



Starting your Child Care Business

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Business Plan

What is a Business Plan?

When thinking about starting your own business you need a business plan which will provide details of how you are going to develop the business, when you are going to do it, who is going to be involved and how you will manage the finances.

It is:-

- A working document
- It should be constantly under review
- It should be written by people with working knowledge of the child care setting they wish to start

It describes:-

- The business
- The business strategies
- The business objectives
- The Market it is in
- Financial forecasts

Why do you need one?

Writing a business plan will help you focus your mind on how your business will need to operate to give it the best chance of success. It also gives you clarity when looking for finance or investment. It is your road map from where you are now to where you want to be.

For more information please see the following Factsheet:

- **Business Plan**

Please contact Better Business In Childcare on 0845 838 9965 for one to one support.



Starting up

So you want to start a childcare business.

Setting up your own business will require a lot of personal commitment, long hours and financial investment. You will have to do some preliminary legwork to make sure the business will be viable before you commit to too much time and energy. To ensure your business prospers you have to know your market and decide what strategy to adopt with regard to price, promotion, place and product to beat your competitors. This preparation will need to be completed on your own.

Questions to ask yourself now may be:-

- Have I got the energy?
- Have I got some capital that I wish to invest in the business prospect?
- Have I got expertise in childcare and education?
- Have I got expertise in running a business?
- Why am I doing this?
 - To enable me to retire comfortably
 - To be my own boss
 - To make money
 - To have a family business
 - Personal satisfaction.

The following will help you through a pre-opening check-up so you can be absolutely certain that your abilities and interests are closely aligned to those needed by the childcare business you have in mind.

Structure.

You need to decide what sort of structure your setting will have:

- Is it just you?
- Do you want to set it up with someone else as a partner?
- Do you want the community involved in setting it up?

For examples of types of structure and legal requirements see the following Factsheet:

 **Structure and Governance**



Finding suitable premises.

This is one of the most difficult aspects of starting a childcare business. You will have a very specific list of requirements, and you will need to find premises which either has planning consent for use as a childcare business, or for which you will be able to obtain planning consent for a change of use. This can be a difficult and lengthy business.

Renting or buying?

This will be determined by your access to finance. Have you got the capital, are you going to access a bank loan etc.

Obtaining Planning consent for a premises.

You will need:-

- Views of Planning Officer
- Views of Registration Officer
- Views of Fire Officer
- Views of Environmental Health Officer
- Traffic and other local considerations
- Architect's drawings
- Applications.

Purchasing Freehold.

If you are planning to purchase a freehold property you would need to think about the same issues as buying your own house. You should commission a detailed survey and valuation.

You will need to:-

- Engage a solicitor
- Agree Terms
- Full survey
- Planning Consent
- Draft contract
- Normal Enquiries
- Other as directed by solicitor
- Insurance



Entering into a leasehold agreement.

A leasehold will probably be a commercial lease for a specified number of years. You will need to agree the basic terms up-front, such as the length of the lease, the annual rent, any rent-free period or premium payable. You should make sure you are happy with the arrangements for paying rent and service charges, and build these into your business plan.

You will need to talk to a:-

- Chartered surveyor – to help negotiate the lease agreement.
- Engage a solicitor – to review the lease to ensure it is compatible with your needs.
- Term, length of lease
- Planning Consent
- Restriction Clauses
- Rent reviews
- Service charges
- Other clauses as advised by a solicitor
- Insurance

Do you have Financial Management skills?

This includes understanding the Financial management system of all your daily business activities:-

- Monitoring your bank balance
- Monitoring income and expenditure
- Managing your budget to ensure you have a surplus at the end of the year.
- Forecasting – utilizing cash flow forecasts
- Record keeping enabling you to submit information to Her Majesty's Revenue and Customs (HMRC), Charity Commission and Companies House, also allowing you to react quickly to potential problems.

You will need:-

- Cash book
- Invoices
- Receipts
- Grants
- Free for 3 & 4 yr olds funding
- Wages
- Bank statements



It will enable you to make informed decisions, as a financial management system looks at:-

- your past to see what has happened
- your present to make sure that things are running smoothly
- the future to plan and forecast to ensure sustainability

This can be split into three main areas: forecasting, record keeping and reviewing.

Forecasting.

Forecasting is predicting what will happen in the year ahead and using it to set an appropriate budget. It is useful to carry out a cash flow forecast, which is a statement of each month's expected income and expenditure for the coming year. This will predict any future financial problems and enable you to plan for them. The cash flow forecast can be used to generate your annual budget. The year end totals from the cash flow forecast will give you a business forecast for the year which can be used as part of your business plan.

