Module 4. Budgeting the Plan

In the last module, we explained the transformation process of the objectives into an action plan. Now, it is time to make numbers and analyse what is necessary to plan the budget accordingly. A budget extends far beyond mere numbers on an Excel spreadsheet; it serves as a mirror reflecting aspirations and principles.

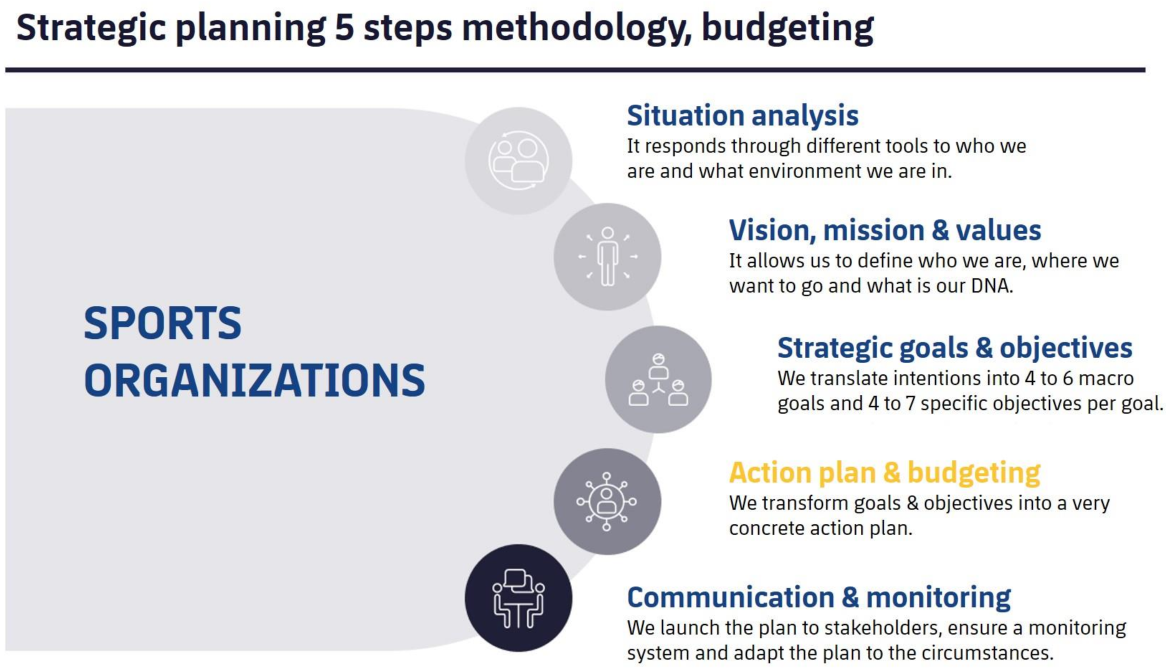
Budget planning is a crucial component of strategic planning for sports organisations. It involves aligning financial resources with strategic goals and objectives, ensuring effective management of income, expenses, and investments. While budget planning shares fundamental principles with other sectors, there are unique considerations in the context of sports organisations. Factors such as diverse revenue sources, seasonal nature, player contracts, event management, facilities, travel, and marketing, require tailored financial management strategies. By understanding these factors and implementing effective budget planning, sports organisations can ensure their financial health and success.

Additionally, key performance indicators (KPIs) play a vital role in budget planning for sports organisations. They provide quantitative analysis and insights into financial performance, health, and efficiency. Ratios help evaluate past and current performance, assess financial health, guide resource allocation decisions, control costs, and improve forecasting. Some commonly used ratios in sports organisations include revenue per fan, player salary ratio, ticket revenue ratio, sponsorship revenue ratio, cost-to-income ratio, debt-to-asset ratio, operating profit margin, return on investment (ROI), average revenue per game, and marketing expense ratio. Incorporating ratios into budget planning allows organisations to make informed decisions, set realistic targets, and achieve their financial goals.

We will see how sports organisations face unique challenges and external factors that can influence financial ratios. The COVID-19 pandemic, for example, significantly impacted on the sports industry, leading to decreased ticket and sponsorship revenues, increased cost-to-income ratios, reduced profitability, liquidity challenges, and altered return on investment. By acknowledging these influences and adapting their budget planning strategies, sports organisations can navigate uncertainties and strive for financial sustainability.

We are still in the fourth step in the 'strategic planning five-step methodology,' but now it is time to analyse the budgeting phase.

Figure 1. Strategic planning five-step methodology: Budgeting



Source: own source.

