

# Ready FOR anything

**Rhian Sewell**, sustainability programme lead at charity 4Children, outlines the steps early years settings must consider when planning a secure financial future...

**T**he *Financial Times* describes business sustainability as representing resiliency over time. A sustainable business is one that can withstand short-term shocks, changes and issues and is part of the lifeblood of a flourishing economic and social community.

A well-managed childcare setting fits this description perfectly. Many childcare settings, however, are reporting that they are concerned about

their long-term sustainability. In a 4Children survey of all childcare providers carried out in October 2011, 42 per cent of respondents reported that they had become less financially sustainable over the previous 12 months. Settings noted that particular issues which were causing concern included:

- Reduced parental income
- Changing parental working hours
- Increased costs (including rising rents and utility costs)

In the same survey, business sustainability was reported as the biggest challenge that settings felt they would face in the near future, with 35 per cent of respondents identifying this issue as their biggest worry. As many as 10 per cent of those responding felt that there was a real possibility that their business might not still be operating in a year's time.

So what can settings do to improve their prospects of sustainability?

## 1 Business planning

The most important thing that settings can do is to plan. It's an old business truism that "failing to plan is planning to fail", yet many setting managers and owners still think of business planning as a necessary evil and spend as little time on it as possible. The simple process of drawing up a business plan will enable you to consider

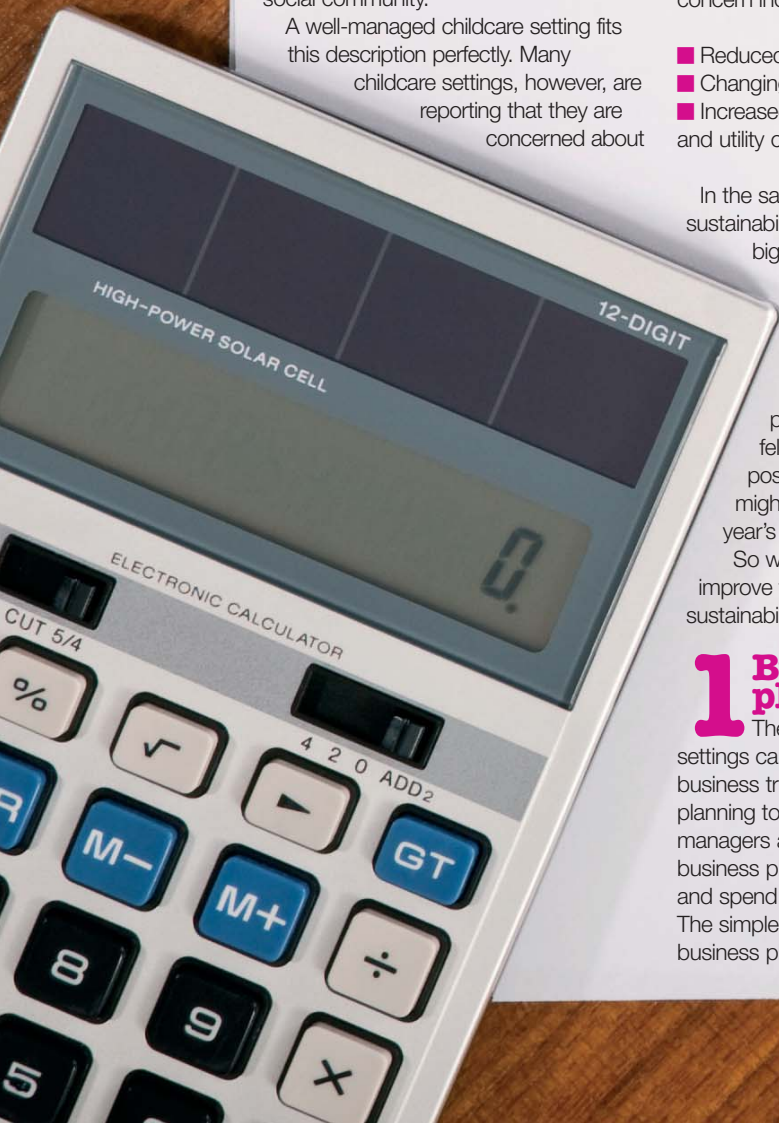
all aspects of your setting and what you need to do to sustain it. You should also have ideas about what you expect from your business and how you want it to develop.

