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The Event Financing and Budgeting

International Meetings Management

WEEK 3

RECAP - Last Week .

- What are the key typologies of Events?
- What are the main areas that you need to consider when running / managing an event?
- What are the 3 stages of the event cycle?
- Why is SMART important when setting the aim / objectives of an Event?
- Give 3 examples of Event Stakeholders.
- What should happen directly after the running of an event?

Today's Aims

- Understand the role of financial management in the overall management of an event
- Examining an event budget
- Understand the methods of event costing and ticket pricing
- Monitor and control the event spending and incoming finances
- Budgeting and the financial terminology used in events
- Understand the advantages and shortcomings of using a budget

Introduction

Very often event costs increase dramatically; especially in sports events, cost overruns seem to be one of the biggest issues on the agenda of event organisers.

Therefore, it is important to have a good overview of the costs of an event and the potential benefits event organisers face.

Costs?

Q&A:

- For the running of an Event, what are the key areas that relate to costs / costings?

Costs / Budget Setting

Key Considerations:

- Operational / Production Costs.
- Venues / Sites
- Promotion / Marketing
- Talent / Staffing
- Supplies

(Catherwood and Van Kirk 1992)

The Budget

- An event budget is used to compare actual costs and revenues with projected costs and revenues
- Cash flow is important as most aspects of an event require expenditure before revenue is obtained
- Funding or sponsorship bodies need to see a budget before committing to the event

Budgeting Questions

- What type of event is it?
- Is the aim to make a profit or is it a not-for-profit?
- Where is the starting capital coming from?
- Will the delegates pay to attend?
- How else could additional income be raised, i.e. through ticket sales, merchandising, sponsorship packages, donations, venue commissions, or negotiated discounts and savings?

Event Budgeting

- A *user-conference* is a conference where delegates or users pay their own fees to attend
- Delegates are required to pay a fee to attend and recharge costs to their company afterwards
- For sporting and entertainment events, ticket sales will be the main source of revenue

