

## 10 STEPS TO RUNNING YOUR OWN SWIMMING LESSON BUSINESS

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Of the thousands of swimming teachers operating in swimming pools around the British Isles, the majority work for the government, schools and swimming clubs. Indeed, many teachers work for up to five or six employers, in order to create sufficient income from swimming teaching for it to be their main income, or at least a significant contribution to the family budget.

Some teachers have taken the bold step and started to run their own swimming lessons and operate, one way or another, as a business. Some teachers just dream about how nice it would be, being one's own boss, whilst secretly suspecting it would not be at all pleasant, in fact, quite stressful really. Nevertheless, the opportunity is always there if the independent minded swimming teacher is prepared to 'have a go'.

The article is by way of a simple guide, which covers most of the essential phases necessary to complete to successfully start up a swimming lesson business.

### STEP ONE

Before you can start in this business you need a swimming pool. A little obvious I know, but not worth bothering with anything else unless you have one. They can, of course, be extremely difficult to acquire. For a start they are very expensive to build so you probably have to hire one from someone else. Most local authority swimming pools prefer to run their own swimming lessons. Why? Well, if they are run properly they can be extremely profitable. So the most likely candidate for an available swimming pool is an under-utilised local school pool, a hotel pool, or even a private domestic pool.

The arrangement between the pool owner and you is vitally important. The success of your business literally depends upon him. He can close you down at a moments notice either through incompetence or policy. The arrangement is detailed in the contract for Hire. I speak to many swimming teachers who hire facilities who never see or consider a detailed written contract for hire so that when the pool owner decides to cancel the hire agreement there are no safeguards for the swimming lesson business. A whole article can and will be written on the hire agreement but for the sake of your business continuity it is vital that the 'termination' clause gives you sufficient time to find an alternative venue.

### STEP TWO

Now you know you have a pool, before you do anything else, you must work on your Business Plan. Now a Business Plan is common sense. It is simply working out how you anticipate your business will develop over a period of time, say five and ten years. If your projections are reasonable and give a profit then it is worth doing.

The first area to start with is the potential income and the potential costs. Let us look at three different scenarios.

1. A small shallow private or hotel pool which can accommodate one class of up to twelve pupils.
2. A small school pool, say 15 metres long, which can accommodate two classes of twelve pupils, and
3. A 25-metre pool, which can accommodate 3 classes x 12 pupils.

Again, for arguments sake, let's assume you can hire the pool for two hours every weekday and two hours at the weekend = 12 hours in total.

Now the current cost of swimming lessons can vary enormously nationwide. They can vary from as little as £20/term to as much as £120/term, of say 12 weeks. The actual costs need not concern us as they will inevitably increase through inflation. I will use nominal round figures for ease but I am sure you can apply



reality to this concept.

### Pool 1.

12 hours = 24 x ½ hour lessons @ a maximum 288 pupils @ £35/pupil/term = £10,080 x 3 terms per year = **£30,240 per annum.**

### Pool 2.

12 hours = 48 x ½ hour lessons @ a maximum of 576 pupils @ £35/pupil/term = £20,160 x 3 terms per year = **£60,480 per annum.**

### Pool 3.

12 hours = 72 x ½ hour lessons @ a maximum of 864 pupils @ £35/pupil/term = 30,240 x 3 terms per year = **£90,720 per annum.**

The three totals for the three different sized pools gives the maximum “turnover” you can achieve, without introducing crash courses in school holidays, or running four sets of 10-week courses continuously through the year.

Before you get excited after doing your own sums – caution must prevail. With the best will in the world you are not going to achieve full classes, or at least not at the start. So as the Chancellor of the Exchequer says ‘be prudent’. Budget for an average of ten, or if you are a pessimist, eight pupils in each class, this will bring your anticipated annual income down by 15% or 20 %.

Finally we must consider that most dreaded of Government taxes VAT.

Contrary to what most of people think if you run your own swimming lessons you must pay VAT on the income, and probably on the expenditure of your business. However, this is only if you are above the limit of registration, which is currently £58,000, but you can see from the examples above that this may easily exceeded. Therefore the bigger operations must consider deducting 17.5% VAT from income.

