



EDUCATION EXECUTIVE

INSTRUMENTAL MUSIC SERVICE DELIVERY MODELS

REPORT BY HEAD OF EDUCATION (LEARNING, POLICY AND RESOURCES)

A. PURPOSE OF REPORT

To provide the Education Executive with options for future service delivery models for the PDSP to note and consider.

B. RECOMMENDATION

To agree:-

1. To note that the review of options for service delivery models was based on management guidance on engaging with outside bodies, including ALEOs, approved through the Governance & Risk Board and Corporate Management Team.
2. To note that the service delivery options identified as most relevant to the Instrumental Music Service were in-house delivery, transfer to an existing Arms Length External Organisation (West Lothian Leisure), creation of a new Charitable Trust and Partnership.
3. That continued in house service delivery is the most appropriate delivery model.
4. That, in order to provide additionality, partnership with local community bands be explored further to enhance provision of individual disciplines and performance opportunities at an individual school level.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Focusing on customers' needs, being honest, open and accountable, making best use of resources, working in partnership.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	<p>Instrumental Music is a discretionary service.</p> <p>The council is required to approve a balanced revenue budget for each financial year. Audit Scotland and CIPFA best practice guidance recommends medium term financial plans are prepared for at least five years in duration.</p>
III	Implications for Scheme of Delegations to Officers	No implications at this stage.
IV	Impact on performance and performance indicators	<p>Ongoing government funding constraints will have implications for the council's budget and performance.</p> <p>The decision of the Education Executive may impact on current performance indicators, including those relating to numbers of pupils in receipt of instrumental tuition, and cost per pupil of providing instrumental tuition.</p>

V	Relevance to Single Outcome Agreement	<p>Effective prioritisation of resources is essential to achieving key outcomes.</p> <p>Local outcome –our children have the best start in life and ready to succeed.</p>
VI	Resources – (Financial, Staffing and Property)	<p>At its meeting of 13 February 2018, the council agreed a five year revenue budget strategy for 2018/19 to 2022/23. The budget report highlighted an estimated budget gap of £65.329 million over the five years, and agreed budget reduction measures totalling £60.102 million, to assist with balancing the budget. It agreed that net expenditure of £993,000 would be reduced to £500,000 in financial years 2018/19 and 2019/20, to reflect the impact of achieving the total saving within school year 2018/19.</p> <p>The introduction of charging for the Instrumental Music Service is budgeted to generate income of £288,000 in financial year 2018/19 increasing to £493,000 in 2019/20.</p>
VII	Consideration at PDSP	<p>During discussion, it was suggested that the conclusion that in house service delivery is the most appropriate delivery model was pre-emptive on the basis that discussions had not taken place with West Lothian Leisure or individual parents who may consider setting up a charitable trust. In response, officers explained that the purpose of the report was to examine models of service delivery.</p> <p>It was suggested that the word ‘existing’ be removed from recommendation 4, with reference to ‘existing community organisations’. This recommendation was intended to refer to community bands. Consideration of partnership had considered risk, and the assessment of risk was that partnership with existing community bands would present a lower level of risk, as their performance could be assessed more accurately, and that start/up costs would be avoided thus making partnership with an existing community band more efficient.</p> <p>In discussion, examples of successful partnerships and the influence the Council could bring to bear through partnership and funding agreements were raised, citing the Council’s work with organisations such as Firefly and Simply Play. It was suggested that the door should not be closed on third sector involvement. Whilst it is true that the Council can seek to influence service delivery by funded partners, and to align their operation to its objectives and priorities, this influence is less than the power the Council has in the case of direct service delivery, and so risk to service delivery is greater. The report recommended increased partnership with third sector organisations, in a way which minimised risk and cost, and provided stability for the implementation of</p>

charging.

VIII Other Consultations

Financial Management Unit and Corporate Transformational Change Programme Team.

D. TERMS OF REPORT

D.1 Introduction

West Lothian Council agreed, at its meeting of 13 February 2018, to introduce a revised model of instrumental music provision maintaining a substantial level of tuition, whilst achieving a saving of £493,000. This saving would be spread across financial years 2018/19 and 2019/20, to reflect the impact of achieving the total saving within school year 2018/19. The agreed report noted that the council's staff establishment would be reduced by 10 full time equivalent posts as a result of this budget reduction. It noted that the revised model would focus on priority areas such as bands.

The Education Executive, at its meeting of 17 April 2018, considered the model recommended by officers. It approved a motion accepting the decision taken on 13th February 2018 and requiring a survey of families of pupils currently in receipt of instrumental music, and engagement with pupils currently in receipt of tuition. It also required officers to investigate alternative options for the long term delivery of a West Lothian Instrumental Music Service, including but not limited to, the establishment of a charitable trust and the establishment of an Arms Length External Organisation (ALEO).

