

Hong Kong Arts Administrators Association

Essential Guide to Effective Arts Management

Workshop 4: Budget & Control

28 February 2023

David Tsui, Hong Kong Dance Company

Since 1981

Summary

- **Business Planning in Arts Sectors: Why and How**

藝術界的計劃：為什麼及如何

- **What is in a Budget & Evaluation**

預算案需要什麼，如何有效估算

- **Budget as a Strategic Tool for Company Development**

預算作為藝團發展的策略性工具



香港舞蹈團

Hong Kong Dance Company

藝術界的計劃：為什麼及如何

Since 1981



L'Amour Immortel

《倩女·幽魂》

Since 1981

A Performing Arts Project (A Chinese Dance Drama)

- **The value chain approach**, the economic contribution is measured through the specific economic activities involved in the processes of content creation, production and distribution of the cultural and creative goods and services concerned in the value chain.



A Chinese Dance Drama Production - *L'Amour Immortel*

(processes of content creation, production and distribution)

Conception

- Search for the right play or script.

Definition

- Refine the idea to details related to stage managers, programming and marketing team, other stakeholders such as investors and sponsors.

Implementation

- Auditions, initial rehearsals, music creation, various designs (set, costume, lighting etc.) and the beginning of publicity.

Maturity

- Dress and final rehearsals, last minute changes or refinements.

Commercial

- Designing and mailing of publicity materials(on and offline), ticketing arrangements, administrating sales, reporting.

- “Strange Stories from Liao Zhai” , “A Chinese Ghost Story” , famous Singer and Movie Stars.

- Script adaptation, Executive Director (company mission, sponsorship), Producer (production budget), Technical manager, Artistic advisors.

- Associate choreographer, Composer, Various designers (set, costume, lighting etc.), Programme and marketing team.

- All parties involved in the production.

- Programme and marketing team, Executive Director.



House Programme



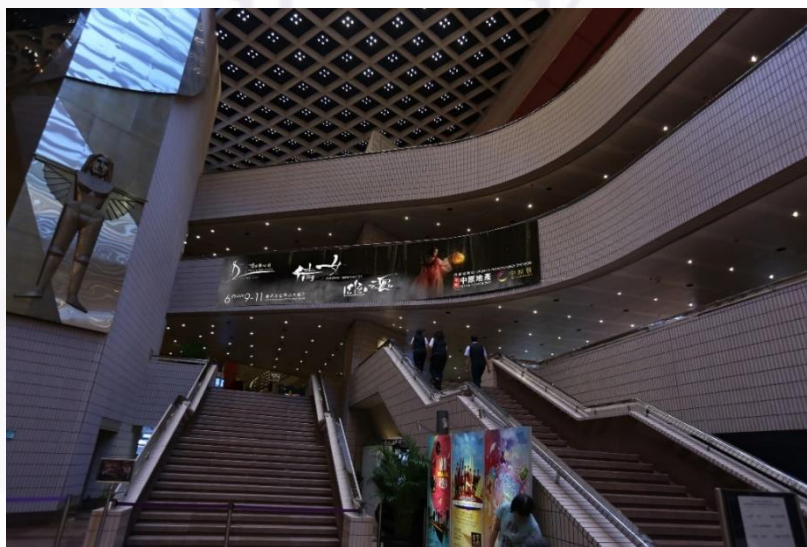
Outdoor Advertising – Hoisted Banner in Central Tunnel



Outdoor Advertising – Bus Shelter



Leaflet



Indoor Advertising – Banner in Theatre



Indoor Advertising – MTR TST Station



- 3.2021 ● 大灣區巡演
Greater Bay Area Tour
- 12.2019 ● 香港文化中心
Hong Kong Cultural Centre
- 9.2019 ● 上海國際舞蹈中心 及 杭州大劇院
Shanghai International Dance Center &
Hangzhou Grand Theatre
- 12.2018 ● 臺灣戲曲中心
Taiwan Traditional Theatre Center
- 7.2017 ● 廣州大劇院
Guangzhou Opera House
- 7.2017 ● 北京天橋藝術中心
Beijing Tianqiao Performing Arts Center
- 6.2017 ● 香港文化中心
Hong Kong Cultural Centre
- 11.2015 ● 香港文化中心
Hong Kong Cultural Centre

