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**The Hempsall’s Business Change and COVID-19 Response Tool**

**The challenge of managing early years and childcare businesses**

Managing an early years or childcare setting is a complex task. This Business Map uses tried-and-tested steps through a journey to support businesses to review themselves. It also sets out a process to identify opportunities and risks and turn them into planning.

**COVID-19**

No-one has ever managed early years and childcare businesses through a COVID-19 pandemic before. And so, the Business Map has been designed to assist with finding routes through change, COVID-19 response and new business planning.

**Developed with the sector for the sector**

The Business Map has been developed through the delivery of many information sessions and training workshops over recent years, months and weeks. As well as business planning support with hundreds, if not thousands, of early years and childcare settings, including large and small, group and home-based settings.

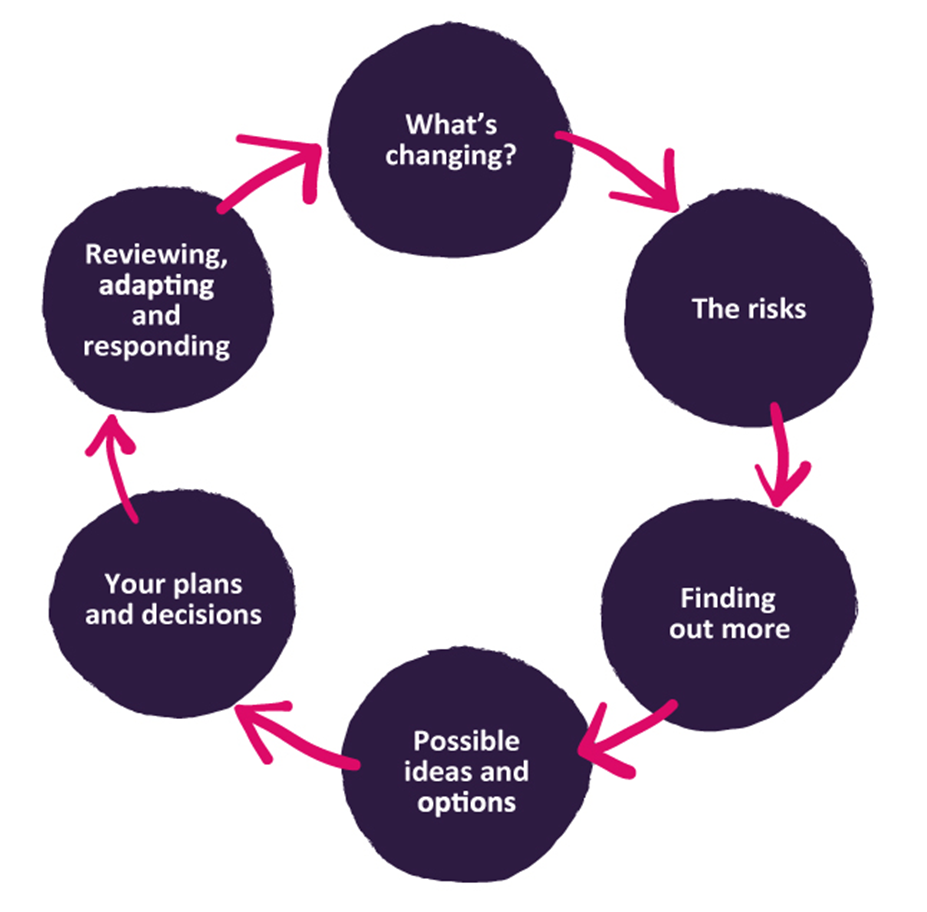
**The Business Map aims**

We hope that by completing the Business Map most of the issues affecting early years and childcare businesses, and those arising from the pandemic, can be considered carefully. We hope it is as useful for the most experienced and effective business managers, those who want to check and benchmark themselves against others’ thinking, and those new to the role. This Business Map is designed to:

* Support a timely analysis of the current business position.
* Provide ideas, suggestions, tools and links to other resources and information.
* Support action planning for now and future months.

**A six-step process**

The Business Map sets out the information to consider and collate, ultimately leading to a business action plan. It uses a six-step process:

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**There are six things to do:**

1. First, complete the ‘what’s changing’ section.
2. Then use the tools to ‘find out more’ about the business and the environment in which it operates.
3. After that, identify the risks.
4. Then it is time to consider the possible ideas and options.
5. Next, return to the risks and think about the actions to reduce or remove them.
6. Finally, complete the action plan and monitoring tool.

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Managing any business has its challenges. In early years and childcare, there are many such challenges to consider. Change is one of them and something we all should expect.

The challenges presented by COVID-19 are extraordinary and have been incredibly disruptive. They have changed everything. For some settings demand has fallen, for others it has increased. Some settings have experienced real and practical barriers to change presented by things like access to premises, the availability of staff, or not being able to access government funding support.

In addition, understanding occupancy, changing family preferences, needs and demands, has been essential. There is also a need to review all financial matters in order to cover the basics, recover, and plan for the future. There is no doubt that identifying and understanding change supports financial planning and sustainable business practice for the future.

**Analysing demand and occupancy**

Looking at demand and occupancy before COVID-19, and currently, helps establish take-up trends, identify unpopular days or sessions, and recognise emerging changes in parental preferences and patterns. This can help identify what might happen next.

It is important to monitor occupancy levels. They directly impact on sustainability. Budgets can never be accurately predicted if the occupancy figures are not correctly captured or estimated. Monitoring tells the business if enough children are attending, for sufficient hours, whether this is funded and/or paid for, to cover all costs.

