

# Mind your Business!

A guide to successful self-employment for childminders



Business  
success for  
Childcare



# Welcome

Being a childminder is a very special and valuable vocation. Parents and guardians trust you with their most precious things, their children. The children you care for need your help, support and care, not to mention your unending attention and patience. Your decision to become a childminder probably had more to do with your love of children, and perhaps to allow you to care for your own children, so where did business come into it?

Having successfully gone through the registration process you'll already have a good idea that the job involves more than just looking after children. Paperwork, tax returns, record keeping and filling vacancies to mention but a few. All this in itself can feel like a full time occupation and it's unlikely it was the feature that attracted you to a career in child minding.

The good news is they do not have to be all time consuming or overwhelming. This guide will help you understand some of the business basics. It covers just the essentials, to make sure your business runs well so you feel as in control and confident about your business as you do about your childcare.

Taking care of the business will allow you to focus more of your time on the aspects of child minding that you enjoy, allowing you to continue to provide a great service to children and their families, long into the future.

Taking care of your business means you can keep taking care of children.



## So what's in this guide?

As a childminder there is pressure on you and your time and this guide is designed to enable you to focus your time and attention where it's most needed and appreciated; to the children you care for. To help you do this, the guide has been developed to highlight only the essentials needed to run a small business and ensure that self-employment works for you.

### STEP 1

For any business, large or small, this begins with planning, as do most things in our lives: Taking a holiday needs planning; getting the car into the garage for its service needs planning and certainly, taking 3 children for a day out needs considerable planning! The chances are, as a childminder, you are already very good at it. It's about looking at what you want to happen in the future and knowing what you need to do today to get there. Planning is more than a step - it's a theme that runs through this guide.

### A road map...

Planning

### STEP 2

Probably the most important thing for any business is working out exactly what it costs to run that business. Now although this may seem obvious, it's astonishing how many big businesses don't know! For those of you working from home, there will be all kinds of hidden costs and incidentals that you may not be accounting or planning for. This guide will help you identify these and make sure that the fee you charge covers them.

### Money matters...

Costs and fees

### STEP 3

All services need customers. One feature of your child minding business is that children have a habit of growing up and inevitably moving on. For you, this event is probably met with a mixture of pride and sadness, but for your business it can be devastating! If a child accounts for 1 third of your income you need to replace that child fairly quickly. This guide presents some of the best tried and tested methods for marketing your service to help you do that.

### Mind the gap...

Marketing and sales

### STEP 4

Having successfully completed the registration process and perhaps survived your first Ofsted inspection, you will appreciate the need to collect and keep important documents. On the business side of things, there are some equally important things to collect that will help you claim money owing to you and also help you to plan the future of your business. This guide will help you to identify what these are and provide some tips for what to do with them.

### Keeping a record...

Collecting and using information

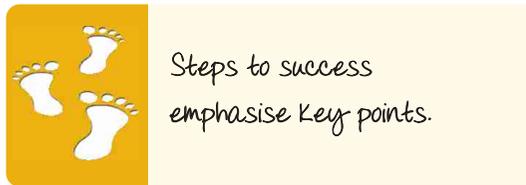
## Using this guide...

This guide is designed to take you step by step through the essentials of looking after a business.

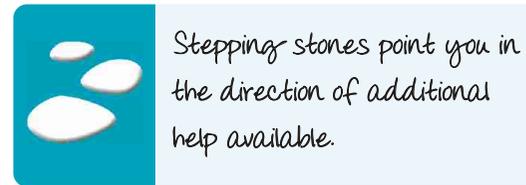
**Step 1** will help you identify the things that you want to do better to take care of your business.

**Steps 2, 3 and 4** offer advice, guidance, tools and techniques to help you do those things better.

There are exercises to do on your journey through the guide and others you may want to come back to. At the back of the guide you will find some templates you may wish to copy so that you can use them regularly.



and



Also, at the back of this guide you will find a **Jargon Buster** to help you clarify some of the business terms you will come across.

We hope you enjoy this 'journey' and find, along the way, the help you need to look after your business so you can keep doing a great job of caring for children.





# A road map...

It's often difficult to find time - between a busy work life and making sure you have time for yourself, family and friends - to reflect on what you do with your business. Being so busy coping with the demands, particularly in the hectic environment of childcare, means you can even end up feeling guilty for taking the time to think and plan.

Few, if any, businesses progress by accident. Of course there are some exceptions to this; the invention of post-it stickers was apparently an accident but they now form the cornerstone of a multi million pound business. No-one, however would recommend that any business gambles its future by hoping for an accident. Planning is the key.

Taking time to plan is a great way to make sure you are achieving the things you set out to do. It's also the best way to make sure that your customers - including the children using your services - are consistently getting the very best you have to offer them.

There are no complex exercises, technical techniques or mysterious rituals involved. Planning, put simply, is about knowing where you are, where you want to go and making decisions about what you need to do to get there.



Whilst the final plan is important, it's easy to overlook the fact that the planning process itself is important and useful. Enjoying the 'journey' is as important as the final destination. By working through ideas and themes, talking to people and formulating your thoughts, you will get an even stronger appreciation of what you want to accomplish and how you are going to get there.

It is easy to overlook the important role that planning plays in our everyday lives. Ask yourself - when did you last plan - last week? Last month? Never? Chances are it was minutes ago!

We plan constantly. For example, when you picked up this guide you probably put some time aside to read it. Perhaps you decided you would read X number of pages, maybe got a pen and paper to make notes and told someone else what you were doing so you wouldn't be disturbed. The process you followed demonstrates that you had an understanding of where you are now, what you wanted to do and what you needed to do to achieve it.

Whether you are looking at the short, medium or long-term needs, you are essentially thinking about

- where are you now?
- where do you want to go? and
- what do you need to do to get there?

This is planning!



If a plan was presented as a picture it would look like a map. When you think about what you need to do, and perhaps make a list, it's called action planning. Developing this more formally and including information about a business and some figures makes it a business plan.

A couple of other points about plans that most text books never tell us; plans are there to help us take control - not to control us. A plan should never be set in stone and it needs reviewing regularly. If you have decided upon a course of action and it isn't working for you - rethink - try something different.

That brings us to a final point about plans; once you reached your final destination it becomes the start of your next journey. Planning is not a one off - it's a continual cycle. The great news is that it gets easier with practise and becomes second nature.

So, to the plan itself. The first stage is to think about where you are now. This helps you to decide where you need or want to go. In business there are many words used to express where we want to go but the most common term is 'goals'.

To help you identify where you are now we have included a quick list of questions over the page called, not surprisingly, 'where am I?' It will help you identify the aspects of your business that you think are good and those you think need attention. It will also help you identify where you need to go, your goals, and what you need to do to get there.

