

Accessing Funds to Support the Local Delivery of Culture and Sport

Final Report June 2011



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Executive Summary

Introduction

Cultural services face substantial transformations in the ways in which they are procured and delivered. The drive for delivering savings in the public sector has created a general imperative to find approaches that are more cost-effective, if services are to be safeguarded. Cultural services themselves are often popular with local communities and deliver a range of benefits for local people. In order to respond to these drivers, cultural services need to find new and more efficient ways of working to help guarantee their survival.

The drive for delivering savings in the public sector has created a general imperative to find approaches that are demonstrably more cost-effective, if services are to be safeguarded. In order to respond to this driver, cultural services need to find new and more efficient ways of working to help guarantee their survival and to protect services that are often popular with local communities, delivering a range of benefits to local people.

Ecorys UK were commissioned by the London Cultural Improvement Group in February 2011 to explore **changes in the public spending environment**¹ since the election of the Coalition Government and the implications for cultural services in London, to consider how efficient **new models**² for delivering cultural services might be adopted, and to identify **potential opportunities**² to fund provision in the future. The London Cultural Improvement Group was a partnership of the 32 boroughs and the City of London, the regional cultural agencies, London Councils and Capital Ambition, working together to improve cultural services in London¹.

Horizon Scanning²

Local government is facing a period of **severe budgetary restraint**². In autumn 2010, the Coalition Government announced that the local government settlement will be reduced by 25.6% over the four year spending period, equating to a £6.68bn cut by 2015. Authorities in London were amongst the most exposed to cuts, facing average cuts in their formula grant of 11.3 percent in 2011/12 and 7.6 percent 2012/13, compared to 9.9 and 7.3 percent across England. Spending cuts have focused most heavily on those authorities with greater revenue spending power, which also tend to cover communities of greater relative disadvantage. As spending on cultural services is largely discretionary, there is a risk that they represent a target for reduced local spending, enhanced by the strong priority given to the provision of other local services, such as adult social care, child protection, and waste management. Local authorities are not the only agencies facing the requirement to make savings, with national agencies for culture, leisure and sports also facing substantial reductions in their budgets. The implication is that traditional forms of funding for cultural services will be at a premium over the short to medium term.

In parallel, the Coalition Government is placing a strong emphasis on devolving responsibility for local service delivery to local communities, both through increasing resident engagement in the delivery of services through volunteering and allowing community groups to assume control of local services, embodied

in the **'Big Society'**². The aims of this policy are to devolve power to the lowest level, so people contribute more to the communities in which they live. This is supported by the **Localism Bill**², giving local authorities General Powers of Competence and increased freedoms to reorganise service delivery as appropriate, while local communities and civil society organisations will be given the opportunity to challenge Local Authorities where they feel that service delivery could be improved.

This may mean a shift away from traditional models of provision, whereby the local authority manages and plans service delivery 'in-house', toward such services being outsourced, and creating opportunities for local community members and groups to become wholly or partially responsible for running a service (especially in cases where delivery is threatened by funding shortages). However, there may be substantial challenges involved, since while getting citizens more involved in the design and delivery of public services may generate wider social benefits and outcomes, there are questions over how citizens can be mobilised and encouraged to volunteer, and their commitment sustained.

The Coalition Government has also shown an interest in reforming approaches to commissioning to ensure greater involvement of civil society organisations in the delivery of public services, and has published the **'Modernising Commissioning'**² Green Paper in December 2010 to explore these goals. The Green Paper includes objectives to increase the efficiency of public spending by opening up more public services to civil society organisations, including proposals to introduce payment-by-results into a wider range of policy areas. From a commissioner's perspective, the parallel Private Member's Bill, the 'Public Services (Social Enterprise and Social Value) Bill', will if passed make considerations of social, environmental, and economic impact mandatory. Organisations able to demonstrate they can deliver social or other positive outcomes are likely to be at an advantage in the procurement process. Ultimately, the **Public Services Reform White Paper** is expected to embed many of these principles in new government policy, potentially opening up a wide range of opportunities for cultural services to be commissioned to provide services in other areas. Other Coalition Government policies, such as the establishment of **Local Enterprise Partnerships**², may also have some implications and opportunities for the delivery of cultural services at a local level (where the sector can demonstrate its social and economic value, for example in terms of the income brought to local areas as a result of cultural and sporting events or local employment supported by the creative and cultural industries).

Overall, the trajectory of public sector funding is such that Local Authorities and other bodies will need to find savings in the delivery of cultural services. New models based on lower resource costs or increased income will be needed and in some areas services may need to be considerably scaled back, or even terminated. However, the Government is offering Local Authorities and in particular local communities a range of powers, flexibilities and tools with which they might continue to sustain cultural service delivery. Models involving the transfer of assets to the community or greater community involvement are being encouraged by the Government, and these may offer considerable scope for reducing the cost of delivering those services. At the same time, with attempts to open up commissioning opportunities across Government, Local Authorities will also need to consider how the procurement of third parties to deliver services can be used to deliver the efficiencies required, including utilising voluntary sector organisations.

¹ The partnership wound up operations at the end of 2010/11 when its funding ceased.
² Every effort has been made to ensure that this report incorporated the latest developments at the time of writing. However, in a rapidly moving policy environment, new initiatives may emerge with further implications for the delivery of culture and sport services at a local level.

Alternative Funding Models

Many authorities have faced year-on-year spending cuts prior to the announcement of the 2011/12 Local Government Settlement, and a range of innovative models have already been developed to try and place local services on a more efficient and sustainable platform:

- **Service rationalisation:** Though some local authorities in London have considered reducing expenditure on cultural services simply through terminating services, alternative approaches are available that can help maintain a high quality service that is more responsive to user needs.
- **Collaborative service design and delivery:** One option that might be explored is developing shared services across multiple areas. Though such approaches will likely involve both political and technical challenges, such options are being explored in many areas, the most publicised of which has been the Tri-Borough Proposals developed by the Royal Borough of Kensington and Chelsea, the London Borough of Hammersmith and Fulham and the City of Westminster. There are many examples of this approach being tested in cultural services, particularly with respect to libraries, which has been supported by the **London Library Change Programme**⁷. As an alternative to shared services, some boroughs are considering the use of federated services, in which one borough pays another a fee to provide cultural services in their area. This can create mutual benefits, and the potential to generate economies of scale.
- **Outsourcing:** Another option that might be considered is outsourcing service delivery to the private sector. If service specifications are sufficiently well designed, such approaches can offer savings where private providers bring greater levels of commercial management skills as well as more efficient supply chains.
- **Co-location:** Local authorities typically face substantial property costs, and there may be opportunities to co-locate cultural services in facilities to help reduce this cost base. The Idea Stores in Tower Hamlets provide one example of how this concept might be applied.
- **Community asset transfer:** Transferring assets to the community is another option for facilitating the ongoing provision of cultural services while reducing the cost base of the local authority, and can often secure the sustainability of services and independent organisations, giving them an asset against which additional finance can be levered. However, this should not be considered a quick fix, and substantial levels of support may be required from the local authority in order to ensure successful devolution of responsibility to communities.
- **Volunteering:** Local authorities might alternatively increase the participation of communities and residents while reducing costs through securing greater levels of volunteering. However, consideration will be needed over the approach taken to recruit, train, manage and retain volunteers to ensure that minimum service levels are protected.
- **Building consortia:** Local authorities might be able to encourage the formation of consortia of smaller organisations, which can potentially create savings for the local authority in terms of reducing transaction costs, while providing capacity building support to the organisations involved, helping them become more competitive in accessing commissioning opportunities.

- **Commercialisation:** As an alternative to reducing expenditure, cultural services may also be interested in exploiting the commercial potential of their assets more fully. Many museums and art galleries in London have been able to secure substantial levels of revenue beyond admissions income (for example through retail sales or catering), and such approaches might be emulated elsewhere to help put cultural services on a more sustainable platform.
- **Philanthropy:** Cultural services might also be able to secure a level of charitable investment, with the arts potentially particularly well placed to secure donations.
- **Delivering wider outcomes:** A key area in which cultural services might secure additional income is through being commissioned to deliver outcomes in wider policy areas, such as health, education, or crime prevention. However, in order to exploit these opportunities, cultural services will need to build an evidence base that demonstrates their ability to deliver these wider outcomes.

Opportunities

Despite the overall constrained environment for public sector spending, new Coalition Government policies are likely to open up a wide range of opportunities for organisations in the cultural sector, though organisations will need to become accustomed to new ways of working.

As highlighted above, one the main opportunities for cultural providers will be in terms of being **commissioned**⁷ to deliver services supporting the delivery of wider policy objectives. Cultural services can deliver positive outcomes in a wide range of areas, and there will likely be opportunities to exploit this potential. The establishment of **individual budgets in adult and social care**⁷ giving users greater choice, and the development of **GP Commissioning Consortia**⁷, could create opportunities with respect to health, particularly if cultural services can offer services that are attractive to users. The development of a Public Health Outcomes Framework, with rewards payments available to local authorities that can make positive contributions to these indicators, may create further opportunities for cultural services (particularly in sport and leisure). Equally, changes to the way that schools are funded may result in additional resources being available with which they might wish to procure cultural services if they can contribute to positive **educational attainment outcomes**⁷. Finally, where cultural services can provide services that help contribute to employment outcomes, there may be opportunities to support prime contractors to deliver the **Work Programme**⁷.

The Government has placed a heavy emphasis on **payment-by-results**⁷ as a contracting mechanism, and commissioning will increasingly be based on these types of payment models. However, such contracts raise a number of challenges: payment-by-results contracts typically provide little initial funding for start-up costs, and may involve intensive monitoring and evaluation requirements. Payment-by-results contracts are currently mainly encountered through large private sector providers forming subcontracts with smaller providers, and some care is needed in managing these relationships and how far risks are passed on to those least able to sustain them. For authorities aiming to use payment-by-results models, these models are typically strongest where the outcomes achieved result in savings that can be internalised (for example, reductions in adult social care spending). Local authorities should be aware of the potential perverse incentives that these types of contracts can create, particularly if providers are risk averse (for example where providers may be reluctant to invest sufficient levels of resources in delivery).

With payment-by-results contracts, a key issue for cultural services (and particularly smaller independent organisations that might access such contracts) will be raising the necessary finance to fund the activity delivering the outcomes against which contracts are to be paid. The Coalition Government published its strategy '**Growing the Social Investment Market**'⁷ in February 2011 to help address these issues, and is proposing a wide range of actions to help increase the availability of finance from private investors that are looking for social as well as financial returns. The opening up of public services to commissioning will create a wider range of opportunities for organisations with social objectives to generate an income stream, backed by a range of tax incentives and the streamlining of the regulatory and legal environment. Key to the proposals are a range of actions designed to mature the social investment market, including the development of primary and secondary markets such as a social stock exchange through which equity and derivatives can be traded.

At the very core of the Government's strategy to grow the social investment market is the **Big Society Bank**⁷. The Big Society Bank will be capitalised from April 2011 by £200m in funding from the UK banks and £400m released from the dormant bank accounts scheme. The investment activities of the Big Society Bank are yet to be determined, though National Endowment for Science, Technology and the Arts (NESTA) are considering a range of 22 investment funds for further development, including investment funds for front-line projects with social objectives, investment funds for social investment intermediaries (such as the provision of capital for underwriting community share issues), and investment funds to develop new investment vehicles such as **Social Impact Bonds**⁷.

Many of the funding opportunities focus mainly on the provision of services, and how cultural services might capitalise on commissioning opportunities to maintain service provision. However, there may be a need to finance investment in facilities or services, and a range of mechanisms may be available depending on priorities. These include **Community Share Issues**⁷, a relatively untapped source of potential finance, that involve issuing shares or bonds in the community enterprise or organisations (i.e. equity stakes), and the **Community Infrastructure Levy**⁷, a mechanism through which local authorities can fund infrastructure development in their areas.

Other funding opportunities of varying relevance to the cultural sector include: the **Regional Growth Fund**⁷, a £1.4bn funding programme operating across England over three years to stimulate private sector sustainable growth and economic development; and the **Mutual Pathfinders and the Mutual Support Programme**⁷, designed to encourage the employees of public sector organisations to provide their services as a mutual (a type of organisation that is owned by and run for the benefit of its members), with the ultimate objective of giving professionals more freedom to deliver services the way they want to.

Overall, growth in commissioning opportunities and in the social investment market will create a myriad of opportunities for cultural organisations that have viable social investment projects and the entrepreneurial drive and creativity to make them an attractive investment proposition. However, this will be a competitive market; cultural services will need to become more adept at identifying opportunities where participation in cultural activity can deliver benefits and savings in other policy areas, and be more focused on the delivery of outcomes. Additionally, to be at an advantage in the commissioning process, cultural services will need to be able to demonstrate and value the impact of their provision in the relevant areas to commissioners, as well as developing projects that can deliver financial as well as social returns.



Conclusions

The overall funding climate across the public sector over the short to medium term is likely to be characterised by contraction and restraint. Local authorities need to find efficiencies and savings, and there will be fewer resources available to fund third sector organisations to deliver services on the basis of more traditional grant-funding models. As a largely discretionary service, cultural services are potentially more exposed to the downward trajectory of the budgets held by many public sector organisations.

Nonetheless, while Local Authorities had to react quickly to the Local Government settlement announced alongside the Localism Bill towards the end of 2010, further reductions in local government budgets in 2012/13 should provide local authorities with the opportunity to take a more considered approach towards how cultural services might be organised more effectively or commercially, without comprising the quality of front line service delivery.

The Coalition Government is creating a wide range of opportunities for organisations and communities to get involved in the delivery of public services. Increased freedoms for Local Authorities will increase their scope to deliver services in the ways that are more cost-effective and commercially focused, while increased community powers and rights will help facilitate the transfer of assets to communities and encourage independent and voluntary sector delivery. Whilst there are some inherent tensions between these two objectives, an increased focus on the delivery of social outcomes (beyond a narrower model based on price effectiveness) combined with the opening up of services to commissioning will also increase the scope for cultural services and organisations to be commissioned across a wider range of policy areas. Efforts to stimulate private sector investment in social ventures will help improve the availability of funding for financing such activity.

In particular, culture, sports and leisure can deliver positive social outcomes in fields as diverse as crime reduction, health, adult and social care and employment support, potentially helping to deliver savings in other areas, and through creative cross-departmental working innovative solutions to budgetary problems can be found that help maintain the delivery and quality of valued cultural services at a local level. Such solutions could be as simple as sharing physical assets, through to using culture as alternative means of addressing costly social problems such as poor health.

For cultural services and organisations, though Coalition Government policy has created a number of opportunities, preparation will be needed for the more risky and competitive funding environment, and to help reconcile the tensions within policy. General movements towards payment by results will place greater financial risks on those contracted to deliver services, and increased competition between organisations will also require cultural organisations to demonstrate that they can deliver the social outcomes targeted by commissioners in a wide range of areas, and more significantly, evidence that these outcomes deliver savings. Cultural organisations may need to become stronger to withstand these risks, and consolidation in the form of consortia would help to develop this resilience as well as facilitating the cross-fertilisation of expertise to enable organisations to be more competitive in the commissioning process.

For cultural organisations with an entrepreneurial drive, creative approaches, collaborative partnerships and a clear understanding of how their activity can deliver wider benefits to the taxpayer, there will be substantial opportunities to raise alternative forms of project finance and move their services to a sustainable platform.



1.0 Introduction

Ecorys UK² and Tim Challans were commissioned by the **London Cultural Improvement Group²** in February 2011 to explore changes in the public spending environment since the election of the Coalition Government in May 2010, and its implications for culture and leisure services in London. This included considering how more efficient models and approaches for delivering cultural services might be adopted in the context of a constrained public spending environment.

