



Government of **Western Australia**
Department of **Culture and the Arts**

Public Value Measurement Framework

Valuing and Investing in the Arts – Towards a New Approach

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Foreword

In July 2011, the Department of Culture and the Arts (DCA) in Western Australia commissioned Michael Chappell of Pracsys and John Knell of Intelligence Agency (UK) to undertake work that would help DCA better understand and measure the public value it creates through its investments in arts and culture, and in its role as a development agency for the sector. Working together we have produced a new public value measurement framework (PVMF). The PVMF includes newly developed metrics for quality, reach and impact, which we detail in this report.

The model has been thoroughly tested with artists, funders and academics in WA, across Australia, and internationally. It has received a very positive response with strong endorsements for the overall approach. Other state agencies and funders have already signalled their willingness to collaborate on the further development and refinement of the model.

An important element of the PVMF is that it has been designed so that a wider range of funders and investors in the arts – public, private, and philanthropic – could deploy the model in order to capture the wide range of activities creating value across the arts and cultural sector and wider creative economy. All of which creates the possibility for the PVMF to become a new benchmark in measuring the value of the arts.

DCA is now moving into the implementation phase of the PVMF and the model will continue to be tested and refined. We look forward to working with DCA and developing the model in the same spirit that has produced the current version, openly and in active co-production with public funders, publicly funded arts organisations and a wide array of creative practitioners.

Michael Chappell and John Knell
August 2012

1 Introduction

The Department for Culture and the Arts (DCA) in Western Australia (WA), commissioned this work to better understand and measure the public value created through government investments in arts and culture, and in DCA's role as a development agency for the sector.

The aims of the work were:

- To generate a much sharper understanding of how public investments in the arts create value, enabling DCA to make a stronger case for future investment, and to transform its performance as a public investor
- To engage with the arts sector to try to produce a measurement framework that sensitively reflects the understanding of how best to foster and measure artistic quality, engagement, and innovation
- To stimulate debate with other partner investors and key stakeholders across Australia about how the policy and practice of arts funding can be improved

To meet these aims, the project team has:

- Worked with DCA to identify the key outputs, outcomes, and value it is trying to create through its public investment in arts and culture. This has led to modelling the links between DCA's policy framework and the measurement framework proposed
- Logic checked the resulting measurement framework against leading thinking on the ways in which a public funder might want to measure the value of its cultural investments. This ensures that the measurement framework DCA will be using reflects best practice understandings around the definition and measurement of the value created by arts and cultural activity

As a consequence of this approach, the proposed measurement framework has two important users. Firstly, DCA, as it harnesses the measurement framework to its investment and evaluation activities. Secondly, the broader arts and cultural sector as it plan its efforts to measure the value it contributes. In producing the framework, the project team has been challenging DCA to bring clarity to its intentions and ambitions as an investor with the expectation that the measurement framework will provoke similar challenges to the broader arts and cultural sector in Australia and elsewhere.

This short paper presents the public value measurement framework (PVMF) model generated by the work, and practical reflections about how to model questions of public and cultural value from the perspective of an active public funder.

1.1 Why do we need a public value measurement framework?

1.1.1 A universal challenge

In commissioning the PVMF, DCA is seeking to address issues that represent universal challenges for all public funders and investors, and particularly for those operating in arts and culture. Australian, European and American arts policy makers have long been discussing issues around excellence, access, reach, and the wider impact of the arts.

Therefore, in developing the measurement model the team has been sensitive of the need to produce something that could be used successfully by all arts funders.

It should be noted that this model is for arm's length and government funders alike, which we discuss in section 1.2.1.

1.1.2 A high perceived need

As the model has developed, it has also become clear that both funders and funded believe that the arts sector has reached something of an impasse with regard to the measurement of the value it creates and that there is a definite need for a more sophisticated approach to the measurement of the value created by the arts and cultural sector.

The funded arts organisations involved in the project have welcomed the opportunity to actively shape the measurement framework. The active involvement of the arts sector is fundamental to the creation of a credible and robust framework, and importantly, will help build a stronger shared understanding of the sector's collective aims and ambitions.

The advantages for the arts sector are that it is being offered the chance to:

- Shape some common language and common currency about the value of the arts
- Build a collective intention about the ways in which the arts create value and in turn a stronger shared vision of future success for the sector as a whole
- Shape the measurement of what it does by a public funder, in a way that reflects its artistic ambitions and intentions more fully
- Create a measurement and evaluation system that will contain the reporting demands on sector members as funded clients, whilst increasing the quality and consistency of the arts evidence base
- Shape an evidence base that will allow sector members, as arts organisations and others, to more confidently make the case for ongoing investment in the arts
- Shape the arts evidence base in a way that will allow the arts to innovate and reach a wider audience
- Access tools and resources that will allow sector members to better capture the value they create therefore helping to frame a stronger investment case for funders and investors from the public, private and philanthropic sectors

For DCA, as the public funding agency, and for wider government partners, the potential pay offs are equally clear. The PVMF will:

- Improve the accountability and transparency of DCA's activities as a development agency and public funder, increasing the public value of all it does
- Improve the quality of DCA's decision making, and the return on its investments
- Allow DCA to shape an overall portfolio of investments that will better deliver on its strategic aims and ambitions
- Allow DCA to become a more effective development agency and funder
- Enable DCA to compete more effectively in case making for public funds
- Help create a stronger shared vision of success between DCA and the arts sector in WA
- Strengthen the credibility and impact of the arts evidence base and investment cases for arts
- Provide DCA with the opportunity to engage with the arts sector to produce a measurement framework that sensitively reflects their understanding of how best to foster and measure artistic quality, engagement, and innovation
- Enable DCA to create an objective measurement system, with multi-point subjectivity, that will generate a higher level of trust and support from the arts sector and other partner agencies
- Stimulate debate with other partner investors and key stakeholders across Australia about how the policy and practice of arts funding can be improved
- Provide the opportunity for other funders to more closely align their investment and measurement approaches to those of DCA

These are significant prizes for both funder and funded across the arts sector.

1.1.3 Current state of play

The debate about measurement of value across the cultural sector has achieved much greater prominence over the last decade. There is now expansive literature about the art of measurement, from Gross Value Added (GVA) models; Social Return on Investment models; stated or revealed preference models; intrinsic value measurements including the debate about measuring artistic quality or vibrancy and the artistic experience; through to a wider range of applied practice and measurement in arts and culture interventions (for example arts and education, arts and health, and arts and wellbeing).

