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LARC
Economic Impact of the Arts Scoping Study
Executive Summary
Final Report

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Executive Summary

1. Background

LARC commissioned Burns Collett to undertake a scoping exercise to determine the extent and nature of an Economic Impact of the Arts study in Liverpool. This scoping work takes place in the context of a substantial amount of recent and continuing economic impact work in the city both as a consequence of the European Capital of Culture 2008 bidding and delivery process and as the result of individual institutional studies that have been undertaken to determine the value of arts organisations in the context of public investment in capital development projects.

LARC required the scoping consultancy to address and report on the following issues:

- To develop the parameters for and define the limitations of what is achievable through an Economic Impact of the Arts Study for Liverpool and the wider North West
- To develop a brief for the second stage work (the Economic Impact Study)
- To develop funding bids to key partners for the second stage piece of work

This process has engaged with a number of primary stakeholders to:

- Develop a clear and common understanding of the objectives for the study
- Establish the expectations, needs and limitations of primary stakeholders
- Seek support for the project from potential funders and advocates for the project
- Investigate the potential for developing a region-wide project through linking with similar projects taking place in the region.

An underlying ambition for the work is to establish the parameters for a study that engenders a methodological approach that:

- Can be easily replicated by LARC partners and other arts organisations at an individual institutional level
- Can be applied in other geographic areas of the Northwest
- Can develop currency as a national model for economic impact of the arts studies

2. Process

Having undertaken extensive consultation, document review and working group discussions, we have arrived at a number of options for the Steering Group to consider. These start with the options to do something or do nothing, move through the different types of study that could be undertaken and then set out more detailed options within the limits of resources available for the study.

The ambition for the study varies between those stakeholders who want to see a solid piece of work, credible within both the arts and the wider regeneration sectors with a clear focus on outcomes in Liverpool and those stakeholders at the other end of the spectrum who have an ambition for the piece of work to not only deliver a credible Liverpool study but also develop a national and regional model for economic impact of the arts studies that can be adopted across the region and nationally.

Throughout the process we have considered how the different ambitions might be best met. We have also considered the detailed issues that need to be addressed by a consultancy undertaking a study of economic impact of the arts and highlighted those areas where some wider consensus needs to be met to underpin a study with local and national credibility. This has included a review of:

- Definition of the arts
- Geographic limits of a study
- Data gathering, primary research and limitations of available data
- Multipliers, displacement and deadweight factors
- Attribution of visitor spend and double counting
- Clustering effects

In building on the work of Impacts 08 over the past 5 years, the scoping has looked in detail at the potential to develop the resources and a brief for an ambitious study with national resonance. However, during the course of our work, the political landscape has changed and the potential for substantial resources being committed to the study by Northwest Regional Intelligence Unit has dissipated as NWDA and NWRIU enter a new phase of internal prioritisation of research budgets.

This limits the ambition of the study to one that can be completed primarily within the budget available through Thrive. It perhaps simplifies the briefing process and focuses the objectives for the study more closely around the objectives that LARC partners might have for a study of their collective economic impact.

3. Options

We have reviewed a number of options and in discussions with the scoping study's steering group, and as a starting point we have considered the two positions, 'Do Something' or 'Do Nothing'. There is a clear indication from primary stakeholders that the 'Do Something' option is the preferred option.

Do Nothing

Pros:

- Short-term savings with no human resources or Thrive expenditure required. Reallocation of Thrive budget to alternative activities.

Cons:

- Does not meet the needs of a number of stakeholders to improve intelligence about the arts sector in Liverpool (and potentially regionally)
- Does not fulfill LARCS commitment to deliver economic impact work as part of its wider research agenda
- Fails to address issues raised by individual economic impact studies by Liverpool arts organisations in an attempt to develop a common and credible methodological approach to economic impact of the arts studies.

Do Something

Pros:

- LARC has a commitment to undertake economic impact work as part of its wider research role. Through Thrive, resources are available to undertake a study
- There is a clear commitment from a range of stakeholders to improve the level of economic impact intelligence about the arts in Liverpool and to develop a methodology that can be used to track impact over time
- Work by LARC can provide a proven methodology for a range of smaller arts organisations to assess economic impact more widely in the arts sector in Liverpool
- There has been mix of methodologies used to date on the economic impact of a number of individual institutions. A collective study will create an opportunity for learning by all members of LARC and inform future impacts work
- Other city regions are forging ahead with cultural economic impact work (Gateshead/Newcastle, Birmingham, Manchester). A city-region study would maintain equilibrium between a number of core cities in this area

Cons:

- The level of resources available for the study and efficacy of the consultancy work is critical to deliver a credible methodological approach. Doing something is not the equivalent of 'doing anything' and any study needs to be adequately resourced and properly managed within realistic stakeholder expectations

Given the ambition of LARC's research agenda, the support for the development of an intelligent and credible economic impact study from a wide range of stakeholders and the benefits that may accrue to the arts sector from undertaking a study, we have considered options for how best a study might be approached. This splits into two distinct options - with a third option combining elements of the two approaches:

Option 1: A Sectoral study

A sectoral approach to a Liverpool (city-region) study potentially provides the best outcome for the arts sector as a whole. It would provide an overview of the economic value of the arts in their widest sense within the city region and would provide comparability with other sector-based studies.

