

10 steps work book

**Getting ready for 30 hours childcare for
working parents**



Step one – Understand your business

PEST analysis

PEST analysis is a useful tool for understanding how the things going on around your setting may impact on your business and your plans. PEST is an acronym for Political, Economic, Social and Technological factors. PEST analysis is similar to a SWOT analysis – it is simple, quick, and uses four key perspectives. PEST factors are essentially external so it is useful to help you consider the environment in which your service is provided.

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|--|-----------|---------------|--|
| E.g. 30 Hours, Right to request, Pensions legislation, National Living wage, National Funding Formula, Ofsted. H &S | Political | Economical | E.g.. New businesses, recession, Tax Free Childcare, Changes to benefits, WTC etc. |
| E.g. flexible working , weekend working, shift working and a typical hours | Social | Technological | E.g. Social media, electronic payments via, email and internet. |

Step one – understand your business

SWOT analysis

This is a useful tool to review your business. It helps you to review your service and will help you to work out where you are now. Before you start to plan for change, growth or expansion.

Strengths and weaknesses focus inwards on the service you are offering .

- Strengths - Things that are good about your business that can be improved or built on.
- Weaknesses - Things that could let you down if they are not dealt with or resolved.

Opportunities and threats consider outside influences which affect your service.

- Opportunities – Are areas that have potential for development. Things that could improve your sustainability, income etc.
- Threats - The risks that could affect the success of your plan. Things that need to be prepared for, controlled or minimised.

You are likely to find it easier to control the internal factors (Strengths and Weaknesses) than you will the external factors (Opportunities and Threats), however you should be aware of as many external factors as possible.

The SWOT analysis should be used to inform your development plan.

For example:

- If strength is the quality of your setting, how will you promote this?
- If staff retention is a weakness, what will this mean in terms of salaries and staff benefits?
- Do you know of a new housing estate in your area that may create opportunities for your service?
- How are you prepared for the threat of competition in your area from other childcare providers?

The pro forma on the next page can be used to complete a SWOT for your setting. It is useful to involve your whole team in the activity to get a wide perspective.

Step one - Understand your business

SWOT analysis

Strengths (Things that are good about your business that can be improved or built on).

Weakness (Things that could let you down if they are not dealt with or resolved).

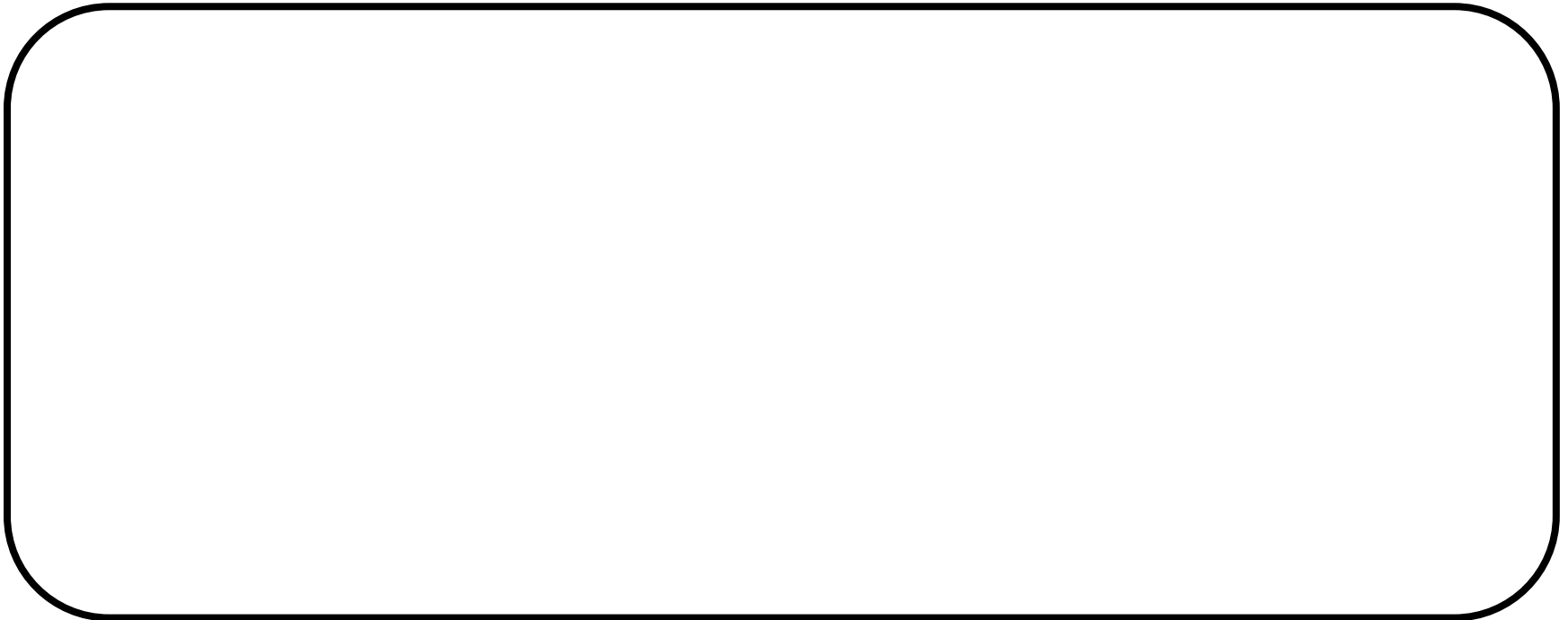
Opportunities (Areas that have potential for development. Things that could improve your sustainability, income etc.).

