

GUIDE TO FORMING A MUSIC SERVICE TRUST

written by
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Musicians'
Union



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Lynn Batten – Cornwall Music Service Trust
Alick Cotterill – Music for Youth

FOREWORD

As General Secretary of the Musicians' Union, I am delighted to welcome you to this guide on forming a music service trust and CIC.

Despite the rhetoric coming from government about the success of their music education strategy, the MU continues to hear from councils, music services, schools, hubs and teachers, of further cuts in instrumental teaching and provision. This demise in public funding is compounded by the crisis in classroom music which has been ravaged by the English Baccalaureate (which focuses on English, maths, history, geography, the sciences and a language – but not the arts), and the lack of interest from OFSTED in ensuring that every child receives a broad and balanced curriculum.

And yet, all of this seems contradictory to economic sense. The music industry contributes in excess of £4bn to the UK economy each year, and a study published last year by UK Music revealed that show audiences for concerts and festivals grew by 12 per cent during 2016-17. This is a thriving industry serving an insatiable global demand. When something is going this well, common sense suggests that you encourage further growth through investment – and that starts with education.

It is therefore comforting and encouraging to see teachers taking their destinies into their own hands, and forming teacher-owned co-operatives, charities and community interest companies. Whilst the fight to protect and resurrect music education continues, it is important that we – as a sector – look beyond the crisis and take control.

I hope the following guide gives you a sense of optimism, and proves that, by sharing knowledge, skills, experience and opportunities, we can overcome the devastating impact of this government's policy towards music and arts education.

We at the MU would like to thank Steve Hawker and Gareth Churcher for their work on the charity guide; Eric Lewis for his contribution on CIC's; and David Barnard – author of *Altogether Now* (the MU's guide to forming music teacher co-operatives) and editor of this publication.

Horace Trubridge
General Secretary
Musicians' Union



Photograph courtesy of Joanna Dudderidge.

INTRODUCTION

Welcome to this guide on forming a Music Service Trust and Community Interest Company (CIC). This is the second publication by the Musicians' Union looking at alternative models for the delivery and development of instrumental music in schools and the wider community. The first publication – *Altogether Now*, focused on forming teacher-owned co-operatives using the Consortia model promoted by Co-operatives UK. This edition focuses on the experience of Cornwall Music Service Trust and the North East Music Foundation CIC.

Topics covered include:

- Employment versus self-employment
- Financial sustainability
- Staff consultation and leadership
- Embracing co-operative principles
- TUPE
- Contracts, pay and conditions
- Trustees
- Preparing your business plan
- Back office administration
- Key policies
- Technology

And more

Both models are essentially 'not-for-profit' which is a broad term for all independent organisations that do not make private profit for directors, members or shareholders. There are several different types of organisation under the umbrella 'not-for-profit'. The attached guide produced by the Resource Centre – www.resourcecentre.org.uk explains the difference between charities and social enterprises, and is a good starting point if all of this is new to you.

This is not a definitive guide – the two case studies have adapted to reflect local needs, historical contexts and other circumstances. Your trust or CIC may evolve differently. The MU's extensive network provides access to ideas, advice, inspiration and guidance, so you should never feel alone.

On behalf of the MU, I would like to say a big thank you to Steve Hawker and Gareth Churcher at Cornwall Music Service Trust, and Eric Lewis at North East Music Foundation. Their journeys have been, and continue to be, an inspiration to us all.

Good luck.

David Barnard

Editor

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1. THE TIMES THEY ARE A-CHANGING

If you're reading this, it may be because your music service is facing closure, and its staff redundancy, and you're looking for alternatives. Alternatively, it may be that you're in an area where the music service has already been replaced with a less-than-ideal system (such as zero-hours contracts, or licensing of teachers) and you're thinking that there must be a better alternative. There are options...

We'd like to start on a positive note: although change isn't easy, having the opportunity to adapt an existing music service, or start a new one from scratch, also opens up possibilities that weren't there before. It's a chance for dedicated and skilled music teachers to get together, discuss what a music service is, what it should provide, and set up an organisation that is run for the benefit of staff and the community it serves.

The Musicians' Union (MU) has produced a handbook on one way of doing this: "Altogether Now: A Guide to Forming Music Teacher Co-operatives." This shows a pragmatic and successful solution that works very well for the growing number of music teacher co-operatives.



This handbook presents an alternative – setting up a Music Service Trust. Whilst drawing on much of the underlying ethos of co-operatives (namely that it is set up by, and for its teacher-members, and accountable to them in its running), it also addresses two other issues:

- **Employment** – it is possible to set up a Trust where staff can move onto permanent contracts (in contrast to the self-employment seen currently in music co-operatives). This increases job security, and makes things like getting a mortgage easier for staff.
- **A Head of Service** – while there is much to be said for the democratic process in co-operatives, there are also advantages to having clear and continued leadership. This depends on having a capable leader with a vision, giving the possibility for a music service to not only survive, but to grow and thrive.

These two factors are also possible within the co-operative framework – these elements can be combined in different ways. In this example, we draw on our experience of setting up the Cornwall Music Service Trust (launched in January 2015) and the research undertaken, with the help of the MU, to reflect on how other music services have dealt with similar situations. Some music services have done well, with happy staff. Some were less successful, with teachers dispersing, leading to the loss of a coordinated music service and the many benefits it provided. This handbook outlines some of the principles behind this research, illustrated with examples. However, no two places are alike. The key is to find elements of tried and tested models, choose those that are relevant to your context, and adapt them to your needs.

In a sector embattled by government funding cuts, the devaluing of the skills and commitment of music teachers, and the fragmentation of the workforce nationally, the option of setting up a Trust presents one possible way (alongside music co-operatives and Community Interest Companies) to reassert a positive direction for music education led by, and for, the music teachers.

Cornwall Music Service Trust Case Study

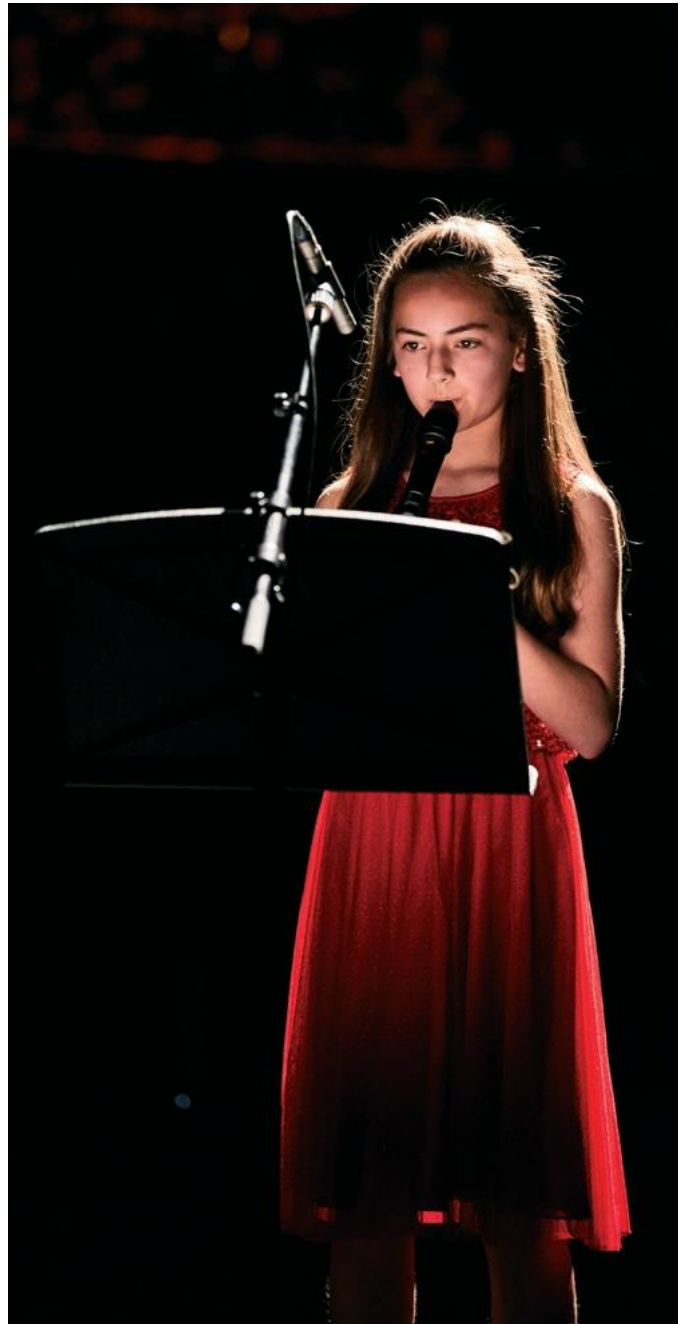
From January 2015 to December 2017 Cornwall Music Service Trust (CSMT) experienced growth in:

- **Staffing** – from 80 to 120 teachers.
- **Pupil numbers** – from 8,300 to 10,000.
- **Ensembles** – from 21 to 26, plus 2 new county choirs.
- **Schools worked in** – from 220 to 234.
- **Revenue** – from £1.2 million to £1.4 million

After a year or so of stabilising finances and establishing the core work of tuition, ensembles, and curriculum delivery, CMST started expanding into new areas of work, including:

- Taking on a team of music therapists when they were made redundant by the council.
- Creating an Inclusion Manager role and a small team, finding funding, and increasing work in special schools, and for children with mental health, emotional or behavioural issues.
- Starting an Early Years team and securing funding for pilot projects.
- Gaining funding for a number of outreach and music education projects – addressing issues of rural isolation.
- Creating new teams to expand work with bands, songwriters, and music technology.

This guide will look at the foundations that were put in place to encourage growth, and creating a culture of positivity and personal investment.



2. BACKGROUND – WHY A MUSIC SERVICE TRUST WAS CREATED IN CORNWALL

This guide is based on the experiences of setting up the Cornwall Music Service Trust (CMST). A little background will help show the context in which it was set up, and why.

Cornwall had a Local Authority-run music service for approximately 50 years, but at the beginning of 2014, due to the service running at a deficit and budget constraints by Cornwall Council, the process of closing the service began with it being wound up in December 2014.

The council proposed a brokerage model to follow after closure (a list of approved teachers), but staff found this unacceptable, fearing it would pit teachers against each other in competition, remove the sense of community that benefits staff, schools and pupils, and increase the workload by being self-employed. With no other solution that would allow for the service to remain a part of the council being agreed, nearly 80 peripatetic teachers faced unemployment, with the majority lacking the skills or confidence to go it alone as self-employed teachers. Moreover, schools, colleges and other educational establishments were concerned about a freelance independent market and the potential insecurity this created in terms of maintaining provision.

An initiative to set up a new, independent music service for Cornwall was led by Gareth Churcher and his colleagues, drawing on experience and research from Steve Hawker, and with support from the Musicians' Union. By January 2015, the Cornwall Music Service Trust was ready to launch.

There were many options. Having a blank canvas was an exciting but daunting prospect. This guide aims to explore the research we undertook, and explain some of the choices we made, in the hope that this may help others adapt this model to their needs and find solutions relevant to their own situation.



3. TIMELINE – THE STEPS NEEDED TO LAUNCH

Ideally, this should take place over a two-year process. In some areas of the UK where a council has discontinued their music service, this transition has been managed in a well-organised and pragmatic way, with support from the council in setting up the new service. If council business and legal support is available, this can reduce setup costs, and cooperation can make a transition less stressful for staff.