This project can draw on burgeoning expert literature on individual measurement elements of the PVMF¹ which have been reviewed elsewhere for this project².

However, globally, there are no comprehensive models containing an expansive definition of public value outcomes and a coherent, leading edge measurement framework that:

- Has comprehensively modelled the value creating impacts of arts and cultural activities, and developed a widely supported strategy to measure them
- Is capable of shifting perceptions of the value of arts and cultural investment with public and politicians alike
- Provides the necessary clarity of ambition, and quality of evidence base, that would allow public funders and other investors to make significant changes to the way in which they are shaping their overall pattern of portfolio investments

1. Important recent contributions include: O'Brien, D. (2010) 'Measuring the value of culture: a report to the Department of Culture Media and Sport,' DCMS; Bunting, C. (2010) 'Achieving Great Art for Everyone: A Review of research and literature to inform the Arts Council's 10-year strategic framework,' Arts Council England; Bakhshi, H. (2009) 'Measuring Intrinsic Value – how to stopworrying and love economics' Mission Models Money; Throsby, D. (2010) 'The Economics of Cultural Policy' Cambridge University Press.

2. International literature has been reviewed and commented on in the Benchmarking Report to DCA at an earlier stage of the project, and Knell has written widely on these matters – see Knell, J & Taylor, M. (2011) 'Austerity, Arts Funding and the Big Society' RSA.

1.2 A challenge reluctantly embraced?

The review of international practice revealed that few, if any, government arts departments or arts councils have taken upon themselves the responsibility of consistently capturing these broader value creating contributions of the arts (embracing not just artistic and cultural value, but economic, social, and public value as well).

This is something for DCA and other public agencies in the arts to reflect on very carefully. The question is not just whether it is useful to capture these value creating impacts. Rather, it is that public agencies need to recognise the difficulties in doing it well, and the development costs involved. Government arts and cultural departments and arts councils are frequently criticised for not pursuing a rigorous research agenda to capture the impacts of the arts, but they are also criticised more vocally if in making such investments in measurement and evaluation, the amount of money they are spending on administration and their overheads is diminishing the proportion of public funds flowing directly to arts organisations.

The logical conclusion of this is that until funding agencies develop measurement frameworks that actively underpin their investments, thereby providing a compelling account of both the return on public investment and the wider value being created by arts and cultural activity, this particular argument won't be won.

1.2.1 The PVMF, state agencies, and 'arm's length' funders

There is a distinction between DCA as a state agency, which is not arm's length from government, and a funder like the Australia Council for the Arts that does have an arm's length relationship from government.

The DCA, as a state agency, has to account for its role not only as a funder of cultural content and activity, but also as a provider of wider public value through its investment and development agency role. Therefore, the model has to provide DCA with an understanding of the core metrics required to fully capture its narrower role investing in arts organisation and the arts sector to produce particular artistic and audience outcomes. In addition, the model needs to capture other sources of wider value that its investments create, in terms of wider economic and social impacts.

Therefore the PVMF has sought to equip DCA with metrics against which it asks its funded organisations to report, and to identify other impact areas (education, tourism, place making) where DCA may need to deploy other mechanisms (public value surveys, contingent value analysis), working with other partners, to capture some of these broader impacts.

The model is also helping DCA to measure public value in terms of the accountability and transparency of its own activities, and the trust that others place in it. The other key aspect of the model for a state agency is that the measurement framework needs to be able to accommodate changes in policy weightings or key performance indicators over time, and allow for the effective testing of key policy assumptions that will be informing investment decisions over a particular time period. A well attuned PVMF will allow DCA to explore over time the relationship between a shift to a higher proportion of artistic work that originated from WA, peer assessments of quality, and audience attendance and satisfaction levels. This would allow new insights on how advances in artistic quality affect and shape audience attendance and experience.

The PVMF allows a similar range of choices for an arm's length funder but its freedom as an arm's length agency could lead them to make different choices about the framework's relevance and use. For an arm's length funder, the model could have a narrow application, focusing in on those elements of the model concerned specifically with the quality and reach of the work of its funded arts organisations. If the funder wants to explore the wider impacts and value creation of the arts sector, the PVMF provides it with a possible logic model to guide its work and to inform how it can best work with other partners to capture these wider aspects of value creation.

1.3 Breaking the taboo of measurement

'The sector is hindered by its failure to clearly articulate its value in a cohesive and meaningful way, as well as by its neglect of the compelling need to establish a system for collecting evidence around a set of agreed indicators that substantiate value claims'³

The issue of value and measurement remains a highly charged one for the arts and cultural sector. Some arts practitioners, whether in Europe or Australia, regularly complain of metrication and instrumentalism on the part of public investors. In response, various arts councils⁴ comment on how public funding in the arts remains relatively untouched by a rigorous approach to measurement and evaluation.

It is important to note some assumptions that underpin the approach taken in this report. First, a more rigorous and comprehensive attempt to identify and measure the value the arts create can only strengthen the case for arts investment, and a wider understanding of artistic practice. Measurement is not a choke chain on the arts, as long as the process of generating the measurement definitions is a shared endeavour between funder and funded, reflecting both of their intentions and aspirations.

Second, although measurement is happening in the arts, there is a lack of clarity around how best to frame the key outcomes desired from public funding. As policy clarity is difficult or at least elusive for arts funders, the measurement challenges seem much bigger than they are in practice.

In other words, the biggest barrier to telling a better value story about the arts is not our ability to model and measure value, but rather the difficulty public funders face in defining their objectives in precise and measurable ways. A measurement system is only as good as the clarity of the policy system and objectives driving it. Ironically, whilst much of the focus in the arts has been on the right policy mix, perhaps the quicker route to a more sophisticated cultural policy is to model the value creating potential of the arts and how it might be measured, and assess existing policy frameworks in light of this analysis.

The work outlined in this report is designed to help public funders both assess the specificity of their policy frameworks, and to explore how to develop an aligned measurement and funding system that fully supports their ambitions, and which garners the support of those it funds.