總演出場次
Total No. of Performances

25

總觀眾人數
Total No. of Audience

23,012



Challenges and Opportunities – Meaning Touring

- 6.2019 白俄羅斯明斯克國立模範音樂劇院
The Belarusian State Academic Musical Theatre,
Minsk, Belarus
- 4.2017 英國倫敦南岸中心
Southbank Centre, London
- 9.2015 澳洲悉尼車士活 The Concourse 劇院
The Concourse Theatre, Chatswood, Sydney
- 6.2015 香港文化中心
Hong Kong Cultural Centre
- 3.2015 美國紐約林肯表演藝術中心
Lincoln Center for the Performing Arts, New York
- II.2013 香港文化中心 及 元朗劇院
Hong Kong Cultural Centre & Yuen Long Theatre

總演出場次
Total No. of Performances

22

總觀眾人數
Total No. of Audience

22,937



Hong Kong Dance Company

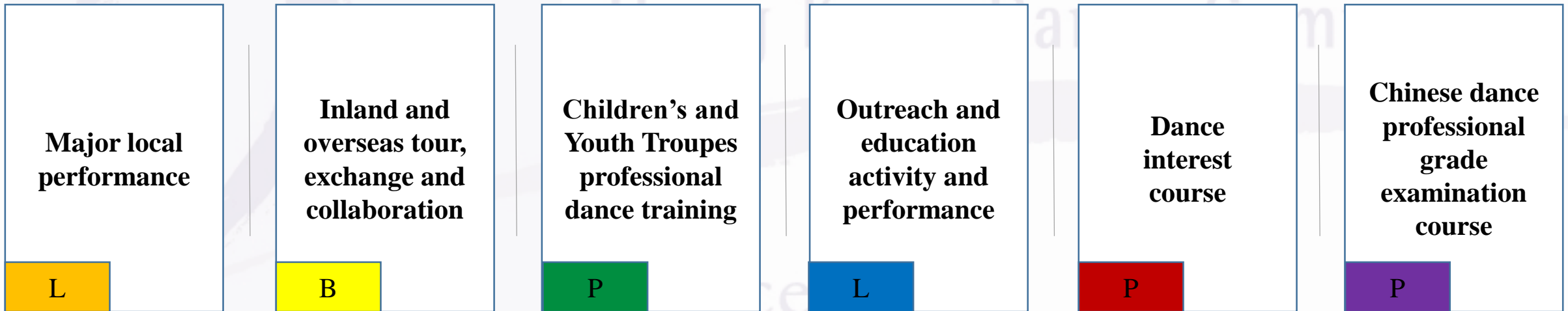
- Established by the former Urban Council in 1981. Formally incorporated in April 2001 as a non-profit-making institution and was then subvented by the Leisure and Cultural Services Department. In 2007 Home Affairs Bureaus became financially supporting the Company. In July 1 2022, the Government established The Culture, Sports and Tourism Bureau
- “Dancing across East and West, Moving to the Tempo of Hong Kong” 「融匯中西·舞動香港」
- We are nurtured in the cultural tradition of China, combining with the creativity of contemporary art, to impress the world with Chinese dance of Hong Kong character (Mission Statement)
- <https://www.hkdance.com/>

How we work

- HKSAR Government Subvention (NGO)
- Governance by Board of Director (voluntary and unpaid)
- Executive Director and Artistic Director are assumed management responsibilities and are accountable for the performance of the company
- Colleagues from various departments (artistic, administration, technical) support the two directors in pursuing company goals and are responsible for the daily operations of the company
- Operate under a business model and as a limited company
- Operate according and with reference to dance season (2022/23 season: *Here and Now* 起舞·當下)

What We Do

Vision: Hong Kong's largest, most diverse and professional dance company, an important performing arts organisation on the world's art stage.