Beware, considering occupancy by only using numbers of children on the register is misleading, as it only measures the number of children who come through the door in a week, for example:

If a setting is a 24-place nursery, offering two sessions per day, and has 36 children on the register, it may think they are doing well. If the average number of sessions booked each week is only four per child, there could be a problem. Hours used and income derived through funding and for additional services are things to consider.

Considering the number of children and the numbers of hours taken (funded or paid) for will give a more accurate occupancy figure to support planning.

**Calculate the maximum ‘fundable or sellable’ hours available each week:**

|  |  |  |  |
| --- | --- | --- | --- |
| **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** |  |

Not all providers fill all their places all year round and achieve 100% occupancy. Most providers will fill places (have an occupancy level) which grows throughout the academic year (September to July). In many cases this might be between 70% and 85%. This happens as children become old enough to start their funded places. Providers may calculate occupancy using numbers of children or sessions funded or sold. It is useful to calculate occupancy based on available hours and hours funded or sold. This can give a more accurate picture to inform planning.

|  |  |  |  |
| --- | --- | --- | --- |
| **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. (Number of children on roll x number of hours used each year). | **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%.** |  |

\*You could do this calculation per week or per term.

**Let’s now think about pre COVID-19 and current capacity and occupancy:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total number of children** | **Total**  **fundable and saleable hours** | **Total**  **paid for hours** | **Total funded hours** |
| How many children could you accommodate pre COVID-19? |  |  |  |  |
| How many children can you accommodate now? |  |  |  |  |
| How many children are currently attending your setting? |  |  |  |  |
| How many children were attending at this time in 2019? |  |  |  |  |
| How many children were attending at this time in 2018? |  |  |  |  |
| How many current vacancies are there?  *(Please only include vacancies based on your current operating capacity).* |  |  |  |  |

**What are you expecting your occupancy to be like in 2021?**

|  |  |  |
| --- | --- | --- |
|  | Total number of children using the setting | Of which, how many will be new starters? |
| Spring Term 2021 |  |  |
| Summer Term 2021 |  |  |
| Autumn Term 2021 |  |  |

**What does this tell you? How does this compare to 2019 and 2020?**

|  |
| --- |
|  |

**What do you think your average percentage occupancy has been/will be for each term?**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2019 | 2020 | 2021 |
| Autumn Term |  |  |  |
| Spring Term |  |  |  |
| Summer Term |  |  |  |

**Parental preferences and behaviour changes**

Parental preferences have always changed and developed. This is as a result of various changes to their employment (or not), and as new entitlements have been introduced such as the universal entitlement (15 hours), two-year-old funding, and 30 hours childcare. COVID-19 has rapidly and dramatically changed parental preferences further. The decisions parents and families are making about early education and childcare are very fluid, open to change and somewhat unpredictable. Providers and local authorities across the country have reported to us there are many factors affecting parental preferences. Here is a summary:

|  |  |  |
| --- | --- | --- |
| **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. |

**Has demand for early years and childcare services changed as a result of parents:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Yes | No | Don’t know |
| Being on the Job Retention Scheme (Furloughing)? |  |  |  |
| Being made redundant? |  |  |  |
| Changing job? |  |  |  |
| Having new work patterns? |  |  |  |
| Working from home? |  |  |  |
| Entering the job market? |  |  |  |

**Has this changed parents’ requests, preferences, needs and behaviours?**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Yes | No | Don’t know |
| Wanting fewer hours. |  |  |  |
| Wanting fewer days. |  |  |  |
| Wanting shorter days. |  |  |  |
| Wanting longer days. |  |  |  |
| Wanting more weeks of the year. |  |  |  |
| Wanting traditional school daytime slots. |  |  |  |
| Using funded hours only. |  |  |  |
| Less willing to pay for additional services/hours. |  |  |  |
| Less able to pay for additional services/hours. |  |  |  |
| Anxiety and concerns about COVID-19 security. |  |  |  |
| Wanting to only use one setting. |  |  |  |
| Two-year-old demand has increased. |  |  |  |
| Two-year-old demand has decreased. |  |  |  |
| Universal 15 hours demand has increased. |  |  |  |
| Universal 15 hours demand has decreased. |  |  |  |
| 30 hours demand has increased. |  |  |  |
| 30 hours demand has decreased. |  |  |  |

**Review the responses to the last question.**

|  |  |
| --- | --- |
| Which are the biggest changes? | What impact is this having on the business? |
|  |  |
| What’s easy to change and respond to? | What feels difficult, if not impossible? |
|  |  |

**As a result of all this change, how is the business getting the message across and giving information to meet parents’ needs?**

|  |  |
| --- | --- |
|  | **** |
| Settings’ website is kept up-to-date. |  |
| Social media, for example, Facebook, Instagram, Twitter. |  |
| Information is placed on other websites and sector specific online directories, for example [www.childcare.co.uk](http://www.childcare.co.uk), [www.yelp.com](http://www.yelp.com) or Families Information Service. |  |
| Research such as parent feedback, surveys, questions and queries and risk assessments are used to shape messaging and information giving. |  |
| Leaflets and letters. |  |
| Information is shared about protective measures to keep children and staff safe. |  |
| Phone and/or tablet virtual tours and show arounds. |  |
| Online platforms (for example, Whats App, Facetime,Teams or Zoom) used for new parent meetings, home visits, and parent updates/meetings. |  |
| Regular emails and text messages. |  |
| Local radio, newspaper articles and advertising. |  |
| Tapestry or other in-house communication tool(s) |  |



COVID-19 has certainly been one of those events that was not foreseen. These tools will help to ‘find out more’ about what is happening to a business ‘internally’ and what is happening ‘externally’. They enable reflection on the internal elements of the business (things like staffing, management) and consider the wider environment in which a business operates (things like the economy and employment) and how they are affecting and could impact upon service delivery.