In other areas councils have, for various reasons, not been as supportive, and simply closed their music service. If circumstances necessitate a faster setup, it can be done in a year, at a push. As long as there is time to get a viable business functioning (some elements are essential, such as the legal and financial framework, startup capital and a business plan, and the support of staff and stakeholders), some details can be refined once trading (for example, temporary administration systems may suffice until after launch, when the dust has settled enough to find a longer-term solution).

Although Figure 1 below shows a sequence of steps, in reality much of the work is done in parallel. For example, thinking about future plans and development from the beginning can help create an infrastructure that supports and encourages growth in the future.

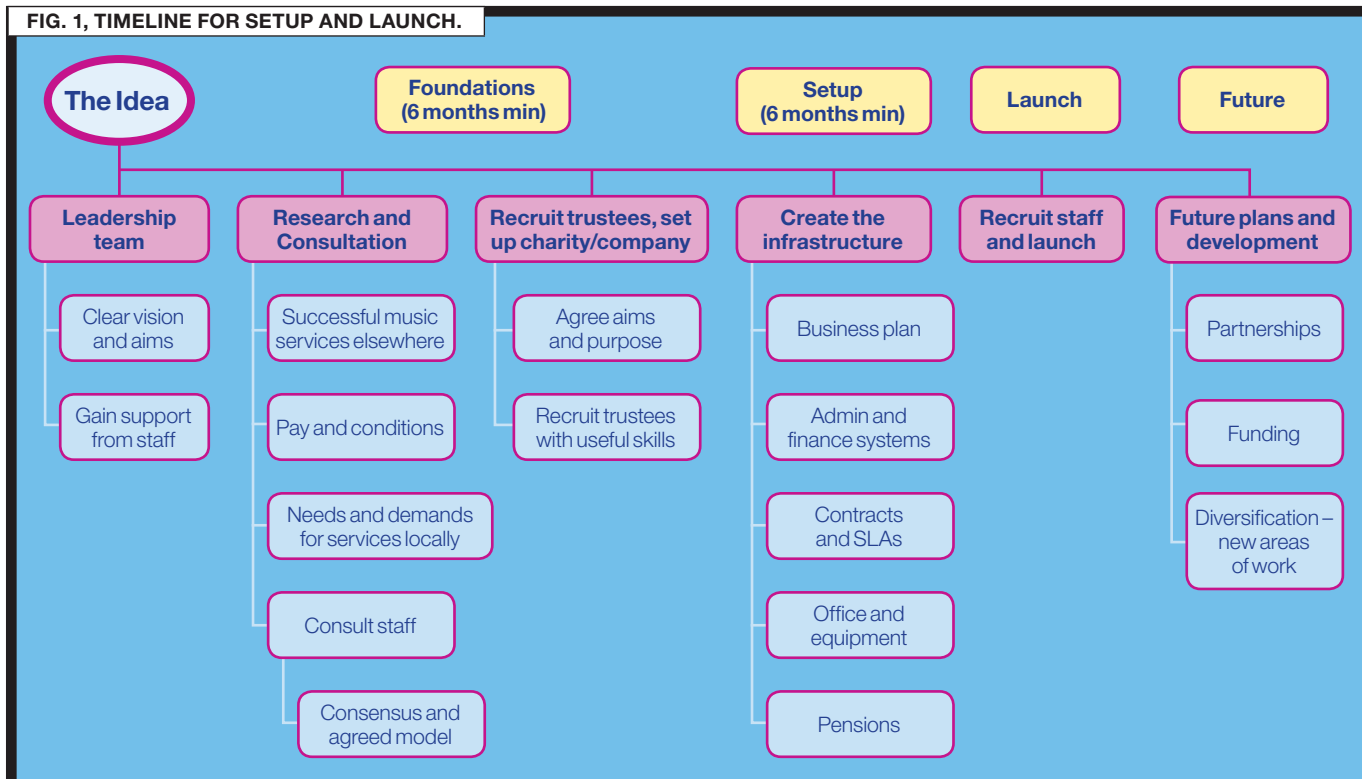
CMST Case Study

In Cornwall, the council's final decision, and notice of redundancy, was made five months before the closure of the service. This would not normally be enough time to set up a new organisation. However, as staff had been party to a consultation process during which the final closure seemed likely, much of the research and planning was already under way on an informal basis, based on the prediction that it may be necessary. The whole process (informal and formal) occurred over roughly a year.

During the consultation period (and before redundancy was announced), the leadership team emerged, and divided up research tasks. As these were done, unpaid, on top of existing full-time jobs, it took a lot of hard work and commitment to the purpose. Alongside the areas of research outlined in the rest of this guide, it also involved informal discussions with potential partners, councillors, council officers, schools, and staff.

This helped ensure that the groundwork was in place, and once redundancy was announced the research was quickly put into action.

FIG. 1, TIMELINE FOR SETUP AND LAUNCH.



4. KEY QUESTIONS AT THE BEGINNING

Music services have been a ubiquitous part of the musical landscape for decades. But we don't have to accept the status quo, or the preferred option of a previous employer. A turning point (such as redundancy or the opportunity to set up a new music service) is a chance to go back to the fundamentals and ask:

- What could/should a music service do, and which parts of society benefit?
- What benefits does employment in a music service give to staff?
- Who pays for these benefits?
- What are the foundations of a sustainable business model

4.1 WHAT IS A MUSIC SERVICE THERE FOR, AND WHAT COULD/SHOULD IT DO?

In all their many variations, historically they've provided a common thread for the development of many young musicians, whilst also providing a career that supports and develops talented music education experts. The services provided typically include:

- instrumental and vocal tuition
- local and county ensembles
- choral work
- curriculum support to schools, and training for school music teachers
- in many cases, other aspects have been developed: links to performing arts; work with families; rock/pop/urban/ethnic music; music technology, special educational needs, disability and other inclusion work; connections with larger national programmes such as Musical Futures and Arts Awards).

Alongside career music teachers, music services are often home to staff for whom music service teaching is one part of a portfolio career that may include performing, conducting, private tuition, music workshops, or work in other artforms. There may well be skills within the staff team that haven't yet been utilised. By finding out what else people are doing, it's possible to start a more open-ended exploration of what new work your music service could do.

Opening it wider still, there is the question of what should a music service do? Are there sections of the community that have missed out? Are there styles of music that haven't been well catered for? What other music organisations are working in the area, and are they effectively filling the gaps in music service provision? Is the above list of 'services provided' the right one, or does it need updating to give the service a new identity and sense of purpose?

In order to thrive, rather than merely survive, a new music service can take the opportunity provided by change to look at these issues and evolve. Although inevitably the first year or so of any new organisation may well be focused on survival, bearing these questions and opportunities in mind can ensure the groundwork is laid, right from the start, for future growth and development.



4.2 WHAT BENEFITS DOES EMPLOYMENT IN A MUSIC SERVICE PROVIDE FOR ITS STAFF?

There is a fundamental question as to whether the benefits of employment and of being a part of an organisation outweigh the costs. There is no simple answer. Music Teacher Co-operatives provide one alternative by remaining self-employed but keeping the benefits of having an organisation that everyone has a say in. This option has been thoroughly explored in the MU's handbook on co-operatives. So here we will limit ourselves to comparing a self-employed freelance setup (e.g., an 'approved list' scheme as used by some music hubs) with employment in a music service trust.

Self-employment can be more lucrative for someone with the right mix of teaching and business skills. Being employed automatically results in 'on-costs' – the employer has to take National Insurance (c. 8%) and employer's pension contribution (e.g. 4%) out of any income. When other costs are included, however, these costs are effectively transferred to the employee. This includes managerial costs, administration, office rent, software/IT, payroll, insurance, DBS checks, etc., and can amount to around 25% of income. If teachers are self-employed they can, in theory, keep that 25% and manage the costs and administration themselves. But not all staff will want to run their own business.

There is no simple answer as to which is better, but the tables below highlight some of the issues:

Being a freelancer	Being part of an organisation or collective
Can set your own rates, and those in demand can charge more.	Teaching rates are agreed collectively to reflect what the market can afford.
Compete with others, and if schools prioritise cost over quality, undercutting can lead to a race to the bottom.	An organisation can charge more, based on reputation, ability to provide cover, guarantee of child protection training, etc.
Have to establish your own reputation.	Music services often have great public support because of the positive impact they've had on many people's lives over generations.
On your own, potentially isolated.	Part of a team, mutual support, shared teaching resources, training/INSET, social gatherings.
Harder to apply for funding for other work/projects.	Easier for an organisation to apply for funding that can provide new work for staff.
Self-employment.	Employment.
Do your own invoicing/administration/tax/N.I. Can hire accountant. Debt collection isn't easy.	Administration/PAYE/debt collection done for you.
No pay for sickness, maternity/paternity leave (can purchase critical illness insurance).	Statutory payments as minimum.
Finance options (e.g., mortgage, loan) can be more limited for self-employed.	Mortgages, loans are more straightforward with a permanent job contract.
Lack of job and income security.	Employment rights.

4. KEY QUESTIONS AT THE BEGINNING – CONTINUED

Some costs are also more efficient in a larger organisation as opposed to on an individual basis (economies of scale). But the general question of employment costs and benefits for staff can be separated:

- Is it worth paying an administrator for admin purposes? What is the value of this compared to having to do all the organising, invoicing and tax/NI yourself?
- Is it worth paying a manager to manage? Does the head of service have a strategy for generating new work? Or making the quality of life for staff better by sorting out problems and creating a positive working environment? What is the value of these benefits?
- Is job and income security worth a sacrifice in potential earnings by building up reserves? Sickness and maternity/paternity are expensive for an employer (having to pay out twice – once for the person who is off, and again for the person doing extra cover – without the employer receiving any extra income). Staff are effectively collaborating in an insurance scheme to protect each other if they're off work, and make sure there's enough cash reserves to pay salaries even if there is sickness, maternity leave, bad debts, or other hiccups.

For schools a Service Level Agreement (SLA) with a music service is more attractive than a contract with an individual: the ability to provide cover; request a change of teacher; offer training and projects; and connections to a wider music education network. For many schools safeguarding and employment liability issues alone mean that a music service is the best option.

4.3 WHO PAYS FOR THE BENEFITS OF EMPLOYMENT?

Running an organisation is inherently more expensive than having a list of 'approved' self-employed teachers. The question is, who has to pay for these benefits? There are four basic answers, which can be balanced in different ways based on salaries, charges, and funding:

- The staff
- The parents
- Local or National government funding
- Schools, Colleges and other educational establishments

The costs to staff (in deductions for on-costs and management costs) have been discussed above. It is up to staff to collectively decide whether these costs represent good value for money. The other factors are that in some counties/services many staff will already be comfortable with self-employment. But in others many will have spent their working lives in employment, and may be fearful of the unfamiliar self-employed world, and may also prefer to delegate some responsibility to leadership they trust. In other words, the value of 'employment' is greater to some staff than others, when they realise what the reality of the alternatives are.

The cost to parents. A company automatically has to charge about 25% more than a freelancer (on the same income) to cover costs of employment. Should the parents have to foot the bill for giving staff the benefits of employment? Does this reduce the number of parents able or willing to pay? Is it fair on those who can't afford to pay? Does having an employed teacher provide a 25% better service to parents, compared to a freelancer? There are arguments for and against, but these questions need to be posed, as schools and parents will demand answers.

Council and central government funding for non-statutory music services has been declining for some time, showing no signs of reversing this trend. And although there are a plethora of funding bodies supporting music education, if you look at the origins of their money, it is from very few sources (alongside some private endowments, the main ones are government funded/controlled via the Arts Council and National Lottery funding, and thus subject to changes in government policy).