1.1 London Cultural Improvement Programme

The London Cultural Improvement Programme is a partnership of the 32 boroughs and the City of London, the regional cultural agencies, London Councils and Capital Ambition, working together to improve cultural services in London. The London Cultural Improvement Programme is a phased and multi-stranded programme that supports local authorities to maximise the impact of cultural services.

The first phase (2007-09) of the **London Cultural Improvement Programme²** was made up of five work strands. Together these strands formed an effective programme which supported local authorities in improving their performance in this sector, comprising Cultural Services self-improvement and capacity building utilising CSIT (Culture and Sport Improvement Tool) and peer led challenge methodology, the Local Authority Museum Improvement Programme, the London Cultural Data Access Review Project, the London Library Change programme, and a Measuring Social Outcomes training programme. The second phase (2009-11) introduced six new work strands, including a programme building capacity and confidence for Children and Young People's services and Cultural services to work together to deliver strong outcomes for children and young people, the Heritage Change Programme, capacity building activity targeted at improving the marketing of culture at local level, support for the London Events Forum and the FilmApp, an online application, notification and payment system designed to help London boroughs and landowners process filming requests. This study is the final project funded under phase two of the programme. Phase 3 of LCIP is taking forward the London Library Change Programme and legacy planning for LCIP more generally.

1.2 Aims and Objectives

Cultural services are facing a substantial transformation in the ways in which they are procured and delivered. As the funding of cultural services is largely discretionary, there is the risk that museums, libraries, arts, parks and sport may become targets for Local Authorities and other agencies aiming to make ongoing savings. The drive for delivering savings in public sector expenditure and the consequent reduction in the budgets of Local Authorities and other agencies responsible for promoting and developing culture and sport has created a general imperative to find approaches that are demonstrably more cost-effective.

In order to respond to these drivers, cultural services will need to find new ways of working and engage with a wider range of stakeholders to help guarantee their survival and safeguard valuable public services, which are often popular with local communities and deliver a range of benefits. More efficient ways of working will need to be found, potentially through rationalising service delivery, outsourcing, increasing community involvement, and/or through increasing income, whether directly from customers, from other funding sources, or by considering how culture can contribute to delivery of policy outcomes in other areas, such as health, learning, employment or crime prevention.

The aim of this report is to explore the themes arising from emerging Coalition Government policy and their implications for cultural services provided by local authorities, including not only the spending cuts but also the opportunities presented by increased local freedoms and powers for London boroughs and their residents. The report also aims to identify practical steps that cultural services can take to access these opportunities, be it through more efficient approaches based on reconfiguring around new structures or collaborative arrangements, or by helping to build the capacity of local organisations and communities to take on a greater role in management and delivery.

1.3 Structure of this report

The remainder of this report is structured as follows:

- **Section 2: Horizon Scanning** – Coalition Government policy emphasises the need to develop more cost-effective approaches to delivering local services, which presents opportunities as well as challenges for the cultural sector. For example, an increased emphasis on the ability of organisations to deliver positive social outcomes may drive transformations in the wider ways in which services are procured and commissioned and offer a route for cultural organisations to deliver benefits in areas as diverse as employment support, crime prevention, and health. This section outlines the emerging policy terrain and considers the implications for the cultural sector.
- **Section 3: Alternative funding and delivery models** – A range of potential models have been developed by local authorities to deliver more efficient services, including through outsourcing, service rationalisation, as well as securing greater community participation. This section sets out a broad range of approaches for consideration, and the challenges that might be faced in implementation, providing a number of case studies of successful adoption by local authorities and other organisations.
- **Section 4: Opportunities** – Though the overall direction of travel points towards reductions in the availability of public funding for culture and leisure, other changes, including the increased availability of alternative finance for social investment and the opening up of commissioning opportunities through the public sector will create a wide range of opportunities for cultural services and organisations that have entrepreneurial drive and creativity. This section considers these opportunities in more detail.
- **Section 5: Conclusions** – The report concludes with an overall view on the anticipated changes faced by the cultural sector, and actions that cultural organisations may need to set in place in order to capitalise on the opportunities presented.

² Throughout this report, an external link is indicated by the ² symbol.



2.0 Horizon Scanning

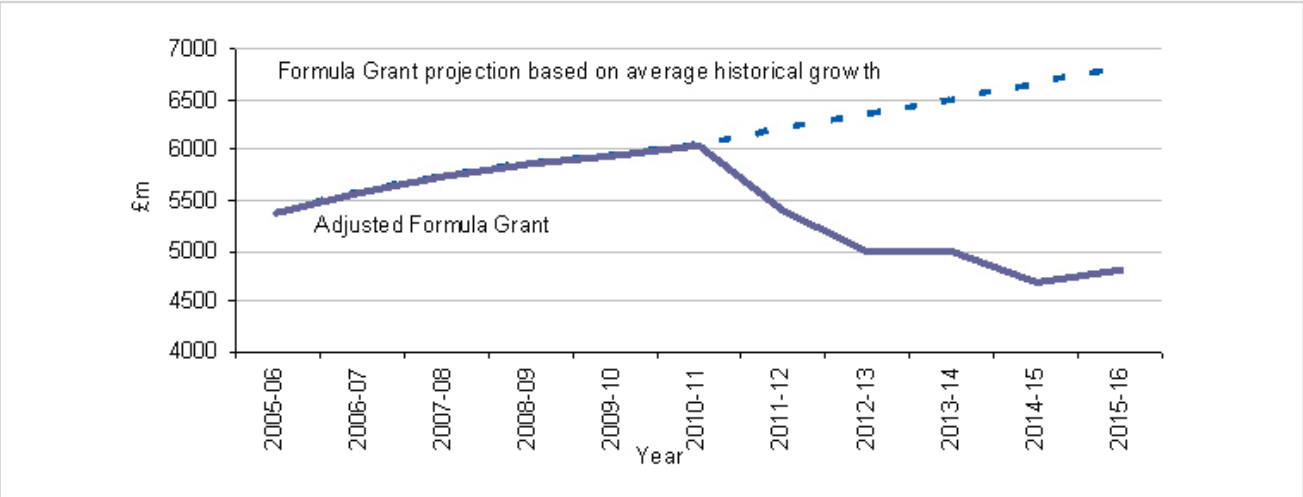
The Coalition Government has implemented a series of policies with the potential to create significant transformations in the way cultural services are delivered at a local level. While reductions in local government budgets will place pressure on the ability of local authorities to provide cultural services, increased freedoms will create a wide range of opportunities for re-organising services both efficiently and in ways that secure greater involvement of the third and private sectors. This section outlines the emerging priorities and policies of the Coalition Government, considering how this might affect cultural services in London, while exploring potential opportunities for services to secure funding.

2.1 Public sector spending cuts

Local government is facing a period of severe budgetary restraint. In autumn 2010, the Coalition Government announced that the **local government settlement** will be reduced by 25.6 percent over the four year spending period, equating to a £6.68bn cut by 2015. These cuts have been frontloaded, and local authorities have had to find substantial savings in 2011/12 with further savings required in 2012/13. Local authorities in London are more exposed to cuts in public sector spending, with London boroughs facing average cuts in their formula grant of 11.3 percent in 2011/12 and 7.6 percent 2012/13, compared to 9.9 and 7.3 percent across England the respective years.

Spending cuts have focused most heavily on those authorities with greater revenue spending power, which also tend to cover communities of greater relative disadvantage. In London, those seeing the deepest cuts in revenue budgets include Hackney, Newham, Tower Hamlets, Islington, Southwark and Haringey, who will need to find spending reductions of between 7.9 and 10.5 percent in 2011/12. As spending on culture, leisure and sports is largely discretionary, there is a risk that they are targeted for spending reductions, enhanced by the priority given to other services (such as adult social care, children's services, and waste management). Finding more efficient ways of organising delivery will be a priority if residents are to continue benefitting from the provision of cultural services in London.

Figure 2.1 Formula grant in London



Source: London Councils

Local authorities are not the only agencies to be facing requirements to make savings. National agencies for culture, leisure and sports are facing substantial reductions in their budgets, with the Department for Culture, Media and Sport facing a 24 percent reduction in its revenue budgets (from £1.4bn to £1.1bn) and a 32 percent reduction in its capital budget (from £0.2bn to £0.1bn), between 2011/12 and 2014/15. These cuts have been transferred to arms length agencies, with the Arts Council for England and Sport England facing a 30 percent and 33 percent cut in their overall budgets over the period respectively. The UK Film Council, the Museums, Libraries and Archives Council, and the Commission for Architecture and Built Environmental are all being abolished, along with umbrella bodies designed supporting the development and improvement of the sector (including the London Cultural Improvement Group, whose funding will end in September 2011). Regional Efficiency and Improvement Partnerships (one of the main funders supporting local authorities in developing innovative approaches) are also being abolished.

The beginning of the April 2011 financial year also saw a **change in the Arts Council Funding arrangements**, reflecting reductions in central government funding. The Arts Council offered national portfolio funding to 695 organisations, 154 fewer than in 2010/11, with a strategic reduction in funding offered to supported organisations of 15 percent. Reductions have been focused in particular areas, with decisions made to reduce support for intermediary organisations such as audience development agencies and membership umbrella groups. Those organisations previously receiving support as regularly funded organisations are due to receive Arts Council support for a further 12 months across 2011 to support them in developing alternative sources of support or adapt business plans.

However, a range of projects have been protected, including capital spending on 2012 Olympic Games and funding for elite sport. Free entry for many museums and galleries has also been maintained. Efficiencies will be found in some areas, with the merger of Sport England and UK Sport, and, with National Lottery funding to be refocused on sport, arts and heritage from 2012, funding for a range of cultural activity will be maintained.

2.2 Public reaction to spending cuts

A **Reuters/Ipsos-MORI poll in February 2011** showed public support for cuts to services has fallen as the impact of spending cuts is felt. The proportion of the public agreeing there is a need to cut spending on public services in order to reduce national debt has fallen from 56 percent at the end of 2010 to 48 percent at the end of the final quarter of 2011. Over one third felt they had already been affected by spending reductions, while 75 percent expressed concerns about the effects of the cuts on themselves and their families over the next year. A **more recent poll** in March 2011 showed an increasing share of the population disagrees with the decisions the Government has made with respect to the targets of spending reductions, and over 55 percent felt the wrong decisions have been made (rising from 50 percent in October 2010). These trends coincide with a period in which local authorities were consulting on their budget plans for 2011/12, with proposed reductions in local services, particularly in regard of libraries, gaining attention in the media and attracting opposition from the public.

2.3 The Big Society

The Big Society is an overarching policy theme of the Coalition Government that aims to increase the involvement of individuals and communities in the delivery of local services. The concept of the Big Society is based on three approaches 'to bring people together to improve their lives and the lives of others', namely:

- Devolving power to the lowest level so neighbourhoods take control of their destiny;
- Opening up our public services, putting trust in professionals and power in the hands of the people they serve; and,
- Encouraging volunteering and social action so people contribute more to their community.

The Coalition Government anticipates that services currently delivered via local government will be opened up for commissioning, with substantial opportunities for voluntary and community organisations to get involved. In light of financial pressures, such an approach might prove attractive to culture and leisure services aiming to reduce the cost of the services they provide.

Four Big Society 'vanguard' areas were announced in July 2010⁷ - Liverpool, Eden District Council, the Royal Borough of Windsor and Maidenhead, and the London Borough of Sutton - to develop proposals for projects embracing the principles of the Big Society (though Liverpool withdrew from the initiative in February 2011). A range of projects have been developed, including increased local involvement in transport planning to reduce car usage, trialling new approaches to GP based commissioning of local health services, allowing residents to gain greater involvement in making license application decisions, stimulating volunteering, and recruitment of volunteers to run local museums.

However, there may be substantial challenges involved. A **report by the Institute of Public Policy Research and PriceWaterhouseCoopers**⁸ highlighted that the debate around the Big Society has generally been of an abstract rather than practical nature. The study suggests increased community involvement in the delivery of public services has the potential for increasing empowerment and value for money, but stresses that there is a need for more thought as how, in practical terms, citizens can be mobilised. This will likely take the form of **volunteering time**⁹, and while the evidence suggested local people are keen to get more involved in delivering public services, they face a range of barriers to participation that need to be addressed. Time constraints and a low awareness of opportunities to get involved featured particularly strongly amongst those polled as part of the study, and public support might be needed in helping citizens link with volunteering opportunities.

2.4 Localism Bill

The **Localism Bill**¹⁰ was introduced to Parliament on 13 December 2010, with the Coalition Government's intention that the Bill would 'shift power from central government back into the hands of individuals, communities and councils'. In an attempt to decentralise power and decision making, the Localism Bill was presented by Government as a mechanism to bring about the following key changes:

- For services that are used individually, putting power in the hands of individuals concerned;
- Where services are enjoyed collectively, they should be delivered by local community groups; and,
- Where the scale is too large or those using a service are too dispersed, they should be delivered by local institutions, subject to democratic checks and balances, enabled by full transparency.

The Localism Bill also gives local authorities General Powers of Competence, comprising increased freedom to reorganise service delivery as appropriate, including the commercial exploitation of assets. At the same time, local communities and civil society organisations (a term used by the Coalition Government to describe organisations between the private and public sectors and private households, such as community groups or social enterprises) will be given the opportunity to challenge local authorities where they feel that service delivery could be improved.

The implications of the Localism Bill for the provision of cultural services and facilities are that a wider range of organisations may be involved in future service delivery. This may mean a shift from a traditional model of provision in which the local authority manages and plans service delivery towards such services being outsourced. The Localism Bill makes it clear that there will be opportunities for community members and groups to become **wholly or partially responsible for running a service**¹¹, especially in cases where they are threatened by funding shortages. Cultural services are also often delivered using physical assets that can be a focus for local communities. The Community Right to Buy may mean the costs associated with maintaining these assets can be transferred from balance sheets, though if boroughs are forced into procurement exercises, there may also be resource implications.

2.5 Commissioning Agenda

The Coalition Government has also shown an interest in reforming approaches to the commissioning of public services to ensure greater involvement of civil society organisations, and published the **'Modernising Commissioning'**¹² Green Paper in December 2010 to explore these goals. The Green Paper includes objectives to increase the efficiency of public spending by opening up more service areas to civil society organisations, introduce payment-by-results into a wider range of policy areas, set minimum proportions of services that should be delivered by independent providers, introduce new rights for communities to run services and own assets, and encourage public sector workers to form mutuals.

Alongside these reforms, the Government is considering how commissioning opportunities might be made more accessible for civil society organisations, removing practical barriers for them in bidding for public sector contracts through streamlining procurement processes, opening up contracts across Government, achieving a fair balance of financial and legal risks in contracts, and funding a **Big Society Bank**¹³ to aid organisations with the initial capital required to fund activity. From a commissioner's perspective, the Green Paper explores what approaches could be used to consider the full economic, social and environmental value of different procurement options, and how citizens can be involved in the decision making process.

However, commissioning decisions made on price alone may result in wider costs to the public sector. For example, if youth diversion activities can be delivered more cheaply but with the consequence of an increase in antisocial behaviour, wider costs may be transferred to the public sector through increased policing and criminal justice costs. A parallel Private Member's Bill, the **'Public Services (Social Enterprise and Social Value) Bill'**¹⁴ (highlighted below with respect to the **social economy**¹⁵) includes provisions to make considerations of the social, environmental, and economic impacts of commissioning decisions mandatory for local authorities. The direction of travel in favour of a more outcomes focused regime is reinforced by the release of the **Single Data List**¹⁶ in early 2011 with a narrower range of data requirements for local authorities to submit to central departments, replacing the National Indicators to which Local Area Agreement funding was attached. The Government has also announced plans to implement a UK wide happiness index to help orient policy making towards increasing peoples wellbeing.

