Severn Arts

Business Plan 2017-21

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**August 2017**

# Statement of purpose.

It is proposed that Severn Arts (SA) be transferred to operate as a business entity separate to Worcestershire County Council (WCC).

The new company would be called Severn Arts (SA) and would be a 'not-for profit' company limited by guarantee, would seek charitable status, and would operate as a social enterprise with Directors representing key stakeholders such as schools and the local authority, as well as the wider community. The business would also operate as a company limited by guarantee with charitable status, and staff would be represented in governance structures.

This Business Plan is not that of a new business or start-up but concerns the transfer of a well-established service ,with a sound existing customer base , good customer relationships and with no WCC base budget ,into the `third sector`. This will create a local organisation that has an understanding of local needs, provides high- quality delivery, value for money and is responsive in its support and provision of services for local schools and their children and young people.

SA has been operating as a traded service for many years and derives the majority of its income from schools through Service Level Agreements. However, in the current economic, political and educational policy environment it has become increasingly difficult for the service to operate flexibly, efficiently and responsively.

Within the context of a new business model, SA will be able to trade more efficiently and compete more effectively, whilst at the same time maintaining public service values, a sound moral purpose ,maintaining employment and expertise ,and above all ,ensuring that future generations of children and young people are able to benefit from this service .The creation of an agile ,`not- for- profit` external organisation with strategic links to WCC, provides an opportunity to deliver services on an efficient and effective footing so that it can continue to make a positive impact upon teaching, and the pupil progress, learning outcomes, social and emotional health of children and young people.

It is proposed that the employees of the charitable company will be made up of transferred SA employees under TUPE regulations, and that the new company will achieve admitted body status to the West Midlands Local Government Pension Scheme (LGPS) and to the Teachers` Pension Scheme (TPS) prior to transfer.

The essential elements of the vision for SA include:

* The creation of a local organisation with an understanding of local needs
* A service that maintains a public sector ethos
* A service that reinvests any surplus generated back into the business
* A service that works in partnership with schools, WCC ,and a range of arts and community organisations/partners
* A service with the capacity to satisfy customer demand
* A stable service
* A service that is able to take carefully managed risks
* A service that is fully inclusive in every aspect of its operation
* A service that is innovative and whose practice is firmly based upon sound educational research

The social mission of the organisation will be to work in partnership with schools and other agencies to deliver an efficient, effective, vibrant, rich, and broadly-based educational experience in music and the arts to every child and young person in their care, enabling them to fulfil their full potential in each of the academic, personal and social dimensions.

* The support of WCC is critical to the success of the new organisation. WCC is requested to consider assisting in the creation of the new entity by providing support in a number of ways ,including:
* Facilitating working capital requirements
* Acting as a guarantor to the Pension Fund/ Bonds to be in place if the new organisation is to achieve Admitted Body Status
* To guarantee the pension and redundancy rights of staff up until the point of transfer under TUPE
* Assisting a smooth and efficient transfer of business
* Negotiating favourable asset transfer
* Continuation of operational and strategic links including participation in the governance of the new organisation

The National Curriculum, the National Plan for Music Education, Ofsted and the establishment of the Cultural Education Challenge all clearly state the expectation that every child should have the opportunity to learn to play a musical instrument and engage with the arts .There is, therefore, a growing need for organisations that have the track record, expertise and capacity to respond to this challenge and support schools and other organisations in the realisation of these expectations.

# Proposition

## Products and Services

Severn Arts (SA) is a Local Authority Music Service which provides music tuition, performance opportunities, instrument hire and other music education to pupils in Worcestershire. This growing service currently impacts on 8-10,000 children and young people weekly and over 18,000 across a year. It is also the lead organisation for the Worcestershire Music Education Hub which has the Government/Arts Council England (ACE) remit of delivering the National Plan for Music Education (NPME) in Worcestershire. Research has shown the benefits of music education for educational attainment, behaviour, self-esteem and social skills as evidenced in the NPME. This was the thinking behind the NPME, launched by the Government in 2011, which stipulates that every child age 5-19 should be given the opportunity to learn a musical instrument, to sing regularly, to join an ensemble and to progress with their learning. The NPME has been put in to practice through the formation of Music Education Hubs, involving partners working together to deliver high-quality music education. The impact of this work is subject to scrutiny and evaluation by Ofsted.

***Context***

The service is a large organisation with 100 approx. staff. It currently trades with 80% of Worcestershire schools and has a partnership with 95% of the County's schools. There is an increasing range of services offered to schools, children and young people on a 'not for profit' basis with a distinct feature of the service being the `one- stop shop` for music education in Worcestershire. Whilst it is a traded service, SA should be regarded as an education service not an agency for instrumental and vocal teachers; these wider value-added benefits give it a distinctive place in the market. Customers also benefit from its provision of a coherent, progressive, universal, county-wide offer covering all aspects of music education. The service`s role as the lead organisation of the Music Education Hub not only gives it a unique role in the delivery of music education but also the responsibility for ensuring every child`s access to high-quality opportunities both in and out of the classroom.

In addition to the teaching provision provided for schools, there are many further activities provided for children and young people such as the weekly ensemble and vocal performance opportunities, as well as the high- profile large scale events in venues such as Symphony Hall, Birmingham. The large resource stock of instruments, maintained and stored at the SA workshop by professional technicians, ensures that high-quality instruments are made available to children and young people throughout the year in excellent working order.