School funding. For schools with a supportive head teacher and a strong musical culture, the Pupil Premium and other parts of the budget can be used where the value of music is recognised.

For the long-term sustainability of music services, there is a danger of reliance on funding: most importantly in England, music hub funding comes from Arts Council England. If Hub funding were to stop in the future, would the music service survive? And would it continue to be able to provide equal opportunity of access to music, or would its services become the preserve of those families who can afford to pay? We'd suggest that **any reliance on external funding in the core business model of a new music service would invite the possibility of further collapse or redundancy** if funding later decreases or disappears. Alongside fighting for continued funding, and demonstrating that it represents good value for money to funders, it is safer to see any music activity relying on external funding as an "extra".



4.4 BECOMING FINANCIALLY SUSTAINABLE

The precise characteristics of a sustainable business model will be examined in more detail later. However, the key principles to look at are:

- What kind of work you should do (the needs).
- Identify who is going to pay for it and how much they're willing to pay (the demand).
- Find answers even where the sums don't appear to add up (creative solutions).
- Distribute the salary pool in a way that is fair, sustainable, and rewards quality (a motivated and positive workforce).

Some areas of work, new or old, can be self-financing (with payments from parents, schools, or other clients). Some work relies on subsidies from music hubs, school pupil premiums, or other sources (e.g., First Access or remissions for families on benefits). Other work is inherently expensive (e.g., teaching in small rural schools, or work with high staff/student ratios such as SEN/D or county ensembles).

Hence there arises the question of how to adapt to the landscape of austerity, in which funding is scarcer. If a music service is there to provide employment for its teachers, one focus can be on developing sustainable self-financing work, maybe in new ways, with people who can afford to pay. If a music service is there to provide equal access to ensure all young people have musical opportunities, then another focus could be on getting funding or creating partnerships that allow this to grow. Choosing the balance of these activities, and designing a music service that is fit for purpose, depends on going back to our first question: developing a clear idea of what the music service is there for – what it could and should do.

5. STAFF CONSULTATION AND LEADERSHIP TEAM

The success of a new venture, and managing the transition, depends in large part on the motivation and willingness of staff to join and contribute. Creating positive momentum isn't easy in a situation where staff are facing redundancy and worried about their future. Equally if you're in a situation where the council has already implemented a solution which teachers are not happy with, and you believe there might be a collective will to ask for change, or start from scratch and forge a new path. How can this change and momentum best be achieved?

We'd argue that the most effective way to create positive momentum is to use a co-operative ethos – to ensure that choices made are not imposed from the top down, but come from the people who make up the organisation. For the people leading the transition, this requires communication in both directions, in an iterative and repeating process from the moment of hearing about redundancy/change until the new organisation is set up, and continuing this after launch:

- Listening to what staff are concerned about and what their priorities are for a new service.
- Presenting open and transparent information, based on solid research, about various options that address their concerns, suggestions and priorities, and encouraging debate.

Job insecurity is stressful. However, by ensuring that everyone feels they can voice their concerns, and have a say in how the new service is formed, it will be seen as a truly grass-roots venture led by the staff. This is much more likely to result in a happy and positive organisation.

CMST Case Study

In Cornwall, there were several common themes voiced in comments left in an anonymous staff survey 15 months after launch. Three typical quotes responding to the question "What do you like about the new service?":

- "Positive attitude from all staff members."
- "I work with happy people!"
- "Openness of management – not aloof but accessible and 'on our side' and willing to listen to opinions of staff."

Another common theme since launch is a sense that "It feels like it's our service now". Of course, there are also issues, raised in response to the question "What would you like to change about the new service?" But overall, this kind of positive culture and co-operative ethos can become a longer-term result of effective staff consultation in the difficult initial stages of a transition.



INGREDIENTS FOR EFFECTIVE STAFF CONSULTATION

5.1 LEADERSHIP

In a process of transition, leadership is key. Every situation is different: it may be the existing leadership that manages the transition (e.g., a council music service 'spinning out' into the private sector). At the other end of the spectrum a council may be uncooperative, and new leaders may have to emerge from within the staff. Whatever the individual situation, a new venture can only gain critical mass and succeed if the leaders have the confidence and support of a large majority of staff.

Where there are conflicting groups (within the staff, or within the council or previous organisation), a certain amount of diplomacy is needed to avoid fragmentation. This can be best achieved by:

- **Communication** – listening, prompting, and provoking, and then drawing out the common elements of consensus: issues on which the majority agree.
- **Research** – basing suggestions for solutions on examples from music service models that have worked well elsewhere. Adapting tried and tested elements to local needs can form the basis for a new music service model.

The strength of the co-operative ethos is that effective leading comes through following.

5.2 COMMUNICATION

Communication between any emerging organisation and its stakeholders is vital. To succeed at launch, a new music service needs to have the trust of the schools, parents and partner organisations (such as the council, and music hub). Chapter 14 on Partnerships will look at this in more detail, but here we will focus on communication between leaders and staff during the transition from old organisation to new.

Whole-staff Meetings

These allow an opportunity for staff to air concerns, offer suggestions, and, just as importantly, to feel that they aren't alone during a stressful time. If redundancy by a previous organisation is involved (usually a council), there is a legal requirement for a staff consultation process in cooperation with a representative (usually a trade union), in cases where 20 or more members of staff are facing redundancy.

These meetings can have a dual purpose:

- To fight to keep the current pay and conditions, if it's possible.
- To publicly discuss research on alternative solutions and get input from staff.

Individual conversations with staff

Although time-intensive, even brief conversations with individuals can identify common themes, and encourage hope in difficult times. By listening to concerns, and being genuinely open to positive suggestions, people feel less isolated, and more able to take an active part in contributing to the future of a new organisation.

Trade Unions

Staff representation in a transition from local authority control is important. The teaching (or other) unions provide one channel for this, and unions may ask a staff member from their union to be a point of contact. The MU also provides representation for members on an individual basis.

The primary goal of the unions (to maintain the current Pay & Conditions for their staff) may not ultimately be achievable if the council can't be persuaded to fund it. It is right to fight for this, but a Plan B can be prepared at the same time. Unions have a wealth of information and experience in dealing with music service redundancies, the creative solutions some have found, and the pitfalls of other solutions (where unions may later see an increase in complaints or disputes).

This information is invaluable, as is the help of unions to negotiate terms (e.g., gaining peppercorn rent for future office space/facilities, or cheap support services)

Staff Working Group

Whilst working alongside unions, a parallel Staff Working Group is worth considering (particularly in representing non-union staff). This group could be elected by staff to represent their interests, and act as a point of contact, to keep staff updated, and research possible options. One benefit of having a Staff Working Group is that they may have a different relationship with the current employer to those of the unions. Therefore, they may be able to access different kinds of information not open through official channels.

6. RESEARCH

Finding out how other music services have fared is useful research in creating a model for your new service. Help is available from a variety of sources, including:

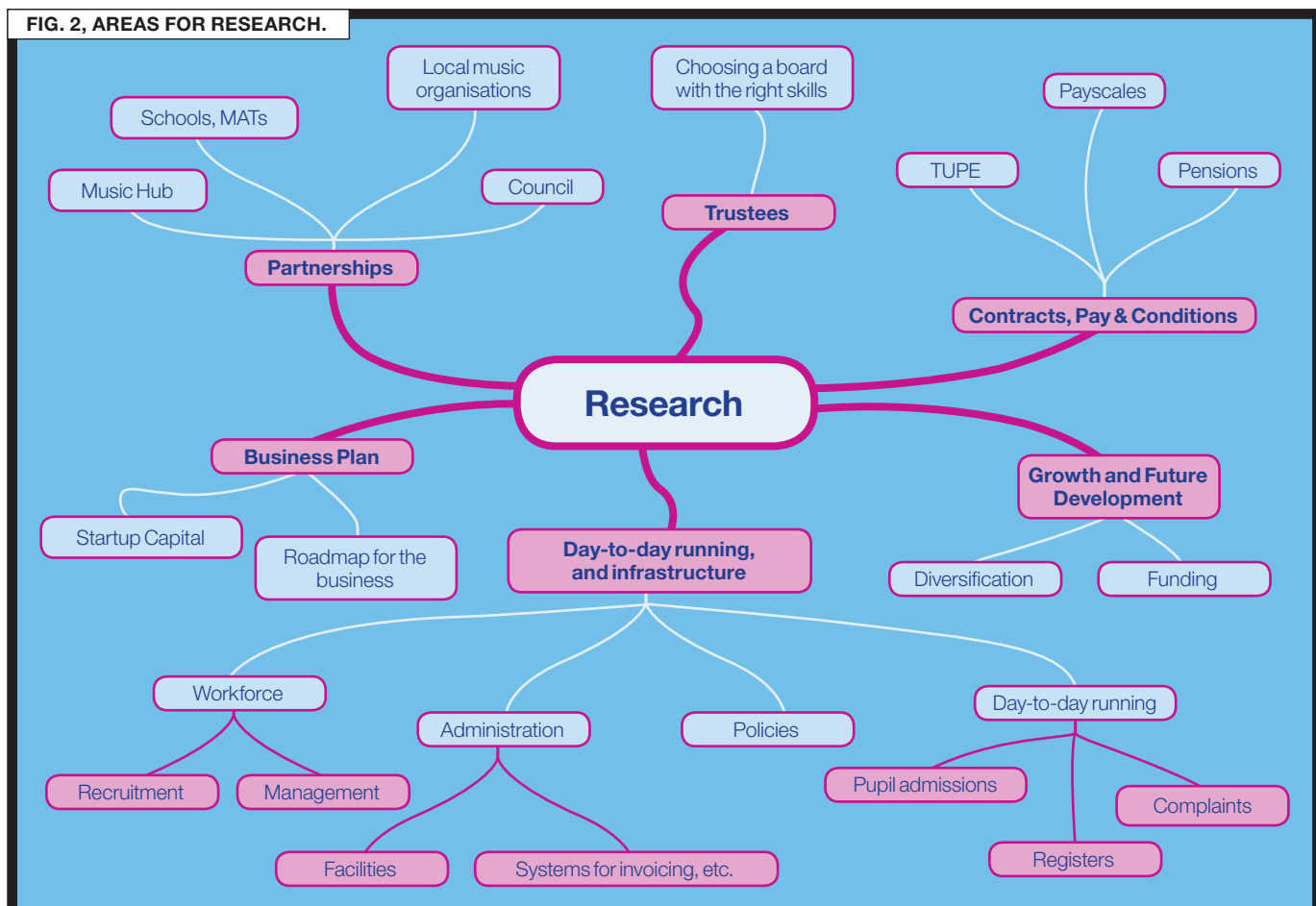
- Contacting heads of service elsewhere.
- Unions' knowledge about different solutions, and resulting staff morale.
- Internet research – particularly for the nuts and bolts of setting up a business or charity.
- Encouraging staff to become active participants in the process by contacting friends or colleagues who work in other music services.

The diagram below gives an outline of the areas of research needed for a fully-functioning music service trust. The rest of this guide will provide a starting point on each of these areas which can be adapted to your circumstances as needed.

