# Key Learnings from the Creative Local Growth Fund

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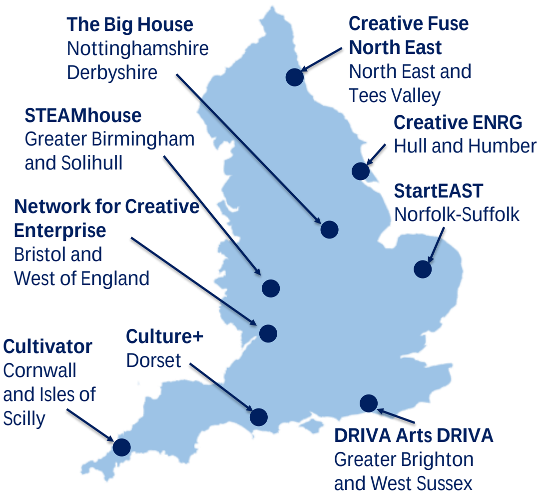
# 1. About the Creative Local Growth Fund

This summary report highlights the key findings and learnings from the evaluation of the Creative Local Growth Fund (CLGF). Launched in October 2015, the CLGF was a place-based programme in which Arts Council England (ACE) worked in partnership with local enterprise partnerships (LEPs), cultural organisations, and other local-level partners to provide financial support to locally focused initiatives designed to help arts and culture contribute to local economic growth.[1] ACE's funding of the CLGF was matched by funding from the European Structural and Investment Funds (ESIF) – namely the European Regional Development Fund (ERDF), but also the European Social Fund (ESF).

The anticipated readership for this report includes senior management in ACE, government, LEPs, higher education institutions (HEIs) and local authorities. For more details on the structure and performance of the CLGF, please refer to the full report and appendices found in the **Evaluation of the Creative Local Growth Fund** or the **Evaluation of the Creative Local Growth Fund: Executive Summary**.

Nine grantee consortia were competitively selected from across England, outside of London, and awarded £3.8m from the CLGF. These CLGF 'projects' raised an additional £9.4m from the ESIF and £5.1m in cash funding from other sources (**see Figure 1**).

Each project's primary objective was to increase arts and culture's contribution to economic growth in their respective LEP areas. Each project did this differently, although there were some common features: business diagnostic / needs assessments; 1-to-1 business advice and mentoring; workshops and networking events; and grants, bursaries or cash awards.




# 2. Evaluation findings

**Headline conclusions**

1. The CLGF was able to reach the cultural and creative sector beneficiaries who comprised its intended constituency.
2. The CLGF was effective at building beneficiaries' business confidence through skills development, which for creative start-ups is more important for sustainability than expansion of their workforce.
3. The CLGF was not able to influence LEPs that did not already engage with arts and culture.
4. The ERDF's definition of employment was too narrow to capture the full employment impact of business support within the creative and cultural sector. However, even 'employment growth' as a performance metric did not reflect business success for many start-ups in the cultural and creative sectors.
5. The delivery of large match-funded business support programmes often requires cashflow and administrative capacity that can only be provided by a local authority, HEI or similar large public organisation.
6. Measured strictly in terms of gross value added (GVA) generated at project end, the CLGF achieved a benefit-cost ratio (BCR) below 1.00. However, that BCR did not account for the programme's longer-term impacts on GVA as well as its positive impacts on wellbeing and social welfare.

[1] The CLGF was delivered – and largely evaluated – before the onset of the Covid-19 pandemic. However, one project, DRIVA Arts DRIVA continued to deliver ERDF-funded programming after 31 March 2020.

**Context – the Covid-19 pandemic**

At the time of writing, the ramifications of the Covid-19 pandemic for society and the economy continue to evolve, as do the impacts it is having on the cultural and creative sectors in the UK. The short- and long-term economic effects of the Covid-19 pandemic – and in particular the uncertainties that it has created – are continually presenting challenges to the resilience of creative practitioners and cultural organisations.

As the cultural and creative sectors and ACE work through the unfolding impacts of the Covid-19 pandemic, the learnings from this evaluation will remain relevant for ACE in the future design or implementation of policy interventions. More so, given the current Government priority on levelling up the economic opportunities and job creation across the country.

**Overall programme performance**

On an aggregate basis across eight of the nine[2] CLGF projects, the programme outperformed **all** its targets for the ERDF and ESF. However, there were varying levels of performance when viewed on a project-by-project basis.

