ALCHEMY
research & consultancy

CAPITAL WORKS!

Building transformation

Evaluation of Arts Council England's capital investment, 2012 - 2018

FINAL REPORT

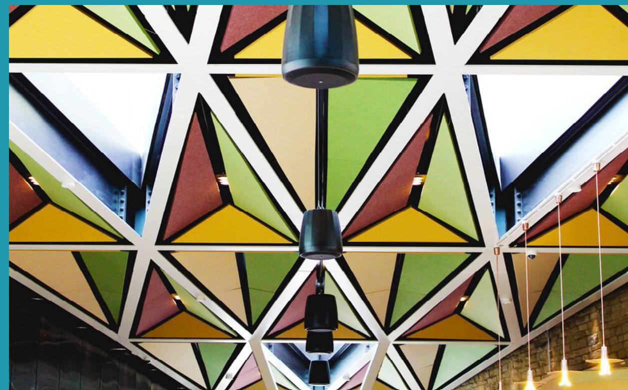

Picture 1. Octagon Theatre Bolton


Picture 2. Attenborough Arts Centre


Picture 7. York Art Gallery


Picture 3. Aspex Family Saturday


Picture 4. Seven Stories


Picture 8. Square Chapel


Picture 5. Square Chapel


Picture 6. Towner Gallery

Picture 9. Derby Museums Consultation Activity

February 2018
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Structure of the report

This report contains the main evaluation findings for the Arts Council's Strategic Capital Programme (2012-2018) and is part of a suite of four documents that are designed to be read independently or as a set. This is the full evaluation report that provides in-depth background to the programme, its recipients, and its outcomes and impact between 2012 and 2018. The other documents include:

- Capital Works! Summary: The summary report gives an overview of the key findings
- 'Digging Deeper' consists of ten detailed case studies
- 'Spotlight on the User Experience' brings together five in-depth case studies focused on organisations that have foregrounded user experience as part of their project

All comments in large quotes are verbatim feedback from capital programme recipients. All interviews and feedback given was done so in confidence and as such is unattributed in the report.

Acknowledgments

The evaluators have been a little overwhelmed by the response to our requests for information and would like to gratefully acknowledge the support of everyone who has contributed to the process. Particular thanks go to Julia Voss and Graham Phillips of the Arts Council's Capital Team who have so patiently provided us with information and responded to our questions.

Thanks also to the team at Julie's Bicycle who have generously shared their research and expertise to inform the environmental sustainability findings. It has been a genuine privilege to visit some of the buildings the capital programme has supported and to hear the many stories and experiences everyone has so wholeheartedly shared. We trust we have done their achievements justice.

1. Executive summary

We believe that great art and culture inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better.

(Arts Council England)

The Strategic Capital Programme (2015 -2018) is the third iteration of the Arts Council's lottery funded capital programmes. It is designed to deliver on the Arts Council's goals and had four underlying drivers:

- Many arts and cultural buildings are not fit for purpose
- The need to support historical public investment in arts and cultural organisations
- Capital support can leverage other support and income
- There are limited other sources available to fund capital development

The programme has invested £344 million in 265 successful applicants – 87 large and 178 small. To date 35 large projects and 153 small projects have been completed. Investment in completed projects has generated £1.44 in partnership funding for every £1 contributed by the Arts Council. Capital grant recipients are a widely divergent group, with turnover varying from over £100m to below £250k. Capital projects can have a significant short- term impact positively or negatively on the liquidity of an organisation during the project as unusually large sums pass through the organisation's accounts.

Having now run for five years making substantial public sector investment during this time, and in the light of the new 2018-22 funding round and the emerging 10 year strategic plan, it seemed an opportune time to review the programme's successes and future development. This is the first full evaluation of an Arts Council England Capital programme and has had to cover a diverse range of projects over five years with a limited baseline. It has therefore used a mixed methods approach of surveys, interviews, case studies, observations and literature review. Sixteen case studies have been undertaken and there were 161 responses to the survey (see the 'Digging Deeper' and 'Spotlight on User Experience' reports for the in-depth case studies).

The evaluation has been commissioned to enable the Arts Council to understand the outcomes and impact of its investment. This has been based on testing the Logic Model associated with the programme (Appendix One), which outlines the intended long-term outcomes as:

- Efficiency savings
- Developing new and diverse audiences
- Attracting new and diverse talent to arts and cultural organisations
- Organisational resilience
- Partnership working
- The Arts Council being recognised as a valued partner

The programme has been operating in a rapidly changing environment – one that is volatile, uncertain, complex and ambiguous (VUCA). This environment has had wide-ranging impacts on arts organisations from the need for more innovative income generation to becoming dementia friendly, from looking to new forms of organisational design to supporting schools in delivering cultural education. Arts and cultural buildings have become mechanisms for driving and/or supporting new operating models.

Achievements

The highest rated achievement for small projects that responded to the survey was improved visitor experience (75%), while for large projects it was improved reputation (63%). 78% of large and 57% of small recipients delivered their projects to the scale originally intended.

The key challenges cited by grant recipients were time, capacity, fundraising, retaining staff and maintaining momentum.

The completed small projects took an average of 13 months to complete, whereas large projects took an average of 24 months (from having funding confirmed). The major enabling factor for delivering a capital project identified by both scales of project is a strong project team.

Analysis of the underlying business models of grant recipients, highlight a range of trends, and while they cannot be specifically attributed to the capital projects alone they do illustrate a pattern of financial improvement across the capital projects:

Large

- Total combined income for completed large projects (n=30) rose by £133m (28%) between 2012 and 2016
- Their unrestricted income rose by £109m (26%) and unrestricted income excluding grants rose by £116m (38%)
- By 2016 75% were generating surpluses compared to just over 30% in 2012
- Between 2012 and 2016 large grant recipients showed a growth in total reserves from £536m to £671m

Small

- Total combined income for the sample of twenty small projects that had completed rose by £8m (34%) between 2012 and 2016
- Unrestricted income for the sample rose by £6m (27%) and unrestricted income excluding grants rose by £5m (33%)
- Between 2012 and 2017 the twenty organisations were able to almost double their unrestricted reserves from £7.9m to £14.3m

Leverage

- Completed large projects generated partnership funding of £117m, whereas the small projects sampled generated £44m
- Applicant organisations invested £21m (large) and £11m (small) of their own funds in the projects

There are two outcomes from the strategic capital programme that should contribute to improved business model strength: asset enhancement and creation and building organisational capacity and capability.

The rationale for the strategic capital programme has been endorsed by the evaluation evidence, particularly the underlying assumption that arts and cultural buildings may not be (or are in danger of not being) fit for purpose. Recipients have confirmed that without Arts Council support their projects were unlikely to have gone ahead.

In considering the questions posed by the evaluation:

- The Arts Council has delivered against its intended outputs. Projects have been completed, completion reports outline a range of achievements, architecture awards have been received and clients have confirmed buildings are delivering expected (and unexpected) improvements
- The completion reports of the 20 large projects that provided the information show that there was an overall growth in footprint from 105,157 m2 to 127,449 m,2 an increase in size of 21%
- There is a wide range of internal and external factors that can influence the nature of the project outcomes, from other funding schemes to the quality of the project team
- To have influence as a National Development agency more attention should be paid to improving data collection, disseminating learning, and giving the programme a much higher profile than it currently has
- The Arts Council should be acknowledging and celebrating the successes of the programme
- A significant network of expertise has been created and this is not being fully exploited or acknowledged
- There is need for a stronger ownership of monitoring and evaluation for the programme which is likely to have a resourcing requirement, it also requires integrated working between Arts Council Departments. This should result in more consistent data collection and analysis
- There needs to be greater clarity around success measures – particularly environmental sustainability, diversity and inclusion, and resilience. This would be supported by a review of the current Logic Model
- The Arts Council should consider running a future search event or process to identify future capital infrastructure needs and developments

Summary of recommendations:

Arts Council England

Enabling - Support the sharing of lessons learnt, advice, guidance and expertise:

- Create an online resource space to share information advice and guidance

- Share examples of good practice in terms of diversity and environmental sustainability, particularly those that go beyond compliance and encourage a creative approach
- Provide opportunities for grantees to share experience and to connect with other projects
- Connecting a community of PMs and experienced capital peers
- A network for those with building responsibility/operations

Promotion and advocacy - Celebrate the achievements of the programme:

- More advocacy and promotion of the achievements of the capital programme

Future strategy - Develop a future facing approach:

- Undertake or enable scenario modelling and future searches
- Build future foresights into the planning for the next funding rounds

Evaluation - Review how best to build evaluation into the process, including:

- Revision of the Logic Model to better reflect the process and intentions of the programme
- Develop more specific indicators to enable data collection against the revised Logic Model
- More consistency in evaluation approaches
- Improving data quality and consistency
- Consider undertaking rolling case studies
- Explore how to incorporate longitudinal evaluation into the process

Capital programme applicants

- Vision: establish a clear, future focused vision. Be ambitious but realistic about what you want to achieve
- Research: do as much background research as you can, including Go-See visits, specialist advice, and talking to others who have been through the process
- Be user focused: undertake user research and understand your user experience
- Project management: get a great team and do as much planning as you can
- Realism: be realistic about the impact the project will have before, during and after
- Time: don't underestimate the time and attention it will need, it will take longer than you think

- Expertise: get the best advice you can throughout the project
- Collaboration and consultation: engage people and keep them engaged throughout, this includes users, staff, volunteers, your governing body and stakeholders
- Change: get your organisation ready for change. capital projects can bring about wide-ranging changes many of which you might not anticipate
- Agility and consistency: establish the capability to flex and adapt, but stay true to your vision
- Build evaluation into the process so you are clear about the intended impact and outcomes. Consider specific methodologies such as action research to support the project with periods of reflection and review. Capture your learning so you can share your experiences and document your process

2. Background

We will support organisations to develop resilience by having the right buildings and equipment to deliver their work and become more sustainable and innovative businesses. This includes increasing the environmental performance of buildings and equipment to support a reduction in carbon emissions.

(Arts Council Large Capital Guidance, 2016)

Section summary

- The Arts Council's capital programme started in 1994 and is funded mainly through National Lottery support for good causes supplemented by some Treasury Funds
- This evaluation covers the third iteration of the capital programme, from 2012-2018
- The programme is designed to deliver against Arts Council England's five goals with a focus on Goal Three
- The strategic capital programme budget is £344 million
- The programme has supported 265 successful applicants – 87 large and 178 small

Arts Council England is the national development agency for the arts, museums and libraries in England. Its remit for 'the arts' includes a wide range of visual and performing artforms, music, dance, theatre and literature. It has funding responsibilities for regional museums, and a development role across libraries and the wider museums sector.

Government funding for the arts is made available to the Arts Council through The Department for Digital Culture, Media and Sport (DCMS) with a remit to make arts, and culture available, accessible and relevant. The relationship works on an 'arms-length principle' where the Arts Council makes independent decisions about the distribution of its funds to the arts and cultural sector but is accountable for those decisions to DCMS and the public. A DCMS review in 2017 noted:

> The review team received a clear and consistent message that the functions of the Arts Council were still required and were being delivered. The review also concluded that the NDPB model, funded by but operating at arm's length from government, remained the most appropriate model to deliver these functions. (DCMS, 2017: 7)

The operations and activities of the Arts Council are governed by a Royal Charter that sets out its objectives as:

- To develop and improve the knowledge, understanding and practice of the arts
- To increase accessibility of the arts to the public
- To advise and co-operate with departments of government, local authorities, the Arts Councils for Scotland, Wales and Northern Ireland, and other bodies

The Arts Council has a ten-year strategy (2010-2020), Great Art and Culture for Everyone, which is based on the delivery of five goals:

- Goal 1: Excellence is thriving and celebrated in the arts, museums and libraries
- Goal 2: Everyone has the opportunity to experience and be inspired by the arts, museums and libraries
- Goal 3: The arts, museums and libraries are resilient and environmentally sustainable

> Goal 4: The leadership and workforce in the arts, museums and libraries are diverse and appropriately skilled

> Goal 5: Every child and young person has the opportunity to experience the richness of the arts, museums and libraries

The Arts Council is a registered charity subject to the provisions of the Charities Act 2011 and regulation by the Charity Commission. The arts are also one of the good causes supported by National Lottery funds and in 2016/17 the Arts Council received 20% of the lottery distribution. The Arts Council distributes funds raised by the National Lottery under the provisions of the National Lottery Act 1993. Lottery distributors are required to comply with three sets of directions given by the DCMS Secretary of State covering finance, accounting and policy.

The Arts Council's application of lottery funding also operates on the 'arms-length' policy but it must be distributed within policy guidelines established by government. Current policy directions include: increasing access and participation; ensuring equality of opportunity; inspiring children and young people; fostering local community initiatives; furthering the objectives of sustainable development; encouraging new talent, innovation, and excellence; and helping people to develop new skills.

Arts Council Capital Programme

The capital programme was Arts Council England's first large lottery funded scheme, launched in 1994 with the first applications being received in 1995. There have been three iterations of the capital programme to date:

1. Capital Programme 1 (CP1): 1994-2000, £1.15 billion
2. Capital Programme 2 (CP2): 2000-2012, £176 million
3. Strategic Capital: 2012-2018, £344 million

Capital investment enables the Arts Council to achieve its aims as set out in the Great Art and Culture for Everyone strategy, particularly Goal 3. This has informed the development of the strategic capital programme's Logic Chain that underpins this evaluation.

Over the period of the last capital funding round (2015-18), the Arts Council's investment prioritised the consolidation and improvement of the existing arts infrastructure, rather than significant expansion or new buildings. Although, with each funding round, an increasing number of new buildings/extensions have been supported.

We will support organisations to develop resilience by having the right buildings and equipment to deliver their work and become more sustainable and innovative businesses. This includes increasing the environmental performance of buildings and equipment to support a reduction in carbon emissions. (Arts Council Large Scale Capital Guidance, 2016)

Capital Process

Prior to the launch of the 2012 programme the Arts Council undertook various internal reviews of CP2, critical incident cases (primarily The Public, West Bromwich) and the Renew capital pilot programme. External advice was also provided by Anthony Blackstock to confirm that the proposed third iteration of the capital programme approach:

> Addressed the lessons learned sufficiently from The Public

> Required any information to be strengthened or added to the papers

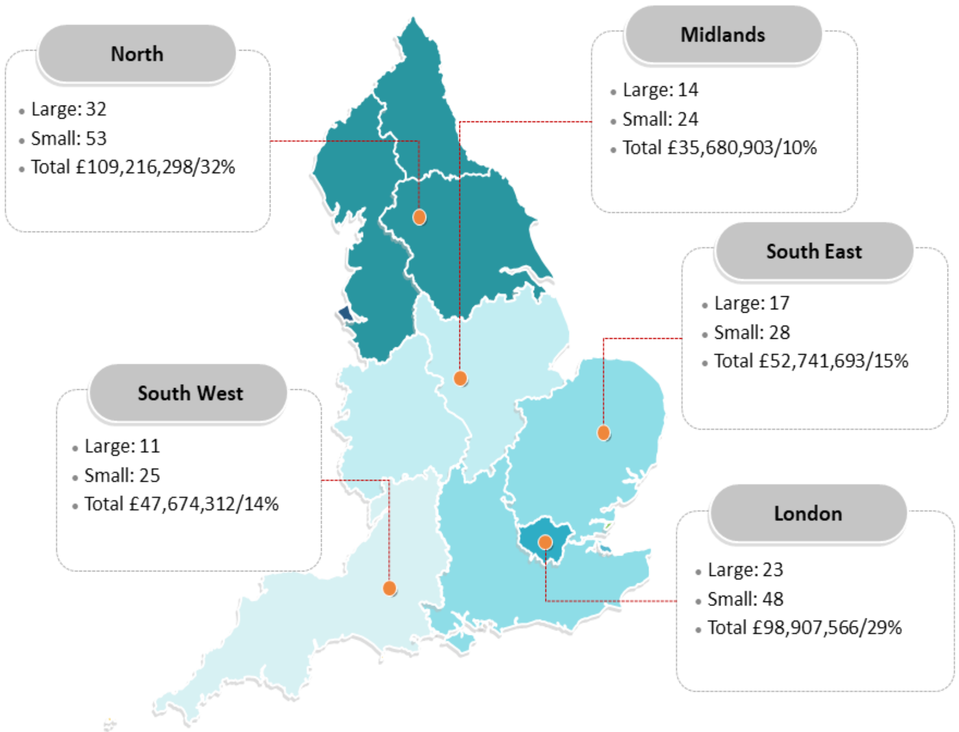
> Required any information in particular on financial resilience/business planning that needs to be requested or added

> Warranted any other appropriate recommendations

Taken as a whole I find the documents coherent, clear and well aligned to the tasks which any diligent applicant would be bound to undertake of itself before starting one of these extremely demanding projects. This is exactly as it should be and reflects years of refinement in The Arts Council's excellent oversight of capital projects. (Anthony Blackstock)

This resulted in the launch of the 2012 strategic programme, with the application process being separated into small and large projects. The large programme was further divided into a two-stage process for the first time. The programme investment as a whole is £344 million (£51 million small and £293 million large). Large projects were awarded a minimum of £500,000, with investment of more than £5 million being the exception. Small grants range between £100,000 and £499,999. In recent rounds, Capital Grant in Aid has been deployed to this fund. This places restrictions upon the timescales in which grants can be spent. Initially, grants from this source had to spent within the financial year, although this has lately been extended.

Figure 1. Distribution of strategic capital funding by area



The application process for both levels of the programme starts with a discussion between the prospective applicant and their Arts Council Relationship Manager. In some cases and applicant must receive written permission to apply. Each Arts Council Area also has a Capital Lead who can support Relationship Managers and liaise with the Capital Team.

The Executive Board of the Arts Council and Area Councils review capital applications with decisions on large awards being made by National Council. A Capital Working Group meets on a regular basis. External Assessors and Advisers may also be used during application stages to advise on levels of risk and feasibility. The large application process is divided into two stages (Figure Two).

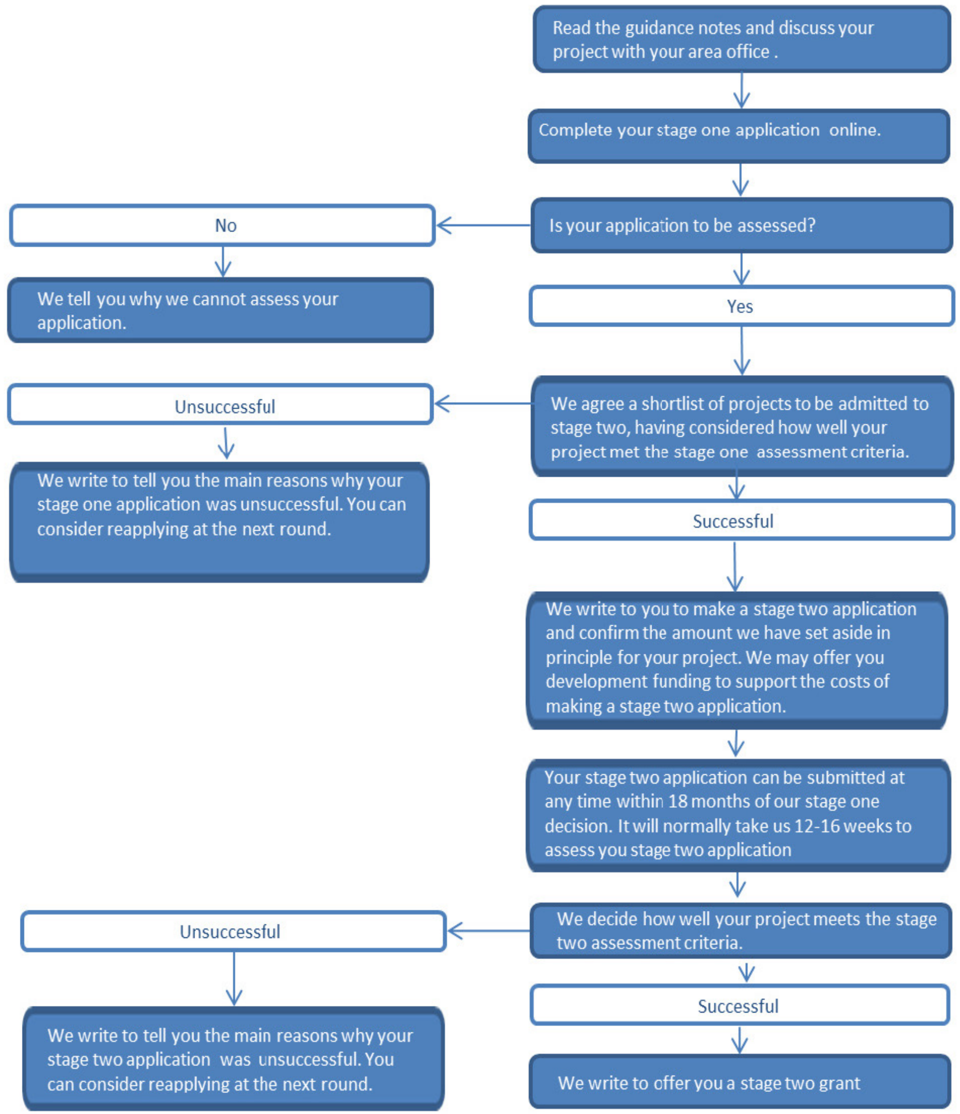
The small application process follows a similar approach but omits the second stage. Assessment of small scale and stage one large applications is based on four criteria:

1. How well the project outcomes meet our goals and, in particular how they demonstrate that the organisation's resilience and environmental sustainability will be improved as a result of our capital investment.

2. How well the organisation demonstrates it has the capacity, skills and experience to deliver the project and associated outcomes.

3. The extent to which the project demonstrates it will meet high standards.

Figure 2. Two Stage application process



4. The extent to which the budget is appropriate to the type and scale of the project including demonstrating the capital expenditure will be made within the relevant financial year

In the expectation that more projects will meet the criteria than there are funds available for prospective projects an additional four factors are also considered:

1. Timescales: The Arts Council takes into account the delivery timescale of a project, including the timescale for spending its grant
2. Partnership funding: the extent to which the project will secure funding from other sources
3. Risk: the extent of the risks in relation to the overall balance of projects in each round
4. Equality and diversity: the extent to which a project addresses equality and diversity

Assessment of stage two large capital applications is based on a different set of criteria, addressing the scale and complexity of these projects:

- Leadership, governance and project management: applicants should have appropriate governance, leadership and project management in place to deliver the scale and complexity of the project proposed, including plans for managing risks.
- Sustainability and resilience: applicants should have considered the project's long term effect on their organisation and ensured that the project will improve organisational resilience, when completed, without the need for unplanned revenue from us.
- Partnership funding: applicants should ensure that appropriate fundraising plans are in place to meet the project's timetable and cash flow requirements.
- Capital costs: applicant project costs should be based on professional advice and include appropriate allowances for such things as, but not limited to, specialist equipment, furniture, fittings and equipment, contingency, inflation and VAT.
- Quality of the capital proposals: applicant projects should meet high standards, taking due notice of priorities such as fitness for purpose, environmental standards, energy efficiency, accessibility and cost effectiveness. Applicants should have appropriate procurement policies in place in relation to purchasing goods and services.

3. Evaluation approach and methods

The evaluation framework was designed to interrogate the Arts Council's Logic Model and Theory of Change (Appendix One) which outlines the intended impacts of the investment.

Section summary

This is the first full evaluation of an Arts Council capital programme and as such there was no existing baseline on which to draw

The evaluation has used a mixed methods approach: surveys, case studies, interviews, financial analysis, document review, observation and a literature review

Capital grant recipients were surveyed, which yielded 106 responses from small projects (63% response rate) and 54 responses from large projects (71% response rate)

Sixteen case studies were undertaken

Scope and limits of the evaluation

The evaluation framework was designed to interrogate the Arts Council's Logic Model and Theory of Change (Appendix One) which outlines the intended impacts of the investment as being:

- Resilient and environmentally sustainable arts organisations, museums and libraries
- Support for the delivery of Arts Council's Goals 1 & 2:
  - Excellence is thriving and celebrated in the arts, museums and libraries
  - Everyone has the opportunity to experience and to be inspired by the arts, museums and libraries

In the light of the intended impacts the evaluation has posed several questions (Appendix Two shows the detailed evaluation framework):

- To what extent have the funded organisations achieved their stated outputs?
- Have the outputs delivered the anticipated outcomes?
- What other factors may have had an influence on outcomes?
- What can be learnt from the programme about how national development agencies can best develop and sustain the arts infrastructure in England?
- What can be learnt about how best to manage and develop the capital assets for the benefit of cultural organisations and their stakeholders?
- What kinds of monitoring and evaluation data should be collected by the Arts Council in future capital funding rounds to maintain an overview of the outcomes and impacts of the investment?

Overall, the evaluation has asked:

- Have the right things been done?
- Have things been done right?
- What has worked (and not worked)?
- Why has it worked (and not worked)?

> What should be taken forward?

Evaluation population

The focus of the evaluation has been the grant recipients based on the intended impact of the strategic capital programme (participants in the evaluation are listed at Appendix Three). It has not included customers, audiences, artists or other beneficiaries. Qualitative and quantitative methods have been used to engage as many of the grant recipients as possible and to ensure the results are valid and reliable.

Timeframe and focus

The evaluation took place between September 2017 and February 2018 and was designed to be summative and formative in focus.

Methods

The research data and analysis reflect the mixed method approach of the evaluation. It has included:

Grant recipient surveys

The evaluation population was asked to complete a short survey (appendix Four) to elicit quantitative and qualitative data on the intentions and outcomes of their projects. The survey included 20 questions and had a Flesch Reading Ease score of 63 (at this level it could be understood by 13-15yrs and sat between The Sun and the Daily Star in terms of reading ease). It had a Flesch Kincaid Grade of 7.1, which is the equivalent of yrs. 7-9 or 11/13 yr. olds. Ensuring readability meant the questions were kept concise and should be readily understood for ease of completion.

A pilot survey was circulated to 20 organisations in October 2017 and the subsequent respondent feedback helped refine the instrument. Most importantly the pilot stage confirmed that from a sense-making perspective there was a need to launch the full survey in two forms – large and small.

The full surveys were circulated in November 2017 and respondents were given four weeks to participate. The small projects survey achieved 106 responses (62% response rate) and the large projects gained 54 responses (71% response rate).

Given confidence level of 99% the response rates have a margin of error from 5.79% (small) to 7.99% (large) which is in the acceptable range for reliability of response.

Interviews

Interviews were conducted as part of the context visits, the case studies and on an individual basis. Two approaches were adopted to interviews dependent on experience of the capital project and whether they were participating in a context study. They were either semi-structured or based on a biographic narrative interview method.

Case Studies

Sixteen case studies have been included in the evaluation based on a purposeful maximum variation sample intended to gain as much heterogeneity as possible.

Case studies were selected using agreed criteria to ensure variation in terms of:

- Scale
- Artform/s
- Geographic location
- Project type (new build, refurbishment, extension)
- Complexity
- Diversity focus
- Organisational constitution (Company Limited by Guarantee, Registered Charity, Local Authority, University)
- Funding relationship with the Arts Council - project, National Portfolio Organisation, major or minor contributor to the project

Learning Events

As part of the process three separate learning events were held in London, Birmingham and Manchester. Twenty organisations attended (Appendix Five) representing a variety of scales, artforms, scale of capital project and stage of completion. These sessions comprised a series of prompt questions as well as 'flash' sessions from the evaluators feeding back and testing the findings to date.

Observation

The evaluators spent time in several of the beneficiary organisations observing how the buildings were being used, their ambiance, and access. Different aspects of the rhythms and flows of the buildings were experienced including the programme, events, the catering offer (where available), and other facilities.

Desk Research

Programme documents, grant applications, activity reports, evaluations, research, press coverage, social media and academic papers have been reviewed as part of the data set for the evaluation.

Where possible documentation has been gathered from multiple sources to cross check perspectives. Nearly 600 documents have been reviewed as part of the process (Appendix Five).

