



**Tasmanian**  
Audit Office

## Event funding

REPORT OF THE AUDITOR-GENERAL  
No. 4 of 2016–17



# Why this audit?

- From our 2014–15 and *2015-16 Annual Plan of Work*
- Significant discretionary funding
- Public interest
- Potential to generate significant benefits

# Audit objective

To express an opinion on whether supported events were:

- cost effective for Tasmania
- funded in accordance with government policy

# Audit scope

- A sample of twenty 2014 funded events
  - Note that the separate ‘event’: HFC games and HFC rights are combined in this presentation
- The twenty were funded by State Growth (17), DHHS (1) and DPAC (2)

# Criterion 1: Reasonable processes?

We looked at:

- Approvals
- Pre- and post-funding evaluations
- Management of funding agreements

# Grants, sponsorship or partnership?

- All involve providing funding for no direct benefit
  - Partnership: shared values and objectives
  - Sponsorship: benefit to funding provider from being associated with event
  - Grant: other indirect benefits
- Separate but similar regulations supported our criteria
- Only difference: grants do not explicitly require 'net benefit'
  - We applied that criterion anyway



	Cygnets Folk	Ten Days	Know Your Odds	Seniors Week	Youth Forum	Hawthorn	Artentwine	BOFA	Cygnets Folk	Dancesport	Dark MOFO	Fest of Voices	Golden Words	Hobart Baroque	Junction Arts	MONA FOMA	Cycle Challenge	Targa Tasmania	V8 Supercars
Funding approved?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
Qualitative evaluation?	✓		✗	✗		✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✗	✓	✓	✓
Quantitative evaluation?	✗		✗	✗		✓	✗	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✓
Risks managed?	✗		✗	✓		✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Written agreement?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Legal advice?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Compliance controls?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Post-event evaluations?	P	✗	✓	✓	✓	✓	P	P	P	P	P	P	P	✓	P	✓	P	P	P

# Not-applicable

- Two events were separately itemised in government budget papers (Youth forum, 10 Days on the Island)
- We do not question government policy, so we did not test pre- or post-event evaluations



# Qualitative pre-funding evaluation

- Four of 17 could not provide evaluations
- Criteria mainly related to:
  - professionalism of event
  - alignment with government policy
  - community impact
- necessary but not sufficient – does not tell us whether benefits justify the funding



# Quantitative pre-funding evaluation

- No quantitative evaluations for 14 of 17 events
- Measuring costs and benefits is difficult
- But lack of CBA leaves risks that events yielding:
  - positive outcomes may be rejected
  - negative outcomes may be accepted

# Risk management

- Only one event had evidence of risk management
- Numerous risk management assessments by event organisers, but not from government's point of view
- Some risks mitigated through agreements
- But not the rigour of a documented risk management plan

# Post-event evaluations

- We expected exit reports to be routinely obtained and compared to proposals
- In all agreements, event organisers were required to submit exit reports and did so
- However, we only found evidence of evaluation of those reports for six of 19 events

# Most positive results

- Funding agreements:
  - existed
  - were considered by Crown Law
  - included adequate monitoring controls
- Approvals sighted for all but one event

## Criterion 2: Net benefit for Tasmania?

We noted lack of quantitative evaluation

So, we:

- devised our own model to perform cost-benefit analysis
- tested all events for net benefit
- tested whether total government funding had yielded a net benefit

# Why did we do CBA?

- Public funds should not be spent without evidence-based belief that benefits exceed costs
- Not reasonable to criticise lack of CBA without showing that it can be done
- Thought it important that the report addressed whether events should be funded

# Our model – preliminary matters

- Even the best models include substantial uncertainty
- Not every cost or benefit is measurable
- Funding should be limited to need
- Benefits recognised only when they align with gov't policy
- Reasonable to take projected future benefits into account
- Model uses rules of thumb:
  - “broadly applicable principles, but not intended to be strictly accurate in every situation”

