

BUSINESS MATTERS

Issue 2 – May 2005

This is the second in a series of briefing notes for Childcare Settings in Hertfordshire covering Business Support issues.

Childcare organisations need to take on more entrepreneurial approaches to running childcare provision. Many childcare providers find it difficult to manage business aspects of their service but the ability to understand the importance of business skills for success is essential for sustainability and survival.

Projects have often survived through funding support although this has also meant providers closing as quickly as new ones open. It is important to accumulate a revenue surplus to maintain the viability and sustainability of a childcare provision.

Using business skills will help with your childcare provision and Business Matters will address some topics to help and guide you in this area.

This edition of Business Matters will cover the following areas:

- **Business Planning**
- **Pricing – Fees and Charges**
- **Administration and Bookkeeping**

Business Planning

Have you seen your Business Plan recently?

How regularly do you monitor your Business Plan?

Why have a Business Plan?

Business plans can often be seen as a task to be undertaken when you are starting a business and then forgotten until you're asked to give information for the monitoring of a grant that you have been given

They are an essential tool to enable your business to flourish whether you are a small voluntary group or a large private organisation

- Business plans are there to help and guide you
- They should be referred to on a regular basis
- Business plans are a necessity and not a luxury
- Business plans help you to monitor how things are going
- Business plans help you to monitor your places
- Business plans help you to monitor your income and expenses
- Business plans help you to see where there are sudden changes in income or expenses
- Business plans help you to plan ahead
- They help you to manage your business

Who checks and oversees the business plan?

- The responsibility for this will depend on the management structure of your organisation
- It is a managerial responsibility
- It will involve everyone being committed or 'on board'
- A private business might be a Sole Trader, a Partnership or a Ltd Company
- A Voluntary group will have a Management Committee who are jointly responsible for the running of the group
- A school may have a Bursar with overall responsibility being the Head teacher and Governors

Where are we now?

- Look at where you are now
- Is there a Business Plan?
- What are our strengths and weaknesses?

Where do we want to go?

- What are our goals?
- You need to decide within the team or for yourself
- Here are some ideas:
 - To remain open
 - To provide exciting activities for children

- To provide the best childcare in the area
- To expand the service

Setting Objectives

- Objectives will help you to reach your goals
- Objectives should be:
 - **S**pecific
 - **M**easurable
 - **A**chievable
 - **R**ealistic
 - **T**ime bound

Example

Goal: to increase numbers in the Pre-School

Objectives: to increase morning numbers to 24 by Sept 2005

to increase afternoon numbers to 20 by Jan 2006

(This meets all the **SMART** requirements which will make it easy for you to plan)

Contents of a Business Plan

A Business Plan will include information on all aspects of your service as it is looking at the service as a whole

All aspects are inter-linked and this is where a Business Plan will help

- **Staffing:** Recruiting, keeping them, training, salaries
- **Premises**
- **Management** structure
- **The service:** Opening times, activities, parents
- **Charges/Fees:** Policy and strategy
- **Publicity and marketing:** Leaflets, Posters, Web site
- **Equipment:** For Children and Staff
- **Finance:** Budgets, Cash flow, Grants
- **Operational methods:** Policies, Handbooks
- **Agencies:** OFSTED, County or Local Council

Business plans are dynamic – they are always changing

But, they can only change if you look at them regularly and alter your goals and objectives as the business develops

Pricing – Fees and Charges

The price is right if you have enough income to cover all your expenses and to make the profit that you require to keep the business sustainable.

Have you increased your prices/fees this year?

When did you last increase your fees?

If the answer is more than 2 years ago than you are doing well but not so good if the staff wages have not gone up.

Annual price increase

- The majority of businesses will increase their costs in line with inflation on an annual basis
- Inflation is at 1.8% per annum – 2005
- Sometimes you may be able to avoid passing on any increase to parents but this will reduce your profit margin

Staff salaries

- Staff salaries are the largest part of your costs
- Staff salaries are relatively low within the childcare sector
- Staff salaries should increase in line with inflation every year

Reviewing your prices or fees

- This should be done once a year
- Most childcare businesses have a preferred time to increase fees which fits in with their annual cycle
 - January as the start of a new year
 - April which is the start of the new financial year
 - September which is the start of a new school term
 - The month in which you started your business
- You should review all your costs and see if you need to make an increase – you may not find it necessary every year

Informing parents

- Parents need to be informed of any potential increase
- It is useful to inform parents that fees are being reviewed as part of the annual review
- Some groups include discussion of fee increases as part of an annual meeting for parents
- Give parents as much advance warning as possible about increases in fees

National increase in Childcare costs *

- Daycare Trust annual survey into childcare costs
- Published in January 2005
- Across the country childcare costs have increased by 5% in the past year
- Increase in cost is over 3 times the rate of inflation
- Nursery costs have gone up by 7.3%
- Childminder fees have increased by 5%
- London increases have been up by 17%

What relevance have these figures to us?