Thinking through these ideas and pulling them together into an overall business plan (as outlined in more detail on p85 – Ed.), will help you to manage your business and achieve your goals. Once you have a plan in place, using it to manage the setting means that you will be regularly reviewing how your setting is performing against your original expectations and you can make adjustments as needed to keep your business on the right track.

## 2 Understand and manage your finances

One of the main reasons that small businesses fail is a shortage of cash in the organisation. Business sustainability is not just about ensuring that settings bring in more income than they spend over the course of a year. It is also about ensuring that the business's cash situation is monitored and that the business has enough cash to meet its obligations, for example, staff wages, rent and utility bills, as they arise.

Understanding your finances is critical to running a successful and sustainable setting. At the most basic level, you cannot set your fees at a sustainable rate until you have analysed how much each place costs to offer. Financial planning is often the least popular element of business management but it is essential and there are lots of tools to help you, as well as people who can offer guidance.





**find out more**  
4Children is a national charity supporting children and their families. Visit [foundationyears.org.uk](http://foundationyears.org.uk) for more information on running a sustainable setting.

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You need to think about three key areas of financial management:

- **Forecasting** – setting your budget and planning your cash-flow.
- **Management information** – what you need to keep an eye on regularly to ensure that the business is healthy, on track and has enough cash.
- **Your financial records** – what records you need to keep in order to help you plan for the future and to make sure that you are compliant with any regulations from HMRC, Companies House or the Charity Commission.

There are many sources of advice and templates out there (such as on the Business Link website) to help you with financial planning, and your local authority or organisation may also be able to work through a plan with you. You could also consider talking to your bank or accountant to help you with producing your plans in the first instance.

**3 Enjoy marketing**  
Successful marketing plans are just as important to your business as successful financial plans, though they tend to be more enjoyable to write and carry out! Marketing isn't only about advertising: a good marketing plan will focus on what messages you want to give out to your customers – what impression are you trying to create for the client base you are reaching out to?

Your knowledge and awareness of your target market, the children and families that you want to provide care for, will underpin your plan, so you'll need to set aside time to carry out lots of market

research. Your customers are the people who decide whether or not you stay in business, so it's important to think about what their needs are.

One of the most important things to remember about marketing is the strong link between the quality of a setting and

its success. Many parents select their childcare provider based on recommendations from family and friends. Making sure that the quality of care that you provide is known to be excellent is one of the best ways of guaranteeing your long-term sustainability.

### Ask for help

**IF ALL THIS PLANNING AND ANALYSING SEEMS DAUNTING, DON'T WORRY – THERE ARE LOTS OF PEOPLE HAPPY TO HELP YOU!**

#### Local authorities

Most local authorities have members of staff who can advise on business planning and issues, as well as on quality of care and education. Do contact them if you have concerns.

#### Banks

Your bank will be pleased to have your business and wants it to be a success. Most banks have small business advisers – contact yours to find out what they can do for you.

#### Council for Voluntary Service

If you are a voluntary managed setting, you could get support and advice from your local Council for Voluntary Service. Visit [ncvo-vol.org.uk](http://ncvo-vol.org.uk)

#### Business Link

Most of Business Link's support is now done online and their website is excellent in providing tools, advice

and templates – visit [businesslink.gov.uk/bdofdot/action/home](http://businesslink.gov.uk/bdofdot/action/home)

#### 4Children

As part of a DfE funded project, 4Children has a number of information pages with links and downloads to support marketing, business sustainability and management, as well as an online business health check. Visit [4children.org.uk](http://4children.org.uk) for more information.

#### Grants and funding sources

If you have a specific project that you need to fund, you may be able to apply for a loan through your bank, but you may also want to consider some of the grants that are available. Many will be targeted at voluntary sector providers, but not all. Grantfinder ([www.grantfinder.co.uk](http://www.grantfinder.co.uk)) is a useful source of information.