Making it all add up -

A Sustainability Resource for Childcare Providers

Pobal, Early Education Childcare Unit
with the support of the City/County Childcare Committees
April 2011

Transforming Ireland

Funded by the Irish Government under the National Development Plan 2007-2013

National Development Plan 2007 - 2013

Office of the Minister for Children and Youth Affairs
Oifig an Aire Leanaí agus Gnóthaí Óige

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SECTION 1 INTRODUCTION

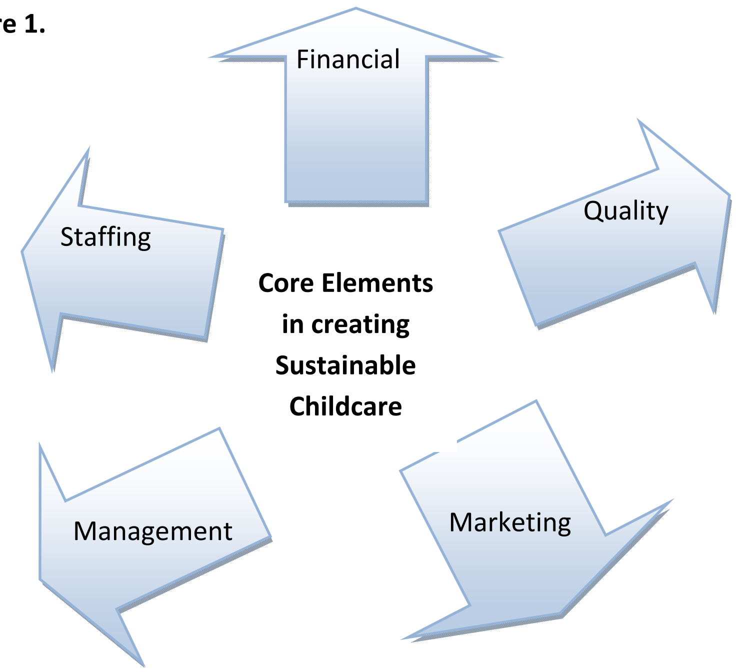
1.1 Why this resource?

Pobal engages with over 900 community childcare services and more than 3,000 private providers, and is aware, through financial reporting, compliance visits and general feedback from beneficiaries, that many early education and childcare services are faced with serious challenges, with sustainability being an issue now more than ever before. As well as contending with the very challenging economic environment and the implications for their business many providers are feeling that they are 'running just to stand still', having to cope with the circumstances along with new funding schemes and arrangements, quality and curriculum frameworks, workforce development, etc.

The main purpose of the resource is to assist services to face these challenges - to give contextual information to support facilities in evaluating sustainability in their facilities and to provide some practical mechanisms. This process will involve a level of frank self-evaluation and will require providers to critically question what services they offer, how they operate, how much they cost, what can they afford to offer in terms of service provision etc.

The resource is an effort to offer a practical guide to addressing the elements that comprise 'sustainability' (outlined in figure 1, by no means exhaustive). We hope to assist services to continue to be creative and resourceful and to deliver good quality services to the children, families and communities they serve.

Figure 1.



1.2 How to use the resource

This resource aims to define what is meant by 'being sustainable', how to effectively manage an early education and childcare service and / or facility and how to achieve long term financial stability.

The resource is compiled into a number of sections, each of which provides tangible links to the over-arching sustainability theme.

- Defining and examining the fundamentals of sustainability;
- Defining and implementing policies and procedures to support a sustainable service;
- Continuous monitoring and evaluating the impact of strategies on the long term sustainability of the service and / or facility.

This resource offers a variety of tools - **worksheets, samples and practical exercises -** that can be downloaded and printed for individual use. Dotted throughout the resource, the reader can browse the various sections and pick and choose the aspect of sustainability that needs to be prioritised at any given time.

1.3 Who should use this resource?

We hope this resource will be of use to both community and private providers. Reflecting current funding conditions and procedures applying to community childcare facilities, some of the aspects within the financial management sections may not be relevant to private providers.

SECTION 2 THE RECIPE FOR SUSTAINABILITY

2.1 What is Sustainability?

To run any service or business successfully, it needs to have a sound operational foundation. At a minimum the service needs to, if not immediately, at least ultimately, meet its costs.

This resource suggests that “sustainability” is a key component of the operational foundation and defines sustainability using two key parts: **adaptability** and **capability.**

Adaptability refers to how a service can adapt to varying conditions. Such changes can relate to changes in the economy, changes to national funding schemes, changes in parent/family profiles and changes to the overall early education and childcare needs of the community. In the current economic climate, for example, providers have tended to see a fall in demand for some types of services and a consequent impact on operation of the service offering and / or income. Part of being sustainable is being able to adapt to such changes.

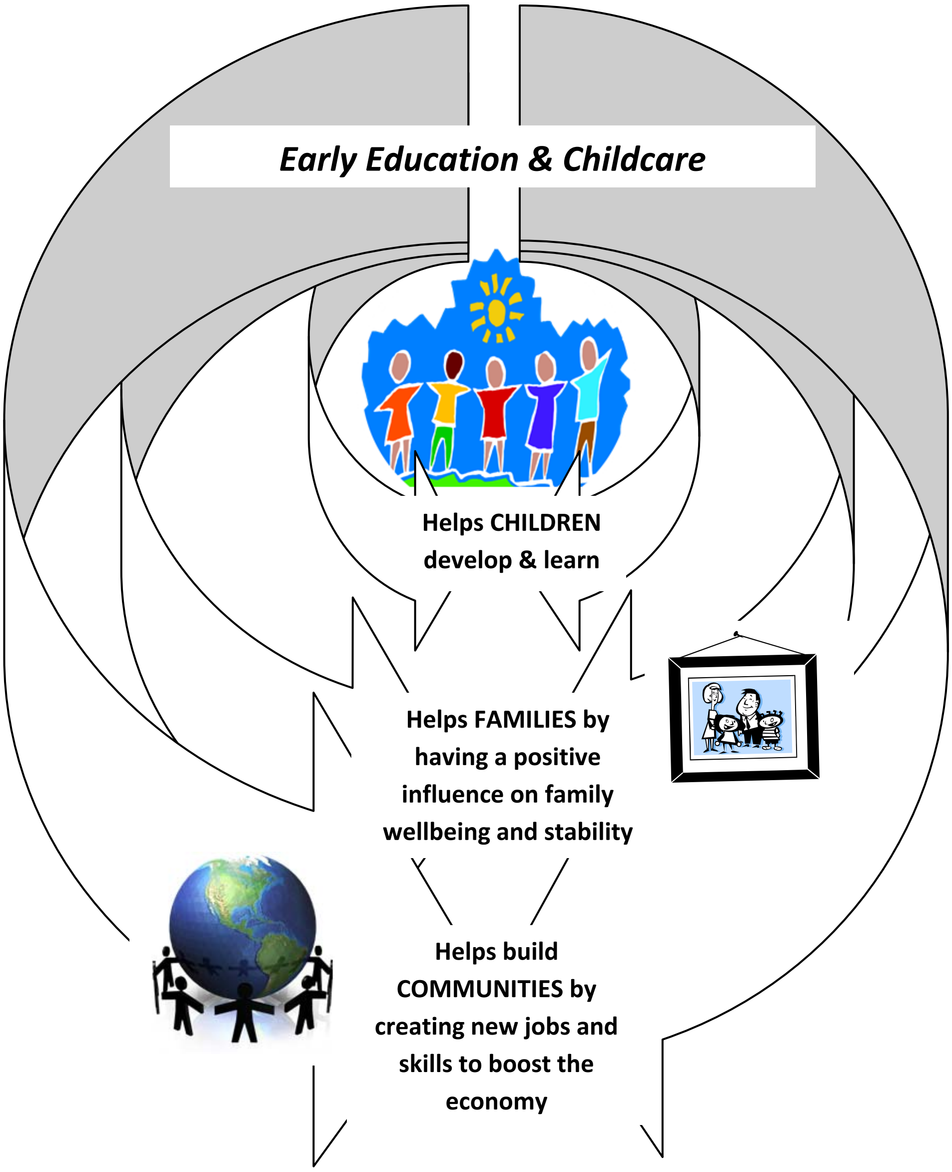
Capability acknowledges a providers ability to successfully steer the service through difficult times. It is important for providers to have available to them the knowledge, the skills capability to recognise problems as they arise, to plan accordingly and to implement the required changes, including possibly making tough decisions on service levels, staffing or fees.

Sustainability means being able to keep a service or facility functioning for the long-term. Can your facility carry on? Will it survive into the future? How does it respond to changes in its operating environment, including changes in demand, changes in income, funding or regulations?

2.2 Why we need sustainable services?

The demand for childcare has evolved over the past number of years with the vast changes in Ireland’s economic infrastructure and demographic profile as well as a greater emphasis on early education and work force development. Early education and childcare is now much more a part of Ireland’s economic and social life and is recognised as making an important contribution to the child, the family, community, society and the economy as a whole.

Figure 2.



2.3 The importance of Community Childcare

This importance is reflected in tangible ways. The Free Preschool Year in Early Childhood Care & Education (the ECCE Scheme) for example will provide places for approximately 90,000 preschool children on an annual basis over coming years. The National Childcare Investment Programme (NCIP) has directly supported 75,000 places of which well over 40,000 were in community based facilities which have a particular emphasis on providing early education access for disadvantaged children. Over 25,000 were new places generated from the NCIP and most of the balance was generated under the previous programme the Equal Opportunities Childcare Programme. These developments are evidence of how thinking and policy about the importance of early education and childcare have been moving on.

2.4 How policy in Ireland supports sustainable early education and childcare

Two reports published in 1999 brought the childcare sector into the policy arena for the first time. *The National Childcare Strategy* considered the wide range of childcare services available to birth to 12 year olds and the White Paper on Early Childhood Education*, Ready to Learn,* focused on the early educational needs of children from birth to six years. In 2006, the Office of the Minister for Children and Youth Affairs (OMCYA) was established. The role of the OMCYA is to improve the lives of children under the National Children's Strategy and bring greater coherence to policy-making within the sector.

2008 saw the development of the Community Childcare Subvention Scheme (CCSS) now known as the Community Childcare Scheme (CCS). The Scheme succeeded the Equal Opportunities Childcare Programme (EOCP) staffing grants to community childcare services. Its aim is to enable community childcare services provide quality childcare services at reduced rates to disadvantaged parents. Services are required to operate a fee policy based on the operational costs of the service, with reduced fees for parents who qualify for subvention. The benefits of CCS are twofold - these universal payments reduce the childcare costs for eligible parents and CCS will improve the overall financial sustainability of childcare services. The mainstreaming of the CCS shows a commitment by the Government to sustainable community childcare, as well as a clear focus on those identified as less advantaged in society.

Figure 3. The Childcare Policy Actions in Ireland

Childcare Education and Training Support (CETS) - In 2010, the Office of the Minister for Children and Youth Affairs introduced a new childcare support scheme, the Childcare Education & Training Support (CETS) scheme. The scheme commenced in September 2010 and supports the childcare needs of participants in training and educational courses operated by FÁS and Vocational Education Committees (VECs). The scheme is open to private and community services which are participating in the ECCE and/or the CCS, as well as stand alone after-school services. Terms and conditions and guidelines to the scheme can be found on the OMCYA website, www.omcya.ie

Compared with other EU countries, early education and childcare policy making in Ireland has a relatively short history. The primary policy focus in the last 10 years has been on how childcare benefits labour market participation and contributes to addressing disadvantage. Government has been attempting to design childcare policies on a 'tailored universalism' basis. 'Tailored universalism' sees the provision of quality services as available to all but with additional supports provided to those disadvantaged. The key challenge to implementing such a concept remains the high cost of early childcare care and education provision in Ireland.

SECTION 3 QUALITY MATTERS

Quality of childcare includes standards of health and safety, staff-child ratios, parental involvement and curriculum approach. Traditionally, the understanding of what constitutes "quality" has been very diverse without a very clear agreement or definition. . Some, for example, valued experience over qualifications, although a consistent finding in research is that the qualification level of the staff is the most reliable indicator of quality. Parents, have a tended to rely on a personal recommendation in choosing a service, with convenience and dependability also important as criteria for parents.

The work of the government through the Centre for Early Childhood Development and Education (CECDE) to bring about a consensus view, involved comprehensive consultation throughout the sector. The outcome of this process was the Síolta national quality framework to support and guide childcare practitioners with clearly defined quality standards.