Analysis

Feedback from those interviewed has been represented as far as possible in their own words. The extracts used have been subject to thematic selection by the evaluators. The evaluators undertook qualitative analysis of all interviews based on thematic coding (researcher defined, and participant defined) utilising QDAminer.

The evaluators have undertaken quantitative analysis based on the results of the surveys. Where percentages have been used, the figures have been rounded up or down to the nearest decimal point.

An analysis has been prepared of the awards made by scheme, region, art form and round to provide a financial overview of the programme and context for other aspects of our research.

A financial analysis has been performed for all the completed large projects, and a random sample of 20 small projects, for which audited accounts are available for years ending 2012 to 2017. Key financial data has been extracted and compared over time, including.

> Income: total, unrestricted and unrestricted non-grant income

> Surplus: unrestricted

> Net current assets

> Reserves: unrestricted, free and restricted

A brief literature review of the evidence base for organisational resilience, the impact of the built environment and future trends has also been undertaken to place the intentions, methods and delivery of the capital programme within a wider context. It is included to aid theory building and demonstrate how the practical findings are located in a wider field.

The data analysis stages are shown in appendix six.

Limitations

Participation in this evaluation has been entirely voluntary. The evaluation represents a snapshot in time, nonetheless it is sufficiently grounded and evidenced for the conclusions and recommendations to be reliable and add value. Given the timeline and available resources this evaluation is necessarily limited; it has not covered unsuccessful applicants, decision making behind the grants awarded, potential applicants who did not proceed, or the views of assessors and advisers.

During the period of the evaluation many of the capital respondents were focused on their business plan submission to secure their National Portfolio Organisation (NPO) funding agreements. A few organisations indicated that this impacted their ability to contribute. As far as possible the evaluators have tried to address this through follow up interviews or the Capital Works! Learning Events.

This report is supplied on the understanding that it is for information purposes only and is solely for the use of the Arts Council as the commissioning agent. No other person may rely on it for any purposes whatsoever. Circulation of the report in whole or in part is agreed on this basis.

4. Context: Olympics 2012 to Carillion via Coalition Government and Brexit

This world...requires bold moves at the right time, and business models that co- create as well as reshape the environment (rather than just responding to change). (Schoemaker, 2015)

> It is a natural tendency in life to organise – to seek greater levels of complexity and diversity. (Wheatley, 2007)

The development of arts organisations, their buildings and arts policy does not happen in isolation. The strategic capital programme has been delivered in the context of a rapidly changing environment; given the long-term nature of capital developments in terms of execution and impact this presented a range challenges. This environment has been characterised by a term coined in the late 1990's - VUCA (volatile, uncertain, complex and ambiguous). Given that this is a national programme we have considered the context on two levels – national, and arts and culture.

National Context

Factors	Trends	Implications for arts and cultural buildings
> Political change – biggest since World War II > Economic – the 2008 crash, austerity and fall in value of sterling after Brexit > Exposure of social divisions > Growing concerns around health provision > Complexity around diversity > Digital technology – disruption, customer expectations, new ways to work, social media etc. > Regional mayors and devolution from Whitehall > Brexit	> Decline in real wages over most of the period, growing concerns at inequality average real wages falling by about 9% since 2008, which has kept labour costs down (Van Reenen, 2015) > Subdued productivity levels (ONS Digital, 2015) > Government debt as a percentage of GDP is rising (Ibid) > Low level interest rates (Ibid) > While Britain as a whole has become wealthier, the wealth of a typical adult has fallen since the financial crisis from £99,000 in 2006-08 to £84,000 in 2012-14 (D'Arcy & Gardiner, 2017) > Brexit highlighted social divisions and remains a source of uncertainty > Between 2012 and 2015, nearly one-third of the UK population experienced relative income poverty at least once (ONS, 2017)	> Uncertainty for audiences, customers and users and staff > General cautiousness about economic position > Reduced levels of subsidy and a changing relationship with the state > Impact of government policy on audiences, customers, users and staff; benefit recipients, D/deaf and disabled people etc > Need for clear policies and genuine commitment to access and inclusion

National trends cont/d	Implications for arts and cultural buildings
> North/South divide e.g. in income, life chances etc. > On average, house prices are now almost seven times people's income (Shelter) > The number of homeless households has risen to more than 50,000 a year (Ibid.) > One in three (29%) of black employees say that discrimination has played a part in a lack of career progression to date, almost three times as many as white British employees (CIPD, 2017) > 33% of Council Chief Executives are women, 78% of council officers are women > Ubiquitous nature of smartphones, tablets and social media, streaming and GPS > Ecommerce, industry transformation, changes in human interaction (Wolf, 2016) > Health inequalities, and strain on NHS > The leisure sector doubled in size between 2011 and 2016 and contributed about £200bn to the UK economy last year. Spending on gym memberships jumped by 44% in 2015 alone (Barclays, 2017) > The average 65-year-old costs the NHS 2.5 times more than the average 30-year-old. An 85-year-old costs more than five times as much (Triggle, 2017) > By the age of 65, most people will have at least one long-term chronic illness. By 75 they will have two. (Ibid)	> People have become used to low interest rates and may not have planned for interest rate rises in future > Expectation that cultural resources can work across and should be embedded in communities > Public buildings as 'safe' spaces > Increasing expectation on the public/non-profit sectors to deliver more for less > Redistribution of resources away from London and high-profile initiatives in the regions > Growing public expectations around technology in public spaces > Increasing competition from the commercial leisure sector and user expectations driven by what they provide > The need to span generations and be able to adapt to diverse needs

Arts and culture context

Factors	Trends	Implications for arts and cultural buildings
> Changing demographics creating new pressures on services > Austerity budgeting continuing to bring a downward pressure on the public sector > Emphasis on the instrumental value of the arts > Structural shifts that are opening p new roles, powers and alliances > The impact of Brexit on community cohesion > Rebalancing of the arts portfolio nationally > Changing policy landscape for culture and cultural education in particular > Digital practice	> The wealthiest, best educated and least ethnically diverse 8% of society make up nearly half of live music audiences and a third of theatregoers and gallery visitors (Neelands et al., 2015) > The number of arts teachers in schools has fallen by 11% since 2010 and in schools where a subject has been withdrawn, drama and performance has dropped by 23%, art by 17% and design technology by 14% (Brown, 2015) > Arts subjects not included in the EBacc > Arts Council England cut by 32% and local government by 40% between 2010 and 2015, reducing reliable income in real terms and drive to replace/ grow income from other sources > According to the Institute for Fiscal Studies, there was a 20 per cent reduction in spending by local authorities in England between 2009/10 and 2014/15. Taking into account population growth, spending per person has reduced by 23 per cent (Harvey, 2016)	> Need to understand the role that the physical infrastructure plays in making arts and culture more widely available > Growing concerns about the quality and availability of cultural education and how arts and cultural organisations can offer resources > Buildings needing to work harder to generate alternative sources of income > The need for organisations to use all resources effectively and find new business models – often driven by physical assets > Growing demand on, and use of buildings at a time when more secure sources of income are reducing > Growth of experience economy and need for arts and cultural buildings to offer something 'extraordinary'

Arts and culture trends cont/d	Implications for arts and cultural buildings
> Between 2010 and 2015, Department for Communities and Local Government (DCLG)2 figures show that total spending by councils in England on arts and culture development and support, theatres and public entertainment, on museums and galleries, and on the library, service has declined from £1.42 billion to £1.2 billion, a 16.6 per cent reduction (Ibid) > Visitor numbers to museums and galleries were up by 2.4% between February 2016 and February 2017 (Department for Digital Culture Media & Sport, 2018) > Lubaina Hamid was the first black woman artist to win the Turner Prize in 2017 > ACE takes over from MLA in 2012, separate funding streams through Renaissance and Partner Museums, now into portfolio > A survey in late 2014 found that two-thirds of 18-34-year-olds feel more fulfilled by experiencing something than purchasing an item of the same value. Almost 75% agreed that a 'fear of missing out' (FOMO) – partly fueled by experiences being shared on social media – prompted them to seek out activities that were out of the ordinary (Barclays, 2017) > The Arts Council has been rebalancing its portfolio – spending in regions vs London (in part driven by political push for the Northern Powerhouse – plans for the Great Exhibition, Hull City of Culture, etc.) > Digital has impacted on all areas - content creation, content distribution, ways of working, communications and audience data > Growth in the 'Experience Economy' (Pine & Gilmore, 1998) where consumers are seeking increasingly distinctive aesthetic experiences rather than products > Theatre tax relief	> Challenges on continuously being out of the ordinary > Potential importance of the live event > Offering multi-channel content and activity > Less support available in London and more competition for the remaining funds > Push of resources to the regions and the need to develop infrastructure outside of London

Implications of context

The 'new normal' is now characterised by:

1. A changing public funding base that is unlikely to return to pre-2008 levels for some years, if ever
2. Audiences and participants are changing, and organisations have to span the generations from Traditionalists to Linksters (Johnson & Johnson, 2010) both as staff and users. This requires new approaches to equality and inclusivity in particular
3. Creative practice is adapting and traditional artforms boundaries are blurring and morphing, one example is the notion of 'post-photography'
4. Changing work patterns and expectations, particularly from Millennials and Linksters
5. Hyper connectivity and 'curated' lives
6. The 'Experience Economy' as a driver of customer behaviour and purchasing
7. Fast moving technology that is hard to keep abreast of without expertise and investment

Operating in this context requires organisations to be agile, to be smart with information, to keep changing (physically and strategically), and to experiment (Appendix Eight). This reinforces the need for the physical infrastructure of the sector to keep developing and to hold four timeframes in view – past, present, short to mid-term future, and long-term future. Cultural organisations need to be thinking now about the kinds of organisations they want to be in ten years-time, what kind of world it will be, what creative practice will be like and who users/audiences will be.

5. Building aspirations: the views of grant recipients

The project impact on the organisation wasn't unexpected but it has been really powerful. We have been able to position the organisation – within the physical space, and with the development of a Mobile Learning Studio – to make the most of opportunities and face future challenges. (Capital grant recipient)

Section summary

Top rated achievement for small projects is improved visitor experience (75%)

Top rated achievement for large projects is improved reputation (63%)

78% of large projects and 57% of small projects did not have to reduce the scope of their projects

Reducing the scope impacted on scale, phasing, quality, environmental impact measures, use of advisers, and removal of some elements in their entirety

Key challenges for delivering a capital project are time, capacity, fundraising, retaining staff, maintaining momentum

The 75 completed small projects took an average of 13 months to complete. The 22 completed large projects took an average of 24 months to complete

The top enabling factor for both large and small projects in a strong project team

Advice to others includes having a strong vision, being realistic about the time it takes, preparing for the unforeseen, strong project management, collaboration and consultation, allow for CDP, getting good advice and embracing change

> The capital funding was immeasurably helpful to the organisation and allowed us to upgrade and improve key aspects of our facilities in a way that was essential to our long-term operation. It also allowed for improvements to areas so often seen as 'luxury' to funding bodies, such as improved lighting or an improved reception – yet such changes are often the ones that seem to have the biggest positive impact on artists and visitors alike.

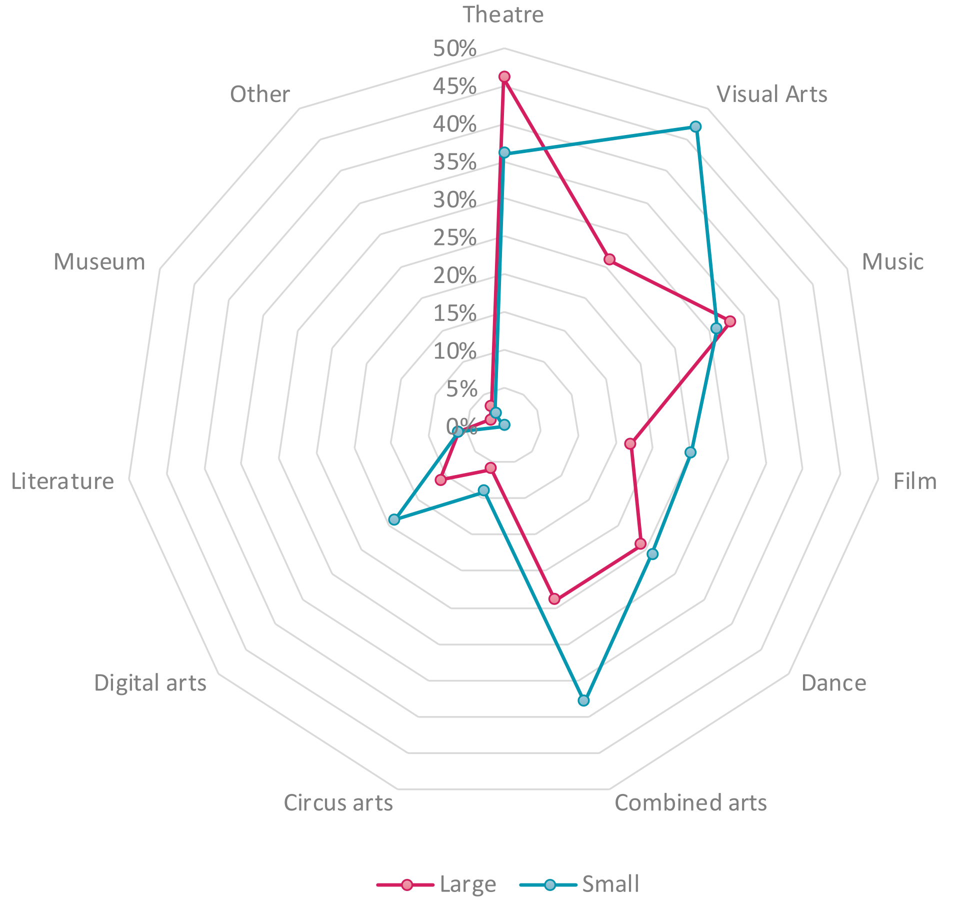
Tenacity and professionalism

Those that completed the survey seem to have done so with some enthusiasm and have generously provided useful commentary alongside the fixed choice questions. In some cases, organisations have contacted former staff to ask for their input, asked for a copy of the survey so that they could circulate it within their teams and produce a combined reply, and asked for an extension of time so they could contribute (see appendix 11 for detailed responses).

The regional distribution of small respondents broadly corresponds to that for the whole programme except for the South East (including the East) which is under-represented (survey 11% and capital recipient portfolio 21%) and the Midlands which is over-represented survey (21% and capital recipient portfolio 14%).

The regional distribution of large project respondents broadly corresponds to that for the whole programme except for a modest under-representation from the South East and modest over-representation from the South West. Three quarters of the small project respondents could be regarded as SMEs or micro businesses(Eurpoean Commission, 2003) as they have an annual income of £2.5m or less and employ 50 people or less. Over 60% of the large project respondents have an annual income of £2.5m (or over), 5% employ 50 people or more and 24% employ over 250 people.

Small project respondents programme between one and seven art forms (Figure Three) with most programming between three and four art forms. Nearly half of the organisations programme visual arts whilst approximately one third programme combined arts, theatre and music. Additional areas of programming included outdoor arts, and socially engaged practice. Large project respondents programme between one and eight art forms (Figure Three) but most programme only one. Nearly one half of the organisations programme theatre, one third programme music and about one quarter programme visual arts, dance and combined arts.



Project achievements

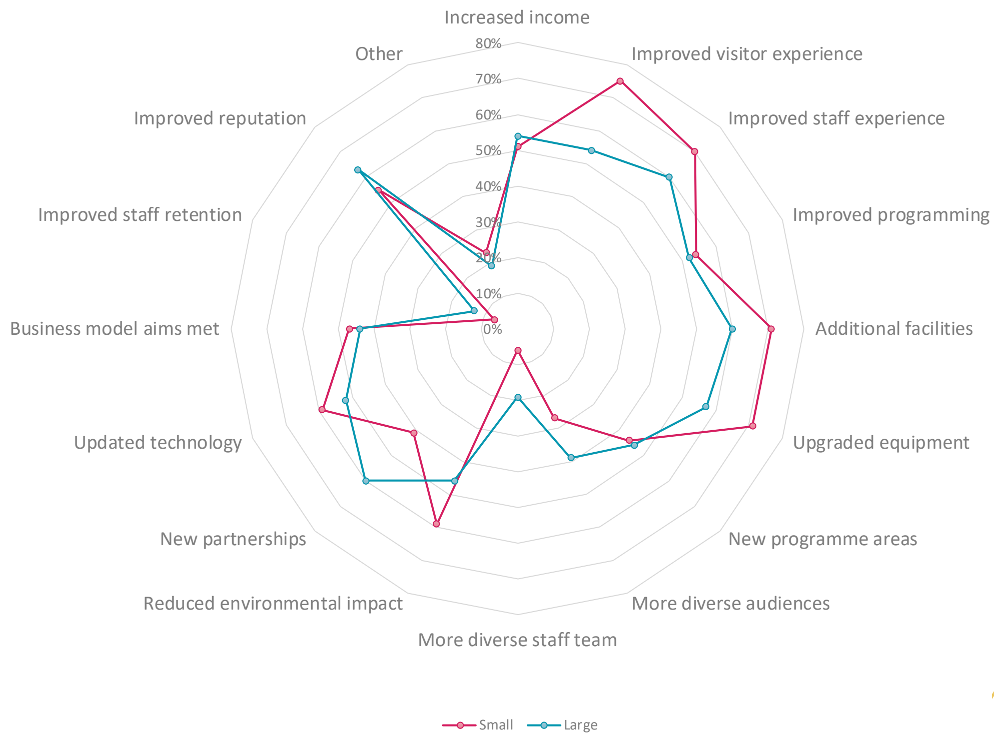
Over half of the small and large grant organisations identified the following project achievements to date (some are still in progress).

Table 1.Project achievements identified to date (descending order)

Small programme (n=102)	Large programme (n=54)
> Improved visitor experience (75%)	> Improved reputation (63%)
> Additional facilities (71%)	> Improved staff experience (60%)
> Upgraded equipment (71%)	> Additional facilities (60%)
> Improved staff experience (70%)	> New partnerships (60%)
> Reduced environmental impact (59%)	> Upgraded equipment (57%)
> Updated technology (59%)	> Increased income (54%)
> Improved reputation (55%)	> Improved visitor experience ((54%)
> Improved programming (54%)	> Improved programming (52%)
> Increased income (51%)	> Updated technology (52%)

Most respondents identified a significant number and range of achievements: the median value of selected achievements for small projects was 14, and for large projects it was eight (Table One and Figure Four).

Figure 4. Project achievements to date



Several additional achievements were also identified for both project scales:

- Operational cost savings and Increased income
- The ability to plan longer term
- Improved diversity and accessibility
- Increased pride in the organisation and better profile (including online)
- Increased functionality of the building
- Strengthening in-house development and fundraising
- Improved experiences for artists
- Increased visitor numbers
- Increased digital presence and audiences
- Reduced risk
- Improved quality of artistic productions

It is important to note that the schemes do not always go according to plan and there can be exceptions, one respondent raised the fact that their scheme collapsed, and the capital investment had to be returned to the Arts Council. Several recipients were also rejected at an early stage and went on to successfully reapply.

Just over three-quarters of small respondents (78%) stated that they did not need to reduce the planned scope of their project to match available funding compared to over half (57%) of the large respondents. There have been a range of implications for those projects that have had to reduce the scope of their projects:

- Scaling back the overall size of the project
- Reduced finishes (quality and quantity)
- Less technology
- Reprioritising
- Phasing of works and longer completion times
- Reduced audience experience improvements
- Postponed artist commissions
- Reduced environmental sustainability improvements – air handling units were mentioned by three respondents
- Reduced specification materials
- Aspects of the build not undertaken – linkways, walkways, extended wings, smaller spaces created
- Not appointing specialist advisers

In some case projects had to be phased over a longer period than expected.

Several projects had issues with planning consents that also had an impact on the scope of the project. Two respondents raised the issue of errors caused by professional advisers (architects and quantity surveys) leading to increased costs and the reduction in scope of the project as a result. In two cases the impact meant achieving smaller spaces than anticipated and as such the full vision for the project has not yet been realised

Substantial increases in costs around certain areas, primarily lift upgrades, meant a re-thinking of scope in terms of other areas, less operationally critical.

Savings were primarily made in lighting controls, however by better use of localised controls on light units, rather than building wide systems, the same end user result could be achieved, but at a far reduced cost. (survey respondent)

Respondents (of both scales) raised several unexpected outcomes for their projects that for the most part are positively toned. These outcomes fall under four categories:

> Relationships

> The physical space

> Process

> Organisational development

Respondents speak about a range of outcomes in terms of improved relationships: growth in audiences, more partnerships, more diverse partnerships, new donors and a more proactive local authority. Some respondents have talked about the improvements gaining a much better response from artists and audiences than expected. The level of volunteer support, community engagement and audience demand has surprised some organisations.

In several cases the physical spaces also delivered better improvements in terms of environmental sustainability than anticipated. The buildings have also proved to be more flexible, allowing for "multi-functionality," and more diverse uses. In one case the physical improvements have also allowed for a faster response to community needs.

In relation to process, several respondents have raised the benefits of phasing the works over time, the value of a staged completion is cited by one respondent as having allowed time to reflect and review.

A range of organisational development outcomes have been raised including evolving the organisation's aims and goals, building new skills or drawing on existing skills more effectively (including board members), allowing the organisation to be more ambitious and generally improving the profile and standing of the organisation. In several cases a new-found pride in their organisation has been an unexpected outcome. Several respondents comment on changes to ways of working, gaining valuable experience, staff taking a new interest in the organisation (particularly its history) and engagement of volunteers.

Some large respondents have also seen an improvement in income generated by their buildings through hires and the programme, as well as being better placed in terms of fundraising income. More negatively toned unexpected outcomes include finding the fabric of the building is in a poorer state than anticipated, delayed start times and rising costs as a result, and failure to achieve anticipated trading income.

> “I think the biggest outcome so far has been the catalyst effect – the development and funding has shone a spotlight on the organisation, raising its profile and opportunities for partnerships and collaboration.

> “The capital project has improved cross-organisational working. Although this is always an aim for our organisation, we did not expect this to be an outcome at the start of the project.

> “That we now want to do more improvements to areas not yet updated. The team have learned new skills and enjoyed the process.

> “The capital project was incredibly complex and challenging, requiring significant investment of time, energy and resources from staff and trustees. The organisation's strategic objectives suffered as a result of the high demands placed upon our limited resources during the project – the fall out of which is still being felt nearly three years after the project was completed.

The negatively toned unexpected outcomes include:

- Higher costs than anticipated
- Losing key staff or the Project Manager during the process. While there was an expectation there would be some staff losses it was not anticipated that an enthusiastic Project Manager would leave

- In some cases, an initially enthusiastic Board appears to have lost energy and enthusiasm during the build
- The time taken was longer than expected

One respondent probably summed up the challenges felt by most projects.

> “budget vs ambition”

The key challenges cited at both scales mainly revolve around the core elements of project management – time, quality and money. Fundraising and time/capacity are the two most often reported challenges. Given the wide span of projects the challenges highlighted are, however, broad ranging from procurement processes to archaeological work to deal with burials, and from contractor issues to managing communications effectively.

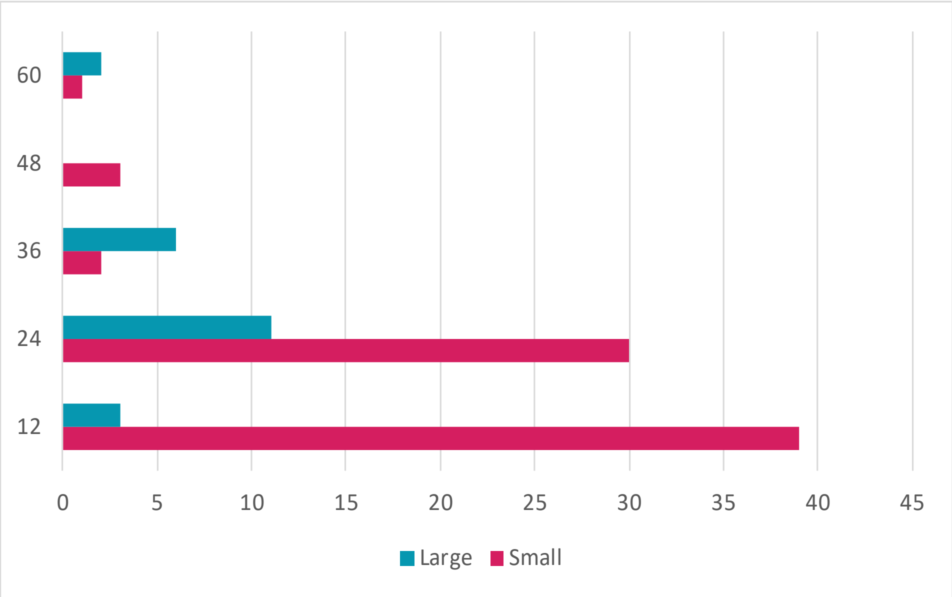
The reported challenges include:

- Project management: aligning multiple stakeholders, keeping to budget and meeting conditions, finding the right contractors, running the capital project alongside managing the organisation and maintaining a programme/presence, managing priorities, general logistics, quality control, planning time, managing time delays, and the levels of paperwork involved
- Physical works: finding unforeseen issues in the building, managing historic building improvements, managing planning consents and approvals
- Fundraising: achieving the match funding
- Managing transition and change: team members reported as being resistant to change, co-ordinating a consortium, contractors going into administration, future proofing and managing growth, staff illness, capacity to deliver, time taken to maximise the opportunities, and the need for CPD
- Time: working within a timeline, timelines changing, delay in decisions and approvals, fundraising timescales
- Technology: being able to keep up with fast moving and changing specifications, scoping suitable technologies for environmental impact improvements
- Audiences: keeping audiences engaged
- Financial: keeping within budget, managing cost overruns, losing income
- Getting recognition of our achievements from the Arts Council
- Understanding the intersecting complex of specialist fields
- Once developed the on-going time commitment, resource and additional staff required to maintain and develop the new systems

Just over half of the respondents (57%) stated that they had needed to reduce the planned scope of their project to match available funding.

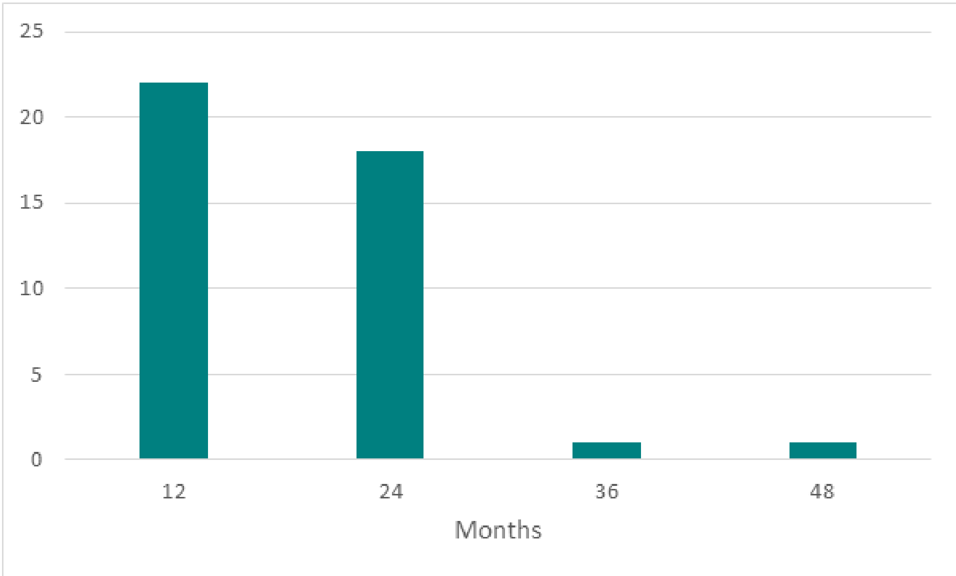
The 75 completed small projects took an average of 13 months to complete but with a wide range of timescales from one month to five years. Large projects are unlikely to complete in less than two years but may, in some rare cases extend well beyond five years. Just over half of the small projects were completed within one year and over 90% were completed within two years (Figure Five).

