

Knowing your business

using your information to improve your business



Business
success for
Childcare



Knowing your business

This guide explores how you can use your management information to help you run your childcare setting. It will demonstrate how the information that you use every single day can help you to sustain your business and ensure success.

This guide covers:

Presenting your information

The benefits of an information system

Gathering your information

Building your information system

Firstly though. Ask yourself... 

Have you ever had more questions than answers?

Are we on target against budget?
Have we got enough cash in the bank?
Are there enough children attending?
Where does our money come from?
How are our customers using our services?
How sustainable are we?
Can we pay the bills?
Who owes us money?
How will we encourage more children to attend?



"I'll just check the bank balance"

"I just need to look at the register!"



"I'll get back to you on that"

Imagine the benefits of having the answers to these questions summarised on one piece of paper!



...this is how it could look

Our Kids Club 06/11/03. (WEEK 13).

CASH FLOW FORECAST

	WK13	WK14	WK15	WK16	WK17
INCOME					
TOTAL INCOME	£600	£450	£400	£475	£450
EXPENDITURE					
TOTAL EXPENDITURE	£515	£515	£500	£450	£560
BALANCE BROUGHT FORWARD	£85	£65	£100	£25	£110
NET CASH POSITION	£170	£105	£5	£30	£80

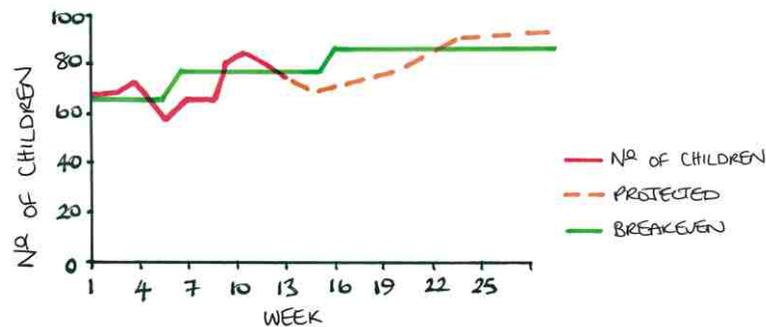
AT CURRENT PROJECTIONS WE WILL BE £80 IN WEEK 17.

BUSINESS BUDGET

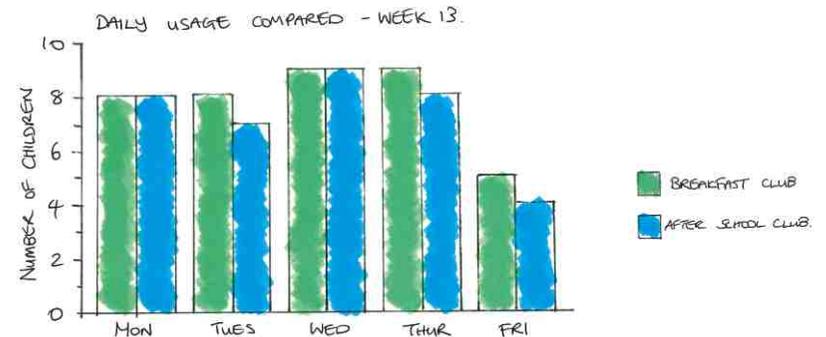
	ANNUAL	EXPECTED SPEND TO WEEK 13	ACTUAL SPEND TO WEEK 13	VARIANCE WEEK 13
INCOME				
TOTAL INCOME	£27,220	£6,677	£6,680	£3
EXPENDITURE				
TOTAL EXPENDITURE	£26,030	£6,507	£6,570	£63
BALANCE	£1,190	£170	£110	£60

OCCUPANCY

OCCUPANCY TO WEEK 13 & FORECAST.



WHERE MONEY COMES FROM.



DEBTS.

