

planning for the future



In the second of a series of articles, **Purnima Tanuku**, chief executive of the NDNA, answers some common questions about building a strong and sustainable nursery business...



Q I haven't raised my fees for two years but with rising costs, I really need to review them. When is the best time to do this, and how should I approach the subject?

A Increasing fees is a sensitive subject – after all, none of us like paying more for something – so you must approach the subject firmly but fairly. Two years is a long time not to have put your fees up, especially in light of rising costs, and it could mean that parents expect your fees will not rise. You may want to call a meeting to allow you to explain the reasons behind the increase rather than informing them via a letter. As part of the process you must calculate what your rise will actually be and question if this will be affordable for parents. If it's a large increase because you haven't reviewed fees in a while it's important that you stage the increase or look for ways to reduce this, for example, by seeing if you can cut costs.

Similarly, you must be clear about explaining the rises to parents to manage any issues. As part of this you must make sure that you have the facts at your fingertips. For example, you may want to stress how you have avoided the fee increase for the past couple of years, but that with rising costs it is now unavoidable. If you have improved staff wages, or invested in the nursery, explain this to parents and how this supports a quality environment for their child. It's also helpful if you can relate the increases to personal situations – for example, all will have experienced the effects of the rising cost of food, fuel and utilities.

Going forward, you may wish to review parental contracts to state when fees will be reviewed and any increases implemented. This can then be covered at the parent induction, and families will therefore be aware you do review fees and expect the possibility of an increase. Make sure you're prepared for any questions about the rises, and remind parents to check their entitlements for help with childcare.

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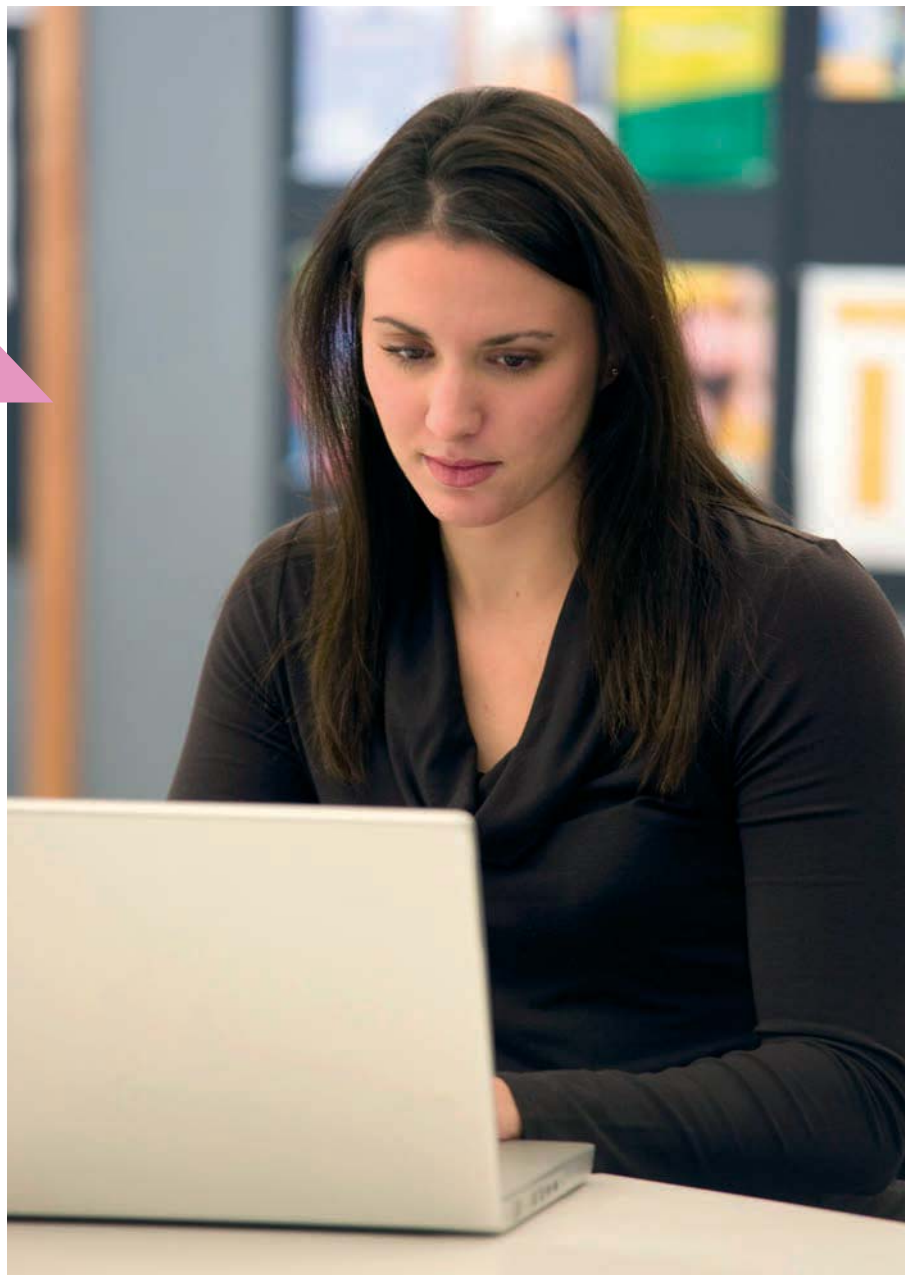
NDNA is the national charity and membership association for children's nurseries across the UK, supporting settings across all sectors to deliver the best possible care and early learning for children whilst ensuring they are sustainable businesses. If you have a question, or want to know how NDNA can support you, visit www.ndna.org.uk

