

Appendix 1

Full Business Case: Music Service

This Business Case is a documentation of the justification for the undertaking of the above project.

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1. Introduction

This project is required to enable the Music Service to continue receiving grant funding and sustain the high level of service that it provides the community.

The Music Service is a traded service of the Local Authority which brings in approximately £1.6 million per annum from grants, instrument hire and lesson fees from parents & schools.

The funding envelope is detailed below.

	2009-2010 Budget	2010-2011 Budget	2011-2012 Budget
Expenditure	£1,294,103	£1,328,163	£1,650,180
Income	-£1,285,896	-£1,367,257	£1,693,090
	£8,207	-£39,094	-£42,906

The service offers centralised Music A level courses, which are funded by schools being charged for students attending. These courses have a separate budget code (10259), from the Music Service but are part of the overall offer to the community. The centralised A level music courses are self funding. These courses are an important part of the unique progression routes that Barnet offers and are often bought into from other Local Authorities

Children are currently offered an initial period of free instruction which is paid for from the music grant. After the initial period of free instruction, parents will normally book lessons for a fee. The Music Service has planned for an approximate 25% reduction in income over the next three years, partly due to reducing household income resulting in fewer children continuing lessons after the initial free period of instruction. A £128,000 reduction in parents paying for lessons has already been identified during 2011/2012.

In order to cater for children from families who will be unable to afford tuition, the Music Service would like to be in a position to raise charitable funds and apply for grants from other sources (including gift aiding membership fees). This is not an option under the current arrangement.

A relocation of the Music Service is currently in progress; moving the service to suitable accommodation at Dollis Junior School.

The government has published the National Music Plan and arrangements for the funding of Music Services. The government expects the main provider of music education services in any locality to become a music hub, responsible for brokering all grants and music education in a local area. Funding to 2015 is detailed below.

	Music Service	Music Hub
April 2012 – July 2012	£146,461	
August 2012 – March 2013	£292,922	
April 2013 – July 2013		£379,097
August 2014 – March 2015		£385,652

The Music Service has recently been successful in a bidding process for applications to receive “Hub Status”. The acceptance by the Arts Council, means the Music Service will be eligible to receive the funding. However, this is conditional on new delivery arrangements. The Arts Council expect new and creative models to be implemented for the delivery of the hubs and have accepted the bid on the basis that the service will implement a new company vehicle which allows greater access to funds and an increase in percentage income spent on front line delivery.

This project is now required to gain approval for a change in direction away from the current service model and implement a new model so that the Arts Council will continue to fund the service.

2. Reasons

Eligibility to receive funding

New arrangements for the funding of Music Services will come into place from August 2012. Grant money that has to date been provided direct to the Music Service will now be provided to the Music Hub. The Arts Council has accepted the Music Service’s bid with the expectation that the delivery model will change. If the Music Service does not implement a change in its delivery model, the service will ultimately lose its direct funding.

In addition, a varying proportion of the surplus income generated from the service is currently used to fund other Council services outside of the Music Service. The Arts Council will now be scrutinising all Music Service budgets. Therefore while the current arrangements remain, it is likely that the Arts Council will look unfavourably on the Music Service, which could jeopardise direct funding available to the service.

Access for all

The service has been asked by the DFE to provide a number of core entitlements for every child in order that they will have the opportunity to access high quality instrumental, singing and ensemble activities. The government recognise that the funding from these activities will come from a number of sources. With no Local Authority funding the Music Service has relied heavily on parents being able to pay for these opportunities. With the economic downturn the Music Service will need to source alternative funding routes. The demographic map of the authority has changed significantly in the past ten years and the Music Service would like to respond to these changes with a fairer offer for all children (not just those with parents who can afford to pay).

Value for money

It is envisaged that the administration and accommodation costs for the service could be delivered for less. The Head of Service has made enquiries as to the cost of premises, cost of payroll and HR provision which has identified that these services would cost in the region of £30,000, including accommodation and insurance. This would inevitably enable the charge to parents to remain fair and competitive, thus increasing take up.

A modern web presence to help with marketing

The current communications structure prevents the Music Service from updating the web page in a modern and youth friendly way. It is considered that this is limiting the take up and effectiveness of the services on offer. A move outside the Local Authority would provide more freedom and give the Music Service an opportunity to market their successes effectively.