The questions are colour coded and relate to **Steps 2, 3** and **4** that form the remaining sections of this guide. These sections give you advice and help about how to reach your goals.

Letting the plan control you would be like the tail wagging the dog rather than vice versa.



# Where am I?

		Don't know	Yes	No
<b>1</b>	Did you add up your costs before you set the fees you charge parents?			
<b>2</b>	Do you know whether your business breaking even, making a loss, or making a profit?			
<b>3</b>	Do you earn at least what you hoped for from your business?			
<b>4</b>	Do you currently have a vacancy for another child?			
<b>5</b>	Do you know what you will do to replace children that move on from your service?			
<b>6</b>	Do you find it easy to find new customers?			
<b>7</b>	Do you regularly seek feedback and suggestions from children and parents?			
<b>8</b>	Do you ask parents to provide references for your services?			
<b>9</b>	Are you confident that you are in control of the money aspects of your business?			
<b>10</b>	Are you confident your business records are up to date?			
<b>11</b>	Do you account separately for the money you collect from parents for your childminding service?			
<b>12</b>	Do you ever have problems collecting fees from parents?			

If you answered 'don't know' or 'no' to any of the questions, then you have identified some of the things that you would like to do better to sustain your business. Put another way you have identified your goals. Anything else, above and beyond this, is all improvement and development of your business.

Below you can make a note of your goals. By looking at the questions you answered 'no' and 'don't know' to you can rephrase them to identify your goal. For example:

	Don't know	Yes	No
1 Did you add up your costs before you set the fees you charge parents?			✓

You can turn this around to say:

*I want to make sure my fees cover my costs*

You may find it useful to go through the whole of the guide before setting your goals, but if you have identified some things you want to do better now you can make a note of them here.

Goal 1
Goal 2
Goal 3
Goal 4
Goal 5
Goal 6

Once you have identified what you want to do, you can start to list some of the things you need to do to reach that goal.



Don't be overconcerned by language and phrasing, the most important thing is that you know what it is you want to achieve.

For example:

Your Goal	The action you will take	When	The section that will help
I want to make sure my fees cover my costs	<ul style="list-style-type: none"> <li>• Add up what I spend on average each week</li> <li>• Add up all my exceptional costs such as membership fees, redecorating the play room, replacing toys, etc</li> <li>• Look at my bills and work out what I can charge to the business</li> <li>• Get some advice from the Inland Revenue on tax rebates</li> <li>• Look at when I will be looking after the children this next year</li> <li>• Work out whether I am covering my costs</li> </ul>	By Friday Sunday Sunday Monday Wednesday Next weekend	Costs and fees
To find a replacement child for Jim when he leaves in September	<ul style="list-style-type: none"> <li>• Put a card in the newsagents</li> <li>• Ask around family and friends to see if they know of anyone looking for childcare</li> <li>• Get a reference from James and Sue for looking after Jim</li> </ul>	Monday Now Ask Sue on Wednesday	Marketing

It's really helpful to set yourself deadlines, as an action plan will only be successful if you complete the actions in time for them to make a difference. Giving yourself deadlines helps to keep your focus.

Steps 2, 3 and 4 will help you with some of the 'how to's' of reaching your goals. The colour coding will help to identify which steps in this guide will assist you.

At the back of this guide there is a space to record your goals and make an action list of everything you can do to reach your goal.





# Money matters...

Talking about fees and charges is always a little embarrassing even for seasoned business people. Often we present our charges apologetically. Take a moment though to reflect on the service you provide and remember you are providing a valuable service which many people could not do without. Think for a moment what a garage charges per hour or how much it costs to go to the cinema to watch a one and a half hour film. That helps to put things into perspective!

Knowing your fees are based on a sound and realistic calculation of your costs means you can present them more confidently. More importantly, setting fees based on costs ensures that, at the very least, you cover your costs.

The fee you set per hour will have a significant impact on whether you collect enough to avoid losing money. The amount you collect in fees, less your costs, will lead to one of the following:

- **A profit:** the amount collected not only covers costs (including salary) but also leaves some money left over that can be reinvested;
- **Breakeven:** the amount collected matches costs exactly, so that no money is either made or lost; or
- **A loss:** the amount collected is less than costs and other money has to be found to keep going.



*To avoid losing money: Base your fee on your costs. Don't be tempted to simply pluck a figure from the air, or base it on 'the going rate'.*



## A little detour...

Before going on to work out your costs it's just worth a little note about salary and profit.



### Your salary

There is often an assumption made about self-employment that profit equals salary. This is not the case. A self-employed person, or sole trader, draws a salary (referred to by the Inland Revenue as drawings) from their business on a regular basis, usually weekly or monthly, and this is accounted for as a cost. This salary is subject to Income Tax and National Insurance contributions.

The amount of salary drawn is entirely at the discretion of the individual. When calculating your salary you need to strike a balance between what you need to earn and what you can reasonably charge parents for your service.

Once you have set your salary, the Inland Revenue will help you to calculate your Income Tax and National Insurance contributions so you can account for these as part of your costs. Assistance is available on line at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk) or you can phone your local tax office for an appointment.

### Profit

Profit is the additional money left after deducting all costs, including salary, from fees collected. This money can be used to reinvest in the business, perhaps for buying another car seat, replacing toys, some new garden play equipment or a training course.

Alternatively, profit can be taken out for your personal use in which case it becomes salary and is subject to Income Tax and National Insurance again.

It's healthy to make a profit. Profit allows you to make improvements to your service by providing more resources for the children you care for, allowing you to carry out ongoing maintenance, or enabling you to develop your skills. This investment directly benefits the children and their parents.

## Working out costs...

To help you work out your costs and think about your fees, a financial health check has been included. Before completing this we have provided an example for you to refer to. There is also a blank template at the back of the guide so you can copy it and repeat this exercise in the future.

A note to help you complete **Step 2 - Adding up your costs** - about the things to include...

### Yearly Costs

Registration fees	The registration renewal fee payable to Ofsted
Insurance	The amount you pay for public liability plus any additional household insurance
Membership fees	Fees you pay to organisations like the National Child Minding Association (if any)
Toys and equipment	Toys, books and equipment you buy for use by the children you care for
Training costs	Professional development training
Premises - light, heat, water	The amount your bills have increased over a year since becoming a childminder

### Weekly Costs

Food and drink	Meals and snacks for the children you look after (don't include milk if you get an allowance)
Disposables	Items including paints, paper and craft materials
Drawings - plus NI and tax	The amount you take from the business for personal use (sometimes called wages)
Travel	Any travel costs that you may incur while looking after children e.g. the school run
Other	Any other items that you regularly purchase for your business or the children you care for - including outings and activities, perhaps a trip to a theme park or the seaside.