Major Local Performance

Chinese Traditional Culture and Folk Dance
中國傳統文化及民族民間舞蹈


Dancing across East and West, Moving to the Tempo of Hong Kong
融匯中西 舞動香港

Experimental and Cross-sectoral / Cross-media Collaboration
實驗性及跨界別/跨媒體合作

Hong Kong Local Culture and Local Artist Original
香港本土文化及本地藝術家原創

Children's and Youth Troupes Original
兒童少年團原創

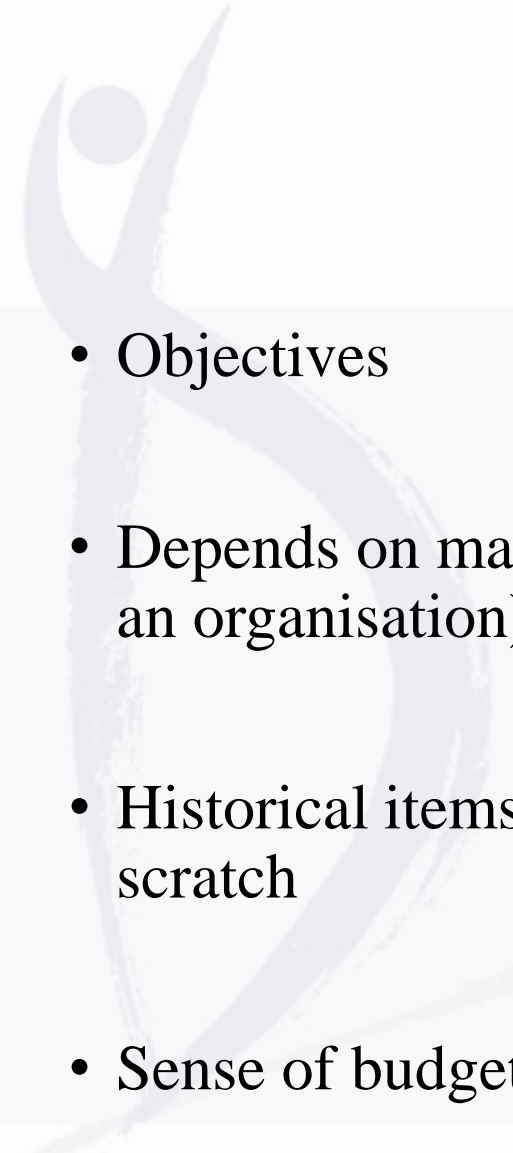




香港舞蹈團
Hong Kong Dance Company

預算案需要什麼，如何有效估算

Since 1981

- 
- Objectives
 - Depends on management levels (operational vs strategic, a project / a department / an organisation)
 - Historical items and figures (if repeatable / for reference / starting point), or from scratch
 - Sense of budgeting?

Budget and Budgeting

- Management control is needed if organisations are to achieve their missions. Once the **missions of an organisation** have been agreed, they have to be **converted into objectives**, and then **plans** need to be drawn up so that the objectives can be met.
- Some of the objectives, such as the attainment of a desired profit, can be expressed and measured in **monetary terms and values**. When a plan is expressed quantitatively it is known as a budget and the process of converting plans into budgets is known as budgeting.
- Budgets are prepared for people to be guided and followed, so the **involvement of those** who will be given and responsible for the budget in the budgeting process is vital to the success of budgetary control.

Objectives of Budget and Budgeting

- Internal (functional management – Planning, Organising, Leading, Controlling)
 - Planning (for future operations)
 - Monitoring (for management’s continuous performance)
 - Controlling (for management responsibilities)
 - Budgeting works in all parts of the functional management process, especially during the planning stage and the controlling stage.
- External
 - Reacting (to changes in external or/and internal environment – scenario analysis)

Uses and Benefits of Budget and Budgeting

- Budget formalise management plans.
- Budget preparation ensures that all functions of a business are properly coordinated.
- Budgets may indicate possible future shortages of resources so that remedial actions may be taken in time, or other functional budgets be modified.
- Budgets provide information for on-going monitor and control of business activities.
- Participation by management at all levels of budget preparation induces a sense of commitment by all of them to the budget.

