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Running the business

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4 Running the business

4.1 Business planning, budgets and cash flow

A business plan pulls together all aspects of an organisation. It describes the organisation's vision and values, and clearly states its aims. It then defines how it will operate in order to achieve its objectives. It will mention the group's location, size and legal structure (e.g. community run childcare groups are commonly unincorporated associations with a membership – the parent/users). Some larger scale organisations produce this information with other data in a 'strategy' document and have a separate business plan.

The business plan also makes a statement of the financial resources needed and outlines measurable income and expenditure in a 'budget'. A budget is needed in order to fix a system of financial control, which actual figures can be compared to and financial problems can be identified with. A business plan requires accessible data with regular updating for monitoring purposes.

As a childcare committee member you may feel that you are not 'running a business', but you are.

Project management might also be a good description, except that with a childcare group the work of the 'project' continues whilst the management committee periodically move on. Key to both is that the committee is the employer of staff, involving employment contracts, payment of wages (including holiday pay, NI, stake holder pension etc.) and due attention to employment law (e.g. disciplinary and dismissal procedures, redundancy and dealing with grievances). The responsibilities of being an employer make a business plan a vital tool. It should include a revenue budget and cash flow consideration.

As a very brief overview;

- A **revenue budget** measures and sets out income (from fees and funding) versus outgoings or expenditure (e.g. staffing costs, rent etc). A revenue budget estimates these incomes and expenditures over a year.
- A **cash-flow budget** estimates the cash needs of the group, usually on a monthly basis. In order to not fall into debt, expenditure must not exceed income,

however there may be times over the course of a year that expenditure does exceed income. This will affect the cash flow of the organisation and either an overdraft facility may be needed or the use of some other fund e.g. contingency or fundraising. The balance sheet should allow for some contingency which creates a financial cushion.

- A **capital budget** is usually focused on the longer term and is often related to the more physical needs of the group such as renewal of equipment, new buildings or building improvements.

When you first start writing a business plan make sure you include everything: you can always condense it later. The plan should be used as a 'living' document that continually informs how the business is performing and how future plans and targets are supported. It might usefully contain information under the following headings:

- An **executive summary** – i.e. an overview of the business (any history if appropriate), its strategic aims (your visions and values) and objectives (how you will meet your aims); many lenders and funders make judgements about the business based on this section of the plan alone.
- A **short description of the business and opportunities** – this should include an assessment of the present market place, including quantitative data (e.g. a local childcare needs survey) and the benefits of the proposed or existing service (including equal opportunities, diversity, accessibility).
- **The marketing and promotional strategy** – who and why you think people are using/will use the service and how you plan to promote it.
- **The management team and personnel** – the skills and experience of the staff and committee (including team working and committee transitions).
- **The operational plan** – the premises, working practices, the management information systems and IT.
- **Financial forecasts** – this section translates everything you have said in the previous sections into numbers (e.g. cash flow, financial projections and targets, the long term, if applying for grants, loans or funding how the money will be used).

NB: It can help to think of quantitative as quantities and therefore numbers (manipulated by using statistics), and as qualitative as in quality, which is more contextual (e.g. direct observation, in-depth interviews, written documents, pictures and video) but this does not necessarily mean that qualitative data cannot be manipulated numerically).

Budget prediction is difficult within a childcare business, be it privately owned or community run (committee managed), because of fluctuations in the numbers of children registered with the group and the number of sessions they attend, spread out over a year (**annual % occupancy**). When a childcare group is initially registered, Ofsted will set how many children can attend each session, based on the space and facilities available (e.g. size of the room/s and numbers of toilets).

It is common for the number of sessions booked and attended in the autumn term to be lower than average, due to the previous year group leaving to start school. Numbers often pick up in the spring, but if bookings do not improve then it may be evidence of a drop in the cohort of children that year. This may be due to low birth rates, poor marketing or competitors offering a better quality or more comprehensive service (e.g. taking children at an earlier age). Equally it is sensible to be aware of reasons for an influx of children and how the future may be affected if this drops off. This area of the business needs vigilance.

It is a financial necessity to know how many childcare sessions must be filled (occupancy rate) to cover all the costs (wages, rent, consumables etc) over a year. Whilst calculating this, you need to be aware that the numbers of children and their ages affect the numbers of staff that are required to run the sessions (please refer to the *Statutory Framework for the Early Years Foundation Stage* Appendix 2 for staff child ratios). You will need to budget for an increase in staff as places fill, particularly at the point when you have one or two more children and need more staff, but can't make that cost recovery. When calculating hours of work, don't forget to allow for staff 'non contact' time. This is necessary for staff to record child observation data and other paperwork.

Other staffing costs must include employer contributions to National Insurance, holiday, sick pay and stakeholder pension where appropriate (see section 5 Employing staff).

