

Financial Report for the Community Music Service

REPORT

Subject: Community `Music Service Financial Planning

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1. Summary

This briefing has 3 sections:

- 1.1 Budget forecasting for the 2019/20 financial year and identification of pressures on the budget;
- 1.2 Financial strategy to avoid an overspend in the 2020/21 financial year;
- 1.3 Options for a new trading model to manage year on year cuts of c. £62k.

The Community Music Service (CMS) is forecasting a budget overspend of c. £31k for the 2019/20 financial year. The budget and the narrative outlining the pressures that have caused this overspend are detailed below. The leadership of the CMS has met to discuss the issues and has agreed some immediate mitigating actions to be taken in the 2020/21 financial year to avoid any further deficits. CMS would value a consultation with the schools' forum to consider and support a transition to a new trading model and to prevent any future overspend. The plans are detailed below.

The Department for Education's (DfE) implementation of its new 'hard funding' formula, in particular the cuts being imposed on the Central

Services Schools' Block (CSSB), mean essential changes to the trading relationship with schools need to be made.

The preferred option at 41 below should be explored, developed and implemented through a phased process over three years. There should be extensive consultation with schools' forum to ensure that an acceptable model is developed. Some likely options are outlined below.

2. Introduction and context

2.1 The CMS is forecasting an overspend of c. £31k for the 2019/29 financial year. The breakdown of income and expenditure is shown below

2.2 There have been a range of pressures on the budget during this financial year that have caused the overspend. The narrative is below at i):

- i) School Teachers' pay increased by 2.5% (1.5% more than expected) adding c. £3.5K to salaried staffing costs for period Sept 19 to March 20. There was also an increase in employer pensions contributions 16.48% to 23.68%. DfE payment of c. £23k not yet received;
- ii) Long term absence of tutor on School Teachers' Pay & Conditions Document (STP&CD) required payment of salary and Statutory Sick Pay (SSP);
 - (1) cost of additional teacher cover for a proportion of the hours;
 - (2) repayment of school's charge after two-week period of £2.5K;
 - (3) SSP burden for year 2K.
- iii) Mandatory corporate staff training funded from the CMS budget across all staff with a cost to CMS of £7K;
- iv) Reduced trading from secondary schools, in particular:
 - (1) schools reducing their commitment to trade at the start of autumn term;
 - (2) some schools, after initial trade agreement, decided to hire their own instrumental teachers at rates that are not competitive.
- v) Reduction in uptake of after school lessons leading to some reduced class sizes prior to re-organisation of pupils and reduction in staff hours;
- vi) Increased pressure from reduction in Whole Class Ensemble Tuition (WCET) activity in 12 schools. One primary discontinued after 1.5 terms of lessons; now used for Planning Preparation and Assessment time (PPA) cover instead.
- vii) Flexibility of STP&CD staff less than hourly paid staff on variable contracts as tutor costs for peripatetic teaching is lower than WCET teacher costs. (Qualified teacher costs recovery is planned through WCET delivery income);
- viii) A drop in traded services uptake from both local authority schools and academies. Some direct trading will now have to be introduced.
- ix) Shortfall in funding recovery for Charanga and Conductive Music.
- x) Increased premises costs for 19/20.
- xi) Previous CMS budget outcomes have been positive and underspent; the 19/20 budget has been impacted by a range of extraordinary external factors.

2.3 Budget breakdown

For budget details please see Annexe 1.

3. Financial planning 2020/21

3.1 CMS Budget. Recovery plan – phase 1: Assurance for 2020/21

- i) Immediate measures will be implemented to maintain control of income and expenditure in the following areas of provision:
- (1) Core tuition; allocations to be revised from September
 - (2) Additional out of school classes; some charges to be made;
 - (3) Music centre ensembles; some charges, with remissions available, to be made;
 - (4) Whole class ensemble tuition (KS2); to increase delivery;
 - (5) Curriculum advice; some charges eg for 'deep dive' training;

