



London Borough of Waltham Forest

Finance & Business procedure

Early Years, Childcare & Business Development Service

London Borough of Waltham Forest (LBWF) Early Years, Childcare & Business Development Service have written this document to help you write a finance & business policy for your setting.

This document is for reference only and you must adapt it to reflect the service your setting offers. To download guidance on other policies and procedures go to <https://thehub.walthamforest.gov.uk/> (registration required to view some content)

Additional support linked to the policy prompts below is available via the NDNA through their [Early Years Business Zone](#). This resource is free to access.

Business Appraisal Tool

Management & Organisation

- 1) Does the business have a vision statement that expresses clearly the aims of the organisation?
- 2) Does the business operate to clear and well-defined business objectives?
- 3) Has the management undertaken a recent review of its organisational structure, looking at all of the options available?
- 4) Does the business fulfil all the legal requirements for its chosen structure? (Signed constitutions, memorandum of articles, partnership agreements etc.)
- 5) Do management team members meet regularly (at least monthly) to review the organisation's objectives?
- 6) Do management team members regularly (at least monthly) monitor the setting(s) e.g. staff performance, quality fulfilling vision and objectives?
- 7) Are clear responsibilities set out in the management teams' job descriptions or clearly defined in their roles so the setting's vision can be achieved?
- 8) Can the day-to-day management team react quickly to address business challenges?
- 9) Has the setting researched the most cost-effective ways of operating across all aspects of the organisation? E.g. investing in IT or digital systems or buying in expertise rather than a manual system.

Market Research Assessment

- 1) Has the business undertaken a recent survey, within the last 6 to 12 months with current customers?
- 2) Has the business recently surveyed its potential customers?
- 3) Does the business have a good understanding of other childcare provision locally? E.g. the type of setting, Ofsted rating, occupancy levels and is provision meeting local needs (quality or sufficiency).
- 4) Does the setting have access to demographics in its catchment area and do you use this information to inform business planning?
- 5) Does the business have plans for business development based on market research?
- 6) Does the setting monitor enquiries to take up?
- 7) Does the setting follow-up potential customers who have not taken up places?

Business Planning Assessment

- 1) Has the organisation undertaken a recent SWOT exercise, or used similar tools such as PESTLE, 7S analysis, stakeholder analysis, competitor analysis/research to analyse their business performance?
- 2) Does the organisation have a number of clear annual objectives that need to be met to develop the business?

- 3) Are staff and users involved in the development of the organisation's business plans?
- 4) Has the organisation got a business plan for the current financial year that summarises business aims and objectives?
- 5) Does a member of the management team take specific responsibility for marketing and PR?
- 6) Does the business have clear documented targets for all areas of operation for the current year?
- 7) Are the targets set out in the business plan regularly monitored (e.g. quarterly or six monthly) by management team members?
- 8) Does the business undertake planning over a period of 3 years?
- 9) Does the business plan include all the following aspects: Information about the setting, key objectives and challenges for the next 3 years, product description, operational plan, sector analysis, marketing plan, financial planning, competitors, parent/other survey results, financial forecasting?
- 10) Does the business have directors/committee members, management team, employees or consultants with the appropriate skills and experience to exercise business planning and control of the business?

Financial Planning

- 1) Does the business know what it costs to operate the business, broken down to a weekly sum?
- 2) Are the costs broken down into variable and fixed costs?
- 3) Is the business able to provide an accurate assessment of its true staffing costs?
- 4) Are all other costs accurately recorded?
- 5) Does the business have a pricing strategy that reflects the cost of the service but also takes account of demand and competition?
- 6) Can the business identify its break-even point in terms of sales (by volume or by value)?
- 7) Does the business have a monthly forecast for profit and loss?
- 8) Does the business base income forecasts on operational experience and/or on solid market research?
- 9) Has the business accurately forecasted income based on occupancy ensuring that any discounts have been considered?
- 10) Is the business able to make accurate cash-flow forecasts?
- 11) Does the business have a strategy for managing cash flow?
- 12) Does the business produce an annual budget for the setting?
- 13) Is the budget broken down by suitable cost centres to allow financial monitoring to take place for individual elements of the business?
- 14) Does the business set profit/surplus targets?
- 15) Does the setting have an understanding of the levels of additional staffing in place to support children with additional needs at all ages? E.g. SEND, English as an additional language (EAL).
- 16) Does the business make provision for increases in business costs, particularly business rates, rental or lease charges, mortgage interest rates?
- 17) Does the business understand the impact on the budget of the different proportion of fee paying and funded places?
- 18) Does the setting consider 3 year forecasting within the business planning process taking into account potential increases in income and expenditure e.g. inflation, minimum wage increases?
- 19) Does the setting have a clear long-term strategy for pricing?
- 20) Does income from fees cover all of the running costs of the business?
- 21) Does the business make a profit or a surplus?
- 22) Does the business make enough profit or surplus to satisfy committee trustees/shareholders/owners, or to build up reserves to cover future investment?
- 23) Are occupancy levels above 75%?
- 24) Does the childcare organisation have an accessible and affordable fee structure?
- 25) Does the organisation allocate money for staff training in finance?

