

Start your Childcare Business Review

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.

Gather Key Information

The first step to understanding your childcare business and finances is to complete the Health Check by **pressing the button below.**



[Business Health
Check Tool](#)

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.



What next?

After completing the **Health Check**, work your way through the remaining PowerPoint slides. If you have identified a particular area of focus, you can click the links below to go straight to each section.

- **Knowing your Business – visit slide 5**
- **Finance Management – visit slide 10**
- **Parental Engagement and Marketing – visit slide 17**



Clicking on the home button on slides 9 and 16 will bring you back to this page.

Knowing your Business and Occupancy

When running a childcare business, it is vital to monitor occupancy levels as they have a direct impact on business sustainability.

Monitoring occupancy levels enables you to evaluate whether you have enough children attending to enable you to cover your overheads.

The following video shares a closer look at the importance of understanding occupancy levels and **how** to calculate this for your provision: [The importance of occupancy \(youtube.com\)](#)

Do you know your occupancy?



To help you calculate your occupancy, you may like to access Kirklees council occupancy tool:

[Occupancy-calculator.xlsx](#)

Under 2's		ALL Yellow Cells need to be populated with the settings information			
Under 2's Room Capacity		Room Area in Sq Mtrs	maximum places can be offered based on available space @ 3.5 sq metres per child	Actual full time equivalent places Offered per day	
			0		
DAY	AM	PM	ALL DAY	FTE	Occupancy FTE
MONDAY				0	0%
TUESDAY				0	0%
WEDNESDAY				0	0%
THURSDAY				0	0%
FRIDAY				0	0%
TOTAL			Average	0	0%

Supply and Demand Analysis

Internal	External
<ul style="list-style-type: none">• What is your current offer?• Are you full every day?• Do you have a waiting list?• Is there a trend in enquiries?• Are school holidays quieter or busier?• Do children stay until they take up their school place?• What does year to year comparison show you?• How many children will leave this year because they are too old?	<ul style="list-style-type: none">• Have you looked at the Local Authority Childcare sufficiency assessment information? Childcare Sufficiency Assessment - Suffolk County Council.• Do you know what provision is in your local area?• Have you considered the demographics of the locality?• Are you aware of any neighbourhood plans?

You can find a video on [Market Analysis Supply and Demand](#)

What is happening around your setting?

PEST analysis - understanding the big picture

Political	<p>Ideas: What is the government saying? What has DfE announced? What is the Local Authority saying? Are you familiar with published funding rates, entitlements, policies and the EYFS statutory framework?</p>	<p>Ideas: Has local employment changed? How is cost of living affecting childcare choices of local families? Has there been an increase in the use of Tax-Free Childcare or Universal Credit?</p>	Economical
Social	<p>Ideas: Have families changed their work patterns? Has the birth rate increased or decreased? Are there any planned housing developments?</p>	<p>Ideas: Do you have a website? Do you use social media in your marketing? Do you use virtual meeting platforms? Do you use electronic payment and communication systems?</p>	Technological

[How to conduct a PEST Analysis](#) and consider creating your own [PEST analysis](#).



What is happening in your setting? SWOT analysis

Strengths - Things that are good about your business.	Weaknesses - Things that could let your business down if they are not dealt with.
<ul style="list-style-type: none">• Occupancy and waiting list• Quality and reputation• Finances• Systems and processes• Resources and assets• Venue and environment• Unique selling point	<ul style="list-style-type: none">• Occupancy• Marketing• Systems and processes• Environment, resources and assets• Opening hours• Fees and finances• Parking
Opportunities Things that have potential or could be improved or built upon.	Threats - Risks that could damage your business that need to be prepared for, controlled or reduced.
<ul style="list-style-type: none">• New businesses in the area• Housing development• Policy changes – new customers• Partnerships• Increases in birthrate• Competitor closures	<ul style="list-style-type: none">• Increased competition• Economical changes• Political changes• Decreased demand <p data-bbox="1964 1125 2372 1200">coram hemsall's delivering change together</p>

[How to create a SWOT Analysis](#) and create your own [SWOT analysis](#).

Finance Management

Understanding your finances enables you to:

Plan and set out the income you want to achieve.


Control your income and expenditure so you achieve the required income.

Make informed decisions and **develop** successful plans.

