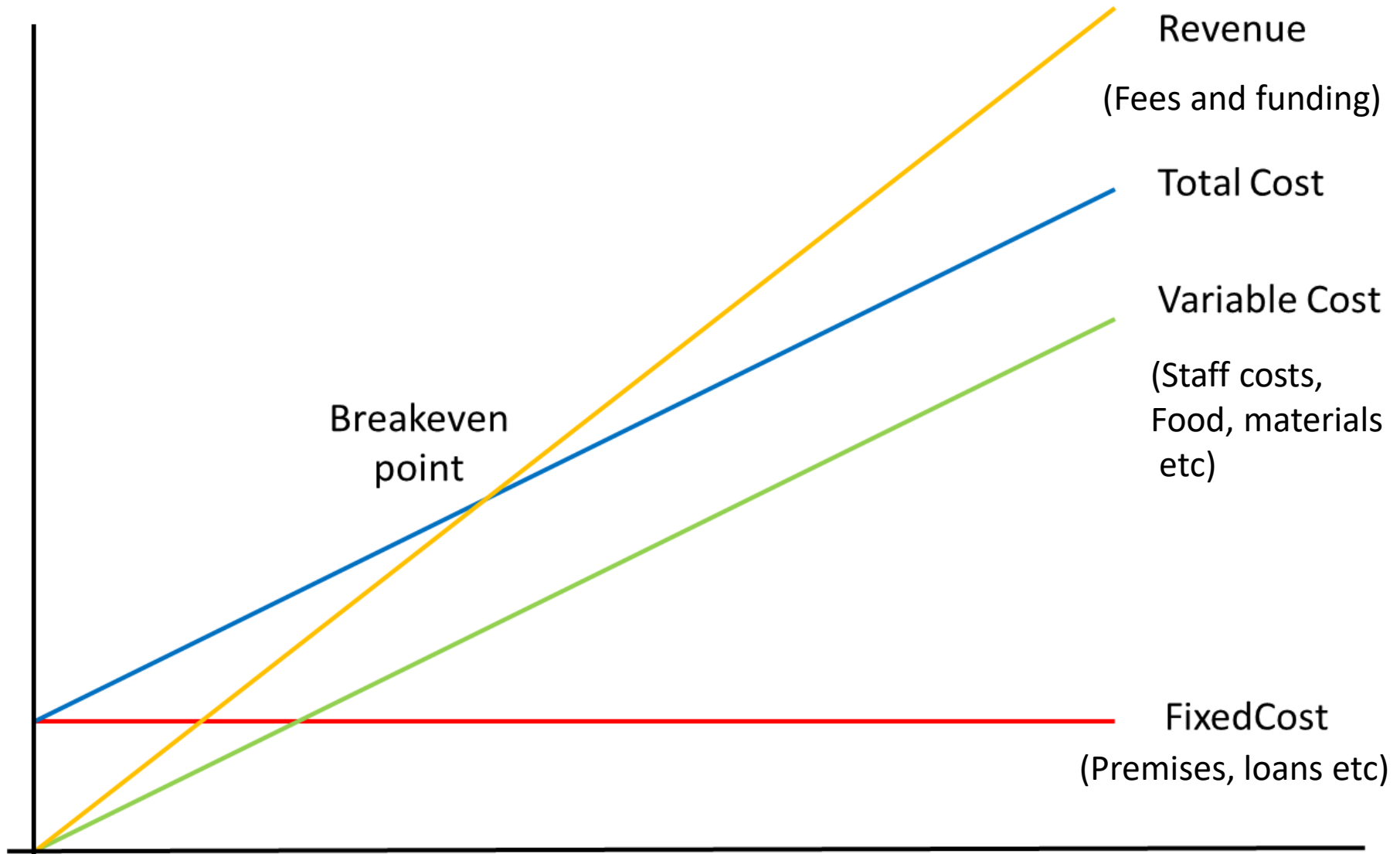




# How to guide: Breakeven Analysis

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**Autumn 2022**

# Breakeven analysis



# Calculating your fees 'breakeven' point

Use your budget to work out what your annual expenditure will be:

$$\text{Total expenditure} \div \text{Number of weeks open (per year)} = \text{Weekly expenditure}$$