Risks and mitigation

Risk	Possible impact	Mitigation
COVID – 19 <i>(NB this is a risk factor that is beyond our ability to control.)</i>	Closure of schools until further notice will lead to loss of tuition hours and consequent loss of income. Staff will still need to be paid. Likelihood: 5 ¹ Impact: 5 Risk ² : 15 - very high	<ul style="list-style-type: none"> • CMS to track and itemise all losses of income directly related to the virus and claim compensation when it comes available; • CMS to explore possible avenues to providing tuition remotely e.g. using Charanga's YUMU
Increase in fees due to reduction of core hours	Some schools may reduce their buy-back and only require a reduced core. Likelihood: 2 Impact: 3 Risk: 6 - moderate.	Reduction of the number of hours delivered by hourly paid staff
Income targets	As a result of reduced buy back income targets may be missed. Likelihood: 2 Impact: 3 Risk: 6 – moderate.	CMS to monitor any effects and adjust expenditure accordingly
Arts Council England grant ends	The reduction of our primary income stream by 100%. Likelihood: 1 Impact: 4 Risk: 4 – low.	The CMS would have to undergo a major restructuring

¹ Likelihood and impact marked between 1 - 5

² Risk is product of likelihood and impact

4. The development of, and phased transition to, a revised trading model with schools and families for September 2021

- 4.1 To develop a revised allocation methodology for the continually decreasing grant from the Schools' Forum. The key outcome must be to end the historic allocation of 100% free core and replace with an income generating incentivised process. Some possible examples are outlined in the following options:
- i) To establish a match funding process with a maximum amount available per school based on pupil numbers. Schools would need to order a number of hours tuition per academic year to access the match funding. This would reduce year on year in line with the reduction of the Dedicated Schools Grant allocation. Schools requesting tuition over and above the match funding limit would be charged full price for the extra hours;
 - ii) To offer a maximum subsidy cash value per school, based on pupil numbers, which would be available for the hours ordered. This could be published as a maximum percentage available on a published purchase level. If schools request more than the maximum subsidy amount the hours will be charged at full cost. (*This is to avoid a 'cap' on tuition hours and is reliant on 4.3 iv below*);
 - iii) To establish a more robust trading relationship to ensure that commitments to tuition are honoured by:
 - (1) Ceasing to use traded services and negotiating and trading directly with schools;
 - (2) Only allowing a reduction in tuition hours with a term/half-terms notice;
 - (3) Charging schools full cost for the tuition hours and refunding the subsidy/match funding at the end of the financial year (*e.g. through a discount applied to the final invoice. In the early years of the transition with comparatively high levels of subsidy/match funding this could equate to a free term and/or a refund*);
 - iv) To remove the bar on passing on some charges to families:
 - (1) To offer support to schools to develop charging and fee remission policies that ensure compliance with the revisions on optional extras made in the 2007 Education Act (for the full guidance [click here](#)) which states;
 - (a) That charges can only be made for tuition that takes place in school hours if there is a charging and fee remission policy in place;
 - (b) That the tuition must be requested by parents or carers;
 - (c) That the charges must not be more than the cost of the provision e.g. no profit can be made;
 - (d) That no charges are made for 'looked after children';
 - (e) That the tuition can take place on a one to one basis or in any group size that is educationally viable;
 - (f) That charges cannot be made for the first year access programme known as WCET;
 - v) To establish a central 'bursary fund' to which schools could apply for additional funding for special cases in line with criteria established and published by the CMS/MEH. This would initially be an element of the ACE grant, but this could be augmented and/or replaced with grant funding from charitable trusts and other benevolent organisations through a MEH Charitable trust.

- 4.2 To consult with schools' forum initially to explore best routes to establish this new framework;
- 4.3 During the 2020/21 financial year to explore the various options to set up a charitable arm for either the CMS or the Music Education Hub (MEH). This will open up opportunities to bid for funding from charitable trusts and organisations that will not provide funding to local authorities (e.g. Paul Hamlyn, Esmee Fairbairn). To have everything in place and running by February 2021;
- 4.4 To engage in extensive consultation with stakeholders to look at a range of delivery options for implementation from September 2021;
- i) To establish representative sub-groups of primary and special, and secondary schools and academies;
 - ii) To make this a priority item for the CMS Advisory group;
 - iii) To allocate the hub governing body to this as a single item meeting;
 - iv) To consult with CYP through the newly established Youth Voice Music Forum;
 - v) To consult with the community through an online questionnaire.
- 4.5 To explore the possibility of Schools' Forum facilitating the establishment of a music service pool contributed to by all schools relative to pupil numbers to replace the £310k as it shrinks year on year. This could be linked to, and support the implementation of, the final recommended and agreed trading model.