Summary of factors to consider when writing a childcare business plan and drawing up budgets:

- Have you conclusively *found a need and demand for your childcare places* within your local area? Have you carried out a survey and what *measurable results* do you have from this?
- Are the fees you charge/want to charge affordable in your area? Are you charging enough to cover your costs? This is a fine balance and needs to be monitored regularly.
- Calculate the income from children aged 0–3 who do not receive the free entitlement. Do you charge more for two-year-olds than the funded over-threes? Doing so is entirely fair as the EYFS requires a higher staff child ratio for two-year-olds.
- Calculate the income from children eligible for the free entitlement. How many sessions do they access at your setting? Do they access the free entitlement at any other settings?
- What fees do you charge for any extra services (e.g. lunch or afternoon sessions)?
- How many children have Ofsted registered the setting for, i.e. maximum capacity? Ofsted indoor space requirements <2 yrs 3.5m²/child, 2 yrs 2.5m²/child, 3–7 years 2.3m²/child. (m² = square metres).
- Do not assume an annual occupancy rate of 100% of the registered places. It is best to work to a maximum of 80% or calculate an average from the annual occupancy rates of previous years. How high does your annual occupancy rate need to be in order to financially 'break even' (income equal to all costs, not forgetting contingency)? Is it sustainable and is there any room for growth? Will a lack of growth affect the business in the long term?
- Unpaid fees can lead to sustainability problems. It is advisable to have a fee-paying policy and 'develop a culture' of prompt payment. It may also be sensible to add into the budget some flexibility for unpaid fees, if this is financially viable.
- Advertising and marketing is vital to raise and maintain the group's profile – make sure you have a strategy/plan in place. There are many ways to do this cheaply, but always allow a reasonable sum for this in your annual budget. Do not take marketing for granted (see **Section 4.6**). Always have a marketing plan.
- How many weeks of the year is the setting open? (the free entitlement presently funds 38 weeks annually – that is the same as state school term times excluding

five teacher training INSET days per year) – however if used for full day care the same amount can be used stretched out over the year).

- What is your annual income from fundraising or grants? How much do you need to fundraise to break even each year or are you breaking even from payment of fees and the free entitlement? In an ideal scenario you will break even without using fundraising and be able to utilise fundraising for specific equipment, future plans (e.g. refurbishment) and contingency (e.g. a drop in numbers/sessions).
- What are the staffing levels required (child staff ratios under 2 years 1:3, 2 years 1:4, 3–7 years 1:8) and the level of staff qualifications required by law? What is the availability of an appropriately qualified deputy and bank staff to cover staff shortages due to illness, etc?
- Be aware of the financial 'break point' when an additional child triggers the need for an additional member of staff. Will you wait until you have enough children to cover the staffing costs or have you allowed for this via budgeting?
- Have you considered parity of pay levels within the childcare sector and your geographical location?
- What are your salary costs including National Insurance (employer contributions), pensions, staff cover, holiday pay, sick pay, maternity pay (for information on these contact Acas www.acas.org.uk) and recruitment costs? These are known as 'on costs' and it is vital to remember to add these when calculating staffing costs.
- What costs will be incurred during staff training? Most training is available to settings free of charge or is covered by **WSCC Early Childhood Service bursaries** but staff cover and travel expenses should be considered.
- What are the costs of your premises, including heat, light, maintenance and refurbishments?
- Make sure you have the right types and appropriate cover of insurance (e.g. public liability £10 million on a West Sussex site, employer's liability, building, contents, trustee indemnity etc. for further information see **Section 4.5**)
- What are your administration costs (including telephones, stationery, postage, photocopying, Ofsted registration, accountancy)? Have you thought about employing a part-time administrator or book-keeper?
- How much do activities and materials costs (including costs of consumables)?

- What are the equipment costs, e.g. for play, office, outside play area, kitchen and what are the cost of replacements?
- Do not forget to budget for volunteer expenses (including volunteers in the setting as well as the voluntary management committee).
- Are there any transport costs?
- Remember to include saving for **contingency funds** (e.g. for redundancy and maternity costs). Also, if the setting does have to close at least the committee will be able to pay the staff any applicable redundancy. They will have treated their staff fairly and not put themselves at risk of litigation.
- When working on a three- or five-year, business budget forecast, add an annual percentage increase to take account of rises in salaries and inflation rates for utility and premises costs etc.
- What other costs might periodically arise (e.g. a quality assurance scheme)?

For information on the National Minimum Wage see www.hmrc.gov.uk/nmw or www.direct.gov.uk and www.berr.gov.uk/employment/pay

It is really important for the voluntary childcare committee to pay attention to financial management if only to ensure they do not become financially liable themselves! Good financial management and sustainability go hand-in-hand. It is also important to not let the finance staff, or volunteers, become too isolated from the running of the group, as this can lead to financial problems not being discovered until it is too late. This is a good reason why committee members should, ideally, be people with a strong vested interest in the group (e.g. parent users).

Whilst it is necessary to accumulate a good contingency fund, not spending money on resources for the children's benefit is also unhelpful. A balance needs to be struck between budget adherence, contingency, annual staff and fee increases (in line with inflation) and the continuous upgrading of resources for the children. In the present climate of voluntary run childcare it is common for fundraising to support, considerably, the turnover of the group. Without a supportive committee working as a team and maximising their profile within their community for financial support, via fundraising, equipment and resources can soon become depleted.