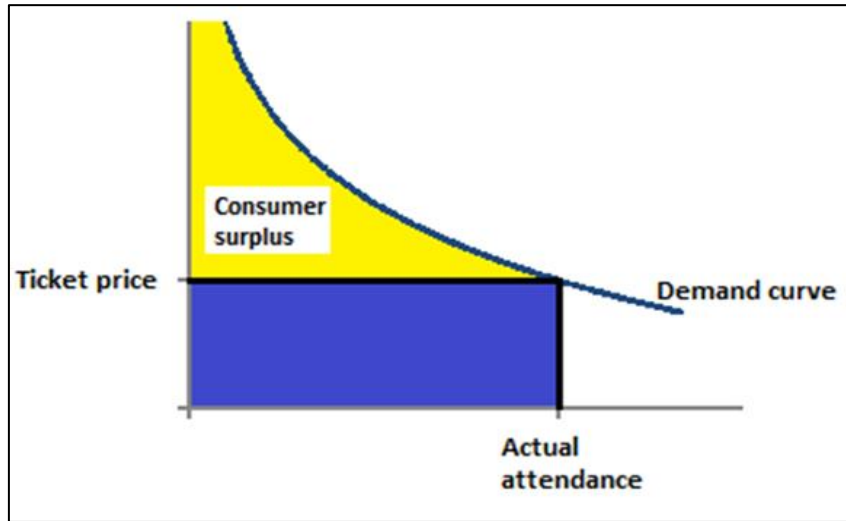


# Model: benefit from expenditure by visitors

- Interstate visitors motivated to visit by event: \$1530 each
  - Based on TT survey of visitors
- Proportion of total attendees from interstate: 12.1%
  - From estimates of total attendees and of visitors coming for events
- Multiplier: Add on 10%
  - A conservative estimate of flow on benefits into economy
- E.g. 10,000 crowd =>  $\$1530 * 10,000 * 12.1\% * 1.1 = \$2.04\text{m}$

# Model: benefit from enjoyment of attendees

- Measured using consumer surplus: how much more were attendees prepared to pay



# Model: benefit from enjoyment of attendees /2

- We looked for demand curve that:
  - Was intuitive
  - Consistent with sensible constraints
  - Reflected relatively low choice in events in Tasmania
  - Easy to calculate area below curve
- Our assumption: 25% increase in price loses 25% of attendance
- On this assumption consumer surplus = 78% of ticket revenue

# Model: benefit from promotion of message

- Ideally done by experts, but not an option for small events
- We worked backwards from a consultant's calculations for a notable event
- On average \$0.012 per viewer for every minute message is seen
- Can be used for TV but also live events

# Model: benefit from costs avoided

- We prefer to measure benefits rather than avoided costs
- But measurement of costs avoided is reasonable where:
  - the services obtained were necessary (e.g. government policy or legislation)
  - there is no reasonable way to reliably estimate the benefit of the services.

# Model: Costs

- Our concern is cost to the government; not to the organisers
- The main cost is the funding
- Other costs (e.g. policing) found to be insignificant

# Model: Attribution of benefits

- We attributed benefits on a pro-rata basis by proportion of funding provided
- E.g. if government and private sponsors provided \$10,000 each, we would attribute 50% of benefits each

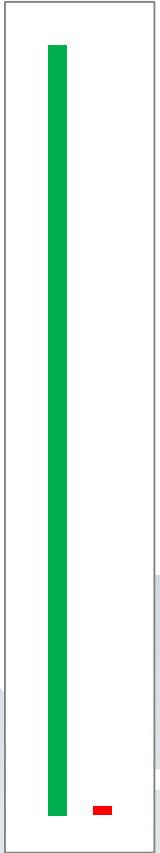
# CBA

- The report discusses 20 funded events
- I will discuss six funded events that provide a cross section of funding and benefits



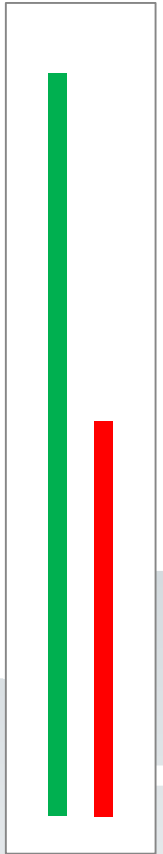
# Cygnet Folk Festival (\$98000)