The Cass Business School – Centre for Charity Effectiveness (part of City University, London) has produced a set of booklets to assist charities. This includes:

- Introduction
- Self-assessment
- Compliance
- Governance
- Direction
- Finance
- People
- Operations
- Connect
- Step Change
- Impact assessment
- Social investment

These useful guides are available free of charge from: <https://www.cass.city.ac.uk/faculties-and-research/centres/cce/resources>



7. TRUSTEES

The Board of Trustees have overall control of the charity, and are legally responsible for filing annual accounts and reports with the Charity Commission. They are also in charge of making sure the organisation sticks to its original aims, and their skills and experience can help in achieving these aims. Their agreement is needed for any major changes, such as new areas of work, or the appointment of senior staff.

Trustees need to be recruited during transition to a music service trust before the charity can be registered, and with the right choices, they can make a big difference to prospects for long-term success. The minimum skill set should include:

- Expertise in music education.
- Experience and connections with the council.
- Financial expertise.
- Funding experience.

In practice, having a board of supportive and committed trustees can help with setting up a trust, and open doors for future work, whilst also holding the head of service to account and helping resolve any difficulties encountered. You may want to also consider the following kinds of help and advice potential trustees may be able to offer:

- Trustees having connections with organisations you might work with (e.g., university or college music departments, local or regional orchestras, concert venues).
- People with skills in administration, or who can help write policies and documentation.
- Legal and accounting expertise.
- Business development.

Note: your trustees are accountable under the law for the whole organisation, ensuring that it complies with its mission and governing document, that it is solvent and fulfils all its legal and charitable obligations. In practice, this means the Board must:

- Comply with all relevant laws and regulations
- Be accountable for its decisions and actions to all key parties, including statutory bodies, funding partners, beneficiaries, service users, staff, volunteers, regulators, and the public

- Submit to whatever scrutiny is appropriate, e.g. the Charity Commission, HMRC
- Ensure that the organisation has a formal complaints procedure which is operated according to the agreed process and records kept
- Seek external advice when necessary

The general distinction between 'governance' (provided by Trustees) and 'management' (the responsibility of executive staff) requires careful consideration and is summarised as follows:

Governance	Management
Determining mission, policy and strategy	Developing policy and strategy
Appointing and overseeing the Chief Executive	Appointing managers and staff
Managing the governance process	Supporting the governance process
Providing insight, wisdom and judgement	Implementing Board decisions
Monitoring performance	Delivering services

Other related areas are worth considering. Having a high profile patron (or patrons) can help raise the profile of the trust's work. A group of expert advisers can help give the trust (and trustees) some perspective and suggestions in deciding what areas for future development would be most beneficial.

CMST Case Study

The team of teachers leading the transition came up with suggestions for potential trustees, and initial approaches were made. With a few key trustees agreeing (having lots of experience with running charities, council and education organisations), including the current chair and vice-chair of trustees, their suggestions for other useful trustees were followed up, and a board was appointed. Details of their skills and experience can be found here:

<https://www.cornwallmusicserVICETRUST.org/meet-the-trustees/>

However, it should be borne in mind that each music service and part of the country will be different. The key is to find a team of trustees that are committed, supportive, can guide in running and developing a large business, and can connect with the infrastructure relevant to music education in the local area.

8. BUSINESS PLAN

A robust but malleable business plan is a must for any business about to embark in trading activity, and it is vitally important to have this document in place before delivery commences. There are many elements to this document and if you compile it well, it can be a great asset in making financial and strategic decisions for both the short, mid and long term goals of the Trust.

The Business Plan is a large document, and wherever possible it is favourable to have the services of professionals who are well versed in compiling a document of this magnitude. Furthermore, if written well, it can have other uses. For example, parts of the document can be used for funding bids, or setting budgets.

The process of writing the Business Plan will also invite further questions and require actions that may affect the implementation of delivery and financial forecasts.

For example:

- Should we be registered for VAT?
- Where will our core income come from?
- How will we manage our Cash Flow?
- Where will our start-up funding come from?
- What are our start-up costs?
- Can we register and claim for Gift Aid?
- What are our on costs?
- What is the potential margin on delivery hours and how does this affect the price per hour?
- What insurances will we require?
- How will we market our services?
- Website implementation?
- What do I need to register for with HMRC?
- How many teaching weeks to deliver per year, and how does this relate to each term?

This list is not exhaustive and some questions can only be answered when you have decided what your organisation will be (Charity, Social Enterprise etc.), what your structure will look like and so on. It is also important to remember that once you've completed your first draft, you will probably soon be starting on version two, as changes in circumstances mean the document will constantly evolve.

CMST Case Study

In Cornwall we decided that this document should be a collaboration amongst various people including managers, staff and professionals, knowing that many heads are better than one. There are plenty of proformas available online and these can be a good starting point. However, the Business Plan will soon evolve as and when elements are encountered that are only relevant to your own Trust.

A full outline of the chapter headings in the business plan is given in Appendix 1. This provides an indication of the areas to be covered.



9. CONTRACTS, PAY & CONDITIONS

The context of determining the contracts, pay and conditions for each music service trust will in some ways be the final conclusion of all the prior research. It is also dependent on legislation regarding TUPE.

The Cass Business School – Centre for Charity Effectiveness (part of City University, London) has produced a set of booklets to assist charities. This includes:

9.1 TUPE

TUPE refers to the “Transfer of Undertakings (Protection of Employment) Regulations 2006”. It is designed to protect employees when a business is transferred to a new owner, or when a service is provided by a new contractor (e.g. a council outsourcing its services). Employees should carry over to the new employer their pay and conditions, and continuous service.

Whilst protecting employees, this can be problematic if transferring pay and conditions would mean the new music service isn't financially viable (and goes out of business, making staff redundant). This was the situation in Cornwall, where a significant number of teachers were on upper pay scales, and the service was running at a loss. Staff collectively decided it was better to set up on our own as a new venture, with a new contract that was financially viable – that it was better to keep our jobs and stay together as a service, even if this meant reduced pay and inferior conditions for many senior staff.

CMST Case Study

How was it possible for staff to transfer from the previous council employer to the new music service trust without TUPE applying? The key was that the council didn't transfer staff, but closed the service and made staff redundant. Staff then joined the new trust. Unions agreed that, legally, TUPE wouldn't apply: when the service is closed with redundancy pay, there is no longer a service to transfer. Whether TUPE is of benefit in your own area depends on circumstances. If another company or organisation can operate more efficiently than the council, allowing staff to retain their pay and conditions, this may be beneficial. However, if your conclusion is that creating a new music service trust with a different contract is of benefit, and staff agree, it is possible to do so without TUPE coming into force if staff are made redundant by the previous employer.

You are recommended to seek legal advice from an employment lawyer before taking any steps in this direction.

9.2 A RECIPE FOR PAY

Depending on your costings, pricing structure, and the margin allowable on delivery hours, the total 'salary pool' from income (after accounting for National Insurance, pensions, and administration costs) can be divided into different pay components. Holiday pay is required under current employment law (at time of writing in 2018), but other components can be tailored to suit the needs of staff.

It is essential to achieve consensus amongst staff in deciding what pay formula will appeal and motivate. The factors in each situation (and the best balance in pay formula) may vary according to each music service's unique situation, for example:

a) Staff Expectations

In some music services, particularly in urban areas, many teachers may be accustomed to freelance work and self-employment, with a more transient workforce, and higher turnover of newly trained or younger teachers, who often move on. In these situations, the bottom-line hourly rate may be the most significant factor. Staff may be confident in claiming expenses through self-assessment, and less concerned with extras such as pension contributions or travel expenses. If many staff are also gigging musicians, it may be beneficial to include 'depping' arrangements in contracts to allow teachers to maintain the performing careers that also enhance their teaching.

On the other hand, for music services that have a majority of career staff who remain in the job on a long term basis, and a significant proportion of qualified teachers, the expectations for the pay formula may have a different balance, including an attractive pension, allowances for travel expenses, PPA time, and paid training days.

9. CONTRACTS, PAY & CONDITIONS – CONTINUED

b) Local Factors: Urban versus Rural music services

Travel time and expense is more significant in rural areas than urban ones. Staff will not be motivated to work in small, rurally-isolated schools if they aren't recompensed. A balance needs to be struck between the aims of a music service to offer equal access to music education for all, and the needs of staff to be paid fairly for their efforts.

In Cornwall, consultation with staff showed the majority backed the principle that the service should be offered to rural schools, rather than have the organisation cherry-pick those schools in towns, and therefore staff were willing to accept a degree of compromise. A number of possible solutions were examined, which may be relevant to other music services:

- Cross-subsidy: more travel-efficient work in towns could subsidise paying extra travel expense for isolated schools.
- Minimum number of pupils in small schools: create a waiting list until there was sufficient demand, or do a demo to generate enough interest.
- Using multi-instrument teachers in small schools instead of sending separate teachers for each instrument.
- Investigate government, council or charity funding targeting rural isolation.

With some research into the needs of your area, and the expectations of staff, a pay formula that best fulfils all criteria can be decided. There will inevitably be some compromises, but simplicity is also a significant factor, for reducing administrative costs, and ensuring that pay is fair, transparent and understandable for staff. This helps increase staff morale and motivation.

CMST Case Study

Before CMST was launched, the system within Cornwall Council was that travel time was paid between schools and mileage was claimable from home to schools and then home again. This was very costly and came with a huge administrative burden. After extensive research into other services across the country where some still pay travel time, mileage, a combination of both, or in some circumstances nothing at all, CMST decided to analyse the average travel time spent by staff. Based on these findings, we implemented a 20% allowance for travel time on top of a base salary. In some circumstances where travel is more or less, the allowance will be adjusted accordingly.

The benefits of this approach are:

- Staff are still compensated for travel.
- More cost efficient than previous model.
- Far easier to control and budget.
- Teachers can still claim the tax allowance mileage incurred through self-assessment as part of allowable business expenditure.
- Encourages staff to be more efficient in terms of travel which is also better for the environment.

CMST has a business model that calculates staff FTEs as a percentage of contact time but within the terms and conditions of employment adds an allowance for PPA, holiday pay, paid INSET, and travel time. The rates paid are competitive to a freelance peripatetic teacher but staff have all the added benefits of permanent employment contracts.



9.3 PAY SCALES

Contracts within local authority-run music services vary. Historically most were on Teachers Pay and Conditions (including Cornwall until 2014). As councils struggled to keep music services financially viable, different solutions with reduced pay and conditions were found, such as Green Book and Lecturers pay scales, or common pay scales. These are outlined below.

The Teachers Pay scale, previously common in music services, provided scope for career progression with Upper Pay scales. However, it had two major downsides for music services, resulting in a major decline in its use:

- Staffing costs can become unsustainable – as council subsidy reduced, charges for schools/pupils had to rise (in some areas over £60/hour), leading to work diminishing due to cheaper competition a downward spiral.
- Progression is based on teaching qualification – with lower pay scale for unqualified teachers creating a two-tier system, and staff division. There is no doubt that a teaching qualification and a professional workforce are valuable, but many also argue that unqualified teachers can bring experience and skills that are as useful for a music service as a PGCE. It can break the principle of 'equal pay for equal work'.

However some music services have used this as a starting point and adapted it to their needs.

Green Book and Lecturers Pay scales have been used in music services remaining within the local authority. The Green Book pay scale is used for other council staff including Nursery teachers and social workers.

The Lecturers pay scale is another alternative:

https://www.ucu.org.uk/fescales_england

Using these pay scales brings with it the benefit for staff that their salary will grow based on national agreements, but it has the disadvantage for a business that staffing costs are less flexible (it can't choose if or when to raise its charges to schools and parents). If higher charges lead to fewer customers, the staff ultimately lose out.

A Common Pay scale is an alternative that can be set up to reward both qualifications and experience. An early pioneer was Hertfordshire Music Service who, after much negotiation with unions and employees, agreed a common pay scale for both qualified and unqualified instrumental teachers.

