

SAMPLE FEASIBILITY STUDY · ILLUSTRATIVE EXAMPLE — FICTIONAL BUSINESS

Larkspur Day Nursery

Converting a vacant former bank branch in Redhill town centre, Surrey, into a 60-place day nursery for children aged nine months to five: demand, regulation, costs, returns and recommendation

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1. Executive summary and recommendation

The directors of Larkspur Day Nursery Ltd, an experienced nursery manager and a private investor, have been offered a 15-year lease on a vacant former bank branch of about 420 m² with a rear car park in Redhill town centre. They have asked whether it could be converted into a 60-place day nursery, and whether the project would pay back its £607k cost.

£607k Total capital cost including contingency, pre-opening costs and working capital	£232k Year 3 EBITDA (20% of revenue of £1,160k)	19.5% Project IRR over ten years (NPV £354k at 10%)	4.6 years Simple payback; 6.1 years discounted at 10%
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FINDINGS

- **Policy has created demand, especially for babies.** Since September 2025 working parents in England have been entitled to 30 funded hours a week from the term after their child turns nine months. Coram's 2026 survey found only 75% of English councils had enough places for under-twos using the working-parent entitlement, and Surrey had about 1.8 children under five for every early-years place even before the expansion.
- **Funded hours pay well for babies but not for pre-school.** The government pays Surrey £13.99 an hour for under-twos in 2026-27, against a national average of £6.42 for three- and four-year-olds. Parents still pay for hours above the entitlement and for meals, so the fee mix matters as much as occupancy.
- **The base case is attractive once the nursery fills.** At occupancy rising from 45% in year 1 to 89% from year 4, the project returns 19.5% with a 4.6-year payback. If occupancy plateaus at about 77% the IRR falls to 8.0%, below the 10% hurdle.
- **Year 1 is loss-making and staff are the binding constraint.** Staff cost is 57% of revenue at maturity, with ratios set by law. Year 1 makes an EBITDA loss of £35k, so the funding must include working capital and an interest-only first year. Debt service cover reaches 1.51 times in year 2.
- **Planning is light, registration is not.** A former bank and a day nursery are both in Use Class E, so no change-of-use permission is needed. Ofsted registration, building regulations, fire safety and the outdoor play area are the critical path.

Recommendation: proceed to Stage 2. Before signing the lease, the directors should (1) agree a rent-free period of at least six months and a tenant break at year 10; (2) run a waiting-list campaign, targeting 40 registrations of interest, at least 12 of them for babies; (3) obtain a contractor's price for the conversion; (4) recruit a deputy manager and two room leaders conditionally; and (5) obtain loan terms with a 12-month interest-only period. Proceed only if all five come back positive.

2. The proposal and the building

THE BUILDING

The property (fictional) is a two-storey former bank branch on a pedestrianised street in Redhill town centre, five minutes' walk from Redhill station (direct trains to London Bridge, Victoria and Gatwick). The ground floor and a mezzanine give about 420 m² net; the first floor of 160 m² is let separately. The banking hall has high ceilings and large windows, and the rear car park of 520 m² can become a secure outdoor play area with four drop-off bays retained.

WHY THIS LOCATION

- Commuter parents can drop off on the way to the station; the nursery opens 07:30–18:00 to match.
- Redhill has several large housing schemes completed or in progress, adding young families.
- A town-centre site passes footfall that a residential-street nursery would not.

THE PROPOSAL

- Three rooms by age, with a sleep room and nappy-changing next to the baby room.
- A commercial kitchen cooking fresh meals on site, and a separate milk kitchen.
- A covered outdoor area so children can be outside in all weather, as the EYFS expects.
- Open 51 weeks a year, 07:30–18:00; sessions of full days, mornings and afternoons, with funded hours stretched across the year.

TIMELINE

Stage 2 and lease negotiation: November 2026 to January 2027. Building works: March to June 2027. Ofsted registration visit: June 2027. Opening: September 2027, when many children start new entitlements.

ROOMS, RATIOS AND SPACE

Room	Ages	Places	Staff ratio (EYFS)	Minimum floor space per child	Play space needed
Baby room	9 months to 2	12	1:3	3.5 m ²	42 m ²
Toddler room	2 to 3	20	1:5	2.5 m ²	50 m ²
Pre-school room	3 to 5	28	1:8 (1:13 with a graduate teacher)	2.3 m ²	64 m ²
Total		60			156 m ²

Ratios and minimum space from the EYFS statutory framework for group and school-based providers (2025). The DfE consulted on space requirements in May 2025; any change should be checked before the layout is fixed. The building gives room for about 60 places with circulation, kitchen, toilets, office and staff room.

