



North

Yorkshire County Council

Children and Young People's Service

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GUIDANCE FOR HEADTEACHERS, BURSARS  
AND HEADS OF ICT

Dear Colleague

#### LEASING AGREEMENTS – ICT EQUIPMENT

There is a requirement in LMS Procedure Rules that all leasing agreements, because of their technicalities, including ICT, should be subject to prior consultation with the Corporate Director - Financial Services - in advance of signature. **I continue to have evidence that this procedure is not being followed.**

**In any event my advice, both financially and operationally, is that schools should use leasing as a last resort. This may not be the line taken by sales people but let me explain why.**

Firstly, there are two types of lease, operating leases and finance leases. These leases are sometimes given different titles but the DCSF make it clear that schools are not allowed to borrow. Consequently finance leases are not permissible as this involves borrowing. Therefore, the only leasing deals which schools can enter into are operating leases. These can have very attractive rates but this is because at the end of a leasing period the equipment does not belong to the school. The leasing company, not the school, can decide what to do with its equipment. It can insist on taking the equipment back or charging a secondary lease to the school. Any clause or option to buy the equipment at the end of the lease implies it is a finance lease and is thus not permissible.

The terms and conditions on leasing deals are often very onerous. We use our lawyers to check the small print and they are often very alarmed at what they find.

New technology is ever changing and leasing arrangements are inflexible if a school wishes to change its provision during the life of a lease. Sometimes the ongoing or closing costs of any previous deal are built in (but hidden) to the costs for the subsequent deal; this is not good practice as you effectively pay interest on the extra costs incurred in prematurely terminating the first lease.

TO: ALL SCHOOLS

Our preference is for outright purchase, and schools seeking tenders or quotations (as you should) for computer equipment should make it clear in their specification that they are looking for outright purchase.

It is recognised that outright purchase may be difficult where the school is in a challenging financial position. However, the availability of licensed deficits and loan schemes are designed specifically to overcome this type of circumstance. This is because you can spend today but have the saving, having bought the equipment, over the lifetime of the equipment. This can repay any authorised deficit or loan.

If schools do wish to spread the cost over the life of the asset there is a deferred purchase scheme for ICT equipment, run by the Schools ICT Service, to cover all ICT purchases.

### Schools ICT Service

Many schools purchase services from the Schools ICT Service. A part of the basic service is advice on procurement. Please take advantage of this specialist advice. In approving any leasing deals (see below) I would expect you to have taken advantage of this 'free' source of advice available as part of the basic subscription. This advice will concentrate on the specification which will meet your purposes. Having decided on a specification the process of procurement can begin. Again the Schools ICT Service can help by use of a series of framework contracts, arranged on your behalf, for the provision and support for most of your standard needs.

Please note that this advice is available to school even if they are not purchasing through Schools ICT.

We do continue to strongly recommend, however, that schools purchase equipment through the Schools ICT Service. The Unit will shortly complete a major retendering exercise. We will provide further details as soon as they are available. The advantages are that equipment has been:

- quality checked
- subject to a prior tendering arrangement which means the school need not go through a tendering exercise
- provides a provision and support package usually in excess of the 'basic warranties' given by suppliers and purchasing consortia.
- facilitates effective support by the Schools ICT Service.

Clearly, schools do have the choice of how to procure ICT equipment but must always comply with School Contract Procedure Rules on quotations (or tenders) and contracts.

If schools wish to enter into a leasing agreement they must follow, for the reasons outlined above, the requirements of School Contract Procedure Rules on leasing and contact me for approval in advance of entering into the agreement. I have to say that when you contact me I will continue to give the sort of advice outlined above. It will be your final decision except I will not sign any leasing deal which has inappropriate terms, or approve or license any deficit, in relation to equipment which is not technically 'fit for purpose'.

**We have previously issued a Good Practice Note on the purchase of ICT equipment and a further copy is enclosed.**

### Other Leasing Arrangements

The advice set out above applies to other leasing arrangements. However, the provision of photocopiers by leasing is an exception as leasing is the 'industry norm'. If you use the contract arranged by NPG (contact PSFS via 01609 533459) there are no difficulties as the contract has been cleared in advance. If you are using an alternative supplier you should contact me and I will arrange a check on the legal terms and provisions.

Yours sincerely

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