9.4 DESIGNING A COMMON PAY SCALE

The basic process is to look at the business model and:

- Find the "break-even" figure: the maximum rate that can be paid after all overheads are paid for (including the build-up of reserves). This figure is the pay ceiling for teaching staff.
- Build a pay scale around this figure that is relevant and appealing to the kind of staff you already have, and those you intend to recruit.

A pay scale needs to be set up to balance financial sustainability with the motivation of staff by providing career progression. Sustainability depends on the kind of staff in the service. If the majority are skilled and experienced, and remain in the job on a long-term basis, their pay ceiling needs to be near the maximum the business model can afford (for retention). However, in areas where there is higher staff turnover, (e.g., in urban areas with a large supply of recent graduates looking to gain some teaching experience before moving on), the pay scale needs to reflect this: to be competitive with other kinds of work available, whilst encouraging high-quality new staff to remain with the service.

Decisions need to be made on how to pay any staff above the break-even figure, or those who do non-delivery work that doesn't generate direct income (e.g., management time). In music co-operatives the management structure is usually flat, with one director having paid time to manage the co-operative. This time (along with operating costs) is paid for with a top-slice from members' income.

9. CONTRACTS, PAY & CONDITIONS – CONTINUED

For larger organisations with diverse areas of work (e.g., curriculum teaching, a large network of county ensembles, or a large first access programme), it can be more efficient to pay a management allowance for someone to run these programmes more effectively and increase delivery hours. This could be paid for with further top-slicing of delivery income. However, this can quickly lead to teaching salaries becoming uncompetitive. The alternative in many larger organisations is that management staff have to pay for their own higher costs, either through generating new work that has a financial surplus (e.g. profit-making concerts for ensembles), or by bidding for funding that can include their time (many funders allow up to 20% of the budget for management costs).

CMST Case Study

As in many other Music Services across the country, Cornwall Council previously had the teacher's pay scale for its peripatetic teachers. This had its benefits but also meant that some staff with equal experience were not paid the same. The qualified and non-qualified elements of the teacher's pay scale meant that staff delivering exactly the same provision could see vast differences in their pay owing to their qualifications. In some cases, where staff moved from a different country and their national qualifications were not recognised in this country, someone could be as well qualified as a teacher in the UK, but not be allowed on the qualified pay scale.

Moving to a new common pay scale allowed these issues to be addressed. As an illustration, CMST implemented the pay scale shown in Appendix 2 (figures for 2016-17).

9.5 PENSIONS

Providing a pension scheme is a legal requirement for employers (phased in from 2012 – 2018 dependent on the number of employees). A good pension scheme is also attractive for prospective staff. There are thousands of options with different pension providers. Some time spent researching and seeking professional advice will help safeguard the long-term financial security of staff.

CMST Case Study

In Cornwall we looked into keeping the Teachers' Pension Scheme (TPS) from our previous contract, as it was one of the most favourable and secure schemes of its kind, and favoured by staff. However this proved impossible due to the TUPE regulations.

The Teachers' Pension Regulations 2010 say that in order to register with TPS, an institution needs to be registered with the Department for Education (as all schools are). Unfortunately, communications with the DfE revealed they would only accept the registration of CMST if we were classed as 'function providers' – outsourced services from the council. Therefore, it would only be possible to retain Teachers' Pensions by using TUPE; however, using TUPE would have meant the new service being financially unviable.

Other pension schemes were investigated, and NEST was decided on as the best option for CMST. It was established as a non-departmental public body by legislation, and reports to Parliament, without any profit being taken by shareholders. Of course, there are many other pension providers, and you should seek financial advice before making a decision.



10. A MOTIVATED, DEDICATED AND SKILLED WORKFORCE

10.1 CO-OPERATIVE ETHOS

The Co-operative movement is founded on the following values:

- self-help
- self-responsibility
- democracy
- equality
- equity
- solidarity.

In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

<http://www.coop.co.uk/corporate/aboutus/the-co-operative-group-values-and-principles/>



In the research and consultation phase of setting up CMST, the option of becoming a co-operative was researched, and presented to staff. Although there was interest in the values, the feeling amongst staff was that they would prefer to retain aspects of a more 'hierarchical' structure. The emerging leadership team was respected and trusted to continue, as they listened to and responded to the thoughts and suggestions of staff on the direction CMST was taking, and how pay and conditions could be structured for the greatest benefit of staff as a whole. For many senior staff, the founding of CMST required some self-sacrifice (in terms of reduced income) in order to make sure the service stayed together, demonstrating that working together on a venture that people believe in can have a value greater than the purely financial.

In its final form, the only co-operative value not followed by CMST is democracy. The head of service and other senior staff were appointed by the Board of Trustees, rather than elected by teacher members. However, should a situation arise where staff are unhappy with management, they have recourse to the Board of Trustees, who can, if they wish, appoint a new leadership team or head of service.

Having been established with a co-operative ethos, it is acknowledged that the service will only succeed through the ongoing responsiveness to the wants and needs of staff (as discussed in more detail in the rest of Chapter 10).

The practical results of following this ethos are:

- Staff retention: the vast majority of staff from the old service joined the new trust.
- Staff morale: to be measured using anonymous staff surveys, informal conversations, and take-up of staff social activities, along with the smiles of content people at INSET days.
- A significant reduction in sickness and other absences compared to the previous service.
- Increase in newly-recruited staff (teaching staff numbers increasing from 80 to 120 within 3 years of launch), indicating that CMST is considered a good place to work.

10. A MOTIVATED, DEDICATED AND SKILLED WORKFORCE – CONTINUED

10.2 RECRUITMENT

For many new music services, the majority of staff at launch will have moved from the previous service. However, after launch, staff may come and go. A recruitment policy and process needs to be put in place that meets legal requirements, is fair and transparent, follows good safeguarding practice, and also ensures the long-term future of the service by recruiting staff that are an asset.

One potential risk where staff have worked together closely in setting up a new service is becoming insular – or to put it another way: cronyism. Whilst there are benefits to recruiting teachers or managers who are known, open advertisement and a recruitment policy can help ensure that working relationships remain professional, and that opportunities are open to talented music educators who can become the lifeblood for growth and success in the future. Trustees should provide oversight to ensure this.

CMST Case Study

Before a contract can be issued, CMST employs a stringent recruitment procedure that includes an interview with a staff member trained in Safer Recruitment, and with their respective Team Manager, which includes assessing the interviewee's performance using their main instrument. This is followed, where required, by shadow teaching with a colleague who will then feed-back to the Team Manager or Head of Service. If all is successful up until this point and the potential staff member is allocated teaching, a probation period then follows.

Once all of the processes above have been completed and the probation period has expired, the staff member will be notified in writing.

The most important element to this procedure is the Safer Recruitment section. This can play a hugely important role within general safeguarding and child protection responsibilities and could be the first point at which a potential staff member is identified as not suitable to work in an educational setting.

CMST is governed by a Safer Recruitment policy which is imperative to any entity wishing to employ staff who will work with vulnerable adults and young people.



10.3 INCENTIVISATION

There are two main factors in incentivising high quality work, and staff feeling fulfilled as part of an organisation: its culture and the way its contracts and pay scale work.

A culture founded on the co-operative ethos helps staff to feel a personal investment in the service. This is strengthened by the organisation taking note of what staff need, and responding to these needs. The Staff Appraisal cycle (see 10.4 below), anonymous staff surveys, and informal conversations can provide ways of identifying what is needed to support the development of staff. This could be in the form of requests for training topics at INSET, or common issues such as back pain or stress which can be part of a healthy workplace scheme. Or it may emerge that staff have expertise or interests (e.g. early years or world music), and just need a little support to get started on something which could become a new area of work for the service.

There is also the corollary: to set things up so as to remove the disincentives to good practice. The vast majority of people take pride in their work, and if they know what is expected of them will do their best to fulfil it. Sadly, human nature is such that for some, if they see an opportunity for a free lunch, or to cut corners, they will take it. Again, contracts and working culture play their part, and policies can be revised if loopholes are being exploited, so there is clarity on expected working practices.

CMST Case Study

Previous terms and conditions of employment for Cornwall Council meant that staff teaching hours in October determined their FTE for the year ahead, and even if they lost all teaching by December, they would not be paid any less than 80% of their October FTE. To make matters worse, if during the following year for staff in this situation there was no change in circumstance, pay still couldn't be less than 80% of the previous year's 80%, all the while not producing any income for the service. This provided great financial security for the staff, but also gave a financial incentive to reduce work, as pay remained at 80%. Payment arrangements for travel time and costs also incentivised some staff to maximise their time in the car rather than teaching. This was an example of a contract that did not incentivise staff to give their best.

CMST's model tries to strike a happy medium, providing security for the staff but also protecting the service overall. Staff will see an increase in FTE when delivery hours are increased and have a six week period if work is lost, to increase their hours to maintain the same FTE and pay.

As previously mentioned, there is a big emphasis on making the teaching efficient, and the incentive to drive less is for both financial and environmental reasons.

Further incentive is provided through the surplus-generating model created, which allows us to reinvest surpluses into musical education, and consequently staff time. It is therefore a team effort to make the service run efficiently so that the staff can reap the rewards. In addition, pay increases are awarded, and these can be funded by an increase in charge-out rates to customers. Alternatively, or where the budget for delivery hours exceeds a pay rise, it can be funded internally.



10. A MOTIVATED, DEDICATED AND SKILLED WORKFORCE – CONTINUED

10.4 PERFORMANCE MANAGEMENT

This is a term that can too often worry staff. An alternative name is Staff Appraisal. This can be done on an annual cycle with elements of praise for good practice, and of identifying and addressing any needs for further CPD to enhance delivery. The bigger picture is that the appraisal process can identify cross-service issues that need to be rectified, therefore allowing the staff to appraise the service as a whole.

These two aspects of performance management are linked: the success of the service depends on the performance of its staff, and vice versa. When looking at reasons why some staff perform better than others, it's important for the organisation to look at what it needs to provide in order for staff to fulfil their potential.

One piece of research into music education organisations has highlighted this by looking at the Gilbert six-cell model. This is discussed in more detail in chapter 3 of the Youth Music paper, "The Power of Equality 2", from which the table below is quoted: <http://network.youthmusic.org.uk/learning/research/power-equality-2-final-evaluation-youth-musics-musical-inclusion-programme-2012-20>

This model offers a way of locating and addressing the causes of underperformance, and also learning from the examples of and reasons for high performance. It illustrates one way an organisation can look at its own performance, and find ways of improving it.

CMST Case Study

The 12-month cycle, which follows a very clear process and policy shared with all staff, is as follows:

Term 1 – Policy and appraisal documents sent to staff via their respective team manager. Appraisee to complete first part of documentation and team manager to respond with an initial discussion. In this initial discussion a date for a lesson observation and further discussion will be set.

Term 2 – Lesson observation to take place (if required immediately, if not observation to happen within a three-year cycle) with follow up meeting to discuss elements discovered in the lesson observation and to allow appraisee to make comments. Targets set.

Term 3 – Documents reviewed and progress of any targets set in Term 2 discussed.

The policy, documents and procedure have been designed closely with supporting educational establishments, allowing for the best parts of each to be incorporated into CMST's Staff Appraisal Scheme.

CMST also takes note of any emerging themes from staff appraisals (alongside anonymous staff surveys and informal communication) to adapt the content of INSET and team training to address these and provide support.