OPTIONS CONSIDERED

	Option A (base)	Option B	Option C
Places	60	45	75
Building	Ground floor and mezzanine, 420 m ²	Ground floor only	Adds the 160 m ² first floor, a lift and a second escape stair
Capital cost	£607k	£592k	£905k
Rent a year	£102k	£86k	£124k
Year 3 EBITDA	£232k	£88k	£332k
Project IRR	19.5%	1.4%	20.2%

Option B saves little capital but spreads the fixed costs of management, rent and the kitchen over fewer children, and returns 1.4%. Option C returns more on paper but needs the landlord to give up the first-floor tenancy, a lift for staff and buggies, and a second escape stair, so it is kept as a later phase.

3. The childcare market and funding reforms

England's funded childcare has been rebuilt in three steps since April 2024. Working parents now get 30 hours a week (1,140 a year, usually stretched over 51 weeks) from the term after their child turns nine months until they start school. That moves most of a nursery's income for under-threes from parents to the government, at rates set by each council from a national formula.

FUNDED ENTITLEMENTS

Entitlement (England)	Who	Hours	Since
Universal 15 hours	All 3- and 4-year-olds	570 a year (15 a week, 38 weeks)	2010
Extended 30 hours	Working parents of 3- and 4-year-olds	1,140 a year	September 2017
Working-parent 2-year-olds	Working parents	15 hours from April 2024; 30 hours from September 2025	2024–25
Working-parent under-twos	Working parents, from 9 months	15 hours from September 2024; 30 hours from September 2025	2024–25
Disadvantaged 2-year-olds	Families on certain benefits	15 hours	2013

FUNDING RATES

2026-27 hourly funding	Under twos	Two-year-olds	3- and 4-year-olds
National average rate to councils	£12.04	£8.90	£6.42
Increase on 2025-26	+4.3%	+4.4%	+5.0%
Surrey rate to the council	£13.99	n/k	n/k
Assumed rate to this nursery	£13.40	£9.55	£6.80

National averages: DfE announcement of 15 December 2025 (NDNA). Surrey under-twos rate: Early Years Alliance, LA funding rates 2026-27. Councils must pass at least 96% of funding to providers.

WHAT PARENTS PAY

Coram Childcare Survey 2026: average weekly price of 50 hours at nursery, after working-parent entitlements	Under twos	Two-year-olds
England	£148.82	£140.72
South East	£161.28	£151.68

WHAT THIS MEANS FOR A NEW NURSERY

- **Babies earn most.** The under-twos rate of about £13.40 an hour after Surrey's deduction is above the private price parents pay, so a full baby room is the most valuable room in the building, even though its 1:3 ratio makes it the most expensive to staff.
- **Pre-school is squeezed.** At about £6.80 an hour for three- and four-year-olds, funded hours do not cover the cost of a place on their own. Income comes from extra hours, meals and consumables, which providers may charge for as long as they are voluntary.

SUPPLY

- Coram's 2026 survey found 75% of councils had enough places for under-twos of working parents, and only 58% for under-twos with no entitlement.
- Before the expansion, Surrey had about 37,300 early-years places for 65,600 children under five (DfE, Ofsted and Census 2021, reported March 2023).
- The government is funding up to 7,000 school-based nursery places from September 2026, mostly for three- and four-year-olds rather than babies.

