

Maximising Budgets in Times of Inflation.

For
Schools



INTRODUCTION

Inflation has arrived and it isn't going away anytime soon. Coupled with worldwide equipment shortages, schools are having to take an even more proactive approach to secure the ongoing development of their teaching environment.

In this guide, we explain the impact of inflation on the school budget and look at ways in which schools can minimise this effect and maximise the performance of their spending.

WHAT IS INFLATION?

As if budgets weren't already stretched enough, along comes the highest inflation rates for years, resulting in us all getting less "bang for our buck". Literally translated, inflation makes your money worth less, so you'll have to spend more for the same goods and services in the future. In short, when inflation increases, your purchasing power decreases.



OTHER FACTORS

When you factor in that we're also still feeling the impacting effects of the pandemic, it's a double whammy, not least of all in the technology arena, where a worldwide shortage of micro-processors has led to a shortage of technology devices, in particular computers and interactive screens. So when your school comes to place an order it's highly likely you'll be paying significantly more than before and you'll have to wait weeks, and in some cases months, for delivery.

So it's worth planning ahead for the next 2-3 years!



IN HIND SIGHT

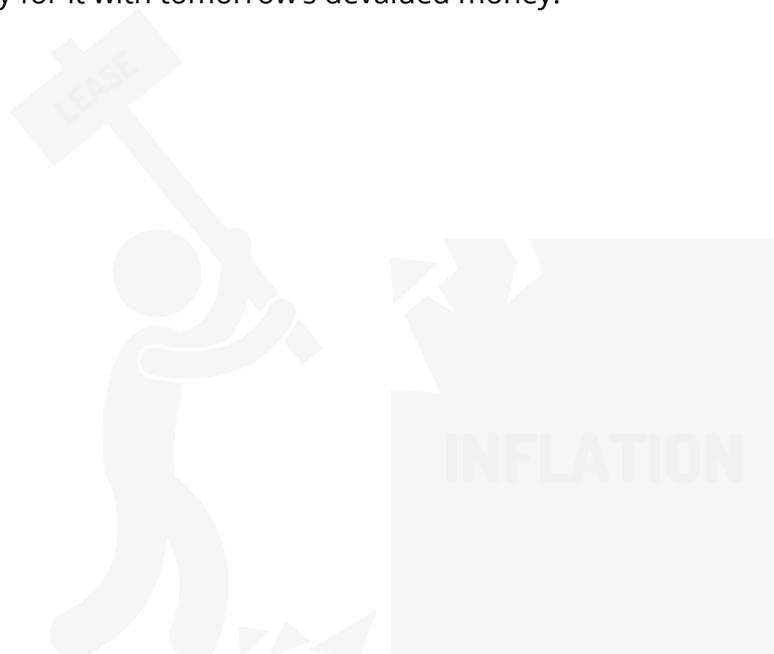
Now had we possessed the gift of prophetic foresight and been able to see six months ago what was going to happen to gas, electricity and fuel costs in today's market, it would have been worth buying in the resources for the next two to three years at the then lower price. As it stands even economising on usage, we will be all be paying more for the same or less usage. The same applies to equipment and it's certain that you'll be paying more for equipment over the next few years than you would today.

A litre of fuel which would have cost you £1.21 four years ago, will cost you £1.62 today!

THE SOLUTION?