Severn Arts' role as the key music education leader for the County involves the responsibility for the delivery of the NPME and support and challenge of curriculum provision provided in schools. SA is expected by Department for Education (DfE) /Ofsted to implement a Schools Music Education Plan (SMEP) for the county and undertake visits to all schools in order to monitor and support improvements in music education.

SA currently has a budget of £1.9 million of which £734,925 is DfE grant (distributed and monitored by Arts Council England) and the remainder is traded income. Funding for the Hub has recently been confirmed by the DfE until March 2020.**The service no longer receives Base Budget from WCC and by 2014 saved £250,000.** The savings were staged in at a rate of approx. £50,000 per annum from 2008-09 until its full removal for the 2013-14 financial year. Conversely, though SA's budget and headcount have remained largely unchanged since 2009/10 the contribution the service makes towards WCC in the form of central recharges have increased from £19, 800 in 2009/10 to £72,000 in 2016/17. SA has also had to make significant savings in its government funding between 2008 and 2014

The service has been able to respond to the changing economic picture by focussing on the relevance, quality and access to its services by schools and children and young people. No other provider is able to offer the breadth, excellence, knowledge and ability to respond to the needs of Worcestershire schools and their students.

**Financial Projections**

Over the next three years, with a more commercial business model which is no longer reliant on subsidy for tuition, Severn Arts will continue to build a sustainable business model with the long term aim of not being dependent upon grant funding to survive. Over the next three years conservative financial projections can be summarised as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2017/18 | 2018/19 | 2019/20 |
| Grant | £734,925 | £734,925 | £734,925 |
| School income | £1,052,700 | £1,105,051 | £1,167,521 |
| Other traded | £165,017 | £180,319 | £193,696 |
| External funding | £73,000 | £72,000 | £72,000 |
| Total Income | £2,025,642 | £2,092,296 | £2,168,142 |
| Expenditure (Fixed and Variable costs) | £1,959,841 | £2,016,944 | £2,078,549 |
| Surplus | £74,801 | £75,351 | £89,593 |
| Surplus after cash flow loan repayment (£66k payback per year for 7 years) | £7,944 | £8,494 | £22,735 |

Government Funding (MEG) is currently guaranteed until 2020. While it is highly unlikely that the grant would disappear in its entirety, SA has modelled several scenarios regarding how it would react to various levels of reduction after 2020. In the unlikely event of total grant removal, implications would be equally serious whether SA were function from within WCC or as a separate entity. Such a scenario would also have far reaching and significant national repercussions. (Please see Grant Risk Register in Financial documentation)

***Commercialisation and innovation***

As a result, the service has transformed into a more commercial operation and now charges its costs out to customers at an unsubsidised rate. The service has also had to develop and implement innovative approaches to deliver more for less. For example, the introduction of more flexible staffing and deployment from January 2014 to maximise delivery in schools but also to reduce slack in the form of 'non-chargeable staff time' between schools and tuition. Further development of a system of rapid and flexible recruitment – particularly in relation to short term cover and the ability to respond to daily fluctuations in customer need is of critical importance to the survival of SA in future and this is not attainable within the current WCC recruitment/HR framework.

The long term sustainability of the service is dependent upon its ability to expand in a commercial way, to continue to develop innovative approaches to delivery and organisation. It also needs to develop business partnerships in order to attract investment and deliver a progressive and vibrant music education experience to increasing numbers of young people as set out in the NMPE and ratified by Ofsted and ACE.

There are a number of areas of development that are difficult to implement whilst operating within a County Council context such as cost and lack of flexibility in operational and logistical systems in order to be able respond quickly to changes in schools and children`s needs and provide service continuity. There is a constant challenge of providing an inclusive and broad offer to all of the county`s children and young people whilst balancing this against the commercial and financial needs of the service. This is more achievable as an independent service. The need to market the offer that the service provides in order that schools and parents are aware of the activities provided would be easily achievable via a more sophisticated and responsive communications strategy than is currently possible.

Government spin-outs have a positive track record of business success:

In the first 3 years, of 70 government spin-outs:

* Turnover increased by 15%
* Contracts delivered increased by 29%
* Predicted annual growth rate of 10%
* Absenteeism fell by 20%
* Staff turnover fell by 16%

(Data from Cabinet Office Mutuals Information Service)

The key developments that SA would immediately instigate would be an expansion of its impact via:

* Greater diversification of the offer by delivering a broader range of activities including genres and instruments currently not offered (this would include arts provision)
* Development of a wider range of partnerships in order to enhance and support delivery and work beyond Worcestershire where it is appropriate to do so .For example, the partnership with Armonico Consort has resulted in SA`s £35,000 contribution to the choir for the delivery of the County Singing Strategy being matched by £55,000 by Armonico sourced from its own fundraising.

## Long term aim of business

The long term aim of Severn Arts will be to work in partnership with schools and other agencies to deliver an efficient, effective, vibrant, rich, and broadly- based music and arts educational experiences to every child and young person in their care, enabling them to fulfil their full potential in each of the academic, personal and social dimensions.

The vision is to build upon the experience, reputation and professional expertise of Severn Arts in order to provide high-quality, value for money support to schools. The service is designed to enable schools to provide a rich, broad and balanced curriculum, to have access to economies of scale, and to support effective leadership and management of music in schools.

