
Financial Management and Centre Based Services

A Children's Services
Central Phone LinkUp

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Community Child Care in
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Financial Management and control is vital for the success and viability of any business be it a for profit or not for profit service

Sound financial management requires the formulation of a realistic budget, accurate record keeping and regular monitoring of the results of that record keeping in order to track the service's financial situation.

As we move toward the introduction of the new Child Care Management System, good governance and financial management strategies will be more important than ever. We must continue to successfully manage all financial areas while ensuring a stronger focus upon monitoring income and cash flow. The accurate acquittal of CCB funding will assist services to thrive in this changing environment.

Why is good financial management important?

External forces?

Stakeholders?

KEY QUESTIONS

Six key questions for financial managers

As good financial managers, you should be able to answer six key questions about your service:

1. Do we have enough money to pay our debts?
2. Did we earn more than we spent last year?
3. What do we need to spend next year and what fee do we need to charge?
4. Are we likely to run out of money at any time next year?
5. Have we been paid what we should have been paid, and have we spent what we should have spent?
6. Are we going to make a profit?

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Financial records a service needs to keep

The following is a list of financial books and related records a service needs to keep. Most businesses have these books and records in their Financial Management system.

Financial Records

- Bank Statements
- Bank Reconciliation Record
- Income and Expenditure Statements and Balance Sheets
- Annual Audit Report
- Asset Register and Depreciation Schedule
- Budget worksheet
- Wage Records
- Tax instalment payment records (PAYG)
- Workers compensation records
- Union membership payments
- Payroll tax payments
- Superannuation contribution records
- BAS and GST records

Staff Records

- Time sheets
- Sick, special, holiday, annual and long service leave records
- Staff Files

Receiving Money

- Receipts
- EFT receipts
- Statements and Invoices
- Deposit slips for banking
- Recipient Generated Invoices & Funding Advice

Paying Money

- Cheque book
- EFT authorities for payment
- Unpaid bills file
- Paid bills File

Government Funding

- Child Care Benefit records if receiving
- CCB Acquittal
- ASPARD if receiving DOCS funding
- Funding Agreement
- Other funding agreements and records eg Scan, Inclusion Support Subsidy, Jet etc

Other

- Delegated Authority Chart
- Petty Cash records
- Fundraising records

All of these records will be available through your software package, your treasurer or accountant can help as well.

Financial Management should incorporate:

- Planning, monitoring and controlling the money received and spent
- Ensuring the centre is financially viable
- Setting the fees for the centre
- Providing a quality service at an affordable cost

Accountability to external organisations

Some of the external organisations a service may be accountable to financially include:

- ATO
- DEEWR
- Other shareholders
- Superannuation companies, Unions
- Community
- ASIC
- DoCS

Types of Reports

Keeping good financial records leads to good financial management results. Good records also enable management to effectively monitor financial management.

The different types of reports help you to analyse past performance, plan for the future, set your fees, regularly monitor your service's finances and summarise your financial position simply and meaningfully.

A service may not need to prepare **all** the reports. The committee/owner should decide which are necessary for effective financial management of their service. It is essential that everyone involved in managing a service has some understanding of the service's finances. Types of reports include:

- Balance sheet
- Income and expenditure statement
- Budget
- Cash flow forecast
- CCB Acquittal
- Banking sheet
- Financial summary

Service summary

- demonstrates financial viability
- gives a snapshot in time of the financial health of a service
- shows what a service owns and what it owes

This will be critically important if services choose to accept the enrolment advance of \$125 per formal enrolment relating to CCMS

Income and expenditure statement

These statements show you what happened to your service in the past. They tell you whether you have debts and whether you can pay them, and whether you are making or losing money. They show:

- the income and expenses that were incurred to receive your income for the period reported
- transactions over a period of time
- shows what has happened to a service in the period between one balance sheet and the next
- Can show actual expenditure compared to budgeted expenditure

Budget

- shows what you think you will earn
- shows what you think you will spend
- estimates income and expenditure for the year, so you can set fees.

Cash flow forecast

- shows when you think you will earn income
- shows when you think you will spend money
- helps you plan to avoid running out of money
- With CCB being paid in arrears from next year the management of cash flow will be a critical issue for services

Banking sheet

- shows a record of when cash comes in
- provides a record that all cash received has been banked
- helps you to 'reconcile' accounts in the future.

Financial summary

- shows what you have earned so far
- shows what costs you have incurred so far
- keeps track of finances throughout the year
- checks whether your budget estimates were accurate and whether income and expenditure needs to be changed—for example, costs cut or fees raised.