The next step is to calculate the maximum sellable hours available each week.

$$\text{Hours per week the setting can offer} \times \text{Number of registered places} = \text{Total number of hours available to be sold each week}$$

Calculate usual occupancy.

$$\text{Total hours available to be sold each week} \times \text{Usual occupancy level \%} = \text{Total number of likely hours to be sold each week}$$

Now work out the price you need to charge each hour in order to break even based on realistic occupancy.

$$\text{Weekly expenditure} \div \text{Total hours likely to be sold each week} = \text{Breakeven hourly rate}$$

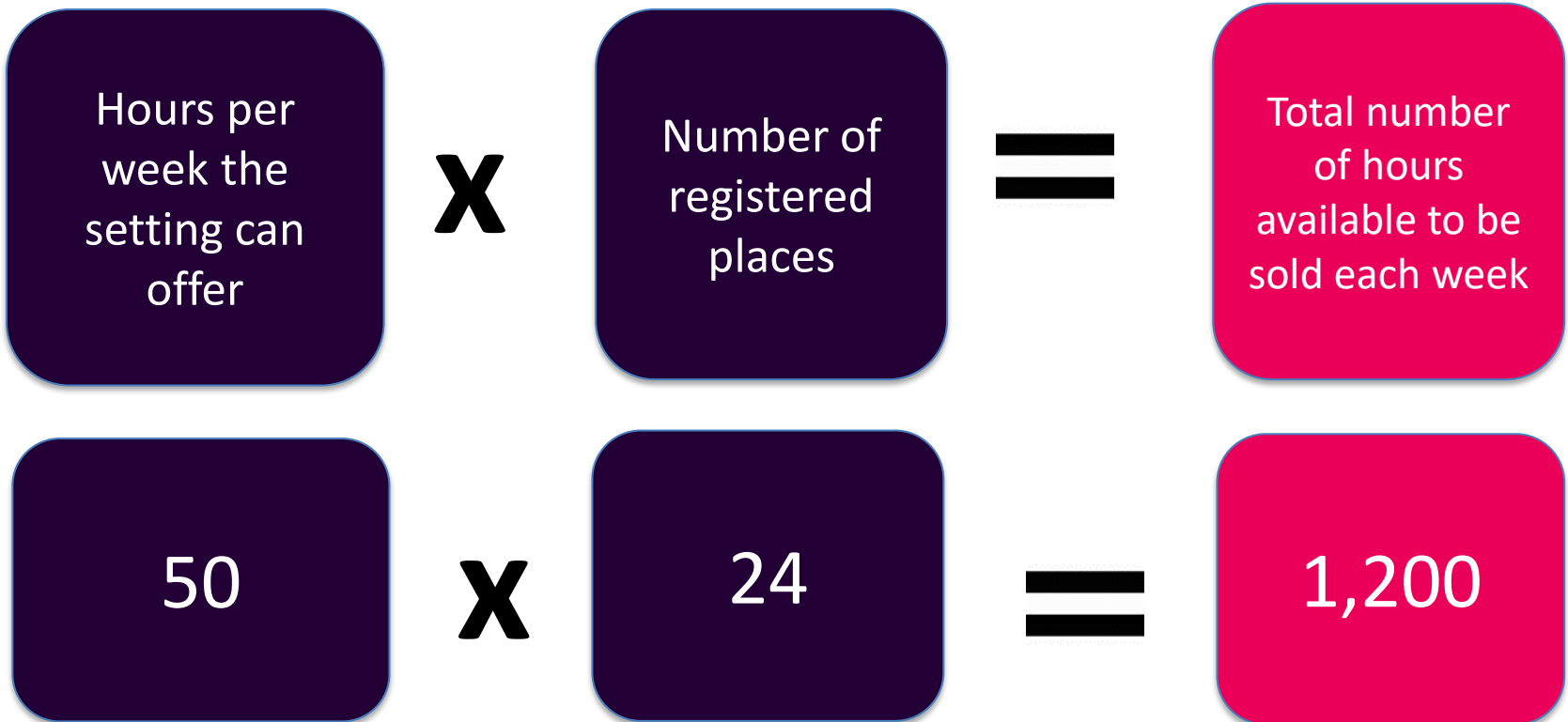
# Calculating your fees breakeven point

Use your budget to work out what your annual expenditure will be. Then work out weekly expenditure.