SA ,as a charitable company, will create an even more flexible and responsive model of high- quality service delivery which would enable it to compete more effectively with private sector providers ,thereby achieving beneficial outcomes that may not be achieved by the current working methodology.

Severn Arts aspires to be an outstanding commercial organisation operating with public service values, the first choice of schools and other service users when selecting music and arts education support services. It will achieve this by being reliable, responsive, flexible, professional, innovative and efficient in its interactions with partners including learners, governors, parents, school staff and others. The service`s work will go beyond Worcestershire and also develop further in to areas such as Early Years, Adult Education and Third Age developments ,Youth work, the Health sector and Higher Education.

## Objectives

It is expected that SA will achieve success via the following objectives.

1 .Increased operating flexibility will allow a more responsive reaction to schools` needs resulting in greater pupil impact with income available to it. The performance indicators would be:

2,000 additional pupils impacted upon annually until a target of 18,000 pupils is reached by 2020

* A 5% increase (from the current 80%) in the number of schools engaging with the service until a target figure of 90% is reached by 2020 (Total number of Worcestershire Schools is 250)
* Achieve an annual 10% increase(from the current 51%) in First Access Music Education(FAME)take-up by schools until a 75% target is reached by 2020
* Achieve an annual 10 % increase (from the current 37%) in continuation from the FAME offer until a 60% target is reached by 2020. This is an aspirational target that responds to the expectations of the DfE that the majority of primary/middle schools will, in time, be recipients of this programme.

Projections for income from school tuition 2017-21

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| --- | --- | --- | --- | --- | --- |
| Income | 2017 | 2018 | 2019 | 2020 | 2021 |
| School tuition | £1,052,700 | £1,105,051 | £1,167,521 | £1,227,008 | £1,276,606 |

Current projections for increases in revenue are based upon a combination of some price increases, ability to respond quickly to provide additional services to existing customers.

Even though our contracts are with schools,( which will be novated across to the new organisation) , in the majority of schools all or part of the costs of music tuition are paid for by parents and evidence seems to suggest that they will continue to fund music opportunities for their children in the future (Office for National Statistics).

2. The new business model of the independent organisation will allow access to a range of financial opportunities;

* Maximise impact from Gift Aid donations
* Identify new income streams available from charities with a view to raising c£80,000 approx. annually from external non-traded income by 2020.
* The secured long term future of the service will ensure that ACE would retain its confidence in the secure investment of the Music Education Grant
* The long term stability of the service will also be a key factor in not only attracting new high-quality staff to the service but also retain current staff due to their increased confidence in the future of SA

3. The move to independence from WCC will enable significant partnerships to be formed and new income streams developed:

* Joint strategic developments with the Elgar School of Music
* Deliver the vocal strategy in partnership with Armonico Consort or similar providers
* Establish the Instrumental Workshop as a service that will be able to serve other LA`s and private customers and therefore improve its commercial performance
* New partnerships will support the diversification of the activities offered to schools across a wider range of instruments and genres and in to a wider arts offer in particular
* Maximise business opportunities arising from the formal partnership with the University of Worcester
* Establish a relationship with supply teaching agencies in order to maintain continuity of provision when SA staff are unavailable to teach

4. The key areas for growth will be:

* Encouraging existing customers to buy more services e.g. promotional packages and discounts for high engagement
* Broadening the existing customer base within Worcestershire, recapturing lost business and capturing new custom e.g. increased dialogue with all schools
* Extend penetration to schools in neighbouring areas e.g. offering services that are currently not offered in these counties. This will be achieved by collaborative negotiations with our partner music service in order to fill gaps in provision that they may have.
* Organise conferences and training in response to new educational and musical developments
* Increase fundraising capacity in order to generate new income
* The development of tuition and performance opportunities for adults
* Establish access by children and young people to `out of hours` tuition where this is not possible within their schools
* Maintain the current relevance of the offer – new styles of music e.g. urban, respond to current youth trends and interests, expand access to new music technologies and broaden into related arts areas
* SA will use ICT to conduct its business more efficiently e.g. adopting on-line ordering /booking systems, and using social media to communicate effectively with customers, partners and the wider music/arts community in Worcestershire and beyond
* Work in partnership with the University of Worcester to support and deliver the new Music in Education degree and deliver training and Continuing Professional Development (CPD) to music practitioners in Worcestershire and beyond
* Cultural Commissioning/Personal Budget provision for hospital and GP patients

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Non-school traded | £165,017 | £180,319 | £193,696 | £207,202 | £217,886 |
| External Funding | £73,000 | £72,000 | £72,000 | £75,000 | £75,000 |
| Total non-school | £238,017 | £252,319 | £265,696 | £282,202 | £292,886 |

