

# Opening a new childcare setting within North Somerset

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A childcare business can be rewarding and fun at the same time! However, you need to know a few things before your venture forward into this business.

## What is involved in running a childcare business?

All reception, nursery classes, day nurseries, childminders, playgroups, pre-schools and after school clubs that accept children within the age range birth to five years old have to follow the early year's foundation stage (EYFS) statutory framework. The EYFS ensures children's safety and that they learn through play.

Most childcare providers caring for children aged under eight must register with Ofsted unless the law says that they are not required to do so, more details about this can be found on the Ofsted website:

<http://www.ofsted.gov.uk/resources/exemption-notification-form-for-childcare-providers-operate-for-14-days-or-less-12-month-period>.

You can apply for registration via Ofsted's website, you will need to apply to be on both the Early Years Register and the Childcare Register.

The Early Years Register is for those intending to care for children aged from birth to the 31 August following their fifth birthday, which is the end of the Early Years Foundation Stage. The compulsory part of the Childcare Register is for those intending to care for children aged from the end of the Early Years Foundation Stage to under eight years



Ofsted inspects against requirements which your business will have to meet and they will also expect you to comply with all other legislation such as meeting Environmental Health requirements, registering your business with HMRC (HM Revenue and Customs), registering with the Information Commissioners Office and so on:

You cannot operate your childcare business until you receive your certificate through from Ofsted so make sure that you plan ahead and give yourself plenty of time, (allow up to 26 weeks).

All staff and regular volunteers will require an enhanced CRB check.

## What qualification do you need when starting a childcare business?

An owner of a nursery will not necessarily need any qualifications but the manager or leader of the pre-school or nursery will need at least a level three qualification in childcare and a suitable qualification in child protection, plus relevant experience. 50% of all other staff members need to be qualified to at least level 2. Staff members will also need to have qualifications in child protection, first aid and basic food hygiene. North Somerset provide training courses for staff within early years settings and details of these courses can be found on the website: <http://nsomersetcpd.webbased.co.uk/index.asp>

It is vitally important that early years provision is of a consistently high standard, and that childcare providers continually look for ways to improve the quality of the learning, development and care they offer.

## What type of childcare do you want to provide?

Firstly you will need to decide what sort of childcare you wish to provide. A description of each type can be found below. Do you want to self build? Convert a house? How big will the childcare setting be? What age range do you want to care for and how much do you have to spend? The EYFS sets out required room sizes that are needed.

Do your research – what is in the area already? How much are they charging? What are they offering? What are you going to do differently? Is there a need for another provision or is there a gap in the market?

## Nursery

- Day nurseries are registered childcare facilities providing full and part-time childcare for children from ages 0-5 years. They are usually open all year round. Opening times tend to coincide with a standard working day from 8am to 6pm Monday to Friday for 50 weeks of the year to accommodate the needs of working parents and parents can choose to send their child full or part-time. Nurseries can provide free early education.
- Nurseries are generally located in private purpose built premises, houses that have been converted into a nursery or portacabin.

## Pre-school

- Pre-schools or playgroups provide care, play and education for children under school age. They allow children to socialise and offer fun activities with opportunities to learn and play. They offer sessional care, usually for 3 hours a day, mornings or afternoons, although some groups offer morning and afternoon sessions on the same day with a lunch club.
- Pre-schools and playgroups normally run during term time, for 38 weeks of the year, and are usually for children from 3-5 years although some groups may take children from 2 years old. Most of them are registered to provide places for up to 26 children with a minimum staff ratio of one adult for every eight 3 to 4 year olds or one adult for every four 2 year olds.
- Often groups are privately run or they can be run by a committee of parents and staffed by a qualified and experienced supervisor and assistant(s).
- Are registered and inspected by Ofsted.
- Pre-schools are generally located in church halls, community halls, guides and scouts huts and other suitable premises.

## After school and breakfast club

- Offer play and care to children aged 4 years and up before and/or after school.
- They are usually set up in or close to schools.
- Are registered and inspected by Ofsted, if they care for children aged 8 years and under for more than 2 hours a day.

## Holiday Play scheme

- Offer play and care to children aged 4 years to 12 years (16 years with special needs) although there is flexibility around the age group, check with the individual provider.
- Operate during the main school holidays, usually open daily 9.00 am to 5.30 pm, check with the individual provider.
- Are registered and inspected by Ofsted.

