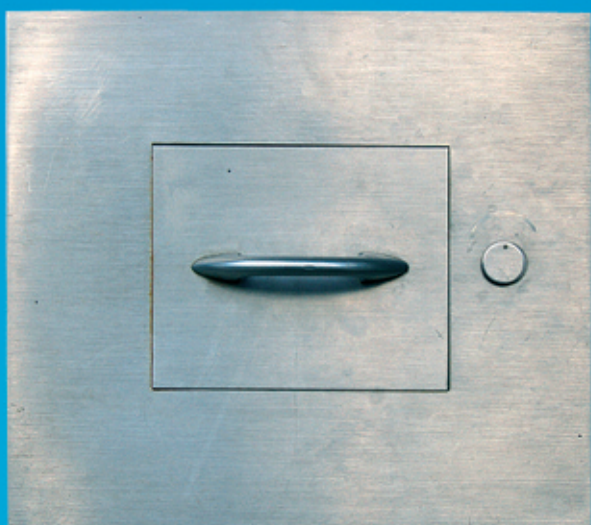


chapter four

budgets and financial management



☒ YES



☒ NO

Good financial management is fundamental to the delivery of successful events. Our advice is simple: plan ahead, be realistic, keep on top of your budget and implement control systems that work for you.

Right from the start, ensure that you set a realistic budget with inbuilt flexibility and identified contingencies. If you are looking to raise public funds or sponsorship, don't approach a potential funder until you are able to present a realistic outline budget. Remember, you need to convince yourself of the event's financial viability before you can convince others.

Transparency

Those applying for (and in receipt of) public funds will be required to provide detailed financial information about the event and wider company finances. For management and reporting purposes ensure that you keep separate, or are able to separate, all financial information to do with the event. Never try to 'fudge' figures or provide misleading information. Funders will often require sight of your annual accounts and may well reserve the right to carry out an audit to ensure their funds have been used in the agreed manner. Aside from funders' requirements it is best practice to present and keep transparent accounts.

Preparing your Budget

Your event budget is basically a projection of all income and expenditure relating to the development and delivery of the event. To help you manage event finances effectively it's a good approach to keep a 'live budget' on your computer – *i.e.* a spreadsheet that you update on a regular (daily/weekly) basis. Set up your budget in a package such as Microsoft Excel so that you have numeric functions to help you manage the financial data.

The following template gives an example of the kind of entries that may be appropriate to your event, but your entries should of course be specific to your particular situation:

FIGURE 4.1

Live Event Budget – Summary				
Description				
INCOME		1. Projected (£)	2. Income to date (£)	3. Variance (1–2)
1	Grants / Underwriting / Public Funding (list all)			
2	Trusts / Foundations (list all)			
3	Sponsorship (list all)			
4	Ticket Sales / Admissions			
5	Merchandising			
6	Other Income			
Total Income		£	£	£
EXPENDITURE		1. Projected (£)	2. Spend to date (£)	3. Variance (1–2)
Administration				
1	General Administration			
2	General Insurance			
3	Travel & Accommodation			
4	Staff Salaries & Fees			
5	Management Fees (if applicable)			
6	Other Administration Expenses			
Subtotal Administration		£	£	£
Event Costs				
1	Event Evaluation / Bid Costs			
2	Sanction Fees (if appropriate)			
3	Facility / Venue			
4	Other Production Costs (Plant, Equip. Hire, Crew, Security, etc)			
5	Health & Safety			
6	Insurance			
7	Ceremonies			
8	Entertainment / Artistic Programme (fees & costs)			
9	Hospitality			
10	Cost of Merchandising			

FIGURE 4.1 CONTINUED

11	Travel, Accommodation & Services			
12	Communication (Radios, etc)			
13	Ticket Production			
14	Other Event Expenses			
	Subtotal Event Costs	£	£	£
	Marketing & Promotion Expenses			
1	Advertising			
2	Design Fees & Print Production			
3	Direct Mail / Distribution / Display			
4	Internet			
5	Media & PR			
6	Market Research			
7	Other Marketing & Promotions Expenses			
	Subtotal Marketing & Promotion	£	£	£
	TOTAL EXPENSES	£	£	£
	ADD CONTINGENCY (5% OF TOTAL EXPENSES)	£	£	£
	TOTAL EXPENSES + CONTINGENCY	£	£	£
	Surplus / Deficit	£	£	£