## S.W.O.T.

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| --- | --- | --- |
| **Strengths**  *Quality of provision-expertise*  *Size of service, impact, staff and resources*  *Breadth of offer*  *Breadth of expertise-skills that schools don`t have*  *'One-stop-shop'*  *Lead in NMPE*  *Local profile*  *Not for profit organisation*  *Public sector ethos*  *Known to schools-reputation*  *Most schools already customers* |  | **Weaknesses**  *Seen as expensive*  *Non-profit challenge*  *Ability to respond to change Inflexible council systems*  *Lack of consistency of quality*  *Marketing experience*  *Profile outside of Worcestershire*  *Business acumen-Directors* |
|  |  |  |
| **Opportunities**  *NMPE/OFSTED/Curriculum*  *Spinning out*  *Arts*  *Beyond Worcestershire*  *Early Years*  *Adult*  *Youth*  *Health*  *Partner in HE Music Education delivery (Univ of Worc)*  *Broaden product base*  *To keep prices under control*  *More flexible working arrangements*  *More flexible employment models* |  | **Threats**  *Change in government policy Change in curriculum*  *Private providers*  *Recruitment*  *Cost/value balance*  *Economy*  *Loss of contact with WCC*  *Tendering to keep existing business*  *Cash flow and financial challenges*  *Transfer could deflect attention from delivery* |

# Competitor & Market Analysis

There are 14 Music Services in the West Midlands region :

1.Five Music Services have already moved to different delivery models e.g. social enterprise /spin-off arrangements (Staffordshire,Sandwell,Birmingham,Herefordshire,Shropshire)

2.Four local authorities are currently exploring transition towards different models of delivery (Coventry, Warwickshire, Dudley ,Worcestershire)

3.Five local authorities are not engaged in active discussions about alternative arrangements(Telford,Solihull,Walsall ,Wolverhampton, Stoke)

The 14 Music Services in the West Midlands work closely in an effective partnership as Music Mark West Midlands .In terms of plans to take on services across local authority borders, none of the 14 services have expressed any interest in this option. Due to the nature of SA and its size, it could not be run remotely, and any provider would need a local base. There is a considerable commitment across the region for collaboration and partnership working but little appetite for aggressive incursions in to other LA`s .The liabilities associated with the `lead organisation `role (i.e. TUPE and pension liabilities) mean that there are no other regional music services who have expressed an interest in formally taking on another local authority area`s music service.

**External market-other providers –local**

Other relevant organisations locally are as follows:

* Elgar School of Music
* English Symphony Orchestra
* University of Worcester
* Malvern Theatres

These organisations are all current partners in Worcestershire`s Music Education Hub and are therefore able to achieve their aims in relation to music education through this partnership agreement. There is no interest from any of these organisations in becoming the lead organisation of the Hub, given the liabilities which this role would entail and the lack of sufficient benefit to outweigh these risks.

The Needs Assessment (Appendix 1) includes information about which providers for music education exist within the county. A large table of current providers of music education for young people is included in the wider research paper. It is not exhaustive but does give a good sense of what provision exists that can complement and work with SA ,which has no competitor of the necessary size to lead Worcestershire`s Music Education Hub.

**External market-other providers –national**

There are no examples of large private sector organisations (Capita, Serco etc.) either taking on, or expressing in interest in taking on, Music Services from a local authority (outside of wider joint venture agreements –see below).The reality of the market is that Music Services do not present the opportunity for profit generation which these types of organisations would be looking for. The conditions of the grant would be viewed as too onerous to be attractive to the market (see below) and there are no precedents of grant award to this type of organisation. The customer /income base would also be a source of uncertainty and risk to an alternative, profit –driven provider, as there is evidence that schools, which make up the large part of the customer base, will choose not to buy services from this type of provider.

There have been examples of larger organisations bidding for the ACE grant-for example, The Sage Gateshead bid for the grant for Gateshead and Newcastle-but there are no examples where the grant has been awarded to an organisation of this type. In the case of The Sage Gateshead, ACE judged that the organisation did not have the full range of expertise and track record which it would need to meet the conditions successfully. This would be a major barrier to any outside provider taking on the role of lead organisation for a Music Hub especially in a County as large as Worcestershire.

The review of the market detailed above demonstrates a lack of interest from the external market in taking on Music Services from Local Authorities. At the heart of this is the fact that the potential reward of taking on the services (the income potential from schools and ACE grant) and are too uncertain and restrictive to outweigh the liabilities of the transfer of staff under TUPE.As there would be no contract with WCC, the potential certainty which would be offered by an income flow direct from the County Council is not present in this case as an incentive to alternative providers in the market.

Significant potential competitors are:

**Other local Music Services**

Many of the local services have widely varying business models which cannot be easily assimilated in to other organisations without adversely affecting the take-up by schools e.g. different charging models and rates, staff pay and conditions. The majority of West Midlands services are smaller organisations than SA and would therefore not have the capacity to be able to deliver a cost –effective offer in a distant county and to be able to efficiently deploy staff many miles from their base. SA, however, is a large organisation both in terms of operation and geographical spread and would have the capacity and resources to be able to operate in many other West Midlands local authorities.

**National commercial companies**

The social mission of music services is not compatible with the profit- driven approach of commercial companies who would not re-invest any surpluses back in to the company in order that customers would

benefit. Restrictions on the use of the Music Education Grant for the sole use of the delivery of the NPME are also a disincentive for companies who would have to take on the responsibility for delivery related to the grant.

National Portfolio Organisations (NPO) are the most significant arts organisations in the country and receive regular large-scale ACE funding e.g. Royal Opera House, CBSO. There are few examples of where an NPO has bid to run a Music Education Hub and no examples of where these bids have been successful .They are not able to demonstrate that they have the track record, capacity ,expertise and resources in order to take on a lead Hub role.