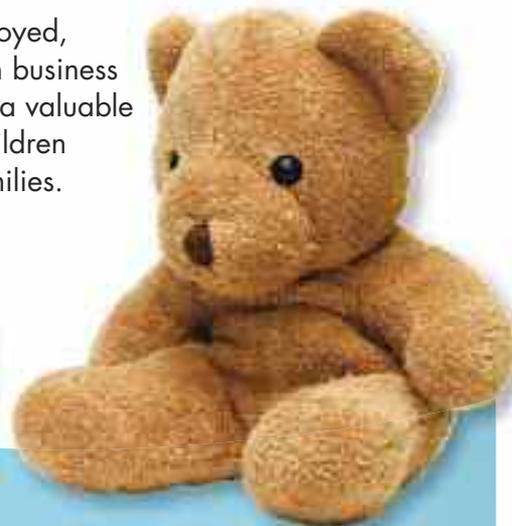
## Crèche

- A safe, supervised play area for a group of children whose parents are occupied in an activity (e.g. education, leisure, shopping) on the same premises nearby.
- The age range being cared for in a crèche provision may vary and can include babies and toddlers.
- Generally runs for two hours or less.

## Childminder

(More information about becoming a childminder can be found via North Somerset website: [www.n-somersetcsd.org.uk](http://www.n-somersetcsd.org.uk))

- look after at least one child under the age of 8 for more than two hours a day - normally in their own home
- are registered on the Ofsted Childcare Register to demonstrate the quality and standards of the care they provide
- are self-employed, run their own business and provide a valuable service to children and their families.



## Researching the need in the area

In order to determine whether there is a demand for the service that you intend to offer, you will need to carry out some market research.

This should be specific rather than general and cover all aspects of your proposed operation – ages of the children, hours of opening, fees, programme of activities, location within the area, etc. This will help to indicate the size and type of the premises you will be looking for.

To support you with this research North Somerset Council has produced a Childcare Sufficiency Assessment that can be downloaded from: <http://www.n-somerset.gov.uk/Education/Childcare+learning+and+play/leafletsandpublications/>

You may also wish to consider new housing developments that may be happening within the Local Authority. You can find out about all new developments by visiting North Somerset website.

### Market research

The aim of the market research is for you to make the right choice when beginning your new venture. You need to have very specific information and ask the right questions to the right people keep in mind the follow:

Below are some examples of questions for you to your research:

#### Your customers:

- Who are your customers?
- What age will you cater for?
- How much are your customers willing to pay?
- How many children would be attending?

#### Your competitors:

- Who are your competitors?
- Can you identify any gaps?
- What service are your competitors offering?
- How much do they charge?
- What hours do they open?
- What activities do they offer?
- How will your service be better, why will a parent want to pay for their child to attend your setting?



Why not use a simple questionnaire, visit parent and toddler groups or market research at the local schools or supermarkets (ensure you ask for permission before you do so)

### Existing provision

When looking at opening a childcare provision it is very important to see what services other provisions are offering that are in your chosen area, things to look out for are:

- Price range – are these per hour, per week or per month?
- Vacancies – by age range
- Waiting list
- Opening hours – are unsociable hours offered?
- Location – accessible by public transport, are there good links?
- Service offered
- Languages spoken

The Families Information Service can send out a list of existing childcare provisions or you can find information on North Somerset Family Information Service Directory [www.n-somersetcsd.org.uk](http://www.n-somersetcsd.org.uk).

Tel: 01934 426 330

# Looking for suitable premises in the area that you have chosen

When looking for suitable premises you should have a realistic approach to property availability and prices – it may take you some time to find suitable and affordable premises in the location that you have identified.

The local authority cannot help you find suitable vacant premises. However, we recommend you can begin your search at:

- Your local estate agents
- Your local paper
- Guides and Scout huts
- Sports centers
- Community centers
- Libraries



You can search for some of these venues via North Somerset website:

[www.n-somerset.gov.uk](http://www.n-somerset.gov.uk) – My North Somerset/Find my property and tick find my nearest: <http://maps.n-somerset.gov.uk/connect/?mapcfg=MyNS>

Alternatively you can search for property via the website 'Invest West': <http://www.investwest.org/>

Care homes or doctors' surgeries are a useful source of property as they already have their fire safety and health and safety certificates – look on the web for properties for sale in your local area.

Places of worship such as churches can also work well for childcare provision.

Before embarking on your search, give some thought to the size and type of building you require and the age range of the children you will care for.

## Planning

Once you have identified suitable premises, you need to establish that the building has the appropriate planning permission for use as a childcare provision and ensure that any recommendations from the planning department are met. Before you contact the planning department via an application, you are suggested to write a pre-application letter detailing what you propose to do. This is free and will provide you with a clear picture of whether to continue with an application or not. The pre-application form can be found via North Somerset Council website:

<http://www.n-somerset.gov.uk/Environment/planning/advice/forms1app.htm>

Make sure you include as much detail as possible. Tell them about your experience, the reasons you are beginning this project and any research you have carried out. The number of children you will register for depends on the space available, the children's age range, staff, etc. Where possible include photographs of the property and a detailed plan of the layout. The more details you have at this stage will prepare you for replying to any objections from the planning department.

