

Strategic Sports Events Management BMSM6006

Lecture 6
Financial Planning and Control
2021-22



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

*Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives*

Teaching Week	Week Commencing	Sessions Details
2	27/09/2021	The Sports Events Industry
3	04/10/2021	Politics, Feasibility and the Bidding Process
4	11/10/2021	The Planning Process
5	18/10/2021	Sports Event Marketing
6	25/10/2021	Sports Event Sponsorship
7	01/11/2021	Financial Planning and Event Implementation
8	08/11/2021	Enterprise Week – No lectures
9	15/11/2021	Impacts and Legacy
10	22/11/2021	Sports Event Tourism
11	29/11/2021	Research and Evaluation
12	06/12/2021	Recap and Case Studies
Christmas Vacation Monday 13th December to Friday 31st December		
	03/01/2022	Revision Lecture – Thursday 6th 2022, 10.00-12.00

Assignment
due 26.11.21.



Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Aaddysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

Session Aims

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



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.



Employability
learn, develop & grow

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?**



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywyd
Transforming Education; Transforming Life

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?



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

*Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives*

“\$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).



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

*Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives*



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.

Organisational and event objectives must be aligned to achieve “congruence of goals” (Masterman, 2014, p.139).

Q. Is your pricing aligned with your event objectives?



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

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).



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

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?

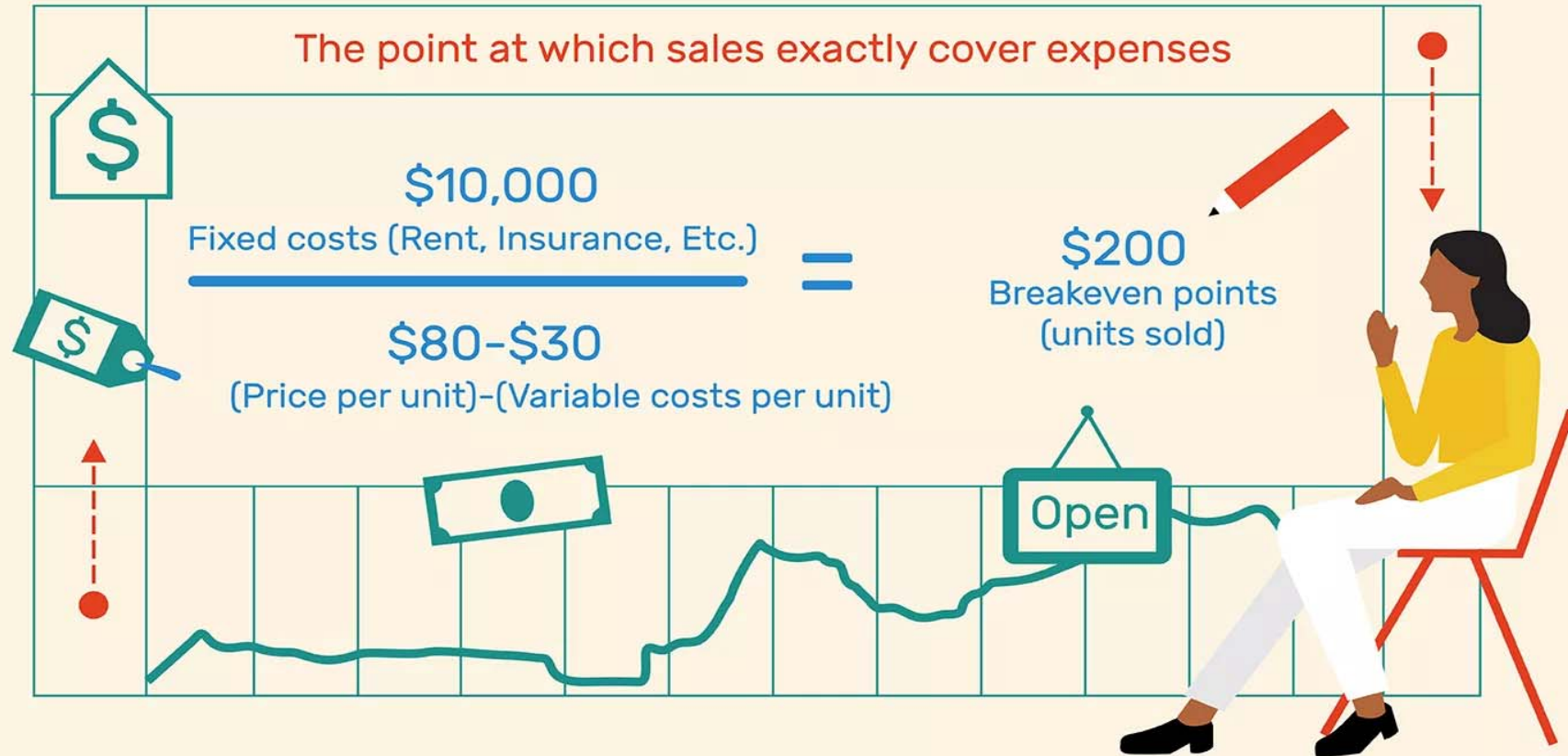
Van der Wagen and White (2010, p.337-339)

