

MUSIC SERVICE

REPORT BY HEAD OF MUSIC SERVICE

REPORT TO CABINET MEMBER CORPORATE SERVICES AND EDUCATION

DATE REPORT CONSIDERED AND DECIDED BY CABINET MEMBER: 24 JUNE 2011

DATE DECISION CAN BE IMPLEMENTED: 30 JUNE 2011

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To approve a new sustainable model of business for the delivery of the Music Service.

Key Decision

This is a Key Decision because it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

It was included in the Forward Plan.

Recommendations

THAT:

A new model of business for the Music Service, including the Accredited Teacher Scheme be approved. This will be more cost-effective for families and schools; maintain and potentially increase the whole class teaching in Key Stage 2; maintain the bands and orchestras and place the service on a better financial footing.

Key Points Summary

- Herefordshire Music Service has an accumulating deficit budget due to a number of issues including a reduction in its funding, historical charges for lessons set below cost and contractual arrangements within the service.
- Despite making significant savings in management costs and improving the quality of service and delivery, the deficit and financial security of Herefordshire Music Service is at a point that the viability of the service is unsustainable unless there are changes to a new delivery model or an increase in subsidy. In the current financial climate, the subsidy option has been discounted.
- A range of new sustainable Business Model options has been considered through a 30 day

Further information on the subject of this report is available from
Cliff Woollard and Head of Music Services on (01432) 260840

consultation with staff and a paper to Schools Forum. The proposals will enable a more cost efficient service to pupils, parents and schools, whilst maintaining high quality provision and positioning the service well for further national changes.

Alternative Options

- 1 The music service in its current form of operation is financially unsustainable and cannot provide high levels of services to schools and our young people at subsidised rates. Alternative stable business models have been explored and are set out in this report. Should no option be taken forward, it would not be possible to operate the Music Service.
- 2 Closing the Music Service would have the impact of reducing opportunities for Herefordshire's Children and Young People. It would restrict access to regional events and leave the LA and Schools in a much weaker position when bidding for the new national 'Music Hubs' grants in 2012.
- 3 Other options have also been explored, as set out in Section 19 below.
- 4 For operational reasons, the most effective time to make this change is for September 2011. This enables new arrangements to be in place for the academic year and avoids complications with service level agreements with schools. To achieve this, redundancy notices were issued by 31 May 2011. Peripatetic Teachers have already been informed of the impending redundancies if the recommendation is approved.

Reasons for Recommendations

- 5 The proposals are recommended to ensure that a high quality financially stable model of service can be delivered at a cost-effective and affordable price to Herefordshire's children and young people. The changes would address the accumulating deficit budget each year. The model would also allow for the service to continue its modernisation plan and improved developments for the community.

Introduction and Background

- 6 Herefordshire Music Service is a traditional music service, which is undergoing a significant redevelopment and modernisation programme. This is in response to discussions with stakeholders (pupils, parents and schools) and LA Senior Officers, a significantly reducing budget, an 'unsatisfactory' audit report (2009) and an 'unsatisfactory' Peer Moderation report (2009). Over the last 18 months, the Music Service has addressed or is addressing all areas of the audit report and there are no further concerns. In addition, the service has been subject to a further Peer Moderation report noting it as improving to 'satisfactory.' Major financial savings and structural changes have resulted in a reducing deficit budget (over 100K less expenditure per year).
- 7 Despite this, the Music Service is still in a financially unsustainable position. In addition, further reductions in funding could be possible from 2012. A new approach to music service funding gives greater emphasis on bidding, working with/commissioning external organisations and the formation of a Music Hub for Herefordshire through the National Music Plan (due to be announced in July 2011). Therefore, the service will need to be much more flexible in its staffing and breadth of provision. It should be noted that there is a significant shift away from financially supporting traditional instruments lessons (which benefit some pupils) to using the funding for more group/class activities. As an example, the music service has already responded to this with the introduction of 'Wider Opportunities' (whole class instrumental lessons for pupils at KS2), which has seen over 800 pupils receive free lessons/instruments as part of a two year programme.

- 8 The Music Service now is proposing this new model of delivery that will have minimal impact upon children and young people, whilst offering them cheaper lessons and a broader range of musical experiences.

