

# Guidance on Developing a Business Plan for Childcare Services



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## **Introduction - preparing a business plan**

It is essential to have a realistic, working business plan when you are starting up a business.

A business plan is a written document that describes a business, its objectives, its strategies, the market it is in and its financial forecasts. It has many functions, from securing external funding to measuring success within your business.

This guide will show you how to prepare a high-quality plan using a number of easy-to-follow steps. This has been adapted by the Early Childhood Service from historic Business Link guidance along with the knowledge and experience of the Business Development Officer for the Early Childhood Service and is specifically aimed at childcare providers.

## **The audience for your business plan**

Many people think of a business plan as a document used to secure external funding. This is important because potential investors, including banks, may invest in your idea, work with you or lend you money because of the strength of your plan.

There are many other benefits to creating and managing a realistic business plan - even if you just use it in-house. It can:

- help you spot potential pitfalls before they happen
- structure the financial side of your business efficiently
- focus your development efforts
- work as a measure of your success

The following people or institutions may request to see your business plan at some stage:

- banks
- external investors
- grant providers including local authorities
- anyone interested in buying your business
- potential partners

## **The most important person however is you!**

You should also bear in mind that a business plan is a living document that will need updating and changing as your business grows. It should take an objective and honest look at your business. Failing to do this could mean that you and others have unrealistic expectations of what can be achieved and when.

## What the plan should include

Your business plan is a statement of intent. It should provide details of how you are going to develop your business, when you are going to do it, which is going to play a part and how you will manage the money.

## The executive summary

The executive summary is often the most important part of your business plan. Positioned at the front of the document, it is the first part to be read. However, as a summary it makes sense to write it last.

In some circumstances, it could be the only part to be read. Faced with a large pile of funding requests, banks have been known to separate business plans into "worth considering" and "discard" piles based on this section alone.

### What is it?

The executive summary is a synopsis of the **key points** of your entire plan. It should include highlights from each section of the rest of the document - from the key features of the business opportunity through to the elements of the financial forecasts.

Its purpose is to explain the basics of your business in a way that both informs and interests the reader. If, after reading the executive summary, an investor or funder understands what the business is about and is keen to know more, it has done its job.

It should be concise - no longer than two pages at most - and interesting.

## Your business and its services

If you want other people to invest in your business or if you are writing your plan to focus your existing business activities, you must be able to clearly convey what your business does.

This part of the plan sets out your **vision** for your business and includes who you are, what you do, what you have to offer and the market you want to address. You need to include information about:

### **Existing business (if applicable)**

Provide a brief overview of your existing business, including the following information:

- when the business started
- how many settings you have and the age of children you are open to
- how many registered places you have and your OFSTED Registration number(s)
- the purpose and ethos of your business and the current activities you provide
- the type of business and current legal structure (registered charity, community group, company limited by guarantee/shares, community interest companies, staff mutual, co-operatives, school/college etc.)

### **The new project within the existing business (if applicable)**

You need to show how your new project fits within the context of your existing business.

### **The new project**

Give an overview of your new project:

- what you want it to do
- how this will be achieved
- what challenges you might face and how you plan to meet them (it may be useful to refer to a SWOT analysis – see under Markets & Promotion)
- what makes it different – known as your Unique Selling Point
- why customers would use it
- planned opening date
- timescales and planning
- your vision for the future – short, medium & long term (Aims & Objectives) - Do not be afraid to have a dream!

Remember this is an overview – operational details will be given later.

## Markets and promotion

*We also have a “Marketing for early years and childcare businesses” online module, which will assist and provide further guidance. It might be useful to make some notes as you go along:*

[www.westsussex.gov.uk/ecsbusiness](http://www.westsussex.gov.uk/ecsbusiness)

### Your markets and competitors

In this section, you should define your market, your position in it and outline who your competitors are. In order to do this you should refer to any market research you have carried out. You need to demonstrate that you are fully aware of the marketplace you are planning to operate in and that you understand any important trends and drivers.

You should also be able to show that your business will be able to attract customers in a growing market despite the competition.

#### Key areas to cover include:

- **Your market** - its size, historical data about its development and key current issues. You need to demonstrate that there is a need and demand for the places you plan.
- **Your target customer base** - who they are and how you know they will be interested in your services. What consultation have you carried out in your planning for your new places? What has the consultation shown? – Be prepared to be challenged on this, provide evidence maybe in the appendix
- **Your competitors** - who they are, how they work, the share of the market they hold, how their advantages and disadvantages compare to your own, and how your project may impact upon them.