Figure 5. Time taken from confirmation of funding to project completion (months. N=75 small, 22 large)



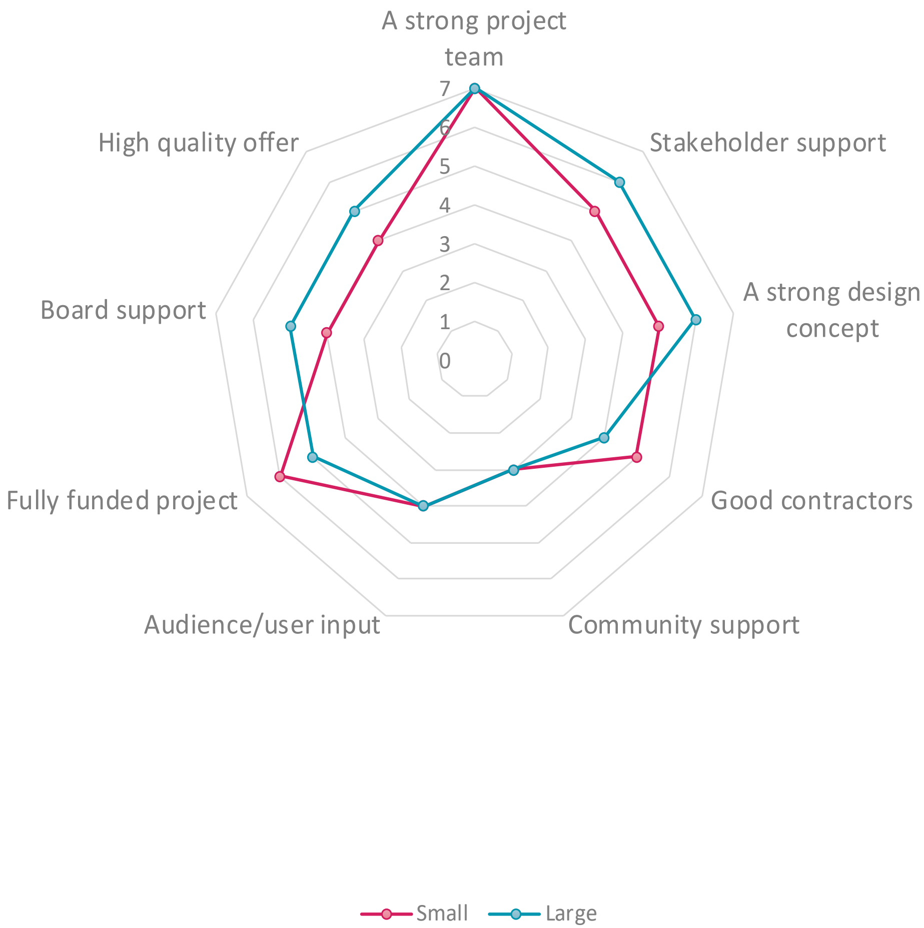
95% of those large applicants that responded were able to reach Stage Two within two years with 52% doing so in one year or less. The average was 14 months (Figure Six).

Figure 6. Time taken to reach Stage Two application (n=42)



The survey respondents were asked to rank nine possible key factors that they felt had enabled their capital project (Figure Seven).

Figure 7. 7 key factors in enabling your project (n=92 small, 42 large))



Respondents were also asked to rank their top three enabling factors (Tables Two & Three).

Table 2.First, second and third choice of enabling factors (small, n=92)

	Percentage of respondents		
Enabling factors	1st	2nd	3rd
A strong project team	30%	27%	13%
The project was fully funded	27%	14%	14%
A strong design concept	12%	15%	5%
Good contractors	4%	15%	20%
Stakeholder support	13%	9%	14%

Table 3.First, second and third choice of enabling factors (large n=42)

	Percentage of respondents		
Enabling factors	1st	2nd	3rd
A strong project team	21%	24%	26%
Stakeholder support	26%	14%	14%
A strong design concept	10%	12%	19%
Board support	10%	21%	5%
The project was fully funded	17%	12%	14%

Comments by small respondents suggest that there were a few additional internal and external factors that enabled the projects. Externally this ranged from supportive landlords, to availability of funding, responding to policy areas, and a robust needs analysis. The most common comment around internal enablers was the support of a flexible and dedicated team, although one respondent highlights the drive and perseverance of an individual.

> Tenacity and professionalism

> Ability and knowledge of staff leading on projects, and wider support offered across the sector by other professional colleagues

Additional enabling factors raised by large respondents, include:

- Advice and support from the Arts Council
- Motivated and supportive staff and a strong organisational culture
- A high-profile patron and strong fundraising team
- A staff team prepared for change
- A sound business plan and strong long-term planning
- Having proven the concept over several years
- Popularity and success of previous building work phases

> The value of proper training and support for CEOs approaching their first capital project cannot be underestimated.

> If I were delivering our first capital project now, with the experience I now have, I believe it would be several hundred thousand pounds cheaper, since I would be more capable of directing it.

In developing their projects respondents have appreciated the support and guidance of the Arts Council as well as other stakeholders. Several have noted the pivotal role of the strategic capital funding and that this is not available from any other sources. Having completed project respondents are generally proud of what has been achieved and the skills and experiences they have gained, even where this has been hard won.

A few people have raised the challenges of the two-stage process and its perceived lack of alignment with other aspects of the process such as the RIBA stages. One participant has highlighted the issue of a lack of funding for a feasibility stage and how this might have had an impact on the ultimate outcome.

It has been one of the most challenging but also most rewarding experiences of my professional career. The project has required me to step up in almost every area of my role and I believe I am a better CEO for it. I feel evangelical about wanting to help other organisations by sharing my experience as so much of my knowledge could only be gained by going through the entire process.

> The project secured the future of the organisation and made a massive contribution to its sustainability.

In commenting on their experience overall respondents have highlighted a range of emotions from excitement to feeling it was more of a slog than a joy, to being 'very, very stressful.' Some respondents talk about the project bringing people together, while others highlight the level of commitment needed and the strain it can cause. One respondent talks about the project acting as a catalyst and showing others the potential, the capital investment can unlock.

> Working with architects and other construction professionals has been an education in project management, professionalism, logic and imaginative problem solving.

> The project has brought the staff, trustees and members closer together and given everyone a huge sense of pride.

> Good planning and available funds made the process work well. The audience and community consultation prior to project planning was invaluable.

> Capital investment in support of the cultural sector taking full advantage of the digital realm is essential and ACE is to be congratulated in recognising this and prioritising its investment in this area.

Over 130 comments were received (across both scales) in response to the question about advice that respondents would give to other organisations considering a capital project.

This is reflective of the generosity experienced throughout the evaluation process and suggests a genuine desire for applicants to share their experiences and tell their stories. This is a significant resource that the programme appears to have under-utilised to date. The advice is wide ranging but coalesces around several themes:

- Time: be as realistic as possible, do not underestimate the time it takes
- The unforeseen: ensure time and resourcing contingencies because the unforeseen will always come up
- Project management: get a good team, plan in as much detail as possible, plan the whole project lifecycle from inception to snagging
- Collaboration and consultation: engage people and keep them engaged
- Vision and goals: ensure the vision is clear and widely understood. Make the goals long-term rather than short-term remedies. Try and build in future proofing
- Skills and experience: allow for CPD, make best use of internal expertise and external specialists, discuss experiences at senior level and with the board, talk to others who have completed capital projects
- Engagement: Engage with everybody; staff, users, stakeholders and contractors

- Get good advice. Appoint a team that concentrates fully on the process. We employed a capital building project consultant, who built capacity within the team
- Change: prepare for and embrace change

> Thorough planning, close attention to details, good records of work i.e., written logs and photographs of project progress, and selecting empathetic and willing contractors and have direct contact with them is extremely valuable both during the project, and critically post-handover and snagging periods.

> Do lots of research, talk to other organisations who have done similar projects, talk to your ACE manager, make sure you have the capacity to take it on. Get a Project Manager or get someone else to do your job while you manage the project.

> Patience, determination and a great team effort.

> Speak to other organisations. Expect the unexpected. Do your prep work. Be prepared to evolve and accept changes. Embrace change. And buy warm clothes if the building works are in mid winter!

> Pay for an organisation to be a mentor to give advice on your project – it would have helped us enormously!

> My advice would be:

1. Ensure that a strong design team is in place
2. Ensure project is fully fundable
3. Ensure continued positive relationships with end user

4. Ensure that there is a sustainable business plan and operational plan

5. Ensure that there is sufficient transitional funding in place

6. Similarities and differences between the small and large projects

There are a number of characteristics of the two levels of the programme:

> Organisational scale: The large capital programme recipients are, on average, organisations with significantly larger turnovers and staff complements

> Regional investment: The regional distribution of the survey respondents is broadly in line with the investment portfolio (although in both surveys the South East is under represented)

> Timescales: Predictably the small capital programme has shorter timescales but both programmes do have considerably extended timeframes in a few cases.

Several key achievements are shared across the programmes, the main difference being the ranking order (the two differences are in bold):

Large capital	Small Capital
Improved reputation	Improved visitor experience
Improved staff experience	Additional facilities
Additional facilities	Upgraded equipment
New partnerships	Improved staff experience
Upgraded equipment	**Reduced environmental impact**
Increased income	Updated technology
Improved visitor experience	Improved reputation
Improved programming	Improved programming
Updated technology	Increased income

The contrast between the focus on reputation and improved visitor experience as the most important achievement is interesting and perhaps related to the two elements that are not shared: partnerships and environmental impact.

Programming

The small capital programme grant recipients report programming a significantly wider range of art forms on a consistent basis than those receiving large capital awards. In the small programme the most common art form is the visual arts but for the large programme it is theatre. The next most common forms: music and combined arts are shared but dance only appears in the large projects.

Enablers

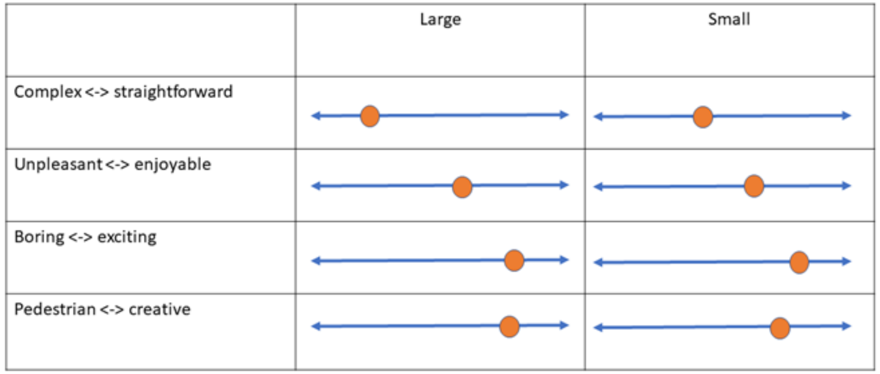
The key enablers are common to both groups with a strong project team identified as the most important enabler by both, then supported by a strong design concept, a fully funded project and stakeholder support.

The differences of board support (large capital) and good contractors (small capital) may reflect the different programmes: board support to deal with the level of complexity and fundraising whilst securing good contractors for smaller projects may be more challenging.

The capital experience

Several further themes have emerged from the evaluation methods that illustrate both the diversity of experiences and areas of shared experience. Participants in both programmes report finding the process, on average, enjoyable, exciting, creative and rewarding (Figure 8). The main difference is the much higher level of complexity experienced by those undertaking larger projects.

Figure 8. Perceptions of the experience of being involved with a capital project



> Ensure the whole organisation is prepared and ready to be tested, to work extremely hard and to face some difficult decisions and challenges. Good leadership is essential.

A varied portfolio

The distinctiveness of the projects has been highlighted throughout the various conversations held during the evaluation. The Arts Council contributions have ranged from £100,000 to nearly £20 million and encompassed different types of project from retrofits to refurbishment, and from expansion to rebuilds.

As a programme the Arts Council has enabled a very diverse portfolio of projects that cover different scales of organisation, geographic spread, a wide variety of artforms and users/customers.

People

> Make sure that human centred design and users' needs are at the heart of the project.

> Engage with stakeholders and community both within and outside your organisation and keep an open dialogue with them throughout the project.

These are highly relational projects and their impact on teams and individuals has been highlighted throughout the evaluation process. Grantees have described the challenges of managing uncertainty and losing staff as a result. If a building has closed for a period of the capital work, or significantly reduced its team there is then also a period of rebuilding the organisation as it expands, and new people join. This growth often happens at a point when the building is approaching completion and efforts on the physical works intensify which can be difficult to manage.

Externally, relationships have been built across wide ranging networks both within and beyond the arts sector. It is worth noting that building cross-sector relationships requires a process of understanding and recipients have described the need for 'learning a new language.'

Process

It is aspects of the strategic capital process that have attracted the most critique from respondents and this has included several areas:

- The two-stage process has received mixed reviews and for a few projects it has caused challenges in terms of securing partnership funding
- Documentation: recipients report that the documentation they are required to supply is not always user friendly
- Timing of decisions: several recipients report what they describe as delayed decision making by the Arts Council and that this has had an impact on project development
- Payment timings: payment against expenditure is problematic in cashflow terms for some organisations
- Lack of feasibility support has been a challenge for some projects and may have excluded others
- Lack of direct control particularly where the arts or cultural organisation is not the direct client (in some cases it is the local authority or other partnership body)

- Fixed price contracts have also been highlighted in that while they may give price certainty they can cause concerns about quality and need a strong relationship to ensure trust between client and contractor
- The time limited nature of the small project funding has been challenging for some organisations and may have led to tactical rather than strategic decisions

> I think the Arts Council could offer stronger support in terms of brief writing and tendering for a design team – we had the right skills and experience within the staff and trustee team to do this, but I do think this is fundamental.

> The funding was drawn down in post expenditure periods, so cashflow was a challenge particularly when working with contractors and partners who required payment before funding was drawn down.

Capital recipients

The most common piece of advice arising out of the process is that it takes more time and effort that people anticipate. It is worth looking at how this might be addressed in future schemes to help participants be as realistic as possible about the likely duration of their schemes.

Whilst there has been criticism of the process, recipients have also been mindful of pointing out their gratitude for the funding and have noted that the Arts Council staff have for the most part been supportive and helpful.

> Very grateful to the Arts Council for funding the project which has transformed the venue. Staff and the community are very proud of our improved facilities.

> Thank you, Arts Council. We genuinely couldn't have opened our new building without this valuable support.

Technology

The nature of technology has been raised by grantees and in most cases, this has been a positive acknowledgement of digital being a priority for the Arts Council. It is an area that has generated a lot of learning but there is also recognition that it is a very fast-moving field and getting reliable advice can be difficult. In at least one case the issue of managing technology contracts was raised; where there are a few suppliers tracking down who is responsible during snagging can be difficult.

In some cases, frustration has been expressed that the levels of investment, while welcome, are not significant enough for arts and cultural organisations to be early adopters. Several respondents spoke of losing aspects of environmental control and smart building technology because of cost reductions in the project.

Environmental sustainability

Environmental sustainability has been raised by grantees both in terms of an ethical choice and as a potential cost saving element of individual projects. Some respondents expressed disappointment that their organisations were not able to afford cutting edge improvements as part of the process. Air handling units and environmental controls have been a recurring theme primarily because their specification appears to be challenging and they are often a cause of snagging. LED lighting and other small-scale improvements have allowed projects of all sizes to address environmental impact as part of their projects.

Ikon Gallery found a tension between the LED lighting available on the market and the performance required by the gallery. This has resulted in a partnership with Designed Architectural Lighting and the manufacture of the Ikon LED Washlight, which is now available for sale.

> IKON LED WASHLIGHT is a multi-solution lighting tool that will meet the needs of any gallery or exhibition space. It has been specially developed to achieve these requirements, providing superb quality and controlled light within a practical design format. (Designed Architetural Lighting, 2017)

Diversity and inclusion

Issues of diversity have been raised in relation to building improvements, partnerships and programme development. It has also been considered in relation to staff, volunteers and users. Several grantees have a diversity specific focus, primarily disability, but these are a small part of the wider portfolio. This is an area that would benefit from sharing across the sector to ensure diversity in all forms is recognised and that it is treated as more than a compliance issue during project inception and development.

> “[We] created a hub which delivers diverse creative and community activity.

6. Constructing business models

Despite the challenging circumstances of recent years organisations have clearly been able to generate substantial additional income above inflation and a majority have been able to make surpluses rather than deficits.

Section summary

Capital grant recipients are a widely divergent group in terms of financial scale and complexity, programming and location. Their business models are also very diverse.

Organisations have been able to grow their income substantially in excess of inflation

A majority of organisations were able to generate unrestricted annual surpluses in all years apart from 2012-2013

Liquidity, as measured by net current assets, was challenging but nearly half of the organisations were able to improve their position

Over half of the organisations were able to increase their free reserves

To date the Arts Council has invested £117m in completed projects (41% of total cost). This investment has been matched by £170m of investment from other funders and the applicant organisations

Evidence strongly suggests that business models have been strengthened through investment in assets (improved visitor experience, revenue generating facilities, profile, brand and partnerships) and organisational development (enhanced skills and confidence, better planning and improved systems) despite a challenging and uncertain economic environment

Approach

For charitable and social purpose organisations business models are a means to the end of delivering the organisation's core purpose. Money is an input and an output not an outcome but financial viability is essential if the organisation is to deliver its mission into the medium term, adapting as necessary to remain relevant to the people the organisation wants to serve. Business models need to incorporate desirable offers to customers, funders and participants, bring together feasible combinations of resources, activities and partners and be financially viable **(Osterwalder & Pigneur, 2010).**

Financial viability has three elements:

1. The ability to generate income in excess of costs
2. The capacity to build and hold suitable reserves and
3. The ability to fund working capital

This analysis focuses primarily on questions of financial viability and is based on using both publicly available data (audited accounts) and information held by the Arts Council. This has included:

> Reviewing the financial performance between 2012 and 2016/17 of all organisations that have completed large capital projects for which audited accounts are available.

- Reviewing the financial performance of a random sample of 20 organisations that have completed small capital projects
- An analysis of the levels of co-investment secured for completed projects
- Considering the results of these analyses in the wider context both of this evaluation and the external environment.

The analysis of financial performance of grant recipients has focused on five questions:

- What are the characteristics of recipient organisations? Such as the scale of awards, region, artform and baseline position in 2012 in terms of total income and unrestricted reserves
- To what extent have these organisations been able to grow both total income and unrestricted, non-grant income? The latter measure has been chosen as it represents the best mechanism available to explore if or how organisations have been able to improve their financial viability through growing income
- To what extent have these organisations been able to generate unrestricted annual surpluses to build reserves both to absorb shocks and to fund innovation and development?
- How have the balance sheet liquidity positions of the organisations changed over time as measured by net current assets? Net current assets are defined as current assets (stock, debtors and cash) less creditors due in one year. It is a good measure of an organisation's liquidity and its ability to fund its operations
- How have the reserves positions changed over time and to what extent have the organisations been able to develop, maintain or increase their free reserves? Free reserves are defined as unrestricted and undesignated reserves not invested in fixed assets and represent the best measure of the 'real' reserves available to a charity

Analysis: Large capital programme

Thirty five organisations completed their capital projects either before or during 2017. Of these, audited accounts to either 2016 or 2017 depending on year end dates are available for thirty organisations – six are not available for 2017. The other organisations are part of larger organisations such as local authorities or universities and appropriate information is therefore not available.

As shown in Table Four these thirty organisations come from the first three funding rounds and have received £93.9m in funding.

Table 4.Completed projects subject to financial analysis

	Round			
	1	2	3	Total
Number of awards	14	13	3	30
Value of awards	61,730,595	25,177,106	6,981,245	93,888,946

All of the regions are represented in the sample with the exception of the North East. London organisations make up for 44% of the sample, reflecting their relative prominence in the first rounds (Figure Nine)

All the art forms are represented in the sample except for literature, and just over half of the sample organisations work in theatre or the visual arts (Figure Ten).

The financial scale of these organisations ranges greatly. In the baseline year 2011-2012 the thirty organisations had a combined total income of £470.6m with an average total annual income of £15.7m and a median of £8.4m (Figure 11).

Figure 9. Breakdown of completed large projects by region (n = 30)

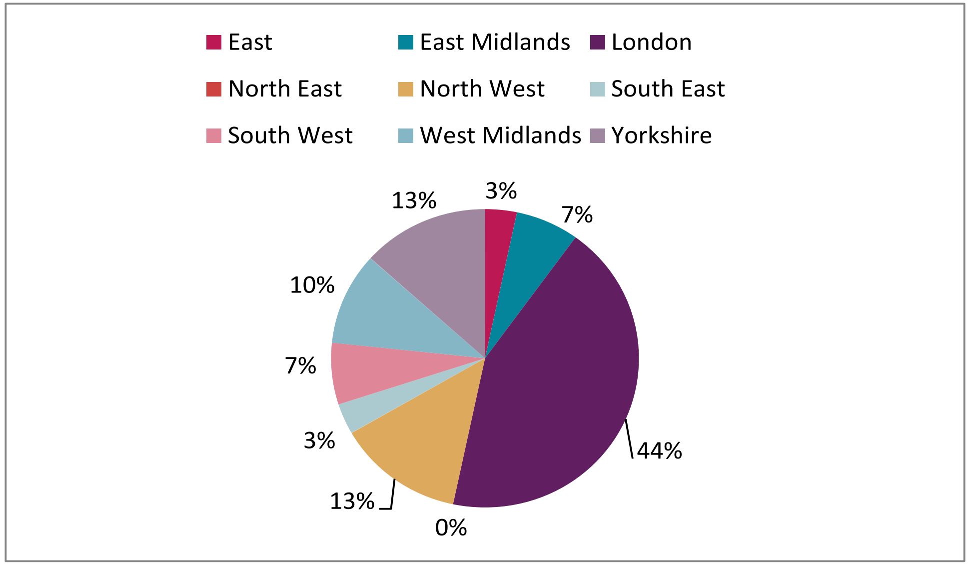


Figure 10. Breakdown of completed large projects by artfrom (n = 30)

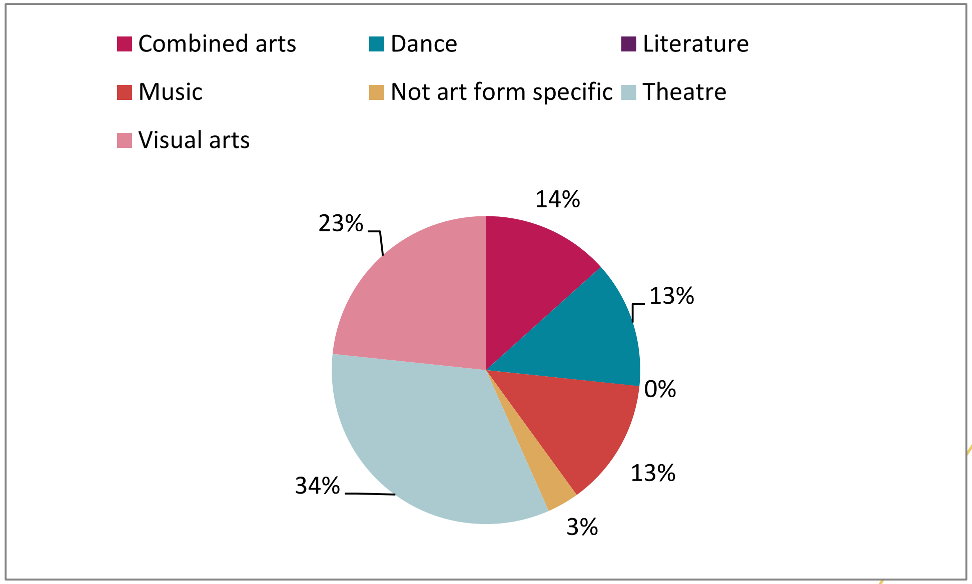
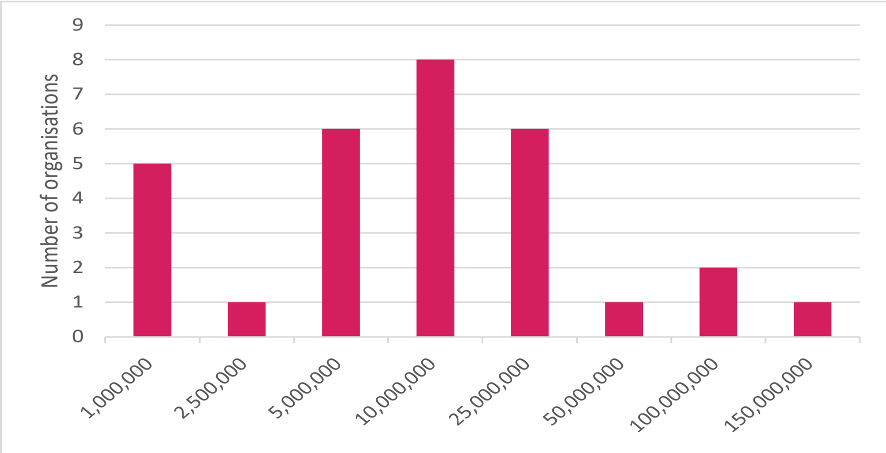
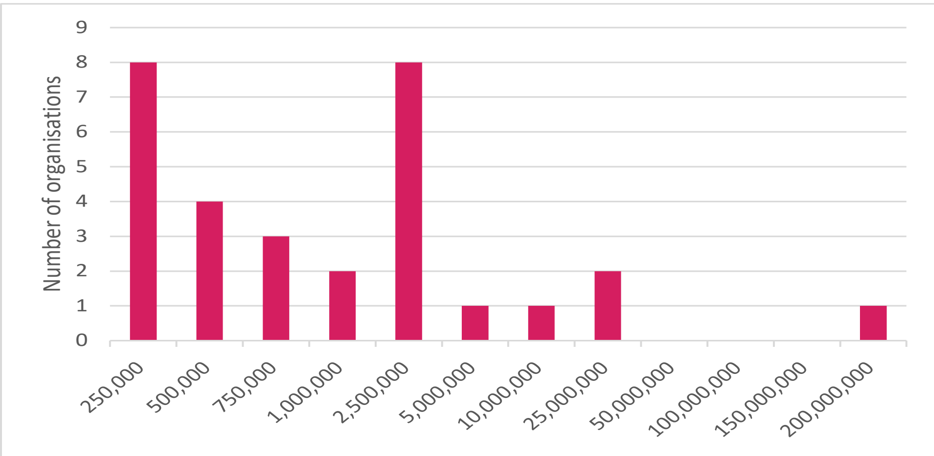


Figure 11. total income 2011 - 2012 (n = 30)



At their 2012 year ends the organisations had combined unrestricted reserves of £231m with an average of £7.7m and a median value of £806k. The level of reserves held varied greatly: eight organisations had unrestricted reserves of less than £250k and five organisations held reserves of over £5m. Over 80% of the organisations had reserves of up to £2.5m. (Figure 12).

