

Plant and Equipment Leasing Procedure

Section 1 - Purpose and Scope

(1) This Procedure outlines the requirements for the leasing of plant and equipment at The University of Queensland (UQ) and applies to all UQ staff.

(2) This Procedure does not apply to:

- a. Leases associated with salary packaging, for example:
 - i. Motor vehicle leases; and
 - ii. Leases that form part of personal employment or salary arrangements (e.g. laptops, mobile phones).
- b. Property, office and other space leases.

(3) UQ staff should contact Human Resources Division (payroll@uq.edu.au) for information about employment and salary arrangements, or the Property and Facilities Division (pfassist@pf.uq.edu.au) for information about property leasing.

Section 2 - Process and Key Controls

(4) UQ will not enter into a lease arrangement where the combined purchase cost of the items is less than \$500,000. This is referred to as the Minimum Lease Threshold (MLT).

(5) Lease agreements may only be entered into where the proposing Organisational Unit can demonstrate that leasing the item, as opposed to purchasing outright, would result in the greater economic benefit and value for money to UQ.

(6) All proposed lease agreements must be reviewed by the Chief Financial Officer and must not be entered into unless approved by the Chief Financial Officer.

(7) UQ staff members responsible for entering UQ into the lease must ensure that leased items are returned to the owner at the expiry of the lease and in accordance with the terms and conditions of the lease.

(8) Proposed extensions beyond the original term of the lease, or significant variations to the terms and conditions of the lease, are not permitted unless approved by the Chief Financial Officer.

(9) Organisational Units must provide [Insurance Services](#) with details of all leased items.

Section 3 - Key Requirements

Minimum Lease Thresholds (MLT)

(10) Subject to the required approvals outlined in this Procedure, UQ may enter in to a lease agreement where:

- a. the combined purchase cost of the proposed item/s is greater than UQ's MLT of \$500,000; and
- b. the proposing Organisational Unit can demonstrate that leasing the item is the best value for money option for

UQ.

(11) Items costing less than \$500,000 must be purchased outright in accordance with UQ's [Procurement Policy](#) and [Procedure](#).

(12) Organisational Units proposing to enter a lease agreement should also consider the following:

- a. Leasing should not be used as a way to alleviate the impact of budget constraints.
- b. Copy cost plans and service contracts should only be entered where they represent the best value alternative.
- c. Cross-unit lease proposals, whereby multiple Organisational Units pool assets to negate the MLT, will not be considered for approval.

Review and Approval of a Proposed Lease

(13) To submit a lease agreement proposal, UQ staff must contact the UQ Treasury Accountant with a quotation for the proposed lease from the supplier/lessor (treasury@fbs.uq.edu.au).

(14) UQ's Treasury Accountant will review the proposal and submit a formal lease application to the Chief Financial Officer, evaluating the financial costs and potential risks of the proposed lease.

(15) The Chief Financial Officer may, at their discretion, approve a lease proposal where the MLT has not been met in exceptional circumstances.

(16) All approved leases will be entered into in the name of "The University of Queensland". Individual UQ staff members or Organisational Units will not be named as lease holders (i.e. lessees).

Cost Premium

(17) In accordance with the [Queensland Leasing Approval Policy for Public Sector Entities](#), UQ will avoid entering leases where the cost premium is greater than 5 per cent.

(18) Leases with a cost premium greater than 5 per cent or a net present value in excess of \$2 million must not be entered into without the following:

- a. Endorsement by the Chief Financial Officer; and
- b. Approval by the Queensland Treasurer.

Leasing for Financing Purposes

(19) UQ will not enter lease arrangements to finance the acquisition and/or enduring usage of plant and equipment. Such arrangements would be considered borrowing activity under the [Statutory Bodies Financial Arrangements Act 1982](#) (Qld) and be subject assessment as such (outside the scope of this Procedure).

(20) Strong indicators to suggest a financing arrangement would be UQ's intent to retain ownership of leased items at the end of the lease term, indefinitely extend a lease beyond the lease term, and lease goods for a significant portion of their useful life. These points are provided as a guide only however, when present, applicants are asked to consider the true nature of their proposal and whether financing is a motivation.

