

Team Steps to Success

Skills for running and sustaining your childcare business



Managing your childcare business

Business
success for
Childcare

Welcome to 'Team Steps to Success'

'Team steps to success' is a series of guides, which are aimed at improving the sustainability of all forms of childcare businesses.

The guides are primarily for 'Team Managed' childcare settings, but they might also be useful for some childminders.

Team managed childcare settings range from privately owned settings to ones which are run by a voluntary management committee.

About the guides

The guides contained within the 'Team Steps to Success' series are useful for all childcare settings whether they are:

- Privately owned or voluntary managed
- Profit making or 'not for profit' groups
- Charities, cooperative organisations, private companies, social enterprises, maintained childcare settings or any other form of childcare business

As you would expect these guides contain many references to business concepts, words and phrases, in particular the words 'profit' and 'surplus'.

However, it's important to note that the guides are **not just** about making a profit in a private sector environment, far from it!

They actually refer to good business practices, which will enable your childcare setting to remain sustainable, whether or not you choose to invest all your surpluses back into providing a better childcare service.

Definition of
'Sustainability'
- The ability of a childcare provider to continually maintain its business.

Definition of
'Team managed'
- A team managed business is one which employs more than one person and is generally managed by a team of people, such as a nursery, playgroup or out of school club.

Did you know?
The word '**profit**' originates from the Latin word '**profectus**' and the old French word '**proficere**' meaning to '**progress**' and '**advance**'.

Consider the following

All group childcare settings have the following in common:

- Parents pay for a childcare service
- Staff are employed
- Premises are rented or owned
- Costs are incurred

Whether your childcare group is profit making or not, it's essential that all costs are covered and some surpluses are generated to keep the provision sustainable for the future...

These guides can help your organisation begin to do that.

What kind of childcare settings are these guides designed for?...

- Nurseries
 - Out of school groups
 - Holiday play schemes
 - Breakfast clubs
 - Playgroups
 - Pre-school groups
 - Crèches
- to name but a few

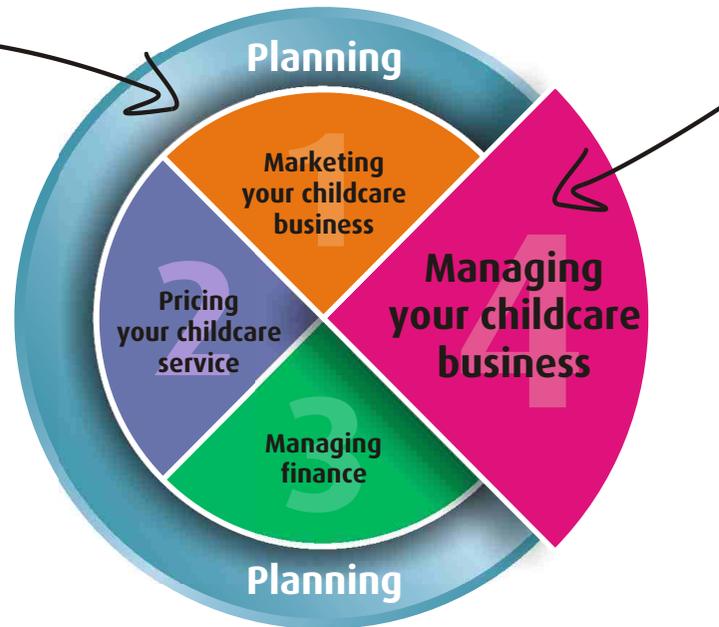


How to use this guide

Team Steps to Success is a series of four guides and a foundation module, that are aimed at 'team managed' childcare businesses. The four guides cover the key business issues, drawing on best practice in business support. They build on the 'foundation' module, 'Planning for business success', which is designed to be used as a reference point as it contains the practical planning techniques for applying the concepts covered in this guide.

Planning for business success

Planning is the foundation of the Business Success for Childcare guides and this module defines the key principles of business planning. The module is designed to be read first, as it shows how you can plan and implement ideas and concepts contained in this guide.

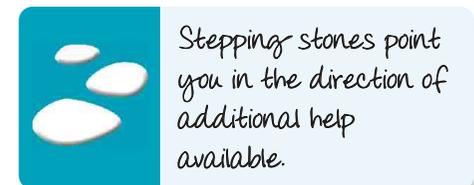


This guide begins with ideas on how you can successfully work as a management team or committee and then progresses to examine;

- What information you need and where it comes from
- What are the most important things to measure and control to ensure business success
- How you can use your business policies and processes to help you manage your business

This logical approach can help to simplify your business management and administrative activity.