## Step 1 - Your Income

Child	Hourly fee		Hours		Days	=	Total
1. David	2.95	X	7	X	5	=	103.25
2. Alice	2.95	X	5	X	3	=	44.25
3. Faizal	2.95	X	3	X	5	=	44.25
4		X		X		=	
5		X		X		=	
6		X		X		=	

**Total weekly income** 191.75

Enter the figures for each child you currently care for then multiply the hourly fee by the hours per day then by the days per week to get a total for each child

Add up your annual costs and divide these by the number of weeks you work in the year to get a sub-total. Then work out your weekly costs. Transfer these figures to the coloured boxes in Step 3. For more assistance on what to include, see the table on the previous page.

## Step 2 - Adding up your costs

Yearly costs	Total
Registration fees	11.00
Insurance	43.00
Membership fees	50.00
Toys and equipment	150.00
Training costs	200.00
Premises - light, heat, water,	165.00
<b>Total yearly costs</b>	619.00
Divided by number of weeks you work in the year	47
<b>Sub-total</b>	13.17

## Step 3 - Your Costs

**Sub-total** 13.17 + **Weekly sub-total** 171.00 = **Total weekly costs** 184.17

Add these two together to give you your total weekly costs

Transfer this figure

## Step 4 - The Health Check

**Total weekly income** 191.75 - **Total weekly costs** 184.17 = **Total** 7.58

This gives you your weekly balance - in this case a profit of £7.58

## Weekly costs

Food and drink	35.00
Disposables	10.00
Your salary - plus NI and tax	120.00
Other	6.00
<b>Weekly subtotal</b>	171.00

### Step 1 - Your Income

Child	Hourly fee		Hours		Days	=	Total
1.		x		x		=	
2.		x		x		=	
3.		x		x		=	
4		x		x		=	
5		x		x		=	
6		x		x		=	

Total weekly income



### Step 2 - Adding up your costs

Yearly costs	Total
Registration fees	
Insurance	
Membership fees	
Toys and equipment	
Training costs	
Premises - light, heat, water,	
<b>Total yearly costs</b>	
Divided by number of weeks you work in the year	
<b>Sub-total</b>	



### Step 3 - Your Costs



### Step 4 - The Health Check



### Weekly costs

Food and drink	
Disposables	
Your salary - plus NI and tax	
Other	
<b>Weekly subtotal</b>	



## In poor health? What to do if you are making a loss...

If you find you are in a position where you are making a loss there are essentially 3 things you can do:

1. Increase your income by increasing your charges
2. Increase your income by increasing the number of children you care for or the number of sessions you provide
3. Reduce your costs by decreasing your spending

Are you in a position to increase the number of hours you care for children either by increasing the number of children or extending your operating hours?

*Increasing the period a child is in your care by two hours per day if you are charging £2.50 per hour can add £25.00 to your weekly income.*

Or could you think about a small increase in your fees?

*If you mind 3 children a week for 25 hours each, giving a combined total of 75 chargeable hours, a small hourly increase of 25p would improve your weekly income by £18.75.*

If neither of these is possible, as a last resort, can you reduce your costs without it affecting the quality of your service?

If you are thinking about increasing your fees talk to the parents of the children you care for, in advance of any change. Give them plenty of notice that the price is going up and explain why the increase is necessary. In the vast majority of cases they are likely to understand, as the most important issue for parents is reliable, quality childcare.



### Pricing strategies...

At the back of this guide you will find some helpful information on different pricing strategies. These will help you think about the different ways you can charge parents for your service, once you have worked out your costs.

### Don't be afraid of making some money...

Always remember that in practice you're running a small business and caring for the children is your job. It's reasonable and fair that you should try to do more than just stay afloat. Ensuring you have a bit left over at the end of the month gives you a cushion for the times when you may have less money coming in.

### Telling parents about your fees...

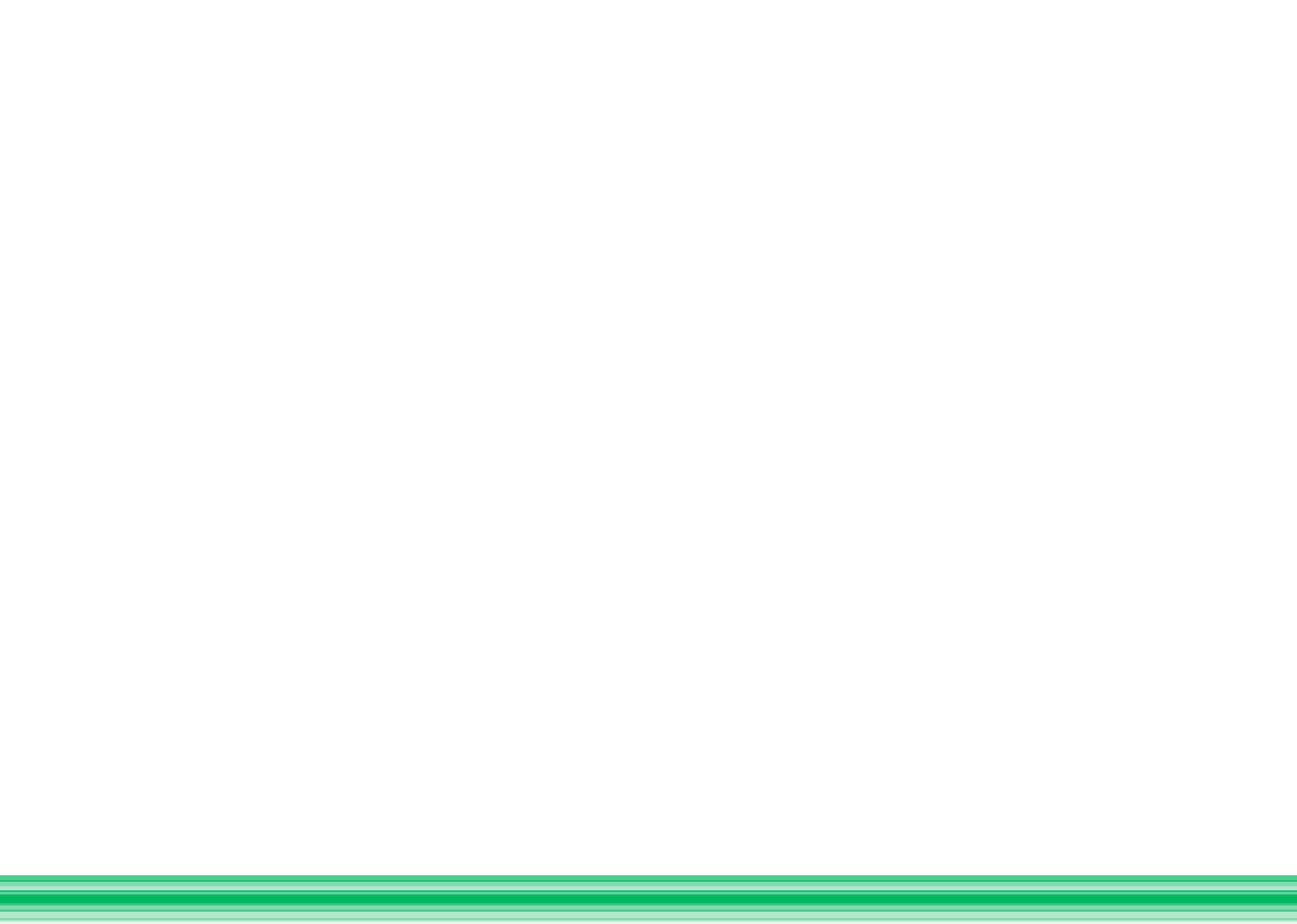
Be confident about telling parents your rate per hour, day or week. No sensible parent will expect you to work for nothing and if you lose money and go out of business they'll have to find someone else to look after their children.