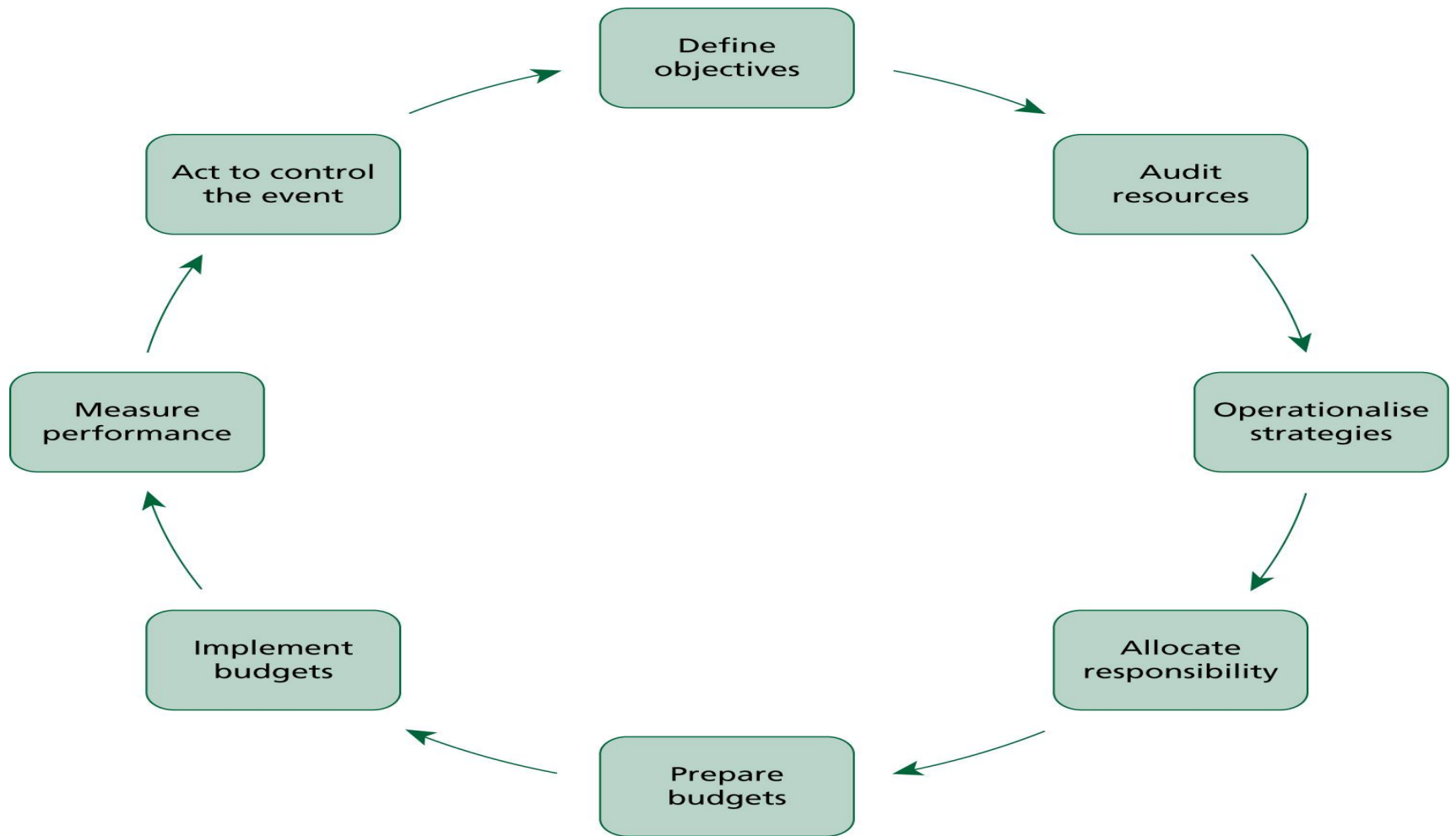


Event Budgeting

- The aim of a fundraising or charitable event is to generate maximum funds for the cause
- Speakers, volunteers and other suppliers will often donate their services for free
- Other sources of revenue may include raffles, an auction, selling of merchandise, donations and ticket sales



The Budgeting Process



Key Terms

Budget – the business or overall plan of an organisation expressed in financial terms.

Cash budget – an analysis of how the cash available to an organisation is expected to change over a given period of time.

Continuation budgeting – budgets compiled on the basis of no change in policies or priorities: business as usual.

Variance – the difference between actual performance and planned performance.

Zero-based budgeting – a method of budgeting which starts with the priorities of an organisation and allocates resources to those priorities according to their order of importance.

Users of financial information and their information needs

<i>User Groups</i>	<i>Areas of interest</i>
Event managers	Managers require financial information so that they can make present and future plans for the event and see how effective their decisions have been.
Trade contacts (e.g. suppliers)	Suppliers and other trade contacts need to know if they are going to be paid on time by the event organiser.
Providers of private finance (e.g. banks and so on)	Banks and other lenders of finance need to ensure that any loans and interest payments are going to be made on time before they lend money and during the repayment period.
Providers of public finance (e.g. government agencies, quangos and so on)	Funding bodies will want to ensure that their funds are being used for the appropriate purpose and that those funds are helping to meet their performance objectives.

Users of financial information and their information needs (contd.)

<i>User Groups</i>	<i>Areas of interest</i>
Tax authorities	The tax authorities require information about the profits/surplus of the event so that they can work out how much tax the organisation owes. They also need details for VAT and employees' income tax.
Employees/volunteers	Organisations' employees and volunteers often wish to know whether their jobs are safe and that they are going to be paid on time or that the event is likely to go ahead.
Spectators	It is normal for spectators to know if goods/services purchased are going to be delivered/provided.