3 categories of event budgets:

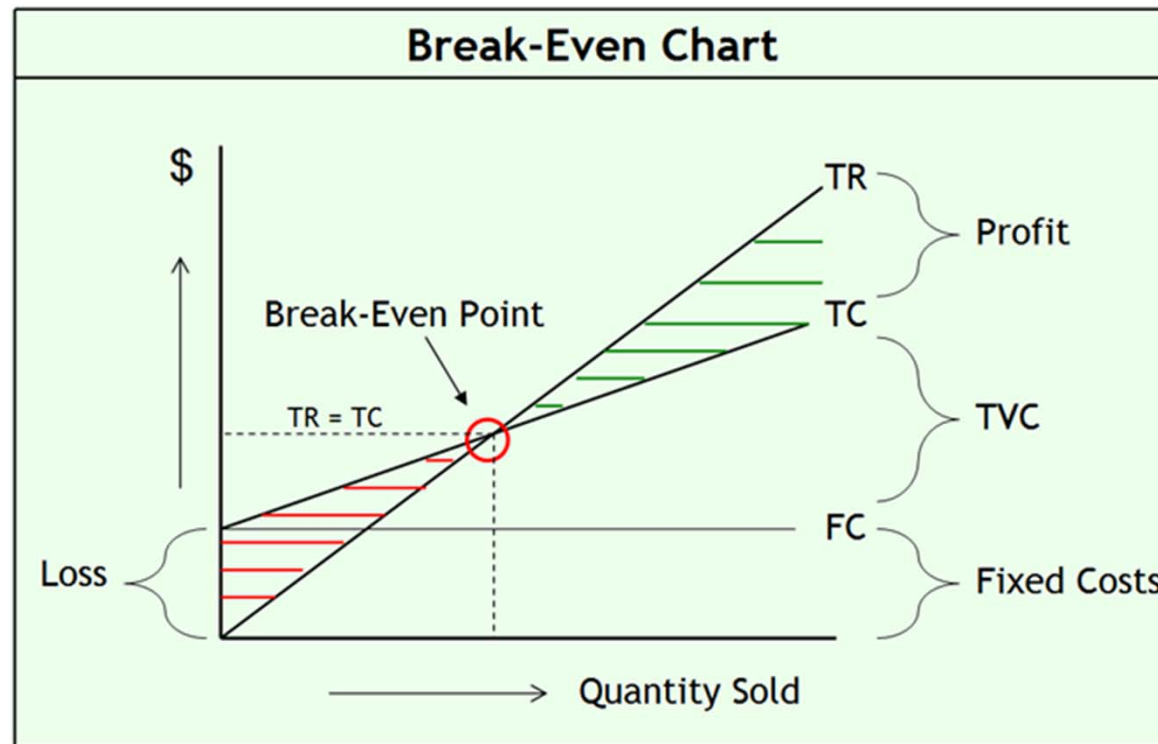
1. **Profit-orientated** events where revenue exceeds expenses (e.g. ticketed events)
2. **Break-even events** where revenue is equal to expenses (e.g. community events)
3. **Hosted events** where the client meets the cost of the event (e.g. product launch)

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

Breakeven Point Formula



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

Answer – 50 Participants

BEP = Fixed Costs / (Price – Variable Costs)

= £500 / (30-20)

= 50 participants.



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

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).



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

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.

<u>e.g.</u>	<u>Staffing Cost Centre</u>	<u>Budget</u>	<u>Actual</u>
	- 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 the UWTSD inter society/dept. 5-a-side football tournament at the LC2 and calculate the break-even point.