Lease Administration

(21) Ongoing lease payments are to be expensed to the Organisational Unit nominated at the commencement of each lease.

(22) Copies of signed lease agreements must be forwarded to the Treasury Accountant.

Extensions and Variations

(23) Extensions or variations to lease agreements that UQ has entered into are not permitted without the approval of the Chief Financial Officer. UQ will not enter or agree to vary lease agreements that include:

- a. provisions for buy-out or balloon payments; or
- b. pre-determined options to extend the lease beyond the lease term.

Section 4 - Roles, Responsibilities and Accountabilities

Chief Financial Officer

(24) The Chief Financial Officer is responsible for:

- a. The review and approval of:
 - i. plant and equipment lease proposals,
 - ii. plant and equipment lease proposals that are below the Minimum Least Threshold (MLT), and
 - iii. proposals to extend or vary lease agreements that UQ has entered into.
- b. The review and endorsement of finance lease proposals for approval by the Queensland Treasurer.

Treasury Accountant

(25) The Treasury Accountant is responsible for:

- a. Evaluating Organisational Units' lease proposals for the financial costs and potential risks of the lease to UQ.
- b. Advising the Chief Financial Officer on Organisational Units' lease proposals.
- c. Notifying [Insurance Services](#) of any leased items that are lost, stolen or damaged; and
- d. maintaining a record of all UQ leases subject to this Procedure in a central lease register.

Head of Organisational Unit

(26) Heads of Organisational Units are responsible for:

- a. Approving lease proposals for submission to the Chief Financial Officer.
- b. Notifying the Treasury Accountant of all lease agreements overseen by the Organisational Unit; and
- c. ensuring a local lease register is maintained in the Organisational Unit.

UQ Staff

(27) The UQ staff member with the ongoing management and oversight of items under lease on a day-to-day basis is responsible for:

- a. Use and condition of the items being leased.
- b. Ongoing administration of the lease contract, including periodic review of ongoing leases to ensure they are maintained in accordance with the contract terms and condition.
- c. Ensuring leased items are promptly returned to the owner at the end of the lease term.
- d. Notifying UQ's Treasury Unit of:
 - i. all lease agreements of which they have management or oversight,

- ii. any leased items that are lost, stolen or damaged, or
- iii. any changes to an existing lease, including but not limited to, a partial return of leased items to the owner, lease termination before the end of the lease term, or any other change that would have the result as to alter the composition of the original lease agreement.

Section 5 - Monitoring, Review and Assurance

(28) Treasury Unit will review this Procedure as required to ensure that it is current and relevant, and that it provides for efficient and effective plant and equipment lease administration at UQ.

Section 6 - Recording and Reporting

(29) Treasury Unit will maintain a central lease register that records all leases UQ has entered into and the location of all leased items. Organisational Units are responsible for maintaining a local register with this information for their leased items and providing it to the Treasury Unit when requested.

Section 7 - Appendix

| Term | Definition |
|---------------------------|--|
| Buy-out / Balloon Payment | Any payment made by UQ to the lessor that would, in substance, result in a transfer of ownership of the leased item to UQ. |
| Cost Premium | The amount by which the net present value of a proposed lease exceeds the outright purchase price (expressed as a percentage). |
| Finance Lease | A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred. |
| Plant and Equipment | Items used in the production or supply of goods or services or for administrative, teaching or research purposes. Examples include IT hardware, printers, photocopiers, multi-function devices and research equipment. |
| Staff | Continuing, fixed-term, research (contingent funded) and casual staff members. |

Status and Details

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| Status | Current |
| Effective Date | 10th March 2021 |
| Review Date | 10th March 2026 |
| Approval Authority | Chief Financial Officer |
| Approval Date | 10th March 2021 |
| Expiry Date | Not Applicable |
| Policy Owner | Gail Jukes Chief Financial Officer |
| Enquiries Contact | Finance and Business Services |