NAME	AMOUNT OVERDUE	DATE EXPECTED.	ACTION
MRS. S CARTER	£64	01/12/2003	PAYMENT AGREED
MR. P HOLLINS	£78		LETTER FROM COMMITTEE REQUIRED

NOTES

- EXPECTING 3 LEAVERS IN JANUARY
 - CURRENTLY WE HAVE 2 CHILDREN ON A WAITING LIST FOR JANUARY AND WILL COMMENCE MARKETING AT THE END OF THE MONTH.
- * NOTE FOR TREASURER - PLEASE CALL ME AS I HAVE A LETTER FROM THE BANK THAT WE NEED TO DISCUSS.

Many childcare businesses rely on voluntary management committees to help run the business. People give valuable personal time outside of their own jobs and family life to ensure that childcare services can be sustainable in their communities.

Three of the main difficulties for committee members are:

1. Having the time to attend meetings and deal with the issues that arise during normal business operations.
2. A concern that they do not have sufficient knowledge of the business to ensure that they can make effective decisions.
3. A concern that they may be personally liable for any debts as a result of business failure.

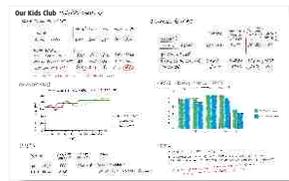
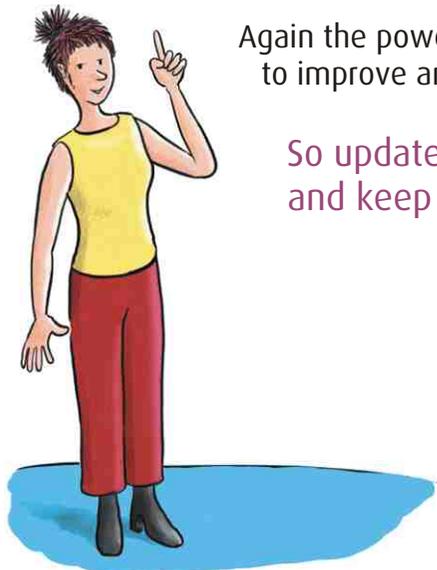
Regular review of the critical business information can greatly improve the chances of business success and address all those concerns.

This is the benefit of **“Knowing your business”**.

A further problem is that often the committee members are unable to visit the setting regularly and only meet occasionally as a group.

Again the power of sending regular information to them is that they can assess the business quickly and make decisions in time to improve and possibly save the business, without waiting until the next meeting... which may be too late!

So update and send your information to your management committee members **weekly** and keep the business on track!



Even more benefits

> The benefits of an information system

Encourage new committee members and managers

- If you have control and visibility of the business, volunteers are more confident about becoming involved with the setting
- If you have regular information, less time is needed in meetings to discuss issues, as decisions can be made on information received
- Show potential committee members the position of your childcare business straight away

Increase business control

- Check on the progress of your business at any time
- Anticipate problems before they arise
- Take action to keep the business in control
- Remain sustainable

Increase the visibility of your business

- Have a clear and easily understandable picture of your business. Regularly!
- Increase everyone's awareness of how the business is doing

Reduce business and personal risk

- Regular review of information means business risks are minimised
- If you have control of the business, personal liability is much reduced

Provide help with decision making

- Management information displays problems in advance, so that you can address them before things go wrong
- The right information will show the cause of your problem
- You can concentrate on improving the appropriate areas of the business

A system that supports knowledge and skills

- Your management information system remains constant and therefore when committee members move on the management of the setting remains in control
- An effective management information system doesn't rely heavily on the skills of one person, but offers a structure where everyone can contribute in some way
- Regular presentation of key business information helps new committee members and managers to quickly acquire business knowledge and skills and feel confident about the business situation