The Green Paper has substantial implications for the provision of cultural services. If civil society organisations can provide cultural services at a lower cost than Local Authorities, then **commissioning** might be used to increase efficiencies. Organisations delivering cultural services can often help contribute to the delivery of social outcomes (such as educational or health benefits), and if evidence of these outcomes can be demonstrated, such organisations should be better placed to benefit from the commissioning decisions made by Local Authorities and potentially other organisations.

2.6 Open Public Services White Paper

The Government is expected to announce radical plans for reorganising the delivery of public services in the Open Public Services White Paper. A consultation document published in November hints at how these proposals may take shape and are likely to substantially open up procurement opportunities for the private and voluntary sectors in delivery of local services and may require local authorities to outsource provision. The consultation paper indicated that the White Paper would set proportions of specific services to be delivered by non-Governmental bodies, and will merit detailed examination by local authorities to understand the implications for commissioning in detail. The publication of the White Paper was initially expected during early 2011, but has been delayed until summer 2011.

2.7 Giving White Paper

The Cabinet Office published a **White Paper on Giving** at the end of May 2011, setting out a series of proposals to make giving more straightforward and compelling, in support of Big Society objectives to increase private funding for community projects. Plans include a focus on integrating philanthropy into everyday life, improving information and removing barriers to giving, while introducing new incentives, including tax incentives for legacy donations and using the Social Action Fund to support new models aimed at encouraging individuals to donate their time to community initiatives.

2.8 Social Enterprise

If passed, the **Public Services (Social Enterprise and Social Value) Private Members Bill**, will also have implications for the growth of Social Enterprise. The Bill would require national and local Government to develop strategies for stimulating growth in social enterprise and enable communities to participate and implement those strategies. Alongside the proposal for incorporating measures of social outcomes in procurement decisions, and the tools provided through other Bills, this would likely offer considerable opportunities for social enterprises to get involved in running local services.

Local authorities will also gain considerable scope for flexibility in approaching delivery of cultural services. In many cases, the social enterprise sector is well established in London, particularly in the leisure sector (Greenwich Leisure Limited, for example). However, if Local Authorities can help develop the capacity of social enterprises, there may be broader opportunities for such organisations to deliver cultural services on a more commercial basis while **contributing to wider social objectives**, or even to receive **community assets** and run these for the benefit of the community.

2.9 Local Enterprise Partnershipss

One of the policies of the Coalition Government has been to abolish the Regional Development Agencies, and establish **Local Enterprise Partnerships** as the main vehicles for driving economic development and growth at a sub-regional level. LEPs are partnerships formed of Local Authorities and businesses, working together to set an overall vision for an area and co-ordinate development activity to boost economic growth. LEPs differ from RDAs in a number of ways: partnerships are formed on a voluntary basis, and it is hoped they reflect functional economic areas, rather being defined by regional administrative boundaries. Additionally, LEPs have no defined resources with which to fund their activities, they will depend instead on co-ordinating the economic development activity of partners, leveraging investment from the private sector and potentially running Government programmes.

The **Local Growth White Paper**, published in October 2010, sets out the anticipated role for LEPs in economic development, comprising working with Government to set investment priorities, supporting businesses (especially high growth businesses), leading changes in local business regulation, ensuring businesses are involved in the planning process, and working with employers and Jobcentre Plus to support workless individuals into work. The Government has approved 31 LEPs to date; with London covered by a **pan-London LEP led by the GLA** (the sub-regional LEPs in London were considered but rejected). The GLA bid highlighted strategic priorities for attracting investment in infrastructure, supporting people into work, stimulating enterprise, and enhancing the wider business environment. Recognising that LEPs will need resources to develop intelligence on their local areas to establish strategies for dealing with sub-regional issues, the Government has established a £4m LEP capacity fund over four years to address gaps in knowledge and facilitate engagement with local businesses.

Cultural organisations offer considerable opportunities to contribute to economic development at local level, particularly in support of tourism objectives. Arts, museums and events are major features of the destination offer in London, which is home to some of the world’s most significant museums, arts and sporting facilities. In order to maximise the benefits of a co-ordinated approach to tourism development, these organisations would ideally work with LEPs to help set priorities. Cultural services can also contribute to wider policy objectives (such as offering work placements) and the move to LEPs may offer a wider a range of opportunities to increase the involvement of culture in local economic development. The GLA have consolidated three organisations responsible for promoting the city (Visit London, Think London, and Study London) into a single organisation, London and Partners, and these changes may increase scope for local authorities to engage and influence regional promotion strategies, and in help spread tourism across the capital. The concept of Local Cultural Partnerships (similar to LEPs) has also been proposed by the Institute of Cultural Capital, with a focus on building sustainable partnerships of local culture providers with a strong commercial drive, though proposals are at early stage of development and it is unclear how something similar might operate in London

2.10 Direction of travel

In summary, the policies of the Coalition Government have transformed the policy environment in which cultural services will be delivered for both the short and medium term:

- The trajectory of public sector funding is such that local authorities and other bodies will need to find savings in the delivery of cultural services. New models based on lower resource costs or increased income will be needed, potentially alongside with new models of delivery. The likelihood is that in some areas, some services may need to be considerably scaled back, or even terminated.
- However, the Government is offering local authorities and local communities a range of powers, flexibilities, and tools with which they can exploit to sustain cultural service delivery. Models involving transfer of assets to the community or greater community involvement in the running of services are being encouraged by the Government, and these may offer considerable scope for reducing the cost of delivering those services. At the same time, with the attempts to open up commissioning opportunities across local and national Government, Local Authorities will also need to consider how procurement of third parties to deliver services can be used to deliver the efficiencies required, including utilising independent and voluntary sector organisations.
- The policy terrain for independent and voluntary organisations will also change considerably, and the availability of grant funding and other more traditional sources of income for cultural organisations will be severely constrained. Such organisations will need to find alternative ways of placing their organisations on a sustainable platform, though with substantial opportunities to deliver local cultural services being opened up (particularly with an emphasis on delivery of wider social outcomes) such an environment could be favourable. In order to ensure such organisations are able to survive in the new funding climate and remain potential providers of public services, local authorities may need to provide capacity building support to help them consider how they might access these opportunities, demonstrate how they can contribute to delivery of outcomes in other policy areas, while highlighting the risks involved, for example, with contracts based on a payment-by-results format.



3.0 Alternative Funding Models

The scale of the public spending cuts will mean that Local Authorities will need to find efficiency savings in many areas, with discretionary areas such as cultural provision and funding for organisations at greatest risk. However, with many authorities having faced year-on-year spending cuts for many years prior to the announcement of the 2011/12 Local Government Settlement, a range of innovative models have been developed to try and place cultural services on a more efficient and sustainable platform. Additionally, independent and voluntary cultural organisations have identified a range of creative approaches to securing additional income through delivering services outside of their normal areas of activity and client bases. This section explores these models and their applicability to cultural services.

3.1 Collaborative Service Design and Delivery

Pressures on local authority budgets have led many public sector organisations to begin considering ways of **collaborating in service delivery**⁷ to deliver the efficiency gains required. Through delivering services across different areas, efficiency gains can potentially be delivered through the economies of scale resulting from shared systems and staffing.

A number of authorities across the country are forming alliances through sharing strategic and service management positions. **South Oxfordshire and the Vale of the White Horse**⁷ authorities have brought about savings of £785,000 a year through a shared management structure, including a shared management team, chief executive, strategic directors and heads of service. **High Peak Borough Council and Staffordshire Moorlands District Council**⁷ formed a strategic alliance in 2008 and have begun to share a number of services, as well as a Chief Executive and an Equality & Diversity Policy Officer. The alliance has also been effective in generating savings, through shared management services and delivery of services. Many boroughs in London have progressed plans or proposals to implement similar collaborative arrangements.



Shared management services: Tri-borough proposals in Hammersmith & Fulham, Kensington & Chelsea and the City of Westminster

As an example of types of savings that might be achieved through collaboration, the widely publicised merger of adult social care, education, and children's service departments across **Hammersmith and Fulham, Kensington and Chelsea and the City of Westminster** are **expected to generate savings of £35m per annum**⁷. The Tri-Borough Proposals report, published for consultation in February 2011, outlined how integrated service delivery might create savings. The proposals focus on streamlining staffing costs through managing delivery services via a single team across the three boroughs. Larger Tri-Borough teams are expected to raise productivity, while larger volume contracts are expected to deliver further efficiency gains through outsourcing. With respect to culture, detailed proposals focus on integrated library services, where efficiencies are expected in terms of shared management, staff rationalisation and sharing of expertise, a single telephone enquiry service, and an integrated information and referencing service, generating annual savings of between £1.5 and £1.8m. Additional savings in the medium term are expected from integrating leisure service and park grounds maintenance contracts.

- There are many issues to consider when developing collaborative or shared services:
- Shared vision, commitment and accountability:** Critical success factors in the implementation of shared services are strategic alignment, and similar populations with common needs. It is important to manage the perceptions of the public, who may be concerned about loss of accountability. Lessons from the experience of South Oxfordshire and the Vale of White Horse stress the importance of the commitment of all parties to sharing expertise and securing the involvement of all staff to avoid a perception that one council is taking over another. The Local Government Association suggests that stressing these arrangements represent joint working rather than a merger of operations is of fundamental importance in communication with the public. At a practical level, this will involve steps to ensure the identity of all partners is clear to the public through branding.
 - Political feasibility issues:** A range of political issues may be faced in making shared services a viable option. Integrated services should be driven by a strong commitment across all parties, as some loss of control over the future direction of service delivery will inevitably be involved. Shared services may involve job losses that fall to varying degrees amongst partners, and negotiations will be needed to decide where these losses fall. There may be political consequences for authorities seen to be disproportionately affected, and the future of arrangements could also be affected by policy changes that result in disagreements between politicians across participating authorities.
 - Technical issues:** There can also be technical challenges to overcome. Individual boroughs may use different systems, making it difficult to integrate service delivery across boroughs without additional investment. For example, different library management systems may create challenges in driving forward service integration, and while not insurmountable, there may be resource implications if new systems are required. There may also be issues with the terms and duration of contracts where outsourcing is used by one or more authority. The Tri-Borough authorities have contracts with leisure trusts that expire at different times, and full integration across the three areas is not feasible until 2017. Engagement of independent parties to investigate technical issues can often facilitate this process and highlight solutions to challenges that may arise.
 - Time:** The development of shared services is likely to be a long term project, as the issues highlighted above will frequently require substantial levels of engagement, co-ordination and investment to ensure a smooth transition to shared service delivery.

Shared services are also being developed by cultural services and can potentially be applied across a range of areas, including leisure services, museums, and libraries. This process is being taken forward both by individual boroughs and umbrella bodies supporting the development of the cultural sector in London. Examples include the work of the **London Parks and Green Spaces Forum**⁷, aiming to connect organisations managing green spaces in London to identify where savings can be created through collaborative working. **The London Libraries Consortium**⁸, a partnership of 12 London boroughs, has developed a shared cataloguing system in which users can access materials held by a network of facilities operated by the consortia, and may have the potential to deliver further savings through shared storage solutions (for example).

Additionally, the London Boroughs of Bexley and Bromley are working in partnership with aspirations to share their library back office and management functions. The approach is aimed at minimising the impact of constrained funding on front line services in both boroughs. Work is progressing apace, with a final decision on the shared service expected in July 2011. On the basis that a consensus is reached, implementation of proposals will be progressed during the autumn and winter of 2011/12, with a new shared service commencing in early 2012. The approach is expected to save each borough between £350,000 and £450,000, and it is hoped that other boroughs may join in subsequent years.



The London Library Change Programme

The London Library Change Programme is an example of how Local Authorities are beginning to work more formally together to develop shared solutions and also to support others in the sector. The programme is funded by MLA and Capital Ambition (London Councils) and has not only encouraged boroughs to drive efficiency in London’s public library services through collaboration, but supported the development of associated reusable “products”. Reusable products will accelerate the creation of detailed operating blueprints, legal and governance models, financial management arrangements, and programme plans. These will include:

- Process frameworks, checklists, and lessons learned from the decision, design, and planning process;
- Analytical frameworks and evaluative decision trees with suggested actions as outputs;
- Other templates and tools which are made relevant to the transformation and delivery of library services.

The programme is effectively building capacity within London’s Library services and encouraging a sector led approach as a new way of working and is supporting 7 projects involving 26 London boroughs. All boroughs will be able to share the learning from the programme and will have the opportunity to benefit from the investment by utilising these products to drive efficiency and realise savings in their own boroughs, without having to invest as much time and money in project planning and development.

However, much of the collaborative work progressed in London by early 2011 was at a relatively early stage of development, with parties focused on identifying options and exploring feasibility issues. There are likely to be many opportunities to use shared services to deliver efficiency gains, and it is expected that this approach will become increasingly prominent in the delivery of cultural services in London.

Case Study:

Shared library services - The SPINE project

Overview: The SPINE Project emerged from work supported by the East of England Regional Improvement and Efficiency Partnership, and MLA, and shows how collaboration can be applied to library services. The project aimed to integrate specialist and support services for libraries on a shared basis across Essex, Suffolk and Cambridgeshire County Councils, and Thurrock and Southend-on-Sea Borough Councils, including bibliographic, information, and digital services. The main objectives of the project are to maximise efficiencies by reducing duplication and creating economies of scale, to increase effectiveness through sharing expertise, and to increase the level of resources reaching front line service delivery.

Results: The project received external accreditation for the savings identified and the delivery model proposed. The implementation phase quickly identified an amended model of service provision through a lead partner, and concentrated on following through and resolving issues of cost and savings apportionment and developing a shared service specification. Original expectations were that shared services might save up to 70% of spend in scope, after a transition period of up to two years. There is now a recognition that the involvement of a commercial company to provide services may bring greater savings

Challenges faced and lessons learned: The SPINE project has focused on engaging key stakeholders, considering how to involve local communities, councillors, and the business and voluntary sectors in the design and delivery of services. This has involved a high number of communication transactions between the parties involved, with cost and resource implications, and in some cases challenges in terms of communicating messages between partners. Local authorities will need to persist with the engagement process which is critical in ensuring shared services reflect user needs. TUPE issues became a major block, leading to an alternative to the original delivery model being developed.

Another option that might be explored by local authorities aiming to reduce costs is the concept of **federated services**, in which one borough delivers services in another. This usually involves the latter borough paying fees for service delivery to the former, and can confer mutual advantages through delivering economies of scale, enabling both boroughs to benefit from lower costs. Many of the issues involved are similar to those associated with collaborative service delivery, though some of the political issues associated with loss of control and identity are potentially lessened as the borough procuring the service enters into a contractual relationship in a similar manner to outsourcing, rather than having to develop a shared vision of the future of the service in question.

Exploring the potential for shared services in heritage: London Boroughs of Camden and Islington

The London Boroughs of Camden and Islington have been working together to consider options for sharing delivery of cultural and heritage services across the two areas. The London Borough of Camden became involved in the programme having already made significant efficiencies in the delivery of its cultural services, including reducing the cost of running its library services by £700,000 without affecting the public facing service in any way. A further reduction in the Councils budget led Camden to consider wider areas in which savings could be generated, while maintaining the level and quality of services. The shared services options appraisal was instigated following a consideration of shared management arrangements between the two councils. Whilst shared management arrangements were not pursued, cultural services were identified as area where shared services might be arranged. The model discussed has the potential to involve an expanded remit for one borough to deliver services on behalf of the other, whilst staff, budgets and collections could potentially be shared more widely across the two authorities. The options appraisal is due to be completed by June 2011. This process is currently being supported under the LCIP Heritage Change Programme and the Museums Libraries and Archives Council.

