



VMC
Capability
Program

MODULE 3

Financial Management for VMCs

Understanding revenue, funding, and financial sustainability for Approved Providers

Duration: Approximately 60 minutes

Participant Workbook

Name: _____

Date: _____

Organisation: _____



How to Use This Workbook

This workbook is designed to guide you through Module 3: Financial Management of the VMC Capability Program. Use it to follow along with the training module, record your notes and reflections, and keep as a reference document after your training is complete.

This workbook includes:

- Background reading and explanations to accompany each section of the presentation
- Summary tables and example case studies
- Reflection prompts to help you apply learning to your own service context
- Space to record your own notes throughout

Learning Objectives

By the end of this module, participants will be able to:

1. Understand the financial governance responsibilities of management committees
2. Identify and manage multiple revenue streams including Child Care Subsidy, grants, and parent fees
3. Comprehend Child Care Subsidy requirements and compliance obligations
4. Develop realistic budgets that support high-quality education and care
5. Set appropriate fees that balance affordability with service sustainability
6. Monitor cash flow and identify early warning signs of financial difficulty
7. Read and interpret basic financial statements
8. Ensure financial compliance with funding bodies and regulatory requirements

Section 1: Understanding Financial Governance for Education and Care Services

As a committee member of an approved provider, you have collective legal and ethical responsibility for the financial health and sustainability of your organisation. This is not just about 'keeping the books balanced' — it's about ensuring sufficient resources to deliver high-quality education and care to children.

- 1) This is the link to the Australian Government's financial integrity strategy which outlines the department's approach to meeting its obligations as a regulator of Child Care Subsidy. [Child Care Subsidy Financial Integrity Strategy](#) In the strategy, there is reference to both Family Assistance Law (FAL) and the National Quality Framework (NQF). Specifically, this says:
 - a. To be approved under the National Law, providers and services must meet the requirements of the National Quality Framework. The National Quality Framework provides a national approach to regulation, assessment and quality improvement for child care services across Australia. The Australian Children's Education and Care Quality Authority (ACECQA) is an independent national authority that helps administer the National Quality Framework. It is a condition of continued approval that providers comply with their obligations under both the FAL and the National Law.

Core Financial Governance Duties

1. Financial Oversight and Due Diligence

- Ensure adequate financial systems, policies, and controls are in place
- Monitor financial performance against budget and strategic objectives
- Ensure the organisation can pay its debts as they fall due
- Protect the organisation's assets and ensure they are used appropriately

2. Strategic Financial Planning

- Approve annual budgets aligned with strategic priorities
- Make decisions about capital investments and major expenditures
- Ensure adequate reserves for sustainability and risk management
- Plan for long-term financial sustainability, not just year-to-year survival

3. Compliance and Accountability

- Ensure compliance with funding agreements and grant conditions
- Meet reporting obligations to regulatory bodies and funding organisations
- Maintain appropriate financial records and documentation

4. Risk Management

- Identify and manage financial risks including cash flow, funding changes, and unexpected costs
- Ensure adequate insurance coverage

- Maintain appropriate financial reserves
- Monitor sector trends that may impact financial sustainability

The Not-For-Profit Context

As a not-for-profit organisation, your financial management differs from for-profit businesses in important ways:

Principle	What It Means for Your Service
Mission-Driven	All financial decisions should support your organisation's mission and children's outcomes, not profit generation (though not for profit does not mean that the business should not have savings provisions and invest in the service long term)
Reinvestment	Any surplus is reinvested in service quality, staff, resources, and improvements — not distributed to owners or shareholders
Community Accountability	You are accountable to families, children, the community, and funding bodies
Sustainability Focus	Financial management balances affordability for families with long-term service sustainability

Warning Signs: When Financial Management Goes Wrong

Common financial governance failures include:

- Setting fees too low to cover actual costs, leading to deteriorating quality, inability to pay bills as they fall due and in the worst case scenario, service closure
- Failing to understand the true cost of delivering quality education and care
- Poor cash flow management resulting in inability to pay staff or suppliers
- Inadequate reserves leaving the service vulnerable to unexpected costs
- Making financial decisions without understanding regulatory and funding compliance requirements

Reflection: Think about your current service. Which of the four governance duties feels most familiar to you? Which area would benefit from more committee attention?

Section 2: Revenue Streams and Funding Sources

Education and care services in Queensland typically have multiple revenue streams. Understanding each stream — its reliability, conditions, and sustainability — is essential for financial planning.

Primary Revenue Sources

Revenue Source	Key Details
Child Care Subsidy (CCS)	Federal government subsidy paid directly to services Typically 40-60% of total revenue Stable but dependent on family eligibility, attendance, and compliance Strict regulatory requirements apply
Parent Fee Contributions	Gap fees paid by families after CCS is applied Typically 35-50% of total revenue Can fluctuate with economic conditions Must balance affordability with cost recovery
Additional Child Care Subsidy (ACCS)	Higher subsidy rates for families experiencing vulnerability or hardship Typically 2-8% of revenue Categories: Grandparent, temporary financial hardship, transition to work, child wellbeing
Inclusion Support Programme (ISP)	Funding to support children with additional needs Variable 0-15% depending on service cohort Not automatic — requires evidence and approval Treat as supplementary, not base income
State & Federal Grants	ECEC WRP Grant supports wage increases for eligible workers Often time-limited, specific purpose, competitive Highly variable 0-20%
Community & Philanthropic Grants	Sources include local councils, community foundations, corporate giving Usually for capital items, specific projects, or equipment Typically 0-5% of revenue Usually one-off, time-limited, require acquittal
Other Income	Interest, donations, fundraising Diversification can improve sustainability Generally minor contribution

Strategic Questions for Your Committee

- What is our current revenue mix?
- What funding opportunities align with our strategic priorities?
- Do we have the capacity to manage additional funding compliance?