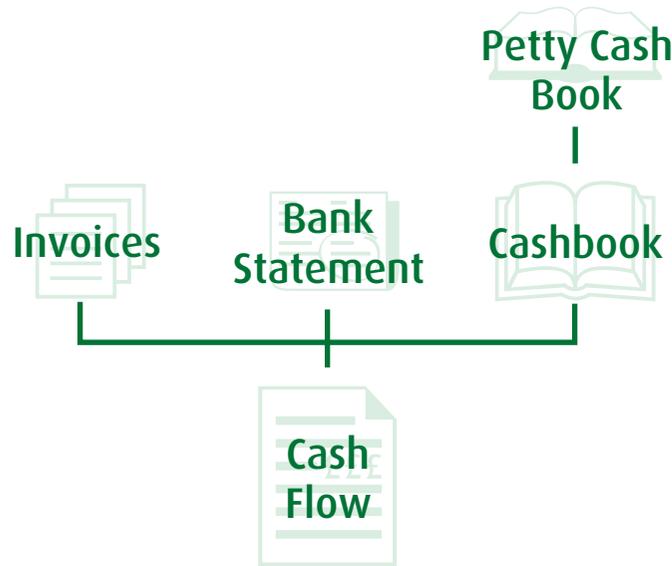


Where does the information come from?

> Gathering your information

The information that you need to analyse your occupancy is in the documents that you use every day. Your register contains your occupancy information for each day, week or month. You can take your projected occupancy from your business plan. It's important to remember that taking five minutes a day to record this information can ensure your business sustainability.

You can summarise your financial information on a weekly basis, quickly and easily, by bringing together the information that you already have. Invoices and cash books will contain the information relating to your income and expenditure and you can use the budget contained in your business plan to measure your progress.



Our Kids Club 06/11/03 (WEEK 13)

CASH FLOW FORECAST

	WEEK 13	WEEK 14	WEEK 15	WEEK 16	WEEK 17
INCOME					
TOTAL INCOME	£600	£450	£400	£475	£650
EXPENDITURE					
TOTAL EXPENDITURE	£515	£515	£500	£480	£500
BALANCE BRINGING FORWARD	£15	£25	£100	£25	£10
NET CASH POSITION	£490	£25	£5	£30	£20

AT CURRENT PROJECTIONS WE WILL BE £20 IN WEEK 17.

OCCEUPANCY

OCCUPANCY TO WEEK 13 & FORECAST

DEBITS

NAME	AMOUNT OVERPAID	DATE EXPECTED	ACTION
MRS S. DAVIES	£20	02/12/03	PAYMENT AGREED
MRS P. HOLLINS	£10		LETTER FROM COMMITTEE REQUESTED

NOTES

- EXPECTING 3 LEAVES IN JANUARY
- CURRENTLY WE HAVE 2 CHILDREN ON A WAITING LIST FOR JANUARY AND WILL COMMENCE WORKING AT THE END OF THE MONTH.

NOTE FOR TOPMAKER - PLEASE CALL ME AS I HAVE A LETTER FROM THE SHIP THAT WE NEED TO ORDER.

BUSINESS BUDGET

	ANNUAL	EXPECTED SPEND TO WEEK 13	ACTUAL SPEND TO WEEK 13	VARIANCE
INCOME				
TOTAL INCOME	£27,220	£6,677	£6,690	£13
EXPENDITURE				
TOTAL EXPENDITURE	£26,030	£6,507	£6,670	£163
BALANCE	£1,190	£170	£110	£60

WHERE MONEY COMES FROM

DAYS USING COMMERCE - WEEK 13

Registers contain information on how parents have used your service, helping you to predict future income and parental needs.

Ensuring that you capture the information

Producing good management information should not mean extra work for your childcare setting. It's simply about formalising the collection of the key pieces of information. You may choose to implement a simple system to ensure that you use your management information as effectively and efficiently as possible!

Information to be collected	Where from?	Who collects and reports the information?	How often?
Occupancy information	Register and waiting lists	R. White	Daily
Cash flow	Cash book	P. Hughes	Weekly
Debts	Register and cashbook	P. Hughes	Weekly
Performance against budget	Budget	P. Hughes	Weekly
How people use the service	Register	R. White	Weekly

Only collect the information that is vital to the success of your business. Avoid collecting information that does not tell you anything.