This would adjust the income profiles of the example operations thus:

**Pool 1 = Income £30,240 Pool 2 = Income £51,472 Pool 3 = £77,208**

You can see that the business level of Pool 1 falls below the VAT tax threshold and with Pool 2 income being just over the VAT threshold it demonstrates just how damaging VAT can be to a small business.

Finally, on the subject of income; the arbiter that determines how good the up-take in your classes is going to be is the state of the local market. The questions you must ask yourself and answer confidently are:

- Is there a demand for swimming lessons?
- Do you live in an affluent or deprived area and can the area sustain your costs?
- Is there a lot of competition?
- If so are you the best teacher around?
- Is your pool accessible?
- Is there good car parking?
- Is the pool warm clean and inviting?
- Is the pool operator reliable?



All these important factors and many more need to be taken into account when 'guessing', yes that's what it really is or the first time. 'Guessing' your income.

Having calculated potential income the next the next part of the Business Plan is working out your costs, again these obviously vary depending on the size of the pool and lessons held in them.

### **Hire of the pool**

The hire of the pool can vary enormously. I know some teachers who hire a 25-metre pool for as little as £10 per hour (how lucky can you get). Some establishments' want as much as £100 per hour for a 25-metre pool. Again for the purposes of this exercise, and so as not to date the article, I will select nominal costs, you insert your own costs.

Pool 1 - £20 per hour - £8,640 per annum

Pool 2 - £40 per hour - £17,280 per annum

Pool 3 - £80 per hour - £34,560 per annum

### **Cost of other teachers**

It is likely that you will wish to work some of the swimming teaching hours yourself. Indeed for Pool 1, the smallest pool where only one lesson takes place at a time you may opt to do all of them yourself and keep your costs down. However where there are two or three classes taking place at the same time you will need additional teachers to support you. Therefore Pool 2 would need 12 hours extra teaching and Pool 3 would need 24 hours extra teaching. It is therefore likely that you may 'employ' anywhere between one and six extra teachers to cover all the classes. Without going into employment status, which is dealt with in my article on 'Employment Issues in the Swimming Teaching Industry' suffice it to say that it is better for you if these swimming teachers are self-employed. You can work out the hourly rate; lets say for arguments sake £12 per hour, about the national average in 2004. From this you can work out the cost of staffing the swimming classes.

Pool 2 – 12 hours @ £12/hour = £144/week x 36 weeks = £5,184

Pool 3 – 24 hours @ £12/hour = £288/week x 36 weeks = £10,368

Don't forget your wage comes out of whatever profit is left after all the costs are deducted from the income.

### **Swimming Aids**

Purchase of swimming aids is, of course, essential. You will need between 30 and 100 floats, 24 pairs of armbands, some rings and backpacks. Think about storage and security. If you leave your equipment unsupervised in some pools, the lot will disappear in a week. If you are lucky the pool you hire will allow you to use their equipment.

Cost: Pool 1 = £200 Pool 2 = £400 Pool 3 = £600

### **Insurance**

Before you even contemplate stepping onto the poolside to teach you need to make sure you are fully insured for Civil and Public Liability. The easiest way to do this is through the IOS, which provides a swim School Group cover. You also need to be aware of what insurance the pool operator has in relation to his building and his own civil and public liability and which insurances apply to any circumstances that arise out of your pool hire.

Today's parents are far more prepared to seek litigation if they feel they have not received good service or



their child has been endangered or injured. Part of the art of being a good teacher is communicating with parents.

Cost: Pool 1 = £40 Pool 2 = £400 Pool 3 = £700

### **Administration**

Administration costs are few, because you are going to do most of it yourself. You need a few ledgers to keep records and plenty of sheets of paper for class registers, etc.

You will want to sell badges and certificates, the parents will demand it. This can cause difficulties at the end of each lesson, but with ingenuity you can circumvent the problem. Perhaps by only selling the badges at the end of each term. However, do not forget that most re-booking is carried out whilst classes are taking place; so unless you have an obliging relative or friend, you may have to pay someone to do the re-booking, or cover your classes while you do it. This will generate a cost at the end of each term.