Unit 4.1 What is budget planning?

The budget planning phase is an integral part of the strategic planning process within an organisation. It involves aligning financial resources with the strategic goals and objectives outlined in the overall strategic plan.

Budget planning is the process of creating a detailed financial plan for an individual, organisation, or government entity. It involves estimating and allocating financial resources to various activities, projects, or expenses within a specific time, typically for a fiscal year.

Budget planning aims to ensure that income or revenue is appropriately allocated to meet expenses and achieve financial goals. It allows individuals and organisations to make informed decisions about spending, saving, and investing, by providing a framework for managing their financial resources effectively. It is essential to have it clear.

Budgeting does not restrict financial freedom; instead, it empowers you to make wise financial decisions and grants you the freedom to do so.

4.1.1 How to implement the budget planning for leadership teams

At the leadership level in companies and sports organisations, here are the key steps in financial planning; of course, it varies depending on the organisation or individual's specific needs:

- **review financial goals and objectives**. Review financial goals and objectives. Consider short-term and long-term, such as saving for a significant purchase, reducing debt, or investing in a new project. Understanding your financial aspirations will guide your budget planning process.

- **Gather financial information**: collect all relevant financial information, including income statements, bank statements, bills, receipts, and any other documents that provide insights into your financial situation. This will help you understand your current income, expenses, and spending patterns.

- **Track income**: determine all sources of income, such as salaries, bonuses, investments, rental income, or business revenue. Record the expected income for the budget period, considering any fluctuations or irregularities.

- **Identify fixed and variable expenses**: categorise your expenses into fixed and variable categories. Fixed expenses are those that remain relatively constant each month, such as rent, mortgage payments, insurance premiums, or loan instalments. Variable expenses are flexible and can fluctuate from month to month, such as groceries, entertainment, transportation, or utility bills.

- **Estimate expenses**: estimate the amount of money you expect to spend on each expense category during the budget period. Review past expenses to gain insights into average spending and adjust, as necessary. Consider any upcoming expenses or financial obligations that may affect your budget, such as planned vacations or major purchases.

- **Set budget limits**: based on your financial goals, income, and estimated expenses, set limits for each expense category. Determine the maximum amount you are willing to allocate to each category, to stay within your overall budget.

- **Allocate funds**: distribute your available funds among the different expense categories according to your budget limits. Ensure that the allocations align with your financial goals and priorities. Adjust as needed to balance your income and expenses.

The next table shows a few ways in which budget planning for sports organisations may differ.

Table 1. Ways in which budget planning for sports organisations may differ

Concept	How does this differ?
Revenue sources	Sports organisations often have diverse revenue sources, including ticket sales, merchandise sales, sponsorships, broadcasting rights, licensing agreements, and donations. Budget planning for sports organisations requires a comprehensive understanding of these revenue streams and their potential fluctuations based on factors such as team performance, event schedules, and market conditions (like currency rate).
Seasonal nature	Many sports organisations operate on a seasonal basis, with specific schedules for games, tournaments, or events. Budget planning needs to consider the financial implications of the off-season period, when revenue generation may be limited or different from the active season. It requires careful financial management to ensure expenses can be covered during the off-season and that resources are allocated effectively during the active season.
Player contracts and salaries	Sports organisations often have significant expenses related to player contracts and salaries. Budget planning needs to account for player acquisitions, contract renewals, performance bonuses, and other financial commitments to the athletes. Managing player salaries and ensuring they align with the available budget is a critical aspect of budget planning for sports organisations.
Event management	Sports organisations frequently organise events, such as tournaments, matches, or championships. These events involve various costs, such as venue rentals, event production, security, marketing, and hospitality. Budget planning for sports organisations must factor in the specific expenses associated with organising these events and ensure that event-related revenues and sponsorships are effectively integrated into the budget plan.
Facilities and infrastructure	Sports organisations often own or manage facilities, stadiums, training centres, or arenas. Budget planning should consider the maintenance, operational costs, and capital expenditures related to these facilities. Upgrades, renovations, or maintenance expenses can significantly impact on the budget, and long-term infrastructure planning is essential for sports organisations.

Travel and logistics	Sports teams often travel extensively for games or tournaments, incurring costs for transportation, accommodation, and meals. Budget planning should account for these travel expenses, which can vary depending on the team's schedule, league requirements, and distances involved. It is crucial to allocate sufficient funds to cover travel and logistics to ensure the smooth functioning of the team.
Marketing and fan engagement	Sports organisations invest in marketing and fan engagement initiatives to promote their brand, attract sponsors, and engage with their fan base. Budget planning needs to allocate resources for marketing campaigns, advertising, social media management, community outreach programmes, and other activities aimed at enhancing the organisation's visibility and building a strong fan following.

