

Guide to developing a Business Plan for Childcare Services

Introduction

This guide will show you how to prepare a high-quality plan using a number of easy-to-follow steps and is specifically aimed at childcare providers.

Please note this business plan is a generic Childcare Business Plan. Use the sections of this guide that are relevant to your specific circumstances to support you when developing your own business plan.

Why have a business plan?

- A reliable way of managing the business
- Collects all the information about the business in one place
- Sets out how much income is expected over the year
- Plans how much is expected to be spent over the year
- Includes marketing, advertising and promotional activities
- Describes the business to grant funders or bankers if needed

Who will want to see your plan?

- First and foremost the business plan is **for you**. You should also share it with your team and collaborate with them to produce relevant sections of your plan.
- Your bank manager
- External investors – friends, banks, venture capitalists or business angels
- Anyone interested in buying the business
- Potential partners or employees

The plan is a professional document. Be proud of it.

It helps you to:

- Remember what you said you would do, and why.
- Be realistic.
- Test the feasibility of your idea.
- Stay on the right track.
- Grow your business.
- Sell the 'vision', to prospective partners and or attract outside investment.

Tips for presenting your plan

- Put the executive summary at the start, even if you write it last.
- Ensure it is legible - make sure the type is ten point or above.
- Even if it is for internal use only, write the plan as if it is intended for an external audience.
- Edit the plan carefully - get at least two people to read it and check that it makes sense.
- Put detailed information - such as market research data or balance sheets - in an appendix at the back.
- Make sure your plan is realistic. Once you have prepared your plan, use it. If you update it regularly, it will help you keep track of your business' development.

The Executive Summary

The summary is often the most important part of your business plan. Positioned at the front of the document, it is the first part to be read. However, as a summary, it makes sense to write it last, after all the sections it refers to have been completed.

In some circumstances, it could be the **only** part to be read. Faced with a large pile of funding requests, banks have been known to separate business plans into "consider" and "discard" piles based on this section alone.

What is it?

The summary is a synopsis of the **key points** of your entire plan. It should include highlights of each section from the rest of the document.

Its purpose is to explain the basics of your business in a way that both informs and interests the reader. If, after reading the executive summary, an investor or funder understands what the business is about and is keen to know more, it has done its job.

It is important that this summary should also be shared. Think about who you will need to share this with. For example, your staff team, committee members, trustees, governors and any other relevant partners.

The summary should be concise - no longer than two pages.

Your business and its services

This part of the plan sets out your **vision** for your business and includes who you are, what you do, what you have to offer, and the market you want to address.

A good place to start is by carrying out a SWOT Analysis.

This can be a useful tool for focusing on challenges or decisions that are facing your business, particularly when considering changes in delivery. By identifying your strengths, weaknesses, opportunities, and threats, you can gain insight into which direction your business might take.

It may also help you to see how you can change your weaknesses into strengths and if you are aware of potential threats, you can take action to counter them. It can be a really helpful exercise to give to others, such as staff or parent councils to complete: to gain a different perspective, and because staff and colleagues are often more supportive of plans if they have been involved in their development.

See blank template in the appendix section below

After completing your SWOT, if you are an existing business:

Provide a brief overview of your existing business, including the following information:

- When the business started
- Ages of children you care for
- How many settings you have (if appropriate)
- How many registered places you have and your OFSTED Registration number(s)
- Purpose and ethos of your business, and the current services you provide

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- Type of business and current legal structure (registered charity, community group, company limited by guarantee/shares, community interest companies, staff mutual, co-operatives, school/college etc.)

You can find information and guidance on the different types of legal structures here:

www.gov.uk/business-legal-structures

If you are planning changes to your existing business, next you should describe the new project and explain how this fits within the context of your business model.

If the business plan is for a completely new project

(or an existing business making changes, you should):

Give an overview of your new project:

- What you want it to do?
- How this will be achieved?
- Challenges you might face and how you plan to meet them (it may be useful to refer to a SWOT analysis – see under Markets & Promotion)?
- What makes you different from competitors – known as your Unique Selling Point?
- What evidence do you have that customers need/want the services you are proposing? And what are they willing to pay for this? Please refer to the document “Setting Up Childcare Consultation Toolkit for new and existing childcare settings” for further guidance on carrying out a meaningful consultation.
- Planned opening/start date
- Timescales and planning
- Your vision for the future – short, medium & long term. For example, 6months, 2 year and 5 year aims and objectives.

Remember this is an overview – operational details will be given later.

Markets and Promotion

The term marketing describes the business process of always having a good understanding of what parents/carers and children want from your service and responding to their needs. It includes the ability to communicate with parents and to promote the service to new and existing users.

