

# BUDGET MANAGEMENT POLICY

QUALITY AREA 7



## PURPOSE

This policy will provide guidelines for Ride Avenue Pre School's annual operational budget compilation, monitoring, review, and progress measurement.

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## POLICY STATEMENT

### VALUES

Ride Avenue Pre School is committed to:

- Conducting a budget planning process each year as part of its annual business planning.
- Ensuring that it operates within a responsible, transparent, and sustainable financial framework.

### SCOPE

This policy applies to the **Treasurer or their delegate** to prepare and review all budgets. The Committee of Management has the ultimate responsibility for overseeing all aspects of the budget at Ride Avenue Pre School.

## RESPONSIBILITIES

The **Committee of Management** is collectively responsible for developing and approving the budget. This includes:

- Setting aims and developing timetables and models for the service in line with the Education and Care Services National Law Act 2010, Education and Care Services National Regulations 2011, Victorian Kindergarten Funding Guide, National Quality Framework, and community needs.
- Setting fees.
- Planning the allocation of resources.

## PROCESS

<b>PREPARATION</b>	In <u>July/August each year</u> , the <b>Treasurer</b> of Ride Avenue Pre School, or a suitable delegate will start preparing the budget estimates as part of the strategic plan for the next calendar year. It Includes but not limited to: <ul style="list-style-type: none"><li>• considering operational costs/models</li><li>• anticipated enrolments</li></ul>
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	<ul style="list-style-type: none"> <li>• setting payroll costs</li> <li>• estimating income</li> </ul>
<b>FORECASTING</b>	<p>The initial budget estimates are based on current expenditure projections to the end of year plus relevant wage increases, revisions to awards/contracts, and an increase on operating expenses such as power, telephones, etc.</p> <p>Details of how cost increases will be absorbed or lead to increases in service charges (for example, fees) will be included.</p>
<b>DRAFTING</b>	<p>A draft budget will be prepared by the <b>Treasurer</b> of Ride Avenue Pre School or a suitable delegate. The Committee of Management may accept the estimates as presented or may request variations, within the context of the strategic plan. A detailed report denoting reasons for decisions should be attached to the draft budget for discussion.</p>
<b>ADOPTION</b>	<p>Budget must be reviewed and accepted before next calendar year at committee meeting in <b><u>month of September</u></b>. Once adopted will be official operating budget for following calendar/financial year.</p> <p>Before approving the budget, the Committee of Management team should be satisfied it is:</p> <p><b>Realistic</b> - The projected income is achievable and projected expenditure is sufficient to ensure effective delivery.</p> <p><b>Viable</b> – Ride Avenue Pre School can continue to meet its costs if this budget is implemented.</p> <p><b>Suitable</b> - The right timetable/models are provided for children and the community.</p> <p><b>Responsible</b> - It will protect and support future service provision.</p>
<b>MONITORING</b>	<p>Financial reports will be prepared and presented by the <b>Treasurer</b> or a suitable delegate, each month at the committee meeting showing the year-to-date expenditure and its variation from the budget estimates and indicating any increases or decreases in funding. A detailed commentary should be attached to the reports detailing reasons for variations and recommendations for corrective action should that be required. The <b>Treasurer</b> or their delegate will indicate what effect any variations will have on the budget projections and provide information to the committee of management.</p>
<b>IN YEAR AMENDMENTS</b>	<p>Reports on any other financial matters that may be related to the strategic plan are considered. Once adopted, the amended budget will become the new operating budget for the remainder of that calendar year.</p>

## COMPLIANCE

Ensuring all relevant stakeholders and staff are provided with a copy of the operational budget report and comply with its requirements. They must work within the financial limits set by the Committee of Management.

## BACKGROUND AND LEGISLATION



### BACKGROUND

Developing and monitoring a budget is an essential requirement of good management and governance. It is one strategy to help ensure Ride Avenue meets a range of legal and contractual requirements.

Additionally, the Department of Education (DE) provides funding as a contribution towards the cost of operating a kindergarten program for children in the two years before school. It is a requirement of **Kindergarten Funding Guide** (Victoria) that organisations must be able to demonstrate financial viability of the kindergarten program.

The Committees of Management of an incorporated association have a legal responsibility to not knowingly trade into insolvency or continue to operate when insolvent. In addition to this, the committee of management/board has a duty of care to ensure they can pay all debts and to keep proper records of financial processes.

The Committee of Management must be able to guide and monitor the organisation. Must comply with legal obligations, including keeping informed about the organisations financial position and performance, ensuring the organisation can pay its debts on time.

### LEGISLATION AND STANDARDS

- Associations Incorporation Reform Act 2012 (the Act)
- Education and Care Services National Law Act 2010
- Education and Care Services National Regulations 2011
- Associations Incorporation Reform Act 2012 (the Act)
- National Quality Standards

## DEFINITIONS



**Accountability** – The requirement that an organisation is accountable to members and others for its activities. Financial accountability means providing information to others about how funds have been acquired and spent.

**Balance sheet** – (also called statement of financial position). This is a financial report that shows the balance between the assets and liabilities of the organisation. The balance sheet gives a financial picture of the organisation at a particular point in time (often the end of the financial year).

**Budget** – A financial planning document that includes a summary of expected or planned income and expenses for a period, often a year.

**Budget variance** – A report showing the difference between the budgeted and actual income and expenditure.

**Deficit** – The excess of expenses over income over a specified period. The equivalent of LOSS in a for-profit organisation. A deficit is usually expressed in financial reports using brackets, for example, (\$354) or by a minus sign, for example - \$354.

**Expense** – A cost incurred in the operations of an organisation in a specific period.

**Funded organisation** – A legal entity or organisation that has entered into a service agreement with the Department of Education and Training receives the funds and has responsibility for the management of funds and delivery of kindergarten programs. Also known as a service provider. A funded organisation may be responsible for the provision of kindergarten programs at several locations.

**Income** – All monies received by an organisation including sales, donations, and grants.

**Insolvency** – Inability of an organisation to pay debts as and when they fall due.

**Liability** – An amount owing to another person or organisation.

**Notes to accounts** – (or notes to a financial report). Concise explanations of reasons for figures in the report or the methods and procedures used in drawing up the financial report. The purpose of these notes is to assist readers in interpreting the report.

**On costs** – Additional costs of establishing an activity usually in reference to salaries. On costs include Superannuation, WorkCover, provisions for sick pay, long, service leave, professional development and salary increases.

**Viability** – Financial viability is the ability to survive financially, that is, the organisation has sufficient resources to pay costs and continue operating.

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## SOURCES AND RELATED POLICIES



### SOURCES

- Kindergarten Funding Guide
  - Budgetworks V4 – Manual 2021 (ELAA)
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## EVALUATION



To assess whether the policy has achieved the values and purpose the Approved Provider will:

- Monitor compliance with the expectations and procedures set out in the policy.
  - Take into consideration feedback on the policy from staff and committee/board members.
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## ATTACHMENTS



- Budget Spreadsheet Template – [ELAA Website](#)
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## AUTHORISATION



- This policy was adopted by the approved provider of Ride Avenue Pre School in June 2023.
  - REVIEW DATE: May 2024
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