**Breakeven Analysis.**

Step 1

Calculate your current annual costs (using your budget)

£

**= A**

Step 2

Calculate the number of weeks your setting is open

 **= B**

Step 3

Divide figure **A** by figure **B** to give the weekly costs

£

**= C**

Step 4

Multiply the hours per day you are open by the number of places available each day by the number of days a week you are open in a week.

This gives you the total number of hours per week.

**= D**

Step 5

Divide figure **C** by figure **D** to give you the breakeven hourly fee (assuming full occupancy).

Your breakeven rate =

**£\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

*(This formula shows how to calculate the income needed to breakeven when 100% occupied).*

This is not the reality in which childcare providers operate. Settings may choose to operate at a specific number below maximum occupancy level. Attendance numbers may rise and fall across the week, and the year, so settings should use an average occupancy figure (there is information on this to follow).

In an ideal world settings should be aiming to breakeven where 100% of costs are covered by 75% - 80% of income. This means for every funded or paid for hour sold/occupied over 80% a surplus or profit is generated. This can be calculated using the formula below:

Step 1

Using the information from the previous table.

Multiply the figure **D** by 80%

**= E**

Step 2

Divide figure **C** by figure **E** to give you the breakeven fee per session assuming 80% occupancy rate per session

£

**= F**

Step 3

Your breakeven hourly rate at 80% occupancy would be-

**£\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

*Example take from:* [*http://childcareworks.co.uk/resources/business-planning*](http://childcareworks.co.uk/resources/business-planning) *Getting ready for 30 hours – January 2017 pages 9,10 and 11.*