**Smaller local arts organisations**

For example, Elgar School of Music. These organisations are less fragmented in their offer than a sole independent private provider and do have a degree of expertise and specialism in a number of areas. They do not ,however ,have a track record of delivery in schools and, as result of operating outside of mainstream education; they have less capacity and expertise to be able to respond to the needs of all of the schools in Worcestershire .Additionally, their staff do not teach whole classes( just individuals and small groups), the instrumental offer is not as broad as that offered by SA and, above all, there is less quality assurance and no commitment to provide an inclusive offer regardless of the child`s needs and background.

**Independent private teachers**

These are sole trading individuals that operate independently. They can be cheaper than Music Services and have a great deal of specialism in one particular instrument or genre. They cannot, however, deliver across a broad range of disciplines and can be inconsistent in quality. The 'one- stop shop' facility and value-added benefits that music services provide mean that a school receiving private tuition would not have access to:

* instruments
* quality assurance
* cover for absent teachers
* changes of teacher if dissatisfied with a member of staff
* Disclosure and Barring Service checks
* staff CPD
* would need to undertake the payment of teacher directly
* breadth of offer and choices
* progression from EYFS to HE
* assessment
* large scale performance opportunities
* singing opportunities
* inclusive ensemble opportunities
* inclusive teaching provision
* access to partner organisations
* music and arts advisory service (inc. Ofsted)
* access to school ensemble support

## P.E.S.T.L.E Analysis

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Political** | **Economic** | **Social** | **Technological** | **Legal** | **Environmental** |
| **Opportunities** | *School Governors*  *Government*  *Arts Council England*  *Influence Policy (ACE/MusicMark)*  *LEP*  *Partners* | *Improving economy*  *Creative industries*  *New income streams*  *Social need & money* | *Benefits of music to young people*  *Community benefits*  *SEND support*  *LACES*  *School curriculum* | *Instrumental developments & new technology*  *Need investment to keep up to date with teaching & learning* | *Reassurance to customers*  *Support statutory objectives – Health, LACES,Ofsted.National Curriculum* | *Access to communities:*  *Ability of staff to get to schools*  *Ability of staff to get to events* |
| **Threats** | *Local Government*  *National Government*  *Arts Council England* | *Provision of quality is expensive*  *VFM*  *Government grant*  *School Budgets*  *Austerity & parents* | *'Seen as middle class'*  *Community providers* | *IT tuition seen as an alternative to instrumental and large companies are pushing this (particularly in relation to Curriculum Support)*  *New technology ability and use of it can displace need for knowledge & skills* | *Safeguarding restrictions restrict recruitment (bureaucracy of DBS etc)* | *Transport (cost)*  *Buildings*  *Flexibility of workforce*  *Road infrastructure and 'harder to reach places'* |

## Total market validation

Severn Arts currently has a formal regular trading relationship with 80% of Worcestershire`s 250 schools and impacts on 95 % through the provision of one-off support via project –based programmes. The potential for trading growth within the county is therefore significant and realistic in its aspirations. As Severn Arts, the new company will have access to a market consisting of 1500 schools in the immediate surrounding counties which will enable SA to expand its trade and impact. By securing business with new schools, both within the county and beyond, there is scope for a significant increase in contracts. We would expect to raise school revenue by 15%-20% by 2020. As part of the Transfer Agreement with Severn Arts there will be a requirement to focus first on the provision within County and this will be supported by the WCC representative on the Board.

## Target company revenue

Given a realistic analysis of the profile of the competitors in this area and the opportunities that being independent from the council would bring, Severn Arts is currently planning on increasing total revenue by £279,000 (c15%) by 2021/22 through a combination of increased school trade within and beyond Worcestershire and other income streams currently not available to it.

**Market trends**

The area of music education has seen significant changes in recent years all of which provide opportunities for the new company.

* The National Curriculum now states that all pupils must have the opportunity to learn to play a musical instrument.
* Ofsted now expects all schools to engage with their local Music Education Hub and to provide an inclusive music education offer.
* The National Plan for Music Education expects schools to engage with outside partner**s** and to look to theirMusic Education Hub for support.
* Hub lead organisations are now expected to challenge and support schools in order to improve the music education offer in their schools.
* Hubs, and their lead organisations, are expected to provide an inclusive instrumental/vocal offer which puts Severn Arts in a strong position to be able to deliver this for schools.
* The National Plan for Music Education and Music Education Hubs will be in place until at least 2020.
* The emergence of Cultural Education Partnerships (that will be established by ACE in 2018) put the arts developments of SA as a key objective as it places itself as a potential leader of one of the new partnerships.
* The trend of greater regionalisation across Local Authorities can be more easily responded to by an independent organisation and the current collaboration with the Herefordshire service (an established social enterprise) and federation of both Hubs strengthens our market position.
* There are potential risks when national policy changes affect what schools are expected to deliver but, as a result of its close on-going relationship with schools, SA will be able to maintain a dialogue with schools and be aware of, and respond, to their needs as they develop and change.
* The fragmentation of school provision due to academisation (and emergence of multi-academy trusts), the increase of free schools and the delivery of provision for the independent schools and other settings will be easier for SA to respond to, due to its independence and potential for greater flexibility in its delivery.

## 3.4 Competitive advantage

There are many unique characteristics of SA/ Severn Arts that would give it a strong position when compared with other potential providers of the services that it delivers.

