



Feidhmeannacht na Seirbhíse Sláinte  
Health Service Executive

**HEALTH SERVICE  
EXECUTIVE**

**NATIONAL FINANCIAL  
REGULATION**

**LEASE AND RENTAL  
ARRANGEMENTS**

**NFR-30**

## **NFR-30 LEASE AND RENTAL ARRANGEMENTS**

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### 30.1. Introduction

30.1.1. This regulation forms part of the National Financial Regulations(NFRs) of the Health Service Executive (HSE). The NFRs are part of the overall system of Corporate Governance and Internal Control within the organisation.

### 30.2. Purpose

30.2.1. The purpose of this regulation is to deal with the management of lease and rental arrangements entered into by HSE official for the use or purchase of HSE motor vehicles or equipment.

### 30.3. Scope

30.3.1. The scope of this regulation does not extend to the rental or leasing of properties.

30.3.2. Leases and hire purchase contracts are a means by which companies obtain the right to use or purchase fixed assets (vehicles, equipment etc).

30.3.3. A Lease / rental agreement is a formal contract undertaken with a supplier or a leasing company for the usage of fixed assets such as equipment for a defined period of time, referred to as the "term".

30.3.4. Depending on the nature of the lease contract, ownership of the asset(s) may pass to the HSE during or at the end of the term or may remain with the leasing company.

30.3.5. There may be 3 parties to the lease / rental i.e.

1. HSE
2. The Supplier
3. A Leasing firm that may act as intermediary / financier.

30.3.6. The nature of most leases is such that one is undertaking a commitment that often extends beyond one year.

30.3.7. Professional input from the Health Business Services (HBS) Procurement and Materials Management Service or elsewhere must be sought as part of the procurement process irrespective of the nature or type of lease or rental agreement being considered.

30.3.8. This regulation should be read in conjunction with other related regulations to be found at *HSE National Intranet - National Financial Regulations*. In particular details of Annual Financial Statements (AFS) category coding and the various reporting requirement of this category of spend as outlined in NFR-02 Policies and Procedures Guide for the Completion of the AFS. Also NFR-01 Purchase to Pay in relation to procurement processes.

## 30.4. Types of Lease Agreements

30.4.1. There are two main type of lease / rental contracts:

### 1. Operating Leases

- An operating lease is one where the asset is leased by HSE for a relatively short period and in any event the lease term represents a period that is substantially less than the useful economic life of the asset.
- The payment made over the term of an operating lease will be substantially less than the full cost of the asset.
- Assets leased under an operating lease remain the property of the leasing company.

### 2. Finance Leases

- A finance lease is one where the HSE leases an asset for most of its useful economic life and over the term of the lease pays a total amount substantially equal to or in excess of the full cost of the asset.
- A finance lease may provide for the transfer of ownership of the asset to the HSE during or at the end of the lease term however this is not a requirement in terms of defining a finance lease.
- An interest or 'finance' cost is charged by the 'lessor' as part of the contract.
- In effect a finance lease is a form of 'loan' where principle and interest are repaid to the lessor with each repayment.

## 30.5. Restriction on borrowing – Finance Leases

- 30.5.1. On the basis that finance leases are a form of borrowing they require the approval of the HSE Directorate.
- 30.5.2. No commitments can be entered into in advance of Directorate approval other than where they are clearly expressed and accepted as "Subject to HSE Directorate Approval".
- 30.5.3. Recommendations for finance leases must be signed off by the relevant Assistant National Director or equivalent salary grade and co-signed by the Chief Financial Officer (CFO) prior to being considered by the HSE Directorate.

## 30.6. Expenditure approval

- 30.6.1. A lease represents expenditure equal to the total payments over the full term of the lease contract including any final or "balloon" payments at the end of the term.
- 30.6.2. The approval of an operating lease requires sign-off by a manager who is authorised to approve expenditure equal to the total value of all payments under the lease contract over its full term.
- 30.6.3. Under no circumstance must the value be split to circumvent the approval process.

- 30.6.4.** The approval of any operating lease, regardless of value, requires a written decision which is to be copied to the relevant National Leadership Team Member and the relevant Assistant National Director of Finance.
- 30.6.5.** In addition to the normal requirements to be incorporated into a written decision must also cover the following;

  - 1. The term of the operating lease
  - 2. The payment schedule setting out the full amount to be paid over the term of the lease
  - 3. Details of any final or balloon payments
  - 4. Confirmation that the lease is an operating lease and the basis for that confirmation.
- 30.6.6.** All lease or rental contracts must be reviewed by the HSE Legal Department at [HSENet - HSE National Intranet - Office of Legal Services](#) before being finalised.
- 30.6.7.** There is a requirement on management in the decision making process to review the cost of related consumables. The financial assessment of the lease options should cover the cost of the lease over its full term along with the cost of the related consumables.

### **30.7. Payment Processing**

- 30.7.1.** It is not necessary to issue a purchase order in respect of leases.
- 30.7.2.** Payment schedules must be agreed with the supplier / leasing company as part of the rental / lease contract.
- 30.7.3.** A copy of the decision approving the lease must be available to HBS or equivalent, when requesting the issue of a payment for each instalment of the lease.
- 30.7.4.** Each lease payment must be approved by a manager of the appropriate grade in compliance with the regulation on receipting of goods / services as set out in these regulations.

### **30.8. Monitoring and Reporting**

- 30.8.1.** Budget holders must ensure that the creation and ongoing management of leases is properly managed and controlled within their area.
- 30.8.2.** A list must be kept by each budget holder (in electronic format) of all lease contracts in his area.
- 30.8.3.** The list must summarise the information included on each lease approval decision.
- 30.8.4.** The list must be reviewed and updated monthly and must be signed off as accurate by the budget holder and forwarded to the HBS Estates Section and copied to the relevant Assistant National Director of Finance.

- 30.8.5.** The purpose of this monthly review is to ensure that payments are only made in respect of current leases where the asset is still in use by HSE.

### **30.9. Assistance / Further Information**

- 30.9.1.** Additional information regarding this regulation should be addressed to the Assistant Chief Financial Officer, Finance Specialists.
- 30.9.2.** It is intended that this regulation will be updated as necessary to reflect and incorporate new and additional legislative and other directives. Notification of any update will be issued on HSE National Intranet - National Financial Regulations and via email communications.

### **30.10. Effective Date**

- 30.10.1.** This regulation is effective immediately. This regulation applies to all employees of the HSE involved in the processes outlined in this regulation.

### **30.11. Reporting of Irregularities**

- 30.11.1** Any member of staff who considers that there may have been an irregularity in the management of lease or rental arrangements must inform their Line Manager immediately. The manager to whom the matter has been reported must inform Assistant National Director of Service or equivalent salary grade, relevant Assistant National Director of Finance and the National Director Internal Audit for appropriate action.

### **30.12. Audit**

- 30.12.1.** The external and internal auditors of the HSE have the right to unrestricted access to all vouchers, documents, books of account, and computer data and to any other information which they consider relevant to their enquiries and which is necessary to fulfil their responsibilities. Both internal and external auditors also have the right to direct access to any employee or person responsible with whom it is felt necessary to raise and discuss such matters.
- 30.12.2.** Sample checks may take place at regular intervals in each financial year.
- 30.12.3.** Every officer shall attend at such place and at such time as may be appointed by the auditor and shall submit his/her books and accounts for examination and checking.
- 30.12.4.** Where any irregularities are disclosed at the checking of the accounts of an officer, the auditor shall report such irregularities to the CFO, who shall cause a full investigation to be made and shall take all necessary action.