Source: own source.

While these aspects make budget planning for sports organisations unique, the fundamental principles of budget planning, such as goal setting, expense estimation, allocation of resources, monitoring, and adjustment, still apply. The specific considerations for revenue sources, seasonality, player contracts, event management, facilities, travel, and marketing differentiate budget planning for sports organisations and require tailored financial management strategies to ensure their financial health and success.

Unit 4.2 The importance of ratios for top leaders

Ratios play a significant role in budget planning, as they provide a quantitative analysis of financial data and help assess the financial health, performance, and efficiency of an organisation. Here are some key reasons why ratios are important in budget planning:

- performance evaluation. Ratios allow for the evaluation of past and current financial performance. By comparing actual financial ratios to historical data or industry benchmarks, organisations can assess their performance and identify areas of strength and weakness. This evaluation helps in setting realistic budget targets and identifying areas for improvement.

- Financial health assessment: ratios provide insights into the financial health and stability of an organisation. By analysing liquidity ratios, solvency ratios, and profitability ratios, organisations can determine their ability to meet short-term obligations, manage debt, generate profits, and sustain long-term viability. This assessment is crucial in budget planning to ensure financial stability and avoid potential risks.

- **Resource allocation decisions**: ratios help guide resource allocation decisions by providing information on the most effective and efficient use of resources. For example, activity-based ratios can indicate where resources are best allocated, such as identifying departments or projects that generate higher returns on investment. Ratios can also help in prioritising spending and optimising resource allocation based on areas of high performance or strategic importance.

- **Cost control and efficiency**: ratios provide insights into cost control and efficiency measures. For instance, expense ratios can indicate areas of excessive spending or cost overruns, allowing organisations to identify areas for cost reduction or optimisation. By monitoring and analysing ratios related to expenses and revenue, organisations can make informed decisions to improve cost-effectiveness and operational efficiency.

- **Forecasting and planning**: ratios can assist in forecasting future financial outcomes and aid in the planning process. By analysing trends and projecting ratios based on historical data, organisations can anticipate future financial performance and incorporate these projections into their budget planning. Ratios provide a quantitative foundation for making accurate and realistic financial projections.

- **Benchmarking and comparison**: ratios facilitate benchmarking against industry standards or competitors. By comparing financial ratios to industry averages or best practices, organisations can gain insights into their relative performance and identify areas where they lag or excel. This comparison aids in setting budget targets and strategic goals aligned with industry standards and peer organisations.

- **Monitoring and control**: ratios provide a monitoring mechanism to track financial performance and control deviations during the budget period. Ratios act as performance indicators and help maintain financial discipline throughout the budget period. By regularly monitoring key ratios, organisations can identify early warning signs, assess budget variances, and take corrective actions to ensure budget goals are met.

By incorporating ratios into budget planning, organisations gain a quantitative framework for evaluating financial performance, making informed resource allocation decisions, improving cost efficiency, and monitoring progress. Ratios provide valuable insights that guide organisations in setting realistic budgets, managing financial resources effectively, and achieving their financial goals.

Examples of ratios in sports organisations

Sports organisations use various ratios to assess their financial performance and make informed decisions. In the next table, there are some commonly used ratios for sports organisations.

Table 2. Ratios used by sports organisations

Ratio	Description
Revenue per fan	This ratio measures the organisation's ability to generate revenue per fan. It is calculated by dividing total revenue by the number of fans or attendees. This ratio helps evaluate the effectiveness of revenue generation strategies, pricing strategies, and fan engagement efforts.
Player salary ratio	This ratio compares the organisation's total player salaries to its total revenue. It provides insights into the proportion of revenue allocated to player salaries, indicating the organisation's financial commitment to its athletes.
Ticket revenue ratio	This ratio compares ticket revenue to total revenue. It helps assess the significance of ticket sales as a revenue stream and evaluate the organisation's pricing strategies and fan attendance trends.
Sponsorship revenue ratio	This ratio measures the proportion of sponsorship revenue to total revenue. It reflects the organisation's success in securing sponsorship deals and the importance of sponsorship as a revenue source.
Cost-to-income ratio	This ratio compares total expenses to total revenue. It helps assess the efficiency of cost management and control, indicating how much of the revenue is used for operating expenses.
Debt-to-asset ratio	This ratio measures the proportion of debt to total assets. It helps evaluate the organisation's financial leverage and solvency, indicating its ability to meet long-term obligations.
Operating profit margin	This ratio assesses the profitability of the organisation's core operations by comparing operating profit to total revenue. It provides insights into the organisation's ability to generate profits from its primary activities.
Return on investment (ROI)	This ratio calculates the return on investment by comparing net profit to the organisation's investment in various activities, such as player acquisition or facility upgrades. It helps assess the financial returns generated from invested resources.
Average revenue per game	This ratio measures the average revenue generated per game or event. It helps evaluate revenue generation efficiency, pricing strategies, and the organisation's ability to maximise revenue per event.
Marketing expense ratio	This ratio compares marketing expenses to total revenue. It indicates the organisation's investment in marketing and promotional

