

Making the most of capital funding: what makes benefits last?



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Email general.enquiries@biglotteryfund.org.uk

Phone 0845 4 10 20 30

Textphone 0845 6 02 16 59 (this is for those with a hearing impairment)

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Written and edited by Steve Browning and Hilary Leavy

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Introduction

The Big Lottery Fund has supported a wide range of programmes and projects that have supported the construction or refurbishment of buildings, and the purchase and improvement of other types of assets.

These capital projects are expensive and take up a lot of resources to complete. Because of that, we tend to see them as ends in themselves. But we also know that a new or better building or asset is just the start of a long process of bringing a wider range of benefits to communities.

So in 2010 we commissioned the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University to review the benefits brought by capital projects that we had funded, and then to identify factors that promote the lasting benefit of such projects.

This summary sets out what the study found. It is our interpretation of the findings of full report, which you can read on our website (www.biglotteryfund.org.uk).

Main findings

- ▶ Groups need a whole range of skills to run capital projects, and then a somewhat different set to run services. The type and level of skills needed varies between projects and over time. Most importantly, groups need to learn how to manage facilities and run commercial operations.
- ▶ It is essential to find ways to cover future running costs if benefits are to last. This may seem obvious, but this matter has to be considered from the earliest phases of the capital project.
- ▶ Projects that involve the community are more likely to be sustained.
- ▶ Groups need to be flexible enough to adapt to changes in policy, community needs and funding available.
- ▶ Many projects felt that they would never have been able to go ahead without BIG's support, and that the way we fund had often allowed them to provide facilities of a higher standard than they would otherwise have built – which had in turn led to higher levels of community involvement and pride. Many noted that receiving a grant (rather than, for instance, relying on a loan) had meant that they were able to establish themselves while they found future income streams.
- ▶ Compared with revenue projects, capital projects were more likely to have noticeable effects on the local economy and community, sometimes influencing how services would be organised and delivered in the future. Sometimes, though, they could drain services and support from other local facilities.
- ▶ Many groups reported that partnerships with others, particularly in the public sector, had strengthened them and given them access to more support and resources.
- ▶ While most groups felt that our support had helped to make them more sustainable, undertaking a capital project can put organisational finances under strain for some time, even after opening.



How the study worked

The study set out to assess the longer-term effects of our capital funding and to identify key factors that promote sustainable change. (The box on page 6 explains what some of these and other words mean in the study.)

Many of the benefits of capital projects take time to emerge. The groups that ran the original project may develop and change, or lose their funding and close down – risking undermining the point of our initial investment. For this reason the study included a range of programmes and projects that we had supported or managed, including many originally funded by our predecessor organisations – the Community Fund, the New Opportunities Fund and the Millennium Commission. This gave the study a better picture of the range and variety of projects and what became of them.

The researchers surveyed 1 600 groups across the UK that had received capital funding from us. They also undertook case studies of 13 projects and produced photo novellas, in which beneficiaries took photos of and recorded what buildings meant to them, to provide a flavour of what projects had achieved. They also compared the financial performance of a range of successful and unsuccessful applicants to determine whether and how BIG's funding had made a difference.

The researchers grouped the wide range of projects surveyed into five main groups:

- ▶ **Iconic and landmark projects** – generally very large (over £10 million), such as the Eden Project in Cornwall.
- ▶ **Environmental reclamation and regeneration projects** – usually working in very specific areas or conditions to transform the natural or built environment, such as the Millennium Coastal Path in Llanelli.
- ▶ **Community buildings** – notably but not only village halls and similar facilities.
- ▶ **Public service facilities** – generally involving a close partnership between statutory and community organisations, such as Healthy Living Centres and facilities provided through New Opportunities for PE and Sport in Schools.
- ▶ **Community ownership** – projects that focused on acquiring, developing and managing capital assets, most notably through the Scottish Land Fund.

The projects surveyed included some where we had supported just the capital element, and others where we had also funded revenue costs, such as paying for a development worker.

Earlier research in this area had identified four key aspects of capital projects that were likely to be crucial:

1. developing and managing capital projects
2. effects of and on the organisation
3. involving other organisations
4. involving the community and beneficiaries.

The following sections of this summary discuss findings under those headings.

You can read more about the evaluators' overall approach and the range of programmes and projects covered in the full report.

What do those words mean?

The words and ideas explained below all have a number of different and often quite technical meanings. The definitions here are how we use them in this document and in wider report.

