

## Featured sites: Measuring Cultural Value

### *OR* Using an integrated benefit cost analysis as an evaluation tool in the cultural sector

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I want to start my presentation today with a story. A local government story with a cultural focus.

Imagine if you will a large local Council in a major Australian capital city. It's the early 1990s and the twins – Efficiency and Effectiveness – are focusing the attention of management. The business of local government is under the spotlight and economic rationalism and its tendency to highlight the monetary value of services is gathering momentum. The cost of providing community services, including cultural services, is being referred to in less confident terms than the cost of putting in a drain for example or a footpath.

To compound the problem, rate pegging is beginning to bite, infrastructure and maintenance costs are escalating and the Council is facing a budget shortfall. Does this all sound familiar?

The Property Manager has found a solution to the financial dilemma. She is proposing to sell some community halls including a couple which are being used for library services and art classes. The sale of the halls will generate revenue and bolster the Council's income thus solving the budget-overrun problem. Simple!!

The debate at Branch Managers meetings, at senior management level and at Council is getting increasingly spirited. As well as facing a challenge to quantify and justify the services that they provide, the Community Services Branch staff also need to be able to demonstrate the short and long term impacts of the sale of Council property. What are the hidden costs, what are the benefits? Is the decision to sell and generate income in the short term the most sustainable option in the long term? A set of arguments are required that not only support annual budget requests but also contribute to data which impacts on the strategic decisions relating to what services and facilities Council provides or would like to provide.

"I know," one of Community Services staff said, "Let's conduct a survey to see if we can get feedback on the benefits of Council's community services".

"I think a workshop on the impact of services offered at the halls would be more effective," said another staff member.

"But what are we workshopping and surveying?" said the Director, "This issue potentially affects all our services? We can't survey them all. We have too many. We'll have to start with case studies or we'll blow the budget."

And it came to pass that the Council started down the path of assessing and comparing various services in order to identify their benefits. And because of the proposed sale of the halls, to start the ball rolling they chose two cultural services – a branch Library and a community arts centre. By 1995 the Council through survey and workshop had a better informed picture of the qualitative social benefits of two of its cultural facilities.

"But what about the numbers?" the accountants asked, "Where are the dollars? Where are the costs?"

At about this time, in 1996 the Australia Street Company was established, and we began to realise that although cost/ benefit analysis was historically an attempt to balance social theory with economic theory, in practice it had led to a situation where the idea was well established that **numbers are more authoritative, and have more weight, than words.**

In response to the skepticism of the numbers advocates, and in order to provide a basis for planning for sustainability, the Australia Street Company has been successfully using a benefit cost framework as a community evaluation tool for more than 5 years. We have developed and refined the methodology so as to provide an objective outcome which stands up to challenges of rigor but which doesn't require a survey.

We have used this analysis to assist the process of preparing social and cultural policies and plans in e.g. Blacktown and the Gold Coast, in reviewing cultural grants funding models and community programs again on the Gold Coast and across regional NSW for the Department of Urban Affairs and Planning, to develop pricing policies for community facilities including cultural facilities in the Blue Mountains and in Albury, to inform feasibility studies for the development of cultural facilities in the Hastings and Lightning Ridge, and to help people choose between options across a variety of local government activities.

We use a 4 x 2 matrix as an operational framework. And like any good 4 x 2 it's a good, solid and basic building component - this time of community cultural building.

**Table 1**

	Non-financial benefits	Financial benefits	Non-financial costs	Financial costs
Costs and benefits to the individual				
Costs and benefits to communities: eg neighbourhoods, local communities and the State				

As you can see this process doesn't require a PhD in rocket science. It doesn't require technical skills and it's a case of filling in the boxes systematically. To complete the matrix you have to think about both financial and non-financial costs and about financial and non-financial benefits. It's worthwhile remembering that financial benefits and costs are generally those that can be quantified. Non-financial costs and benefits are generally those that can be shown to occur but cannot be quantified without a great many assumptions or investing in costly studies. You also have to take into account what these various benefits and costs are for individuals and what they are for the community. We generally complete the boxes in the matrix step-by-step, box-by-box.

Under the heading of the community it soon becomes clear that there are many 'communities', these are of different sorts and sizes and they overlap. Communities could include user groups, elected representatives, different levels of government etc. They could include membership organisations, local residents, visitors and tourists. The benefit cost relationship differs between communities, but the different costs and benefits that they experience can be summarised together to get a total picture.

Using the matrix requires a well structured and well facilitated workshop process and some rigorous thinking. It can be **hard work** but it can also be fun and stimulating. It may be difficult at first to identify non-financial costs and benefits to individuals or to the community, or the full extent of relevant costs and benefits and sometimes costs need to be verified after the workshop to ensure accuracy. (e.g. calculating the cost of volunteer hours: verifying annual budget allocations). But as a framework it is quite straightforward and easy to grasp, it makes sense to people, and in our experience has a number of important pluses.