Throughout this guide there are information and action points labelled '**Steps to Success**'. These items are particularly important because they aim to prompt your thinking. There are also a number of '**Stepping Stones**' that will direct you towards useful sources of guidance and advice. There is a useful summary '**Stepping Stone**' at the end of this guide. The guide also contains a number of practical aids and simple exercises to help you plan and prepare for the future. To get the best from the guide, complete these as you come across them.



Welcome to 'Managing your childcare business'

Managing a childcare business requires a whole range of skills and expertise. It's always difficult to find a balance between providing a quality childcare service and ensuring that the business activities are looked after too!

This guide will focus on some of the techniques that will assist supervisors and the management team to instil quality not only in the childcare they offer, but also in their business activities.

Take a moment to think about the following:

In your childcare setting, if you have:
Good quality childcare, but poor business activities
or
Good business activities, but poor quality childcare
Both can lead to failure

To achieve long-term sustainability it's essential to have good quality in your childcare **and** good quality in your business activities.

In the childcare sector this includes communicating with parents, managing employees, caring for children, handling administration and making sure that the business generates sufficient income to cover costs and make a surplus. This is the only way to secure the future of the business.

This guide will help management teams and staff to get the balance right.

The management role

'A team managed business is one which has a clear management structure with management duties being performed by several team members'.

The management of a childcare business is usually shared by several people involved in the management team, but one person will usually take overall responsibility for the business. In the case of a private company this would be the managing director and for a childcare business run by a voluntary management committee, this would be the chairperson.

Whether the childcare provision is private, voluntary, a social enterprise or maintained by Local Authorities the principles of management contained within this guide are equally applicable.

This guide covers the following:

- **Managing as a team**
 - Committee management
 - Settings managed by other means
- **Management information**
 - Where to find it and how to use it
- **Business policies and processes**
 - How they help make management easier
- **Planning for business success**
 - A summary of how to plan and implement ideas developed in this guide
- **Stepping stone**
- **Template** - Management information



Managing as a team

Committee managed settings

A management committee, together with employees and volunteers, plays a vital role in running many organisations. Sometimes because committee members are not present in the setting regularly, they don't meet with supervisors to discuss the business each day. Therefore they're unable to see the business information regularly and this can lead to problems.

In a business that has a management team working on the premises and in daily contact with supervisors and employees, it's easier to maintain the flow of important daily information. This allows managers to make decisions rapidly, to respond to the latest situation and help the business remain sustainable. The essential point here is that because they can access updated information frequently, they have the maximum amount of time to solve problems before they can contribute to business failure.

A committee run childcare business doesn't have this luxury, so the following section suggests ways to get closer to a well managed business.

There's a critical need for committee members to have regular detailed information about the business. This allows them to manage and make decisions effectively, based on facts. It's the shared responsibility of both the committee members and the staff to communicate and manage information to ensure business success.

To do this:

- Committee members and staff should be aware of what's expected from them and what their key responsibilities are with regard to collection, presentation and analysis of business performance information. For example...
 - Who is responsible for analysing past and future occupancy levels and who collates that information?
 - Who collates the cash flow forecast and who analyses it and makes decisions based on the cash situation?



Committee members, supervisors and staff should work together so that all remain informed about the setting and its weekly progress!!!



For a good example of how to keep information about your setting up to date visit:

www.surestart.gov.uk/support4business and search for the 'Red' book. It's free and provides a great system for keeping everyone in the picture.

- An up-to-date information pack should be supplied to all new committee members on their appointment. This could contain a brief history of the business together with a summary of the business plan and regular reporting documents.
- The supervisor should send weekly business updates of key information to the committee and not wait for the next committee meeting, so that problems can be seen regularly and action taken immediately.
- Regular full committee meetings should be held at which the supervisor should be present. A formal agenda should be used based on the important business information. At the conclusion of the meeting clear actions should be delegated.
- The businesses finances should always be open to all, visible and easily understood.
- Committee members should have access to all major policies and key information documents.

Committees are a vital part of many organisations, especially those in the voluntary or community sector. Day-to-day communications between committee members may be time consuming and difficult to organise, but implementing the above points can be of great benefit to the service provided to children.

Settings managed by other means

If you run a childcare business that is operated as a partnership, cooperative or limited company then it's likely that the management team will be working within the setting. This means that they have more regular access to information and more frequent discussions about the business. The advantages are that managers are able to make decisions and take action rapidly.

The exact same principles apply to childcare settings which are not committee run, they need regular detailed information about the business to ensure things go to plan. Management and staff should be aware of what's expected from them and what their key responsibilities are with regard to collection, presentation and analysis of business performance information.