For further information on fundraising see **Section 4.7**.

Basic anti-fraud procedures such as requiring **two signatures on cheques** are necessary. There should be three or four people authorised by the bank to make these signatures, commonly the treasurer, chair and manager/supervisor. It is fine for there to be two members of the committee signing the same cheque, as they are the employers and legally financially responsible, but it is not advisable for two staff to be signing the same cheque. Similarly, it is not advisable to have signatories from the same family, either through marriage or kinship and **no-one should ever sign a blank cheque**.

Bank reconciliation should take place regularly and should not be done by the person who is responsible for entering data into the 'cash book'. Bank reconciliation is the term used when each item in the 'cash book' is checked against the corresponding bank statement ticking off each item. There may be items in the bank statement that have not been entered in the cash book (e.g. those items that may be on standing orders). These need to be checked and entries made in the cash book. Similarly there may be items in the cash book that have not yet been debited or credited by the bank. Simply looking at bank statements, without seeing what has been paid in and what is due to be paid out, in order to assess the financial position of the group, or make a financial decision, can lead to mistakes, which in turn can lead to much more serious financial outcomes.

Management responsibility table – add to each box the tasks that your setting needs to address

Please also see the WSCC Early Childhood Service publication *Guidance on Developing a Business Plan for Childcare Services*. Ask your Childcare Support Coordinator for a copy or look online at www.wsgfl.westsussex.gov.uk

Financial management

e.g. income versus outgoings; review of previous year's accounts to evaluate trends; cash flow; fundraising level needed annually

Future planning

e.g. changes to local competitors; parental need and demand; government funding; local issues (e.g. new housing, birth rates)

Operational management

e.g. Free Entitlement head count; fee collection; service delivery timescales; extra services; building; outside areas; health and safety (including security)

Marketing

e.g. need and demand surveys; branding; quality assurance promotion; awareness raising; leaflet drops; events; free advertising opportunities

Pricing strategy

e.g. competitor prices and service; services and facilities (e.g. great outdoor play area) you offer,

Child occupancy

e.g. present occupancy; bookings or waiting list; previous trends; leavers; numbers in age ranges; anticipating changes to child numbers

Staff management

e.g. recruitment; sickness records (absenteeism); staff turnover; appraisal; career development; training attendance

Customer service

e.g. quality control; parental satisfaction; parental support; recruitment of management committee; ask the children what they like about going to the group; complaints

4.2 Annual accounts and reporting

All charities that have an income over £500,000 must have their accounts audited (please see **Section 3.3: The Charity Commission**). Audits must always be undertaken by registered auditors. For most childcare groups an independent examiner's report of the group's accounts is suitable, along with an annual report which should be sent to the Charity Commission and presented at the AGM see **Section 1.2** of this support pack. An annual report might include the following;

- the organisation's aims, strategies and activities
- achievements during the year
- how success is measured and what forms it has taken during the year (e.g. improved behaviour outcomes for children due to greater access and improved outdoor facilities)
- objectives for the year ahead
- end of year accounts (including assets and liabilities).

Performance reporting is generally carried out during an AGM in the chair's report to the membership (voluntary run childcare committee members are generally the parents/carers of the children attending). However, carrying out financial reporting throughout the year, at committee meetings, will help to keep the committee focused on the overall performance of the group. This is a useful tool for uncovering problems. A separate financial report must always be available and presented by the treasurer at the AGM.

SORP stands for Statement of Recommended Practice and was introduced by the Charity Commission in the late 1990s as a way of improving financial reporting by charities. Greater transparency and proof of financial planning and management are its main aims. If a charity cannot explain its aims and demonstrate how it is monitoring its activities with measurable targets, how can it know what it is achieving? Thus an annual report will include:

- names of trustees/committee members
- bank, accountant and solicitor (if applicable) details
- details of the management structure and how trustees are recruited and inducted (see **Section 1.2**)
- the group's objectives and how the outcomes are monitored
- the group's achievements and how these relate to the objectives

- the financial overview
- the key objectives for the following year – these can then be used to link into the next year's report.

Much of the above will be of more obvious relevance to larger charities but try to link a few practical improvements to the setting with some of the targets or assessment criteria in the Early Years Foundation Stage guidance notes. If you try to do this in collaboration with your staff you will be demonstrating your awareness and support of their work. There is a fine balance between what the staff may consider being interfering and being supportive. This is bound to be an awkward relationship at times because of the changing nature of committees, and their role as the employer. Equally staff may be unaware of the responsibilities of the committee. Try to foster mutual support through the understanding of roles (see **Section 1.4**).

4.3 The Free Entitlement (FE) for three- and four-year-olds

Since 2004 free, part-time early education places have been an entitlement for three- and four-year-olds. The government provides each local authority (LA) with funding for this purpose and each LA then sets the rate per session per child for that year. The government explains the key principles in its *Code of Practice on the provision of free nursery education places for three and four year olds 2006–09* and these conditions have been adopted by local authorities. At the time of writing (June 09) a new Free Entitlement Code of Practice is about to be sent out for consultation in preparation for 2010.