**Employment**

On an aggregate basis, the CLGF projects outperformed their ERDF employment target by 12%. Individually only four of the eight reporting projects met or exceeded their target.

However, just using this ERDF employment metric is not appropriate for the cultural and creative sectors because it does not include the freelance workforce often engaged by cultural and creative organisations. For that reason, the ERDF's definition of employment understates the true employment impact of the CLGF. The ERDF's approach for measuring employment impact also did not account for business support being an investment, and thereby, yielding impact beyond the life of the CLGF programme. Indeed, the study team estimates that the impact of this future growth would have taken the current level employment generated by the CLGF from **110.4 full-time equivalents (FTEs) to 473.8 FTEs by 2024**.[3]

Finally, it is important to note that, for many new creative enterprises, success is more about monetising their creative practice and achieving income growth and business sustainability than expanding their employment base.

**Gross value added (GVA)**

Five of the nine CLGF projects reported a net GVA impact over the course of their project – these reported impacts ranged from £0.39m (StartEAST) to £2.04m (Creative ENRG).[4] The study team supplemented the reported GVA data for these five projects, with GVA estimates for STEAMhouse, The Big House and Culture+ to arrive at an estimate of the overall combined net GVA impact of the CLGF at project end. In total, across these eight (of nine) CLGF projects generated a **combined net GVA impact of £6.16m** at project end – i.e. before incorporating a forecast for GVA generated beyond the duration of the project.

**Programme design**

There was a clear need for a partner that had administrative and financial capacity to manage the relationship with a funder and to cashflow day-to-day project expenditure, where there were delays in receiving project grants. However, such a partner did not need to be the lead partner delivering the project.

[2] Project performance was not available for DRIVA Arts DRIVA as delays to the start of project meant that even by August 2020, it was too early to forecast its final performance on an interim basis.
[3] This forecast of the employment impact was prepared before the Covid-19 pandemic and, therefore, does not take into the long-term impact thereof.
[4] This wide range in GVA outcomes was due to a combination of differences in (i) project performance (particularly in terms of job creation), (ii) economic models used to estimate GVA and (iii) differences in the underlying economic conditions within the projects' local economies (and thereby the additionality of the local economic impacts). Consequently, it is not possible to categorically attribute these differences to any fundamental differences in the economic efficacy of the projects or their delivery models.

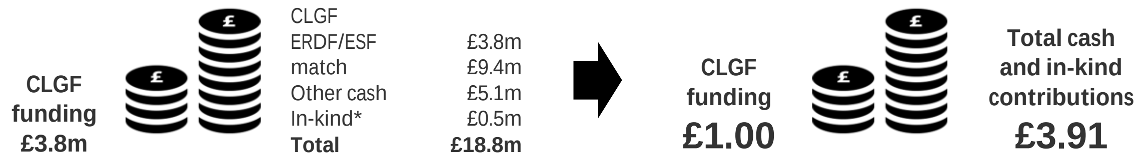
### Skills development

CLGF projects had a significant effect more widely on skills and capabilities, such as **confidence and resilience.** Most projects reported that artists started to see themselves as businesspeople and had gained personal and business confidence (e.g. improved ability to negotiate with clients or suppliers).

### Funding leverage

The CLGF achieved a very high degree of **funding leverage** (**Figure 1**) by funding projects that not only drew upon match funding from ERDF/ESF, but also from other sources – namely the Arts and Humanities Research Council (AHRC) and HEIs.

**Figure 1 CLGF funding leverage**




Source: Project data
Note: totals may not sum due to rounding
* Includes the value of personnel and facilities provided to projects

### Inclusivity

All of the CLGF projects recognised the importance of maximising their **inclusivity**, particularly given the specific challenges that under-represented groups face in launching and maintaining creative businesses. Most, but not all, collected statistics on their impact on diversity and inclusivity. Women accounted for two-thirds of StartEAST's beneficiaries.[5] Culture+ and StartEAST performed well in terms of Black, Asian and Ethnically Diverse participation – either by exceeding their targets or by exceeding the average within their county populations. Black, Asian and Ethnically Diverse participation in Network for Creative Enterprise was below the local population share. As a consequence, the project's partners responded by developing a specific initiative called 'Creative Workforce for the Future' to offer paid internships for those from a Black, Asian or Ethnically Diverse background, and/or from a disadvantaged socio-economic background.