3.1 Síolta - The National Quality Framework for Early Childhood Education

Síolta was developed and published in 2006 by the Centre for Early Childhood Development and Education (CECDE) on behalf of the Department of Education and Science. It is a quality assurance process which addresses all aspects of practice in early care and education services. It is designed to support practitioners to develop high quality services for children aged birth to six years and is relevant to all early education and childcare settings.

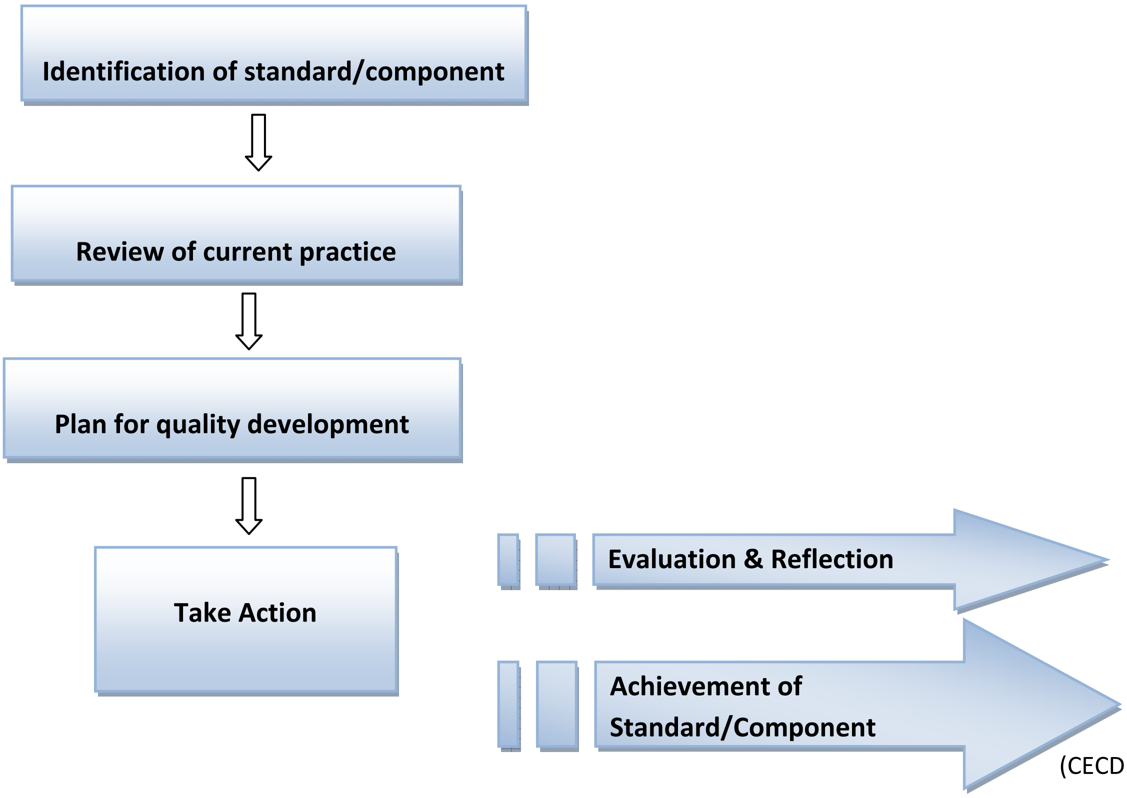
Síolta is a set of national standards for early childhood education which is intended to provide support and guidance for all those working with, and on behalf of children. For the first time in Ireland, Síolta provides a set of quality standards that can be applied across a diverse range of settings for children aged from birth to six years based, on the most up-to-date Irish and international research evidence.

Since the publication of Síolta, many services and individual practitioners have engaged informally with the Framework. This informal engagement has been supported by the dissemination of Síolta documentation and a large number of Síolta information workshops across the country.

Throughout 2010, a central part of the implementation plan involved the induction of a number of Síolta Coordinators across the country. Coordinators will be appropriately qualified and have significant experience in delivering ECCE service to children and families. The role of the Síolta Coordinator is to provide mentoring and guidance to services which are engaged in the Síolta Quality Assurance Programme. Síolta Coordinators have been employed to roll out Síolta under the various National Voluntary Organisations as well as some other specialist organisations.

The Síolta framework has been designed around twelve principles of quality. These are accompanied by sixteen national quality standards which cover the areas of practice to be addressed. The additional components of quality relate directly to the quality standards and act to break them down into more focused parts.

The Síolta handbook outlines the developmental cycle childcare providers should follow in the quest for quality childcare;



(CECDE, 2006)

Assessment and evaluation for quality is fundamental to the success of Síolta. For childcare providers, this assessment will involve both formal (in the form of inspection or a validation system) and informal considerations (for example keeping records/journal, progress chart of achieving goals etc).

Each individual Síolta standard defines an area of practice which can be reviewed by practitioners within a service. A plan is then developed that will enhance the current practice in this area. There are many ideas for enhancing practice that do not involve any monetary cost to the service. Services may feel that the current economic downturn is not the best time to focus on improving quality in their service. Some may feel that their service cannot afford to focus on quality improvements because their immediate concern is sustainability. However, a service can enhance practice in many ways without incurring cost, to work towards reaching a high overall standard without impacting on sustainability of the service. Some aspects of quality, for example, hiring qualified staff, purchasing suitable equipment and maintenance of the building are necessary investments for all childcare facilities. Any 'investment' in quality needs to be factored into future planning.

3.2 Introducing quality on a shoe string budget

Having a quality service does not have to cost a fortune. There is a wealth of activities and novel ideas that can enhance quality at no cost at all. Taking into consideration the sixteen principle standards of Síolta, services can tease out ideas to enhance practice that will not incur cost. Below are some innovative ideas on how to promote quality on a shoe string budget using a number of Síolta standards as examples.

Standard 6 – Play
'Promoting play requires that each child has ample time to engage in freely available and accessible developmental appropriate and well resourced opportunities for exploration, creativity and meaning making in the company of other children, with participating and supportive adults and alone, where appropriate'.

- Dramatic play activities e.g. 'home corner' or acting out children's own stories.
- Exploring insects outside, letting the children take the lead.
- Imaginative play and improvisation games. For example, giving the children using a single toy or instrument, get the children to act out a play.

Standard 5 - Interactions
'Fostering constructive interactions requires explicit policies, procedures and practice that emphasise the value of process and are based on mutual respect, equal partnership and sensitivity'.

- Organising small group mixed-age activities. For example play-doh with 2-4 year olds to promote language development of the younger children.
- Developing an approach to conflict resolution for dealing with instances where children fight or hurt each other.
- Developing a strategy to supporting a child who has difficulty joining in a group or socialising with the other children.

Standards 3 - Parents and families
'Valuing and involving parents and families requires a proactive partnership approach evidenced by a range of clearly stated, accessible and implemented processes, policies and procedures'.

- Organising a parent evening to invite their views about a new policy on food /eating
- Inviting grandparents to visit the service by arranging a special appointment day.
- Inviting parents to volunteer their time on day outings etc.

Standards 16 - Community Involvement
'Promoting community involvement requires the establishment of networks and connections evidenced by policies, procedures and actions which extend and support all adult's and children's engagement with the wider community'.

- Organising a group outing to the local library to borrow new books for the service.
- Linking with local PHNs to ensure that they have up to date information about your service and know about current vacant places etc.
- Organising a visit to the local national school for children that will be starting there the following September.
- Organising a visit to a local business. For example, a bakery or a florist.
- Establishing links/networks with other childcare providers in the area for information sharing and help promote the value of early years care and education in the community.

Detailed information on Síolta can be found at www.siolta.ie, by contacting your local County/City Childcare Committee or any of the National Voluntary Organisations. Full contact details for these can be found on www.pobal.ie

The National Council for Curriculum and Assessment (NCCA) have recently developed a curriculum framework, **Aistear**, designed specifically for early education, for planning learning experiences for children aged from birth to 6 years of age. It is designed for use in all early childhood care and education settings including the home, crèche, nursery, play-schools, pre-schools (for example High-Scope, Montessori or Froebel approaches), Naíonraí and Junior Infant classes.

Both the Síolta and Aistear frameworks have a clear and specific purpose; Síolta focuses on all elements of quality in childcare settings, e.g. parents and families, transitions, environments, Aistear focuses on the curriculum development and providing appropriately challenging, positive and enjoyable learning experiences for children from birth to six years. Both frameworks compliment and support each other and childcare providers may consider incorporating the Aistear curriculum to plan new learning activities, which will also support their implementation of Síolta.

In conclusion, Síolta and Aistear together can be used in tandem to benefit quality enhancement of services. Embarking on the implementation of Síolta or Aistear does not necessarily incur cost to a service, and can therefore be initiated without adding further to sustainability concerns in the context of the current recession.

Detailed information on Aistear can be found at www.ncca.ie/earlychildhoodframework

SECTION 4 FINANCIAL MANAGEMENT – BASIC PRINCIPLES

This section is about the link between a service's effective financial management system and ongoing sustainability. The following sections then look at specific elements of financial management in more detail.

4.1 What is financial management?

Financial management is the use of financial information, skills, and methods to make the best use of an organisation's resources. Early education and childcare services, like all organisations, need strong, effective financial management systems.

There is one simple reason to understand financial management and planning in your business (whether you operate on a profit or not-for-profit basis) - to avoid failure.

Every director, board member and staff member of an early education and childcare service would like the idea of having access to a large endowment/generous benefactor, reserve cash in the bank, and a surplus at the end of every year - unfortunately, most of us know that this might be a dream instead of reality. Without these tangible signs of financial strength, how can you know if your service is financially healthy?

Having a large budget or complex accounting system doesn't always result in good management and long term success. Just as our personal health depends on our behaviour, so the financial health of an early education and childcare service depends on management behaviour - policies and practices.

Though there may be occasional deficits, or periods of tight cash flow, the following characteristics are good signs that your organisation is being financially managed and will (most likely) be financially healthy over the long term:

1. Board of directors and management team hold themselves responsible for long term stability in both service and financial performance.
2. Each board member understands their roles and responsibilities in financial matters.
3. A realistic and well-considered budget is prepared and approved by the board.
4. Budgets are prepared in tandem with planning for services and operating needs.
5. Management team and board are committed to manage with the goal of an operating surplus each year.
6. Consistent, accurate and timely financial reports are prepared and analysed by qualified individuals.
7. Management team and the board monitor financial results as compared to the budget and modify services and activities in response to variances.
8. Management team realistically plans and monitors cash flow so as to be able to meet obligations.
9. Financial policies are in place that establish, or have specific plans to establish, an operating reserve to finance cash shortfalls and service growth.
10. Policies are established for major financial decisions and adequate and appropriate internal controls.
11. Management team is committed to compliance with all required legal and funder reporting.
12. The board and management team regularly review short-term and long-term plans and develop goals and strategies for the future.

There are four elements to an effective financial management system as outlined in Figure 4 below. If you want to assess your facility, there are a number of key questions in each section which you should use to carry out a self-assessment/evaluation of your current financial systems. This will help you to build and enhance managing your finances. **The key to successful financial management is to develop good, quality practices and procedures – and keep things simple.**

Figure 4.

References/websites relating to good financial management practice

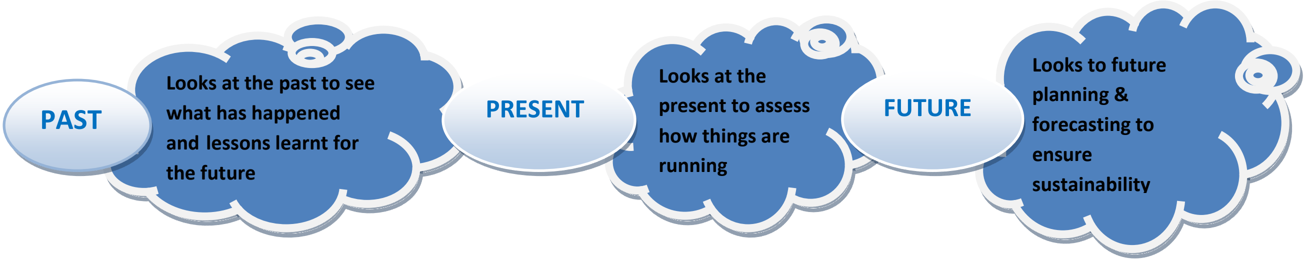
1. Mango - www.mango.org.uk/Guide
2. John Cammack (2007), Building capacity through financial management, Oxford: Oxfam; Financial Management for Development: accounting and finance for the non-specialist in development organisations; Basic accounting for small groups: with exercises for individuals and groups.
3. Kate Sayer (2007), A practical guide to financial management**,** London: Directory of Social Change.