The information is readily available and can be taken from the records and documents that you use during your everyday activities.



The most efficient way to collect your management information is to do so on a regular basis. Collecting information can be incorporated to form part of your daily routine.



It only takes a few minutes every day!

Building your information system

The following pages show examples of the information that you may choose to record, but it's important to remember that you should look to create an information system that suits the needs of your business, monitoring the areas of the business that can give you cause for concern!

Focus on business budget



Focus on cash flow forecasts



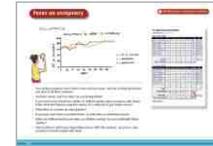
Focus on debts



Focus on where money comes from



Focus on occupancy



Focus on issues



Our Kids Club 06/11/03. (WEEK 13)

CASH FLOW FORECAST

	WK13	WK14	WK15	WK16	WK17
INCOME					
TOTAL INCOME	£600	£450	£400	£475	£450
EXPENDITURE					
TOTAL EXPENDITURE	£515	£515	£500	£450	£500
BALANCE BROUGHT FORWARD	£95	£65	£100	£25	£110
NET CASH POSITION	£170	£105	£5	£30	£80

AT CURRENT PROJECTIONS WE WILL BE £80 IN WEEK 17.

BUSINESS BUDGET

	ANNUAL	EXPECTED SPEND TO WEEK 13	ACTUAL SPEND TO WEEK 13	VARIANCE WEEK 13
INCOME				
TOTAL INCOME	£27,220	£6,677	£6,680	£3
EXPENDITURE				
TOTAL EXPENDITURE	£26,030	£6,507	£6,570	£63
BALANCE	£1,190	£170	£110	£60

OCCUPANCY

OCCUPANCY TO WEEK 13 & FORECAST

WHERE MONEY COMES FROM

DAILY USAGE COMPARED - WEEK 13

DEBTS

NAME	AMOUNT OVERDUE	DATE EXPECTED	ACTION
MRS S ORRICK	£64	01/12/2003	PAYMENT AGREED
MR P HOLLINS	£78		LETTER FROM COMMITTEE REQUIRED

NOTES

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BUSINESS BUDGET



	ANNUAL	EXPECTED SPEND TO WEEK 13	ACTUAL SPEND TO WEEK 13	VARIANCE WEEK 13
<u>INCOME</u>				
TOTAL INCOME	£27,220	£6,677	£6,680	£3
<u>EXPENDITURE</u>				
TOTAL EXPENDITURE	£26,030	£6,507	£6,570	-£63
BALANCE	£1,190	£170	£110	-£60

- Your budget is a way of keeping track of the actual income and expenditure that the business receives and spends, compared with the figures expected.
- Your budget report grows as you progress through the year. It shows your total forecast for that point in the year (taken from your business forecast).
- It shows a cumulative position for each week to date.
- It also shows the 'variance' which is the difference between the 'expected' spend and the 'actual' spend.
- The variance can be a positive or negative figure showing that the business has either spent or received more or less than expected.
- Continually reviewing your updated budget helps to ensure that the business doesn't spend more in each period than was forecasted. The business can then take action if there's continual overspending against your budget figures as this could result in a loss at the end of the year.

It's useful to ask:

- 'Why have we spent more or less?'
- 'What can we do to control our spending?'
- A budget provides information about the way in which the business is actually trading, showing any trends that are contrary to the annual forecast. If this is the case, the annual forecast can be updated to give a more realistic financial picture of how the year might end for the business.
- There are no rules about how often a budget should be monitored and reviewed, but it's common to update and review budgets on a weekly or monthly basis. This allows the committee to see how well the business is performing against the forecast on a regular basis.