Financial Budget

- A monetary translation of the strategic plan.
- A formal statement of management's goals and objectives expressed in financial terms for a specific future period of time, approved by the board of directors.
- An estimate, as realistic as possible, of **forecasted income and expenditure for a future period and the financial results** (income and expenditure statement, balance sheet etc.)
- A tool of management control, the basis on which **actual performance is measured against projections**.

Expected Revenues – Expected Expenses = Expected Surplus / (Deficit)

Financial Budget – In terms of Needs

Internal (Inherent)

- Owners of business
- Management function (duty)

External

- Funding bodies
 - Government – e.g. CSTB for the 9 flagship performing arts companies; IRD in case of taxation investigation.
 - Quasi-government bodies – e.g. ADC Grants Application.
 - Foundations – e.g. HK Jockey Club Foundation.

Financial Budget – In terms of Methodology

Reference to last year budget

- Changes reflect **forecasted differences/trends**
- Discussion: What do you think of the Pros and Cons?

Zero base budgeting

- Use when prepare budgets for new projects/organisation.
- Need to execute **professional judgment** sufficiently.
- Established organisations may adopt to challenge their basic assumptions or because of strategic considerations (such as renewal strategy when facing crisis).

What are the major financial budget items for a promoter organising a project of violin recital hiring a local venue and inviting guest artists from overseas?

Budget Cost Items

- Artist Fee (incl. tax)
- Insurance
- Venue Rental
- Production
- Marketing/Advertising
- Staffing (including freelancers)
- Ticket Commission
- Tax
- Contingency

Budget Income Items

- Ticket Revenue
- Sponsorship
- Souvenir Sales

Master Budget

- Once prepared, all the various budgets have to be linked together in order to draw up a master budget (總預算), which is really **a budgeted set of financial statements**. (an example of a manufacturing company and a performing arts company)
- It may be that when all the budgets have been co-ordinated, the master budget shows a different result (such as period end profit) than the directors are prepared to accept. The budgets will **need to be reviewed and altered**. The final budget that the directors can agree to, gives the target for the results that the business hopes to achieve in financial terms.

Since 1981

Master Budget

A Manufacturing Company

- Sales budget
- Production budget
- Cash budget (Cash flow budget / Analysis)
- Selling expense budget
- Administrative expense budget
- Manufacturing overhead budget
- Direct labor budget
- Capital expenditure budget
- and so on ...

A Performing Arts Company

- Sales budget (# of tickets sold, revenue)
- Production budget (programming)
- Cash budget
- Marketing expenses budget
- Administration expenses budget
- Other expenses budget
- Personal emoluments budget
- Capital expenditure budget
- and so on ...