4.2 How your facility can maintain strong financial management

Your childcare service needs to have in place and maintain a robust financial system that provides a record and account of all your financial activities by:

- Giving regular financial reports to all those who have a right to know what your service / organisation is doing with its funds.
- Accounting for funds by documenting proof of receipts and payments.
- Showing that the money is being spent on the purpose it was intended.
- Not taking on financial obligations it cannot meet.
- Taking all necessary precautions to prevent inappropriate use of funds; and that there are good controls that safeguard you and any staff.
- Planning for the future.

When a childcare service analyses its finances, it is important that it...



Basic financial skills are essential in order to keep accounting records and to provide financial information that is required by law, but if financial management skills are shared throughout your facility, they can also lead to empowered staff, better overall quality and improved sustainability.

Some basic self-evaluation to get you started...

Do you use a financial management system that is effective in showing your cashflow - how your finances are spent and how they are generated? If the answer is no, how have you been managing your finances?

Are you aware of the four stages on financial management – planning, book keeping, controls and reporting?

Have you developed policies & procedures which help you separate your approach to finance management into these four parts?

Are your financial systems allowing you, your Board, staff as appropriate get an overall picture of your financial position?

Take the time to note down lessons you could learn from past and present actions which will help you plan for a more sustainable future.

SECTION 5 PLANNING & BUDGETING

This section will cover the steps you need to take to properly plan and set budgets for your childcare facility. It is the first step your facility needs to focus on in managing your finances. This section will help you to:

- **Set your financial objectives**
- **Set your budget including contingency**
- **Identify all your costs including establishing your unit costs**
- **Manage your cashflow**

5.1 Budgeting

A budget is a planning tool and it generally comprises of information on income, expenses, assets, liabilities and cashflows. It helps to express an organisation's objectives in financial terms for a fixed amount of time. Once a budget is prepared, you can then use the budget as a monitoring/tracking tool that allows you to compare projected costs against actual costs and it easily highlights any discrepancies (positive and negative).

Tips for Budgeting

1. Budgets should be completed prior to the start of your financial year. They should reflect the objectives and intended activities for the forthcoming year.
2. Setting the budget in a clear way can point to actions that are needed such as additional fundraising or reducing costs on planned activities.
3. Once completed the budget should be signed off and approved by your management committee. Staff should be made aware of the objectives and funding available to meet them.
4. Once the financial year starts, maintain a budget statement to compare budgeted spend to actual on a monthly or quarterly basis.
5. Be mindful that your budget is linked to the reporting requirements of OMCYA/Pobal and other funding organisations.

5.2 Steps involved in planning your budget

a) **Set objectives**. Clearly define what is it you want to achieve in the coming year - e.g. increase childcare places, longer opening hours, introduction of a school age service? Involve all staff members if necessary. Be realistic. Add notes to the budget to show how calculations were made. Always show what income and expenditure is guaranteed (such as confirmed grants etc, definite attendees, staff wages, rent)

b) **Set agreed budget allocations (€)** per budget heading for the year ahead i.e. wage costs, (number of staff, full time or part time) administration, utility costs, equipment etc.

For example, you may need to increase wage costs to coincide with additional places being provided – how many additional staff hours will be required to meet this objective? How will an increase in staff impact on other aspects of the budget e.g. administration costs, advertising, and recruitment? How will increasing the number of childcare places affect food costs, utility bills, materials and equipment costs etc?

c) **Identify delivery costs.** Understanding your current delivery costs is an important step to building a financially sound childcare service. It allows childcare providers to make realistic projections on future cost and can also assist you develop an effective fee policy and structure.

> A general tip - the more cost headings used (i.e. the more detailed the breakdown), the greater your facility's ability to analyse where the bulk of your costs are, which in turn will help inform strategic decisions for future spending.

A key consideration when it comes to expenditure is to clearly distinguish between what are known as 'core' costs and 'variable' costs in the budget breakdown - this distinction is very important for future planning.

CORE COSTS are costs incurred in a business regardless of the level of activity it is involved in. Examples include electricity, heating, rent and rates, staffing costs including training.

Staffing costs: The largest area of expenditure for all childcare facilities is staff wages. Making an analysis of staff costs is crucial for budgeting and planning. Irrespective of fluctuations in the numbers of children attending the service, paying staff is a constant cost for services. However, bear in mind that the number of staff you employ will be affected by the preschool regulations on adult/child ratios set out by the HSE.

HSE Preschool Regulations			
Pre-school service	**Age of children**	**No. of adults**	**No. of children**
Sessional services	0-1 years	1	3
	1-2.5 years	1	5
	2.5-6 years	1	10
Full/part-time day care	0-1 year	1	3
	1-2 years	1	5
	2-3 years	1	6
	3-6 years	1	8

When analysing staffing costs, providers need to ensure they calculate the *full* cost of employing staff and not just the basic wage costs, e.g. pension, PRSI, holiday pay.

Over to you…

Calculate the full cost of staffing your facility by completing the template in Appendix 2.

Rents and rates: This is likely to be the next largest proportion of expenditure. Costs here will vary according to rental rates, mortgage rates, utility and maintenance charges.

Rent and Rates: It is recommended that lease agreements should be for a minimum of five years and that there is some negotiation in relation to rates, particularly if the landlord is the Local Authority or a community enterprise. Those making mortgage payments should consider possible fluctuations in interest rates and how they would impact on the overall financial situation of the service.

Training: A childcare facility should invest in its workforce through training and development. The workforce in the early years sector in Ireland has experienced significant changes in both its qualifications profile and work environment in the last decade. For budgetary planning purposes, childcare facilities should factor staff training costs in their annual budgets. It may be beneficial to complete a skills/training/qualifications audit of staff. This exercise will prove useful in getting a comprehensive overview of the following;

a) What qualifications have each staff member?
b) What training has each staff member?
c) How long is it since staff received some training?
d) Does the 'mix' of training/qualifications in your facility offer the level needed to provide a quality service?

Consideration should be given to the qualifications requirement of the Free Preschool Year e.g. that Room Leaders only are required to hold a Full FETAC 5 by end of August 2012.

An audit of staff training/qualifications will also inform managers if the service is working towards meeting the training obligations associated with participation in the Free Preschool Year. It may also flag to managers the need for action; e.g., if a facility is very dependent on a particular staff member who has all the required qualifications, is there a contingency plan if that person should leave? Or is support needed for some staff who have not engaged in training for a long period?

Over to you...

Outline your current staff qualifications/training levels by completing your own skills audit in Appendix 3

Equipment/capital: Depreciation of equipment needs to be part of the financial planning process to ensure sufficient money is put aside to replace equipment over time. The best approach for effective use of equipment is to keep an up to date equipment inventory. This is normally referred to as a **fixed asset register**. It should state the date on which equipment was purchased, the cost at purchase date, supplier name and any other identifying marks such as serial numbers, etc.

Why not try to…

Complete the Fixed Asset Register for your facility in Appendix 4 and get it up to date.

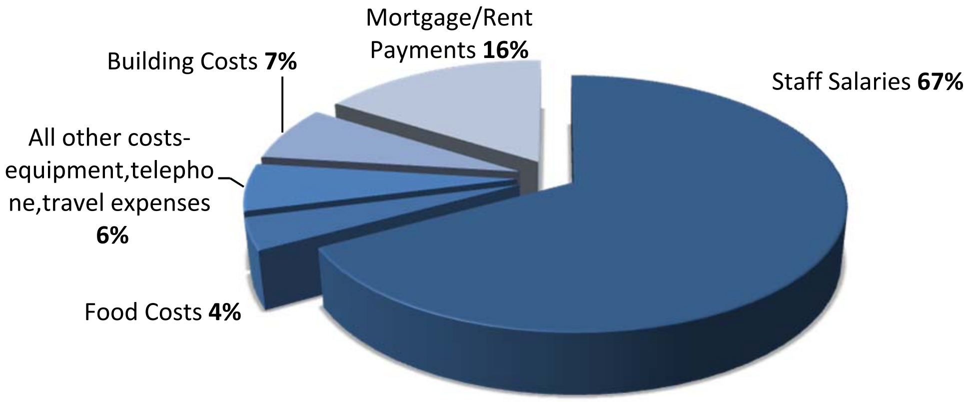
Where the maintenance and replacement of equipment/materials is concerned, staff need to be mindful of health and safety standards and ensure all equipment and materials meet the national quality standards.

The Child Care (Pre-School Services) Regulations 2006 outline the standards of health, safety and welfare that must be in place before care services can commence in any facility. The regulations cover fundamental areas such as child/adult ratios, premises and facilities, child/floor space ratios, ventilation, sanitation, food, safety measures, facilities for rest and play, insurance and discipline. The HSE is responsible for inspecting all childcare services which cater for children aged 0-6, under the Child Care (Pre-School Services) Regulations 2006. Further information on these standards and regulations can be found on www.hse.ie and www.dohc.ie. Barnardos have also produced some useful publications on these issues, sourced at www.barnardos.ie

VARIABLE COSTS are those costs that are directly associated with a operating your facility. Variable costs change with activity. The best example is food. It should be noted though that variable costs generally amount to a small percentage of overall costs.

The following chart is a simple breakdown of overall costs of a typical childcare facility as defined by the National Children's Nursery Association (NCNA) (2007)[1]

Figure 4. A Breakdown of Childcare Services Costs (NCNA, 2007)



Appendix 5 contains an example of a budget for a childcare facility, taking into account all the cost headings above.

Remember ...Budgets help to:

- Set objectives
- Assign executive responsibility
- Plan the activities to achieve the objectives
- Compare actual results against the plan
- Take corrective action
- Review and revise plans in the light of changes
- Put 'budget monitoring' on committee members' agenda at all meetings

5.3 Full Cost Recovery

An alternative method for identifying your delivery costs is full cost recovery. Many childcare facilities may not be too familiar with the term 'full cost recovery' but most would be familiar with other similar terms such as 'making ends meet' or 'balancing the books' –all of which essentially mean the same thing. In terms of allocating and determining costs, full cost recovery is more important now than ever before for community childcare services involved in CCS who now have to

[1] The NCNA figures are based largely on private providers. However, these figures will still provide a useful indication of the spread of costs for a service in this sector.

work out their operational costs including the cost of providing a full time equivalent childcare place in order to cover these costs through fees and subvention.

What is Full Cost Recovery?

Full cost recovery means recovering or funding the full costs involved in running your facility. The recovery needs to happen on an ongoing/predictable basis and ongoing monitoring of changes in costs/income and adjustments need to happen to make sure that it is always balanced.

> The full cost of your organisation includes both the direct costs of *all* your services and *all* your overheads. Therefore, the full cost of *each* of your services (full-time places, school-age places etc.) includes both the direct costs (staff, rent etc) and a portion of overheads (light, heat, etc).

Under full cost recovery, overhead costs are analysed and allocated across the different services you deliver. For example, you may operate a number of different types of service such as preschool, Montessori or a school age service in which case full cost recovery would involve dividing costs across all three services. Alternatively, the childcare facility may only be part of wider community/family services your organisation offers from within the same building. For each different service, it is important to allocate a portion of overhead costs associated with providing those individual services.

Direct costs of the activity/service + **A relevant proportion of overhead costs** = **Full cost of the activity/service**

Unfortunately, across the voluntary sector many organisations are not achieving full cost recovery. Instead, they are only recovering the direct costs of their services. This leads to a constant scramble to try and recover overhead costs in way that may work in the short-term but that are not sustainable for the long-term. For example, dipping into the overdraft facility or regularly dipping into the training budget to cover electricity costs etc.

Benefits of full cost recovery

If services are not recovering the full costs of your facility, you are creating a deficit for your facility and putting at risk the future sustainability of your facility. Full cost recovery enables you to set fees for your services that reflect the true cost of delivering those services. More importantly, full cost recovery will help organisations avoid the pitfalls that result in:

- Generating shortfalls in funding by using random percentages for management costs etc.
- Cost conversion – attempting to repackage or submerge overhead costs as direct costs involved in operating your facility

- Cost contribution – scrambling to try and recover overhead

Some major benefits of full cost recovery include;

Appropriateness

Understanding the true cost of your services will enable you to have a more informed dialogue with funders.

Sustainability

Calculating more realistic & accurate costs will benefit the long term **sustainability of your facility.**

Accuracy

Improved management of your costs by knowing the full cost of delivering services.

