

Strategic Sports Events Management

Financial Planning and Control



Session Aims

- Costs of hosting Mega Events
 - Financial Planning & Control
 - Implementation Planning Stage
 - Assignment One: Drop in tutorials
- } Masterman

Q. What skills set does an event manager need to succeed?

Special management skills – i.e. project management skills.
Including:

- Organisational skills
- Manage personnel
- Market, sell and negotiate
- Relate to different publics
- **Read a balance sheet**
- Be a role model
- Get their hands dirty.



Source: Masterman (2014, pp.221).

Financial Planning and Control

Why is this necessary?

How is this done?

What types of costs do events incur?

Discuss in
pairs for 5
mins?

Financial Planning and Control

“Financial management and control are essential elements for the successful delivery of an event,” Masterman (2014, p.149)

High stakes \$\$\$ with Mega Events

- Studies by University of Oxford have shown that **Olympic Games' have the highest costs overrun of any type of mega project** (Flyvberg and Stewart, 2012; Flyvberg, Stewart and Budzier, 2016).
- Furthermore, **all Olympic Games, without exception have been over budget** – most in excess of 50%.

Q. Why do you think this is?

“\$pecial Olympic\$”

- Host city and government must guarantee to cover the cost of budget overruns – tantamount to a blank cheque!! The budget figure in the bid document is therefore a down payment in reality.
- Games organisers are unable to trade off between the schedule and the cost – the opening ceremony date is set in stone! The solution is therefore usually to throw more money at the problem.

Costly cost overruns!!

Sochi Winter Olympics	£12.4bn	289%
Barcelona Olympics	£5.3bn	266%
London Olympics	£4.9bn	
Rio Olympics	£1.2bn	51%
Beijing Olympics	\$100m	
Montreal Olympics		720%
Lake Placid Winter Olympics		324%

Source: Flyvberg *et al.* (2016).



ATHENS 2004

“Cost overrun and associated debt from the Athens 2004 Games weakened the Greek economy and contributed to the country’s deep financial and economic crises” Flyvberg et al. (2016, p.3).



Llywodraeth Cymru
Welsh Government

“Hosting the 2026 Commonwealth Games would be one of the biggest undertakings the Welsh Government has ever made. The financial commitment would be in place over three Assembly terms and would include a sustained and significant commitment over the next ten years from all Departments across the Welsh Government at a time when there is increased uncertainty regarding funding”, Welsh Government (2016, p.i).

IOC Games Costs Categories

1. *Operational Costs (variable costs)*

- Incurred by the Organising Committee for the purpose of “staging” the Games.
- Main components: **Technology, transportation, workforce, and administration costs.**

2. *Direct capital costs*

- Incurred by the host city or country or private investors to build the competition **venues**, Olympic village(s), international broadcast center, and **media and press center**, which are required to host the Games.

3. *Indirect capital costs*

- E.g. road, rail, or airport **infrastructure**, or for **hotel upgrades** or other business investment incurred in preparation for the Games but not directly related to staging the Games.

Source: Flyvberg et al (2016).

Key Stages of Financial Planning & Control

Berry and Jarvis (2006) in Masterman (2014 pp. 138-140)

Stage 1 – Objectives

- Business objectives e.g. sales, profits, ROI. Quantifiable, targets can be set and performance monitored.
- Non financial objectives – quality of service, social inclusion.

Stage 2 – Strategic Decisions

- These are for the organisation as a whole regarding the future of the business, and are taken at a senior level.

Stage 3 – Operating Decisions

- Mainly concerned with pricing and level of service being offered.
- Must be aligned with strategic policies.
- Provide basis for short term financial plan for the event i.e. the budget.

Stage 4 – Monitoring and Correction

- Budget used as a tool to monitor performance of individuals and organisation as a whole.
- Reporting system used [“a process of responsibility accounting” (Masterman, 2014,p.140)] to **monitor performance and manage variances in the budget.**

Budgeting – Why is it a good exercise?

- Requires us to forecast therefore **makes us plan** ahead, which is good!
- Requires research – **engages organisations in planning**.
- Serves as a **communication tool** – helps identify what is required of staff/managers.
- Budget monitoring and updates serve as a **control mechanism** – improved performance.
- Can increase inter-team / departmental **cooperation**.

Source: Masterman (2014, pp.140-141).

“Budgeting for events consists of identifying where revenue will derive from, determining costs and setting performance targets that will realise the objectives set,”
Masterman (2014, p.141).



Vital budget considerations

1. Is the aim to make profit?
2. How much will the event cost?
3. What are the revenue sources?
4. How many tickets must be sold to break even?
5. What is the cash flow situation?
6. What control systems are needed avoid fraud?
7. How will legal and taxation obligations be met?