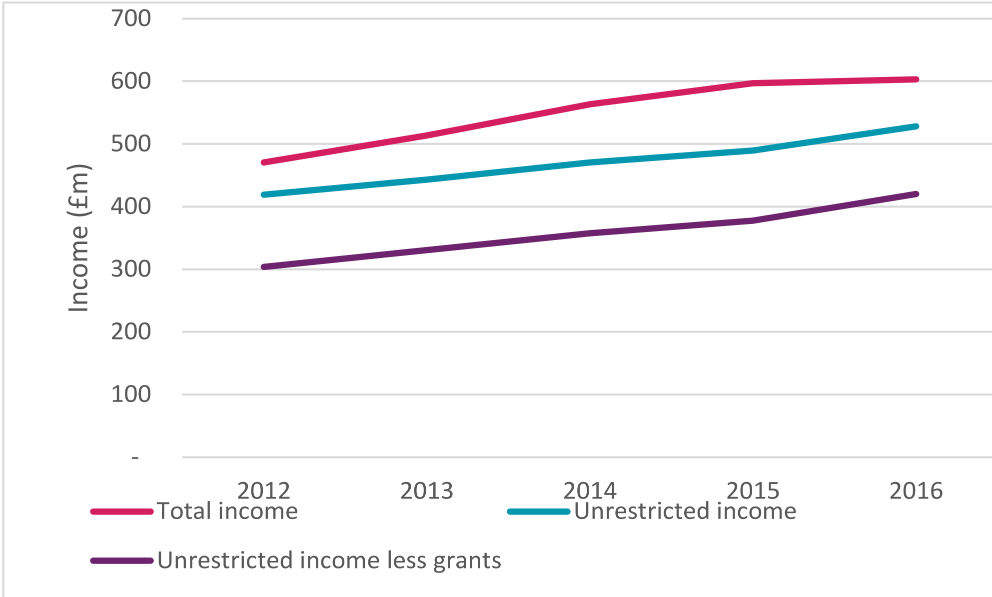
Figure 12. unrestricted reserves at 2012 year end (n = 30)



Income generation

Total combined income (Figure 13) for the thirty rose between 2012 and 2016 by £133m (28%). Unrestricted income rose by £109m (26%) and unrestricted income excluding grants rose by £116m (38%).

Figure 13. combined income 2012 - 2016 (n = 30)

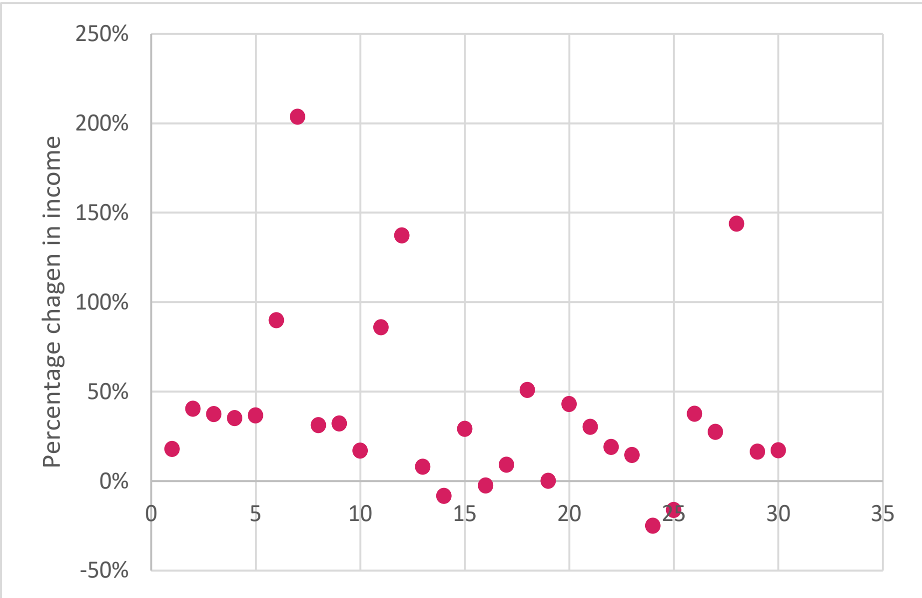


On average these organisations were able to deliver consistent year on year increases in unrestricted, non-grant income above the rate of inflation (Table Six).

Table 5.changes in unrestricted, non-grant income (n = 30 for 2016 and n = 24 for 2017)

	2013	2014	2015	2016	2017
Percentage change - median	8%	3%	2%	12%	2%
Percentage change - average	10%	14%	5%	17%	5%
Consumer Price Inflation (ONS)	2.8%	1.6%	0.0%	0.5%	2.3%

Figure 14. percentage change in unrestricted, non-grant income 2012 - 2016/7 (n = 30)



Only four organisations were unable to achieve an overall increase in unrestricted, non-grant income over the period, including one organisation whose income was static over the period. Three organisations were able to more than double their unrestricted, non-grant income over the period. Those organisations who were particularly successful or unsuccessful in increasing income came from different scales and art forms. Those organisations who were able to increase income significantly above inflation were generally those who were benefitting from significant new facilities and/or were based in areas of relative affluence and/or higher cultural engagement.

Generating unrestricted surpluses

Taken together, these sample organisations have generated collective unrestricted losses in 2012/13 (2.3m deficit) and 2013/14 (£702k deficit) and collective surpluses in the following two years (2015: £8.4m, 2016: £7.5m). (Figure 15).

Figure 15. combined unrestricted surpluses and deficits (n = 30)

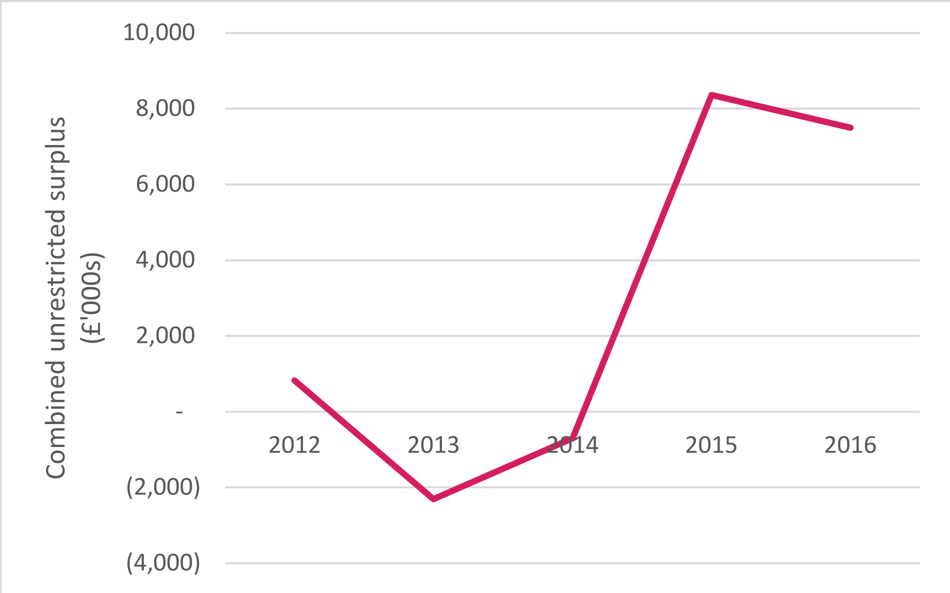


Figure 16. unrestricted surpluses and deficits 2012 - 2016 (n = 30)

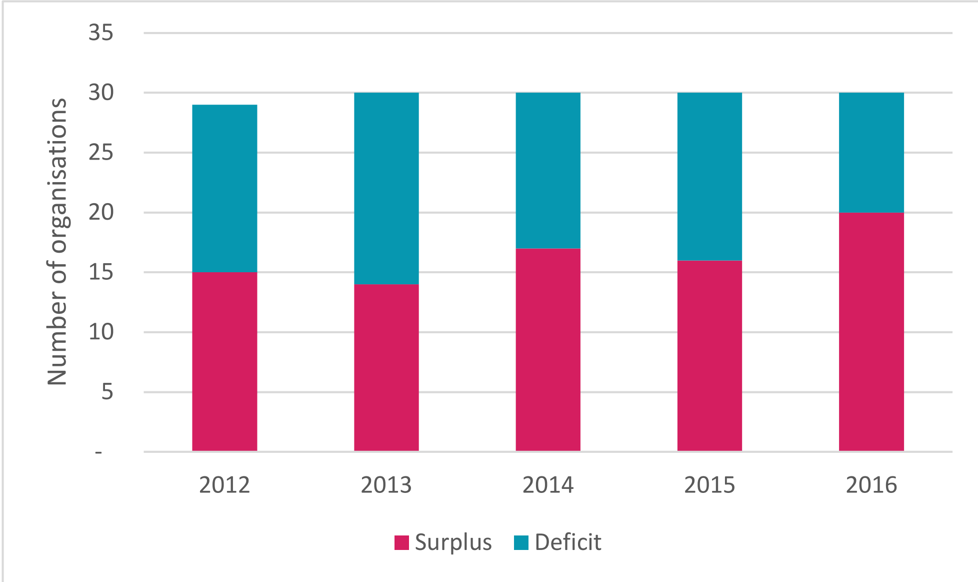
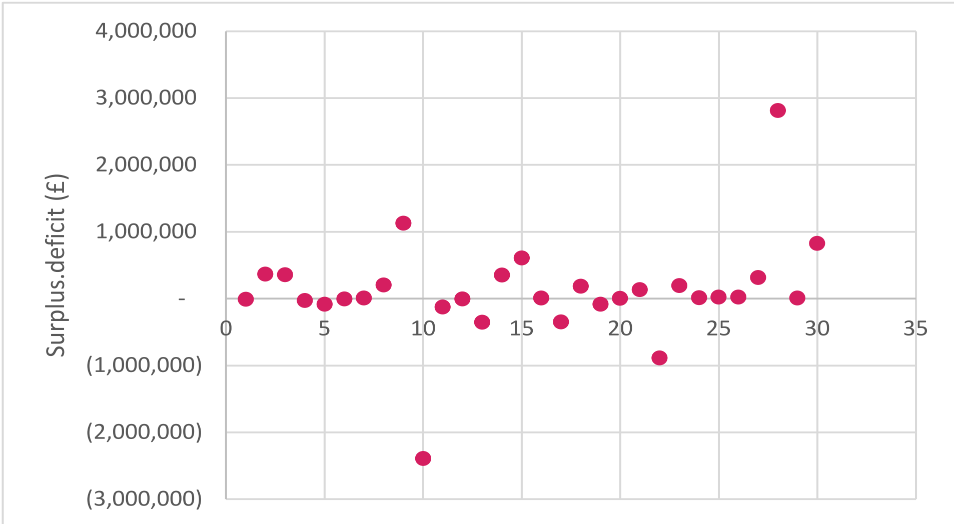


Figure 17. average unrestricted surpluses/deficits per organisation 2012 - 2016 In = 30)



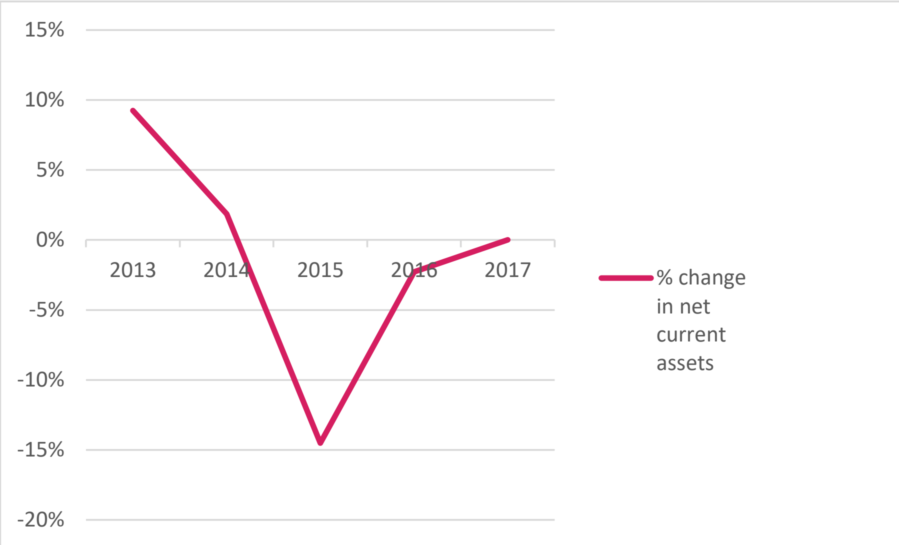
In all but one year (2013) more organisations have made unrestricted surpluses than deficits. By 2016 two thirds were generating surpluses (Figure 16).

Figure 17 maps the average surplus or deficit for 2012 – 2016 by organisation. The range of surpluses and deficits generated is substantial. Two national organisations generated both the largest average surplus and the largest average deficit reflecting their greater financial scale.

Liquidity: net current assets

Between 2012 and 2016/2017 the median improvement in net current assets was 5% with 27 organisations reporting an improvement in their balance sheet liquidity. However, this covered very considerable variation through time and between organisations.

Figure 18. median percentage change in net current assets at year-end (n = 30)

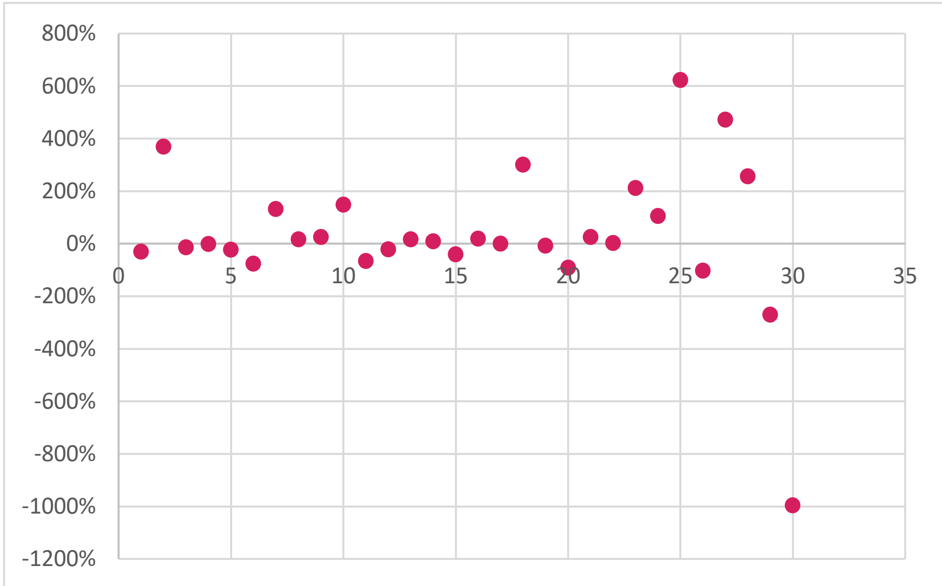


The net current asset position improved during 2012 – 2014 but worsened in 2014 – 2015 and then stabilised returning to a position of no change in 2016 – 2017. It is possible that the reduction in liquidity reflects the combined impact of a reduction in core grant income in real and absolute terms, a shift to different patterns of funding with less benign cashflow profiles and the widely discussed rise of 'last minute' ticket buying. The improvement at the end of the period may reflect organisations beginning to adjust to the new normal.

Most organisations experienced a modest improvement in their net current position over the five years, but the range of changes experienced was very considerable.

A capital project can have a significant short- term impact positively or negatively on the liquidity of an organisation during the project as unusually large sums pass through the organisation's accounts.

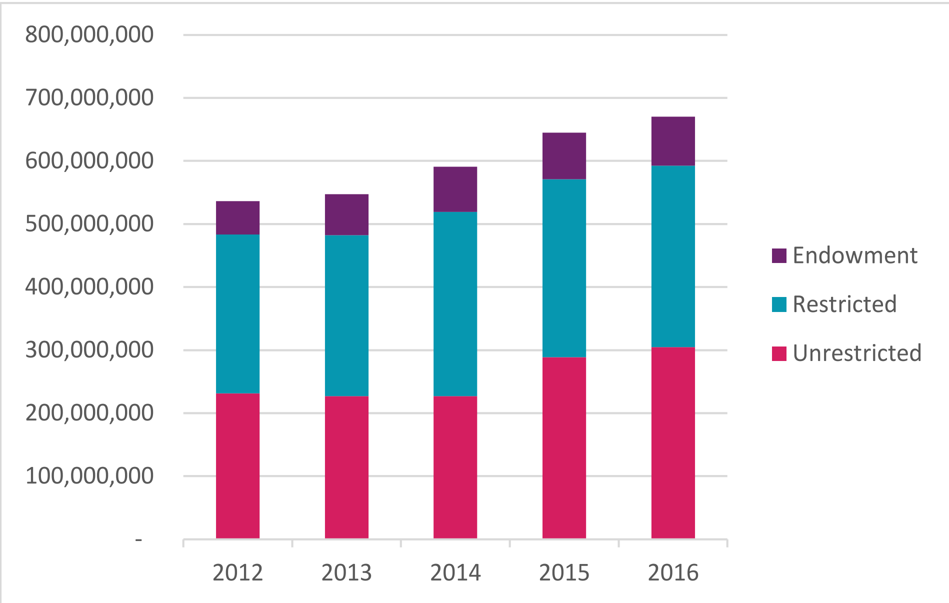
Figure 19. median percentage in net current assets between 2012 and 2016/17 (n = 30)



Building reserves

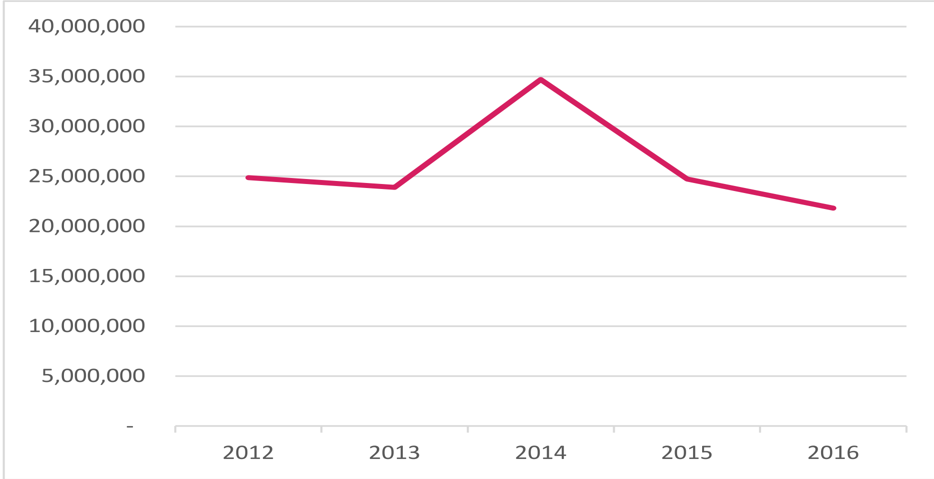
Between 2012 and 2016 (the latest balance sheet date at which all accounts are available) total reserves grew by £134m from £536m to £671m, an increase of 25%. Unrestricted funds grew by £73m (32%), restricted funds by £35m (14%) and endowment funds by £25m (47%). (Figure 20)

Figure 20. Year-end reserves 2012 - 2016 (n = 30)



Free reserves fluctuated significantly over the period from 2012 to 2016 (Figure 21) but there was a reduction in the overall free reserves figure from £24.7m to £21.8m (12%) due to the decline in free reserves among a small number of the larger organisations.

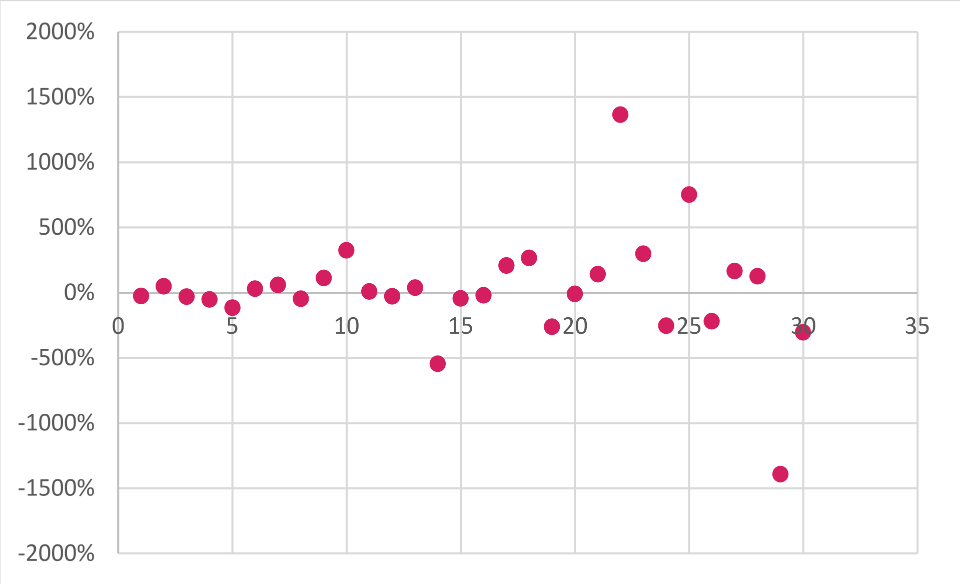
Figure 21. Year-end reserves 2012 - 2016 (n = 30)



The average change in free reserves by organisation was an increase of 19% with half of the organisations reporting an increase over the period. These overall results conceal a high level of variation between organisations and years. This increase is above inflation and suggests that for at least half of the organisations the general and substantial increases in income have enabled the generation of surpluses which have translated into enhanced free reserves. In an environment of declining public funding, more complex business models and a need for resources to invest in innovation, this is a welcome development.

As shown in Figure 22, these overall results conceal a high level of variation between organisations and years. Most of those organisations with largest changes, positive and negative, are large national organisations.

Figure 22. percentage movement in free reserves 2012 - 2016/7 (n = 30)



Analysis: Small capital programme

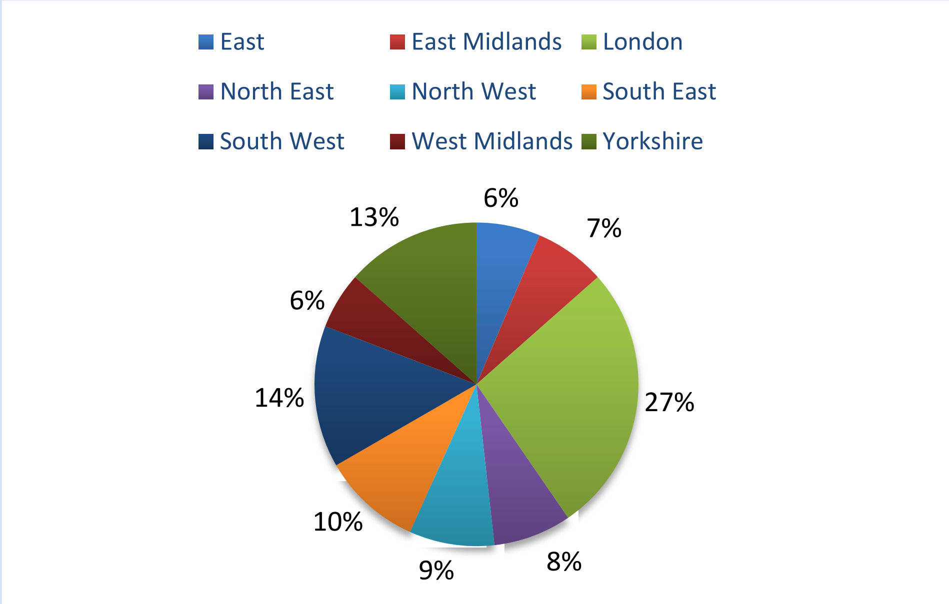
One hundred and forty-one organisations have completed their small capital projects either before or during 2017 (Table Six). These organisations come from the first four funding rounds and have received £37.8m in funding.

All the regions are represented. London has the largest number of projects (27%) with Yorkshire, South East and South West accounting for 10 – 14% each (Figure 23).

Table 6.Investment in completed small capital programme projects

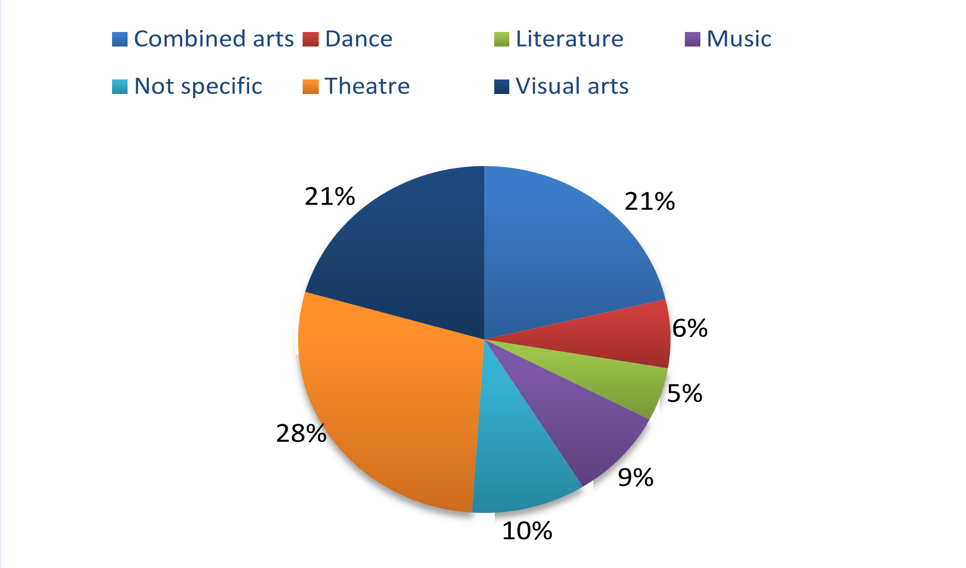
Round	Completed projects
1	9,628,173
2	10,265,263
3	9,095,600
4	8,756,136
5	37,745,172

Figure 23. Breakdown of investment in completed small capital projects by region (n=141)



All the art forms are represented. Together theatre (28%), visual arts (21%) and combined arts (21%) account for over two thirds of the total number of projects (Figure 24).

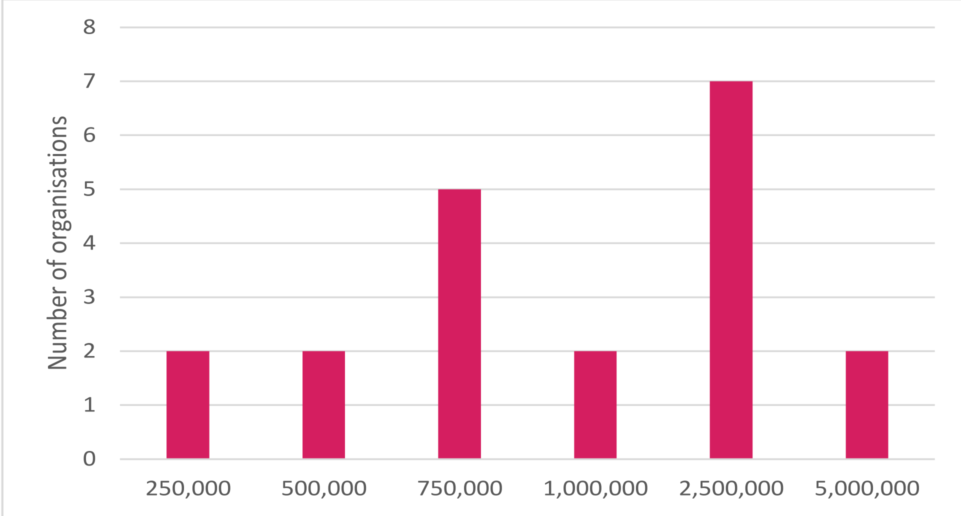
Figure 24. Breakdown of investment in completed small capital projects by art form (n = 141)



To explore the financial performance of small grant recipients a random sample of twenty (14% of the recipients) completed projects was selected and subjected to analysis. To assist comparison between the large and small programmes a similar framework has been adopted.

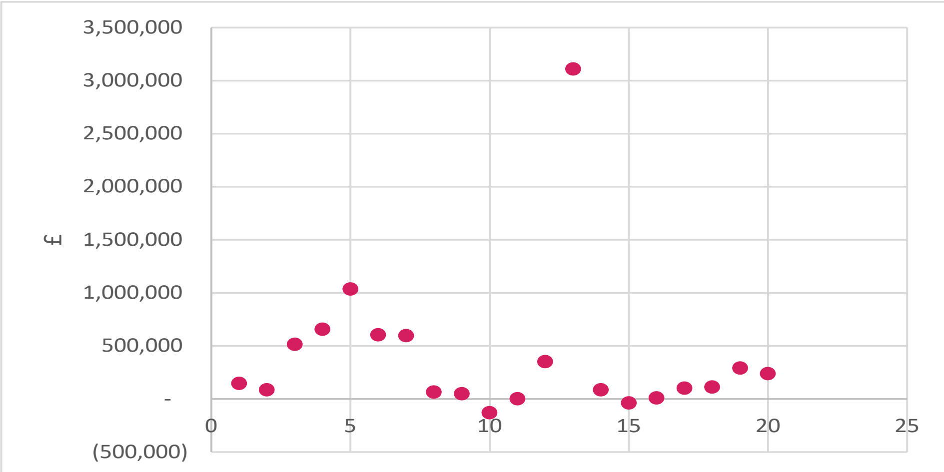
The sample organisations had combined income in the baseline year (2011/12) of £24.3m. Their turnovers ranged from under £200k to over £3m with an average of £1.2m and a median of £828k (Figure 25).