Record Keeping.

It is essential to keep accurate, up to date records of your business income and expenditure. It will help the setting to submit the required information to bodies such as Her Majesty's Revenue and Customs (HMRC), Charity Commission and Companies House as well as to notice and respond quickly to potential problems.

Examples of records include:-

- Cash book
- invoices
- grants
- Free for 3 & 4 yr old
- receipts
- wages
- bank statements

Reviewing.

It is important to regularly review your financial position. This can be done by comparing the actual income and expenditure figures each month with the cash flow forecast. You will then be able to see if you are on track or if there are any unexpected variations. This will be needed to be reported in your monthly



budget report. This will enable you to adjust your forecasts and deal with any issues. At the end of the year you will have the actual figures of what has happened during that year and this will give you a profit and loss statement. This includes regularly reviewing your financial position. This is achieved by comparing actual income and expenditure figures each month with the cash flow forecast. At the end of the year you will have actual figures of what has happened during that year giving you the information needed to prepare a profit and loss statement.

For more information please see our [Finance Factsheets](#)

Rates.

You will be liable to pay the uniform business rates on your premises. These can be quite substantial, and you should budget them in your business plan. The Valuation Office Agency (VOA) will assess the childcare premises and determine the rateable value. The rates are then calculated on the pence in the pound rate for the relevant financial year.

Insurance.

You will need to take out an insurance policy to insure your premises from the time you exchange contracts. You will need to have public and employer's liability insurance in place before you open your childcare setting. Policies are available especially for nurseries, and include insurance for premises, contents, public liability and employer's liability and other optional cover.

Support Network.

If you are committed to starting your own business or have already acquired a premises then you will need to think about instructing some of the below to help you on your journey.

- Accountant
- Solicitor
- Commercial/Property Agent
- Advertising Agency
- Designer
- IT supplier
- BBIC
- Business Link

Risk Management

Risk management should be a central part of any business' strategic management. Risk management helps you to identify and address the risks facing your business and in doing so increase the likelihood of successfully achieving your businesses objectives.

- Risk management should create value.
- Risk management should be an integral part of organizational processes.
- Risk management should be part of decision making.
- Risk management should explicitly address uncertainty.
- Risk management should be systematic and structured.
- Risk management should be based on the best available information.
- Risk management should be tailored.
- Risk management should take into account human factors.
- Risk management should be transparent and inclusive.
- Risk management should be dynamic, iterative and responsive to change.
- Risk management should be capable of continual improvement and enhancement.

The risk management process can generally involve grouping and assessing risks under the following headings:-

- strategic
- operational
- financial
- compliance (including health and safety)
- environmental.

Strategic risks arise from being within the childcare sector and geographical area.

Operational risks arise from the various operational and administrative procedures that the business uses to implement its strategy.

Financial risks arise from the financial structure of the business, from transactions with third parties and from the financial systems in place.

Compliance risks derive from the necessity to ensure compliance with:-

The Office for Standards in Education (OFSTED)

EYFS regulations

Free for 3 & 4 yr olds

Environmental Health Requirements

Fire Legislation

Health and Safety Regulations

Policy and procedures linking to the above



Her Majesty's Revenue and Customs (HMRC)

Registration with relevant body regarding structure and governance

Insurance requirements

Other less formal societal expectations which, if infringed, can damage a childcare business.





Environmental risks can be relatively routine and covered under compliance.

Small changes to the environmental management of a setting can result in considerable financial savings.

How do we deal with risks?

List every risk you will face and show the strategy that will minimize or eliminate the risk.

For more information please see the following Factsheets:-

-  **Green Issues**
-  **Finance**
-  **Operational Planning**
-  **Legislation**



Operational Planning

This is about how your setting will operate and forms the basis of the start up and annual running costs in your financial plan. Details should include the age groups, opening hours, staffing, food preparation and cleaning arrangements, health and safety needs, equipment and administration and a description of the premises.

It pulls together your policies and procedures and provides evidence that they are effective in practice. This enables you to review practice and implement change where necessary. The operational plan helps you to consider problems, and therefore solutions, before they arise. It also allows anyone to review your daily practice without necessarily being in your setting.

For more information please see the following Factsheet:

 **Operational Plan**

People Management.