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3. Scott (2009.198) quoted in O'Brien (2010.13) 'Measuring the value of culture: a report to the Department of Culture Media and Sport,' DCMS
 4. Bunting, C, et al (2010) 'Achieving Great Art for Everyone: A review of research and literature to inform the Arts Council's ten-year strategic framework.' Arts Council England

2 Creating an operable measurement framework

A public funder of the arts has a number of options to consider as it frames its public value measurement framework. DCA is seeking to better understand and measure the public value it creates through its investments in arts and culture, and in its role as a development agency for the sector.

In response, this project needs to create a unified, coherent framework for measurement that can fully reflect the strategic ambitions of DCA, or any other public funder, built on a firm understanding of the totality of public value outcomes that DCA/the funder is seeking to create.

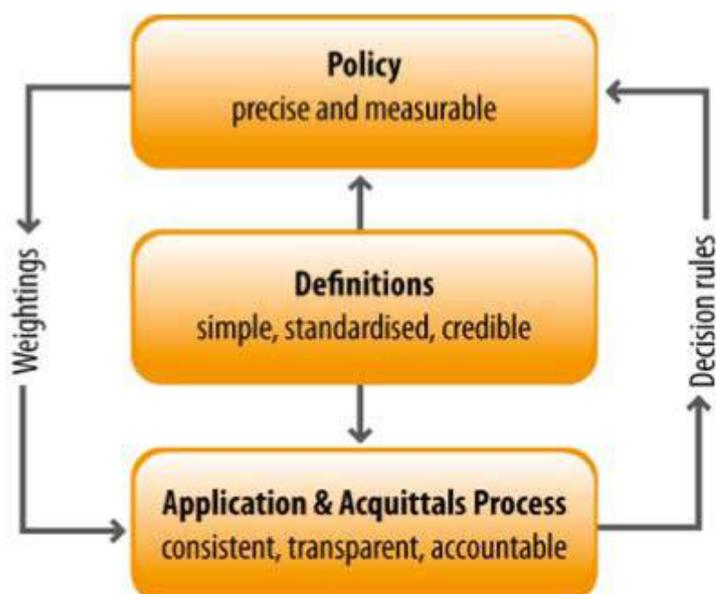
To fulfil these ambitions, this project has to practically model questions of public and cultural value from the perspective of an active public funder, whilst drawing on leading academic and policy thinking.

The end point is the creation of a funding and evaluation system that fosters cultural innovation and improves the return on public investment, whilst building greater public and sector understanding of the value of arts and culture.

This requires a measurement framework that has distinct links back to policy and funding decisions so that the framework is a dynamic informer of an evolving public value contribution. To this end, the project needs to create an overall measurement framework that makes it easier for the DCA to shape a portfolio of investments that produces the overall impacts and public value outcomes it wishes to prioritise, but also one that supports a credible and robust evaluation and acquittal process that produces outcomes which are clear and transparent.

Figure 1 captures the key building blocks of the measurement framework. It shows that each step in this feedback loop, which encompasses policy, measurement definitions, and process, must work together coherently. Starting with the top box, policy objectives and outcomes need to be defined with enough clarity and precision to be able to be matched with appropriate measurement criteria. For example, if achieving artistic quality is a funding priority, the dimensions of quality have to be modelled in ways that are understandable and measurable, but also credible to the funder and the artistic community.

Figure 1: Creating an operable measurement framework



Source: Pracsys 2012

All the metrics that go together to constitute the public value measurement framework (the middle box) also need to meet some clear criteria. Firstly they need to pass a rigour and credibility test. For example, in developing the measures within the framework there needs to be stakeholder and testing sessions with artists and cultural leaders to generate metrics that can effectively capture their practice and intentions, as well as satisfying the desire of the funder to better account for the outcomes and value produced by those activities. If the needs of only one of these groups are met, the measurement system will fail.

As the middle box also implies, any robust measurement system needs to have a number of essential characteristics, as follows:

Simplicity

Because the arts sector displays a complex array of variations across art forms and delivers an equally complex array of outcomes, any system which will measure this sector needs to be simple enough for the entire sector to be able to apply and use it, and it needs to show clear links back to the policy which guides it. The system also needs to display uniformity so that all measures are consistent no matter where they are applied.

Standardisation

Any measurement framework needs to be standardised, so that everyone who is using the system (that is, participating in doing the measuring) is using the same set of parameters, which are clearly defined and have a common understanding of what to assess.

Only once the information gathered across the whole sector is standardised can the various programs or art forms be usefully compared and considered for their separate roles in contribution to the achievement of stated public policy objectives.

Documented decision rules

Integrity of a measurement framework is ensured when decision rules are in place to guide decision making. Decision rules provide the framework for decision makers using the system and provide accountability for decisions. Without decision rules there lacks consistency of decision making across programs, panels or assessment processes. Decision rules need to be created to provide a feed back mechanism to the DCA policy that guides the process.

Evidence based

An effective measurement framework must be evidence based so that the integrity of decisions made when using the measurement framework can be ensured. Over time, an effective measurement framework can develop a record of the evidence collected which guides decision making. This record reinforces the capacity of the system to improve over time.

Returning to the bottom box on Figure 1, the alignment of the policy and measurement definitions also need to produce an evaluation, funding and acquittal process that is seen to produce robust, credible and transparent outcomes.

Moreover, the outcomes from the funding and evaluation process need to feed back into policy decisions and future resource allocation rounds.

There would be little point in developing a new measurement framework unless it has tangible impacts on the way arts organisations plan and report their activity, and on subsequent allocations of public funding. The feedback loop, which encompasses policy, measurement definitions and process, ensures that the whole measurement framework becomes a learning system. A robust measurement system must include the capacity to learn from itself. This means feedback loops must be incorporated so that the performance of organisations and projects within the funding process is measured, and the results from the measurement inform ongoing decisions about further funding, policy and organisations or projects receiving funding within the system. The closed loop provides the evidence upon which future decisions can be made and the record of learning events which reinforces the integrity of the system.

2.1 Integrating policy, measurement and process

Any effective measurement framework needs to integrate policy, the measurement definitions, and the evaluation and funding process (as outlined in Figure 1).

A scenario to demonstrate this could be that if DCA asked all of their funded organisations to report against the measurement framework proposed but did not integrate it directly with their policy frameworks or evaluation and decision making processes. Under this scenario, the PVMF would still allow DCA as a public funder to provide a more compelling account of the ways in which their investments have created particular outcomes and value.

The measurement system is a tool to capture value creation, whether it is integrated within a policy framework and decision making processes or not.