- Recognition that fees are increasing
- Fees increase most years

- Useful to see how your increases relate to the average

Do we have to increase our fees?

- No – it is for you to decide
- The fees need to be as affordable to parents as they can
- The fees need to be adequate so that your business has enough money to pay all the expenses

* Full details of the childcare costs can be seen on the Daycare Trust website, www.daycaretrust.org.uk

Administration

Many childcare businesses do not cost in the amount of administration that needs to be carried out.

This is vastly underestimated which means costs spiral out of control or staff and committee members can be overwhelmed with the additional work.

These are some of the many administrative tasks that need to be done:

- Setting up registers and taking bookings
- Following up enquiries
- Writing letters to parents
- Letters to agencies
- Writing and preparing policies
- Staff appointments including contracts
- Staff salaries
- Setting up PAYE
- Planning the curriculum and activities
- Ordering equipment
- Recording incidents and accidents
- Staff meetings and minutes
- Producing leaflets and posters
- Committee meetings – agendas and minutes
- Annual reports
- Accounts and book keeping

How much time will the administration take?

- This will vary depending on the number of children that you have
- It may be an hour or two per week
- It may be fulltime job – e.g. Day Nursery
- It may vary throughout the year
- It may be seasonal – e.g. Playschemes
- Work it out with members of staff and managers
- Review regularly – it changes upwards!

There are different types of administration that needs to be done such as curriculum planning or planning activities and play programmes. Other types of administration include:

Running the organisation

- Policies
- Meetings
- Forms
- Bookings
- Liaising with parents
- Correspondence

Bookkeeping

- Specialised administration for keeping records of income and expenditure
- Books are financial records kept on a computing system or possibly in a ledger
- There are legal requirements on keeping information/records for accounting and the Inland Revenue
- Bookkeeping can be done by someone without much training as long as they are meticulous and follow the clear system
- Bookkeeping can also be carried out by a paid and qualified bookkeeper
- Bookkeepers advertise in the local paper, through Yellow pages, Business Link and agencies such as the CVS (Council for Voluntary Service)
- National Organisations sometimes have a service to which members can subscribe
- Bookkeeping can be very onerous - it should not be undertaken by the Treasurer of a group
- Accurate records must be kept for your accounts
- It is a good investment to pay for all your bookkeeping. It is money worth spending even for small organisations

Payroll Services

Staff salaries and the work associated with this such as paying National Insurance Contributions, PAYE and payslips should be undertaken as a paid job either by a member of your staff or an outside provider.

There are many Payroll service providers available that can be bought in.

- This is a cost effective way of having all the staff wages prepared professionally
- They charge per member of staff
- They calculate wages and provide payslips
- They calculate Tax and NIC contributions
- They prepare P45s, P46s and P60s
- These services are advertised in local papers
- National organisations may provide this service
- Typical costs for 1-10 staff is £29 per month
- Check costs with several organisations and ask them to itemise exactly what they will provide

Administrative responsibilities

- These will vary depending on the type and size of the business that you run
- Different people will take on different aspects
- Manager or leader
- Committee or manager
- Administrator
- Bookkeeper

Additional costs

Administration is often a hidden cost and overload can mean the difference between success and failure of your business.

Many people within childcare take on additional tasks on a voluntary basis which is fine if that is what they want to do but, there should not be an expectation that this will happen.

Administration needs to be part of your business planning – it is a vital part of the service to children and parents

References:

Young in Herts Schools Out Guide

NDNA Business Guide

NCMA Guide to setting up

PSLA

4children

Inland Revenue

For more advice and guidance on the issues discussed in this edition of Business Matters contact the following:

Young in Herts

www.hertsdirect.org/younginherts

01438 737502 / 01923 471502

Business Link Hertfordshire

<http://www.businesslink.exemplas.com/about/1920.asp>

Tel: 01727 813813

Business Success for Childcare

www.surestart.gov.uk/support4business

Tel: 0800 294 2904

Sure Start

www.surestart.gov.uk

Tel: 0870 000 2288

Inland Revenue Business Support Teams

www.inlandrevenue.gov.uk/bst/index.htm

Tel: 01332 724410

Department of Trade and Industry
www.dti.gov.uk
Tel: 020 7215 5000

This briefing paper is for guidance only and is not an authoritative statement of the law.

Next Issue May 2005: Financial Management, VAT, Effective Committees.