The following videos will help you to prepare:

- [Introduction to income and expenditure budgets and cashflow forecasts](#)
- [Finance Matters - Breakeven Analysis](#)
- [Finance Matters Profit and loss, monitoring and financial controls](#)

Complete your Cashflow Forecast

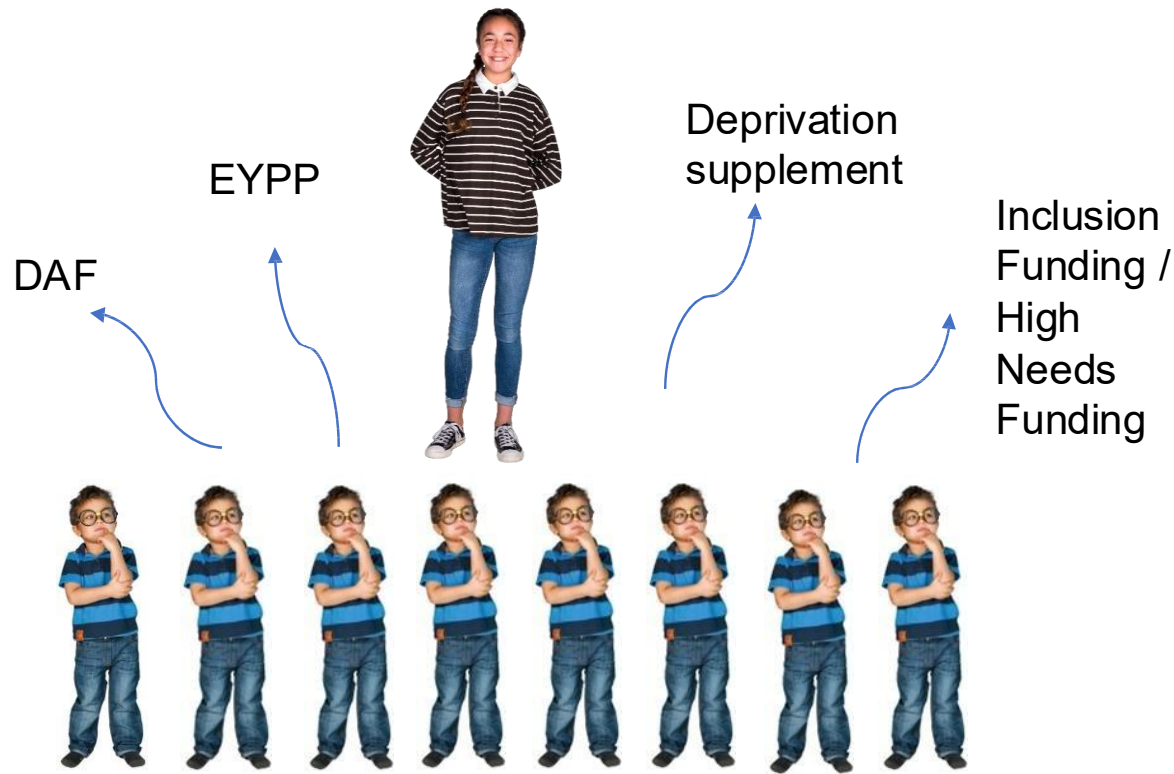


Top Tip: This tool can help you calculate your mixed-age funding rate average.

The funded hourly rate is a vital part of your planning. The example slides below are based on single-grouped ages. You will need to use the [Cashflow Forecast Tool](#) to help calculate your own income.

MONTH	April		May
Figures rounded to £'s	Predicted	Actual	Predicted
Income			
0-2 Year Old Funding			
2-3 Year Old Funding			
3-4 Year Old Funding			
Early Years Pupil Premium (EYPP)			
Deprivation Funding			
High Needs Funding (HNF)			
Inclusion Funding			
Disability Access Funds (DAF)			
Breakfast Club			
After School Club			
Holiday Club			
Private Fees (outside the funded entitlement)			
Additional Voluntary Charges			
Other Income			
Funding and Grants			
Total Income	£0.00	£0.00	£0.00

EXAMPLE: The funded hourly rate and financial planning – 3 & 4-year-olds



Base rate £5.40* per hour x 8 children = **£43.20 per hour**
plus, any additional entitlements outlined above.

**This is for illustration purposes only – funding rates will vary.*

[Early Education Funding – Suffolk Learning](#)