Q I am keen to cut costs in my setting but want to maintain standards. Is this possible?

A It's important that all nursery owners and managers keep a tight rein on costs. The money that you save can be invested in important areas such as staff development and can also mean that you can keep fee increases lower for parents.

There are many areas you can save money on without compromising quality. In an increasingly competitive market providers are often willing to negotiate, and you can make savings on areas including gas, electricity and services such as nursery insurance. In addition, ensure that you're making use of any discounts that might be available to you. For example, if you're a member of NDNA you can automatically access discounts on everything from insurance to toys and training. You can also look for funding for areas such as training. Local authorities have pots of money that will cover the costs of areas such as staff development – and there's often free training which you can send your staff on. Contact your local authority early years department to ask if they have any funding to support you and how you can apply for this. Make sure that you look for services that you might pay for now but can be accessed for free elsewhere – for example, NDNA has a free legal helpline that can answer queries on everything from HR to parental contracts. Assign a day to sit down and check that you are getting the best possible deal on everything. Even if you don't want to switch from your existing supplier, why not obtain a couple of competitive quotes and see if they're willing to match it?

Of course no nursery wants to compromise on quality, but there are many areas in which you can cut costs easily. NDNA has a free costing tool on its website – www.ndna.org.uk (available to all nurseries) – which will help you think about and identify every penny that you spend and highlight areas where you might be able to reduce costs. Good luck!



Q We're thinking about expanding our nursery with an extension so we can offer more places, but we're not sure it's a good idea in these uncertain times. What do you advise?

A If the demand for your planned services is there, then expansion can be a good idea. However, you do need to ensure that any expansion is sustainable in the long-term and will pay for itself. As part of this, you'll need to have a clear business plan for how you'll fill the places the expansion will create. Research your market – you may have lots of interest in your setting, but how are these enquiries converting into take-up of places? Will the expansion change what's unique about you and impact on its success – for example, if you market yourself as a small, homely 20-place nursery, expanding by another 50 places could mean you're targeting a very different type of parent. Make sure that parents locally will want the service you offer.

It's also important to consider how you'll finance your expansion – can you access a good deal, and if you are taking a loan, what sort of impact will this have on fees? You must be sure that you can sustain the cost of finance if you'll have an initial period where your extra places will run at a loss. Alternatively, expansion doesn't have to mean expense. If you're keen to increase your revenue, why not survey your parents about any extra services they might need? Holiday clubs, dry cleaning services and even home cooked meals to 'take away' are all services that your parents might be willing to pay for, and things you could introduce without significant investment.