3.2 Service rationalisation

One option for reducing the cost of cultural services is simply to reduce the scope of services, through closing facilities (for example). While this may appear to be a straightforward approach, there are obvious political costs, illustrated in the opposition to proposals for closing library services or leisure facilities. In budget plans for 2011/12, many authorities are responding to cuts by constraining delivery and investment in cultural services. All areas of cultural services have been affected by proposals, including libraries, the arts, museums and leisure, with a **survey of local authority finance directors**⁷ showing that 16 percent of authorities are planning to make proportionally the greatest cuts in these areas.

Most widely publicised have been proposals to close libraries to balance local authority budgets. Many London boroughs have considered closures or staffing cuts, with others exploring the transfer of these assets to the community. The London Borough of Lewisham has agreed the transfer of three library buildings to Eco Computer Systems, a social enterprise that runs a community library at the Pepys Community Centre on a similar model. Another library will transfer to the Reminiscence Centre managed by Age Exchange, a highly regarded charitable organisation based in Blackheath. Officers are also working towards a solution for community library provision in New Cross with the borough proposing to provide specialist support to a new Community Libraries Network. Similar approaches are explored by councils throughout the UK, with an emerging picture of local authorities reducing the number of facilities under management. Arts, heritage and museums have also suffered, with some London boroughs recommending the cancellation of funding for the arts in order to make cost savings.

Other approaches that avoid closure may be available. Worthing Council consulted with residents on proposals to make cuts in museum services in return for reduced council tax increases. Following a negative response (55 percent believed museum services were a greater priority than lower council tax), the Council is reviewing the potential for keeping the local museum open six days a week. Leicester Council is considering reducing the opening times of local museum services to reflect visitor patterns to maximise attendance whilst minimising costs. Darlington Council has placed its Civic Theatre for sale to the private sector as a going concern (i.e. as a commercially operated theatre), transferring the annual £1.7m running cost while maintaining provision.

Many local authorities have been required to make spending cuts for 2011/2012 in a compressed timescale following the budget settlement in late 2010. Pressure to respond quickly has necessitated a reactionary approach to budget constraints, but there are opportunities for local authorities to now implement a more strategic approach to generating savings for 2012/13 that help retain front line services. In order to minimise impacts on the community, a range of aspects could be considered:

- **Assessment of need:** Service rationalisation may be more straightforward if based on considered assessment of demand, patterns of usage and supply. Residents are not limited by borough boundaries, and neighbouring boroughs may offer similar services in close proximity, offering opportunities to rationalise service delivery, if agreement can be reached between boroughs.
- **User experience:** Impacts on the community could be offset if complementary investments to improve the user experience are available. Leicester City Council, faced with cuts required of £1.2m in 2011/12 have explored merging two city centre libraries to an expanded single site, while refurbishing the site to improve the user experience.

Case Study:

Service Rationalisation in Libraries - The London Borough of Barnet

Overview: In September 2010, the London Borough of Barnet undertook a review of its library services with two main objectives: to ensure library services had a financially sustainable future, and to develop a model of provision responsive to the needs of the community both now and in the future. The review involved an assessment of current and future population trends, as well as peer review and public consultation to incorporate the views of the local community, stakeholders and partners within and beyond the Borough boundary. The Council also worked with other service providers to understand the contribution that library services could make to other community services.

Results: The Borough has developed an innovative library strategy that will govern service delivery over the next 5 years or more, identifying four key areas of savings totalling over £1m per annum, and has helped support a proposed £3m of capital investment. The strategy should deliver a library service for the 21st Century, not just the traditional 'buildings and books' model delivered more cost-effectively. Savings will come through the rationalisation of property portfolios, increased use of partnership approaches in provision, enhanced usage of customer self-services, and integrating retailing and rental opportunities.

Challenges faced and lessons learned: The main challenges the Council faced were balancing the need to secure financial viability with satisfying community demand and preferences, while communicating these objectives to residents. For the Council, this has meant a long and challenging process, especially in terms of assuring residents that the review was not principally concerned with cutting services. Here, local politicians played a key role in communicating the key messages of the review. The Council has also found that it is important not to rely too heavily on plans for reform that are too narrowly focused, while strong partnerships were a prerequisite for a thorough and fair review process. The main lesson from the experience is that the public will often support a genuine review of services to ensure best fit with user need, and that changing the nature of library services can gain general public support where it is clear that service reform is in the interests of developing a modernised service.



3.3 Co-location

Co-location of service delivery is another option open to local authorities that want to reduce their overheads. This involves more intensive use of property assets: delivering a multitude of services in a reduced number of locations, reducing maintenance and on-going running costs (and potentially generating capital receipts if assets are sold). The Kent Total Place pilots explored the possibilities adopting a single asset management strategy across the £5bn of property assets held by the public sector in the County to better exploit these assets and generate cashable savings. Initial results in Swale suggested that substantial property savings could be made through delivering multiple services in a single building, and there may be opportunities to apply similar concepts to the provision of cultural services.

Co-location in culture: Idea Stores in Tower Hamlets

An example of where savings have been generated through co-location of services is the Idea Stores developed and managed by the London Borough of Tower Hamlets. The Idea Stores build on the concept of a traditional library, combining a library, community space, information services and access to lifelong learning within one building. Proposals for Idea Stores were first developed following apparent disengagement of residents with the local library services, with existing services problematic due to inconvenient locations and a lack of modern facilities. Following a public consultation, Tower Hamlets developed proposals to invest £30m in a series of Idea Stores bringing libraries in line with modern community needs. The main aim of the Idea Stores is to locate the services at the centre of communities in order to make the services as accessible as possible, offering a one-stop shop location for library, learning and information services. The first Idea Store opened in Bow in 2002, with further centres opened later in Whitechapel and Canary Wharf. There are now five Idea Stores developed by the London Borough of Tower Hamlets which are mainly based in new and highly accessible buildings.

3.4 Outsourcing

A common approach to reducing overheads and expenditure on services is to outsource delivery to a private partner, paying a fee or a share of profits for the provision of a particular service. Local Authorities can often benefit from lower costs (and potentially generate income if assets can be leased) if they outsource service delivery, as well as the potential to lever investment in facilities. The most common area in which Local Authorities have looked to outsource service delivery is in leisure, with many boroughs entering into contractual relationships with private firms or charitable trusts to provide leisure services. This approach has been tested in a range of boroughs in London: for example, Greenwich Leisure Limited has assumed control of leisure facilities, including Hackney and Greenwich, while the London Borough of Islington has contracted Aquaterra to provide leisure facilities in the borough.

There can be resistance amongst the public around the concept of outsourcing local services to the private sector. However, this model often offers financial savings and is increasingly being considered for the delivery of cultural services. Private companies may have procurement procedures in place that can offer efficiency and cost savings. Economies of scale can be achieved if existing IT or cleaning services are currently being provided by a private provider within, as well as outside, of the Local Authority boundaries. Additionally, the quality of the service provided can be influenced by the strength of the service specification.

Case Study:

Outsourcing Libraries - London Borough of Hounslow

Overview: The London Borough of Hounslow outsourced service provision at eleven of its libraries to John Laing, an owner and manager of public infrastructure, following a full procurement review initiated in 2007. Leisure services, heritage, cultural and children's play services had previously been delivered via a trust model that had run into financial difficulties, and a procurement exercise resulted in John Laing winning the contract to deliver Library, Parks and Heritage services. The key aim of outsourcing to John Laing was to generate efficiency savings and move responsibility for maintenance to the contractor.

Results: John Laing have been contracted to deliver library services for 15 years, on the basis of finding a 5 percent saving in running costs for the first three years of the contract. Savings of over £1 million over have been generated through the adoption of in-house procurement and IT systems.

Challenges faced and lessons learned: Both the contractor and the London Borough of Hounslow did not feel any major challenges were encountered in the outsourcing of library services. However, the partners have learnt that transparency and carefully planned public relations work is required to explain the benefits of using private contractors to the public. A key success factor was the introduction of a payment-by-results contract in which the contractor is required to deliver against a range of Key Performance Indicators or face a financial penalty, helping to increase service quality. This approach could be applied to the delivery of library as well as wider cultural and heritage services across London.

3.5 Commercialisation

An alternative to reducing costs for Local Authorities facing budget cuts is to increase the income generated from services provided. Opportunities for commercialisation will arise where residents are willing to pay for a particular service (over and above their Council Tax) and many such services fall under the responsibility of cultural services. There are a number of examples of local authorities boosting their income through leisure services in particular. Leicester City Council, for example, identifying strong demand for 5-a-side football, has repackaged their football sites to generate a steady stream of income. It is likely that many opportunities with respect to leisure have already been exploited in London, though authorities may find new ways to create income (such as Hammersmith & Fulham's proposals to make personal fitness instructors pay for a license to run training sessions in parks).

There may be considerable opportunities to help commercialise the arts and other areas of culture. A **Locum Consulting report**⁷ stressed the need for arts and cultural organisations to move beyond admissions income and consider approaches that encourage longer visitation times and higher on-site spending. Retailing budgets and catering can often represent up to 5 to 15 percent of a museum's operating budgets, and larger commercially focused museums and galleries in the UK, such as the Tate Modern or the British Museum, have attempted to market these facilities as a reason to visit in its own right. Street facing commercial outlets can also encourage visitors that have no intention of visiting the cultural offer of museum or art gallery. An appealing offer should be integrated to boost commercial demand, focusing on breaking down barriers to entry amongst wider audience, creating stimulating central public areas and foyers, and providing memorable cultural experiences, artistic shows and performances. .

For example, Lambeth Council have approved a new approach to events management in the borough in a bid to increase income generation. The Council has relaxed some of the “red tape” that was effectively preventing the events team operating in a commercial manner; this included some relaxation of the regulations and restrictions on the marketing and holding of events. By approving this approach the Council has been careful to also protect the public, by ensuring that there aren’t too many events in any one location that would prevent the quiet enjoyment of parks for example. Enhanced involvement procedures are also building stronger links with local communities. The events programme will be driven by a Cultural Commissioning Strategy, which see activities like popular events cross subsidising more events with minority appeal, by taking this approach Lambeth Council is allowing its events team to operate in a more commercial manner.

Case Study: FilmApp

Innovative approaches to income generation FilmApp

Overview: FilmApp, delivered by the London Borough of Southwark, was designed to increase income by encouraging film makers to use locations in London, on the premise that the city has a reputation in the film industry as being a good location, owing to the facilities and skills available the capital. However, filming on location is accompanied by a high level of bureaucracy due to varying film permit processes employed across London's 33 different boroughs. FilmApp allows every borough to retain their individual terms and conditions, but uses a common application template that can be used throughout the capital. The aim is to encourage attract film makers to the city, increasing revenues accruing to local authorities.

Results: The cost savings and income leveraged for Local Authorities of this approach has not yet been evaluated. However, on an anecdotal basis, both local authorities and film crews are impressed at the time and cost savings generated by the new process, with evidence to suggest film crews have been attracted to use locations in and around Southwark as a result of the simplified permit procedures.

Challenges faced and lessons learned: The main challenge experienced by the project is that local authorities have strict procurement rules that can prevent simple common solutions like FilmApp from being implemented. The project has found that Council IT departments have very different rules about security and style, leading to the repeated alteration of the template and adding to costs. The main lesson is that there is a need for local authorities to work together rather than adopting independent approaches that create barriers for cultural organisations working on a cross-boundary basis.

3.6 Community Asset Transfer

Community asset ownership has grown in significance over the last 5 years. In 2006, the Quirk Review undertook a review of community asset ownership stating that “there are no substantive impediments to the transfer of public assets to communities ... There are risks but they can be minimised and managed – there is plenty of experience to draw on. The secret is all parties working together.” Interest in community asset transfer has increased as a result of the emphasis of the Big Society on achieving greater community involvement in delivering local services, and as local authorities look to implement cost saving measures, transferring assets to the community may be an option to help ensure local services survive. The **Development Trusts Association** has taken a key role in promoting the opportunities to communities, using asset transfer as a means to support long term social, economic and environmental improvements, and has identified the following benefits of community asset ownership:

- **Providing earned income:** the rental income gained from assets generates an independent income, which the DTA estimates produces a return of 6 percent per annum.
- **Delivering services and facilities to the community:** transferring assets to community organisations can retain and offer key services which would otherwise be lost to the local area.
- **Tackling rundown communities and safeguarding public services:** whilst it is not possible in every circumstance, transferring vulnerable assets into community ownership can bring fragile buildings or land back into use, creating sustainable, viable solutions.
- **Enabling partnership working:** productive cross sector (third, private and public sector) working can arise to make the best use of assets.
- **Building confidence within communities:** generating enhanced social capital within communities.

However, transferring assets to the community is not necessarily straightforward, and there are a number of issues that need to be considered:

- **Finding an appropriate body to receive assets:** One challenge may be to find an appropriate community body to receive responsibility for the assets transferred. Organisations receiving assets may require long-term support to build their capacity to take on responsibility for the development and management of that asset.
- **Scope of service delivery:** Decisions also need to be made as to the feasible scope of service delivery, for example, whether a full service can be offered (in line with what would normally be provided by a local authority). Business Plans will need to be realistic about what is possible, particularly in cases where revenue funding is scarce.
- **Start-up costs and investment:** Investment in the asset may be required to make service delivery feasible. The Development Trust Association found an effective model is often for the transferred asset to have investment and revenue commitments transferred as well to ensure the ongoing viability of the project. This reinforces the point that community asset transfer may take time to implement.
- **Skills and training:** In order to ensure service delivery can be maintained in the longer term, the body taking control of the asset will need a skilled and stable management team on board, with some experience of running services. It cannot be assumed that unskilled volunteers will either be able or want to manage such services. Inevitably challenges will be faced in recruiting such a workforce, and again, short-term capacity building may be required to enable the transfer.

The Development Trust Association, in association with the Local Government Association and Community Matters, has set up the **Asset Transfer Unit**, to provide expert advice and support concerning the transfer of land and assets to community ownership and management.

Community Asset Transfer in Sport: Sport England

With respect to culture and leisure, Sport England has helped local authorities transfer their assets to communities, providing both general advice and the development of an online toolkit **(launched in April 2011⁷)** from which local authorities can draw on practical advice. Support is also being offered to potential partners of local authorities in the form of training to help them run sports facilities. This work has found that community asset transfer offers a good opportunity for sports clubs and community organisations to gain control of facilities. Often such organisations will be operating within facilities on the basis of short term leases or licenses that act as a barrier to attracting external funding, as funders will usually need assurance there is a long term interest in the facility. As a result, transfer of facilities can often help smaller organisations secure long term sustainability.

Sport England’s work also highlighted a common misconception that community asset transfer offers an opportunity for the quick sale or release of facilities. Passing facilities to a community group means that responsibility and liability for upkeep, maintenance, and health and safety are also passed on. These responsibilities are associated with significant resource and budget implications, and organisations may need significant support to ensure a secure long-term future for the facilities. Experience suggests that local authorities need to invest more planning the transfer of an asset, and working with the community group to which it will pass.

3.7 Volunteering

Increasing volunteer involvement is also an option open to local authorities wishing to retain control of assets while reducing staffing costs, and could be applied to a wide range of cultural services. Additionally, if assets have been transferred to the community, a core challenge that will be faced will be the recruitment, training and management of a volunteer workforce to ensure the long-term viability of services. There are many examples of local authorities in London using volunteers to contribute to the delivery of cultural services, including libraries, museums and even Tourist Information Centres.

One difficulty in boosting volunteer involvement while reducing levels of paid staff is that volunteers need to be recruited, trained, and managed. Volunteers do not tend to offer a stable workforce, creating on-going recruitment and training issues. In order to secure and retain their commitment, there will often be a need to offer volunteers the opportunity to gain useful experience in exchange for their assistance. Additionally, only certain segments of the population are likely to have the time available to get involved in volunteering on substantial basis, and will likely comprise the unemployed and the retired. This introduces a mixture of issues to consider when planning recruitment of a volunteer workforce: the unemployed will likely be a transitory group as they between jobs, and in some cases (for example, ex-local authority officers) may resent doing work for which they were previously paid. The retired may offer the most time and relevant work experience, but a concentration of workers at a particular age group may make it difficult to ensure that services remain relevant to all age groups living in an area.