Try and address the following areas. These areas will be inspected when the planning department visits.

## Your neighbours

Your neighbours will have their say in your new venture, and the planning department will contact them to inform them of the proposed plans. They may have concerns about the noise and the congestion in their street. You may want to introduce yourself to your neighbours, discover what concerns they may have and how you can solve these issues before you write to the planning department. By speaking with your neighbours first, you will be prepared with the right answers.

## Parking

Consider how parents and carers will drop off and collect their children. You will have to think about how you will avoid congestion on the road and make sure that your neighbors can live comfortably in their street. Find out if there are any parking restrictions and if there is a disabled bay.

## Converting a residential premise to a childcare setting

When looking to convert your premises to provide childcare, you may find restrictions from the planning department if there is a loss of residential accommodation. Check first with the planning department to determine the chances of your plans being accepted.

Usually converting residential premises to provide childcare can be a lengthy process that may not be approved

## Access

Good access will ensure that you do not exclude anyone from your setting. Think about wheelchair access, wide paths and ramps for buggies and prams. When designing your setting, remember to take into consideration the parents' and carers' needs – if they cannot access your site then neither can their children.

## Saturation

When completing your business plan you should have researched the need for another childcare business in your area. The planning department will need evidence of this and will investigate the existing provisions nearest to you.

Enquiries: 01275 888 811

Email: [dccomments@n-somerset.gov.uk](mailto:dccomments@n-somerset.gov.uk)

## Floor space

The number of children you can care for depends on the floor space available and the children's age range. Use the following instructions to determine how many children you can care for at one time.

1. Measure the width of the room in meters (for example 5.7 meters)
2. Measure the length of the room in meters (for example 3.8 meters)
3. Multiply the length by the width to get the area (for example 21.66 square meters)
4. Divide the area (for example 21.66) by 3.5 for ages 0 to 2 years, or divide the area by 2.5 for ages 2 to 3 years, or by 2.3 for ages 3 to 8 years



## Example:

This will tell you how many children can be accommodated in the room.

For a room with an area that measures 21.66 square meters, the number of children in each age range would be as follows:

- 0 to 2 years = six children
- 2 to 3 years = eight children
- 3 to 8 years = nine children

Full details of suitable premises, floor space and daily access to outdoor play are provided in the EYFS Statutory Framework and guidance:

<https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DCSF-00261-2008>

## Staff Ratio's

- 0 to 2 years = 1 adult to every 3 children
- 2 to 3 years = 1 adult to every 4 children
- 3 to 5 years = 1 adult to every 8 children

## Building control

You must also make sure that any building work undertaken has been completed to a satisfactory standard. Building control must inspect any major structural changes.

## For further advice contact:

Building control services

Tel: 01275 884 550

Email: [bc.info@n-somerset.gov.uk](mailto:bc.info@n-somerset.gov.uk)

# Financial viability of your project

It is important to be realistic about costs and to be aware of the cost implications of caring for different age groups. Babies and toddlers require more space, more facilities and a much higher staff ratio than for older children. Some of the costs you need to consider are:

- Purchase and lease of premises
- Cost of legal fees, architect's fees etc.
- Conversion costs
- Equipment
- Ofsted Registration
- Running costs
- Insurance
- Wages

Remember that most new childcare businesses take time to get up and running so this may mean making a loss or just breaking even for a number of months until your business is well established.

## Fee Structure

Whilst it is tempting to introduce a range of fees for differing circumstances e.g. a second child, it is advisable to maintain a structure with a minimum number of fee rates to avoid complications (both for staff to implement and parent/carers to understand). However, when considering additional rates or an increase to existing rates it is essential to consider internal breakeven points (see below) and the external forces of local competitor rates that the setting needs to be in line with.

## Calculating Breakeven Points

In very loose terms the breakeven point can be considered as the amount of income required to cover the outgoings of the setting. Once any known income, additional to the fee income such as Nursery Education Grant, are deducted from the total income required (i.e. total expected costs), it is possible to calculate the rate required to be charged per number of children attending to "breakeven".

## Sources of funding

Once you have looked at how much your project is likely to cost you need to determine how you will raise finances. The most likely source of funding is through a bank loan but you may also wish to look at

alternative funding streams and the internet is a great place to research available funding. For any funding applications you will need to develop a business plan. There are resources available to help businesses explore potential funding opportunities, you can access information via the website 'Business Resources in North Somerset':

<http://innorthsomerset.co.uk/business-resources/funding-grants>

## Business Plan

What should be in a business plan?

