



**ONE IT**  
SERVICES & SOLUTIONS

Printing Lease and  
Management software Advice  
for Schools

## Printing Advice for Schools

Due to issues that have arisen over the years with some schools leasing printers - One IT Services and Solutions thought it would be beneficial to produce some advice for schools to enable them to ensure they get best value for money and get printing solutions that adequately suits their needs.

Below is some information you can refer to should you wish to consult with printer company's regarding printing solutions and leasing.

### Initial Preparation

Prior to consulting with printing company's you should decide internally what it is you require for your school printing solution:-

- How many networked printers in school do you require
- Do you require to print in both Colour & Mono on every printer
- Do you require to print A4 / A3 ( or other sizes ) on all printers
- Do you require to print duplex on all printers
- Do you require security on any of your printers ( to release print jobs )
- Check your existing printers for pages per minute and decide if that's adequate

Once you have identified your requirements it is normally a good idea to consult with your ICT provider to ensure that what you require can be incorporated on your school network.

### Leasing Arrangements

In 2011 the Department of Education produced guidance on the leasing arrangements that schools may enter into and advises that the school should ensure they **only** ever enter into **operational leases** NOT financial leasing in respect of acquiring new assets.

(Please see "Appendix 1" for the Department for Education's Guidance)

	Finance lease	Operating lease
Who owns the asset	Leasing company	Leasing company
Who takes residual value risk	Not Applicable	Leasing company
Who is responsible for maintenance and repairs	Lessee	Leasing company if a maintenance contract is taken otherwise it is the lessee
Length of lease	Most of economic life	Part of economic life
Balance sheet treatment	On balance sheet	Off balance sheet

## **Printing Solution Providers**

One IT Services and Solutions have undertaken an exercise where we have spoken to both schools and several Print Solutions providers to produce a list of questions to ensure you get the correct solution for your school.

Having identified your schools requirements we would recommend you speak to at least 3 print providers to ensure you get the best value for your solution. We have found that rarely does one print vendor provide everything a school requires at a reasonable cost and speaking to other providers ensures you can “negotiate” the best deal on things like “cost per print copy”

## **Questions to ask Vendors**

To ensure they are included in the lease and not an added cost later:

- Are your leasing arrangement’s Operational Lease’s?
  - What is the duration of the lease (normally 3-5 years)
  - Is there a procedure or penalty’s for early release from the lease
  - Is there a procedure to continue after the full term and would the equipment be replaced?
  
- What Make and Model of printers do you use and are they all network devices?  
(We recommend RICOH, Toshiba and Olivetti)
  
- Does your print solution provide “New” not reconditioned or second-hand devices?  
(Also do they replace New for Old, should there be a problem)
  
- Are your consumables (Toner) electronically monitored by the Provider and automatically sent out to school?  
(This saves time without interaction from the school having to manually go and check every day and wait until the toner has run out, as the toner would be sent out when it reaches low ready for install.
  
- Does your print solution provide the ability to print from all Windows & Mac devices?
  
- Does your main Multi-Function Printer provide :-
  - Security – Push / Pull Printing (via PIN / Finger print / Card Reader etc.)
  - Scanning Tray & Scans per minute
  - Scanning to a shared Network Drive
  - Scanning to Email option
  - Colour Printing ( A4 / A3 / Duplex )
  - Mono Printing ( A4 / A3 / Duplex )
  - Collating & Binding option ( if Required )
  - Size of paper trays for both A4 & A3

- Does your print solution provide Print management software for Monitoring and pin release options?
  - What is the cost for this?
  - Does the Printer have a Hard Disk to accommodate this? (If so what size?)
- What are the pages per minute options on the printer models
- What are the Colour and Mono costs per page on the various printer models
- Are there any additional costs for management or supported devices that are not incorporated in the lease costs

### Printing Management Software Solutions

As part of this exercise we have looked into all the different printing management solutions available as we found each provider have there owe preferred. This is normally due to the print providers on costs, knowledge and training on one solution.

But if you request, most if not all print companies will happily install the software you choose. As with all things in ICT they move so fast and new software replaces the old, as new features and methods are created.

After looking at all the pro's and con's for each software solution:  
Cost, Support, Reliability and School network Integration (for usernames etc.)

Along with the knowledge One IT Services and Solutions we have worked along side lots of companies and different print software solutions. We would recommend "Paper Cut".

Several schools like the idea of monitoring print costs "Paper Cut" and if you wish to use security on your printers this type of software will be needed to be purchased and the cost of the software would normally be included as part of the lease

If you aren't sure and would like a demo, we could arrange for the "Paper Cut" (NG) version, to be installed on a 40-day FREE trial.