One of the most effective marketing methods is word of mouth - especially in childcare, where parents/carers like to use childcare that has been recommended to them. You build up local word of mouth by raising your profile in your local community, getting involved in local events and publications.

Marketing Checklist

- Regularly ask parents/carers what they think about your service and feedback any changes you have made from their comments/suggestions.
- Include the child's voice in your business planning and marketing.
- Make links with local organisations, groups and partners which parents would come into contact with.
- Think about providing articles or items for local newsletters/magazines and promote your successes and quality of service.
- Regularly review information you have available to parents to ensure it is up to date. For example, your website, leaflets and other promotional items.
- Use social networking sites such as Facebook to raise your profile and encourage recommendations.
- Know your competitors - who they are, how they work, the share of the market they hold, how their advantages and disadvantages compare to your own, and how your project may impact upon them (*See suggested template competition grid in the appendix section*).
- The future – what are the anticipated changes in the market and how do you expect your business and your competitors to react to them. For example change of funding rates and the introduction of the 30 hours entitlement.

Marketing Plan

Your marketing plan should tell you in terms of services and markets (customers):

- Where you are now
- Where you want to go
- How you will get there

(See suggested template in the appendix section)

Promotion and Advertising

This section should describe the specific activities you intend to use to promote your services. Consideration must be given to this to make sure it is both realistic and achievable.

A strong marketing strategy means you have a clear idea of how you will promote your services in the market place.

Your plan will need to provide answers to these questions:

- How do you plan to **position** your service in the market place?
- Who are your **customers**? Include details of customers who have shown an interest in your service and explain how you plan to go about attracting new customers.
- What **budget** have you allocated for these activities? What are your long-term plans for advertising and promotion?

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- How will you **promote** your service? Give details of when and where you will promote your new childcare places, what methods you will use, and the key people your promotion is aimed at.
- How will you **reach** your customers? What methods will you use? Which partners will be needed in distributing your information?

Your Team's Skills

Your business plan needs to set out the structure and key skills of both your management team and your staff, if applicable. It should identify the strengths in your team and your plans to deal with any areas of development.

The management team

Explain who is involved in the management team, their role and how it fits into the organisation. Include a paragraph on each individual, outlining his or her background, relevant experience and qualifications. Include any advisers you might have such as accountants or lawyers.

If you work alone, you should still include this information about yourself.

When approaching your bank manager, funders or other investors, you need to demonstrate that your management team has the right balance of skills, drive and experience to enable your business to succeed. Key skills include sales, marketing and financial management as well as childcare experience and qualifications.

Investors will also want to be convinced that you and your team are fully committed. Therefore, it is a good idea to set out how much time and money each person will contribute to the business and the salaries and benefits you plan to draw.

Your staff team

Give details of your workforce in terms of total numbers and any shift pattern arrangements to cover opening times and maintain staff ratios.

Detail what work you plan to do internally and if you plan to outsource any work (e.g. financial accounting). Your plan should also outline any recruitment or training plans, including timescales and costs.

It is vital to be realistic about the commitment and motivation of your people and detail any plans to improve or maintain staff morale.

You may find it useful to summarise the information about staff in a table something like the one below:

| Staff / volunteer position | Responsibilities | Qualifications needed | Numbers of hours a week | Number of weeks per year |
|----------------------------|------------------|-----------------------|-------------------------|--------------------------|
| | | | | |
| | | | | |
| | | | | |

Remember to include any volunteers you plan to use and relief staff to cover sickness and holiday leave.

Your operations

Your business plan also needs to outline your operational capabilities and any planned improvements. There are certain areas you should focus on.

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Location

- Describe the premises you intend to use for the childcare provision.
- If you are planning to make any changes, describe them here and include timescales (consider planning permission and building regulation requirements).
- Make it clear who owns the property to be used.
- What are your long-term commitments to the property (mortgage/rent)?
- What are the advantages and disadvantages of your proposed location?
- Will you need to consider transport provision for your project and how will you meet this need?
- Provide evidence of any rental agreement along with review dates.

Facilities and equipment

- What equipment are you planning to have?
- If you are expanding your provision, is the equipment adequate to meet the increased demand?
- Will any investment be needed and where this might come from?
- What budget have you allocated for resources/equipment? Is replacement equipment included in your long term plans?
- Does the venue/facilities meet all relevant Ofsted statutory guidance?
- What type of insurance do you have/intend to arrange for the setting?

Quality

- How will you ensure that the service for the children and their families is of high quality?
- Do you intend to take part in a recognised Quality Assurance Scheme?

Equality and diversity

- Show how you will make your setting inclusive for all children.
- Show how your setting will meet the individual needs of children and families from a variety of cultures, ethnic backgrounds and language backgrounds.