- **Executive summary** – The executive summary is usually contained on a single sheet of paper at the front of your business plan – it summarises what you intend to do, plus why, when and how.
- **Aims and objectives** – This short section, usually not more than a single page, sets out your overall aims and more detailed objectives.
- **Background** – It's useful to set the scene for the business plan by describing what your project/business is now, perhaps, or who you are, what your experience is and why you want to do what you are proposing.
- **Management structure** – a hierarchical chart showing staffing at your setting.
- **Market research** – This section of your business plan is one of the most important - it's where you need to demonstrate the need or demand for your new services

## Marketing strategy.

- **Strengths weaknesses opportunities and threats** – A simple 'SWOT' analysis will help you and the reader see the strengths and weaknesses of your project, as well as the opportunities and threats you should bear in mind.
- **Operational plan** – The operational plan should include timelines indicating what is going to happen, when, and who will be responsible for the action.
- **Financial information** – This part of your business plan is one of the most important - many lenders and grant-givers will read the executive summary and then turn straight to the finances.
- **Appendices** – An appendix is simply a document, attached to a business plan, which offers additional, more detailed information to that given in the body of the plan.

## Financial Record Keeping

### Introducing book-keeping

It is very important that business and personal financial records are kept separate. This makes it easier to complete your income tax returns.

The 'books' you need to keep include:

- **Cash book** – this is the place where receipts (money paid in) and payments (money paid out) each day the cash book should match the bank statement.
- **Balance sheet** – Your balance sheet is a snapshot that shows how much the business is worth at any one time. It details what assets the business owns and deducts what the business owes (known as 'liabilities'). It also gives a good idea of how solvent your business is and how it's financed.
- **Wages book** – If you employ staff you'll need to record what you pay them, as well as their National Insurance Contributions (NICs). HM Revenue & Customs (HMRC) requires all employers to calculate NICs either monthly or quarterly.
- **Fee records** – It's important to record all your fees to parents month by month, and to split them into

'fees unpaid' and 'fees paid'. This way, you can see easily what's owed to you and how quickly you were paid. Number your invoices in sequence so that each one is easy to identify.

- **Purchase records** – Your purchase records should have separate files for paid and unpaid invoices. This means you'll be able to see what you owe. Always remember to ask for an invoice or a receipt for your records.

### Budget

When creating a budget it is important not to use inaccurate figures and you will need to look at information from previous years to predict your finances for the coming year. As a minimum you should try to have budgeted figures for:

- **Income** – from fees, funding, fundraising and any other sources such as bank loans or donations.
- **Expenditure** – this includes regular costs of operating the business such as wages, national insurance, premises, utilities (bills), insurance, as well as expenditure on training, stationery and consumables.





## Cash flow

For you to stay afloat, the money flowing into your business needs to be the same as – and ideally more than – the money flowing out. This is called cash flow, and you can keep track of it by monitoring your 'receipts' and 'payments' each month:

- **Receipts** – include money you make from fees, bank loans, money you've put into the business yourself (for example, savings), money you've made from selling assets.
- **Payments** – include cash paid for buying supplies and covering expenses, repayments for loans, the purchase of assets (such as a computer), as well as VAT, PAYE, National Insurance Contributions and wages.

If the money coming into your business is less than the money leaving it, your business will fail in the long term. In the short term, you need to have enough cash on hand to pay bills.

## Annual Profit and Loss Statement

At the end of each trading period, usually a year, a business needs to look back and see whether it has

made a profit or a loss. The annual profit and loss statement provides this information.

The profit and loss summarises all income and expenditure in that year. This is the accumulation of all your other finance reports and this will help with forward planning when you come to prepare the budget for the following year.

## Further Guidance on Business Planning is available from:

### Business Link

Business Link offer advice on all aspects of business planning including, employing people, tax and payroll, registering your business and marketing strategies.

Tel: 08456 009 006

Web: [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

### North Somerset Childcare Development Advisors

Tel: 01934 634 795 or 01275 888 262

### North Somerset Family Information Service

Tel: 01934 426 300

E-mail: [fis@n-somerset.gov.uk](mailto:fis@n-somerset.gov.uk)

**“There are so many things to consider when you open  
a childcare business but none so important as  
the children themselves”**



Council documents can be made available in large print, audio, easy read and other formats. Documents on our website can also be emailed to you as plain text files.

Help is also available for people who require council information in languages other than English.

For more information phone: 01934 426 300  
or email: [fis@n-somerset.gov.uk](mailto:fis@n-somerset.gov.uk)