This is basically the same as the (MF) version, but missing some features like "Pin Release" designed for the larger Multifunctional Devices - (MF).

The cost for this would be significantly cheaper than the (MF) version and could be bought separately, meaning extra costs are not having to be incorporated within a lease arrangement.

The (NG) version will still allow you to monitor jobs and link to School network accounts, so you can find out who's using the most toner, allocate print credits (virtual money) and quotas to staff and students to help lower printing costs across school.

**We hope this information has been of benefit and please feel free to contact us should you have any further queries or would like to involve us in any print discussions with vendors.**

**Popular Print vendor Contact information**



**Tel: 01642 533 401**

The Grange Business Centre, Belasis Avenue, Billingham, TS23 1LG



**Tel: 01325 365 403**

106/108 North Road, Darlington, County Durham, DL1 2EQ



**Tel: 0845 456 0022**

Meadow Court, Dukesway, Team Valley Trading Estate, Gateshead, Tyne & Wear, NE11 0PZ



**Tel: 01642 309700**

4 River Court, Riverside Park, Middlesbrough, TS2 1RT



**Tel: 0141 353 1543**

Digital Solutions Ltd, 14 Dunblane Street, Glasgow, G4 0HJ



**Tel: 0113 387 4900**

Madeley House, 3 John Charles Way, Leeds, LS12 6QA

## Appendix 1

### **Finance and Leasing Association The Department for Education's Guidance on the use of Leases by Schools December 2011**

1. The Department's current Guidance to schools states:

*"A Finance Lease is equivalent to you committing the school to a loan, which is prohibited under current legislation." (Academy Procurement Resource: Buying for your Academy)*

*"An Operating Lease is the only type of lease a school should enter into. These leases involve the school paying a rental fee for the hire of an asset for a period of time, and are similar to a rental agreement. No other types of lease, such as a Finance Lease or hire purchase, may be entered in to by the school as this is a form of borrowing." (Buying Goods and Service section of Department's website)*

2. This advice is widely replicated by local authorities. For example:

*"Operating leases may be arranged directly by schools with finance companies or the companies providing the equipment. However it is essential that schools check that the above criteria are met within the terms of a prospective lease as failure to do so will result in the agreement being deemed to be a finance lease. Under the legislation finance leases are defined as borrowing. Governors are precluded by law from borrowing and may not therefore enter into any such arrangements." (Devon County Council)*

*"All LA-maintained schools are expressly forbidden from entering into any form of Finance Lease without approval of the Secretary of State for Education. This constitutes borrowing and is prohibited under section 3.9 of the LA Scheme for Financing Schools (June 2009)." (Leicester Country Council)*

*"Finance leases are borrowing, which is therefore illegal unless the Secretary of State has given written permission." (Hertfordshire County Council)*

3. We set out below the reasons why we believe this advice is inaccurate and increasingly becoming an obstacle to schools' cost-effective management of their equipment needs.

#### **What the law actually says**

4. The relevant law includes Schedule 1 of the **Education Act 2002**, which allows schools to borrow only if they have permission of the Secretary of State. But the Act does not itself consider whether Finance Leases are borrowing.
5. The **School Finance (England) Regulations 2011** restrict the use of local authority education budgets. Capital expenditure is only permitted if it is expected to be charged to a revenue account of the authority within the meaning of Section 22 of the Local Government Act 2003. Again, the Regulations do not themselves set out what should be charged to a revenue account.
6. The **Local Government Act 2003** refers to the need for local authorities to maintain revenue accounts to comply with proper practices, but again does not include a description of how this might apply to leases. Part 1 of the Act requires local authorities to have regard to the Prudential Code for Capital Finance in Local Authorities (see para 10 below).

7. Statute law does not in fact state whether finance leases constitute borrowing, or should be charged to revenue accounts. Public authorities must therefore refer to the relevant accounting guidance and codes of practice.
8. These include the **Code of Practice on Local Authority Accounting**, which takes the form of a Statement of Recommended Practice (SORP) approved by the Accounting Standards Board. It is widely regarded as describing “proper practice” for the purposes of local government legislation. But again, the Code does not itself set out rules governing the charging of leases. Instead, it refers to UK Generally Accepted Accounting Practice (GAAP).
9. The current UK GAAP for leasing (used by local authorities) is the **International Accounting Standard (IAS) for leases, IAS 17**. IAS 17 describes differences between Operating and Finance Leases, but again does not state that Finance Leases should be treated as borrowing by public authorities.
10. It thus falls to the **Prudential Code for Capital Finance in Local Authorities** to set out whether Finance Leases should be regarded as borrowing. Paragraph 67 of the Code (2011 Edition) states that an Authority’s capital financing includes other long-term liabilities including “*finance leases, deferred purchases and similar arrangements in respect of long-term credit*”. This is further clarified in the definitions at paragraph 73, which include the statement: “*Other long term liabilities’ in this Code relate to the liabilities which are outstanding under credit arrangements (as defined by statute for authorities in England, Wales and Northern Ireland).*”
11. In summary, the law itself does not directly set out any restrictions on the use of Finance Leases. The key document is the Prudential Code, which states that Finance Leases are capital financing, and hence borrowing, *if they are credit arrangements*. The rest of this paper considers that question.

