



Australian Government
Department of Education and Training

Child Care Services Simple Scenario Analysis Tool

HOW TO GUIDE

October 2017



Child Care Services Simple Scenario Analysis Tool

What is the purpose of this tool?

The Australian Government is investing an additional \$2.5 billion over four years to support the 1.2 million families who use approved child care. The changes will provide more support for more families and be targeted to those who need it the most.

It is expected that the greater flexibility the package will allow from 2 July 2018, in particular with regard to service models and operating hours, will help services to become stronger and enable them to focus even more on responding to the care needs of families and children.

As part of assisting services to take advantage of the opportunities and greater flexibility that will be available under the package, the Australian Government Department of Education and Training (the department), in consultation with a range of child care stakeholders, has compiled a suite of business support tools and resources to help child care services to review their business operations in the context of transitioning to the new arrangements. These tools and resources are a simple and practical way that services can plan, review and grow their businesses into the future. They incorporate best practice suggestions and ideas developed with and by the sector.

While there is no requirement to use these resources, services may find them useful to review their operations in the context of the new arrangements.

The [Simple Scenario Analysis Tool](#), which forms part of the suite of tools and resources, is designed to help services understand how certain factors may impact their financial results. The tool includes two sections: the current state, and the scenario analysis section. Services can use the scenario analysis section to:

- estimate the potential financial impact of operational changes such as opening hours, attendance levels, or fee structure
- assess the potential impact of these changes
- gain further insight into each year's financial performance.

Who should use this tool?

The Simple Scenario Analysis Tool has been designed for child care services that provide a single child care service type. This is relevant to long day care, family day care, outside school hours and occasional care services, and can be used by management, administrative, or bookkeeping staff to inform decision making in preparation for the new child care arrangements. Where services have more than one care type, they should use the [Detailed Scenario Analysis and Budgeting Tool](#).

How should I go about implementing any changes?

Once you have used this tool to identify and analyse any potential operational changes, you need to decide which changes you wish to implement (if any), while considering any impact these changes may have on families.

In planning the implementation of any operational changes, you may find the department's business planning templates useful. These include a **business plan**, **project plan** and **risk management plan**.

The [Simple Scenario Analysis Tool](#), and associated business planning templates, should be considered alongside the [Child Care Services Business Support Resource](#) and other business planning tools that may be relevant to your service. The complete suite of business support tools and resources can be found on the [department's website](#).

Before you get started

What information do I need?

Before you start, you should have a copy of your service's latest financial statements. To use the [Simple Scenario Analysis Tool](#) you will need current:

- income and expense details (e.g. fee income, other income, staff wages expense, rent expense)
- educator details (e.g. average salary, days per week)
- child attendance details (e.g. for each day of the week)
- service details (e.g. opening hours, days open each week)

Key terms

Net Results: This refers to the net financial profit or loss for a given period of time.

Consumables: The daily items that are provided to children in attendance and the associated cost. Throughout the tool this is used on a per child, per day basis.

When using the simple scenario analysis tool, keep the nature of the inputs in mind, as changing one factor may impact additional variables not factored into the tool.

Legend

The legend below indicates which coloured cells are input and output:

-  Input cell: Enter information here. Italicised text provides example entries.
-  Output cell: Do not enter information here. Outputs will be automatically calculated.

How do I use this tool?

The Simple Scenario Analysis Tool

Using information from your financial statements, you can begin using the [Simple Scenario Analysis Tool](#). This will provide an analysis of the current state of your service. From there, you can begin to change inputs and analyse the impact on your net result.

Step 1

Current Information: Enter your service's financial information in the categories listed:

- educator details
- income considerations
- other income (such as grants)
- expenditures
- consumables

1 Current information

New Margin

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Current details for your childcare service

Educator details	2017	Comments
Number of educators		
Number of educator hours per week	0	
Average educator hours per week		

Income Considerations

Average number of children per week		
Number of weeks open per year		
Average number of days open per week		
Average number of hours open per day		
Average number of hours open per week	0.0	

Weekly Children:Staff mix		
Minimum weekly staffing mix		

Fee per hour (\$)		
Fees Received (\$)	\$0	

Note any specific comments related to expenditures in the right hand column.