### Strategic added value (SAV)[6]

The CLGF projects had the potential to generate strategic added value (SAV) and did so more successfully in some dimensions of SAV than others. For example, projects were very successful forming **new local partnerships or strengthening existing ones** (**Figure 2**). CLGF projects were less successful in **shifting LEPs' perceptions of the importance of arts and culture to their local economic growth**. Where arts and culture were already perceived as important for a LEP or other public body, it remained so or was reinforced. However, where arts and culture were not already prioritised by a LEP, there was little noticeable change. In some cases, this was not always about not recognising the value of arts and culture but simply a genuine local prioritisation of other sectors believed to offer greater opportunity for economic growth.

The **preservation of programme-delivery capacity** was a major challenge for CLGF projects. Many of the projects were small organisations that could not maintain the administration funded by the CLGF without ongoing funding, and therefore could not retain programme delivery capacity once funding ceased.

### Value for money

The **cost efficiency** of the CLGF in terms of cost per supported business varied widely across the eight reporting projects – ranging from £3,444 to £15,746. The weighted average was £10,244, which, for the CLGF

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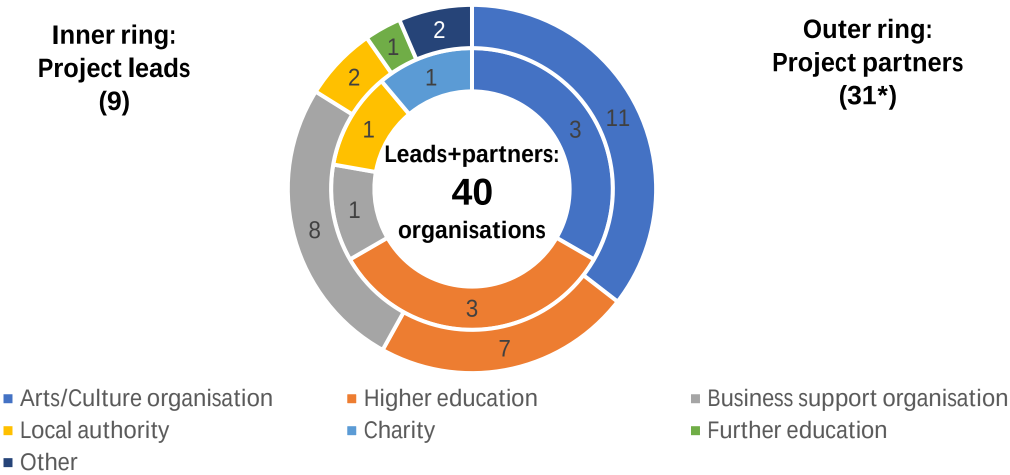
[5] BOP Consulting (2019), *StartEAST: Building the Cultural Economy: Final Report*, prepared for Norfolk County Council, p. 4.

[6] Strategic added value (SAV) refers to the benefits of an intervention over and above those commonly associated with its outputs, outcomes or impacts. The term and concept of SAV was first developed to help assess how the former Regional Development Agencies (RDAs) were able to leverage their funding to influence stakeholders' behaviour, decisions and outcomes. SAV is often achieved through strategic leadership, influence, financial leverage, improved information exchange and knowledge sharing, improved engagement with stakeholders. For more information and examples, see [Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework (PA Consulting and SQW Ltd.)].

as a whole, suggests 27% underperformance against the benchmark of £7,500 (derived from research published by the Ministry of Housing, Communities & Local Government [MHCLG]).[7] These same MHCLG benchmarks suggest that the CLGF has also underperformed on cost-per-FTE basis.

**Figure 2 Types of project organisations, leads and delivery partners**




Source: Project reports
* Includes 13 ACE National Portfolio Organisations

The **cost effectiveness** of the CLGF was assessed by comparing the additional GVA generated by the projects to the total value of public funding required to deliver the projects. Of the eight reporting projects, only Creative ENRG generated a breakeven BCR of greater than 1.00 at project-end. Across all eight reporting projects, the weighted average BCR was 0.35 at project end. In other words, for every £1.00 worth of inputs contributed to the CLGF programme, only £0.35 was recovered in terms of additional GVA in the local economies hosting the CLGF projects.