Threats (The risk that could affect the success of your plan. Things that need to be prepared for, controlled or minimised).

Step two - Understanding the market in which you work

Think about your setting and the childcare market in a 1.5 – 3 mile radius.

- What childcare is available to families?
- What do they charge?
- What hours do they offer?
- What flexibility is available?
- How many weeks are they open?



What actions do I need to take?

Step three - Understanding the needs of your setting community

Think about the families who currently use your setting.

- Will they be eligible in September 2017?
- How do they currently take their free entitlement? What arrangements do working parents who use your setting currently make?
- Do you anticipate any changes in demand?



What actions do I need to take?

Step three - Understanding the needs of your setting community

Finding out what families want . Think about who you may want to involve in your market research?

- Children on waiting lists
- Younger siblings of existing families
- Local toddler groups and feeder playgroups

Think about the things you need to know to inform planning. Develop questions to get the answers you need to inform your decisions. Some suggested demand questions you may wish to consider include:

- Would you be eligible for the extended entitlement?
- What plans (if any) do they have for using the additional hours?
- What changes could we make to the delivery model to assist you to work more hours or return to work?
- Would you use before, afterschool and holiday care?
- Would you use a stretched entitlement over longer than 38 weeks?
- Have you decided to send your child elsewhere because you can't get the hours/flexibility you need at this setting?
- How many hours would you require for early education/childcare in total by week
- Days on which childcare/early education required
- Would they pay for additional hours beyond the 1,140 hours entitlement?
- How many hours do you want to buy?
- How much are you willing to pay per hour/day/week?
- Do you know you could reduce the cost of your early education and childcare by taking advantage of a number of benefits, tax incentives or other funding streams?

Adapted from Department for Education, Delivering extended and flexible hours in setting nurseries Toolkit, April 2016

What actions do I need to take?

Step three - Understanding the needs of your setting community

Ideas for consulting with parents to establish demand:

- Paper survey via setting/nursery bags and other outlets
- Leaflet drop directing parents to setting/provider website
- Electronic Survey Monkey questionnaire via email contact addresses held on application forms and waiting lists
- Focus groups/meetings in toddler groups or other locations families with children who will be eligible meet
- 1.1/setting gate consultation
- Engaging existing parents as nursery champions
- Consultation with parents at local children's centre, other voluntary and community contacts

Adapted from Department for Education, Delivering extended and flexible hours in setting nurseries Toolkit, April 2016

What actions do I need to take?