Tip: The Net Margin will provide an estimate of your service's financial result based on the information provided. Note that as average educator costs are provided, the Net Margin is an **estimate** only.

Step 2

Scenario Information: Enter scenario details for the case you are testing. Assess the impact on your service's net result.

2 Scenario based information

New Net Margin

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Scenario details for your childcare service

Educator details	2017	Comments
Number of educators		
Number of educator hours per week	0	
Average educator hours per week		

Income Considerations

Average number of children per week		
Number of weeks open per year		
Average number of days open per week		
Average number of hours open per day		
Average number of hours open per week	0	

Weekly Children:Staff mix		
Minimum weekly staffing mix		

Fee per hour (\$)		
Fees Received (\$)	\$0	

Other income e.g. grants (\$)

2017	Comments
Other income	
Fundraising	
Additional income stream	
Additional income stream	
Additional income stream	

Step 3

Comparison: Review the prompting questions in the third step.

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When changing the number of educators, consider the impact on staff to children ratios

Current Results

Step 4

Navigate to the Current Results tab:

The current results tab provides a summary of your service's current financial position. This information can be used to identify your largest costs or other areas of your service you might like to consider.

2 Financial Position	
Estimated financial position	
Summary	
Total income	2017 \$0
Total expenditure	\$0
Net Margin	\$0
Income breakdown	
Fees Received (\$)	\$0
Other income	\$0
Fundraising	\$0
Additional income stream	\$0
Additional income stream	\$0
Additional income stream	\$0
Expenditure breakdown	
Annual consumables	\$0
Average staff costs (\$ per educator)	\$0
Admin staff (total)	\$0
Rent expense	\$0
Vehicles expense	\$0
Depreciation expense	\$0

Note: the changed financial details you intend to test, observe the interdependencies between various factors and how they would affect your financial results.

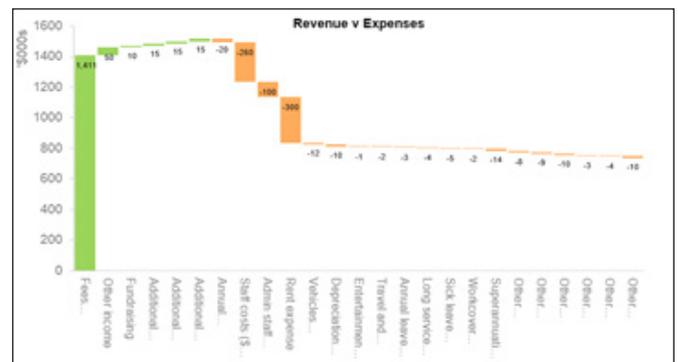
Scenario Results

Step 5

Navigate to the scenario results tab:

The scenario results tab provides a summary of your service's financial position in the scenario you entered. This information can be used to identify your largest costs or other areas of your service you might like to consider in future.

The waterfall chart is a visual representation of financial information which aids in identifying areas for improvement and which figures most contribute to your service's result.



Compare Results

Step 6

Compare your current results with your scenario results, but don't stop here:

Test several different cases, try adjusting various inputs and observe what the results indicate. By using the tool in this way you can identify the specific factors, which have the most impact to your financial sustainability.



Tip: You may want to save different versions of the tool such as a 'best' and 'worst' case scenarios or 'high' and 'low' enrolment / cost scenarios. The final scenario that incorporates your proposed changes can be used to discuss with your management team.



Tip: Be mindful of dependencies and constraints between inputs. For example, enrolment numbers are constrained by the capacity of your service. Similarly, increasing enrolments will need to be matched by the appropriate increase in educators.