- ▶ **Capital projects and funding** are concerned with buying, building or improving assets (see below) like buildings or land.
- ▶ **Revenue projects and funding** focus on providing services and running costs for projects.
- ▶ **Assets** are the types of facilities or property that capital spending buys – things like land or buildings.
- ▶ **Sustainability** is about making a lasting difference. Many people take it to mean continuing work of and funding for a specific project. We are usually more concerned with ensuring that the benefits of a project or approach are continued in the longer term. This study covers both of those shades of meaning.



Findings

Developing and managing capital projects

Most projects reported that they had considered how to sustain their project after our funding ended and felt that our funding would help their organisation to thrive into the future. They highlighted income generation, workforce (volunteers as well as staff), the way they run their organisation and wider partnerships as key approaches to ensure that they would be able to carry on their work.

Most also reported that they had received additional funding for their project from other sources. This was often from grants or fundraising, with a minority using their own reserves or taking out loans. The current level of reliance on public-sector grants may well lead to problems over the coming years as funding cuts work their way through the system.

For many groups, our funding enabled them to develop plans that they had already thought about, whereas others had identified and responded to a rare opportunity:

“There’s no way the (local education) authority would have had the amount of money to do it. To find £1.2m for just one single sports facility when they’ve got primary schools with leaky roofs – they would never have justified it. We’ve gone on for years with the poor facilities we had so we wouldn’t have even dared to dream up the idea if the BIG funding hadn’t turned up.”

Interestingly, 88 per cent of respondents felt that they had received the technical support they needed to complete their project successfully, and there was widespread agreement about the importance of such support.

The case-study projects tended to feel that BIG’s funding had increased the quality of the building’s design and construction. This in itself had given the local community a sense of pride and ownership, which contributed to wider sustainability. But on some occasions our approach and grant thresholds seem to have resulted in over-specified, large buildings that would be a challenge for groups to manage.

Other people involved in the programmes stressed the importance of business plans that covered not only how to get funding and complete the project, but also how it would be used. Projects tended to focus on securing the building first and only then began thinking about how to fund it in future, including how to adapt to changing circumstances.

Effects of and on the organisation

The researchers found that running a capital project both **affected** how the organisation worked and **was affected** by the nature and approach of the organisation.

Most organisations had increased their staff and volunteering levels (and range and depth of skills) as a result of taking on the project. A slight majority had also planned to widen the range of skills and increase the number of members of their boards or management committees, with a particularly strong focus on attracting local residents or users of their services.

While most facilities generate income from room hire and sales, only half earn enough this way to cover the costs of running the project. So they have to rely on

donations, fundraising, volunteering and similar types of support. There were three general factors that tend to be more associated with sustainable projects:

- grant sizes under £500,000 (perhaps because they are more manageable)
- groups with paid staff rather than those that rely entirely on volunteers
- those that had explicitly identified income generation as a goal from the outset.

Completing the capital project often put all types of organisations under financial strain over the short and medium term. This situation can be made more serious where groups have under- or over-specified the facility: they may either be unable to run the services that they had intended or overwhelmed by the cost of managing and maintaining an underused facility.

The researchers identified some wider key factors:

- ▶ Revenue funding is essential for the project to succeed – during as well as after the capital phase.
- ▶ Projects will need to use different skills at different times. More generally, they will need to develop skills in managing facilities and running commercial operations. Large projects are likely to have to develop and rely on cross-agency partnerships, as well as resident and user involvement.
- ▶ Individuals often play a crucial role in putting ideas into practice, driving progress and inspiring others.
- ▶ Funders need to take responsibility for ensuring that plans are achievable and realistic – and that communities will not be left with a financial and management burden.

An example from our Community Buildings programme illustrates the range of skills developed over time:

We funded the addition of a sports hall to the Trelander Children's and Community Centre. The Residents' Association that runs the centre can now offer a wider range of services to the community. The new facility has allowed them to widen their range of income sources, notably from being able to rent out space. Members of the Residents' Association report that involvement has built their confidence and capacity – through giving them experience of making funding bids, managing contracts, undertaking community development and now managing the building and its income.

Involving other organisations

Previous research in this area has highlighted the importance of engaging with other bodies to sustain benefit. This is often linked to the idea of mainstreaming, where another organisation, most often in the public sector, takes on responsibility for providing (as well as paying for) the service. This study was more concerned with how the original group sustained itself at the same time as providing the service.

Nevertheless, respondents in the study were planning overwhelmingly to work more closely with others, most commonly with:

- local community groups (92 per cent)
- local voluntary organisations (85 per cent)
- schools and youth groups (81 per cent)
- the local authority (65 per cent)
- NHS bodies (49 per cent).

