



## Transcript of my presentation to the Nursery World Business Summit 8<sup>th</sup> November 2017

I'm going to kick things off with some ideas about surviving 30 hours, and then I'll be handing over to Ken and Jo to share with you some of their experiences of delivering through the Early Implementer pilot, and beyond into this year.

Over the past 13 years, I have specialised in providing training in good business practice for owners, managers and committee members from early years settings. With a background in financial services and business consultancy, and a desire to support small businesses, I began working in the Early Years sector and found myself on a steep learning curve about the unique way in which early years providers are funded. My personal experience of delivering early years provision comes from my work over the same period as the early years lead governor in a school-based setting in Cambridgeshire. Our small nursery has typically delivered a very limited 15 hours term time only service, and we have had to come to terms with the challenges presented by the 30 hours policy as we were starting to lose children last year to other settings who were able to commit to delivering 30 hours. I will call on some of these experiences as I'm speaking to you today.

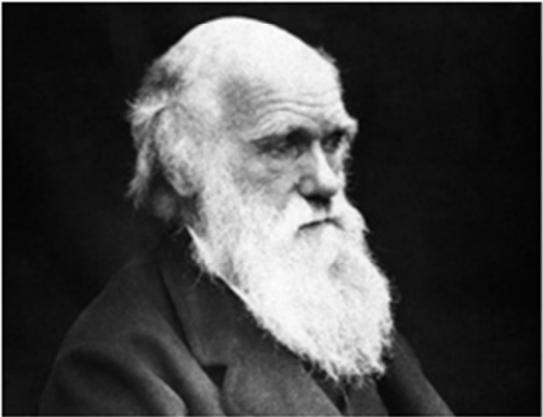


I often describe an early years business as a three-legged stool. What we do has to meet the needs of the children, it has to meet the needs of parents and families, and it also has to work for the business. And just like a three-legged stool, if any one of these three legs is weak, the whole thing topples over. So that means, early years business owners and managers focusing time and energy on making sure that all three legs are

strong, and healthy, and in balance. The introduction of the 30 hours extended entitlement has placed greater emphasis on the parent leg, and has created significant challenges for the business leg to deal with, while some would say, over-looking the importance of the child. Today I'm going to focus on the business leg with some reference to parents but please don't think that I have forgotten about the children. I truly haven't, but will leave that for others more able than me to talk about.

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**“It’s not the strongest of the species that survives, but the one most responsive to change”  
(Charles Darwin)**



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Charles Darwin once said that *“It’s not the strongest of the species that survives, but the one most responsive to change”*. This is likely to be true for the early years and childcare sector over the coming years.

“Change-ability”, as I call it, should perhaps be considered our most essential business competence. In this presentation, I’m going to examine some of the challenges that are currently impacting on the sector, including of course the 30 hours policy, and help you to think about how to develop “change-ability” so that you and your early years business are more able to face up to those challenges - and turn them to your advantage. For a business, “change-ability” could also be described as business resilience. Developing “change-ability” therefore involves things like strategic planning, contingency planning (looking at the ‘what ifs’), future-proofing by building in flexibility, and risk management.

## Preparing for the journey ahead



I'd like you to think now about planning to go on a journey. Maybe you're the sort of person that just jumps in the car and off you go, but most of us probably do a bit of planning and preparation, especially if we're travelling a long way with children. Checking out the news and weather reports might be a first step for us to take so that we know about possible road closures and other obstacles that we might encounter.

So for me the first step in preparing for your journey into 30 hours delivery is about understanding the context of that journey for your early years business. And here I don't mean just the sector context, but the wider context.