Steps to Achieve Full Cost Recovery

Four Basic Steps in Starting to Think about Full Cost Recovery

1. Decide whether your facility provides different 'cost segments' i.e. do you deliver services for different groups of children – preschool, school-age, babies etc.?
2. Identify all the directs costs for each service
3. Decide how to share the overheads out for each service
4. Add up all the costs

By implementing full cost recovery, your childcare facility can develop an understanding of the true cost of your service. Such an understanding is essential for effective financial management and future planning for all types of childcare facilities.

Take some time to complete this exercise ...

Take a look at Appendix 6 which is a sample of a Full Cost Recovery template for ABC Childcare - could you apply the same approach to breaking down your cost structure?

The concept of full cost recovery may not suit every childcare service but in the quest to establish the unit cost or a full time equivalent cost, it is worth working through the templates to see if it can give you a clearer understanding of your total costs in running your facility and putting you in a more secure place to achieve long term sustainability.

Establishing your Unit Cost

The unit cost is the cost of producing one unit of a product or service. When the service you are 'providing' is a childcare place, this language may seem quite alien, but understanding of this concept is important. A term that is more widely used is the 'cost of a Full Time Equivalent (or FTE) childcare place'. Services that have been participating in the CCS will be familiar with having to calculate the 'FTE' as part of the service return to OMCYA. This is exactly the same as the 'unit cost' and establishing the unit cost is something that you must undertake to enable you to plan for the delivery of a service and to be in a position to be able to review and modify the service over time. The unit cost will provide the service with the specific cost of how much income it needs to generate per childcare place it is offering in order for it to 'break even'.

In simple terms, **if you know that it costs your service €160 per week to provide an FTE childcare place, you know that you need to recoup *at least* €160 per place per week just to balance the books.**

To calculate the unit cost or cost per FTE place, you must begin with the projected annual budget already established.

One of the simplest ways to work out the cost of an FTE is to take your budgeted costs (nett of other income) for the current year, divide this by the number of weeks parents pay fees, and divide again by the number of full time equivalent childcare places filled.

FTE = Budgeted Costs/weeks open per year/No of FTE places

If we take the example of ABC Childcare, as per the sample budget in Appendix 5, the figure shows that their total expenses per annum are €308,800.

If ABC Childcare is providing 33 full time equivalent childcare places, fees are charged over 52 weeks a year = one full time childcare place will cost €308,880/52 (weeks a year)/33 (childcare places) = €180 per week.

What's it looking like for your service?

Using the example of ABC Childcare, take the time to calculate the unit cost or cost per FTE childcare place for your service. Remember you will need
-Projected budget
-Number of FTE childcare places available

5.4 Adding in Contingency Costs

A contingency cost is a cost built into your projected budget for unexpected situations when income could decline or when costs could increase.

The issues that arise for which a contingency is required by childcare providers under CCS/Free Preschool Year are

- Change in parental profiles under CCS changes between parental bands for example from band D to band A)
- Change in number of children attending
- Unexpected maintenance costs (i.e. boiler breaks down, repairs, flood damage)
- Change to staff wage costs etc as a result of for example, more staff to meet child/staff ratios or new higher qualified staff.

How much contingency to add?

When community providers submit their annual service return to the OMCYA they are required to include an amount to cover contingencies. Most facilities base their contingency budget on a percentage of their overall expected cost, for example 10%.

Be aware that the higher the amount allocated to contingency, the higher the FTE cost will be resulting in the service having to charge parents higher fees. Your facility needs to be careful not to set its contingency too high, (detrimental effect on parents paying fees), or too low (leaving facility vulnerable to changes in parental profile or other unexpected costs).

Services are advised to look back over the previous couple of year's activities to try to ascertain the levels of contingency required to meet the changes encountered - patterns/trends should become clearer and should assist the service in setting a realistic contingency % for the coming year.

How contingency affects final FTE cost

Using ABC Childcare (see Appendix 5) as an example, we have included a basic contingency of 10% of total costs so the FTE cost will increase as follows;

€308,800 + 10% (€30,880) = €339,680

FTE with built-in contingency: €339,680/52wks/33 FTEs = €198

Some more food for thought when setting a contingency budget;

- Expected price/going rate parents are willing to pay in the area. For our example of ABC Childcare, if parents were unwilling to pay more than €200 per week for a full time childcare place it would be futile for the service to set its contingency above 10% of overall costs.
- Parental profile. Does the community service have a high level of band C or D parents? Is there anything happening locally that would have an effect on the ability of these parents to continue paying?
- Have a review of your Fixed Assets Register, how old is the equipment or building? This will affect the likelihood of maintenance/repair costs.

Over to you…

Using the three points above, take some time to decide on the level of your contingency budget. Remember, it may take few attempts and will involve lots of variables for consideration to get it right.

Top tips for setting Full Time Equivalent Costs

- Complete your budget for the next financial year, listing all expected costs.
- Add a percentage for contingency to overall costs.
- Define your expected attendance, and the number of weeks parents pay fees.
- Divide total expected costs + contingency by total fee paying weeks + full time equivalent childcare places (i.e. 2 part time places equal one full time equivalent place).

For ABC Childcare- total expected costs of €308,800 + 10% contingency of €30,880 = total cost €339,680 /total fee paying weeks (i.e. 52wks)/number of FTE places per week.
[Note: 2 part time places equal 1 FTE. Three sessional places equals 1 FTE]

5.5 Setting Fees in Services Participating in CCS and/or Free Preschool Year schemes

Parents who do qualify for one of the CCS subvention rates will pay fees based on the cost of running the service less the subvention rate they qualify for.

Table 1. CCS Bands and Rates (from September 2010)

Session time	Band A	Band A (Jobseekers)	Band B	Band D
Less than 2.15 hours	€16	€16	€8.50	0
2.15 to 3.30 hours	€33	€33	€17	0
3.31 – 5 hours	€50	€50	€25	0
5.01 plus hours	€100	€70	€50	0

Currently session times are classified as follows;
5.01 hrs plus = 100% of FTE
3.30 – 5.00 hrs = 50% of FTE
2.15 – 3.29 hrs = 33% of FTE
2.14 hrs or less = 16% of FTE

Therefore if a Band B child attended ABC Childcare for 3.30 hours per day for 5 days a week ABC would charge the parent as follows;

€200/33% = €66 less subvention rate of €17 = total cost to parent €49 per week

Table 2. Summary of all costs to parents based on a FTE of €200

Session Time	Cost of providing service	A	B	D
Less than 2.15	€32	€16	€21	€32
2.15 hrs to 3.30 hrs	€66	€33	€43	€66
3.31 hrs to 5 hrs	€100	€50	€65	€100
5.01 plus	€200	€100	€130	€200

Table 3. How much to charge under the Free Preschool Year

Session time	ECCE child	Full Rate Non ECCE
Full day care	€151.50 (50 Weeks) €135.50 (38 weeks)	€200
Half day	€41.50 (50 weeks) €25.50 (38 weeks)	€90
3 hour sessional place	0	€70
3 day full day care	€71.50	€120
Other options 3.30 morn	€5.50	€70

How to text your way out of unpaid parental fees

Collecting fees from parents is something that all services struggle with. Late payments and non-payments are not situations services can afford to tolerate.
One provider has come up with an innovative and successful way to tackle this issue.

Parents pay fees each Friday. If fees are unpaid by Monday a text is sent to the parents. This usually results in a quick response.

If a parent still has not paid by Thursday, a second text is sent. If there is no response by the following Monday, a letter is sent to the parent asking for immediate payment or a meeting to discuss the arrears.

If a parent has a reasonable case, they will come to some arrangement e.g. the parents pay the current fee and something off the arrears.
Text messages are sent out centrally minimising embarrassment for parents.

After 4 months, bad debts/arrears decreased by 75%.

A very simple solution to a frequently difficult problem – Could this be an initiative your facility could benefit from?

The importance of a budget statement

As demonstrated earlier, a budget helps plan the best use of resources, anticipates your funding needs and monitor day-to-day operations. Once the budget is in place, you will be able to spot any differences between actual costs and budgeted costs from your budget statement.
A budget statement compares your original budget with actual expenditure over your financial year. It highlights areas where you could either over or under spend along your budget lines.

Over to you…

Compare your own budget statement with the budget statement of ABC Childcare in Appendix 5. If you are under- budget in some areas and over- budget in others, you need to ask yourself;

- Were budgets set correctly at the start of year?
- If yes, why is there such a large variance in expected expenditure?
- Have all budgeted activities been undertaken? If not, why not?
- Have suppliers amended their prices? Is it time to seek new suppliers?
- Has some unexpected event occurred that affected budgeted spend Vs actual spend?
- Should budgets be adjusted to allow the under-spend from one budget line to meet the over-spend in another cost?

Failure to react to variances highlighted in your budgeted statement could lead to:

- shortfalls in available funding later in the year;
- the cancellation or delaying of some intended activities;
- or highlight errors in your original forecasting.

All of which will have a negative impact on the sustainability of your facility.

5.6 Cashflow Management

In addition to budgeting, your facility needs to manage its cash flow. **Cash flow management is based on the *estimation* of inflows and outflows throughout an accounting year**. A cash flow budget also allows you to;

- Estimate if you have enough cash to pay bills as they fall due,
- Highlight if you may need to avail of a temporary over draft facility,
- Renegotiate when bills are paid,
- Consider new capital items that may need to be purchased, or
- Delay the commencement of planned activities.

A cash flow budget expands your original budgeted income and expenditure calculations to include an end of month cash balance. For the end of month cash balance, deduct total income from total expenditure; add this to the opening balance as per bank reconciliation form to find the expected closing balances per month. The following month's opening balance will be last month's closing balance, and so on.

End of Month Cash Balance = Opening Balance + (Total Expenditure – Total Income)

Basic rules when preparing a cash flow budget

- Keep it relevant- one of the simplest ways to prepare your cash flow budget is to start with last year's actual spend, making any necessary adjustments for inflation, or any other changes you have planned for this year, such as extra childcare places, new staff, incremental pay rises etc.
- If starting new, prepare your cash flow budget for approx 6 months ahead. This should minimise guesswork and keep information relevant.
- Have several budget projections, including best case (number of children increases), worst case (capacity is not reached), and most likely scenarios. Think about how this could affect the ongoing sustainability of your facility.

Two samples of best case scenarios and worst case scenarios are included in Appendix 6.

How cash flow management aids sustainability

- Cash flow management forecasts both anticipated revenues and expenses that allows you to predict when you are likely to have cash or when you might need it.
- It allows for clearer planning for items such as long term affordability of planned/incremental changes to salary costs, additional fund raising activities that are required, or feasibility of planned capital investment.
- Cash flow management helps in eliminating uncertainty associated with the availability of cash.

Poor cash flow management post budgeting is a symptom of why some businesses are not sustainable. They may look healthy on paper but may not process enough 'working capital' to continue running the day to day business.

Below are some common difficult scenarios faced by many childcare facilities and some suggested solutions;

Service opens all rooms available & employs a full complement of staff but does not have the attendance to justify use of all rooms and staff employed

It is not economical to be over-staffed or operate a room in your service to cater for one or two children. Being compliant with HSE regulations remains your priority. In this scenario you may have to turn some children away until the service reaches full capacity

Service allows parents too much time to settle their account

You should try to initiate a practice of prompt payment from parents for all fees. Communicate this to all parents. Explain why and stick to it! Discourage the practice of 'flexible' attendance (e.g. parents changing days of attendance on a weekly basis)

Service extends opening hours to facilitate a small number of parents and therefore incur additional staff costs

If you are opening your service late in the evening to accommodate 2 children for example, you need to weigh up the cost of paying staff to work the extra hours. This situation may not be sustainable

Consider this…

If you find your projections are leading to a negative cash flow ask yourself the following:

- Can staff become more flexible to change their hours to suit the service's needs?
- Can you source cheaper suppliers (e.g. food, equipment)?
- Can your facility sub let rooms in the evening to supplement income?
- Is there a delay in collecting fees?
- Can you renegotiate payment schedules with suppliers?

SECTION 6 FINANCIAL BOOK KEEPING

We have learned the importance of financial management in the sustainability picture. Poor financial management is often the result of the lack of, or total absence of, good financial book keeping. The main objective is to have a record of all financial transactions in a way that makes them easily accessible and that provides an accurate picture of your facility's financial position. The golden rule of record keeping is to keep and record all invoices and bills that you pay. These will form the basis for your financial and account record keeping.

Financial records enable you to track your progress towards your goals and provide you with the information needed to make decisions.

6.1 Steps to successful book keeping

Introducing monthly accounting routines helps to ensure that the level of record keeping covers everything your service needs. They need not be too complicated and should reflect the size of your service and fulfil the information you are required to keep for any funding body, your accountant and any possible audit you may undergo.