# Calculating your fees breakeven point

The next step is to calculate the maximum sellable hours available each week.



# Calculating your fees breakeven point

Calculate usual occupancy.

Total hours  
available to  
be sold each  
week

**X**

Usual  
occupancy  
level %

**=**

Total  
number of  
likely hours  
to be sold  
each week

1,200

**X**

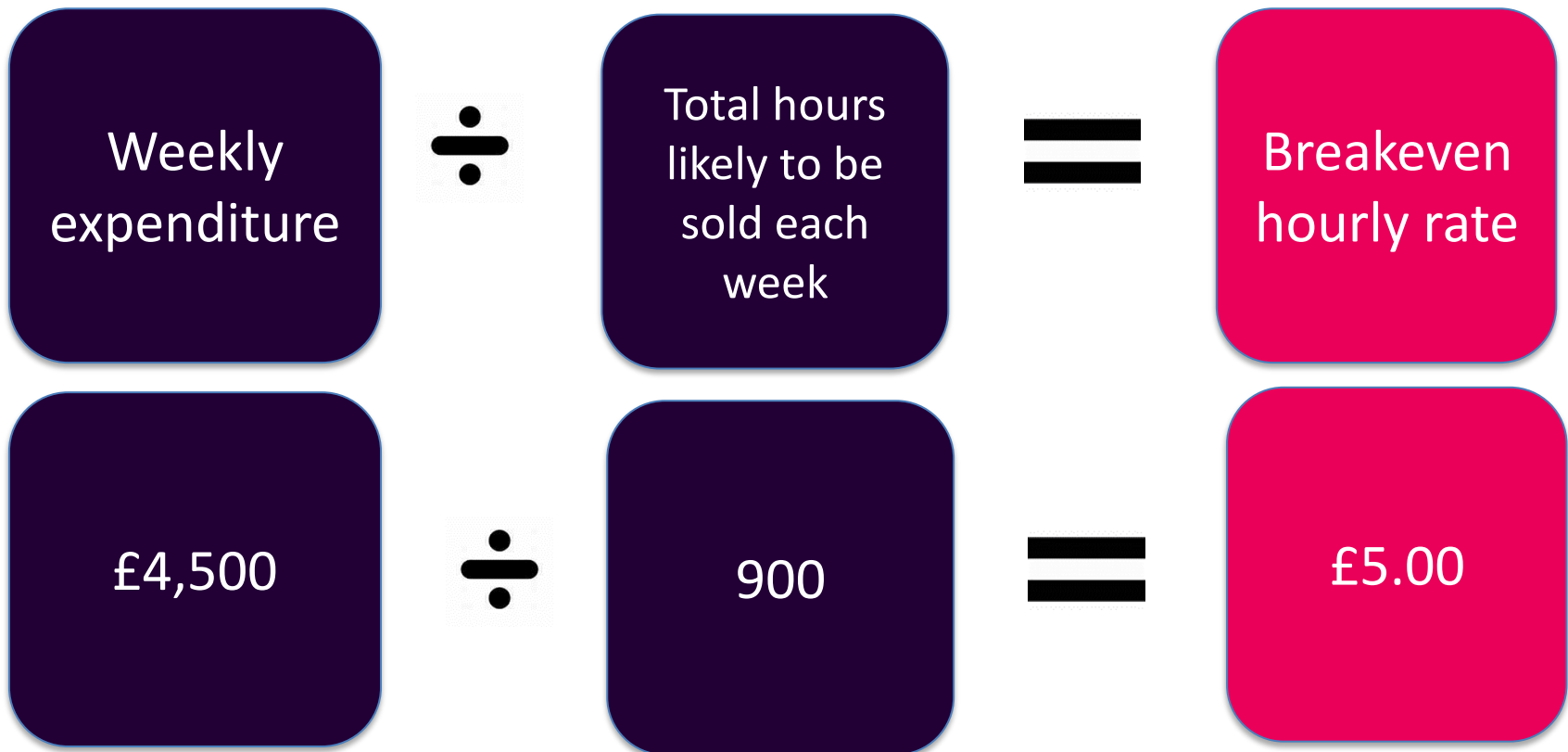
75 %

**=**

900

# Calculating your fees breakeven point

Now work out the price you need to charge each hour in order to breakeven based on realistic occupancy.



