

Caught short? How to get bills paid on time.



As a childcare provider, the focus will always be the children. However, there's no escaping the business side of running a nursery, so you need to keep an eye on the finances as well.

In this guide, we'll share some tips for managing cash flow and making sure your fees come in promptly, so you can always pay the bills on time. Less financial stress will mean more attention for the children!

Summary

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2. Accurate, timely invoicing
3. Advance or arrears? That is the question
4. Always hold a deposit
5. Keep on top of who owes what
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1. What is cash flow?

Cash flow is the movement of cash into and out of your business. So, in terms of your nursery, it is the cash you receive from parents and the money you pay out on bills.

Cash flow is different to profit and loss. Profit and loss is the amount of money you invoice for in set time and the amount you will be invoiced for. So, for a nursery, it could be all the fees that you collect in a month, against all the bills that you have to pay. Profit and loss doesn't take into consideration when these payments will move in and out of your account; cash flow does.

When money moves in and out of your account is important because trouble starts if things need to move out before enough has come in. Managing this flow of cash is one of the hardest things for any business, but it's also one of the most important. The following example illustrates this difference.

Example

Let's say your running costs are as follows:

Money coming in:

- Fees collected - £30,000

Money going out:

- Staff costs - £20,000
 - Rent - £2,000
 - Utilities (electricity, phone bills) - £1,000
 - All other costs - £4,000
- Total - £27,000

So, according to your profit and loss sheet, your net profit for the month would be £3000. Sounds good, but let's add in the dates of the payments. The numbers in brackets are the date of payments.

Money coming in:

- Fees collected - £30,000 (1st)



Example continued...

Money going out:

- Staff costs - £20,000 (30th)
 - Rent - £2,000 (1st)
 - Utilities (electricity, phone bills) - £1,000 (1st)
 - All other costs - £4,000 (10th)
- Total - £27,000

In this example (pretending, for a blissful moment, that all parents pay on time!), you collect your fees at the beginning of the month and everything else comes out after. So you have enough money at all points of the month to pay your bills.

But, if your average fee for parents is £1,000 per month, and four parents pay a month late, you will be £4,000 down on the last day, meaning you are £1,000 short when it comes to your payroll day. You will have to delay your own wages to cover it, or borrow to cover the costs.

2. Accurate, timely invoicing

So, we established in the last example that you need to make sure your parents pay on time. While it will always be difficult to get 100% of your fees on the day they are due, you can take steps to improve the amount you receive on time.

The quickest way to tackle this problem is to ensure you have the systems in place so parents receive accurate bills on time, and that they know when they have to pay.

Don't underestimate how important accurate invoices are to your cash flow. Parents querying the amount you have requested will delay payments and cause you extra work, as you have to trawl through last month's sessions to justify your calculation. To make things easier, use management software and enter sessions as you go; it'll calculate everything for you.

You have to make sure parents receive their invoices in good time (you can't realistically expect to send invoices one day and receive all payments the next). It is a good idea to email invoices where possible; then you'll have a record of sending them and emails are convenient for even the busiest of parents. If you use paper copies, hand them to parents, don't let them go into children's' bags, where they might lurk for days!

3. Advance or arrears? That is the question

You should always invoice for regular sessions in advance. You are providing a high quality service, so ensure parents respect it as such. Otherwise, you could find yourself losing money on a service you've already delivered.

4. Always hold a deposit

Nowadays, deposits are commonplace for services. Think about the deposits you've paid for holidays or leases; it's a form of security for non-payment of fees. The childcare industry is no different and many of the big childcare chains now hold deposits. Only pay it back once the parent has cleared their balance with you.



5. Keep on top of who owes you what

Unless you implement a solution like a managed Direct Debit service, you will inevitably have people who owe you money. These people are called debtors.

Nursery management software will produce an aged balance report for you at the touch of a button. It will show you who owes you what, and for how long they have owed it to you. This is one of the most important reports you have within your software and one you should be checking at least weekly.

6. On time, every time

Late payments cost you money. You have to fund the gap between the invoice and payment, and this can really become a problem if you have bills that need paying. It's not fair that you should miss payments because your customers are late, so take measures to ensure timely payments.

Most childcare staff find chasing money difficult. The caring nature required to look after children conflicts with the more serious financial side. However, as we've established, cashflow is such an important part of your business, you can't afford to allow late payment (quite literally!). And worse, allowing them to pay late tells them it's acceptable.

The best way to avoid having these conversations is to use software, which will automatically add a late fee to any invoices that are paid late. Add it to your terms and conditions and tell parents about it when their children start. Stick to it as well; dropping the fee every time someone complains will, again, tell them it's acceptable to be late.

Better still, you could use Direct Debit. It allows you to collect the full amount from your parents on a set day, every month. Just keep your sessions up to date and have the amount owed ready before collection day. You can take the same amount every month, or change it as necessary.

To set up Direct Debit, you can speak to your bank, or speak to Parenta about our managed Direct Debit service, which automatically collects payments, and even deals with any payments that bounce, on your behalf.



Is under-occupancy the underlying issue?

Sometimes, the issue isn't with late payment or too many debtors; it's simply that occupancy is too low. There's plenty of ways to improve your marketing and help parents to find you more easily.

Parenta can help by building you a website. Having a web presence is essential as more and more people start their searches for local businesses online, but building a website can be tricky and time-consuming. Our aim is for your nursery to look as fantastic online as it does in real life. Visit

<http://www.parenta.com/wh-o-we-help/nurseries/nursery->

7. And if all else fails

All these tips will help to improve your cashflow. Sometimes though, no matter how hard you try to prevent it, parents may leave the setting owing you money. So what do you do if this happens?

Well, a simple solution would be to use a company like Thomas Higgins and Co (www.thomashiggins.co.uk). They have an automated debt recovery service. You just register on their website and use it to send out a series of legal letters, and even take the parent to court if need be.

How can Parenta help?

Abacus is a nursery management system that reduces paperwork and makes your business more efficient. It'll reduce your invoicing time from days to seconds and will help to ensure fees come in on time. It'll even add late fees to debts that aren't settled on time.

If you want to take away the stress of having conversations about money with parents, then why not consider using Fee Planner? It's Parenta's Direct Debit fee collection service, which makes sure your fees are collected efficiently. It's easy to use, either with Abacus or an Excel spreadsheet. Let us handle fees, so you can concentrate on caring for children.

To find out more, visit us at <http://www.parenta.com/who-we-help/nurseries/>