In West Sussex, the Early Childhood Service (ECS) expects providers to sign a **Free Entitlement Registration Form** which binds the provider to a series of conditions, before payment can be received.

These include:

- compliance with all statutory responsibilities (see **Section 2: "Getting it right legally"** and **Section 3: Regulation and regulatory bodies**)
- inclusion: see the *Revised Special Education Needs Code of Practice* issued November 2001 (ref DfES 581/2001 – www.opsi.gov.uk)
- quality of provision (from September 2008 *Statutory Framework for the Early Years Foundation Stage and Guidance*)

- training: The Children's Workforce Development Council (CWDC) and its partners are developing the Early Years Practitioner Status role supported by a set of national standards set at graduate level (www.cwdcouncil.org.uk)
- information returns: this includes the 'headcount' returns, the Early Years Census and other requests for relevant data
- general conditions, e.g. the number and length of sessions provided free over the year. Contact the Children's Information Service (01243 777807) for further information and current conditions. Also included are compliance with the government Code of Practice and statutory responsibilities in relation to child protection, health and safety, equalities and curriculum guidance.

The government's Code of Practice states that

- **13.4...** local authorities should ensure that the basic entitlement is free at the point of delivery. The free entitlement is a guarantee of a free place. It is not a voucher; neither should it be regarded as a parental subsidy.
- **13.5...** providers should not levy any fee in respect of the free entitlement.
- **13.6...** providers can charge for additional services. The level of such fees is a matter of private agreement between the provider and the parent... parents should not be required or expected to take up additional services in order to access a free place. Parents who do choose to take up additional services should not be charged any more for these services than parents of children who are not accessing a free place. Above all, arrangements for charging for additional services should be clear and transparent.

Go to www.surestart.gov.uk for the full Code of Practice.

Please note that this Code of Practice will be updated, after consultation in 2010.

When is a child eligible for a free place?

Born on or between:	becomes eligible from:
1 April and 31 August	1 Sept following their third birthday
1 September and 31 December	1 Jan following their third birthday
1 January and 31 March	1 April following their third birthday

The West Sussex County Council Early Childhood Service **Free Entitlement (Early Years Provision) Registration Form** is a very important document as it is the gateway to receiving the government funding for three- and four-year-olds, which relates to the current offer of five sessions of 2.5 hours each (two of which may be taken back-to-back with a break, e.g. lunch).

In West Sussex the extension of the Free Entitlement from 12.5 hours per week to 15 hours per week will take place from September 2010.

For more information contact WSCC ECS Children's/Family Information Service on 01243 777807 or www.wsgfl.westsussex.gov.uk.

For information about other methods of paying for childcare go to www.payingforchildcare.org.uk which has a Tax Credit Checker. Also go to HMRC childcare (www.hmrc.gov.uk/childcare) for details about tax credits, NI contributions and employer childcare voucher schemes (employer supported childcare).

4.4 Premises

Voluntary run childcare groups are run from various types of premises. Some are owned by the group but are located on West Sussex County Council land and subsequently have a lease. This is common of groups that are located in prefabricated buildings on school sites

NB it costs a considerable sum to change the name on a WSCC lease so make sure your lease has the name of the setting e.g. 'Ducklings' management committee/trustees (rather like your Ofsted registration document) – not an individual committee member's name. Some groups rent their premises from county, district and parish councils and others hire facilities in village halls or other community buildings that are also managed by committee – village hall trustees. Some voluntary childcare groups are run from buildings that are held in trust (for the benefit of local children).

Lots of groups feel that one or another of these options is preferable to the one they currently use for one reason or another. For example:

- Groups that operate from school sites, but are in no way financially or organisationally attached to the school, sometimes want to leave or have problems maintaining or replacing their building, when it gradually becomes too old to repair. Others find parents think they are funded and managed by the school, i.e. are not charitable organisations run by volunteer user parents. As a consequence these groups sometimes have difficulty in recruiting and maintaining voluntary management committees. Of course there are many nurseries run by schools as well but what is essential is that you know what type of group you send your child to. It is very important for voluntarily run groups to make this clear to parents when their children start attending (see **Section 6.8**).
- One of the most common gripes is the clearing up and putting away of all the equipment and resources on a daily basis in hired village halls or church and community buildings in order for other people to use the facilities. This can drain time and energy from an already hectic staff schedule. Another aspect of hiring village halls is that the space is for the use of all the community and the trustees/committee members are duty bound to

recover the full cost of running the building whilst also having funds available for maintenance and repairs. For useful information, support and guidance with regard to community buildings/village halls trustees/committees and childcare groups please see *Village Halls and Childcare – making it work*, a toolkit from Action in rural Sussex. Call 01273 473422 for a copy (www.ruralsussex.org.uk)

If you are hiring a community building do you need a hire agreement or an occupational licence?

A hiring agreement is suitable for one-off or regular short bookings. An Occupation Licence is more suitable where:

- a group uses a hall on a long-term basis for periods which effectively restrict the use of the hall by others
- use is such that it is appropriate to share the costs of running the hall,
- a group will be investing in making improvements to the hall infrastructure.

