

## **Culture Forum discussion paper**

### **Strategic Commissioning: Earning your Keep**

#### **Definition**

Public bodies, like local authorities and national health trusts, provide services to their communities. Increasingly they do so not directly, but by commissioning from other organisations – commercial and not for profit/third sector ones. They commission work against their agreed local priorities and to help them meet central government set targets. So this could mean, for example, supplying engaging activities for young people in out of hours school clubs or reducing the reliance on drugs of those with mental health problems. There are two main aims here – to reduce costs and to ensure that local needs are well understood and met.

#### **Issues**

The context for considering strategic commissioning now is central government's determination to reduce the high level of national debt by massively reducing public sector expenditure over the next three years. The health service is supposedly exempt from cut backs, but local authorities are expecting to have to cut budgets by between 25 and 40 % over this period. Their biggest single expenditure is on staff. If they can offload a proportion of costs of service delivery onto the voluntary/third sector they can begin to bridge the gap. More services will be outsourced and the commissioned will be expected to deliver more with less.

Arts and heritage organisations might wonder what relevance this has for them. They are used to getting either revenue or project grants from public bodies to support the work they do. Increasingly though their grants have been tied to service level agreements and grant aid contracts. Strategic commissioning is a step further on this funding path. It requires the cultural organisation to understand the commissioners' main purposes and to offer them solutions to their problems. The 'problem' for such organisations is that these are rarely arts or culture specific and will be increasingly savings driven.

So cultural organisations will need to think differently to be able to access public sector support. They will continue to have missions and aims which are about providing thrilling cultural experience and making art for and with people, but if they want local authority funding they will need to be able to show how this activity contributes to the stated outcomes of local sustainable community strategies or whatever replaces them. The key themes of these usually include ensuring community safety, supporting economic vitality, providing educational opportunity for children and young people, caring for the vulnerable.

Local government, in particular, is keen to engage the third sector in delivering more and more of its services, so there are opportunities for increasing sources of income beyond cultural services sections as children's services and adult social care departments, for instance, look for innovative ways to devolve funding – and responsibility. 87% of local authorities state that they recognise that third sector organisations understand their audiences and in particular, hard to reach client groups.

But arts organisations rarely think of themselves as third sector, although most of them are registered charities and/or companies limited by guarantee, so this is another area for realigned thinking and the making of new connections.

Health authorities have been commissioning services longer than most of local government, but these have been a source of project funding for a minority of community focussed and specialist arts organisations. With local government going in the same direction many more cultural organisations will need to engage with strategic commissioning.

Arts organisations will need to make their case for how effective they are in meeting local authority priorities and get their heads round formal procurement procedures. They will need to know how to cost their activity accurately and be competitive in the new marketplace. For small organisations, in particular, this will be time consuming and full cost recovery may make them seem too expensive. Collaborations and/or mergers with other like minded organisations will become necessary for survival. There is also a clear role for umbrella bodies and professional organisations (eg. Audiences Now, Voluntary Arts, Museums Association) to gather information, advise and support.

In turn local authorities, in spite of the need to make cuts quickly, will need to communicate clearly with their local third sector organisations, ensure their procurement procedures do not practically exclude smaller organisations and invest in some capacity building. Whoever delivers a service the local authority still has a duty to ensure quality thresholds are met. Currently there is a mismatch of perception between potential commissioners and providers with 49% of local authorities believing that they involve the third sector at an early stage in consultations over service delivery while 63% of third sector organisations do not think that local authorities understand who they are or what they can deliver.

Strategic commissioning will also continue to grow in the health service, but here it is complicated by the structural changes suggested in the white paper currently out for consultation. Please see Guy Eades' paper attached for more detail about this and for how the arts and health sector can help itself to respond.