There are, however, fundamental problems with this approach which have been detailed above. These are principally:

- **Definition:** There is no single definition of the arts sector. Amongst the potential partners to this study there is divergence of opinion as to the definition of the 'arts'. An accepted, credible definition is an essential starting point for a sectoral study both to ensure buy-in from local partners and to ensure comparability with other sector-based studies that may take place in other regions, sub-regions or cities. Arriving at an accepted definition is a substantial piece of work in itself and is likely to both increase cost and delay the delivery of a study within a reasonable timescale. It also leaves any study open to an additional critique of its sector definition from a range of quarters.
- **Measurement Tools.** The tools available to measure the arts sector are extremely limited with SIC SOC codes historically proving inadequate within the arts and wider creative industries sectors. Some progress can be made using Betamodel, LMS and ABI data but there are considerable limitations in applying these tools at a sub-regional or city-region level.

Use of SIC/SOC codes and Yellow Pages categories (as a proxy for SIC codes) also link back to issues around definition of the arts. Some work using ABI,

Betamodel, SIC/SOC and YP categories can be usefully undertaken at a regional level for broadbrush stroke information but not at a regional level.

Option 2: An Institution-based study

An institution-based study would focus on the collective impact generated by a limited number of the largest arts organisations in the city/city-region. Whilst not providing a comprehensive look at the impact of the wider sector, it avoids complications of definition and inadequacies of SIC/SOC and related codes whilst providing a clearly delimited study around the organisations that can claim to have the biggest potential impact within the city.

An institution-based model can provide a snapshot of the role larger arts institutions play within an area and work on clustering impacts can demonstrate the added value created from having a larger grouping of significant institutions in a city. Similar approaches have been taken in Gateshead/Newcastle and in Birmingham over the past two years.

Some mechanism for agreeing which institutions should be included needs to be in place as an institution-based model can include private, subsidised and public sector organisations of varying scales and types of activity.

In reviewing the options, there is a naturally selecting group of eight organisations that make up the LARC Partnership and, given the core funding available for a Liverpool study (Thrive), a study limited to these eight organisations appears to be the most straightforward and politically sensitive way to proceed. Without additional resources from external partners, there is limited value in considering widening the group of organisations.

Options 3: A combined Sectoral and Institutional study

This elements that make up this option has been the basis on which much of the scoping work has been undertaken. This includes:

- A detailed modeling of a methodology with clear consideration of multipliers, displacement factors, supply-chain benefits and additional visitor spend values. The ambition would be to develop a 'calculator' that enables comparable, replication of the study in different locations and across different timespans.
- Development of a Liverpool study based around the 8 LARC organisations as a pilot to test the modeling and calculator. To include a substantial element of primary research.
- Linkage with a number of other studies in the Northwest to further test the model and start to create a regional map of economic impact in different locals for varying types of arts activity

Within the budget constraints of funding available to undertake a proposed study - and within the timescale constraints for LARC¹ - there is little prospect (or substantial benefit for LARC) in combining a Liverpool Arts Impact Study with a regional study and national modeling. With no substantial financial support from NWRIU, a larger, regional study utilising Liverpool as a primary case study, is not achievable. This points clearly to Option 3 being discounted.

Equally, once a regional study is no longer a focus of the research project, the study becomes a LARC project and, in essence, needs to sit with the objectives of LARC and the Thrive Steering Group.

Considering, therefore, the options for either a sectoral or an institution based study, the benefits to LARC partners of an institution-based study that focuses around the collective economic impact of the LARC partners - funded primarily (if not exclusively) through the Thrive programme - becomes the only credible and useful option.

4. Preferred Option: Option 2

Within this option (Option 2), there are varying degrees of depth and breadth of study, depending on the financial resources allocated to the project by the Thrive Steering Group.

Currently, Thrive has indicated that £30,000 is available to support an economic impact of the arts study. This provides a number of options within (or around this budget) as follows:

Option 2 (a): Liverpool study of LARC organisations using a similar model to the Gateshead Newcastle (GNAF) study. Approximate cost: £15,000-£20,000.