Key Considerations

- 9 Herefordshire Music Service receives funding through national grants and trading with schools. See Table 1.

Table 1: Grant funding and traded income (approximate figures per year for the last two financial years)

£219,000	Main music Standards Funds Grant	Non- inflationary
£73,000	Wider Opportunities Standards Funds Grant	Non- inflationary
£500,000	School traded income	
£30,000	Musical Instrument hire income	

- 10 For approximately ten years, Herefordshire Music Service ran with an operating deficit due to charges not meeting costs, which was subsidised by savings in other areas of Children's Services. This was found to be unsustainable and at the end of 2008/09 a decision was taken that the service addressed the deficit through trading. See Table 2 below:

Table 2: Funding 2002-2011

Financial Year(s)	Funding from LA	Music Standards Funds Grant	Total Funding	Reduction in funding since 2008
2002-2008	150K (average)	219K	369K	NA
2008-2009	0	219K	219K	40%
2009-2010	0	219K	219K	40%
2010-2011	0	219K	219K	40%
2011-2012	0	197K	197K	46.5%
2012-2015	0	Bidding system – awaiting further details from DFE		?%

- 11 In order to address this, the hourly rate charged to schools was increased in the Schools SLA (May 2009) from £27 to £32 an hour. However, in June 2009 Schools Forum decided to challenge the price increase. Many schools indicated they would withdraw from the service should the increase go ahead. The decision was taken therefore not to increase charges. However, the demand from schools (and the provision to children and young people) remained nearly identical for the following academic year. The impact of not increasing charges reduced the income to the Music Service by £100,000. However, the service continued to delivery

20,000 hours of provision which cost more to provide than income available. As a result, a proposal was made to Schools Forum in December 2009 for £100,000 (from the DSG underspend) to help address the issue. Schools Forum declined this request.

- 12 It has been accepted that the service cannot continue to operate at a deficit. In order to address the financial stability of the service, The Head of Music Service has already implemented the following key actions:
- A two phase restructure
 - Streamlining administrative support
 - Reducing management
 - Increased the hourly charge rate to schools from £27 to £29 per hour
- 13 This has resulted in savings of £100,000 per annum related to management cuts and reduced expenditure, particularly in instrument purchases
- 14 The impact of these actions has been to reduce the predicted overspend of 2010/11 from £132,000 to £22,000. However, the staffing structure cannot be maintained at such a reduced level of management oversight and cannot be funded at current levels unless income is increased or a different model is introduced. In addition, the service has a significant accumulated deficit:

Trading Deficit

Deficit 2008/09	£123,000
Deficit 2009/10	£37,000
Deficit 2010/11	£22,000
Total deficit 2011	£182,000

National Changes to funding and Music Service Provision

- 15 In addition to the local challenges, there continue to be national changes:
- The Henley Review of music education (February 2011) outlines the following:
- Commitment to funding music services for 2011/12
 - 2012 introduction music hubs with LA music services as the lead role
 - Commissioning model to be developed
- 16 Herefordshire’s settlement for Music Standards Funds for 2011/12 has been reduced by 10%. From 2012, it is understood a new national ‘bidding system’ will operate.
- 17 Music in Herefordshire has a proud heritage. There is a strong desire to maintain a vibrant sustainable offer for children, young people – and, potentially, adults.

Options for Change

18 In order to address the financial issues a wide variety of new models of business have been extensively researched by the Head of Music Service. Five models have been presented to staff through the consultation and also to Schools Forum. In summary the options are:

- a. Significantly increase the hourly rate charge to schools (from £29 to £38-£40ph)

This is significantly higher than the private market (approximately £24 - £29 per hour). However, it is similar to the average charge for a Music Service in the West Midlands (£36-£38 per hour). It would be a significant increase to parents from the current £29 per hour currently charged by the service. The increased costs would result in schools withdrawing and using private market or result in a reduction in the numbers of young people being able to access the service due to cost.