Reflection: Review your service's revenue sources. What percentage does each source represent?

Section 3: The Child Care Subsidy System (CCS)

The Child Care Subsidy is the federal government's primary mechanism for making childcare more affordable and accessible for Australian families. Understanding how CCS works is fundamental to financial management because it typically represents the largest single revenue source for approved providers.

How CCS Works

CCS operates through a six-step process:

1. Families apply for CCS through Centrelink (Services Australia)
2. Services confirm child enrolment and communicate session details
3. Families attend sessions and services record attendance
4. CCS is calculated based on family income, activity test, and hours of care
5. Services receive CCS payments directly from the government (paid weekly)
6. Families pay the 'gap fee' — the difference between the fee and CCS

CCS Calculation Factors

Factor	Key Information
Family Income	Annual family income determines subsidy percentage (0% to 90%) Up to \$85,279 = 90% subsidy Reduces by 1% per \$5,000 of income above threshold \$535,279 or more = 0% subsidy*
Activity Test & Subsidised Hours	From 5 January 2026: minimum 72 hours subsidised care per fortnight for all eligible families Up to 100 hours per fortnight for Aboriginal/Torres Strait Islander children, families with 48+ hours recognised participation, or ACCS recipients
Child Age	CCS available from birth to secondary school Available beyond primary school with case-by-case approval Different service types have different age ranges
Hourly Rate Cap	CCS calculated up to a specific rate cap per hour Services can charge above the cap Families pay 100% of fees above the cap — affects affordability

CCS Calculation Example

Worked Example:

Service session fee: \$120 for 10 hours (Vacation Care session)

Hourly rate: \$12 per hour (below hourly rate cap)
 Family income: \$90,000 | CCS percentage: 85%
 CCS payment to service: \$120 x 85% = \$102
 Family gap payment: \$18

*Figures used are examples only – annual family income subsidy percentages change each financial year based on CPI. Go to the Services Australia website for up-to-date figures.

CCS Compliance Requirements

Non-compliance with CCS obligations has direct and significant financial consequences. Key obligations include:

- **Approved Provider Status:** Must maintain approval under the National Law and meet National Quality Framework requirements
- **Session Report Submission:** Weekly reports must be submitted within set timeframes — late submission delays CCS payments
- **Accurate Attendance Recording:** Real-time recording required; families must physically sign or digitally verify attendance
- **Fee Communication:** Complying Written Agreement must be in place; 14 days written notice required for fee changes
- **ACCS Obligations:** Support ACCS applications where appropriate; some ACCS categories prohibit gap fees; maintain confidentiality
- **Record Keeping:** Enrolment, attendance and fee records must be retained for specified periods and are subject to audit

Financial Risks Related to CCS

Risk	Governance Action
Overpayments	Monitor CCS payments against expected amounts; reconcile regularly
Late Session Reporting	Establish robust reporting systems; train staff; monitor deadlines
Attendance Recording Errors	Review recording practices regularly; ensure staff are trained
Family Eligibility Changes	Communicate with families; ensure enrolment information is current
Compliance Breaches	Include CCS compliance in risk register; stay informed about policy changes

Reflection: Does your service have robust systems for CCS compliance? Who is responsible for session reporting and attendance recording? What would happen to cash flow if CCS payments were delayed by two weeks?

Section 4: Additional Grants and Funding Programs

Inclusion Support Programme (ISP)

The ISP supports inclusion of children with disability or developmental concerns in mainstream education and care services.

- Two funding streams: Immediate/time-limited support and Ongoing support
- Funding can cover additional educator hours, specialist resources, and training
- ISP is child-specific — funding changes if the child's enrolment changes
- ISP contributes to the hourly rate of a staff member but does not cover full staff costs
- Not guaranteed income — must be applied for, approved, and fully acquitted

Key Committee Reminder:

- Do not rely on ISP for your base budget — treat it as supplementary funding only
 - Ensure your service has capacity to support children with additional needs regardless of whether ISP is accessed and approved
 - Monitor ISP application and acquittal processes carefully
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- Early Childhood Education & Care Worker Retention Payment Grant (ECEC WRP Grant) In 2024 the Australian Government announced it would support a 15% wage increase for the ECEC workforce over two years via the WRP grant, to recognise the value of the sector. Supports wage increases to retain eligible workers Interim measure until 30 november 2026.
 - Providers must engage workers using a compliant workplace instrument – for P&C's this is through Schedule 9 of the P&C Award
 - Providers must limit fee growth as per the fee growth cap requirements in the grant guidelines

Community Child Care Fund (CCCF)

The CCCF supports various initiatives for vulnerable children and communities. Current programs include:

- Enhanced Provider Support: For services in thin markets or serving disadvantaged communities
- Safety Net: For services experiencing financial difficulty

Note: These programs are time-limited, subject to change, and require competitive application.

Capital and Infrastructure Grants/Loans

- Available through Queensland Treasury
- Can be used for building improvements, outdoor environments,
- Usually require a co-contribution from the service and must be used for specified purposes
- Often involve tender processes and detailed acquittal requirements

- May carry ongoing cost implications such as maintenance and insurance

Grant Management Best Practices

Stage	Key Actions
Before Applying	Strategic alignment: Does this grant support our priorities? Capacity assessment: Can we manage the requirements? Co-contribution: Can we afford matching funds? Ongoing costs: Will this create future obligations?
During Grant Period	Maintain detailed records of all expenditure Use funds only for approved purposes Meet all reporting deadlines Communicate with funding body about any issues
Risk Management	Never build recurring costs into one-off grant funding Maintain separate accounting for each grant Prepare exit strategies when grants end Budget for acquittal and reporting costs

Reflection: Does your service receive any grants? Are you relying on any grant funding for ongoing operational costs? When do those grants end, and what is the plan if they are not renewed?