Budget Preparation Tips

- ▶ Ensure that you build appropriate contingencies into your budget.
- ▶ Present your budget clearly and make sure it is easy to read and interpret.
- ▶ Be realistic. Never include funding sources that are unlikely to materialise.
- ▶ If relevant – for example, if the event finances are processed through a parent organisation – ensure the cost centres you set up in your event budget (i.e. marketing, production, etc) integrate with the ‘parent’ accounts system.
- ▶ Each and every item of event income and expenditure should be recorded in your event budget.
- ▶ The complexity of your budget will depend on the size or nature of your event. If the budget is extensive, and you are employing a software package such as Microsoft Excel, it’s a useful approach to link worksheets to the front page ‘budget summary’ in order to keep a detailed breakdown of each line in the budget.
- ▶ State clearly if your budget is presented as NET (it does not include VAT) or GROSS (it does include VAT). Broadly speaking, if you are VAT registered and able to reclaim the VAT keep a NET event budget. If you are not VAT registered and therefore unable to reclaim the VAT keep a GROSS event budget. If in doubt, seek the advice of your/an accountant.
- ▶ Be aware of the VAT status of any income that you receive. For example, grants are generally not subject to VAT but commercial sponsorship is likely to be. Errors or misunderstandings can be costly.
- ▶ Ensure you understand your liability to pay VAT on ticket income and other sales.
- ▶ Be conservative with regards to ticket income targets. When entering a projected ticket income, ensure that you have worked out exactly how many tickets you would have to sell to achieve it. Remember to take into account any tax deductions, concession rates, group bookings or special offers and their likely impact on your target.

- ▶ It is important that you record the value of any 'in-kind' support you receive. However, to avoid getting your 'in-kind' values mixed up with the actual cash at your disposal, it's advisable to keep a note of your in-kind support separately. If you do choose to show 'in-kind' figures in your budget, make sure you enter the value as an income as well as expenditure and mark both entries as 'in-kind'.
- ▶ Always back-up and archive your budget as necessary. Ensure that you keep a record of which versions you have presented to outside parties such as funding partners.

Control Mechanisms

- ▶ **The Budget Holder:** It's advisable that one person is ultimately responsible for updating and managing the overall budget – ideally the event manager or producer. If others in the team are given authority for certain budget elements, set control mechanisms in advance and ensure they understand and agree the level of budget available to them.
- ▶ **Coding:** If relevant, set up an appropriate invoice coding system so that budget information can be easily entered (and filtered) in accordance with any existing accounts system.
- ▶ **Purchase orders:** Where possible, raise purchase orders. These not only provide a checking mechanism when passing invoices for payment, but they confirm to the supplier exactly what you want and when you want it. Ensure you add delivery details and contact telephone number, especially if the order is to be delivered to a temporary event site.
- ▶ **Processing invoices:** Depending on what already exists within your organisation, it's a good idea to put in place a system for approving invoices relating to the event. One control mechanism is to attach 'approval slips' to each invoice in order for the budget holder to code them, 'sign them off' and add any appropriate notes for the book keeper (or person who writes the cheques). Whatever system you employ, ensure that invoices do not get paid until the event budget holder has approved them and has updated the 'live budget' accordingly. The point is to keep on top of all event expenditure.

- ▶ **Petty cash:** Ensure that all petty cash spend is factored into the budget. When issuing petty cash in advance, ensure that you do so in exchange for a signed petty cash slip (you can make your own or buy them from stationers). Ensure that receipts for all petty cash purchases are collected, numbered and properly coded. It's useful to provide a petty cash template for those in receipt of cash. Here's a sample template for you to adapt to your purposes.

Provide the template as an Excel file rather than as a hard copy in order to minimise errors: see figure 4.2 below.

FIGURE 4.2

PETTY CASH RECORD						
Please number your receipts and staple them to this completed form						
Name: _____						
Receipt No.	Budget Code	Description	Date	Petty Cash Received	Petty Cash Spend	Balance
			xx/xx/xx	£ 50.00		
1	Marketing/3	stamps	xx/xx/xx		£ 10.00	£ 40.00
2	Marketing/7	printer cartridge	xx/xx/xx		£ 20.00	£ 20.00
	Etc...					
	Totals			£ 50.00	£ 30.00	£ 20.00
Date returned:						
Notes:						

Note: Once you receive a completed petty cash record, exchange it for the associated petty cash slip(s) to keep your records in order.