## Disruption and upheaval



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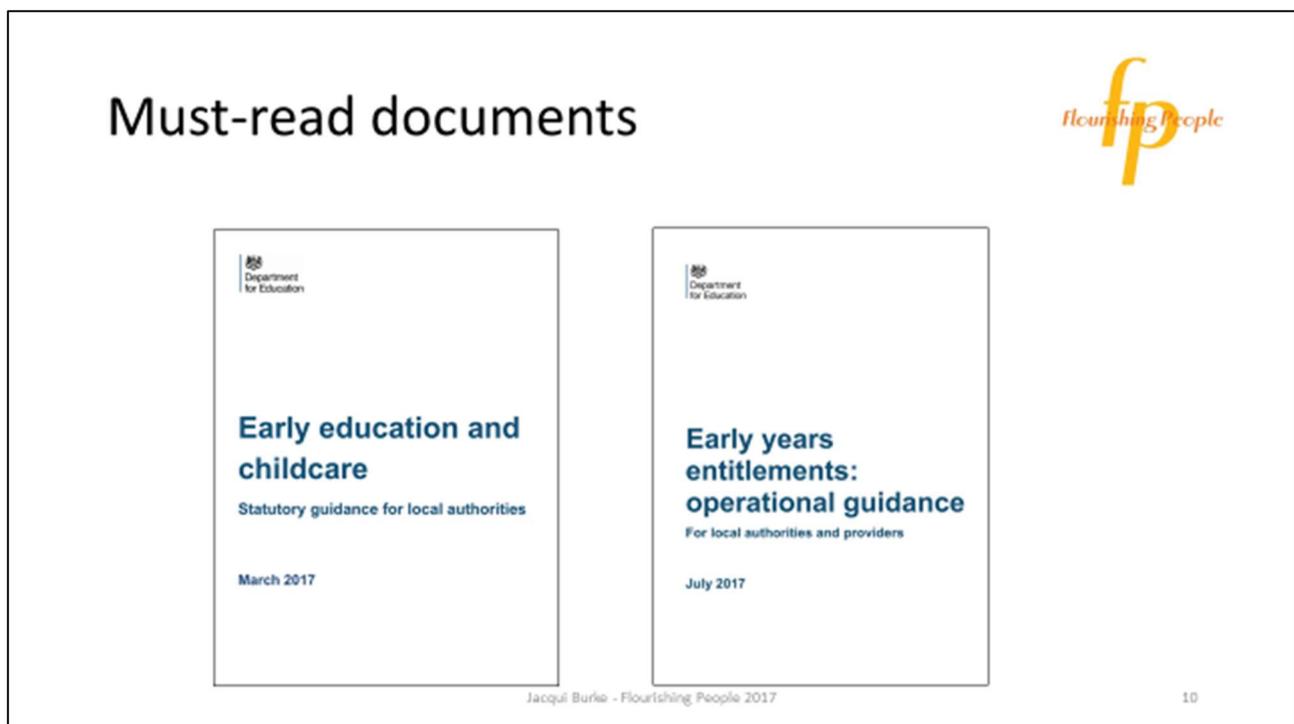
History is likely to record the past couple of years as a period of significant change, disruption and upheaval for the UK political and economic landscape. We've had two referenda (Scotland and Brexit), two General Elections, one change of Prime Minister, major upheaval within all of the main political parties, a challenging economic recovery with continued shrinkage of the public sector - and that's just in the UK. Add to that the US election result and political turmoil around the globe and we can see how challenging the context has become. Many of these events can seem to be happening way in the distance and to have little relevance for a UK based early years business. But look at how sub-prime lending to homebuyers in the American Mid-West led to a global banking crisis. The impact was far-reaching: most UK businesses and individuals have been, and continue to be affected.

For the early years and childcare sector specifically, change continues to be imposed upon us at an unprecedented rate, creating a climate of confusion, disillusion and hostility. The 30 hours policy has meant early years businesses having to review every aspect of their delivery model – from opening hours to ratios, charging strategies to marketing. The degree of complexity involved in making changes to so many interlinked aspects of our businesses at once has meant some managers who lack change management and strategic business planning skills have, in some cases, found themselves unable or unwilling to make the changes needed to survive sustainably in the future, and have decided sadly to call it a day. How many small committee-led settings will cope with such a complex and challenging environment?