Step four and five - Understanding your finances, managing and monitoring your money

Occupancy

It is important for any childcare business to understand and monitor occupancy levels.

You should work out what the actual take-up was and compare it with what your occupancy level could have been, if every single place had been full all the time. This should be done as best practice at the end of the month at least (though weekly would be even better). Monitoring occupancy allows you to create graphs which support you to identify trends and take prompt action if occupancy starts to impact on sustainability. It is unrealistic to assume you will have 100% occupancy for 100% of the time.

Good business practice would see a business be able to cover 100% with approximately 80% occupancy.

To calculate occupancy levels:

1. Calculate the actual number of sessions being taken each week (No of children on roll x no of session booked each week per child = sessions per week).
2. Calculate the capacity of the setting each week (Number of places x two sessions per day x five days per week = capacity).
3. Calculate the occupancy figure (Actual number of sessions taken divided by capacity of setting x 100 = % occupancy)

Step four and five - Understanding your finances, managing and monitoring your money

Break even point

The breakeven point for a childcare setting is ensuring there is enough money and children paying the correct rate attending to cover the weekly, termly or annual costs of the business. The spread sheet on the next page shows you how to calculate your break event point. Understanding this performance indicator will support you to work out how much you need to charge to breakeven (cover all your costs) and make a surplus/profit.

The breakeven hourly rate is the amount of money you need to be charging to just cover your costs. Understanding your breakeven rate allows you to set nursery fees that enables the setting to make a surplus/profit to reinvest back into the business. Understanding your breakeven point allows a setting to understand if they are making a loss so they can take steps to reduce costs, if possible.

Your breakeven rate should not be calculated on 100% occupancy. It should be calculated using your realistic occupancy figure.

Step four and five - Understanding your finances, managing and monitoring your money

Breakeven analysis

| | | | |
|--------|---|--|---|
| Step 1 | Calculate your current annual costs | | A |
| Step 2 | Calculate the number of weeks the nursery is open | | B |
| Step 3 | Divide figure A by figure B to give the Weekly costs | | C |
| Step 4 | Multiply the Sessions per week (e.g. 5) your nursery business offers by the number of places available each session (e.g. 32) this gives the total number of places per week | | D |
| Step 5 | Divide figure C by figure D to give the Breakeven fee per session assuming full occupancy at each session | | |
| Step 6 | Calculate breakeven hourly rate | | |

| | | | |
|--|--|--|---|
| Calculate the fees assuming 75% occupancy | | | |
| Step 1 | Multiply the figure D by 75% | | E |
| Step 2 | Divide figure C by figure E to give the Breakeven fee per session assuming 75% occupancy rate at each session | | F |
| Step 3 | Calculate breakeven hourly rate | | |

Step six - Delivering differently – practical considerations

What concerns do you have or challenges do you anticipate in delivering differently?.

- Funding and finance
- Partnership working and collaboration
- Staffing deployment and contracts to support increased flexibility and high quality early education
- Managing admissions, routines, lunchtimes, and transitions to ensure high quality early education
- Curriculum and planning, cohorts, key-person and attachment.
- Environments and spaces that work flexibly



What actions do I need to take?

Step six - Developing a model which works for your setting and community

What can I do?

Think about your setting.

- Do you have capacity to expand and increase your intake?
- Could you extend your day or extend your weeks beyond term time?
- Could you reconfigure your delivery model to offer places differently? (increase flexibility, some 30 hour places?)
- Could you work collaboratively with local partners to offer parents the additional hours?



What actions do I need to take?

Step six - Developing a model which works for your setting and community

What help do I need?

Think about your preferred delivery model.

- What are the barriers and challenges you have identified ?
- What do you need help with?



What actions do I need to take?

Step seven - Action planning

| What are the next steps and actions we need to take? | | |
|--|--------|---------|
| Action | By who | By when |
| | | |