Section 5: Cost Structures for Quality Services

One of the most critical financial governance responsibilities is understanding what it actually costs to deliver high-quality education and care. Many services underestimate costs, leading to financial unsustainability and deteriorating quality.

Major Cost Categories

Cost Category	Typical % of Total Costs
Staffing (wages, super, leave, training, recruitment)	65-75%
Property and Facilities (rent, utilities, maintenance, cleaning, insurance)	~10%
Resources and Materials (educational resources, food, consumables, technology)	3-7%
Administration and Governance (admin staff, software, professional services, insurance)	5-12%
Other Operating Costs (marketing, vehicles, communication, bad debts)	Variable

Staffing Costs (65-75% of Budget)

Staffing is by far your largest expense and directly determines service quality.

Components of staffing costs:

- Wages and salaries: Base pay for educators, coordinators, directors
- Superannuation: Currently 12% of wages (verify current rate)
- Workers' compensation insurance: Typically 1-3% of wages
- Leave provisions: Annual leave, personal leave, long service leave
- Training and professional development: Maintaining qualifications and improving practice
- Recruitment costs: Advertising, screening, onboarding

Common Staffing Mistakes:

- Staffing only to minimum regulatory ratios
- Paying award rates only without considering market rates — resulting in high turnover
- Failing to budget adequately for relief staff and leave coverage
- Underestimating superannuation and on-costs

Property and Facilities (~10% of Budget)

Property costs cover rent or servicing a loan, rates and utilities (water, electricity, gas), maintenance and repairs, cleaning, grounds maintenance, and property insurance for building and contents.

Common Mistakes:

- Not retaining adequate surplus for facility improvements
- Underestimating repairs and maintenance costs
- No strategic plan for long-term service growth
- Underestimating the impact on children and educators of facilities not fit for purpose

Resources and Materials (3-7% of Budget)

Educational resources (books, toys, art materials), consumables (craft supplies, sunscreen, cleaning products), food and nutrition for meals and snacks, technology (computers, tablets, software), and outdoor equipment.

- Quality materials enhance learning experiences
- Resources need regular replenishment and updating
- Food quality impacts children's health, wellbeing, and attendance

The Quality Investment Model

Approach	Result
Minimum Compliance: Minimum ratios, minimum qualifications, minimum resources, reactive maintenance	Lower costs but also lower quality, higher staff turnover, higher compliance and safety risks
High-Quality Investment: Better-than-minimum ratios, qualified educators paid competitively, rich environments, proactive maintenance	Higher costs but better outcomes, staff stability, family satisfaction, regulatory confidence, safer children

Your Committee Responsibility:

- Understanding that cheaper is not better when it comes to education and care
- Budgeting realistic costs for quality provision
- Setting fees that reflect actual costs
- Being transparent with families about quality investments

Reflection: What percentage of your service's budget goes to staffing? How does this compare to the 65-75% benchmark? Are there cost areas where your service may be underinvesting?

Section 6: Fee Setting and Pricing Strategies

Setting appropriate fees is one of the most challenging decisions for volunteer management committees. You must balance affordability for families, sustainability for the service, community expectations, market positioning, and your not-for-profit mission.

Fee Setting Methodology

Follow these six steps when setting or reviewing your fees:

Step	Action
Step 1: Calculate true cost per child session separately for each session type	Work out what percentage of your total annual operating costs is attributable to each session type, based on its share of total child-hours delivered across the year, since longer sessions account for a proportionally larger share of staffing and operating cost. Then, for each session type, divide its allocated dollar amount by its own total number of sessions per year to arrive at a base cost per session for that type.
Step 2: Apply a cost escalation factor for the year ahead	Increase your base costs by a percentage grounded in realistic Consumer Price Index (CPI) projections for the financial year your fees will apply to — not an arbitrary figure — and make sure this factor reflects the anticipated annual award wage increase for the sector, since staffing costs (typically 65 to 75 percent of total operating costs) are the single largest driver of cost growth in education and care services.
Step 3: Add required surplus (typically 10-15%)	Build in surplus for reserves, capital improvements, unexpected costs, and quality improvements.
Step 4: Compare to CCS hourly rate cap	Calculate the hourly rate for each session type — Before School Care, After School Care, and Vacation Care — to see whether your fees are above or below the cap, since a fee that sits comfortably under the cap for a short Before School Care session can look very different once converted to an hourly rate for a much longer Vacation Care day.
Step 5: Analyse family gap fee impact	Model gap fees across different family income levels for each session type, since the gap fee a family pays for a short Before School Care session will look very different to the gap fee for a full-day Vacation Care session.

Step 6: Consider community context	What can families in your community afford? What do comparable services charge?
Step 6: Make strategic decision	Full cost recovery, partial subsidy model, or tiered pricing — consult association members for approval and ratification

Example Fee Calculation

Worked Example:

Scenario: 40 licensed places across Before School Care (BSC, 2.5 hrs), After School Care (ASC, 3 hrs), and Vacation Care (VC, 11 hrs). BSC/ASC run 5 days/week, 40 weeks/year at 80% utilisation; VC runs 5 days/week, 10 weeks/year at 65% utilisation.

