

## 2 Costing and Funding

2.1 Identifying the costs of a hockey facilities project and how it will be funded is such an important part of the planning of the project that it is the focus of this separate section in this Guide.

### Project Costs and Funding – a Cautionary Note

2.2 This part of the Guide provides an indication of costs which should be assessed. However, costs will vary greatly from one project to another and there may be costs which are unique to a particular project. It is therefore important to understand that this document is only a guide to costs and funding and that particular care must be taken to identify all the costs which relate to the particular project considered.

### Preparatory Costs

2.3 These costs include:

- **survey fees:** even before any significant steps can be made with the project justification study and business plan, the feasibility of developing the proposed site may have to be investigated. Survey fees should be based on local market rates and will vary considerably depending on the nature of the survey to be undertaken.
- **professional fees:** similarly, professional fees (eg for consultants) may be anticipated at a very early stage in the project if the project team chooses to employ advisers and/or specialist expertise.

### Project Overheads

2.4 These costs include:

- **project team costs:** project team members will often be volunteers. However, costs incurred by them on items such as travel, telephone, stationery and so on should not be overlooked.
- **planning fees:** for many hockey installations it will be necessary to apply to government or local authority planning departments for approvals. Fees are often payable as part of this process.
- **building regulations fees:** similarly, there may be fees to pay for building regulations checks and approvals which govern the quality of the construction work.
- **import taxes:** some of the materials used, especially the synthetic turf, may be imported and be subject to import taxes.

- **tax:** in some countries there are also taxes on all or part of the construction costs.
- **insurance:** a project of this sort is a significant investment and is subject to a variety of risks both during construction and during subsequent use. It is important to insure not only for the capital involved but also for potential loss of any revenues on which the project depends. During construction, some of these insurances should be the responsibility of the contractor and paid for through the contract.

## Construction Costs

2.5 These costs include:

- **site preparation:** preliminary works such as site access, clearance and preparation should be carefully assessed.
- **substructure:** the sub-structure and sub-base for the pitch and any associated facilities is, literally, the foundation on which the project is based. It is tempting to try to save costs on this item by using alternative materials and cutting corners in other ways. However, this will often result in increased maintenance and other costs later and/or in a facility which is not fit for purpose. Especially in relation to the pitch, it is important to follow closely the advice given by the pitch supplier and to ensure that good quality materials are used.
- **carpet and shock-pad:** this cost may seem to be the focus of a project of this sort but this section of the Guide demonstrates that it must be seen in the context of all other costs. A separate section of this Guide provides information about synthetic turf types and their relative costs.
- **pitch furniture:** which includes goals and corner flags.
- **irrigation system:** some current synthetic turfs require irrigation for optimum performance. The types of irrigation systems available vary significantly so this is also the subject of a separate section of this Guide. All pitches require appropriate drainage to deal with rain so that they are playable as often as possible and so that they do not suffer flood damage.
- **pitch surrounds:** even if the pitch is not part of an installation with changing facilities, clubhouse and other constructions, its surrounds such as fencing and paving must be carefully designed and costed. This subject is dealt with in more detail later in this Guide.
- **access:** other access requirements such as car parking must also be factored into plans and costs.
- **lighting:** the extent of lighting required (if any) will depend on the intended use of the pitch during darkness hours and the level of competition envisaged. A separate section of this Guide refers to floodlighting. Even if floodlighting for playing is not required, lighting may be required for safety or security purposes.

- **clubhouse:** the extent of clubhouse and other facilities involved will vary greatly from one project to another and is dealt with in more detail later in this Guide.
- **environment:** costs include making good any surrounding areas which have been disturbed during the project together with possible landscaping schemes and disposal of construction waste.

## Operating and Maintenance Costs

2.6 These costs include:

- **launch:** it will be justified to celebrate the inauguration of the facility but this will have costs which should be built into the budget from the outset.
- **rates:** in many countries there are local taxes or rates to be paid annually. There may be rebates available depending on the use of the facility (eg if it is made available to the community) but the net and recurrent costs must be assessed.
- **heat, light, energy:** the cost of utilities may be quite high if the pitch is irrigated and floodlit.
- **cleaning:** the facility and its environment must be kept clean to improve its attractiveness, to avoid additional costs from dirt accumulation and damage and to maximise its life.
- **repairs:** similarly, it is better to budget for regular repairs which keep the facility in full and good use than to let the facility degrade and possibly to face higher costs in the longer term or to find that the useful life of the facility is shortened.
- **maintenance:** the importance of maintaining a synthetic turf pitch is all too often overlooked or minimised. Synthetic turf requires regular grooming to have a long life and maintain its playability. Saving on maintenance costs is a false economy. This subject is considered further elsewhere in this Guide.
- **marketing and promotion:** the capacity of the facility may be greater than required directly by its owners or immediate users. Permitting others to use the facility may be a good revenue opportunity and/or be of value to the wider community. However, it may be necessary to advertise availability of the facility and this will have costs.
- **staffing:** even a small facility will require some staffing not least as noted above in relation to repairs and maintenance. This may sometimes be voluntary but the possibility of using professional and paid help should not be overlooked. In larger facilities, staffing may be a significant recurrent cost.

