

Report to: Lead Member for Education and Inclusion, Special Educational Needs and Disability

Date of meeting: 30 April 2018

By: Director of Children's Services

Title: Music Service Update

Purpose: To consider proposals to address the financial sustainability of the East Sussex Music Service.

RECOMMENDATIONS

The Lead Member is recommended to:

- 1) agree to implement the Management and Administrative restructure proposals and other efficiency measures in relation to the East Sussex Music Service (already consulted on in October 2017); and
 - 2) agree that a proposal be drawn up to close the instrumental teaching service, as outlined in Option B in the report.
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1 Background

1.1 This report sets out the work that has been taken forward to try and make the Music Service financially sustainable. It is a detailed and complex issue to set out but the key points are summarised below.

- In the last few years £600k savings have successfully been delivered through restructuring and efficiencies without adversely affecting the service to children and young people.
- A further saving of £180K is needed to ensure the costs of the Music Service could be met by income and grant. We need to agree a way forward quickly because the Music Service would be in deficit by approximately £100K by 2019/20.
- In order to address this financial challenge restructuring proposals were put forward in October 2017 which would make the required savings by 2022/23, with use of the remaining reserves and savings from a voluntary severance scheme partly or wholly mitigating the shortfall in the preceding years. These proposals included a management and administrative restructure, efficiency measures, and a change in teachers' terms and conditions through removal of the Upper Pay Range (UPR).
- However we have experienced significant challenges that are set out in the report and consider that there are really only two viable options. Both options accept that we will not proceed with the removal of the UPR for teachers. A summary of the options is set out below.

Option A. This option would propose to go ahead with the implementation of the management and administrative restructure and other efficiency measures. This would result in a shortfall of

savings of £37.5k in 2022/23 which rises to £77.3K* when the £40K funding to support the social mobility agenda is released. This deficit would need to be met from compensatory savings from elsewhere in Children's Services. The savings target for the department is currently £4.029m. If the offer of voluntary severance for teachers on UPR, which was put in place to mitigate the impact of removal of UPR, remained in place, this could mitigate some of the shortfall, as posts would be replaced on the unqualified or main scale, at lower cost.

	2018/19	2019/20	2020/21	2021/22	2022/23
Restructure savings	20,751	35,573	35,573	50,412	59,323
Other efficiencies	74,546	83,138	83,138	83,138	83,138
Reserves	72,000				
Total	167,297	118,711	118,711	133,550	142,461
Minimum required savings	£180,000	£180,000	£180,000	£180,000	£180,000
Shortfall	£12,703	£61,289	£61,289	£46,450 or £55,838*	£37,539 or £77,370*

Option B. As well as implementing the management and administrative restructure and other efficiency measures (already consulted on) this option also proposes the closure of the small group instrumental teaching service which would achieve the required saving of 180K plus additional surplus of at least £80K which would be released back to the Hub for priorities in accordance with Arts Council funding criteria. However this option comes with significant job losses (approximately 70 staff), redundancy costs of circa £350K and potential loss of service for some young people. If Option B was agreed we would plan to consult with the public from June 2018 and with staff from October 2018.

	2018/19	2019/20	2020/21	2021/22	2022/23
Savings from closure		29,166	50,000	50,000	50,000
Restructure savings (minimum estimate)	20,751	131,489	200,000	200,000	200,000
Other efficiencies	74,546	40,474*	10,000	10,000	10,000
Reserves	72,000				
Total	167,297	201,129	260,000	260,000	260,000
Minimum required savings	£180,000	£180,000	£180,000	£180,000	£180,000
Shortfall/ (surplus)	£12,703	(£21,129)	(£80,000)	(£80,000)	(£80,000)

* Efficiencies reduce as they are associated with the instrumental teaching service and so would not be relevant once closed.

2 Supporting information

2.1 East Sussex Music Hub receives £647K grant income from the Department for Education (DfE) via the Arts Council. Hubs are expected to deliver the elements of the National Music Plan for Education and ensure opportunities are accessible to all. In 2017, the DfE announced that it expects all arts organisations to support the government's social mobility agenda.

2.2 The Music Service has a turnover of £2.34 million. The majority of its income comes via traded services with parents and schools. However, in order to support its financial viability, the majority of the Arts Council funding for the Hub is passported directly to the service. This is at the cost of funding other partners in the Hub to undertake targeted work which supports the social mobility agenda.

2.3 With the support of HR and Legal Services, a number of options to deliver a financially sustainable model have been explored.

2.4 Some options, including becoming an independent trust, merging with a neighbouring Music Service and moving teaching staff onto the single status pay scale have been discounted for legal, technical and financial reasons. Other options have been pursued but have not delivered the required level of saving.