But always remember that this sort of unsettled environment creates business opportunities for others to step in. We can see from other sectors that the industry disruption caused by newcomers such as Uber, AirBnB, and low cost airlines such as EasyJet has been transformational. Even in the education sector, the commercial opportunity to run multi-academy trusts has been grasped by companies such as the Harris Federation – who'd

have imagined the former chief executive of CarpetRight running schools! At a recent early years trade show I had conversations with people currently operating care homes, with a multi- academy trust and with a group from China, all of whom are actively eyeing up the UK early years sector looking for opportunities to step in. This means that early years providers are likely to see more structural change in the sector involving new entrants to the market, as well as mergers and acquisitions, with larger chains becoming more dominant, making it more challenging for smaller providers to compete.

Understanding your context ensures that the decisions you make and the plans you put into place are grounded in reality and not in wishful thinking, hear-say or myths. There are four key pieces of research to do here:

A presentation slide titled 'Must-read documents' with the 'Flourishing People' logo in the top right corner. The slide displays two document covers from the Department for Education. The left cover is for 'Early education and childcare: Statutory guidance for local authorities', dated March 2017. The right cover is for 'Early years entitlements: operational guidance: For local authorities and providers', dated July 2017. At the bottom of the slide, there is a small attribution 'Jacqui Burke - Flourishing People 2017' and a page number '10'.

First, do your groundwork by reading the regulations (I am constantly surprised how many providers I come across who still haven't read the documents produced by the DfE). Ok, they're not an exciting read but not to read them is the business equivalent of someone deciding to open an early years setting but not bothering to read the EYFS.

|  |  |   |   |
|--|--|---|---|
| <p><b>Political</b><br/>         BREXIT -&gt; uncertainty about impact or timescales<br/>         Elections -&gt; possible policy shifts<br/>         Austerity policy continues -&gt; removal of LA funding and support<br/>         Drive for schools to provide more childcare -&gt; increased competition<br/>         Welfare reforms -&gt; pressure on women to return to work</p>   | <p><b>Economic</b><br/>         Low interest rates -&gt; favourable borrowing terms<br/>         Fall in £ -&gt; higher costs<br/>         NMW increases and pension contributions -&gt; higher staff costs<br/>         Rent and business rates increasing -&gt; higher premises costs<br/>         30 hours free entitlement funding rate -&gt; sustainability challenges<br/>         Apprenticeships -&gt; changes to qualifications regime</p>                  | <p><b>Social</b><br/>         Low unemployment -&gt; more women working so greater need for childcare &amp; more job applicants<br/>         Immigration -&gt; diverse communities -&gt; a need for cultural &amp; language awareness<br/>         New housing developments -&gt; increased demand<br/>         Parents' expectations -&gt; high quality provision</p>  |  |
| <p><b>Technological</b><br/>         Parents' expectations -&gt; online booking, e-invoicing, social media updates etc<br/>         Government expectations -&gt; electronic returns<br/>         New tax free childcare scheme &amp; 30 hours -&gt; online registration for providers &amp; parents<br/>         E-safety risks -&gt; cyber security<br/>         New systems -&gt; staff training, hardware, software costs<br/>         Poor internet in rural areas -&gt; can't connect with parents or government</p> | <p><b>Legal</b><br/>         DBS checks -&gt; administrative burden<br/>         Regulation changes e.g. paediatric first aid, food safety and allergens, data protection -&gt; keeping up to date &amp; compliant, retraining<br/>         Employment law changes following BREXIT<br/>         -&gt; currently unknown -&gt; keeping up to date &amp; compliant<br/>         Ofsted -&gt; understanding recent changes to EYFS and Common Inspection Framework</p> | <p><b>Environmental</b><br/>         Climate change -&gt; flooding risk -&gt; increased insurance premiums or no cover<br/>         House building -&gt; new families moving into area<br/>         Premises expansion -&gt; builders on site -&gt; safeguarding concerns<br/>         Reduced bus services in rural areas -&gt; drop in numbers &amp; eventual closure<br/>         Cost of nappy disposal &amp; other waste disposal -&gt; increasing costs</p> |   |

