

# 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.

*Use the budgeting Tool on the website and the Budget Manager in Xero.*

## Beginning the budget cycle

The best time to begin the review of your annual budget is in conjunction with reviewing your Centre Annual Plan.

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

## 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.

## Finalising the budget

Estimate your income for the next year. This will include fees, donations and bulk funding minus percentages allocated for Operations 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?

Discuss the goals/ things on wish list and work out estimated costs of these. Total these. Include any fixed costs (see section on fixed costs to ensure you have included them all) and total the figures.

Now compare the expenditure against income.

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.

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 budgeting tools available for standard and quality funding available here: <https://www.playcentre.org.nz/member/finance/finance-documents/>

Check the Ministry of Education funding rates to help with budgeting.

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

- Are there funds 'left over' from last year that could go towards this year's budget? (Maybe you could budget for a small deficit to take up some of these funds)
- Can some money be set aside in this year and combined with next year's budget to afford the item then?
- Which and by how much can other expenditure be cut to maybe lessen the deficit?
- 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
- Consider fundraising and Grant applications to support income. Ask for help by emailing [askgrants@playcentre.org.nz](mailto:askgrants@playcentre.org.nz)
- 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?

If your Centre is going into deficit for a one-off large project (e.g., a playground upgrade) consider whether you will have enough cash at the “low” times of year (just before you get your Bulk Funding)? 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.

## Possibilities for increasing income

- **How much could/ should fees be raised to cover the extra spending?**
- **How much could be covered by fundraising and application for grants? (This kind of income is not guaranteed)**
- **Should the Centre try a publicity drive or open another session to abolish any waiting list?**
- **Ensure every child is enrolled – don’t forget your babies**

Every child attending Playcentre is entitled to bulk funding, and this includes the younger siblings attending with their parents/caregivers during session time. A baby attending once a week for three hours could bring over \$100 extra into the Centre each term. If they are attending anyway, make sure your Centre is getting the benefit!
- **Increase funding through increased centre hours**

One of the easiest ways to increase revenue is to utilize our full possible licensed hours. All our Centres can be licensed to operate for 4 hours per session, for many Centres adding another 30-60 minutes for a shared lunch, set up or pack up time can increase funding revenue by as much as 25%.
- **Better returns on money in the bank**

We are aware that many Centre have a reasonable amount of cash that is in current accounts receiving very little interest revenue. Putting money on Term deposits can increase revenue by about \$200-\$300 per \$10,000. As an organisation we receive our funding in three blocks of the year, this doesn’t mean you need to keep 1/3 of revenue on current accounts, consider using 30-, 60- and 90-day term deposits to allow for the cash flow needs of the Centre but still get a stronger rate of interest. It may sound like hard work, but it’s a lot easier than most fundraisers!

For those who don’t want to look into term deposits we have also twisted the arm of our bank ASB to extend their Education Account offer to our Centres.

For more information [https://www.playcentre.org.nz/wp-content/uploads/2019/06/56180-20084-0319-Education-Admin-Account-A4-Flyer-FINAL-EMAIL\\_SEC.pdf](https://www.playcentre.org.nz/wp-content/uploads/2019/06/56180-20084-0319-Education-Admin-Account-A4-Flyer-FINAL-EMAIL_SEC.pdf). This is a current account which gives lower fees and increased interest (although still below a term deposit).

To be eligible for this account ASB do have a couple of prerequisites one of which is that the entity must receive bulk funding through Playcentre Aotearoa and must have their own charity number.

For Playcentre who have not registered with charities there is information on our website to assist with any Centres who wish to register – <https://www.playcentre.org.nz/current-members/useful-documents-for-your-centre/>