**SWOT analysis**

A SWOT analysis is a useful and well-known tool to review businesses. It helps at any time and particularly when something changes, for example, the introduction of 30 hours childcare, housing developments and of course COVID-19. It will help work out the starting point before planning for change, response, or growth. Use the table below to complete a SWOT analysis with the whole staff team.

**Tips to make it as useful as possible**

Involve the whole leadership and staff team in this activity. Staff will bring differing perspectives to the activity and will provide a much broader picture of the whole business. Opportunities and threats can be drawn from a PEST analysis (there is one of these coming up later) and other self-reflections so far. It is usually easier to control the internal factors (Strengths and Weaknesses) than the external factors (Opportunities and Threats). However, be aware of as many external factors as possible. The results can be used to inform planning:

* If a strength is your outdoor area, how will you promote this to overcome parental anxieties?
* If car parking is a weakness, what can be done to encourage families to walk, can arrangements be made with a local business to use their car park?
* If there is a planned housing development, will it mean more children living locally?
* If a high proportion of families are employed by one local employer, what would be the impact of them having a large redundancy or expansion programme?

|  |  |
| --- | --- |
| Strengths and weaknesses focus inwards on the service being offered. | |
| Strengths - Things that are good about the business that can be improved or built upon | Weaknesses - Things that could let the business down if they are not identified, dealt with, or resolved. |
|  |  |
| Opportunities and threats consider outside influences which affect the business. | |
| Opportunities – Are areas that have potential. Things that could improve sustainability, income etc. | Threats - The risks that could affect the success of the business. Things that need to be prepared for, controlled or minimised. |
|  |  |

**Understanding the local market**

Local markets, population numbers, eligibility numbers, other providers, and services offered change all the time. Having an understanding of the local area gives a good indication of the general demand for and emerging changes in preferences. Understanding the local childcare market is really important when considering any planning and response planning, especially what unmet demand there is, or what opportunities exist:

* What do other childcare providers offer in the area?
* What flexibility choices do families have with other providers?
* When are they open from and to?
* What do they charge?

Understanding services offered and fees being charged in an area is vital information for financial planning. All childcare settings will have different costs to deliver and decide to charge different fees. Whatever is charged should be based on actual costs and expected profit, not on what everyone else in the area is charging. It might sound obvious to say, but such practice is reasonably common. For example, if one provider has a mortgage, and another local provider has a very low rent, premises costs will be very different. This information can help to shape a plan and inform business decisions. Here are four quick questions:

**Do you know if there has been a change in the birth rate locally?**

|  |  |  |
| --- | --- | --- |
| Yes | No | Don’t know |
|  |  |  |

**Do you know if there has been a change in numbers eligible for two-year-old funding and/or 30 hours locally?**

|  |  |  |
| --- | --- | --- |
| Yes | No | Don’t know |
|  |  |  |

**Has there been a change in the number or type of childcare providers in the area?**

|  |  |  |
| --- | --- | --- |
| Yes | No | Not sure |
|  |  |  |

**Is there unmet demand locally?**

|  |  |  |
| --- | --- | --- |
| Yes | No | Not sure |
|  |  |  |

If these answers are unknown, we recommend talking with the local authority(s) early years team(s). This will help understand how sufficiency and type of places, eligibility, and take-up is changing in the local area. Local authority Childcare Sufficiency Assessment (CSA) reports should be published annually, they are a useful resource for informing this market research. Ask for the report or find it on local authority websites.

**PEST analysis**

There are many things that affect the delivery of childcare services. The SWOT analysis and market analysis will provide information about the setting and local area. A PEST analysis is a really useful tool to help understand how external factors may impact on businesses. PEST stands for Political, Economic, Social and Technological. A PEST analysis is similar to the SWOT process – it is simple and quick. PEST is useful to help consider the environment in which the business operates that needs to be responded to, but cannot be controlled.

For example: The UK transition out of the EU. There are new rules for businesses and citizens from 1 January 2021. The business, family, and personal circumstances will be affected. Answer a few questions to get a personalised list of actions. Sign up for emails to get updates and actions <https://www.gov.uk/transition>

**Use this template to complete a PEST analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| Ideas: Change of government, new legislation (including human resources, pensions or national minimum wage), new entitlements (30 hours), COVID-19 lockdowns.  BREXIT | **Political** | **Economical** | Ideas: local employment patterns, recession, industry growth, business opening and closures, Tax Free Childcare, Universal Credit etc. |
| Ideas: social distancing rules, COVID-19 related anxieties, flexible or home working, birth rate. | **Social** | **Technological** | Ideas: need for online services, social media marketing, electronic payments. |

**Finance and funding**

Management in early education and childcare requires a whole range of skills and expertise. Good quality business activities must sit alongside the high-quality education and childcare offered. Both are equally important. Whatever legal status a childcare provider has, profit making or not, it is essential costs are covered and reserves built-up to support sustainability. Here are some key considerations:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Yes | No | Not sure |
| Recent analysis completed to understand the current cost of delivery for services offered. |  |  |  |
| Budget is based upon planned expenditure and fees are based on covering this income. |  |  |  |
| The fee structure is based on a breakeven analysis and the building of reserves. |  |  |  |

All early education and childcare businesses need to know the 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.

