**Key Considerations for the Start-Up of New Childcare Provision**

This document accompanies the other start-up checklists and advice on our ‘Starting a Childcare Business’ website pages, and highlights the top 10 considerations when deciding to start a new childcare business.

1. **Are you sure the demand for your proposed childcare service is actually there?** Have you undertaken a robust feasibility study and consulted the latest Childcare Sufficiency Assessment?
2. **Do you have any business experience?** A good track record of working in childcare is clearly highly desirable, but even having prior ‘nursery management’ experience doesn’t always go hand-in-hand with having the qualities for being able to run a business turning over potentially hundreds of thousands of pounds a year and employing and managing staff.

Do you already have these skills or is this an area for professional development for yourself?

1. **Do you know what type of childcare business you are going to operate as?** As a Childminder you will most likely operate as a Sole Trader or potentially in a Partnership and group-based care can be run as a Partnership, under a Voluntary Management Committee, as a Registered Charity, as a Limited Company, Social Enterprise or Charitable Incorporated Organisation or Company. There are advantages and disadvantages to each type of business model and an outline of each organisation type can be found on the ‘Starting Up’ pages of the website.
2. **Have suitable premises been identified and how are they going to be equipped?** There’s more to this than just identifying a large property to convert or deciding to adapt your home – consideration needs to be given to things like parking and vehicle access for deliveries, sufficient space for outdoor play and impact of neighbours upon the provision. Will planning permission for building or for change of use be required? Is it going to be visible to ‘passing trade’?

Available and useable room size and floor space will determine the number of Full Time Equivalent (‘FTE’) childcare places, but bear in mind, in group-based provision, roughly 20% of it will be needed for uses that don’t produce any income yet are still essential for the business to function - such as office, kitchen, toilets, staff room, meeting room, storage, buggy park, reception desk etc. Ofsted dictate the minimum size requirements for childcare premises and will need to ensure that the premises are fit for purpose, safe, secure and accessible for both adults and children.

The premises available may be a **completely new build,** it may be a building you are looking to **purchase and convert,** it may be a **conversion of your own home,** or a property that you **lease or rent** from someone else. Each premises option has different costs involved, both in establishing the premises initially and in on-going running costs.

Equipping premises with indoor & outdoor play, office and catering equipment, ICT equipment, etc will cost a significant amount to set up and certain items are essential, regardless of whether you’re caring for 4 children or 40 children, and these costs, along with other costs that will be incurred before the business opens, such as builders, lawyers, planning fees, etc, will all need to be factored into the business plan and cash flow forecast when developing a financial plan for the proposed provision.

For this reason, for group-based settings particularly, we would recommend getting a good Accountant on board early on. They don’t need to be from a large firm necessarily but they do need to understand childcare businesses and be prepared to help and advise you on systems and good practice, and not just ‘crunch the numbers’ after the end of the financial year.

1. **Have you got the appropriate technology behind you?** These days, no business can realistically manage without a computer and Broadband Internet access. You don’t need to spend a fortune but you do need to ensure it has anti-virus software and Microsoft Office applications as a minimum to help you run your business efficiently. So much of our world is now communicated via online sources, emails, websites, social media, software packages and training courses, it is a necessary investment. There are lots of free training courses available, especially through local libraries or online sources, if you’re not very experienced using computers. You should ensure all your records are regularly backed up and are compliant with the latest data protection legislation.

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1. **Do you have the realistic funding available to get your childcare business off the ground?** This may come partly from savings, sale of an existing building or provided by an associated organisation - but a substantial part may have to be Bank borrowing. Before committing to lend, any Bank is likely to want to see a Business Plan for trading, plus costings for the premises work and equipment referred to above.
Has a Bank given such a commitment yet, even if only “in principle”? You need to be realistic about how long it can take to establish your childcare business, with buying, renting or refurbishing properties, timescales for any planning permission required and the Ofsted Registration Process. You may have architects, solicitors and accountants all supporting you at this time without an income from your childcare business to pay them.
2. **Have you developed your Business Plan?** Your Business Plan, based on the outcome of your Feasibility Study, will include your short, medium and long term aims for your new childcare business, identify your strengths and areas for growth, outline your marketing plan, staffing structure and set out how you are going to finance the business. Good financial management is essential, not only before you commence your business, but throughout its operation. Establishing how much you will need to start your business, including the purchase of equipment and forecasting monthly and annual income and expenditure to demonstrate viability and sustainability will be a key part of your business plan.  More information on business planning, financial management and staffing can be found on the [Looking After Your Business](https://www.nottinghamcity.gov.uk/earlyyears/starting-a-childcare-business/looking-after-your-business-1/) pages of the Early Years Website.
3. **Do you know your break-even point? Are your fees realistic?** Your Business Plan needs to be based on realistic prices. Just finding out what the nearest provider charges and charging slightly less is not the approach to take. The costs they have to cover may be very different to yours and they could be running at a loss. You need to work out what your fees should be by calculating your own ‘break-even point’ (the point at which your costs will exactly be covered by income), plus a margin of surplus or profit, based on a realistic estimate of what your occupancy will be. Even the best and most popular childcare provision stays over 85% full all year round (families go on holiday, children move into school, families leave the area or their working patterns change, for example) and it can take months, if not years, to establish a high occupancy level. Remember that occupancy isn’t anything to do with numbers on the register – keeping track of occupancy is a vital measurement of how well you are doing. Whether you structure your childcare business by the session, by the hour or by the week, it doesn’t matter, what counts is how much of what you offered was actually taken-up and paid for.More information on occupancy monitoring, financial management and break-even points can be found on the [Looking After Your Business](https://www.nottinghamcity.gov.uk/earlyyears/starting-a-childcare-business/looking-after-your-business-1/) pages of the Early Years Website.
4. **Have you considered how you will meet the requirements of the EYFS Statutory Framework?** Policies and procedures help you to ensure you and your staff team successfully to meet the EYFS statutory framework. These documents inform parents and staff how your business plans to operate and helps to ensure the aims and objectives of the business are achieved. The statutory framework for the EYFS informs you of the crucial policies and procedures required by OFSTED that you must adhere to.

 **Do you know what support is available to you?** There are many new and established providers in the City and we offer Briefings, Network Meetings and a dedicated EYFS Support Worker to assist you, as well as a range of resources that are available nationally and locally from organisations such as PACEY, NDNA and Foundation Years. Be sure to make the most of the support available to you.