Following completion of the family survey, the Education Executive on 29 May 2018 agreed to implement a charge of £354 for all pupils receiving instrumental music tuition in session 2018/19, and to implement a scheme of concessions.

D.2 Options for Service Delivery Models

The service delivery options identified as most relevant to the Instrumental Music Service are in-house delivery, transfer to an existing ALEO (West Lothian Leisure), creation of a new Charitable Trust, and Partnership.

Service options considered less relevant included contracting out/commissioning; shared service with another local authority; and grant funding.

An ALEO is a body separate from a council which delivers services on behalf of a council. It can be subject to some control and influence, through the council having representation on the board of the organisation, and/or the council being a main funder or shareholder of the organisation.

In order for an ALEO to qualify as a charity, it must meet the charity test as defined within the Charities and Trustee Investment (Scotland) Act 2005. To meet the charity test, it must have only charitable purposes and its activities must provide public benefit in Scotland or elsewhere.

A charitable trust can be set up for the advancement of the arts, heritage, culture or science; or alternatively the advancement of education. A charitable trust could be set up by individuals or parents.

D.3 Consideration of Service Delivery Models

Service delivery models were assessed taking account of management guidance on engaging with outside bodies, including ALEOs, approved through the Governance & Risk Board and

Corporate Management Team. The framework builds on the Accounts Commission Report on Councils' Use of Arms-Length Organisations, the principles of Best Value and the Following the Public Pound Code of Guidance, and is designed to ensure effective scrutiny and transparency is built into the assessment process.

To determine the most appropriate delivery model to deliver service objectives, various factors were considered. These included:-

- any statutory restrictions
- potential delivery vehicles
- associated level of risk
- financial costs/benefits of setting up and operating a new model
- effective structures for management and governance
- appropriate performance monitoring systems

The service delivery options identified as most relevant to the Instrumental Music Service were assessed against these factors. In relation to the risk of each option, it has been determined that continuation of in-house delivery represents the lowest level of risk to the council. It also offers the best organisational stability.

Transfer to an existing ALEO (West Lothian Leisure) represents a medium level of risk. There is a risk associated with ALEOs that if the ALEO fails then the council would have to take that function back in house. There is also risk associated with the transfer of staff, in particular relating to the numbers of staff employed in future, and the conditions of service of those staff. One of the rationales put forward for the introduction of charging was that it would allow the continuation of employment of Instrumental Music Service instructors. Continued employment by West Lothian Council will protect the terms and conditions of staff.

Creation of a new Charitable Trust presents the highest level of risk; with the requirements to establish new governance structures, management and financial systems. This model provides the greatest uncertainty regarding organisational stability and access to existing skill sets.

With regard to financial costs and benefits associated with alternative delivery models; it should be recognised that there are significant costs associated with the setting up of any new organisation. Operating costs would also increase, with the requirement for distinct and separate monitoring and the potential duplication of service support functions. A new service delivery organisation would result in a loss of economies of scale. Financial costs would be highest in relation to a new Charitable Trust, and the greatest economies of scale would be achieved by in-house provision. The requirement for separate financial, legal, managerial and political monitoring arrangements would apply to both an existing ALEO, and creation of a new Charitable Trust, although economies of scale would apply to monitoring of an existing ALEO.

A new Charitable Trust would not have established effective structures for management and governance and performance monitoring, introducing increased risk. An existing ALEO would have such structures, but as has been set out above, these represent duplication. The organisational stability offered by retaining the service in-house is a distinct advantage, as is the continued efficient and effective use of existing management and staff skill and expertise, governance, and performance monitoring systems.

The council would have limited input or influence on the operation of a charitable trust, making it less likely that the work of a trust would contribute to key council strategies, or the outcome priorities of the community planning partnership. Whilst it is true that the Council can seek to influence service delivery by funded partners, and to align their operation to its objectives and priorities, this influence is less than the power the Council has in the case of direct service delivery and so risk to service delivery is greater.

The benefits associated with an ALEO and Charitable Trusts are principally charitable rates relief and access to new funding sources. Following publication of the Barclay Report, the primary financial driver for an ALEO (charitable rates relief) was withdrawn with effect from 1 April 2018. With regard to alternative funding sources, a recent Audit Scotland report, "Arm's Length Organisations: Are You Getting It Right?" highlighted that while ALEOs can access alternative funding sources, these tend to be for one-off specific projects and do not provide a core funding source.

An ALEO or Charitable Trust could be argued to have the potential for a greater organisational focus on a single activity. It could also be argued however, that the provision of Instrumental Music as a council service leads to synergies within education, and across the wider council, including performance opportunities. Provision as a service will also maximise the extent to which instrumental music can contribute to key council strategies, and the outcome priorities of the community planning partnership

Partnership, in particular with existing community bands, was considered. Although the expertise and excellence of the voluntary sector in instrumental performance is recognised, a high level of risk would exist in the transfer of the existing service to the voluntary sector. In particular, the voluntary sector would not have experience and expertise in the employment of staff and the management of service delivery, financial resources, governance and performance monitoring on the scale associated with the provision of instrumental tuition in West Lothian.