SA`s role as the lead organisation of the Worcestershire Music Education Hub would give it a remit, credibility and influence to place itself as the pre-eminent leader and provider of music education in the county. The delivery of the DfE`s NPME and expectations by Ofsted that it supports and challenges the standards and breadth delivery of the music curriculum in schools, give it a unique position within the music education landscape of Worcestershire.

Not only will SA be the largest music and arts organisation in the county, it will be one of the largest regionally and therefore has the resources and infrastructure to provide a wide range of services and support to schools i.e.

* Coherence of the offer
* Breadth of activities
* Quality control and quality of provision
* Higher pupil impact via whole class work
* Provision of instruments
* Expertise of staff
* Continuity of provision when staff are unavailable
* Management/ leadership and professional colleagues for schools to be able to work with and consult
* DBS checks and safeguarding training of staff
* Financial systems and on-line back –up of information
* Links to high-profile Hub partners for schools
* Links, via the Worcestershire Arts Partnership, to other arts organisations
* On-going needs analysis undertaken including the 2013 Review (see Appendix) 1 which stills drives policy development
* The public sector ethos of SA will be preserved with a` not-for-profit` philosophy where surpluses are re-invested in to the company
* The current relationships with schools will be maintained ensuring that schools still have access to local expertise that they are not able to provide themselves.

## Customer Benefits

**Benefits to schools, children and young people and the community**

* SA would be able to ensure that a flexible, cost effective offer is maintained whilst ensuring that the educational principles of universal entitlement, access to progression and opportunities to perform are at the heart of the company`s ethos and therefore fulfil its commitment to improve the quality of lives of children and young people in Worcestershire.
* Access to a universal high-quality music offer will not only provide opportunities for achievement in music and the arts but to also to higher achievement in academic subjects as a direct consequence of engagement with creative subjects
* The holistic, inclusive approach adopted by SA will also mean that the children and young people will develop in confidence, self-expression, listening, analytical and social skills.
* All schools and settings will be able to benefit from the SA offer which spans a child`s whole educational, musical and artistic journey from EYFS to HE.
* Schools cannot provide all that is expected in the NPME alone and SA is the only music organisation in the county that can provide a complete and coherent tuition and performance offer across a range of genres, instruments and styles
* The scope and size of the offer would mean that SA would continue to offer the` one-stop shop` approach that no other organisation in the county is able to offer.
* Due to its social mission, the new company will be able to focus on the needs of children and young people, whatever the diversity in their social ,cultural and ethnic backgrounds and not be purely driven by commercial priorities.
* SA will have increased autonomy and consequent flexibility in its pricing strategies to be a more responsive and agile partner
* The move to independence will allow stakeholders (including staff) to have a more direct influence over the strategic development of the organisation

**Benefits to Worcestershire County Council**

* WCC can be confident of putting in place an innovative and robust strategy for the future of music education in the county. It would ensure long- term sustainability for music education for young people in Worcestershire (it is less likely to be so within WCC).As a Worcestershire organisation bound to deliver education, by association, SA would also add to the reputation of WCC.
* As a direct result of SA being the only Music Service nationally admitted to the training provided by the Cabinet Office`s Mutuals Support Programme in how to create a successful business model for a spin-out, WCC can be seen to be leading the way and can offer the results as a best practice blueprint to others.
* The learning gained by the Council's elected members and officers in being proactive facilitators of such a spin-out can be shared as an example of good practice with other LA`s both regionally and nationally.
* Long term financial savings relating to future pension contributions.(Details in section 4.1)
* Reducing the headcount for the Council and the need to provide centralised services support to SA (IT, Finance, HR, management and admin etc.)whilst ensuring continued employment for SA staff
* There will be a reduction in the redundancy liabilities to be met by WCC.The liabilities relating to WCC will decrease over time as the staffing pool evolves.
* As shown in the options appraisal which accompanied the 2015 Cabinet Report, redundancy would be more likely in the future if the service stays within WCC. If SA does not become independent it is more likely that the service would be commercially and educationally outpaced by competitors and become ,devalued and even lost in the future ,with decommissioning more expensive that externalising.
* There would be income derived in the form of interest from the repayment of the working capital support provided
* WCC would have a role in influencing the strategic direction of SA through the proposed governance structure
* There will be opportunities to commission the service to carry out functions without having to employ the expertise in-house.
* The benefits of `spinning out` to SA will directly impact on the support that it can provide for its stakeholders

**Benefits to SA**

* Be more commercially responsive and re-investment of surpluses will finance growth and innovation
* Attract investment
* Apply for charitable funding (grants not currently available as a local authority controlled service)
* Fundraise (in particular benefit from Gift Aid and other possible bequests)
* Take advantage of greater flexibility to recruit staff and partners quickly
* As lead organisation of the Music Education Hub, be able to lead the diverse and expanding portfolio of Music Hub partners (commercial as well as public organisations)

## Marketing /Sales Strategy

The initial focus for the marketing of SA will be schools. The range of schools that will be targeted will be broadened and will focus upon: maintained schools, academies, multi-academy trusts, Teaching Schools, Special schools, free schools, Catholic and Anglican Diocesan Education Boards, Faith schools, Pupil Referral Units and Independent schools. There would be a move to target additional settings and stakeholders such as youth service providers, the NHS and associated organisations, nurseries, libraries, young people and parents.