Van der Wagen and White (2010, p.337-339)

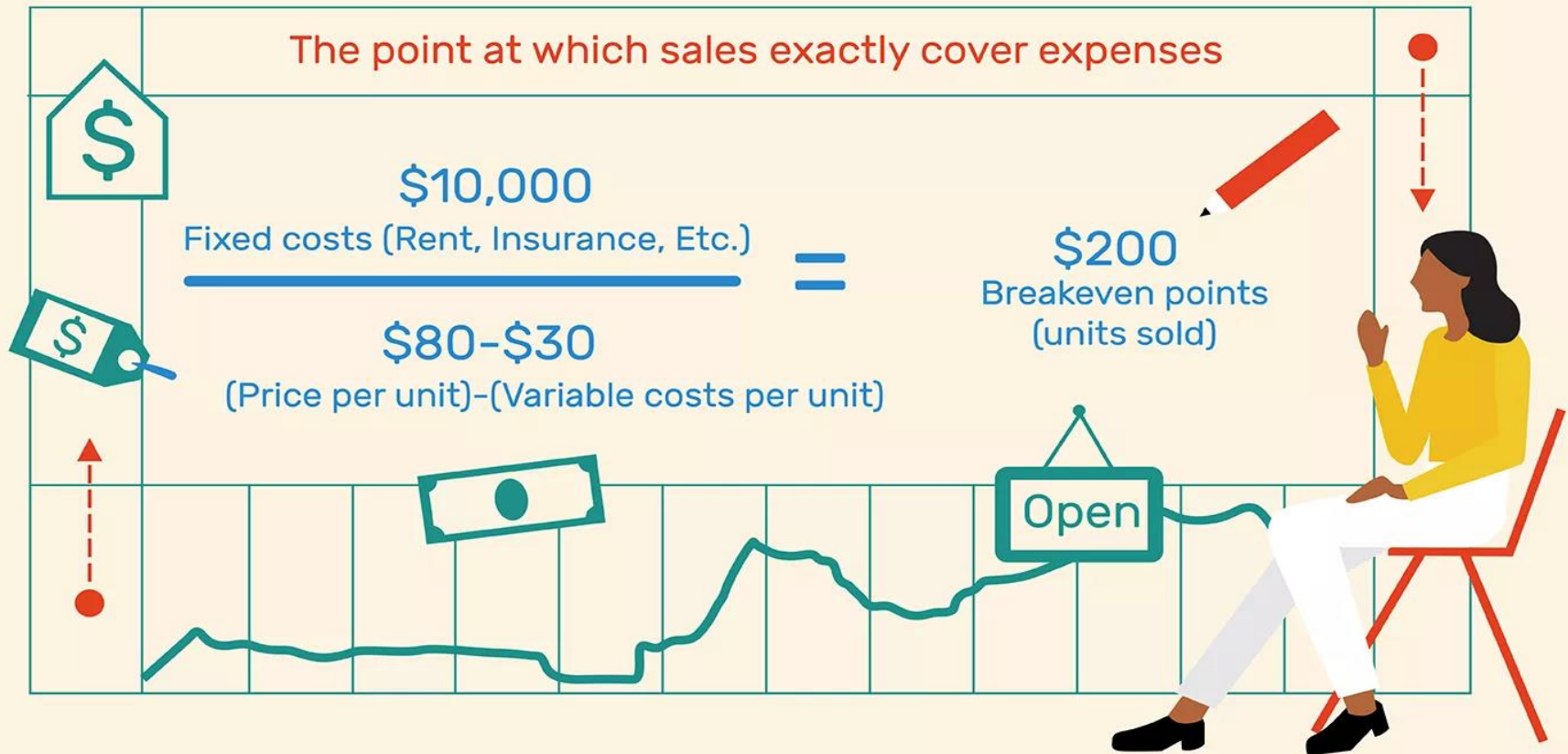
3 categories of event budgets:

1. Profit-orientated events where revenue exceeds expenses (e.g. ticketed events)
2. Break-even events where revenue is equal to expenses (e.g. community events)
3. Hosted events where the client meets the cost of the event (e.g. product launch)