Session Type	Sessions/Year	Child-Hours
BSC	6,400	16,000
ASC	6,400	19,200
VC	1,300	14,300
Total	14,100	49,500

Base operating costs (\$540,000): Staff \$378,000 (70%) | Facility \$81,000 (15%) | Resources \$37,800 (7%) | Admin \$43,200 (8%)

Escalate for the year ahead (5%, based on CPI + award wage projections): $\$540,000 \times 1.05 = \$567,000$

Add 10% surplus: $\$567,000 \times 1.10 = \$623,700$ total revenue required

Allocate by share of child-hours, then divide by sessions:

Session Type	% of Child-Hours	Revenue Allocated	Fee/Session	Hourly Rate
BSC	32.3%	\$201,600	\$31.50	\$12.60
ASC	38.8%	\$241,920	\$37.80	\$12.60
VC	28.9%	\$180,180	\$138.60	\$12.60

At \$12.60/hour, the fee sits just under the CCS hourly rate cap (~\$12.81) — a deliberate choice to make full use of the subsidised portion rather than leaving revenue unrecovered.

Committee decision: Set fees at \$31.50 (BSC), \$37.80 (ASC), \$138.60 (VC) — calculated per session type against escalated future costs, so fees match each session's actual length and cost without using this year's fees to fund next year's wage rise.

Note: the 5 percent escalation factor used above is illustrative only. In practice, the committee should base this figure on actual CPI projections for the relevant financial year and the confirmed or anticipated outcome of the annual award wage review (for most OSHC services, the Children's Services Award and/or relevant enterprise agreement), since wages are the

largest single driver of cost growth and an under-estimated escalation factor will leave the service short of revenue before the year is out.

Note: WRP Grant Fee Growth Cap

Services receiving the Early Childhood Education and Care Worker Retention Payment (WRP) Grant must ensure that any fee increase stays within the fee growth cap set out in the grant guidelines. This applies even where the increase is justified by genuine cost pressures, such as the CPI and award wage escalation built into Step 2 of the methodology above — the cap is a condition of the grant, not a guideline, and fee increases above it can put a service's WRP funding at risk. Before finalising a fee increase, committees should check the current fee growth cap and reporting requirements that apply to their grant agreement, and factor this constraint into the strategic decision made in Step 7.

CCS Rate Reference (from 7 July 2025)*

Family Income	CCS Subsidy Rate
Up to \$85,279	90%
\$85,279 to \$535,279	Decreases by 1% for every \$5,000 of income above \$85,279
\$535,279 or more	0%

*Figures used are examples only – annual family income subsidy percentages change each financial year based on CPI. Go to the Services Australia website for up-to-date figures.

Fee Policy Compliance

- Fees must be stated in dollars (not percentages)
- 14 days written notice required for fee changes
- Be aware of any fee increase restraints (government imposed or lease-related)
- Families must receive a statement of entitlement
- ACCS families may have limited or no gap fees depending on ACCS category

Managing Fee Debt

Prevention strategies: Clear payment terms at enrolment, regular invoicing, early communication when fees are overdue, payment plans for hardship, and direct debit systems.

Collection approach: Be supportive rather than punitive — understand family circumstances and connect families with financial support services. Maintain a clear debt recovery policy and use debt collection as a last resort.

Reflection: When did your service last review its fee schedule? Does your current fee cover the true cost of delivering quality care, including a surplus for reserves? What is your current fee debt position?

Section 7: Budgeting and Financial Planning

The annual budget is one of the most important governance tools. It translates your strategic plan into financial terms and provides a roadmap for the year ahead.

Budget Development Timeline

Timeframe	Key Actions
3-4 months before financial year	Review current year performance Identify strategic priorities Gather input from coordinator/director
2-3 months before	Develop draft budget Model different scenarios Consider fee adjustments Present draft to committee
1 month before	Refine based on committee feedback Finalise assumptions Prepare budget documentation
Start of financial year	Approve final budget Communicate to staff and stakeholders Establish monitoring systems

Budget Components

1. Revenue Budget

Project all income sources: CCS payments (based on expected enrolments, attendance rates, average CCS percentages), parent gap fees, ACCS (conservative estimate), confirmed grants only, and other income.

Key Assumptions to Document:

- Average occupancy rate
- Number of sessions per fee type (BSC, ASC, VC sessions for OSHC)
- Average CCS percentage for your family cohort
- Fee schedule
- Holiday period closures
- Grant funding confirmation status

2. Expenditure Budget

Detail all cost categories: staffing (wages, super, leave, recruitment, professional development), property (rent, utilities, maintenance, insurance), resources, and administration.

Critical Details:

- Include provision for award wage increases and step progressions
- Budget for known equipment replacement
- Include realistic professional development costs
- Allow for contingency — typically 2-5% of budget

3. Capital Budget

Maintain a separate budget for major purchases and improvements (typically items over \$1,000): equipment, building improvements, technology infrastructure, outdoor environment upgrades. Fund through operational surplus, capital grants, reserves, or fundraising.

Sample Budget Format

Category	Budget / % of Total
REVENUE	
Child Care Subsidy	\$280,000 / 59%
Parent Gap Fees	\$165,000 / 35%
Other Grants	\$20,000 / 4%
Other Income	\$8,000 / 2%
Total Revenue	\$473,000 / 100%
EXPENDITURE	
Staff Costs	\$330,000 / 70%
Property Costs	\$68,000 / 14%
Resources & Materials	\$23,000 / 5%
Administration	\$38,000 / 8%
Contingency	\$11,000 / 2%
Total Expenditure	\$470,000 / 99%
Surplus/(Deficit)	\$3,000 / 1%

Scenario Planning and Sensitivity Analysis

Don't just budget for the 'most likely' scenario. Test different situations:

- Best Case: Higher occupancy, additional grants secured, lower staff turnover
- Most Likely: Realistic assumptions based on trends, conservative revenue estimates
- Worst Case: Lower enrolments, grant funding not secured, higher staff turnover, unexpected maintenance

Key Committee Questions to Test Your Budget:

- What if occupancy drops 10%?
- What if we lose a key grant?
- What if we need to recruit multiple staff?
- How much financial buffer do we have?

