

THE REAL DEAL

CAROLINE WRIGHT, DIRECTOR AT THE EDUCATION SECTOR'S TRADE ASSOCIATION, THE BRITISH EDUCATIONAL SUPPLIERS ASSOCIATION (BESA), CONSIDERS WHETHER THERE IS A PLACE FOR LEASING IN SCHOOLS...

Over the past few years we have all read the well publicised reports on leasing scams; schools falling victim to leasing agreements have seen them paying as much as 10 times the value of the leased products.

Well, if I had to summarise my advice in one sentence I would simply say, 'if an agreement appears too good to be true, it probably is.' As schools initially moved away from local authority care and stepped into a world of managing their own procurement and finance, mistakes were inevitable. Several years down the line, I believe that, in most cases, schools are now very sophisticated in their negotiation and investments.

The following information provides you with an outline of the pros and cons of leasing, with a word of advice on the additional considerations that should be made.

Looking at the advantages first, leasing does help schools to manage procurement, cash flow and spreading the cost of high value resources such as computers and printers, over a number of years. In turn, this gives schools the ability to acquire the technology they need now, rather than waiting until funding arrives.

In terms of an expectation of having the latest technologies in each classroom, the majority of available leases for school equipment allow for technology upgrades, enabling establishments to manage the life of their products. Depending on the term of the lease, as new equipment becomes available, schools can upgrade to the latest models, often at the same monthly fee. Of course, the upgrade usually comes with a new fixed term contract, but with many ICT equipment leasing programmes schools have the flexibility to add-on extra computer equipment, or upgrade current equipment.

Added to this, headteachers, bursars and governors have the ability to forecast expenditure. In the event that an item needs replacing quickly, such as a server, schools can do so with a relatively minor monthly adjustment to the budget, instead of a lump sum that could seriously affect cash flow.

Considering these advantages, the justification for leasing appears to be irrefutable, so what are the danger areas and how can schools ensure they avoid these?

One issue that BESA has been working with the Government to address is that there are two types of lease: operating and finance. Schools are currently restricted by the Government to using



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operating leases only. An operating lease involves the school paying a rental fee for the hire of an asset for a period of time. At the end of the term of the agreement, the products must be returned to the leasing company. The danger lies in the fact that, if the asset is not returned in good working order, the school will potentially be liable for costs. The costs could be priced extortionately high; for example, a

tiny scratch on the display may be as

much as £50, a damaged key on the keyboard £75. It is very easy for schools to be left with significant charges to pay.

At the current time, schools are not allowed to take out a finance lease. These can be likened to a loan, and mean that there should be no unexpected payments at the end of the term of the lease, providing far greater certainty, predictability and usually a cheaper total cost. The products are owned by the school and should be reflected as such in its accounts.

BESA has been working with the Government to amend the current leasing guidance to ensure that leasing contracts are straight-forward, transparent, and cannot be altered by a finance company at any time during the term of the lease. While we wait for this amendment and clarification from the Government my recommendations to schools are:

- Do consider leasing for high-ticket products, especially technology that depreciates.
- If you take out an operating lease agreement, seek guidance or a 'tariff' for end of contract charges in advance of entering an agreement.
- However long the terms and conditions of a leasing contract are, do always read them carefully. If there are sections you don't understand, ask the provider for clarification in writing before signing.
- Always ensure the supplier and leasing company are BESA members. This will mean they are signed up to a code of best practice business operation, fully understand the sector's needs and will offer added value support.

