

Managing monthly finances

It's very important to sit down every month and assess and reflect on how the business is performing compared to your original budget and cash flow forecasts.

You need to track how your actual income and expenditure is varying from your projected income and expenditure and investigate why. For example:

If income is down...

- If your income is less than you expected it to be, you need to find out why and address the causes.
- Is occupancy lower than you expected? And if so, why? Do you need to do more work on sales and marketing to sell your places and if so, what actions do you need to take?
- Are parents not paying promptly, or struggling to pay at all? If so, what steps can you take to ensure that you receive the money that you are owed?

If income is up...

- If you are bringing in more money than anticipated, that's great! It's worth investigating what is behind your success so that you can build on it.
- Alternatively, if you find that it is due to a short term trend, you can prepare for a decrease in the future.

If costs are down...

- If your costs are lower than you expected, this is likely to be a good thing but could mean that something has been overlooked.
- Have some of your purchases been less expensive than you thought?
- Or have you had to buy less of some things than you thought?

If costs are up...

- If your costs are up, you need to investigate quickly to make sure that you remain in a healthy cash position.
- What unexpected items have you had to purchase, and how can you make sure that you don't have these unexpected costs in the future?
- If prices for regular items have risen, do you need to review your own prices to take account of this, or could you find an alternative supplier?

Monthly accounts

Keeping your monthly accounts up-to-date is easy once you get into a routine.

You may need help to set up systems to use. Your local authority may be able to advise you or alternatively you could speak to a locally recommended accountant or book-keeper, but once they are established, try to:

- Set aside time each week to bring your records up-to-date.
- Use ways that work for you, such as keeping all the paperwork from each day together in a folder until you have time to deal with it - but try not to let it stack up.
- Make notes as you go along on purchases and payments received - don't rely on memory.
- Set aside specific times, say once every two weeks, to pay your bills and see who hasn't paid what they owe to you.

At least monthly, every business should:

- Bring all accounting transactions up-to-date in your system, and check that your transactions balance and that you can account for all income and expenditure.
- Reconcile to bank statements – do they include all the income and expenditure you expect? Identify any large payments that you have made that have not yet gone through (so you don't become overdrawn). Is there any information that you need to transfer to your accounts system e.g. bank charges?
- Resolve any queries while the information is still recent – don't let things linger too long.