The following sections of this guide will help to define and set up a management information system which helps managers and staff take control of their childcare service.



Management information

The guide has described how it is vital for the management team to have access to business information, so...

Where can you find it and how do you use it?

Having good administration and information systems can help your business function more effectively!

Consider the following thought...

“What gets measured, gets done!”

This simple concept outlines the fact that in any childcare business, careful selection and measurement of the most important information will offer the management team a chance to anticipate any possible problems. It allows the management team to make improvements to the childcare service and steer it in the right direction.

Many businesses don't have an efficient system for managing information and don't appreciate how valuable the process of gathering and regularly analysing key information can be in ensuring business success.

For example:

“What effect would there be if no one in a childcare business was responsible for checking the cash flow regularly?”

The effect could be that the business fails because of a lack of money!

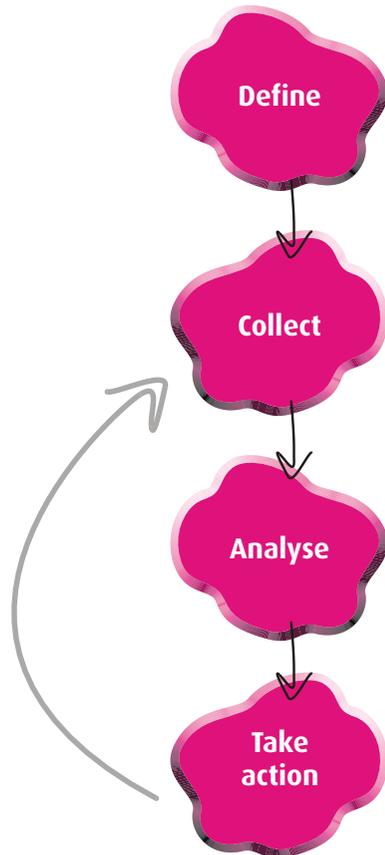


'What if no one was looking ahead to see when children were leaving and measuring occupancy levels?'

It's possible that the setting may not do enough advertising to attract sufficient children for the future to cover all its costs, and therefore, could go out of business! A well defined and timely management information system will ensure this doesn't happen.

A basic four part process can help you manage your information - remember to keep it simple.

A management information system:



- **Define** - not all information is critical to business success. It's necessary to identify which information is important to keep and why
- **Collect** - a regular system for collecting and presenting information is required
- **Analyse** - regular analysis of information is required to ensure the business remains healthy
- **Take action** - act on the information promptly. Keep your childcare business sustainable by taking action when the information you analyse shows that things aren't going to plan

Defining your information

What information does your childcare business need to operate effectively?

This is a question that as a management team you need to consider very carefully and decide which aspects of the business you need to control through regular information analysis.

The examples below illustrate some of the ways that business information can be used:

Child occupancy

What's the information used for?

Looking at the past, current and future expected occupancy will tell you:

- Whether you've enough children planning to attend to cover costs (does expected occupancy cover the breakeven number?)
- Times in the year, month, week, day when occupancy is low
- Trends in the usage of the childcare facility
- Which days / times are the least popular

Where's the information likely to be?

- Your registers will show attendances and the occupancy at which sessions and which times
- Your record of payments will detail how much you're earning in fee income from the occupancy profile your business has
- Your cash flow forecast should have a line in it which forecasts expected revenues from future occupancy

This information allows you to plan for times of low attendance, so that you can take action to avoid making a loss. If you present this information on a simple graph it may show trends that you weren't aware of.

Cash flow forecast

What's the use of this information?

- If you have a weekly cash flow forecast you're always in control of the money coming in and going out of your business
- Whether you always have enough money at any time to pay bills and costs like wages
- It will show whether you've times when cash isn't available and a bank overdraft may be needed
- When large bills are required to be paid and whether you can afford to pay them on the due date

Generally speaking, cash flow forecasts allow you to look ahead so you can make sure that you always have cash available. If you've forecast a cash deficit in a particular week or month, then looking ahead allows you to take action before it happens.

Where's the information likely to be?

- Information on costs comes from knowing what your normal outgoings are
- You'll know from your bills when they're due for payment
- Your forecast occupancy tells you when and how many children attend and therefore you can work out how much that is each week
- You know from staff rotas when they'll be needed to meet occupancy and therefore you can calculate and forecast wages each week

Money owed to your business

What's the use of this information?

- Having details of the money owed to you in fees is very important. Regular review will ensure that the fees owed don't turn into business losses!
- It can help you see when parents are having difficulties and you may be able to help

Where's the information likely to be?