2.5 One of the key issues that is preventing the Music Service from achieving financial sustainability is the cost of the teaching workforce. Teachers are paid on the national school teachers' pay scale (Appendix 1) and a significant proportion have progressed onto the UPR. This makes it difficult to earn enough income from fees to cover the workforce costs.

2.6 A set of proposals were presented to staff and unions in October 2017 that, if implemented, would meet the minimum saving requirement and enable the service to balance the budget without reliance on County Council reserves and would in addition release £40K to support the social mobility agenda.

2.7 Teaching unions lodged a formal dispute in relation to both the proposed management structure and the removal of UPR. In particular they challenged the legality of removing UPR and confirmed that they would seek to challenge it through employment tribunal or judicial review. We have therefore decided to formally withdraw the proposals to remove UPR.

2.8 Neither staff nor unions were able to put forward proposals through the consultation process to make the savings that would have been achieved through removal of UPR. As a result, the remaining options would be to implement the management and administrative restructure and other efficiencies, but not removal of UPR (Option A) which would not achieve all of the savings requirement, or Option B which would be to implement the management and administrative restructure proposals and other efficiencies (already consulted on in October 2017) and in addition agree that a proposal to close the instrumental teaching service is drawn up for consultation.

2.9 In relation to option B, there would be still be a vital role for the Music Service in East Sussex. As the lead organisation for the Music Education Hub, we would continue to be responsible for a range of Arts Council funding requirements, for example supporting schools with whole class instrumental tuition and providing opportunities for children to play in ensembles through the work of area music centres and summer schools. It is also envisaged that 6th form music provision would continue through the East Sussex Academy of Music. If the Music Service no longer directly provided instrumental tuition, provision would still be available through the private market.

2.10 Relying on the private market to deliver instrumental tuition, could have an adverse impact on children and young people from low income families, from rural areas and those with

SEND. Ways to mitigate these impacts will be explored as part of the public consultation and further work with staff and Trades Unions. For example, a bursary scheme could be set up to subsidise the cost of lessons or incentivise the market.

Appendix 2 provides further information on both options.

3. Risks associated with options A and B

3.1 Risks associated with Option A

- The incentive for staff to accept voluntary severance would be reduced, without the removal of UPR, so it is not known at this point whether there would be any mitigation of the shortfall.
- The music service budget would remain very tight and any further cuts to funding by the Government would result in the need to re-consider Option B, the closure of the instrumental service.
- The budget forecast assumes that Music Hub partners will continue to passport the majority of the Arts Council funding to East Sussex Music Service.
- The budget forecast assumes that we will continue to share the cost of fee remission for low income families with schools but we know schools budgets are under pressure and they cannot be compelled to do this, although the majority currently are.
- There has already been some opposition by staff and parents to the proposed loss of management posts.
- Some parents may choose to withdraw their children from music lessons in support of the staff affected or staff may leave and take their pupils with them. This would reduce income and additional savings would need to be identified to mitigate this.

3.2 Risks Associated with Option B

- It is recognised that a number of HR and / or legal issues may arise during the development of detailed proposals, which could make option B complex or difficult to implement. For example, we recognise we would need to draw up a business case for re-engagement of some staff (albeit on vastly reduced hours) following redundancy, so that the remaining elements of the Music Service could continue to be provided. Were this not possible, it would draw into question the sustainability of other aspects of the Music Service.
- Depending on the future operating model that is agreed it may not be possible to run all aspects of the new service in September 2019. Some elements may need to be phased in over a few months due to legal requirements.
- This proposal will result in adverse publicity from both staff and parents. Currently 3221 children and young people are learning an instrument with the Music Service. Information about the pupil cohort is detailed in Appendix 3. Parents from rural areas in particular are likely to voice significant concerns because it may not be so easy to find private music tutors.
- Teachers can only be given notice on 30 September, 31 January or 31 May, so it may not be possible to meet the January deadline. If this was not possible, Children's Services would need to find one-off funding to support any shortfall in budget until implementation.

- As above there has already been some opposition by staff and parents to the proposed loss of management posts as part of the management and administrative restructure

4. Conclusion and reasons for recommendations

4.1 On balance Option A is not recommended for the following reasons:

- Option A leaves a deficit budget of between £37.5k and £77.3K in 2022/23 depending on the agreement reached with the Hub about how much money is released back to support the social mobility agenda. The Music Service is not a statutory service and it would be difficult to justify prioritising this service over other frontline services.
- The service would still remain financially at risk from any reduction in grant funding, any change in schools' commitment to supporting fee remission and any reduction in student numbers. Given the risks it is not considered that it is viable to constantly revisit options to address the financial sustainability of the service as it absorbs considerable senior management, HR and legal time each time we do it.

