

# 4

## Creating Your Festival Budget

*by Paul Kelly*

After reading this part you should:

- Understand the principles of constructing a festival budget
- Understand how to scope cost estimates and assess best value
- How to format your budget so it is a working tool
- The importance of cashflow and how to construct one
- The basics of VAT

### Introduction

The director of a company specialising in festival support services had just come back from a contract at London's Hyde Park, a big outdoor event, headlined by The Eurythmics, a fashionable band at the time. "What were they like?" an excited music enthusiast asked him. "I've no idea," came the droll reply, "I spent the whole evening unblocking the toilets" (Toby Short of Rock City Stage Crew, 1999).

To some, festival budgeting is a bit like that, it's a task that seems dull boring and repetitive, but it's also incredibly important. Doing endless budget projections – and they will keep changing – keeping a track of estimates and invoices, managing your cashflow and then counting the pennies at the end of the event is hardly glamorous. But if the finances get all blocked up or don't flow in the right way, the smell will be pretty unpleasant and, in extreme cases you might even have to sell all your worldly possessions to sort out the mess..

Good budgeting is crucial to the long-term success of your festival and also your peace of mind. It's not difficult, so long as you are careful and methodical. As your event grows, the financial numbers will obviously get bigger and some of the control issues get more complicated. But the principles remain the same. A growing festival will need to get the advice of an accountant, especially where tax matters are concerned. This chapter can only serve as an introduction; it aims to cover the following things:

- ◆ How to create your festival budget
- ◆ How to estimate costs
- ◆ How to control expenditure
- ◆ What a cashflow is and why it is important
- ◆ How to estimate ticket sales
- ◆ What VAT is and its potential impact on your finances
- ◆ What an audit is and why you might need one
- ◆ Taxation.

Even if you are not your festival's finance director, it is useful to understand how to budget so you can have a sensible conversation with the person who is, and so you don't get caught out unable to answer a question in meetings with your board or a potential investor.

## Planning your budget

People who choose to work in festivals and other events are often driven by the enthusiasm for the subject or content be it a flower show, a drama festival or an electronic music festival, to take but three examples. A budget may not seem as creative or interesting as working with artists, but it plays a key role in translating the excitement of the idea into something deliverable. Your budget is a key part of the planning process. You will remember Kipling, who we introduced in the Festival Design chapter. His six honest men also apply to constructing your budget. For example, here are some sample questions you could use in a budget planning template:

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**Who** is overall responsible for the budget planning and for approving expenditure?

(it may not be the same person)

**What** are the likely costs and income going to be?

**When** will you have to pay people and when might the income come in?

**Where** are you going to find the money you need?

**How** on earth are we going to sell that many tickets?

**Why** are you paying so much for...?

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**Figure 4.1:** Budget questions

## What is a budget?

Put very simply, a budget is an estimated list of expenditure (costs) and receipts (income) with a 'bottom line' or 'out-turn' showing whether you have made a profit or a loss – or as people in the non-profit sector tend to

describe it – a surplus or a deficit. Both your expenditure (costs) and your income (receipts) are likely to fall into specific categories. For example, costs might include:

- ◆ Artistic costs
- ◆ Venue costs
- ◆ Production costs including equipment hire
- ◆ Marketing and publicity costs.

Your income might include:

- ◆ Ticket/box office income
- ◆ Grants and sponsorships
- ◆ Income from ‘concessions’ (food/drink stalls etc)
- ◆ Merchandise (programme and T shirt sales)

It is worth giving these categories a bit of thought before starting to put your figures together as it will help you structure your budget. Think about all the different areas and aspects of your festival and then what the expenditure and income implications are. We have a sample budget template further on in this chapter that will help you. But if you do this without looking at the template it will get you into the right way of thinking.

## Budget objectives

Our budget definition includes the word ‘estimated’. You are estimating your income and expenditure. A budget is your best guess. As such, with your budget you are aiming to estimate costs and income to make sure they and you meet your objectives, whether this is to ‘balance your budget’ or ‘break-even’ or to make a healthy profit. Be clear on what your financial objectives are, make sure these dovetail with your overall objectives (your mission) and use your budget to help ensure you are meeting them.

## Best guesses, estimates and research

When you start putting a budget together for a new festival, or a new strand of work, a lot of it will be guesswork. But don’t leave it there. You need to turn guesses into actual figures. You may be lucky enough, if you have previous years’ budgets to work from, to be able to look at actual costs and sales figures for your festival that will provide a guide. But even for festivals that have been going for many years, there are likely to be artistic choices that ask you to do something new and that requires some research. For example, if you need to hire a hall or a theatre, bring in lighting, hire chairs, a generator, portable loos or any one of the many things your festival might need, go and get some quotes and turn your guess into an actual figure. Two or three estimates of the same type will soon give you a feel and flavour for what is