CASH FLOW FORECAST

	WK13	WK14	WK15	WK16	WK17
INCOME					
TOTAL INCOME	£600	£450	£400	£475	£450
EXPENDITURE					
TOTAL EXPENDITURE	£515	£515	£500	£450	£560
BALANCE BROUGHT FORWARD	£85	£65	£100	£25	£110
NET CASH POSITION	£170	£105	£5	£30	£80

AT CURRENT PROJECTIONS WE WILL BE ~~£80~~ IN WEEK 17.



- A cash flow forecast is a statement of when cash is coming into the business and when cash is flowing out of the business.
- When payments for childcare are received they're classified as cash received by the business and when bills like rent and wages are paid, cash is taken from the business. The cash flow forecast details when all monetary transactions occur, whether money is coming into or out of the business.
- Regular update and review of a cash flow forecast allows the committee to make sure that the business always has enough money at the right time to pay bills.
- Many businesses fail, not because they're not profitable, but because they don't have enough available cash.
- The cash flow forecast aims to provide accurate figures of exactly when money is received and spent by the business so that the committee can always see what the anticipated cash balance may be at any point in the future.
- By looking ahead at the exact timings of when 'money comes in' and 'money goes out', the committee can plan ahead in case the forecast shows that the business may run out of cash. It's possible to take action like re-scheduling bill payments or increasing revenues to avoid any future cash deficits.
- Cash movements within your childcare business happen daily, fees from parents, rent payments, bill payments, money for consumables and petty cash, so because the picture changes rapidly it's necessary to review cash flow frequently.
- It's recommended that you review your cash flow situation on a weekly basis as it takes very little time.
- Once your cash flow format is set up, it's a quick and easy task to update it regularly when changes occur such as changes in the anticipated numbers of children or a change in fee rates. As the cash moves in and out of your business, make the changes to your cash flow forecast.

Controlling the cash flow

The vast majority of businesses, across all sectors, experience problems with cash flow. Small and medium sized businesses suffer the most as individual transactions, such as a customer failing to pay on time, can have a major impact on the health of the business. If you want to stay in business you must take prompt corrective action.

From the cash flow you can determine why you are running out of cash so that you can look to combat the problem.

What to do if the cash position looks poor:

- **Increase income:** you should focus on the specifics that help you get more people using your services, and therefore, more cash coming in.
- **Collect money:** you could review your debtors and increase your efforts to collect overdue cash from customers. Remember, a customer isn't a customer unless they pay for the goods and services you provide them with.
- **Negotiate different payment methods with suppliers:** changing the way you pay bills and spreading large bills over longer periods all helps with cash flow, or you could change to lower cost providers.
- **Control costs:** as a manager of a business, costs are the single item that you have absolute control over. You authorise the expenditure and/or sign the cheques. So, unless a cost's absolutely necessary you don't have to incur it. If you need to cut costs you can.
- **Speak to your bank:** nobody likes unpleasant surprises and that includes banks. If it's likely that you're going to need an overdraft facility in two months, now's the time to speak with your bank manager. It will show you're in control and if it turns out that you don't need it, great!