### **Most, if not all, Finance Leases are in fact Hire, not Credit, arrangements**

12. By law, any financial arrangement that a school enters into when investing in new equipment may be either a Credit or a Hire arrangement. A Credit arrangement is defined as borrowing, a Hire arrangement not. They are clearly distinguished in law. Customers of Consumer Credit and Consumer Hire have different legal protections – for example, s56 and s75 of the Consumer Credit Act apply to Credit and not to Hire agreements.
13. Section 15 of the **Consumer Credit Act 1974 (CCA)** defines hire as “*An agreement made by a person with an individual for the bailment or (in Scotland) the hiring of goods to the hirer, being an agreement which (a) is not a hire purchase agreement and (b) is capable of subsisting for more than three months*”. Commenting on this section of the Act, Goode’s Commercial Law (4th Edition) – the leading commentary on credit law – observes that “*Although hiring may often perform a similar function to credit, and the spread of instalments may be very hard to distinguish from those in an instalment sale, there is no deferment of a debt; the hirer is paying for distinct periods of possession, and in strict theory that is a cash payment for each such period. Indeed, it is precisely for that reason that the draftsman felt it necessary to provide that Hire Purchase is to be treated as credit*”.
14. The relevance to the subject of this paper is that both Operating and Finance Leases are in fact Hire agreements. A school entering into a Finance or Operating Lease for equipment is not borrowing money that needs to be repaid. It is hiring equipment in return for a monthly rental.
15. This is illustrated by a recent example from another part of Government. The Energy Act 2008 defines the ‘owner’ of equipment as “*the person in possession of the plant under a hire purchase*

*agreement, a conditional sale agreement or any agreement of a similar nature.*” In establishing the Renewable Heat Incentive this year, Government lawyers determined that “any agreement of a similar nature” would include leasing agreements *only* if they contained a purchase option. It follows that where there is no purchase option for the plant, the lease is a Hire not a Credit arrangement.

16. By law, therefore, most, if not all, leases should be seen as Hire agreements. This means that such leases are not covered by the Education Act requirement to seek the Secretary of State’s approval for borrowing, contrary to the Department’s current advice to schools.
17. For completeness, it is worth observing that UK GAAP’s definition of some Hire agreements as on-balance sheet Finance Leases does not change the legal position.

### **Why the Department’s Guidance matters**

18. The Department’s current Guidance is having a number of detrimental effects on schools. First, they may be put off, or prevented from, properly assessing all their options for equipment investment. They may only consider Operating Leases, or may simply conclude that all leases are too complicated. This matters, because Finance Leases are often more cost-effective than Operating Leases, simply because they typically involve replacing the equipment less often. Some schools may, as a result, end  
  
up paying more for their equipment than they need to. Others may be unable to invest in the new equipment they need, with a detrimental effect on school performance.
19. These problems are particularly acute for Academy schools, as we understand the Department is applying its current interpretation of the Education Act without any flexibility for these schools, while practice among local authorities varies.
20. We are also aware that some equipment suppliers and other parties may be taking advantage of the situation, claiming that they have the only ‘compliant’ or ‘approved’ arrangements. Again, these are very unlikely to be the most cost-effective options for schools.
21. The cost of leases to schools is probably already higher than it needs to be, and is very likely to increase, due to the increased costs faced by finance companies as a result of the problems outlined in this paper. Finance companies often now need to obtain confirmation from local authorities that the Secretary of State’s approval has been given. And they also have to deal with claims by some schools that their lease agreements are invalid because they had not obtained the Secretary of State’s approval.
22. In addition to the costs associated with these problems for the leasing industry and schools, the Department and local authorities are expending unnecessary effort on ‘policing’ the use of Finance Leases by schools. We think the associated costs are likely to be over £1.5 million per year.
23. For all these reasons, we hope the Department will agree to conduct an urgent review of existing guidance in this area.