



CHILDCARE BUSINESS PLAN

Name of organisation:

Date:

Type of childcare service:

Number of places provided:

Grant applied for:

£ Grant per place:

**Realistic break even no. of
places/sessions:**

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This document has been produced for all settings offering childcare services. It is presented with the instructions/ detail on the left hand page and a space for completion on the right

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Preparing a Business Plan

What is a business plan?

A business plan is a clear and concise, professional document. Your business plan details the aims and objectives of your organisation, setting out how you plan to manage, deliver, develop and sustain your provision. Your business plan should explain:

The aims and objectives of your organisation
 How you will deliver and manage your service
 Why the service is needed
 Who the beneficiaries are and what they will gain
 What the service will cost and how it will be financed
 How the service will be monitored
 The future direction of your service

Why have a business plan?

You need to have a business plan in order to:

- Clarify your aims and objectives
- Have a clear plan of action for the management and staff of the provision
- Provide a working document for the development of the project
- To convince potential funders/ investors of the viability of the project

What information you need to write your business plan

There are a number of tasks that you will have to complete and items that you will require before you plan the outline of your service and before you prepare to write a comprehensive business plan:

- An agreed management structure
- A signed and dated governing document
- Carried out local research
- Completed market research with your target audience
- Quotes for any refurbishment work you have planned (if applicable)
- A list of equipment and costs
- A three-year cash flow forecast predicting your income and expenditure
- A lease agreement with the premises provider
- An outline of the policies that you will adopt and adhere to
- A training plan

Legal guidance

It is important that you understand your legal obligations and responsibilities. You should make sure that you can do the following:

- The way you set your service meets all the necessary legal requirements
- Make a note of the views of your financial backers when you decide how to set up your service
- Take advice from professionals and business advisers to help you decide what you have to do
- Find out which regulations and laws will affect your service and decide how to meet them
- Explain how current law protects your customers and consider if you need to give them any extra guarantees

You should know and understand the following ways for businesses to be set up:

- The main business types (these include sole traders, partnerships, limited companies and not-for-profit organisations)
- How the types of business affect the running of your service and its legal liabilities

Legal requirements:

- Which parts of national and local law and regulations apply to the childcare services you are starting or running
- Which parts of national and local regulations apply to all businesses, including your own

How to decide on the right way to set up your service:

- What are the effects on your own tax position
- What liabilities you and the service will have
- What financial risks are involved
- Which type of trading best meets the commercial needs of your service
- What other things you need to think about (this will include VAT, insurance, planning permission, local regulations and bye-laws, health and safety regulations, fire regulations, trading standards rules, and copyright and patent rules)

Regulations and laws affecting your service:

- What requirements you have to meet for your service to operate legally. (For example, registration, licences, planning permission, health and safety, trading standards, consumer protection, contracts, and record keeping)
- What thresholds there are for some laws and regulations (For example, turnover before you must register for VAT)
- Who has the power to inspect your business activities to enforce the law and regulation
- What Health and Safety regulations apply to your service
- What impact will Employment Law have on the operation of your service

Agreements and contracts:

- It is important to agree terms and conditions with your customers, suppliers and backers

The Structure of the Business Plan

Executive summary - guidance

This is completed at the end of your business plan but is placed at the beginning and is a basic overview of your organisation and the proposed service.

The summary will include:

- The organisation's aims and objectives – it's mission statement
- How you aim to achieve your goals
- What the service is and how it will benefit others
- How the service will be managed and delivered
- Three year financial objectives including level of funding needed
- The status of the organisation (that is, where you are up to at present)

The content of this section will determine whether readers continue to read the rest of your plan; particularly funding providers such as banks so make it concise but interesting and spell out why you are different and worth supporting.

Executive Summary
(Complete last)

The Aims and Objectives of Your Organisation - guidance

State the purpose of your business i.e. to provide breakfast club services that promote social and emotional development for children aged 3 to 7 years of age. This aim should be reflected within your governing document.

Objectives can be short, medium and long term so what are your objectives in the first year, third year and by year five?

Do you intend to make a profit? If you make a profit, will it be reinvested in the business or is it for personal gain? Is the purpose of the business to make a profit to support another service area?

Who is your target market? Is your service purely for children attending the local school or is it for anyone within the community? Is your aim to provide childcare for working parents or more? Some clubs are set up with the aim of supporting underprivileged children or to promote study support. Be specific about your objectives, as this will drive your plan.

Include a signed and dated copy of your governing document in the appendices.

The Aims and Objectives of the Organisation

Name of organisation:

Type of organisation:

Aims:

i.e. Purpose/ Project outline

Objectives:

i.e. What are the lower level activities which will lead to the aims being achieved ?