**Has a recent breakeven cost analysis or breakeven hourly rate analysis been completed?**

|  |  |  |
| --- | --- | --- |
| Yes | No | Not sure |
|  |  |  |

Use the calculation in the next table or the following links to use electronic formats to calculate a breakeven hourly rate:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **Example** |  |  |
| Step 1 | The current annual costs. | **£112,056.00** | A |  |
| Step 2 | The number of weeks the setting is open | **38** | B |  |
| Step 3 | A divided by B = the weekly cost | **£2,948.84** | C |  |
| Step 4 | The hours open per day x the number of places available each day x the number of days open in a week = total number of hours per week. | **6 hours x 24 places x 5 days = 720 hours pw** | D |  |
| Step 5 | C divided by D = the breakeven hourly fee (assuming full occupancy). The breakeven rate is: | **£2,948.84 ÷ 720 = £4.09** |  |  |

The formula above shows how to calculate the income needed to breakeven when full (100% occupancy). Settings may choose to operate at a specific number below maximum occupancy level – for many reasons (including workforce, bubble management, health and safety etc). Attendance numbers may rise and fall across the week, and the year, so settings should use an average/normal occupancy figure (there is information on this to follow).

In an ideal world, settings should aim to breakeven where 100% of costs are covered by between 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 here:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Step 1 | Using the information from the previous table.  Multiply D x 80%. | **720 x 80% = 576** | E |  |
| Step 2 | C divided by E = breakeven fee per hour (assuming 80% occupancy rate). | **£2,948.84 ÷ 576 = £5.11** | F |  |
| or | The breakeven hourly rate at 70% occupancy would be:  C divided by (D x 70%) | **£2,948.84 ÷ (720 x 70% = 504) = £5.85** | G |  |

If the setting normally operates at 65% or 75% occupancy, the same formula can be used. When it is understood how much is needed to breakeven at normal occupancy, consider what other providers charge and agree a fee structure that allows for a surplus/profit as required.

**Early Years Alliance ‘Cost of delivery calculator’.** Can be used to calculate total costs and total hours delivered. Information can then be entered into the spreadsheet, which automatically estimates hourly delivery costs <https://www.eyalliance.org.uk/cost-delivery-calculator>

**National Day Nurseries Association (NDNA) ‘Business Zone’.** FREE online business support toolkit funded by DfE. It aims to help providers sustain a healthy childcare business, developed by the sector, for the sector. The toolkit includes: Business Appraisal; Financial Management; Staff Cost Calculator. There is a range of downloadable resources. <http://www.ndna.org.uk/NDNA/News/Early_Years_Business_Zone.aspx>

**PACEY ‘Group Setting Cost Calculator’.** This calculator developed with London Borough of Merton, funded by DfE, helps to understand the cost of delivering childcare services. <https://www.pacey.org.uk/working-in-childcare/nurseries/group-setting-cost-calculator/>

**PACEY ‘Business Smart for Childminders’.** Developed by childminders for childminders, a collection of ideas, inspiration and tools to help new and existing childminders develop a sustainable business. Funded by DfE, providers can find top tips, videos, case studies, downloadable tools and other essential ideas to help make the most of their business. <https://www.pacey.org.uk/working-in-childcare/business-smart/about-business-smart/>

**What was your breakeven hourly rate before COVID-19?**

|  |  |
| --- | --- |
|  | **£** |
| Babies |  |
| Two to Threes |  |
| Three and four-year-olds |  |
| Breakfast club |  |
| Afterschool club |  |
| Other |  |

**What is your breakeven hourly rate now?**

|  |  |
| --- | --- |
|  | **£** |
| Babies |  |
| Two to Threes |  |
| Three and four-year-olds |  |
| Breakfast club |  |
| Afterschool club |  |
| Other |  |

**How has it changed?**

|  |
| --- |
|  |

**What has affected your costs this year?**

|  |
| --- |
| *For example, pension rises, increased ratios.* |

**If you used the Job Retention Scheme you will have calculated the percentage income you receive from funded entitlements, and from parent fees. What was it and what is it now?**

|  |  |  |
| --- | --- | --- |
|  | %age income from entitlement funding | %age income from  parents’ fees |
| Summer Term 2019 |  |  |
| Now |  |  |
| Future prediction |  |  |

**DfE plans to return to funding entitlements based on actual headcounts in Spring Term 2021. How have you considered the impact of this from January 2021, taking into account expected occupancy and parental preferences for 2021?**

|  |
| --- |
|  |

A cashflow or financial forecast enables a business to plan activities for the year. It is used by businesses to forecast income and expenditure for the year and is included as part of a business plan. It shows an informed estimate of the income, costs and expenses and gives a ‘forward look’ at the business expectations for the coming year. It should be regularly reviewed to check it is on course, or to change it.

**How has the cashflow changed recently?**

|  |  |
| --- | --- |
| **How has the cashflow changed recently?** |  |
| The cashflow remains the same |  |
| The cashflow shows a small loss from March to date |  |
| The cashflow shows a significant loss from March to date |  |
| Don’t know |  |

Use this template to complete a cashflow forecast if needed, or to check the cashflow already in place. This will help understand how accurate it is and what might need to be considered.



|  |  |
| --- | --- |
| **What does the cashflow projection show for 2021?** |  |
| The cashflow projection shows a breakeven position |  |
| The cashflow projection indicates a surplus/profit for 2021 |  |
| The cashflow projection indicates a small loss for 2021 |  |
| The cashflow projection indicates a significant loss for 2021 |  |
| Don’t know |  |

Use this template to complete a cashflow forecast for 2021 – 2022 if you haven’t already prepared one.



