

# Accessing Funds to Support Local Delivery of Culture and Sport

## Summary of Key Findings

Jonathan France and Chris Hale

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## Study background

### **Cultural services facing pressures:**

- Widespread reductions in formula grant
- Discretionary nature
- Need to find more cost-effective approaches and new ways of working and collaborating

### **Ecorys and Tim Challans commissioned by LCIG in Feb 11 to explore:**

- Implications of emerging policy
- Alternative approaches to funding culture
- Specific short and medium term opportunities

# Cultural services in London: the challenge

Local Government spending to be reduced by 25.6% over 4 years

Authorities in London amongst the hardest hit

National agencies facing considerable cutbacks

Mechanisms for sharing good practice being abolished

Cultural services at risk unless more efficient approaches can be found



# Direction of travel: more local flexibility

Greater freedoms for Local Authorities through Localism Bill and emphasis on community involvement

Rewarding those that can deliver against wider social objectives while transferring risk through payment-by-results

New environment encourages innovation:

- Involving residents to reduce costs
- Using commissioning to increase VFM
- Delivery of outcomes in other policy areas

# Direction of travel: alternative models

Many innovative and creative approaches have been developed in London and further afield

Quick fix solutions are thin on the ground, but for those with time to invest:

- Scope for financial savings while maintaining quality of services
- Potential for culture to offer services across a range of policy areas



# 1: Reducing costs (rationalisation)

Reducing costs by reducing the scale or scope of cultural services

Simply deleting services often unpopular, but residents will be supportive of approaches that:

- Systematically review user needs
- Use technology to replace lost services
- Complementary investment in quality

Delay in further reductions (2012/13) creates time for more considered approaches



## 2: Reducing costs (collaboration & co-location)

Co-operation can help create economies of scale

Shared services – local authorities working together to provide cultural services

Political and technical issues create difficult decisions and initial costs

But worthwhile to overcome challenges, with savings many areas

Internal co-operation and co-location creates further opportunities - more efficient use of physical assets



### 3: Reducing costs (outsourcing)

Using private contractors to take advantage of efficiencies, transfer risk and potentially generate income

Frequently applied in leisure, but has been transferred to other areas of culture

Risks include loss of control, perceptions of 'privatisation,' and loss of quality

But can be managed through effective contract design, including:

- Requirements to generate savings
- Penalties for not meeting standards

Federated services another option



## 4: Community involvement (volunteering & asset transfer)

A volunteer workforce can foster community engagement while reducing costs

Requires a strategic plan - key challenges in:

- gaining commitment of volunteers
- recruitment, training and management
- ensuring representation of the community

Community asset transfer takes concept further - but not a quick fix:

- finding and building appropriate community groups;
- training and skills
- finance



## 5: Income generation (commercialisation & philanthropy)

Unexploited potential for cultural services to generate income

Arts may have greatest potential, but wide scope for innovation

Thinking beyond admissions income – making more effective use of catering, retail, or venue facilities

Investment in artistic programmes or facilities may be needed

Relatively untapped market for philanthropic giving, and examples of successful application

Challenges for local authorities in building relationships, but support available

## 6: Delivering outcomes (commissioning)

Wide range of opportunities for cultural services to be commissioned to deliver outcomes for internal and external partners

Culture has diverse impacts - across health, education, employment, and crime - and is often more cost-effective

Commissioning will make increasing use of outcomes based funding using payment-by-results

Transfers the risk of failure to providers, with minimal resources available to finance project activity up-front



## 6: Delivering outcomes (commissioning)

To unlock opportunities, cultural services will need to:

- Develop attractive propositions
- Speak the language of commissioners
- Develop evidence that impacts can be delivered
- Becoming more outcomes focused
- Have an appetite for risk

Opportunities to transfer risk to private investors  
through growth in social investment market

## 7: Strength in numbers (consortia)

Cultural services are often provided by small voluntary or independent providers who may be at greatest risk

Bringing providers together in consortia can create many benefits:

- Greater strength and ability to compete and negotiate
- Ability to absorb risks
- Improved breadth of skills
- Lower transaction costs

Capacity building support may be required from local authorities to bring about change and guarantee survival



# Conclusions

Restrained public spending will create a challenging environment for cultural services

There are no easy funding solutions – cost savings and additional income will need to be found

However, opportunities to maintain quality of services are there to be taken by those with:

- Entrepreneurial drive and creativity
- Appetite for risk and willingness to accept failure
- Time to invest in developing solutions
- Ability to demonstrate they offer value for money