Management - guidance

This section details your organisation's structure including how you will manage and deliver your service.

- Clearly describe what type of organisational structure you have and how many people are on the management team - draw your organisational structure
- Show your strengths and outline how you will cope with weaknesses
- Clarify how you plan to cover the key areas of finance, quality, personnel, health and safety
- List the members of your organisation and describe the background and experiences of each management member
- List their roles and responsibilities
- How will you deliver and manage your service?
- What type of organisation are you? Incorporated or unincorporated? See 'Getting it right legally' published by Playwork Partnerships, www.playwork.co.uk. Also see the Business Link publications "Starting up guidebook" and "The No- Nonsense Guide to Starting Up a Business" available from their website www.businesslink.co.uk
- Incorporated organisations include organisations limited by guarantee and partnerships.
- Unincorporated organisations include voluntary management committees and trusts.
- Is your organisation registered as a charity?
Charitable purposes are defined as follows:-
 - the prevention or relief of poverty;
 - the advancement of education;
 - the advancement of religion;
 - the advancement of health or the saving of lives;
 - the advancement of citizenship or community development;
 - the advancement of the arts, culture, heritage or science;
 - the advancement of amateur sport;
 - the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
 - the advancement of environmental protection or improvement;
 - the relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
 - the advancement of animal welfare;
 - the promotion of the efficiency of the armed forces of the Crown or of the police, fire and rescue services or ambulance services;
 - other purposes recognised as charitable under the existing law and any new purposes which are similar to another prescribed purpose.

The minimum requirements for registration are that a charity must have an income of more than £5000 a year

An organisation must register with the Charities Commission if it fulfils both the requirements for charitable status and the minimum requirement for registration. See www.charity-commission.gov.uk

- Is your organisation affiliated to another organisation such as Pre School Learning Alliance or 4Children?
- What power do the members have if they are part of a larger organisation such as a governing body? Provide evidence of the terms of reference
- How will decisions be reported?

Include a copy of the full governing body minutes that record the decision to set up and manage childcare services and delegate responsibility to these members, if applicable.

- How often are accounts reconciled and reported?

Voluntary management committees may be liable if the organisation goes into debt and they are not able to demonstrate that they have acted reasonably and within their responsibility. Committee members need to ensure that the organisation is solvent and has set aside sufficient funds to meet unforeseen eventualities.

Management guidance**Date that organisation started:****List the partners/members/trustees of the organisation and their roles:****What are the skills and qualifications of the members?****What training needs are required to fulfil their responsibilities and how will these be met?****Is the organisation a registered charity? Yes/No**

If yes, include registration number.....

Is the organisation affiliated to another organisation? Yes/No

If yes, name organisation and membership number.....

What processes are in place for reporting accounts?

Registered with HMRC Yes/No

Registered with Companies House Yes/No

Registered with Charity Commission Yes/No

How frequently will committee/partnership meetings be held?**What will be standing items on the agenda?****What level of income will be set aside to cover closure or contingencies?**

The Organisation - guidance

- Explain how the organisation will be managed e.g. management of staff
- The organisation's administration
- The policies and procedures you will adopt
- Explain how policies and procedures will be drawn up and implemented and how they will be communicated to staff, children and parents
- Attach policies and indicate how often they will be reviewed, as an appendix
- Mention any groups or organisations that you will be networking with on a national or local level
- Relevant legislation such as Disability Discrimination Act (DDA), equal opportunities and how your organisation will comply
- Ofsted registration and inspection. How your organisation will prepare a self-evaluation form and evidence for inspection.
- Quality assurance schemes
- Insurance cover – public and employers liability, contents, trustee indemnity. What level of cover will be taken out?
- Outline any future developments that you have planned

The Organisation

Provide an overview of the organisation, how it will be managed and how it will comply with relevant legislation and good practice.

Background/History – guidance

The background/history establishes the foundation for your service and therefore you need to include any information that is *relevant* to your service. You also need to consider any areas that your proposed service might have an impact upon or vice versa.