Case Study:

Volunteering in Libraries - Hackney Community Library

Overview: Woodberry Down library, based at the Robin Redmond Community Resource Centre in Hackney opened in February 2007. The service was developed following a resident survey that identified strong demand for a library, which the area had been without for a long period. The library was set up with Neighbourhood Renewal Fund resources and a key priority was to embed the facility into the community. To work towards this objective, the service has been staffed by volunteers that run the facility on a day to day basis with back office support from the Council's Libraries, Archives and Information Services.

Results: The library attracts around 15,000 visitors per year and is particularly popular with pupils and students, jobseekers and young mothers. The project has provided a successful mechanism for engaging with the community and increasing the employability of local residents. Total running costs are around £30,000 per annum, giving a cost per visit that is considerably lower than other smaller libraries in the Borough. The library received high ratings in the Public Library Users Survey, with staff helpfulness at 100 percent, and a recent poll showed high customer satisfaction. The savings generated has allowed investment in the library, and there are over two thousand books and DVDs on offer and two free of charge public PCs.

Challenges faced and lessons learned: Delivery of services at Woodberry Down library was dependent on the successful management of the volunteer workforce. In early stages, the library suffered a high rate of closure due to non-attendance of volunteers, addressed by doubling the number of volunteers signed onto the service rota. A key challenge has been developing an appropriate division of labour between volunteers and paid staff. The library faced difficulties in involving volunteers in some aspects of library work, and in particular the use of volunteers to co-ordinate others was found to be unsuccessful - a paid member of staff has since been employed to provide management support. It was also found important not to overload volunteers with additional duties, beyond serving the public and simple cash handling.

Innovative strategies are available to help address these types of issues. The London Borough of Merton was faced with this problem when from April 2011, service delivery cuts were to result in the loss of 12.5 full time posts from Council funded library services in Wimbledon, Morden, and Mitcham. With remaining core staff focusing on core business activities including managing stock and helping service users access information, it was felt that limiting service delivery to these core functions would result in a loss of customers, and the borough adopted a focus on recruiting volunteers to fill these functions.

The council developed a Volunteer Strategy to identify the roles volunteers could be reasonably expected to perform (such as 'meet and greet' roles, children's story telling, and low-level IT support). To address the issue of volunteer co-ordination, Volunteer Centre Merton were contracted to find and manage a cohort of volunteers to support the library and succeeded in recruiting over 70 volunteers. These efforts, together with agreements with a local security firm allowing security guards to perform low level functions, has resulted in an overall extension of library opening hours across the Borough by 19 hours, with three town centre libraries able to open on Wednesdays until 7pm. However, outsourcing volunteer co-ordination creates additional costs, which may not be a viable option for community groups that have assumed control of services and assets that were previously owned by local authorities. Best practice indicates that for every 10 volunteers there should be 1 paid manager to support them.

Case Study:

Volunteering in Museums - Windsor & Maidenhead

Overview: Windsor and Maidenhead Council were designated a Big Society Vanguard Area to explore how the principles of the Big Society might implemented (though the council was already exploring the possible use of volunteers in service delivery). Plans were well underway to create a new museum due to open in March 2011, housing a local history collection in one room of the refurbished Guildhall, funded through Section 106 agreement developer contributions. Three new part-time staff have been recruited to support the project, but the museum will mainly rely on volunteers once opened to the public.

Results: Overall, 55 volunteers were recruited with a range of life experiences and skills. The volunteer group is made up a mixture of retired people, teachers, historians, students, the unemployed and young mothers with spare time, representing a wide demographic profile and broadly representative of the museum users helping to ensure services provided remain relevant to the needs of users.

Challenges faced and lessons learned: Windsor and Maidenhead Council used advertising to recruit volunteers to assist with the operation of the museum, comprising articles placed in local press including a free local newspaper delivered to all households within the Borough. Advertisements were also placed with Windsor and Maidenhead Voluntary Action to signpost volunteers to the museum. An issue faced is a lack of financial resources to support the on-going training and development of volunteers, and may it difficult to incentivise the commitment of the volunteers. However, the council found that transparency about the resources and limitations placed on the service helps secure commitment, and openness can often encourage volunteers feel ownership over the delivery of the service as part of the solution to the issues. An effective approach to motivation can include a careful matching of skills offered by volunteers to the range of tasks to be undertaken which helps ensure volunteers are generally satisfied in their role and are able to perform duties to a higher standard. For example, a volunteer with a background in teaching and training is being used to help the development of a training and development schedule

Local authorities may want to consider more wide reaching approaches to involving communities in delivery of public services. Lambeth Council have developed the idea of the **'Co-operative Council'** that seeks to involve residents in a more intensive way in both decision making and delivery, as illustrated in the example below.

Involving communities in decisions and delivery: The Co-Operative Council – Lambeth Council

In response to the public sector funding crisis Lambeth Council has developed a new and different approach to the way the council works with its communities. By examining how it deals with the challenges it faces whilst not losing sight of the priority of 'serving our communities', Lambeth Council developed the idea of the 'Co-operative Council' which provides an opportunity to deliver better outcomes in a difficult environment. Lambeth developed this approach through a Co-operative Council Citizens' Commission to test ideas around how Lambeth could improve public services whilst, at the same time, tackling two key challenges:

- Agreeing the role the public sector should play in protecting and enhancing the quality of people's lives
- Delivering services in a period of significant and sustained funding cuts which meet local need.

The concept of the Co-operative Council is underpinned by five key principles:

- The council as the local democratic leader and civil society partner
- Public services planned together and delivered through a variety of organisations, which will improve outcomes, empower citizens and users, and strengthen civil society
- Citizens incentivised to take part in the provision of public services
- Public services enabling residents to engage in civil society through employment opportunities
- Public services accessible from a variety of locations.

In adopting this approach, Lambeth is exploring the way in which it delivers services and how the council could push the boundaries in delivering public services differently, both as a way to deliver services more efficiently and also to make them far more responsive to local need. As well as delivering services differently public services need to be managed more efficiently and effectively and more cheaply, the co-operative council approach sets out ideas around how local public services could be jointly managed; ways in which local areas could negotiate freedoms from central government so that public service providers could join up services locally to meet local priorities; and ways that Lambeth as a borough could make financial savings.

3.8 Philanthropy and sponsorship

There may be scope for local authorities to support the cost of cultural activity through philanthropy. In addition to donations from individuals, there may also be interest from businesses looking to fulfil Corporate Social Responsibility obligations, although this is more likely to be in the form of sponsorship, where the company expects some commercial return in the form of advertising or branding.

Philanthropists give to what they are specifically interested in and, unlike charitable trusts, it is a very personal decision. The most successful philanthropic relationships take a long time to nurture and are the product of a close association between the giver and the receiver, which can make it difficult, although not impossible for local authorities. An individual may be interested in supporting something very specific, such as an acquisition for a local museum or even in supporting the infrastructure costs of a museum, arts centre or other cultural facility. Philanthropists are not immediately obvious and it will require officers or members making and developing contacts which is often outside the remit of local authorities. Local authorities may be interested in establishing special purpose vehicles (such as charitable trusts) to lever in relatively untapped sources of funding in the form of philanthropic donations or even legacies.

A further way of accessing philanthropy is ‘crowd funding’, encouraging many people each to give a small amount of money to a particular cause or activity. There are organisations that specialise in this area, such as ‘The Big Give’ (which helped arts organisations in early 2011) and WeDidThis.org.uk, a crowd funding platform for the UK arts sector.

Philanthropy and Sponsorship: Development Trust in Birmingham

Birmingham City Council established a Development Trust to augment Council investment in its library facilities and service in October 2010. The Trust is a company limited by guarantee and a registered charity. Its Trustees are being drawn from influential and affluent local stakeholders with an interest in library services. The remit of the Trust is wide ranging, including: advising and assisting the Library service in the development of mutually beneficial partnerships with business, education, culture and areas of community interest such as volunteering; advising and assisting the development of commercial opportunities and social enterprise; and encouraging and seeking private sector support for the service through sponsorship, bond issue and philanthropy. The trust has a target to raise £15 million in private sector support to augment council funding over the next three years and is already on track to secure £5m by the end of 2011. It will be worthwhile closely tracking the progress of the Birmingham model, and its implications for culture and leisure services not only within, but also across London Boroughs

A 2010 Arts Council report '**Endowments In The Arts**'⁷ commissioned by the Secretary of State for Culture, Olympics, Media and Sport explores the contribution endowments can make in supporting and sustaining arts and cultural services. The report suggests an endowment model, involving the donation of cash or assets to a charity on the basis that the asset be held or invested to generate income, can be a creative approach to attracting philanthropic funding. The introduction of structured match-funding schemes is recommended to incentivise organisations to seek funding while encouraging donors to give to the arts. The Arts Council also call for Government to provide incentives and recognition for giving to the arts, with evidence that the arts are not widely considered to be a worthy cause with only 2 percent of philanthropically active individuals giving to the arts in 2009. In seeking to increase philanthropic giving to the arts in the UK, the Arts Council identified the following approaches as having value:

- Ensuring that the art form or activity appeals to a wide and socially mixed audience.
- An ability to articulate the value of the arts with passion and pride when fundraising,
- Adapting fundraising strategies to accommodate the interests of donors (such as providing access to social networks).

However, any approaches to philanthropy by local authorities or arms length trusts may be subject to significant competition from more established UK wide charities, and there will be challenges to leveraging in substantial levels of philanthropic investment, and cannot be relied on as a regular income stream.

Case Study:

Levering charitable investment and sponsorship - Opera Holland Park

Overview: Opera Holland Park has received core funding from the Royal Borough of Kensington and Chelsea since 1996, supported by the Transport, Environment and Leisure directorate. The company runs a programme of performing arts each season and delivers a community outreach project - 'Inspire' - to broaden the appeal of Opera including providing 1,700 free and 4,000 subsidised tickets to those on low incomes, targeted at those 9 to 18 year olds and those over 60. Opera Holland Park built up a strong local presence with performances running at 98 percent capacity and annual box office takings of £2 million, but financial stability was not assured at a time when local authority budgets are under pressure, particularly as no additional financial assistance is received from the Arts Council.

Results: To diversify income streams, company focussed on maximising the commercial viability of the operation, by creating a product with a high artistic quality assuring the interest of both customers and commercial sponsors. Opera Holland Park has developed considerable sponsorship interest from private companies, and secured a new title sponsor – Investec Wealth & Investment. The company also runs a 'Friends of Opera Holland Park' scheme to boost income for the service: 2,700 'Friends' bring in an additional £250,000 per annum to help sustain the running of the company, with the financial support of 100 'Ambassadors' providing additional income.

Challenges faced and lessons learned: Developing a credible and high quality artistic product that attract diverse audiences can help lever both philanthropic investment and private sponsorship. Opera Holland Park's 'Friend' scheme is a model that can be used to increase giving to the arts and can potentially be transferred to other cultural services. Additionally, companies can also be attracted by the opportunity to market themselves to diverse audiences, and can offer another source of private funding.

3.9 Commissioning and delivery of wider outcomes

Cultural services might also seek to be commissioned by other departments or external bodies who are seeking wider social outcomes, or to use commissioning to procure services more cost effectively. Strategic approaches to commissioning can potentially deliver additional income or help reduce costs, and place services on a more sustainable platform. There are many examples of cultural services organisations being commissioned to deliver wider social outcomes in other policy areas, mainly in the areas of education and health. Examples include the commissioning of the Hayward Gallery by Brentside High to work with young people and engage parents, while Keat’s House has forged partnerships with the Royal Free Hampstead and Guy’s and St. Thomas’s NHS trusts to deliver therapeutic activities for younger patients.

Case Study:

Local Government Improvement and Development (LGID) Strategic Commissioning Support Programme for Councils

Overview: The London Borough of Barking and Dagenham (LBBD) is one of ten local authorities taking part in the Strategic Commissioning Pilot with LGID with the aim of generating additional income by providing services for other delivery partners. LBBD reviewed opportunities in three areas: Children’s Services, Health Improvement, and Adult Social Care, as well as considering opportunities to link up different services areas internally, both in terms of commissioning ‘in’ and ‘out’ services.

Results: As a result of participating in the pilot, LBBD staff developed a better understanding of strategic commissioning and skills in responding to commissioning opportunities. LBBD secured £250,000 in 2010/11 from the Primary Care Trust to provide a health programme, and discussions are underway internally exploring how culture can provide adult social care services in support of the personalisation agenda. Less progress has been made with commissioning of museums, libraries and arts-based services although LBBD is seeking to promote its offer in this area through a number of pilot projects targeted at priority outcomes for key commissioners. The Borough is also working to develop opportunities to offer services via GP commissioning.

Challenges faced and lessons learned: A challenge faced was the varying culture and technical language used by different services and delivery partners. For example, health partners tended to have a limited understanding of what culture and sport might offer and investment was needed to develop co-operation. Building relationships with commissioners and the ability to clearly articulate what cultural services can provide was critical in moving forward, as was securing the involvement of commissioning bodies, civil society providers, and external delivery partners at an early stage in the decision making process. The pilot highlighted a contrast between the outcome focused requirements of commissioning and the existing, often output-based contractual agreements with trusts and contractors, and clear contractual and partnership arrangements need to be put in place to foster a focus on outcomes.



Local authorities and cultural services may need to become accustomed to new ways of working. To maximise the potential of strategic commissioning, a strategic overview of how activity in one policy area might lead to positive outcomes in another will be required that will often require departments to engage with each other in new ways. Additionally, many organisations that might commission such services, such as schools, or Children’s Services, may not be accustomed to working with cultural services or providers to deliver core outcomes. Decisions will also need to be supported by evidence that the positive outcomes can be (and are being) achieved.

Work undertaken by the Museums, Libraries and Archives Council on helping cultural providers form consortia has indicated that cultural providers are not accustomed to the types of monitoring requirements of external bodies and collecting evidence on the types of outcomes that are being achieved. As payment-by-results gains popularity, evidence requirements of funding bodies will become more intensive, and may require a change in organisational culture. Cultural services may also need to develop evidence that they can deliver priority outcomes, such as evaluation of past activities showing impacts on service users, and through studies placing monetary values on impacts achieved, allowing commissioners to anticipate the social impacts of their decisions. Such an evidence base could be developed through undertaking a Social Return on Investment study or Cost-Benefit Analysis of services provided, and the **Cabinet Office has produced a range of guidance on undertaking such a study**⁷.

Measuring Wider Outcomes: The Towner Art Gallery in Eastbourne

Eastbourne’s Towner Art Gallery opened in a new home in 2009 providing a range of purpose-built spaces that enable it to operate as a regional centre of excellence for the visual arts. Its award winning programmes include extensive learning and outreach schemes utilising the resources of the building. Towner was able to develop a strong evidence base clearly demonstrating the impact of these programme on local outcomes, increasing the profile of cultural services in Eastbourne Borough Council’s Corporate Plan, and the helping the Council achieve Beacon status for delivering culture and sport for hard to reach groups. This in turn provided the Towner Outreach team with access to best practice and improved evaluation systems through the Beacon network. In 2010, Towner’s achievements were showcased on the **Beacon Culture and Sport website**⁷ developed by an external consultant. The outcome of these efforts was that the Arts Council doubled funding for Towner in March 2011, from £176,000 in 2011/12 to £375,000 per annum from 2012 onwards, against the backdrop of wider cuts across the arts sector. The council is now developing a comprehensive cultural framework for Eastbourne, to guide delivery in the future and further strengthen links with other service areas and their objectives.

