



*Football West acknowledges Football Victoria in making this resource available to the WA football community.*

## **Factsheet**

### **Developing A Budget**

#### **Introduction**

All football clubs should have a budget, as your budget will underpin all Club activities and plans, in both the short and long term. It is intended to minimize the risk of being faced with nasty surprises and to provide a base to begin planning. Having an effective budget is a tool to help your club manage its finances and plan for a healthy and successful future.

#### **What is a Budget?**

The starting point for each Football Club every season should be the development of a budget, as this is a tool to help your club to plan for a healthy financial future. It is usually for your entire Club operations and is set for one year in advance but can also be set for shorter or longer periods of time, or even for certain sections of your operations such as the canteen operations or fundraising events.

The budget will show:

1. How much income your club expects to receive in the next year.
2. How much your club expects to spend in the next year.
3. The predicted surplus or deficit in the next year.

In its simplest form, a budget is the financial projection of the Club's activities during the year. It is the Treasurer's responsibility to prepare and then present the budget to the committee, giving the committee time to consider the way the Club will operate for the year before giving its approval.

The Committee and the Treasurer are ultimately responsible for overseeing the budget of the organisation and for ensuring that the organisation operates within a responsible, sustainable financial framework.

The Club should operate under a budget that can be flexible in responding to unforeseen events, including possible reductions in cash flow, and therefore be regularly monitored and reviewed. In line with this responsibility, it is important that the Committee conducts a budget planning process each year as part of its annual business planning.

#### **What are the Benefits of a Budget?**

Preparing a yearly budget is one of the best ways to ensure your Club has financial performance at the forefront of its focus. This allows your Club to monitor and adapt your approach if needed, and provides many benefits such as:



**1. Increased Financial Control**

By setting a Club budget you should be able to identify potential financial difficulties before they happen. For example, if the budget shows that the Club is going to need to spend more than it receives to run activities, then plans can be made to raise more income or reduce costs that might be incurred.

**2. Avoiding Nasty Surprises**

If you set up a routine of regularly checking the Club's actual financial performance against the budget, you can identify problems and make plans to address additional costs incurred or lower income receipts than budgeted.

**3. Better Financial Decision Making**

Your Club leaders can make decisions about future expenditure based on how your club is performing against the budget. If you are performing better than expected and harvesting a bigger surplus, you might wish to re-invest these funds in equipment, etc. Or if you have faced some challenges and are losing money, you might wish to postpone certain projects or investments until a more convenient time.

**4. Alignment to Club Goals & Strategy**

The budget should be set in line with your club's strategic objectives, and will require input from lots of people in your Club - involving everyone helps to ensure that you are working towards the same financial and strategic goals!

**5. Keeping Club Members Motivated**

Providing targets can give the challenge required to get members thinking more actively about the Club. A realistic, achievable budget can often motivate Club leaders and members to meet (and sometimes even beat!) the budgeted figures to sustain the Club's future survival and success.

## How to Develop a Budget?

A budget is a way of thinking ahead financially, as it predicts the expenses you expect to incur and the income you hope to bring in. In designing your budget framework, you need to ask:

1. What are the things you spend your money on?
2. How do you bring money into the Club?
3. What is the Club/Committee's desired outcome, aim or strategy for producing a surplus?

This will allow you to estimate what the figures will be in each category, and provide you the guidance for what approach the Club wants to take to reach the desired outcome. Remember, you're not costing what you did last year, or even what you're doing now; you want to know what it will cost to deliver on your objectives in the coming year, and using that to plan for your future.

Prior to the beginning of each year, the Treasurer should start preparing the budget estimates as



part of the Club plan for the financial year. A great starting point for preparing your Club budget is to cast your eyes back over the financial reports for the last few years or seasons to identify the income that the Club receives and the types of payments it makes, as well as the usual timing that these transactions occur.

Budgets are developed under the assumption and calculations of what your Club thinks will happen during the year. You can start developing your Club's budget by addressing the following questions:

**1. Number of Registrations**

How many registrations are you expecting? This might come in the form of team numbers, or individual players in each age group.