4. Local demand and competition

DAY NURSERIES WITHIN ABOUT 2.5 MILES

Nursery (operator)	Address	Size (places)	Published day rate before funding	Approx. distance
N Family Club – Redhill	69 Station Road, Redhill RH1 1EY	112	On request	In town centre
Kiddi Caru Redhill (GrandirUK)	1 The Kilns, Watercolour, Redhill RH1 2NX	100	On request; Ofsted Good (July 2023)	1 mile
Bright Horizons Royal Earlswood	Asylum Arch Road, Redhill RH1 6GB	54	On request	1 mile
Joyful Tots Nursery	Whitebushes Village Hall, Redhill RH1 5LE	32	£95 a day, 9 months to 2	2.5 miles
Brambly House Montessori	Rockshaw Road, Merstham RH1 3DB	40	On request	2.5 miles
YMCA Merstham Hub Pre-school	Portland Drive, Merstham RH1 3HY	40	£48 a day, 2 to 3 (sessional)	2.5 miles
Kids Planet Somers House	1 Somers Road, Reigate RH2 9DU	69	£120 a day, 9 months to 2	2 miles
Pippa's House Reigate (GrandirUK)	100 Blackborough Road, Reigate RH2 7DG	110	On request	1.5 miles
Bright Horizons Reigate Holmesdale Road	81 Holmesdale Road, Reigate RH2 0BT	106	On request	1.5 miles
Bright Horizons Reigate	64 Cockshot Hill, Reigate RH2 8AN	96	On request	2.5 miles

daynurseries.co.uk listings for Redhill and Reigate, checked 30 October 2026. "Size" is the size shown on the listing, not necessarily Ofsted-registered places. Day rates are the listed price before government funding; most nurseries publish prices only on request. Childminders, school nurseries and sessional pre-schools are not shown; Stage 2 should add them from Surrey's Family Information Service.

CATCHMENT

Reigate and Banstead had 159,413 residents at mid-2025 (ONS, July 2026). With roughly 5.5% of people under five, that is about 8,700 young children in the borough; around 3,000 live within a 15-minute drive of the site, pending a postcode analysis. The ten nurseries listed hold about 760 places between them, mostly run by national groups.

PRICE POSITION

Listed baby-room rates of £95 to £120 a day put the local market at about £9.00 to £11.40 an hour for a 10.5-hour day. The model charges £8.40 an hour for private baby hours, plus £7.50 a day for meals and consumables: below the group nurseries, to fill the rooms in years 1 and 2.

DEMAND CROSS-CHECK

To reach 89% occupancy the nursery needs about 53 full-time-equivalent children, or roughly 75 children on mixed part-time patterns. That is about 2.5% of under-fives within 15 minutes. Coram's finding that a quarter of councils lack enough places for working parents' under-twos, and Surrey's tight ratio of children to places even before the 2025 expansion, suggest that baby places will fill first and pre-school places last.

POSITIONING

- **Commuters:** the only nursery between the station and the shops, open 07:30 to 18:00.
- **Babies:** a dedicated baby room with its own sleep room, where national groups often have waiting lists.
- **Independent:** owner-managed by an experienced manager, with fresh food cooked on site.

Competition risk. N Family Club's 112-place nursery is a few minutes' walk away, and national groups can cut prices to defend share. The waiting-list campaign in Stage 2 exists to test whether parents will register before the nursery opens.

5. Registration, planning and building rules

Requirement	What it involves	Lead time	Cost allowed
Planning	Former bank (Class E(c)) to day nursery (Class E(f)) is a change within Class E, so no permission is needed for the use. External canopy, fencing and signage may need permission or advertisement consent.	8 weeks if needed	In professional fees
Building regulations	Fire separation, escape routes, accessible WCs, ventilation and glazing safety, signed off by building control.	During works	In professional fees
Ofsted registration	Registration on the Early Years Register: suitability checks on the company and the nominated individual, DBS checks, and an inspection visit to the premises before opening.	Allow 12 to 16 weeks	In pre-opening costs
Fire risk assessment	Evacuation plan for babies (evacuation cots), alarm and emergency lighting.	Before opening	In M&E works
Food business registration	Register the kitchen with Reigate and Banstead Council at least 28 days before opening; allergen procedures.	28 days	Free
Lease	Landlord's consent for the use, alterations and the play area; tenant break and rent-free period.	Before works	In legal fees

STAFFING RULES THAT DRIVE COST

- **Ratios** (EYFS statutory framework): one adult to three under-twos, one to five two-year-olds, and one to eight children aged three and over (one to thirteen when a graduate teacher works directly with them).
- **Qualifications:** the manager must hold a full and relevant level 3 qualification and two years' experience; at least half of staff in the under-twos room must hold level 2, and one must have suitable baby training.
- **Paediatric first aid:** at least one person with a full certificate on site at all times and on outings.
- **Key persons:** every child has a named key person.

PAY FLOORS FROM APRIL 2026

- National Living Wage £12.71 an hour (age 21 and over); £10.85 for ages 18 to 20; apprentice rate £8.00.
- Employer National Insurance at 15% above £5,000 a year per employee, with an Employment Allowance of £10,500.
- Auto-enrolment pension at 3% employer contribution.