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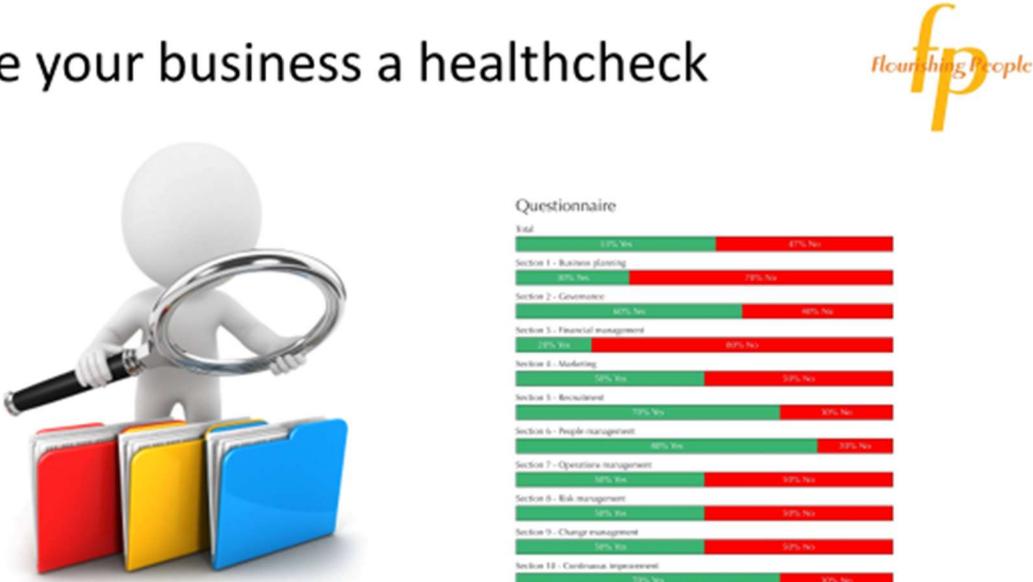
Secondly, conduct an up to date PESTLE Analysis, scanning the wider environment and taking stock of all of the external factors that might cause you to need to make changes to your early years business in the coming years. Remember also that your context is constantly evolving, so take steps to keep yourself up to date. Make it easy for yourself to do this by letting other people do the leg work:

- Sign up to update services such as those provided by government organisations such as Ofsted, the DfE and ACAS
- Seek information from your membership organisations (NDNA, PreSchool Learning Alliance and PACEY)
- Follow useful organisations on Twitter to enable you to develop a constant, up to date overview of the national and local context for your business
- Get newsletters and attend briefings put on by local lawyers and accountants about changes (for example, I'm booked to attend a Post Budget Briefing a couple of days after this month's Autumn Statement)
- And of course read quality publications like Nursery World.

Thirdly, coming back to my car journey - the AA would recommend that before you set out on a complicated journey, you make sure your vehicle is in a healthy state, you get it serviced, you check the tyres, the oil etc. Well the same is true, I believe, for early years providers setting out on their 30 hours journey. I've had many conversations over the past year or so with providers who don't have an accurate picture of their income, their costs, their parent base etc. In fact we faced this problem in my own setting. When we started to discuss delivering 30 hours we found that our nursery costs were so tangled up in our whole school budget that it made it impossible to really understand the impact that it would have. So there was quite a lot of work to do

just to gain a better understanding of our current position before we could even begin to consider if we could deliver 30 hours sustainably.