26) Does the setting invest any additional funds in order to achieve the best return?

Funding and Fundraising

- 1) Does the business make information available to parents regarding help with childcare costs e.g. tax-free childcare?
- 2) Does the setting use the entitlement funding as effectively as possible e.g. stretching the offer over longer periods of time?
- 3) Has the setting explored a range of delivery models to use entitlement funding as effectively as possible e.g. extending opening hours.
- 4) Has the setting explored additional funding to cover ongoing start-up or expansion costs?
- 5) Is the need to explore for external funding for business expansion linked to the business plan?
- 6) Has a list of suitable, potential primary and secondary funders been identified?
- 7) Does the business have access to support to enable funding applications to be developed?
- 8) If any funding is in loan form, can the business show clearly how repayments will be made?
- 9) Does the business have the resources to monitor the use of grant funding and report to external funders?
- 10) Will external funding make enough of a difference to the organisation to warrant the efforts involved in application and monitoring of grant funding?
- 11) Has the business considered additional and alternative income streams? E.g holding events for parents, small charges for additional services e.g. mothers and father day gifts, Christmas gifts, trips and extra activities such as sports, language classes?

Financial Management

- 1) Does the business have an accounting system that is suitable for an organisation of its size (with computerised systems if appropriate)?
- 2) Does the business have partners/directors/committee members, employees, consultants and auditors with the appropriate skills and experience to exercise financial management and control of the business?
- 3) Does the business have internal policies and controls that meet financial regulations?
- 4) Does management receive regular reports monitoring performance against budget?
- 5) Has the business recently reviewed its banking arrangements?
- 6) Is cash in and out of the business recorded regularly and analysed using cost-codes?
- 7) Are bank and cashbooks reconciled at least monthly?
- 8) Are summaries of income and expenditure in the form of management account reports made available regularly to the management team?
- 9) Are accounts summaries clear, distributed and understood by all management team members and budget holders?
- 10) Does the business have clear procedures for writing off irrecoverable bad debts?
- 11) Has the business taken account of all of its potential tax liabilities?
- 12) Is the business adequately insured and is its insurance reviewed annually?
- 13) Does the business have a clear policy and process for recovering bad debt/late payment of fees?
- 14) Does the business regularly undertake financial forecasting e.g. quarterly in order to secure long-term sustainability?
- 15) Does the business have a reference to a policy on debt recovery and late payments in the parental contract?
- 16) Has the business taken steps to tackle any bad debt that exists as a result of poor cash-flow management?

Premises

- 1) Does the organisation have at least 5 years' security of tenure on their premises?
- 2) Does the business have a formal rental agreement?

- 3) Does rent comprise 25% or less of annual turnover?
- 4) Do current premises provide scope for future expansion?
- 5) Does the organisation have a cost-effective rolling programme of servicing, inspection and testing of mechanical, electrical and safety installations and equipment?
- 6) Is there a person responsible for maintenance and is this included in the budget?
- 7) Has the business reviewed the existing space available in order to identify whether there is scope to take on additional children?
- 8) Does the business have a management action plan to respond to any threat to the use of premises e.g. notice to leave, flood, storm damage?