	activities and helps evaluate the effectiveness of marketing strategies in driving revenue growth.

Source: own source.

Let us now share some factors that can influence ratios when planning the finances of sports organisations.

- **Revenue streams**: changes in revenue streams can significantly impact on ratios. Factors such as fluctuations in ticket sales, sponsorship deals, broadcasting rights, merchandise sales, or donations can influence revenue-related ratios. For example, a decrease in ticket sales may result in a lower revenue per fan ratio.

- **Expenses and cost management**: changes in expenses and cost management practices can affect various ratios. Increases or decreases in player salaries, operational expenses, marketing costs, or facility maintenance expenses can impact on profitability ratios, cost-to-income ratios, or marketing expense ratios.

- **Player contracts and transfers**: player contracts and transfers have a direct impact on financial ratios. High-profile player acquisitions, contract renewals, or transfers with significant financial implications can affect ratios related to player salaries, return on investment, or overall financial performance.

- **Seasonal variations**: many sports organisations operate on a seasonal basis, which can introduce fluctuations in financial performance and ratios. Seasonal variations in ticket sales, event schedules, sponsorship agreements, or player availability can influence revenue-related ratios and profitability metrics.

- **Economic factors**: general economic conditions and market dynamics can influence financial ratios. Economic downturns or recessions may impact on fan attendance, sponsorship deals, or consumer spending on sports-related activities, affecting revenue-related ratios. In contrast, favourable economic conditions can lead to increased revenue and improved financial ratios.

- **Competitive landscape**: the competitive landscape within the sports industry can impact on ratios. The performance of competing teams, changes in league structures, or shifts in fan preferences may influence factors such as ticket sales, sponsorship revenue, or market positioning, which can, in turn, affect various financial ratios.

- **Strategic initiatives**: strategic decisions made by the organisation, such as expanding into new markets, launching new events, or investing in player development programmes, can influence financial ratios. These initiatives may incur initial costs, but have the potential to drive long-term revenue growth or improve performance ratios.

- **External factors**: external factors beyond the organisation's control, such as new regulations, natural disasters, political events, or public health crises, can significantly impact on financial ratios. These factors can disrupt schedules, affect fan attendance, impact on sponsorship deals, or introduce unexpected expenses, leading to changes in financial performance and ratios.

4.2.1 COVID-19 impact on the sports industry

When it comes to external factors, the COVID-19 pandemic has had a significant impact on the sports industry, leading to various changes and challenges for sports organisations. Here are a few examples of how the pandemic influenced financial ratios for sports organisations.

Table 3. How the pandemic influenced financial ratios for sports organisations

Ratio	How was it influenced
Ticket revenue ratio	Many sports organisations experienced a decline in ticket revenue due to restrictions on fan attendance or the cancellation/postponement of events. This resulted in a decrease in the ticket revenue ratio, as organisations faced reduced ticket sales compared to previous periods.
Sponsorship revenue ratio	The pandemic disrupted sponsorship agreements and marketing activities for sports organisations. Many sponsors reduced their investments or renegotiated deals due to the uncertainty surrounding sports events. This led to a decrease in the sponsorship revenue ratio as organisations experienced a decline in sponsorship income.
Cost-to-income ratio	With the cancellation or postponement of events, sports organisations faced challenges in managing fixed costs and operational expenses. The inability to generate stable revenue while still incurring significant expenses resulted in an increase in the cost-to-income ratio, indicating financial strain and reduced profitability.
Profitability ratios	Profitability ratios, such as net profit margin or return on investment, were impacted by the COVID-19 pandemic. The reduced revenue streams and increased expenses, including costs associated with implementing health and safety protocols, led to a decrease in profitability ratios for many sports organisations.
	The pandemic's financial impact affected the liquidity of sports organisations. Reduced revenue and cash flow disruptions created

