

Why set a Budget?

A guide to budgets

A budget is an essential part of the centre planning process.

A budget has been described as “a plan expressed in dollars rather than words.”

It will help you keep a check on expenditure during the year and ensure that money is made available for purchases or funding of centre goals during the year. Setting the budget is also a good time to involve the centre members in centre management and to feel included in the use of money available for the benefit of the centre as a whole.

A budget ensures that money is made available so that centre plans for the year can be afforded or in some cases money set aside so that more long term goals can be met.

Beginning the Budget Cycle

Discuss with centre members how well the current budget is working for everyone. Consult your centre office holders and members about what aims/ goals they would like the centre to work towards this year. Possible ways include:

- Asking if there are any gaps in the current budget.
- Putting up a wish list on the notice board for members to contribute to
- Convening a budget sub-committee meeting for those interested
- Asking current office holders to decide on goals for the next year

Finalising the Budget

Estimate your income for the next year. This will include fees, donations and bulk funding minus percentages allocated for Federation levies. An amount may be given for fundraising and grants during the year. Take care to consider the following when looking at income:

- Are you planning more/ fewer sessions?
- Is the number of under 2 year olds going to change during the year? How? (The rate for under 2s is significantly higher).
- How many children are going to school?

Using the Playcentre Budgeting tool is encouraged as it will help your centre to quickly and easily identify your revenue by session and costs including payroll.

We have both GST and non GST tools available for standard and quality funding available here:

<https://www.playcentre.org.nz/member/finance/finance-documents/>

Keep an eye on this section of the website as we are regularly adding more content and tips and tricks relevant to Budgeting and Treasurers in general.

Ministry of Education funding rates to help with budgeting are included below.

If there is more expenditure than income (a deficit) you will need to look at estimated costs to see if these can be cut and prioritise goals in discussion with centre members, or look at ways to increase income to cover the deficit.

.Useful Questions

Possibilities for Reducing Spending

- Review the expenditure items and determine which are contractual and required for day to day operating, e.g. payroll, electricity and prioritise these firsts
- For items that are “nice to have” consider postponing these purchases or making their purchase contingent on a fundraiser or grant

If your centre is going into deficit for a one of large project e.g. a playground upgrade consider if there are funds ‘left over’ from last year that could go towards this year’s budget? (Note: we do not recommend budgeting a deficit to be used towards day to day operating costs and especially payroll, as this will cause the centre ongoing financial difficulties.)

- Consider fundraising and Grant applications to support income
- Double check all your children attending sessions are fully enrolled, remember those babies.
- Could you open another session or review your waitlist to increase participation?
- Could you extend the length of your session license by half an hour to include a shared lunch?
- Is your fees schedule appropriate for your area, could you raise this slightly.

General Principles

Costs which are fixed and needed to maintain the centre’s eligibility for bulk funding (see section on this) should be met out of bulk funding and fees; fundraising should be used to meet spending on items which are more optional (nice to have but not essential.)

Centre members will need to decide on the priorities for this at a meeting. The process can be team building and give the centre members a feeling of ownership of where the centre is going for the next year.

Managing the Budget

Once your budget has been decided upon a copy of it should be passed at a centre meeting and included in the minutes. Use the same headings given in this budget for the 6 monthly budget comparisons which the treasurer should present to the centre meeting in March the next year. This is a time when the centre can see how the plan is working, re-evaluate priorities and set new goals for the next six months. Six months into the new year you will have a better idea of whether income is matching predictions and whether costs as estimated are more or less.

Centres should also carry out a supplementary budget calculation before increasing or employing a team member as employment costs to ensure the centre has the long term financial capacity to fund the employment in question.

Evaluating your Budget Spending

In general figures which are regular expenditure items (power, rates, telephone, equipment consumables, housekeeping items should be spent proportionately throughout the year i.e. you should have spent only 25% of the budget for this at 3 months, 50% at 6 months. If the calculations show this then all is well.

Income should be evaluated in the same way as expenditure.

- Is the amount received in income as planned?
- Why is it greater/ less than planned? Increase/ drop in sessions, increase/ drop in 2 year olds?
- Is it because bulk funding has yet to be received from the association? (This will appear as income in 3 lump sums in March, July and November.)
- Is it because the fundraising event was cancelled recently?
- Have the invoices for fees/ donations gone out late this term?

If the calculations show figures not matching the time period given, then you need to consider why.

- Is expenditure in one part of the budget high because the bill comes once a year and 100% has been spent at this time
- Consider timing of centre paid staff which will go up and down depending on which months include school holidays or public holidays.
- Is expenditure low because this cost is to be incurred at a later time
- Is the account due but the invoice has not yet been given to the centre
- Are there claims from office holders outstanding (encourage regular claiming)
- Are you spending more / less due to changes in numbers of sessions, numbers of children?
- Has there been a special reason why the last account was higher (heaters being left on, a cold snap)

By monitoring spending closely like this, it is possible for the centre to act to cut expenditure if it is too high or too plan to spend more if needed in a certain area. If there has been a drop in income the centre should be able to recognise it early enough to adjust spending plans or to increase fund raising activities to make up a shortfall.

USEFUL ITEMS TO CONSIDER WHEN PREPARING A BUDGET

Receipt or Payment Item	Factors to Consider when Setting the Budget
Bulk funding	<ul style="list-style-type: none"> • Number of sessions held • Number of children enrolled in each session • Funded for three hours per session (or longer if centre license is more than 3 hours) • Child funded hours equals number of sessions held x number of children enrolled in each session x three hours per session x forty weeks per year • The standard ECE rate is \$7.74 per hour for children under 2yrs. The hourly rate for 20 Hrs ECE rate is \$4.96. Any children over 2yrs –are funded for any non 20Hrs ECE hours at a rate of \$3.90 per hour • Bulk funding paid three times per year in March, July and November. • Full rates from the MoE funding handbook are listed below.