- b. Move teachers from School Teachers Pay & Conditions to Herefordshire Council pay-scales. This would significantly decrease their pay and thus many staff would not transfer. In addition there would be great difficulty in recruiting high quality teachers at pay rates significantly below market rates. As the pay and conditions are significantly different, staff would be entitled to redundancy payments.
- c. Accredited Teacher Scheme (move teachers to self-employment) See information in the following section
- d. Non- Accredited Teacher Scheme. This is the Accredited Teacher model, but the LA would have no role in relation to QA, CRB, safeguarding training, CPD etc.
- e. Externalise Music Service (Trust, company, charity etc). The time-frame does not allow for this to occur this year and there could be difficulties with TUPE arrangements due to the financially unviable model. Funding from 2012 will use 'LA Music Services' as the 'Lead organisation' for organisation and distribution of Music Education funding. Therefore, it makes sense to consider the Music Service as part of the broader Cultural Trust model.
- f. Close the service. Music has played a strong part on the cultural heritage of Herefordshire. The Council has received a petition and separate communications expression opposition to the option of closure, by schools and more particularly by children, young people and families. As it is possible to establish a self-sustaining scheme, it is not proposed to close the service

19 Note under models a and b above, there would need to be an increase in both Office and management costs. There would need to be more than two or three managers to effectively line manage and performance manage/appraise fifty teachers.

The Accredited Teacher Scheme

20 An extensive amount of research has been undertaken to find the most appropriate new model of business in order to ensure the best possible outcome for schools and our young people. Whilst staff understandably would prefer the status quo, they have steered towards the Accredited Teacher Scheme as their next preferred option. This is also the preferred model of the Head of Music Service. Schools Forum also voted the Accredited Teacher Scheme as their preferred model. The Forum have also agreed to share with the Council the costs of changing to a new model.

21 The Accredited Teacher Scheme would see all 53 peripatetic teachers teaching on a self-employed basis in schools. They would invoice parents directly, saving considerable amounts

of time for schools on administration and billing parents etc. The Music Service would have a list of 'Accredited Teachers' which schools could choose from. Each Accredited Teacher would be subject to quality assurance, CRB and safeguarding training through the Music Service. The self-employed status would need to comply with Her Majesty's Revenue and Customs guidelines for operation. To achieve this, the 53 teachers would need to be made redundant by the Council.

- 22 Some tutors will still need to be employed by the Council to provide Whole class Wider Opportunities projects and also for Music Centre (bands and orchestras). These would be under HC pay-scales (a combination of permanent variable and annualised hours, dependent upon the post). As the terms and conditions will be dramatically changed, current staff could not automatically transfer and would by law still need to be made redundant in the first instance. Following a month's gap in employment, they would then take up their new positions. Schools would be invoiced termly by the Music Service for the Whole Class Wider Opportunities.
- 23 Under the Accredited Teacher Scheme (September 2011), the Music Service will use the Music Grant to continue to provide a range of services to our young people:
- A cohesive approach to Music Education across the county
 - Quality assurance/lesson observations, CRB, Safeguarding and training opportunities for Self Employed Accredited Teachers
 - Subsidised whole class KS2 instrumental lessons (at no charge to pupils and with free instruments) to at least 30% of Primary Schools
 - SingUp/Vocal development at KS2 along with a broad range of other projects e.g. African and Samba workshops
 - Herefordshire Youth Music (Music Centre), bands, orchestras and ensembles etc.
 - CPD, advisory support, development support for Music Coordinators/Schools
 - Development and networking links with other local music providers, the Federation of Music Services (FMS) and the National Music Participation Director (DFE)
- 24 The Accredited Teacher Scheme is used in other Authorities for example (Derbyshire, Torbay, North Lincolnshire etc). The Herefordshire Accredited Teacher Scheme will be partly based upon the Derby City and County Music Partnership (Music Service), which has been operating the model since 1998 and has recently been judged as an 'Outstanding Music Service. Since moving to the model in 1998, the number of Accredited Teachers in the Derby Music Partnership has increased from 36 FTE to 95 FTE.
- 25 There is also the possibility to develop and extend some services in the future. The Accredited Teacher Scheme is portable, allowing for easy cross-border service provision with neighbouring schools and LAs. Adopting the model also puts the LA in a strong position when bidding for funding under the 'Music Hubs' scheme from 2012.
- 26 The Music Service currently does not provide a 'visit for services' of less than an hour's duration, as this is not cost effective. There are a few exceptions where a member of staff is for example travelling in the vicinity of the school affected. Whilst there is currently no evidence that Accredited Teachers will no longer be prepared to travel to small rural primary schools for small durations of time, this could occur (as indeed it currently does). However, all primary schools will be able to receive the whole class Wider Opportunities lessons, which means that all pupils will have access to learning an instrument as a class.