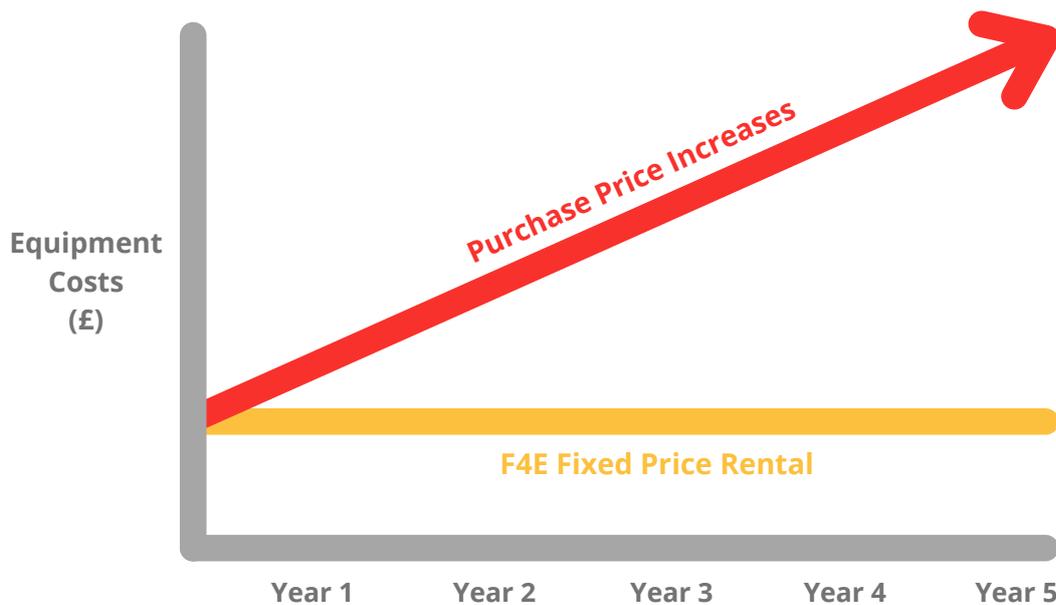
It's a gloomy outlook but the good news is there is an alternative.

In times of inflation, leasing combats the effects of future price increases as it enables schools to acquire equipment at today's prices. In essence leasing acts as a "hedge against inflation". It provides the school with an opportunity to get all the future equipment it needs now at today's prices and pay for it with tomorrow's devalued money.



FIXED PAYM ENTS

The F4E rentals are "inflation proof" as they are fixed throughout the period of the Agreement and will not increase even if interest rates increase. This provides for accurate forward planning budgeting and what every School Business Manager is after - financial certainty.



HOW IT WORKS

Let's take a look at a working example within a school...

Suppose a school intends to refresh its I.T. and as a result plans to replace 50 laptops/PCs each year for the next 3 years.

Today's cost of the laptop is £500, however this price will increase in a year's time to £600 and the year after to £650. These inflationary costs will either reduce the school's purchasing power or mean they have to find extra money.

Year	Cost of Laptop	No. of Units	Total Cost
0	£500	50	£25,000
1	£600	50	£30,000
2	£650	50	£32,500
Total Spend			£87,500

BUYING BECOMES EXPENSIVE

If on the other hand the school budget remains fixed at £25,000 per year, its purchasing power reduces which in turn will compromise the I.T. refresh program.

Year	Cost of Laptop	No. of Units Withn Budget	Actual No. of Units Required	Total Cost
0	£500	50	50	£25,000
1	£600	42	50	£25,200
2	£650	38	50	£24,700
Total Units		130	150	

Shortfall = 20 Laptops

Either way the school's plans are compromised as a result. The budget spend increases or they get less units for the money.

LEASING OVERCOMES INFLATION

PART 1

Now let's see how leasing nullifies the inflation effect:

The school acquires all 150 laptops at today's price of £500 and pays for this over 3 years.

Year	Rental Cost	No. of Units
0	£27,880	150
1	£27,880	0
2	£27,880	0
Totals	£83,640.00	150

The lease saving over the outright purchase is £3,860!

LEASING OVERCOMES INFLATION

PART 2

So you can see from this example, not only does leasing the equipment combat inflation, it greatly assists in forward planning as the rentals remain fixed.

This means Business Managers can rely on future financial certainty and because the school can now receive all the units in one go, the teaching and learning experience is uniform throughout the school.

It's a **"win-win"** for students, teachers, Business Managers and Headteachers!

Option	Within Budget?	Total No. of Units	Objective Achieved?
1. Buy Now	No	150	✗
2. Buy Over 3 Years?	Yes	130	✗
3. Leasing	Yes	150	✓

DECISION MAKING

External factors play havoc when you're trying to budget and continually invest in your teaching and learning environment at the same time. There isn't an exact science for it however this diagram should assist you when making decisions on how to fund new equipment for your school.



Dfe CHANGES LEASING RULES

You'll be familiar with the term "operating" lease! Up until recently, these were the only type of leases which schools were permitted to use. By the very nature of these Agreements they contained a final unspecific residual payment which invariably provided an "unexpected surprise" at the end of the Agreement and negatively impacted upon the school budget.

In April 2022, IFRS 16 - a new Accounting Standard for leasing - was introduced which scrapped the distinction between operating leases and finance leases. This now means that schools are no longer restricted to operating leases, which is good news, as they no longer have to account for the large residual payment at the end of the Agreement. All the payments can now be structured over the period of the Agreement. This provides more transparent, unambiguous figures and allows for accurate forecasting and planning.