Liquidity ratios	challenges in meeting short-term obligations, such as player salaries or operational expenses. Liquidity ratios, such as the current ratio or quick ratio, reflected this strain on liquidity.
Debt-to-asset ratio	Some sports organisations had to take on additional debt or secure loans to mitigate the financial impact of the pandemic. This led to an increase in the debt-to-asset ratio, indicating higher leverage and potential challenges in managing long-term debt obligations.
Return on investment (ROI)	Investments in projects, facilities, or player acquisitions made before the pandemic may have been affected by the changes in revenue and market conditions. ROI ratios may have been impacted, particularly if the expected returns were not realised due to the pandemic's disruptions.

Source: own source.

It is important to note that the impact of the COVID-19 pandemic on financial ratios did vary across sports organisations depending on factors such as the sport, league, geographical location, and specific mitigation measures implemented. Each organisation's response to the pandemic and its financial position before the crisis will also influence the extent of the impact on financial ratios.

Unit 4.3 Project leaders play a crucial role in the budget planning

Now, how does it work for the different teams involved in the budget planning, considering that there are responsible persons for each of the activities of the plan? The individuals responsible for activities in a strategic plan play a crucial role in contributing to the successful execution and achievement of the plan, including the budgeting part. Here are some ways in which these responsible individuals contribute:

- implementation of action plan. The responsible individuals are typically accountable for implementing the specific action steps outlined in the strategic plan. They take the lead in executing the activities, projects, or initiatives that are designed to move the organisation towards its strategic goals and objectives. Their actions directly contribute to the progress and successful implementation of the strategic plan.

- Expertise and knowledge: responsible individuals bring their unique expertise and knowledge to the table. They apply their skills, experience, and specialised knowledge in their respective areas, to contribute insights and make informed decisions. They provide valuable input and recommendations related to their specific domain, ensuring that the activities are conducted effectively and in line with best practices.

- Resource allocation: the responsible individuals are often involved in allocating and managing resources required for the activities within the strategic plan. This includes determining the necessary budget, personnel, equipment, and other resources needed for successful execution. They ensure that resources are allocated appropriately and in alignment with the strategic priorities and available means.

- Collaboration and coordination: collaboration among responsible individuals is crucial for the successful execution of a strategic plan. They work together, often across different departments or teams, to align their efforts and ensure that activities are coordinated. Collaboration promotes synergy, prevents duplication of work, and fosters effective communication and teamwork, ultimately enhancing the organisation's ability to achieve strategic objectives.

- Performance monitoring and reporting: responsible individuals are responsible for monitoring the progress and performance of the activities assigned to them. They track key performance indicators (KPIs), collect relevant data, and assess whether the activities are on track to meet their targets. They provide regular reports and updates on the status of their activities to key stakeholders, enabling informed decision-making and adjustments as needed.

- Problem-solving and adaptation: as the strategic plan is implemented, challenges, obstacles, and unforeseen circumstances may arise. The responsible individuals play a critical role in problem-solving and adapting their approaches to overcome these challenges. They proactively identify issues, propose solutions, and collaborate with others to ensure that the strategic objectives are not compromised and that the plan remains on track.

- Feedback and continuous improvement: the responsible individuals contribute valuable feedback and insights based on their experiences during the implementation of the strategic plan. They provide feedback on what is working well, areas for improvement, and potential adjustments to the plan. This feedback informs the continuous improvement of the strategic plan and helps refine future iterations.

Overall, the responsible individuals' contributions are essential for translating the strategic plan into action, ensuring effective implementation, and achieving the desired outcomes. Their commitment, expertise, collaboration, and dedication are vital for the successful execution of the plan and the organisation's overall success.

Unit 4.4 Resource allocation: a concrete process for ensuring accurate allocation to plan activities

Allocating resources to a project requires careful planning and consideration to ensure that the right resources are available at the right time. Here are some steps to help you effectively allocate resources to a project:

- **understand project requirements**. Begin by thoroughly understanding the project requirements, objectives, and scope. Identify the specific tasks, deliverables, and timelines associated with the project. This understanding will guide resource allocation decisions.

- **Identify resource types**: determine the types of resources needed for the project. This may include personnel with specific skills, equipment, technology, facilities, or financial resources. Create a comprehensive list of resource categories based on the project requirements. Validate the accuracy and completeness of the data used in the budget. Ensure that the data sources are reliable, up to date, and properly reconciled.