Figure 25. Total income by organisation 2011 - 2017 (n = 20)



At their 2012 year ends the organisations had combined unrestricted reserves of £7.9m (Figure 26) with an average of £395k and a median of £129k. Only two organisations had unrestricted reserves of over £1m.

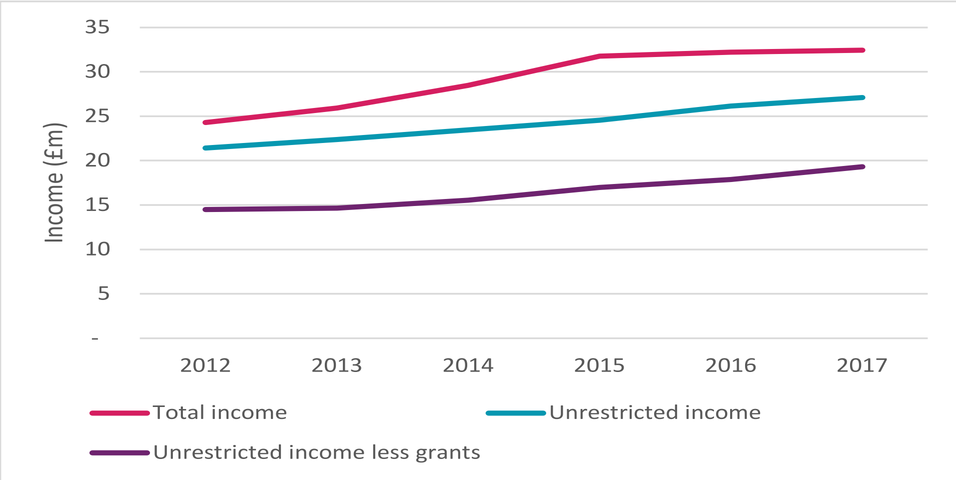
Figure 26. Unrestricted reserves at 2012 year end (n = 20)



Income generation

Total combined income rose between 2012 and 2017 by £8m (34% - Figure 27). Unrestricted income rose by £6m (27%) and unrestricted income excluding grants rose by £5m (33%).

Figure 27. Combined total income from 2012 to 2017 (n = 20)

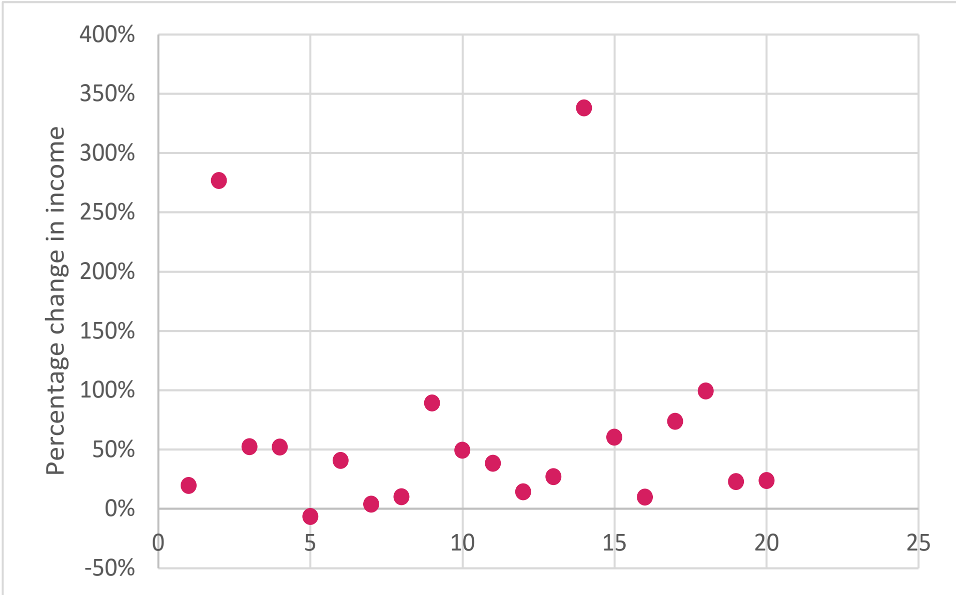


As with the large programme projects, small project organisations were able to grow their unrestricted, non-grant income over the period substantially more than inflation (Table 7). The median increase over the five years was 39%. Only one organisation was unable to increase its unrestricted, non-grant income over the period due to a pattern of small declines in three out of five years. This organisation is heavily dependent on the tourist industry. The two organisations who were able to achieve the highest growth in income were very different in terms of financial scale and art form. .

Table 7.changes in unrestricted, non-grant income 2012 - 2017 (n= 20)

	2013	2014	2015	2016	2017
Percentage change - median	-1%	6%	9%	5%	9%
Percentage change - average	5%	23%	9%	15%	16%
Consumer Price Inflation (ONS)	2.8%	1.6%	0.0%	0.5%	2.3%

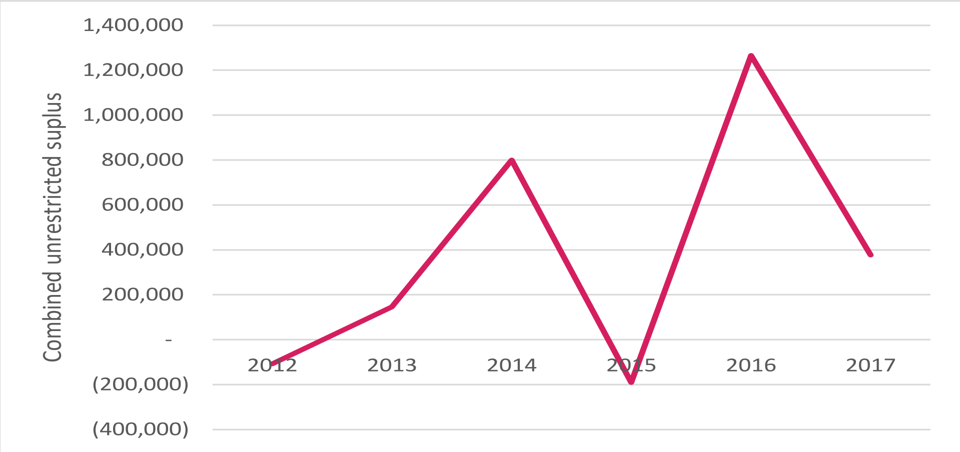
Figure 28. Unrestricted reserves at 2012 year end (n = 20)



Generating unrestricted surpluses

The twenty sample organisations generated combined surpluses in 2012/13, 2013/14, 2015/16 and 2016/17.

Figure 29. Combined unrestricted surpluses and deficits 2012 - 2017 (n = 20)



Most organisations generated an unrestricted surplus in every year under review except 2014/15 (Figure 29). The pattern of individual year on year surpluses and deficits is similar to that for the large programme completed projects (Figure 30 & 31). The organisation with an average deficit of £195k is the same organisation that had a deficit in 2014/15 of over £450k; it also has one of the strongest balance sheets in the sample. It is likely that the organisation built its balance sheet up in anticipation of incurring losses during a major capital project to which the Arts Council was a relatively minor contributor.

Figure 30. Unrestricted surpluses and deficits 2012 - 2017 (n = 20)

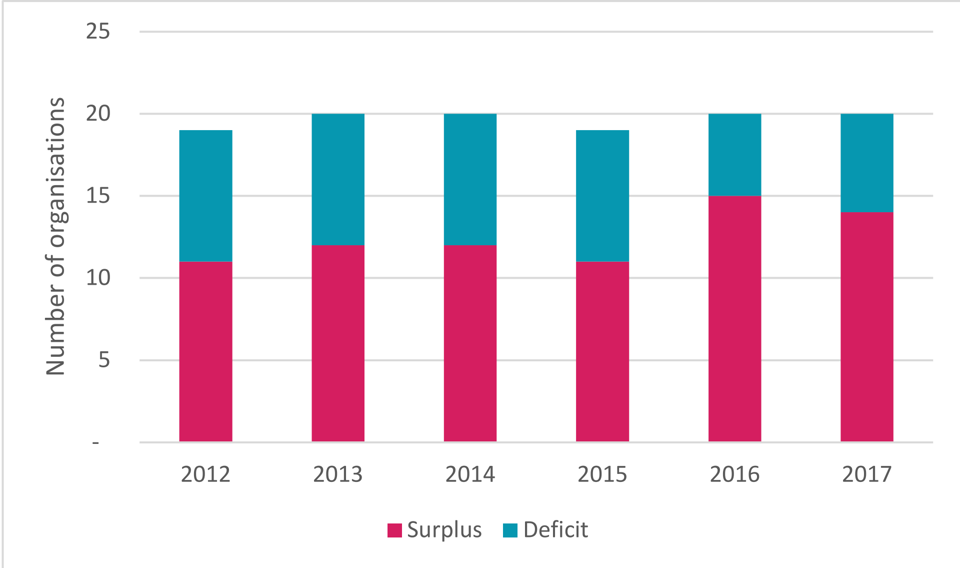
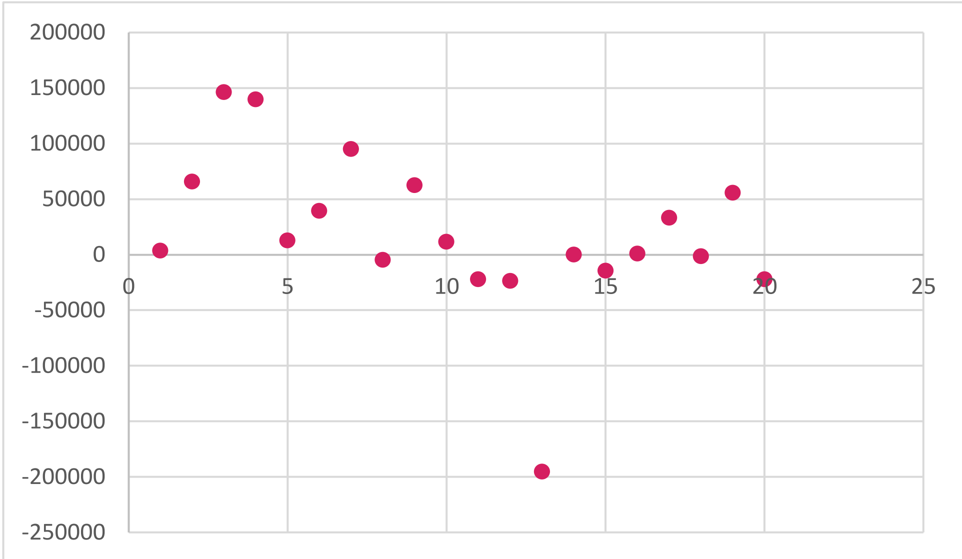


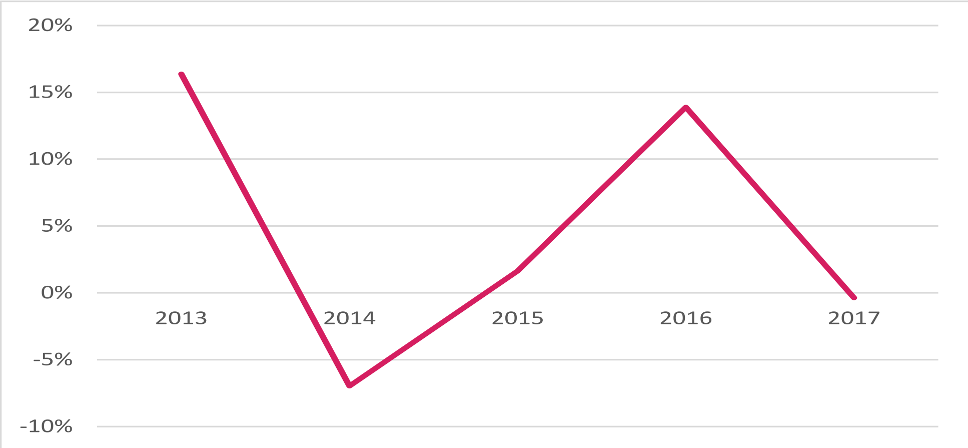
Figure 31. Average surplus/deficit per organisation (n = 20)



Liquidity: net current assets

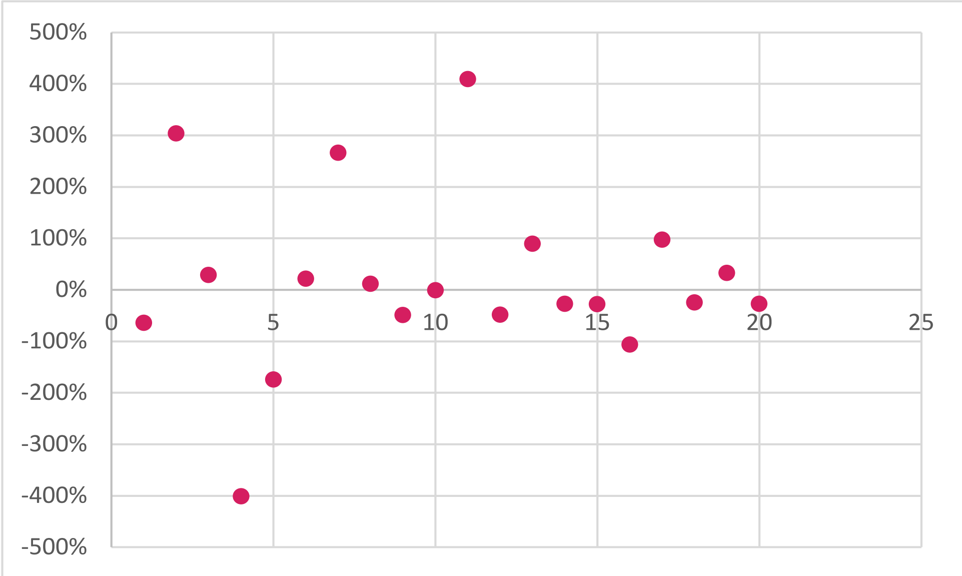
Between 2012 and 2017 the sample organisations experienced considerable shifts in their net current asset positions with an overall median decline of 13% (Figure 32).

Figure 32. Median percentage change in net current assets at year-end (n = 20)



Within this generally challenging position there was considerable variation with nearly half of the organisations seeing an improvement in their balance sheet liquidity (Figure 33). The pattern of liquidity challenges is similar as that seen for large capital projects with a decline earlier in the period followed by a recovery.

Figure 33. Median percentage change in net current assets between 2012 and 2017 (n = 20)



Building reserves

Between 2012 and 2017 the twenty organisations were able to almost double their unrestricted reserves from £7.9m to £14.3m. Restricted reserves fell from £28.9m to £25.6m. As a result, unrestricted reserves increased as a percentage of total reserves from 21% to 36%. (Figure 34).

Year-end free reserves increased from £1.4m in 2012 to £2.2m in 2017, albeit with reductions in 2014/15 and 2015/16 (Figure 35).

Figure 34. year-end reserves from 2012 to 2 107 (n = 20)

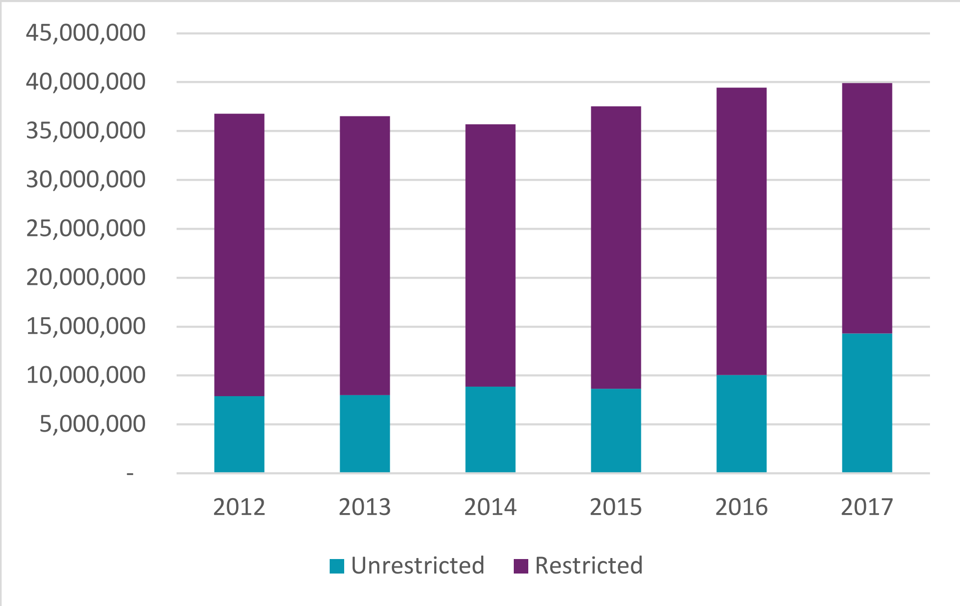


Figure 35. Year-end reserves from 2012 to 2 107 (n = 20)

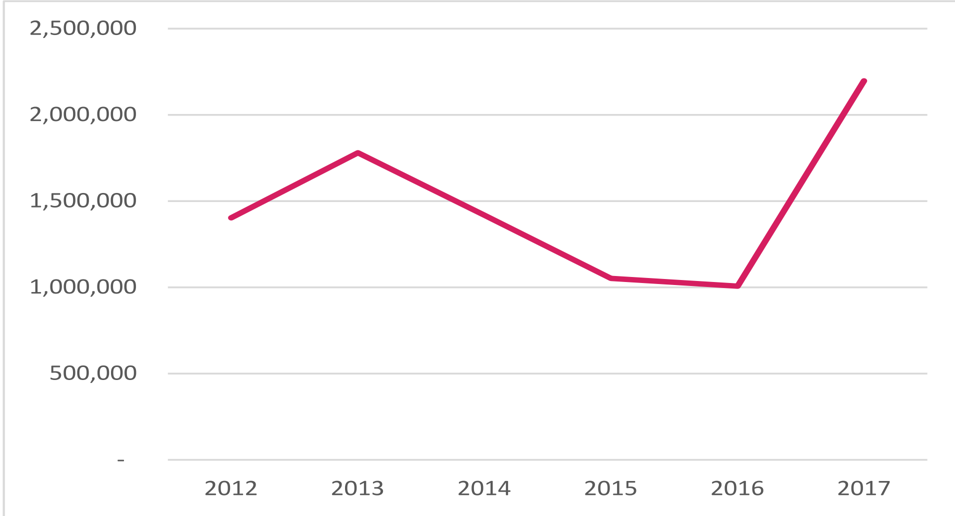
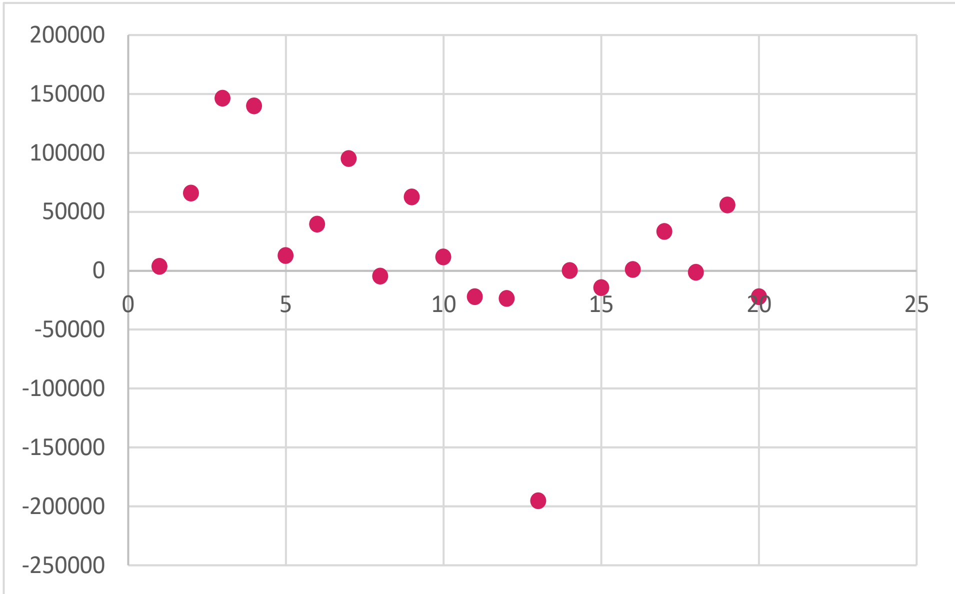


Figure 36. Percentage change in free reserves 2012 - 2017 (n = 20)



The average surpluses and deficits generated by the sample group ranged from a £150k surplus to a £200k deficit (Figures 35 & 36) Just over half of the sample organisations were able to increase their free reserves over the period (Figure 36). This is similar to the experience of the large programme organisations.

Analysis: investment in completed projects

Table 8.Investment in completed projects by size

	Number of completed projects	Arts Council investment (£m)	Partnership investment (£m)	Own investment (£m)	Total investment (£m)
Large	35	76	96	21	193
Small	153	41	42	11	94
Total	188	117	138	32	287

Large capital

35 large capital projects have been completed with a total cost at completion of £193m. These costs have been funded by an Arts Council (Stage 2) investment of £76m and partnership funding of £117m. This partnership funding includes £21m of the applicant's own funds in the form of support from a local authority venue operator, the charity's own reserves and revenue budgets. The Arts Council's contribution to total costs across the programme has been 39%. The proportion of costs funded by the Arts Council has ranged from 8% to 80%.

Small capital

153 small capital projects have been completed with a total investment from the Arts Council of £41m. Across the four completed rounds the Arts Council's investment has contributed 44% to total costs of approximately £94m. An almost equal contribution of £42m has been invested from other sources such as trusts and foundations, local authority grants and other fundraising. The applicant organisations have invested £11m (12% of total costs) of their own funds.

There is considerable variation in the proportion of the Arts Council's contribution to total costs from 3% to 94%.

If the proportion of Arts Council investment to partnership investment including own resources of 41%: 59% is sustained for all funded capital projects, the Arts Council's investment will have enabled a total investment of about £840m and attracted other investment of about £495m.

Conclusions

What are the characteristics of recipient organisations?

Capital grant recipients are a widely divergent group.

- Financial scale: turnovers vary between +£100m and below £250k
- Financial complexity: from unrestricted fund only organisations with few assets to large, multinational organisations with complex reserve structures
- Programme: They programme a wide range of different art forms for different audiences
- Location: They are based in locations through England with highly divergent socio-economic characteristics from central London and struggling seaside towns to rural areas with limited cultural infrastructure

They also have different histories which are reflected in the relative strengths and weaknesses of the inherited financial assets and liabilities that they bring into their capital projects. These may include endowments built up in past good times, weak balance sheets and legacy commitments in relation to terms and conditions such as pensions. Partly as a result the business models that they operate are varied and have been benefitted and challenged differently by a capital development process.

During the years under review their businesses have been subject to different pressures and they have benefitted from different opportunities:

- Changes in the quantum and structure of local authority funding upon their own organisations, their communities, their audiences and their partners.
- Their ability to access additional capacity building support and/or partnership funding via schemes such as Catalyst. A number of organisations received Catalyst funding over the period either to support the development of endowment funds or general fundraising through a combination of partnership funding and support for external costs or posts. These organisations appear to have been able to combine a capital programme, with its associated fundraising with their Catalyst funded schemes successfully.
- The need to account for substantial defined benefit pension deficits under FRS 102

To what extent have these organisations been able to grow both total income and unrestricted, non-grant income?

Organisations have clearly been able to generate substantial additional income above inflation.

Table 9.Additional income 2012-2017

	Total income 2012 - 2016/17	Total unrestricted, non-grant income
Large	28%	38%
Small	34%	33%

Only a small number of organisations were unable to grow their unrestricted, non-grant income over the period (Large: 4 out of 30; Small: 1 out of 20).

To what extent have these organisations been able to generate unrestricted annual surpluses to build reserves?

A majority of organisations have been able to generate surpluses rather than deficits in all years in the case of small project organisations and in all years bar one (2012 - 2013) for large project organisations.

How have the balance sheet liquidity positions of the organisations changed over time as measured by net current assets?

Maintaining good levels of liquidity, as evidenced by healthy net current assets, has been challenging especially for the smaller organisations on the capital programme. However a near majority of organisations (Large: 90%; Small: 45%) have been able to improve their balance liquidity.

Both groups demonstrate a decline in liquidity in the earlier part of the period under review.

How have the reserves positions changed over time and to what extent have the organisations been able to develop, maintain or increase their free reserves?

Table 10.Additional income 2012-2017

	Total income 2012 - 2016/17	Total unrestricted, non-grant income	Endowment
Large	32%	14%	47%
Small	81%	-11%	N/A

Over half of the organisations examined (both large and small) increased their free reserves between 2012 and 2017.

This is particularly helpful as cultural organisations hold some of lowest levels of reserves in the charity sector at 3 months expenditure versus an average of 14 months (NCVO, 2017).

Other indicators of financial health

Organisations have been able to raise substantial sums from existing and new funders towards the costs of their capital programmes. They have also been able, in some cases, to contribute to the project costs from their own resources and this ability has not been confined to local authority or university venue operators.

Whilst a number of organisations experienced financial difficulties during or immediately after their capital project less than 1% of organisations became insolvent and were wound up. This compares with the 'death rate' for UK businesses over the same period of 10-12% (Rhodes, 2017)

During this evaluation a number of finance specific themes emerged.

> The temporary growth in the scale of the financial transactions passing through the organisation's accounts and the development of larger balance sheets. In some cases the capital transactions dwarfed the organisation's usual revenue transactions

> The cash volumes passing through organisation's accounts clearly disrupted the usual pattern of financial transactions with many organisations experiencing considerable variability in liquidity

> Several organisations took the opportunity to, or felt the need to, review the organisation's key financial policies such as reserves, risk and capitalisation. There has been a discernible increase in sophistication and openness among a significant number of grant recipients. This may partly reflect the requirements of SORP 2015 and the wider and increasingly urgent focus on charity governance more generally

> A number of organisations changed auditors, usually employing a larger firm with greater charity specialisation

The first two themes suggest that organisations will have found it desirable if not essential to increase the capacity and capability of their finance functions. Both of the latter developments could also be seen as positive developments that should assist organisations by developing their ability to think and plan strategically at board and executive level.

Overview

Nearly half of the survey respondents believed that their business model aims had been met and identified key business model outcomes including

> Improved visitor experience

> Improved reputation

> Increased income

- Improved programming
- Additional facilities and updated technology

Case study participants spoke of the importance of improving their business models through offering a warmer welcome, better facilities and the creation of revenue generating assets.

There are two main outcomes of the capital programme which should contribute to improved business model strength based on the available evidence including the results of the survey, the case studies and the user experience research.

- Assets enhancement and creation
- Building organisational capacity and capability

Asset enhancement and creation

- The programme has enabled the creation and enhancement of cultural assets that can be exploited for both impact and financial return for decades if not centuries
- Improved visitor experience has been identified as a key outcome by respondents to the survey and case study participants. This is crucially important given the rise of the experience economy, growing customer expectations and increasing competition for people's time as well as money.
- Enhanced working conditions for staff, artists and collaborators should improve both productivity and creativity
- New technology based systems should improve productivity and enable more intelligent decision making
- More attractive facilities for artistic and community partners should support greater collaborative working
- Creation of a higher profile both locally and nationally, especially in relation to larger projects or the creation of new spaces

Building organisational capacity and capability

- An improved ability to plan strategically at the levels of core purpose, across years and financially
- Enhanced skills in relation to project management, finance and fundraising
- Enhanced experience of fundraising and access to wider funding networks
- Confidence in the organisation's ability to manage change successfully

It is not possible on the basis of the data available for this analysis and our other data collection to prove that the capital programme has resulted in stronger business models that are more attractive to customers, feasible to deliver and financially viable.