Workers need to:	Know what to do, why, and to what standard	Be motivated to do it	Be able to do it
Managers must supply:	<ul style="list-style-type: none"> – Clear induction – Regular supervision and co-working 	<ul style="list-style-type: none"> – Helping workers see themselves in the vision – Appreciation and reward 	<ul style="list-style-type: none"> – Individual learning, training and skill development – Coaching
The organisation must supply:	<ul style="list-style-type: none"> – Systems supportive to good management and communication 	<ul style="list-style-type: none"> – Creation of a shared vision – Culture of inclusion – Culture of excellence 	<ul style="list-style-type: none"> – Culture of collective (reflective) practice – Culture of collaboration

11. ADMINISTRATION

11.1 STAFFING AND RESPONSIBILITIES

Staffing

Finding good administration staff that are loyal and behind the common goal of the Music Service Trust is a hard task.

The level of staffing required is dependent on the size of the service, the software systems you have at your disposal, and the invoicing system you are running, whether it be direct billing of parents, school billing, or both. The initial setup phase is the most demanding, as teething difficulties are worked through. However, once things settle down, it is worth budgeting for sufficient admin support to ensure professional customer service (so schools or parents don't cancel due to unreturned calls or administrative errors), and that staff feel supported enough to do their job well (which helps motivate staff to grow the business).

CMST Case Study

In Cornwall, we were fortunate that when advertising for a senior administrator (office manager), an individual who had been involved with the music service many years ago applied for the job. This integral knowledge of the 'system' was invaluable, and was paramount to the success of the service in its early stages. However, that's not to say that someone approaching the job with no preconceptions isn't also valuable. In short, good staff cost money and as the service provided is heavily admin-orientated, and close contact with parents and schools is involved, it is worthwhile spending the money.

Staffing: As a guide, CMST delivery for 2016 was approximately 1,000 hours of music education per week, with a 50/50 split between parents being billed directly and schools being invoiced. CMST employs 1.5 FTE administrative staff under the guidance of the Head of Service. A 0.4 FTE finance manager was appointed in 2017, a post that pays for itself by focusing on debt recovery, bringing payroll and accounting functions in-house, improving financial efficiency. This freed up time for the Head of Service to focus on business development.

When CMST launched it was on a very tight budget, and the software systems used were all items that most of us have at our disposal on a PC. More detail in 11.3 below.

Responsibilities

Depending on the size of the music service, the various aspects of administration can be identified, either to determine the job description and skills needed for a single post, or to divide the roles between more than one administrator in a cost-effective way that helps with smooth operation.

CMST Case Study

CMST's office manager is in charge of overseeing most of the office procedures, including maintaining a sales and purchase ledger, processing bank payments and receipts, processing requests for lessons and dealing with day to day communications from the customer base. Assisting the Head of Service and Team Managers in organising staffing is another job role that the office manager and assistant administrator both undertake.

The assistant administrator will assist the office manager in all of the above and deal more heavily with processing paperwork for lesson requests, along with answering the phone and other office duties.



11. ADMINISTRATION – CONTINUED

11.2 BUSINESS SUPPORT SERVICES AND OFFICE SPACE

A Music Service Trust will require the services of various professionals, including those in Human Resources and Accounting, and to have these 'in-house' can be inefficient and not cost effective for a small to medium size service.

A music service as part of a local authority (LA) would have access to all of these services and would more than likely be recharged by the LA for these services. In Cornwall we found that the services provided by the private sector are far more efficient, easy to access and for the same level of service CMST is only paying 10% of what it was costing the service before it went independent.

Historically the situation has varied in different local authorities – when becoming independent from the council, some services negotiated cheap ongoing business support services from the council, or peppercorn rents for office space or music centres. A combination of goodwill and the support of councillors, research and bargaining can reduce costs, and allow a council to continue support of music education without having extra outlay on its balance sheet.

There are a lot of advantages to having your own office, but if you get the opportunity to work in another existing establishment, especially an educational one, the infrastructure is already there and the cost of hiring or renting office space and equipment will most likely be far cheaper than renting office space on the high street or an industrial estate.

CMST Case Study

Our service agreement with Truro School includes support in the following areas: IT, Human Resources, Accounting, Professional Support (including access to the senior leadership team, Headmaster and Bursar), office space and use of various buildings on site. Further accountancy, payroll and business support was initially with a local firm of accountants (until increasing revenue made it cost-effective to employ a part-time finance manager), and we use the services of a Child Protection & Safeguarding consultant.



11.3 TECHNOLOGY

Choosing the software used to deal with a huge amount of data can take hours of research. An internet search brings up many Customer Relations Management (CRM) systems that can be explored, but all have their limitations. A music service has specific needs: a way of capturing the data from teachers' delivery; and a system allowing for ease of communications under strict data protection laws, due to the nature of the sensitive information required.

However, there are ways of setting up a system for free. With charitable status and delivery that is primarily educational, it is currently possible to apply to Google for the educational version of Google Docs. This includes Google's own word processing, spreadsheet and presentation software. More importantly, these apps and their corresponding documents can all be shared and edited live, which acts as a great way of speeding up the process of collaborative documents and storing important information in a cloud-based storage system. Although it has certain limitations, it also provides ways of sharing teaching and other resources that are accessible to staff from smartphones or computers.

A professional-looking website with up-to-date information is the 'shop window' for a music service. First impressions count, and a good website can give schools and parents a sense of security that they are dealing with a professional organisation. Including a facility for parents to register information for new pupils and pay invoices online can significantly reduce administration time and costs. Inevitably when setting up a music service, there may be higher priorities at the beginning, but it may be that a member of staff (or indeed one of their children!) may be able to create a website for little cost from the outset. Free templates are available from open source systems such as WordPress. Overall, when reserves build up to allow investment, a professionally-designed and maintained website and effective social media presence can increase take-up of services and, depending on the margin allowed on delivery costs, can ultimately pay for itself.

There are various other items of software that may be useful, for example to produce your own in-house ID cards. The needs of each Service will differ from one to the next but being adaptable and having to think outside of the box can lead to very simple solutions.

11.4 FAQs

There will be many questions, not just from potential customers, but from the staff collective also. The best way to address these, to avoid a constant stream of emails and calls, is to set up a FAQs document. This, if created as a 'live' document using an interface such as Google Docs, will be an easy way to address concerns and leave replies to queries received. If this can then be placed in a prominent position such as the website or internal file sharing system it can be easily and quickly accessed and updated.



11. ADMINISTRATION – CONTINUED

11.5 INVOICING

Once your systems are in place and the administration are ready to send the first batch of invoices it is wise to think about when to send, and how to manage debt. It is important to note that even the most efficient businesses will have bad debt (i.e. an amount of sales that will never be recoverable). It is therefore prudent to include an allowance for this in any financial workings. However the processes set up for invoicing and cancellation of lessons can reduce this.

The central principle is to make sure lessons are paid for in advance, and that teaching staff are made aware when an invoice hasn't been paid so they don't continue to teach non-paying pupils and claim for their time. If the previous music service was more flexible (e.g. having Council financial reserves as a buffer to cope with late payment), a change may come as a shock to some schools or parents. However, for a new Trust with little or no reserves, bad debts result in staff not getting paid at the end of the month. So, a fair system of advance payment with clear explanation is essential and it is standard practice in similar businesses.

CMST Case Study

When CMST first launched, we had to invoice retrospectively purely because we had such a quick turnaround to set up. Since then, CMST has implemented an invoicing procedure that has reduced debt.

At the end of each term invoices are sent out for the following term. The terms and conditions of payment mean that, before the following term commences, payment should have been received before the lesson commences. If payment hasn't been received, a chasing process will follow, and the customer and teacher concerned will be notified that lessons may cease until the balance is paid. If this still has no effect, the lessons will be stopped and the outstanding balance passed to a debt collection agency where the full amount will be chased along with an amount relevant to a notice period.

The above process can be very time consuming and wherever possible ways of reducing this administrative burden through suitable software need to be explored.

11.6 ADMIN CYCLE

Depending on the way a music service trust is set up, the kind of work done and payment schedules, a routine will emerge. The more efficiently the administration processes and software have been set up (as described above), the easier this will be. However for any new service there will be a learning curve. An illustration of the admin cycle in CMST may help you think through what is needed in your situation.

CMST Case Study

On a daily basis, CMST's system is to draw down funds from the parent pay system into our bank account and reconcile any payments received and payments processed. The answerphone is then checked and any messages then responded to. After the post has been collected, any cheques for fees received are reconciled and customer accounts updated for the day. After these processes, the rest of the day will be concerned with monitoring emails and phone calls along with processing any new requests for lessons and dealing with staff queries and timetables.

On a larger scale, invoicing for parents will happen (where possible) before term commences, and invoices for new pupils will be produced on a weekly basis. School invoices will generally be processed and sent just before the half term. As CMST is the largest provider for Cornwall Music Education Hub we will invoice for work completed on a monthly basis. One of the largest administrative jobs is the termly remission claim that also goes to Cornwall Council. Cornwall Council has a body that represents all schools in Cornwall, known as the Schools Forum. It disseminates funding from central government to all schools within Cornwall, and at present gives an allocation of well over £100,000, for remission-funded lessons. This funding allows for families in certain circumstances to access lessons for free through CMST.

When parents sign their children up for lessons, we ask them to provide information of remissions that are applicable, and CMST in turn will put a claim into Cornwall Council for the total remission per term.

Another large administrative item is the annual report writing that all teachers undertake for all pupils. Reports are written by staff in the Spring Term, checked by Team Managers by the end of April and then given to all schools and parents by the Summer half term.

As you can appreciate all of the above requires a large amount of administration time. However, the new bespoke software system has eased a lot of these time pressures.

11.7 ANNUAL ACCOUNTS AND REPORTS

As a limited company and registered charity there is a legal obligation to report to both Companies House and the Charities Commission. Before this process is completed, the year-end accounts must be prepared and the Trustees must also prepare a public benefit report to be included in the accounts. Depending on the size of the business and/or charity, the accounts may need to be audited by an independent auditor.

Once the accounts are prepared and audited they need to be filed annually by a specific date. In addition to this, an annual return will also need to be filed to keep the details of the company charity up to date.

The reporting process is a legal obligation of any limited company and charity. Some of the reports required are quite complex and you may require the services of an accountant to prepare these. The cost will need to be factored into your business plan.

CMST Case Study

CMST benefits from the Head of Service also being a trained accounting technician, so the accounts were prepared in house, and later by a part-time Finance Manager.

Our Trustees meet on a frequent basis, and up to date management accounts are always on the agenda. This allows the Trustees to see the current and historical position of the Trust. Cash flow projections are also a must at these meetings, so that a 'close eye' can be kept on the finances of the Trust.



12. POLICIES

12.1 KEY POLICIES

Writing policies may seem low down on the list of priorities for anyone setting up and launching a new music service. However, they are vitally important to protect the liabilities of the service, and many are legal requirements. Some policies, such as safeguarding, need to be set up before launch, so schools will be able to use music service staff, or as a condition for music education hub partnership. Others, such as having clearly defined disciplinary policies can help ensure clarity and transparency if anything goes wrong and a member of staff has to be dismissed.

There are many more policies that could be implemented, and should be as soon as time allows following setup (if not before). It is important to review these policies on a consistent basis. A useful place to find many examples of these policies is at the ACAS website:

<http://www.acas.org.uk/index.aspx?articleid=4161>

CMST Case Study

Through the experience of the Trustees, policies and their development are always an agenda item at board meetings. Furthermore, CMST liaises with the HR department at Truro School, and takes the advice of an independent consultant around this area. To this end, CMST has a list of 'must-have' policies, legally required for businesses and charities, and 'good-to-have' policies, some of which will need to be passed by the full board of Trustees and some that can be passed by one Trustee through delegated powers.

