement is in excess of £5,000 per annum, an executive summary has to be prepared for the Executive Operational Committee.
- g) Complete Lease Option Appraisal Form (Form A) and re-submit to the Executive Operational Committee

- h) The lease agreement should not be processed where the Trust Board approval is required. The lease agreement should only be processed where such approval has been notified in writing by the Executive Operational Committee Chair.
- i) On taking possession of the leased item or items, please complete Departmental Notification of Lease Form (Form B).
- j) On receipt of final authorisation please return Forms A and B to the Head of Financial Accounts with a copy of the original lease agreement.

5.4 Property Lease

- a) Contact the Estates Department to discuss property needs and to determine whether a property lease is required.
- b) Where a property lease is required, the Estates Department is to:
 - i. Follow steps c) to e) in section 5.3 above
 - ii. Prepare a report for the Capital Programme Planning Group (CPPG) detailing as a minimum,
 - The reason for the lease proposal,
 - Service requirements & occupancy details,
 - Cost/Financial Implication
 - Area to be leased
 - Length of lease term
 - Termination clauses
 - Any unusual contract terms
 - Any covenants on properties
- c) Where the CPPG is in agreement with the proposal, the CPPG will recommend this to the Executive Operational Committee (EOC) for approval.

5.5 Early Termination of Lease Agreements

- a) Early termination of lease agreements relating to Pre-negotiated Framework Agreement Leases e.g. Photocopier will be processed by the Purchasing Department in line with the procedures in the corporate policy CPG8 - Purchasing Procedure.
- b) Early termination of lease agreements relating to Equipment and Other Leases (excluding property) should be notified to the Head of Financial Accounts in writing by completing Early Termination of Lease Agreement (Form F).
- c) Early termination of lease agreements relating to property should be notified to the CPPG via a report detailing as a minimum, the reason for the early termination, date of early termination and financial implication.

All costs/penalties incurred should be approved in accordance with the requirements of the Detailed Scheme of Delegation

5.6 Change of Location of Leased Item(s) or Change of the Responsible Officer

- a) For items relating to Pre-negotiated Framework Agreement Leases e.g. Photocopier, notify the Purchasing Department.
- b) For items relating to Equipment and Other Leases (excluding property), complete Departmental Notification of Lease Item (Form B) to notify the Head of Financial Accounts.

5.7 Variation to the Lease Terms and Price

- a) For items relating to Pre-negotiated Framework Agreement Leases e.g. Photocopier, any variation to the lease terms and price will be processed by the Purchasing Department and authorised in accordance with the requirements of the Detailed Scheme of Delegation
- b) For items relating to Equipment and Other Leases (excluding property), any variation to the lease terms and price will have to be authorised by the Service Director or the Executive Operational Committee (according to authorisation thresholds set out in Section B for the total annual lease cost) by completing the Notification of Change in Leasing Terms and Price Form attached at Appendix C.
- c) For property leases, any variation to the lease terms and price must be notified to the CPPG and authorised in accordance with the requirements of the Detailed Scheme of Delegation.

5.8 Action Required by the Service Director/Executive Operational Committee when Authorising Lease Agreements

- a) Prior to granting approval in principal to proceed with leasing, the application should be critically examined to establish that leasing is the most advantageous option.
- b) Ensure that appropriate financial, legal and estates advice is sought and the Trust's Standing Orders and Standing Financial Instructions are complied with when the proposal is re-submitted for final authorisation.
- c) Where lease agreements are to be authorised by the Trust Board, the Executive Operational Committee Chair shall prepare necessary documentation for Trust Board approval, and notify the lease request originator of the outcome.

5.9 Action Required by the Purchasing Department, Associate Director of Purchasing

- a) The Associate Director of Purchasing is responsible for:
 - i. Ensuring all lease agreements relating to Pre-negotiated Framework Agreement are up to date and centrally filed in the Purchasing Department,
 - ii. The maintenance of a lease register and, periodically provide register to Finance Department for use in processing payments and for the annual accounts and audit process.

5.10 Action Required by the Finance Department, Deputy Head of Financial Accounts

- a) The Deputy Head of Financial Accounts will assist the Budget Holders, Service Managers and Service Directors in appraising options for the best possible financing method.
- b) In consultation with senior finance staff ensure appropriate advice is given to staff pursuing leasing as a method of finance.
- c) The Deputy Head of Financial Accounts is also responsible for:
 - i. Ensuring Lease Option Appraisal Forms, Department Notification Forms and Notification of Change in Terms and Price Forms (where appropriate) together with the original of the Lease Agreement, are centrally filed in the Finance Department.
 - ii. The maintenance of a lease register and, annually verify details held on the Lease Register, for items relating to Equipment and Other Leases (excluding property).

5.11 Action Required by the Estates Department, Associate Director of Estates

- a) The Associate Director of Estates is responsible for:
 - i. Ensuring all property lease agreements are up to date and centrally filed in the Estates Department,
 - ii. The maintenance of a lease register and, annually provide register to Finance Department for use in the annual accounts and audit process.

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| END |
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