

# finance matters

## Incomings & outgoings



Careful budgeting will help you manage your business's performance, says **Sian Nisbett**...



### about the author

Sian Nisbett is the director of Dizzy Ducks Day Nurseries Ltd, an 'outstanding' provider which operates four settings in Essex.

**T**he key to financial stability is to understand your business and be able to accurately predict where it's headed. Budgets force managers and owners to consider 'what if' and how any fluctuations or change in trends may affect their business sustainability.

In my business, the use of budgeting and reporting helps managers and senior staff gauge their own performance. It enables the senior staff to have a joint view of how the overall business is performing alongside how their particular nursery contributes to that.

At a basic, one nursery level, it's even more important that managers and owners have a clear vision of their budgets in order that they can control spending and outgoings and monitor income. Income is often overlooked when planning budgets, but it is important to keep it in mind. If your income drops, this will affect every other part of the budget, which will need to be reduced in order to counter the drop in income. If you aren't monitoring it, how will you know when to react?

### Save on salaries

In our business, 75 per cent of our entire costs are staff salaries. This is the most sensible starting point when looking at your costs. Are you overstaffed in any areas? Could your rotas be tweaked to reduce your costs? A good example of this is where one of my nurseries was overstaffed on a Friday but understaffed and relying on bank staff on a Monday. Jigging the rotas round meant that we were able to staff both days properly, and avoid any using

bank workers, saving £100 per day. Over the course of a year, this equates to over £5,000 which is a massive saving, for just the sake of juggling rotas!

The next biggest spend is rent. Why not try to negotiate a rental reduction or freeze at your next opportunity. My motto is that if you don't ask, you don't get!

### Controlling spending

Every month, we produce management accounts, which are reviewed and passed on to the managers. These accounts use a 'traffic light system' that highlights underspends (green), slight overspends (amber) and huge overspends (red). This system ensures that anyone can pick them up and see which areas need to be addressed. In a single setting, this can be done as simply as using a highlighter pen and having a 15-minute conversation every month with those who have control over spending.

By allowing my managers to access these reports, I've given them the ability to control their own spending. They have an understanding that there is not an endless pot of money which can be spent on resources, but they also understand that if they make savings in some areas of the budget, money can go towards other areas (a good example of this is where a manager made a conscious effort to reduce spending on bank staff salaries in order to save money to refurbish the sensory garden). It's a win-win situation!

## Pension preparation



**JOHN WALKER,**  
NATIONAL CHAIRMAN,  
FEDERATION OF  
SMALL BUSINESSES,  
EXPLAINS THE

**IMMINENT CHANGES IN WORKPLACE PENSIONS LAW...**

Workplace pensions law is changing. The new rules mean every employer will have to provide a pension for any of their UK employees who are aged between 22 and state pension age and earn more than £8,105 per year, and who are not already in a scheme, according to the latest report from the Department for Work and Pensions.

The date you have to comply – known as the staging date – will depend on the number of employees you have and will begin for the biggest businesses this October. Businesses with fewer than 30 staff will have until April 2017 to enrol all their employees in a scheme.

As a business owner, you will need to assess who is eligible to join and enrol them into a scheme, but staff can choose to opt-out. There is a government-backed scheme – the National Employment Savings Trust – which has an obligation to accept all employers who want to join, but you can use other schemes that are open to automatic enrolment. The FSB also has its own pension scheme available to members.

Once you have a scheme you will have to register with the Pensions Regulator and keep records to show that you have registered eligible staff, and from the staging date you must contribute to your chosen pension scheme on behalf of your employees. Employer contributions will begin at one per cent and increase to three per cent of the employee's salary over time. The employee will also contribute, as will the government.

**For more information on the new law, visit the Pensions Regulator's website at [www.tpr.gov.uk/7-steps](http://www.tpr.gov.uk/7-steps). For details about the FSB's pension scheme, visit [fsb.org.uk/pension-scheme](http://fsb.org.uk/pension-scheme)**

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**THE MINIMUM PERCENTAGE OF AN EMPLOYEE'S EARNINGS BUSINESSES MUST CONTRIBUTE UNDER THE NEW LAW.**

SOURCE: PENSIONS REGULATOR