3. Aims & Objectives

3.1 Aims

- To enable the Music Service to continue delivering a high quality music offer to all young people on behalf of the London Borough of Barnet (with and agreed SLA).
- To improve community cohesion through targeted work with hard to engage groups of young people. This will include working closely with schools and the youth service to identify such groups and their needs.
- To allow the Music Service to reach out to a more diverse range of Barnet residents through initiatives such as the gifted and talented fund. This would allow gifted children on free school meals to receive a free individual lesson therefore providing fairer progression routes.
- To maintain a highly regarded Music Service for Barnet that Members, Residents and Officers can be proud of.
- To enable access to charitable grant giving bodies (such as John Lyons and Jack Petchey who will not fund local authority services directly), this will allow bids to access funds for extension activities including work with the youth service (which is facing cuts in funding)

3.2 Assessment Phase 1 Objectives

Due to the time constraints associated with submitting the application to the Arts Council for "Hub Status" this was a primary objective and was therefore submitted ahead of the other project stages

- **Application to Arts Council** – An application to the Arts Council was required so that the Music Service can receive grant funding moving forward. This was accepted with the expectation that the Music Service would adapt its delivery model.

3.3 Assessment Phase 2 Objectives

Due to the time constraints associated with submitting the application to the Arts Council for “hub Status”, this project has a second phase of the Assessment Stage. This allowed for further analysis and challenge to take place after submission of the application but before the Council commits to full implementation of the scheme.

- Detailed Options Analysis (inc financial modelling, HR, Procurement)
- Detailed implementation planning
- Production of Full Business Case
- Authorisation to Proceed to Delivery

3.4 Delivery Objectives

- To set up the proposed vehicle of a Charitable Company Limited by guarantee considering corporate structure options
- To set up the required governance arrangements for the proposed vehicle and ensure a compliant data transfer
- To register the Charity with the Charities Commission
- To establish and deliver operations and funding arrangements
- To set up an appropriate Service Level Agreement
- To deliver required TUPE & HR arrangements
- To gain approval for LBB to act as guarantor for TPS and LGPS
- To Novate/Terminate/Establish contractual obligations and asset transfers where appropriate

4. Options

4.1 Initial Broad Strategic Options

	Advantages	Disadvantages	Implementation Cost (H,M,L)	Revenue Impact (G,A,P)	Overall Viability (G,A,P)
Do nothing	No implementation cost No project to manage	This option would mean that the Music Service may be unlikely to receive continued grant funding If the Music Service is unsuccessful in its “Music Hub” funding bid, it will have to reduce provision or cease operations	Low	Poor	Not viable – The music service will not be able to receive the grant funding needed to deliver its services, this could result in closure of centres and negative political impact

	Advantages	Disadvantages	Implementation Cost (H,M,L)	Revenue Impact (G,A,P)	Overall Viability (G,A,P)
Procure external provider	<p>This option could present an opportunity to deliver service with none of the associated risks and responsibilities around staffing, accommodation etc</p> <p>There is potential for a better quality or cheaper to operate service, although this is an unknown.</p>	<p>Would not be popular with schools and parents who are happy with their existing service</p> <p>Any new provider would have no proven track record of delivering core entitlements in Barnet. Therefore, the funding application based on this model would be unlikely to succeed</p> <p>The new employer may make changes to the business for economic, technical or organisational reasons which could amount in redundancies. This option could require a high amount of expenditure to cover redundancy costs should the business fail although this liability would sit with the new employer.</p>	<p>Medium</p>	<p>Poor</p>	<p>Not viable – The music service will not be able to receive the grant funding needed to deliver its services, this could result in closure of centres and negative political impact</p>
Cease delivery of service	<p>This option would remove any costs, risks and responsibilities around staffing, accommodation etc</p>	<p>This option would cause a significant negative impact on the Council's reputation</p> <p>This option would create a large amount of redundancies for staff</p> <p>This option would require a high amount of expenditure to cover redundancy costs</p>	<p>High (Redundancy Costs would be expected to be high)</p> <p>£213,606.89 for the whole service to be made redundant.</p>	<p>Neutral</p>	<p>Not viable – The Government's National Music Plan for education states core entitlements for learning an instrument for all children. This option would not deliver against this intention. The Service is also well regarded and the negative political impact of this option is considered too severe.</p>