Of course speaking with parents about charges may not always be easy. Some may already have a figure in mind as to what they should pay. You could also find that neighbours, family and friends expect you to do them a favour by charging them less for your service.

The best way of discussing what you charge is to be very open and clear with parents from the outset. Completing the 'Financial Health check' will have shown you what you need to charge and give you the confidence to speak knowledgeably with parents.

Once you have set your fee and you are happy that it is competitive with other providers, try and avoid feeling obliged to reduce it. If the figure parents wish to pay is below your costs, explain why your fee is what it is and why you can't reduce it.





# Mind the gap...

For a variety of reasons the children you're caring for will move on. When this happens it's important to attract new parents and children quickly because the money you have coming in falls. To avoid gaps in your income you ideally want a new child to start as one leaves. So how can you do this?

## Think ahead...

Remember **Step 1 - Planning**? You should always have prior warning that a child will be leaving because of the notice period in the contract you have with parents. There are also telltale signs that allow you to think ahead such as a child approaching school age or a parent moving out of the area.



Whatever the reasons are for a child leaving, don't wait until the child has gone to try and find a replacement.

## Spreading the word...

Finding a replacement for a child that is leaving is not as daunting as it may seem at first. Although it's not always easy, there are a few steps you can take to fill your vacancy so you can get back into your routine.

### Use the grapevine...

This is probably the quickest way to let parents know about your vacancy. Ask the parents of the children you're caring for to let their friends know that you have a vacancy. They already trust you with their child, so the messages they send to others will be positive. Your friends and family will be happy to spread the word as well.

### Work together...

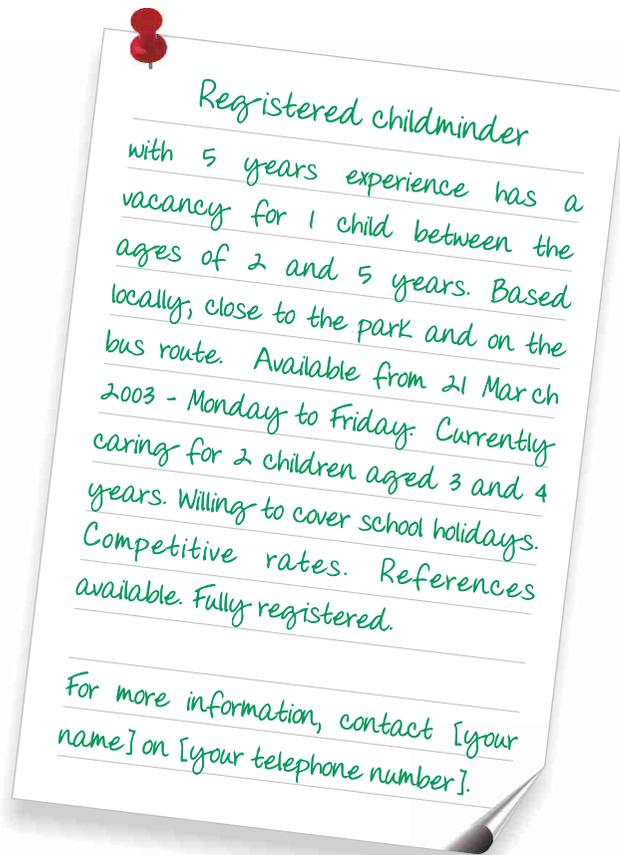
Speak with other childcare providers. Parents looking for places may approach those with no vacancies. They can refer them to you and you could return the favour in the future.

### Get noticed...

Consider putting a card in the Newsagent's window or on local public notice boards. You can normally do this for free but sometimes there may be a small charge. You might find you can put your card on notice boards in doctors' surgeries, libraries, even community centres and village halls. These are great places to advertise the service you offer.

If you do this, think very carefully about the way you write your card. A good way of checking whether you've got it right is to ask some parents for their opinion about what you've written.

This example shows the sort of information to include on your card or advert, but...



...Dare to be different...

You will be competing against other childcare providers who may also have cards in the newsagents. Try and make your service stand out by adding points that make it unique. This may be about your qualifications or perhaps you may have a useful talent like being able to speak a language; or the service you offer may cover very early mornings or shift work. Also, different people respond to different things, so try different styles, not just one.



**Hello.**  
I am **Gemma** and I have a friend called **Edward** and we would like to let you know that our lovely childminder, **Alice**, has a vacancy and we would love another playmate to join us.

We get lots of trips out, and at **Alice's** house we have a great garden with swings and everything to play on.

**Alice** has been caring for children like us for 5 years. A playmate between the ages of 2 and 5 years would be great and they could join us from 21 March 2003 - Monday to Friday. I am 3 and Edward is 4 years old. **My mum says Alice** has **competitive rates** and is fully registered and **she is happy to recommend Alice.**

So if you would like to be our new playmate get your parent to phone **Alice** on ...

**Closing Date 23th April.**  
*The Trust is committed to Job Share, No Smoking & Equal Opportunities.*

As a childminder it is important to me that children get to experience different cultures and I am pleased to offer an individual service for each child, ensuring that their cultural needs are met, along with special dietary requirements.

- I have 5 years experience and have a vacancy for 1 child between the ages of 2 and 5 years.
- Available from 21 March 2003 - Monday to Friday.
- Currently caring for 2 children aged 3 and 4 years.
- Willing to cover school holidays.
- Competitive rates.
- References available.
- Fully registered.

For more information, contact [your name] on [your telephone number]

**SUPPORT WORKERS**  
Are you...

### Advertise yourself...

If you've not done it before you won't believe how easy it is to place an advertisement. There are lots of places where you can advertise, from local papers to community or church news-sheets. Don't be put off by the cost as some advertising is really cheap. So let's look at some of your options:

- Local papers: most have Childminder sections; ask to place a lineage advertisement. You're charged by the line, so try and keep it short and stick to the important points.
- Yellow Pages: you can obtain a free entry (name, address and telephone number) in the 'Childminder' section, call 0808 100 8182.
- Thomson Directory: you can also obtain a free entry with this directory (name, address, telephone number), call 01252 555 555.
- Community/Church newsletters: you can often advertise in these for a small donation.
- Local registers: the Local Authority and their EYDCP and Children's Information Service keep a register of childcare providers and you are entitled to a free listing.
- Websites such as the Children's Information Service ([www.childcarelink.gov.uk](http://www.childcarelink.gov.uk)).