Cost: Pool 1 = £400 Pool 2 = £600 Pool 3 = £800

### **Accounts**

A lot depend on your status as either a self-employed independent trader or as some form of company as to how your accounts are recorded. You will probably have to pay for an accountant or book keeper, and although a company of the size of all our three examples you do not have to submit a full set of accounts to Companies house, the accounts may still have to be approved by an auditor. The costs of these services can vary wildly and depends on the size and complexity of the business. Shop around locally, it's just as important to find an accountant you feel you can trust, as well as being inexpensive.

Cost: Pool 1 = £1,000 Pool 2 = £2,000 Pool 3 = £3,000

### **Marketing**

Finally, unless you have fantastic 'street-cred', the very first term will require some advertising. The cheapest and most effective way is a mail shot done by you in the surrounding housing estates, schools, nursery schools etc. This is very wearing on the shoe leather, but certainly is the most rewarding.

Advertising in local newspapers can be a waste of money. Nowadays people are not avid newspaper readers and usually the 'freebie' newspapers are binned without being read. If you are persuasive you may get some air time on the local radio station, if you are lucky. Cost is a bit of a guess but you should not spend more than £1,000.

After the first two or three terms, if you are any good, recommendations will be your best way of securing bookings. However an occasional mail shot, when the bookings are down, is always good practice.

But wait! How will the customers contact you? The best way is to have a telephone booking system on an exclusive mobile phone. I'm afraid you must be prepared to take calls all hours of the day, seven days a week. So from when you are teaching on the poolside you must be prepared to take bookings anytime – anywhere. This can be irritating, but if you want the business to work you will have to accept the inconvenience.

Cost: Pool 1 = £500 Pool 2 = £750 Pool 3 = £1,000

Finally you are in a position to construct a trial budget for the business.



<b>Income</b>	<b>Pool 1</b>	<b>Pool 2</b>	<b>Pool 3</b>
Income (less VAT)	£30,240	£51,472	£77,208
<b>Expenditure</b>	<b>Pool 1</b>	<b>Pool 2</b>	<b>Pool 3</b>
Pool Hire	£8,640	£17,280	£34,560
Teachers		£5,184	£10,368
Equipment	£200	£400	£600
Administration	£400	£600	£800
Insurance	£40	£400	£70
Accountancy	£1,000	£2,000	£3,000
Advertising	£500	£750	£1,000
<b>Total</b>	<b>£10,780</b>	<b>£26,614</b>	<b>£51,028</b>
<b>Gross Profit</b>	<b>£19,460</b>	<b>£24,858</b>	<b>£17,938</b>

Of course your salary has not been considered yet.

The Gross Profit from each example can all be taken as your salary, but do not forget your income tax, national insurance and any personal pension etc. need to be considered.

You may also want to keep a little in reserve for future advertising and equipment.

### STEP THREE

You now have to decide whether or not you are going to be a 'sole trader' or a 'limited company'. The advantages are that you do not have to complete accounts and returns for Companies house and you do not have to pay Corporation Tax. However, you still have to complete your Inland Revenue Annual Return and complete the extra pages for 'self employed person'. So you do have to keep accurate accounts. On the 'down-side' you have no 'limited liability', which means that if things go disastrously wrong you can lose everything! Such thoughts are not a good start for a budding entrepreneur and often puts people off immediately.

Alternatively the advantages and disadvantages of forming a limited company are, naturally, the reverse of being a 'sole trader'. If you get your business in a mess and cannot continue at the very worst you lose your share capital, usually £100. To form a company you have to register it at Companies House, make an annual return, submit auditable accounts and the company is subject to Corporation Tax.

Well how do you decide what to do? A lot depends on the facility you have available. If you acquire a small hotel pool, which will only accommodate one class, for a few hours each week, it's obviously not worth forming a company. You would be working on your own and the annual turnover of your enterprise would not be large (Pool1).

Alternatively, if you were lucky enough to obtain a school for 2 hours every week day between 4.00pm and 6.00pm, plus some time at the weekends and the pool could accommodate three classes at once, then it would probably be sensible to form a limited company (Pool 3).

The decision does affect your financial forecast.