An Occupation Licence gives no security beyond what is stated in the licence. It can run for an academic year (September to August) and it is appropriate whether the childcare provider is voluntary or private. It has the benefit of giving slightly greater security to the user, which can assist when investing in a new enterprise, and can allow for the user to make limited changes (e.g. security systems) subject to consent from the management committee. An Occupation Licence should not give exclusive use of any part of the premises, except storage and perhaps office space. It is useful in that it permits other charitable users to make use of the premises at other times and contributes to achieving an affordable rent. The ACRE Model Occupation Licence can be obtained from Action in rural Sussex. Call 01273 473422 (www.ruralsussex.org.uk).

All registered providers are expected to inform Ofsted of any changes to the premises that may affect the space available to the children and the quality of the childcare. This also applies to structural alterations or an extension. Further, it includes any changes to the outside such as the taking down of fences or adding a pond.

4.5 Insurance

It is vital to have the right insurance. Not only should you be sure it is appropriate but you need to be sure of exactly what it covers you for and also how much it covers financially. There are quite a few insurance companies who offer specific 'packages' for childcare groups, whether they are independently, privately or voluntarily run. Everyone must be properly insured. A few examples of childcare group insurance are public liability insurance, employers liability insurance, contents insurance, personal effects, loss of revenue, legal expenses, professional indemnity, trustee indemnity insurance, buildings insurance (if applicable), hire agreements and outings.

What is public liability insurance and why is it so important?

Public liability insurance covers you if someone in your care, or a member of the public, suffers an injury that is held by law to be your fault. For example slip or trip 'falls' happening to a child or other visitors. These accidents demonstrate the necessity for good risk assessment (see **Section 6.6**) to avoid incidents in the first place. In the current climate of litigation, claims are more commonly being made against groups and you need public liability insurance to protect the group's interests against such lawsuits. If your setting is on West Sussex County Council land there is a requirement to have £10 million public liability.

Employers' liability insurance cover is required by law

It is similar to public liability insurance, but relates specifically to injuries suffered by your employees. This area too has seen increases in claims in recent years.

Trustee liability insurance – this generally excludes costs and fines from trustees acting in bad faith. There is likely to be a no claims clause for the first six months of taking out this insurance. Check what the insurance covers you for and the cost.

Trustee Indemnity Insurance commonly covers:

- fraud or dishonesty by staff, agents or volunteers
- fines for PAYE or National Insurance calculations
- awards for wrongful dismissal
- loss for bad investment decisions
- libel or negligence
- loss of documents

Common exclusions:

- liabilities under a contractual arrangement
- failure to effect proper insurances
- intentional losses
- indemnity against professional advice
- pension trusts

The websites of insurers who specialise in cover for childcare settings can help with definitions and information about the other types of insurance that might be appropriate. Insurance companies will want to sell as much as possible so they are bound to have many types on offer, with an exact list of what the insurances covers. They will also have an awareness of new legislation.

Another way of remaining up-to-date with changes to legislation and other areas around children and childcare, is by joining the Department for Children, Schools and Families email newsletter (www.dcsf.gov.uk). Ofsted, TeacherNet, Children Now and many others all have similar updates available by email which can be very useful. Simply go to their websites and subscribe by entering in your email address and a password; these are free services.

One well-known childcare insurance specialist offers the following types of insurance in a package with some as optional extras: the list below gives an idea of the types of insurance you might consider and then explore in detail both what it does cover and what it doesn't (never assume) and how much financial cover it actually provides. For example, does equipment cover provide for the costs of new equipment?

- public and products liability
- employers liability
- group equipment
- personal accident for staff and children
- legal expenses
- group money
- personal assault
- contingent motor liability
- personal clothing for staff and children
- group official's personal money
- trustees and officers financial liability
- professional indemnity
- loss of revenue
- buildings
- all risks cover for your equipment

4.6 Marketing

A voluntary run childcare business is no different from an independent or privately owned one in that they all need to let potential customers know what services they offer, where, for how much and for how long. Local area knowledge is vital and may include:

- how many children are eligible for services in your local area? (You can find this information from www.statistics.gov.uk and click on Neighbourhood and then enter the setting's post code.)
- how many other providers are there in your area? (go to www.childcarelink.gov.uk).
- what is the total number of places and or sessions available in the local area?
- what is the local birth rate in your area? (Your local health visitor may help you here.)
- are there any new housing development schemes planned in your area? (Find out from your local district council planning office.)
- how do fluctuations in the financial markets affect the local economy and how does this affect local childcare providers, both positively and negatively? Are businesses relocating into or out of your local area?
- what are the emerging childcare developments from government and the local authority?
- determine what other local childcare providers are offering e.g. sessional care, full day care and how flexible it is.
- what market advantages or disadvantages do competitors have? (E.g. reputation, location, parking, facilities, age range, discounts.)
- do you have a monitoring system for assessing why children may have left, other than moving on to school?
- have you surveyed your parents recently? If so were the questions useful and what was the response rate? Some questions might be: What times do they require childcare? How much are they prepared to pay? Do you offer a variety of payment methods? How much importance do parents place on educational activities? How much importance do they place on security? The latter two questions might be asked using a sliding scale of importance. You might also ask what would make parents raise the number of sessions their children attend? Other questions could ask about your present quality and what the children and their parents like about the setting, e.g. friendliness of staff.