Keep the message short but be sure to mention key points such as, what age range you cater for, the hours you can provide care and if you cover school holidays. Build trust by mentioning that you are registered, experienced and currently have children in your care. It may be worth adding a note about the checks that are made during the registration process. Or you could mention additional features you have, such as having a garden with swings and a climbing frame.





## Encouraging parents to choose you...

Now you've attracted potential customers, what are you going to say that will encourage them to choose you?

### Start by building their trust

During the parent's visit take them on a tour of your house pointing out the safety steps you've taken such as locks on doors, stair gates and fire guards. If you plan to use the garden show them it's secure. Don't just show them the basics though, show them any extra features you have that will encourage parents to choose your services, perhaps a playroom or reading area, for example.

Perhaps you could set up a customer reference book where parents can write comments about the care you have provided? Let new parents read your references and show them your childminder registration document. Good references from past or current parents will have a big impact. It's important to remember that your personality and demeanour can be just as important as your facilities, when parents are making a decision. So try and build a rapport with them during their visit.

Talk about the other children you care for and about the activities you involve them in. Also talk about your experience, the length of time you've been child minding and any relevant qualifications you have.



*Always ask parents whose children you've looked after to provide you with a reference.*



## The two customers

In reality, you have two customers to please - the child and the parent. You will no doubt make a fuss of a child the first time they visit but pay the parents plenty of attention also, as they will be making the decision. Discuss arrangements thoroughly and openly and be very clear about what you will and will not provide. For instance, flexibility around collection times may be important to parents but there is a fine line between being helpful and being taken advantage of.

## Money talk

You can then move on to the formalities such as fees and the hours you're available. Parents may be shopping around for childcare so you will probably be competing with other providers in the area. Parents will be looking for the best quality childcare for their child and want it at a good price. You should already feel confident that your fees reflect your service, but if you would like to know more about what other childcare providers in the area are charging try reading their advertisements. You can also speak to your Local Authority and their EYDCP, Business Support Officer or Childcare Development Worker as they'll be able to tell you about the availability and cost of childcare in the area.



*Being clear at the outset will help avoid unpleasant surprises later.*

*Always feel confident that your fees reflect your service.*



## Reaching a decision...

The time you have to fill your vacancy may be short and parents may want to reflect on their visit before deciding whether or not to use your service. If the parents don't make a decision during their visit arrange to call them the next day.

Ideally you want the parents to make a decision before they leave. You can help them to make a decision with a few simple techniques:

1. Summarising what it is that they require. You can do this by quickly listing back the main points of what they are looking for. It demonstrates that you have listened and understood their requirements. It also helps to ensure there are no misunderstandings and that both parties are agreed on what is being offered. This can save problems later on.

*"So you are looking for someone to take care of Charlie, Monday through to Friday, from 9 to 12.30? You'll be dropping him off and picking him up and Charlie particularly likes the local park, playing football and baking?"*

2. Check out if there is anything else. This would include asking them if there are any aspects of your service that they are uncomfortable with. This shows that you are prepared to be flexible and adapt to specific needs.
3. Don't be afraid to ask closed questions, This would include for instance, if they're happy with your fees.
4. Be clear about what happens next. Before they leave ask them if they are in a position to make a decision. If they are still not sure then arrange to make that follow up call.



*Give parents time to make their decision but don't let them dwell too long - to protect your income you need to fill the position before the other child leaves.*

In asking these questions you are also in a great position to get feedback about your service.

If they say they are not happy with any aspect of your service, ask them what it is that concerns them. You may find it's something that you can easily put right. If it's your fee that is a problem, you could explain how you arrived at it and why it can't be reduced.

If you feel you have covered everything and they still say no (this could be for a number of reasons that are out of your control) try and find why; it might help you when looking to fill vacancies in the future. Feedback, good or bad, is useful and worth seeking, however, much of it is personal opinion, some of it you may wish to use and some of it you won't and that's ok - nobody can please all of the people all of the time.

### Gap filled...

You've filled your vacancy - congratulations. Before we move on just a quick note about keeping your business so you don't have to go through this process more than necessary...



## Keeping the business...

Every business spends a lot of time and energy attracting customers. As you may have discovered attracting parents can be hard work, so having done this successfully, the last thing you want is for a child to leave your care earlier than you expected because the parents are unhappy with your service.

The longer you can care for a particular child the better. If a child leaves earlier than you expected, perhaps because you're not providing the exact service a parent and child requires, you'll have to replace the child and this can take up time and cost you money.

As always it's the little things that make a big difference such as:

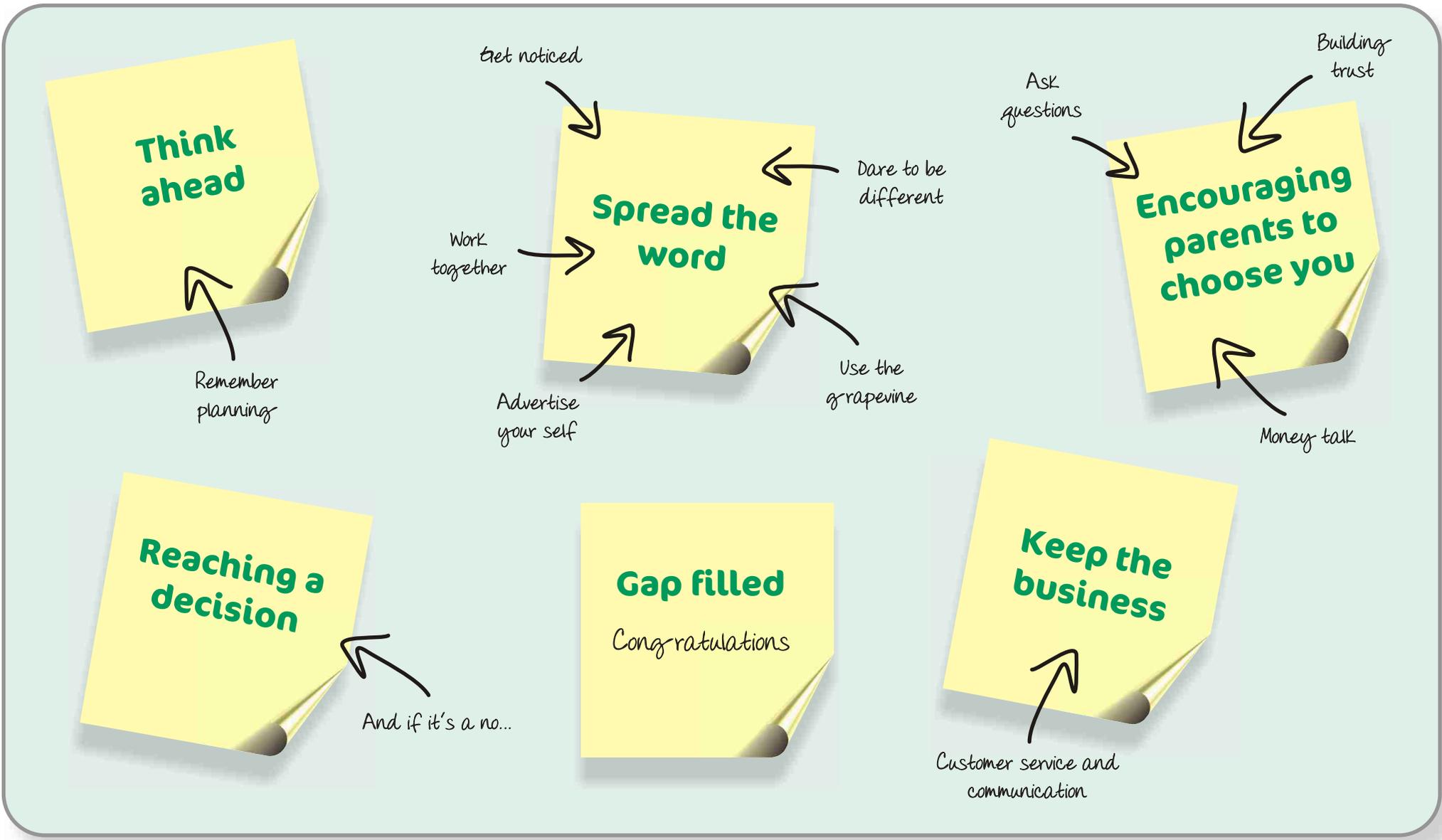
- Be organised and give the parent confidence that you are.
- Keep parents informed about what you're doing.
- Tell them about some of the enjoyable things their child does. This will encourage them to feel involved and help them understand what you do. You may keep a photo diary for the parents.
- Don't forget to tell the parents about anything they need to be aware of, for instance if you are planning a holiday let them know well in advance so they can make other arrangements.

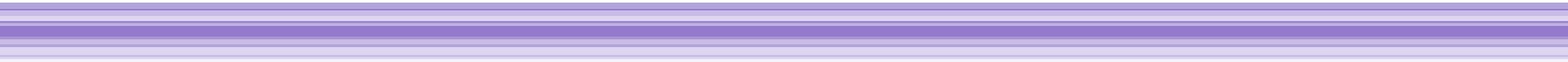
Communication is the key here. Speak with parents on a regular a basis. Make a point of having a chat with them when they pick up their children to provide them with feedback. Maybe once a month, ask for their thoughts on how their child is doing and what they think of the service generally.

Most importantly, if the child is happy, then the chances are the parents will be too.



# Once more...





# Keeping a record...

This is probably the bit that causes most people's hearts to sink in any business or organisation - the paper trail. Keeping up to date accurate records can be tiresome but it's also to your advantage!

Your attendance records for past months are really useful to help you plan. In working out your fees you may have made an assumption that parents would buy a given amount of hours. Using your records to check your assumptions may reveal some surprises. It could be that you have spent less time with their children than you thought you would, perhaps because of holidays or illness. This may adversely affect your income if you didn't build it into your fees.

It may be that you have spent more time than anticipated because some parents have used you for sessions outside what you originally planned, perhaps because of changes in their working arrangements. You may also have picked up additional duties that you hadn't anticipated, like doing the school run for older brothers and sisters of the children you care for.

All of these activities may not have been apparent in advance, but looking back on the way your service has changed and spotting trends, informs you of likely trends for the future and allows you to take this into account when planning.

This information also helps you to spot any free time in your routine that you may choose to fill with some part-time care, such as a teatime club to cover the gap between school ending and parents finishing work. These activities could be the difference you need to ensure your business breaks even or steps into that valuable profit point that lets you develop your business.



*Looking at the history helps us to predict the future*

## And then there's the money...

Keeping an accurate record of how much money you take and spend is really important. It not only keeps you on top of things but it's also a legal requirement for the self-employed - it's a bit scary but, failing to do so can result in a fine! The secret is to 'do it as you go along' - it requires some discipline at first but it's surprising how quickly it becomes second nature.

Put simply you need to make a note of everything you spend that is for the benefit of your business and all the money you collect for doing it.

Above all don't forget to keep receipts. You may have to show them to the Inland Revenue and by law you must keep them for at least 5 years. But again, this is to your advantage. You are entitled to tax relief on things you buy for your business, including things like milk. It may not seem much at the time, but over a year it can really add up! More about this later...

Try and store receipts in date order and in a safe place and get into the habit of noting down things like the mileage you do picking up and dropping off children.

*Just a quick note about receipts...*

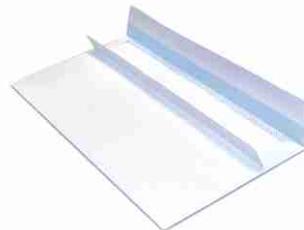
*If your total purchase is under £10.00 you won't need a receipt for your tax return. However, it's still worth keeping and recording these as part of your cost management. You will need a receipt for your tax return if the total is over £10.00 even if it's for a number of items.*



*Keep a separate compartment in your purse, wallet or bag to store receipts as you get them*



*Put receipts into an envelope each week and make a note of the dates on the front*



*Keep notes of your mileage*



## How to keep records - setting up a simple process...

There's no need for complicated bookkeeping. If you've got a PC then you may decide to use a basic spreadsheet. Software programmes such as Microsoft Excel will allow you to do this easily.

If you don't have a PC, you could use your attendance register and cashbook (the Inland Revenue endorse the one developed by the NCMA).

Your weekly account of income and expenditure may look something like this...

Week ending 16.3.03

### Income

Date	Received from who for what	Amount
12.03.03	Mrs Jones for 14 hours care of Tommy	41.30
12.03.03	Mr Sahib for 22 hours care of Lisa	64.90
13.03.03	Mr Smith for 21 hours care of James	61.95
13.03.03	Miss Carter for 8 hours care of Sarah	23.60
14.03.03	Mr Jackson for 6 hours care of Suki	17.70
TOTAL		209.45

### Expenditure

Date	Purchase	Amount
10.3.03	Toys	4.99
10.3.03	Ice creams	1.75
11.3.03	Cash book	12.00
12.3.03	Pacing newspaper advert	6.00
13.3.03	Children's books	3.50
13.3.03	Food	22.50
14.3.03	Mileage 10 miles @ 0.15	1.50
14.3.03	Salary	140.00
TOTAL		192.24

Transferring this information into a monthly or annual sheet will give you an overview of the financial aspect of your business...