- Interstate visitors: \$1.2m
  - Based on 726 Visitors (12.1% of 6000), interstate profile
- Consumer surplus: \$112,000
  - Ticket revenue \$144,000 [application]
- 64% attribution
- Benefits > \$855,000, easily exceeding funding



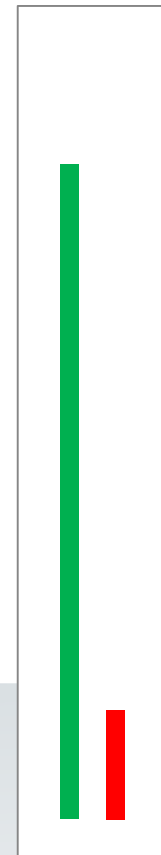
# Know Your Odds (\$78 000)

- Costs avoided: \$117,650
  - 67 player sessions at \$1750 each (as per local booking firm)
- Consumer surplus: \$13,065
  - Based on estimated revenue, but heavily discounted
- Promotional value: \$16,254
  - Attendance: 15,050, 1.5 hour games, %0.012 per viewer minute
- Benefits > \$140,000, easily exceeding funding



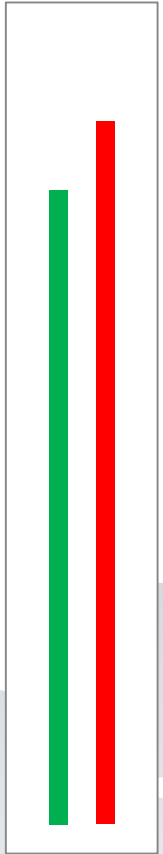
# HFC games and rights (\$3.34m)

- Interstate visitors: \$17.5m
  - 3000 per game [ABS accom data and AFL ticket data]
- Consumer surplus: \$1.1m
  - Ticket revenue \$1.4m (4 games, 13,825 p.g, \$25 each)
- Promotion value: \$1.6m
  - Our estimate based on expert's evaluations of previous years
- 100% attribution
- Benefits > \$20m, easily exceeding funding



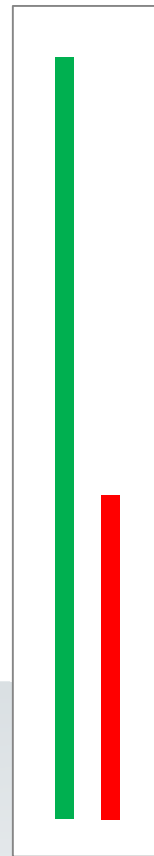
# Artentwine (\$7980)

- Consumer surplus: \$7203
  - Ticket revenue \$9235
- 100% attribution
- Benefits < \$900,000, but probably justified by:
  - We made no allowance for interstate visitors despite organiser's claim of 240. Even 2 would be enough
  - Unquantified benefits to local artists (skills, market)



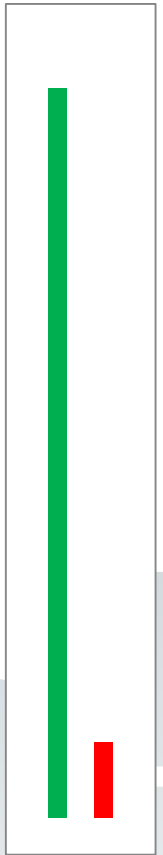
# Hobart Baroque (\$400 000)

- Interstate visitors: \$1.4m
  - 850 visitors [Independent consultant]
- Consumer surplus: \$218,400
  - Ticket revenue \$280,000
- 57% attribution
- Benefits > \$900,000, easily exceeding funding



# V8 Supercars (\$650 000)

- Interstate visitors: \$6.7m
  - Based on 4000 visitors [organiser's application] , more conservative than our estimate
- Consumer surplus: \$975,000
  - Based on 50,000 spectators, \$25 each, 78% rule
- 90% attribution
- Benefits = \$6.3m, easily exceeding funding