Budget Deficit and Transition Costs

Deficit and Redundancy costs		Addressing Costs	
2008-9 Deficit	123,000	Total deficit	461,000
2009-10 Deficit	37,000	2011/12 Music contribution****	25,000
2010-11 Deficit	22,000	Music Service contribution from trading*	75,000
Total Trading Accumulated Deficit (March 2011)	182,000	Schools Forum**	125,000
Deficit April – Aug 2011	25,000	LA Contribution***	184,500
Additional one-off income from termly billing arrears	(96,000)		
Redundancy Costs	350,000	Total Contributions	
Total Net Deficit	461,000	Outstanding Balance from SF Shortfall	51,500

* Music Service contribution of £15,000pa for five years from April 2012 from provisional budget surplus 2012 onwards

**SF approved a request (02.03.11) to provide £25,000 funding per year for five years to support the deficit. They did not approve the one-off request of £59,500. This will be further presented to the Forum for a decision in the light of any underspends available. Should this not be a possibility the local authority will increase its contribution.

*** it is proposed that a one-off contribution of £184,500 is made from Council Reserves which will be paid off over five years from the Children's budget at a rate of £36,900 per annum; this will be built into budget plans.

**** from provisional budget surplus under new model for 2011/12

- 27 It is therefore recommended that the Council move to this scheme, with the local authority employing a small core group of staff to provide the wider opportunities programmes and to operate the scheme, provide quality assurance, run the bands and orchestras, etc, pending further consideration of the option of a cultural trust.

Community Impact

- 28 Over 3,000 pupils access Herefordshire Music Service every week. 2500 pupils receive music instrumental tuition and approximately 800 primary pupils receive whole class Wider Opportunities music activities. The Service teaches traditional instrumental lessons to over

11% of the county's pupils, compared to a national average of 8.4%. A very high percentage of schools (94%), access the service on a regular basis. Public concerts and events (including support for charities such as the Rotary Club and Help for Heroes) are high profile and well known in the community.

Financial Implications

- 29 The operational deficit for 2010/11 was approximately £60,000. There was a requirement to address the annual operating loss and action was taken to sell off musical instruments which were 'spare to requirements.' This one-off sale resulted in an income of £38,000, thus reducing the year's deficit to £22,000. Clearly this one-off saving cannot be repeated.
- 30 The £125,000 agreement from Schools Forum will significantly help to recover the accumulated deficit.
- 31 The accumulating deficit is £182,000 at the end of the financial year 2010/11. Unless revenue can be increased and/or costs decreased, the deficit would continue to grow leading to inevitable closure of the Music Service. The Council cannot operate a service with a deficit budget.
- 32 The £73,000 grant for Wider Opportunities projects (part of the main grant) is partly cross-subsidising the general instrumental lessons. Whilst there will always be overlap, this specific grant should not be used for 'topping up' the general budget. This grant will also be more tightly monitored from April 2011
- 33 Accredited Teacher scheme: Financial analysis indicates that this option will make a one-off surplus in 2011/12 of £96k and an on-going annual surplus of £15k whilst incurring redundancy costs of £350k. The Music Service would contribute to the redundancy costs by contributing 15K per year from its 'surplus budget' under the AT Scheme. It would also contribute the 96K* surplus from 2011/12. The remaining redundancy costs would be met through Council Reserves (through a 5 year plan). Whilst the redundancies cost the LA approximately 350K, over a period of time this is less than it would cost to financially support the service over a five year period under the current model.
- 34 Under the Accredited Teacher Scheme, there would be cost savings to schools by the reduction or removal of time spent on invoicing parents. This would save a lot of office/bursar time. In addition schools would no longer bear the financial risk associated with ordering instrumental lessons, as there is often a gap between what is charged and what is actually collected in.
- 35 The proposals in 32 and the table above, set out how the accumulated deficit will be paid off. Legal advice has been sought for the Accredited Teachers Scheme to ensure that the teachers can be classed as self-employed and the model is used by other LAs. HMRC have indicated that this scheme will not result in claim for NI contributions (approximately £69,000 per annum).
- 36 Closure of the Music Service: This is the least favourable option since the accumulated deficit of £111k (the final deficit after all invoices to schools have been completed) will not be recovered and the redundancy costs will be higher at £400k, giving a total deficit on closure of £511k.