However, if this was the implementation outcome from this exercise, DCA would fall short on delivering its ambitions to transform its performance as a public investor, in which the transparent performance of individual funded organisations, and of its overall investment portfolio, would lead to ongoing refinements in its policy objectives and resource allocation decisions across the funded portfolio. Without the integration of the measurement framework to DCA's policy framework and evaluation and funding decisions, incremental improvements in return on investment and the totality of public value outcomes would not be reliably secured.

This observation stands for all public funders who are seeking to develop a more rigorous measurement and evaluation framework. With these thoughts in mind, the next chapter outlines the emerging public value measurement framework.

3 Public value measurement logic model

In developing the value framework, one of the project team's first tasks was to work with DCA to challenge and refine its understanding of the key outputs and outcomes it is trying to achieve through its four key strategies.

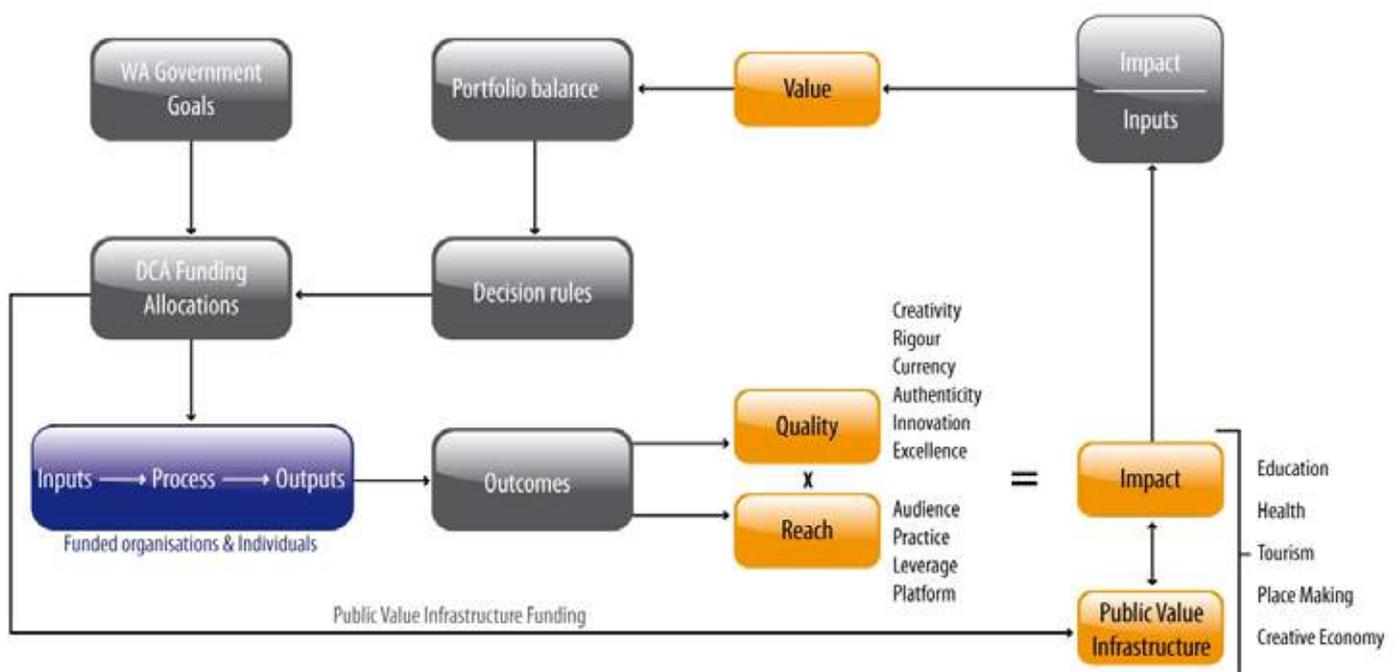
This required working with DCA staff to help clarify the value created through its investments, so that a tailored measurement framework could be created that reflected those aspirations, as well as taking into account whether the resulting framework could comprehensively capture the various ways in which arts and cultural activity creates value.

The necessary output was to generate a shared understanding of what is meant by the terms quality, reach, impact and value, so that agreed definitions could be developed for both the outcome areas and the policy drivers and goals.

Another important element of the joint work with DCA was to establish how far the measurement framework would be designed to capture direct outcomes from its activities (in terms of cultural production, distribution/participation). Other indirect/induced outcomes (for example, wider educational attainment or wellbeing outcomes) would be captured by specific measurement interventions, outside of the measurement framework and its reporting framework.

Figure 2 offers a diagrammatic representation of the public value measurement framework and its role within a closed loop policy making and funding process. The measurement system aims to fully capture the outcomes produced through DCA's support for the funded organisations, which in turn is shaped by its policy goals and funding allocation decisions. It meets the requirements of an operable measurement system outlined in Figure 1. The metric structure and definitions are discussed at greater length in the next chapter.

Figure 2: Public Value Measurement Framework Process Diagram



Source: Pracsys 2012

To capture those outcomes, metrics have been developed for quality, reach and impact. The quality dimension includes measures for creativity, rigour, authenticity, innovation and excellence. The reach dimension includes measures for audience numbers, diversity and the extent of connection with target communities of interest. Reach also encompasses the development capacity in communities of practice, the leverage of investment from non-DCA sources, and the extent to which the funded activities create platforms from which future activities can emerge.

The impact is a product of the quality and the reach of the output. If the output is of very high quality but reaches few members of its target community of interest, it will have a lower impact than if its reach was greater. If it has low quality but an extensive reach, similarly, it can be regarded as having a lower impact than if quality was higher.

The impact dimension includes a range of measures that capture both economic and social outcomes. The economic metrics include gross value added (GVA), tourism, creative economy links, and place making. The social metrics include wellbeing, community vibrancy, and a broader transformation element, which captures the extent to which the work changes how artists and audiences think and feel about their world. From the wider value perspective, value should be measured not only by aggregating the data received from each funded organisation reporting against the measurement framework, but also from a whole-of-sector view, based for example on contingent value studies commissioned and disseminated by DCA and other partners.

Value, in quantitative terms, is a function of the relationship between impact and inputs. Those measurement outcomes feed back through a set of decision rules to shape future DCA funding allocations and as described already, future policy decisions.

The other element of the model is the recognition that DCA, as a state funding and development agency, also has a responsibility to produce what is called public value infrastructure. For example, tools and expertise that arts organisations can use to both increase the reach and impact of their activities (whether through the use of shared audience or business data), or deploy to better capture their value making contributions.