Answers to questions will also help when using the Management Responsibility Table above.

Useful pointers for conducting a survey

- Explain briefly why you are carrying out the survey
- Ensure the survey is short and as straightforward as possible
- Use closed questions – those that require a yes or no answer
- Use ranking scales (e.g. always/sometimes/never) and if using numerical ranking scale choose an even number to avoid getting an 'average' for everything
- Provide a space for individual comments
- Make sure the survey is clear and well laid out
- End the survey on a note of thanks
- People like to see a survey acted upon

An advertising plan

This useful plan describes where, how and when you are going to advertise your childcare group in order to attract new customers. This should form part of your 'living' business plan and will also contribute to the group's strategic objectives.

Marketing – how?

You will need a clear identity, making sure you promote the key or unique selling points of the group. Updating or refreshing an old logo will help to maintain identity whilst moving the group on. There are lots of other childcare groups around so take a look at what others are doing and try to pitch your identity within the framework whilst doing something different. If you are a rurally based setting you may want to highlight outside play, fresh air, country walks and visits to a local farm or fruit picking (if appropriate). Your advert will need to stand out, but don't forget to make sure potential customers can confidently get hold of you to book a visit or a place.

It is also important to keep your setting's general profile high within your locality and never assume that local parents will find it. Fundraising at local events; having clear, good quality signage, in close proximity to the setting and regularly contributing stories to the local press are all good ways of keeping a high profile within your community. Promoting the voluntary aspect of the group and stressing the community service that childcare groups deliver (including privately run ones) is often overlooked.

Use positive quotes from your latest Ofsted report and comments from parents on your mailing and leaflets: this will build confidence. Don't forget to find out from parents what they can offer to the marketing and advertising of the group. People are willing to share their skills and expertise for the greater benefit of the children, but if you don't ask, how will they know what is needed and how they can help? Having used as many cheap options as possible, fix an annual marketing and advertising budget and use it. An unforeseen drop in numbers is a common cause of failing settings and poor marketing is usually a significant contributing factor.

Marketing – where?

Posters or cards in local shops, doctor's surgeries, newsagents, public noticeboards, libraries and local schools can be a cheap and effective form of advertising. Any public place where people gather and you are able to advertise will be useful. Leaflets and mailing can be delivered comparatively cheaply if you gather together a band of volunteers. Themed fundraising evenings in the local pub can deliver marketing and fundraising in one hit.

Marketing – when?

A rolling programme throughout the year, using term times to provide regularity and a momentum to maintain the profile of the group. Marketing can be combined with other activities. For example, you could do some leaflet drops and then maybe all go out together afterwards? Making social occasions and asking parents to pass on information via word of mouth can make promoting the group fun. In turn, it can attract other participants. Summer fun days and fundraising events can be great for all the children and help adults and children to meet and make new friends.

An information pack (prospectus or handbook for new parents)

A good information pack is a vital sales and marketing tool and, coupled with a positive visit to the setting can contribute to both children and parents feeling confident and secure in their choice of childcare. Have a look at other providers' packs to see what information they give and how they present it to get an idea of

what you would like to achieve. If you have recently become involved with the management committee what is it that you like and dislike about the present information that the group gives out? Is the information up to date with current practice, e.g. mentions the Early Years Foundation Stage and not the National Standards? Does it contain all the necessary documentation, such as the local authority notice to parents with regard to safeguarding (child protection) and the duty placed on the setting to inform the LA of any such issues that may arise?

An information pack should make clear the legal status of the setting and what is expected of the parents in the form of voluntary contributions to the running of the group (e.g. volunteering for the committee, supporting fundraising by attendance of events etc). It is all the more difficult for present committee members to recruit new ones if people are unaware that that's how the group is run. For more comprehensive information about a prospectus or information pack and suggestions for recruiting committee members please see **Section 6.8: Assuring Quality**.

Children and parent visits

Very often it will be the manager, supervisor or another member of staff who takes potential customers (children and parents) around the setting. This is good as they should all have as much opportunity as possible to get to know one another and find out what the childcare has to offer. However as a committee it would be sensible to monitor how many visits are made to the setting and how many parents then go on to make a booking. If there is a discrepancy between the two some investigation should be carried out to determine exactly why the parents did not want to make a booking. There could be a myriad of legitimate reasons but equally there might be reasons that could be addressed. This gives the committee an opportunity to change aspects of the visiting system or the setting that parents or their children do not like.

Please see Section 6.8 for more information and ideas about communicating effectively with parents and children.

4.7 Fundraising

Childcare usually comes under the charitable purpose of education and this area is covered by many funding sources, not least fundraising from the local community your childcare setting serves. **Fundraising is about asking for money. This makes it strongly about communication.** Everyone involved with the childcare setting is either a potential fundraiser or a beneficiary and the organisation as a whole is accountable to the donors and the beneficiaries, e.g. the money raised is used for appropriate purposes.