## Give your business a healthcheck



**Questionnaire**

|                                     |          |        |
|-------------------------------------|----------|--------|
| Total                               | 100% Yes | 0% No  |
| Section 1 - Business planning       | 80% Yes  | 20% No |
| Section 2 - Governance              | 80% Yes  | 20% No |
| Section 3 - Financial management    | 100% Yes | 0% No  |
| Section 4 - Marketing               | 50% Yes  | 50% No |
| Section 5 - Recruitment             | 70% Yes  | 30% No |
| Section 6 - People management       | 80% Yes  | 20% No |
| Section 7 - Operations management   | 80% Yes  | 20% No |
| Section 8 - Risk management         | 80% Yes  | 20% No |
| Section 9 - Change management       | 80% Yes  | 20% No |
| Section 10 - Continuous improvement | 70% Yes  | 30% No |

Thanks for completing the questionnaire! Please see below for details.

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A business healthcheck is something that I strongly recommend that providers do in order to make sure that they really thoroughly understand how their business is performing, how fit it is for the journey ahead. I've been developing my own tool which is now available on my [website](#), but there are many others around. The results from this sort of self-assessment provide great evidence for your SEF, but more importantly give you a clear indication of your business strengths (which can be exploited and developed when entering into the 30 hours market), and also your vulnerabilities. It would, I believe, be fool-hardy for any provider to enter into such a market without taking a good hard look at themselves first. A business that is already in a fragile state might find that offering the 30 hours is the final straw that tips them over the edge, or might find that it becomes their saving grace.

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Understanding parental demand

RELIABILITY?

HOURS?

SUPPORT?

MEALS?

EDUCATION?

WEEKS OF THE YEAR?

FLEXIBILITY?

ENVIRONMENT?

WORKING PATTERNS?



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The fourth and final piece of preparatory research that I'd recommend focuses on the parent leg of my three-legged stool and. Focusing on parents means designing your service offer based on a really thorough understanding of what parents in your area want and need. What are their working patterns? Do they need you at weekends? Do they need very flexible provision to meet their shift patterns? What are they passionate about?

Good business practice is about finding these things out first then designing your business model around those needs. I find that early years providers often do things the other way round – deciding what they're going to offer because it works for them, and then going out to try to find parents who might want what they're offering. You might be lucky and find you've discovered a niche that no one else has, but you might find that what parents want and need doesn't match exactly what you are offering. This was certainly a lesson we learnt when we started to talk to parents beyond those stay-at-home mums who were already using our 15 hours service. And I can recall a training room a few years ago with about a dozen new providers. As I went round the room asking each one what their business objectives were they all said the same thing "we're going to provide services for x number of 3 year olds." By the time we got to the final few people, they'd started to do the maths and the penny had dropped. None of them had researched how many places were needed for 3 year olds in their city, and none of them knew how many places were available.

Knowing your parents really well will also help you to understand how best to work with them within the new regime where eligibility certification is the parent's responsibility. If you operate in a community where lots of parents are just coming off benefits and entering into potentially unstable work, or where there are low levels of IT literacy or high EAL needs, the new regime means you're going to have your work cut out for you just to manage the admin involved in confirming eligibility. Finding out what sort of support your parents will need

from you in order to make sure that your income from funding is assured is crucial. The teething problems with the HMRC portal haven't helped this year (but as I was saying to people this time last year "It's a new government IT system – what do you think might happen when it goes live!" I wish I'd gone and put a bet on – it was a dead cert!

So doing your research is important – understanding the regulations, the wider context, the current state of your business and your parents.

## Use a business sat-nav to plan your route



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Business planning is a bit like programming a sat-nav – it needs to know where you're trying to get to, where you're starting from and what roads you will travel on your journey in order to work. So think about your business plan as your business sat-nav to ensure that you implement the 30 hours offer in a way that is financially sustainable.

Maybe you wrote a business plan when you first started your business, and have simply updated the contents over the years. I would suggest that for many settings, introducing the 30 hours offer needs a much more radical rethink. Many of the nursery owners and managers that I come across fail to do this sort of strategic planning, getting bogged down in keeping things going on a day to day basis. A well-informed business plan using the information that I've already described will help to lift you out of the day to day and enable you to look to the future.