*See suggested template competition grid in the appendix section.*

- **The future** - anticipated changes in the market and how you expect your business and your competitors to react to them.

## Marketing Plan

Your marketing plan should tell you in terms of services and markets (customers):

- where you are now
- where you want to go
- how you will get there

*See suggested template in the appendix section*

## SWOT Analysis

SWOT analyses can be useful tools to help you to focus on challenges or decisions that are facing your business. By identifying the strengths, weaknesses, opportunities, and threats, you can gain insight into which direction your business might take. A SWOT analysis may help you to see how you can change your weaknesses into strengths and if you are aware of potential threats, you can take action to counter them. It can also be helpful to give this exercise to others to gain a different perspective. Staff and colleagues are often more supportive of plans if they have been involved in their development. The subject of the analysis can be anything that is relevant to your business.

*See separate blank template in the appendix section*

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>● Garden</li> <li>● Established</li> <li>● Location to train station</li> <li>● Website</li> <li>● Reputation</li> </ul>	<ul style="list-style-type: none"> <li>● Close at 3 pm</li> <li>● Low holiday occupancy</li> <li>● Complex pricing structure</li> <li>● Financial management skills</li> <li>● Low occupancy on Fridays</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>● Open longer hours</li> <li>● Offer hot meals</li> <li>● Attract more commuting parents</li> <li>● Simplify pricing structure</li> <li>● Presence at local events</li> <li>● Is changing technology benefiting your position ?</li> </ul>	<ul style="list-style-type: none"> <li>● Using family to care for children</li> <li>● New setting opens locally</li> <li>● Lease due to finish in 2 years</li> <li>● Is changing technology threatening your position ?</li> </ul>

**Top Tip – Try to ensure that you turn all weaknesses including threats into wherever possible a positive.**

## **Promotion and advertising**

This section should describe the specific activities you intend to use to promote your services. It is often the weak link in business plans so it is worth spending time on it to make sure it is both realistic and achievable.

A strong marketing strategy means you have a clear idea of how you will promote your services in the market place.

Your plan will need to provide answers to these questions:

- How do you plan to **position** your service in the market place?
- Who are your **customers**? Include details of customers who have shown an interest in your service and explain how you plan to go about attracting new customers.
- What is your **pricing** policy? How much will you charge for different childcare services? (E.g. different ages/sessions/discount opportunities, etc.)
- How will you **promote** your service? Give details of when and where you will promote your new childcare places, what methods you will use and the key people your promotion is aimed at. Your activities must be realistic and achievable.
- How will you **reach** your customers? What methods will you use? Which partners will be needed in distributing your information?
- What are your long-term plans for advertising and promotion?

Do not forget you can have the best website in the world but people still need to find it!

Is social media worth exploring? – i.e. Twitter, Facebook and LinkedIn

## **Your team's skills**

Your business plan needs to set out the structure and key skills of both your management team and your staff. It should identify the strengths in your team and your plans to deal with any obvious weaknesses.

### **The management team**

Explain who is involved in the management team, their role and how it fits into the organisation. Include a paragraph on each individual, outlining his or her background, relevant experience and qualifications. Include any advisers you might have such as accountants or lawyers.

If you are looking to satisfy your bank manager, funders or other investors, you need to demonstrate that your management team has the right balance of skills, drive and experience to enable your business to succeed. Key skills include sales, marketing and financial management as well as operational and market experience and qualifications.

Your investors will also want to be convinced that you and your team are fully committed. Therefore, it is a good idea to set out how much time and money each person will contribute to the business and the salaries and benefits you plan to draw.

### **Your people**

Give details of your workforce in terms of total numbers and any shift pattern arrangements to cover opening times and maintain staff ratios. Detail what work you plan to do internally and if you plan to outsource any work (e.g. financial accounting). Your plan should also outline any recruitment or training plans, including timescales and costs.

It is vital to be realistic about the commitment and motivation of your people and detail any plans to improve or maintain staff morale.

You may find it useful to summarise the information about staff in a table something like the one below:

<b>Staff / volunteer position</b>	<b>Responsibilities</b>	<b>Qualifications needed</b>	<b>Numbers of hours a week</b>	<b>Number of weeks per year</b>

Remember to include any volunteers you plan to use and relief staff to cover sickness and holiday leave.



## **Your operations**

Your business plan also needs to outline your operational capabilities and any planned improvements. There are certain areas you should focus on.