Top Tips for Book keeping

- Keep all original invoices and receipts. For invoices write date paid and cheque number on face of invoice. File in cheque number order.
- Print off hard copies of your cheque payment journal, cash receipts book and bank reconciliation on a monthly basis. Ensure two members of staff sign the hard copies, and keep on file.
- Do not lose track of monies owed to you, or owed by you. Keep clear records of all outstanding debtors and creditors.
- Make sure more than one person understands the financial records well enough should the main finance person not be available.
- Do not keep cash on the premises. Bank lodgements should be made routinely.
- Always update, compare and revise your actual income and expenditure to your budget statement and cash flow.

Here is a useful exercise…

Set out a monthly routine for your facility's record book keeping which should include;

- Cash receipts book and Cheque Payment journal. These give a daily listing of money coming in and going out of your account.
- Bank records – i.e. bank statements provided by your bank. Complete bank reconciliations from the information in your cash receipts book and cheque payment journal, NOT from your bank statement.
- Payroll details.
- All invoices and receipts.
- Details of money owing to you (debtors) and money you owe to others (creditors).

SECTION 7 FINANCIAL CONTROLS AND RECORDS

Having a robust book keeping system in place is relatively useless if you have not considered your financial controls. **Financial controls are the written rules and procedures that inform staff and management what should happen – who can do it, when and how.** For example, who can sign a cheque, who maintains the cashbook and petty cash? Financial controls are the financial and management systems which aim to protect your facility's property and minimise the risk of error and theft. Financial controls also help to protect your reputation.

7.1 Key financial controls

It is the responsibility of the owner of the facility, childcare manager or Board of Management to ensure there are good financial controls in place. In many not-for-profit facilities, financial controls are seen to be unnecessary as everyone trusts each other. Whilst trust is important, financial controls are needed to demonstrate to stakeholders and funding bodies that effective use is being made of all funding received. A list of key financial controls can be found in Appendix 7.

Top Tips for Good Financial Controls

- Know the importance of allocating and separating out financial duties.
- Keep cash, cheque books and personal information safe and secure
- Maintain a fixed asset register.
- Keep all Board/Management Committee minutes, clearly document any decisions made at meetings
- Keep documented controls relevant; ensure staff understand their importance.
- Be aware of the possibility of fraud – make staff aware of policies in relation to reporting fraud, and possible action if fraud is detected.

7.2 Understanding fraud

Fraud - using an organisation's money, goods or services for personal gain.

Most childcare/community groups or small self-employed providers place a high level of trust in their staff. It is important to recognise that fraud/theft still does happen and there is a necessity to put procedures in place - prevention being better than cure….

Examples of fraud include

- Altering or forging cheques,
- Using company cheques to make personal payments,
- Claiming for travel costs not incurred,
- Theft of cash or equipment

The damage done by fraud can be calculated in terms of the amount stolen, but the real damage is to your organisation's reputation. If it goes undetected, fraud can have a detrimental affect on your overall sustainability and long term success.

How to recognise fraud

It is impossible to detect all fraud, but if you maintain tight financial controls you should at least be alerted when things are 'not right'. Regular review of budgets, budgeted statements and cash flow projections should highlight if figures are following the expected pattern.

Recognise Fraud

Be suspicious of;

Inaccurate/out of date accounting records

Missing bank statements, invoices, receipts

Change in staff behaviour

Minimise Fraud

Build random checks into financial procedures

Make it easy for staff to share concerns

Ensure staff understand your financial controls

Respond to Fraud

have clearly defined policies

specify how staff can voice concerns

Specify when the Gardai should be informed

Identify a person who will be responsible for any investigations

7.3 Financial Reporting

As finance plays such an important role in any organisation it is important you have a clear understanding of financial reports, what is included in a set of financial reports and how to understand and read the information contained within them.

Why financial reporting is important

- It provides information to help you make decisions
- It safeguards the assets of the company
- It forms part of compliance with the Revenue Commissioners requirements, the Government's Working Compliance Act and your contract with Pobal

Financial statements

A set of financial accounts provide insight into the performance of your facility and allows you monitor its financial position throughout the year. Generally, there are four main sections.

Section 1 – The Primary Statements. This includes the Profit and Loss account, also called the Income statement, the balance sheet and the cash flow statement. These are the 3 key financial statements included in a set of accounts;

1. **The Income Statement (Profit & Loss A/c) shows what has happened in your service for the last financial year.** It shows the statement of performance, income less expenses equals surplus/deficit over the last financial year. It lists revenues and subtracts from them the period's expenses. A positive balance results in a surplus, a negative balance indicates a deficit

2. **The Balance Sheet is a statement of the financial position of your service and it lists everything you own and owe.** It is broken down betwee**n Assets** (fixed assets such as property, current assets such as cash in bank, debtors owed to you etc)**, Liabilities**, items that you owe to others, (such as creditors, bank overdrafts, loans etc.) **Equity –** the amount invested in the facility, retained profit (surplus) and any amount due to owners of the business/how assets are owned etc. The Balance sheet MUST balance.
Remember: -Liabilities + Owner's Equity = Assets.

3. **Cash Flow Statement shows how cash is managed** – (remember cash is the life blood of any business, most business fail due to lack of cash) - while the Profit and Loss/Income statement may show a surplus/profit remember a surplus/profit does not repay loans, cash does. The cash flow statement shows how much cash was generated from operating your facility for your financial year.

Examples of all these financial statements are contained in Appendices 7, 8 and 9.

Throughout this section, we have focused on the importance of understanding your facility's income, expenditure and the full cost of operating your various services i.e. your direct/core costs and your variable costs.

SECTION 8 HOW TO MARKET A CHILDCARE FACILITY

We have already noted that one of the key characteristics of a sustainable childcare service is that it has an understanding of the current childcare 'market'. This section of this resource examines this aspect of sustainability more closely and gives guidance on how to explore your market, assess the demand and promote your service so that it is utilized to the fullest by the local community.

For community childcare services in particular, it may seem strange to use terms such as marketing, product, competitors and customers, terms that might seem more suited to the world of business. These concepts are the same no matter what product or service you are offering and a childcare service that fully examines the 'market' in which it operates is far more likely to succeed.

8.1 What is Marketing?

For both rural and urban facilities, marketing is about *attracting families to use your service* - who your potential families are, how many of them there are, working out how to reach them and letting them know about your service.

Marketing is also about *understanding your environment and your competitors* to find that point of difference that will attract customers to your service over your competitor, marketing is more than selling and advertising.

8.2 Developing a Marketing Plan

Childcare facilities that are successful in marketing invariably start with developing a marketing plan. In the absence of a marketing plan, marketing activities are often reduced to advertising that are not well thought out and often ineffective. Your marketing plan's objective is to outline and identify advertising activities that are most effective in reaching parents in your local area.

In addition, a marketing plan allows you to fully understand your local childcare needs (e.g. afterschool versus preschool) and advertising taste (e.g. flyers versus word-of-mouth). By better understanding your target families, it ensures that you are able to use marketing messages that meets those parents' needs. Below are some effective steps to help develop a clear marketing plan for your facility:

- Understand the environment in which your facility operates. For example understanding the strengths and weaknesses of your facility (e.g. its location, the age range catered for, the added extras like pick-up from school) and examining the external factors such as competitors (is there sufficient school-age care locally?) And economic factors (e.g. local employment levels).
- Decide which market segment to target by examining the types of families, and their needs, in your community. This will help you to 'target' your services to the right families.
- Examine the current trends in the childcare sector – what is the growth rate of childcare services in your area, what are the trends in use of crèches, childminders, etc. Are other services full? Is there an under- or over-supply of particular types of childcare or of childcare for particular age groups?
- Work out how you will reach and secure new customers by spending time on your marketing techniques including advertising.

- Keep in mind your existing customers' satisfaction
- Seasonality of the market – be mindful that enrolment may be higher at certain times of the year.
- Competition- know your competition and what is their target market, and what are their strengths and weaknesses.

8.3 Understanding your Environment

Understanding the external environment in which your facility operates is key to future planning. A **PEST** analysis is a tool adopted by businesses to help identify the main opportunities and threats in the market. To carry out a PEST analysis, make a list of the main *external* threats and opportunities for each of the following areas:

Political and legal changes e.g. new regulations and laws
Economic factors such as interest rates, economic growth and local business growth.
Social factors include the cultural aspects such as population growth rate, age distribution, and local employment levels.
Technological factors e.g. advances in technology such as the internet, mobile phones etc.

The next step is to have a clear understanding of the *internal* strengths and weaknesses in your facility. For example a key strength may be the highly qualified staff employed and a weakness may be the turnover of staff.

A **SWOT** analysis combines the external factors (PEST) and internal factors to give an overview of the strengths, weaknesses (internal), opportunities and threats (external) within your facility.

You will find huge benefit in completing a SWOT Analysis, inevitably it results in new ideas that you probably won't have previously thought of.

Strengths	**Weaknesses**
Quality service	Inadequate fees structure
Stability of service - funding, staff	Higher than ideal staff/child ratios
	Poor planning
Experienced staff	Not making best use of Room 2
Good reputation	
Good location next to local school	High staff turnover
Opportunities	**Threats**
New housing estate opening up	Increase in competition
Increase in young families moving to the area	Decline in local economy affecting fees
Higher demand for OOS service	Local schools enrolling children at a younger age
Opportunities for moving/expanding to bigger premises	
Potential for additional preschool children participating in ECCE scheme	

The SWOT analysis can then be used to generally develop your facility and help you focus on:

- Promoting your strengths through marketing
- Reducing your weaknesses by implementing improvements in particular areas
- Making the most of opportunities that arise
- Acting on/planning for any threats that are forecast for the future

Over to you…

Take the time to complete a swot analysis for your own childcare facility by filling out this table

Strengths	**Weaknesses**
1	1
2	2
3 etc.	3 etc.
Opportunities	**Threats**
1	1
2	2
3 etc.	3 etc.

8.4 Understanding Marketing Objectives

Developing a series of marketing objectives involves exploring what you hope to achieve through your marketing plan. For example, targeting new families to the area in an effort to increase your profit margin or targeting the local primary schools to increase the number of school aged children attending the service. In general, objectives should follow the SMART rule:

Specific – be precise about what it is you're trying to achieve.
Measurable- you need to be able to check whether you have reached it or not.
Achievable- objectives should be realistic. Whilst targets should always stretch your limits a little, there is no point in being too ambitious.
Realistic/Relevant- you must have the resources needed to achieve your objectives. Remember the key resources are usually the people involved and access to funds.
Time - you should always set deadlines for achieving your objectives.

An example of a SMART objective could be:

Objective: – By the end of 2010 to develop two new advertising activities to attract new parents to your childcare facility.

How is this a SMART objective?

It is **Specific** – Says what the facility will do (develop a marketing/advertising plan to attract new parents).
It is **Measurable** – States how many advertising activities to be completed.
It is **Achievable** – Management/provider has the necessary funds and resources available.
It is **Realistic/Relevant** – Links with the facilities overall goal to increase childcare places and attract new families to the area.
It has a **Timeframe** – Specific deadline given of the end of 2010.

8.5 Know your customers

Knowing your customer will help you successfully market your service. The more you know about parents' expectations, the easier it is to develop and enhance your service to meet their needs, at the same time keeping the child at the centre of the service. You need to gather as much information about your customers as possible. Remember to include existing as well as potential new customers! If you are a new facility, look at the client base of the neighbouring facilities. It will give you a general idea of the parent profile in your area.

Parents make childcare choices based on their perception of value of the service. Value is assessed by factors such as quality, cost, and reputation. So it is important to consider why a parent might choose your facility over another – what's in it for them?

When asking this question, some general observations may include;

- Cost/affordability
- Consistency and quality of care
- Low staff turnover
- Flexible opening hours and convenience
- Small groups and more individual care

Remember…
The key to success is knowing your customers' needs, marketing these needs and providing the service that fulfils those needs.

If you understand the market well, you can effectively break it down into different segments. For example, you can categorise the families in your local community into those with school aged children and target primary schools and local leisure centres, cinemas, supermarkets and libraries to market your facility.

Also look at your existing customers. Ask yourself who they are, where they come from and what attracts them to your service. This gives you a place to start looking at gaps/needs in your facility. On a periodic basis, 'check in' with existing customers to see if you are continuing to meet their needs or if those needs are changing

Over to you…

Build up an accurate profile of your parents. In your analysis include any information you can gather on:

- Parental age
- Occupations / work patterns
- General household income
- What is important to your parents – Accessibility, location, curriculum?

This is a good starting point to completing your parental profile of current parents and factors to consider with new, potential parents.