- You should have carried out a significant amount of local research, which will build into a socio-economic picture of the local area. It should include information about your geographical location, the area, population, types of housing, schools, businesses, working patterns, transportation including routes to work, new/planned developments, other childcare provision (including fees and service offered) etc. This sort of information is available from the Internet, Buckinghamshire Family Information Service, through Data Support of Buckinghamshire County Council Early Years and Childcare Service, libraries, research companies, trade and national press and publications, professional associations and institutes. Your research needs to be relevant to the scope of the service that you plan to provide. Your nominated Childcare Support Officer can support you with this.
- You should include a brief explanation of early years and childcare services and trends within it, for example. a growing number of women returning to work, government support to pay for childcare, the availability of childcare services within your locality, etc
- You should include how the provision will tackle any social and economic disadvantages in the local community? What links will you have with other local, regional and national strategies and programmes that aim to regenerate specific areas or improve the circumstances of particular groups in society?
- You should also have a little knowledge of the national and local childcare strategies. Briefly explain the local Children & Young People's Plan and how your service will meet targets laid out in the plan as well as national targets

www.buckinghamshirepartnership.gov.uk/partnership/CYPT/Children_and_Young_Peoples_Plan.page?collection=bcc

It is useful to summarise this research into a SWOT (Strengths, weaknesses, opportunities and threats) analysis.

<u>Strengths</u>	<u>Weaknesses</u>
<u>Opportunities</u>	<u>Threats</u>

Background/History

Describe the local community, facilities and demographic mix of the area where the new service is planned.

Describe how your service will support local trends and needs for childcare.

Describe how your service will support disadvantaged families, children with special needs or families from different cultural or religious backgrounds.

How will your service fit into local and national strategies for childcare?

Market Research - guidance

Thorough market research is vital in ensuring that business will be viable in the future. The aim of the market research is to confirm that you do have a market for your service. Your research will help to define the service that you will offer and ensure that it responds to local needs.

To earn enough income, your business must be able to achieve a share of the available market. You will need to have a thorough understanding of your target market to do this, including its size and the share that you can realistically achieve. The size of your share will depend on:

- The overall size of the market
- Market trends – find out what influences your target market now and how you can take advantage of this
- Target customers – describe who your target customers are and how many of them there are; justify your estimate of the market share you aim to get
- Competition – list your competition and describe their service; describe how your service will be different. Research must include identification and consultation of all competitors within a two-mile radius (five-mile radius for holiday clubs).

Decisions about the age of the children, hours of service, whether to provide hot meals, prices and activities will be refined by your research. Consider these points when compiling your market information:

- Who will your service appeal to?
- How have you ensured that the provision has the support of the local community, employers and other local organisations that may have an interest in the provision?
- How does my service meet with my customers' needs? – use the feasibility results to support your decisions. Include a selection of 'comments' if these support your proposal
- Identify any unique selling points and say how these are different from your competitors
- What are the legal constraints?
- What's the market potential? How much will customers pay and how often? Who will you target next, i.e. in 6 months or 12 months time?
- Check any market and business trends, and other trends beyond your control, which might affect your proposed service (such as new developments and population trends)
- What are my future prospects? How many customers do you want and by when?
- How does the plan fit within the relevant Early Years and Childcare Service (EYCS) places plan?
- If there are any negative responses, include proposals to address issues or rationale if they are not relevant. Include strategies to promote positive community relations

Market Research

List the research undertaken. Summarise the results.

Feasibility Study - guidance

A feasibility study/questionnaire should be completed with your target audience. This information will inform your business strategy. EYCS Childcare Support Officers can support you in developing an appropriate feasibility study. Summarise your market research survey results and include this analysis in your appendix. Detail:

- Type of service required
- What days of opening are preferred
- Times preferred
- What parents are prepared to pay, charges of competitors and neighbouring schemes
- Number of families that require the service
- How many children this involves
- Age range of children
- Number of children with additional needs
- Ethnicity of children
- Detail any special local circumstances that influence the type, number and times at which the provision would be provided
- Parents preference on the location of the service
- How many parents will apply for Working Family Tax Credit (WFTC)
- How will it help parents
- What childcare is used at present
- How many parents showed interest in supporting a steering group or to gain employment at the provision, once established
- How will the findings be fed back to parents/ carers/ your target market?

Summary of market research**Conclusion of findings:**

Based on the findings of the results, it has been decided to offer the following services:

Type of service:**Age range:****Number of places:****Times of opening and frequency:****Price per session:****Price per hour:****Discounts/special offers/ shorter sessions:****Flexible Free Entitlement:****Flexibility:****Any other points to note:**

The Service - guidance

This section needs to explain in detail exactly what the service is and how you intend to operate it, details should include:

- Ethos of the service
- What the service is - type of provision, what you are offering (play activities, snacks, etc), to whom you are offering it. Make sure you consider accessibility, equal opportunities and good quality. Include activity plans and sketch map of premises in the appendix
- When will the service take place - days, times, how much it will cost, discounts etc.
- Where the service will take place - the premises and facilities that you will be based at, the collection/transportation of children, access to outside space, storage of equipment
- Briefly mention what staff to child ratios you will adopt and how staff will run the service on a daily basis, how decisions will be made etc.
- List any specialist activities that you are planning such as dance classes
- Any other exciting ideas you have for your service