The model pays level 3 practitioners £29,400 a year, above the National Living Wage, because nurseries in Surrey compete with retail and schools for staff. Recruiting and keeping qualified staff is the single biggest operating risk.

Critical path: the Ofsted registration visit cannot take place until the building is finished and equipped, so a two-month slip in the works moves opening, and the first term's income, by two months. The sensitivity in section 9 tests a six-month delay.

6. Operating model, staffing and revenue

HOW A PLACE EARNS MONEY

A full-time place is 50 hours a week for 51 weeks. Funded hours are paid by Surrey at the rates in section 3; parents pay for the rest and for meals. Funded hours are stretched across 51 weeks (1,140 a year is about 22.4 a week).

Per full-time place, a week	Baby	Toddler	Pre-school
Funded hours (assumed take-up of the 30 hours)	15.6 (70%)	15.6 (70%)	19.6 (75%, rest universal 15)
Parent-paid hours	34.4	34.4	30.4
Hourly rate: funded / private	£13.40 / £8.40	£9.55 / £7.90	£6.80 / £7.40

STAFFING

Practitioners are rostered to the ratios for the children present. Because the nursery is open 52.5 hours a week and staff are contracted for about 40, with breaks, holidays, training and sickness, each ratio post needs about 1.45 people. On top of the practitioners: a manager, a deputy, a cook and a part-time administrator, about £126k a year. Staff cost is 57% of revenue in year 3, in line with sector norms of 55% to 65%.

OCCUPANCY RAMP

	Year 1	Year 2	Year 3	Year 4	Year 5
Baby room (9 months to 2): 12 places	58%	82%	92%	94%	94%
Toddler room (2 to 3): 20 places	48%	74%	87%	90%	90%
Pre-school room (3 to 5): 28 places	38%	62%	80%	86%	86%
Average occupancy (full-time equivalent)	45%	70%	85%	89%	89%
FTE children	27.2	42.0	50.8	53.4	53.4
Practitioner FTE (ratios × 1.45 cover, plus one floater)	9.1	13.2	15.4	16.0	16.0

Opening in September; the baby room fills first, reflecting the shortage of under-tuos places, and pre-school last, because three- and four-year-olds can also use school nurseries. Mature occupancy of about 89% allows for children moving up rooms and leaving for school each September.

REVENUE BUILD

Revenue (childcare is VAT exempt)	Year 1	Year 2	Year 3	Year 4	Year 5
Government-funded hours	£219,732	£335,727	£402,553	£421,085	£421,085
Parent-paid hours	£357,558	£549,127	£660,681	£691,820	£691,820
Meals and consumables (£7.50 a day)	£52,020	£80,325	£97,232	£102,051	£102,051
Total revenue	£629,310	£965,179	£1,160,465	£1,214,956	£1,214,956
Funded hours as a share of revenue	35%	35%	35%	35%	35%

7. Capital cost and funding

Item	Cost	Basis
Strip-out and conversion: partitions, ceilings, flooring, windows, doors and decoration (420 m ²)	£205,000	About £490 per m ² : allowance, needs a contractor's price
Heating, ventilation, fire alarm, emergency lighting and electrics	£72,000	Allowance; bank branches often have old air-conditioning to remove
Commercial kitchen and milk kitchen	£34,000	Allowance; supplier quote needed
Children's toilets, nappy-changing and sleep rooms	£29,000	Low-level sanitaryware; one toilet per ten children
Outdoor play area from the rear car park: surfacing, canopy, fencing and planting	£56,000	Safety surfacing, 1.8 m fencing and a canopy over about 520 m ²
Furniture, play equipment and learning resources	£47,000	About £780 per place
IT, CCTV, door entry and nursery management software	£14,000	Allowance
Professional fees: architect, building control, CDM, planning and legal	£38,000	About 10% of works
Contingency (10% of works)	£50,000	Standard at feasibility stage
Pre-opening: staff recruited and trained, marketing, Ofsted registration and working capital	£62,000	Two months of core staff before opening, plus marketing
Total capital cost	£607,000	

The building works are the largest uncertainty. The allowances are typical for converting an open-plan commercial ground floor, but asbestos, drainage for the new toilets and the condition of the old bank's services can only be confirmed by surveys. A 20% overrun on the whole budget is tested in section 9.