8.6 Know your Competitors

A fundamental rule of effective marketing is to know your competition. Being competitive is making sure that the local community uses the service being offered and that parents are provided with choice. You should begin by getting a breakdown of your potential competitors including their operating hours, fees, types of services provided and their location.

Look at your competitors' strengths and weaknesses (in your view) and compare them to your own. You can then use this information to look at areas of your service on which you may be able to expand and/or enhance.

A little self-analysis here…

To build up an accurate profile of your competitors, ask yourself;

- Who are your major competitors: both direct and indirect such as childminders?
- How long have your competitors been operating?
- What benefits can you offer parents over competitors?
- How is the competition's business doing?
- What are their strengths and weaknesses?
- What types of waiting lists exist?

This is a good starting point in determining the competitiveness of your service.

8.7 Marketing your Facility

Once you have decided on your marketing objectives and identified your competitors, you need to focus on how to market your facility. Many businesses find it helpful to think in terms of the four Ps of marketing;

Product: what your service offers that parents value. Are you meeting their needs?
Pricing: what you are charging parents for your service?
Place: how and where your service is delivered. This will include looking at where the market is for childcare, accessibility in the area etc.
Promotion: how do you reach your customers and potential customers? Examines the methods of advertising you may want to use.

Once you have considered the four Ps, the next step is to consider a plan that uses advertising and word of mouth as a means to promote your facility.

Tips for Advertising

- Use short, descriptive language that clearly identifies your facility, its location and price
- Use catchy phrases to attract interest
- Set yourself apart from your competitors by emphasising qualities other local providers may not have.

Advertising Techniques - The more costly forms are advertising on local newspapers or radio. If your budget doesn't stretch this far, don't be discouraged. There are plenty of other inexpensive and equally effective alternatives. These include:

- Flyers, brochures, business cards and advertising in local directories or the yellow pages.
- City/County Childcare Committees (CCCs) maintain directories of services that they make available to parents who enquire so be sure that your service is included.
- One of the most informal but effective forms to market your facility is through networking/word-of-mouth - having satisfied customers talking about your service is the best advertising campaign!

8.8 Implement your plan and make it happen

This will involve setting out a schedule of key tasks – outlining what will be done, by whom and by when. Without clear objectives, allocation of tasks and specified timelines, you may get bogged down in day to day tasks and lose sight of your marketing plan. It is essential to review progress regularly and learn from your mistakes so you can improve your plans for the future.

Your marketing plan will provide you with a building block to help you adapt what you do in order to better meet the needs of local families.

Best Practice for Marketing your facility

- Define your facility
- Define your market
- Develop specific steps to reach your market
- Use cheap and free advertising if possible
- Begin marketing now. Don't wait until you have vacancies!

SECTION 9 - STAFF & MANAGEMENT

There is no underestimating the role that both the staff and management team play in the success and sustainability, or otherwise, of an early education and childcare service.

Often people managing childcare services find themselves in the position of being employers without any formal training and without the necessary knowledge, skills or experience. It is the management committee's responsibility, or in the case of private providers - the manager/owner, to fulfil all legal obligations to its employees. Major decisions about employment conditions e.g. recruitment and selection, salary scales, discipline, changes in policies, reconfiguring the services etc., cannot be delegated - these decision must be carefully considered in the light of all relevant information, including what the legal requirements are and what is generally held to be good employment practice. The management committee/manager is responsible for ensuring that these decisions are carried out fairly, and to be accountable for them.

9.1 Employment Policies

The development of policies which support good employment practice provides a sound basis for building strong employment relationships. The board or committee is responsible for developing these policies and should do so in consultation with staff. Good practice policies should include statements that the organisation:

- Supports human rights legislation
- Is an equal opportunities employer
- Follows defined personnel practices (e.g. code of conduct, performance appraisal, supervision, disciplinary policy, conflict resolution)
- Has rules about confidentiality and protocols
- Has workplace health and safety provisions
- Encourages staff development
- Makes provisions for family-friendly and flexible work.

All employment-related policies can be encapsulated in a staff handbook, and/or as part of the organisation's policy manual. If a staff handbook is used, individual staff employment agreements can be developed in conjunction with the handbook. The handbook is then reviewed on a regular basis as part of the organisation's routine cycle of policy review.

A good quality staff handbook that provides clear information on organisations' human resources policies and procedures can be a beneficial starting point for ensuring that staff understands how decisions are made and potential implications for their terms of employment.

9.2 Good Communication

Clear, transparent and regular communication processes need to occur between and across all levels of an organisation - they help everyone involved to feel that their contribution is valued. Good communication processes can also help avoid the build-up of conflict, and may often mean a situation can be diffused well before a problem develops.

Communication needs to be a genuine two-way process - staff who feel they are able to have input into the operation and development of the organisation will be more productive, will be more likely to deal better with stress, and will respond positively to change.

Some useful references/websites

Irish business and Employers Confederation (IBEC) - www.ibec.ie

Irish Congress of Trade Unions (ICTU) - www.ictu.ie

Dept. Enterprise Trade and Innovation (DETI) - www.deti.ie

Barnardos - www.barnardos.ie

Wheel - www.wheel.ie

9.3 Managing Change

'It is not the strongest species that survive, nor the most intelligent, but the ones who are most responsive to change' - Charles Darwin

Even though the matrix outlined here talks in terms of an organisation and formal structures, regardless of how big or small your own business or organisation it is likely the same principles and factors apply.

Four key factors for success when implementing change within an organisation are described below:

Pressure for change – demonstrated senior management commitment is essential. There must be pressure for change – a driving force. The need for change has been identified, the decision to proceed has been taken, and this now needs to be communicated throughout the organisation. Get senior management signed up to the change. And communicate this to all staff – giving them the opportunity to feed in their contributions and feel that they have joint ownership of the change being implemented.

'Leadership is getting others to do what you want them to do because they want to do it' - Eisenhower

A clear, shared vision – you must take everyone with you. This is a shared agenda that benefits the whole organisation. For change to be effective, it needs to be implemented at all levels; embedded in the culture of the organisation. To keep colleagues with you and not against you they need to be motivated and you need to understand what motivates them. You should never forget that change is a major cause of stress amongst the workforce. Staff will usually respond well to challenges (that they feel they can meet!); it's fear of the unknown that raises stress levels. Getting staff motivated to support the changes that are to be implemented is therefore crucial for success. Staff, their managers and senior managers are all motivated by similar things. They do not, however, necessarily place them in the same order of importance. These 'motivators' include pride, happiness, responsibility, recognition, security, success, and, of course, money. The trick in successfully managing change and getting the commitment and support from staff is to provide these 'motivators' for your staff – or at least as many of them as possible.

Capacity for change – you need to provide the resources: time and finance. Capacity here means resources and these are staff time and, where appropriate, money. To implement change you need to identify the resources that will be required before you proceed and make sure these are provided. Often, the cost benefits from implementing efficiencies can provide the financial resources for an ongoing programme of improvement. It is usually the organisation's own employees that have the information, intuition, ideas and instincts necessary for implementing change effectively. When given the capability and the opportunity to participate in improvement programmes, it is employees who often can find the greatest cost savings and efficiency improvements.

Action – and performance – 'plan, do, check, act' – and keep communication channels open. Having got the other three factors in place (pressure, a clear shared vision and capacity) you now have to implement the planned change. Keeping up momentum is what matters here and implementing the agreed changes is essential. Good monitoring and analysis of the results is likewise important - making sure you continue to keep employees informed of progress.

'We are what we repeatedly do. Excellence then, is not an act, but a habit' - Aristotle

Factors for Failure

Don't forget that it is important to be cognisant of some of the factors for failure in managing change; this can help identify problems more rapidly, and can show where initial action should be concentrated:

- Lack of consistent leadership
- De-motivated staff kept in the dark
- Lack of capacity: budget cuts, no spend-to-save policy, stressed out staff working hard just to stand still
- Lack of initiative to 'do something different'.

9.4 Change Management Matrix

Plot in each column where the organisation stands and then try to make progress by moving up the matrix in a straight horizontal line, targeting the weaker areas first.

Pressure for change	Clear shared vision	Capacity (resources)	Action (and performance)
Policy and action plan in place Regular reviews Active commitment from top management	High level of awareness and support at all levels Staff highly motivated	Resources (staff and funding) routinely committed Cost savings re-invested for further improvements	Action being taken and embedded throughout the organisation Monitoring and reporting of progress
Step 3 (target)			
↑	↑	↑	↑
Policy agreed and communicated to all staff	Representatives from all levels of management chain involved in planning process and drawing up action plan(s) All staff given opportunity to make an input	Key staff working on plans and projects. Staffing and funding needs identified and resources becoming available	Wider engagement across the organisation ‘Low-cost’ and more ‘no-cost’ measures implemented
Step 2			
↑	↑	↑	↑
Board level “champion” appointed Drafting of policy	Key and supportive staff identified for assisting in drafting policy, taking action, and driving the process	“Champion” appointed at middle management level (to support the Board’s “Champion”). Training & development needs assessment	Commencement of action at some levels of the organisation. Some ‘no-cost’ measures implemented
Step 1			
↑	↑	↑	↑
No explicit policy ‘Business as usual’, no forward planning Lack of consistent leadership & responsibility (buck-passing)	De-motivated staff kept in the dark No communication. General mistrust	No investment. High stress levels in over-worked and under-valued staff No training & development	Zero action (or limited to crisis management)
Step 0 (starting point)			

Reference: Resource Efficiency and Corporate Responsibility, Managing Change - A guide on how to manage change in an organisation. Written and produced by Phil Harding, Head of Sustainable Business, Government Office for the South West, 2004. © Government Office for the South West, 2004.

SECTION 10 – ADDITIONAL TOOLS

In this section, we have outlined some additional tools you may find useful. These include a more detailed look into Full Cost Recovery and a number of best practice case studies to illustrate how childcare facilities implemented some of the tools discussed in their efforts to be sustainable.
We have also included information on developing a sustainability action plan which can help to prioritise sustainability actions needed and to document a yearly plan

10.1 A more advanced look at Full Cost Recovery

For childcare facilities that deliver one service to one set of children, the full cost of operating this facility will be the total costs of the facility and no more calculations are needed. Section 3 on full cost recovery gives you the basic information for that situation.

Childcare providers who operate several different types of childcare services need to undertake a more detailed analysis. If your facility provides a preschool and afterschool service, you could see this as having two cost segments and requiring a breakdown of the delivery costs for each. This method of calculation allows you to apportion a relevant share of overheads for each segment/type of service.

Identify Core Costs

We have already discussed how core costs (or direct costs) are identified as the costs directly associated with operating your facility. Core costs are those costs that are needed to carry out the services themselves. These include:

- Salaries of those working directly in your facility e.g. childcare workers
- Materials or other costs easily identifiable to the facility

Salary costs are relatively easy to calculate if there is a full time childcare worker solely working in your preschool or afterschool service. However, if a staff member's time is split between the two services, it is necessary to work out how much is spent on each by calculating the amount of time working in each service. Be mindful not to get too bogged down in calculations here. Pick out elements that are easy to identify such as rent and treat everything else (stationery, telephone etc) as general overheads. Overheads can be shared across all the cost segments.

Identify Overhead Costs

Overhead costs are those costs needed to run the facility itself. They are all the other costs not already identified as 'direct' costs. For the purpose of full cost recovery, overheads can generally be broken down into three categories:

- Premises Costs – these are commonly shared among all staff working in the facility regardless of where they are working. Premises costs could also include items such as rent and maintenance, utilities and furniture.

- Central function costs – these costs examines the administration costs of operating your facility. For example, invoicing, payroll admin, IT and office materials such as photocopier and fax machine.
- Governance and planning costs – Such costs in this area include audit, legal and professional fees, travel costs of Board members and strategic development costs such as consultancy fees, research costs etc.

When your facility operates several different types of service, calculating the costs becomes more complex. Each service or cost segment has costs directly associated with it such as staff and equipment costs. It will also draw on other resources within your facility such as a manager's time or the floor space used to operate that particular service.

Remember…

Full cost recovery works on the basis that both direct costs **and** a relevant portion of overheads are integral to the delivery and sustainability of the facility

Allocating Costs

Allocating your costs means reasonably splitting costs that are shared among different people or different services. To do this, you need to determine the 'driver' of each type of cost, i.e. the factor(s) which affect whether the cost increases or decreases.

Cost drivers

Examples of cost drivers include:

- Number of staff or floor space.
- Head-count is a common cost driver for allocating premises and office costs.
- Or the number of invoices is a good way to allocate the cost of the finance person to the different services.
  So if the finance/admin person handles 120 invoices in total for all the different services, and the baby room has 30 invoices, 25% (30 divided by 120) of the costs of the finance/admin person would be allocated to operating the baby room.