Important policies that CMST implemented at the earliest possible opportunity are listed in Appendix 3.

12.2 DATA PROTECTION

One key policy is data protection. The Trust will be dealing with very sensitive information, it is therefore important to make sure that procedures are in place to protect this. There will be information relevant to pupils, staff and parents that will contain addresses, full names, and bank details.

It is also a possibility, depending on the systems put in place, that teaching staff will have sensitive information on them when travelling from school to school, and if using a shared document system over the internet, will also have access to sensitive information on their laptops, PCs, tablets or phones.

It is advisable to make sure that all staff have had some form of Data Protection training, and many of these courses are available online now and can be completed in their own time, or during a full staff training session. This training needs to be updated on a consistent basis.

Any relatively large organisation dealing with a significant amount of personal data should also register with the Information Commissioner's Office. More details can be found at: <https://ico.org.uk/>



12.3 JOINING A UNION

A policy on union membership is also recommended, to ensure a constructive ongoing relationship between the Trust, its employees, and the unions who represent them.

CMST Case Study

Unions played a vital role in the formation of CMST during the process of redundancy. They provided support for the emerging leaders of CMST to pursue a line of thought and action that was in the interests of the staff, rather than simply following the plan for the dissolution of the service proposed by the council. As union support and encouragement contributed to the creation of CMST, it is only natural that CMST should encourage union membership.

The Musicians' Union, in particular, has an in-depth understanding of the situation its members are in throughout music services nationally. It was also the constructive and positive relationship between The MU and many music services that allowed CMST to make contact with heads of service and undertake much of the research into music service models outlined in this guide. This perhaps illustrates how the combination of dedicated staff and union expertise can help to avoid the dissolution of a music service, and create new employment for music teachers in a way that responds to local needs, benefitting both staff and the community they serve.

CMST encourages its staff to become members of a Union that best suits their requirements. Staff are currently members of the following unions:

- The Musicians Union
- NASUWT (National Association of Schoolmasters/Union of Women Teachers)
- NEU (National Education Union)



13. DAY-TO-DAY RUNNING

This chapter gives an outline of day-to-day processes and policies in CMST, to illustrate the areas of administration that need to be put in place. They represent an example to draw on, rather than a template.

13.1 ADMISSIONS TIMELINE

Getting the admissions timeline correct is a fine art: too much flexibility will mean that pupils could be joining at any point during the term creating issues around billing and allocating time and pupils to staff; yet being inflexible may cause lost interest, and overall, a general loss of business.

Autumn term is where the main pupil recruitment drive happens and creates massive amounts of work in the first quarter of the academic year. To combat this, CMST has encouraged its staff to give demonstrations and performance assemblies at the end of the preceding Summer term, to get new pupils on the system before the new academic year starts.

Following the Autumn term, informal recruitment of pupils happens by way of school performances, word of mouth, and marketing. As a general rule, we will add pupils (on a half-termly basis where possible) to the system to keep matters around invoicing and allocation easier to organise.

13.2 ALLOCATION OF WORK

Work is normally self-generated by the teaching staff and is therefore also self-allocating. Where we have new delivery requests, we will look at suitable staff by order of area. This keeps travel to a minimum, and thanks to a relatively good geographic spread, we can easily accommodate most requests.

Team Managers have good control of this process and do not need to consult the Head of Service unless there are unforeseen requests or distances beyond normal parameters.

If cover is required, all staff will be required to cover up to five days teaching on a pro-rata basis, for staff who are absent. Once again, the Team Managers will coordinate this as appropriate.

13.3 REGISTERS

An online registration system is populated by the administration and updated weekly by the teaching staff. The time allocations per pupil allow for a monthly review of the FTEs when running the payroll.

Some schools prefer to have paper registers left in school, but wherever possible we share digital versions in order to keep printing costs low, and to be kinder to the environment.

13.4 ABSENCE

Teacher Absence is governed by CMST's Managing Attendance Policy. In brief, if a staff member is unwell it is their responsibility to let the office or their team manager know as soon as humanly possible. If this cannot be communicated before the teacher's first appointment, it is sometime advisable for the staff member, if physically able, to contact the first school to avoid any issues. Further days of absence are to be communicated directly to the office, and if a staff member is off for more than five days, statutory sick pay will then be introduced. A return to work conversation will be required after illness that lasts for more than five days. Most staff will endeavour, after short periods of absence, to make up any missing lessons; however, where this cannot happen, and cover hasn't been put in place, credits or refunds to customer accounts will be applied.

Other planned absences have to be agreed by the Head of Service. As the terms and conditions of employment are not based on teacher's pay and conditions, there is the opportunity to have time off during term time, as long as all teaching weeks are completed. Some staff run county-level ensembles, and this sometime means that holiday periods are packed with rehearsals and concerts. CMST recognises this commitment and the importance of allowing teachers to have reasonable holiday breaks, whether these be in term time or not.

Pupil Absence, if notified to the office or teachers by the parents or schools with suitable notice, will lead to the lesson being postponed and not charged for. Lack of notice will result in the lessons being charged at the full rate with no obligation on the teacher to make up the lesson.

Further details around this and other terms and conditions can be found in the appendices section of this guide.

One thing to consider very closely is a policy around non-attendance of a pupil. This can be a contentious subject, should the teacher leave to look for a missing pupil, send a pupil to look for a missing pupil, or ask a member of staff nearby to look for a missing pupil, etc. Many of these actions could leave those pupils who are already in attendance, or who may turn up late after you have sent a search party, at risk. On this area you will need to consult and liaise with your individual schools and teachers, and a policy around this should be made clear to all.

13.5 COMPLAINTS

Depending on your organisational structure, there could be many options on how to deal with complaints. CMST has adopted a very straightforward approach – asking for all complaints to be put in writing to the Head of Service, with time-frames for response indicated clearly in the terms and conditions of our service agreements. This has the benefit of keeping occasionally-stressful communications away from the teacher, and allows for further investigation to happen before any unnecessary emails or phone calls are engaged between schools/parents and staff.

CMST has adopted and implemented Whistleblowing and Grievance policies that mean any internal complaints can be dealt with fairly and effectively, involving the board of Trustees where required.

The Head of Service is always on-hand to assist all staff if they have any concerns and complaints about any part of their delivery.



14. PARTNERSHIPS

14.1 MUSIC EDUCATION HUBS

Music services were underpinned for many years by central government funding, known as the Standards Fund. After the Henley review, this strand of funding was replaced in 2012 with Department for Education (DfE) funding via the Arts Council. Each local authority (or other) area had to put together a proposal, with a lead organisation, heading a bid for Music Education Hub funding. In almost all cases, the local authority was the lead organisation, as they had the experienced music service staff available to deliver the core and extension roles listed below.

However, as an increasing number of local authority music services are closing or becoming independent, the relationship between councils (who may want to keep hub funding on their balance sheet), and independent music services (that have staff able to deliver the services required) is increasingly in need of clarification. The amount of funding hubs receive is subject to review each year, and indeed the DfE may decide to cancel hub funding altogether in future.

A Memorandum of Understanding between a new independent music service and the hub should be put in place as early as possible to define the relationship, terms of payment, membership of hub strategic advisory boards, and other details. This is crucial for any newly independent music service, to ensure their expertise continues to play a role, and to make sure the service's finances aren't at risk if payment for hub-commissioned work is late, or in dispute.

Music Education Hubs have four core roles and three extension roles through which they have to plan and deliver activity:

Core roles:

- **First Access:** Ensure that every child aged 5-18 has the opportunity to learn a musical instrument through whole-class ensemble teaching programmes, ideally for a year (but for a minimum of a term).
- **Ensembles:** Provide opportunities to play in ensembles and to perform from an early stage.
- **Progression Routes:** Ensure that clear progression routes are available and affordable to all young people.
- **Singing:** Develop a singing strategy to ensure that every pupil sings regularly, and that choirs and other vocal ensembles are available in the area.

Extension roles:

- **Continuing Professional Development (CPD):** Offer CPD to school staff, particularly through supporting schools in delivering music in their curriculum. In addition, hubs are required to have a School Music Education Plan, to engage all schools in their area.
- **Instruments:** Provide an instrument loan service, with discounts or free provision for those on low incomes.
- **Inspirational Experiences:** Provide access to large scale and/or high-quality music experiences for pupils, working with professional musicians and/or venues.

In general, hubs consult with stakeholders, and have something akin to a Strategic Advisory Panel for making decisions. It should be made up of key hub partners, including any major music education organisation, such as a music service. Building and maintaining a positive relationship between the hub and the music service is important, partly for the extra work and income this relationship can bring. More fundamentally however, it is because music services have daily contact with many schools and young musicians, and have a vital role to play in the original vision for hubs: to provide a joined-up network ensuring all young people have access to quality music education.

Where hubs and music services have separated, the hub relies on registered providers to deliver the work and, depending on the amount of work, will either need to tender or commission the projects as required. In essence, these hubs have become commissioning bodies. This has many good attributes but can also lead to competition amongst the partners.

Cornwall Learning, the umbrella council organisation which included the music service, was successful in leading the hub application for Cornwall and was granted the Arts Council funding. After putting the music service under consultation, the council retained control of the funding received. Redefining the relationship and terms for ongoing delivery took considerable negotiation.

CMST Case Study

CMST, under the advice of various organisations, tried to implement a service agreement – more specifically, a Memorandum of Understanding. However, this was not accepted by the council. It emerged that the Cornwall Music Education Hub (CMEH), being part of Cornwall Council, had many procurement procedures to follow that weren't in place before January 2015. In essence, CMST was ready to deliver hub services, but council processes weren't yet in place, so there was initially a significant delay in payments by CMEH to CMST.

There are many benefits for a new music service being 'at arm's length' from a hub: hubs have many additional reporting responsibilities including the large annual Arts Council data return. Furthermore, the business transactions at present are relatively simple: CMST simply invoices the work at our charge-out rate, and CMEH pays the bill.

14.2 MUSICAL INSTRUMENTS

Most music services have historically had a collection of instruments for hire. However, there is a question as to what happens to them when a local authority ceases to run the music service and a new trust is set up.

In some cases the council may not want the responsibility of maintaining a store of instruments. In one example, a local authority helped set up a music service trust and bequeathed the instruments to the trust. This allowed the trust to create a package of services combining cheap instrument hire with tuition, which was appealing, and resulted in most of the instruments being loaned and subsequently used by students, rather than merely sitting in storage.

If the council maintains funding for the music hub, they may wish to keep the instruments and any income generated from hire (one of the extension roles for music hubs is to offer affordable instrument hire). If the council doesn't manage this efficiently, the instrument store may be full, with few instruments being used. If it is managed well, and the council and trust maintain a good relationship, then the precise details of ownership are less relevant – the most important factor is that there is cooperation between the two organisations, to ensure the instruments are being put to good use.



14. PARTNERSHIPS – CONTINUED

14.3 MULTI ACADEMY TRUSTS, COUNCIL, AND OTHER PARTNERSHIPS

A range of different partnerships can be productive, and allow a music service to develop new work, above and beyond core teaching work.

