



## Starting to think about leasing

Before starting to consider leasing, schools will go through their normal commissioning process for the equipment, involving a pre-purchasing review to identify the need, preparing a specification, preparing evaluation criteria and obtaining quotes.

As part of the usual commissioning process for equipment compare the cost of leasing with the cost of buying. Make sure you are comparing like with like e.g. include maintenance if appropriate. The most competitive quotes for buying the equipment might come from a supplier that doesn't offer leasing.



## Know the finance company

Many businesses offering leasing arrangements to schools are equipment suppliers rather than finance companies themselves. Some large equipment manufacturers supply both the equipment and the finance.

Check whether the company you are speaking to is only an equipment supplier. If so ask who the finance company would be. Most finance companies are members of the Finance and Leasing Association (FLA). FLA members follow the [FLA's Business Finance Code](#) which sets out standards for providing information, customer service and complaints procedures.



## Minimum lease period

This is the shortest period for which the school will have to make rental payments for equipment. The period is fixed regardless of other factors, such as the equipment becoming less reliable, changes in the school's needs or changes in technology.

The shorter the minimum lease period, the less likely it is that you could have to continue making rental payments when it is no longer suitable. So consider how long the school has tended to keep similar equipment in the past or speak to other schools with similar equipment.



## Options at end of lease

A lease is an agreement to rent equipment, not to buy. The school will not own the equipment after the minimum lease period. Instead there will usually be the choice of returning the equipment after the minimum lease period, extending the rental period, or purchasing the equipment.

Check what options would be available at the end of the minimum lease period. If the rental period is extended would the rental payments change? What would it cost to buy the equipment?



Note that the option taken at the end of a lease could have a retrospective effect on the type of lease it is – operating or finance.



# TIPS FOR SUCCESSFUL LEASING IN SCHOOLS

## Type of lease

For accounting purposes, there are different types of leases, referred to as operating leases and finance leases.

Check the school's finance manual. Detailed policies vary depending on the type of school. The school may need to seek local authority or central government approval if it wishes to enter into a finance lease. Maintained schools must comply with their local authority's scheme for financing schools and associated financial procedure rules; many schemes require schools to seek approval from their LA before entering leasing arrangements. More guidance can be found at [www.education.gov.uk/procurement](http://www.education.gov.uk/procurement)



## Maintenance

The lease agreement will sometimes include a maintenance or service arrangement, so if the equipment needs servicing there wouldn't be an extra charge.

Make sure it's clear whether maintenance is included or excluded. If it is included, check who would provide it. If you are leasing direct from an equipment manufacturer the maintenance might well be provided from the same company. Otherwise it is likely to be provided by a separate company to the leasing company.



Check what would happen if the company providing the maintenance went out of business as you could have to continue making rental payments throughout the minimum lease period even if the equipment doesn't work.



Check what level of service you will get.



Check maintenance charges and whether a similar level of service could be obtained from a different supplier at lower cost.



Check whether the maintenance is actually a separate agreement to the lease. If it is, check whether the length of the two agreements is the same and whether notice can be given.



## Supplies

The lease agreement will sometimes include the provision of supplies, such as paper, bulbs, etc.

Check what would be provided and who would provide it.



Check what would happen if the company providing the supplies went out of business.



Check whether it would be better value to buy the supplies separately over time as they are needed.



## Upgrades

During the minimum lease period an equipment supplier may approach the school and suggest that you change or 'upgrade' your existing equipment.

Always consult experts before upgrading, such as the local authority, [NASBM](#) or other professional associations. Keeping the equipment you have and waiting until the end of the minimum lease period will almost always be less expensive than upgrading. Remember the minimum lease period for the existing equipment is fixed, so an upgrade could leave you paying for two pieces of equipment when you are only using one.



## Last but not least

Used with care, leasing can be a useful way of paying for equipment over the period it will be used, avoiding a large one-off payment, and potentially saving money.

If it sounds too good to be true, it probably is, so get another quote. Incentives to lease, such as 'cash-backs', 'subsidised rentals', offers of the school being used for marketing purposes are all clues that a better deal might be available elsewhere.



For more guidance on successful leasing, see the FLA's Checklist for business finance customers [click here](#)