- **Assess resource availability**: evaluate the availability of resources within your organisation or external sources. Identify the existing resources that can be allocated to the project, considering their availability, expertise, and capacity. Determine if additional resources need to be acquired or if adjustments can be made to the project timeline or scope based on resource availability.
- **Match resources with project tasks**: match the required resources with the specific tasks and deliverables of the project. Consider the skills, experience, and availability of individuals or teams when assigning personnel resources. Align equipment, technology, or facilities to the project requirements. Ensure that the allocated resources are suitable and capable of fulfilling the project's needs.

- **Estimate resource quantities**: estimate the quantities or amounts of each resource required for each task or deliverable. For personnel, determine the number of team members or the amount of effort required. For equipment or materials, identify the quantities needed. This estimation will help in determining the overall resource requirements.

- **Develop a resource schedule**: create a resource schedule that outlines when and for how long each resource will be allocated to the project. Consider dependencies between tasks, resource availability, and any scheduling constraints. This schedule will serve as a guide for resource allocation and help in managing resource utilisation effectively.

- **Allocate resources proactively**: allocate resources to the project according to the resource schedule. Communicate resource assignments clearly to the individuals or teams involved, ensuring they understand their roles, responsibilities, and expected contributions. Provide necessary instructions, guidelines, and support to facilitate their effective utilisation.

- **Include a cushion**: including a cushion in your budget planning typically involves allocating a portion of your resources specifically for unexpected or unforeseen circumstances. The size of the cushion will vary depending on your risk tolerance, the nature of your finances, and your specific goals and needs. It is advisable to aim for a cushion that provides a comfortable level of financial security without excessively reducing your ability to allocate resources towards your planned activities and objectives.

Once in the process of plan implementation, leaders of activities will:

- **monitor resource utilisation**. Regularly monitor and track resource utilisation throughout the project lifecycle. Keep a close eye on resource availability, actual resource usage, and any changes or adjustments required. This monitoring will help identify any resource bottlenecks, imbalances, or underutilisation, enabling timely adjustments or reallocations if needed.

- **Adapt and adjust as needed**: continuously evaluate the effectiveness of resource allocation and adjust, as necessary. If unforeseen circumstances or changes in project requirements arise, reassess resource allocation and make appropriate modifications to ensure resources are optimally utilised.

Unit 4.5 Foster a culture of accountability

When building a plan, and in general in sports organisations, it is important to foster a culture of accountability where responsible individuals take ownership of their resource allocation decisions. Encourage open communication, transparency, and a results-oriented mindset. This helps ensure that responsible individuals are proactive in allocating the right resources and that they are accountable for the outcomes of their activities.

Another way to define this concept is to hold project leaders accountable for their work, regardless of the outcome. It is expecting them to demonstrate a genuine interest in contributing to company success. Successful teams treat their jobs as if they were their own companies.

In a culture of accountability, individuals are empowered to rise, assume ownership, and create a constructive influence on both them and their organisation. Stephen R. Covey (1989) says that accountability breeds 'response-ability.' Covey (1989) explains that initiative-taking people take responsibility for their own choices, actions, and attitudes. They understand that they have the freedom to choose their responses to any given situation, rather than being driven solely by external circumstances. He emphasises that, when individuals hold themselves accountable for their actions, they develop a sense of ownership and control over their lives. This accountability leads to an increased ability to respond effectively to challenges and circumstances. By being initiative-taking and taking responsibility for their choices, individuals develop the capacity to create positive change and exercise influence over their own lives. In other words, accountability breeds response-ability, as individuals become more capable of responding to situations in an initiative-taking and productive manner.

This demonstrates that, within a culture of accountability, actions are in harmony with intentions, promises manifest as tangible results, and success is embraced as a collective responsibility.

Common mistakes when budgeting a plan

Based on my experience working for sports organisations on strategic planning, this budget part is one that is complex and takes a lot of time. Most organisations have not yet developed a strong culture of accountability; therefore, the common mistakes are the presented in table 4.

Table 4. Common mistakes when budgeting a plan

Mistake	Description
Not learning from past projects	Failing to learn from past projects and their resource allocation experiences can perpetuate the same mistakes. It is essential to analyse past projects, assess resource allocation successes and failures, and incorporate those lessons into future resource allocation decisions.
Insufficient planning	Failing to adequately plan and assess resource requirements can lead to inadequate allocation. Insufficient planning may result in underestimating the resources needed for project tasks, leading to delays, compromised quality, or overburdened team members. It takes time and effort to plan budgets.