**Reserves**

Ideally, childcare businesses will try, over time, to build-up, and then maintain, reserves at a level sufficient to cover at least three months of average staff wages and routine operating expenses. This is to cover any periods when income is delayed or is not enough to meet the outgoings, and also for saving towards the cost of replacements, repairs and renewals of equipment and premises, etc.

|  |  |
| --- | --- |
| **Reflect on reserves for 2021?** |  |
| Reserves are maintained at a sufficient level (at least three months). |  |
| Reserves are being used to support current sustainability. |  |
| Reserves have been used to support through COVID-19. |  |
| There are no reserves. |  |
| Don’t know. |  |

**Is there a contingency plan for short closures, national and local restrictions?**

|  |  |
| --- | --- |
| Yes |  |
| No |  |

**COVID-19 Government Funding Support**

Whilst some COVID-19 Government funding schemes have been extended, some will end, and loans will need to be repaid in due course. There are new opportunities and extensions – have these been explored? Has this been factored into financial planning when things will end or need to start being paid again?

COVID-19 support is available to employers and the self-employed, including sole traders and limited company directors. You may be eligible for loans, tax relief and cash grants, whether your business is open or closed. Use this business support finder to see what support is available for you and your business [www.gov.uk/business-coronavirus-support-finder/y](http://www.gov.uk/business-coronavirus-support-finder/y)



**Assessing risks**

It is good practice in business planning to maintain a ‘risk register’. This records the minor and major risks faced by a business and the ‘control measures’ which will be taken in respect of each risk. The risk register is reviewed by the management/committee regularly as required.

Understanding things are changing and finding out more about the business position are the first two steps in assessing risks. The next step is analysing this information to identify and define the risks.

If a business identifies risks, threats, concerns or challenges, it is better placed to take steps to reduce or remove them. Use the information collated so far in the Business Map to identify risks and consider how they may impact on the business, for example:

|  |  |
| --- | --- |
| What is the risk | Impact on the business |
| Parents are paying for less additional services and hours. | We have lower occupancy.  We need less staff/we are overstaffed.  Income is smaller.  Finances are not breaking even. |

Use the risk register template to complete this task. Do not complete the ‘Planned action to mitigate, reduce or remove risk’ column. We will return to this shortly.

|  |  |  |
| --- | --- | --- |
| **What is the risk?** | **Impact on the business** | **Planned action to mitigate, reduce or remove risk** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**Risk register**



**What next?**

Having identified the current business situation and possible risks, now start to consider actions to reduce or remove them.

**1 Establish if and how demand has changed.**

How can this be used when considering response planning? What unmet demand is there, or what opportunities exist? How can you use information about changes in population, numbers eligible for two-year-old funding and/or 30 hours locally? Talk to the local authority to understand if there are eligible children locally who could be accessing a funded place.

To understand parental preferences now and next. Talk to, consult parents and/or research to understand the needs, demands and preferences of existing families and potential users, now and in the future. Ideas for consulting with parents to establish demand:

* Paper survey via school/nursery bags and other outlets.
* Online questionnaire via email contact addresses held on application forms and waiting lists.
* Leaflet drop directing parents to school/provider website survey.
* Social media postings and polls.
* Engaging existing parents as social media nursery champions[[1]](#footnote-2)

**2 Should or could the model of delivery change?**

Reflect upon the current model of delivery using all the Business Map review and from the information from talking with staff as part of the SWOT analysis and parents. Consider what can be done. Does the model of delivery need to change?

* How much flexibility can or cannot be offered? Explore different models to understand the options.
  1. A flexible 15 and 30-hour offer which supports full-time, part-time and flexible working patterns.
  2. Maximising funding alongside paid for places.
  3. Flexibility that does not compromise income and maximises paid for hours.
  4. Maximise capacity and income through stretching funded places across the year.

Some examples can be explored in [Appendix one.](#Appendix1)

**3 What are the financial implications?**

Understand the financial implications of the modelling options available.

The PACEY ‘Group setting occupancy tool’ will help understanding of the cost of delivering your childcare service and your levels of occupancy. (Please remember that this calculator can only ever provide a snapshot of your costs and occupancy level). <https://www.pacey.org.uk/working-in-childcare/nurseries/group-setting-occupancy-tool>

**Revise the cashflow forecast and factor in:**

* Actual and anticipated occupancy.
* New models of delivery.
* Existing COVID-19 government funding changes and extensions. Further details can be found here: <https://www.gov.uk/coronavirus/business-support>

**Consider if cost savings are needed or possible.**

Monitoring the cashflow will highlight when action is required. If the income is not as much as anticipated there are two choices. (1) Increase income by selling more places or (2) reduce what is spent. There may be cost savings made by delaying purchases, doing things differently or using resources more efficiently.

**Develop contingency plans**

Model the best-case scenario (lowering restrictions and increased occupancy) and worst-case scenarios (maintaining the status quo and/or localised or national lockdowns) to inform future business decisions.

* What income comes from each grouping or consistent/age groups?
* What are the implications of short-term closure on finances for each grouping?
* What income from parental fees would be lost?
* How much setting income is government funding?
* Can you negotiate a short-term rent reduction with your landlord?
* Would the Coronavirus Job Retention Scheme (furlough) or any COVID-19 funding still be available?
* What does the Competition and Markets Authority (CMA) open letter and guidance say?
  + Providers and consumers (parents) need to familiarise themselves with the advice and take necessary steps to ensure compliance with consumer law.
  + Providers should examine agreements with parents and ensure they comply with consumer law. Providers need to be aware non-compliance may risk action by Competition and Markets Authority (CMA) or others under consumer protection law, e.g. trading standards. Providers need to consider parents can take action to challenge breaches of contract and terms they think are unfair. Further information can be found here: <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904194/Open_letter_to_Nursery_and_Early_Years__settings.pdf>
* What services could still continue using online platforms and social media?
* Work out a proposal or plan. Talk with staff, parents about the proposals.
* Be clear in policy, parental agreements and contracts what will happen and why.

