

PDET Operating Lease Assessment Form

Purpose

This purpose of this form is to assess the nature of lease agreements the Trust proposes to enter into.

From the Academies Financial Handbook (2019):

3.6 Leasing

3.6.1 *There are two types of lease:*

- *finance leases: these are a form of borrowing*
- *operating leases: these are not borrowing*

3.6.2 *Trusts must obtain ESFA's approval for the following leasing transactions:*

- *taking up a finance lease on any class of asset for any duration from another party*
- *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*

3.6.3 *Other than the above, trusts do not require ESFA's approval for operating leases.*

3.6.4 *Trusts must ensure that any lease maintains the principles of value for money, regularity and propriety whether or not ESFA's approval is required. Trusts should seek advice from their professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing.*

Assessment

Please complete the tables below ensuring sufficient information and evidence is provided to determine the nature of the proposed lease.

Supplier	
Name and role of individual completing this form	
Date	
Lease reference and brief description	

Characteristics of a Finance Lease	Assessment of the proposed lease agreement. Please provide details to support the assessment.	Finance lease (F) or operating lease (O)?
The lease transfers ownership of the asset to the lessee by the end of the lease term		
The lease term is for the major part of the economic life of the asset, even if title is not transferred		
At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset		
The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made		
Gains or losses from fluctuations in the fair value of the residual fall to the lessee		
The lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent		
If the lessee is entitled to cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee		
It is the Lessee's responsibility to insure the equipment		
The Lessee bears the costs for maintaining the equipment during the course of the agreement		

Characteristics of a Finance Lease	Assessment of the proposed lease agreement. Please provide details to support the assessment.	Finance lease (F) or operating lease (O)?
Conclusion (based on the analysis provided above)		

Please confirm the details provided above have been sent to the Trust auditor and confirmation has been received that the conclusion reached is appropriate. Please append documentation received from the auditor to this form (Y/N).

Approval

Role	Signature	Date
Budget holder		
Director of Business & Finance		
Director of Legal		