

Guidance to Support Business and Financial Planning

Within this guidance you will find business and financial planning resources to support early years businesses to gather key information, reflect, plan, act and review.

Start your Childcare Business Review

Gather Key
Information

Reflect

Plan

Act

Review

Introduction

Managing early years and childcare organisations can be a complex task. This guidance has been developed to support you to conduct a business review to identify not only risks but to analyse opportunities for the organisation.

These resources and tools have been developed to support your business and financial planning for now and in the future.

This guidance includes links to tools and other useful information to support you to manage your organisation effectively.

Gather Key Information

Analyse current demand and occupancies

Understand parental preferences and changes in behaviour

Use tools to investigate whether your business still meets the needs of the childcare market

Analyse current demand and occupancies

When running a childcare business it is vital to monitor occupancy levels as they have a direct impact on sustainability. To enable you to budget accurately you need to have a clear picture of the current and future levels of occupancy. By monitoring occupancy levels you are able to evaluate whether you have enough children attending for sufficient hours, whether it be funded or private paid hours, to enable you to cover your overheads.

BEWARE - considering occupancy by only using numbers of children on roll is misleading, as it only measures the number of children who come through the door in a week. It does not consider the number of children and the numbers of hours taken (funded or paid). Calculating occupancy on sold hours will give a more accurate occupancy figure to support planning.

Tool For Checking Occupancy

Calculating maximum occupancy		Example	
A	Calculate the maximum 'fundable' or 'sellable' hours available each week. Hours per week the setting can sell x number of registered places = Total number of hours available to be sold each week.	50 hours per week x 42 registered places = 2,100	
B	Multiply A x number of weeks open to calculate annual maximum occupancy.	2,100 x 50 weeks a year = 105,000	
Now calculate usual or typical occupancy. This is the normal occupancy achieved across a week, term, or year.		Example	
C	Calculate the actual number of hours being used per year (total number of hours used per week x number of weeks open).	78,750	
D	Calculate the normal occupancy percentage for the year. Divide C (actual number of hours) by B (maximum capacity) of the setting = normal % occupancy.	78,750 ÷ 105,000. = 75%.	
Average occupancy each term	2019	2020	2021
Autumn Term			
Spring Term			
Summer Term			

Parental preferences and changes in behaviour

Parental preferences are always changing, and this can be for various reasons such as changes to their employment, new entitlements have been introduced such as the universal entitlement (15 hours), two-year-old funding, and 30 hours childcare.

Additionally, COVID-19 has rapidly and dramatically altered parental preferences.

Although it is somewhat difficult to predict, it is important to consider the influences on parental choices with regards to accessing childcare.

Health & safety/PPE - views about their children's health and safety and how children attending childcare affects their own households.

Employment changes - Furlough, localised restrictions, redundancy, reduced or different hours, new jobs, new lower or higher income levels, change of location of work.

Ability to pay - reduced or increased ability or desire to pay for childcare.

Anxiety - feelings of apprehension and nervousness around COVID-19 security, wellbeing issues.

Single setting - wanting to use only one setting to reduce H&S risk, or for more convenience, or to fit new needs.

Changes of eligibility - families could fall in and out of eligibility for two-year-olds and 30 hours funding.

Vulnerability - families and children becoming vulnerable where they were not before.

Household routines - work and life changes, e.g. working from home, reduced commute times, new beginnings and ends to the day, parents working.

Change of mind - switching from wanting a group setting or home-based setting and vice versa or opting for informal or familial care.

Evaluate potential risk and opportunities

Use the tools below to review and understand your organization's current position.

PESTLE helps to identify the opportunities and threats for operational planning within educational environments during times of change.

[PESTLE Analysis](#)

SWOT helps to review strengths and weakness looking at where the setting is now and potential opportunities to inform future development plans.

[SWOT Analysis](#)

Additional actions/ideas to consider when reviewing your business

Latest Ofsted Outcome

Is your Local Offer up to date ?

Is your Info link page up to date?

Is your current funding offer flexible to parents/carers?

Do you continually review and seek Professional Development for your staff ?

Do you regularly review your provision's environment?

Have you accessed the Suffolk Childcare Sufficiency Assessment? This has information about the current and projected supply and demand for childcare for particular age ranges of children and the affordability, accessibility and quality of provision. This document will provide you with information about childcare demand on a local level to support business planning.