Case Study:

Orleans House, Richmond upon Thames

Overview: Orleans House is an arts gallery working with a number of different user groups from a central gallery facility, including young disabled people, adults with learning difficulties and school groups. At present the service receives one third of its income through direct financial support from the London Borough of Richmond upon Thames and is reliant on various other income sources for the remainder of its running costs. In order to sustain provision, Orleans House has needed to be proactive and entrepreneurial in order to access a wider range of commissioning opportunities.

Results: Orleans House has been commissioned to deliver services for a wide range of organisations with different priorities, including local authority departments and teams (such as Adult and Community Learning, Integrated Youth Services, and Children's Services), Schools, Academies and Colleges, and other bodies in the culture sector such as the London Museums Hub, by tailoring its provision to needs of commissioners. For example, Orleans House was commissioned by the London Borough of Richmond-upon-Thames Children's Services department to provide arts projects under its 'family learning' remit. Orleans House continues to be creative and entrepreneurial with its approach to securing forward funding and is exploring opportunities around personalised budgets in adult social care as its projects help plug a gap in the provision of activities for those with specialist learning or physical difficulties.

Challenges faced and lessons learned: A number of challenges have been experienced by Orleans House as part of being commissioned to deliver services for other sectors. Brokering agreements, nurturing relationships and building trust across a commissioning partnership are all critical in enabling an organisation to be commissioned but require high levels of resources. Organisations interested in being commissioned should also resist the temptation to over-commit resources and 'over-promise' in a service proposal in order to win a contract, and attempt to fully cover staff costs for administration time. Finally, the complexity of various commissioning requirements including reporting arrangements should not be under-estimated, as this may absorb significant administrative resources. The development of exit strategies for commissioned programmes are critical for sustainability and organisations should always be seeking new opportunities.

3.10 Consortia and Trusts

Building consortia of smaller providers can create advantages for cultural service providers and those commissioning services. By acting in partnership, economies of scale might be created in terms of reduced management costs (through shared procurement, for example). A consortia approach may also make it easier for cultural service providers to access procurement and commissioning opportunities.

As an example of how efficiencies can be created by a consortia approach, NHS Sheffield has 40 separate contracts with voluntary organisations worth £3.1m annually. In addition, £1.5m is spent in managing those contracts such as commissioning and contract management functions. To address this, a strategy is being developed where these contracts are combined into a single strategic contract with a local voluntary and community sector health consortium, which will then sub-contract to consortium members, levying a 5% management fee in the process. This approach will have a significant impact on NHS transaction costs, with further the potential to reduce the costs of frontline providers.

The Museums, Libraries, and Archives Council has been examining how cultural organisations can work in consortia to deliver wider social outcomes, and providing practical support to build capacity. The size of contracts involved in the cultural sector mean a breadth of skills are often required to deliver the requirements of commissions, so the Museums, Libraries and Archives Council has looked at how cultural organisations (libraries, museums and archives) can bid together as part of consortia. Issues that have arisen include:

- Cultural organisations found a consortia approach interesting, but did not have the time or the capacity to commit to the initiative.
- An alternative approach, funding the Association Chief Executives of Voluntary Organisations, and Social Investment Business to support cultural organisations to join existing consortia was tested to stimulate interest. Training was provided to cultural organisations, but it was found that the organisations did not fill in expression of interest forms to join the consortia.
- Cultural organisations tended to be more interested in cultural production (i.e. putting on a show), but less interested in the outcomes – which is not aligned with the interests of the funder, who may be focused more on audience experience and community engagement. For example, cultural organisations struggled to see how an archives service could fit with public health agenda (as a learning resource etc).

Lessons from the establishment of consortia in the cultural sector indicate development works best as a two phase process. Initially, there is merit in gathering various partners together to review whether the organisations and authorities present a good fit and trust each other in terms of their objectives, aims and approaches. This stage presents an opportunity to discuss the principles and opportunities that a consortia structure offers to partners. A second phase offers a chance for the specifics of the consortia to be developed on the basis of particular partner experience and objectives. This gives organisations a chance to review their level of commitment to the Consortia following the first phase. Consortia will be stronger if they facilitate a cross-fertilisation of skills and experience across different types of organisation, adding value to a Consortia's offer through pooled resources and knowledge.

An alternative to establishing consortia (in which organisations remain separate but agree to work in collaboration) is to bring organisations together formally in an arms length organisation such as a trust (which can also be used to externalise local authority services). This option has proven popular in leisure, driven largely by tax incentives, but can also generate efficiency savings where procurement and management cost reductions can be found. Experience of setting up trusts in leisure has not always been positive, with A European Services Strategy Unit report showing that Audit Commission inspection reports tending to show that performance was higher in areas where local authorities retained control. Outsourcing to trusts is also not without risks, and a number of leisure trusts have gone into liquidation resulting in larger

Leisure trusts also find it difficult to secure capital to invest in facilities, as they have no assets against which to secure a loan. Savings that may come from co-location (such as integration of leisure services with schools or with libraries) may be more difficult to create where delivery has been transferred to arms length companies. Additionally, Transfer of Undertaking (Protection of Employment) regulations require that arms length companies retain employees on the same conditions, and can create obstacles in realising anticipated efficiency savings, in the short term.

Case Study:

Trust Formation - Redbridge Leisure Trust

Overview: The London Borough of Redbridge has developed a Trust as a mechanism through which it delivers its leisure functions. For a number of years the Council had delivered leisure services in house as well as via a number of private contractors. In 2006, the contract with one private delivery company came to an end and another company went into administration. This prompted the development of a Trust as a means of streamlining service delivery and boosting service efficiency and viability.

Results: The creation of the Trust was aligned with a strategic market assessment of leisure and culture services, including fees and charges and service provision. The Trust Board and the Council considered the appropriate level of service fees to ensure economic viability as well as competitiveness. Since the Trust was created in 2007, savings of £0.5 million per year have been realised through delivering services in a more streamlined way. Additionally, as a registered charity, the Trust is eligible for an 80% discount on business rates delivering a significant saving, compared to the full business rates local authorities are charged. The savings generated, as well as the increased income streams have been reinvested into improving and maintaining services and facilities.

Challenges faced and lessons learned: A key lesson that the Council has learned is that transferring facilities and services from a local authority to a Trust should be based on a strong partnership approach, including investment and support particularly in the initial couple of years of the transfer. The Council has found it important to gradually externalise facilities and functions, and to balance the transfer of subsidised as well as more economically viable services to reduce the risks associated with the Trust model. To overcome the difficulties in transferring responsibilities, there has been a determination to involve the Council in the Trust by having Councillors (Council Members) on the Board of Director Trustees while the Chief Executive of the Trust had a role on a senior Council management team. The Trust works well within the Redbridge Strategic Partnership and as part of the funding agreement the Sustainable Community Strategy will be adjusted in order to stress the important role of the Trust. The Chief Executive of the Trust also reports to the Leisure Scrutiny Committee within the Council, ensuring a high degree of communication and helping to ensure leisure services are delivered with a shared vision and that service efficiency decisions are jointly made between the Council and the Trust.

4.0 Opportunities

Despite the overall constrained environment for public sector spending, new Coalition Government policies are likely to open up a wide range of opportunities for organisations in the cultural sector. This section outlines a range of specific funding opportunities in detail, considering the scope for involvement by cultural services organisations, and how they might capitalise on them.

4.1 Commissioning

As the previous chapters have highlighted, one of the main opportunities for cultural providers will be in terms of being commissioned to deliver services supporting wider policy objectives. As illustrated in Section 3, there are many examples of cultural services delivering services for public sector agencies less traditionally associated with culture, and this section outlines a range of specific opportunities that might arise over the short and medium term.

4.1.1 Health

The Department of Health White Paper '**Equity and excellence: Liberating the NHS**'⁷ published in July 2010 outlines proposals to shift responsibility for commissioning NHS healthcare and services in England to GP Consortia from April 2011. Under these arrangements, Primary Care Trusts and Strategic Health Authorities will be abolished. A third wave of GP consortia in London was announced on 8th March 2011, followed by a wave of **Health and Wellbeing Boards**⁸ that will create opportunities for GP consortia and local authorities to work together to influence the profile of sport and physical activity. Physical activity is recognised as being an integral part of new public health service arrangements, and these structures will support the delivery of sports and leisure facilities on a needs assessment basis. Needs assessments (to be jointly produced with commissioning consortia) are expected to underpin local strategy and resource allocation. Going forward, the opportunities for financial support and commissioning of local sports and leisure services will be dependent on a case being made to the GP consortia.

The Department of Health also published the White Paper '**Healthy Lives, Healthy People**'⁹ in November 2010 outlining the Coalition Government's strategy for reforming healthcare and the NHS in England. Directors of Public Health, employed by local authorities, will assume responsibility for driving forward public health improvement. Local authority health budgets will be ring-fenced, and a health premium will be paid as a reward for progress made against a new **Public Health Outcomes Framework**¹⁰, issued for consultation in December 2010, setting out the proposed indicators against which public health outcomes will be measured. These indicators cut across five domains:

- Health protection and resilience;
- Tackling the wider determinants of ill-health;
- Helping people live healthier lifestyles;
- Prevention of ill health; and
- Healthy life expectancy.

The full details on the operation of the health premium are yet to emerge, but cultural services may be able to contribute to delivering improvements against the proposed framework. Leisure services can help stimulate greater levels of physical activity, contributing to tackling wider determinants of ill-health (with cycling participation proposed as an indicator, for example). As highlighted elsewhere, culture has been used to deliver therapeutic services to those with mental health issues, and could play a role in both delivering against the public health outcomes framework as well as being commissioned by GPs. In order to access these commissioning opportunities, cultural services will need to engage with the new Public Health Directors and GPs, as well as provide evidence of impact in the appropriate areas.

4.1.2 Individual Budgets in Adult Social Care

The introduction of Individual Budgets in adult social care as part of the '**High Quality Care for All**'¹¹ strategy published by the Department of Health in 2009 might offer further opportunities for the cultural sector. Personalised Budgets give individuals in receipt of adult social care greater choice over the services they benefit from and ultimately enhance outcomes.

Personalised budgets and direct payments are becoming a prominent aspect of social care arrangements across the country and are a key part of the personalisation agenda. Councils have been required to offer the option of a direct payment to families eligible for social care services since the **Health and Social Care Act 2001**¹², with individuals receiving a means-tested cash payment in lieu of the community care services that they are entitled to. However, users with personalised budgets can make choices over the way their care needs are met with local authorities retaining the responsibility of commissioning the agreed package of services. Personalised budgets can be combined with direct payments to suit the preferences of users, creating options for individuals that would more choice about their care and who provides it, whilst not being responsible for engaging directly with service providers.

The Coalition Government is promoting personalisation within social and health care through the Department for Health policy paper '**Putting People First: Personal Budgets for Older People – Making it Happen**'¹³. In the past, personal and direct budget holders have tended to be those with disabilities and learning disabilities, the aim is to extend the concept to mental health, general health, homeless and children's services users, with a target of each council in England putting personal budgets in place for 30 percent of care users by April 2011. While there are a number of concerns with the use of personalised budgets, these arrangements offer an opportunity for cultural services to contribute to the menu of provision available to users of adult social care, providing an alternative source of income. There are many examples of cultural services offering services in these contexts, such as Orleans House (highlighted in Section 3) who are exploring the potential for personalised budgets to fund of arts-based social care and rehabilitative services. The scope for cultural services to access these opportunities will depend on the effectiveness of the approach offered by providers, and is potentially risky if insufficient customers can be attracted.

4.1.3 Education

The Department of Education published revisions to the **School Funding settlement for the 2011/12 financial year in December 2010**⁷. Under new arrangements, schools will receive additional funding for taking on pupils from disadvantaged backgrounds, known as the pupil premium. Some schools may receive additional resources available going forward, which combined with additional flexibilities on how they are deployed, may offer opportunities for schools to commission external organisations to deliver services for their pupils.

There are a number of examples of cultural organisations being used by schools to provide activities for pupils (such as the Hayward Gallery and Orleans House in Richmond), and additional resources flowing from the pupil premium may expand the number of opportunities for both cultural services departments and local cultural organisations to get involved. However, many schools will be unaccustomed to using such approaches, and in order to access these opportunities, it will be important to demonstrate the impacts cultural services have had on educational outcomes as a means of convincing schools that commissioning cultural services could lead to potential benefits. Local cultural organisations may also need capacity building support from local authorities to provide such an evidence base.

4.1.4 Employment

From April 2011, the delivery of employment support contracted through Jobcentre Plus will be transformed by the introduction of the **Work Programme**⁷, replacing the New Deal and Employment Zones schemes administered by the Department for Work and Pensions. As locally funded employability schemes are likely to be at least scaled back as a result of reductions in public sector spending, the Work Programme will be the key initiative through which local authorities and smaller independent and third sector providers can obtain funding for helping unemployed individuals into employment.

The Work Programme is based on a regional lead contractor model, in which the DWP enters into a contract with a number of lead providers to provide the Work Programme at a regional level. The DWP has announced six prime contractors for the two London Contract Package areas, with Ingeus Deloitte, Maximus/CDG, and Reed in Partnership selected for West London, and CDG, Seetec, and A4E for East London. Customers are referred to Work Programme prime contractors depending on the type of benefits and duration of their claim (for example, those claiming Jobseekers Allowance are referred immediately) on a random basis. The prime contractor is free to use an appropriate approach to supporting clients into employment and is paid by the DWP on the basis of sustained employment outcomes.

Cultural services may benefit from commissioning opportunities arising from the Work Programme where they can contribute to its objectives. For example, a key component of employment support provision is the ability to offer work placements, and all types of cultural services, including parks, libraries, arts and museums may have something to offer here. Some prime contractors have been looking to boroughs to provide employability services, particularly where they have no existing infrastructure in an area. This approach would help bring income into cultural services (though not necessarily enough to fully fund a service), while supporting wider objectives of increasing community involvement in their delivery.

In order to access these opportunities, a range of issues will need consideration. Prime contractors are unlikely to be attracted by the prospect of entering into contracts with individual museums or art galleries, and a collective approach, mediated through local authorities (and ideally with consortia) is likely to be preferred. The Work Programme will also involve high volumes, and the involvement of a large number of organisations may be necessary to ensure sufficient capacity. Local authorities are likely to have existing relationships with prime contractors, with some already engaged to deliver Work Programme services. These connections are most likely to sit within regeneration and economic development teams, and some cross-departmental engagement will be needed to facilitate such a model.



4.2 Payment-by-results

The Government has placed a heavy emphasis on payment-by-results as a contracting mechanism. In the past, the Regional Development Agencies and local authorities typically contracted on a payment-by-outputs basis, rewarding providers for delivering process elements of project delivery as well as outcomes. Employment support providers might be paid for engaging participants or giving them training or work placement opportunities, for example. More recently, such agencies have moved to rewarding providers on the basis of the longer term outcomes they create, driven by the concept that activity can be funded by the wider savings to the public sector created by the achievement of these outcomes.

As an illustration of the concept, the London Development Agency, funded a number of projects through Phase II of the ESF 2007-2013 programme focusing on supporting individuals into sustained employment, as well as the Childcare Affordability Pilot 2009, using a payment-by-results contract where 50 percent of the contract value was based on employment outcomes sustained for 12 months. A similar contracting model is being used in the DWP Work Programme where the bulk of payments are made to contractors once after participants have remained in work for a considerable amount of time. These formats of contract are designed chiefly to incentivise providers to work towards achieving the outcomes targeted and to minimise risks to the public sector, and are likely to grow in prevalence over time.