Who to fundraise from

- Fundraising from individuals: direct mail, telephone, collections, raffles and competitions, committed giving, gift aid and legacy giving.
- Fundraising from businesses and corporate organisations: sponsorship, donations of goods and money and "cause related marketing".
- Fundraising from trusts and foundations: applications for grants which match their funding objectives.
- Fundraising from communities: events, sponsored and challenge events, dinners and entertainment and school events.

Fundraising principles

- ensure that fundraising materials are clear about what the group does, who the beneficiaries are and what the money raised will be used for, e.g. specific equipment or a project.
- if the setting is a registered charity all materials should clearly state your registered charity number. (when your organisation has an income of £5000 or more you are required by law to register with the Charity Commission).
- check that your fundraising initiative is legal by looking at the Codes of Fundraising Practice which can be downloaded from www.institute-of-fundraising.org.uk. The Fundraising Standards board www.frsb.org.uk and the Gambling Commission www.gamblingcommission.gov.uk can provide more information.
- remember to comply with the Data Protection Act 1998 (see **Section 2.4** for a brief summary). You can find out much more from the Information Commissioner (the regulator and enforcer of data protection law) at www.ico.gov.uk.



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A fundraising plan is a useful tool. It should start with fundraising objectives relating to the organisation's aims, financial background and three- to five- year financial projections. When looking at the financial background, start with how much has been fundraised by the group in the last three years. Then assess what the money has contributed to and how the objectives of the group were enhanced. If the group is not breaking even annually, how much reliance is placed financially on fundraising activities? Can you determine any patterns or trends?

It is useful to develop a simple statement which establishes 'a case for support'. That is, why people and businesses should contribute financially to the childcare setting. What is it that can be achieved by the setting with this extra financial input? Who is most likely, as an organisation, to have similar values and ethos? Make your case for the setting's contribution to the community and most importantly all the children of the community. Stress the voluntary aspect of the childcare management committee and include information so that donors are certain of what they need to do to make a difference.

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When making an application to a grant-making body (e.g. The National Lottery) or a Foundation or trust fund try finding a local volunteer who has some experience of funding applications. Other sources of support are your local community and voluntary sector support organisations, e.g. Action in rural Sussex (AirS), West Sussex local Community and Voluntary Services; the EESI project (Effective, Efficient, Supported Independent Voluntary Sector) and VOLG – West Sussex Voluntary Organisation Liaison Group).

Some very brief pointers for a good funding application:

- don't hesitate to make personal contact with the funders prior to completing the form if you have any queries or doubts
- always read the guidance notes
- make no assumptions – the application form is the only information the funder has to understand your organisation
- demonstrate that your organisation has clear aims and objectives and knows what it is doing (i.e. it has the skills and abilities to deliver its objectives)
- be clear about the evidence of need and who your stakeholders are (including numbers of people to benefit, linked benefits, changes, outcomes and how this will be monitored and evidenced)
- address value for money, demonstrating good financial management. Always check your budgets add up correctly
- type up your responses and stick them into the application if you cannot get the form electronically.

Each childcare group is unique and sits within a geographic and economic community.

Some groups find steady regular fundraising activities, across the year (term times) suits them. Others find one

or two 'block buster' events more useful. Have a look back at your fundraising events and calculate costs versus money raised. For example, think about:

- Did you set a budget for the fundraising activity?
- How many volunteer hours did this fundraising take?
- Did your setting raise its profile in the process?
- How enjoyable was the time spent preparing, planning and carrying out the fundraising event itself?
- Was it difficult to recruit volunteers for the event?
- Was there a strong leader 'doing it all'?
- Will anyone want to repeat the process next year?
- Is there a local expectation that an event occurs annually?
- Do you have a fundraising sub-committee leader/s or a team?
- Have committee members asked other parents individually to help out?
- Could your fundraising be considered a committee team-building exercise?
- Are the donors pleased with the fundraising outcomes?
- Is everyone included in a 'thank you' at the end?
- For the effort did you make enough money?

(West Sussex County Council offers a free to use funding search service *West Sussex 4 Funding* – to businesses, voluntary organisations and community groups, charities, and social enterprises to search for potential sources of funding for any venture or project. West Sussex 4 Funding contains details of over 4,300 funding schemes and information on over 4,500 trust funds. Go to their webpage to register. www.westsussex.gov.uk/ccm/navigation/community-and-living/grants---funding)

4.8 Health check

Yes / No Action to take

Does the childcare management committee have a 'living' business plan?

For an initial overview take a good look at the beginning of **Section 4**. Business support is available from a WSCC Early Childhood Service Business Support Officer. Business Link has a service level agreement with WSCC to support businesses across the county. Go to www.businesslink.gov.uk/southeast or www.businesslinksussex.co.uk or www.westsussex.gov.uk
Your bank may also be able to help with a business plan.

Has the setting compiled a comprehensive annual budget with cash flow consideration?