Employment

- 1) Does the setting regularly review the number of staff needed to respond to changes in the levels of occupancy of places across the whole setting?
- 2) Is staff turnover less than 20% per annum?
- 3) Does the business have a strategy for retaining staff?
- 4) Has the business developed a staffing structure and a sustainable wage structure?
- 5) Does the business work within the law regarding employment of staff?
- 6) Is the business aware of the rights of its employees and the responsibilities that it has as an employer?
- 7) Does the business undertake all responsibilities regarding Pay and Tax Credits, Student Loan Deductions and National Insurance
- 8) Is the business aware of its responsibilities regarding Statutory Sick Pay and Parental Leave Pay – and does it make contingency plans for occurrences?
- 9) Does the management of the business consult with staff regarding employment issues?
- 10) Does the business provide a staff pension and ensure budgets are allocated accordingly?
- 11) Does the business have a procedure for managing sickness absence?
- 12) Does the business have plans and contingencies for responding to increase in the minimum wage and in the use of apprenticeships?
- 13) Has the setting accurately calculated the cost implications of sick/parental leave and adjusted financial planning accordingly?
- 14) Has staff pay been evaluated against local trends to ensure pay is competitive, affordable and attracts and retains quality staff?
- 15) Are pay increases considered alongside revenue and other costs?
- 16) Does the business evaluate costs relating to staff turnover and recruitment year-on-year (including costs for agency staff)?
- 17) Does the business set targets to retain staff?
- 18) Does the setting employ its own bank staff?
- 19) Does the setting offer incentives to encourage retention and if so are these evaluated annually to look at cost versus benefit?
- 20) Does the setting offer flexible working balanced on business needs? e.g. Part-time, term-time only, split shifts, flexible shift pattern, full-time equivalent hours over four days, minimum hours with flexibility to work additional hours.
- 21) Does the business regularly review the current balance of levels of qualified and unqualified staff and consider the cost implications?
- 22) Is the mix, of full and part-time staff, changed regularly to meet the changing needs of the setting?

Recruitment

- 1) Does the business have a clear recruitment policy and set of procedures to follow when recruiting new staff?
- 2) Are job descriptions formulated within the overall staffing structure of the setting?

- 3) Are person specifications developed to not only attract qualified and experienced staff, but to also balance out staff team skills?
- 4) Does the organisation have a standard application form that can be used for all positions?
- 5) Are posts advertised widely and cost-effectively?
- 6) Does the organisation take up verbal and written references on all recruits as well as undertaking Disclosure checks?
- 7) Does the business have a clear policy for developing the career path for staff including support for achieving higher levels of qualifications and is this budgeted for?

Registration

- 1) Does one member of the management team take lead responsibility for registration and inspection?
- 2) Does everyone involved in the setting – including staff, parents and children – have an appropriate understanding of the Early Years Foundation Stage Framework?
- 3) Does the business have to hand, the appropriate guidance documents on registration and inspection?
- 4) Does the organisation review all their policies and procedures on a rolling and regular basis?
- 5) Does the business fulfil all of its other statutory EYFS and inspection requirements?
- 6) Does the childcare business provider know where to access advice and support in preparing for registration? Select Yes if your setting is already registered.
- 7) Is the setting aware of statutory notifications they must adhere to e.g. RIDDOR, disqualification etc?

Quality Assurance

- 1) Are the actions from the most recent Ofsted inspection completed?
- 2) Is the business working towards a quality assurance accreditation?
- 3) Does the business review CPD undertaken by staff over the year to ensure it is value for money, and to enable the business to plan/budget for future training requirements?
- 4) Does the business undertake parental satisfaction surveys in order to improve practice?
- 5) Are comments, concerns and complaints monitored and any actions fed through to business improvement plans?
- 6) Are complements used as testimonials to promote the business?

Marketing

- 1) Is the business clear about the profile that they want to present?
- 2) Does the business have a clear idea of their unique selling points?
- 3) Can the organisation clearly identify their target market?
- 4) Has the business considered using the following marketing and publicity opportunities? e.g. social media, website, word of mouth, community events, links with local businesses and schools, leaflets and posters, publications, banners, advertising, other online presence such as Mumsnet.
- 5) Does a member of the management team take specific responsibility for marketing and PR?
- 6) Does the business have a marketing, communication and publicity strategy that complements and underpins all areas of work within the organisation, and is not just treated as a superficial add-on?
- 7) Does the business allocate sufficient budget to undertake effective marketing?
- 8) Does the organisation regularly evaluate their marketing efforts? E.g. six monthly
- 9) Does the business use the response to parental satisfaction surveys to inform its marketing approach?
- 10) Does the setting review and analyse the interface with the public/potential new customers e.g. how strong and visible is the brand and do parents recognise it as a mark of quality?
- 11) Are staff who respond to parents enquiries appropriately trained and is success of conversion per staff member analysed?
- 12) Does the setting have an established procedure to follow when responding to enquiries?