**Review reserves and be clear about how long the model can continue without extra financial support.**  **Find COVID-19 financial support for the business**.

COVID-19 support is available to employers and the self-employed, including sole traders and limited company directors. You may be eligible for loans, tax relief and cash grants, whether your business is open or closed. Use this business support finder to see what support is available <https://www.gov.uk/business-coronavirus-support-finder/y>

**Help parents to help themselves**

Early years and childcare services are paid for in three different ways. The first is through government early years and childcare funding passported by local authorities to contracted early years and childcare providers: universal 15 hours for all three- and four-year-olds, 15 hours for least advantaged two-year-olds, and 15 additional hours to create 30 hours childcare for three- and four-year-olds of eligible working families.

The second is where parents pay a provider directly outside of government funded provision, for additional hours of childcare they require to extend funded hours, or for additional services not covered by the funding (which according to guidance includes trips, food and other services).

The third is where parents receive financial help towards childcare costs through a wide variety of sources such as childcare vouchers and employer voucher schemes, workplace childcare offers, Tax Free Childcare, Universal Credit or the childcare element of Working Tax Credit, Care to Learn and grants to support higher education**.**

**Charging fees**

Providers of all types (including childminders) are used to publicising their chargeable fees and invoicing parents. There are a number of options available to families, needing to pay for childcare, depending upon their circumstances to reduce their paid for bill. These are outlined in this document.

**What can help reduce the direct costs of paying for childcare?**

Understanding what is available to all families with children is really important. This will help ensure families access everything they can to reduce the direct costs of childcare, enabling them to buy exactly what is needed, and where they want it. Many parents earning under £100k (the upper limit for 30 hours eligibility) will be able to access all sorts of support to reduce actual bills. Importantly, this also supports providers to be able to set a realistic fee structure which achieves the income they need to not only cover delivery costs, but also to grow and succeed.

* Employer vouchers/salary sacrifice schemes. Any parent, or those with parental responsibility for a child living with them, is eligible for childcare vouchers if their employer runs one of the many schemes. Voucher schemes are now closed to new applications. Any family who received their first voucher on or before 4th October 2018 will be able to continue to get and use voucher schemes.
* Childcare element of Working Tax Credit. It is a common misconception that tax credits are for the unemployed. A family must be in work and have children under 16 (or under 17 if disabled). The childcare element of working tax credit is designed to help working parents cover some of the cost, so that they still gain by being employed. They could claim up to70% of childcare costs, up to a set maximum. Families can use this tool to work out what childcare costs they should claim. <https://www.gov.uk/childcare-costs-for-tax-credits>
* Universal Credit replaces a number of benefits. A family can claim back up to 85% of their eligible childcare costs for children under 16. This could be up to £646 a month for one child or £1,108 for two or more. <https://www.gov.uk/universal-credit>
* Tax-Free Childcare is a government-backed scheme which helps parents with the cost of childcare. The scheme gives eligible families an extra 20% towards childcare costs. Unlike other schemes it is applicable to self-employed parents. Through the scheme, the government will pay £2 for every £8 a family pays their childcare provider via an online account Families can get up to £500 every three months (£2,000 a year or £4,000 for a disabled children) for each child to help with the costs of childcare. <https://www.gov.uk/get-tax-free-childcare>
* Care to Learn is for parents who are under 20 at the start of a publicly-funded course, such as a school or sixth form they could claim up to 70% of childcare costs, up to a set maximum. <https://www.gov.uk/care-to-learn>
* If a parent is 20 or over and in further education, for example, if they are studying for an NVQ, BTEC or PGCE they can apply for Discretionary Learner Support <https://www.gov.uk/discretionary-learner-support>
* If a parent is in full-time higher education they can apply for a Childcare Grant to pay for childcare costs for children under 15 (or under 17 if they have special needs). <https://www.gov.uk/childcare-grant>

It is important to remember all families (unless they earn over £100k) should be able to access something to reduce the cost of their childcare, and allow them to purchase the childcare they require. The fact that a number of the schemes are paid directly to the provider should be an additional benefit for providers, potentially reducing the scale of bad-debt and time spent chasing payments which are now paid by BACS.

**Things to do**

* Make sure families renew and obtain their 30 hours codes. Grace periods will be beneficial for the setting and families as they will provide guaranteed funding until the end of the grace period, will provide families with the opportunity to re-engage with employment and provide consistency of care for the child. Use this link to find out more about grace periods. <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718181/Early_years_entitlements-operational_guidance.pdf>
* Register for Tax-Free Childcare and support families to understand it can help pay for additional services. For example, lunches or trips, where they are part of the childcare costs and will cover childcare when they are sleeping after a night shift or travelling to and from work. Find out more about the full government childcare offer at [www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk)
* Stock take the number of families who use any schemes. If the number of families using schemes is low, understand why and take action.
* Signpost and enable parent applications to support the cost of childcare: Tax Free Childcare, Universal Credit.[www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk)
* Calculate how much a family may save using a scheme and ensure this becomes part of conversations about fees with current and prospective families.
* Show parents the Childcare Calculator to find out more and choose what works best for them [www.gov.uk/childcare-calculator](http://www.gov.uk/childcare-calculator)
* Ensure websites and marketing materials make it clear parents can use the schemes, and ensure staff know about them, and can help parents a little.