	Advantages	Disadvantages	Implementation Cost (H,M,L)	Revenue Impact (G,A,P)	Overall Viability (G,A,P)
Implement new company vehicle	<p>This option would provide a higher likelihood of the service receiving grant funding.</p> <p>Can achieve best value by procuring own services.</p> <p>The service will not have to pay income target to LBB. Therefore releasing funds to deliver more educational opportunities to young people.</p> <p>This option will enable access to charitable grants and gift aid to help children whose families cannot afford tuition</p>	<p>Greater responsibility for Head of Service</p> <p>The Council will need to identify alternative funding streams to fill the loss of funds created from the Music Service's income target</p> <p>If the service becomes unsuccessful, the amount of provision will need to reduce. Therefore staff hours would also be cut.</p> <p>If implementation is not managed carefully with appropriate communication plan, the project could have a negative impact on the Council's reputation.</p>	<p>Medium</p>	<p>Good</p> <p>The Music Service will have additional annual funds available through increase in availability of grant funding and reduced outgoings associated with the LA and accommodation</p>	<p>Viable</p>

The preferred broad strategic option is to implement a new company vehicle as it would satisfy the criteria for the Music Hub funding bid to the Arts Council. All other options would not provide the wide range of opportunities for children and young people in the borough that could be met by this new funding model.

4.2 Company Vehicle Options

	Advantages	Disadvantages	Implementation Cost (H,M,L)	Revenue Impact (G,A,P)	Overall Viability (G,A,P)
Do nothing (Baseline)	<p>No implementation cost</p> <p>No project to manage</p>	<p>This option would mean that the Music Service may be unlikely to receive continued grant funding</p> <p>If the Music Service is unsuccessful in its "Music Hub" funding bid, it will have to reduce provision or cease operations</p>	Low	Poor	Not viable – The music service will not be able to receive the grant funding needed to deliver its services, this could result in closure of centres and negative political impact
Charitable company limited by guarantee (Social Enterprise)	<p>Can access gift aid fees and charitable grants such as John Lyons.</p> <p>Other Music Services nationally are using this model and can offer support and advice.</p>	<p>There is a risk of job losses if company fails. This is mitigated by the fact that 80% of the teaching staff are on variable hours contracts and a further 15% are self employed consultants. Their salary costs reduce as demand for lessons reduce.</p> <p>Casual workers would not be eligible for TUPE, therefore the new company would need to engage these workers in addition to the normal TUPE process</p>	Medium	The Music Service will have maximum availability of grant funding and reduced outgoings associated with the LA and accommodation	Viable (Preferred Option)
Wholly owned local authority trading company limited by guarantee/shares	<p>Less risk to employees.</p> <p>Music Service still able to access services such as invoicing</p>	<p>Unable to have charitable status and therefore loss of funding</p> <p>Casual workers would not be eligible for TUPE, therefore the new company would need to engage these workers in addition to the normal TUPE process</p>	Medium	Would have an impact on Music Service revenue as unable to access charitable funds	Viable but not best option due to lack of access to charitable funding
Community Interest Company	<p>Can access gift aid fees and charitable grants such as John Lyons.</p> <p>Other Music Services nationally are using this model and can offer support and advice.</p>	<p>Untested in other Music Services of this size and therefore unlikely to receive Arts Council funding</p> <p>Casual workers would not be eligible for TUPE, therefore the new company would need to engage these workers in addition to the normal TUPE process</p>	Medium	Unknown due to lack of tested models in other authorities. This will be investigated further	Unknown due to lack of tested models in other authorities. This will be investigated further

	Advantages	Disadvantages	Implementation Cost (H,M,L)	Revenue Impact (G,A,P)	Overall Viability (G,A,P)
Charitable company in a variety of formats such as CIO/Co-op etc.	Coop could empower staff and enable them to receive dividends	<p>Untested in other Music Services of this size</p> <p>There is a moral issue with this option as staff would be receiving dividends whereas profits should rally be put back into children learning</p> <p>Casual workers would not be eligible for TUPE, therefore the new company would need to engage these workers in addition to the normal TUPE process</p>	High	Neutral	Poor

4.3 Preferred Option

The preferred option is the Charitable Company limited by guarantee. This is a tried and tested model for Music Services and will allow the Music Service to access charitable funds for the purpose of providing lessons for children whose families cannot afford to pay for tuition (e.g gift aid and John Lyons funds). Advice and support is also available from other “Music Services” who operate using this model.

5. Expected Benefits

Alignment to Council priorities

	Description
Better Services with Less Money	The Music Service will be in a position to do more for the less well off in the community. The new Music Service will aim to keep prices affordable for all families and will utilise the Music Education Grant to ensure that all children are given the opportunity of initial free access to instrumental tuition
A Successful London Suburb	The Music Service will continue to support Every School a Good School through a high quality offer of instrumental tuition, CPD, ensemble activity an extension activities
Sharing Opportunities, Sharing Responsibilities	The new Music Service will seek to access charitable funds on behalf of the youth service to help support work with vulnerable groups of young people

The new Music Service would embody the principles of the One Barnet programme in providing a better and more affordable service for the community. As a charitable trust there would be a board of trustees and a steering group which would give members of the community a voice in deciding how funds would be best utilised to reflect community needs.