Cultural services will need to respond to these trends both in terms of commissioning services externally and being in being commissioned to deliver services. Payment-by-results offer an opportunity to reduce risks or costs and even make cashable savings, but there are a range of issues to consider:

- **Internalising savings:** If local authorities aim to use payment-by-results formats of contract to make cashable savings, outcomes will need to be defined that lead directly to those savings. For example, there may be opportunities for culture to provide youth diversion activity to help increase school attendance and reduce exclusions, placing lower demands on costly Pupil Referral Units. A payment-by-results contract could link payments to providers on the basis of reductions in the number referred to PRUs, reducing revenue costs in the short term, and if effective, reduce capital costs in the long term (if buildings can be sold, for example), with payments to providers funded through these savings.
- **Initial funding levels:** Payment-by-results contracts typically provide little initial funding for start-up costs, meaning that providers will need to place their own capital or assets at risk in order to fund their activities. If being commissioned, cultural services or organisations will need to be confident that their activities are likely to deliver the necessary outcomes to cover costs. Initial expenditures will need to be financed out of department budgets and will typically require approval at a Cabinet level, while smaller independent providers may need support in order to manage risks involved. In commissioning externally, **transferring assets to independent providers** or supporting the **formation of larger consortia** may help smaller providers manage those risks.
- **Monitoring:** Those entering payment-by-results style contracts need to understand how the contract will be ultimately evaluated and evidenced. In cases where outcomes can be directly observed (such as when an individual has been supported into employment for 12 months), there will typically be a range of evidence needed in order to satisfy contract requirements, and cultural services will need to become acclimatised to potentially more intensive monitoring procedures than they are accustomed to (and in particular, have in place robust procedures for tracking participants over time). Local authorities may have a role to play in supporting organisations adjust to new contractual obligations.

- **Contract evaluation:** A key issue to consider is how contracts will be evaluated. The Ministry of Justice's (MoJ) contract with Social Finance in delivery of the **Social Impact Bond at HMP Peterborough**, for example, is assessed by an independent evaluator using a statistical approach with a 10 percent margin of error, creating a potential risk for the MoJ that they may make payments for savings that have not been created. When using payment-by-results local authorities should carefully explore the approach that will be used to evaluate contracts, particularly if they are designed to generate cashable savings, to minimise the risk that any savings are illusory
- **Lead providers:** Local authorities may encounter payment-by-results contracts indirectly, where the Government has contracted with a large lead provider to deliver outcomes who subcontracts to smaller providers. There will be a need to pay close attention to the terms of such a subcontracting relationship, as lead providers may want to pass the risks on to subcontractors or take a large management fee on the prices paid by the Government. To access these types of opportunities, local authorities will need to be attractive to lead providers, and will likely need (preferably independent evaluation) evidence that they can deliver the outcomes targeted under the contract.
- **Reactions of providers:** Local authorities aiming to use payment-by-results contracts in commissioning should also be aware of the potential perverse incentives these can create. If providers are risk averse they may be more likely to work within any start-up funding provided on a risk-free basis, resulting in less activity than initially planned and failures to meet the targets commissioned. Careful thought needs to be applied at the contract design stage to ensure that risks are fairly balanced across parties, and that providers have appropriate incentives to deliver the activity planned.

4.3 The social investment market and the Big Society Banks

A key issue for cultural services departments and smaller independent organisations may be to raise the finance required to deliver that activity leading to the outcomes against which contracts are paid through a payment-by-results contract. The Coalition Government published its strategy **'Growing the Social Investment Market'** in February 2011, outlining its vision for creating a third pillar of finance for social ventures, alongside charitable giving and traditional state grants. The Government believe that investors can play a role in funding social ventures, providing there are financial products in which they can invest provided by credible suppliers, along with a reasonable probability that they can earn a positive financial return on their investment.

The Government has identified the following challenges with the current social investment market. Firstly, the market is small (totalling £190m in 2010, compared to £3.6bn in philanthropic grants, and £55.3bn in wider bank lending). There is also a lack of investment readiness amongst social ventures, with gaps in the financial and managerial skills amongst social entrepreneurs, and a lack of viable investment propositions. Social investment has tended to focus on helping social ventures grow, rather than provide start-up capital, with a lack of standardised deal types and high transaction costs. These are symptoms of wider market failures in the social investment market such investments produce positive externalities (i.e. social outcomes) than cannot be internalised by investors, there are an absence of public goods to support the market, (such as a standard approach to measuring social value), as well as issues of imperfect information and competition.

The Government is proposing a range of actions to help address these market failures. The opening up of public services to commissioning will create a wide range of opportunities for social ventures to generate income and incentives and powers for communities to acquire control community assets. Tax incentives for investment will also be provided through **Community Investment Tax Relief**⁷, the **Enterprise Investment Scheme**⁷, and **Venture Capital Trusts**⁷. Other actions include streamlining the regulatory and legal environment in which social ventures operate, and providing support to social entrepreneurs to improve investment readiness. Key to the proposals are a range of actions designed to mature the social investment market, including wider ranging market research and analysis, establishing risk ratings for social investments, the development of better measures of social return (such as Social Return on Investment), and the development of primary and secondary markets such as a single portal in which social entrepreneurs can connect with social investors and a social stock exchange through which equity and derivatives can be traded. If these measures are successful, then there will be scope to fund the delivery of cultural activity on a more entrepreneurial basis, funded by private or charitable investment rather than directly by the public sector.

4.3.1 Big Society Bank

At the core of the Government's strategy to grow the social investment market is the Big Society Bank. The Big Society Bank will be capitalised from April 2011 by £200m in funding from the UK banks and £400m released from the dormant bank accounts scheme. The Bank will act as a wholesaler of social finance (it will invest in funds developed by intermediaries, but not in front-line individual schemes), and its expected role will include championing social finance, and acting as a co-investor, underwriter (e.g. taking the risk of purchasing financial products such as Social Impact Bonds), and guarantor (paying back some or all of the initial investment should funds underperform).

The investment priorities of the Big Society Bank are yet to be determined, though the National Endowment for Science, Technology and the Arts are considering a range of 22 investment funds for further development, six of which are highlighted in the Government's strategy, under three categories:

- **Investment funds for front-line social ventures:** Such initiatives would supply guarantees to intermediaries to create investment funds for front-line social ventures. Proposals under consideration include propositions to provide equity investment and loans for start-up capital in social enterprises, to provide accessible and affordable financial services to financially excluded individuals, and to establish a payment-by-results fund to support social enterprises and voluntary organisations bidding for public sector contracts. Investors would expect to earn returns via repayments of loans or on surpluses generated on equity investment, in addition to the social returns created.
- **Investment funds for social investment intermediaries:** Two proposals are under consideration that involves supporting the intermediaries themselves. Proposals considered include the provision of working capital to Resonance, who are aiming to establish a 'Community Share Underwriting Fund' to underwrite community share issues (outlined in more detail below), and a £3m Community Bond Issue (with a return of 3.5 percent per annum) to provide additional working capital to allow Five Lamps (a CDFI in the North East) to grow their expand their lending activity to financially excluded individuals.
- **Investment funds to develop new investment vehicles:** Social Finance has proposed developing a series of Social Impact Bonds in the area of health and social care (more detailed explanation of Social Impact Bonds is provided below). The proposals relate to developing more local health services to help patients managing their own health, while reducing usage of hospital services, reducing the cost of public health. Investors would expect to earn a return based on these savings to the taxpayer

The creation of these types of funds will widen the options available for cultural services in terms of financing different types of activity. Funds for underwriting community share issues, for example could potentially be used by community groups to generate working capital to finance investment in facilities, such as libraries, that have been transferred to community groups. However, accessing these opportunities will require that cultural services are able to generate an income in order to generate the financial returns expected on social investments.

4.3.2 Social Impact Bonds

As an illustration of the types of financial products that may be supported or developed through the Big Society Bank, Social Impact Bonds are an innovative concept in financing activity with social objectives. Social Impact Bonds have recently been employed to finance third sector activity in providing support to re-offenders leaving HMP Peterborough with the aim of reducing reconviction rates.

At the centre of the Social Impact Bond is a payment-by-results contract between the Ministry of Justice and Social Finance. The contract allows Social Finance (and subcontractors) to provide employment and other support to offenders both while they are in custody and after they leave, to help them into work with the ultimate objective of reducing reconviction rates. An independent evaluator will compare the reconviction rate of the cohort of offenders supported by Social Finance against a control group of similar offenders leaving other institutions after 12 months. If reconviction rates of each cohort are lower than the control group by at least 10 percent (and 7 percent for all offenders receiving support over the three years of the contract), then the Ministry of Justice will pay Social Finance a unit price for each conviction averted. The unit price for these outcomes will be determined by the public sector savings made as a result of lower enforcement costs, and criminal justice costs.

However, the Ministry of Justice will provide no start-up capital through this contract, while Social Finance has entered into a contract with the St. Giles' Trust, a voluntary organisation, to provide the support to offenders. In order to forward fund the activity required, Social Finance have created a Social Impact Bond, a financial product that investors (be they individuals, businesses or charities) can invest on the basis that they can potentially earn a financial return on that investment in the event that that the intervention is successful, and delivered cost-effectively. However, the investment is risky, as if reconviction rates are less than 10 percent lower than the supported group, investors will lose the capital they invested in the Social Impact Bond.

Growth in Social Impact Bonds will result in a wide range of opportunities to finance cultural activity and would be feasible wherever cultural services can generate income, such as through payment-by-result contracts that deliver savings to the public sector. The LDA funded Mayor's Youth Offer, for example, funded cultural activities for young people at risk of being NEET and of committing crime. Where these initiatives were effective, this resulted in savings for local authorities (through reducing monitoring and management of truancy and future savings in provision of adult social care) and for the criminal justice system (where conviction costs have been avoided). This activity could be financed by Social Impact Bonds, if a payment-by-results contract based on these savings can be developed.

4.4 Other finance mechanisms

The opportunities considered above focus mainly on the provision of services, and how cultural services might capitalise on commissioning opportunities to maintain service provision. However, there are also issues around financing capital investment activity. Possible sources of finance are considered below.

4.4.1 Community Share Issues

Community Share Issues are a relatively untapped source of potential finance that community enterprises and organisations could use to raise capital finance. Community Share Issues involve the issuing of either shares in the community enterprise or organisations (i.e. equity stakes), or through issuing bonds offering individuals the opportunity to lend to the enterprise for long period of time. Shareholders benefit from payments of dividends (paid from profits), whereas bonds involve consistent obligations to pay interest to the bond holder over time. In order for such financial products to be attractive to investors, the community organisation must have a stable financial plan for delivering revenue over time. The organisation issuing the share or bond issues benefits from capital that they are free to invest towards achieving the goals of the organisation without being tied to the delivery of outputs associated with funding attracted from Local Government or other organisations. Such an approach might be attractive to cultural organisations looking transform the commercial potential of their offer, such as museums, art galleries, or even libraries looking to invest in retailing or catering propositions to their customers.

Guidance on Community Share Issues⁷ (including the relevant legalities) has been developed by the Development Trust Association. The DTA's experience suggests that investors (so long as they are passionate about the underlying cause) are often willing to receive no interest for up to 5 years (at which point they become concerned about the erosion of the value of their investment by inflation).

4.4.2 Community Infrastructure Levy

The Community Infrastructure Levy⁸ offers a mechanism through which local authorities can fund infrastructure development in their areas. The optional tariff can be imposed on new physical development approved via the planning system, as an alternative to the pre-existing planning obligation approach (Section 106 legal agreements). The option became available to Local Authorities under the Community Infrastructure Levy Regulations 2010 which came into force on 6 April 2010.

The CIL regulations have been continued under the present Coalition Government regime on the basis that it presents a more transparent and 'fairer system to fund new infrastructure', than the prior planning obligation system. The principle behind the CIL is that it is used to fund infrastructure that is required due to the demand and need created by a new building. The use of CIL resources to support infrastructure including health and social care facilities, leisure centres and public or green spaces are therefore legitimate providing that the new development in question will exert (additional) pressure on the existing infrastructure. In exploring the CIL as an opportunity for leveraging future financial support for cultural, sport and leisure facilities in London, the following issues may need to be considered:

- CIL is optional and can supplement existing planning obligation arrangements (such as Section 106).
- CIL cannot be used to address pre-existing infrastructure deficiencies in the local area which the specific development proposal will have no detrimental impact on. A direct link needs to be apparent between the proposed development and local need, such as a new housing development and additional demand imposed on a leisure or cultural facility. Infrastructure needs for a certain area resulting from developments need to be identified in an area development plan, and CIL monies can then be allocated on the basis of the needs identified.
- The Decentralisation and Localism Bill requires that local authorities are allocated a proportion of CIL revenues back to the neighbourhood from which the levy was raised. The intention here is that the CIL will benefit those directly affected by development.

4.5 Other potential funding opportunities

There is a range of other potential funding opportunity that are of varying relevance to the cultural sector:

4.5.1 Mutual Pathfinders and the Mutual Support Programme

One aspect of the Government's social investment strategy (and in support of the 'right-to-provide' enshrined in the Localism Bill) places an emphasis on encouraging the employees of public sector organisations to provide their services as a mutual, a type of organisation owned by and run for the benefit of its members, with the ultimate objective of giving professionals more freedom to deliver services the way they want to. In order to further these objectives, the Government has established Mutual Pathfinders, a programme of mentoring support for the most promising mutuals (which are expected to demonstrate savings to the taxpayer) in which the mutual would receive a contract to deliver the service without having to tender. In addition, the Government has announced the £10m Mutual Support Programme, a programme design to support groups of employees aiming to establish a mutual, that will open in Spring 2011

4.5.2 Lottery Funding

A wide range of funding for cultural activities is available through the various lottery funding distributors in England, including the Arts Council (providing grants for artists and art organisations to carry out their work), the Big Lottery Fund (outcome based funding for education, health and environmental initiatives), the Heritage Lottery Fund (grants for conserving and encouraging enjoyment the UK's diverse range of heritage), and Sport England (supporting projects aiming to stimulate participation in sport, including investment in facilities). A summary of funding opportunities can be found at www.lotteryfunding.org.uk

Lottery distributors may be impacted by the changed financial environment. As well as being required to reduce costs in their own organisations, reductions in local authority budgets have the potential to pose problems for projects intending to apply. The Heritage Lottery Fund (HLF), for example, was initially concerned that local authorities may struggle to commit match funding for heritage projects at the current time, or may be too uncertain about the future to feel able to enter long term agreements. The HLF sought to address this by reducing the amount of match funding required in some funding streams – for example, it's Parks funding programme. As a result, to date good applications are continuing to come forward with no reduction in numbers applying. However, it remains to be seen whether demand for lottery funding will be affected in future as local authorities seek to balance both budget reductions and the need to prioritise budgets in response to local pressures.

Another potential risk for the HLF was that local authorities would no longer be able to meet the funding conditions. In many cases agreements for Lottery grants can be set over a significant time frame and often include a requirement to meet certain quality standards or develop and improve the service. Whilst it is difficult to ascertain the precise impact, there is already evidence that in a small number of cases the need to consider Lottery grant contract requirements has prevented adverse impact on or closure of facilities and services. The HLF has just finished consulting on its strategic plans for 2013 -19 and will be evaluating the impact policy changes and spending reductions over the coming years as part of this. It will also be assessing the potential for philanthropic giving in the sector.

4.5.3 European Funding Streams

The nature and aims of European Funding are not directly aligned with the objectives of local authorities in sustaining service delivery. Funding from EU sources would not generally meet the continued running costs of existing projects where mainstream funding has been reduced or discontinued, focusing instead on supporting specific projects with a trans-European dimension, such as supporting activities which aim to promote the exchange of learning or to foster mutual cooperation across Member States. Local authorities can apply for European funding, and support is provided to authorities in applying for these funding streams in London (including workshops, consultancy support and European partner searches) via the **London Councils European Service**⁷.