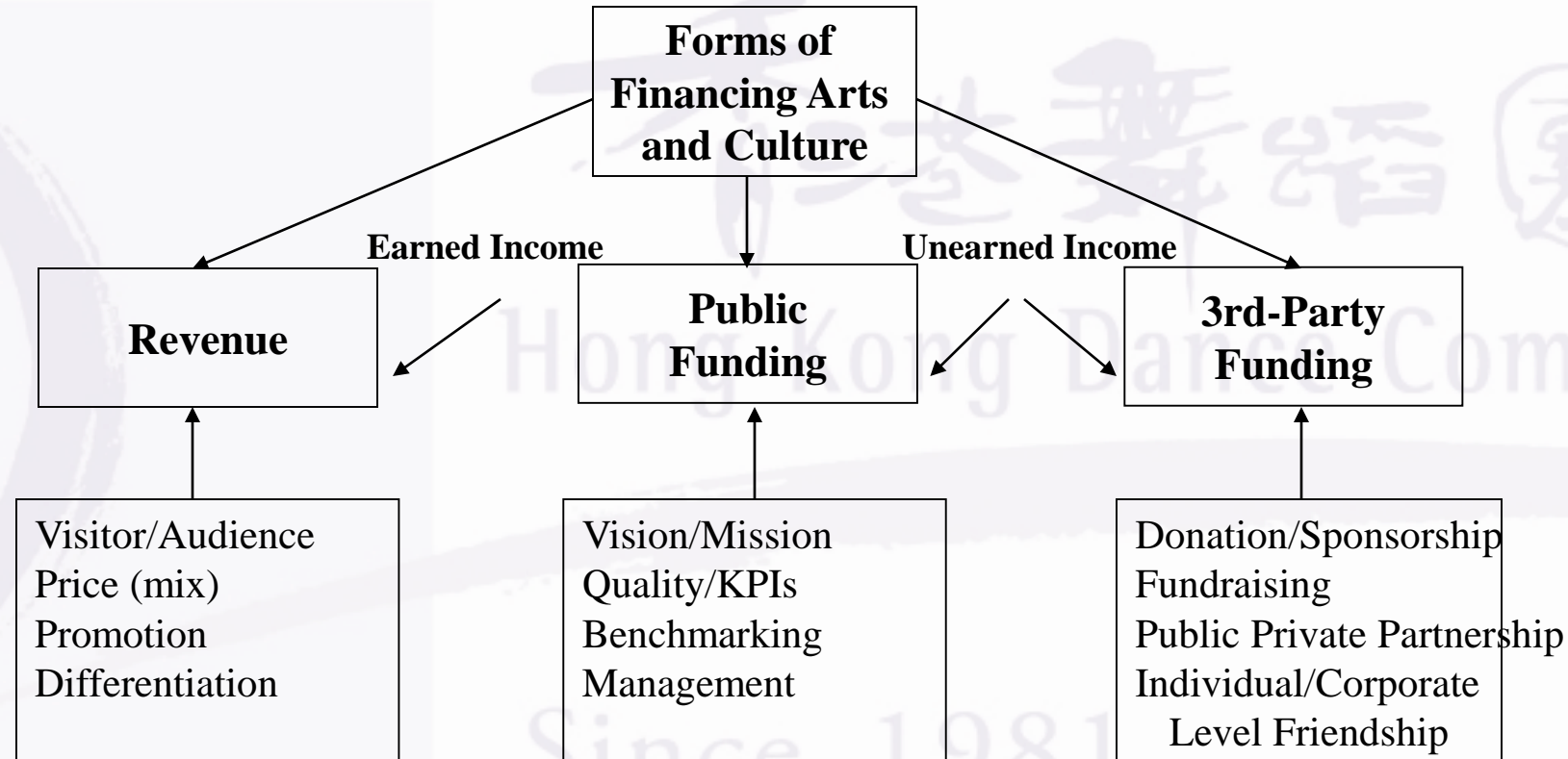
Stages of Preparation of Budget

- Initiated by the executive director (top management).
- Indication of overall direction (expansion / reduction), any areas / projects are to be given priority considerations.
- Individual departments / sections etc. to prepare their own budgets.
- Executive director (or authorised official) to visit, discuss, organise, adjust individual and overall budgets.
- Submission of budget(s) to board of director for approval.
- Budget period could vary according to needs and preference of individual organisations.

Sense of Budgeting – Source of Income and Funding

**What kinds of source of income and funding
that you think can be sought and used for supporting
the operations of arts and cultural organisations?**

Understanding Financing in Arts and Culture



Source of Income and Funding – Earned and Unearned

- Government subvention (Public Funding)
- Box office income (offline, online)
- Hired engagement
- Advertisement income
- Training courses and activities
- Bank interest
- Membership fees
- Souvenirs sales
- Donation and sponsorship
- More possibilities?
- Personal (family members, friends)
- Bank lending (loan / mortgage assets)
- Crowdfunding (self / agency services)
- Funds from public applications (JC, charitable foundations, national art funds, HK Film Development Fund 香港電影發展基金)
- Venture Capital (風險投資)