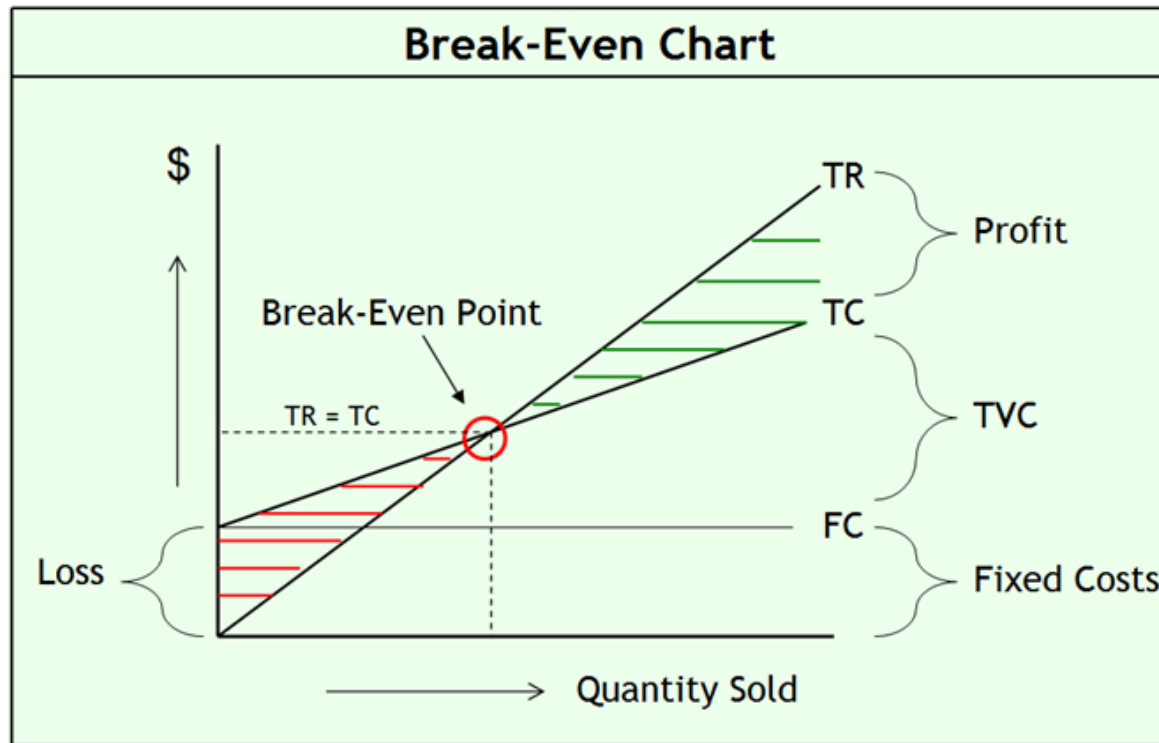
Goldblatt (2002) cited in Van der Wagen and White (2010: 337).

Breakeven Point Formula

The point at which sales exactly cover expenses



Break-even point



Basically...an estimate of the number of units that need to be sold in order to meet expenses. Expenses include fixed costs and variable costs. The difference between price and variable costs is called the contribution margin.

Break-even challenge

Calculate the break-even point for the following charity football event (i.e. the number of participants needed to cover the costs).

The venue hire costs £1000 and the variable costs are £20 per participant. You have received a grant of £500 towards the event and you plan to charge each participant £30 to take part.

Answer: 50 participants

Participants	1	5	10	20	30	40	50
Costs							
Fixed costs	1000	1000	1000	1000	1000	1000	1000
Variable costs	20	100	200	400	600	800	1000
Total costs	1020	1100	1200	1400	1600	1800	2000
Revenue							
Grant	500	500	500	500	500	500	500
Sales	30	150	300	600	900	1200	1500
Total Revenue	530	650	800	1100	1400	1700	2000
Balance	-490	-450	-400	-300	-200	-100	0

Break-even challenge 2

Re-calculate the break-even point after you decided to increase the price to £40 per person.

The venue hire costs £1000 and the variable costs are £20 per participant. You have received a grant of £500 towards the event and you plan to charge each participant £40 to take part.

Answer – 25 Participants

BEP = Fixed Costs / (Price – Variable Costs)

= £500 / (40-20)

= 25 participants.

Key contents of an Event Budget

1. REVENUE TARGETS

- Derived from funding and/or income generation.
- Funding relates to investment in the event with or without a Return on Investment (ROI).
- Income generation = exploiting the event and its assets.

e.g.

<u>Funding</u>	<u>Budget</u>	<u>Actual</u>
- Government grants		
- Local authority investment		
- Major sponsors / donors		

<u>Income Generation</u>	<u>Budget</u>	<u>Actual</u>
- Ticket sales		
- Merchandise sales		
- Catering and vending sales		
- Car parking fees		

Source: Masterman (2014, p.141).

Key contents of an Event Budget

1. EXPENDITURE TARGETS

- Expenditure is offset against revenue to calculate profit or loss.
- Each area of expenditure is referred to as a cost centre and can be related to management or programme aspects of the event.
- Typical cost centres examples: staffing, participants, transportation, marketing; consisting of individual cost lines e.g. wages, prize monies, accommodation, transportation, fuel, printing etc. This makes cost identification, monitoring and review easier.

e.g.	Staffing Cost Centre	Budget	Actual
	- Wages – permanent staff		
	- Wages – temporary staff		
	- Volunteer expenses		
	- Staff & volunteer uniforms		
	- Staff & volunteer recruitment costs		
	- Staff & volunteer training costs		

Source: Masterman (2014, pp.141-142).