- A list of outstanding invoices will show this
- You may have a system whereby the register is signed when payment is made, so unsigned entries show non-payment

Budgets

What's the use of this information?

- The budget will detail all items of income and expenditure enabling you to view a summary of all business transactions to date
- The budget is cumulative so it gives you an instant view of the balance at the end of each month, showing if the business is in control financially

Where's the information likely to be?

- Information will come from your cash book

Collecting your information

How and when should information about the business be collected?

Collecting information should be an ongoing process. Consider the register. This is something that's filled in everyday and it provides comprehensive information about the number of children attending, when they attend and for how long. At any point one of the management team could take the register and collect important information about occupancy, attendance, fees owed, etc.

Each business needs to set information collection systems in place that enable the analysis to be performed.

Who should collect the information?

This poses an interesting question, especially for childcare businesses run by management committees. As explained earlier, because management committee members aren't working in the childcare setting every day they're unable to review or collect information daily. Therefore, it's important to make someone responsible for collecting the information and presenting it to the management committee. This is usually the supervisor, although in practice it could be any team member. For childcare businesses which are not run by a committee, it will usually be either the manager or supervisor collecting information. But as long as everyone knows what they are responsible for, it could be anyone in your team collecting information.



Analysing your information and taking action

The management team will have defined the critical information that they need to review regularly in order to take control of the business; they'll also have to decide who then reviews the information and makes decisions about the business.

In general it makes sense for the treasurer to review financial information like:

- The budget spending to date
- The cash flow forecast
- The cash book
- The bank statement

Someone else might be responsible for looking at future forecast occupancy and making decisions about advertising and attracting new parents and children. It may be the supervisor's job to work closely with parents when payments are overdue.

All the information that your childcare business requires to make decisions and stay competitive needs to be reviewed regularly by a nominated person. This ensures that there are clear responsibilities as to who should be taking action and when.

An important point is that it's not necessary to wait for the next management committee or team meeting to provide information. It should be collected and presented for review to the appropriate person every week in a simple format. This is critical because reviewing and taking action early prevents failure.

A point to consider...

'Could your childcare business get into difficulties in the time between each management committee or team meeting?'

'Don't wait to find out. Take action when required.'

The simple four part management information process discussed earlier can assist your management team to take control. Before moving on, why not attempt to define the business information that will help you to stay in control?

There is an example over the page and a blank template contained at the back of the guide.



Information	Where from?	Who collects and presents?	Who is responsible for analysis?	How often?
Child occupancy	<ul style="list-style-type: none"> Registers Payment records Cash flow forecast 	J. Durnin	J. Durnin	Weekly
Cash flow forecast	<ul style="list-style-type: none"> Invoices Staff rotas Bills Cash books 	A. Sparrow	A. Sparrow	Weekly
Money owed to the business	<ul style="list-style-type: none"> Outstanding invoices Register 	A. Sparrow	P. Hughes	Weekly
Budget	<ul style="list-style-type: none"> Cash book Invoices Bills 	P. Hughes	P. Hughes	Monthly

Childcare business policies and processes

In every childcare business it's important to set policies which describe the framework of your business operation. It's a requirement of the Ofsted registration process that records, policies and procedures are in place to ensure the effective and safe management of the setting, which leads to the welfare and care of children.

This section does not attempt to address the Ofsted requirements. It is designed to look at several policies and procedures which help childcare settings function more effectively in their business operations.

Producing and communicating appropriate policies can help your business in many ways. Thinking about the way in which you want the business to operate can be detailed in your policies, so that important business systems can be communicated easily.

A policy is a statement of how the business treats certain issues

A process defines the way your business actually implements that policy

Processes describe the actions that need to be taken to implement policies. Generally processes are quite straight forward, but it's useful for new employees and committee members to see a well-defined process to help them to understand the regular operations of the business.



Keep your policies simple and make sure they have a real purpose.



Visit the Ofsted website at www.ofsted.gov.uk/childcare for further advice and guidance.

To be of use, a process must contain a series of steps and instructions. For example, it wouldn't be enough to simply say your policy is to recover any debts from parents, you need a considered process to manage such a difficult and sensitive issue.

Here are two examples of policies and their processes:

A suggested process for dealing with the late collection of children could be:

Policy: To always provide staff cover for late collection of children and charge for the service.

Process: To define how the late collection of children will be handled.