Neglecting stakeholder input	Not involving key stakeholders or failing to consider their input during resource allocation can be a mistake. Stakeholders may have valuable insights or requirements that need to be considered when allocating resources. Neglecting their input can lead to resource misalignment and dissatisfaction.
Lack of visibility	A lack of visibility into resource availability and utilisation can lead to poor resource allocation decisions. If you do not have a clear understanding of resource availability, conflicts may arise, and resources may be allocated inappropriately, resulting in inefficiencies or bottlenecks.
Overallocation	Overallocation occurs when resources are assigned to multiple tasks or projects simultaneously, exceeding their capacity. This can lead to decreased productivity, increased stress, missed deadlines, and compromised outcomes. Overallocation can occur when resource availability and workload are not adequately assessed during the allocation process.
Poor resource alignment	Failing to align resources with the specific requirements and skill sets needed for project tasks can lead to ineffective resource allocation. Assigning individuals or teams without the appropriate expertise or experience can result in subpar performance, delays, or errors.
Lack of flexibility	Projects are dynamic, and resource requirements may change over time. Failing to adapt and adjust resource allocation, as a project needs to evolve, can hinder progress. Lack of flexibility in reallocating resources based on changing priorities, emerging risks, or new opportunities can lead to inefficiencies or missed opportunities.
Inadequate communication	Poor communication regarding resource allocation can result in confusion, misunderstandings, or conflicts. Failing to communicate resource assignments, changes, or expectations clearly can create inefficiencies, duplication of efforts, or strained relationships among team members.
Unrealistic deadlines	Setting unrealistic deadlines without considering resource availability and capacity can lead to resource overloading. Unrealistic deadlines can put excessive pressure on resources and compromise the quality of work. It is always important to be both ambitious and realistic.
Do not include a cushion	By incorporating a cushion into your budget planning, you are better prepared to manage unexpected events, maintain financial stability, and navigate through any financial challenges that may arise.

Source: own source.

Mistakes are part of the process, but implementing a rigorous process can help mitigate risk when budgeting and allow a more ‘comfortable’ implementation, to have the right resources to allocate to the plan.

Conclusion

Budget planning involves aligning financial resources with strategic goals and objectives, creating a detailed financial plan, and allocating resources effectively. It is essential for individuals, organisations, and government entities to make informed decisions about spending, saving, and investing.

For leadership teams, the implementation of budget planning involves several key steps. It begins with reviewing financial goals and objectives, gathering relevant financial information, and tracking income from various sources. Then, fixed and variable expenses are identified, and estimates are made for each expense category.

In the case of sports organisations, there are additional factors to consider. Revenue sources may include ticket sales, sponsorships, broadcasting rights, and merchandise sales. Seasonal variations, player contracts and salaries, event management, facilities and infrastructure, travel and logistics, and marketing and fan engagement are all unique aspects of budget planning for sports organisations.

Project leaders play a crucial role in budget planning by overseeing the entire process, coordinating with responsible persons for each activity, and ensuring that the budget aligns with strategic goals. They facilitate communication, monitor progress, and make informed decisions to achieve budget targets and financial success.

Overall, budget planning is a vital process that enables individuals and organisations to effectively manage their financial resources, make informed decisions, and achieve their financial goals. It requires careful consideration of numerous factors and the use of ratios for performance evaluation and financial analysis.

In the next course, we will see the steps to effectively launching and communicating the strategic plan. This is relevant because it aligns stakeholders, engages employees, provides clarity, establishes accountability, enables adaptation, and creates momentum. Besides, it is a vital step in driving the organisation's success, by ensuring that everyone is working together towards a shared vision and understanding of the path ahead.

Case study

Budget planning for the Olympic Games is a crucial process that involves estimating costs, identifying revenue streams, and ensuring financial sustainability. The budget is unique and tailored to the specific context of the host city and country. Detailed budget plans and updates can be obtained from the organising committees and relevant government entities responsible for each edition of the Games.

For the Paris 2024 Olympic and Paralympic Games, a significant portion (96%) of the budget to organise the event is sourced from the private sector (Paris 2024, 2023). This includes contributions from the International Olympic Committee (IOC), partner companies, ticket sales, and licensing. The budget encompasses all aspects of planning, organising, and executing the Games. It covers expenses such as venue rentals, facility preparation and operations, competition organisation, delegation hospitality, athlete housing and transportation, security at competition venues, and the opening and closing ceremonies.