**Communicate**

* Plan where and how to promote the business to fill vacancies and overcome anxieties. You can use this template to develop a simple plan. [Marketing template](#Appendix2)
* Be Clear. What is your childcare offer? How are funded hours offered? What are the charges?
* Specify. The protective measures put in place to keep children and staff safe. Use risk assessment information, parent feedback, questions and queries in marketing materials (posters, website, leaflets).
* Develop things to say, key phrases, and acknowledge behaviours to support everyone’s anxiety.
* Use social media as a marketing tool. Provide virtual home visits, ‘show arounds’ and open days using Skype or Zoom etc.
* Develop a social media plan and increase your presence. Consider social media options and which work best for the business.
* Use the communication toolkit and social media assets on Childcare Choices to promote offers and support families to understand the options. <https://www.childcarechoices.gov.uk/providers/communications-toolkit/>
* Put local and national information and links which promote early education and childcare in literature, social media posts, newsletters, and/or on your website, for example:
  + <https://www.pacey.org.uk/working-in-childcare/spotlight-on/2-year-olds/home-learning-environment/>
  + DfE video clips of parents’ experiences of 30-hours <https://www.bing.com/videos/search?q=you+tube+dfe+30+hours&docid=608045525542307862&mid=71D385C539B8A75B9A2671D385C539B8A75B9A26&view=detail&FORM=VIRE>
  + How to apply for Tax Free Childcare and 30-hours <https://www.bing.com/videos/search?q=30+hours+free+childcare+video&&view=detail&mid=B633B06B29E61B8DADF7B633B06B29E61B8DADF7&&FORM=VRDGAR&ru=%2Fvideos%2Fsearch%3Fq%3D30%2Bhours%2Bfree%2Bchildcare%2Bvideo%26FORM%3DHDRSC4>
* Make sure the website, online marketing entries and FIS details are correct. Families are currently doing a great deal of shopping and information gathering online. If marketing entries are wrong, if links are corrupt or if information is not clear, families might pass on the information and take up their childcare somewhere else.

****

**Now some options have been considered, return to the risks identified earlier and complete the final column (Planned action to mitigate, reduce or remove risk). Think about the actions required to reduce or remove them, for example:**

|  |  |  |
| --- | --- | --- |
| **What is the risk?** | **Impact on the business** | **Planned action to mitigate, reduce or remove risk** |
| Parents are paying for fewer additional services and hours. | We have lower occupancy.  We need fewer staff/we are overstaffed.  Income is smaller.  Finances are not breaking even. | 1. Market research to establish preference changes since COVID-19. 2. Look at alternative models of delivery. 3. Consider offering places for funded two-year-olds 4. Develop a marketing plan to reach families and fill vacancies. |

**Action planning**

The next thing is to create an action plan using the actions identified to reduce or remove risks. The action plan template can be used to do this. This action plan will:

* Lay out a framework that helps make decisions about the future.
* Describe how to ensure the business is successful in the future.
* Look at goals and lay out a plan for reaching them.

**Action Plan**

|  |  |  |  |
| --- | --- | --- | --- |
| **Action** | **By whom** | **By when** | **Completed** |
|  |  |  |  |
|  |  |  |  |
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Having processes in place which measure progress regularly can ensure businesses know they are doing things right and things are going in the right direction. Not all information is critical to business success. To support business planning, keep it simple.

Look at what information is available and what will be useful to support planning. Collect and analyse information which will provide the overview needed to measure how things are going. Present and review this regulary, ensuring the requirement of consitutions or other governing documents are met. Respond and take action, if and when things are not going to plan.

1. Update the cashflow monthly , it will show how new arrangements are affecting the business.
2. Monitoring a range of things will help to understand if things are working. This table contains some examples of key measurements which are useful to assist regular monitoring. Set the targets and build them into monthly monitoring discussions.

|  |  |  |
| --- | --- | --- |
| **Measurement** | **Question** | **Target** |
| **Conversion rate** | How many enquiries have been converted into booked places? | **% of enquires converted to bookings.** |
| **Occupancy** | How many places have been filled as a proportion of those available? | **% of places filled (per session/week/term) This can include more detail by age of children and in comparison, to previous years.** |
| **Paid for income** | How much money is coming in from fees? | **Target income (per month/term/year).** |
| **Funded income** | How much money is coming in from funded places? | **Target income (per month/term/year).** |
| **Staff costs** | How much money is paid out on staff employment? | **Staff costs as a % of income (ideally this should not exceed 70-75% of income).** |
| **Surplus/Loss** | What is the difference between money coming in and money going out? | **Surplus target as % of turnover/income.** |
| **Bad debts** | How much money is owed in late fees? | **Unpaid fees as a % of income.** |
| **Staff turnover** | How many staff have left the setting in the last year? | **% of staff leaving over a year.** |

**Appendix one**

**Modelling considerations**

Provision delivered as morning and afternoon sessions with a break in the middle means families who want any flexibility have to pay for the lunch period or collect children at 12 noon and return them at 1.00pm.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Monday | Tuesday | Wednesday | Thursday | Friday |
| 9am to 12 noon | 3 | 3 | 3 | 3 | 3 |
| Parents collect children at lunchtime (12pm -1pm) if they require a longer day | | | | | |
| 1pm to 4pm | 3 | 3 | 3 | 3 | 3 |

This model offers limited flexibility for parents, is not accessible to families who work part–time, study or require more than three hours per day.

It is possible for term-time provision to increase flexibility, be accessible by more families and generate increased income in a number of ways:

1) Offering the funded entitlements from 9.00am to 3.00pm and charging for the additional hour in an extended day. This will enable families to access 30-hours on longer days for 38-weeks of the year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **8.30am to 9.00am** | Paid for half hour | | | | |
| **9.00am to 3.00pm** | 3 | 3 | 3 | 3 | 3 |
| 3 | 3 | 3 | 3 | 3 |
| **3.00pm to 4.00pm** | Paid for hour | | | | |

Families could purchase the additional hours at the start and end of the day. Families may pay for lunch if provided or bring a packed lunch.