FUNDING

Funding	£	Terms
Directors' equity	£240,000	Nursery manager £60,000 and investor £180,000 (ordinary shares)
Bank term loan	£367,000	7.5% fixed, seven years, secured by a debenture and personal guarantees; interest only in year 1, then £6,345 a month
Total	£607,000	

DEBT SERVICE COVER

Debt service cover (EBITDA less tax, divided by interest and capital payments) is negative in year 1, because the nursery makes an EBITDA loss of £35k while it fills. It reaches 1.51 times in year 2 and 2.74 times in year 3. Lenders usually want at least 1.25 times, so the loan needs a 12-month interest-only period, and the working-capital part of the £62k pre-opening line, plus an overdraft of about £50,000, must cover the year-1 shortfall of £62k after interest. Funded-hours income is paid by Surrey in advance or monthly, which helps cash flow.

8. Financial projections

PROFIT AND LOSS, YEARS 1 TO 5

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	£629,310	£965,179	£1,160,465	£1,214,956	£1,214,956
Food cost (£2.40 per child per day)	(£16,646)	(£25,704)	(£31,114)	(£32,656)	(£32,656)
Gross profit	£612,663	£939,475	£1,129,351	£1,182,300	£1,182,300
Staff costs (incl. employer NIC and pension)	(£443,995)	(£583,768)	(£660,052)	(£680,231)	(£680,231)
Rent (15-year lease; six months rent-free)	(£51,000)	(£102,000)	(£102,000)	(£102,000)	(£102,000)
Business rates	(£24,000)	(£24,000)	(£24,000)	(£24,000)	(£24,000)
Utilities	(£21,000)	(£21,000)	(£21,000)	(£21,000)	(£21,000)
Insurance	(£7,500)	(£7,500)	(£7,500)	(£7,500)	(£7,500)
Learning resources and consumables	(£18,000)	(£18,000)	(£18,000)	(£18,000)	(£18,000)
Repairs and maintenance	(£12,000)	(£12,000)	(£12,000)	(£12,000)	(£12,000)
Cleaning	(£14,000)	(£14,000)	(£14,000)	(£14,000)	(£14,000)
Marketing	(£18,000)	(£9,000)	(£8,000)	(£8,000)	(£8,000)
Admin, software, accountancy and Ofsted fees	(£15,000)	(£15,000)	(£15,000)	(£15,000)	(£15,000)
Training, DBS checks and recruitment	(£16,000)	(£11,000)	(£9,000)	(£9,000)	(£9,000)
Sundry	(£7,000)	(£7,000)	(£7,000)	(£7,000)	(£7,000)
EBITDA	(£34,831)	£115,207	£231,799	£264,569	£264,569
EBITDA margin	-6%	12%	20%	22%	22%
Depreciation	(£45,071)	(£45,071)	(£45,071)	(£45,071)	(£45,071)
Loan interest	(£27,525)	(£25,818)	(£21,911)	(£17,701)	(£13,164)
Profit / (loss) before tax	(£107,428)	£44,317	£164,816	£201,796	£206,334
Corporation tax (after losses brought forward)	–	–	(£23,202)	(£49,726)	(£50,928)
Profit / (loss) after tax	(£107,428)	£44,317	£141,614	£152,070	£155,405

CASH FLOW AFTER FINANCING

Cash flow to the owners	Year 1	Year 2	Year 3	Year 4	Year 5
EBITDA	(£34,831)	£115,207	£231,799	£264,569	£264,569
Tax paid	–	–	(£23,202)	(£49,726)	(£50,928)
Loan interest and capital	(£27,525)	(£76,146)	(£76,146)	(£76,146)	(£76,146)
Replacement capital (equipment refresh, year 5)	–	–	–	–	(£30,000)
Cash available to the owners	(£62,356)	£39,061	£132,451	£138,697	£107,495
Loan outstanding at year end	£367,000	£316,673	£262,438	£203,994	£141,012

