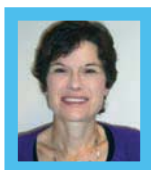




should we ask for more?



Claire Schofield, director of membership, policy and communications at the National Day Nurseries Association, looks at how early years settings can manage increases in their fees...

Whilst the country might not be technically in a recession (*at the time of writing, at least!* – Ed.), the news continues to be full of stories about how the global economic crisis is affecting us all. From business closures, to the rising cost of living, and reports on the ever-growing numbers of jobseekers, it is clear that the current climate remains challenging.

Many parents are all too familiar with the difficulties involved in balancing the household budget – whether they are a single parent struggling following the recent cut in tax credit support, or come from a squeezed ‘middle income’ family long overdue an inflationary salary rise, they will be feeling the pinch. A significant proportion of settings report that they are seeing the effects of this strain, with some families falling behind with their childcare bills or reducing their childcare hours as they attempt to balance their finances.

This can put settings in a difficult situation: the last thing they wish to do is put families under more financial pressure by raising fees, yet equally, they are

facing increasing bills thanks to rises in food costs, utility bills, wages and, in many cases, even more of a loss to subsidise as a result of the funding gap when delivering free nursery places.

It is important to remember that your business must be financially sustainable, but there are also steps you can take to try and soften the impact of any necessary fee rises. This article will explore how you can keep fee rises to a minimum, and explain how you can successfully communicate any increase with parents so that they remain understanding of why such increases might be necessary.

Settings may feel **uncomfortable** with the idea of a profit or surplus, but even **voluntary** and **charitably-run nurseries** have to make something extra to **invest** in important areas

Controlling costs

When running a busy setting it is easy to put off tackling the finances until 'you have the time', but it is critical that you both maintain an in-depth understanding of the financial state of your nursery, and have basic financial planning in place. This can help you avoid any sharp fee increases for parents and help you run a financially sustainable business.

As part of this, you should factor in a profit. Some settings may feel uncomfortable with the idea of a profit or surplus, but even voluntary and charitably-run nurseries have to make something extra to invest in important areas. A surplus enables you to invest in staff, renew resources and make planned improvements. It also acts as a cushion – for example, if you suddenly found a large number of children were leaving your setting, a surplus can be used to sustain you through the quiet period in between filling these places back up through a programme of marketing.

Equally, having a tight financial control process and understanding all your business expenditure can enable you to keep fee increases in check. Direct debits make it easy to pay bills, but also make it easy not to keep an eye on what you are paying. By sitting down every month and checking what is going out, you can ensure that your nursery is receiving enough income to pay these outgoings comfortably – and it will allow you to spot if any of your regular outgoings are creeping up.

Can you make savings on these so the cost increase does not have to be passed on to your parents?

Get to grip with your outgoings

Nurseries have a range of obvious – and not so obvious – costs. It is more difficult to plan when certain resources might need to be replaced due to wear and tear, or plan ahead for unexpected costs such as emergency repairs.

As such, it is very important that you have a financial plan in place, and that you understand what your level of occupancy needs to be for your business to remain sustainable. To support nurseries across the country, NDNA has developed a free 'costing tool'. This provides a template for you to complete, and reminds you of all the different types of expenses you need to think about. It

Pennies make pounds

The old saying is very true – especially for settings with lots of outgoings. Sitting down for just one day a month to examine every outgoing to see if you can get a better deal can be an extremely worthwhile exercise. You could even make it an exercise for staff to be involved in – perhaps offering a bonus of a special lunch if you can hit a cost-saving target. A quick phone call to check with other suppliers that you are getting the best deal only takes a few minutes, and may potentially save you hundreds of pounds. Consider if you can make bulk buys on items such as nappies, hand towels and gloves – suppliers may be able to offer you a big saving if you can do this. Even if you don't particularly want to switch from your existing supplier, remember getting a competitive price means that you are able to ask them if they can match it! (If you are an NDNA member you can also get significant discounts on areas such as nursery insurance and resources.)

also helps you to see what level of occupancy you need to reach before you are in the black – and what the effect of different changes in your occupancy might be. All of this will enable you to plan ahead for busy and quiet times and to make sure you have control of your costs, which in turn will help you plan what your fee increases may be. All nurseries can access a copy of the costing tool at www.ndna.org.uk/costingtool.

Remember, in all of this you should consider staffing expenses and any salary rises – your staff are one of your most valuable assets, and it is important that you plan ahead any pay increase you intend to give them so it can be reflected in your fees.

By making savings where you can and planning ahead, you can reduce the need for fee increases that might overburden parents. Some settings negotiate their expenses so successfully that they have managed to temporarily freeze fees during this difficult economic period. However, you must balance your natural desire to support parents with the need to be a sustainable setting in the long-term.

Communicating with parents

So, you have calculated what your fee rise is going to be – but how do you tell parents? It goes without saying that this can be challenging, especially if you know that families are experiencing their own financial difficulties. But there are some steps you can take to make this difficult task more successful, and ensure that parents understand that it is crucial to your ability to offer their child high-quality care in the long term.

Some nurseries choose to make it clear at induction and in contracts that parents can expect an inflationary rise each year. Others set times of year that fee rises will be implemented and tell parents that they will update them as to whether a rise will be put in place – either way, the key to success is good quality communication to make sure your parents are fully on board. Keep the following in mind when the time comes to approach the subject:

↑ Give parents plenty of notice. Write to all parents at least two months before the fee increase takes place so they have time to prepare. This links to you having strong

It is very **important** that you have a **financial** plan in place, and that you understand what your **level of occupancy** needs to be for your business to remain **sustainable**

↑ Outline your supportive approach. Offer parents sources of advice about help such as childcare vouchers and childcare tax credits. Make them aware about your fee collection policy and how you will always try to find solutions where parents are struggling, for example, due to a change in job and salary payment date or where a partner has lost their job.

Fee increases will, of course, never be a popular topic of discussion for parents – after all, nobody likes to pay more for a service. But if they are vital to the continued sustainability of your nursery then you must not be afraid to put them in place through a confident programme of communication.

findoutmore

Visit ndna.org.uk for further information and advice on becoming a sustainable nursery, including details of how NDNA membership can help you.

financial planning in place so you can calculate this.

↑ Be clear about why the fee increase is necessary. If it is to reward staff and make sure that you can retain them, tell parents this.

↑ From the time that parents are informed, try to have a plan of action in place to make sure they know and have read the information you have sent. Make yourself available to discuss any queries or concerns.

↑ As part of the above, ensure staff are properly briefed about the increase and can speak directly to parents about it. They might not be able to answer in-depth queries, but they should be able to help parents understand the necessity of an increase and know to direct concerned parents to the manager.