# Using occupancy breakeven

Developing fee structures to create business reserves

$$18 \text{ FTE} \times \text{£}5.00 \text{ per hour} = \text{£}4,500 \text{ (breakeven)}$$

$$18 \text{ FTE} \times \text{£}5.50 \text{ per hour} = \text{£}4,950 \text{ (£}450 \text{ surplus)}$$



# Using breakeven analysis

## Discounted rates

Breakeven  
rate

=

£5.00  
per hour

10%  
discounted  
rate

=

£4.50 per  
hour

=

50p per  
hour loss  
£1,250 per  
annum loss

# Free business tools

**PACEY 'Group Setting Cost Calculator'**. This calculator developed with London Borough of Merton, funded by DfE, helps to understand the cost of delivering childcare services. <https://www.pacey.org.uk/working-in-childcare/nurseries/group-setting-cost-calculator/>

**PACEY 'Business Smart for Childminders'**. Developed by childminders for childminders, a collection of ideas, inspiration and tools to help new and existing childminders develop a sustainable business. Funded by DfE, providers can find top tips, videos, case studies, downloadable tools and other essential ideas to help make the most of their business. <https://www.pacey.org.uk/working-in-childcare/business-smart/about-business-smart/>

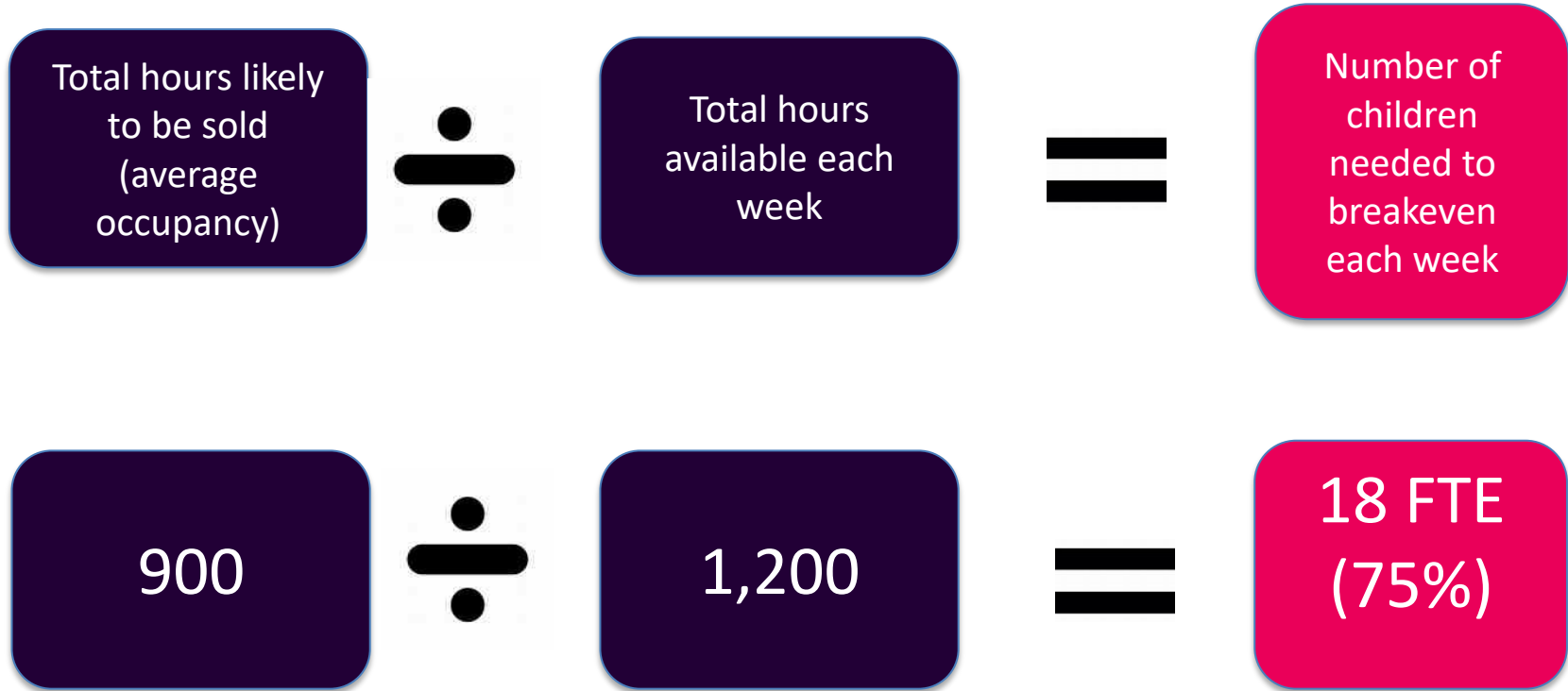
# Free business tools

**National Day Nurseries Association (NDNA) 'Business Zone'**. FREE online business support toolkit funded by DfE. It aims to help providers sustain a healthy childcare business, developed by the sector, for the sector. The toolkit includes: Business Appraisal; Financial Management; Staff Cost Calculator. There is a range of downloadable resources.

<https://ndna.org.uk/nursery-business-support-early-years-business-zone/>