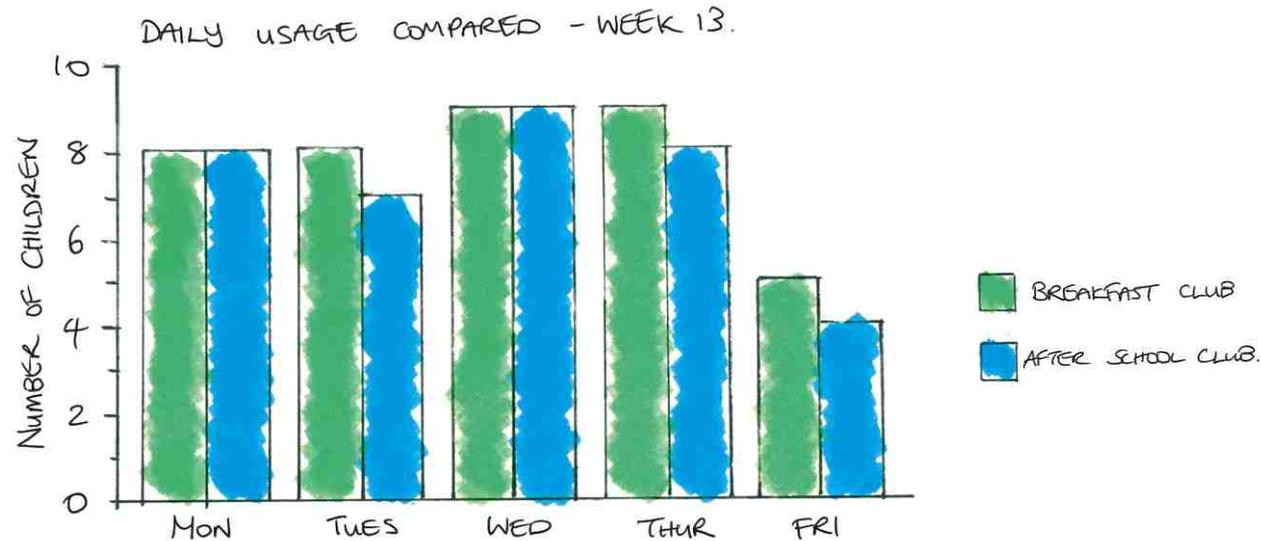
DEBTS.

NAME	AMOUNT OVERDUE	DATE EXPECTED.	ACTION
MRS. S CARTER	£64	01/12/2003	PAYMENT AGREED
MR. P HOLLINS	£78		LETTER FROM COMMITTEE REQUIRED



- Do debts occur with the different payment methods that you have? Can you help people to pay by changing payment methods? There may be a more efficient method of collecting payment from your customers, direct debit, for example.
- What are the reasons for debts? Do you need to revisit your non-payment policies and procedures to ensure that they are effective. A number of outstanding debts may indicate that your policy is ineffective and needs replacing.
- Review monies owed to you frequently. Whatever your system is for collecting fees, whether you invoice or record payments in your register or cashbook, you should monitor non-payment of fees on a weekly basis.

WHERE MONEY COMES FROM.

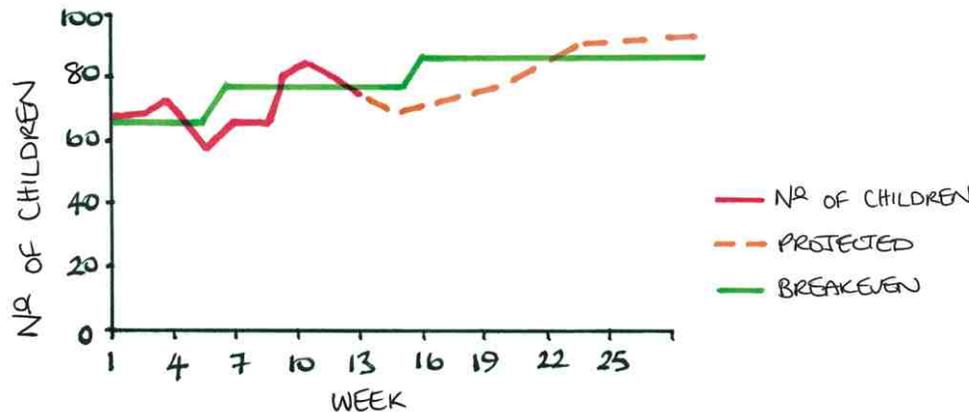


- Analysing your income to see when and where it comes from helps you understand your business and ensure that you remain viable.
- Find out which on weeks / days / sessions your income is highest and lowest and more importantly why. Is there a trend?
- Does income come equally from all parents, or do just a few parents make up the majority of your weekly revenues? If so why and how can you improve that?
- What income comes from regular use of the service and what proportion come from occasional users? How can you encourage more regular users?
- How much income is received in childcare fees, how much in grants and how much in fundraising? Are you making sure you remain sustainable by looking to increase your fee income?
- Which parents are accessing tax credits for childcare? If there are only a few, how can you help them to take advantage of tax credits, as this can help them to afford childcare?