### **Location**

- Describe the premises you intend to use for the new childcare places.
- If you are planning to make any changes, describe them here and include timescales, (consider planning permission and building regulation requirements).
- Make it clear who owns the property to be used
- What are your long-term commitments to the property (mortgage/rent)?
- What are the advantages and disadvantages of your proposed location?
- Will you need to consider transport provision for your project and how will you meet this need?
- Provide evidence of any rental agreement along with review dates

### **Facilities and equipment**

- What equipment are you planning to have?
- How modern is the equipment and what is the capacity of your current facilities compared with existing and forecast demand?
- Will any investment be needed?
- What type of insurance do you have/intend to arrange for the setting?

### **Quality**

- How will you ensure that the service for the children and their families is of high quality?
- Do you intend to take part in a recognised Quality Assurance Scheme?

### **Equality and diversity**

- Show how you will make your setting inclusive to all children.
- Show how your setting will meet the individual needs of children and families from a variety of cultures, ethnic backgrounds and language backgrounds.

## Monitoring and evaluation

- How will you monitor your new service and what systems will you use to do this?

## Financial forecasts and monitoring

It is crucial that you know what money is coming in and going out of your account and that you can plan for your future financial stability.

### You will need to look carefully at:

- which tools you will use to monitor the income and expenditure of your business
- how much capital and revenue you need if you are seeking external funding
- the security you can offer lenders
- how you plan to repay any loans
- sources of revenue and income

## Financial planning

We also have a *"Beginners guide to small business finance"* online course, which will assist and provide further guidance. It might be useful to make some notes as you go along:

[www.westsussex.gov.uk/ecsbusiness](http://www.westsussex.gov.uk/ecsbusiness)

As part of your plan, you will need to provide a set of financial projections, which translate what you have said about your business into numbers. Forecasts should run for the next five years for larger settings/provisions or for smaller settings/provisions for the next three years.

*The Early Childhood Service provides blank financial forecasts which are suitable for providing this information –*

[www.westsussex.gov.uk/ecsbusiness](http://www.westsussex.gov.uk/ecsbusiness)

*Please also note that these spreadsheets are protected so please contact your child care co-coordinator if you need to make any alterations.*

You may use your own version if you prefer but you should first check with your Childcare Support Co-coordinator that it provides adequate information.

Include the assumptions behind your projection with your figures, both in terms of costs and revenues, so potential investors can clearly see the thinking behind the numbers.

**What your forecasts should include:**

- **Cash flow statements** - your cash balance and monthly cash flow patterns for the first three/five years. The aim is to show that your business will have enough working capital to survive so make sure you have considered the key factors such as the timing of fee payments and salaries.
- **Profit and loss forecast** - a statement of the trading position of the business: the level of profit you expect to make, given your projected occupancy and the costs of providing services and your overheads. Not always necessary for smaller settings/provisions.

**Financial monitoring**

Show what financial systems you will use to control and monitor your payments, receipts, cash flow and other financial processes.

**Sustainability**

Show how you plan to ensure that your setting will stay open for at least the next five years.

Do you have a contingency plan and fund?

## Appendix

This is an area where you can place additional items that link to the various business plan headings. For example – copy of a rental/service agreement, evidence of market research, CV's etc.

If items are placed in this section they can quite often be attached as a separate document and have the effect of not bulking out the business plan making it easier to read. You can always cross-reference.

The following blank templates might also be of use and are all available on the WSCC Website at [www.westsussex.gov.uk/ecsbusiness](http://www.westsussex.gov.uk/ecsbusiness):

1. Competition Grid
2. Marketing Plan
3. Blank SWOT analysis
4. Blank Cash flow Forecasts – Pre-start and Existing

<b>Competition Grid</b>				
<b>Name</b>	<b>Location</b>	<b>What do they do?</b>	<b>Benefits on offer</b>	<b>Prices</b>
1				
2				
3				
4				
5				

**Now compare your findings with the same analysis of your own business**

**What action will you take?**

Marketing Plan – (Supported by an event/marketing calendar)				
Form of Marketing	Time Scale	Outcome (Is it measurable?)	Cost	Who is Leading