Once you've got a business plan in place that sets out how you will deliver the 30 hours, the key then is to refer to your plan regularly and use it to keep you on track. Just like a sat-nav, it's no use if you leave it in your glove compartment. Regular reporting and monitoring against your business plan will not only keep you on

track, it'll also help you to make decisions when you're at a cross-roads, enable you to monitor your progress and to take swift corrective action if things aren't going to plan. And just like having a sat-nav in your car it can take away the stress and worry about the business aspects of your work, allowing you to focus more of your attention on the children.



A good way to do this regular monitoring is to create a single page dashboard that summarises the key indicators that tell you if things are running according to plan. These key performance indicators or KPIs are like the dashboard in your car. They should tell you at a glance what's on track, and alert you to anything that might be starting to go awry. A traffic light system using red, amber and green is a simple way of monitoring and reporting. We're now using this approach in my own setting with a termly review taking place. This is also the approach that underpins my book [Building Your Early Years Business](#).

So what are some of the indicators that you will might want to include in your early years business dashboard to ensure you survive the introduction of the 30 hours?

First, occupancy:

- Make sure that you understand the occupancy rate that you need to cover your costs
- Map out your occupancy over the course of a week to identify periods when you're not full and map it out over the course of a year so you can see the seasonal peaks and troughs
- Target your marketing to attract new customers, particularly to fill those quieter times

- Offer patterns of provision that make best use of your availability. Your non-working parents particularly can be slotted in around others. We no longer ask those parents if they want mornings or afternoons, we tell them what we have available.

If you are full, think about how you might create additional capacity. This might be about extending your hours, or using your space differently. For my own setting we've done both this year.

Think also about getting the right mix of children. Different children bring different levels of income and profit to your business. Getting the balance right between funded hours and paid for hours is essential, and between different age groups of children. Consider how each new child that you decide to take will impact on this overall pattern. This sort of modelling took us a while to get right but it's been well worth the effort.

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Don't guess!

There is no short-cut  
to doing the maths!



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And so to finance. I'm not going to steal Jo and Ken's thunder here, or repeat messages about the under-funding of the sector, but will just make a couple of points. I'm sometimes asked by providers "what's the best model for making 30 hours work profitably?" But there is no magic formula. There is no short cut to doing the maths for your business. Never rely on industry average figures or what works in someone else's business.

## Calculate your break-even



How much does it  
cost you to provide  
one hour of care?

Be clear about how much it costs you to provide each hour of care for each child. Think carefully about the fees you charge for additional hours and for any extras.