Budgeting Objectives

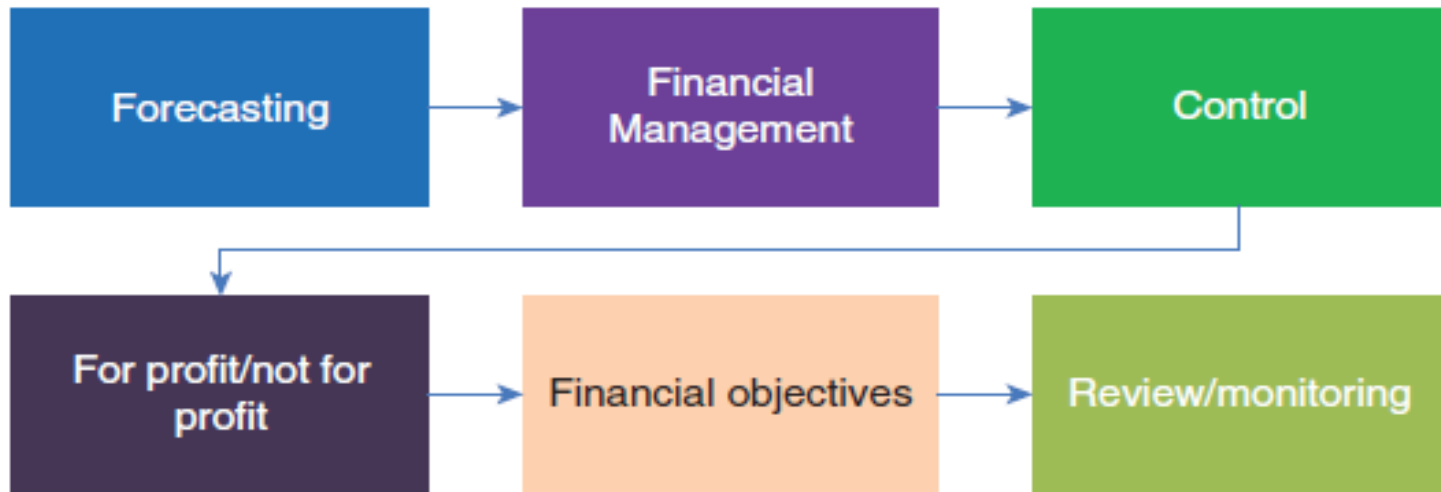
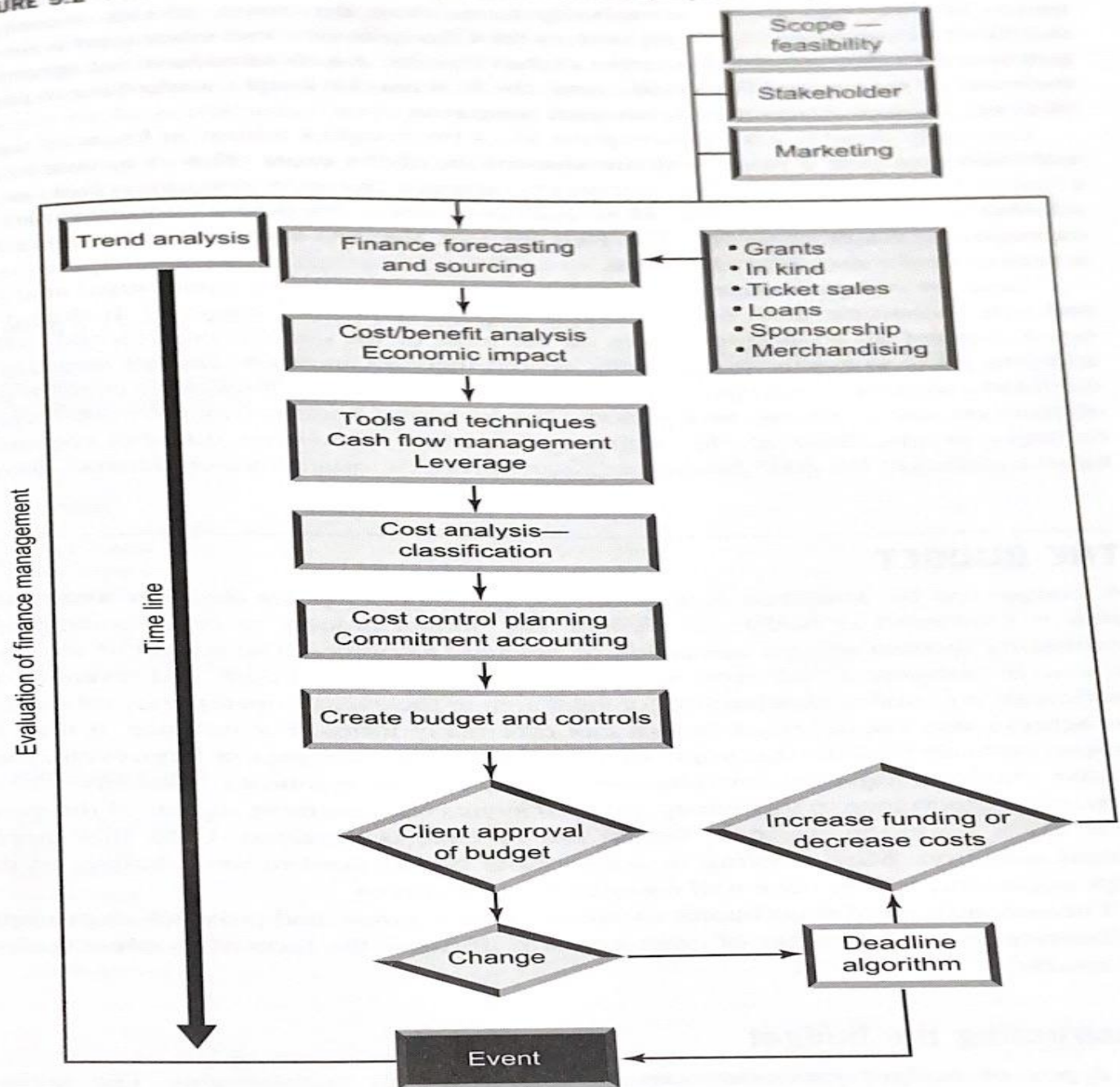