2) Offering 15 hours as two and half days is a far more accessible model for working families accessing the two-year-old entitlement and families using universal entitlements. This increased flexibility again supports work and study.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **8.00 to 9.00** | 1 hour paid breakfast club | | | | |
| **9.00 to 3.00** | 6 | 6 | 3 | 6 | 6 |
| 3 |
| **3.00 to 6.00** | 3 hours paid afterschool care | | | | |

Capacity and income can also be increased by moving to a 47.5 week model offering 12 or 24 hours per week. The setting decides which weeks it will be closed, using bank holidays and peak holiday times that families would normally take advantage of. This can be done in a number of various ways.

3) 24-hours offered as eight-hour days for three days a week for 47.5 weeks. This model can increase capacity and income as three term-time only places offered from 8.00am to 4.00pm can, if stretched across 47.5 weeks, accommodate five children.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Place**  **8-hour day x 3 days a week** | **Monday** | **Tuesday** | **Wednesday** | **Thursday** | **Friday** |
| Place 1 | Child 1 | | | Child 2 | Child 3 |
| Place 2 | Child 2 | | Child 4 | | |
| Place 3 | Child 3 | | Child 5 | | |

Each colour block totals a 24-hour place. The funded income from these three places increases. This is achieved as there are now five children accessing their full 1,140 entitlement in these places instead of three. This could be applied to universal places and two-year old places offered as 12 hours across one and a half days.

4) 24 or 12 hours offered as six-hour days across 47.5 weeks. Four places offered as six hours a day in the illustration below would generate 4 x 1,140 hours of income. By remodelling to stretch across 47.5 weeks it is possible once again to increase capacity, funded income and potentially paid for income. Stretching has other benefits as it allows the setting to maintain contact, continue to support children across the year and reduces the weeks of non-engagement.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Place** | **Monday** | **Tuesday** | **Wednesday** | **Thursday** | **Friday** |
| **Place 1** | Child 1 | Child 1 | Child 1 | Child 1 | Child 2 |
| **Place2** | Child 3 | Child 3 | Child 2 | Child 3 | Child 3 |
| **Place 3** | Child 4 | Child 4 | Child 4 | Child 2 | Child 4 |
| **Place 4** | Child 5 | Child 2 | Child 5 | Child 5 | Child 5 |

In this model each colour is a child accessing 1,140 hours of funded entitlements a week for 47.5 weeks a year. As the offer is stretched it creates capacity for five children rather than the four if using the traditional 30-hours across 38 weeks using the spare day in each place. This increases income by one full time equivalent. Families may also purchase additional hours and additional services.

In the model below, places are modelled in exactly the same way. However, the red spaces are days purchased by a family. Four families access 24-hours a week of funded hours and then purchase an additional six-hour day each week at appropriate hourly fee.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Place** | **Monday** | **Tuesday** | **Wednesday** | **Thursday** | **Friday** |
| **Place 1** | Child 1 | Child 1 | Child 1 | Child 1 | Paid for hours |
| **Place 2** | Child 2 | Child 2 | Paid for hours | Child 2 | Child 2 |
| **Place 3** | Child 3 | Child 3 | Child 3 | Paid for hours | Child 3 |
| **Place 4** | Child 4 | Paid for hours | Child 4 | Child 4 | Child 4 |

The paid for hours in red in this model generates an additional 24 hours of paid for income for 47.5weeks of the year. Families may still purchase additional hours around the six-hour day and additional services such as meals. This model works well for families who require longer than 38 weeks and assists families’ budget across the year as they have no large restrictive holiday week bills to pay.

**Appendix Two**

**Marketing template**

Marketing is really important for every early years and childcare setting. It is everyone’s responsibility in everything they do. Without customers, no business can survive! With the right number of customers, a business can thrive. In simple terms, marketing should enable businesses to attract and keep customers. A simple approach to marketing is –‘The 3 Ms’.

It involves researching the **market**, developing appropriate **messages** and then implementing suitable marketing **methods**. It can save time and money by avoiding ineffective and expensive methods of marketing that don't achieve business goals. There are three things to do:

1. Firstly, what is being marketed and who is the target market (sometimes called segment).
2. Secondly, for each market segment decide on the marketing message. What do they need? What is the key information about the service? There might be different messages for different market segments.
3. Finally, consider the most appropriate medium, or media, to convey each message to reach the audience.

The template illustrates some examples. The template can be used to develop a quick and easy marketing plan as part of the business planning process.

|  |  |  |  |
| --- | --- | --- | --- |
| **Service** | **Market** | **Messages** | **Method** |
| Full-time places | Working families  Families with children 0 – 4 | Extended days  Childcare  All year round | Website  Social media – Facebook, Twitter.  Families Information Service  Online directories  Online parent forums  Banners and posters |
| 15-hour funded entitlement places | All parents of three and four year olds.  Eligible parents of two-year-olds  Full-time, part-time working, studying or training and non working. | Childcare  Reducing costs  Early Education and preparing for school  Meeting friends and socializing  Local /on transport route  Flexible models for working/studying/training families  Access to outdoor play  Can buy more if needed | Website  Social media – Facebook, Twitter.  Families Information Service  Online directories  Local newsletters  Online parent forums  Banners and posters  Parent groups |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
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|  |  |  |  |

1. Adapted from Department for Education (DfE) (2016) ‘Delivering extended and flexible hours in school nurseries toolkit’ [↑](#footnote-ref-2)