It is recognised, however, that the strong community band presence in West Lothian represents a potential resource, and that increased partnership working could prove beneficial to both parties, and ultimately the young people of West Lothian. Partnership with existing organisations would present a lower level of risk, as their performance could be assessed more accurately, Start-up costs would be avoided if partnership was with existing organisations, thus making partnership with an existing organisation more efficient.

In conclusion there are few obvious financial or other advantages to be gained from delivering the service through either an ALEO or new Charitable Trust, and the potential for increased costs and risk. There is no partner organisation with sufficient scale to deliver the existing range of disciplines and to replicate existing service provision across the whole geographic area of West Lothian. In order to provide additionality, however, it is proposed to explore partnership with existing community organisations to enhance provision of individual disciplines and performance opportunities at an individual school level, whilst minimising additional risk or cost.

D.4 Examination of Service Delivery Models in other Areas

High Life Highland is the only example of Instrumental Music Service being delivered through an ALEO structure in Scotland. Instrumental Music tuition was added recently to the existing ALEO which delivers a range of other community, cultural and leisure services across the Highlands. A visit to High Life Highland to examine its provision was undertaken in November 2018. Highlife Highland provided details of its positive performance, achievements and high level of customer and staff satisfaction.

High Life Highland provides Instrumental Music tuition to approximately 3,000 students. Its turnover is £2.55 million, of which £1.25 million comes from Highland Council. Gross expenditure and staffing numbers per pupil are both proportionately higher than in West Lothian as a result of the dispersed population and rural nature of the Highland area.

Council funding makes up 49% of expenditure in Highland, compared with 54% in West Lothian. Student charges are lower in Highland, at £318, compared to £354 in West Lothian. High Life

Highland offers similar concessions to West Lothian, but an eligible sibling discount is not available. An additional charge of £200-£240 is levied on those participating in the 8 region wide bands and ensembles in Highland. Band and ensemble participation is free in West Lothian. 34 lessons per year are guaranteed in Highland, as opposed to 30 in West Lothian. There is no maximum group size in Highland. In West Lothian, maximum group size is 2-6, dependent on stage.

	Instrumental Music Service Charge	Band Charge	Instrumental Music Service FTE	Student Numbers	Gross Expenditure	Council Funding
HLH	£318	£200-£240	49.5	3,000	£2.55M	£1.25M
WLC	£354	-	20.8	2,000	£0.93M	£0.50M

It can be seen, therefore, that the service delivered by Highlife Highland is directly comparable to that delivered by West Lothian Council, with each organisation having some advantages in terms of service provision over the other.

High Life Highland confirmed that its status as an ALEO has resulted in some additional funding opportunities. External funding did not provide a sustainable contribution to core costs, however, but could support individual projects. High Life Highland confirmed that it did not benefit from advantageous tax arrangements, such as Gift Aid. Benefits had accrued from speed of decision making, synergies with other services within the High Life Highland portfolio, and the contribution of the independent directors.

Wider research indicated that a number of Instrumental Music Service Trusts have been established within the London area. Student and instructor numbers exceed those of West Lothian to a significant extent, geographic concentration is much higher, and charges approximate to £40 per hour. On this basis, it was determined that these service delivery models were of limited use for benchmarking purposes, and no visit to any such trust was undertaken.

E CONCLUSION

Based on the internal assessment framework, and wider research of service delivery models in other areas, it is recommended that service delivery continues in-house for West Lothian. There are no apparent significant financial benefits to be gained from transferring the Instrumental Music Service to an Arms Length External Organisation or Charitable Trust, and the potential for increased costs. The risks of transfer have been identified as greater than those of remaining in house, in relation to retention of staff skill and expertise and continuation of effective management and governance.

Continuing service delivery in-house ensures the maximum stability for the pupils receiving tuition, and for the staff of the Instrumental Music Service, during the period of change accompanying the introduction of charging.

Numbers of participants remain in a state of flux and are not thought to have fully stabilised, but in-house provision has demonstrated effective management in aligning numbers of participants and staff numbers to maintain provision within available resources in response to fluctuating pupil numbers across each discipline and on a school by school basis. In house provision has also demonstrated the ability to maximise the preservation of performance opportunities in area bands and ensembles, during this period of flux.

In order to provide additionality, it is proposed to explore partnership with local community bands to enhance provision of individual disciplines and performance opportunities at an individual

school level.

F. BACKGROUND REFERENCES

Revenue Budget 2018/19 -2022/23, Report to West Lothian Council 13 February 2018.

TYC - Instrumental Music Service, Report to Education Executive 17 April 2018.

TYC - Instrumental Music Service - Report to Education Executive 29 May 2018.

Engaging with Outside Bodies – Guidance by Governance Manager

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