FIGURE 7.2 Budgeting objectives

Evaluation of Finance Mgt. Financial Mgt Process

(O'Toole 2006 –
Cited by Bowdin
2023)

FIGURE 9.2 The financial management process from the project management point of view



(Source: O'Toole, 2006)

Forecasting Finance and ROI

- Forecasting and Financial planning needs to take place in the early stages of Events Planning (Feasibility).
- Need to Consider - ROI (RETURN ON INVESTMENT)
- - - Input + Output
- Generation of Income linked to an event WHAT OPTIONS CAN YOU THINK OF TO RAISE MONIES?

Opportunities to Generate Income....

- Opportunities for Funding Sources
- EG:
- Sponsorship
- Grants
- Ticket Sales (Client / Guest / Consumer)
- Income (Merchandising)
- Post Event Sales (*following Product Launches*)
-

Forecasting Finance

Economic Analysis Tools :

- Input – Output Analysis
- Cost Benefit Analysis

NB: What about non financial returns - - just as important??

EG: Community Benefit / Legacy =

What are your thoughts on this – DISCUSS / EXAMPLES.

Forecasting Finance

- Budgets need to be considered at every stage: MASTER BUDGET / GENERIC BUDGET / DRAFT BUDGET Stages.
- Estimating = Costs / Return / Allocation of Funding Resources.
- CASH FLOW – In / Out.
- Event Finances can be broken down into Budgets and Sub-Budgets.

Organisational objectives (MASTER)

- **M**easurable – e.g. a profit of £3 million in the financial year, or simply to break even.
- **A**chievable – the organisation must have the capability to attain its objectives; capability means staff, other resources, and competitive advantage.
- **S**pecific – objectives must be specific: e.g. ‘£3 million profit’, not ‘to do well this year’.
- **T**ime limited – objectives must have a stated date for achievement.
- **E**nds related – objectives must relate to achieving outputs (ends) rather than describing means (how).
- **R**anked – ideally, objectives should be ranked in order of priority.