SA currently trades regularly with 80% of Worcestershire schools so there is potential for expansion within the county but when neighbouring schools are taken in to consideration there is a potential market of 1500 schools. The capacity to meet the demand for such a rapid expansion will be met via the recruitment of more teaching staff.

The SA offer will be adjusted depending on the context in which the provision is delivered in schools with specific support provided for National Curriculum delivery, Ofsted expectations and responsibilities found in the NPME.

For other settings, support can be offered for :

* Community projects
* Health and well-being support for GP`s and NHS settings
* Youth offending institutions
* Looked After Children
* Libraries
* Museums
* Adult and child social care –health and well-being
* Corporate events e.g. drumming sessions

The key benefits that will be highlighted to all potential customers will be the broad and inclusive nature of SA`s services, opportunities for progression due to its wide remit, high- quality performance opportunities in professional venues and links with professional music organisations.

**Opportunities**

The 2013 Needs Analysis (Appendix 1) focussed on the current challenges facing music education in the county and also provides an extensive list of the range of potential clients and their requirements from any music service provider.

SA maintains a regular dialogue with the schools that it supports with Area Managers developing close on-going relationships with schools. This enables the service to receive regular feedback not only on the needs of the schools but also on the quality and relevance of the teaching that is delivered.

The 2013 Needs Analysis (Appendix 1) also provided feedback on what SA provides both in terms of quality and gaps in provision that it currently does not provide support in. The Schools Music Education Plan visits (SMEP) also give an opportunity for schools to formally record their perceptions of the service and the quality and relevance of the support that it provides.

A market survey will be conducted in the summer term 2017 to ascertain levels of customer satisfaction with SA , establish ideas for their likely future requirements ,and to try to establish the level of future commitment to the service, This will take the form of a questionnaire which could be completed on-line .It would go to all Worcestershire headteachers ,other existing customers and stakeholders ,all Chairs of Governors and Link Governors .The questionnaire will aid the strategic planning for SA and be a marketing exercise in its own right as it will be conducted under the banner of the branding for the new company.

There is an existing Marketing and Data Manager post within the current SA structure that will be a critical role in SA`s future marketing performance. Additionally, the current Business Support Team`s capacity and responsibilities will be developed in order to provide a greater focus on Severn Arts commercial needs.

The Area Management role will continue in its existing liaison with schools but there will now be an expectation that Managers will actively promote the business and any new products that it develops and take on an Account Manager function.

SA will establish an Innovation Strategy that would aim to leapfrog other market players via the introduction of completely new or notably better products and services. SA`s role as lead organisation of the Music Education Hub will enable to it be `ahead of the game`in its awareness of impending developments and changes in music education.

There are a range of strategies that can be used to market the service, some of which are the strengthening of current approaches, others are new developments.

Direct sales to school – there are established contacts with the majority of Worcestershire schools but the database can be developed further with schools that currently do not engage and out of county schools. The contacts with the County`s schools are already extensive but will be added to with schools and settings beyond the County`s borders.

Direct marketing- Direct targeting of specific existing customers in order to promote new products.

Teaching staff – the staff would need to be prepared and educated for the additional role as on the ground promoters of the service. Staff, as well as delivering teaching and ensuring that customers are satisfied with the service provided, will undergo training in ensuring customer satisfaction in a broad range of areas and develop a greater awareness of the whole-service offer and their role in promoting it in schools.

Schools Music Education Plan (SMEP) visits –schools self-evaluate on the quality of their provision and identify areas of development. This enables SA to benefit from current and on-going information on what the requirements of schools are and how it is able to respond in support.

Live Music-the large team of staff available offers the opportunity to provide live concerts in schools to not only promote the service but to offer a much-missed and valued element of service provision(Needs Analysis)

Website and social media –The construction of a highly advanced website with e-commerce and communication capabilities which will not only enable schools to book services on- line but to also offer a range of interactive services that can be purchased by individual parents and members of the community.

Advertising –a range of brochures already exist for SA but this would need to be developed further for every aspect of the service with brochures located in venues other than schools such as concert venues, libraries, museums.

Through Partners – the broad range of partners to be found on the Music Education Hub (e.g. Yamaha, University of Worcester, Armonico, Wyre Forest Young Voices, Elmley Foundation) and the Worcestershire Arts Partnership enables access to their networks and marketing systems and links to be made by SA beyond the usual customer base allowing for greater marketing penetration.

It will be expected that Hub partners, as part of their support for the wider Hub offer, will support the promotion and take-up of the activities offered by the Hub and SA.

Attendance at appropriate exhibitions and conferences-there a range of high-profile conferences at which SA could exhibit and it is intended that it will be a regular presence at Music Mark, Arts Connect, Midland Arts Centre, University of Worcester, Incorporated Society of Musicians and health conferences .

Parents –parents are able buy into SA for outside school activities such as ensembles, residential courses, trips/tours, outside school hour's tuition and support services such as instrument hire. Parents are a crucial and hard to reach consultation group and SA will not only develop a number of social media strategies for interactive engagement with them but will also regularly consult via questionnaires as to their perceptions and aspirations for music education for their children.

## Revenue Sources

(Section removed due to commercial sensitivity)

## Pricing

(Section removed due to commercial sensitivity)

# Funding requirements and forecasts

(Section removed due to commercial sensitivity)

# Governance and operating model

## Promoters, shareholders and Board

Severn Arts will be governed by a Board of Directors. This will consist of 8 people who will hold an expertise in specific areas such as business, law, education, arts, Local Government and will be appointed on the basis of the knowledge, experience and skills that they are able to bring to the role.