Legal Implications

- 37 Legal advice has been sought with regards to self-employed contracts for staff under the Accredited Teacher Scheme and also in relation to staff contracts for Music Centre and Wider

Opportunities work. Some teachers would need to be employed by the Council to carry out Wider Opportunities and class teaching as well as Music Centre. The duties of an 'Accredited Teacher' would be acceptable as self-employed from a legal perspective.

Risk Management

- 38 The financial risk of the service remaining the same, is significant for the Council (in excess of £60,000 deficit each year), adding to the accumulated deficit.
- 39 The alternative risk of increasing the lesson costs significantly will inevitably lead to a high drop out rate from schools buying in the service, leaving the service with gradual staffing reductions, which could be difficult to manage and also cause further financial instability and cost. In addition it then threatens the provision to other schools because the service becomes less viable – threatening provision to even more pupils.
- a. There is a risk to the LA that the Music Service Standards Funds Grant and the Wider Opportunities Grant could in the future be used in ways other than supporting a central County music service. For example, previously Wider Opportunities funds were delegated directly to schools and there was no central support and coordination for what has now become a successful primary programme which has given many children in Herefordshire access to specialist music teaching and activities.
- b. Music Standards Funds (including the Wider Opportunities grant) are secure for 2011/12. However, there is further risk as it is still unclear from 2012 onwards (awaiting Government decisions in July 2011). Note also the risks associated with the Music Service closing, as listed under 'Alternative Options.' Making the changes as set out limits the financial risks to the Council of further national change.

Consultees

- 40 The Music Service through meetings and informal conversations with stakeholders takes views from schools, parents and pupils. It is acutely aware of the impacts to the service, schools and pupils if the hourly charge rate for instrumental teaching becomes too high.
- 41 A 30 day consultation with Music Service staff and unions ended on 3rd March 2011. Most teachers would prefer to stay on their current contracts (which are financially unviable). From the feedback received from staff the preferred alternative model from a list of options was the Accredited Teacher Scheme. A further 'continued 30 day consultation' for managers and office staff ends on 10 June
- 42 The new business models were presented to Schools Forum for their opinion on 2 March 2011. Of the five models proposed, only the Accredited Teacher Scheme received any votes. Therefore, this was unanimously the preferred option.
- 43 External research, meetings and advisory support from: Ernst & Young Music Services report (unpublished), Federation of Music Services, 8 Heads of Music Services (including Derbyshire and Somerset in an advisory capacity), and the National Music Participation Director (DFE). Note that the Ernst & Young report does not make any formal recommendations, but simply gives guidance and opinions on a variety of business models.
- 44 The Council has received a 74 signature petition asking for Scrutiny to review the development of the options. The petition was received at the Children's Services Scrutiny Committee meeting held on 11 March 2011. The petition requested that Scrutiny look at the following areas:

- Review the way in which the future options have been developed;
- Consider whether the options developed are the best ones for all stakeholders
- Review the consultation process to date and check the degree of involvement to all stakeholders
- Investigate the constitution principle of devolving decisions with county-wide impact to other forums.

45 Due to the commencement of the pre-election period on 25 March 2011, it was not possible for Scrutiny to conduct a pre-decision review. Also, in order to meet the timescales with regard to the implementation of the recommendation, it was not possible to conduct pre-decision review after the local elections.

46 There has been some public concern at the closing of the Music Service, with young people holding a demonstration in Hereford City

Appendices

None

Background Papers

Letter to Music Service staff notifying them of the 'preferred new model of business' (10.03.11)

Guidance on Business Models for Music Services (Ernst & Young draft report)