Income and Expenditure Items

- Government subvention (Public Funding)
- Box office income (offline, online)
- Hired engagement
- Advertisement income
- Training courses and activities
- Bank interest
- Membership fees
- Souvenirs sales
- Donation and sponsorship
- Personal (family members, friends)
- Bank lending (mortgage assets)
- Crowdfunding (agency services)
- Funds from public applications (JC, charitable funds, national art funds)
- Artist fees (including tax)
- Staff costs (full-time / part-time such as course tutors)
- Production costs (set, costumes ...)
- Venue costs (space, equipment ...)
- Ticketing commissions and handling fees
- Marketing and promotion
- General overheads (insurance, office rents, utilities, cleaning ...)
- Procurement of assets
- Emergency reserve
- Profit tax or other taxes

HKDC Online Programmes

#HKDanceWithU (第一輯) (25/3/2020 - 10/6/2020) 6個節目共36集

- **【舞影雙雙 最愛是誰?】**
逢星期一、三及六 (14集)
- **【武蹈家連線】**
逢星期四 (4集)
- **【經典重溫】**
逢星期六 (6集)
- **【阿哥會客室】**
逢星期二 (5集)
- 兒童團及少年團 **【童您跳舞】**
逢星期日 (6集)
- **【兒童團及少年團開放日】**
4月25日 (1集)

#HKDanceWithU II(第二輯) (9/8/2020 - 10/11/2020) 8個節目共55集

- **【六十秒生活雜誌】**
逢隔星期二 (7集)
- **【武蹈家連線】**
逢星期四 (7集)
- **【伸展運動鬆一鬆】**
逢星期三 (12集)
- **【經典回憶】**
逢星期六 (11集)
- **【阿哥會客室】**
逢隔星期二 (6集)
- 兒少團及少年團 (逢星期日)
【童您跳舞】 (5集)
【童您鍛鍊】 (2集)
【童您築夢】 (5集)

#HKDanceWithU III(第三輯) (20/12/2020 - 10/4/2021) 6個節目共30集

- **【六十秒生活雜誌-快閃後台】**
逢隔星期二 (6集)
- **【伸展運動鬆一鬆】**
逢星期三 (8集)
- **【阿哥會客室】**
逢隔星期二 (4集)
- 兒童團及少年團 (逢星期日)
【童您學演賞】 (3集)
【童您唱歌】 (5集)
【童您見面】 (4集)



#HKDanceWithU IV(第四輯) (4/3/2022 - 5/2022) 6個節目共26集

- **【六十秒生活雜誌-快閃快答-民族舞篇】** 逢隔星期一 (4集)
- **【舞者Vlogs】**
逢隔星期二 (3集)
- **【拉筋伸展運動齊齊做】**
逢星期三 (7集)
- **【民族·舞韻】**
逢隔星期五 (5集)
- **【阿哥會客室】**
逢星期六 (3集)
- 兒童團及少年團 (逢星期日)
【童您喜舞】 (4集)