# Calculating occupancy breakeven

How many children you will need to attend each week to cover your costs.



# Using occupancy breakeven as a monitoring tool

$$18 \text{ FTE} \times \text{£}5.00 \text{ per hour} = \text{£}4,500 \text{ (breakeven)}$$

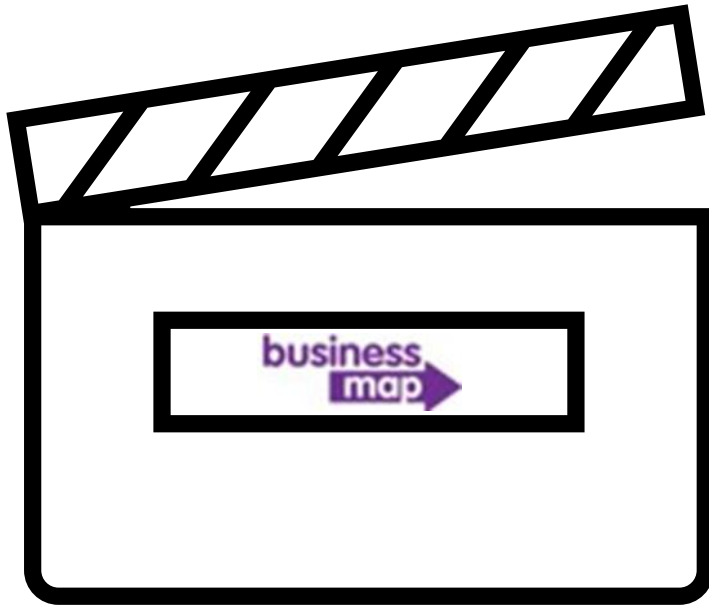
$$19 \text{ FTE} \times \text{£}5.00 \text{ per hour} = \text{£}4,750 \text{ (£}250 \text{ surplus per week)}$$

# Using occupancy breakeven as a monitoring tool

$$18 \text{ FTE} \times \text{£}5.00 \text{ per hour} = \text{£}4,500 \text{ (breakeven)}$$

$$17 \text{ FTE} \times \text{£}5.00 \text{ per hour} = \text{£}4,250 \text{ (£}250 \text{ loss per week)}$$

# Action



- Complete a breakeven analysis for the services you offer.
- Use the breakeven analysis to review:
  - The fee structure
  - Contingency planning
  - Discounts
- Workout how many children you need at a session/week etc to cover your costs.
- Use as a monitoring tool.



**business  
map**

## Using the Business Map in Wirral

### Toolkit contents

- Six video presentations
- Four 'how to' guides
- Downloadable tools
- Additional resources from the original DfE funded Business Map programme can be accessed here:  
<https://foundationyears.org.uk/2021/01/hempsalls-business-map-for-early-years-providers/>