## **A case study**

### **Leicester Comedy Festival**

The Leicester Comedy Festival began in 1994 as a student enterprise to add a winter event to the city's annual calendar. By 2009 the festival was working with a range of commissioning partners across the public and private sectors, helping organisations deliver their particular messages to a variety of audiences through the media of humour and performance. It now has three principal strands of activity: the festival itself; the community programme, Make Me Happy; and commercial event management. This last was facilitated by an Arts Council programme that encouraged the festival organisation to recognise that it had a range of skills that could be used to secure the future of the festival itself. From a turnover in year six of some £90,000, only a third of which was earned income including sponsorship, the Leicester Comedy Festival now has an annual turnover of £260k, over 90% of which is earned income and sponsorship.

The second strand was developed through consultation with a variety of local contacts with health providers and initial funding from Neighbourhood Renewal. The Comedy Festival gradually began to develop projects with health agencies, spending a long time in building relationships and understanding the health agenda. A number of projects were developed, including a project around young men's health which led to a film. An organisation called Young Minds, which promotes children's mental health, commissioned a show about emotional health and wellbeing. There was a realisation that using humour as a means of

communication was transferable to other issues, such as smoking, obesity, alcohol use and sexual health; that using different arts media could connect with people who other forms of communication had missed. The festival organisation promoted their approach of combining the arts and health at a national conference. This in turn introduced the Comedy Festival to senior people in the Department of Health and in government which in turn has led to an increase in enquiries from a diverse range of agencies, including the Food Standards Agency and a local teenage pregnancy group. Along the way the Leicester Comedy Festival has learned numerous lessons about the commissioning process. Investing time to build networks and partnerships was one of the first and most important of these lessons. The festival director was aware of the advent of commissioning within the health service and made sure that he understood the opportunities that such developments presented to potential partners. This enabled the Comedy Festival team to be in early discussions as a partner organisation, discussing their needs and helping to shape a deliverable project.

Pricing of work has been another key learning point. The Comedy Festival always charges a reasonable rate and works on the basis of full cost recovery. The organisation will turn work down if there is insufficient funding and will not tender for projects that are under-funded. While this can be scary, it has proved to be a sound policy and the organisation now rarely finds itself trying to raise funds for projects. When commissioners discuss ideas with the Festival, it is their responsibility to find the funding for the work. This is quite a change for organisations used to the pressures of chasing grant funding, although of course it has other implications, particularly the length of time it can take for things to come to fruition.

For more detail and a wealth of further case studies see the IDEa documentation listed below.

## **References**

See the IDEa (now LGID) Knowledge website for the following really useful papers under the heading of Improving Strategic Commissioning in the Culture and Sport Sector.  
<http://www.idea.gov.uk/idk/core/page.do?pageId=19049492>

Understanding commissioning: A Practical Guide for the Culture and Sport Sector

Guidance Paper 1 – Needs Assessment

Guidance Paper 2 – Options appraisal: the Business case and Procurement

Guidance Paper 3 - Building Capacity in the Third Sector

Guidance Paper 4 – Strategic Commissioning Case Studies

Developing Core Competences - from work done by Wigan Leisure and Culture Trust

ACEVO (Assoc of Chief Execs of Voluntary Organisations) article on challenges of strategic commissioning <http://www.acevo.org.uk/Page.aspx?pid=976>

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## **Recommendations**

1. Cultural organisations need to be proactive in informing themselves about how strategic commissioning and their local authority's budget timetable will effect how and if they will retain public sector support.
2. Cultural organisations need to be ready to demonstrate with clear evidence how their work delivers on major public sector objectives and be inventive as to who their partners might be.
3. Cultural organisations must know their delivery costs, understand procurement processes and be prepared to take time to work in partnership with other like minded providers.
4. Cultural organisations must make common cause with the rest of the third sector and learn from the experience of non arts based organisations
5. Public sector bodies in local government, justice and health need to invest time and resources into helping the third sector develop its capacity to be good delivery partners
6. Public sector bodies need to make their procurement processes as accessible as possible and to consult with the third sector on how to do this.
7. All need to be realistic about what is achievable with reduced levels of funding.
8. ACE needs to take account of how commissioning partnerships are likely to affect the work of arts organisations and be clear about how its own partnership funding will be a distinctive but complementary part of the mix.

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Sept 2010