香港舞蹈團

Hong Kong Dance Company

預算作為藝團發展的策略性工具

Since 1981

Budget – Budgeting – Budgetary Control



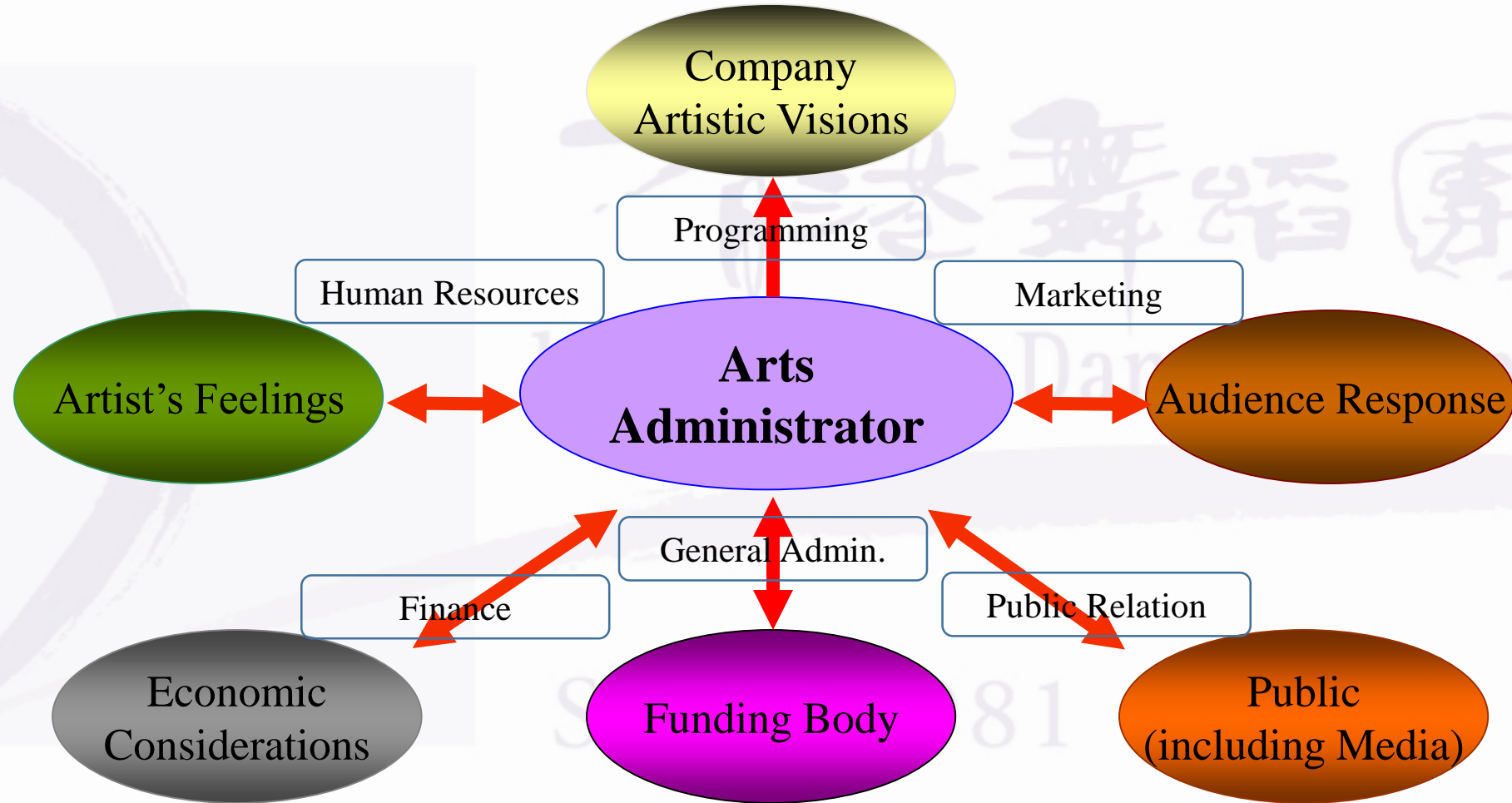
Financial Management



Strategic Management

Budgetary Control – KPIs?

Arts Administration – Daily Management



Arts Administration – A Senior Management Position

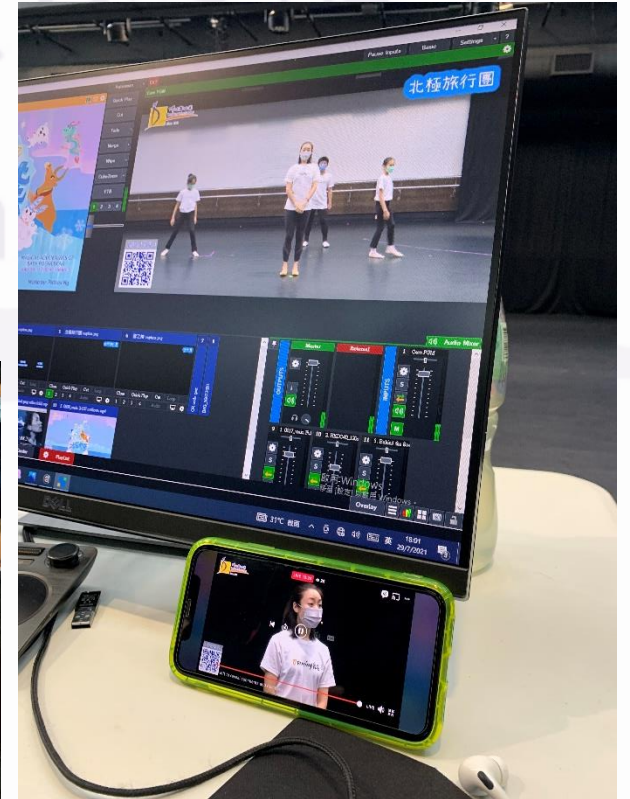
Daily Management
(Operational)