These include:

- It is a simple, non-technical fill-in-the-box process to which everyone can contribute. We have used this matrix successfully in all kinds of community workshops, with Boards, with steering committees, with community organisations, with groups of staff and elected representatives, with the interested community and so on.
- When it's undertaken in a small group process, this benefit cost analysis is highly participative and inclusive – all kinds of people can discuss costs and benefits in small groups and get ideas from each other. Since all relevant costs and benefits are of interest, the aim is to identify the full range of costs and benefits and to ensure that things go in the right category or box. We find that this is a discussion that people are interested and motivated to engage in.
- Many participants discover that there are whole areas of benefit or of cost which they have simply not thought about before. This process helps to ensure that minority interests are included and that hidden costs and benefits, **eg those left out because they cannot easily be quantified**, are included as well. (The process works in favour of mutual understanding of different points of view. It also draws attention to the diversity of stakeholders and the array of benefits and costs accruing to different stakeholders.)
- Where it is used as part of a community consultation process and with a skilled and experienced facilitator, the matrix also tends to ensure that community feedback does not become the domain of one single interest group or of those who have the loudest voice, *ie*, it has integrity.

- In our experience it is always possible to summarise the resulting array of financial and non-financial benefits and costs into one Master matrix on one large A3 sheet of paper. It's manageable and flexible.
- Summarising the main points into one matrix shows the relationship between the main benefits and costs in a way which is easy to read and understand. And this makes for easier decision making. I.e. its practical.
- Participants can see the relationship between benefits and costs unfold as they work on it.
- The resulting analysis has credibility. It encourages transparency because participants see it come together and each participant can see that the costs and benefits that they identified have been included. That is, both the process and the outcome are transparent and when it is written up it is in the words of the participants not the words of the facilitator, it's credible. **And it's the ability to demonstrate benefits/ costs in the community's own words that influences decision makers.**
- At the same time the outcome is comprehensive. The matrix does not exclude some costs or benefits because they cannot be quantified. It also does not exclude some costs or benefits because they happen to individuals rather than to a community, or because they happen to a small community rather than to the community of NSW or Australia. This too contributes towards its credibility.
- There is also nothing in the matrix to say that one cell/box is more important than another (eg that financial costs are more important than non-financial benefits). In our experience what happens is that the weight of argument as between relative cost and relative benefit becomes evident. People quite often change their minds about an issue as they see the balance of benefits versus costs emerge. E.g the cultural grants program which **due to poor process** was in fact costing more than the value of its benefits.
- We have found that groups frequently achieve a consensus through this mechanism whether or not their analysis shows that benefits far outweigh costs or that the benefits are not sufficient for the costs incurred. The heat is often taken out of the argument because both sides of the debate are presented in an objective manner.

The matrix can be used

- With one group of people as an aid to making a decision. E.g. assessing the benefits and costs of a small cultural grants program.
- As part of an extensive community consultation process as a way of building the picture of the relationship between benefits and costs as these are perceived by many different groups in a community, e.g. implementing a public art program, or introducing a charge for a new library service.
- As part of an on-going process, for example, to ensure that a strategy development process continues to be focused on outcomes which are sustainable for that community.

### **In summary**

As an evaluation tool this integrated benefit cost analysis is not expensive to use. It delivers outcomes through participation but does not require a survey.

It may require some upfront research on the part of the facilitators so as to identify likely areas of benefit and cost, but often this is being done anyway. It may also require some post-workshop research to verify or present accurate costs rather than guesstimates. It is valuable in assisting members of a community to become better informed about a project or issue under scrutiny. It provides a framework for considering all sources of benefits including financial and economic, social, environmental and cultural and in both the short and long term.

Without particularly setting out to, the Matrix successfully satisfies the key principles of the impact assessment processes: ie. participation, transparency, certainty, accountability, integrity, cost-effectiveness, flexibility and practicality.<sup>1</sup>

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<sup>1</sup> CEPA, undated. Public Review of the Commonwealth Environmental Impact Assessment Process: Initial Discussion Paper: Setting the Direction.

It has a wide range of applications. It can be used to

- undertake a mini cultural impact assessment,
- to contribute to the development of a feasibility study for a cultural facility
- as the basis for a pricing/ charging policy,
- as the basis for deciding between community cultural facilities, policies or programs or which of those should get priority.

Most importantly it can be used to demonstrate whether a community is receiving value for money.

I've provided an overview only today. Some of you or your colleagues in the community development area may have participated in workshops run by the ASC and the University of Sydney on this methodology. We are planning to conduct a workshop for the cultural sector on the methodology with the Museums and Galleries Foundation of NSW in 2002. Watch the Foundation's Newsletter for a date. ■