# 3. Key learnings

### Appropriate metrics

1. Consistent methods should be established at the programme design stage to quantify programmes' employment and GVA impacts within the cultural and creative sectors. These methods should take account of the high levels of self-employed workers within the sectors, whilst also offering guidance on tracking and calculating long term impacts on employment and GVA.
2. Business support programmes should focus their efforts on the 'start-up' phase of business development, rather than the 'scale-up' phase. The former was where most of the demand for CLGF came from; the latter may be more readily addressed via the regional growth hubs or central government programmes such as Creative Scale Up.

### Programme delivery partnerships

3. In regions where LEPs have not included the cultural and creative sectors among their priority economic sectors, ACE should build awareness of the relative longer-term economic potential of these sectors in terms of digital global exports, higher resistance to job losses due to automation, and positive spillovers.[8]

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[7] Regeneris Consulting (2013), England ERDF Programme 2014-20: Output Unit Costs and Definitions, prepared for DCLG, 18 December 2013, p. 6.

[8] Cultural and creative sectors spillovers refer to the "process by which activity in the arts, culture and creative industries has a subsequent broader impact on places, society or the economy through the overflow of concepts, ideas, skills, knowledge and different types of capital." (Source: Tom Fleming Creative Consultancy (2015), *Cultural and Creative Spillovers in Europe: Report on a preliminary evidence review*, p. 15.)

4. In order to achieve wider delivery objectives, business support programmes within the cultural and creative sectors should include the following types of partners:
   - *Local authorities or HEIs* that have the financial and administrative capacity to support the cashflow requirements of a large-scale business support programme delivered over a long period of time.
   - *Local HEIs and further education institutions* that can foster local collaboration and research and provide rigorous approaches to monitoring and evaluation (see monitoring and legacy below).
   - *Forward-thinking arts/cultural organisations* that can bring a visionary approach, are open to innovation, and offer access to a network of local and national creative expertise.
   - *Social/community bodies* that can help reach socially and economically at-risk beneficiaries.

**Programme content**

5. Alongside traditional forms of business support, programmes should incorporate 'resiliency support' that helps artists develop their business confidence. Such development improves personal confidence and helps them directly engage and access more generic business support via regional growth hubs.

**Operationalising programmes**

6. Integral to 'resiliency support' should be the use of physical hubs and human networks. This helps creative practitioners build their contacts, learn in informal settings, and integrate themselves into a community. Also, by including multiple physical hubs with differing creative profiles, programme participants can benefit from an even richer and more diverse creative community.
7. Grantees that manage business support programmes should be encouraged to staff projects by assigning existing employees to roles on a part-time basis, rather than recruiting dedicated staff that will not outlast the project funding. This will reduce costly personnel turnover and preserve human capacity for future place-based programming within the delivery organisation.
8. Projects should incorporate a high degree of responsiveness in order to mitigate the need for multi-year resource reallocation. A 'change protocol' should be agreed upfront to govern the operation of the programme and any revisions. The importance of this is accentuated if multiple partners need to agree, as not all may have the capacity to expedite *ad hoc* decisions.
9. Business support should be made available outside the 9-to-5 workday, so that part-time entrepreneurs and people with family-care responsibilities are not excluded. To avoid being urban-centric, programmes should leverage online video technologies to deliver both group and 1-to-1 business support services, particularly given that the Covid-19 pandemic has increased peoples' experience with such tools.
10. To ensure place-based programmes can be more inclusive and reach socially and economically at-risk beneficiaries, funded consortia should include at least one long-standing social/community-level body.
11. ERDF rules around grants can be very onerous for small and medium-sized enterprises (SMEs) – namely the upfront payments to claim funding. In so far as UK-based public funding bodies take a similar approach, then micro-grants should be permitted so that small organisations can afford the outlays or beneficiaries can more readily achieve any match-funding requirements.

**Monitoring and legacy**

12. Engagement of organisations familiar with programme monitoring and evaluation, such as an academic institution, can help ensure that assessment and evaluation is embedded within the design and operationalisation of a programme and that this remains a 'live' element as the programme proceeds.
13. ACE should embed legacy monitoring of its beneficiaries into its programmes, so it can at least attempt to monitor the long-term impacts on employment and GVA on a longitudinal basis. This will help capture the majority of business support impacts, which occur beyond the duration of such programmes.