



Purnima Tanuku,
Chief Executive
of the NDNA,
explores the
importance of sustainable
business practice...

protecting YOUR profit

It goes without saying that many nursery owners and managers set up their nurseries because they are passionate and dedicated to providing excellent services for children. But whilst delivering a high-quality service is vital, it is equally important to ensure that said nurseries are sustainable and healthy. A strong business is one that is set to weather any forthcoming storm and deliver for families for many more years to come, and one that can reinvest in important areas such as quality development and staff skills and training.

Here we take a look at some of the most commonly asked questions on sustainability.

Q I don't feel comfortable making a profit when parents themselves might be struggling to pay their fees. Is it okay not to?

A Profit should not be considered a 'dirty' word. All nurseries – including those in the voluntary sector – need to make sure that they are making a surplus, and doing so is an indicator of a healthy nursery that will be able to continue to deliver high-quality services for families. In particular, a margin will give you a cushion against future developments – for example, if a number of families left unexpectedly you should still be able to cover your costs. Not making any surplus at all is a dangerous position.

It is also important that you think about how you will invest in areas such as workforce development and equipment, and how you will cover those unplanned-for costs in your nursery. If you are not making any extra, now is the time to look carefully at both your fee structure and where you might be able to make cost savings to give you that much needed margin without large fee increases for parents.





findoutmore

The NDNA is the representative organisation for children's nurseries, and supports settings across all sectors to deliver the best possible care and early learning for children, and ensure that nurseries are sustainable. For further information about NDNA and the support available, visit www.ndna.org.uk

Q Debt is rocketing in my setting to the point that I am owed thousands and thousands of pounds. I don't want to take these parents to court – what can I do?

A Debt is an issue for many nurseries. The difficulty is when you offer a caring and supportive environment, parents might expect a similar approach if they face difficulties paying you. But being owed thousands of pounds is not acceptable and is in fact a threat to the survival of your business. A firm but fair approach is vital. Court action is a last resort – not only is it a difficult process, it is likely to signal the breakdown of the relationship with the parent.

As a first step you should request a meeting with each of the parents that owe you money. At this, you should discuss the situation and agree how they are going to repay you. It is possible to be sensitive to their needs – if the debt is because of their own situation perhaps you could design a repayment plan that breaks this down into manageable chunks. However, the parent must be made to understand that they must stick to this and speak to you if for any reason they cannot meet the agreement.

If you have a number of parents who owe you money, this could indicate a wider problem with your approach to debt management. You must look carefully at your approach to the collection of fees. Do you have a policy which clearly outlines when fees are required, and are parents fully aware of the process if for any reason they won't be able to pay you on time? This should also show how you will support a parent who faces difficulty, but equally highlight that it is not acceptable for a parent not to pay. Discussing this should be a key part of the induction process. No nursery wants to ask a child to leave, but your policy should show at what point you will undertake this action if the parent is repeatedly not paying and refuses to meet with you to come up with a mutually agreeable solution to the debt.

Implementing these measures should help you to address the situation and avoid a repeat of it in the future. Debt is a difficult situation, but you must face up to it to avoid damage to your nursery – good luck!



Q The current economic climate is putting a real squeeze on my nursery. What can I do to stay afloat and support my parents?

A It is a tough climate at the moment, and the NDNA understands that many nurseries are looking at innovative strategies so that they can weather the storm. With a number of parents losing their jobs, or being asked by their employers to work less hours, this is having a knock-on effect on nurseries.

To ensure that your occupancy is managed, it's important to be flexible with parents – perhaps you can offer them part-time hours, or hold their place whilst they find another job. Remember to remind them that a change in circumstance might make them eligible for help with the cost of childcare if they haven't been before – a significant proportion of parents, for example, don't claim their entitlement for tax credits. This can all help to ensure that children continue to benefit whilst supporting your business.

Cost control is also vital. We would recommend that you undertake a review of all your costs, as this can make significant savings. You can gain some excellent deals on services such as utilities, insurance and telephone by shopping around, and this will all help strengthen your business financially (members of NDNA can access special discounts on a range of services).

Make sure that you are also accessing the support that is available to you as a nursery. There is actually a great deal of funding out there which can help with areas such as staff training and even the purchase of new equipment. Contact your local authority early years department to see what you can make use of. This will help you continue to move your nursery forward without any significant cost implications.

Finally, it is important to ensure that you are fully aware of all aspects of your business and that you do not ignore any problematic areas or symptoms that might indicate that your nursery is in financial difficulty – such as bank accounts that are permanently in the red. You can contact NDNA for advice and support, but local authorities also often have pots of sustainability funding available. This can support you during hard times, but it is very important you audit all aspects of your business to ensure that it is strong enough to weather future issues, as none of these are permanent solutions.