Multi-Year Financial Planning and Reserves

Reserve Level	Target
Minimum	1-2 months operating costs
Comfortable	3-4 months operating costs
Strong	6+ months operating costs

Committees should set a clear reserve policy that defines the target level, the circumstances under which reserves can be drawn upon, and a plan for rebuilding reserves if they fall below the minimum threshold.

Reflection: Does your service have a formal reserve policy? What is your current reserve position in months of operating costs? How do you plan to build or maintain reserves over the next 3 years?

Section 8: Cash Flow Management

A service can be 'profitable' on paper but still experience cash flow crises. Cash flow management is about ensuring you have sufficient cash available to meet obligations when they fall due.

Cash Flow Fundamentals

Cash Inflows	Cash Outflows
CCS payments (typically weekly)	Staff wages (usually fortnightly or weekly)
Parent fee payments (varies)	Superannuation (quarterly — large quarterly amounts can strain reserves)
Grant payments (often quarterly or milestone-based)	Supplier payments (weekly to monthly)
Other income	Rent or mortgage (monthly) Utilities (monthly or quarterly)

Even if income equals expenses over a year, mismatched timing can create shortfalls. Staff need to be paid fortnightly, but some income is quarterly. School holidays may reduce income while fixed costs continue.

Sample 12-Week Cash Flow Forecast

Key Point:

Committees should review a rolling 12-week cash flow forecast regularly (at minimum monthly, more frequently during tight periods).

Example: Week 13 shows closing balance of \$28,100 after superannuation payment — committee needs to plan for this quarterly drop.

Red flag: Week 13 balance is significantly lower than previous weeks due to \$9,200 superannuation payment.

Strategies to Improve Cash Flow

Accelerate Inflows:

- Encourage direct debit for parent fees
- Invoice promptly and regularly
- Offer incentives for upfront term payment
- Follow up quickly on overdue fees

Smooth Outflows:

- Negotiate payment terms with suppliers

- Spread major purchases across the financial year
- Plan large expenditures during strong cash flow periods

Maintain Buffer:

- Keep minimum cash reserve (e.g., 3 months operational costs)
- Build reserves during strong periods

Auditor advice on Sufficient Reserves

It is appropriate practice to maintain sufficient reserves for 3 months of trading in the bank account. Our organisation does the same. There are several reasons for this:

Operational continuity

If income suddenly stops — a major funder withdraws, a contract ends unexpectedly, or a crisis disrupts services (such as COVID) — reserves give you time to respond without immediately cutting staff or services. Three months is roughly how long it takes to make significant structural changes (notice periods, procurement processes, finding alternative funding).

Cash flow management

Even financially healthy organisations experience timing mismatches between when income arrives and when expenses fall due. Payroll, rent, and utilities don't wait for grants to be processed or invoices to be paid. Reserves smooth out these gaps.

Protecting employees

Without reserves, a sudden shortfall can trigger redundancies. Three months of wages in reserve gives the board time to act responsibly rather than reactively, meeting both legal obligations and ethical duties to staff.

Credibility with funders and partners

Funders, banks, and partners view reserves as a sign of sound governance. An organisation with no reserves can appear poorly managed, which can actually reduce your chances of attracting the very funding you need in a crisis.

Enabling strategic decisions

Reserves give boards breathing room to make good decisions rather than desperate ones. You can negotiate, consult, and plan — rather than accept unfavourable terms simply because the alternative is collapse.

Board and governance obligations

Boards have a fiduciary duty to ensure the organisation can meet its obligations. Operating without adequate reserves exposes board members to personal risk if the organisation becomes insolvent while continuing to trade.

For OSHC and NFP contexts specifically, this is particularly relevant because:

- Government funding and contract renewals can be unpredictable (particularly at the moment with the worker retention payment and funding reform)
- Community-owned services often can't access commercial credit lines easily
- Workforce costs are high and largely fixed
- Closure or service disruption has direct impacts on vulnerable families

The three-month figure isn't arbitrary — it reflects how long it realistically takes to negotiate funding, restructure operations, or wind down responsibly. Some auditors recommend up to six months for organisations with complex staffing arrangements or high fixed costs.

Warning Signs of Cash Flow Problems

Early Warning Indicators:

- Consistently paying bills late
- Juggling creditor payments ('robbing Peter to pay Paul')
- Difficulty meeting payroll dates
- Increasing reliance on overdraft or credit
- Delaying superannuation payments
- Rising aged debtor balance
- Deferring necessary maintenance or purchases

If warning signs appear: Request immediate cash flow forecast, identify the root cause, develop an action plan, consider seeking professional financial advice, and monitor weekly until the position stabilises.

School Holiday Period Management (OSHC)

School holidays present unique cash flow challenges: reduced attendance means reduced CCS and parent fee income, but fixed costs (rent, administration) continue.

- Budget conservatively for holiday period income
- Build cash reserves during term time
- Consider holiday programs to generate additional income
- Plan discretionary spending outside holiday periods

Reflection: Does your service maintain a 12-week rolling cash flow forecast? When is your most challenging cash flow period? What strategies are currently in place to manage those periods?