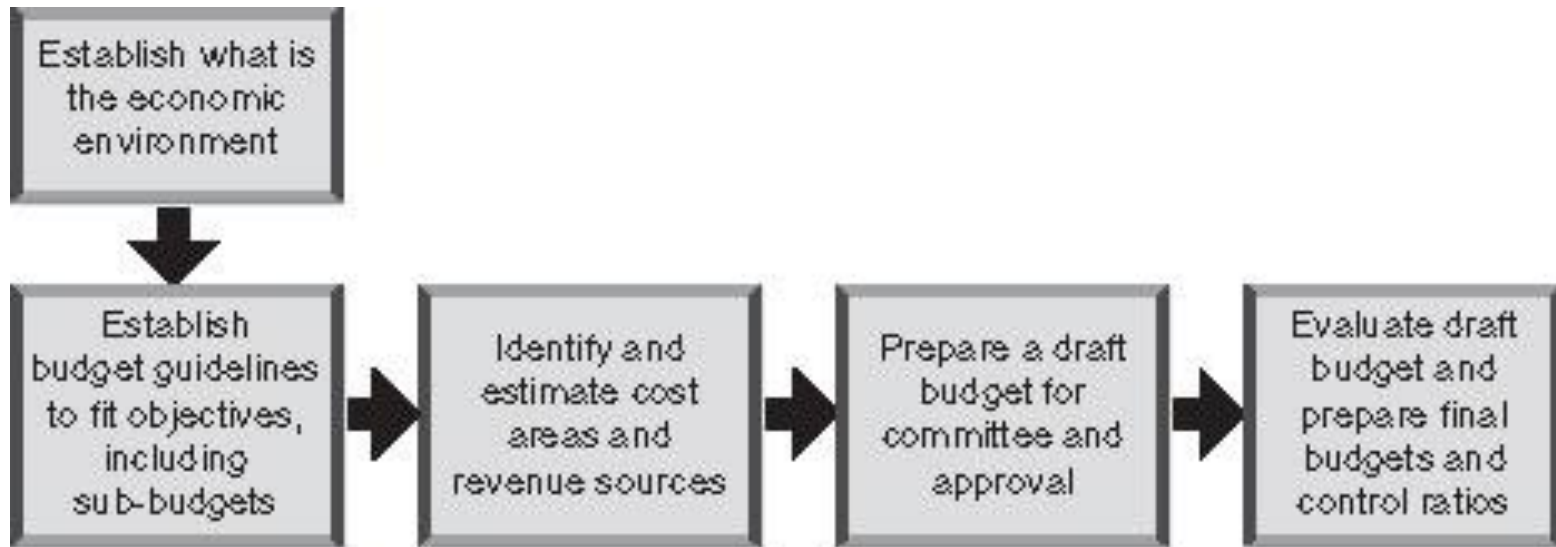
Quality Information (CARROT)

- **Concise** – Information fed back to managers needs to be to the point.
- **Accurate** – Feedback is used for planning, decision-making and control purposes, so it follows that feedback should be error free.
- **Reliable** – Similar to ‘Accurate’, the same results of an actual versus budget comparison should be obtained if different people carried out the analysis: that is, the source information is robust.
- **Relevant** – Different levels of management require different levels of information; therefore, feedback should be presented in terms that are relevant to the intended recipient.

Quality Information (CARROT) (cont'd.)

- **Objective** – Feedback should be concerned with verifiable factual evidence and not with individual interpretation of findings.
- **Timely** – There is a trade-off between timeliness and accuracy, but feedback should always be received in sufficient time for it to be of value in terms of planning, decision-making and control purposes.

Constructing the budget (Bowdin 2023)



Constructing the budget

Income	£	Expenditure	£
Grants		Administration	
Donations		Publicity	
Sponsorship		Venue costs	
Ticket sales		Equipment	
Fees		Salaries	
Special programmes		Insurance	
Concession		Permits	
Security			
TOTAL		Accounting	
		Cleaning	
		Travel	
		Accommodation	
		Documentation	
		Hospitality	
		Community groups	
		Volunteers	
		Contingencies	
		TOTAL	

Generic budget

Income	£	Ticket sales	£
Grants	Local government	Ticket sales	Box office
	Central government		Retail outlets
	Millennium Fund		Admissions
	Arts Council		SUB-TOTAL
	Other	Merchandise	T-shirts
	SUB-TOTAL		Programmes
Donations	Foundations		Posters
	Other		Badges
	SUB-TOTAL		Videos
Sponsorship	In kind	Fees	SUB-TOTAL
	Cash		Stalls
	SUB-TOTAL		Licences
Individual contributions			Broadcast
	SUB-TOTAL		SUB-TOTAL
Special programmes	Raffle	Advert sales	Programme
	Auction		Event site
	Games		SUB-TOTAL
	SUB-TOTAL	Concessions	
			SUB-TOTAL

