



# UNIT-5

## Event Budget Plan

### Learning Outcomes

By the end of this unit the learner will be able to:

## Unit 5

### Event Budget Plan

The events industry provides a time-sensitive service that requires careful preparation, planning, and management. Understanding your clients' goals and knowing how to meet or exceed their expectations depends on how well you plan for the event and how well you execute your plan. Ensuring the continued success of your business will depend on your knowledge of how to properly manage an event how to properly budget, so that you remain both competitive in the marketplace and profitable within your organisation.

#### Key Steps To Event Budgeting

Developing a budget for the event is critical. The steps in completing this task are:

1. Identifying the costs and income sources for the event
2. Determining an appropriate level of budgeting
3. Establishing a budget
4. Monitoring budget expenditure and income
5. Undertaking a review of the budget post event.

#### Identify and Estimate Costs and Income

Income sources and expenses will differ with each event. If the event has been run before, the obvious starting point is the previous budget. If the event is being held for the first time, start by contacting the organisers of similar events and discussing issues of costs and potential income sources. The list of expenses and income sources is a useful starting point.

Experiment with several scenarios when considering costs and income. For example, with a ticketed festival look at different ticket prices and attendance levels to determine the final amount to be charged to cover costs and achieve the desired profit level. When undertaking these calculations, keep in mind the likely effect of ticket prices on the demand for the event. Working through these different scenarios is made easier by using a computerised spreadsheet programme; however a calculator, pen and paper will do the job.

#### Establishing an Appropriate Level of Budgeting

Many events only need one budget as they involve one site/venue and can be considered a single activity, eg a one-day community festival. Other events might require several budgets. For example, if a town's annual festival is run over the period of a month and includes several distinct events, such as a parade, an exhibition, a talent quest and a gala dinner, separate budgets for each of these activities and a master budget.

## Budget Making and Approval

Expenditure Items	Income Sources
<ul style="list-style-type: none"> <li>➤ hiring costs</li> <li>➤ prizes/awards/gifts/giveaways</li> <li>➤ decoration &amp; displays</li> <li>➤ catering (eg for staff/volunteers, attendees - if part of ticket/registration fee)</li> <li>➤ transport</li> <li>➤ accommodation</li> <li>➤ waste management/cleaning</li> <li>➤ licenses, permits and other government charges</li> <li>➤ evaluation reports</li> <li>➤ contingencies</li> <li>➤ refunds &amp; bad debts</li> <li>➤ site/venue hire</li> <li>➤ entertainment/speakers/presenters</li> <li>➤ staging (eg audio visual equipment, lighting, sound, technical assistance, PA systems)</li> <li>➤ legal/accounting (eg development of contracts, maintenance of accounts)</li> <li>➤ insurance</li> <li>➤ promotion (eg brochure/program production and design, banners, web site design and maintenance, advertising, public relations)</li> <li>➤ administration (eg salaries/wages, travel, consultants, secretarial support, photocopying, postage, phone/fax, software)</li> <li>➤ equipment purchase (eg two way radios)</li> <li>➤ security (eg hire of security staff, fencing, video surveillance)</li> <li>➤ training of volunteers/staff</li> <li>➤ attendee kits (in the case of conferences and the like)</li> <li>➤ electricity/water connection costs</li> <li>➤ merchandise production (eg t-shirts, CDs, posters)</li> <li>➤ event evaluation (eg questionnaire development/delivery/analysis)</li> <li>➤ other (eg provision of translation services, conference paper production, barricades, credit card costs, first aid services)</li> </ul>	<ul style="list-style-type: none"> <li>➤ government grants</li> <li>➤ sponsorship</li> <li>➤ in-kind sponsorship</li> <li>➤ other funding eg local fundraising, raffles, auctions</li> <li>➤ entry ticket sales/registration fees</li> <li>➤ rentals and site hire (by, for example, exhibitors)</li> <li>➤ advertising revenue</li> <li>➤ franchise fees/concessions</li> <li>➤ permit fees</li> <li>➤ parking</li> <li>➤ food and beverage sales</li> <li>➤ merchandising</li> <li>➤ media rights</li> </ul>