<b>Income</b>	<b>Pool 1</b>	<b>Pool 2</b>	<b>Pool 3</b>
Income (less VAT)	£30,240	£51,472	£77,208



<b>Expenditure</b>	<b>Pool 1</b>	<b>Pool 2</b>	<b>Pool 3</b>
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Advertising	£500	£750	£1,000
<b>Total</b>	<b>£10,780</b>	<b>£26,614</b>	<b>£51,028</b>
Your Salary	£18,000	£24,000	£17,000
<b>Gross Profit</b>	<b>£1,460</b>	<b>£858</b>	<b>£938</b>
Corporation Tax	-	£205	£225
Net Profit/Reserves	£1,460	£653	£713

#### **STEP FOUR**

To form limited company is not hard. There are many firms, which specialise in setting up companies for people like you; or you can even buy a handy do-it-yourself pack from a stationer.

The hardest thing you have to do is think of a name for your company that has not already been used. The firm you buy from will supply all the details you need on how to keep the Company Register and what returns to make and when.

You will need a Director (you) and a Company Secretary (your accountant, one of the other teachers or a member of your family).

Each year you will have to fill in a return to Companies House and submit the companies Annual Report and Accounts. This is primarily the Balance Sheet and Profit and Loss Account for that year. Your accountant can do all this for you, if you are not brave enough to do most of it yourself. All you have to do is keep all your receipts for your income and expenditure. In addition to the registration fee you may need £100 for the share capital of the company. You can hold all the shares.

Ok - you have decided you are going for it! The next thing you do is to ensure you have the colleagues capable of working with you and how you want.

Regardless of the teachers' capabilities it is safer for you to ensure they are properly qualified. It is good marketing to let the parents know that your teachers are all ASA teachers and hold some lifesaving qualification relevant to the task.

Some of you will have noticed that I did not make allowances for income tax and national insurance payments for the teachers in examples – Pool 2 and 3; this is because these deductions would be made from their gross payment, or much more to your advantage leave the teachers as self-employed. However you cannot leave the matter there. You must make sure they have correctly constructed employment contracts (employed teachers) or contracts for service (self-employed teachers). The IOS have some very good guidance documents on the construction of both types of contract to help you through this part.

It is also important if the swimming teachers are self-employed, to ensure that they are IOS members, so that they are individually insured with civil and public liability insurance.



## STEP SIX

Now that you are the new director of your company, or you have decided to be a 'one man band' you can now go and hire the swimming pool. Give yourself plenty of time before the start date of the lessons to sort out problems you have not foreseen and to implement your advertising strategy.

When hiring the pool make sure you have a written contract. Some important issues need addressing in the contract agreement i.e.

- Times and dates of hire, make sure you acquire as long a hire period as you can get to give yourself security of continuity. Unfortunately most pool operators will not commit themselves to more than a 6-month hire period.
- A termination or cancellation clause should be included, again try and achieve as long a notice period as is reasonably possible. One month is usual but one term would be more beneficial to you and give you time to acquire alternative premises.
- Check where you stand with regards to unforeseen or unexpected closures and refunds and damages. Normally the best you can get is a refund on lost hire but you need to be aware that this may require you to refund your customers so do not spend your advanced income too early in the term.
- Periods when the hire agreement can be renegotiated. If you have an open-ended hire agreement the pool owner may wish to review the hire charges time to time.
- What area of the swimming pool have you hired? The whole facility, the pool and changing rooms and viewing gallery, or the pool only. This does matter if you have problems with overlapping customer use. You do not want the next customer infringing on your hire time and space.
- What are your responsibilities, particularly with regards to health and safety? You need to know in writing who is responsible for cleaning and maintaining the facility whilst you are using it. You need to know what you are responsible for? For example if vandalism takes place during your hire period who is responsible for the repair?
- What competencies and qualifications does the hire agreement require you to have to hire the pool and what lifeguard commitment are you required to provide, if any?

If you are unsure of anything it may pay you in the long run to get the contract checked by a solicitor.

## STEP SEVEN

Advertise the lessons and feel the stress rise. This is the risky bit. It is easy to be alarmed if the bookings do not come in as fast as you expected. However, if you have studied the area properly and are sure there is a market for your services, you should achieve sufficient bookings not to make a loss in the first term; and if the whole thing goes completely wrong then you can cancel with minimum loss.

## STEP EIGHT

You cannot ignore your health and safety obligations to your customers and staff if you have any. You have a common law duty of care to your customers and anyone affected by your business. You are required therefore to risk assess your activities, identify hazards and minimize their risk where it is reasonably practicable to do so.