Areas of Expenditure

- Venue costs
- Food & Beverage costs
- Staffing costs
- Design and Production costs
- Marketing and Promotional costs
- Branding costs
- Hidden and Miscellaneous costs

Hidden Costs



- De-rig costs
- The cost implications of going over the allotted time in the contract
- Registration costs
- The cost of any AV equipment not included in the package rate
- The cost of on-site technical support
- Staff/crew expenses
- VAT
- Gratuities, local taxes and service charges
- Other expenses

Miscellaneous Costs

- Printing
- Stationery
- Mobile phone, two-way radio costs
- Photocopying
- Couriers
- Floral displays



Costs



An Income & Expenditure Basic Statement

<i>INCOME</i>	<i>This year (£)</i>
Spectator Tickets	1,450
Other Ticket Sales	250
Sponsorship	1,700
Catering	220
Merchandising	130
Total Income	3,750
<i>EXPENDITURE</i>	
Volunteer Kit	700
Pool Hire	2,500
Marketing Activities	136
Administration	342
Total Expenditure	3,678
PROFIT/(LOSS)	72

<i>INCOME (£)</i>	<i>Actual</i>	<i>Incurred</i>	<i>Total</i>	<i>Budget</i>	<i>Variance</i>	<i>Direction</i>	<i>Note</i>
Spectator Tickets	1,450		1,450	1,350	100	F	1
Other Ticket Sales	250		250	0	250	F	
Sponsorship	1,700		1,700	1,800	−100	U	2
Catering	220		220	200	20	F	
Merchandising	130		130	100	30	F	
Total Income	3,750	0	3,750	3,450	300	F	3
<i>EXPENDITURE</i>							
Volunteer Kit	700		700	600	100	U	4
Pool Hire	2,500	0	2,500	3,000	−500	F	5
Marketing Activities	136		136	140	−4	F	
Administration	342	50	392	400	−8	F	
Total Expenditure	3,678	50	3,728	4,140	−412	F	
PROFIT/(LOSS)	72	−50	22	−690	712	F	6

Table 6.6 Actual versus budget comparison

Over to you

- Using a basic income and expenditure statement like the one on the previous slide/s construct an event budget .
- Discuss the key funding areas for consideration