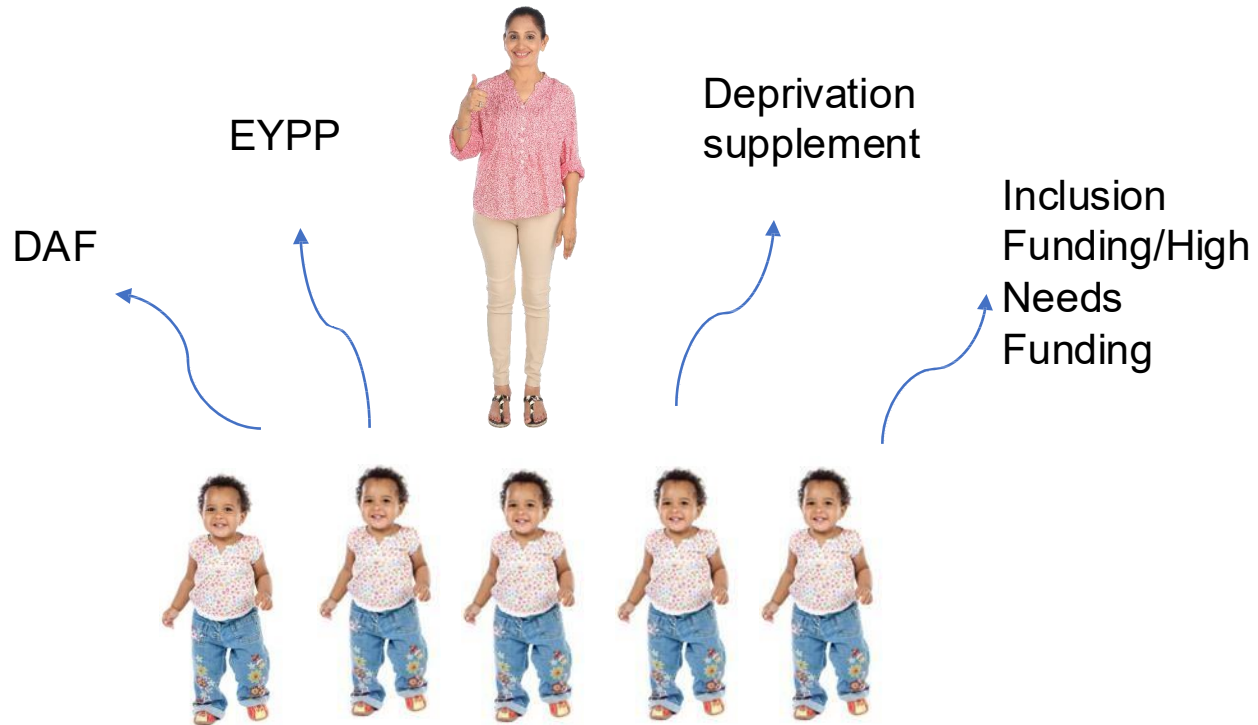
Staff Costs per hours

- Key person: £** per hour
- On costs - National Insurance, Pension
- Manager: £** distribution of time (*Time spent in ratio and supernumerary for planning, assessments, meetings*)

Non-staff costs per hour

- Rent
- Utilities
- Insurance
- Business Rates
- Registration
- Resources

EXAMPLE: The funded hourly rate & financial planning – 2-year-olds



Base rate £7.57* x 5 children = **£37.85 per hour plus, any additional entitlements outlined above.**

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[Early Education Funding – Suffolk Learning](#)

