



An Essential Guide to Leasing for Education

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Introduction

The well-publicized BBC documentary aired on Panorama in the summer of 2012 sent shock waves through the education sector. Heads of schools, bursars and other business administrators up and down the county quickly spent time reviewing their lease agreements and numerous projects that schools were looking to fund were put on hold.





The damage has not just been done to the 169 schools caught out by a couple of rough suppliers - less than half of one percent of the UK education population - but this has resulted in a material shift in how UK banks lend to schools and colleges. Many banks now, concerned over risks associated with ultra viries (i.e. are the contracts enforceable when a school head has signed as opposed to the LA) have just pulled out of lending into a market sector worth £300m per year, previously where the credit was regarded as quality grade.

Nearly all of the UK's 30,000 educational establishments have rented or leased equipment in the school at some time, and for the vast majority, it has been a positive experience where they have benefited from highly competitive interest rates and contracts that are both fair and legally sound. Most suppliers and banks are reputable, many of the salespeople or business owners working in this market having children of their own and understand firsthand how tight school budgets can be. We could argue that the whole system is self-regulating. But for many head teachers, bursars, ICT managers and Financial Controllers, leasing and asset finance is something they only get involved in may be once per year and understandably, they are not equipped with the skills to make sure they get the best deal and obtain the most cost effective solution.

If you are that person, this essential guide to leasing for education has been written for you. It will help you to ask the right questions, use the correct terminology and navigate some of the challenges some school leaders have had to deal with.

The guide will touch on the benefits of leasing and we do not wish to lose sight of the fact that funding equipment has aided many schools in providing an enhanced learning experience for pupils. Used correctly, funding your capital equipment has and will be an important facility in the education sector.

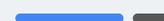
We hope you find this of benefit.

Jeremy Hall

CEO

Schools and educational institutions are increasingly embracing new technology such as iPads and other tablets to engage students, enrich the learning process, personalise education and breakdown barriers. Financing the costs of such devices and keeping up with advances in technology, however, can be an expensive challenge. Leasing can offer an advantageous alternative to buying.

This guide is designed to provide a concise overview of leasing for schools and other educational establishments. Here, you will find all you need to know about the benefits of leasing, the process, the options available and things to consider when choosing a leasing company.





Changes to school budgets

All Local Authorities and schools are allocated money to spend, reviewed on a regular basis, and budgets runs from the start of the financial year in April. Money is allocated to two budgets, a capital budget and a revenue budget.

The capital budget is for equipment that has a useful life over one year, for example, sports equipment, furniture or computers. The revenue budget is for items of expenditure that are for the general running of the school such as salaries, cleaning, electricity and maintenance.

The education sector has seen two main changes with capital budgets over the last few years.

01

The Government has allocated more money to schools capital budgets

02

Academies now have a lot more freedom on how to use their budgets, including their leasing options.

What is leasing?



Under a commercial agreement, the leasing company (the lessor) buys and owns the asset. The customer (or lessee) then hires use of the asset, paying rental over a fixed period. At the end of the contract, the customer usually has a choice of extending the lease, buying the asset or simply returning it.

Leasing versus buying

► Keep up to date with technology

Technology changes so fast, that keeping up with the latest devices and software can be an expensive challenge. As a result, leasing offers an excellent alternative to buying. Leasing provides students and teachers with access to the latest equipment because schools can upgrade throughout the lease period without having to repurchase. This means the school is never left with obsolete equipment in a way that would not be possible with an outright purchase.

► No large capital outlay

Using a leasing scheme, schools enjoy the obvious volume advantages of ordering equipment in bulk, but without the disadvantage of having to pay for purchase upfront. In addition, many schools find leasing advantageous from a budgeting standpoint as switching from outright purchase to a lease agreement changes how the equipment is accounted for. A unique feature of leasing is that it allows the cost to be allocated to revenue as opposed to a capital budget with obvious benefits for many educational organisations.

► Tailored agreements

Agreements can be over an agreed period, for example two years, and repayments can be made monthly, quarterly or annually, by direct debit or invoice, whichever is most convenient.

► Total flexibility

Leasing offers the flexibility to roll out the latest devices, such as iPads, even at a time when budgets are being reduced. It prevents having to delay the implementation of ICT plans until sufficient funds become available, enabling new technology to be adopted instantly and providing continuity through a clear defined plan. Schools can upgrade or expand their resources easily, as and when the need arises.

► Pay as you use

Many schools are now opting to set up attractive parental contribution schemes that enable the cost of obtaining student iPads or other popular tablets, for example, Acer, Asus, Blackberry, HTC, LG, Samsung, Sony, Toshiba and Dell, to be spread over a period of up to two years in a highly cost efficient way. At the end of the lease agreement, parents/students have the option to own the device for a small fee or return it.

| Types of Leasing

There are two main types of lease:



Pay as you use

A Capital lease is a fixed-term lease that enables the purchase of a capital asset on installments. The lessor simply finances the asset and the lessee typically pays all other costs such as maintenance and insurance. Assets leased in this way must be shown on a school's balance sheet.