PLAYCENTRE

The next table shows the rates for playcentres from 1 July 2014.

\$ PER FUNDED CHILD HOUR (INCLUDING GST)	RATES FROM 1 JULY 2014			RATES FROM 1 JANUARY 2019			RATES FROM 1 JANUARY 2020		
	UNDER 2	2 AND OVER	20 HOURS ECE	UNDER 2	2 AND OVER	20 HOURS ECE	UNDER 2	2 AND OVER	20 HOURS ECE
Quality	\$8.84	\$4.44	\$5.52	\$8.98	\$4.51	\$5.61	\$9.14	\$4.59	\$5.71
Standard	\$7.74	\$3.90	\$4.96	\$7.86	\$3.96	\$5.04	\$8.00	\$4.03	\$5.13

CERTIFICATED PLAYGROUPS AND LICENCE-EXEMPT SERVICES

The next table shows the rates for certificated playgroups and licence-exempt services from 1 July 2014.

\$ PER FUNDED CHILD HOUR (INCLUDING GST)	RATES FROM 1 JULY 2014		20 HOURS ECE
	UNDER 2	2 AND OVER	
Playgroups	\$1.51	\$1.51	N/A

Fees/Donations	<ul style="list-style-type: none"> • Donations • Fees policy • Number of families/children enrolled at Centre • Fees schedule
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Grants	<ul style="list-style-type: none"> • Grants approved from outside funding agencies • Funding % of special projects to be raised from outside funding agencies
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- Basis for payment of grant whether paid on approval or on reimbursement of expenditure
- Timing of special project for which outside funding received or sought

Interest

- Investment balances
- Expected use of funds invested
- Interest rates
- Playcentre Aotearoa has negotiated a special ASB account with low fees and higher everyday interest rates.



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Fundraising (net)

- Fundraising ideas
- Fundraising targets

Levies

- Bulk funding income
- Levy schedule
- Levied currently at 50% of bulk funding income, this is paid three times per year in line with receipt of bulk funding

Supervision

- Session Facilitator/support person costs (centre paid)
- Period of employment, number of hours employed per week, rate of pay, Holiday pay (8%), ACC levies
- Factor in for public holidays and sick
- KiwiSaver employer contributions = 3% of wages

Education and Training

- Travel and babysitting policy to attend training courses if your centre assists with this
- Number of people to attend training courses
- First aid course fee x number of people to attend first aid courses
- Number of people to attend workshop days/weekends (if applicable)
- Number of people to attend other courses such as Professional Development, outside courses etc
- Registration fee for other courses
- Books for training purposes

Equipment Consumables

- Number of sessions and children
- Usage of items used in children's play such as paint, paper, clay etc
- Supplier prices

**Equipment Fixed
Assets**

- Minimum equipment requirements
- Repairs and/or replacement of existing equipment
- New equipment
- Special projects
- Supplier prices

Housekeeping

- Usage of items not used in children's play such as tea, coffee, first aid kit items, cleaning products etc.

Administration

- Journals ordered - Price per journal. Three journal issues per year.
- Calendars ordered - Price per calendar
- AGM costs including presentations to office holders, gift to auditor, venue hire, refreshments etc
- Post box rental
- Photocopying & Stationery
- Publicity material
- Printer consumables
- Travel and babysitting policy to attend Centre meetings, National meetings, officer support meetings etc

Rent and Loans

- Lease agreement or rental

Utilities

- Power/gas usage.
- General council rates (if applicable)
- Water rates.
- Building WOF checks
- Fire alarm checks
- Fire service checks (for extinguisher servicing if required)
- Electrical Safety Checks (Tag and Test)
- Other safety checks such as security alarm monitoring, servicing etc.
- Rubbish removal contract.
- Frequency of rubbish removal.
- Lawn mowing contract rates & frequency of lawn mowing.
- Cleaning schedule.
- For rural centres – there will be water testing for services on tank water and for those not on town sewage there will be septic tank servicing and/or cleaning.

Property and Maintenance

- Maintenance schedule.
- Working bees suggested bi-annually.
- Items for working bees such as skip hire, hire of equipment etc.
- Repairs and/or replacement of existing property. For insurance claims have funds available to cover \$500 excess on each claim
- New or replacement safety surfacing.
- Carpet cleaning.
- Floor polishing.
- Building chemical wash including roof and gutters.
- Special projects for additions and alterations to property (Centre contribution 20% or centre funded)

Centre Activities

- Trips allowance for sessions.
- Centre trips.
- Xmas party.
- Subsidized social events.

Other

- Donations and gifts policy.
- Other sundry items.

GST

- If Centre is not GST registered, ignore this item.
- If Centre is GST registered:

Ensure all income and expenditure items are exclusive of GST. If items estimated net of GST, do nothing. If budget estimates include GST, divide by 1.15 to give net amount.

Add net amount of all income items to which GST applies (usually all income items except interest, dividends, and donations and some grants). Multiply this total by 15% for GST on income.

Add net amount of all expenditure items to which GST applies (usually all items except on charged wages, mileage, babysitting and any payments to suppliers not registered for GST). Multiply this total by 15% for GST on expenditure.