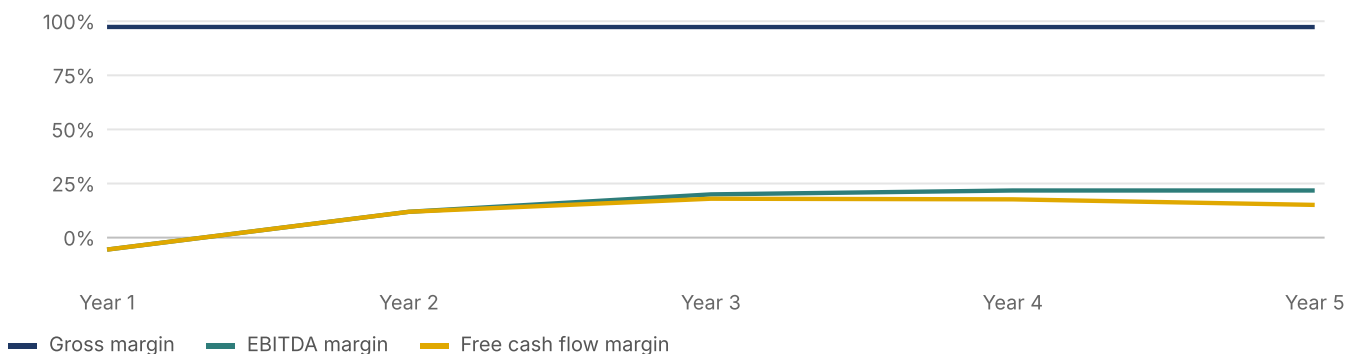
Year 1 is the first twelve months from opening in September 2027. Prices, wages and funding rates are in 2026-27 money with no inflation on either side; in practice wage rises have outpaced funding-rate rises, which is tested in section 9. Depreciation: building works over the 15-year lease; kitchen and furniture over seven years; IT over four. Corporation tax at 19% to £50,000 and 25% above £250,000 with marginal relief; year-1 and year-2 losses are carried forward.

8. Financial projections (continued): margins, free cash flow and returns

A nursery is a people business with a fixed cost base: rent, management and the kitchen cost the same whether the rooms are half full or full. Margins therefore move sharply with occupancy, and the measures below show how quickly the capital is earned back.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	£629,310	£965,179	£1,160,465	£1,214,956	£1,214,956
Gross margin (after food)	97%	97%	97%	97%	97%
EBITDA margin	-6%	12%	20%	22%	22%
Net margin (after depreciation, interest and tax)	-17%	5%	12%	13%	13%
Free cash flow (EBITDA less tax and replacement capital, before financing)	(£34,831)	£115,207	£208,597	£214,843	£183,640
Free cash flow margin	-6%	12%	18%	18%	15%
Capital invested at start of year: directors' equity plus retained profit	£240,000	£132,572	£176,890	£318,504	£470,574
plus bank loan outstanding (surplus cash is assumed distributed)	£367,000	£367,000	£316,673	£262,438	£203,994
Total capital invested (equity plus debt)	£607,000	£499,572	£493,562	£580,942	£674,568
Operating profit after tax (NOPAT: EBITDA less depreciation and tax, before interest)	(£79,903)	£70,136	£163,525	£169,771	£168,569
Return on invested capital (NOPAT ÷ capital invested)	-13%	14%	33%	29%	25%

MARGINS BY YEAR



READING THE RETURNS

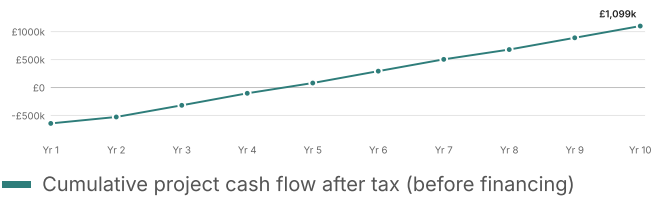
- Gross margin is high because the only direct cost is food; the real cost of a place is staff, which sits in operating costs and rises with occupancy because of the ratios.
- EBITDA margin moves from a loss in year 1 to 22% in year 4, within the 15% to 25% range typical of well-run independent nurseries after rent.
- Free cash flow reaches £209k in year 3, 18% of revenue, helped by losses brought forward that keep tax low; the equipment refresh in year 5 dips it to £184k.
- Return on invested capital passes the 10% hurdle in year 2 and reaches 25% by year 5 as the loan is repaid. After the bank's interest and capital of about £76k a year, the cash left for the directors is £132k in year 3.