A non-negotiable element of the model is that the measurement framework has distinct links back to policy and funding decisions so that the framework is a dynamic informer of an evolving public value contribution. Without the integration of the measurement framework to DCA's policy framework and evaluation and funding decisions, incremental improvements in return on investment and the totality of public value outcomes cannot be reliably secured.

3.1 Testing and refining the measurement definitions

In addition to working with DCA, the project team has run testing sessions with artists, cultural leaders, and creative industry professionals from WA⁵, generating their reactions to both the general shape of the measurement framework and specific measurement definitions. This underlines an earlier point, that no measurement system will be credible or effective unless the measurement definitions are supported and have credibility with funders, funded, and outside experts (either in other parts of government, or in academia).

The PVMF proposed has been generated by developing a set of metrics that can effectively capture the value DCA seeks to create. These metrics fully reflect the understanding of the arts sector in WA and the value it creates. They are informed by a review of international best practice around the identification and measurement of the value created by the arts.

5. Sessions/discussions were conducted with independent producers, curators, gamers, screen industry representatives, festival producers and practitioners from a wide range of traditional performing art disciplines.

The practical testing with individuals and arts organisations explored the definitions within the public value measurement framework. It is encouraging to report that the funded organisations have been positive about the PVMF, recognising its potential value both to them and the broader sector if it allows them and others to make a stronger case for arts funding and increases public understanding of the value of arts and cultural activity.

The practical testing sessions have greatly enhanced the understanding of how each metric may be defined, suggesting new dimensions to quality, reach, impact and value.

3.1.1 Quality

Testing with sector representatives revealed support for the following parameters for and definitions of quality.

Creativity

Including:

- Inquisitiveness – the extent to which the funded activity promotes curiosity in artist and audience
- Imagination – the extent to which the funded activity explores new possibilities and views
- Originality – the extent to which the funded activity breaks new ground (modes of practice and content)

Risk – the extent to which the artist is fearless and negotiates new artistic approaches

Rigour – the extent to which the funded activity has undergone thorough research and development

Currency – the timeliness of the creative idea in relation to contemporary events

Authenticity – the extent to which the funded activity respects cultural tradition or is uniquely Western Australian

Innovation – the extent to which the funded activity demonstrates an ability to realise creative ideas into real world outcomes

Excellence – the funded activity is widely regarded as best of its type in the world

3.1.2 Reach

Testing with sector representatives revealed support for the following parameters for and definitions of reach.

Audience

Measured through:

- Number – the number of people in the target communities of interest who directly engage with the funded activity
- Diversity – the extent to which the funded activity engages a broad cross section of society
- Connection – The quality of the connection of the funded activity with communities of interest

Practice – The extent to which the work connects with communities of practice

Leverage – The ability to attract investment from a range of non-DCA sources

Platform – The capacity of the work to have long term influence and importance to communities of interest and practice

3.1.3 Impact

The engagement with artistic practitioners and the testing with DCA staff revealed that all of the dimensions of impact have a common theme of transformation. This has not previously been formally integrated within practical or academic treatments of cultural/public value measurement.

In this sense, transformation is the extent to which the funded activity changes how artists (and their communities of practice) and audiences (and their communities of interest) think and feel about their world. However, this dimension poses significant challenges in terms of a standardised scale measurement. The ways in which this metric might be framed needs to be explored in further testing rounds. One option would be how transformation might be captured through an amalgam of the other metrics.

The other interesting element to emerge out of the testing phase is that the arts practitioners regard the impact category as having both a narrow and wide dimension, and this implies distinctively different roles for themselves and for DCA as the public funder. The narrow impacts, the definable and direct cultural (intrinsic and institutional) and economic impacts arising out of their activities, are the responsibility of both DCA and the funded sector. In its role as funder, DCA would sponsor and support the individual arts organisations to report against any new measurement framework, work with them to refine the measures over time, and find new ways of generating relevant data, making full use of social media as a reporting technology linking audiences and organisations.

Arts practitioners think that DCA has the lead responsibility to capture the wider impacts, taking a leading role in measuring and understanding those wider impacts of the arts which are not captured through the reporting practices of the funded organisations. For example, this wider impact might include issues around wellbeing and community vibrancy, which DCA undertakes on behalf of the WA arts and cultural sector.

3.1.4 Value

The testing has confirmed that arts practitioners fully understand that value has a layered and complex meaning. Firstly, value has a strict narrow economic meaning, but it also has intrinsic and institutional value⁶. In addition to this, it has externality value in that it creates skills and experiences that are vital to the creative industries (advertising, gaming, film, television, etc), alongside wider social value. All of these elements need be considered together to gain a full picture of the true meaning of value.

6. Throsby, D. (2010.20) 'The Economics of Cultural Policy' Cambridge University Press; see Selwood, S (2010.21) 'Making a difference: the cultural impact of museums: An Essay for NMDC' Sara Selwood Associates

3.2 The implications of the model for public funding systems

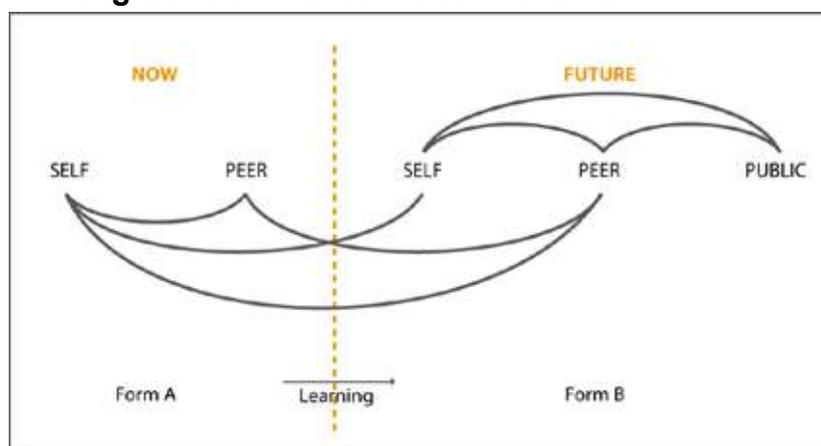
What are the implications of modelling the PVMF for existing public funding systems in the arts? First, DCA and other public funders will need to remove and tackle some of the subjectivity around the definitions of key metrics in their policy framework and measurement systems. Within the measurement framework this process will require the adoption of a standardised semi-quantitative scale for each metric element. Under the proposed system, each measured dimension uses the same quantified rating scale, which removes some of the spurious variation and subjectivity associated with using open ended questions. Another advantage is that rating scales generate quantitative data that builds a statistically significant sample as the number of observations grow over time. Although each self or peer assessment is necessarily subjective, the sum of all observations builds a data set that becomes more statistically significant when the sample size is large enough.