For the success of your business you need to understand the following:-

- The recruitment, retention and induction procedures for staff
- How to motivate staff
- How to resolve disputes
- How to be and work as a team
- How to train staff and the importance of continual professional development

For your business to be successful you need to understand your employees are as valuable as your service users. So, remember to listen to your employees, recognise their accomplishments, help them with their problems, train them, promote them, challenge them and encourage them. Make them proud of what they do, and what your setting stands for.

For more information please see our [Human Resources Factsheets](#)



Complying with Regulations.

The process of registration is fairly rigorous and can take upto six months to be completed. Particular emphasis is placed on a range of legal responsibilities such as those listed below:-

Registration:

- The Office for Standards in Education (OFSTED) is responsible for the regulation of childminding and daycare in England. For registration requirements for the Early Years Register and/or The Childcare Register please visit www.ofsted.gov.uk
- Early Years Foundation Stage (EYFS) – Governments mandatory curriculum **For more information see our [Legislation Factsheet](#).**
- Free for 3 & 4 Year olds
- Environmental Health requirements – These focus on the proximity of food service areas to toilets, ventilation, hygienic floor and wall surfaces, hygienic and safe design of kitchens and other food areas, toilets, nappy changing areas etc.
- Fire Legislation **For more information please see our [Health and Safety Factsheets](#).**
- Health and Safety Regulations. **For more information please see our [Health and Safety Factsheets](#).**
- Relevant policies and procedures linking to the above
- Registration with HMRC (Her Majesty's Revenue and Customs)
- Registration with relevant body regarding structure and governance.
- Insurance requirements.

For support with Ofsted requirements, EYFS and Free for 3 & 4 yr olds you will need to contact the Commissioning Team - Children's & Young Peoples Directorate www.gloucestershire.gov.uk 01452 425000

Training Opportunities.

So have you got the skills and knowledge you need for your childcare business? Training and development are core elements of your business strategy. To find out about training opportunities available to you see below.

Business Start-Up Training.

Attend the Business Link 3 day start-up course:

GEL is delighted to be delivering the Business Link comprehensive, practical and enjoyable 3 day Business Start-Up courses in Gloucestershire.

Call Business Link on 0845 600 99 66 to book your place.



Marketing

Market research helps you to have a clear picture of where your business fits into the overall market. Market research is essential for any childcare business and should be updated regularly to ensure that the service you are providing is meeting the need of your service users. It also enables you to see the gaps in the availability of childcare services in the area which you may be able to fill.

The below links/resources will help you understand if there is a need for what you want to provide:-

- Market research
- Local knowledge
- Childcare providers already in the area, e.g. www.glofamiliesdirectory.org.uk
- Statistics from government sources, e.g. MAIDeN www.maiden.gov.uk

MAIDeN has a collection of social, economic and service data about the communities of Gloucestershire. Access to data through the website is limited to people working in the public and community sectors within Gloucestershire. If you don't fall into these groups, help may still be available.

General profiles of local areas are available to everyone from Neighbourhood Statistics at www.neighbourhood.statistics.gov.uk or from www.upmystreet.com

The **2009 Population Estimates** for Gloucestershire at district, ward and parish level are now available. [2009 Populations](#)

For more information please see the following Factsheets:

- 🗨 **Market Research**
- 🗨 **Publicity and Advertising.**



Understanding your competitors and customer needs.

Competitors.

Knowing who your competitors are, and what they are offering, can help you to make your products, services and marketing stand out. It will enable you to set your prices competitively and help you to respond to rival marketing campaigns with your own initiatives.

You can use this knowledge to create marketing strategies that take advantage of your competitors' weaknesses, and improve your own business performance. You can also assess any threats posed by both new entrants to your market and current competitors. This knowledge will help you to be realistic about how successful you can be.

Service Users.

From a business perspective, you need to think of the parents as “service users”, viewing their expectations in terms of general “customer service” and determining how your setting can establish effective communication, interactions with service users and how you as a business handle complaints or other problems.

Promotional Strategy.

Once you have decided what your marketing objectives are, and your strategy for meeting them, you need to plan how you will make the strategy a reality.

Think about the following:-

Product - what your product offers that your customers value, and whether/how you should change your product to meet customer needs.

Pricing – how pricing is established monitored and tested.

Place - how and where you sell. For example, you might promote your setting through the internet.

Promotion - how you reach your customers and potential customers. For example, you might use advertising, direct mail and personal selling.

For more information please see our [Marketing Factsheets](#)