

finance matters



Stay on target

Creating and maintaining a business plan is vital to your setting's financial wellbeing, says **Sian Nisbett...**

So many businesses fail to produce a business plan – and by this I mean a real, relevant document as opposed to something that was produced in the year dot when the company began and has never been touched since! In these tough economic times, a current business plan could mean the difference between success and failure.

A well-written, realistic business plan helps you focus your attention to where your business needs it. It will show peaks and troughs in income (in early years childcare this may be a dip in income in August as children leave early before going off to school) and help you project how this may affect your business operation. Knowledge is power! Understanding how these fluctuations in income will affect your bottom line helps you focus on reducing costs in the lead up to that period.

Your plan should have a cash-flow forecast as well as a profit and loss forecast. Everyone in business should have a sound understanding that profit does not always mean a healthy cash-flow. Using sensible, realistic figures in your cash-flow forecasting can help identify shortfalls in cash before it becomes an issue. This knowledge will enable you to address that shortfall by approaching funding sources. Which leads me to...

Funding sources. No funding source, investor or bank manager will look at your request for finance or funding seriously if you cannot prove that your business is sound and sustainable. A solid business plan will include projections showing that you can afford to meet loan repayments, and is a fundamental part of finance applications.

Finally, it needn't be as detailed as a full



about the author

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marketing plan, but a business plan can also help to identify ways that you are going to market to your target audience. Look at what your competition offer and then look at what it is that you do differently. Why would parents come to you? A business plan is a great way to enable you to really reflect on the question "Why would parents choose my nursery over my competitors?" If you don't know the answer, you have a problem!

Getting started

It looks scary to begin with, but most banks offer free advice on how to start writing your business plan. Even if you have been in business for years, it's still worth collating the information into a document. Remember that once a business plan is written, it's a working document and can be changed regularly to reflect your current business position.

If applying for finance, remember to include the following:

- A CV to show your experience in your industry (and that you know what you're talking about!).
- A brief history of the business.
- A plan of where the business is headed in the next year.
- Financial information.
- Marketing aims and objectives.

Dealing with a crisis



JOHN WALKER, NATIONAL CHAIRMAN, FEDERATION OF SMALL BUSINESSES, HIGHLIGHTS THE

IMPORTANCE OF BEING PREPARED FOR FINANCIAL PITFALLS...

Many businesses will have faced a financial crisis at some point during their life. That's why good cash-flow management is important. For most of your businesses, your customers will pay you in advance and this can be a good way of managing cash-flow – but you need to ensure in your planning that you're focusing on profit, not just turnover. You need to account for what's coming in, not just on a weekly and monthly basis but plan for the rest of the year, and ensure that you know when everything needs to go out – your rent, bills, and invoices – so that you don't get hit with a bill at a time when you haven't the cash to cover it.

Preparing and using a cash-flow forecast will help you avoid, or spot early, any financial problems on the horizon. It will also allow you to anticipate occasions when you might have an issue, for example, during the summer when there may be less demand for your setting.

We know that more and more firms are going to the bank to resolve cash-flow issues. These rarely resolve themselves, so you need to take swift and positive action and talk to your bank if you're worried. They'll appreciate that you're on top of the situation and doing your homework, and may be more receptive if you have a plan of action and know when you may be able to repay an overdraft or loan. In all, the more planning you can do the better.

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64%
PROPORTION OF NURSERIES WHICH INCREASED THEIR FEES IN 2011.

SOURCE: NDNA