The Service

Describe in detail what you are offering, include the fact that if you are offering over four hours care per day you will need to employ an Early Years Professional by 2015:

Staff Costs - guidance

- Hourly rate must be above the minimum wage.
- Staff to child ratios must be maintained and two staff must be present in each room at all times to meet registration requirements
- Staff are entitled to a minimum of one twenty minute break every six hours. This break should be taken away from the children so additional staff will be required to cover.
- When deciding on an hourly rate, consider the going rate for the area and other benefits that could be offered such as free childcare (remember employee benefits need to be reported to HMRC on a form P11D) or term time only contracts.
- Staff ratios should be planned to meet the needs of all children, including children with disabilities.
- Decide on pay structure. Some organisations adjust pay to reflect qualifications.
- Will staff be paid to attend training or meetings?
- Redundancy – all employees are entitled to one week's notice per year of service once they have been employed for 12 months, up to a maximum of 12 weeks (less any notice period and outstanding holidays). Redundancy pay is also payable in accordance with the relevant legislation. A statutory redundancy pay table is available at www.direct.gov.uk/redundancy.dsb A redundancy fund should be set up (preferably in a separate bank account) and increased each year in line with liability but as a minimum of one week per employee.
- **Extended schools** - where staff are employed by Buckinghamshire County Council, advice must be sought from the Local Authority. Staff may not receive any additional benefits such as free childcare. Approved job descriptions must be used and the appropriate pay range used. The delegated budget must not be used to pay childcare staff. For staff with multiple contracts a separate contract must be used for each post.
- Staff costs should be adjusted according to usage/ income and constantly under review

Staff Costs

See the following link for further qualification information:

www.cwdcouncil.org.uk

Job title	Start time	Finish time	Hours per day	Nos. of days per week	Total per week	Hourly rate or spinal point (BCC)	Weekly salary	Weeks per year	Total annual salary	ERNI, pension	Basic annual salary cost
	Include preparation time and lunch breaks										
	A	B	C =B-A	D	E =CxD	F	G =ExF	H	I =GxH	J	K =I+J
Example: Jo Smith	14.30	18.30	4	5	20	£6.50	£130	38	£4940	£632	£5572
										Sub Total	
Take basic annual salary cost, divide by number of weeks per year (H), multiply by number of weeks paid holiday – for each member of staff (i.e.£5572/38=£146.63 x 4.59 = £673.03) – 4.59 is the 38 weeks pro rata holiday entitlement based on a 52 week entitlement of 5.6 weeks										Holiday pay	
Sick pay will vary depending on individual contracts. It is recommended that at least two weeks pay per employee is set aside to cover these possible costs.										Sick pay & redundancy fund	
										Total salary cost	

Staff and Training Matters - guidance

- Types of qualifications that you will require to comply with legislation
- Taking up references prior to employment
- ISA Register check to be carried out prior to employment (from November 2010). Criminal Record Bureau (CRB) checks to be carried out every three years.
- Who will be responsible for staff supervision and appraisals? How often will these take place?
- For holiday provisions or staff with more than one position, explain how work/life balance will be met. Demonstrate how you will comply with the working time directive – See <http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1073858926>
- Explain whether any volunteers are involved, in what way, what checks will be undertaken and how they will be managed. Are they insured?
- Explain how you will advertise for staff and recruit (remember equal opportunities)
- How will you ensure staff are suitable to work with children?
- How much holiday are staff entitled to and when can they take it?
- What provision have you made for covering in case of staff absences?

Training

- Include in the appendix details of qualifications of staff and management committee, a training needs analysis for both statutory and desirable qualifications/ training,
- External support for training and staffing issues relating to releasing staff for training during working hours
- Network support for staff – EYCS organise termly Information, Advice and Business Network events both staff and management. These networks provide training opportunities, information share and networking with other similar organisations in the county.
- Training offered, cost and what you expect staff to attend
- How will staff be inducted and what will the induction include?
- How frequently will child protection/ safeguarding children training be updated?
- Outline any links with local training providers and employment creation schemes

Staff and Training Matters

Explain how staff will be recruited? How will vacancies be advertised? Consider job descriptions and specifications. Taking up references and CRB's prior to engaging. Explain contract details including holiday & sick pay, benefits etc.

Will volunteers be used? How will they be managed?

Induction, training and supervision:

Management training: What are current skills and needs?

.

How will your organisation comply with employment regulations and ensure staff are suitable to work with children?

Finance - working out costs and break-even - guidance

To make sure your childcare service does not make a loss, you need to cover your costs and have some money left over. Understanding your costs will help you set your fees.