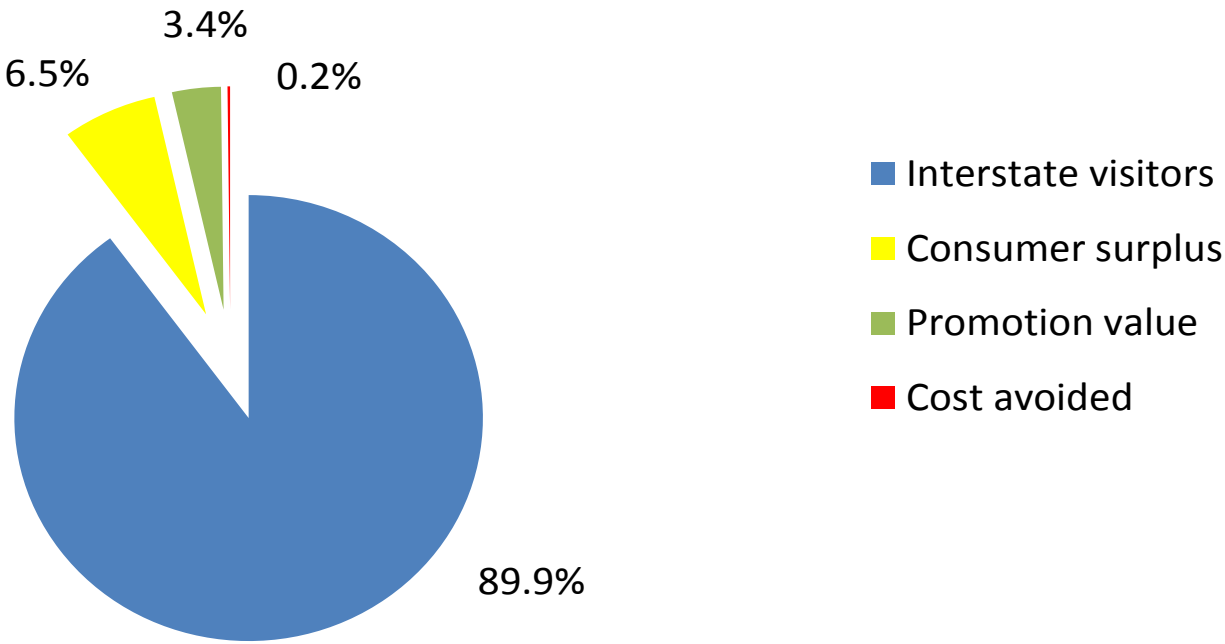


# Events summary

Of the 20 funded events examined:

- substantial net benefits for 15
- marginal net benefits for two
- Two outside our mandate (10 Days, Youth forum)
- Unable to do CBA for Senior's Week but accept that strong reasons existed to fund it

# Benefits from TAO cost benefit analysis





# Benefits of total event funding (\$10m)

**Table 3: Benefits from interstate visitors attracted by events**

Visitors to Tasmania in 2014	1 068 050
Primarily for a cultural or sporting event	15%
=	160 208
Direct expenditure (\$1530 each)	\$245 117 475
Multiplier effect (add 10%)	\$24 511 748
<b>Total benefit</b>	<b>\$269 629 223</b>

## Criterion 2: Conclusion

- Based on our own simplified cost-benefit model:
  - funding of most individual events was justified
  - total event funding generated a substantial net benefit for Tasmania

# Recommendations

4 recommendations, including:

- All documentation related to event-funding decisions be retained
- Qualitative criteria be assessed
- Quantitative assessment, preferably cost benefits analysis, be performed wherever reasonably possible
- exit reports for funded events be routinely compared with the information used to make funding decisions

# Responses

## DHHS

- Welcomes the report and agrees with the recommendations

## DPAC

- DPAC welcomes the findings
- Pleased that funding was justified by cost benefit analysis
- Economic benefits from community events hard to quantify
- Defended Seniors Week on non-economic grounds

# Responses

## State Growth

- Some of the events included were assessed and contracted prior to the formation of State Growth in July 2014
- Merit in exploring the benefits of quantitative evaluation
- Pleased that funding was justified by cost benefit analysis
- Generally supportive of recommendations

# Current audits

- Tasmanian Forests Intergovernmental Agreement
- Follow-up audit
- Tasmanian prisons

Any questions?