The main programme of relevance is the Culture Programme 2007-2013 (UK). The programme provides grants to support cultural cooperation projects across artistic and cultural sectors, including performing arts, literature, heritage and tourism, particularly those that encourage public access to culture, creativity and mobility, the distribution of art and culture, inter-cultural dialogue, and appreciation of European cultural history. Funding is available for public and private organizations which operate mainly within the field of culture, such as networks of public authorities, companies, institutions, but more typically organizers of cultural events such as institutes, associations, foundations, colleges and academics.

4.5.4 Regional Growth Fund

The Regional Growth Fund⁸ is a £1.4bn funding programme operating across England over three years to stimulate private sector sustainable growth and economic development. Successful bids must demonstrate the potential to lever in significant private investment, address barriers to growth, and support employment growth. In terms of opportunities for culture, the main opportunities may be for local authorities and LEPs to develop a culture led offer to help stimulate tourist visits and encourage growth. There are potential barriers for authorities in London as the RGF is targeted at areas with high dependency on public sector employment and it is anticipated that a high share of funding will be directed at the North East, North West and Yorkshire and Humberside (no successful bids from London were announced following the first round of applications). However, the Mayor of London indicated an interest in ensuring London receives a share of RGF funding as part of the London Enterprise Partnership bid.

4.6 Implications for culture

Growth in the social investment market and in commissioning opportunities will create a myriad of opportunities for cultural organisations that have viable social investment projects and the entrepreneurial drive and creativity to make them an attractive investment proposition. This will include the following:

- **Identifying commissioning or contracting opportunities:** Cultural services will need to become more adept at identifying opportunities where participation in cultural activity can deliver benefits and savings in other policy areas. This could both be internal to local authorities (for example, if culture can provide a cost-effective alternative to the provision of adult social care services, then internal commissioning could be used to simultaneously reduce the cost base of the borough while funding wider cultural activity) or with external public sector organisations (such as the NHS or the Criminal Justice Service).
- **Being more outcomes focused:** In order to identify these opportunities, cultural services will need to become increasingly outcomes focused. This will involve developing an understanding of how the services they provide ultimately benefit those that use them, while establishing the links between these benefits and the wider social services provided by other elements of the public sector, and the costs involved in providing those services. Local authorities may need to provide support to smaller cultural organisations in these areas to equip them with the necessary evidence base in this area to help guarantee their survival.
- **Demonstrating impacts:** To be at an advantage in the commissioning process, cultural services will need to be able to demonstrate and value the effects of their provision in the relevant areas to commissioners, including the savings that commissioners might make as a result of commissioning. This will likely involve collecting impact evidence, applying evaluation and SROI methodologies, and articulating these messages in a language that commissioners will understand.
- **Developing attractive investment propositions:** In order to attract social investment, cultural services (and cultural organisations in particular) may need to develop a form of investment prospectus proving the effectiveness of the activities they undertake and showing investors that projected income streams are realistic. A prospectus will also need to demonstrate that the projected income exceeds projected costs to assure that positive returns are viable, while being clear about the potential risks to investor capital and measures taken to mitigate these risks. As cultural services will likely be competing with other social investment projects, they will also need to show the social returns that investors might make on their investment. These might also be key priorities for capacity building support to smaller independent organisations.

5.0 Conclusions

This chapter sets out the key conclusions from the study.

Direction of travel

The overall funding climate across the public sector over the short to medium term is likely to be characterised by contraction and restraint. Local authorities will need to find efficiencies and savings, and there will also be fewer resources available to fund independent organisations to deliver cultural projects on the basis of traditional grant-funding models. As a largely discretionary service, cultural services are potentially more exposed to the downward trajectory of the budgets held by public sector organisations.

At the same time, the Coalition Government is creating a wide range of opportunities for other organisations and communities to get involved in the delivery of public services. Increased freedoms for local authorities will increase their scope to deliver services that are more cost-effective and commercially focused, while increased community powers and rights will help facilitate the transfer of assets to communities and encourage voluntary organisations to get involved in the delivery of local services. While there are inherent tensions between these two agendas, the Coalition Government's emphasis on securing greater levels of community involvement in the delivery of local services, including through greater involvement of volunteers, opens up the potential for financial savings as a result of philanthropic activity on the part of communities.

Alongside an increased focus on 'Localism' (and continuing policies instigated under the previous administration), the Coalition Government is also placing a greater emphasis on the delivery of social outcomes (beyond a narrower model based on price effectiveness). The opening up of public sector commissioning will widen the scope for cultural services and organisations to be commissioned in a range of policy areas. Efforts to stimulate private sector investment in social ventures will help to improve the availability of funding to finance such activity. The overall direction of travel is one that involves substantially greater levels of financial risk for providers, based on a more commercially focused model, but which will enable providers to earn rewards where they can create and demonstrate savings for the public sector overall.

Local Authorities had to react quickly to the Local Government settlement announced alongside the Localism Bill towards the end of 2010/11. Further reductions in budgets in 2011/12 will provide local authorities with the opportunity to investigate more considered approaches to how cultural services might be organised more effectively or commercially, without comprising the quality of front line service delivery.

Collaboration and co-operation

Collaboration between local authorities is likely to be central to new approaches, as duplication of management functions across areas may be inefficient in many cases. Potential economies of scale in delivery and procurement through the extension of cultural service provision over multiple areas has the potential to deliver substantial savings, and many boroughs in London have already started exploring these opportunities in more or less comprehensive ways. Developing collaborative approaches to delivering cultural services will likely involve substantial political investment and establishing new relationships, as well as overcoming a range of technical challenges. However, such investments will ultimately be worthwhile if cultural services can be made more efficient and sustainable.

Additionally, local authorities will need to invest in collaboration in terms of sharing knowledge and best practice, to ensure that innovative opportunities and cost-effective approaches can be exchanged and adopted. Funding for umbrella bodies driving improvement and efficiency in the cultural sector will be limited, with for example, the London Cultural Improvement Programme finishing in September 2011. Improvement will likely become increasingly driven by sector bodies (such as the London Parks and Green Spaces Forum, The Chief Culture and Leisure Officers Association or the Association of London Chief Librarians, or by established consortia such as the London Libraries Consortium). Local authorities should increase their engagement with these forums to ensure that they benefit from learning elsewhere and to help identify opportunities for collaborative service delivery, or identify areas in which efficiencies can be made through greater levels of cross sector working.

Increasing community participation

Secondly, increased community involvement in delivery is likely to become an important feature of cultural services. Increased use of unpaid volunteering staff can help to reduce costs, while transferring assets to community groups helps to transfer costs and responsibility to the community. However, the adoption of these approaches while guaranteeing the sustainability of services involves addressing a range of challenges.

One of the key issues is obtaining a group of volunteers with sufficient time and interest to maintain minimum service levels that remain relevant to all users. A volunteer workforce requires training and management, and often these functions need to be provided by paid staff. The unemployed, while being a potential source of volunteers, will also be given strong incentives to enter paid employment through the parallel Work Programme of the Coalition Government, increasing potential volunteer recruitment, training, and management costs. The retired offer a useful volunteering resource, but over-reliance on this group may involve services becoming increasingly geared towards an older age group.

Transferring assets to the local community, while initially appearing highly attractive in terms of reducing the cost base, potentially involves an even greater array of challenges (if high quality local services are to be preserved). Central to these challenges is finding an appropriate community body to take on the responsibility for running services with the skills and expertise required to ensure high quality and sustainable provision. Local authorities need to provide substantial support in this area and over an extended period of time to guarantee the optimal conditions for successful community asset transfer. Despite the apparent challenges, transferring assets to the community may ultimately be more beneficial to the local area than simply outsourcing services to the private sector, since it allows the community to develop a greater stake in how services are delivered for the benefit of residents.

Ultimately, the Big Society vision of residents taking a substantial role in the delivery of local services may be difficult to achieve in some areas, and more pro-active approaches from local authorities are required to achieve the simultaneous objectives of cost reductions, maintenance of service quality, and community involvement. The range of successful projects and initiatives in the cultural sector in London nonetheless suggests that these objectives can be achieved.

Commissioning

A third area for local authority cultural services to focus their efforts is in terms of the commissioning agenda, particularly following the Coalition Government's plans to open up public sector services to greater procurement competition. Efficiencies might be made by commissioning other organisations to deliver services. Private sector providers themselves may be able to deliver services more cost-effectively if they are able to achieve efficiencies across their activities (for example in IT or other back-office functions). Smaller independent or voluntary sector providers may be well placed to maximise the economic, social and environmental outcomes of service provision. Additionally, other local authority departments may be able to commission cultural services in an area that helps to reduce costs elsewhere (for example, the provision of therapeutic support to those with mental health issues through cultural providers, which can help reduce the costs of adult social care). Local authority cultural departments might themselves be commissioned to provide services (either internally or externally) on a similar basis. These opportunities might include being commissioned to support the delivery of health outcomes (including through GP commissioning, the delivery of public health outcomes or via Individual Budgets for Adult Social Care), education outcomes through schools, and employment outcomes (for example through the Work Programme).

In order to maximise these opportunities, cultural services should develop a clear understanding of how their provision can lead to the types of positive social and economic outcomes that are sought by other services within local authorities as well as by external agencies such as the NHS, schools, Police and even central Government departments. This requires substantial levels of research, and cross-departmental and external engagement, as well as the ability to articulate what cultural services might offer, and in terms that can be understood by those commissioning services. However, identifying opportunities alone will not be sufficient – evidence of the ability of cultural services to deliver these outcomes (which might take the form of outcome-focused evaluations or Social Return on Investment studies) will be needed in order to convince those commissioning services that what is being offered will work. A variety of resources are now available to support this.

Capacity building

The opening up of public sector services to commissioning creates opportunities for local authorities to create savings through using smaller cultural service providers (particularly where these organisations can offer cost-effective alternatives to the more costly dimensions of public service provision, such as health and crime prevention). However, in order to access these opportunities, smaller providers will need to become adept at engaging with larger service providers and potentially financially stronger, to enable them to absorb the risks of a more outcomes-focused contracting environment (for example, those created by payment by results).

There are many ways in which local authorities might help smaller organisations to survive during a more challenging funding climate. Advice may be given in terms of helping them to identify opportunities for being commissioned to provide services. More significant would be support that can be provided in terms of helping to place organisations at an advantage in the commissioning process. This might include for example helping them to develop an appropriate evidence base and business plan, to help demonstrate that they can achieve the outcomes that are targeted through commissioning processes. However, support might also be provided in terms of helping organisations to form consortia, to strengthen their ability to absorb risks and to improve their bargaining position (as well as creating the potential for other positive impacts on the sustainability of organisations, through delivering greater economies of scale).

Summary

Despite the challenging climate for public sector finances, there are many opportunities for local authorities to increase efficiencies and to reduce their cost base. However, such opportunities should not be seen to represent or necessitate quick fix solutions. In order to fully exploit these opportunities, local authorities will need to have a strong political will and a willingness to take the time to invest in the consideration and development of options, increase cross-departmental and external engagement, and support smaller independent organisations, communities and volunteers to take a greater role in service delivery. Greater levels of entrepreneurial drive will also help place cultural services on a more sustainable platform, in order to take advantage of the opportunities presented by payment-by-results (and potentially philanthropic giving), though this will require a greater appetite for risk. Whilst the current Government may appear to have little appetite for top-down data collection exercises, conversely it will become increasingly important for cultural organisations to be able to provide evidence of impact on outcomes to unlock these opportunities.



Useful resources

| | |
|--|--|
| Asset Transfer Unit | http://www.atu.org.uk/ |
| Beacon Culture and Sport | http://www.beaconcultureandsport.org.uk |
| Commercialising Culture, Locum Consulting | http://www.locumconsulting.com/pdf/LDR1Commercialising_culture.p df |
| Community Infrastructure Levy | http://www.communities.gov.uk/publications/planningandbuilding/com munityinfrastructurelevy1 |
| Community Investment Tax Relief | http://www.hmrc.gov.uk/specialist/citc_guidance.htm |
| Co-operative Council | http://www.lambeth.gov.uk/Services/CouncilDemocracy/MakingADiffe rence/TheCooperativeCouncil/?WT.mc_id=cooperativecouncil |
| Development Trust Associated | http://www.dta.org.uk/ |
| DTA guidance on Community Share Issues | http://www.dta.org.uk/resources/publications/communityshares |
| DWP Work Programme | http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work- services/work-programme/ |
| Endowment in the Arts, Arts Council | http://www.artscouncil.org.uk/media/uploads/doc/final_endowments_i n_the_arts.pdf |
| Enterprise Investment Scheme | http://www.hmrc.gov.uk/eis/ |
| Equity and Excellence: Liberating the NHS White Paper | http://www.dh.gov.uk/en/Healthcare/LiberatingtheNHS/index.htm |
| FilmApp | http://www.londoncouncils.gov.uk/policylobbying/culturetourismand20 12/lcip/film.htm |
| Giving White Paper | http://www.cabinetoffice.gov.uk/resource-library/giving-white-paper |
| GLA London LEP bid | http://www.london.gov.uk/lseb/docs/lep-proposal.pdf |
| Growing the Social Investment Market | http://www.cabinetoffice.gov.uk/resource-library/growing-social- investment-market-vision-and-strategy |
| Guide to Social Return on Investment | http://www.neweconomics.org/publications/guide-social-return- investment |
| Healthy Lives, Health People White Paper | http://www.dh.gov.uk/en/Publichealth/Healthyliveshealthypeople/inde x.htm |
| Idea Store | http://www.ideastore.co.uk/ |
| Local Government Group guidance on shared services | http://www.local.gov.uk/lgv2/core/page.do?pagelId=842791 |
| Local Growth White Paper | http://www.bis.gov.uk/assets/biscore/economic- development/docs/lcm7961-local-growth-white-paper.pdf |
| Localism Bill | http://www.communities.gov.uk/localgovernment/decentralisation/loca lismbill/ |
| London Councils European Service | http://www.londoncouncils.glegroup.co.uk/ |
| London Cultural Improvement Group | http://www.londoncouncils.gov.uk/policylobbying/culturetourismand20 12/lcip/group.htm |
| London Cultural Improvement Programme | http://www.londoncouncils.gov.uk/policylobbying/culturetourismand20 12/lcip/default.htm |
| London Libraries Consortium | http://www.londonlibraries.gov.uk/barking-dagenham/ |
| London Parks and Green Spaces Forum | http://www.green-space.org.uk/lpgsf/ |
| Lottery Funding Opportunities | http://www.lotteryfunding.org.uk |
| Modernising Commissioning Green Paper | http://download.cabinetoffice.gov.uk/green-paper/commissioning- green-paper.pdf |
| Public Health Outcomes Framework | http://www.dh.gov.uk/en/Consultations/Liveconsultations/DH_122962 |
| Public Services (Social Enterprise and Social Value Bill) | http://www.publications.parliament.uk/pa/cm201011/cmbills/006/2011 006.pdf |
| Putting People First: Personal Budgets for Older People | http://www.parliament.uk/deposits/depositedpapers/2010/DEP2010- 0810.pdf |
| Regional Growth Fund | http://www.bis.gov.uk/policies/economic-development/regional- growth-fund |
| School Funding Settlement 2011/12 | http://www.education.gov.uk/schools/adminandfinance/financialmana gement/schoolsrevenuefunding/settlement2012pupilpremium |
| Single Data List | http://www.communities.gov.uk/localgovernment/decentralisation/tack lingburdens/singledatalist/ |
| Sport England Community Asset Transfer Toolkit | http://www.sportengland.org/assettoolkit/ |
| Tri-Borough Proposals | http://www.westminster.gov.uk/workspace/assets/publications/tri- borough-proposals-report_aw3-1297241297.pdf |
| Venture Capital Trusts | http://www.hmrc.gov.uk/guidance/vct.htm |