Date: 21st May 2003

- If a parent or guardian is late collecting their children, staff will always be available to supervise children until they're collected.
- If a parent or guardian doesn't contact the club to advise of the late collection of their children, then the parent or named emergency contact will be telephoned after half an hour and asked to make arrangements to collect the child.
- Two members of staff will remain with the child until the parent arrives.
- Late collection charges are detailed below and will be made in the case of late collection to cover staff costs and overtime.

Up to ½ hour late: £4

Up to 1 hour late: £8

Over 1 hour late: £15

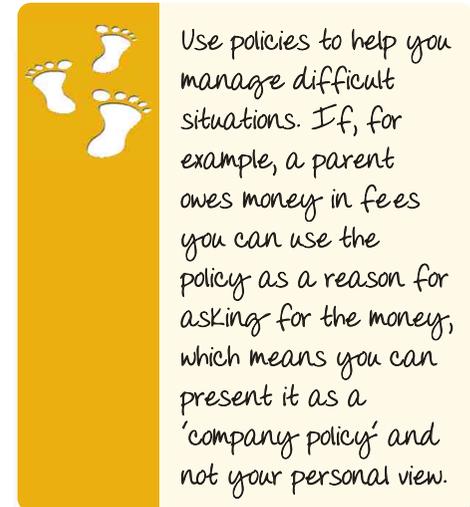
A suggested process for recovering fees owed could be:

Policy: The company will always try to recover late payment, but will give the parents / guardian every opportunity to pay for the childcare service as flexibly as possible.

Process: To define how late payment recovery will be handled.

Date: 21st May 2003

- When fees are owing for more than two weeks the treasurer must be notified with full details of fees due.
- The treasurer immediately contacts the parent in private and asks when they intend to pay and establishes if there are any difficulties with payment, in general terms.
- A period of one week from the contact is allowed for payment, or a re-arranged payment agreement is established with the parent.
- If the parents fail to pay by the due date or method agreed, they are contacted in private again and asked for payment.
- If they have no intention of paying then they receive a letter from the management team informing them that their child's place will be withdrawn, within five days of the date of the letter, if payment isn't made.
- Any outstanding monies owed by the parents may be recovered through legal action, subject to a review of the circumstances and the decision of the management team.



Some other useful policies to consider:

- **Pay:** an ad hoc approach to what you pay staff will ultimately create problems. Create a pay structure with clear wage rates and details of how and when the different rates will apply.
- **Health and safety:** it isn't just about satisfying the law, it's about providing a safe and clean environment that children, parents and staff enjoy.
- **Handling customer complaints:** let customers know that to continually improve your service all customer complaints / concerns will be treated seriously, responded to and appropriate improvement action taken.

Some useful processes to consider:

- **Child induction/'settling in':** how do you make it a happy and easy experience for children?
- **Parent induction/'settling in':** how do you make it a happy and easy experience for the parent?
- **Daily routine/activities:** what are the daily routines? This makes everyone feel confident and relaxed.
- **Registration:** what routines for taking registers apply?
- **On-going parent communications:** how and when will you communicate with parents and what about?
- **Information management:** how and when will you collect and analyse business information and who will do that.

As noted before, adopting this approach and implementing it, means that you can communicate the values and ideas of your service to everyone, ensuring they're informed of the way children and families benefit from your business.

So now you've explored the ways you can approach 'Managing your childcare business'. What are the next steps? The techniques found in 'Planning for business success' will help you to implement your ideas. The 'Planning for success' section at the end of this guide gives an example of how you can use this approach.



Planning for success in 'Managing your childcare business'

Goal: To improve sustainability by more rapid decision making and better management information

Objective: To set up a management information system for our childcare business by June 2004

Action 1: List and define the measures that are important to the ongoing success of your business.

Action 2: Review each piece of information and ask the question 'What's the result if you lose control of this area of the business?' Some information doesn't help survival so beware not to measure everything. If it's important measure it and review regularly.

Action 3: Create a simple system for finding the information and make someone responsible for collecting and presenting the information on a weekly basis.

Action 4: Define who'll review the information, how often and how they will report back to the team.

Action 5: Define who will take actions as a result of your measures and keep control of your business.

Stepping stone



For more information:

- Visit the Business Success for Childcare website at: **www.surestart.gov.uk/support4business** and use the "Ask-the-Expert" facility
- Call the free phone helpline on: **0800 294 2904**
- Talk to your Business Support Officer who is based at the Local Authority's Early Years and Development Childcare Partnership
- Visit the Surestart website at: **www.surestart.gov.uk** or call **0870 000 2288**
- Visit the Children's Information Service website at: **www.childcarelink.gov.uk** or call **0800 0960 296**

Information	Where from?	Who collects and presents?	Who is responsible for analysis?	How often?



Business success for Childcare



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