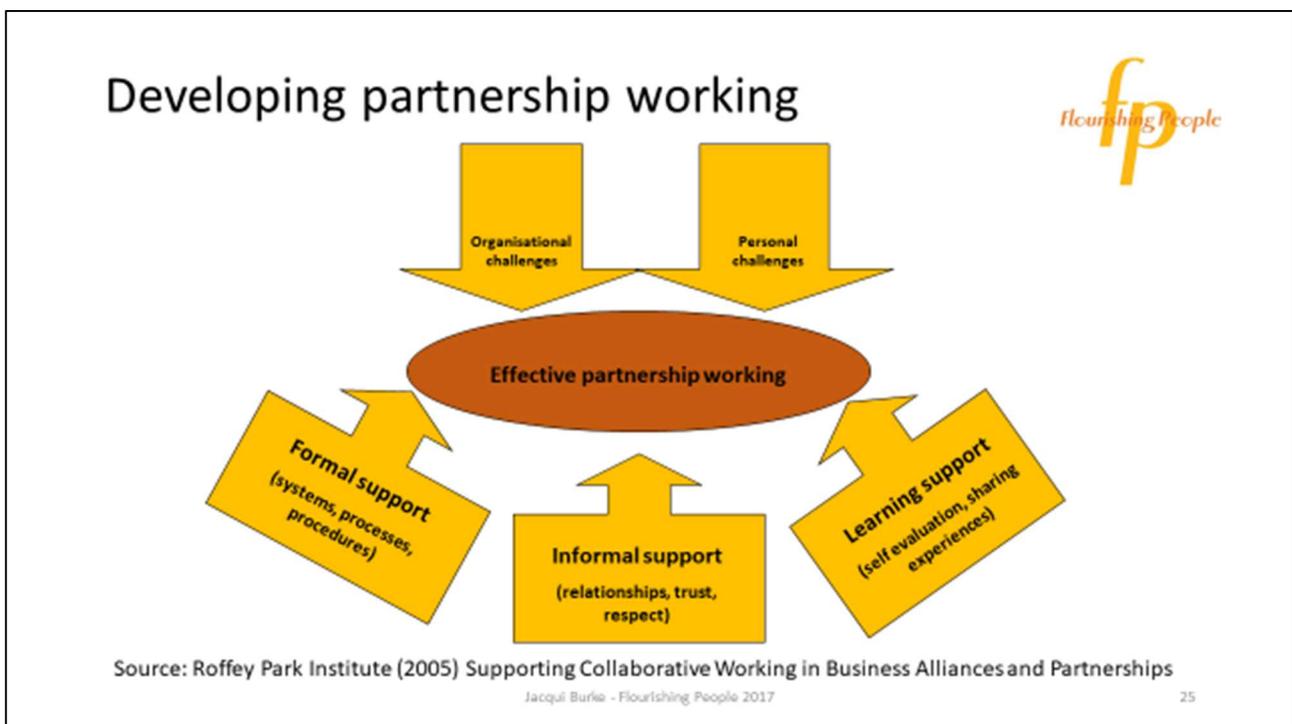
And think creatively about steps you could take to improve your financial position. Amongst other things, this year we've offered our nursery parents an opportunity to buy uniform from us for our their children. We were quite surprised when every parent chose to do this. This has generated a handy bit of extra cash for us for absolutely no effort, and the children look lovely, and much more integrated with the rest of the school which we're sure will positively support transition into Reception next September.

I'm not going to get into the thorny issue of charging for extras because I know that Ken and Jo will be talking about this. I would just like to stress one thing – just do it! It's something I have to do in my own business as not all clients pay me the same rate. Those that pay a lower rate don't get all the extras that I include for those paying a higher rate. They can chose to pay for them as extras. Some do and some don't – and I have to live with that and make it work for me.

And then there's the issue of staffing. In our sector staffing typically represent around 75% of our costs (as a school for us it's even higher at 85%). So getting our staffing model wrong will have a bigger impact on our financial sustainability than any other factor! Some things to consider in relation to staffing:

- Employ all new staff on more flexible contracts from day one
- Make use of a range of flexible working options

- Consider if you need to negotiate revised contracts with existing staff (Check out the ACAS website for more information about flexible working and how to legally and appropriately renegotiate staff contracts)
- And you may need to take a good hard look at your ratios. I'm sure that the funding rates will have been calculated by government based on Ofsted maximum ratios. So if you chose to operate with more generous ratios (and I understand all the reasons why we do so – safeguarding, quality, staff sanity etc) then don't be surprised if you struggle to make the funding cover your costs. The ratio debate is back on the government's agenda. Nursery World reported in September that more relaxed ratios may be applied by childminders providing wrap-around provision as part of 30 hours.



And a word about partnership delivery. Good practice in this area is something I've been working around for a number of years, basing my work around a really helpful model created by the Roffey Park Institute. If you are interested in effective partnership delivery, I would highly recommend you take a look at their report Supporting Collaborative Working in Business Alliances and Partnerships.

Again this feels like a three-legged stool for me. An effective partnership has to work from a business point of view for each of the partners, and that means a partnership of equals based on mutual respect. It has to work for parents which means making it simple and seamless for them to contract with more than one provider. And of course it has to work for the children, which means well-supported transitions leading to an enriched experience for them.



