

What should we be using reserves for? Property vs operating



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Case study

This Centre operates 5 days a week in a central location and has over the years built up a healthy savings balance that sits at roughly \$60k. But much of this has been built up on the back of deferred maintenance, which is very evident around the Centre. A cold, leaky building isn't just a health risk, but can have significant financial consequences down the track as people choose not to join opting for a warmer prettier alternative ECE option elsewhere. First impressions do count.

But the Centre has been operating in deficit and expects to spend more on employment to meet MoE licensing requirements - isn't this what the savings should be held for?

No, if operating costs exceed revenue for more than a short term then your Centre will eventually deplete its savings with nothing to show for it. Wages and other day to day operating costs keep reoccurring and growing and on top of that the leaky roof or other property issues won't go away; they will just keep growing.

Capital improvements is exactly what savings are for - these are long term items that bring value for years after their cost has occurred. A new roof will keep the Centre dry for 15-20 years and so going into deficit for these tasks should never be seen as a bad thing. You still need to retain some savings to get you through to the next bulk funding round and for unexpected expenses, but for a large Centre with \$60k in the bank they should be quite comfortable to allocate \$30-40k of that to capital improvements.

But shouldn't the National property budget pay for this instead of us?

The National budget is your money, from the Levies you pay. If it is spent on your Centre, we won't have enough for the Centre down the road, who might be just as in need of a new roof, also be paying for supervision, but only have \$5-10k in the bank. Only a small percentage of levies are tagged for property which breaks down to less than \$800 per Centre per year, so for every grant of \$8,000 we need 10 other Centres to not request anything that year.

A basic guide to the budget would be 20% of funds that the Centre receives after Playcentre Aotearoa levies have been paid.

Please note that Playground Equipment (moveable, fixed, sandpits, forts etc), Gardens, Lawns and Trees are not available to apply for Playcentre Aotearoa Funding and these need to be totally paid for by the Centre or via external funding-grants, fundraising etc.

Minor Maintenance Costs and some Annual Maintenance Costs will not be paid by NZPF so will need to be paid for by the Centre.