## SWOT Analysis Template

### Strengths

### Weaknesses

### Opportunities

### Threats

**Cashflow forecast**

	1	2	3	4	5	6	7	8	9	10	11	12	Total
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>INCOME</b>													
Income from fees													
Income from Free Entitlement													
Income from Fundraising/Donations													
Milk													
Loan/Grant													
Other (please specify)													
<b>TOTAL £</b>													
<b>EXPENDITURE</b>													
Staff													
Other (please specify)													
Bank/relief staff													
Pension													
Premises (rent, rates & utilities)													
Telephone & Broadband													
Cleaning Contract													
Clinical Waste													
Business Waste													
Educational Supplies (books, games etc)													
Educational Consumables (pens/glue etc)													
Equipment Purchase (items over £50)													
Consumables (toiletries/nappies etc)													
Food (meals and snacks)													
Office Stationery													
Mobile Phones													
Postage													
Marketing & Promotion													
Uniforms													
Accountants & Professional Fees													
Bank Services (inc card machine)													
Bank Repayments													
Recruitment													
IT Software (inc support costs)													
Staff Training													
Events (fundraising/parties/xmas etc)													
Contingency													
Insurances													
Travel/transport													
Ofsted Registration													
Other (please specify)													
Other (please specify)													
Other (please specify)													
<b>TOTAL £</b>													
Income less expenditure													
Opening bank balance													
Closing bank balance													



**Cashflow forecast**

	Pre-Start	1	2	3	4	5	6	7	8	9	10	11	12	Total
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>INCOME</b>														
Income from fees														
Income from Free Entitlement														
Income from Fundraising/Donations														
Milk														
Loan/Grant														
Other (please specify)														
<b>TOTAL £</b>														
<b>EXPENDITURE</b>														
Staff														
Other (please specify)														
Bank/relief staff														
Pension														
Premises (rent, rates & utilities)														
Telephone & Broadband														
Cleaning Contract														
Clinical Waste														
Business Waste														
Educational Supplies (books, games etc)														
Educational Consumables (pens/glue etc)														
Equipment Purchase (items over £50)														
Consumables (toiletries/nappies etc)														
Food (meals and snacks)														
Office Stationery														
Mobile Phones														
Postage														
Marketing & Promotion														
Uniforms														
Accountants & Professional Fees														
Bank Services (inc card machine)														
Bank Repayments														
Recruitment														
IT Software (inc support costs)														
Staff Training														
Events (fundraising/parties/xmas etc)														
Contingency														
Insurances														
Travel/transport														
Ofsted Registration														
Other (please specify)														
Other (please specify)														
Other (please specify)														
<b>TOTAL £</b>														
Income less expenditure														
Opening bank balance														
Closing bank balance														

## Presenting your business plan

To make sure your business plan has maximum impact, there are a number of points to observe.

Think about the presentation and keep it professional. Remember, a well-presented plan will reinforce the positive impression you want to create of your business.

### Tips for presenting your plan

- Start with the executive summary.
- Ensure it is legible - make sure the type is ten point or above.
- You may want to email it, so ensure you use email-friendly formatting.
- Even if it is for internal use only, write the plan as if it is intended for an external audience.
- Edit the plan carefully - get at least two people to read it and check that it makes sense.
- If possible, show the plan to expert advisers - such as your accountant or Childcare Support Co-coordinator/Business Development Officer - and ask for feedback. Redraft sections they say are difficult to understand.
- Put detailed information - such as market research data or balance sheets - in an appendix at the back.
- Some investors may wish to make copies of your business plan and so it is worth having an unbound copy available if requested. It may be that they will need to make copies of it for funding panels or to keep on file.

Make sure your plan is realistic. Once you have prepared your plan, use it. If you update it regularly, it will help you keep track of your business' development.

## **Useful Contacts**

- West Sussex County Council Early Childhood Service - Business Information. 01243 777807  
[www.westsussex.gov.uk/earlyyearsandchildcare](http://www.westsussex.gov.uk/earlyyearsandchildcare)
- Guidance on Developing a Business Plan for Childcare – [www.westsussex.gov.uk/ecsbusiness](http://www.westsussex.gov.uk/ecsbusiness) - This guide will be regularly updated
- The Early Childhood Service Training Subscription Scheme provides numerous training courses to support all types of settings. A schedule is published termly at [www.westsussex.gov.uk/trainingschedule](http://www.westsussex.gov.uk/trainingschedule)
- Detailed business information and guidance can be located on the government's website replacing a lot of the information that Businesslink used to provide – [www.gov.uk/business](http://www.gov.uk/business)
- Enterprise Agencies may offer free business counseling and help you prepare your business plan although numbers of these agencies in recent years have diminished along with the support they provide. Try however - [www.nationalenterprisenetwork.org/](http://www.nationalenterprisenetwork.org/)
- Her Majesty's Revenue and Customs (HMRC) – formally known as Inland Revenue - [www.hmrc.gov.uk](http://www.hmrc.gov.uk)
- HMRC – Webinars  
[www.hmrc.gov.uk/webinars/self-employed.htm#1](http://www.hmrc.gov.uk/webinars/self-employed.htm#1)
- National Insurance Rates and Allowances - [www.gov.uk/government/publications/rates-and-allowances-national-insurance-contributions/rates-and-allowances-national-insurance-contributions](http://www.gov.uk/government/publications/rates-and-allowances-national-insurance-contributions/rates-and-allowances-national-insurance-contributions)
- National Minimum Wage - [www.livingwage.gov.uk](http://www.livingwage.gov.uk)
- West Sussex Local Safeguarding Children's Board - [www.westsussexscb.org.uk/professionals](http://www.westsussexscb.org.uk/professionals)