If these improvements to both the definitions of terms and the method of data collection can be secured in the future, the system will be able to fulfil its real purpose, to measure differences or similarities between what the funding applicant thinks of their work/activity and what their peers think of their work. Moreover, this standardisation in the application process will enable comparisons between the activities of the same artist/art form over time and even comparisons between funding programs and activities from different art forms. If used more widely, it would also be useful as a benchmarking tool with funding programs in other jurisdictions (for example, other states across Australia).

Another significant weakness of existing application assessment systems is that data gathering is only about what the applicant and the relevant peers think about the funded activity before it happens. There is no systematic checking of what the applicant and peers think after the output is produced. As with many risky activities, the output is often very different from what was expected. The system funds activities based on expectations, but does not provide the facility of checking to see whether those expectations were met. The system is therefore incapable of learning.

So what does a system with learning embedded within it look like? A learning system has to provide the opportunity for both the funding applicant and the peer assessor to review their pre-output assessment after the funded activity (see Figure 3). The analysis of variance on their respective assessments will give each the opportunity to learn how the output was different from their expectation, equipping them to make better judgements in future.

Figure 3: Self and Peer Assessment



Source: Pracsys 2011

A third and vital element in the post-output assessment is the public's views about what they value. For example, under the current DCA system the view of the public is sought irregularly and in a rather ad hoc manner. The exception is the annual Arts Monitor survey run by DCA, but this is very general in nature rather than specific about public response to specific funded activities. The surveys that are undertaken are also manual, paper based and expensive to administer. Some of the better resourced companies also conduct their own market research, but they of course have proprietary ownership of this intelligence, so it is seldom, if ever, available for wider use.

By gathering data from two sources before and from three sources after the funded activity, DCA would end up with five observations on each funded activity. In the case of major organisations and annually funded artists, the system could run multiple times per year. The number of observations would grow quickly once the system was introduced, providing a rich source of public value data in a learning process.

Surveys are expensive and beyond the reach of individuals and many funded organisations, both logistically and financially. The solution is to run an integrated online system using the same assessment criteria for application and acquittal regardless of who is doing the assessing. DCA is well advanced in its planning for an online grants system, which could be extended to allow web access for funded organisations and individuals to conduct their post-output assessments. This initiative could also be extended to a mobile application (for example, an iPhone application) for the public to register their feedback about the quality and impact of the funded output when they consume it. Under this system, data collection is seamless, uniform, inexpensive and continuous, and moves away from the infrequent, cumbersome and expensive manual and largely ad hoc surveys currently undertaken.

An important point to stress here is that the adoption of a measurement framework like the one being proposed would not remove the need for expert judgments on individual applications and shaping whole portfolio outcomes.

For example, during a funding process, for either organisations or a specific program of activity, DCA would provide clear priorities to the applicants applying for funding about the relative importance of different measures within the framework. DCA's clearly stated priority objectives would lead them to give different weights to the different metrics within the measurement framework, which would be reflected in the resulting dashboard of measures for each applicant.

For example, DCA might choose to place a higher relative importance on some aspects of quality (creativity, innovation) than on some aspects of reach (monies raised from philanthropic income). The weightings used within the measurement system would reflect those priorities.

Assuming the weighting process successfully captures DCA's strategic intentions as a funder, the measurement system would provide compelling evidence about which applicants DCA should invest in and which they might reject, both individually, or judged from a whole portfolio perspective.

The importance of this for arts organisations is that the public funder is not asking them to contribute to all aspects of the value framework and distort its activities accordingly. Rather it is seeking to provide arts organisations with a value framework that is sensitive enough to allow them to give a comprehensive account of the value they create, allowing the funder to make informed decisions about their vitality within their overall funded portfolio, and their contribution to specific funder aims and objectives.

The defensive response to this from seasoned art policy makers might be that this implies a technocratic, numbers driven evaluation system, which will be having the decisive influence on the shape of the funded portfolio, but this is to misunderstand what is being attempted here.

Firstly, the resulting portfolio will reflect the clarity of the funder's original strategic objectives and their integration with the measurement framework through the appropriate weighting of different metrics within the framework. The measurement system is policy neutral. It is the weightings used to drive the system that need to reflect funder intention. Clearly specified policy priorities, which should reflect the intentions of the sector as well as the funder, should produce strongly supported evidence based outcomes that are credible to funder and funded alike.

Secondly, the measurement framework will produce a greatly enhanced and improved evidence base upon which DCA can anchor its funding decisions and which others can also use to judge the return on investment, and value created. The commitment to using the framework does not preclude DCA from using a wide range of expert practitioner input during the various stages of the assessment process, looking beyond the metrics and dashboard outcomes for individually funded applications, to both check the veracity of the emerging outcomes for individual applications and to add an important layer of expert interpretation to aid DCA's final decision making process.

4 Stakeholder Feedback

There are two strands of feedback to report. Firstly, the small and large scale sessions that were run in Perth with DCA funded organisations and other key stakeholders. Secondly, the peer review feedback received from Arts Council England, the Australia Council for the Arts, the arts and cultural departments of other Australian states and territories, and from leading Australian academics.

4.1 Public Stakeholder Session

During October 2011, DCA and Pracsys hosted a number of stakeholder sessions, ranging from small discussion groups to a large public session with over 50 attendees, in which the rough outlines of the public value measurement framework were tested. As expected, the discussions were wide ranging. Some of the dialogue was focused on establishing a shared understanding of the emerging measurement framework, but in addition participants made a wide range of observations on the framework.

There was significant support for the measurement framework. Participants displayed a sophisticated understanding of the potential benefits of the framework, whilst being keen to ensure that it could effectively capture their artistic activities and practices in a sensitive, non-distorting manner.