Monitoring and evaluation

- How will you monitor your new service and what systems will you use to do this?

Financial Forecasts and Monitoring

It is crucial that you know what money is coming in and going out of your account and that you can plan for your future financial stability.

You will need to look carefully at:

- Which tools you will use to monitor the income and expenditure of your business?
- What sources of revenue and income will you have?
- How much capital and revenue you need if you are seeking external funding?
- What security you can offer lenders?
- How you plan to repay any loans?

Financial Planning

As part of your plan, you will need to provide a set of financial projections, which translate what you have said about your business into numbers.

Forecasts should cover the next three years.

Include the assumptions behind your projection with your figures, both in terms of costs and revenues, so potential investors can clearly see the thinking behind the numbers.

Sustainability

Show how you plan to ensure that your setting will stay open for at least the next three years.

What your forecasts should include:

- **Cash flow statements** - your cash balance and monthly cash flow patterns for three years. The aim is to show that your business will have enough working capital to survive so make sure you have considered the key factors such as the timing of fee payments and salaries.
- **Profit and loss forecast** - a statement of the trading position of the business: the level of profit you expect to make, given your projected occupancy and the costs of providing services and your overheads.

Do you have a contingency plan and fund?

Your setting you might not think you need a contingency plan or fund, as you will have to make a provision for tax and possible sickness cover if you are not adequately insured.

Personal Survival Budget (PSB)

In the appendices there is a Personal Survival Budget (PSB) template. A good starting point is to work out how much you need to earn in order to financially survive on a personal basis.

After you have undertaken your market research and completed your financial forecasts you need to be able to cover this budget as a minimum for you to meet your personal costs at home.

Supporting Documents for your Business Plan

For more resources to support you with developing your childcare business please visit www.haringey.gov.uk

You may wish to attach appendices which link to the various business plan headings.

For example – copy of a rental/service agreement, evidence of market research, CV's etc.

If items are placed in this section they can quite often be attached as a separate document and have the effect of not bulking out the business plan making it easier to read. You can cross-reference from the main business plan.

The following blank templates might also be of use and are all available as appendix within the 30hrs Toolkit:

- Marketing Plan
- Blank SWOT analysis
- Blank Cash flow Forecasts – Pre-start and Existing.

In addition we have also provided in this guide a template for a Personal Survival Budget (PSB) alongside a scaled down version of a cashflow forecast which is particularly useful for sole-traders and partnerships.

PERSONAL SURVIVAL INCOME

ESTIMATED PERSONAL MONTHLY EXPENDITURE

| | |
|--|---|
| Mortgage | |
| Rent | |
| Community Service Rates, Water Rates | |
| Gas, Electricity And Oil | |
| All Personal And Property Insurances | |
| Food, Housekeeping (Incl. Board) | |
| Clothing | |
| Telephone | |
| Hire Charges (TV, Video etc) | |
| Entertainment (Meals And Drinks) | |
| Subscriptions (Associations, Journals etc) | |
| Car Tax And Insurance | |
| Car Service/Maintenance | |
| Children's Expenditure And Presents | |
| Savings Plan | |
| HP Repayments | |
| Other (Please State) | |
| Contingencies | |
| TOTAL EXPENDITURE (Total A) | £ |

ESTIMATED MONTHLY NET INCOME

| | |
|--|---|
| Income from Family/Partner – total amount after deductions | |
| In Work Benefits eg: Working Tax Credits..... | |
| Disability Living Allowance..... | |
| Other Benefits Received (State)..... | |
| Other (Please State) eg Pensions after deductions..... | |
| TOTAL INCOME (Total B) | £ |

TOTAL SURVIVAL INCOME REQUIRED FROM BUSINESS

| | |
|--|---|
| TOTAL EXPENDITURE (Total A ..above) | |
| TOTAL NET INCOME (Total B ..above) | |
| TOTAL SURVIVAL INCOME - a minus b | £ |

| Competition Grid | | | | |
|-------------------------|-----------------|-------------------------|--------------------------|---------------|
| Name | Location | What do they do? | Benefits on offer | Prices |
| 1 | | | | |
| | | | | |
| 2 | | | | |
| | | | | |
| 3 | | | | |
| | | | | |
| 4 | | | | |
| | | | | |
| 5 | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Now compare your findings with the same analysis of your own business

What action will you take?

| Marketing Plan – (Supported by an event/marketing calendar) | | | | |
|---|------------|-----------------------------|------|----------------|
| Form of Marketing | Time Scale | Outcome (Is it measurable?) | Cost | Who is Leading |
| | | | | |
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SWOT Analysis Template

Strengths

Weaknesses

Opportunities

Threats