Section 9: Understanding Financial Statements

Committees must be able to read and understand basic financial statements. These documents tell the story of your organisation's financial health.

The Three Key Financial Statements

Statement	What It Shows / Key Questions to Ask
Income Statement (Profit & Loss)	Revenue, expenses, and surplus/deficit over a period Is total revenue meeting budget? Are expenses within budget? Is staffing cost 65-75% of revenue? What trends are developing?
Balance Sheet (Statement of Financial Position)	What the organisation owns (assets) and owes (liabilities) at a point in time Is cash position healthy? Are accounts receivable reasonable? Are reserves growing? Can we pay our bills?
Cash Flow Statement	Actual movement of cash in and out — where cash came from and where it went Is operating activity generating positive cash flow? Are we maintaining or building cash reserves? Do major cash outlays make sense?

Key Financial Ratios

Ratio	Formula / Interpretation
Current Ratio	Current Assets / Current Liabilities Example: \$68,700 / \$16,300 = 4.2 For every \$1 owed, we have \$4.20 in accessible assets Healthy range: 1.5 to 3.0
Months of Reserves	Net Assets / (Annual Operating Expenses / 12) Example: \$69,400 / (\$475,400 / 12) = 1.75 months Recommendation: Build to at least 3-6 months

Red Flags to Watch For

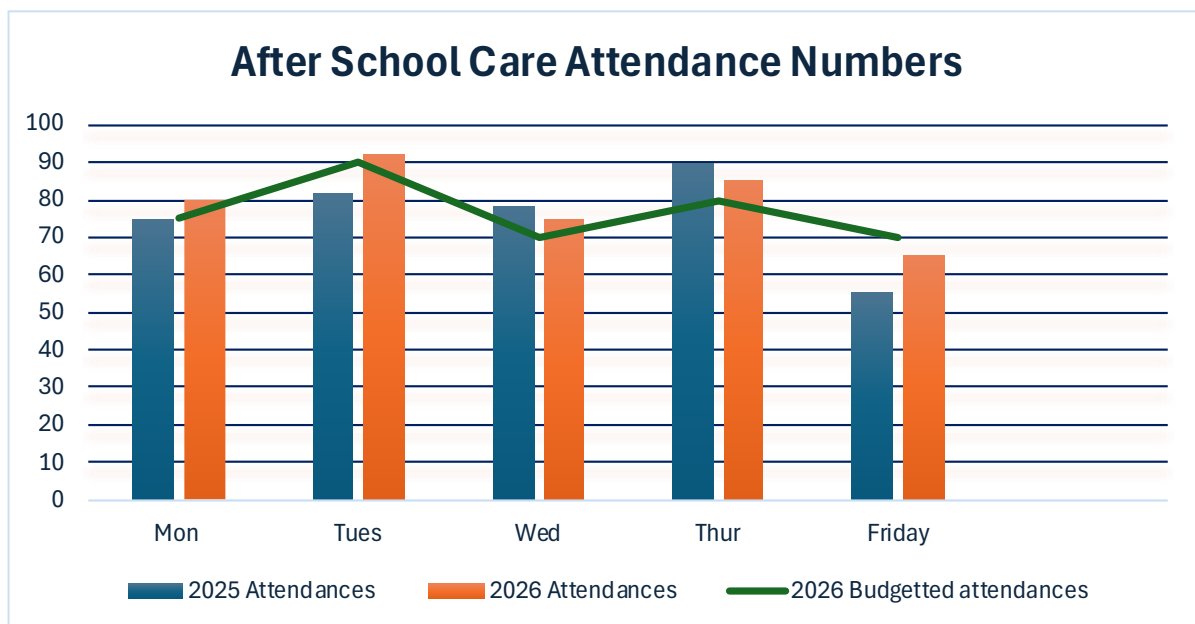
Red Flags in Financial Reports:

- Declining cash balance over consecutive months

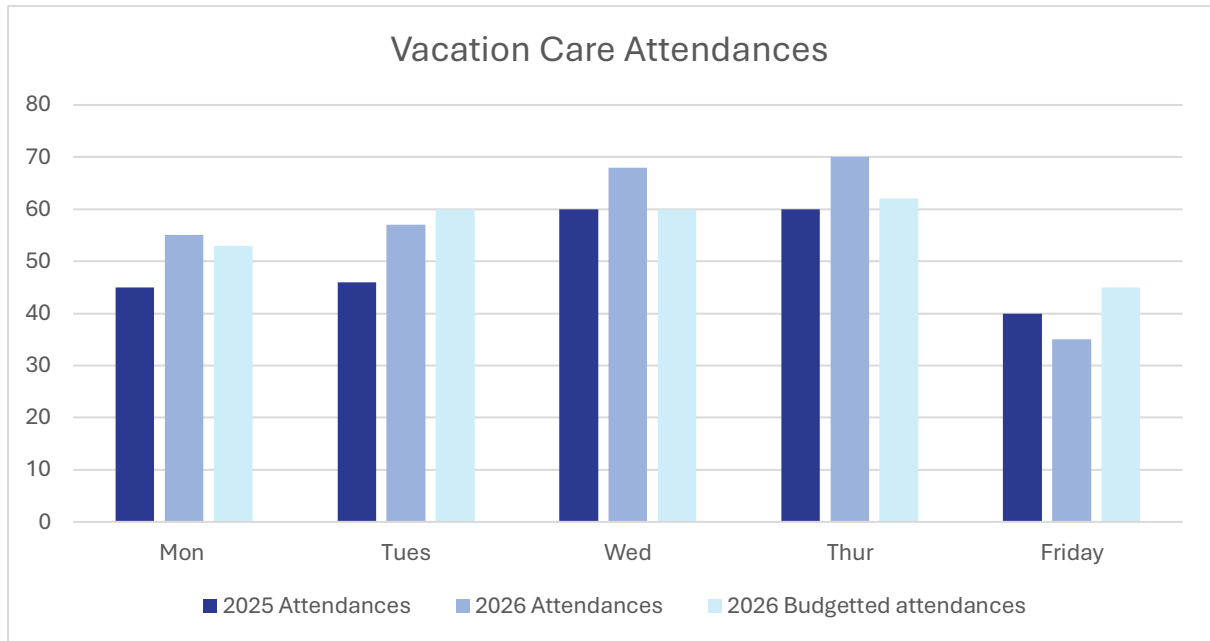
- Growing accounts payable (signs of cash flow stress)
- Increasing aged debtors (parent fees not being collected)
- Deficit position trending over time
- Reserves being depleted
- Unexplained variances that are not investigated

