

How do you make your nursery business run more smoothly? Sarah Steel decided the answer was to set aside sentiment and sell four high-performing nurseries from her thriving Old Station Nursery group. Read here to find out why and how

# Don't be afraid to sell



Last year we decided as a company to have a strategic review of our nursery sites, as over the years we had expanded and then re-grouped and had ended up with a very split portfolio: six nurseries in the South of England (between Gloucester and Henley on Thames) and four in Lincoln and Nottinghamshire.

It is easy to keep doing what you've always done, but, as I was getting pretty fed up with commuting up and down the A46, as were my other senior staff, it seemed like a good opportunity to re-structure. I was also keen that the four nurseries received a better level of support, as

it was difficult to provide this at such a distance and not viable to maintain a separate support team for just these four sites.

So, in September last year, we held discussions with a broker to look at how to market the four nurseries. Clearly, it was vital to ensure confidentiality, as it would seriously unsettle staff and parents to know that the nurseries were on the market, and this could also impact on the financial stability of the group.

### Getting it right

It took some time to pull together all the necessary information to produce what is called the Information

Memorandum, which is very much like a set of details from an estate agent, albeit much more detailed. We agreed a short list of companies to target with the agent, and these were contacted in early December.

Initially, interest was slow, because of the timing, but once everyone had returned from the Christmas break, the level of interest increased significantly. It can be challenging to arrange viewings without unsettling staff teams, but this was something that had to be done in order to find an interested buyer.

Throughout the process it was also essential to continue business as usual, as I had been warned that the sale could take several months and we had to make sure that all the usual investment was made, including staff training, marketing and new resources.

### 'Warts and all' is best

Showing other operators your nurseries, warts and all, is always slightly nerve-wracking, but having been on the other end of the process, when buying rather than selling, I had a good idea of what it was like. After all, most buyers want to feel that they can make improvements, much as any house buyer does. So, I figured it was better to be open and honest about everything, as it would inevitably all be discussed at some stage.

By early March, we had two operators who were seriously interested in buying the four nurseries. We went to final bids, but, right at the start of the sales process, I had identified the regional group Children 1st as the kind of operators I would like to sell to.

**The perfect deal:** Sarah Steel and Margaret Mason spreading some happiness



## In accord

I know Margaret Mason, their executive chair, from my work with NDNA and have huge respect for what she has achieved and the number of her nurseries that have outstanding grades. I was delighted when they made an offer for our group of four nurseries and decided that our personal relationship would certainly help to smooth the process.

In hindsight, this was a really good decision. It can be a long and fraught process, but, at the back of my mind, was the knowledge that both Margaret and I wanted the sale to go smoothly. I wanted to sell and she wanted to buy and we all wanted staff, children and parents to be happy.

## The people issue

One of the main concerns during a sale for many owners is how the transfer of staff will happen. There is a piece of legislation called the Transfer of Protection of Undertakings Act (TUPE), which protects staff during any sale or transfer. All staff contracts must be taken on by the new operator, at their current terms and conditions, and so it is vital to tell staff as soon as possible about the sale and to reassure them that they will remain on their current contracts.

The legislation calls for consultation, but, in reality, unless you are large enough to have union reps, this involves a letter to all staff telling them about the sale and then meetings where you discuss it further. This is what I did. I wrote to all the parents and the staff, telling them why I was selling, and introducing them to Children 1st in very positive terms, and Margaret also wrote to them all, saying how glad she was to be taking over.

We held meetings with the staff and the senior team from Children 1st, so that they could ask all the questions that they wanted to and put some faces to the new company as soon as possible. On top of that, we offered one-to-one meetings where they could discuss any individual concerns they had.

We also held meetings for the parents to ask their questions, but the managers and teams had obviously been so positive about the handover that, at our meeting for the three

## Top Tips

- ✓ Get your administration in order before you go to market. You will need up-to-date management accounts, floor plans of all your nurseries, Energy Performance Certificates, copies of leases. The list is endless!
- ✓ Use a good agent. I have bought nurseries before direct from the vendor and it has been problematic. Yes, agents' fees are high, but their potential to get the best price and drive the process through is worth a lot. We used Christie and Co and they were worth every penny.
- ✓ If you know who you'd like to sell to, don't be afraid to ask. Children 1st were busy with other projects when we first went to market, but I knew that our group would be a good fit, and so got our agent to contact them again.
- ✓ Make sure your solicitors know they are working for you – sounds odd, but this can be an issue. Be clear what you want and then they can help you achieve that.
- ✓ Don't go public with your staff or parents until you have exchanged contracts. You need the deal to be done before it becomes public knowledge. Then be ready to reassure. No one likes change, but it is inevitable.

Lincoln nurseries, altogether we had less than a dozen parents turn up!

## Working with professionals

There was also a huge amount of work behind the scenes from solicitors and accountants to get the sale to the finish line and there were some tricky moments when it seemed like we wouldn't manage to get all the information sorted in time.



Elm House Nursery, now part of Children 1st

However, both sides had given solicitors some very clear instructions and there was also a strong element of trust, as we knew each other. This helped enormously.

So, we completed the sale on the date that we'd planned, although it has taken months since to dot all the final 'i's and cross the final 't's. We'd both agreed that it was vital to choose a date and work towards it - otherwise, the whole deal could have dragged on for months. There was also flexibility on both sides around taking over existing contracts and around the Ofsted registrations. But, in particular, it was having an end goal for us all to work towards that made for a very successful transfer.

The highs? Probably having a celebratory dinner with my managers and the senior team from Children 1st on the night before completing the sale. The lows? It was sad to say farewell to some fabulous staff, some of whom had worked for The Old Station Nursery for seven years. However, as I left Lincoln on the day of the sale, I can't tell you how good it was to know I would be saying goodbye to the A46. ■

- Sarah Steel, who was named Nursery Sector Champion 2014 at the 2014 NDNA awards, is managing director of The Old Station Nursery Group of six award-winning settings.

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