The constitution of the charitable company will be described in the governing document, known as the Articles of Association.

Severn Arts will be required to register with the Companies House and the Charity Commission. This will give clients the assurance that the company exists for charitable purposes and not the distribution of profit .It also offers certain benefits and advantages .The day to day business of a limited company is overseen by the Directors. If an incorporated body is also a charity, its Directors are defined by law as charity trustees. Charitable limited companies are bound both by the Companies Acts and the Charities Act, so they must send their annual accounts and annual returns to Companies House and to the Charity Commission.

By definition ,the charitable purposes referred to above must fall within one of the accepted categories acknowledged by the Charity Commission, further to the Charities Acts 2006 and 2011.The following are specifically mentioned in section 2 of that Act as being charitable in nature:

* The advancement of education
* The advancement of health
* The advancement of the arts and culture

We are therefore confident that the purposes of Severn Arts could be defined as charitable.

Key consequences of becoming a registered charity include the following:

Regulation by the Charity Commission

Different tax treatment from that accorded to normal companies -charities are exempt from most forms of corporation tax and enjoy other tax advantages ,as long as the rules about trading are not breached

Restrictions on trading. The turnover from non-primary purpose trading must not exceed 10% of the total turnover and must be less than £50,000 in any given tax year. If this `de minimis ` rule is breached the whole of the charity`s trading surpluses are taxed ,including any primary purpose trading;

Employees of a charity cannot also be Directors of the Charity ,so any staff representative on the Board would be a non-voting member ,as would the CEO

Charity status allows access to sources of funding not available to non-charities.

A charitable company must have at least 3 members and 2 Directors/Trustees. A CLG however can be registered with just one Director/Member.

The members may just be the Directors of the Charity, or may be a wider group as defined on the Articles of Association. Pending further investigation in to the legal and procedural issues relating to the various options available it is proposed that the Members of the Company should be either :

* The Charity Directors alone, or
* The Directors plus representatives of a wider group of stakeholders

The rights of company members are contained in the Companies Act and may also be set out in the Articles of Association. All members have the right to be notified of and attend general meetings of the company ,and to vote at these meetings of the Articles give them voting rights-.Members attend the Annual General Meeting to receive the audited accounts ,appoint the auditors for the next financial year ,hear the directors` annual report and financial report and vote e in the directors for the following year(if necessary)

Diagram here

## Advisors

SA will need to retain the services of a range of key professionals .Some of these could be contracted from WCC, others may need to be sourced from commercial providers. Any Advisors appointed would provide support in areas that are not covered in the skills of the Severn Arts management team or Board of Directors .The type of skills that could be required are:

* Human Resources
* Legal
* Chartered Accountancy /Audit
* ICT
* Marketing
* Payroll
* Fundraising

The Advisors would have no constitutional role in the running of the company and no voting rights.

## Management (including Board) Organisation Chart

Teaching & Learning Leader 0.4

Variably Paid Teachers + Conductors

Teaching & Learning Leader 0.4

Teaching & Learning Leader 0.4

Teaching & Learning Leader 0.4

Teaching & Learning Leader0.6

Teaching & Learning Leader 1.0

Teaching & Learning Leader 1.0

Teaching & Learning Leader 1.0

Business Manager 1.0

Deputy Strategic Music Education Manager 1.0

Senior Instrument Technician 1.0

Instrument Technician 0.6

Instrument Technician 0.6

Instrument Technician 0.6

Strategic Music Education Manager 1.0

Budget Co-ordinator 0.9

Data & Communications Co-ordinator 1.0

Business Support Assistant 1.0

Business Support Assistant 0.62

Finance Administrator 0.43

Events & Ensembles Administrator 0.52

Music Education Leader 1.0

Music Education Leader 1.0

Teaching & Learning Leader 0.4

# Stakeholder, Membership & Communications

## Stakeholders

The key stakeholders in the new organisation will be:

* Schools
* Children and young people
* Youth organisations
* Parents
* Worcestershire County Council
* The communities of Worcestershire
* Arts Council England and the Music Education Hub
* Department for Education and Ofsted
* The local, regional and national music and arts organisations and venues
* Health organisations
* Severn Arts staff
* Libraries
* Museums
* Health care organisations and professionals
* Worcestershire Arts Partnership members
* Worcestershire Music Education Hub partners

All of the stakeholders listed share the common values of quality, value for money and inclusion and they will all benefit from the establishment of the new, refined and broader service. There will be a range of communication strategies used many of which are set out elsewhere in the Business Plan

###### Appendices

* The Charity Commission website has guidance relating to governance and the governing document, including a model Articles of Association [http://www.charitycommission.gov.uk/library/guidance /gd1textbw.pdf](http://www.charitycommission.gov.uk/library/guidance%20/gd1textbw.pdf)
* The Importance of Music: a National Plan for Music Education(<http://www.publications.education.gov.uk/)DFE-00086-2011>
* Arts Council England Cultural Education Challenge([www.artscouncil.org.uk/children-and-young-people/cultural-education-challenge](http://www.artscouncil.org.uk/children-and-young-people/cultural-education-challenge)