- ▶ **Good record keeping:** Keep all your financial information on file and at hand. Make hard copies of your key documents. Back up all your computer files to CD or DVD on a regular basis.
- ▶ **Cash flow projections:** Ensure that you plan your cash flow effectively. The lack of available cash could well bring your operation to a halt and put the whole team and event under unnecessary pressure. A simple template is provided on the next page. Remember that entries in the cash flow will be GROSS (*i.e.* they will include VAT). If you are VAT registered and the event is not the sole business of the company, your VAT payments/claims should be factored in to your overall company cash flow. Again, if you are working within a wider organisational structure, ensure that you plan your cash flow with the finance department. See figure 4.3 overleaf.

FIGURE 4.3

[illegible]



Things to Remember on Site

Cash

Think about what cash you will need during the event itself. Do you need till floats, prize money, petty cash, etc? Make sure you order any cash that you require from your bank well enough in advance. Remember to state the required denominations and when you need to pick it up.

Fees

Some performers prefer to be paid at the event itself. For ease and security try to avoid this, but if it's unavoidable prepare the cheques/cash in advance and store in a locked room or safe until required. Ensure you get a proper receipt for any cash payments.

Security

Ensure you put sufficient security measures in place that take into account the amount of cash you will have on site and the safety of those handling it. Think through the various scenarios pertinent to your event. How will you monitor and store your takings on site? Who will be responsible for handling cash? Is training required? Are staff adequately protected against possible attack? Do you need to arrange a Night Safe Service with your bank? Remember to check your insurance policy to ensure you have the right level and type of cover.

Other Financial Issues

Annual Accounts

The status of your organisation will determine the level of financial reporting you are required to undertake. Registered companies are required by law to prepare and submit a set of financial accounts to Companies House each year. Whilst unincorporated organisations are not required to do this, they should maintain proper books and records. For further advice visit www.businesslink.gov.uk, www.bgateway.com, www.companieshouse.gov.uk or speak to your/an accountant.

VAT – should you be registered?

The supply of any goods and services, which are subject to VAT at any rate, are called taxable supplies whether you are VAT registered or not. If the value of your taxable supplies is over a specific limit, you need to register for VAT, unless your supplies are wholly or mainly zero rated in which case you may apply for exemption from registration. For further information visit www.hmrc.gov.uk or call the national helpline 0845 010 9000.

Gift Aid

Gift Aid allows charities to reclaim the basic rate of income tax paid on the donations. Using Gift Aid means that for every pound donated, charities can claim an extra 28 pence from the Inland Revenue. If the donor is a UK taxpayer, this means that £100 can be turned into £128 just so long as donations are made through Gift Aid. For more information on eligibility and how to claim, contact the Inland Revenue Charities Office in Edinburgh 0845 3020203 or visit www.hmrc.gov.uk or www.givingcampaign.org.uk

Keep a Record of your Assets

If you have bought items such as site or office equipment for the purposes of the event, it's useful to keep a record/register of what you have and where each item is stored. This should prevent your purchased items getting lost, forgotten about and unnecessarily replaced next time round.

Future Planning

When planning the event's finances over a period of years, you can use your 'Live Budget' model (figure 4.1, page 44) and adjust it to demonstrate projected income and expenditure going forward. This kind of planning should help you concentrate on the future financial viability of the event and what you will have to do to ensure this.



Event Budget Projection Over 3 Years

Description		Year 1	Year 2 projection	Year 3 projection
INCOME				
1	Include all details			
	↓			
	Total Income	£	£	£
		Year 1	Year 2 projection	Year 3 projection
EXPENDITURE				
1	Include all details			
	↓			
	TOTAL EXPENSES	£	£	£
	ADD CONTINGENCY (5% OF TOTAL EXPENSES)	£	£	£
	TOTAL EXPENSES + CONTINGENCY	£	£	£
	Surplus / Deficit	£	£	£



TOP TIP

Keep on top of your finances at every stage. If you lose control of the budget you have effectively lost control of the event.