This is a relatively inexpensive, with no requirement for primary research (using STEAM data for visitor spend) and comparable multipliers to the GNAF study.

This will provide relatively crude baseline data. It will not provide:

- More detailed market intelligence about the behaviour of arts audiences
- A sophisticated approach to multipliers, displacement, double-counting and related factors which underpin the credibility of economic impact studies
- Evidence of additionality arising from the 'clustering' effect on visitor/potential visitor behaviour

Comparability with the GNAF (or Birmingham) studies is limited as the cohort of organisations within each study is not directly comparable.

Option 2 (b): Liverpool study of LARC organisations using similar methodology to 2 (a) plus additional primary research.

Approximate cost: £25,000-£30,000

This approach fits within the budget available with the level of primary research undertaken based upon a number of factors including the ability to 'piggy back' on current activity (Biennial survey work in the autumn; Bluecoat impact work and visitor profiling; potential for larger organisations to undertake small scale visitor surveys etc)

There is potential to undertake some 'modeling' to ensure buy-in to the process by a wider range of stakeholders and establishment of a process that can be adopted and adapted by LARC partners and the wider arts community.

There is unlikely to be a facility to undertake an analysis of the benefits arising from the clustering effect on visitor/potential visitor behaviour.

Comparability with the GNAF (or Birmingham) studies is limited as the cohort of organisations within each study is not directly comparable.

Option 2 (c): Liverpool study of LARC organisations based on more sophisticated modeling and more substantial primary research.

Approximate cost: £40,000-£45,000

This is outside the current budget available and requires speedy fundraising to put resources in place to enable the project to go to tender within the required timescales.

This approach will complete the activities set out in 2 (b) with the benefit of clustering effect analysis to be undertaken, a more detailed primary research programme and a better resourced approach to the overall study.

Comparability with the GNAF (or Birmingham) studies is limited as the cohort of organisations within each study is not directly comparable.

5. Project Management

The options for project management of the proposed study have changed throughout the course of the scoping work and are dictated by availability of resources and involvement of the NWRIU. When considering the wider regional

project substantially funded through NWRIU, there was a clear indication from NWRIU that their Senior Policy Analyst with responsibility for this area of work would be prepared to take on the role of Project Manager supported by a small working group and wider steering group of advisers.

This would relieve the LARC team of either the burden of managing a substantial project in-house and obviate the need to attach additional resources to cover project management costs.

However, with no NWRIU involvement in the project, and assuming the development of Option 2 (a,b or c above), the project management of the study needs to be managed by LARC. The proposal discussed with the Working Party is that this should not fall to the main LARC secretariat but should be part of the remit of LARC's Research Adviser.

6. Steering Group, Working Party and Advisers

We have considered a range of options for the wider management and advisory work around this project and the final arrangements will be dependent upon the scope of the study.

We have discussed two tiers of support for the study as follows:

- A small Working Group that oversees the procurement and day-to-day management of the study. To meet regularly (as defined by the group) and provide project leadership for the study. make-up of the Working Group to reflect the current working party - LARC's Research Advisor, LARC Director, Abi Gilmore (Manchester University). Group to include a Head of Marketing and or Head or Research from one of the LARC partners
- Wider advisory group drawn from a wider set of stakeholders to add value to the study and to act as a means of disseminating the process and the findings. The Advisory Group can be relatively large and fluid, may meet only once or twice during the process but members of the group may be called upon individually for their input.

This group to consist of (in addition to the Working Group), Impacts 08/Liverpool City Council, Northwest Regional Intelligence Unit, Representative/s from comparable studies (Helen Corkery/ Sian Johnson from the Lancaster study, CRESC), Arts Council England (Regional Office), Liverpool Vision, All About Audiences, MLA Northwest. There is an advantage in including an economist with credibility in this area to act as an adviser - one or two specific names have been put forward.

Depending on the breadth of the study (i.e. which option is finally adopted), there may be an advantage to invite NWDA (Tourism), Arts Council England Head of Research, DCMS.

7. Recommendation/s

Our recommendation to the scoping study Working Party and Thrive Steering Group is to progress an economic impact study of the arts in Liverpool through Option 2 (b). We believe this is realistic, achievable and with careful briefing, consultancy selection and management, can produce a useful, credible study as well as delivering additional audience intelligence benefits for LARC members.

Should additional funds (£10,000-£15,000) be secured before the end of May 2010, we do believe that the study can be extended to consider additional elements including analysis of clustering effect and extended primary research as well as having additional resources to put towards the modeling element of the project.

At this stage, the Working Party does NOT recommend pursuing online and media valuation measurement as part of an economic impact study.

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