See above. Calculate next year's budget by examining your accounts for the previous year. Look for times of the year when numbers are low but costs remain stable. Are you employing too many staff for the present number of places per session you have booked? If your numbers fluctuate over the year try a core number of staff and fill with bank staff or temporary staff when you need them.

Has the business got a marketing and advertising plan? Are you aware that successful marketing is vital to sustainability?
Have you carried out a parental survey recently?

If you don't have any marketing and advertising plans start with thinking about how you can quickly and easily get in touch with potential parents. Try a flyer and find out from your existing parents if anyone has any advertising or marketing experience or if anyone would like to give it some time. A really good way to start might be a clipboard survey where you talk to parents at the setting and or the local school about their childcare needs and what they may have heard about the setting.

What is the annual percentage occupancy (i.e. number of sessions 'sold' over a year) needed to cover all the setting's costs?

Calculate all your staffing costs (not forgetting 'on costs'), the rent/building costs, consumables and all other expenses and then put this figure against the income from fees and the free entitlement (for three- & four-year olds). What percentage of places do you need to fill, over the year to cover all the costs E.g. if no. of registered places was 20 per morning, 100% annual occupancy would equal $5 \times 20 \times 38 = 3,800$ sessions filled. 38 is the number of funded weeks (term time excluding school inset days) Do you run on inset days (school teacher training days)? If you do, do you charge extra for this?

Do you know what 'on costs' are and have you included them in your staffing costs?

'On costs' are the extras that employing a person, apart from their wages, costs the setting. These are things like NI employer contributions, holiday pay, sickness pay (some employers also offer a few days sick pay per year before statutory sick pay becomes applicable), maternity pay. Another area to consider is stakeholder pensions – "*organisations employing five or more people who earn over the lower earnings limit are obliged to offer access to a stakeholder pension scheme (from 8 October 2001) if they do not already offer pension provision*". Acas *The A-Z of Work* www.acas.org.uk

Do you know what staff to children Ofsted ratios are legally required?

Refer to the *Statutory Framework for the Early Years Foundation Stage* Appendix 2

Do you know how much fundraising the group needs to do annually to support the financial position/sustainability?

Examine your annual turnover for previous years. How much fundraising did the group achieve? If you are reliant upon fundraising to break even, then the committee must ensure that everyone knows this and that this information is stressed to incoming committees. A fundraising cushion of 5–10% of your annual turnover would be a useful aim. For more information on finance and fundraising for charities, see www.ncvo-vol.org.uk/sfp (Sustainable Funding Project) and The Finance Hub Charities Aid Foundation see www.financehub.org.uk.

Continued overleaf

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Health check**Yes / No Action to take**

**Contingency:
How much?
For what?**

Save a contingency fund in the event of closure and redundancy but do not hoard too much. Redundancy is of particular importance if you have long-serving members of staff, as redundancy pay is calculated by the number of years in post and the age of the employee: see www.acas.org.uk. Sometimes groups sit on too much contingency money and do not renew equipment or increase staff wages, leading to a decline in quality.

Have you checked the level of your insurance cover recently? For what and how much does it cover?

Check your paperwork to see what categories of insurance you have. Contact your insurance company to find out more or look on their website for further information. See **Section 4.5**.

Have you budgeted for an annual increase in staff wages (in line with inflation)?

Check to see when the staff last received a pay rise and determine whether there is a fixed time of the year set for the committee to review this. Make sure you are aware of any changes to the minimum wage. Try to ensure, within budgets, appropriate levels of pay for staff related to their qualifications, experience and job description. Are you able to pay staff appropriately for training and non-contact time? Again, you will need to budget for this and if it is unaffordable negotiate with staff. It is really important for the staff to be updated on the financial progress of the group, to understand what the committee is doing and why it reaches the decisions it does. Pay and conditions are closely associated with morale, and subsequently, quality.

Have you filed your 'Independently Examined' accounts and your SORP annual report to the Charity Commission this year?

With your registered charity number you can see your accounts on the Charity Commission's website and with a password you are able to submit updated information via their website (www.charity-commission.gov.uk). See **Section 4.2** and **Section 3.3** of this support pack. Contact the Charity Commission helpline on 0845 300 0218 for immediate assistance.

Are you aware of the Code of Practice with regard to the Free Entitlement for 3- and 4-year-olds?

For the full government *Code of Practice*, is downloadable from www.surestart.gov.uk, but be aware that there will be a new Code of Practice out in 2010 which is presently out for consultation. For the West Sussex County Council Free Entitlement Registration Form (including general conditions and code of practice), see www.wsgfl.westsussex.gov.uk. Also see **Section 4.3**.

Does the group have a reasonable relationship with the managers of the building you occupy/rent (if applicable)?

You may have issues from time to time with the managers or caretakers of the building that you occupy. Do you have a proper structure of communication? Are the managers also volunteers with a charitable purpose e.g. Village Hall Trustees? For more information and support, contact Action in rural Sussex (AirS), www.ruralsussex.org.uk Their toolkit *Village Halls and Childcare – Making it work* is available to download. AirS can also help with communication with Parish Councils across Sussex. Nationally, Action with Communities in Rural England (ACRE) can provide support and information: see www.acre.org.uk.

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