After estimating costs and revenue and deciding on an appropriate level of budgeting, the next task is to place these into a budget document. Much of the expenditure associated with an event takes place before any income is available (eg site/venue deposits, promotional costs, insurance). Events can run into cash flow difficulties. For this reason, it is sound practice to forecast the expenditure that will be required in the lead up to the event on a month by month basis and to do the same for the income stream. In this way shortfalls can be anticipated and appropriate action taken. Action might include, negotiating with individual suppliers to extend their terms of payment, asking key stakeholders (eg local government) to meet any shortfall until resources become available or seeking sponsor funds earlier.

### **Monitoring the Budget**

One way of monitoring is to require committees or individuals responsible for a particular budget area to submit regular written reports. These reports should clearly show expenditure and income for a given period against the amounts that have been budgeted.

### **Budget Review**

You may choose to conduct a budget review midway through the planning process for the event. A budget review can:

6. Highlight shortcomings in the approach to estimating costs and income for the event
7. Identify areas of under spending or overspending for later investigation
8. Signal the need for changes in areas such as the approval system for expenditure above that specified in the budget.

Note: the budget should include provision for start up of the next event.

## **Possible Event Expenditure Items and Income Sources**

### **Requirements of the Event**

A draft budget will be drawn and modifications will be made along the organisation of the event. This takes a long time beforehand and is basically theoretical. Halfway through the organisation, a second budget will be made. It will be closer to reality, with updated rates, although the number of participants will be still unknown, as well as the final sources of financing.

Eventually a final budget will be made. It will be real and operational and a logical consequence of the second.

We should highlight here the importance of the fact that unexpected costs will be appearing along the organisation of the event. These are extraordinary expenses that arise throughout the development of the event and that may take up to 20% of the total costs.

## Feasibility Study

An itemised budget should include the technical requirements, suppliers and necessary services for the development of the event. According to the funds expected for the event, decisions should be made about the logistical, organisational, staff and formal requirements, as well as the size of the venue to be held, time of the year and length of the event.

Every aspect of the event should be included in this study. It is necessary to know whether it is possible to organise and hold it, bearing in mind the minimum goals and the percentage of these goals over the total costs, so as to know whether the final benefits would be obtained.

A strategy to obtain funds will be designed so that the event can be successful. This strategy should attract private or public sponsors, as well as participants.

We need to check that there is a demand that will accept our project. We also need to know how to achieve the necessary funds and whether the event will have any sort of profit margin.

## Income and Financing

### How Can We Obtain The Money? (Sources of Financing)

Once the scope of the event is chosen, the next step is to specify the type of financing needed for the budget. In any type of event there are always two types of financing: internal and external.

Internal financing: these are basically the funds belonging to the organisation itself, resulting from previous events which were profitable and from the membership fees and private funds from the organiser.

External financing may come from:

### Participants and Attendees

The fee received from participants and attendees is calculated in a first draft taking as a reference a previous edition of the event or a similar one in order to foresee the income and know the fees to charge. Moreover, it is necessary to know the contribution from institutions, before the final fees are set. Fees tend to cover 50% of the total cost of the event.

### Institutional Help:

- **Public Institutions:** Local government and Town Council, Official grants: local, national, international.  
Disadvantages with this type of grants are that they require complicated forms and endless bureaucracy. Often, these grants are difficult to obtain because all costs need to be fully justified beforehand and partly or wholly returned if they do not cover the costs originally awarded for.

Another important aspect of these grants is that our event should not coincide in time with similar ones, as the sponsorship might be shared with similar events going on at the same time or simply over.

Sometimes, the grants are part of annual budgets established long before the event takes place.

- **Private Sponsors:** Depending on the type and scope of the event it is possible to find private institutions (banks, saving banks, companies, sponsors, et.) to support the event partly or totally.