Case-study groups all reported having strengthened these links since receiving our funding, with many emphasising that close links with statutory organisations were essential – for political, strategic and financial reasons.

But some groups also reported that funding cuts were threatening some of the shared original intentions of the project and its statutory partners. While most groups felt that their facility could be sustained, some expected to have to change direction and focus. This was particularly marked among groups that had been supported through our Healthy Living Centres and New Opportunities for PE and Sport in Schools programmes.

Involving the community and beneficiaries

The survey asked groups what difference they felt their project had made to the local community. Perhaps not surprisingly, most felt that:

- ▶ The project had enabled more community involvement and participation (93 per cent).
- ▶ The area was a better place to live (79 per cent)
- ▶ Local people were getting on better with each other (61 per cent).
- ▶ Services were more readily available to local people (75 per cent).
- ▶ The quality of services was better (78 per cent).
- ▶ The project had provided a modern facility that fulfilled the purposes expected of it (89 per cent).
- ▶ The local environment had improved (73 per cent).

We must note that those figures rely on projects' own views of their wider achievements. The results helped the researchers to consider the following questions:

1. Are particular types of project more likely to be sustainable?

- ▶ Groups without paid staff were more likely to report positive effects on communities.
- ▶ On the other hand, those with paid staff were more likely to report improved services.
- ▶ Those that had generated income through their project were more confident about their effect on the community, quality and availability of services (and the facility itself) and on the environment.

2. Does planning for sustainability actually achieve that goal?

- ▶ Groups that had planned how to sustain their achievements felt this had been an important element in achieving their goal.

Overall, the researchers report a link between projects' beliefs about sustainability and the efforts they had made on community involvement and working

with beneficiaries. Involving people was important throughout the process – from planning the project to opening and offering services, involving consultation or direct involvement in planning and managing services and facilities.

Brannel School in Cornwall demonstrates how a number of positive benefits can reinforce each other:

The school received a grant to replace an inadequate sports hall. The new facility offered sport and exercise to residents of the local isolated community, something that has been enthusiastically taken up.

Groups that use the facility have praised its quality and report that it has also helped them to boost their own membership. More generally, there is a sense that the new facility has both improved fitness and social cohesion.

Community involvement does not solve all problems; it can in fact bring some of its own. In some cases there were complaints that buildings were not open to all groups. There was often also a tension between the need to generate income and a focus on meeting local needs. There is a clear need to recognise and find ways of dealing with these tensions.

There were also mixed reports about the environmental effects of the projects. While many clearly improved the environment, increased or protected green space and offered newer, more environmentally friendly buildings, there were often concerns about the effect of increased visitor numbers and traffic (notably to large, iconic projects), as well as about energy consumption and maintenance costs.

The researchers also note that some projects did not set out to generate income directly. For instance, the Heart of the City project in Sheffield focused on co-ordinating environmental improvements to make the area more attractive to residents, visitors and ultimately investors, rather than setting out to achieve directly measurable benefits. As one resident said:

“I walk a different route to get to places now to incorporate Heart of the City.”

Lessons for future funding

While the study focused on what BIG has achieved and what we might do in future, we believe that these lessons will be of interest to other funders and policy-makers.

1. It is essential to promote good business planning and consideration of risks in all capital projects. BIG should continue to promote good practice and to help signpost groups to guidance and expert help.
2. Part of this involves ensuring that groups' approaches and plans are flexible and can change in line with outside events. This also involves considering the groups' wider adaptability to such changes.
3. BIG must recognise and respond to the challenges of being a national funder that seeks to fund local priorities. The researchers note that we cannot hope to understand the variability of local circumstances directly, and so need to be wary of, for instance, how funding a large project might affect other facilities and services in the area. This is especially the case if our funding imposes specific requirements that are less adaptable locally. Our Intelligent Funding Framework might help us to balance different considerations. We might also consider co-funding projects with other funders who do have more in-depth local knowledge.
4. BIG should continue to monitor the effects of wider funding cuts, which overturn many assumptions about how sustainable projects are.
5. Capital projects are usually only the first stage of a longer journey. The real benefits to communities are only likely to emerge afterwards. BIG focuses on outcomes, and while our approach ensures that applicants are clear, for instance, about how their project will help respond to need, there is little useful monitoring data available about how projects move towards achieving outcomes – either during or after the capital phase. Monitoring and reporting can feel like a burden to groups, but it is likely that in future support will be even more closely linked to evidence of the difference that projects make over time. Given the scale and complexity of most capital projects, it seems

appropriate for BIG to establish more effective ways of recording and reporting progress and achievements throughout. The result of such efforts should help to support projects' sustainability.