Benefits

Benefit Statement	Measurement	Classification
The new Music Service would immediately be able to link	<ul style="list-style-type: none"> Increase in grant 	Cashable

music centre fees to gift aid funding. This would allow more children from families unable to afford tuition to have access to progression routes leading to FE courses and possible employment in the music business]	funding	
More children and young people taking part in music activity would promote social cohesion and enhance academic achievement	<ul style="list-style-type: none"> The number of children learning 	Non-Cashable
More children and young people playing in groups and bands would enhance community cohesion	<ul style="list-style-type: none"> The number of children and young people in groups, orchestras and ensembles 	Non Cashable

6. Summary of Key Risks

The following key risks have been identified at the project outset.

Ref	Risk	Mitigation Plan	Risk Owner
R001	Financial risk of the new Music Service not meeting it's obligations to pay staff and services	One of the trustees to come from the LA to scrutinise budget	Music Service
R002	Risk of the quality of lessons and ensembles reducing	PIs in the SLA with the Local Authority	Music Service
R003	Risk of public perception that the Local Authority is forcing the Music Service to change status	Press releases and interviews with Music Service staff to state this is in fact a fabulous opportunity for our young people	Local Authority
R004	As the service would be provided by a new separate entity to the Council, the new entity would be solely responsible for business continuity and successful deliver, including finances. The new entity may be unable to continue delivering without support from the Council and could therefore fail	A degree of support will be provided in the initial operating period of the new entity. However, it is accepted that the new entity will eventually become completely responsible for the service delivery	Music Service

R005	The Music Service in its current form generates a surplus of £40,551, which is used to fund other areas within the Children's Service. The proposal will create a £40,551 pressure on Children's Service budgets for future years. If the Children's Service is unable to find alternative sources to fund this pressure, the Children's Service may need to make efficiency savings elsewhere.	Children's Service
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7. Costs

7.1 Implementation Costs

In total, the project is expected to cost **£39,500** to deliver. This has been established through investigations and lessons learned during phase 2 of the Assessment Stage.

Transformation Costs	Cost
Legal Fees (LBB & New Co.)	£20,000
Actuarial Assessments	£3,000
Project Management	£10,500
VAT and Corporation Tax Advice	£1,750
Recruitment of Shadow Board	£1,500
Contingency	£2,750
Total	£39,500

7.2 Implementation Cost Profiling

Funding Source	Amount
Contained Within Existing Music Services Budget 2012/13	£15,000
Contained Within Overall Schools and Learning Division Budget 2012/13	£24,500
Total	£39,500

7.3 Ongoing Financial Modelling

	MUSIC NEWCO 13/14 BASELINE	MUSIC NEWCO 14/15 BASELINE	MUSIC NEWCO 15/16 BASELINE
	Year 1 (15 months) - Annual Costs	Year 2 - Annual Costs	Year 3 - Annual Costs
INCOME			
Grants	-£537,988	-£458,652	-£488,652
Customer/Client Receipts	-£1,382,616	-£1,086,341	-£987,582
INCOME TOTAL	-£1,920,604	-£1,544,993	-£1,476,234
EXPENDITURE			
Employees	£1,649,843	£1,304,739	£1,229,066
Transport	£4,336	£3,469	£3,469
Premises	£76,250	£61,000	£61,000
Sales Related	£30,625	£24,500	£24,500
Supplies & Services	£128,718	£100,845	£99,845
EXPENDITURE TOTAL	£1,889,772	£1,494,553	£1,417,879
Net EXP / (INC) TOTAL	-£30,832	-£50,440	-£58,355

Local Government Pension Scheme

There are 2 members of LGPS within the Music Service currently who are eligible to transfer. The new Music Service will apply to the pensions committee for admitted body status as a community admission body, under a "closed" admission agreement. The employer contribution rate will be 18.90% and bond or guarantee level required is £31k. This will remain so unless there are any staffing changes before the transfer. This bond or guarantee is to protect the LGPS Fund against the risk that the music service charity may fail and therefore be unable to meet its liabilities to LGPS. The bond level is assessed at regular intervals (at each valuation) and can increase or decrease. It is recommended that the Council should act as guarantor, at least for an initial three-year period, since otherwise the Music Service (as a new entity with no trading history) is likely to be unable to obtain a commercial bond, either at an affordable premium or at all.