Month: March

Weekending	Income	Expenditure	Balance
2.3.03	20 .45	53.50	
Salary inc. tax and NI		140.00	
.3.03	215.35	66.24	
Salary inc. tax and NI		140.00	
16.3.03	20 .45	52.24	
Salary inc. tax and NI		140.00	
23.3.03	221.25	2.00	
Salary inc. tax and NI		140.00	
30.3.03	20 .45	62.50	
Salary inc. tax and NI		140.00	
<b>Total</b>	<b>1064. 5</b>	<b>1006.48</b>	
<b>Balance</b>			<b>58.4</b>

A yearly planner helps you appreciate the state of your business and any trends at a glance...



	Jan	Feb	March	April	May	June	July	Aug
Income	994.15	946.95	1064.95					
Expenditure	870.36	901.54	1006.48					
Balance	123.79	45.41	58.47					
Cumulative balance	123.79	169.20	227.67					



### The benefits of keeping financial records

Accurate up to date financial records will help you manage your business. You will be able to see at a glance if you're making a profit or loss and how much money you should have in the bank.

Organising your information will also make it easier for you to complete your annual tax return. This is a job many of us find hard so often put it off until the last minute. But if you've kept records and are able to declare all of your income and expenses you will find it a great deal easier and less time consuming.

## Good news...

### Now some good news - Taking advantage of tax relief

When you first registered as a childminder you will have been given information about tax from your Local Authority or the Inland Revenue. You may even have taken advantage of training offered by the Inland Revenue.

If you earn more than the amount set by the Inland Revenue each year (this varies depending on your circumstances), then you need to provide a detailed breakdown of your expenses. The amount changes so ask your Business Support Officer or local Tax Office for details.

Most of the money you spend running your business is called an "allowable expense". There is no precise list of what is and is not an allowable expense for a childminder. You can claim for most things you buy for your business. Typical examples of the things you may want to claim for include:

- A percentage of your heating, lighting, gas and water bills.
- Food and drinks consumed by the children.
- Toys and books used solely by the children you are caring for.
- Equipment bought specifically to enable you to work as a childminder, such as cupboard locks.
- If you use your car for any business related trips you can claim for petrol and related expenses.
- The cost of any telephone calls or stamps.
- Any printed materials you buy or any advertising.
- The costs of any trips or special activities.



## More help...

Your Business Support Officer can give you more information about what to claim or you could call your local Tax Office for assistance.

Bear in mind that your local tax officer has a good idea of the type and amount of expenses for a typical childminder. If your claim looks unrealistic then the tax officer will ask you to explain. But if you have kept all your receipts you will be able to deal confidently with any questions.

It's important to remember that your own children are not seen as being part of your child minding business. Any toys or other items used by them are not allowable expenses. However, if they share anything such as toys with the other children you may be able to claim a percentage of the cost as expenses.



*If you are unsure about any tax matters contact your local Tax Office who will be more than happy to advise you personally.  
Or alternatively you can ask your Business Support Officer for help.*



## Making sure you manage your money...

The parents have paid their fees - perhaps they paid you by cheque or by cash? What happens next? What do you do with the money?

It would be very easy to see the money you collect as your own personal income, especially if you are paid in cash. This can be dangerous, as you will at some point have to account for all income to the Inland Revenue.

Paying business money into your personal or joint account can result in a muddle. It makes it hard to check the business balance and make sure that you don't use business money for personal spending.

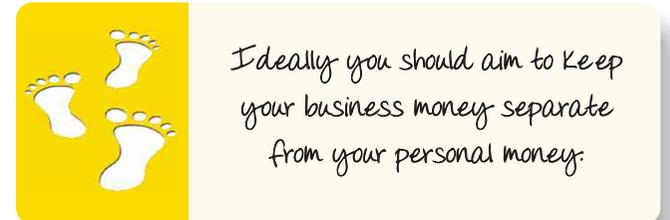
Also, if there are any queries on your tax returns you may have to provide evidence of your bank account. This can be a big task if your affairs are mixed up.

### Think about a separate account

It's a good idea to think about opening a separate bank account for your activities as a childminder. This will help you avoid mixing and muddling your personal affairs with your business affairs.

If you believe that having a separate business account is your best option then shop around. Banks offer different services and prices and many offer free banking to small businesses/self-employed people. Many of the banks have advisers who will be able to suggest the best account.

That's the money taken care of, now it's back to planning what you will do with it...



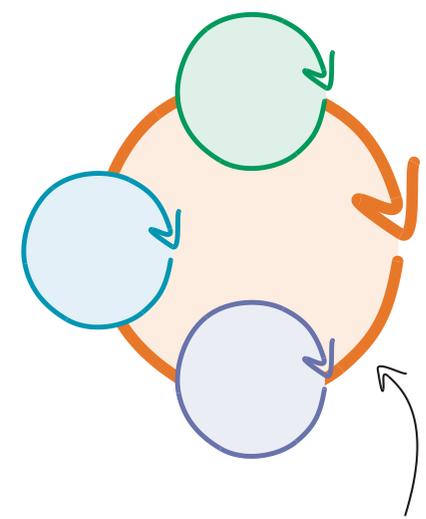
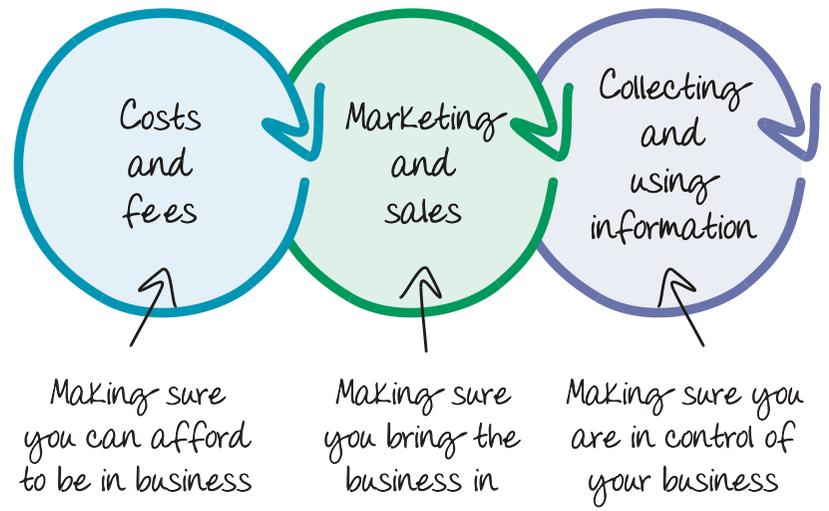


# A Quick Recap...

Planning is working out where you are, where you want to go and how you are going to get there. Once you arrive, you start again - it's a never ending journey, but it does get easier to travel.