## Provisions or Reserves – and Contingency

2.7 It is important to build up reserves and/or to make a provision for future costs especially the replacement of the carpet and possibly the shock-pad for a synthetic turf pitch.

- **provisions or reserves:** the accounting terminology varies depending on the conventions adopted but the essential requirement is to provide for future costs which will ensure that the value of an initial capital investment is maximised. It is tempting to think that a synthetic hockey facility has a long life and that the cost of replacement can be delayed for future consideration. However, even a well maintained turf carpet may not last much longer than ten years so it is prudent to make provision in the initial project plans and costs.
- **contingency:** even though project planning may have been very thorough and costs considered in detail, it is wise to include a contingency in the project budget. Some costs will change during the project lifetime; some costs may not have been foreseen. Requirements might also change although if they do they must be carefully scrutinised and justified in terms of the overall project aims and scope. The exact level of contingency should be governed by local custom and practice but as a guideline an overall 5% will often be the minimum. In some instances the contingency may be a much larger sum. However, including a high contingency sum must not be a substitute for proper planning and design or an excuse for poor estimation of real costs.

## Financing Costs

2.8 These costs include:

- **loan repayments and interest:** the capital repayment and interest costs of any short- or longer-term borrowing must be factored into the project plan.
- **funding costs:** there may also be other costs associated with financing the project such as audit fees.

## Project Funding

2.9 **The project plan must set out how the project will be funded through the initial development of the facility but also in relation to operating costs and future planning. The following sections refer to funding options and income opportunities.**

## Funding Options

2.10 These include:

- **government:** national and local governments will sometimes directly or indirectly provide support for the development or refurbishment of a hockey facility. It is worth checking a

range of funding programmes which may be focused on social provision, education, health and welfare of the population. Public bodies will sometimes agree to match funds which have been raised from private or personal sources so it is worth thinking creatively about how these sources can be maximised and presented in bids.

- **local authorities:** similarly, local authorities may have funds for social or sporting development.
- **sports bodies:** this is one of the most common forms of public funding. Either general multi-sport bodies or a hockey federation may provide funds for the development of sport including the infrastructure which is represented by facilities and pitches.
- **charities:** some charities will provide funds especially if the project relates to social or educational objectives.
- **sponsorship:** sponsorship can take many forms both in terms of what the sponsor provides and what is expected in return. Sponsorship can be in the form of services or goods provided at little or no cost – for which the sponsor might be satisfied with a listing in publications or suitable signage on the items or in the facility. Advertising boards in and around the facility are included in this category – for which the sponsor may provide the boards and pay cash in exchange for the advertising created. A sponsor might be interested in acquiring naming rights to all or part of the facility or to an event – which can be a way of establishing a fruitful longer-term and interactive relationship with a sponsor. Few sponsors will simply give cash without expecting a return on what they essentially see as an investment – so it is worth thinking creatively about what sort of returns can be provided. The benefits of and opportunities for sponsorship should be set out clearly – so it may be helpful to produce a sponsorship brief or brochure which can be used when making contact with or giving presentations to potential sponsors.
- **donations:** hockey players, officials and association or club members can be a useful source of donations and/or can help to establish links with potential donors or sponsors.
- **contributions in kind:** this can be a valuable and creative way of supporting the project. A common form of contribution is the time and effort of individuals. Such contributions should be carefully noted and acknowledged but also closely monitored because it is all too easy to promise more time and effort than is actually realistic.
- **club funds:** the club or hockey playing community may have its own funds which it can devote to the project.
- **debentures:** this is essentially an unsecured loan usually provided by people keen to support the sport in a personal capacity. They may seek little or no recognition of their contribution and repayment of the debenture is usually without interest. Because debenture holders are often associated with the hockey club or association involved, it is tempting to regard this arrangement as an informal one. However, it is recommended that a formal agreement is drawn up (an indenture) so there can be no misunderstanding about the terms

under which funds have been provided and any arrangements for repayment and/or transfer of the debenture.

- **commercial loans:** ultimately, it may be necessary to top up the other forms of funding either to a relatively small or large extent with commercial loans. Commercial loans or similar banking facilities may also be necessary in order to manage cash flow during the project. Depending on the nature of the economy in which this activity is taking place, the providers of loans, their terms and interest rates will vary greatly. It is obviously important to be clear about the loan terms and to factor the capital repayment and interest charges into the project costs.