**Private sponsors may be:**

- **Associations:** legal entities made up by partners with the same purpose who pay a membership fee periodically with which to support this type of events.
- **Federations:** Associations as a whole.
- **Companies:** They finance events in order to become well known in the short term. They usually exchange their economic support for the chance to appear in the events appearing in the media.
- **Charities:** These are non-profit legal entities which may have commercial activities devoting part of the benefits to support cultural, social or environmental activities.
- **Sponsors:** The sponsors are the promoters and organisers of over 80% of the events arranged. Most events would not be possible without their support.

## Expenses

Below are, some of the main cost elements in the budget

### Human Resources Needed

Do we have enough staff or do we need to hire especially qualified staff? : Technical secretariat, hostesses, promoters, models, tourist guides, coordinators, image consultants, event organisers, protocol consultants, chairmen, speakers, security staff, medical services, translators and interpreters and clearing and maintenance.

### Technical Equipment

What do we need? Public address system, simultaneous translation, recording studios, cinema production, media coverage and broadcasting, corporate videos, etc

### Communication

What do we need to make our event known? Advertising, marketing and communication, graphic design and printing, media coverage, script writers, multimedia, web design, mailing, and merchandising

### Entertainment

Do we want a dynamic event? Entertainment, artists, DJs, Karaoke, shows, cultural visits, music evenings.

## Stage and Furnishing

What kind of presentation do we want?

## Furnishing Hire

Digital visual art, party commodities, marquees, platforms, stages, decor and design, stand design and assembly, flower arrangements, notices, signposting and labelling.

## Social Programme

How many free time activities shall we offer? Lunches and dinners, catering, gala dinners, opening and closing ceremonies, gifts.

## The Venue

Where do we want to hold the event? Town Halls, boats, bars and discos, congress and convention centers, historic buildings, castles, palaces, sport facilities, in the open air, hotels, restaurants, and lounges

## Cost Plans and Budgets

It's the responsibility of the event planner to monitor the budget during the event.

There are a variety of budgets. As an Event Manager, you will have the greatest impact on two types of budgets:

- Event budgets or event cost plans
- Company budgets (Event Management Company)

It is easy to get these two types of budgets confused. Due to their close relationship, they share several standard accounting characteristics.

An event budget is created from an RFP form or a contract setting limits on how much a company will spend on an event. Typically, the company providing the services will allow for a profit to be made from the event by charging the client more for the event than it costs to provide it. If the event's expenses exceed the contracted price, the expenses start decreasing the profit; if they continue to increase; the event will cost the company money instead of bringing in revenue.

## Key Financial Factors During an Event

Making good decisions during crisis situations can be a daunting task. You must use your knowledge of the show's budget, the client's temperament, and your company's resources to come up with viable solutions. One resource that you can use to make informed decisions is the employee time log. This will help you know the status of each employee.

Before you make a decision look at the key factors to consider during a crisis:

- Fixed labour
- Unreimbursed (you cannot charge your client) overtime
- Unreimbursed (you cannot charge your client) supplies
- Unnecessary sub-rentals

### **Fixed Labour**

Fixed labour costs are the labour costs guaranteed to the client not to increase and are typically estimated prior to the event as a package price. If the Event Manager manages time and resources well, it is possible to finish the event using less labour hours than estimated. Completing events early can help make a profit for the company. Unfortunately, when a crisis situation occurs, additional labour and material is often required. If the crisis is not caused by the client, the client will not have to pay any extra costs, and your company will have to absorb the cost, causing a loss of revenue.

### **Unreimbursed Overtime**

Depending on the contract and situation, un-reimbursed overtime can take several forms. Unreimbursed overtime occurs when you cannot charge the client for overtime. This is often caused by mistakes in time management or in allocation of resources. An example of this would be when the equipment being delivered arrives late due to traffic problems, which can cause the labour crew to get paid for just waiting to work.