For every aspect of your business you look at, you take this same planning approach.

All that you learn on the way and all the information you gather goes back into planning.



Once you have got the skills and confidence to tackle these, and get into regular healthy habits your business needs will feel a lot less demanding, so you can take care of the more important things.

 If you require any additional support your Business Support Officer within the Local Authority and their EYDCP will be happy to help you. You can also call the helpline on 0800 294 2904 or visit the website at [insert link] and use the 'Ask the Expert' facility.

## Jargon Busting...

**Allowable Expenses** describes the items and expenditure which you can 'reasonable' attribute to your business and claim tax relief on.

**Bookkeeping** the term used to describe the records you keep of money coming in and expenses.

**Breakeven** the amount you collect matches exactly your costs so that you neither make nor lose any money

**Costs** anything you spend as part of your childminding service; including registration fees, insurance, membership fees, buying equipment, food and drink and disposables, premises costs (light heat water, etc.) and your drawings.

**Contract** the agreement that you make with the parents of the children you are caring for. Contracts can be written or verbal. However once you agree a contract then it is legally binding. So make sure that you cover all eventualities such as a notice period.

**Drawings** the amount you take from the business for personal use; the amount you pay yourself (sometimes called wages or salary)

**Expenditure** the money spent as a result of your childminding. Sometimes called your business expenses

**Fee** the amount of money you charge for your services.

**Financial Records** any records containing financial information. They can range from income (bills you give to parents) to expenses (receipts for buying toys).

**Income** the money raised by your childminding. In other words the fees you charge.

**Loss** the amount you collect is less than your costs and you have to put your own money in to keep going.

**Profit** the amount you collect not only covers your costs (including drawings) but also leaves you with some money left over that you can reinvest, some people refer to this as "Surplus".

**Records** a range of information you keep, such as registers, child information sheets containing personal details or financial information.

# Pricing strategies

## General

- Whatever pricing ideas you put into practice, the net result needs to be that your revenue from fees is greater than your costs. In other words your pricing strategy needs to be profitable.
- Don't fix one particular method; be flexible and apply different charges for different situations to maximise parental choice and your income.
- When a pricing strategy is designed, it has to be tested. The way in which parents use the facility is critical. Some may want a few hours per day, every morning, 3 afternoons per week or full day care... parental choice is endless.
- The way you price your service to meet this flexibility is critical. You need to be creative to maximise interest from parents and charging methods need to be calculated to ensure that the business can make enough money to cover costs.

## Hourly Fee

This is a good way to split up the service and potentially offer customers flexible fee arrangements. Beware though; it is important to have a minimum charge so that you can cover costs and your wages. You also need to ensure you can charge enough hours per day to cover all your costs.

- Work out how many hours a week you need to cover all your costs, and make sure that you regularly review demand for your minimum requirement to avoid losing money
- If you charge by the hour and parents only want a few hours in the day, it may leave a few hours when you have no children, so make sure you are able to attract parents during the hours of spare capacity.
- Charging by the hour may mean that you are looking after a child for a few hours, and this may prevent you from taking other children on a daily basis due to your childcare ratio. This could lead to a lower income.

- It's ok to charge by the hour just at certain times, so for example if you have free capacity before or after school you could provide care at an hourly rate for school children, and combine that with full day care for pre-school children.

## Daily charges

The simplest method of pricing is to charge parents on a daily basis, and the benefit is you will maximise your capacity and your revenue, and it is easily managed.

- Make sure you include a notice period in your contract (at least 2 months) as losing a child can have a significant impact on your income. Therefore you need plenty of time to find a replacement.
- Mix daily charging with other forms of pricing to give you flexibility.

# Pricing strategies

## Charging per session

A session can be any part of a day that you wish to offer a block of childcare. Charging for each session is easy to understand and apply. Common sessions are split into half days and that would mean attracting parents to ensure that you fill both morning and afternoon sessions.

- Offering half day sessions will affect your ability to take full day care children, so make sure that you can fill all the sessions each week.
- Work out how many half-day sessions a week you need to cover all your costs, and make sure that you are always reviewing demand for your minimum requirement to avoid losing money.

## Block pricing

Charging parents for a "block" of care can be a good way to get guaranteed income over a long period, and offer parents easier ways to pay, like by direct debit or post dated cheques etc...The idea is that a parent would pay for a term or a month. This encourages the parent to plan ahead and pay for the block in a convenient way.

- Cancellations could be "non refundable" or "part refundable" so that you don't lose income if children don't turn up (your own policies are important here). You may wish to give full refunds for particular circumstances, such as illness, but don't make a loss as a result of it.

## Ratio charging

We can all appreciate that in a childcare situation the fewer children we care for the more of our time and attention we are able to offer. This offers us an opportunity to charge different rates for "one to one" care than for several children. This in turn ensures that all costs are covered which are proportionately higher when child numbers are low and vice versa.

- Consider what you want to earn each week from child minding one child and then calculate what you need to charge to meet your wage and cover all costs. This will be a higher price as you can only earn revenue from one child. However, as a selling point you are offering close "one to one" attention, which may be desirable for some parents.
- Look well ahead; ensure you are able to replace children who leave as you only have one source of income. Encouraging a waiting list is a good way to do this.

## Discounting Pricing Policies

Offering discounts of any kind is fine as long as the discounted rate still allows you to cover costs, wages and make a surplus.

- Before discounting ask yourself, 'why?' What benefit does a discount system give to you or your customers?



# 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

developed and delivered by:



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# Steps to success...

Your goal	The action you will take	When	The section that will help
	<ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li><li>•</li></ul>		

### Step 1 - Your Income

Child	Hourly fee		Hours		Days	=	Total
1.		x		x		=	
2.		x		x		=	
3.		x		x		=	
4		x		x		=	
5		x		x		=	
6		x		x		=	

Total weekly income



### Step 2 - Adding up your costs

Yearly costs	Total
Registration fees	
Insurance	
Membership fees	
Toys and equipment	
Training costs	
Premises - light, heat, water,	
<b>Total yearly costs</b>	
Divided by number of weeks you work in the year	
<b>Sub-total</b>	



### Step 3 - Your Costs

Sub-total



+

Weekly sub-total



=

Total weekly costs



### Step 4 - The Health Check

Total weekly income



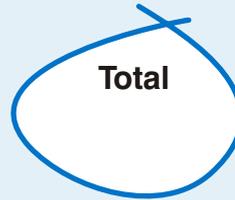
-

Total weekly costs



=

Total



### Weekly costs

Food and drink	
Disposables	
Your salary - plus NI and tax	
Other	
<b>Weekly subtotal</b>	