Complete the yearly cost checker to calculate weekly costs and break-even points. Your EYCS Childcare Support Officer can help with this.

The break-even calculation assumes full occupancy. It is rare for any business to operate at 100% occupancy all the time, so you should set a price that enables you to make a profit at a lower occupancy than you expect to achieve regularly.

How you decide to set your price will determine your break-even occupancy and the profit you make, for example:

If the hourly fee was set at	£5
And assuming costs per week are	£1000
And your minimum weekly occupancy hours are	400 hours
Break-even would be achieved at	50% occupancy (=£1000÷£5=200 hours)
At this price a surplus will be earned when occupancy is in excess of 50%	
At an occupancy of 75%	300 hours
The weekly surplus would be	£500 per week (300 hours x £5=£1,500-costs £1,000=£500)
Reducing your prices below a break-even point will result in a loss	
Using the example above,	
If the hourly fee was set at	£2
Even at 100% occupancy, there is a loss of	£200 per week (400 hours x £2=£800-£1000 costs= -£200)

From the examples above, the price you set should be based on a series of calculations. You need to think carefully before you settle on the rate and consider all matters relevant to your business. Try not to compete solely on price, differentiate your service and explain this when talking to parents.

Sessions Fees

The following is an example of how a sessional fee could work for an out of school club or playgroup.

If your weekly costs are	£500
And the maximum number of sessions you have per week is	10
And the maximum number of places that you have is	15
The total number of places per week is	10 x 15 =150
The breakeven fee you need to charge at full occupancy will be	£500 ÷ 150 = £3.33 per child per session.

Cost Checker

Note	Expenditure	Yearly costs	Comments
1.	Salaries		Page 16
2.	Salary related costs		ERNIC, Pension Payroll services, HR services
3.	Training		Include management training. Bursaries may be available from EYDCS for qualifications
4.	Sick pay and redundancy		Page 16
5.	Registration fees		Ofsted, PLA, 4Children
6.	Insurance		BCC insurance covers some out of school services* seek clarification of cover
7.	Premises		Rent, heat , light
8.	Administration		Stationery, telephone, computer running costs
9.	Marketing		Publicity materials, prospectus, photocopying
10.	Account fees		Bank fees, accountancy costs
11.	Wear and tear		Replacement costs
12.	Quality assurance		
13.	Other		Transport, specialist teachers fees etc
14.	Sub total		
15.	Consumables		
16.	Materials		These costs will vary depending on the number of children attending. Include craft materials, food, cleaning products
17.	Food and drink		
18.	Total Consumables		
19.	Capital expenditure		£
20.	Refurbishment		Decoration, internal alterations
21.	Building costs		
22.	Resources		Items over £500 or invoices that total £500 or more
23.	Total Capital costs		
24.	Grand Total yearly costs		£
25.	Number of weeks open		
26.	Weekly cost of core expenditure		Line 14 + line 18 divided by line 25 £
27.	Weekly total costs		Line 24 divided by line 25 £

Hourly Fees

Divide your weekly costs by how much you need to charge per hour to break even.

Hours per day		Places		Days Open		Total hours per week
	X		X		=	

Total weekly costs – line 26		Total hours per week (as above)		Breakeven hourly fees
£	÷		=	£

Pricing Strategy - guidance

Having identified your costs and considered break-even points, you need to decide on a pricing strategy.

Pricing strategies allow you to offer parents choice and flexibility whilst ensuring you stay in business. Consider mobile phone companies, they offer two distinct pricing methods, a contract with a set amount of talk time and a 'pay as you go' option. The first attracts and benefits people who want to use a mobile phone regularly; 'pay as you go' benefits people who use the phone infrequently and they consequently pay less.

Pricing strategies recognise that:

- Parents want choice – lack of choices will make them seek alternatives and look for other childcare provision that suits their needs
- To maximise profits, it is necessary to maximise income
- Offering a range of services (day care, after school, play group sessions, collections, etc) can result in a range of charges to match
- FFE providers must ensure that they do not offer top ups or membership fees

Your capacity

Every business needs to maximise its capacity to maximise revenue. Capacity for childcare providers is, generally speaking, the number of full care places offered, the number of sessional places offered or the number of hours offered.

It is necessary to fill all your places with children to maximise capacity. A pricing strategy recognises the services you offer and will inevitably enable you to maximise revenue.

Other influences

Unless you are very lucky, you will have other childcare provision in your area competing for the services you provide. When parents consider your service against others, one of the things they will compare is your price. It is important, therefore, to check regularly what other providers charge, so you know what difference there is, if any. BFIS will be able to give you a list of local charges and provision.