Focus on occupancy

OCCUPANCY

OCCUPANCY TO WEEK 13 & FORECAST.



- Forecasting occupancy shows times when you have spare capacity. Looking ahead gives you time to fill those vacancies.
- Are there trends, and if so why? Can you change them?
- If you review your breakeven number of children against future occupancy, this shows times when the business may lose money. It is a forecast of your future income!
- What times or sessions are most popular?
- Do parents want more convenient times, an extra hour or weekend sessions?
- When are children leaving and when are children starting? Are you continually filling capacity?
- Your breakeven will change depending on your staff ratio required, can you use your occupancy forecast to plan staff rotas?

ST JAMES KIDS CLUB REGISTER

WEEK BEGINNING 02/11/03.

Fee per session: £4.50

Breakfast Club	MON	TUES	WEDS	THUR	FRI	TOTAL	FEE
JEAN SMITH	1	1	1	1	0	4	£18.00
PAUL JONES	0	0	1	1	1	3	£13.50
SARAH FLETCHER	1	1	1	1	0	4	£18.00
DARIL CARR	1	1	1	1	1	5	£22.50
AMIR KHAN	1	1	1	1	1	5	£22.50
CLARE MARSHALL	1	1	1	0	0	3	£13.50
SALLY TATFORD	1	1	1	1	1	5	£22.50
HONA SELLARS	0	0	0	1	0	1	£4.50
LONA LANE	1	1	1	1	1	5	£22.50
EMMA SANDERS	1	1	1	1	0	4	£18.00
TOTAL	8	8	9	9	5	39	£175.50
TOTAL INCOME	£36.00	£36.00	£40.50	£40.50	£22.50		£175.50

Fee per session: £5.50

After School Club	MON	TUES	WEDS	THUR	FRI	TOTAL	FEE
JEAN SMITH	1	1	1	1	0	4	£22.00
PAUL JONES	0	0	1	1	1	3	£16.50
SARAH FLETCHER	1	1	1	1	0	4	£22.00
DARIL CARR	1	1	1	1	0	4	£22.00
JAMES BASHIN	1	0	1	0	1	3	£16.50
CLARE MARSHALL	1	1	1	0	0	3	£16.50
SALLY TATFORD	1	1	1	1	1	5	£27.50
HONA SELLARS	0	0	0	1	0	1	£5.50
AMIT SAKIF	1	1	1	1	1	5	£27.50
JENNIFER CLARY	1	1	1	1	0	4	£22.00
TOTAL	8	7	9	8	4	36	£198.00
TOTAL INCOME	£44.00	£38.50	£49.50	£44.00	£22.00		£198.00
DAILY TOTAL	16	15	18	17	9	75	£373.50
TOTAL DAILY INCOME	£80.00	£74.50	£90.00	£84.50	£44.50		£373.50

DUAL ATTENDER ●

NOTES

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-
- Use your information system to report issues that occur each week that need a decision from the management team, or to communicate an important message.

- Ensure that your information system is relevant to your childcare setting! Only collect and monitor information that helps your business to make decisions. Avoid collecting information that doesn't help you to make decisions about your childcare setting.
- Good use of your management information provides a simple summary of the current state of your business, allowing you to see at a glance any problems that you are encountering.
- It increases the visibility and control of your business and provides you with timely business information, making the committee's task of managing the setting less time consuming and more efficient and effective.
- Using your management information will increase the confidence of your committee and also increase the confidence of potential committee members as you can demonstrate clear control of your business. It is a system that perpetuates making any handover a simple process.
- Setting up and collecting your management information should not be a time consuming activity. Once your system is implemented it should take only five or ten minutes a day to collect the information and present it for the management team to review.



Business success for Childcare

This programme is provided by:

SureStart

Making life better for children, parents
and communities by bringing together:

- ▶ early education
- ▶ childcare
- ▶ health and family support

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