9. Investment appraisal and sensitivity

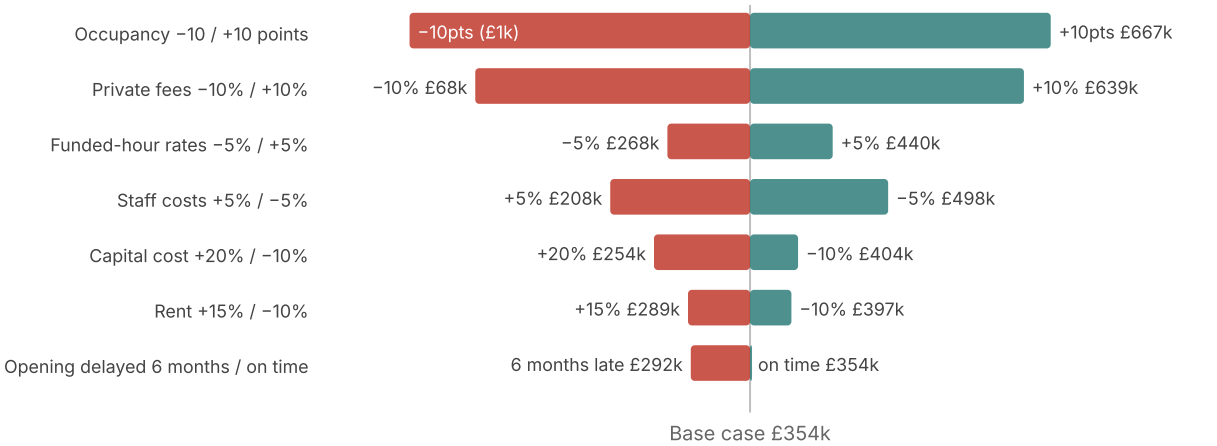
Measure	8% discount rate	10% (base)	12%
Net present value over ten years, no terminal value	£462k	£354k	£260k
Internal rate of return	19.5%		
Simple payback	4.6 years		
Discounted payback	6.1 years		

Project cash flows are EBITDA less tax and replacement capital, before financing, over ten years of a 15-year lease, with no value for the business at year 10. A going-concern nursery would normally sell for a multiple of EBITDA, so excluding it is conservative.

CUMULATIVE CASH FLOW



SENSITIVITY OF THE NPV AT 10% TO EACH ASSUMPTION



SCENARIOS AND OPTIONS

Scenario	Capital cost	Year 3 EBITDA	NPV at 10%	IRR	Payback	Lowest debt cover (yrs 2-5)
Base case	£607k	£232k	£354k	19.5%	4.6 yrs	1.51x
Downside: occupancy plateaus at 77%	£607k	£141k	(£72k)	8.0%	6.8 yrs	0.32x
Upside: occupancy 94% by year 4	£607k	£270k	£525k	24.0%	4.0 yrs	1.98x
Option B: 45 places, ground floor only	£592k	£88k	(£270k)	1.4%	9.4 yrs	negative
Option C: 75 places, first floor added	£905k	£332k	£544k	20.2%	4.4 yrs	1.36x

Occupancy dominates: ten points move the NPV by about £668k. Next come private fees and staff costs; a 5% cut in funding rates costs about £86k. Because funded hours are about 35% of revenue by year 3, the nursery is exposed to government decisions on rates each spring.

10. Risks, conditions and next steps

Risk	Likelihood	Impact	Mitigation
Rooms fill slowly (large group nursery nearby)	Medium	IRR falls below 10% if occupancy stays below about 80%	Waiting-list campaign before signing; open with the baby room fully staffed and phase the other rooms; local employer partnerships
Staff recruitment and retention	High	Rooms cannot open without staff to meet ratios	Pay above the local median; apprenticeships; recruit room leaders before opening; career path to level 5
Funding rates rise more slowly than wages	Medium to high	Each 5% shortfall costs about £86k of NPV	Keep private-hour prices under review; voluntary meals charge; monitor the Surrey rate notice each March
Ofsted registration delayed	Medium	Opening and income slip	Apply as soon as the lease is signed; nominated individual ready; building signed off early
Building cost overrun	Medium	Each 10% adds about £61k	Asbestos and services surveys before the lease; fixed-price contract; 10% contingency
Poor Ofsted grade after first inspection	Low	Parents leave; harder to recruit	Experienced manager; quality-assurance audit before inspection
Interest rates	Low	Each 1% adds about £3.7k a year	Fixed rate; loan repaid within seven years

CONDITIONS FOR SIGNING THE LEASE

- A rent-free period of at least six months, a tenant-only break at year 10 and the landlord's consent to the use, the alterations and the play area.
- At least 40 registrations of interest from the waiting-list campaign, including at least 12 for the baby room.
- A contractor's price within 10% of the £545k building and equipment budget, after asbestos and services surveys.
- Conditional offers accepted by a deputy manager and two room leaders.
- Loan terms with a 12-month interest-only period and an overdraft of about £50,000.