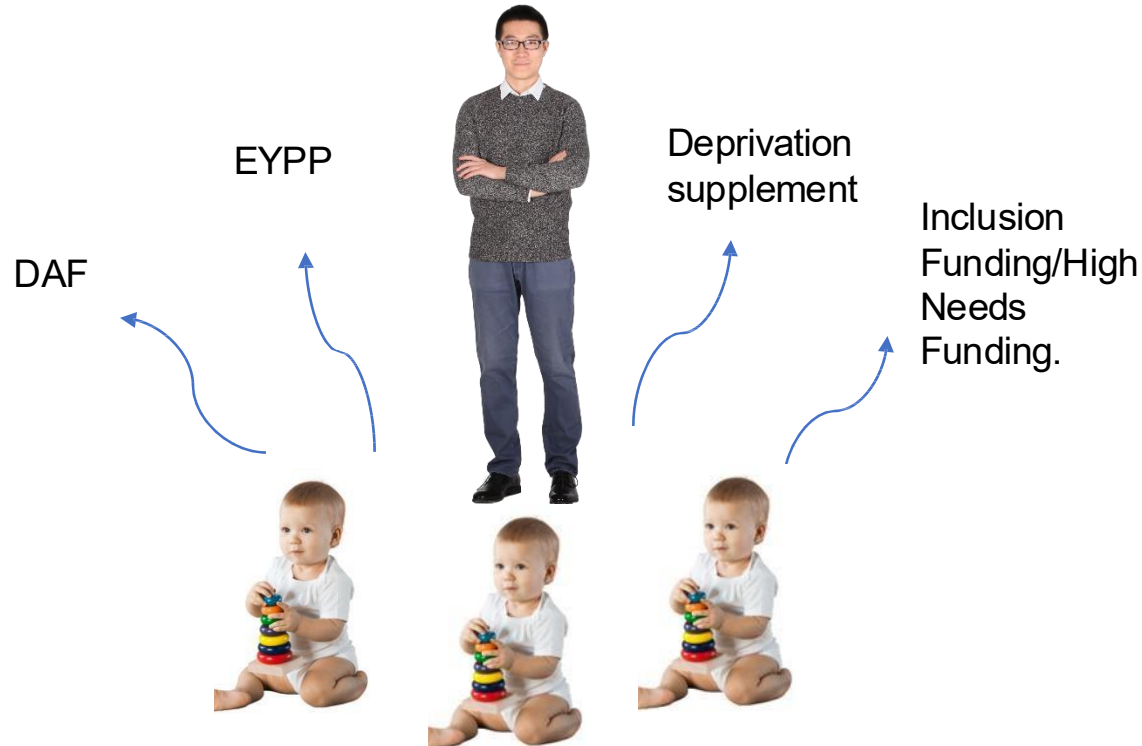
Staff Costs per hours

- Key person: £** per hour
- On costs - National Insurance, Pension
- Manager: £** distribution of time (*Time spent in ratio and supernumerary for planning, assessments, meetings*)

Non-staff costs per hour

- Rent
- Utilities
- Insurance
- Business Rates
- Registration
- Resources

EXAMPLE: The funded hourly rate & financial planning – under 2's



Base rate £10.32* x 3 = **£30.96 per hour plus, any additional entitlements outlined above.**

**This is for illustration purposes only – funding rates will vary.*

[Early Education Funding – Suffolk Learning](#)

Staff Costs per hours

- Key person: £** per hour
- On costs - National Insurance, Pension
- Manager: £** distribution of time (*Time spent in ratio and supernumerary for planning, assessments, meetings*)

Non-staff costs per hour

- Rent
- Utilities
- Insurance
- Business Rates
- Registration
- Resources

Why breakeven analysis is important

- Enables a provider to understand how much it costs to deliver the different parts of the service e.g. baby places, pre-school and wraparound care.
- It is a quick way to see if the provider is making a loss or a profit.
- Provides up-to-date information to inform the reviewing your funded offer.
- Understanding breakeven occupancy enable the management to review business performance and act if required.
- Helps decision making.

Complete your [breakeven analysis](#).



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Parental Engagement and 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)

Information to support you with your marketing strategy:

- [Marketing – Suffolk Learning](#)

Additional actions/ideas to consider when reviewing your business

What is your latest Ofsted outcome?

Is your Local Offer up to date?

Is your InfoLink page up to date?

Is your current funding offer flexible to parents/carers?

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

Are you aware of planned housing developments in your local area?

Useful links:

[Suffolk Childcare Sufficiency Assessment.](#)

[Finding and choosing childcare.](#)



Websites and Social Media



Ensure:

- Functional and easy to navigate (including on a phone).
- Clear, easy to read and relevant.
- Provide all the information customers require.
- Accurate and up-to-date.
- Link to online directories and other social media.

Advantages:

- Customers and stakeholders are already there as are competitors.
- Minimal cost.
- Ability to target specific things.
- Enables conversations.
- Easy to measure.
- Provides ways to review the effectiveness of your platforms.

Reflect

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 a table.

Plan

Do not forget the importance of 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
- reserves should also be enough to cover any possible staff redundancies

Plan

Now that you have gathered the information, your next step is to create an action plan.

You can find an Action Planning Template and example on the following page:

[Financial Planning – Suffolk Learning](#)

Overall Goal:		To breakeven by July 2025 (Aim for the future)	How?	Who?	When?
Objective 1:		To review expenditure against income to analyse where savings can be made (smaller targets to achieve goal).			
Actions	a	To complete Financial Planning Tool to analyse where savings can be made, or income increased.			
	b	Review staff structure and deployment to identify if staff could be deployed more effectively or if staffing costs could be reduced.			
	c	Contact a range of suppliers to see if materials and resources could be purchased more cost effectively.			
	d				
Objective 2:		Review Childcare Offer and look at alternative models of delivery.			
Actions	a	Look at the sufficiency data for the local area.			
	b	Complete a parent survey to analyse demand in the area.			
	c	Use the occupancy calculator.			
	d	Complete a supply and demand analysis.			
Objective 3:		To develop a marketing plan to promote and grow the business.			
Actions	a				
	b				
	c				
	d				

[Business Action Plan Example](#)

[Business Action Plan Template](#)

Review

It's important to continuously 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 childcare organisation.



With thanks to:

- Lincolnshire County Council
 - Kirklees County Council
 - Coram Hemsall's
 - Childcare Works