Do not focus on price alone. When comparing what other childcare providers charge, examine how good their service, facilities and staff are compared to yours. For example, look at their opening hours to see what flexibility they offer.

Your price should reflect the value you offer. So, if you have got the best service in the area, charge the highest price. Offering the cheapest price is not necessarily the best strategy.

Once you have set out prices, it is important to review them regularly. You need to take account of inflation and events such as new competitors in your local area. You will also need to keep informed about changes in the Code of Practice and ensure that you meet Local Code of Practice requirements.

Pricing Structures

There are a number of strategies that can be adopted when setting a price, some are highlighted below:

Hourly Fee

This is a good way to split the service and potentially offer customers flexible childcare arrangements. Beware though, it is important to have a minimum charge so that you can cover the costs of your service. It is equally important that you charge enough hours per day to cover all your costs.

- Work out how many hours a week you need to cover all your costs and make sure that you are always reviewing demand for your minimum requirement to avoid losing money.
- If you are a nursery and you charge by the hour and many parents only want a few hours in the day, it may leave some hours when you have few children. You still have your costs to cover so make sure you are able to either attract parents during the hours of spare capacity or charge a rate that reflects this selective use.
- If you are an out of school club or play group and parents want only part of your full session, if you charge by the hour make sure that you can cover all the costs of your staff who will have to be employed for a full session.

Block pricing

Charging parents for a 'block' of care can be a good way to get guaranteed income over a long period, offering parents easier ways to pay, like direct debit or post dated cheques. The idea is that a parent would pay for a fixed term, (one month, three months, half term etc). This encourages parents to plan ahead and pay for the block in a convenient way.

- To avoid losing money if children do not turn up, cancellations could be 'non-refundable' or 'part-refundable', (your own policies here are important, you may wish to give full refunds for particular circumstances, illness etc, but you should not make a loss as a result).
- Bookings in advance help you to fill capacity and try to fill any gaps you have.

Membership

You can offer parents the chance to become members of your business for the duration of the time that their child is with you. Membership is ideal for regular users of childcare.

- As members, parents have the benefit of receiving a preferential rate for the childcare service
- Occasional users would pay the normal rate
- The business receives a guaranteed income, improving its sustainability and ability to successfully plan for the future.

Discounting Schemes

Offering discounts of any kind is fine, as long as the discount rate still allows you to cover costs, wages and make a surplus.

- Before discounting, ask yourself, 'Why?' What benefit does a discount system give to you or the customers? You may wish to consider providing a discount for those customers who pay by direct debit, as this gives you a greater guarantee of receipt and will reduce the costs of debt chasing.
- Calculate the effects of any discounting scheme you may be considering and make sure that discounted prices allow you to cover all costs and make a surplus.

Setting prices

Having looked some of the different strategies, you now need to build a pricing policy.

Existing services need to use the information you already have, such as registers to calculate the effects of applying different strategies. This information allows you to work out the revenue you receive from parents for sessions and full days and lets you see which children attend regularly or occasionally. This is called a 'sales analysis'. Having this occupancy information allows you to ensure you meet parental needs, while also, maximising your revenue from fees.

Advance booking lists

Looking at your advanced booking lists, will help you to identify the ways in which parents intend to use your services in future weeks and months. This allows you to continually review your pricing strategy.

Forecasts

Forecast information is useful when you are trying to estimate your future occupancy trends. It enables you to predict the revenue you will collect from fees more accurately. This forms a critical part of your business planning review process.

For example:

If the past year shows that in your out of school club:

80% of parents chose full after school sessions

20% of parents chose breakfast and after school sessions and

5% of parents received a sibling discount

You are able to accurately forecast what next year's income is likely to be, under your current pricing strategy.

Pricing new services

Evidence of parents needs should be collected through the feasibility study. Ask questions such as:

- How many days the children will attend?
- What hours are required?
- How much are they prepared to pay?

This information will build into a needs analysis and occupancy forecast and steer the pricing policy.

Take time to check the effects that your pricing policy will have on income. Do some real calculations.

Pricing Structure

- How much do you charge per session?
- What service is included in the price?
- In which cases the price to an individual customer may increase i.e. late collection of the child – remember this has a cost implication for you as you may have to pay overtime, etc
- What you will charge if a child is ill or misses a session as a consequence?
- What, if any, discounts can be made available
- Cover every eventuality in your policy and distribute it to staff and customers – everyone will then be clear what they have contracted for.

Other Financial Matters - guidance

Administration

Explain your financial administrative systems including fee collections, banking, payroll etc. What systems do you intend to use? Software especially developed to support childcare business is available (See your Childcare Support Officer for advice), schools that use SIMS can have a second licence at no additional cost or you could use an excel spreadsheet. Alternatively you may decide to contract this service out to another organisation or a bookkeeper. The fee for this and any software must be built into your budget.