STAGE 2 PROGRAMME AND COST

Task	Who	When	Cost
Waiting-list campaign: landing page, local parent groups, employers near the station	Directors with marketing support	Nov 2026 – Jan 2027	£3,000
Asbestos, measured and M&E surveys; contractor's price	Surveyor; two contractors	Nov – Dec 2026	£6,500
Lease negotiation and heads of terms	Solicitor; agent	Nov 2026 – Jan 2027	£4,000
Postcode catchment analysis and full competitor survey with prices	Gregory Analytics	Dec 2026	£1,500
Loan terms and personal-guarantee advice	Directors; broker	Jan 2027	£1,000
Updated feasibility study and go/no-go decision	Gregory Analytics	Jan 2027	£2,000
Total			£18,000

Decision rule: if all five conditions are met, sign the lease and start works in March 2027. If the waiting list falls short but the baby-room interest is strong, re-run the study for a smaller nursery weighted to under-threes. If the contractor's price is more than 20% over budget, renegotiate the rent or walk away.

Appendix: assumptions and sources

Assumption	Value	Basis
Places and ratios	12 baby (1:3), 20 toddler (1:5), 28 pre-school (1:8)	EYFS statutory framework (2025)
Opening	07:30–18:00, 51 weeks; 50 billable hours a week per FTE place	Typical full-day nursery
Funded hours	70% (75% pre-school) use the 30 hours; 1,140 a year over 51 weeks	DfE entitlements from September 2025; take-up is an assumption
Funded rates (provider)	£13.40 / £9.55 / £6.80 an hour	Surrey 2026–27 funding rates, after the council's retained share
Private rates	£8.40 / £7.90 / £7.40 an hour; meals £7.50 a day	Below listed local day rates of £95–£120 for babies
Staff	Practitioners £29,400; cover factor 1.45; manager £46,000	NLW £12.71; employer NIC 15% above £5,000; Employment Allowance £10,500; pension 3%
Rent and rates	£102,000 a year (about £1,700 a place), six months rent-free; rates £24,000	Assumptions; rateable value to confirm with the VOA
Loan	£367,000 at 7.5% over seven years, interest only in year 1	Bank term sheet
Corporation tax	19% to £50,000; 25% above £250,000; marginal relief between	CT rates 2026–27
Discount rate	10% (8% and 12% shown)	Hurdle rate for a single-site owner-managed business

HOW THIS STUDY WAS PREPARED

Gregory Analytics prepares feasibility studies in stages: a desk study like this one, built on published funding rules, market data and cost allowances; a Stage 2 study that replaces allowances with quotes, survey results and a demand test; and, if the project goes ahead, a bank-ready business plan with a monthly cash-flow forecast. Every assumption is listed so the client can challenge it, and the model is supplied so the figures can be re-run as quotes arrive.

Sources. Department for Education, Early years funding 2026 to 2027 and the local authority funding operational guide (December 2025); NDNA, Above inflation funding rates announced for 2026–27 (15 December 2025); Early Years Alliance, 2026/27 local authority funding rates for under-twos (December 2025). · Coram, Childcare Survey 2026 (March 2026), tables 2, 7 and 15. · Department for Education, Early years foundation stage statutory framework for group and school-based providers (2025); DfE consultation on space requirements in early years settings (May 2025). · GOV.UK, Rates and thresholds for employers 2026 to 2027. · daynurseries.co.uk, nursery listings for Redhill and Reigate (checked 30 October 2026). · Haslemere Herald / Farnham Herald, More children than childcare places in Surrey (17 March 2023), using DfE, Ofsted and Census 2021 data. · ONS mid-2025 population estimates for Surrey districts (29 July 2026, via Surrey-i). · Town and Country Planning (Use Classes) Order 1987 as amended in 2020: Class E(c) financial services and Class E(f) creche, day nursery or day centre. · Bank of England, Bank Rate maintained at 3.75% (17 September 2026).

Larkspur Day Nursery Ltd, its directors and the property are fictional and for illustration only. Funding rules and rates, wage rates, local nurseries and market statistics are real and dated as at October 2026; the competitor list covers day nurseries only.