The financial data can, by its very nature, only be a summary snapshot of an organisation's financial performance and health. There is plentiful evidence that financial performance has been impacted positively and negatively by many other developments inside and outside the sector such as changes in funding, the wider economic climate, Government policy and accounting for pensions and these factors cannot be adjusted for or eliminated. It has not been possible to compare the performance of organisations that received capital funding with a control group that have not. The fact that the recipient organisations have been successful in a competitive funding process may suggest that they are both in greater need and in a stronger position relative to their peers.

However, is not unreasonable to assume, on the basis of the data we have, that for many if not most applicants their business models have been strengthened by the capital investment made by the Arts Council and other funders through a combination of investment in the following.

- Assets that enable organisations to make more compelling offers to more customers
- Equipment, systems and skills that allow organisations to work more productively
- Organisational capacity, capability and confidence both as a direct, intended result of the programme and as a by-product of meeting the demands of such transformational projects
- Enhanced ability to attract resources (cash and non-cash) to the organisations through enlarged networks, greater partnership working and a higher profile both within communities and within the sector

The Arts Council may wish to consider whether it could incorporate the following elements into the capital programme to enhance its impact.

- To ensure that both the applicant organisation and the funders have a clear understanding at the beginning of the project of the financial position of the organisation in terms of its free reserves and liquidity as well as the planned income and expenditure. This understanding should be revisited regularly.
- To encourage organisations to review, upfront and with rigour, the adequacy of their financial and risk management systems and staffing at both management and board level to oversee and manage the project and the evolved/transformed business model that the project is designed to enable.
- Organisations should be encouraged to develop a good understanding of how their business model currently operates and to map, in strategic terms, how the project is designed to strengthen the model. This mapping exercise could be revisited at regular points during the project and at the end to explore how far the organisation's business model aims have been met.

7. Firm foundations: Strategic capital outputs, outcomes and impact

Research has consistently shown organizations that adapt themselves to 'match' environmental change perform at substantively higher levels, whereas firms that maintain past structures and processes in the face of a changing business environment are less effective (Heugens & Lander, 2009).

Section summary

The rationale for the programme has been supported by the evaluation evidence – particularly buildings not being (or in danger of not being) fit for purpose

Regarding there being limited other areas of support applicants confirmed their projects were unlikely to have gone ahead without Arts Council support

Activities were conducted in line with framework set out by the Strategic Capital Logic Model

Processes are notably absent from the current framework and should be included in future

The Arts Council has delivered against its intended outputs: 141 small projects and 35 large projects completed to date. Completion reports outline achievements; Architecture Awards have been received and clients have confirmed buildings are delivering expected (and unexpected) improvements

The completion reports of the 20 large projects that provided the information show that there was an overall growth in footprint from 105,157 m2 to 127,449 m,2 an increase in size of 21%

The intended short-term outcomes have been achieved, excepting greater understanding of the Arts Council by local stakeholders (primarily due to an absence of data)

Improvements have been identified by clients as: people (relationships, CPD, visitor experience); spaces and places; reduced environmental impact; improved reputation and pride; improved programming

Specific improvements have been hard to identify because of inconsistent, or lack of, available data

Improving the environmental impact of arts and cultural buildings is recognised as an aim of the programme by recipients but data collected on the changes is inconsistent across the projects/programme

Completion reports of 28 large projects show 13 technologies have been adopted, by far the most common are sustainable materials and insulation

Of the 25 projects five have Display Energy Certificates (B to E rating), one has an assessment pending and one has an Energy Performance Certificate

To determine the achievements of the Arts Council's strategic capital investment since 2012 the intentions underlying the Logic Model have been assessed. The Logic Model is based on two underlying assumptions:

> The process of specifying and working through a capital design prompts consideration of wider resilience issues

> The quality of a building and its public space is influential in how and whether the public and partner sector chose to engage with arts and culture

These assumptions suggest a view that a capital project is a systemic intervention with the capacity to create impact beyond simply changing the physical attributes of a building. The second assumption implies that the nature of a building and its environment can influence how others interact with arts and cultural programmes and organisations.

Feedback from grantees supports the view that undertaking a capital project does have a wider organisational development and change impact.

> This really has been a transformational project. It has led to brand new income streams we didn't have before. It has increased our own skills base, our visibility, our access into communities and practical support we are able to offer to other arts organisations that we not have been able to do before.

> It was a huge achievement for the museum, made possible by the support of the funders and its staff. Our staff learned a lot and have been able to professionalise and develop their expertise through the project. We are a stronger organisation for having undertaken this capital project.

The second assumption would need further testing in terms of whether new audiences have been generated, grantees have confirmed that their partnerships and that audiences/users have increased but this data has not been systematically collected across the programme.

The rationale for the programme has four strands:

- Many arts buildings are not fit for purpose
- The Arts Council is protecting its historical investment (capital and revenue) through an on-going capital programme
- Capital funding can leverage other support
- There are limited other sources of funding for capital development

The feedback throughout the evaluation supports the view that many arts buildings are not fit for purpose, particularly some historic buildings and those that have been converted for arts use, and that there is an on-going need to maintain and develop them. Participants have shared stories about the limitations of their buildings from failing lifts to crumbling masonry.

The capital projects have generated income and support from other sources, ranging from in kind local authority project management to individual donations, and from new Trust funding to hiring income.

Numerous participants in the evaluation, both small and large, confirmed that without Arts Council investment their projects would not have taken place. Some grantees have suggested they are also looking to the Arts Council for future capital support and that other options for funding are severely limited and highly competitive.

> Without Arts Council funding as a catalyst our project would not have happened – it was the catalyst and leverage for the fundraising campaign, providing a quality mark to satisfy donors their money was going to be well spent.

> Small capital grant funding from ACE enabled us to gain the support of other funders from individuals and foundations. We couldn't have done the work without this. The small grants programme is a vital source of otherwise unavailable funding.

> It [the capital grant] allowed for improvement to areas so often seen as 'luxury' to other funders, such as improved lighting or an improved reception – yet such changes are often the ones that seem to have the biggest positive impact on artists and visitors alike.

The proposed activities outlined by the Logic Model have been evidenced in several ways (Table Eight). It is notable that these activities are primarily externally focused and do not include the Arts Council's own processes. This is an omission that future iterations of the Logic Model should address to establish a clear evaluation framework.

Activities	Indicators
> Ideas for future development are generated by organisations > Capital options appraised and agreed > Grant funding is awarded > Partners are approached and engaged > Building specification, design and plans are developed > Building work takes place	> Dialogue with the Arts Council > Written permission to apply > Applications to small and large capital > Feasibility studies > Architectural plans and Masterplans > Audience and user research > Grant offers > Confirmation of partnership funding > Confirmation of partnership support > Contractors appointed > Key stage review meetings > Activity reports > Work takes place on site > Progress reporting > Completion reports

The outputs identified by the Logic Model have been significant (Table 12). The programme's anticipated outcomes are defined in terms of short, and medium to long-term change and are a mix of physical and organisational changes (Table 12).

With the possible exception of a greater understanding of the Arts Council by local stakeholders (because of limited relevant data) the outcomes are being delivered.

Table 11.Delivery of proposed Logic Model outputs

Outputs	Indicators
> New and renovated buildings > Space > New facilities > Better quality space and facilities > Budget spent and not exceeded	> 141 small projects completed to date > 35 large projects completed to date > Completion reports outline achievements > Architecture Awards received > Projects have been re-scoped to deliver within budget > Income generated to manage budgets > Clients have confirmed buildings are delivering expected improvements

Table 12.Logic Model short-term outcomes

Short-term change	Indicators
> Increased visibility to public, stakeholders and peers	> Confirmed by recipients. Outcomes have been reported as new relationships, increased confidence and pride in organisation. Large projects stated enhanced reputation as their primary achievement
> High to exceptional building design and construction quality	> At least one Arts Council supported building project has won a RIBA prize since 2012 (Appendix Nine). Many other awards have also been achieved from customer welcome to retail offer
> Catalyst for business planning and new ideas for resilience	> Confirmed by recipients – evidenced in the survey responses, case studies and completion reports

Short-term change	Indicators
> Increased fundraising experience	> Organisations have gained capital fundraising experience, some have gained funding from new areas, new income generation roles have been created
> New or strengthened local partnerships	> Partnerships have been highlighted in the survey responses and case studies. They range from working more closely with local authorities to new relationships with universities.
> Increased understanding of ACE by local stakeholders	> Appreciation of the Arts Council's contribution has been raised by participants, it is not clear that this has led to increased understanding at this point. The Arts Council's logo is widely applied, and partners are aware of the Arts Council's contribution

The programme has achieved various medium to long-term outcomes although the extent to which they deliver against the Logic Model is dependent on the stage the projects have reached. As mentioned above recipients have reported valuing the Arts Council's contribution as well the advice and guidance of the National Capital Team and Relationship Managers. In some cases, projects would have liked to have seen the Arts Council more involved. Clients have also confirmed that undertaking a capital project is having a wider organisational development impact.

> "The project was hugely rewarding, and we continue to love our capital improvements every day (as do our audiences).

Strategic capital recipients highlight the following reported outcomes:

- People: this has taken the form of improved visitor experience, team development, development of new skills and experience
- Spaces and places: upgraded technology, additional facilities, improved equipment, reduced operating costs
- Reduced environmental impact
- Improved reputation and pride in their organisations
- Improved programming

The nature of the data collected by the Arts Council makes the more specific changes, like energy cost savings, difficult to assess. They have not been kept systematically by the Arts Council in terms of monitoring its own achievements, for example it does not appear that completion reports have been analysed against the planned outcomes outlined in the application forms.

Two specific areas have been considered in more detail as they are identified in the Arts Council's selection criteria: environmental sustainability and diversity and inclusion.

Environmental sustainability

One of the core areas that the Arts Council has looked to influence with the strategic capital programme is improving the environmental impact of arts and cultural buildings.

> We are ... committed to embracing environmental sustainability and reducing our carbon footprint, both within the Arts Council and the organisations we fund. (Arts Council England)

It is expected that all capital grant applications will include environmental sustainability as part of their projects. The guidance for small applications states:

> As cultural buildings can have high energy consumption, organisations applying for capital investment should consider energy efficiency as a priority.

The Arts Council expects applicants to consider:

- Sustainability issues in the design of their building
- Whole-life costs in the selection of materials, plant and equipment
- Sourcing environmentally sustainable materials and goods
- Sustainable construction practices
- Improved sustainability in the operation of their building – this may include
  - Improving awareness amongst the organisation and building users to reduce energy demand, waste and water consumption and maximise recycling
  - Developing an environmental action policy and an annual action plan to improve environmental performance and reduce carbon emissions

> We expect organisations to measure their reduction in energy use and carbon footprint as part of the evaluation of their project. It is therefore essential that you have a clear understanding of your energy usage now and on completion.

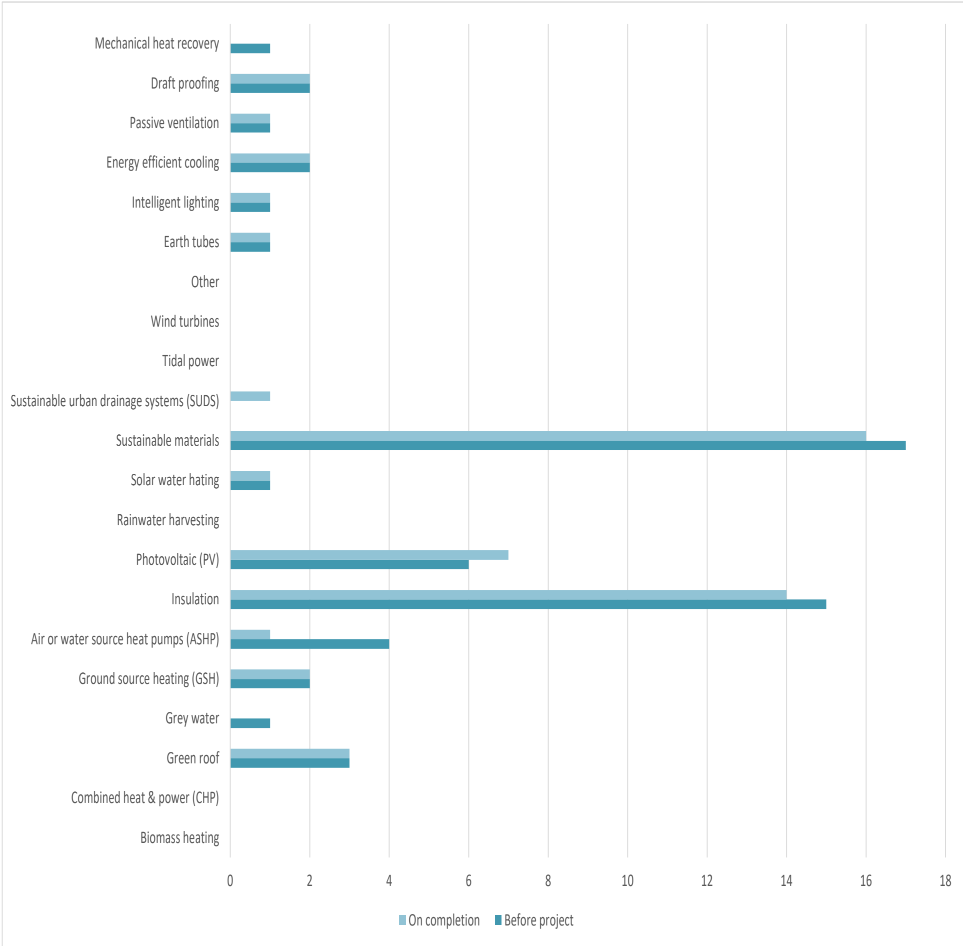
The guidance for Stage One large grant applications highlights that the application is required to show 'environmental sustainability – outline of the approach to environmental sustainability during design, construction and post-completion and how the project's impact on the environment will be minimised.' Stage Two applicants are asked to respond to four questions related to environmental sustainability in their applications:

1. How energy consumption will be measured before and following completion of the building works
2. The kinds of sustainable technologies being considered
3. How the sustainable technology options will be evaluated
4. The steps taken to minimise the environmental impact of the project

On project completion large projects are then required to report on whether they have a Display Energy Certificate (DEC) and if so the band they fall under. They are also requested to report on their energy consumption figures, notably they are not asked to report on energy consumption before and after the building project. Recipients are asked to indicate the sustainable technologies they considered and those installed as part of the capital works.

The available completion reports for 28 large projects were reviewed with respect to their environmental sustainability outcomes (small projects do not have to report specifically on their environmental sustainability achievements). Although projects are given a template completion report it is notable that there are variances in their completion, some include partial responses, and some do not list their outcomes.

Figure 37. Environmental technologies considered and implemented during the project (n=25)



By far the most common technologies adopted are insulation and sustainable materials (often including LEDs), followed by Photovoltaic technology. Fourteen types of technology have been considered across the projects and of these twelve have been adopted. In one case a technology that had not been considered prior to the building works was adopted as the result of technology available on the wider site rather than within the project itself. In over half of the projects (n=8) those technologies originally considered matched those adopted.

Out of 28 projects five have DEC (ratings span from B to E), one had a Building Research Establishment (BRE) Environmental Assessment Method (BREEAM) assessment pending and one has an Energy Performance Certificate (EPC).

The range of energy use on completion from those projects that supplied the relevant information (Table 13) highlights the diversity in scale of the capital portfolio.

Table 13.Energy use on project completion (n-8)

Project	Programme area	Power: electric kwh/m2pa	Power: gas kwh/m2pa	Total power kwh/m2pa
A	Performing arts	71	201	272
B	Performing arts	251	146	397
C	Performing arts	891	122	1013
D	Performing arts	233	200	433
E	Performing arts	141	140	281
F	Performing arts	228	103	331
G	Visual arts	66	52	118
H	Performing arts	219	54	273

Julie's Bicycle is the sector specialist in terms of environmental sustainability and acts as adviser to the Arts Council. Several benchmarks have been developed as a result of their research to date that provide useful comparators (Julie's Bicycle, 2015):

- Office Benchmark: Electricity 114 (kWh/m2pa), Gas 73 (kWh/m2pa)
- Museums and Galleries Benchmark: Electricity 86 (kWh/m2pa), Gas 132 (kWh/m2pa)
- Performing Arts: Electricity 101 (kWh/m2pa), Gas 139 (kWh/m2pa)

The reported energy use from the large project completion submissions suggest that in terms of electricity usage all but two projects are above the benchmarks, and regarding gas, four are below the benchmarks. While the current completion forms do ask organisations to report on the size of their buildings before and after they do not require before and after energy consumption figures.

Of the 20 organisations that reported on the size of their buildings there was an overall growth in footprint from 105,157 m2 to 127,449 m,2 an increase in size of 21%.

The wider capital portfolio survey results show that 46% of large respondents (n=54) stated reduced environmental impact as one of their achievements so far, whereas 59% of small respondents (n=101) rated it as an achievement.

Five in depth case studies have been undertaken of large capital recipients by Julie's Bicycle that have established baseline data for future monitoring by those organisations.

The case studies show:

- Projects can experience early technical issues, which once resolved can start to demonstrate energy use improvements – one project achieved a 32% reduction in total energy use and a 30% reduction in both carbon emissions and energy costs
- The need for an energy management strategy, including an energy data analysis routine of weekly, monthly, and annual tasks
- The need for an established energy management budget, recommended as 5-10% of energy spend
- The benefit of consistent and regular energy data collection and analysis, ensuring understanding of the data across the organisation
- The need for ongoing practical improvements - insulating exposed and hot valves, replacing equipment, sensors on lighting and so on
- The value of seeking appropriate certification such as ISO50001

While Julie's Bicycle has illustrated that there are wider sectoral improvements it is not yet clear (primarily because of a lack of consistent data) that these are reflected in capital grant recipients.

Current sector statistics show:

- Overall emissions continue to decrease with 17% decrease in energy use emissions between 2015/16 and 2016/17.
- The sector is improving energy efficiency with 9% reduction in energy use between 2015/16 and 2016/17. It's also prioritising action, with 19% of organisations on clean energy or green tariffs.
- Literacy (understanding of environmental issues) in the National Portfolio has increased by 33%: The number of organisations able to report robust data has increased by 33% since 2012/13

The wider work undertaken by Julie's Bicycle has highlighted several common themes:

- Commitment and culture change
- Engagement of sustainability champions
- Governance
- Training and development needs
- Clear baselines and realistic ambitions
- Recognising it takes time for major building projects to settle and there is a need for a safe space to trial different approaches

The data around environmental sustainability is not currently nuanced or consistent enough to draw anything but the broadest conclusions in relation to the capital programme. This is something the Arts Council may wish to address going forward.

The findings suggest several hypotheses that could be explored in future:

- The most common technologies used are those that are cheapest and most easily installed
- Levels of available funding makes it difficult for arts and cultural organisations to be early adopters in new sustainability technologies
- Many of the technologies utilised are compliance led such as LED lighting
- The nature of some of the buildings, particularly heritage buildings, are regarded as particularly challenging in reducing environmental impact
- Lessons learnt, and benefits are not being replicated and scaled
- There is sector learning being developed but this is not being shared widely

Diversity and Inclusion

Diversity is crucial to the connection between the arts and society; it represents a commitment to the wider world, and forms a two-way channel along which people can travel and find a platform to tell their stories.

For the arts and cultural sector, diversity is a test of resolve, not because of a lack of willingness, but because many of the underlying power structures of our world evolved in past eras, and the processes of succession have gone unchallenged. (Arts Council England, 2018)

The Arts Council's commitment to an equal and inclusive sector is set out in its Creative Case for diversity against which it collects annual monitoring data. The 2016/17 report suggests that there have been some improvements in the sector, but that there is still a lot of progress needed.

Despite some consistent progress, there remains a large gap between organisational aspiration and action. Equality action plans are not yet delivering the key structural changes and appointments that will address the under-representation of certain groups in the sector's workforce, leadership and audiences.

> There remains significant under- representation of people from Black and minority ethnic backgrounds, disabled people and – in some roles – women. (Arts Council England, 2018: 4)

As part of the strategic capital programme diversity is a secondary criterion that is considered when assessing applications, however, for those applicants that are also Arts Council National Portfolio Organisations it is an on-going funding requirement. Diversity also features in the Logic Model for the programme both in terms of the beneficiaries of arts and cultural organisations and also staff, artists, volunteers and governance. The evaluation survey responses show the following achievements:

- More diverse audiences: 27 % small respondents, 39% large
- More diverse team: 6% small respondents, 19% large

Goal Four of the Arts Council's strategic plan (2010-2020), is focused on the development of a skilled and diverse workforce across the sector. The survey results suggest that the capital programme may have had a small impact in this area.

A random sample of programme documents were reviewed: 45 activity reports, 25 Stage Two applications, and 10 completion reports.

The analysis shows what appear to be comparatively low levels of diversity reporting (Table 14) within the group. As there has been no prior analysis in this area it is not possible to judge whether this is an improvement or a decline on previous capital programmes.

Table 14.Diversity reporting

	Diversity focused or led organisations	Diverse beneficiaries	Diversity mentioned in document
Activity reports	7	15	15
Stage 2 applications	1	5	12
Completion reports	0	0	4

The reasons behind the levels of reporting are not straightforward, and it does not necessarily suggest that diversity is being underserved by the capital programme. There are various reasons these figures may appear as they do:

- For some small-scale projects the capital works are mechanical, and engineering or equipment focused. While the installation of a new boiler may improve user comfort it cannot be directly linked to delivering diversity
- The reporting formats are not conducive to reporting on diversity aspirations or achievements. They also do not allow for longitudinal data collection
- Applicants do not see diversity as a priority of the programme, environmental sustainability is given a higher priority in the process
- The strategic capital programme has not been strategically connected to the Creative Case for diversity within the Arts Council
- Diversity focused or led organisations remain a smaller part of the overall arts and cultural sector and appear to have been under-represented in the capital programme as a whole

For those that do report on or mention diversity the most common beneficiaries are disabled people, children and young people, different ethnicities, and those from challenging socio-economic backgrounds.

As with fulfilling the environmental sustainability criteria there is a lack of reporting consistency across the period of a project in terms of diversity, so even if it is an aspiration at the beginning, not everyone is reporting on it by the end of a project. The format of the activity reports appears to have changed across the period, with recipients now being asked to comment on:

- Ethnicity of beneficiaries
- Disability status of beneficiaries
- Ages range of beneficiaries

- Social exclusion status of beneficiaries

This starts to give some baseline data, but the questions are quite ambiguous (i.e. what percentage of beneficiaries do they need to be to qualify?) and most respondents seem to have a preference for reporting all beneficiaries, all ages and so on. It is not possible to draw conclusions about the impact of the capital programme at this point given the available data but as with environmental sustainability there are several hypotheses that could form the basis of further inquiry:

- Improving access to arts and cultural buildings, including psychological access (as highlighted in the case studies), still tends towards a compliance rather than a creative approach
- Creative approaches to improving access that are undertaken are not being shared
- The most common approach to physical access is undertaking an access audit and consulting specific groups but these activities vary in quality and innovation
- Leadership teams lack diversity (Arts Council England, 2018: 30)and therefore the teams managing capital projects are likely to be less diverse
- There are models of diverse practice that could be shared
- If diversity was foregrounded more in the application and reporting process the potential impact of the programme would improve

Impact

The ultimate purpose of the strategic capital programme is to support organisations with achieving Goal 3 to deliver maximum impact for Goals 1 and 2. This is an extension of the outcomes above and given the long-term nature of the programme it may be too early to tell for some of the projects. Discussion with the Arts Council also highlights that the Logic Model should have included all five goals, rather than be limited to three.

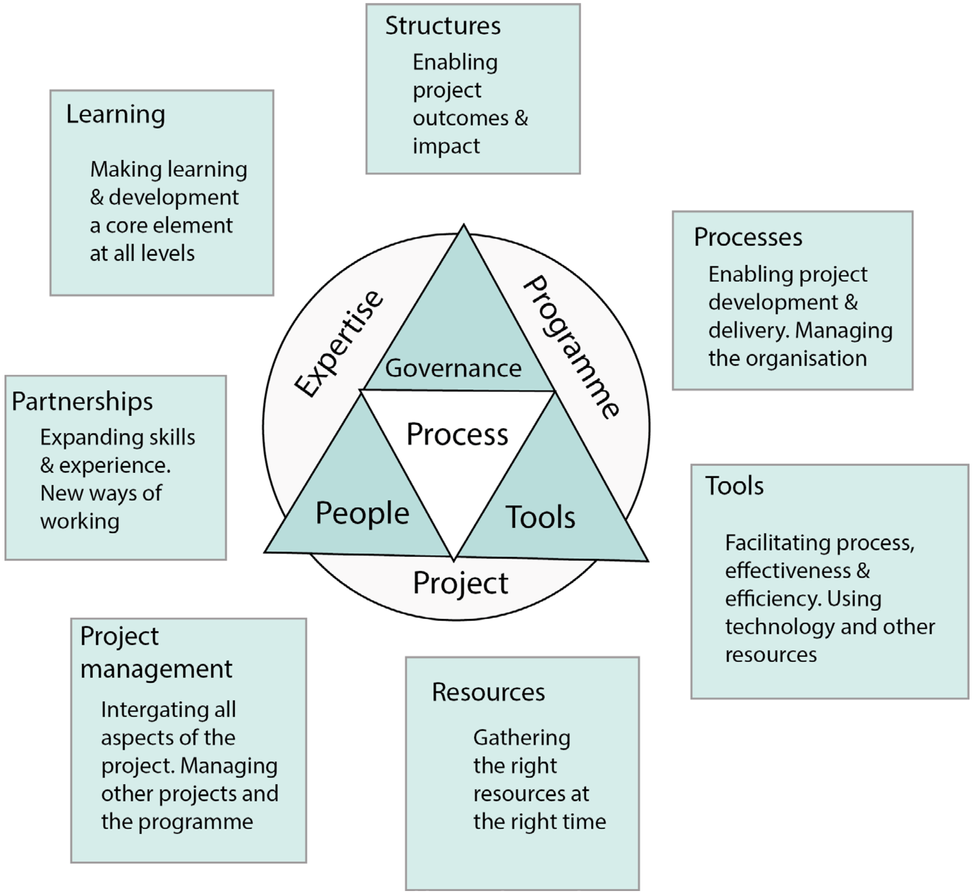
The organisations involved in the evaluation that went on to complete their projects have reported that their organisations have changed in ways that have enabled them to improve how they operate and what they deliver. Several themes have surfaced during the evaluation that provide depth to the overall outcomes and impacts and illustrate what is gained from the experience of managing a capital project at whatever scale.

These include:

- Managing complexity
- Organisational development
- Managing tensions and dilemmas
- Engaging in a capital project

The evaluation data shows that even the smallest capital projects can be complex and involve a variety of interlinked aspects. The capital team and area officers endeavour to support applicants to consider these in advance but further resources in this area may be helpful. These need to span a range of areas (Figure 38) many of which can be drawn from the programme learning to date.

Figure 38. Aspects of engagement in a capital project (Alchemy, 2018)



Capitalising on expertise has been a core theme throughout and participants in the evaluation have been very open in expressing a desire to share, collaborate and learn from each other. Operations and Building Managers are particularly keen to find a peer network to address common issues. Another important factor for recipients has been the need to manage multiple projects and run an organisation and all this implies for resourcing, energy and time available.

Managing complexity

There are a range of characteristics of capital projects that suggest grantees must adapt to complexity. This includes on-going non-linear organisational change and transition, multiple stakeholders, a range of possible solutions, disruptive technology, and so on.

There are also incidences of organisations having to adapt to unforeseen circumstances and surprises during the capital process.