- **ACAS** – Free and Confidential Employment Advice  
08457 474747 - [www.acas.org.uk](http://www.acas.org.uk)

Useful ACAS publications:

TUPE Guide – [www.acas.org.uk/media/pdf/i/h/Handling-TUPE-Transfers-The-Acas-Guide.pdf](http://www.acas.org.uk/media/pdf/i/h/Handling-TUPE-Transfers-The-Acas-Guide.pdf)

Employing people a handbook for small firms -  
[www.acas.org.uk/media/pdf/m/i/Employing-people-a-handbook-for-small-firms-accessible-version.pdf](http://www.acas.org.uk/media/pdf/m/i/Employing-people-a-handbook-for-small-firms-accessible-version.pdf)

## Pensions

- Automatic Enrolment – Your staging date -  
[www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx](http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx)
- Looking for impartial pension advice – [www.unbiased.co.uk](http://www.unbiased.co.uk)

## Local Councils for Voluntary Services in West Sussex

- Adur Voluntary Action – 01903 85498  
[www.adurva.org](http://www.adurva.org)
- Crawley Council of Community Service – 01293 657000  
[www.crawleycvsvs.org](http://www.crawleycvsvs.org)
- East Grinstead Council for Voluntary Services – 01342 328080  
[www.egcvsvs.org.uk](http://www.egcvsvs.org.uk)
- Horsham Voluntary Action - 01403 255277  
[www.hacvsvs.org](http://www.hacvsvs.org)
- Mid Sussex South Council for Voluntary Services – 01444 258102  
[www.msscvs.org.uk](http://www.msscvs.org.uk)
- Voluntary Action Arun and Chichester – 01243 840305  
[www.vaac.org.uk](http://www.vaac.org.uk)
- Voluntary Action Worthing - 01243 528620  
[www.vaworthing.org.uk](http://www.vaworthing.org.uk)

## Other Useful Contacts

- OFSTED – 0300 123 1231 – E Mail – [enquires@ ofsted.gov.uk](mailto:enquires@ofsted.gov.uk)  
Website: [www.ofsted.gov.uk](http://www.ofsted.gov.uk)
- Action in Rural Sussex - [www.ruralsussex.org.uk](http://www.ruralsussex.org.uk)

- Calculate your Employee's Statutory Redundancy Pay - [www.gov.uk/calculate-employee-redundancy-pay](http://www.gov.uk/calculate-employee-redundancy-pay)
- Employment Allowance calculator - [www.gov.uk/employment-allowance](http://www.gov.uk/employment-allowance)
- Calculate Holiday Entitlement - [www.gov.uk/calculate-your-holiday-entitlement](http://www.gov.uk/calculate-your-holiday-entitlement)
- Register for self-assessment – sole traders/partnerships (likely to be most childminders) - [www.gov.uk/register-for-self-assessment](http://www.gov.uk/register-for-self-assessment)

### **Legal Status:**

- Charities Commission - [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)
- Companies House - [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)
- Community Interest Regulator - [www.bis.gov.uk/cicregulator](http://www.bis.gov.uk/cicregulator)
- Model constitutions for Community Interest Companies - [www.bis.gov.uk/cicregulator/forms-introduction/constitution-guidance/model-constitutions](http://www.bis.gov.uk/cicregulator/forms-introduction/constitution-guidance/model-constitutions)

Do you need to consider joining a recognised body, can provide added value, support and sometimes credibility?

- National Day Nursery Association – [www.ndna.org.uk](http://www.ndna.org.uk)
- Pre School Learning Alliance - [www.pre-school.org.uk](http://www.pre-school.org.uk)
- Professional Association for Children & Early Years (PACEY) - [www.pacey.org.uk](http://www.pacey.org.uk)

Please note that these details are sourced from the knowledge and experience of the Early Childhood Service Business Team and supporting officers. This is just a general overview and there will be other useful links available.