SMALL GROUP TASK



In groups of 3-4. Time: 30 mins.

Draw up a budget for hosting a small schools netball festival with 12 schools attending. You will need to pay hall hire- £500, bus to transport each school- £250 and equipment – £200

A clear breakdown of income and expenditure is required. Need to consider your sources of income and the events financial objectives.

Write up your budget on the whiteboard

Event Income Sources

- Make a list of event income sources- shout out to front



How many
can we list?

Event Income Sources

- Entry tickets
- Rental for stalls, stands and exhibitors
- Merchandise sales
- Licensing
- Sale of programmes
- Sale of food and beverage
- Sponsorship or grants
- Parking fees

Good practice budgeting

Over-relying on match/event day revenue is risky as for many events the costs are predominantly fixed ones. **Securing pre event revenue and setting prices/budgeting on sales that can be confidently expected is a good approach.**

Masterman (2014)



Generic Cashflow Forecast Example

	January	February	March	April	May	June
Cash In						
Brought Forward	£ 1,000.00	-£ 4,350.00	-£ 1,150.00	-£ 4,800.00	-£ 5,575.00	-£ 375.00
Sales Revenue	£ 8,000.00	£ 8,000.00	£ 7,000.00	£ 9,500.00	£ 15,000.00	£ 7,500.00
Cash Out						
Materials	£ 6,000.00		£ 5,500.00		£ 5,000.00	
Labour	£ 1,000.00	£ 1,000.00	£ 1,000.00	£ 1,000.00	£ 1,000.00	£ 1,000.00
Insurance	£ 500.00					
Rent	£ 2,000.00					
Power			£ 300.00			£ 300.00
Office expenses	£ 350.00	£ 300.00	£ 350.00	£ 275.00	£ 300.00	£ 270.00
Drawings	£ 3,500.00	£ 3,500.00	£ 3,500.00	£ 3,500.00	£ 3,500.00	£ 3,500.00
Tax				£ 5,500.00		
Total Cash Out	£ 13,350.00	£ 4,800.00	£ 10,650.00	£ 10,275.00	£ 9,800.00	£ 5,070.00
Carried Forward	-£ 4,350.00	-£ 1,150.00	-£ 4,800.00	-£ 5,575.00	-£ 375.00	£ 2,055.00

Overcoming cash-flow shortfalls. How?

Methods include:

- Negotiating payment dates and arrangements.
- Reduce or eliminate fixed costs e.g. facility hire.
- Funding and greater income generation.
- Joint ownership of events – share the financial burden and equal shares and profits.
- Appoint agents to recruit sponsorship, advertising, ticket and hospitality revenue, and better still with guaranteed payments.
- Supply 'in-kind' arrangements (e.g. refreshments, legal advice, facility hire) – alleviate risks on the expenditure side.

Source: Masterman (2014, pp.144-146).

Implementation Planning Stage

*“While the level of complexity and quantity may differ from event to event, the same kind of organisation, planning, division of responsibility and careful attention to detail is required for a local sports event as it is for a major event (Hall, 1997: chapter 6),”
Masterman (2014, p.221)*

Direct Quotes Example

In-text citation:

"An effective structure is important" (Redman, 2006:22)

Reference list:

- Redman, P., (2006). *Good essay writing: a social sciences guide, 3rd ed.* London: Open University in assoc. with Sage.

Financial Risk Management for Events

*“Event financial risk management is a process that consists of anticipation, prevention and minimisation, which indicates that it is a necessary consideration at an early stage of planning and therefore strategically important (Getz, 1997:chapter 10),”
Masterman (2014, p.147)*

Good Practice Ideas

- It is good practice to vary the way you incorporate in-text citations; this will help enhance the flow and style of your academic writing.
- You may sometimes use the author's name in the text or just refer to the author in brackets and citations might appear at the start, middle or end of your sentences.
- You can also refer to multiple authors at once; this will not only help to make your writing more succinct, but will also improve the synthesis of sources, research or ideas within your assignments.
- **Examples**
- Biggs and Smith (2012) offer a convincing argument...
- In contrast, Grayson (2012) identified the main determinant as...
- Ramirez (2010), Schneider (2011) and Roberts (2013) discuss the challenges faced by...
- There seems to be a correlation between students' use of the library and high degree marks (Stone and Collins, 2012)
- The research of Dalton (2012) has been challenged by...
- A number of studies have shown that ... (Chan, 2012; Elston, 2011; Graham, 2009; Richards, 2007)
- Socio-economic factors such as class and education, as well as "hereditary determinants" (Civaner and Arda, 2008, p.267), can have a detrimental effect on an individual's health.

- Coffee Break
- 20 minutes