Service summary sheet

This sheet provides a simple summary of the financial position of the service, which can be prepared at any time during the financial year. The service summary sheet should be given to each new committee member as soon as they are appointed or prepared by a new owner of a service.

- shows the service history
- shows the operational details—for example, fees collected, grants received
- shows proposed expenditure—for example, new equipment, staff entitlements

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Issues that impact

In children's services there are issues that will impact on the Financial Management of the service

- Funding
- Income from fees – setting fees and managing receipts
- Enrolment numbers & utilisation
- Change
- Staffing
- Analysis / Measures/ Evaluation & Monitoring
- Advice
- Policy
- Maintenance
- Expenditure on equipment /consumables etc

Your Budget:

- shows what you think you will earn
- shows what you think you will spend
- estimates income and expenditure for the year, so you can set fees.

**YOUR BUDGET IS PROBABLY YOUR MOST IMPORTANT TOOL IN FINANCIAL MANAGEMENT
ESPECIALLY WHEN COMPARED TO INCOME AND EXPENDITURE**

Fee software for child care

A number of companies produce software packages for child care services. Before you make a final decision to purchase a particular package use the check lists below to determine if they will meet your business needs. Also note the need for them to be compliant with the new Child Care Management System – a list of compliant providers will be on the DEEWR website.

Features	CHECK✓
Does the package satisfy your needs?	
Are you paying for features that you do not need?	
Does the package contain an integrated accounting system that will allow you to perform a range of functions, including fulfilling the Commonwealth's accountability requirements?	
Will the package allow you to develop a budget and manage cash flow? Does the package include an automatic payroll system? Is this compliant with new IR regulation & legislation?	
Will the package calculate fees and produce unique receipts that meet the requirements for Child Care Benefit accountability?	
Will the package produce a range of reports for specified periods to assist you to manage the finances of your service?	
Does the package allow you to monitor attendance and manage a waiting list?	
Will the package let you create word processing files that merge information from parent records and other sources?	
Will the package be flexible enough to accommodate possible changes in information requirements? Will it cost extra to receive updates?	
Will the package compile data to assist in the completion of the annual Census of Child Care Services?	

Calculating your fee rate

- Calculate the total **non-fee income** that your service will receive (include grants, sponsor contributions, bank interest).
- **Calculate** the **total anticipated expenditure** for the year, identifying every possible cost that your service may encounter including projected pay rises.
- Subtract the total **non-fee income** from your **anticipated expenditure** to determine the level of income that will need to be raised by fees (**fee income**).
- **Divide** this amount (**fee income**) by the **number of children** that you expect to **utilise** the service. Then **divide** this amount by the **number of weeks** that the service is open. This will give you a **weekly fee rate**. **Divide** the **weekly fee rate** by the **number of days per week** the service is open to determine the daily fee rate.
- Call Around other local services and compare prices.

Keeping the Service Financially Alive

There are three main areas where strategies can be developed to ensure that the service remains financially viable:

- **Setting prices**
- **Controlling costs**
- **Medium / Long term planning**

Setting Prices

- Cost driven strategy – Making an assessment of what it costs to provide the child care place, and setting the price accordingly.
- Market driven strategy – Making an assessment of what the market (parents) are willing to pay for a child care place.

Controlling Costs

- **Managing the people the service owes money to (creditors / suppliers)**
- **Managing the people who owe the service money (debtors)**

Medium to Long term planning

- **Where are you now?**
- **Where do you want to be?**

The 7 big mistakes in Financial Management in Children's Services

1. Being scared of finances
2. Not budgeting
3. Not checking income against budget
4. Not checking expenditure against budget
5. Not allowing for provisions
Staff eg LSL- Maintenance eg painting, roof repairs
6. Not controlling costs
7. Not checking utilisation figures

Evaluating Financial Performance

Check against:

- Budget
- Last year
- Best practice
- Competitors
- EVALUATE – EVALUATE - EVALUATE

More Help

- Every service should have a copy of *“Managing a child care service – a hands on guide for service providers”* – free to members of Community Child Care and Child Care NSW.
- *“Budgets, Books and Balance Sheets”* Department of Family and Community Services, Sydney, 2002.

In addition Children's Services Central/Community Child Care has a **DVD of a CCMS briefing session** that was run for Long Day Care centres last year. Although this was specifically geared to long day care services, other services may also find it a helpful overview of the CCMS system. To purchase a copy (\$33) please call 8922 6420.

- See www.cscentral.org.au or call 1800 157 818
- CCB reconciliation form available on CSCentral website