I'd like to signpost a couple of excellent sources of information about partnership delivery in addition to the Roffey Park model. I'm sure you're aware of the work being done by the Family and Childcare Trust. Their Mixed Model Partnership Toolkit is extremely valuable.

I'd also like to mention the City of York. The team in York established their Shared Foundation Partnership model based around a series of hubs several years ago. It's a mature partnership model and you'll find that their website contains an enormous amount of useful tools, templates, case studies etc.

So that's the six dials on my Early Years Business Dashboard: occupancy, capacity, mix of children, finance, staffing and partnerships. And under-pinning all of that is the impact on the children. Our plan is to conduct a study in our own school of those children who have been with us for 30 hours this year in order to understand the impact on their educational attainment and well-being as they move up through the school.

So to summarise, I acknowledge that the Government policy has brought significant challenges for providers:

- The whole sector is under-funded.
- The evaluation of the Early Implementer Pilot recognised that there are issues caused by the language – free, childcare and 30 hours a week have been unhelpful, confusing and misleading.
- The IT issues have been a complete mess.

But one of the biggest challenges that I've encountered has been the amount of negativity surrounding the 30 hours policy. Scare stories make people fearful and when we're afraid we naturally dig in and prepare for battle. Fear stifles creative thinking and innovation. So it's ok to be angry – up to a point. I'd encourage all of us in the sector to use opportunities like today's conference to share our experiences about the ways we've found to make it work.

I'd also encourage you to think about my Darwin quote from the beginning of my presentation - *"It's not the strongest of the species that survives, but the one most responsive to change"*. That's why I believe that developing our "change-ability" needs to be a high priority on the personal development plans of all of us within the sector. It really will be a core competence in the coming years. I still hear people say things like *"When we get back to normal..."* or *"When the government back-tracks, it'll all be ok"*. Wishful thinking holds us back from moving on. It creates a false impression that holding on to what we love about the past is the best course of action, and that if we can just hold on for long enough things will return to how they once were. Letting go of what once was can be hard and painful but it's an essential first step in managing change and being able to cope with the future.

"Change-ability" is made up of a number of elements:

- Our willingness to pro-actively seek out opportunities to change
- Our ability to see change in a positive light
- Our flexibility and personal resilience when change is being imposed on us at a rapid rate
- Keeping an open mind is crucial - imagining future possibilities, brainstorming options and being prepared to consider things that might have previously been unthinkable for you and your nursery.

(For my own setting, opening during the school holidays is now on our agenda for the future, something that a few years ago we'd have just laughed at.)

Coming back to Darwin again, he found that species survived in changing environments by making adaptations to their DNA, not all of which worked. Adapting to a changing context requires an element of trial and error, and this means being prepared to have a go at doing something different, maybe by running a pilot or doing it for a trial period, and then evaluating it. Even the Government recognised the need to pilot the 30 hours, hence the Early Implementer Programme which allowed for a year of testing and evaluation before the rest of us started. In my own setting, we've been very clear with parents, staff and governors that our 30 hours offer is a trial with no guarantees about what we will offer in the future. That has meant putting into place fixed term contracts with staff and with parents, to give us the opportunity to test, and then review. We're reviewing our experience on a termly basis this year and learning lots of lessons about how the 30 hours is impacting on our staff, our parents, and the children, and of course our finances.

So view 2017/18 as your pilot year:

- Accept that you may not get it quite right this year.
- Acknowledge if you get it wrong and your original plan doesn't work.
- Don't be afraid to adjust your plan as you go along – things change and so should your plan.
- Do the Darwinian thing and respond, adapt, evolve.

I'm going to end with another quotation, often attributed to management guru Peter Drucker - *"The best way to predict the future is to create it"*. Let's develop our "change-ability" in order to survive 30 hours, and proactively take control of our future to create the thriving early years sector that our parents and children need us to provide.

Available from  
[www.flourishingpeople.co.uk](http://www.flourishingpeople.co.uk)