The next example of unreimbursed overtime is hidden overtime. This type of overtime occurs when the crew is working two consecutive events. If circumstances dictate that the first event has the crew work a longer than planned, it causes them to roll into overtime during the second event.

### **Unreimbursed Supplies**

These are supplies that are consumed during the course of one or many events.

### **Sub-Rental**

This is equipment that the company does not own and must pay to use. If managed properly, sub-rentals can help the company when its own inventory is temporarily short, or the equipment needed for a job is out of the normal scope of services the company usually provides. Unnecessary sub-rentals, however, can be a result of mistakes, such as poor logistical planning, lack of proper maintenance leading to equipment failure, and improperly diagnosed equipment problems.

### **Extra Labour**

Sub-rentals and supplies can quietly destroy an event's profit and, over time, a company's business. Manage your resources wisely and use prudent control over expenditures whenever possible. Be resourceful and explore all of your options before incurring expenses. Take the time to realign your revenue and expenses on a regular basis by looking at your financial paperwork.

## Keeping Accurate Time Logs

Keeping accurate logs is vital to the success of the event, especially when faced with a crisis. Crisis situations may cause you to abandon all thought and react on instinct. You need to keep a cool head and use resources such as time logs to make intelligent decisions.

To stay within budget, you need to inspect your time logs. Figure out ways to maximise efficiency. When you can, utilise an employee who:

- Is not being paid overtime
- Has taken their break
- Is completing their assigned task ahead of schedule
- Is capable of solving the problem

## Allocating Resources during an Event

There are many decisions to make during an event. When you are new to managing events, it is often difficult to know what decisions to make. Unfortunately, there is no list of right and wrong answers, when it comes to these decisions. You must learn about the common mistakes made during the event and do your best to avoid making similar mistakes.

Analyse a possible situation where you may need to allocate resources during an event and analyse some possible solutions. Making informed decisions about labour can mean the difference between a profitable event and a costly event. Having up-to-date logs will help you make informed decisions faster. The sooner a problem is resolved the less chance your client will notice the problem, the greater chance you have of fixing it in time, and the more time your crew will have to complete their tasks on schedule without incurring overtime.

## Tips for Working with Quotes or Contracts:

- Bring a copy of the quote or contract, signed by the client, to any pre-event meetings and maintain a copy during the event. Make sure you know if it is a quote or contract. Don't discuss the terms of this contract with anyone unless you have been authorised to do so. Use the copy for reference and to answer any questions the client may have.
- A quote needs to be detailed enough that you know what items will be included or excluded from the bill.
- If you are responsible for quotes, learn how to calculate the taxes for the region where you are working. Some organisations may be tax exempt. Find out what their status is before totalling the bill.
- Not all contracts have every term recorded. Find out about hidden expenses, such as union labour, electricity charges, stage risers, lifts, drayage, meal charges, security, or other hotel charges not specifically quoted.

- Follow your company's chain of command to approve any changes. Your company should provide you with all of the contact information required to approve a change.
- If the client must sign any documentation, have those documents with you at all times. For example, a document allowing a change to the order, such as equipment additions or deletions and change to the labour hours may be needed.
- Ask about your company's contracts, including cancellation terms, such as client cancellations, acts of God, and weather related cancellations.
- Find out how equipment additions or deletions should be handled. For example, clients may have paid their bill prior to the event and will need to pay for any changes before the event begins. Other clients may be getting the bill after the event and will need to sign a document agreeing to any changes to the bill.
- If you have to quote prices, have a price chart, including equipment price and labour costs, with you at all times. This way you will be able to fully disclose the price of any event changes to the client before they are made.
- Examine the contract and find out how many labour hours you have to complete the event.
- Record all the tasks involved in completing this event.
- Estimate how much time each task will take, check this total with the total labour estimate.
- Assign tasks to all crew members, and tell them the amount of time they have to complete their task. This sounds easier than it is because you must make sure that each crew member can complete the task assigned. This means you must know what the dependent tasks involve and what the skill level of the crew member needs to be. For example, if the task is to hang the projector but the rigging hasn't been constructed and the crew member doesn't know how to hang a projector, the task cannot be completed.
- Manage the crew by managing their tasks. They should be working efficiently on the assigned task and completed each task before they start the next. Make sure they have completed their last task and have all the supplies they need for the next task before assigning them the next task.
- Keep accurate records of the time the crew is working and the time it takes for them to perform each task. This not only helps the company account for the labour costs, but it will help you explain why the labour costs increased or decreased on this event.
- Follow the labour laws and allow for breaks and overtime when assigning each task.
- If you are authorised to make changes, document the change on paper and keep a live computer record as up-to-date as possible.
- Contracts and quotes are used to communicate and document agreements between companies and clients. They can help facilitate communication and resolve conflicts when they arise.