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 front wall.

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

**How many
can you list?**

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)



Maintaining Financial Control

- **Cash flow is key tool for maintaining financial control over an event.**
- Event organisers must be able to pay bills on time – no different to any business!
- **Costs that require payment before sufficient revenue exists need to be identified.**
- Production of regular **cash flow reports** throughout the planning process is therefore essential.
- AND, these will help event organisers overcome **cash-flow shortfalls** that are a common occurrence in sports event financing.

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).

Risk Management for Events. **How?**

How?

- Managing cash-flow shortfalls.
- Adhering to health & safety regulations and minimum standards.
- Providing entertainment and spectacle that is not provided by competitors, in order to exceed customer expectations and gain competitive edge e.g. half time entertainment.
- Ensuring there are bad weather contingencies, such as insurance against financial loss and the provision of indoor facilities.
- Targeted market research is vital to support decision making e.g. surveying your existing users/fans for feedback.

Source: Masterman (2014, pp.147-148).

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)*



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

*Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives*

The Implementation Planning Process

Masterman(2014) advocates adhering to Allen *et al's* (2002) six step process:

- | | |
|---------|---------------------------|
| Step 1: | Scope of work |
| Step 2: | Work breakdown |
| Step 3: | Task analysis |
| Step 4: | Scheduling |
| Step5: | Critical path |
| Step 6: | Responsibility allocation |

Six Step Process planning process

1. Scope of Work

How much work needs to be done?

2. Work breakdown

"Categories and sub categories need to be identified and broken down into manageable units," Masterman (2014, p.222).

e.g.

Personnel

Staffing

Volunteers

Officials

Stakeholders

Customers

Partners and Associate Partners

Participants

Staffing

- Most events start with the appointment of the leadership.
- Managers, crew, stewards and security staff are required for event MGT teams.

Volunteers

- Events are dependent on the local community and volunteers.
- Recruitment costs, uniforms, food, transport, accommodation etc.
- Partnerships with training agencies can be productive e.g. Manchester 2002 Pre-Volunteer Programme.

Officials

- Many are also volunteers.
- Recruitment made easier via NGBs

Customers

Entertainment of customers – “the ‘show’ element of the sports events is critical

Partners and Associate Partners

e.g. sponsors, NGBS, media partners; Long-term relationships that need to be nurtured during the planning and implementation stages.

Participants – can be...

Identifying key teams and participants that will add value to the event

Relationships need nurturing e.g. VIP treatment, e.g. dealing with agents, media, or charities who have celebrity supporters.

Researching customers needs helps determine what type of show they want.

Step 3: Task Analysis

Involves assessing each of the task categories and sub categories for costs, time, staff and supplies. This must be undertaken at the feasibility stage, and monitored and finalised at each subsequent stage.

Step 4: Scheduling

Each task is put on a timeline and deadlines identified.

Step 5: Critical Path

Tasks combined into a GANTT chart – tasks need to be prioritised. All aspects involved in the production of the event are integrated into the critical path.

Step 6: Responsibility Allocation

Each task becomes an area of responsibility; organisational structures and lines of communication are needed in order that areas are managed effectively;

Final Stages of the Planning Process

Implementation of the Event

- Execution of event according to the implementation plan – process of breaking down the work and allocating responsibility is realised.

Long –term planning

- After-use and after-users e.g. smooth hand over of the facilities.

Long –term Evaluation

- Objectives are the benchmark for the evaluation.

Assignment 1 (50% contribution)

Part 1: Event Scoping and Feasibility (1000 words approx.)

Your task is to **identify a major sport event** that a location in Wales could feasibly host. The event can be either: national or international; irregular or part of an annual cycle of events; a major spectator event generating significant economic impact or a major competitor event generating limited economic activity (e.g. Welsh athletics championships).

Students must clarify the event's **objectives and concept**, and make a robust case for the event's **feasibility, strategic fit and potential impact**. This requires students to scope out the **cost of the event and financing options**, plus the **market for the event and its competition**. Students will need to consider existing sports event calendars, local and national policy agendas (Wales and UK) and the impact of recent major sports events.

Assignment 1 (50% contribution)

Part 2: Strategic Marketing Overview (1000 words approx.)