Managing tensions and dilemmas

Several tensions have come to light both for the Arts Council and grantees. These encompass all aspects of the project and are quite wide ranging. At one of the Learning Events the view was expressed that this is an integral part of the process and part of the learning is how to work with these tensions and accept they are not always resolvable.

The tensions and dilemmas surfaced included:

- Board members retaining a strategic governance role but also having to be available for operational decision making that requires sign off
- Being the ultimate occupant and operator but not being the client and not having control over the project
- Managing the on-going programme and 'day job' at the same time as managing the capital project
- Whether to stay open or to close during the building works and how to manage either option
- Managing different demands and timelines for different funding stakeholders
- Thinking on your feet and responding at short notice at the same time as having to demonstrate long term and robust planning
- Working outside of your comfort zone and learning at the same time as having to instil confidence and demonstrate leadership to your team and stakeholders
- Ambitions outstripping resources and managing disappointment
- Working harder than ever and feeling under constant scrutiny
- Being contained by specific processes (such as the RIBA stages) but also being creative and adaptable
- Being focused on process that is not always as flexible as it might be rather than innovation and creativity
- Advice from the Arts Council not always being consistent at area level

Given the nature of the process these tensions are not necessarily surprising, but they do underline the challenges that organisations and the Arts Council face in the delivery of the capital projects and programme.

> “We are creatives, but architects see themselves as creatives too. Whose hand is on the pen?

> “We speak two different languages...we are putting art into the arts centre

> “Balancing detail and the strategic. You need an intimate knowledge of the building and project together with an overview and awareness of our neighbours.

Organisational development

> Really articulate and sign off your vision and purpose. Always keep this at the heart of the process and get buy in from all those involved including the contractors.

> Maintain the focus on organisational change, systems and future business model in parallel to the building works: balance the work required to maintain programme and audiences during any period of closure with the need to develop the organisation to be fit for purpose on reopening.

> This experience of this gave a real boost to the team in terms of finding new ways to work together and working on something different. This combined with the tangible results of the work is what made the project so rewarding for all involved.

Hearing the experiences of capital programme participants illustrate that many if not most of the projects have had an organisational development dimension. Grantees have had to take a systemic approach as even the smaller projects have found there has been an impact across the organisation. This has taken the form of ensuring that the capital work aligns with organisational ambition, capability and resources to respond to and influence a changing environment.

Diversity and inclusion

Some projects have focused on diversity and improving access specifically, but it has not been a priority for all. Addressing physical access tends towards compliance level rather than more creative solutions that take an aesthetics of access approach. Ethnic diversity has mainly been a focus for audience development. Class and gender have received very little mention in the documentation or conversations. It is not clear how the capital programme relates to the Arts Council's Creative Case for diversity other than through the business plans of NPO applicants.

Learning

> Plan pause, plan pause, plan, press ahead!

> Ask advice at all times!

> Talk to people who've been through similar projects. Be open about your own areas of inexperience and ignorance and be prepared to ask.

There is no question that learning has been a core element of the capital programme. Testimonies confirm that this has happened at individual, team and organisational level. It is also happening within the Arts Council at area and programme level. There has been a strongly expressed interest in, and desire for, peer learning. It does appear to have been a missed opportunity that opportunities for such shared learning has not been organised by the Arts Council. There appears to have been duplicated effort as each new applicant seeks out mentors or advisers afresh. Again, a centralised information, advice and guidance resource would be of benefit, if nothing else it could make available resources that have been commissioned in the past but are not easily discoverable unless you are very determined such as the CABE/Arts Council Client advice pack.

Innovation and enterprise

> The rhetoric of innovation is often about fun and creativity, but the reality is that innovation is hard work and can be a very taxing, uncomfortable process, both emotionally and intellectually. (Hill, Brandeau, Truelove, & Lineback, 2014)

Capital projects appear to have played a role in helping organisations to be both willing and able to innovate. This willingness comes from both the original vision but also the courage to take on a project which may contain uncertainty. Several participants speak of an inspirational leader or Project Manager driving a collective effort. It has also been driven by a recognition that the external environment will continue to be challenging and there is a need to evolve new business models if arts and cultural organisations are going to survive. These organisations have demonstrated a number of characteristics (Hill et al., 2014):

- Creative abrasion - ability to generate ideas through discourse and debate
- Creative resolution - ability to make integrative decisions
- Creative agility - test and experiment

8. Conclusions and recommendations

Good architecture always begins with a committed client and it is extremely heartening to see in this year's crop of winners, the increasing recognition, notably in the public sector, of the vital role of good design in attracting visitors, students and clients and of the dramatic influence that a beautiful building has on communities and pride. (RIBA president Stephen Hodder, 2014)

> This was a very important support for us in correcting practical building faults that were holding us back and costing money. It was flexible, and the project has been significant in our programming aspiration, staff capacity and has allowed us to focus on the core activity of the organisation.

The brief for the evaluation highlighted six questions the Arts Council wanted to address:

1. To what extent have the funded organisations achieved their stated outputs?
2. Have the outputs delivered the anticipated outcomes?
3. What other factors may have had an influence on outcomes?
4. What can be learnt from the programme about how national development agencies can best develop and sustain the arts infrastructure in England?
5. What can be learnt about how best to manage and develop the capital assets for the benefit of cultural organisations and their stakeholders?
6. What kinds of monitoring and evaluation data should be collected by the Arts Council in future capital funding rounds to maintain an overview of the outcomes and impacts of the investment?

The completed projects report that they have successfully achieved the outputs they intended. In some cases, these have had to be amended where the project had to be rescoped because of the available funding. These outputs have led to both anticipated and unanticipated outcomes as set out in sections five, six and seven.

The context section outlines the complexity of the external environment in which the strategic capital programme has been implemented. Other factors that have influenced the outcomes include, but may not be limited to:

- Other Arts Council interventions such as Catalyst
- Changing legislation: HR, building regulations, charity law, data protection, financial regulations and so on
- Public policy: changing relationships with local authorities, reducing public services, STEAM education agenda, etc.
- Technology: ability to specify and procure appropriate technology
- Capacity and capability: strengths of the project team, internal capacity, access to expertise and teamwork
- Resources: access to required levels of resources at the appropriate time

- Partnerships: the depth and breadth of partnership developed throughout the project, access to mentors and others with capital experience
- Processes and systems: ability to manage and/or develop appropriate systems pre-, during and post project. Procurement processes were raised as a particularly challenging area
- Vision: clear and consistent vision held throughout the project
- Structures: appropriate internal and external project management structures
- Financial position: strength of balance sheet, availability of cashflow, access to other sources of financing
- Change readiness: able to adapt and flex, and draw on learning throughout the project

The case studies included in the accompanying reports highlight some of these issues as they have applied to individual projects and organisations. They are also based on the factors required to engage with a capital project (outlined in Figure 38 above).

In terms of what has been learnt about how national development agencies can best develop and sustain the arts infrastructure in England, the structure and processes put in place by the strategic capital programme have been delivering what was intended and should continue.

There are areas where improvements could be made:

- Increased capacity within the National Capital Team to allow for strategic and delivery work
- Better dissemination of the learning across the programme
- Improved data collection within the Arts Council
- Increased advocacy for the work of the capital programme, highlighting achievements as a programme and of the projects

Celebrating success

> Celebrating success builds momentum and commitment and energiszes people to do well. Furthermore, celebrating success provides a forum for iterating standards and values, while also providing employees an opportunity to come together and establish closer bonds. (al-Baradie, 2014)

It is striking that given all that has been achieved by the programme there is no single repository that makes these achievements publicly available. Individual organisations have promoted their own projects but there is no centralised resource space to promote the programme. This has left the space open for the problematic CP1 and CP2 projects to continue to cast a long shadow.

The evaluation feedback suggests there are achievements to celebrate – people are proud of their buildings and what they allow them to offer their audiences, users and staff. HLF features buildings it supports on its website, the Arts Impact Fund has a blog and features case studies (several of which are jointly supported by the Arts Council), The Wolfson Foundation features mini case studies, and the Foyle Foundation has an accessible archive of all project funding for the last four years, as has the Jerwood Foundation.

Accepting it has a different relationship to the properties it protects English Heritage also features information on the buildings it works with, as well as offering resources and advice.

Acknowledgement and recognition

Linked to the need to promote and celebrate achievement is the view that this would allow recognition for all the effort, energy, resources and commitment that has gone into realising these often complex projects. Recognition is an important psychological concept and research has demonstrated it can link to levels of personal satisfaction, improved levels of trust and belonging, and motivation. It appears that the achievements of the capital programme since 2012 are a relatively well-kept secret that deserve to have wider recognition.

The Arts Council has supported a wide range of capital projects that are having a positive impact on arts and cultural organisations and their audiences. The programme has developed the physical infrastructure, the organisations involved, and specialist project management skills and experience within the sector.

The achievements of these projects and of the capital team are not widely acknowledged and celebrated. Equally, not all projects have promoted their building project on their own websites and some that do often show images devoid of visitors. There should be wider acknowledgement and promotion of the achievements of the programme and the projects it has enabled.

Monitoring and Evaluation

The Arts Council should increase its use of 'lessons learned'/ evaluation exercises to learn across its grant-making, to spot trends and to target future funding where it has most impact. The Arts Council could work with other relevant grant giving bodies to share expertise and best practice here...The Arts Council should further promote learning, sharing and partnership working between arts organisations, museums and libraries of different sizes across the regions. (DCMS Tailored Review of Arts Council England)

This evaluation echoes the views of the DCMS tailored review. The Arts Council needs to improve the consistency of its data in relation to the capital programme if it is going to monitor its intentions and impact going forward.

This needs clarity around the data to be collected and it is suggested there is a more integrated relationship between the National Capital team and other departments to allow access to a range of relevant data.

The Logic Model adopted by the Strategic Capital Programme appears robust and covers the core areas that would be expected to understand impact, with a few exceptions. This should now be updated in the light of the evaluation findings (a refined version is suggested in Appendix 10). This should also be made more transparent to grantees, so they can provide the necessary data and understand how they are contributing to the evidence base to support the programme. The Logic Model should be referred to on a more regular basis and embedded in the working practices of the team.

While it is appreciated that the Arts Council wishes to maintain a light touch regarding individual project evaluations, some monitoring to determine if the responses are fit for purpose would be helpful. As would the development of indicators that sit alongside the Logic Model to make sure data collection is consistent and useful.

It is not clear that evaluations are received from all clients, where evaluations are submitted they vary widely from the publication produced by Chichester Festival Theatre to a one-page review, again a more consistent approach would be beneficial

Resilience

Organisational resilience has become a 'buzz' phrase to which clients are now very attuned and it appears repeatedly in the programme applications. While the aspiration of resilience is understandable and attractive it is not entirely clear from the guidance what the Arts Council means by it in this context. It is important to decide whether resilience is a 'measure, a feature, a philosophy or a capability.' (Bhamra, Dani, & Burnard, 2011: 5389).

Discussions during the evaluation suggest that it has been seen in all these forms by different participants. The evaluation has identified that there are different perspectives ranging from the ability to withstand a risk or critical incident to straightforward financial viability. The Arts Council may wish to consider the factors it is looking to address, some of which might be (Kantur & Say, 2015):

> Robustness: ability to recover from unfavourable conditions

> Agility: capacity for rapid action

> Integrity: team cohesion

These link to the characteristics needed for operating in a VUCA environment such as experimentation, working more effectively with data and information and adapting organisational systems and structures.

In summary, the evaluation has reviewed:

1. Have the right things been done?

7. Have things been done right?

8. What has worked (and not worked)?

9. Why has it worked (and not worked)?

10. What can be taken forward?

In terms of the overarching evaluation questions the feedback from recipients of the programme is broadly positive. Those who are used to working within the grant funding system feel the process is about right. However, the timing of decision-making and inconsistent guidance has been a problem for some applicants. Having a long-term strategy and the core Arts Council Goals has been helpful and organisations have been able to clearly identify how their project will help deliver them.

The programme has worked in that it has been delivering some significant impacts for its recipients. It has also been growing an extensive network of experience across the sector in terms of those who have managed or been through a capital project before. The mythology of the trials and tribulations of a capital project is now well known, which is perhaps why the support of a mentor or other adviser has been such a common piece of advice.

What has gone well:

- The range and depth of organisational achievements that go beyond delivery of a building and align with the Arts Council's Logic Model
- Development of people – skills, attitudes and behaviours
- Generating confidence and pride
- Creating a strong sense of achievement
- Expanding programmes, partnerships and other areas of work
- The perception of the Arts Council as supportive and flexible where possible
- Improvements have happened that wouldn't otherwise have taken place
- Income growth across both large and small projects
- Deep focus on user experience by some organisations
- Organisational development and generating change
- Stakeholder support generated

What has gone less well:

- The process has not always worked well for clients in terms of phasing, speed of decisions and the required paperwork formats
- The lack of feasibility support is seen by some as an obstacle
- Limited support for organisations where they may not be the primary client

- Challenges of some contract types and negotiating experience
- Loss of strategic sense of capital programme within the Arts Council – tension between process needs and developmental impacts
- Limited capital resources and experience within the Arts Council given the extent of the impact
- Building a community of practice
- Lack of consistent data collection against the intentions set out in the Logic Model

For the future:

- Supporting clients with a realistic estimation of time and capacity required
- Helping with common areas of challenge – the specification and installation of appropriate air handling units seems to have been a common issue
- Case studies showing different approaches to diversity and inclusion, as well as making use of the case studies produced during the evaluation
- Future searches – looking further ahead
- Centralised signposting and sharing
- Celebrating the achievements and promote them

Structuring the future: what next for arts and cultural buildings?

> The rise of the "experience economy" is currently one of the most important global trends in marketing. Now, more than ever, consumers desire unique, spontaneous and immersive entertainment wherever they are. They want multisensory experiences, beyond sight and sound. However, they don't want to be restricted to specific venues or times for their entertainment, and crave experiences that say something unique about them, which they can share with their friends and followers. (Lazarus, 2017)

In the early days of the capital programme, particularly under CP1, capital funding was responding to an historical need in so far as the condition of the arts and cultural estate had been declining and the sector had minimal means to address its capital challenges. As the Arts Council looks to the fourth iteration of its capital programme this evaluation suggests that it takes more of a future facing approach as well as reacting to current need.

Throughout the evaluation participants have described what they think future needs might be regarding their buildings; from the likely requirements of users to staying abreast of technology.

Given the nature of the operating environment mentioned in the context section there would be some benefit to the Arts Council of a future search exercise that looks to the possible futures the sector may be facing and taking a strategic lead on these issues. This is well-established practice in the private sector and is increasingly used in the non-profit and public sector. It would also reinforce the strategic role of the fourth Capital Programme.

The question this future search would ask would be along the lines of:

> What will environmental sustainability, organisational resilience, security and accessibility mean in 10 years' time and how can our venues keep up with developments?

There are already several identifiable trends that are likely to have an impact on arts and cultural venues in the short to medium term from clean energy to more hygienic and healthier buildings, and from security threats to changing dietary preferences. Some of these trends with prompts are set out in Appendix Ten.

Recommendations

Arts Council England

Enabling - Support the sharing of lessons learnt, advice, guidance and expertise:

- Create an online resource space to share information advice and guidance
- Share examples of good practice in terms of diversity and environmental sustainability, particularly those that go beyond compliance and encourage a creative approach
- Provide opportunities for grantees to share experience and to connect with other projects
- Connecting a community of PMs and experienced capital peers
- Network for those with building responsibility/operations

Promotion and advocacy - Celebrate the achievements of the programme:

- More advocacy and promotion of the achievements of the capital programme

Future strategy - Develop a future facing approach:

- Undertake or enable scenario modelling and future searches
- Build future foresights into the planning for the next funding rounds

Evaluation - Review how best to build evaluation into the process, including:

- Revision of the Logic Model to better reflect the process and intentions of the programme
- Develop more specific indicators to enable data collection against the revised Logic Model
- More consistency in evaluation approaches
- Improving data quality and consistency
- Consider undertaking rolling case studies
- Explore how to incorporate longitudinal evaluation into the process

Capital programme applicants

- Vision: establish a clear, future focused vision. Be ambitious but realistic about what you want to achieve
- Research: do as much background research as you can, including Go-See visits, specialist advice, and talking to others who have been through the process
- Be user focused: undertake user research and understand your user experience
- Project management: get a great team and do as much planning as you can
- Realism: be realistic about the impact the project will have before, during and after
- Time: don't underestimate the time and attention it will need, it will take longer than you think
- Expertise: get the best advice you can throughout the project
- Collaboration and consultation: engage people and keep them engaged throughout, this includes users, staff, volunteers, your governing body and stakeholders
- Change: get your organisation ready for change. capital projects can bring about wide-ranging changes many of which you might not anticipate
- Agility and consistency: establish the capability to flex and adapt, but stay true to your vision
- Build evaluation into the process so you are clear about the intended impact and outcomes. Consider specific methodologies such as action research to support the project with periods of reflection and review. Capture your learning so you can share your experiences and document your process

Appendices

Appendix One Arts Council Capital Programme Logic Model

<table>
<tr><th colspan="2">What we will do…..</th><th colspan="4">What we expect to happen….</th></tr>
<tr><th>Rationale</th><th>Activities</th><th>Outputs</th><th>Short term change</th><th>Medium-long term change</th><th>Impact</th></tr>
<tr>
<td>Many existing arts and cultural buildings are not physically fit for purpose due to physical decay and changing external environment. This limits the organisational development, resilience, environmental sustainability, public engagement and artistic offer of venue-based arts and cultural organisations.

We've invested in some of these buildings previously and they now require additional support for their value to be maintained. We also invest revenue funding in some organisations, which can be made more effective with good capital assets.

Capital funding can respond to local opportunities, and attract other funding sources to a project.

There are limited other funding options for 'unsexy' capital development and improvements although these do bring value to arts and cultural organisations.</td>
<td>Ideas for future development are generated by organisations.

Capital options appraised and agreed.

Grant funding is awarded

Partners are approached and engaged

Building specification, design and plans are developed

Building work takes places</td>
<td>New and renovated buildings

Space

New facilities

Better quality space and facilities

Budget spent and not exceeded</td>
<td>New / renovated buildings are more carbon efficient

Building design enables more financially efficient ways of working in the organisation (eg. digital investment, appropriate working spaces, reduced need for maintenance)

Buildings are compliant with legal access requirements

Organisations have increased visibility to the public, and to stakeholders and sector peers.

Building design and build is consistently high quality, with some buildings of exceptional design and quality.

Capital investment process has catalysed business planning and new ideas around resilience and sustainability

Staff have increased fundraising expertise

New local partnerships are developed, and existing partnerships are strengthened

Increased understanding of ACE and its role by local stakeholders</td>
<td>Cost savings on utilities over time

Proportion of overall spend on administrative or overheads costs has reduced and higher proportion of spend goes on artistic work

Organisation is appealing to new and diverse audiences

New and diverse talent is attracted to the organisation – both in terms of own workforce and partners and collaborators

Some new organisational behaviours that support resilience and sustainability have been taken up (eg. building up reserves, planning for maintenance costs, uptake of digital opportunities)

Partnership working continues into new areas of work

ACE is valued by local partners</td>
<td>Goal 3

The arts, museums and libraries are resilient and environmentally sustainable.

Which supports…

Goals 1 & 2</td>
</tr>
</table>

EXTERNAL FACTORS: turbulence to the economy following in the run up to and following Brexit affecting project viability (costs of finance, materials, and labour, or value of resulting space); changes in national government policy; changes in local government and public support as a result of political change; success of project delivery for planning processes, buildings regulations, build process and other disputes/delays; Other funding programmes (NPO, Ambition for Excellence); Competition for funding locally.

UNDERPINNING ASSUMPTIONS:
- The process of specifying and working through a capital design prompts consideration of wider resilience issues.
- Quality of a building and its public space is influential in how and whether the public and partner sector chose to engage with arts and culture

Appendix Two: Alchemy Evaluation Framework

Evaluation Area/Questions	Sample indicators/metrics/outcomes	Suggested methods
Extent to which the funded organisations achieved their stated outputs	% of outputs achieved % change in outputs Clarity of intended outputs	Document review Interviews Case studies Survey Business model and financial analysis
Extent to which the outputs delivered the Fund's anticipated outcomes	Reserves levels Changes to earned income Changes in audiences/ participants/customers Unanticipated outcomes	Document review Interviews Case studies Contextual analysis Business model and financial analysis
Extent to which the investment directly led to the outcomes and other factors that have had an influence	Context description Funding breakdown by project Reported perceptions of investment impact	Document review Interviews Case studies Survey Business model and financial analysis

Evaluation Area/Questions	Sample indicators/metrics/outcomes	Suggested methods
What can we learn from the ACE capital investment scheme about how national development and delivery agencies can best develop and sustain the arts infrastructure in England?	Lessons learnt identified Evaluation and monitoring framework Shared experiences of participants Evaluation approaches	Document review Interviews Case studies Survey Learning events
What can the wider sector learn from ACE capital investment about how to best manage and develop their capital assets for the benefit of the organisation and its stakeholders?	Good practice indicators Shared experience Lessons learnt	Interviews Case studies Survey Learning events
What kinds of monitoring and evaluation data should ACE seek to collect in future rounds to maintain an overview on outcomes and impacts of its investment?	Key indicators of success Updated Logic Chain Data collection methods Data analysis methods Resourcing implications	Document review Interviews Case studies Survey Business model and financial analysis

Appendix Three: Arts Council Capital investment recipients

Small Programme

20-21 Visual Arts Centre

A B&B CIC

Acta Community Theatre Ltd

African Cultural Exchange

Almeida Theatre Company Ltd

Alternative Theatre Company

Amber Film & Photography Collective cic

ARC, Stockton Arts Centre

Arts Centre Washington

Artsadmin

artsdepot

Arvon Foundation

Aspex Visual Arts Trust

Autograph ABP

Balletboyz Ltd

Baltic Centre for Contemporary Arts

Barnsley Civic Enterprise Ltd

Bermondsey Artists' Group

Bharatiya Vidya Bhavan

Blackburn with Darwen Borough Council

Bow Arts Trust

Bridport Arts Centre

Burnley Youth Theatre

Cambridge Arts Theatre Trust Limited

Camden Arts Centre

Canterbury Festival

Chesterfield Borough Council

CM Ltd

Colchester Borough Council

Compton Verney

Corby Cube Theatre Trust

Corn Exchange (Newbury) Trust

Cornubian Arts and Science Trust

Craven District Council

Create Studios Digital Media C.I.C.

Cumbria Theatre Trust

Dance 4 Limited

Dance City

DanceEast

Darts (Doncaster Community Arts)

De La Warr Pavilion

Deda

Derby Quad Limited

Derby Theatre

Discover Children's Story Centre

Doncaster MBC (New Performance Venue only)

East London Dance

East Street Arts

Eastern Angles Theatre Company

Emergency Exit Arts

English Folk Dance and Song Society

Exeter Phoenix

Fabrica

Farnham Maltings Association Ltd

Ferens Art Gallery

Focal Point Gallery

Free Word

Glyndebourne Touring Opera and Glyndebourne Education

Granby Four Streets Community Land Trust

Great Georges Community Cultural Project Ltd

Gulbenkian Theatre

Hackney Empire Ltd

Hampstead Theatre

Heads Together Productions

High House Production Park Ltd

Highlights Rural Touring Network

Horse and Bamboo Theatre Company

Hull Truck Theatre

Ikon Gallery Limited

In Situ

Interplay Theatre Trust

IOU Theatre

Jazz re:freshed Limited

Kala Sangam

Knowle West Media Centre

Leicester Print Workshop Studios and Resource

Live Art Development Agency

London Sinfonietta

London Symphony Orchestra

Ludlow and District Community Association

Luton Cultural Services Trust

Lyric Theatre Hammersmith

Metal Culture Ltd

Middlesbrough Council

Mind the Gap

Modern Art Oxford

More Music

Motionhouse

National Centre for Circus Arts

National Centre for Early Music

New Brewery Arts Ltd

New Wolsey Theatre

Newlyn Art Gallery Ltd

North Devon Theatres Trust

Northampton Theatres Trust Ltd

Northern Broadsides

Northern Print Studio Ltd

Nottingham Contemporary

Nottingham Media Centre Limited

Nuffield Theatre

Octagon Theatre Trust Limited

Oldham Libraries

Oxford Playhouse

Peer UK

Peterborough City Council

Phoenix Dance Theatre

Pioneer Theatres Ltd

PM Gallery & House

Pocklington Arts Centre

PREMA

Project Space Leeds

Raw Material Music & Media

Redbridge Drama Centre

Rich Mix

RJC Productions Ltd

Roses Theatre Trust

Royal Exchange Theatre

Rural Arts North Yorkshire

Rural Media Company

Salisbury Arts Theatre Ltd

Scarborough Theatre Development Trust

Seven Stories

Shoreditch Town Hall

Siobhan Davies Dance Company

Slung Low

Soho Theatre Company

Somerset Film and Video Ltd

South Hill Park Arts Centre

South London Gallery

South Street Arts Centre

Southend-On-Sea Borough Council

Spike Island Art Space Ltd

St Edmunds Arts Trust Ltd

Stephen Joseph Theatre

Stoke-On-Trent and North Staffordshire Theatre Trust Limited

Stoke-On-Trent City Council

Stratford Circus Ltd

Tamworth Borough Council

The Albany

The Blackheath Halls

The Charleston Trust

The Courtyard Trust

The Maltings Theatre & Arts Centre

The New Art Exchange Ltd

The Photographers' Gallery

The Poetry Society

The Point

The Story Museum

The Wiltshire Music Centre Trust Ltd

Theatre Peckham

Tobacco Factory Arts Trust

Towner Trust

Travaux Sauvages Limited trading as Wildworks

Trinity Laban Conservatoire of Music and Dance

Tyneside Cinema

Unity Theatre Company

Urban Development

V22 Foundation

ViVA Chamber Orchestra Ltd

Walk the Plank

Walsall Metropolitan Borough Council

Watermill Theatre

Watershed Arts Trust Ltd

Waterside Artists Co-Operative

Wolverhampton Art Gallery

Yorkshire Artspace

Young Vic Company

Large programme

Art House

Art Services Grants

Bristol Old Vic

Chichester Festival Theatre

Contemporary Dance Trust

English National Opera

Gateshead Council

High House Production Park

Manchester City Council

National Glass Centre

New Theatre Royal Portsmouth

Rosehill Arts Trust

Roundhouse

Royal National Theatre

Royal Opera House

Serpentine Gallery

Southbank Board Ltd

South East Dance

Square Chapel

Stroud Valleys Artspace

Tate St Ives

The Stables

Theatre Royal Plymouth

University of Leicester (Embrace Arts)

Writers Centre Norwich

York Museums Trust

Birmingham Royal Ballet

Blackpool Grand Theatre Trust

Brighton & Hove City Council

City of Birmingham Symphony Orchestra

City of Sheffield Theatres

English Stage Company

Half Moon Young People's Theatre

MK Gallery

Nottingham Playhouse

Oldham Metropolitan Council

Poole Arts Trust

Royal Liverpool Philharmonic Society

Royal Shakespeare Company

Sadler's Wells Foundation Limited

Soft Touch Arts

Triangle Arts Trust

Tricycle Theatre

Whitworth Art Gallery

Wigmore Hall Trust

York Conservation Trust

Alternative Theatre Company (The Bush)

Battersea Arts Centre

Cheshire West & Chester Council

Contact Theatre

Darlington Borough Council

Hall for Cornwall

Islington Mill Arts Club

Jasmin Vardimon Dance Company

Kettle's Yard

Kirkgate Centre Trust

Modern Art Oxford

Nottingham City Council

Oldham Metropolitan Council (solicited)

Royal Shakespeare Company

Site Gallery, Sheffield

St Georges Bristol

Teignbridge District Council

The Design Museum

The Lowry

The Met, Bury

The Newtown Cultural Project Limited

The University of Warwick

Studio Wayne McGregor Ltd

Yorkshire Sculpture Park

Bristol Music Trust

Colchester Borough Council

Derby Museums

Halle Concerts Society

Inner City Music Ltd

Institute of Contemporary Arts

Leeds City Council

Octagon Theatre Trust Ltd

Oval House

Plymouth City Museum and Art Gallery

Polka Theatre

Royal Court Liverpool Trust Ltd

The MAC Trust

The Story Museum

Tunbridge Wells Museum and Arts Gallery

Writers' Centre Norwich

Cambridgeshire Music

English National Ballet

Jacksons Lane

Jasmin Vardimon Dance Company

Lakeland Arts

Leicester Arts Centre Ltd

Kent County Council (Turner Contemporary)

Manchester City Council (Manchester International Festival / The Factory)

North Music Trust (Sage Gateshead)

Performances Birmingham Ltd

University of Warwick

Appendix Four: Capital Works Learning Event participants

Freeword Centre

Brighton & Hove City Council

East London Dance

The Story Museum

Ikon Gallery

Watershed

Modern Art Oxford

Midlands Arts Centre

20-21 Visual Arts Centre

Rural Media Company

Burnley Youth Theatre

Kala Sangam

Appendix Five: Documentation Types

- Application forms (80)
- Activity Report forms (130)
- Completion forms (45)
- Completion Income and Expenditure (84)
- Policy documents
- Internal review documents
- Academic reports
- Grantee promotional materials

Appendix Six: Data analysis stages

- Data familiarisation: Data transcribed where necessary, reading and re-reading the data, mind-mapping and sharing initial ideas
- Generating initial codes: Coding of key features and organising data – in the initial phase some 30 codes were developed
- Thematic analysis: Refining coded data into core themes, developing vignettes
- Theme review: Mapping the analysis and checking for anomalies or gaps
- Themes defined: Narrative development, themes finalised and written up in an appropriate form

Appendix Seven: VUCA characteristics and possible responses

Volatility

Characteristics:

Relatively unstable change; information is available and the situation is understandable, but change is frequent and sometimes unpredictable.