5. Recommendations

5.1 The CMS requests:

- i) That the schools' forum accepts and supports the proposed shift to a revised trading model;
- ii) That the schools' forum establishes the membership of the consultative sub-groups of primary and special, and secondary schools and academies in line with its preferences for membership;
- iii) That the schools' forum allocates time in its Spring 2021 meeting to consider the outcome of the consultation and proposed new trading model.

Timeline³

By end of June 2020:

The schools' forum sub-group has been convened and discussed section 4 (above).

Intended outcomes:

1. That the proposals outlined in section 4 above have been extensively analysed and discussed;
2. Any necessary revisions have been made and additional detail about how the process will work are set out.

Establish, working with Studio 3 Arts, Sound Connections and LBBD Participation, Opportunity and Wellbeing service, using grant funding from Youth Music, the

³ This may need revision dependent on the COVID – 19 situation

LBBB Youth Voice Music Forum. **NB** this timeline may change as a result of the Covid – 19 situation;

July 2020;

Present the outcome of the sub-group's discussions to the schools' forum for final agreement

Implement any further consultation programmes, if required by schools' forum – to be completed by October 2020;

Report on any further consultation processes with recommendations for next steps made;

Spring 2021;

Present the report and recommendations for the future model to Schools' Forum for agreement.

Summer term 2021;

Implement the new trading model.

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Annexe 1

Projected outturn budget

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CMS Budget Outline	2019-20				
March Period 12					
Summary	Subjective	Code	Budget	Forecast Actual	Variance
Income					
Controllable	Grants	511000	- 393,833	- 438,954	- 45,121
	Income Schools	516460	- 67,000	- 51,909	15,091
	Music Services Income	517440	- 333,940	- 219,411	114,529
	DSG Recharge	581320	- 310,000	- 310,000	-
	Recharges Income Other	581300	-	- 23,000	- 23,000
	Schools Traded Services	581320	- 223,118	- 68,035	155,083
Gross Income			- 1,327,891	- 1,111,309	216,582
Expenditure					
	Salaries	611000	955,360	778,673	- 176,687
	NI	611020		75,489	75,489
	Pensions	611040		156,995	156,995
	Claims (Overtime)	611060		-	-
	Sick Pay	611080		1,742	1,742
	Maternity Pay	611100		-	-
	Employee Allowances	611160		3,901	3,901
	Add Yrs Pension	611260	3,150	-	3,150
	DBS Checks	611280		-	-
DBS	Emp Related Schemes	611300		264	264
H&S	Staff Training	611480	4,700	115	- 4,585
	Staff Other Expenses	611520		53	53
Premises	Facilities	621000	45,000	-	45,000
	H&S	621100	200	-	200
	Building Works	621270		-	-
	Electricity	621280	6,500	-	6,500
	Gas	621300		-	-
	Business Rates	621460	17,000	6,602	- 10,398
	Water	621500		-	-
	Cleaning Services	621520		-	-
	Grounds Maintenance	621540		-	-
Transport	Vehicle Hire	631140		439	439
	Car Allowances	631260	3,000	1,896	- 1,104
Supplies	Purchase Equipment	641140		445	445
	Printing	641260		7	7
	Photocopying	641280		-	-
	Stationery	641300	500	229	- 271
	General Office Expenses	641340		-	-
	Arts and Leisure	641380	60,000	70,096	10,096
	Events	641520		-	-
	Professional Ser. Gen	641640	146,941	-	- 146,941
	ICT Hardware	642020		-	-
	ICT Maintenance & Supp	642140	40,000	- 220	- 40,220
	Mobile Telephones	642220		-	-
	Telephones	642260	1,600	1,844	244
	Postage	642300	3,000	1,916	- 1,084
	Exam Fees	644120		-	-
Third Party Payments	Private Contractors	651780		-	-
Goss Expenditure			1,286,951	1,100,486	- 186,465
Non Controllable Expenditure					
SERCOP Charges	Depreciation	671000	-	-	-
	Corporate Services	681020	37,480	37,480	-
	Customer Services	681040	66,390	66,390	-
	Financial Services	681060	21,120	21,120	-
	Human Resources	681080	31,830	31,830	-
	ICT	681100	104,890	104,890	-
	Insurance	681120	-	-	-
	Procurement	681180	9,930	9,930	-
	Property Management	681200	6,220	6,220	-
Gross NCE			277,860	277,860	-
Grand Total			- 40,940	- 10,823	30,117