4.2 Although the Music Service is undoubtedly a valued and much loved service, for the reasons outlined above, it is recommended that Lead Member agree Option B and implement the management and administrative restructure and other efficiency measures and ask that a proposal to close down the instrumental teaching is drawn up with an intended implementation date of September 2019 (subject to public consultation and further work).

4.3 If agreed, we would hope to draw up revised proposals collaboratively with staff and Trade Unions, but given the financial forecast, it would be necessary to move quickly because of the budget pressures. We would hope to consult with the public from June 2018 and with staff from October 2018.

4.4 Although this could have some negative impact in the long-term on music education opportunities and is likely to be met with public, staff and union opposition, this option would secure the financial viability to continue to provide many elements of the current Music Service and provide greater opportunity for the service and Hub partners to support the County Council's priorities around vulnerable people. An equalities impact assessment will be undertaken as part of the public consultation.

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APPENDICES

Appendix 1 Teachers Pay

Appendix 2 Options appraisal

Appendix 3 Student data

Appendix 1 Teacher pay

East Sussex Music pays teachers on national school teachers' terms and conditions (STPCD):

Scale point	Annual salary	Hourly Rate	Number of ESM staff	
			Contracted	Hourly paid
Unqualified teachers pay range				
1	£16,626			
2	£18,560			
3	£20,492	£20.81		2
4	£22,427	£22.77		4
5	£24,362	£24.74		6
6	£26,295	£26.70	12	15
Main pay range				
1	£22,917			
2	£24,486			
3	£26,454			
4	£28,490			
5	£30,735	£31.21		1
6a	£33,164			
6b	£33,824	£34.01		11
Upper pay range				
1	£35,927	£36.48		
2	£37,258		1	4
3	£38,633	£39.23	11	4

Appendix 2 Supporting information for options

Option A

This option would implement the management and administrative restructure and other efficiency measures, but not removal of UPR. Management salaries would need to be safeguarded if a displaced manager takes up a teaching position in the service. The budget forecast assumes this would be the case for one post.

Some of the efficiencies are already in place, for example we have successfully negotiated with schools that they share the cost of fee remission on music lessons for low income families.

This option results in a shortfall of savings of £37.5k in 2022/23 which rises to £77.3K when the £40K funding to support the social mobility agenda is released, which was part of the original proposal.

The proposed management restructure generated opposition from some staff and parents. Given the need to reduce the budget deficit as far as possible it is necessary to proceed with the management and administrative savings, albeit in the face of some staff and parental opposition.

Option B

The instrumental teaching service forms a significant proportion of the Music Service (for example, instrumental teaching constitutes 80 – 90% of a contracted teacher's hours) and so closing this part of the service would result in redundancy for most teaching staff. However, other elements of the service, such as running orchestras, choirs and summer schools would continue.

The shortfall between cost of delivery of the teaching service and income received from fees is in the region of £50K, so closure would deliver a saving. In addition, the remaining service would require a smaller management and administrative team. Depending on the structure put in place, the annual savings for this option would be in the region of £250 – 300K. Savings could be greater if teachers are paid on the Single Status salary scale for those activities that do not take place in schools.

The savings achieved from this option would enable the service to balance the budget, address the minimum savings requirement, provide a buffer against any further reductions in income and provide more funding for the Hub partnership to address the social mobility agenda. However, it would result in redundancy for most of the 75 instrumental teaching staff and for some management and administrative staff. Redundancy costs would be circa £350K.

If the Music Service no longer directly provided instrumental tuition, provision would still be available through the private market. Relying on the private market could have an impact on children and young people from rural areas, those with SEND and those from low income families. However, a proportion of the saving (over and above the minimum required) from closing the instrumental service could be used to provide bursaries for low income families and enable ways to be explored to mitigate any impact that young people living in rural areas or who have SEND. Possible mitigations would be explored further as part of the public consultation and work with staff and Trade Unions.

Appendix 3 Student data

Pupils receiving instrumental tuition (as at 15.03.18): **3221**

	SEN	% of all pupils
Total	7.5	
of which:		
EHCP	1.5	
SEN	5.5	
Statemented	0.6	

Pupils on remission (for low income)

Total	14.8
85% remission	7.2
50% remission	3.9
25% remission	3.1

	By area	% of all pupils
Crowborough	18.8	
Eastbourne	24.0	
Hastings	27.4	
Lewes	29.3	