INTEREST RATES

Let's not forget about interest rates. Right now, they are still low, but as you've probably heard, it's likely we'll see multiple increases this year. This is a typical response to combat inflation. But while this approach has proven effective in the past, it's also a fairly slow burn – it may take months/years to combat, especially since this inflation is largely pandemic-influenced. The supply chain, fuel sanctions and overseas issues that are driving this, may well be long-term problems.

So not only is the equipment you need likely to be at its lowest price right now, the cost to lease it is also at its lowest price right now.

5 WAYS LEASING CAN HELP

01

Price Rises / Inflation

Equipment costs are increasing, sometimes by the day. By Leasing, the school can lock in today's price and avoid any future price increases.

02

Fixed Inflation-Proof Lease Payments

The payments are guaranteed to be fixed throughout the lease so Business Manager's get financial certainty which allows for accurate forward budgeting.

03

Invest in the Correct Solutions

The school can get everything they need now instead of just the items they can afford without compromising on specifications and quantities.

04

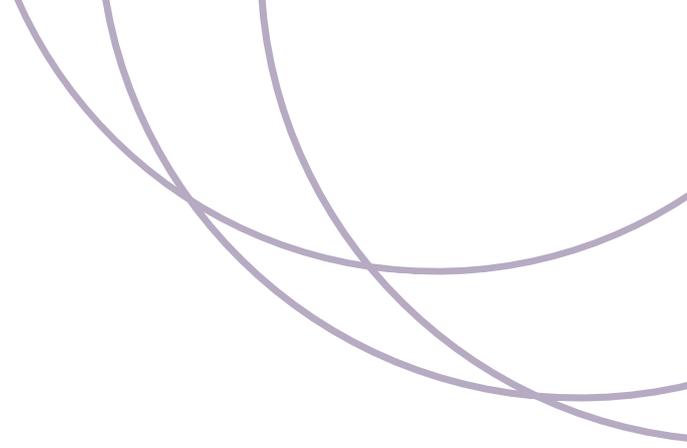
Schools Can Keep Their Contingency Pot

Energy prices are increasing and it's not clear as to when this will level out. Schools will need to keep hold of their capital funds to cover utility bill increases.

05

Don't Wait for the PTA to Raise the Funds

PTA's do an amazing job of fundraising for their schools however for larger projects, this can take time. Meanwhile, any price increase will make the job harder.



THE FINAL WORD

Leasing provides an inflation proof solution to any school equipment requirement and if you want to maximise the performance of your school budget, it makes perfect sense to buy in the goods and services needed for the coming years at today's prices, and pay for them over time, using future devalued money.

ABOUT F4E



Who Are Funding 4 Education?

For nearly two decades, the Funding 4 Education leasing program has been helping schools of all shapes and sizes get the equipment they need, when they need it. We're currently trusted by over 3,500 schools to look after their equipment needs.

Working exclusively in the education sector, our flexible independent leasing program enables the school to get the equipment they need rather than what their budget permits, allowing the school to deliver the ultimate learning experience.



Why Schools Choose to Lease With Us

Our payment plans put schools completely in control, tailoring payment plans to suit your budget. We offer flexible payment plans so you can either pay monthly, quarterly, termly or annually. F4E focus purely on education finance so we know how to handle all of your equipment needs.



Examples of Equipment We've Leased

We've leased a brand new, fully equipped sports hall including new sports nets, flooring and sports equipment. Another school was kitted out with a brand new IT suite filled with Apple iMacs and furniture. One school completely upgraded their DT department by leasing 3D printers and laser cutters.

F4E CAN HELP YOUR SCHOOL

This guide was specially produced for schools in the UK. We hope you will benefit from the information. We'd be delighted to hear from you if you have any feedback or if there's anything we can help your school with.



Email Us

schools@f4e.co.uk



Call Us

01625 415 400



Write to Us

Merlin House, 8 Grove Avenue,
Wilmslow, Cheshire SK9 5EG



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Funding 4 Education work with over 3,500 schools across the UK to help them better manage their equipment procurement process. If you're looking for some new equipment and would like to spread the cost, get in touch with our team today by calling 01625 415 400.



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01625 415 400



schools@f4e.co.uk