The second part of the assignment requires students to consider how they will **attract and retain customers/spectators** to the event. This section should commence by addressing the **market segmentation, targeting and positioning** of the event. It must also detail how the **marketing mix** can be best manipulated to address the needs and wants of customers, and conclude by specifying **clear marketing objectives and specific tactics** to help fulfil the objectives.

Both parts must be underpinned with appropriate references to academic theory, industry and government publications and empirical evidence.

Generic Assessment Criteria	Marks available	Marks awarded
1. Engagement with Literature Skills		
	25	
2. Knowledge and Understanding Skills		
	20	
3. Cognitive and Intellectual Skills		
	20	
4. Practical Application Skills		
	20	
5. Transferable Skills for Life and Professional Practice		
	15	

Assignment 1 Reminders

- Report format and language.
- Use clear and concise language.
- Proof read at least 3 times.
- Must underpin writing with good range of accurate citations.
- Must include a references list.
- Follow Harvard referencing conventions.
- Make good use of the appendices.



Harvard Referencing Conventions

- A citation is the part of the reference that you include within the main body of your work whenever you directly quote from, paraphrase, summarise or refer to work produced by another author. In the Harvard style, the citation includes the author's surname and year of publication.
- You should [include page numbers](#) if you quote directly from the text, paraphrase specific ideas or explanations, or use an image, diagram, table, etc. from a source.

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.



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

References

Allen, J., O'Toole, W., McDonnell, I. and Harris, R. (2002). *Festival and Special Event Management*. 2nd Edition. Milton, Queensland: John Willey. In Masterman, G. (2014). *Strategic Sports Event Management*, Third Edition. Oxon: Routledge.

Berry, A., and Jarvis, R. (2006). *Accounting in a Business Context*. 4th Edition. London: International Thomson Business Press. In Masterman, G. (2014). *Strategic Sports Event Management*, Third Edition. Oxon: Routledge.

Emery, P.R. (2001). Bidding to host a major sports event: strategic investment or complete lottery. In Masterman, G. (2014). *Strategic Sports Event Management*, Third Edition. Oxon: Routledge.

Flyvberg, B., and Stewart, A. (2012). Olympic Proportions: Cost and Cost Overrun at the Olympics: 1960-2012. *Saïd Business School Working Paper, June 2012*. UK: University of Oxford.

Flyvberg, B., Stewart, A., and Budzier, A. (2016). The Oxford Olympic Study: Cost and Cost Overrun at the Games. *Saïd Business School Working Paper, July 2016*. UK: University of Oxford.

Getz, D. (1997). *Event Management and Tourism*. New York: Cognizant, Chapter 10: New York. In Masterman, G. (2014). *Strategic Sports Event Management*, Third Edition. Oxon: Routledge.

Hall, C.M. (1997). *Hallmark Tourist Events: Impacts, Management and Planning*. Chichester, UK: John Willey: Chichester. In Masterman, G. (2014). *Strategic Sports Event Management*, Third Edition. Oxon: Routledge.

Masterman, G. (2014). *Strategic Sports Event Management*, Third Edition. Oxon: Routledge.

Van der Wagen, L., and White, L. (2010). *Events Management*. Melbourne: Pearson.

Event management in a nutshell.....

“The successful management of an event project requires a system that will manage the assessment of what has to be done, by whom and by when, and plan it in sufficient time so that the execution of the project is as a result of the planning that has gone before (Allen et al, 2002),” Masterman (2014,p.222).



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

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)



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives

Task Categories (Masterman, 2014, pp. 231-232)

Communication -Technology -MGT communication. -Audio-visual	Venues & Equipment - Venue agreement and contract - Procurement and purchasing - Sponsors' supplies - Franchises - Show Effects - Access and security	Legal and Licensing - Public entertainment - Alcohol - Governing body affiliation and sanction	Financial control
Marketing - Ticket sales - Corporate sales - Communications - PR - Design - Sponsorship - Merchandising - Space sales - Advertising sales - Print and publication	Services - Transportation - Accommodation - Food and beverage - Merchandising and licensing - Environmental consultancy - Sanitation	Health and Safety - Risk assessment - Certification - Emergency procedure - Crisis management procedure	

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.

Sport Event MGT

Emery (2001) argues that Sports Event MGT is a subset of project management, bounded by three factors:

- External pressures
- Organisational politics
- Personal objectives

This is a useful lens to consider major events, Olympic Games especially.