Example:

Government policy on benefits and the impact it has had on D/deaf and disabled artists and disability led organisations

Approach:

Agility is key to coping with volatility. Resources should be aggressively directed toward building slack and creating the potential for future flexibility.

Complexity

Characteristics:

Many interconnected parts forming an elaborate network of information and procedures; often multiform and convoluted, but not necessarily involving change.

Example:

Bridge organisations and their cultural education remit

Approach:

Restructuring internal company operations to match the external complexity is the most effective and efficient way to address it.

Organisations should attempt to 'match' their own operations and processes to mirror environmental complexities.

Uncertainty

Characteristics:

A lack of knowledge as to whether an event will have meaningful ramifications; cause and effect are understood, but it is unknown if an event will create significant change.

Example:

Brexit in relation to international work, EU funding for the arts and touring work, etc.

Approach:

Information is critical to handling uncertainty. Organisations should move beyond existing information sources to both gather new data and consider it from new perspectives.

Ambiguity

Characteristics:

A lack of knowledge as to 'the basic rules of the game'; cause and effect are not understood and there is no precedent for making predictions as to what to expect.

Example:

Technological disruption i.e. live streaming theatre – NT Live

Approach:

Experimentation is necessary for reducing ambiguity. Only through intelligent experimentation can organisations determine what strategies are and are not beneficial in situations where the former rules of business no longer apply.

(adapted from Bennett & Lemoine (2014)

Small capital projects

Figure 39. Where is your organisation based?

Figure 40. Which art form/s do you programme?

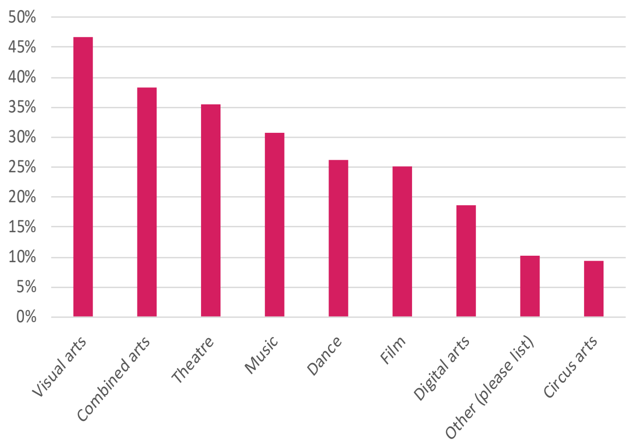


Figure 41. What has the project achieved so far?

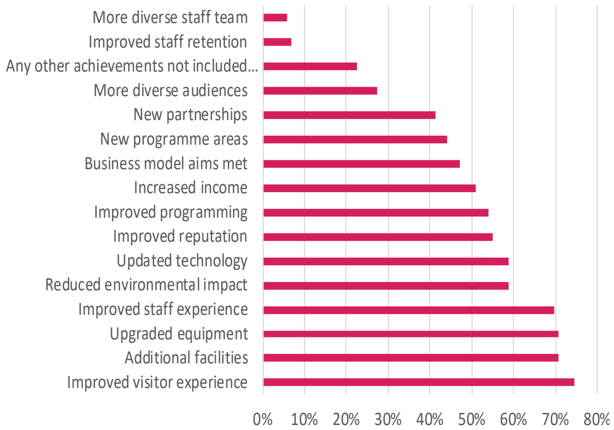


Figure 42. Time from confirmation of funding to project completion (months. N=75)

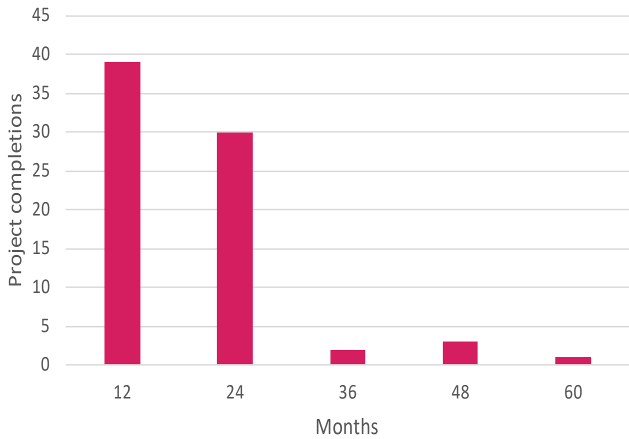


Figure 43. key factors in enabling your project (n=92)

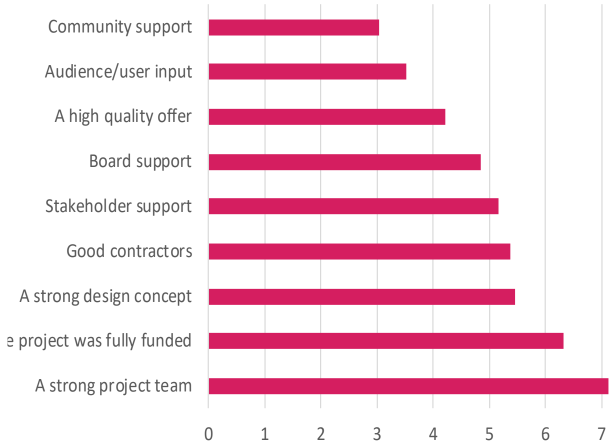


Table 15.First, second and third choice of enabling factors (n=92)

	Percentage of respondents		
Enabling factor	1st	2nd	3rd
A strong project team	30%	27%	13%
The project was fully funded	27%	14%	14%
A strong design concept	12%	15%	5%
Good contrac-tors	4%	15%	20%
Stakeholder support	13%	9%	14%

Large capital projects

Figure 44. Where is your organisation based? (n=54)

Figure 45. Which art form/s do you programme?

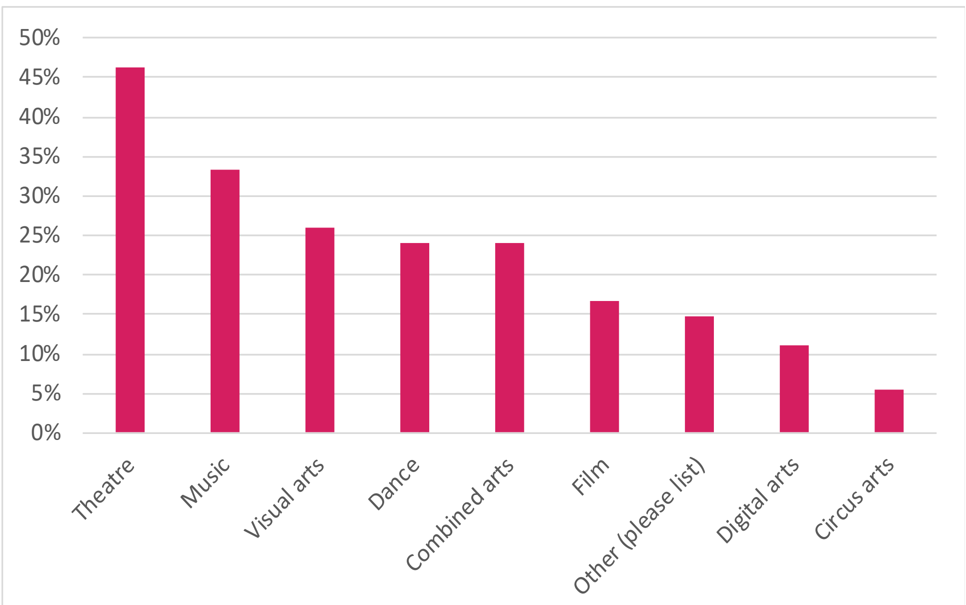


Figure 46. What has the project achieved so far?

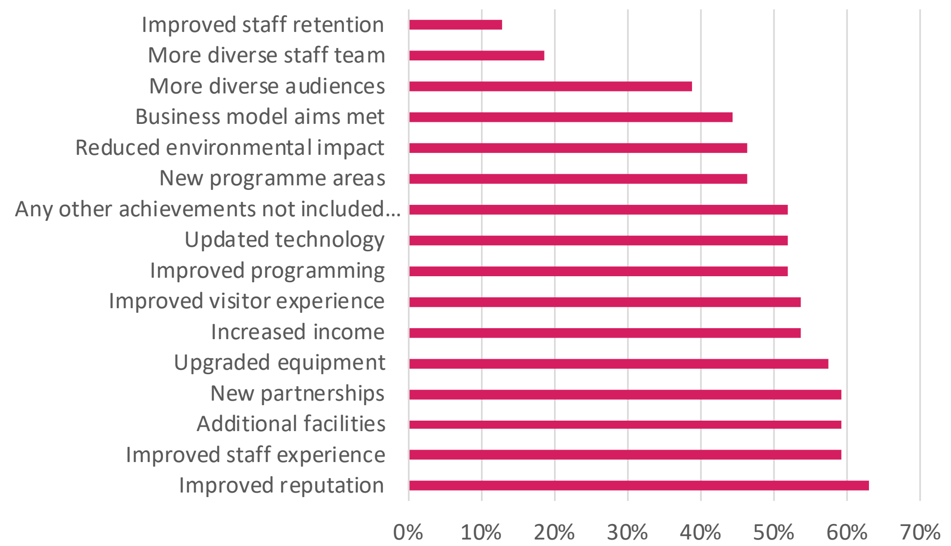


Figure 47. Time taken to reach Stage Two application (n=42)

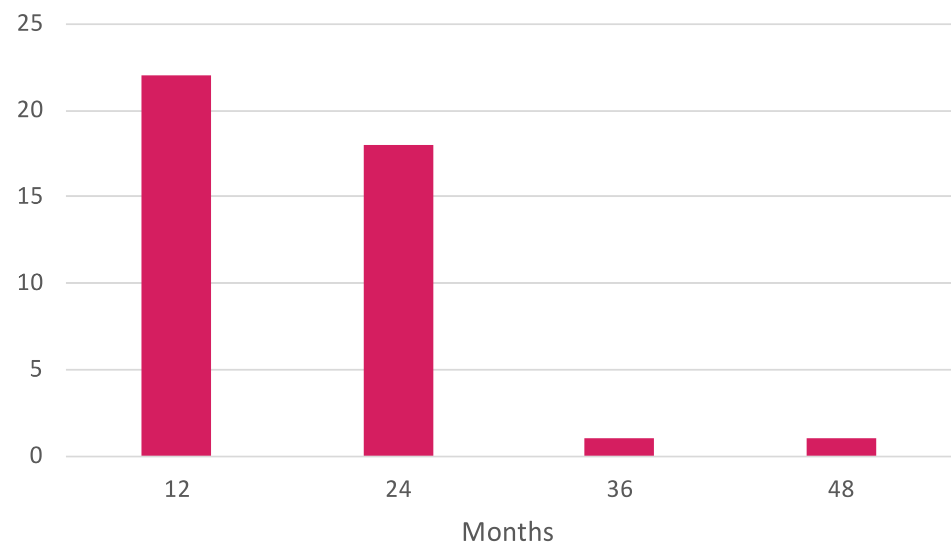


Figure 48. Time taken from confirmation of funding to building open (n=22)

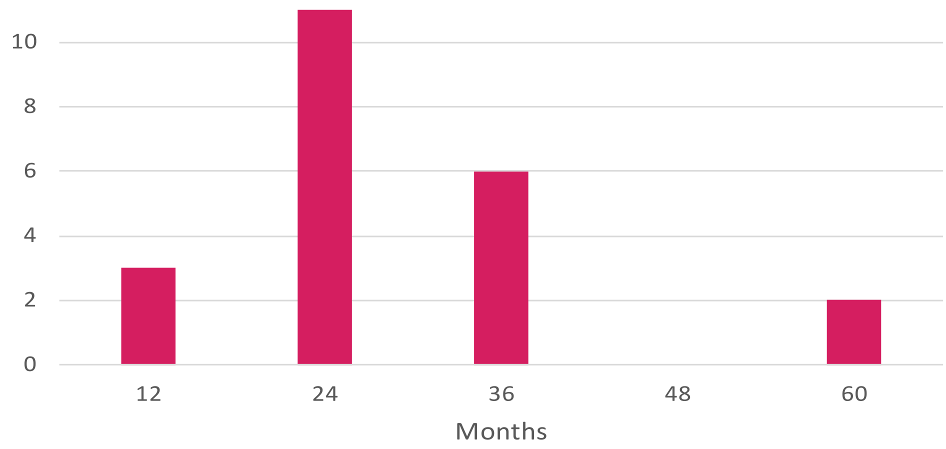


Figure 49. What were the key factors in enabling your project? (n=42)

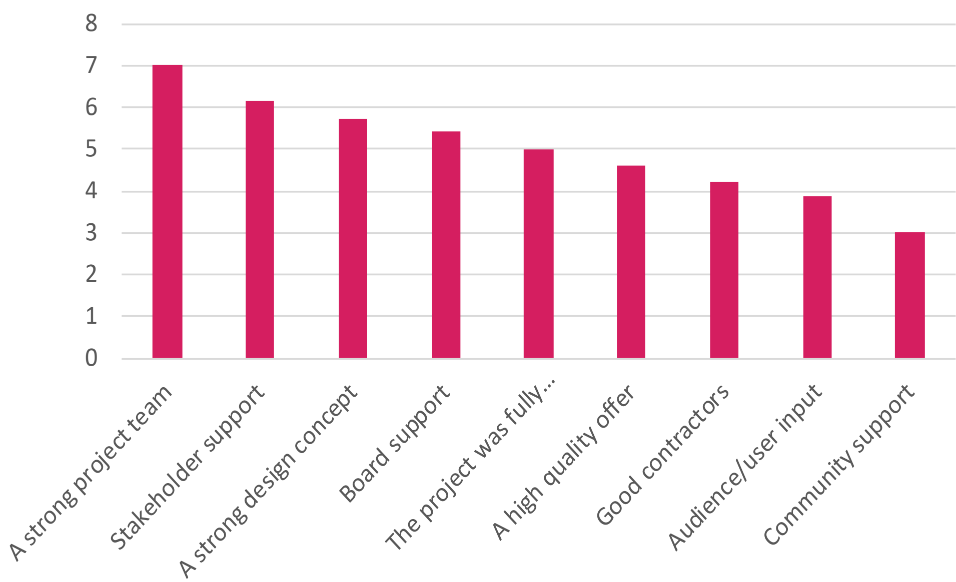


Table 16.First, second and third choice of enabling factors (n=92)

	Percentage of respondents		
Enabling factor	1st	2nd	3rd
A strong project team	21%	24%	26%
Stakeholder support	26%	14%	14%
A strong design concept	10%	12%	19%
Board support	10%	21%	5%
The project was fully funded	17%	12%	14%

Appendix Nine: Proposed revisions to the strategic capital Logic Model

<table>
<tr><td colspan="5">Why we do what we do (our rationale and assumptions):
• Arts and cultural buildings need to be fit for purpose
• Investment in arts and cultural buildings protects and augments previous public investment in the organisations
• Capital funding can attract other funding and respond to local opportunities
• There is limited other funding available for capital works, particularly the ‘unsexy’ improvements like boilers and air handling units
• Working through a capital project supports organisational development and resilience
• The quality of arts and cultural buildings have an impact on user engagement, partnership development and staff retention and well-being</td></tr>
<tr><th colspan="2">What we will do…</th><th colspan="3">What we will achieve…</th></tr>
<tr><th>Activities</th><th>Outputs</th><th>Short-term changes</th><th>Medium/long term changes</th><th>Impact</th></tr>
<tr><td>• Programme processes
• Application criteria agreed
• Applications appraised and agreed
• Grants awarded
• Partnership development
• Projects monitored and assessed
• Success criteria for projects and programme defined and applied
• Monitoring and evaluation: including processes and success factors
• Dissemination of learning</td><td>• No. of completed buildings
• No. of successful applicants
• New facilities
• Changes to estate footprint (growth)
• Better quality spaces and facilities
• More Bright Green buildings
• More user-friendly buildings
• More accessible buildings
• No of buildings completed within budget
• Sharing of resources and expertise
• Evaluation reporting</td><td>• Capital recipient buildings achieve or are below sector environmental sustainability benchmarks
• Buildings are of high or exceptional quality
• Buildings at a minimum are compliant with legal access requirements
• Buildings have increased visibility
• Organisations have enhanced reputations
• Partnerships extended/deepened
• Increased awareness of the Arts Council
• Capital process has prompted new business models</td><td>• Cost savings driven by environmental technology solutions
• Reduced kWh usage in electricity and gas
• kWh benchmarks of projects lower than sector benchmarks
• Organisations attract new and more diverse users
• New and diverse talent is attracted to the organisations: staff, artists and partners
• Partnership working is extended
• Arts Council is valued by organisations and partners
• New business models are implemented</td><td>Deliver against Goal Three (or equivalent):

The arts, museums, and libraries are resilient and environmentally sustainable.

Which supports:

Goals 1, 2, 4 & 5 (or equivalent)</td></tr>
<tr><td colspan="5">External factors:
Ongoing turbulence in the economy resulting from Brexit having an impact on project viability (cost of finance, cost of materials, labour, or value of final space etc.); national and local government policy changes; building regulations; public confidence in the charity sector and public/private institutions; changing demographics; competition for funding; technological changes and so on.</td></tr>
</table>

Appendix 10: Future Search reflection questions

There are already several identifiable trends that are likely to have an impact on arts and cultural venues in the short to medium term:

- The move to clean energy and practicalities such as the rise of electric cars leading to the need for charging stations
- An aging population and the proliferation of mobility scooters, walking aids and wheelchair users
- An increasingly obese population and implications for chair-width and other welfare facilities
- The demise of antibiotics and an increased focus on health and hygiene in public spaces
- Changing dietary patterns; the growth of vegetarianism and veganism and plant-based menus
- Unpredictable and changing security threats and the need for more rigorous security arrangements at entry and the impact on the design of entrance, welcome and cloakroom/locker spaces
- The on-going challenges of community cohesion and integration

The following areas outline a set of issues that might impact on the nature of the physical assets offered by the arts and cultural sector. These have been derived from the evaluator's own research and the discussions held at the Capital Works! Learning Events with grantees. They are considered under six headings each and accompanying reflection questions are included in appendix seven:

1. People
2. Organisations and work
3. Buildings
4. Experience driven economy
5. Technology
6. Culture

People

The combination of extending life expectancy and the ageing of those born in the baby boom, just after the Second World War, means that the population aged over 65 is growing at a much faster rate than those under 65. Over the next 20 years the population aged 65-84 will rise by 39 per cent and those over 85 by 106 per cent.

There are a wide range of issues associated with demographics, attitudes, cultures and behaviours going forward that could have an impact on arts provision.

This includes an aging population and longer life expectancy, living with long-term health conditions, healthcare provision, education provision, obesity, mental health; young people are more activist, loneliness, equality, inclusion and diversity.

- How might our buildings need to adapt to these issues?
- Are we providing facilities that can span generational needs?
- What will the impact of ageing audiences/users be on the financial models of arts organisations?
- More people will be living alone than ever before, how will provision adapt to welcome people who may want to attend events on their own?
- Will buildings adopt more of aesthetics of access to ensure safe and inclusive provision?
- What adaptations are needed to our buildings to ensure inclusive and diverse teams as well as users?

Organisations and work

The workplace is changing and with the removal of compulsory retirement and the Linksters starting to think about work there is the potential for four generations to be working together. Millennials are likely to be focussing on their experience of work, the potential for creative activation and purpose, and attaining a higher degree of flexibility in relation to where they conduct their work. The arrival of Millennials and Linksters is bringing new skill sets that signal the demise of silo thinking and the desire to harness the collective creative capacity of the team.

How might capital investment support a strong positive and creative working culture?

How might the design of work spaces optimise the efficiency and efficacy of the team?

How might I.T. functions support the increased demand for more flexible working conditions and the virtual meeting of disparate workers?

Buildings

There is a growing movement towards buildings that are intelligent, green and profitable – becoming known as the 'Bright Green Building.' These buildings are also safe, comfortable and healthy, supporting the well-being of all their users including staff.

Generational shift means people are now, and will increasingly, place more value on experiences than material acquisition (An Eventbrite survey found that 1 in 2 would pay more for a dining "experience" than for the same meal in a normal restaurant), on values-driven brands that resonate with their own belief system, or which is perceived to add value to the world , and on belonging to a meaningful group or place. One recognisable impact of the experience-driven economy is that it is leading to higher expectations in relation to service design, customer service and choice.

- Are capital projects sufficiently resourced to be early adopters in intelligent technology?
- Do capital projects have access to the specialist advice needed to make good choices in this field?
- Is there a need for collaborative and/or partnership approaches to 'greening' arts and cultural assets?
- How healthy are current buildings for arts and cultural staff?
- How can arts and cultural organisations become easier to maintain?

Experience driven economy and buildings

- How will arts and cultural buildings adapt to the desire for 'novel' environments and experiences?
- Are capital projects leading a new aesthetic or conforming to the Hipster aesthetics that welcome some and exclude others? Who is the arbiter of taste in capital projects?
- How are arts and cultural organisations developing their catering offer and supply chains to support totally local food campaigns?
- How well placed are arts and cultural organisations to respond to hyperlocalism and neighbourhood activism in urban settings?
- Can arts and cultural organisations use their buildings to become/compete with ethical experiential brands (travel, restaurants etc.)?
- How might future capital investment seek to extend the lure of the arts experience from the gallery/auditorium into other touchpoints in the customer journey?
- How might building/interior design more overtly be an expression of mission and not just function to win over hearts and minds?
- How might capital investment genuinely contribute to the regeneration of place and galvanising of community without the negative impacts of gentrification?
- How might a theatre building become both an 'agora,' serving the public good, as well as a place for arts and entertainment? How might this impact on the design of the social and meeting spaces?
- How might theatre and museum design become more democratic, encouraging local ownership and engagement for public good?
- How might re-thinking a venue's service offer impact on the design of future institutions or the redevelopment of existing ones?
- How can we reconcile the cultural norm of taking images, texting, tweeting, recording, eating and drinking during events with the deemed 'purity' of the theatre/museum experience?
- Everyman Cinemas allow you to sit on sofas, and order food and drink brought to your seats, how can arts and cultural organisations

respond to the expectations this creates?

- Outstanding customer service, with more time 'invested' in the customer requires new spaces for meaningful interactions to happen (e.g. Apple genius bar, Ikea in-house design stations, John Lewis personal shopper spaces), what capital responses are needed?

Diversity

There is a growing momentum around challenging assumptions and behaviours that have been accepted but have an ongoing discriminatory impact. This is particularly noticeable in the #me too and #blacklivesmatter campaigns. The challenges have also been highlighted by the disability movement in the UK around the ongoing effects of austerity and changes to Access to Work and the Disability Living Allowance. All of these issues coupled with an aging population likely to be living with long term health conditions all highlight the need to think about future implications in this area.

- Are work practices ready to accommodate the needs of older and younger staff?
- How will unconscious bias change?
- How can arts and culture speed up change in this area?
- What future work patterns will emerge to address work-life balance and wellness agendas?
- How will organisational processes and designs change?
- Where are the bright spots in the sector in 20 years in this area and what will they look like?
- How will the climate for inclusion change?
- How can the arts and cultural sector lead other sectors in this area?

Technology

The increasing dominance of the virtual world and advances in technology will inevitably lead to new forms of work, hybrid art forms requiring alternative performance contexts, digital technology and different kinds of spectatorships.

- What will the impact of this be on the future of our performance and exhibition spaces?
- With the rise of AR, VR and AI, what will be the impact on the shape of set design, exhibition design, costume design etc.?
- Will our next-generation designers need more advanced technological spaces to work in/with?
- How can arts and cultural organisations address mass spectatorship
- Is there a need for capital investment in the more intimate encounters created by AR and VR?

Culture

Peoples' leisure behaviour is changing as we stay inside more, are 'plugged in' more, connect with people remotely and expect entertainment on demand. The rise of 'shoppertainment' also demonstrates how retail is appropriating our creative processes for commercial ends .

These issues reinforce the importance of arts and cultural organisations being adaptable and aware of the impacts of this rapidly changing environment. Future focused conversations are likely to be increasingly important. This is an approach that can be extended within the Arts Council and across the sector. It also highlights the importance and potential of capital funding as a strategic enabler.

> What is the future for the 'sit in a specific time and place' mode of experiencing art?

> How might the performance buildings of the future accommodate shorter performances, at different times of the day to suit people's needs – like a multiplex of art? Does this mean a shift in the types and sizes of spaces available?

> How might we design performance spaces where experiences can be shared on social media platforms in-the-moment?

> How might we better entice people out of their 'virtual spaces' into our physical realms and shared spaces?

> How might we redefine and re-deign 'shared experience' in our venues so that they are more interactive, participatory, engaged and inter-personal?

The rise of 'shoppertainment':

> How might arts and cultural organisations compete effectively within the rise and rise of the experience economy where more customer-focussed organisations are vying for a share of people's time, attention and money?

> Can arts and cultural organisations adapt to varied programmes of differentiated and personalised experiences (e.g. Harvey Nichols)?

> Does this provide opportunities for new partnerships – e.g. commercial staff trained by theatre experts (e.g. John Lewis Oxford), Public art in shopping malls (e.g. trinity Leeds)

> Are there opportunities to browse and play for free (e.g. Apple stores, Lego stores)?

> Immersive and entertaining branded environments (e.g. Hollister)

Appendix 11: RIBA award winning buildings

- 2012: Hepworth Gallery, Turner Contemporary Gallery
- 2013: Jerwood Gallery
- 2014: Tate Britain, Rambert, Everyman and Playhouse, Portsmoor Artists' Studios, Yorkshire Sculpture Park
- 2015: National Theatre, Whitworth Gallery
- 2016: HOME, Newport Gallery, Wilton's Music Hall, York Art Gallery
- 2017: Liverpool Philharmonic, Liveworks (Live Theatre), Tate Modern, British Museum

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“ Don’t design the building you need now, design the building you think you’ll need in 10 years because you need the room for growth and change ...

“ It wasn’t about refurbishing the building and then saying ’right, we’ve done it’. This was about a long-term shift in organisational culture and strategy

“ .... in transitional spaces you have those little surprises, those little moments where you thought you were moving from one space to another, but, there’s a story here, or you might look up and see a curve where a small object has been placed.