**2. Registration Fee Costs**

How much will registration fees cost for the upcoming year? This may include separate amounts for different age brackets, concession status, etc that should all be taken into account in your calculations.

**3. Direct Training & Competition Costs**

What costs does your Club incur directly related to training and competing? (E.g. FW/FA Registration Components, Team Entry Fees, Uniforms, Coaching Costs, etc.).

**4. Operating Costs**

What unavoidable operating costs are directly associated with running the club? (E.g. Facility Hire, Utilities such as Electricity, Gas, Water, etc.).

**5. Other Revenue & Expenses**

What are the other revenue and expenses directly related to club operations? (E.g. Canteen, Match Admission Fees, Functions and Merchandise Sales). When considering any other revenues, such as fundraising and sponsorship, you should include any expenses needed to be incurred to generate this revenue. For example, to gain a \$5,000 sponsor you may need to install signage worth \$500, or to complete a chocolate drive fundraiser you might have to purchase \$2,000 to make \$5,000 of income.

These initial budget estimates will be based on the historical figures and current expenditure projections, plus any inflation or other percentage increases that might be considered on operating expenses. There should also be information provided about how cost increases will be absorbed or will lead to increases in service charges (E.g. Registration fees).

Once this has been formulated, the Treasurer will then progress to presenting the draft budget for discussion at a Committee meeting. A detailed report providing reasons for decisions may be attached to the draft budget for discussion.

The Committee may accept the budget and estimates as presented or may request variations. The Committee may also workshop this and make alterations until they are satisfied that the budget is a



realistic reflection of what will happen, and that it creates a sufficient surplus at the end of the year.

This projected surplus/deficit figure is a major focal point and is crucially important to any Club building towards a large facility project or other major financial proposition. If the committee wanted a bigger surplus, then they may consider how they could reduce costs or increase revenue, for example they may decide to add another fundraising activity to the social calendar for the year or target another sponsor.

If necessary, The Treasurer will then revise the draft and present the amended draft budget at the next available Committee meeting. Once adopted by the Board or Committee, this becomes the official operating budget for the Club for the following financial year, and all committee members, employees and decision makers are expected to work within the financial limits stated or implied within the budget.

## **Monitoring, Using & Reviewing the Budget**

### **Monitoring the Budget**

As with most financial elements of your Club, the Treasurer is responsible for monitoring the Club's expenditure, reviewing the actual and budgeted expenditures, and reporting on the progress of such expenditure.

Financial reports are then prepared each month 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 also be attached to reports detailing reasons for variations and recommendations for corrective action if required. This then enables the rest of the Committee to engage with the Treasurer in monitoring the budget and the Club's financial performance.

### **Using the Budget**

One of the most valuable steps for your Club is to learn to use your budget analysis to help you make sound financial decisions. For example, if you are spending too much you could:

1. Look for ways to cut costs
2. Avoid spending money on anything that is not essential to running your Club
3. Delay upcoming projects and expenses if possible

Or alternatively, if you have extra funds or a bigger surplus than expected, think about:

1. Creating a financial safety net or buffer account
2. Re-investing to grow and improve your Club (E.g. Equipment, Coaching Courses)
3. Reducing any debt your Club may have
4. Creating a nest egg for that all-important Facility Development project

By consistently tracking and analysing your performance against the initial budget, your Club will be in a strong position to adjust and maximize off field financial success.

### **Reviewing the Budget**

At the end of each year your Club should sit down and examine exactly how successful the budget was over the course of the year. You should discuss whether the expectations and assumptions in the budget were realistic, and whether they were too harsh or perhaps too lenient.

This will then allow you to pull out any key points to help develop the following year's budget. For example, your fees may be too low, or even too high! Or you may need to include a more aggressive approach to sponsorship to increase your surplus. There are many things that might crop up that will vary from Club to Club, but it is important that you are well equipped to understand and respond to your Club's unique circumstances.

The implementation and use of a budget within your Club's yearly financial planning and review process can provide great insight and benefits for your off field management, and setting your Club up for the greatest chance of success and growth in future years.

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