In December 2022, the Paris 2024 Board of Directors convened and approved the multi-year budget proposed by the organising committee. This decision followed the completion of the third budgetary review, a critical phase in projecting the expected income and expenses associated with hosting the event. It is worth noting that this review took place in a context of high inflation, necessitating careful consideration and adjustment of the budget.

Following an extensive collaborative effort involving the International Olympic Committee (IOC) and other key stakeholders, the Paris 2024 Board of Directors successfully finalised a revised multi-year budget. The adopted budget amounts to €4.38 billion, reflecting an approximate increase of 10% (or 5% when adjusted for inflation) (Paris 2024, 2023).

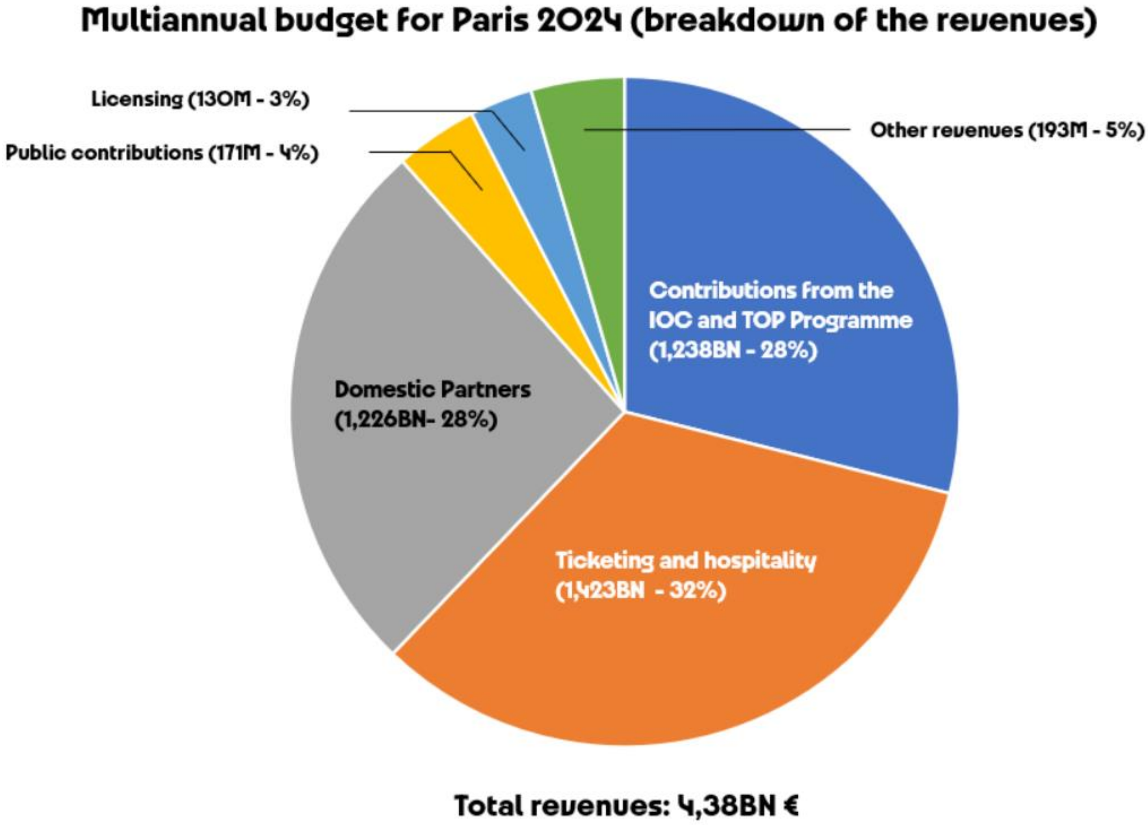
Figure 2. Signing of a protocol for the Paris 2024 Games

Source: [untitled image the of signing of a protocol for the Paris 2024 Games], (n.d.), https://bit.ly/3rYj1JG.

By adopting this budget, which incorporates all the recognised adjustments in the expenses associated with hosting the Games, the project's ambition is further strengthened while ensuring sufficient resources to address potential risks. A contingency reserve of €200 million is maintained at a protective level to mitigate unforeseen circumstances.

In terms of financing, public authorities will contribute 4% of the total funding for the Olympic and Paralympic Games, while the remaining 96% will be sourced from private funding. Additionally, to effectively manage operational risks during the final eighteen months of the event, Paris 2024 has made the decision to retain a contingency provision of €200 million. See figure 3 to understand the composition of the updated Paris 2024 budget.

Figure 3. Multiannual budget for Paris 2024



Source: Paris 2024, 2022, https://bit.ly/3YcvZzR.

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