Operating Leases

Operating leases are particularly attractive to educational institutions that frequently update or replace equipment and want to use equipment without ownership.

This type of leasing makes 'off-balance sheet' funding possible. It is also possible to build in a Residual Value (RV) that reduces monthly payments, and to match the payment plan to seasonal cash flow. At the end of the lease period, schools then have the option to keep the asset by making the (RV) payment or to return the asset.

Once a set initial payment is made, students can start using the technology immediately. By making monthly payments over the duration of the finance agreement, payments can be spread over the useful life of the equipment.

Schools can have a fixed interest rate and as inflation rises the cost of the equipment reduces in real terms. This protects against interest rate rises and enables schools to plan their budgets or parental donation schemes effectively.



What can you lease?

A wide range of ICT equipment, audio visual technology and mobile learning devices can be leased. This can include hardware, software and maintenance agreements. It is also possible to lease school classroom refits or other refurbishments. It is not commonly realized that items such as interior lighting and external floodlights can also be suitable for leasing.



How does it work?

When you enter a lease agreement, the contract is between the school and the leasing company. Simply choose the equipment you require and agree the price. A lease agreement is then drawn up by the leasing company. Once the lease documents have been signed and returned, arrangements will be made for the supplier to deliver the equipment. On receipt, the school signs a 'certificate of satisfaction', which effectively states that they have received and are happy with the equipment. The leasing company then pays the supplier. The school pays the company (the lessor) a regular rental payment, typically across two or three years.

What does it cost?

The rental is calculated by adding the equipment price plus the interest over the term of the agreement. The interest will depend on the amount you finance, the term of the agreement and frequency of repayments. It works just like a mortgage, the shorter the term the less interest is paid.

Is a deposit needed?

It is normal to pay a deposit in advance – typically equivalent to one or three month's payment. Once you take receipt of the equipment, the lease company settles the full invoice amount with the supplier and then takes monthly payments from you as per your lease agreement.

Things to remember

- ✔ Always read the small print of any agreement.
- ✔ Consider what happens at the end of the agreement.
- ✔ Match the agreement term to the end of the equipment's useful life.
- ✔ Check your supplier out – how long have they been trading and are they certified?
- ✔ Look out for additional charges such as documentation fees and administration fees, so you have a full understanding of total costs.
- ✔ Don't sign a 'certificate of satisfaction' or 'certificate of acceptance' before you have received delivery of the equipment as this document releases the money from the leasing company to the supplier.



Choosing a leasing company

Selecting the right company to work with is vital in successfully integrating digital technology into the classroom. As with entering into any new contract, when opting to lease equipment it is important to choose a reputable leasing partner. A recent BBC Panorama documentary highlighted the need to check the credentials of companies to avoid the few rogue operators in the industry. Remember to always choose a leasing company who is a member of an industry body such as the FLA (www.fla.org.uk) and NACFB (www.nacfb.org), which ensure best practice. Members of the NACFB operate under an Office of Fair Trading registered Code of Practice.

Why choose edde?

Given the rapid rate of technology change, leasing IT and computing equipment is an ideal solution. Working in partnership with schools, edde Limited for example, can arrange a highly competitive lease agreement for the required number of mobile devices (e.g. iPads) – anywhere from 25 to 2,500 – and also essential insurance cover.

Edde Limited has many years experience working within both the education and the IT arena. They can provide support all through the process, for example, helping to source manufacturers and equipment, attending school and/or parents' meeting to explain the administration of a parent contribution scheme, providing information and quotes on various options, or simply administering the scheme for you using the Parent Portal.

Edde can provide a lease solution tailored to your needs. The company can help your school finance technology and provide an easy to use scheme to let parents contribute to their child's technology costs. It can administer the entire parental contribution process on behalf of the school via the edde.education/parent-portal/ freeing schools from having to administer payments and leaving them to focus on learning. The edde Parent Portal provides teachers and parents with a simple one-stop system to track and fund each tablet acquired under the scheme.

In the case of parents, for example, they can log in to see the full details about their child's device including model number, first payment date, last payment date and whether they have opted to purchase the tablet at the end of the lease.

Using the edde parent portal for instance, parents have the choice of whether to purchase their child's iPad or tablet at the end of the lease for a small fee (£25.00+VAT), or can simply return it. In any case, the school will not be left with a large supply of 'old' equipment after the lease period ends.

Edde's leasing scheme for schools makes it much easier to ensure that every child has equal access to the technology regardless of parental income. The school retains complete freedom to set its own policies for type and number of mobile devices purchased, insurance required, the level of parental donations and the ability to build-in any exceptions or defaults to the rules. Once these details have been agreed, edde simply sets up the relevant rules on the Parent Portal, enabling everyone to use the system as required quickly and simply from day one. As a member of the National Association of Commercial Finance Brokers (NACFB) and an Associate Member of the Finance and Leasing Association (FLA), edde adheres to industry best practice. The company prides itself on providing an excellent level of service and complete transparency on all agreements.



**For more
information**

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