Essentially it does not matter how you choose to allocate costs as long as the 'drivers' are logical and clear.

Here are three ways generally used to allocate costs:

1. **Allocating costs by headcount** (or number of staff) is a common way of allocation premises costs.

For example, if you employ a total of 10 staff that share all the rent and rates costs and two work in the baby room, you might allocate 20% (2 divided by 10) of the rent and rates costs to the baby room. However you may find headcount a difficult driver to use if you have a high proportion of part-time or volunteer staff. In this case floor space might be a useful alternative.

2. **Allocating costs by time** is a way of allocating your costs based on the amount of time spent supporting that service. This works by allocating to your different services based on the amount of time that the person spends supporting each service. For example, if your manager spends half

of his/her time supporting the baby room, then half or 50% of their total salary will be allocated to the cost of running the baby room.

3. **Allocating costs by expenditure**
   Often costs are allocated based on the relative expenditure of projects or activities. For example, if the direct costs of all your services are €120,000 and the direct costs of your baby room are €30,000 then the relative expenditure of operating the baby room to all your other services is 25% (€30,000/€120,000)

10.2 Case Study A on Best Practice

Background

ABC Childcare is a privately run childcare facility in a north county Dublin suburb. Established in 2003, the facility offers a preschool and afterschool service. From small beginnings in temporary accommodation, they moved to a new, purpose built facility in the centre of the village in 2005. Over time they increased their capacity to 35 full time places. From 2005 to 2008 they operated at their full capacity with 20 preschool children, 5 full time babies and 10 afterschool children. They employ 4 full time and 3 part time childcare workers.

Over the past three years, two new facilities have opened up in the area and both operate in direct competition to ABC, along with the downturn in the economy, this has meant ABC are not currently operating to their full capacity - there has been a considerable drop in the number of babies attending and an increasing decline in the number of school-age children. With the threat of a further drop in numbers, ABC began to focus on implementing a robust marketing plan.

How did ABC start Marketing?

It is a common perception to think that marketing is about printing flyers or putting ads in local newspapers. ABC's experience over the past 10 years has taught them that this will only take you so far in attracting your target market to your facility. Instead, ABC adopted the approach of being 'customer focused'. But what does this mean? It means having to immerse yourself in the language and position of the parents. This involved talking to parents and listening to what they were saying which was invaluable market research to help ABC build up their customer base again. The manager employed the following techniques;

- Being 'visible' to parents by greeting them as they dropped off their children and asked how they were doing.
- Became proactive in listening to parents concerns – after all, parents are willing to raise genuine concerns if it means it can result in changes that will result in improvements in the service/facility. The ABC manager explains that it's vital to make the most of your existing customer's advice.

Tip - Find some parents and start talking and listening.

In order to attract new parents, ABC found that visiting local schools, businesses and community groups was a good place to start. ABC's manager explained that 'the customers who are going to make your business a success may not want what you already provide or ultimately, what you as a childcare provider want'. With the threat of two competing facilities nearby, adapting services to what potential customers wanted was vital in sustaining ABC.

How did ABC make good use of what they learnt?

Once ABC built up a body of market research, they acted quickly. Some hard decisions had to be made in order to increase income and improve the capacity of the facility. One key concern was that the downturn in the number of babies attending the facility was mainly due to an increasing preference towards childminding or family-based childcare arrangements. Coupled with the high staff/child ratio needed and the space required for the baby room, ABC decided to cease operating the baby room. They turned their attention to improving and promoting its school-age facility which had seen a considerable drop in numbers.

With a clearer focus on building the school-age service, ABC began targeting local schools with flyers and advertising incentives such as discounts for siblings. They also began to consider the possibility of providing a school-age collection service.

Lessons to be taken on board

Within the past 12 months, ABC is operating to almost full capacity again. They are always mindful however, that parents' needs are constantly changing and ABC must be open to these changing needs. The manager offers some key advice;

- When you make changes, show parents what you have done and invite comments. This level of customer care makes them feel valued and 'personalises' your service. When parents pass this message on to other parents, you will have created one of the most effective marketing tools available – word of mouth.
- Once you have established where your market is, compile a short, simple marketing plan. It will help track what you are doing and measure its success. Make sure to plan for each year and record how successful each service you offer. This will help in identifying what works and help plan for the following year.
- Have a clear picture of what you are offering and get the message out to parents.

Finally the manager of ABC applies the following motto every day;

If the children are happy, parents are happy, which is a big step in developing and maintaining a quality, sustainable facility.

10.3 Case Study B on Best Practice

Little Angels is a community preschool facility in Cork City. Established in 2000, Little Angels has grown considerably and today has a capacity for 38 children. The facility operates a baby room and a preschool/toddler room. Little Angels is also participating in the Free Pre-School Year for 38 weeks per year. At the beginning of 2010, Little Angels manager sat down to plan for the year ahead. Her main concern was the summer months from July to August as the ECCE will not cover the facility over this period. The manager was anxious to implement measures immediately to cover the drop in fee income and ensure costs are covered for the year ahead.

In the current climate, Little Angels is reluctant to let any staff go, knowing the value of a highly skilled and loyal staff complement. They are also mindful of the importance of continuity of care for the children and are keen to hold onto their qualified staff. One option considered was to run additional summer camps. These have been very successful in the past. Given the current recessionary times, Little Angels decided not to run the summer camps this year. A number of alternative options were considered:

- the possibility of one full time staff member taking unpaid leave over the summer months from June to September. There are a number of staff who have school aged children whom it may suit to take the summer months off as unpaid leave. This option could help address the issue of staff cover over the summer months.
- the possibility of some staff taking annual leave over the summer months. With no ECCE scheme operating, childcare places will be down so it makes sense that only skeleton staff work during the summer period. This type of plan will allow other staff to work to cover annual leave arrangements. In this way, staggering annual leave over the calendar year will ensure all staff can continue to work throughout the year.

Whilst both options may ease the financial burden facing Little Angels, Eilish knows that, on their own neither will cover the full financial cost. With little possibility of further increasing parental fees, Eilish has come up with an innovative way to increase income. Already enrolled in the ECCE, the scheme has a total of 12 children in the mornings and has been very successful. Eilish is now considering the option of operating a second ECCE session in the afternoon in the same room. Whilst demand for afternoon places tends to be low (currently there are 8 vacant places), if these places were free, they may be filled through ECCE which would generate a considerable income over the year.

The manager met with all staff to outline the current financial difficulties and the options available. Instead of presenting ultimatums to staff, the manager decided to allow the staff time to consider all the options. This created a sense of trust and commitment between manager and staff which worked out very well. One staff member was happy to consider the option of unpaid leave over the summer months to look after her young children and in the knowledge she can return to work in September.

The manager has also puts plans in place to operate an ECCE room for preschoolers in the afternoon from September 2010 and is currently examining the best ways to market this service.

The outcome for Little Angels in taking an alternative approach to their cashflow problems has been very positive and valuable - And not at the expense of losing quality staff.

Lessons Learned…

- Take some time at the beginning of the year to plan ahead for any drop in income or childcare numbers. Putting measures in place before a problem arises will keep the risk of cashflow issues to a minimum.
- When faced with difficult decisions, explore various options. It is always worth consulting with your staff – keep your staff informed of any changes and seek their opinions.
- Take a step back and look at the bigger picture – Invariably, there are alternative solutions to letting off staff. Combining a few solutions to get the best 'mix' and that best suits *your* facility/situation is very important.

10.4 Sustainability Action Plan

We have discussed a considerable number of elements associated with establishing and managing a sustainable childcare facility. The danger in running any demanding business is that key areas of work may get 'lost' or displaced in the face of other priorities. It is therefore important that you try to knit together all the planning and management tools considered throughout this resource into one plan.

In order to maintain a clear and focused view of your overall goals and objectives, it is a good idea to draft a *sustainability action plan.* A sustainability action plan will provide you with the means of creating an easy overview of to assist in monitoring all your activities/services.

How should this plan be used?

The plan should be used as a guide to the general day to day operating of your facility and will help you focus on the vulnerable areas. Start off with drafting a list of all the operational areas involved in managing your service (financial management, staff management, equipment and activities etc.). Under each operational area, list a number of key monitoring indicators which will help you monitor how each area is operating. For example, under staffing evaluation, key monitoring issues may include job descriptions, contracts and training. Regularly reviewing these issues will help managers keep a check on updating job descriptions or the training needs of staff for example. The sustainability action plan also includes a schedule section which managers should use to monitor when these checks should take place.

Below is a sample of the type of sustainability action plan associated with operating a childcare facility:

Sample of a Childcare Sustainability Action Plan

Operational Area	**Key Monitoring Issues**	**Responsible**	**Schedule**
Mission statement	Overall aims and goals Commitment to quality Commitment to parents & children	All staff	
Staffing evaluation	Job descriptions Contracts Roles & responsibilities Garda vetting process Appraisal system Training Recruitment procedures Grievance procedures	Manager Board (for community childcare)	
Financial management	Cashflow forecast Budget planning Regular monitoring	Manager/ Finance Admin	
Legal obligations	HSE certified Health & safety checks Insurance	Manager	
Policy evaluation	All policies should be written up and kept up-dated Fee structure and policy Admissions and registration Staff management Finance management Child protection Food & nutrition Confidentiality Outdoor play areas Commitment to parents	All staff	
Activities/Curriculum	Programme planning Rights of the child Age specific curriculum Aistear	Manager and all staff	
Quality standards	National framework on quality (Síolta) Workforce Development Plan Government regulations & legislation (e.g. staff/child ratios)	All staff	
Equipment	Regular inventory check Storage arrangements Safety & quality standards met Costings (including depreciation etc)	Manager working with all staff	

Operational Area	Key Monitoring Issues	Responsible	Schedule
Premises	Fixture & fittings updated Lease agreements checked Planning permission regulations Needs analysis	Manager	
Publicity/marketing	Marketing plan Advertising Logo Links in the community Networking Local publicity events	All staff	
Community/Parental consultation	Surveys Parental suggestion box Parent meetings Fundraising events Training/workshops for parents	Manager and all staff	
National perspective	Keep informed of national developments in the sector Develop links with local County/City Childcare Committees and National Voluntary Organisations Attend national events/seminars (if applicable)	Manager Board (for community childcare) All staff	
Management Structure (for community childcare)	Frequency of meetings Agenda and minutes of meetings Commitment of Board members- time management and personal investment Networks with other Committees	Manager Board	
Regular monitoring and evaluation	Roll book – take up of childcare places Patterns of use – i.e. afterschool, preschool, etc Gaps in service provision Changes in the local community i.e. increase/decrease in young families to the area etc. Financial monitoring – income verses expenditure, funding levels	Manager	

REFERENCES

CECDE (2006) – *Síolta- The National Quality Framework for Early Childhood Education. User Manual*

Department for Education UK: *Surestart- It's the Business; Issue 17 Sustainability.*

Department of Health and Children (2000): *Our Children Our Lives – National Childrens Strategy 2000-2010.*

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Harding, Phil (2004) – *Resource Efficiency and Corporate Responsibility. Managing Change- A guide to how to manage change in an organisation*.

Langford, Sylda (2007) – 'Delivering integrated policy and services for children' in *Journal of Statistical and Social Inquiry Society of Ireland.*

The Base Project - *Financial Management Online Toolkit*. www.thebaseproject.co.uk

The Financial Hub - *Full Cost Recovery*. www.financehub.org.uk

Appendix 1 Key Financial Controls

Cash controls – *systems for managing cash amounts*

- Only keep minimum amounts of cash on the premises. Make frequent lodgements if necessary.
- Record all cash items received or paid in a cash book as soon as possible after the transaction occurs.
- Issue pre printed receipts for all cash received. Keep a copy for your records.
- Try to keep the role of cashier and bookkeeper separate, if possible.
- When one person is signing over cash duties to another staff member, cash should be counted and both people sign and agree the cash balance.
- Keep all cash in a secure place and under lock and key.
- Request a receipt for all items paid for by cash.
- Keep up to date petty cash records.

Bank controls – *systems for making sure that the bank account cannot be misused*

- Register the bank accounts in the organisation's name, not an individual's name.
- Ensure all requests for withdrawals are signed by two people. Inform the bank of this rule.
- Never sign blank cheques
- Try make as many payments as possible by cheque, avoid large payments by cash.
- Keep up to date bank reconciliations.
- Separate role of person who prepares cheques for payment from that of main signature on cheques.
- Keep all cheque books in a secure place.
- Try to keep number of bank accounts to a minimum.