**EXAMPLE****Budgeting a Sport Event**

The sport event is a social gathering with a large number of participants as this is a very dynamic sector that attracts widespread interest from both the audience and the sponsors. One of the main goals of a sport event is to have economic benefits.

In the present example it is easy to see in the final balance the benefit obtained, as the income was higher than the expenses, and therefore the organisers will have a surplus either for the organisation of the next event or for their own benefit.

**In this example, expenses are:**

- Transport, accommodation and competitors' and judges' allowances and salaries, which are the logistics expenses.
- Opening Cocktail or Ceremony with the participants and the media.
- Expenses of the corporate image: event programme, tickets, posters, journals, websites (From which to sell online tickets), mailings (to the prospective participants and sponsors).
- Technical and audiovisual equipment: screens for the results, cabins for the translators, Public address system, etc.
- Coordination expenses. The technical secretariat means a very important cost but at the same time it is their responsibility to ensure the success of the event, to plan, develop and hold the event from the beginning to the settling of the accounts.
- The press office will be in charge of the media coverage of the event. Further costs are press insertions with the participants and dates.
- Venues and premises: the space necessary to hold the event.
- Public-liability insurance will cover the organiser's responsibility in case of attendees' Accidents, faults in the facilities involving refunds or the cancellation of the event due to participants' injuries or withdrawal.
- Unexpected costs are included here as they are likely to appear through the event.

There are four parts in the income section:

- Participants' fees: these are the attendees to the event who pay their ticket.
- Sponsors: Sport labels and sponsors in general who will bring their economic support for material expenses, easy to justify to the public tax office.
- Public Institutions: All the funds received from the local government where the event takes place.
- Local Council: will provide the funds for the venue of the event.

**Sport Event Expenses**

Item	Cost
Transport and accommodation	£10.000,00
Transfer airport - hotel - airport	£2.100,00
Allowances	£3.000,00
Medical expenses	£1.500,00
Judges and referees	£2.000,00
Marketing	
Posters	£500,00
Certificates	£600,00
Journal	£1.500,00
Communication and media	£800,00
Mailing	£3.000,00
Event Promotional Gifts (Caps, T-shirts, flags, etc.)	£6.000,00
Press coordination	£300,00
Logistics	
Technical equipment	
PC projector and laptops	£600,00
Screens	£300,00
Public Address system	£600,00
Loudspeakers	£500,00
Technical aid	£600,00
Translating	£2.150,00
Video	£3.000,00
Technical secretariat	£6.000,00
Sport material	£1.500,00
Stationery	£700,00
Interpreters	£ 3.000,00
Venue	
Sport Facilities hire	£15.000,00
Catering	
Opening ceremony	£20.000.00
Insurances	£1.200,00
Other expenses	£ 3.000,00
GRAND TOTAL	£89,450

**Further Reading:**

- ✓ *Event Planning: The Ultimate Guide To Successful Meetings, Corporate Events, (2009) By Judy Allen*
- ✓ *Organizing Special Events and Conferences: A Practical Guide for Busy By Darcy Campion Devne*
- ✓ *Event Management: How to Apply Best Practices to Small Scale Events,(2011) By Sven Damm*