Control and Financial Ratios

The break-even chart

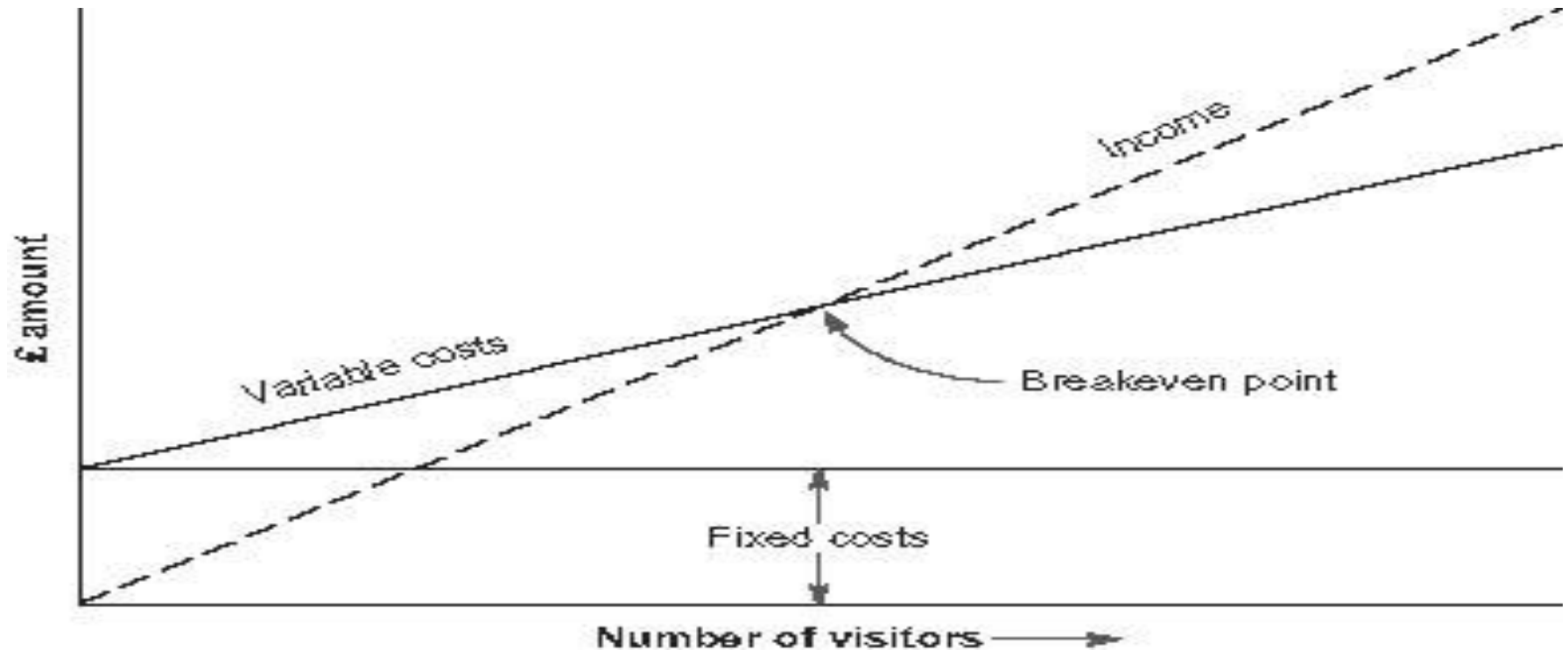


Figure 9.8

Costing Notes

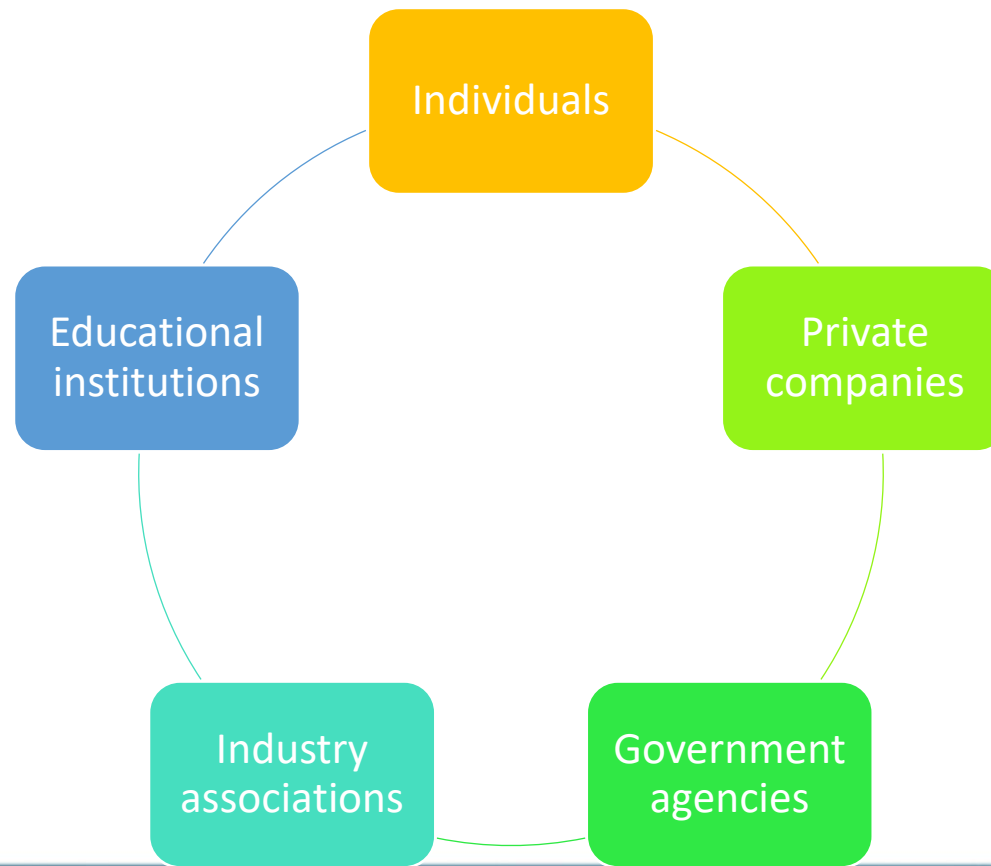
<i>Realistic costs</i>	Prevents any misunderstanding with the client or budget holder
<i>Allowances/estimates</i>	Cost assumptions whilst waiting for the actual rates to come in from suppliers. The costing notes should make it clear that these will be updated as soon as the real costs are known.
<i>Minimum numbers</i>	Should specify if the venue or supplier has based their costs on presumption of a guaranteed minimum number of delegates attending. If numbers not reached, the suppliers have the right to adjust their rates accordingly.
<i>Enhancements</i>	Extras that do not appear in the budget, but could be added to enhance the programme, should more funds become available in due course.
<i>Currency rates/fluctuations</i>	Mention that exchange rates fluctuate and final costing may need to be adjusted accordingly. This means the overall costs could go up or down, depending on whether the currency rises or falls.