Teachers' Pension Scheme

There are 83 teachers in the Teachers' Pension Scheme within the Music Service. The new Music Service will need to apply in writing for accepted function provider status, which will require provision of a bond or guarantee. A similar transfer of Northamptonshire Music Service required them to put up a bond equivalent to about 3 months' worth of pension payments. A high estimate of the equivalent figure is approximately £100,000. The actual figure is likely to be lower, taking into part-time and/ or seasonal hours.

The Department for Education has confirmed details of the application process and has provided a template guarantee, but precise details of the amount of the guarantee which would be required in this case are not yet known. It is again

proposed that the Council should act as guarantor, at least for an initial three-year period, for the reasons outlined above.

It is anticipated that the new Music Service will normally take on new teaching staff under a self-employment model, which will not result in additional liabilities to TPS.

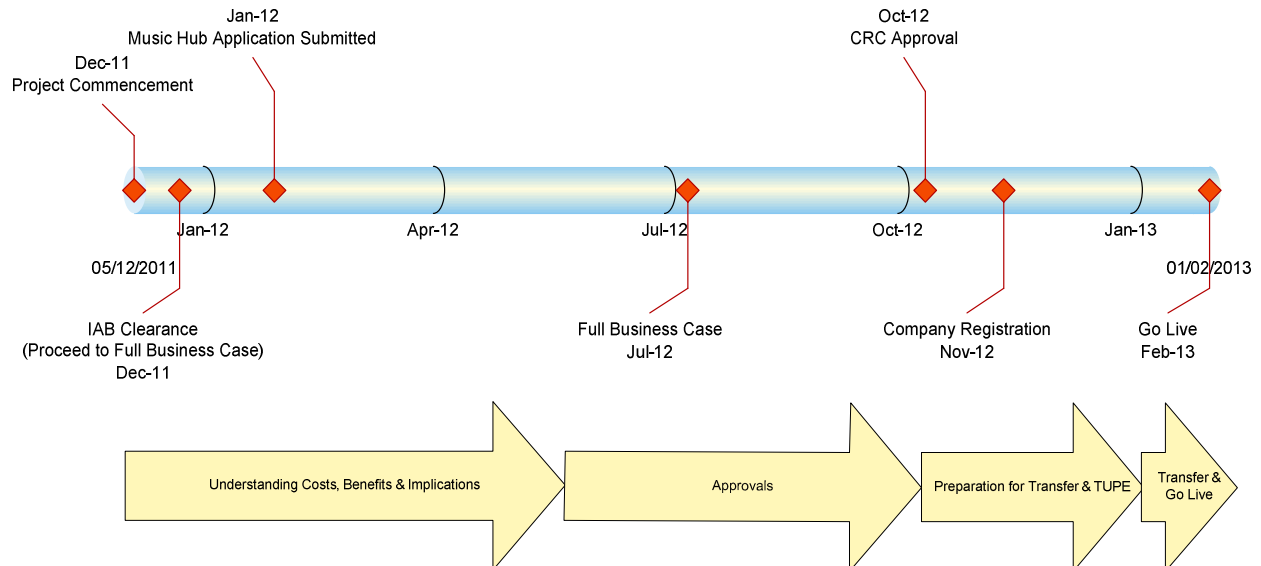
Cash Flow Support

It is noted that LBB may need to support the new company in the first year of trading while the new company realigns income to support cash flow.

Traded Services and Existing Below the Line Costs

The service currently receives back office support from other Council areas including HR, Finance and IT. Under the current arrangement, these are provided and treated as below the line costs. The implications of this, including whether the Music Service (as a separate entity) procures these services from the Council as a traded service, are to be included within the financial model. The Music Service in its current form generates a surplus of £40,551, which is used to fund other areas within the Children’s Service. Should the Music Service in its new form as a separate entity utilise the Council’s traded services, it is proposed that the project does not reduce existing Corporate Services budgets, however, Council income generated by the “new” Music Service should be routed to Children’s Service budgets.”

8. Timescale



9. Dependencies

The successful delivery of the project objectives is dependent upon numerous factors:

Key internal project dependencies

The following table provides details of the projects critical dependencies on other Council projects, services or activities.

Ref	Dependent On	Nature of dependency	Level of dependency (H, M, L)	Owner
N/A	None identified at this stage	N/A	N/A	N/A

Key external project dependencies

The following table provides details of the any external factors outside Barnet Council which may influence the project.

Ref	Dependent On	Nature of dependency	Level of dependency (H, M, L)	Owner
N/A	None identified at this stage	N/A	N/A	N/A