

SECTION 10 - LEASING

Contents	Page
1. Finance Leases and Hire Purchase Agreements	1
2. Operating Leases	1
3. Acquisition of Equipment	2
4. Outright Purchases from Revenue	2

NOTE

When looking at options for purchasing versus leasing, all schools are advised to refer to the NCC Scheme for Financing Schools which contains details of the NCC Asset Loan and Equipment Purchase Loan Schemes.

1. FINANCE LEASES AND HIRE PURCHASE AGREEMENTS

- 1.1 The Local Government and Housing Act 1989 introduced a new system of capital controls for local authorities from 1 April 1990. One effect of this was to remove the facility to use finance leases or hire purchase agreements and so this method of acquiring equipment is no longer available to schools.

In no circumstances should a school enter into a Finance lease or hire purchase agreement as this is outside its delegated powers.

2. OPERATING LEASES

- 2.1 Operating leases may be used in order to acquire equipment, without these reducing the County Council's borrowing capacity.

- 2.2 For the acquisition of equipment to be met through an operating lease the following criteria must apply at the end of the agreement period:

- (i) ownership must not pass to the lessee (i.e. the school)
- (ii) any renewal of the lease must be at the open market rental
- (iii) any proceeds of the sale of the asset must not pass to the lessee (i.e. the school)
- (iv) the value of the equipment at the end of the lease must be at least 10% of its original purchase price
- (v) the lessee may not be liable to make up any shortfall between a specified residual value and the actual sale proceeds. It is the leasing company which must shoulder the risk.

- 2.3 It will be necessary to lease new photocopiers and computers over a period of no more than 3 years to ensure a 10% residual value at the end of the lease.

- 2.4 Please contact Catherine Jeffery for advice before signing any agreement. Contact details are as follows:

NCC Exchequer Accounting
01604 237179
CJeffery@northamptonshire.gov.uk

- 2.5 It should be noted that maintenance and training cannot be included in any lease agreement. This is a legal constraint imposed upon all Local Authorities through the Local Government and Housing Act.

- 2.6 All leased equipment is the property of the leasing company alone and must not be released to a third party without prior consultation with the leasing company.

If staff are unsure as to whether an item is leased they should contact Catherine Jeffery before doing anything with the equipment.

3. ACQUISITION OF EQUIPMENT

- 3.1 Schools should adhere to the regulations regarding the purchasing, tendering and contracting arrangements contained in the Property Management Handbook.

4. OUTRIGHT PURCHASES FROM REVENUE

- 4.1 The Local Government and Housing Act 1989 permits the purchase of equipment from revenue without its cost having to be deducted from the Council's capacity to spend on capital equipment.