Financial Report Presentation to Committee

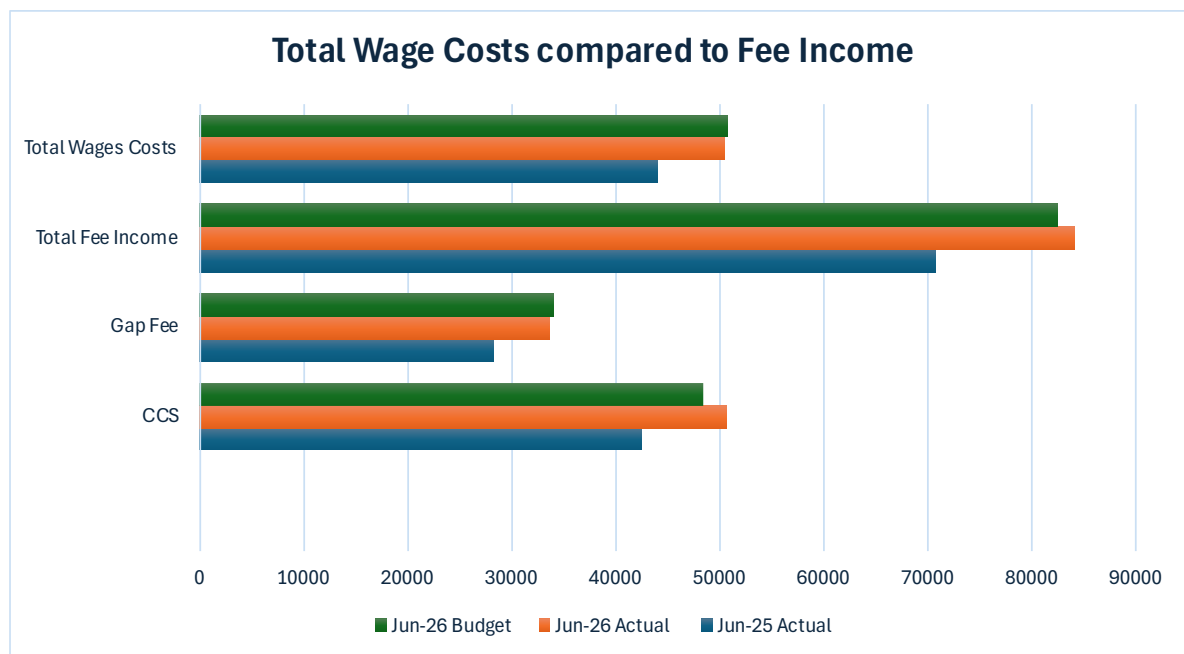
- Provide reports before meetings — not tabled on the night
- Include brief written commentary explaining variances and issues
- Use graphs and charts for trends
- Highlight key concerns and actions taken
- Compare to prior year and budget
- Include cash flow forecast for the coming period



Example graph for demonstrating attendance numbers against budgeted assumptions and previous years.



Example graph for demonstrating attendance numbers against budgeted assumptions and previous years.



Example graph for demonstrating wage costs against total income, based on actuals vs. budget expectations and previous year.

Reflection: Think about the last financial report you received at a committee meeting. Were all three statements included? Were variances explained? What questions would you now ask differently?



Section 10: Financial Compliance and Accountability

CCS Compliance — Financial Impacts of Non-Compliance

Consequences of Non-Compliance:

- Suspension of CCS payments
- Debt notices for overpaid CCS
- Penalties and sanctions
- Loss of approved provider status

Common compliance issues to monitor:

- Attendance recording errors — leading to incorrect CCS claims
- Late session reporting — delaying CCS payments
- Incorrect fees charged — above communicated fees
- Inadequate notice of fee changes — breach of 14-day notice period
- ACCS gap fees charged when prohibited

Financial Record Keeping Requirements

Legal requirements: Financial records must be accurate and complete, retained for 7 years (tax) or as specified by regulations, and accessible for audit and regulatory review.

Essential Records:

- Invoices and receipts
- Bank statements and reconciliations
- Payroll records
- CCS session reports and reconciliations
- Grant acquittal documentation
- Financial statements and annual audit reports
- Tax records (if applicable)

Internal Financial Controls

Separation of duties is critical to prevent fraud and error:

- Different people should authorise, process, and reconcile transactions
- Dual signatories required for payments over a specified threshold
- Regular independent review of financial records
- Bank reconciliations performed monthly by an independent person
- Regular budget variance analysis

Cash Handling and Electronic Payments:

For CCS families, gap fees must be collected electronically (via EFT — bank/credit card, direct deposit/bank transfer, online payments via third party software, BPay, Centrepay, or prepaid

debit cards). Minimise use of cash wherever possible. Exceptions apply in limited circumstances (e.g., family violence risk, remoteness).