By risk assessing it should automatically lead you to creating some simple operating procedures for your activities. It is wise to write these down and make them available to anyone who needs them. Obviously if you are hiring someone else's facility they should already have a Swimming Pool Operating Procedure (SPOP), which includes an Emergency Action Plan. Many of the hazards that you need to consider may already be included in the main SPOP so you need to check before you create your own. Your SPOP will be something like an addendum to the main one. Importantly you should know your role within the Emergency Action Plan.



Unfortunately, swimming teachers often work in a strange variety of locations and it is not unusual for a school or hotel to be totally clueless when it comes to essential swimming pool health and safety procedures. For your own protection you must ensure that a risk assessment is carried out and that a swimming Pool Operating Procedure is created. If the pool operator does not want to know, do as much as you can yourself, keep it for you, your colleagues and your customers to operate by.

## **STEP NINE**

Amazingly, one of the greatest advantages of running swimming lessons as a business is that the customers pay in advance and the bills are generally paid in arrears. This means that your bank account is usually in credit and you may not have to talk to a bank manager about overdraft facilities or loans at all. There is a further benefit to this because without having to go 'cap in hand' to the bank you won't have to do a complete business plan. However for your own benefit and safety you must create a company budget from STEP TWO and then up-date it in the light of the real bookings received in your first term.

Congratulations, you are now running your own business.

This article is not about how you teach; as qualified teachers you should already know all about that. However when running your own business you must start thinking in terms of customers and pupils. You will find at times you have unpleasant customers – the parents. Swimming teachers who are employees and do not carry out the registration role that a receptionist often undertakes are often 'cushioned' from the many difficulties the parent/customer poses. Some parents do not like to pay in advance and they know it is hard to turn children away, once on poolside. However to maintain a health cash flow you have to be positive about payment. All parents make demands for their children and you must acquire the communication and personnel skills to manage them.

Fortunately most of the bills are paid in arrears and therefore difficult payers will not cripple your business. You pay your teachers and yourself in arrears at the end of each month and most council's and schools are rarely efficient enough to invoice you until well into the term. However never get too complacent and never spend future lesson income before you have delivered the service. Remember it is not your swimming pool and you can never be one hundred percent sure of your advanced bookings.

Throughout the year you will also have to manage your own salary. This means keeping PAYE and NI records, deducting payments from your salary and sending them to the tax office. The Inland Revenue provides all the documentation for this, all you have to do is create or buy your own pay slips. All the tables and guidance can be quite off putting at first, but once you work it out it really isn't hard. Nevertheless you could get an accountant to do this part if you are not happy taking it on. Remember if you are self-employed you do not have to pay your tax until the following year's tax demand, so save the money and bank it separately.

Similarly if your VAT exceeds the tax threshold you will have to complete a VAT return. You will see from the previous examples that the VAT payments can make a big difference to a small business and that Pool 1 is actually more efficient than the larger pools because there is no VAT consideration. Operating below the VAT threshold should always be a consideration for a sole trader. Nevertheless, do not be alarmed by the VAT returns, they are remarkably easy to do, as long as you keep a record of your invoices and receipts.

Finally at the end of each year a company has to send an annual Income Tax and National Insurance Return for all employees, again all the forms are provided and as long as you do simple arithmetic you will be alright.

## **STEP TEN**

AT the end of your first year all your receipts, invoices, pay slips, etc. go to your accountant. He will



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produce your companies Annual Report. You will find out how much you have to pay in Corporation Tax, but you will not have to pay it for a further six months or so. Keep it in the bank earning interest – do not spend it.

Well you have done it. Three terms, one year, running your own business. If you have made more than 50% uptake in each class you will probably have made a profit.

Where to now? First of all check your spouse hasn't left you without you knowing. Then construct your second year budget much more accurately based on what you have learnt in the first year, decide if it is worth continuing and – start all over again.

Perhaps this course of action is not for the faint hearted, but the rewards are there. If you are not a pessimist, like me, work out the figures optimistically and frighten yourself.

Go for it, will achieve greater job satisfaction and probably greater financial reward, also some tears and laughter along the way.

Good Luck.

NOTE: All figures are just a general guide and do not represent specific rates of pay, hire, tax or other costs.

Guidance can be obtained by members from the author on an ASA/IOS advisory telephone line at **0870 2403378.**