Participants also expressed clear expectations about what the measurement framework needs to be able to deliver, which included the following key points:

- That the measurement framework is capable of making the case for public investment in the arts much more strongly in WA
- That it can effectively capture how public investment in the arts and culture is leveraged – both in monetary terms and in terms of whom else gets the chance to practice/participate in cultural activity beyond the funded artist/institution
- That it should help to make the funding system more transparent and accountable
- That it allows the arts ‘to better present the value created currently, and the value that can be created in the future’
- That is sensitive to value creation in the creative economy/digital spheres
- That it needs to be future proofed, in the sense that it takes account of new social media/digital based metrics and analytics
- That it better captures the cross overs from individual consumption of arts and culture to active participation in productive/creative processes
- That it needs to capture important place making and livability outcomes (the vibrancy of a place and its attractiveness) associated with public investment in the arts
- That over time it can influence the way in which the Australian Bureau of Statistics measures participation, allowing for a better measurement of creation and consumption

Concerns/questions were raised about:

- The relationship between the measurement framework and future investment processes
- The potential over-metrication of decision making – ‘how will this measurement framework shape the funding decision making process?’
- The ability of the measurement framework to deal with different arts forms effectively
- The ability of the measurement framework to capture changes in artistic quality/excellence over time
- Whether it will be able to sensitively capture local community engagement and participation
- The potential for harmonisation between the measurement framework and the requirements of other funders
- How DCA will work with other agencies to capture some of the wider, induced benefits of public investment in arts and culture
- The costs and usability of any new scheme as part of DCA’s funding process
- How best to engage other public investors and stakeholders in developing the model, so that it can be applied in other related areas (sport, museums and heritage etc.)
- How to build national credibility for the measurement framework, with observations that this might need to be a separate stage, engaging with the Australia Council, other state and territory governments and relevant research councils

These concerns and challenges remain a live checklist for the ongoing development of the value framework, and are being actively addressed. In response, further testing sessions were held with funded organisations in February and March of 2012, including sessions with the West Australian Symphony Orchestra and the West Australian Opera.

The key issues raised in these sessions included:

- Clarifications about the excellence measure – concerns were raised about how best to benchmark artistic quality nationally and internationally. Who should be the comparators, and would any assessment make appropriate allowances for differences in funding levels or audience size?
- Queries as to how the new framework will connect with the assessment framework from federal funding bodies the Office for the Arts and the Australia Council?
- Requests that any implemented model should seek to alleviate reporting demands on funded organisations given the wide variety of funding sources they have to engage with.

4.2 Peer Review

During the week of the public sessions in Perth in October 2011, the Pracsys team discussed with DCA what the most appropriate form of peer review would be for the emerging PVMF. In terms of an international perspective, it was agreed that John Knell should focus his efforts on Arts Council England (ACE), as practical, funder based reflections on the model will be of high practical use and offer a strong reputational endorsement of the model if key ACE staff are supportive of the PVMF.

Within Australia, DCA felt that PVMF would be greatly strengthened if we generated peer feedback from the Australia Council, arts and cultural departments from other states and territories, and from leading Australian academics. These national responses provided a vital feasibility check that will inform DCA’s ongoing decision making about how to move forward with the model, and how best to implement its implications for DCA’s future funding practice.

Detailed feedback was received from two ACE senior executives, namely Andrea Stark, a member of ACE's executive team, and Catherine Bunting, the Director of Research at ACE who ran their public value inquiry three years ago. Their key responses are summarised below.

Firstly, both felt that the model was coherent and represents an advance on anything that is being attempted elsewhere. Stark thought the model was, 'clear and exciting, in that it moves the sector beyond where we are.'

Bunting commented that:

'I'm particularly excited by the model because it is holistic – it offers a complete map of the process of public funding of culture from decision making through to the assessment and articulation of value. In this sense the DCA is breaking new ground and I'm not aware of any other funding body internationally that has made such progress in developing a strategy for maximising the public value of culture. The proposed framework is simple without being reductionist and should lead to greater transparency, understanding and trust between the DCA, its clients and other stakeholders.'

Other general points they noted about the PVMF model include the following:

- That DCA is applying a logic framework to an area where there's been very little rigorous logic applied
- That the framework lays the foundation for consistent measurement, comparison and aggregation across funded organisations in areas such as artistic excellence and innovation and audience size, diversity and experience
- That by closing the loop back to decision making, the 'framework encourages DCA to take responsibility for the value it creates rather than treating value as something to be asserted as part of an advocacy campaign'

Beyond these general points about the model, Stark and Bunting identified some operational key implementation issues:

- The challenge of identifying standard methods and data collection systems to enable organisations to report on quality and reach in a consistent way
- The challenges around operationalising the model. For DCA to be successful in implementing this model they will need to build a strong collective sensibility across the whole portfolio of funded organisations
- As Andrea commented:
'Whilst it is important the model is sensible and comprehensive, which this is, DCA will also need to be able to shift mindsets around all of this'

- One option suggested here would be for DCA to explore with the sector how they can encourage them to directly adopt the PVMF as a self-evaluation tool that they will use to shape their business planning activities. The great benefit of this approach is that the PVMF framework would not feel like a ‘top down’ mandated outcome set, but rather a set of outcomes that are supported by the sector and that its members are actively using to shape their forward planning
- The need for DCA to strike the right balance between a technocratic, numbers driven evaluation system and the need for expert judgment by art form professionals, balanced with whole portfolio decisions (geographic, diversity and cultural entitlement issues)
- The importance of DCA developing a very clear set of prioritised objectives to underpin the use of the PVMF and an equally clear view of how it wants to operate as an organisation and funder, in terms of its evidence based approach and decision making culture. As Bunting commented:
‘Perhaps the biggest challenge now for the leadership of the DCA is to determine how well the proposed framework matches the DCA’s vision of the kind of organisation it wants to be’
- Thinking through how best to make the case for the PVMF, which ‘needs to look simple and comprehensive enough to convince Ministers and officials that it’s a turnkey solution for telling the return on investment story’
- They also commented that DCA will need to outline the return on investment on the PVMF itself and queried what the benefits that will accrue from getting it right in the next five years are. Some of the key benefits noted by ACE executives included:
 1. To align the self-evaluation of funded arts organisations more closely with DCA investment priorities
 2. To convincingly tell the ‘return on investment story’
 3. To allow DCA to tailor its strategy and evaluation to speak powerfully to the wider priorities of government
 4. To unlock value in other state departments, by encouraging joint approaches to investment and evaluation, particularly those departments where arts and culture do not currently have strong relationships