[Suffolk Childcare Sufficiency Assessment](#)

Have you reviewed your Local Neighbourhood Plan as this provides statistical information about future development within your local area.

Have you researched the provision already available in the area and identified gaps which you could take advantage of when planning your childcare offer. A useful website to research providers in your area is the Suffolk Family Information Service.

[Finding and choosing childcare](#)

Finding out more about your business

To help you gain an understanding of the current financial position of your childcare organisation the Financial Planning Tool can form part of your business review. The tools within it can be used independently or as a whole review process:

- The [Financial Planning Tool](#) consists of the following:
- **Termly Funding and Fees Estimate** - Understand where your money is coming from and when.
- **Monthly Cash Flow Forecast** - Identify what money you have coming in verses expenditure as you plan activities for the year.
- **Annual Profit and Loss Spreadsheet** – A snapshot of your yearly income and expenditure.
- **Breakeven Analysis** - Calculates the hourly rate needed to breakeven currently.
- **Daily Session Breakdown** - Calculates cost and income of each session / service.
- Further information about available funding for charities and businesses and additional support can be found here www.gov.uk/business-coronavirus-support-finder

Breakeven

Every early years and childcare organisation needs to know their breakeven point and the breakeven hourly rate. Breakeven point is the point at which expenses and revenue match so there is enough income from hours sold (or funded) to cover all required expenditure.

Understanding the hourly breakeven rate will ensure fees generate a surplus or profit for reinvestment in the business.

Within the Early Years Financial Planning tool there is a tab to calculate your setting's breakeven. The tool can be found at the link below:

[Financial Planning Tool](#)

Reflect

What have you learnt from the analysis?

What are the risks and impact on the business?

Analysing the information

What are the risks	What is the impact on the business

At this stage it is important to analyse the data:

- what is your data telling you?
- What are the risks and impact on the business?

You may find it useful to record this information in the table.

Plan

Move your organisation forward, consider your goals and lay out a plan for achieving them.

This section looks at:

Recovery Planning
Marketing Strategy
Building up reserves

Recovery Planning

Create an action plan. Devise specific actions to reduce or remove the risks identified during your business review .

You may wish to use the Early Years and childcare [Sustainability Checklist](#) to support you to identify actions.

Two recovery action plan templates have been developed to support action planning. These are available at the links below:

[Financial Recovery Action Plan](#)

[Action Planning Template](#)

Marketing

Marketing is a critical element of the success of any childcare organisation.

‘Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.’

‘Marketing is presenting, promoting and selling a product or service to a customer in a way, which encourages them to buy.’

‘Marketing is getting your message across.’ (Chartered Institute of Marketing)

What are the considerations for childcare providers?

Product or
service

Price

Promotion

Place

[Click here to access Marketing Tools and Resources](#)

Reserves

Ideally childcare businesses will try to build up and maintain at least 3 months running costs.

This practice enables businesses to prepare for possible drop or delay in income.

Generates savings for replacement of equipment or building maintenance.

Supports contingency planning for short term emergency closures or national or local restrictions placed on early years and childcare organisations.

Other useful resources and tools

Review your business for the longer term using our business plan and guidance
[Business Planning](#)

Further information about managing your business and understanding governance
can be found on www.suffolkcpd.co.uk
www.suffolklearning.co.uk/early-years/support-for-business-and-governance

Advice for businesses regarding coronavirus (COVID-19)
<https://www.suffolk.gov.uk/coronavirus-covid-19/advice-for-businesses/>

Community Action Suffolk offer expert advice, support and guidance to Suffolk's
Voluntary Community and Social Enterprise (VCSE) sector
www.communityactionsuffolk.org.uk/

The New Anglia Growth Hub website has a COVID 19 business toolkit. The Growth
Hub's team of Business Advisers for Norfolk & Suffolk is also available to offer fully
funded and impartial business support www.newangliagrowthhub.co.uk/

Find coronavirus financial support for your business from the link below:
www.gov.uk/business-coronavirus-support-finder/y

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Its important to monitor progress and build business and financial planning into everyday practice. You can use the tools within this business guidance independently or part of a whole business review process to monitor the financial position of your early years and childcare organisation on an ongoing basis.