## Revenue Opportunities

2.11 During the development of the project but especially after its completion and during operation and use of the facility, there will be opportunities to earn income which in addition to being set against operating costs may contribute to the overall project costs especially those which are incurred later in the period such as loan repayments. These revenue opportunities include:

- **advertising:** this has already been referred to in the context of sponsorship of the basic project but it is also an ongoing source of revenue. Advertising in all its forms should usually be for a specific duration or activity so that rates and opportunities can be regularly reviewed.
- **user fees:** it is common to charge users of a facility. This may be at a relatively low rate for such as club members or worthy causes but there may also be scope for charging a more commercial rate. This is especially true if the non-playing facilities such as a clubhouse are used by a commercial organisation. It is good practice to try to maximise the use of the facility both to support and develop the sport and to maximise revenue. However, it should be noted that the life of any installation and especially a synthetic turf pitch is finite. More extensive use will shorten that life and so must be considered carefully when use of the facility is planned.
- **floodlighting options:** the revenue opportunities of holding matches or other activities under floodlights should be considered at the planning stage as it may help when making the decision about whether or not to have floodlighting installed.
- **club activities:** running the facility and any associated club or association provides a wide range of revenue opportunities. These include operating a café, restaurant or bar, merchandising, subscriptions, competitions and fund raising to mention just a few. Creating a community associated with the facility even if it is just a hockey pitch without many additional services can be an important source of support.
- **events:** organising hockey events at the facility can provide revenue. However, the costs of running events must be carefully monitored. Indeed, running an event should be considered as a project in its own right with a project plan, detailed costings and clearly established responsibilities.

## Financial Planning Cycle

- 2.12 The cost and funding of a hockey facility project must be planned for the life of the project and any subsequent activity (such as loan repayments) which contributes to it. Financial planning must therefore refer to a period of years which may be as long as the lifetime of the facility and especially the lifetime of a synthetic turf pitch.
- 2.13 A spreadsheet will almost certainly be required even for a relatively small project. The precise form of the analysis will depend on the nature of the project and possibly on local accounting conventions, but it could possibly be along the lines shown at the end of this section.

## Accounting for Costs – and Cost Control

- 2.14 The importance of accounting for and controlling costs cannot be stressed enough. Escalating and uncontrolled costs may jeopardise completion of the project to quality and to time. In addition, they may introduce long term debts which constrain the owners and users of the facility which will be to the detriment of the enjoyment and development of hockey.
- 2.15 It is important therefore not to underestimate the costs when first planning the project. It is better to have surplus funds with which to develop and extend the facility than to reduce or cut out necessary components late in the project timetable.
- 2.16 Costs throughout the project must be monitored and controlled. There must be no surprises in the financial management of the project.
- 2.17 Many more projects are completed over budget than under budget and too many projects compromise future developments because of this. Accurate and thorough financial management of the project is paramount.**
- 2.18 One useful strategy to manage project expenditure is to phase the development. With careful planning to avoid abortive costs on wasted (temporary) facilities, development can be programmed to match available funds and financial resources from wherever these may originate.**

## Summary of Key Points

- The costs of a project and the means by which those costs will be met must be analysed carefully before the project proceeds.
- The main cost categories are:
  - preparatory costs;
  - project overheads;
  - construction costs;
  - operating and maintenance costs;
  - provisions, reserves or contingency;
  - financing costs.
- It is important to identify how both initial construction and subsequent recurrent costs will be met.
- There is a very wide range of funding opportunities which are explained in more detail earlier in this section.
- Do not underestimate costs.
- Accounting for and controlling costs is crucial



**Hockey Facility Financial Plan**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	etc
<b>Capital expenditure</b>									
Site acquisition									
Substructure									
Carpet & shockpad									
Pitch furniture									
Irrigation									
Lighting									
Fencing & surrounds									
Clubhouse									
<b>Project costs</b>									
Survey fees									
Planning fees									
Professional fees									
Taxes									
Project team									
Inauguration									
<b>Financing costs</b>									
Loan repayments									
Loan interest									
<b>Operating costs</b>									
Rates									
Utilities									
Cleaning & repairs									
Repairs & maintenance									
Marketing									
Staff									
<b>Total expenditure</b>									
<b>Funding</b>									
Grants									
Sponsorship									
Donations									
Debentures									
Loans									
<b>Revenue</b>									
Advertising									
User charges									
Club activities									
Events									
<b>Total income</b>									
<b>Surplus/Deficit</b>									
Allocated to reserves									
<b>Carried forward</b>									