In summary, the feedback from ACE was immensely positive, confirming:

- That the model is innovative and coherent
- That it should allow DCA to capture a rich and diverse range of impacts achieved by individual organisations and the portfolio as a whole
- That it would represent a leading edge attempt to provide a strong evidence base for DCA’s decisions about support for WA culture and the arts
- That its successful implementation requires DCA to generate strong support for the framework amongst funded organisations and other funders and investors
- That DCA needs to think carefully about the implications of the framework for its current assessment and evaluation process, and that it will need to find the right balance between a technocratic, numbers driven evaluation system and the need for expert judgment by art form professionals, balanced with whole portfolio decisions

4.2.2 Australian peer review

During February and March 2012 Michael Chappell and John Knell held workshop sessions to discuss the PVMF with:

- the Australia Council for the Arts
- Arts New South Wales
- Arts Queensland
- Professor David Throsby of Macquarie University
- Distinguished Professor Stuart Cunningham and colleagues at the Australian Research Council Centre of Excellence for Creative Industries and Innovation, Queensland University of Technology

Australia Council

Nick Herd, Director of Research, chaired our session with invited colleagues from across the Australia Council, including representatives from the community partnerships and research departments, and individual art form directors.

The key elements of the feedback were as follows:

- That the PVMF is an interesting and valuable work, and that it is important for the arts sector and public funders to work more closely together on common definitions/understanding of value
- They are unsure whether individual artists would be happy to translate their artistic process through a standardised set of quality, reach, impact and value metrics
- To be reassured they would need to see more detail from the testing and stakeholder engagement process, and more reactions from artistic practitioners to the PVMF
- That they would like to be kept informed about the further development of the model, and are happy to keep inputting into its development

Arts New South Wales and Arts Queensland

Given the strong similarities in the feedback received we have consolidated their feedback below. More than 20 staff from these two departments attended the PVMF workshops.

The key elements of the feedback were:

- Recognition that the PVMF is a sophisticated model that offers a very good way of thinking about how the value of the arts and cultural sector can be better measured
- Strong support for the underpinning approach and the value of the PVMF
- That engaging the funded sector in this type of exercise, particularly the co-production of shared definitions and metrics is both necessary and valuable
- The model is an equitable and accountable system that will allow everyone in the arts ecology (both individual artists and larger arts organisations) to tell a better value story
- Strong belief that other investors, both public (local authorities) and private, would welcome this model and be keen to support/develop it
- Arts Queensland likes the choral symphony dimension of the PVMF, in that it should enable all investors, public and private, and the sector itself, to sing the same value song
- The model will help move the funding debate away from a narrow focus on allocation to a better conversation about efficiency and effectiveness
- They believe the model will help the arts to engage more effectively with investors and partners, public and private

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- That the wider public value infrastructure aspects of the model are helpful, but hinge on delicate cost/benefit decisions around investment more public money in capturing wider public value
 - A keenness to understand the testing process – to both establish its scope and scale, and to work through what type of commitment a similar exercise would represent for themselves
 - They both offered warm support to WA for beginning this deeper exploration of how to capture the value of the sector

Academic Feedback

We met with two of Australia's leading academics in the cultural policy sphere, Professor David Throsby of Macquarie University and with Distinguished Professor Stuart Cunningham of Queensland University of Technology (QUT), who is Director of the Australian Research Council Centre of Excellence for Creative Industries and Innovation (CCI).

Professor Throsby is Australia's pre-eminent cultural economist, and is a renowned international expert on the measurement of cultural value.

Professor Throsby noted that whilst a key foundation of our approach – namely to co-produce the measurement framework with the arts sector – is vital to any successful measurement framework, it is striking that this has not been attempted before. He was therefore fully supportive of the approach adopted by the PVMF, and regards it as a leading piece of work.

Professor Throsby also felt that this piece of work is filling a gap – in that thus far the debate about value has stayed at a largely theoretical level, rather than being actively modelled from the perspective of public funders. He believes that the PVMF is extremely valuable for precisely that reason.

Distinguished Professor Stuart Cunningham is the Director of CCI, which draws on contributions from across the humanities, creative arts and social sciences to help build a more dynamic and inclusive innovation system in Australia. It is a recognised global authority on the creative industries and wider cultural policy.

Distinguished Professor Cunningham met us both individually, and chaired a larger session with invited faculty members from across QUT. In terms of his one to one feedback, Stuart's main observations were:

- That the proposed PVMF model is 'rigorous, new, and hasn't been attempted before.'
- That the model should be warmly welcomed by a wide range of public funders, and has potential applications outside of the arts sector
- That he strongly supports the project, and is keen to support the development of the PVMF as the project develops

The wider discussion with faculty members from across QUT offered a similar endorsement of the rationale and value of the model, and also touched on the implementation challenges associated with the model, and in particular QUT's experience of developing a range of survey instruments that might be applicable to supporting the peer and public assessment elements of the PVMF.

5 Conclusions

The early stage testing of the model has been very useful in refining the suggested dimensions of quality, reach and impact.

The artistic practitioners who have been involved in the testing process engaged very openly and productively with the potential metrics, and they will continue to add value to the model as DCA moves into an implementation phase.

The testing process has underlined the potential power of a PVMF that is jointly shaped and authored by both funder and funded, which reflects artistic intention and aspiration as well as funder ambition and responsibility. There is also acknowledgment that movement towards a more consistent and meaningful assessment and measurement process will require a standardised reporting framework.

Participants in the testing also recognise that designing the funding system so that it provides the opportunity for both the funding applicant and the peer assessor to review their pre-output assessment after the funded activity would greatly improve the year on year assessments and operation of the system.

It is also extremely encouraging that the PVMF has received such strong early endorsement from other key agencies in Australia, including the Australia Council for the Arts, other state arts and cultural departments, and leading academics and centres of research excellence. Internationally, Arts Council England is highly supportive of the work and is happy to maintain a productive peer review relationship with DCA during the implementation phase.

DCA can take heart from the willingness of other stage agencies and funders to collaborate on the further development and refinement of the model. We are hopeful that over the next 12 months some concrete opportunities for joint piloting and development of the approach will present themselves. We look forward to working with DCA to develop the model in the months ahead, and to sustaining an Australia wide conversation about the key issues, challenges, and opportunities in implementing the PVMF.