Creations and Changes

Vision and Mission
(Strategic)

Since 1981

Application of 5G Infrastructure and Equipment



- 5G 4K Camcorder
- Ultra HD 4K monitor
- ATEM Television Studio Pro 4K
- Broadcast Encoder Unit
- 5G Router and 5G SIM Card
- Broadcast Platform Subscription



The pursuit of numbers and artistic performance – Sustainable Development

Artistic Vision and Mission

Dancing across East and West, Moving to the Tempo of Hong Kong

We are nurtured in the cultural tradition of China, combining with the creativity of contemporary art, to impress the world with Chinese dance of Hong Kong character.

Objectives or expected results

1. Artistic ambition
2. Program scheduling strategy (main program, “8/F Platform”)
3. Audience building and development (education and community outreach, children’s and youth troupes training, venue partnership scheme ... etc.)
4. Tour performances and cultural exchanges (mainland, international)
5. Employee development (employee training, career development)
6. Corporate governance, management and financial sustainability

2015/16 - 2016/17 Quantitative Results and Achievements

	2015-16		2015-16		2016-17	
	Approved Budget		Adjusted		Budget	
(1) Major Programmes						
(i) Total no. of core programmes (performances)	12 (42)		11 (40)		12 (50)	
(ii) Total no. of audience	24,600		28,000		35,700	
(iii) Paid audience	22,500		24,500		31,500	
(iv) Tickets purchased by your group for free distribution	1,100		2,300		1,500	
(v) Complimentary tickets	1,000		1,200		2,700	
(vi) Average no. of audience = (ii) / (i)	Each Show:	586	Show:	700	Show:	714
	E Program:	2,050	Program:	2,545	Program:	2,975
(vii) Paid audience to Seats available (excluding seats not for sales)	75%		70%		75	
	(22,500 / 30,000)		(24,500 / 35,000)		(31,500 / 42,000)	
(viii) Total audience to Seats available (excluding seats not for sales)	82%		80%		85%	
	(24,600 / 30,000)		(28,000 / 35,000)		(35,700 / 42,000)	
(2) Outreach / community / educational activities						
Total no. of activities	2,700		2,800		2,600	
Total no. of participants	38,000		60,000		48,000	
(3) Outbound Cultural Exchange Activities						
Total no. of tours (performances)	3 (15)		5 (20)		3 (13)	
Total no. of audience	16,000		15,000		16,000	
(4) Total Activities						
Total no. of activities	2,757		2,860		2,663	
Total no. of audience	76,600		103,000		99,700	



Source: Google photo

醫團
Company

Budgeting – What Does It Really Mean?

- Managements are often expected to forecast with great accuracy, notwithstanding the **inherent dangers** and **virtual impossibility** of doing so.
- The accuracy of budget is not an essential trait for successful management. Rather, good managers consider what alternatives the future may offer, on the back of which he or she is able to refine his or her thinking, and approach to the many challenges the future holds.
- In the above weather map during typhoon season, a myriad of possibilities exist, all with sound forecasts. The job of management is not to second-guess the meteorologist, but to plan for all the possibilities that may arise as the typhoon nears the shores, and ensure that s/he and her/his people are appropriately prepared.



香港舞蹈團
Hong Kong Dance Company

Q & A

Since 1981



香港舞蹈團

Thank you Hong Kong Dance Company

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