Costing Notes

<i>Realistic costs</i>	Prevents any misunderstanding with the client or budget holder
<i>Bank charges</i>	Charges and interest on financial transactions need to be accounted for. Any bank charges or fees need to be added to the final reconciliation and this should also be stated in the costing notes.
<i>Contingencies</i>	To protect against the unknown, and any changes or amends that may take place. Advisable to factor in a 'buffer' or contingency amount
<i>E & OE</i>	An abbreviation of: 'Errors and Omissions Excepted' and is basically a disclaimer to allow for any human error or mistake incurred in the costing process, so is definitely an important one to include in the costing notes.

What about Sponsorship?

Who sponsors events?



What do sponsors donate?

- Overall sponsorship of the event
 - Cash or funds
 - Services and equipment
 - Products
 - Joint marketing opportunities
 - Naming rights
 - Merchandise
 - Entertainment and speakers
 - Media coverage and publicity
 - CSR
- NB: Sponsors need to be aware of costs ahead of committing resources (Bowdin et al 2023)

Reducing Costs

Contingency Planning =

- WHAT If budgets are limited..... *Consider the ways in which you could reduce costs*
- List a few examples / ways to achieve this.

Reducing Costs.

- Costings can often be reduced through careful and / or creative planning .

Ideas include:

- Publicity – Marketing – (use of shared marketing / social media / media partners – networking...)
- In-Kind Support
- Limited Equipment and Suppliers
- Timing – eg; time of year for event to take place
- Use of Volunteers – limit paid staff where possible
- Delivery options – Hybrid / Live

(Bowdin et al 2023)

Self Study – Assignment 1 Focus

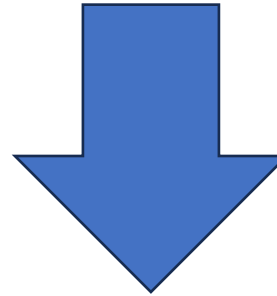
Theme = Sustainability

- Start thinking about where in the world you might choose to host your hospitality event and pick an ideal location.
- You are a business running a MICE event - what is your event (corporate or leisure), give a brief introduction to the event concept/aim
- Using today's session information give a list of 10 things you would consider in your planning specific to that venue INCLUDE BUDGETS
- List 5 stakeholders specific to that venue
- Who might sponsor your event and why? (will you use more than 1 sponsor?)
- **Note in the chat your Case Study for the Assessment ! *You can send this privately to me through Teams (using @Kathrynnflynn)***

Key References

- Bladen, C. et al (2012) *Events Management: An Introduction*. Abingdon: Routledge Seven.
- Bowdin, G., Allen, J., O'Toole, W., Harris, R. and McDonnell, I. (2023) *Events Management*. Oxford: Elsevier.
- Quick, L (2020) *Managing Events, Real Challenges Real Outcomes*. SAGE Publications Ltd.

Next Week...



- Event Marketing