Budget and accounting controls – *systems to provide sufficient information to manage the activities of the organisation*

- Prepare budgets in line with planned activities before the start of the year. Get management committee approval for budget.
- Prepare budgeted statement to highlight differences between budget and actual spend as soon as possible the end of period. Add notes to explain any large variances between both.
- Compare regular summaries of income and expenditure with the budget. Bring this up at management meetings so managers are aware of how budget is comparing to actual.
- Keep cash flow summaries up to date.
- Keep clear systems in place to highlight any outstanding monies owed to you. Follow up regularly on outstanding payments.

Purchase and authorisation controls –*making sure that different people are involved at each stage*

- Set budget for goods and services
- Allow one nominated person to place all orders.
- Ask for at least 3 quotes for all goods or services valued at more than a certain amount. Your committee may have to decide this.
- Check goods received against those ordered, match invoices to your original order.
- Cheques should be authorised for payment by a different person from the person who signs them.

Management controls – *extra checks made by management*

- Clearly allocate responsibilities and duties to staff
- Have full and clear job descriptions for all staff, and volunteers if necessary
- Recruit suitably qualified staff, check references and qualifications
- Issue staff with contracts, keep signed copy on file for your records
- Identify and deal with staff who are not performing adequately
- Keep minutes for all meetings, highlighting any decisions made at meeting.
- Keep communications open with all staff and other stakeholders (board, parents, funding bodies, etc.)

Physical controls – keeping *property and equipment secure and in good order. It may be necessary to issue guidance on the personal use of items owned by the organisation*

- Keep the premises locked and secure
- Allow only authorised staff to use premises and equipment
- Keep an up to date record of items owned, and check it regularly. A fixed asset register should include description of item, date purchased, from whom and value of item. This links into insurance requirements, and will assist with any claims you may need to make.
- Keep confidential information locked away, and use password protect on documents with sensitive or personal information in relation to staff, children and parents using the facility.
- Arrange correct insurance cover; if possible, include cash under this cover.

Appendix 2 Calculation Staffing costs

Calculate the full cost of staffing your service by completing this table (one row per employee)

Staff Position	Pay Rate	Post hours per week	Employer Pension Rate	Gross Pay €	PRSI Contributions €	Employers' Pension €	Total cost of post €

Appendix 3 Recording Staff qualifications

Complete the following table outlining your current staff qualifications/training levels

Staff Name	Qualification	Awarding Body	Date Completed	Additional Training Completed	Date last Training completed

Appendix 4 Fixed Asset Register

Complete the following Fixed Asset Register for your facility

Equipment Type	Serial #	Supplier	Date Purchased	Cost

Appendix 5 Sample Budget Statement

	€	Actual Expenditure €				€	
Budget Statement ABC Childcare	**Budget**	**Jan-Mar**	**April-June**	**July-Sept**	**Oct-Dec**	**Actual Total**	**% Variance from original budget**
Grant Income	200,000	50,000	50,000	50,000	50,000	200,000	0%
Expected parental fees- based in no of children attending	90,000	22,500	22,500	17,000	22,500	84,500	-7%
Other income	18,000	4,700	4,000	3,000	4,000	15,700	-20%
Total Income	**308,000**	**77,200**	**76,500**	**70,000**	**76,500**	**300,200**	**-3%**
Net wages- including PRSI & pension	206,896	51,724	51,724	52,000	53,000	208,448	1%
Rent and rates	49,408	12,352	12,352	12,352	12,352	49,408	0%
Building costs/repairs	21,616	5,000	2,000	3,000	6,000	16,000	-35%
Other (telephone, travel etc)	18,528	4,600	5,000	5,000	6,000	20,600	10%
Food	12,352	3,000	3,500	2,500	3,000	12,000	-3%
Total Expenses	**308,800**	**231,076**	**227,576**	**214,852**	**233,352**	**906,856**	

Appendix 6 Sample Full Cost Recovery

1	**Information on your project**					
	organisation name	*ABC Childcare and Community Ltd*				
	project name	*ABC Childcare*				
	funding year	*2010*				
	project duration	*52 weeks*				
2	**Enter you projects Direct Costs**					
	List of cost descriptions and amounts		**Costs**			
	Salaries		€ 206,896			
	Rent & Rates		€ 49,408			
	Repairs		€ 21,616			
	Utility		€ 18,525			
	Food		€ 12,352			
		Total Costs	**€ 308,797**			
3	**Describe how overheads will be shared**					
3.1	**Type of overhead**		Staff Salaries	Running Costs		
3.2	**How will costs be shared**		Number of staff per room	Area of room	*hours used?*	*weeks used?*
		total	10 staff	2000 sq mt	35	52
3.3	**Share the overheads between services**					
	Number of rooms/services offered		staff per room	Are of room		
		Baby Room	2	500 sq mt		
		Montessori	5	800 sq mt		
		Afterschool	2	500 sq mt		
		Office	1	200 sq mt		
3.4	**Share the overheads**					
3.4.1	**Work out correct % of overheads**					
(i)	Staff Salaries	(based on staff per room)				
	(A) Segment	**(B)staff per room**	**(C)Hours occupied per week**	**(D)weeks per yr**	**B x C X D = Occupancy**	**percentage of running cost per room**
	Baby room	2	35	52	3,640	24%
	Montessori	4	35	52	7,280	47%
	Afterschool	2	12.5	35	875	6%
	Other(office etc)	2	35	52	3,640	24%
	Total staff	10	Total occupancy		**15,435**	100.00%

(ii)	Running Costs	(based on floor area used)				
	(A) Segment	**(B) Area**	**(C) Hours occupied per week**	**(D)weeks per yr**	**B x C X D = Occupancy**	**percentage of running cost per room**
	Baby room	500	35	52	910,000	31%
	Montessori	800	35	52	1,456,000	49%
	Afterschool	500	12.5	35	218,750	7%
	Other (office/canteen)	200	35	52	364,000	12%
		Total occupancy			**2,948,750**	100.00%
3.5	**Total revenue and costs per segement**					
	Share overheads	**Running costs**		**Staff costs**		
	Total costs	**€101,904**		**€206,896**		**total cost per segment**
		Area		**Staff per room**		
	Baby room	31%	€19,362	24%	€43,448	€62,810
	Montessori	49%	€61,142	47%	€117,931	€179,073
	Afterschool	7%	€11,209	6%	€12,414	€23,623
	Other(office etc)	12%	€11,209	24%	€31,034	€42,244
3.6	**Revenue per segment based on 33 FTE places**					
	Total income per room based on 33 projected childcare places @€200 per FTE					
		no of children per room, weeks occupied	Weeks per yea	annual income (200*6*weeks in use etc)		deficet/surplus per service
	Baby room	6	52	€62,400	€62,810	-€410
	Montessori	20	52	€208,000	€179,073	€28,927
	Afterschool	7	36	€49,000	€23,623	€25,377
	Other(office etc)	0	52	€0	€42,244	-€42,244

Appendix 7 Sample Profit & Loss Account/Income Statement

Profit & Loss Account/Income Statement		
for year ended June 30, 2010		
Revenues		
Net Revenue		€5,000
Other revenue		€1,000
Total revenues		€6,000
Expenses		
Wages expense	€2,500	
Utilities expense	€250	
Other expense	€250	
Total operating expenses		€3,000
Net surplus/(deficit)		**€3,000**

Appendix 8 Sample Balance Sheet

Balance Sheet	
as at June 30, 2010	
Assets	
Fixed Assets	€5,000
Current Assets	€5,500
Cash	€500
Total Assets	**€11,000**
Liabilities	
Creditors	€1,000
Equity	
Capital & Reserves	€10,000
Total liabilities and owner's equity	**€11,000**

Appendix 9 Sample Cash Flow Statement

Cash Flow Statement	
for the year ended June 30, 2010	
Reconciliation of operational profit/loss to net cash outflow from operating activities	€
Operating profit/(loss) for the year	(90,000)
Depreciation	80,000
(Increase)/Decrease in debtors	(30,000)
Increase/(Decrease) in creditors	(100,000)
Net Cash inflow/(outflow) from operating activities	**(140,000)**
Capital Expenditure	(70,000)
Government Grant received	200,000
Increase / (decrease) in cash in the year	**(10,000)**
Reconciliation of net cash flow to movement in net funds	
Decrease in cash in the year	(10,000)
Movement in net funds in the year	
Net funds at 01/07/09(Cash in bank @ 01/07/09)	20,000
Net funds at 30/06/10(Cash in bank @30/06/10)	10,000

Appendix 10 Sample Cash flow Best Case/Worst Case scenarios

Sample Cash flow Best Case Scenario	**Budget**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**TOTAL**
Actual childcare places filled		**33**	**33**	**33**	**33**	**33**	**33**	**33**	**33**	**40**	**40**	**40**	**40**	
Expected Income	**343,200**	**28,600**	**28,600**	**28,600**	**28,600**	**28,600**	**28,600**	**28,600**	**28,600**	**34,667**	**34,667**	**34,667**	**34,667**	**367,467**
Total Costs														
Net Wages, including PRSI & Pension	**206,896**	17,241	17,241	17,241	17,241	17,241	17,241	17,241	17,241	20,898	20,898	20,898	20,898	**221,520**
Rent	**49,408**			12,352			12,352			12,352			12,352	**49,408**
Building Cost/Maintenance/Repairs	**21,616**	1,802	1,802	1,802	1,802	1,802	1,802	1,802	1,802	2,184	2,184	2,184	2,184	**23,152**
Other(telephone travel etc)	**18,528**	1,544	1,544	1,544	1,544	1,544	1,544	1,544	1,544	1,872	1,872	1,872	1,872	**19,840**
Food	**12,352**	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,248	1,248	1,248	1,248	**13,232**
TOTAL EXPENSES	**308,800**	**21,617**	**21,617**	**33,969**	**21,617**	**21,617**	**33,969**	**21,617**	**21,617**	**38,554**	**26,202**	**26,202**	**38,554**	**327,152**
Open balance		0	6,983	13,966	8,597	15,580	22,563	17,194	24,177	31,160	27,273	35,737	44,202	
Total Inflow		28,600	28,600	28,600	28,600	28,600	28,600	28,600	28,600	34,667	34,667	34,667	34,667	
Total outflow		21,617	21,617	33,969	21,617	21,617	33,969	21,617	21,617	38,554	26,202	26,202	38,554	
Closing Balance		6,983	13,966	8,597	15,580	22,563	17,194	24,177	31,160	27,273	35,737	44,202	40,315	40,315

Sample Cash flow Worst Case Scenario	**Budget**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**TOTAL**
Actual childcare places filled		**33**	**32**	**32**	**30**	**28**	**28**	**15**	**15**	**30**	**30**	**30**	**27**	
Expected Income	**343,200**	**28,600**	**27,733**	**27,733**	**26,000**	**24,267**	**24,267**	**13,000**	**13,000**	**26,000**	**26,000**	**26,000**	**23,400**	**286,000**
Total Costs														
Net Wages, including PRSI & Pension	**206,896**	17,241	17,242	17,241	17,241	17,241	17,241	15,000	15,000	17,241	17,241	17,242	17,242	**202,413**
Rent	**49,408**			12,352			12,352			12,352			12,352	**49,408**
Building Cost/Maintenance/Repairs	**21,616**	1,802	1,801	1,700	1,700	1,690	1,690	1,200	1,200	1,802	1,801	1,801	1,790	**19,977**
Other(telephone travel etc)	**18,528**	1,544	1,540	1,540	1,500	1,450	1,450	700	700	1,500	1,500	1,544	1,544	**16,512**
Food	**12,352**	1,030	1,000	1,000	936	874	874	468	468	936	936	936	842	**10,300**
TOTAL EXPENSES	**308,800**	**21,617**	**21,583**	**33,833**	**21,377**	**21,255**	**33,607**	**17,368**	**17,368**	**33,831**	**21,478**	**21,523**	**33,770**	**298,610**
Open balance		0	6,983	13,133	7,034	11,657	14,668	5,328	960	-3,408	-11,239	-6,717	-2,240	
Total Inflow		28,600	27,733	27,733	26,000	24,267	24,267	13,000	13,000	26,000	26,000	26,000	23,400	
Total outflow		21,617	21,583	33,833	21,377	21,255	33,607	17,368	17,368	33,831	21,478	21,523	33,770	
Closing Balance		6,983	13,133	7,034	11,657	14,668	5,328	960	-3,408	-11,239	-6,717	-2,240	-12,610	-12,610

NOTES