- Good practice guidance on managing your finances is available from your Childcare Support Officer
- Explain who will examine/audit your accounts annually
- Attach cash flow forecast and/or a profit and loss account as an appendix (if applicable)

Most organisations use a payroll service company. If you do not have one recommended to you, there are lots listed on the Internet but take up references. Again, include this fee in your budget. If requested, a payroll organisation will prepare your HMRC salary returns and year-end paperwork.

- Identify legal requirements for year end accounts such as returns to Charity Commission, HMRC, Companies' House
- Detail how you plan on sustaining the service and mention any fundraising efforts you will undertake

Capital Purchases and Asset Management

Capital expenditure is determined by the accounting policies you chose to adopt. For example, you could define fixed assets as:

- Equipment costing over £500 or an invoice for equipment that totals in excess of £500
- Fixed items such as cupboards, worktops, cookers and sheds
- White goods
- External works such as car parking, fencing, outdoor play areas, planting
- Refurbishment such as decorating, carpets, new windows
- Buildings
- Vehicles

For capital items purchased with grant income you will be required to:

- Submit two quotes prior to purchasing
- Submit invoices once transaction is complete
- Comply with building regulations and planning consents
- Agree terms of lease with grant provider and landlord
- Agree method for asset management and disposal if the service ceases with the grant provider

For lower value assets you may decide to write them off over a relatively short period. For example, you may decide vehicles of less than £10,000 are to be written off over a period of three years by straight line depreciation i.e.

Asset purchased is £8,500. $£8,500 \div 3 = £2,833.33$

Therefore at end of year one asset is worth £5,666.67

Year two asset is worth £2833.34

Year three asset is worth nil.

Other Financial Matters
Administration

Payroll

Legal requirements

Capital Expenditure
(Include quotes in appendices)

Asset Management

Equality of Opportunity - guidance

Outline what you are doing to make sure that your service meets the needs of children with additional needs (such as learning difficulties or physical mobility) as well as children from other cultures or ethnic backgrounds.

- All provision must comply with all statutory requirements with regards to equal opportunities
- How will you implement and monitor your equal opportunities policy in all aspects of the provision?
- How will you ensure that the provision reflects the interests and needs of all groups in the local community including minority communities and children with special needs?

Policies and procedures – guidance

List all the policies and procedures that you will be working within.

How often will they be reviewed and by whom?

It is a legal requirement of the Early Years Foundation Stage that certain policies are written and worked within such as “Admissions Policy”, Equality of Opportunity, “Safeguarding Children” and “Complaints”. Your organisation will also need to comply with the Health and Safety legislation, Disability Discrimination Act and Children Act 1989 and 2004

Child Protection/Safeguarding - ensure that you are aware of and comply with any statutory responsibilities and guidance specified by the Local Safeguarding Children's Board. Specify how staff and management will be made aware of their responsibilities. See DCFS publication 'What to do if you're worried a Child is being abused'

Equal Opportunities

Policies and Procedures

Implementation Plan - guidance

This is the critical path to opening and should include all the steps you will take during the start up phase. Include:

Facilities

- Explain where you will operate - what areas you have access to; indoor and outdoor, your responsibilities for maintenance and cleaning, cost of premises, payment arrangements and a plan of the area, if available. Also mention the lease agreement, the length of the agreement, planning permission, the suitability of the premises for your proposed plan, the Health & Safety checks and the Fire and Environmental Health checks
- Use professional advice to ensure you understand/have the appropriate contract/lease agreement
- Make sure the lease or employment contract clearly shows the roles and responsibilities of those involved e.g. security procedures, cleaning etc.
- Get agreement from your backers before you sign contracts for the premises
- What are the leasing arrangements for the premises and the basis for your rent? Include the weekly cost
- Detail any alterations that you need to make to meet all the relevant legal requirements (including the Early Years Foundation Stage) and back this up with quotes
- Briefly explain how you will carry out risk assessments of the premises on a daily basis
- Write down all the equipment you have use of, any in-kind donations, the donors and the monetary value of the donations
- Create a list of equipment you will purchase. Briefly state the new equipment you will purchase with total costs, mention who will supply the equipment (school suppliers, scrap stores etc) and any credit arrangements that you have set up.
- Detail how long you expect the refurbishment and equipment to last with any servicing and repair costs
- Write an Action Plan detailing what needs to be done (from now till the opening), who will action the task and the expected date of completion
- Attach refurbishment quotes as an appendix (if applicable)
- Attach list of equipment as an appendix
- Attach lease agreement as an appendix
- Attach any necessary permissions as an appendix

Implementation Plan

Describe your plans in preparation of opening including timescales and deadlines.