Annual Financial Audit

Audit Opinion	Meaning
Unqualified (Clean)	Accounts are true and fair — best outcome
Qualified	Issues identified but not pervasive — requires committee attention
Adverse	Accounts do not represent the true position — serious concern
Disclaimer	Auditor cannot form an opinion — records may be insufficient

Managing Financial Difficulties

Early intervention is critical. If financial problems emerge:

1. Acknowledge the problem early
2. Seek professional advice (accountant, peak body, financial counsellor)
3. Develop recovery plan with specific actions and timeline
4. Communicate appropriately with staff, families, and regulators
5. Consider all options including service model changes, amalgamations, grant applications
6. Protect entitlements — staff wages and leave must be prioritised

Available Support:

- Queensland Children's Activities Network (QCAN) — www.qcan.org.au
- National Outside School Hours Services Alliance (NOSHSA) — www.noshsa.org.au
- Community Child Care Fund Safety Net
- Services Australia provider portal — www.servicesaustralia.gov.au/childcare
- ACECQA — www.acecqa.gov.au
- Queensland Department of Education — www.qed.qld.gov.au

Reflection: Does your service have a written policy on internal financial controls? When was it last reviewed? Are there any current compliance risks you are aware of that need committee attention?

Conclusion and Next Steps

Financial governance is fundamental to your role as a management committee member. The financial decisions you make directly impact service quality, sustainability, and children's outcomes.

Key Understanding	Why It Matters
Financial Governance is Strategic	Your role is oversight, planning, and policy — not day-to-day financial management
Understand Your Revenue	CCS is likely your largest revenue source and requires strict compliance
True Cost of Quality	High-quality education and care costs more than minimum compliance; your budgets must reflect realistic quality costs
Fee Setting Balances Multiple Goals	Affordability for families must be balanced with service sustainability
Cash Flow is as Important as Profitability	You can be 'profitable' on paper but unable to pay staff — cash flow forecasting is essential
Financial Statements Tell a Story	Learn to read and question income statements, balance sheets, and cash flow statements
Compliance has Financial Consequences	CCS and grant compliance failures have immediate financial impacts
Reserves are Essential	Build financial buffers for sustainability and resilience
Transparency Builds Trust	Open communication about finances with families and stakeholders strengthens your service
Early Intervention Saves Services	Address financial warning signs immediately — don't wait until crisis point

Essential Principles for Financial Governance

Principle	Practical Actions
Act with Financial Prudence	<ul style="list-style-type: none"> Make informed decisions based on accurate financial information

	<ul style="list-style-type: none"> • Ensure decisions are financially sustainable, not just affordable today • Balance short-term constraints with long-term sustainability
Prioritise Quality Investment	<ul style="list-style-type: none"> • Recognise that quality education and care requires adequate funding • Don't compromise quality for short-term financial gains • Invest in staff, resources, and environments
Maintain Accountability	<ul style="list-style-type: none"> • Ensure accurate records and transparent reporting • Comply with all funding and regulatory requirements • Report openly to stakeholders
Manage Risk	<ul style="list-style-type: none"> • Maintain adequate reserves • Diversify revenue sources where possible • Monitor financial health continuously • Address problems early
Seek Expertise	<ul style="list-style-type: none"> • Don't be afraid to ask questions • Use professional financial advice when needed • Learn from other services and peak bodies • Invest in governance capacity building

Next Steps

For New Committee Members:

Timeframe	Key Actions
Within First Month	<ul style="list-style-type: none"> • Review organisation's current financial statements • Understand current budget and financial position • Read constitution provisions about financial management • Meet with treasurer and coordinator to understand financial systems
Within First Three Months	<ul style="list-style-type: none"> • Review financial policies and procedures • Understand revenue sources and compliance requirements • Familiarise yourself with financial reporting format

	<ul style="list-style-type: none"> • Participate in budget process if timing aligns
Ongoing	<ul style="list-style-type: none"> • Review financial reports before each meeting • Ask questions when you don't understand • Participate actively in financial discussions and decisions • Continue learning about financial management

For All Committee Members:

Action Area	Key Actions
Regular Actions	<ul style="list-style-type: none"> • Review monthly financial reports thoroughly • Monitor cash flow forecasts • Question variances and seek explanations • Ensure compliance with funding and regulatory requirements • Plan for upcoming financial pressures such as holidays and major expenses • Build and maintain reserves
Annual Cycle	<ul style="list-style-type: none"> • Participate in budget development process • Review and approve annual audit • Set fees strategically • Review financial policies • Assess financial performance against strategic goals
Professional Development	<ul style="list-style-type: none"> • Attend financial management training • Network with other committee members • Access peak body resources and support • Read sector updates about funding and policy changes

Resources and Support

Queensland Children's Activities Network (QCAN)

- Financial management resources and templates

- Budget tools and benchmarking data
- Fee setting guidance
- Training and professional development
- www.qcan.org.au

National Outside School Hours Services Alliance (NOSHSA)

- National policy updates
- CCS compliance resources
- Sector benchmarking data
- www.noshsa.org.au

Government Resources

Services Australia

- Child Care Subsidy information
- Provider portal support
- Compliance guidance
- www.servicesaustralia.gov.au/childcare

Australian Children's Education and Care Quality Authority (ACECQA)

- National Quality Framework information
- Regulatory compliance guidance
- www.acecqa.gov.au