Marketing – guidance

Marketing is the process by which a business decides what it will sell, to whom, when and how, and details the implementation strategies needed to ensure a successful business.

How many customers do you want and by when?

Once you have developed a clear understanding of your market in terms of size, location, customers, competitors, trends and influencing factors, it is easier to define clearly your overall marketing strategy. Break this down into objectives and targets relating to the volume and share of the market you hope to achieve and when you intend to achieve this by.

- Who are your initial marketing targets (your school or a range of schools and pre-schools)
- What service or particular deals will you offer them?
- What is your unique selling point (USP) and how does this differ from your competitors?
- When do you hope to achieve these targets by?
- What action will you take if your plans do not materialise?

Once you have a clear marketing strategy, you need to be clear about how you are going to make it happen. A detailed marketing plan should explain how you will go about achieving each of your marketing targets and objectives either by particular target segment (i.e. aimed at a particular type of families such as non-working parents or sports enthusiasts) or by type of marketing activity, or both.

Your plan should include:

- The marketing methods you will use for each segment of the target market
- The specific action you are going to undertake to reach each segment
- Detail any events or functions you will use as a public relations or marketing exercise and whether there will be any cost implications
- How are you different? – Niche, better, cheaper, flexible
- Features (USP's) should be translated into benefits. The easiest way to do this is to add the prompt 'which means that...'. For example, if a feature of a service is that a hot meal is provided, this feature would translate into 'Children receive a hot, nutritious meal which they can eat with their friends at a time when they are most hungry and saves parents/carers having to cook late in the evening.'
- How many people are likely to want this service? Will they hold off for a period to see if you are reliable and of good quality? If so, what effect will this have on business?
- A timescale or timetable for each marketing activity
- Relate timescale to operation (e.g. holiday clubs will market next operation at end of previous one) and who will be responsible for ensuring it happens
- The people who will carry this out
- The estimated costs to undertake each activity and budget implications
- How you will monitor and review your progress
- How you will handle the response to your marketing (i.e. consider high or low demand as consequence)
- How will you adjust the plan and introduce new tactics as you go along

Marketing Strategy

Marketing Plan

Contingency plans - guidance

What are you planning to do if things do not go to plan? Your plan should consider an honest assessment of the risks involved in your business, as well as how you will minimise them. Consider:

- The premises costs are higher than planned
- Numbers of children attending are lower or higher than expected
- Income is 20% lower than anticipated
- Failure to meet your sales target
- A lack of resources at key stages of development
- Management issues such as being unable to recruit new members
- Lack of management experience
- Registration needs more time
- A competitor opens in your locality
- Staff are difficult to recruit or hold onto
- Over-reliance on key staff
- Security issues

Contingency Plans

Write an action plan to deal with the scenarios mentioned.

Quality, monitoring and evaluation - guidance

How will your project be monitored and evaluated? (Consultations, feedback, monthly financial reviews, financial returns to the EYCS).

- How will you inform your grant provider of your progress?
- Consider what monitoring requirements are included in any grant terms and conditions and how these will be met
- What reporting procedures will you adopt to ensure that your members are updated on progress?
- How will you evaluate if the service is meeting the needs of children and parents?

Review the operational, technical and management parts of your service to see where you can measure quality.

- Look at what quality-recognition schemes there are and think about what effect they might have on your service's performance
- Take advice about quality from experts on how to include it in your service
- How can you find out what your customers expect in relation to quality?
- How can you find out about what your competitors do about quality?
- What impact will a recognised quality mark have on your success?

Quality. monitoring and evaluation

How will you ensure your service continues to meet the needs of your customers, responds to changes in trends and continually strive to improve quality?

Now return to page 6. to complete your Executive Summary

Appendices

This section provides more detailed information which should be included in appendices to keep the business plan easily readable, for example:

- A signed and dated governing document
- Magazine or newspaper articles about trends within out of school childcare
- Feasibility study survey results
- A sketch of the premises, show toilets, entrance and size of rooms
- Quotes for refurbishment (if applicable) – 2 quotes for every item over £500
- A list of equipment and purchase costs
- Activity plans
- A signed and dated lease agreement (include fee review date, notice period required for termination and access arrangements for repairs).
- Copies of any permissions required in setting up i.e. planning consent
- Copy of the Ofsted Registration
- Three year cash flow forecast and/or a profit and loss account
- A copy of your policies and procedures (if applicable)
- Copy of recent bank statement if you are an existing organisation
- Training plan - a training needs analysis for both statutory and desirable qualifications/ training