Multi Academy Trusts

With the increasing drive by government to create MATs, music services need to provide services that add value beyond that offered by cheaper freelancers and demonstrate value for money. As MATs can create their own internal music offer (with their own instrumental tuition, ensembles, choirs, and training), they start competing with the music service on both quality and price. As education moves towards a market economy, music services may need to move away from a one-size-fits-all music offer, albeit one which may have worked when county music services had a monopoly, and tailor packages to meet the needs and interests of MATs.

Council

During a transition to a new music service trust, it is beneficial to keep channels of communication open with both elected councillors and council officers. Councils everywhere are facing large cuts, and even if this means cutting non-statutory services such as music, support for a new independent music service can still be useful.

In the long run, a positive relationship can leave open the possibility of future partnerships and projects. For example, music organisations have done work with culture departments, with children in care, family learning, or with young people at risk of offending. Councils often have experts in bidding for funding, and may be happy to help an ex-council organisation on a collaborative project.

Other Partnerships

Collaboration can lead to long-term partnerships that are mutually beneficial. Examples include:

- Local music organisations, festivals, or venues.
- Local colleges and universities with music departments that may have funding available for community engagement and school recruitment projects.
- Regional orchestras, who may have outreach and education funding.
- Other music hub partners – although organisations tend to have their own 'patch' or field of work, collaboration can foster good relations, and help children and young people find new musical pathways relevant to them.
- School partnerships – in many music services, building a good relationship with schools can lead to free or cheap use of facilities for music centres, training days, or ensembles.



15. GROWTH AND DEVELOPMENT

Once a music service trust is running smoothly, which might take a year or more, there is time to look to the future. This is where the decisions made earlier (regarding building up reserves, developing partnerships, and having a trustee with funding experience) can start to come to fruition. This chapter will look at examples of development and future plans in CMST. Some may not come to pass, but if you don't try, it is certain not to happen.

One aspect of setting up a music service trust that has been very liberating is that it combines a co-operative ethos (resulting in positive and motivated staff, having the collective aim of benefitting society) with the ingredients for growth (by being run as a business rather than a public sector organisation).

Therefore, a trust can work as a vehicle to put into practice the vision and ambitions of its staff. With a bit of funding, partnership work, or investment from reserves, there are opportunities for the music service to evolve.

The world we are preparing and training young musicians for is rapidly changing. Compared with 20 years ago, we are in a world where more musicians aim to have portfolio careers, rather than joining an orchestra; where social media skills are as important as being signed to a label; and where the means of production for an album can fit into a bedroom instead of a large studio. By the time current primary school pupils become professional musicians, the landscape of the music industry will involve ways of working and technology that have not yet been invented. If music services are to give these pupils the skills they need, and remain relevant to the 21st century world of music, the flexibility to adapt and grow in new directions is just as important as maintaining the quality of traditional tuition.



15. GROWTH AND DEVELOPMENT – CONTINUED

15.1 RESERVES

If you have a sound business model that forecasts a surplus, and this materialises, the Trustees will need to decide what to do with any reserves accumulated. As previously discussed, building up reserves (sometimes referred to as 'liquidity') can help provide the trust with a financial buffer to counteract any cash flow issues that may arise. This can help protect staff and ensure they continue to be paid at a minimum of statutory levels in the event of sickness, maternity or paternity leave, and any other discretionary absences such as compassionate leave. The Trust may need to provide cover alongside these payments at additional cost to the business and without any extra income.

Reserves could also be vital if, for example, the Trust has a system failure, or a fire that could wipe out administrative operations, resulting in a stoppage of business.

Setting the right amount for this type of reserve is crucial. Too little, and you could find cashflow pressures if an unforeseen event does happen. Too much, and you may take so long to reach this target that reinvestment of surpluses generated into other activities could stilt growth.

CMST's current policy for a cash reserve of two month's salary costs seems a prudent amount for the size of business.

15.2 BUSINESS DIVERSIFICATION

It is important educationally, financially and in marketing terms to look at other non-teaching work that can be undertaken by the Trust. Some highlights of new projects that CMST has carried out since its inception include:

- Launch concert at Truro Cathedral, now a bi-annual event raising awareness about the work of CMST, giving children an amazing performing opportunity and raising approx. £2,500 per concert.
- Development of new areas of work, with the creation of teams for music therapy, inclusion and special needs music, early years, rock/pop/folk/songwriters, music technology.
- Launch of the annual Cornwall Flute Festival, a holiday event that had great success in bringing flautists from around the county to work with the internationally acclaimed Katherine Bryan.
- Launch of the annual Youth Jazz Festival, in partnership with a local college and Leeds College of Music. Working with Bournemouth Symphony Orchestra on In at the Deep End – a series of performance workshops with BSO and CMST players to encourage the take-up of bass instruments such as bassoon and trombone, which are in decline.
- Numerous masterclasses and workshops with visiting musicians and professionals working alongside CMST staff and pupils.
- Piloting online delivery to the Isles of Scilly via Skype, following a successful collaboration with Falmouth University in creating the Online Orchestra and working with the new software developed to connect remote rural communities through live online multi-site performance and teaching.



15.3 FUNDING FOR GROWTH

Fortunately, there was enough critical mass to see the Trust start well. With a firm business model in place, and all activities generating a modest surplus, CMST will continue to grow. The 2017-18 collective FTE is approximately 31 Full Time Equivalent staff, CMST plans to increase this within the business model. This, in turn, will strengthen the surplus and allow for further activities to happen: hopefully a virtuous cycle of growth.

Having reached the Trust's reserve fund of two month's salary, CMST will be reinvesting its surplus in many ways, including:

- Targeted projects to expand the amount and type of work (e.g. pilot projects).
- Enhanced terms and conditions for staff.
- Developing a bursary scheme for lessons and ensemble membership.

A Funding Working Group was created to look at ways of increasing the range of work CMST can do beyond the established core work (tuition, ensembles and curriculum work) and find sources of funding to facilitate growth. This involved developing a short and medium-term strategy. In case it is useful as an example to take ideas from (or disagree with), five aspects of this strategy for growth are explored below, and present a snapshot of where CMST stands three years after launch.

1. Identify needs and opportunities:

- What areas of need are there (which young people lack musical opportunities, and what are the reasons)?
- What could we provide that would meet those needs and encourage more to engage?
- What factors limited continuation after First Access, or after transition to secondary age (is it due to limited styles of music being offered, training and pedagogy, cost, communication with parents and schools, or other factors)?
- Are there organisational factors restricting growth (e.g., lack of staff in particular locations or with specific skills, or need for training, or need for management support to organise and utilise existing staff expertise)?

CMST started this analysis through informally canvassing the opinion of staff, parents and pupils, and schools, and in more targeted ways (for example a questionnaire being sent out to all early years settings). And also finding out what work other hub partners were doing, to avoid duplication and increase

cooperation and sign-posting. This involved researching facts and figures relating to indices of multiple deprivation, council reports on issues such as rural isolation, provision for special educational needs, and more. This allowed CMST to develop a more informed understanding of the 'what', 'why', and 'where' of our gaps in provision.

CMST is keen to involve its teaching staff in designing and delivering projects, rather than being imposed from the top-down. To this end, we have regularly consulted staff, and some new projects have started to come to fruition. When staff are supported to develop their own areas of interest and expertise, it also has benefits for morale, opens up possibilities for career progression, and increases the sense that staff have a say (and sense of ownership) in the way it develops and grows.

2. Identify income and funding sources that match the strategy.

In some areas there is potential to expand self-financing work (funded by schools, parents or adult learners). CMST has started some ensembles paid for with subscriptions, and some projects which schools have paid for using the pupil premium (e.g. a Band Factory after-school project for children struggling at school, or music interventions with special needs pupils). Some staff have brought their private peripatetic work into CMST as it is more convenient to have the invoicing, administration and debt collection done, even though it means on-costs are deducted. And some staff have started adult choirs or ensembles through CMST. Although these self-financing areas haven't yet been a priority for expansion, the potential is there to increase work, and the place of the music service within the community (which is also beneficial for sponsorship and fund-raising).

But for many new areas of work, external funding is needed. Although we didn't have previous experience of bid-writing, we had to give it a go, and learn as we went. We were fortunate to find there were several people with funding expertise prepared to give some time for free to offer advice or read through bids and make suggestions.

The music hub is a major source of funding, and as CMST is well-placed to help the hub meet its core and extension roles it has been productive for both parties. Sadly, in some areas of the country, relationships between independent music services, or music teacher cooperatives, and their local music

15. GROWTH AND DEVELOPMENT – CONTINUED

hubs have been difficult. But it is well worth persevering to create as positive a relationship as possible, as this benefits the schools and young people. An alternative would be to develop a relationship with the regional Arts Council Bridge Organisation.

Match funding from the music hub can also greatly increase the prospects for bids to other charities or foundations. As the Arts Council measures hubs on the leverage their funding creates (the amount of extra funding that hub partners bring in due to hub match funding), collaboration with the hub as a partner in bids is of benefit to both hub and music service.

Some smaller local funders make it easy to apply, involving short forms, or even simply an email outlining the project. An example from CMST was an outreach project to a rural area, providing live music experiences to many small isolated schools. This resulted in an uptake in instrumental lessons and creating a relationship with new schools, alongside meeting the funder's objectives.

We found that applications for larger projects to national funders involved a substantial amount of work and time. However as experience of bid-writing increases this investment pays off, as an increasing amount of the background research is useable in multiple bids. And the knock-on benefits of success can help the business expand.

3. Build ongoing relationships with funders and partners.

As funders' confidence in the music service grows (with a track record of well-managed projects having successful outcomes) it becomes possible to create a longer-term strategy rather than looking at one-off projects. This allows momentum to build in the chosen areas of work.

Equally, partnerships in bids can open up new possibilities. Working with other established organisations (such as regional orchestras, universities, council departments, multi-academy trusts, and other local arts or music organisations) can increase the strength of a bid, the amount of match-funding available, and the impact of the work. And as relationships with partners become established it can lead to further work and collaboration.

When choosing which areas of work to develop, and which funders and partners to work with, there is always a balance needed between following the funding opportunities (doing the type of work that funders want to support), and sticking to

the strategy (meeting local needs, and steering a course that benefits the music service). Although it can be tempting to just follow the money, it is important to look at how each funded project contributes to the overall picture.

In the case of CMST, we looked at the gaps or weaknesses in our progression routes. The aspirations of the National Plan for Music Education are a good starting point, with its aim to provide a pathway for any child to fulfil their potential as they grow up, whatever style of music they like, and whatever their life circumstances. This is a tall order, but we looked at which gaps in our provision could be filled, to most effectively provide coherent pathways, as well as looking at the demographics of which groups of young people were missing out. This has led us to develop partnerships and find funding for these areas:

- Early Years – there is a lack of skills and music activities in the majority of settings.
- First Access – this is the first experience many children have of organised instrumental playing, but as continuation rates aren't as good as they could be, we've increased CPD, introduced music-tech as an option, and are looking for funding for a project to pilot creative and inclusive pedagogies for first access.
- 'Second Access' – for those children who don't take up instrumental lessons after first access, we found funding for a 'Next Steps' pilot (follow-on ensemble). We're also looking to develop creative ensembles as an alternative progression route in partnership with regional and national organisations having the same aims.
- Musical Inclusion – we found there were very few opportunities for children with special educational needs and/or disabilities. We found funding to start 'Open School Orchestras' in special schools in partnership with the hub and OpenUp Music. This ongoing project is expanding, but we're looking to provide progression routes beyond the school setting, such as joining the creative ensembles mentioned above. We're also developing a partnership with the council organisation, HeadStart Kernow, and have two trained Thrive Practitioners specialising in music work with children who are struggling, and where the school identifies that music interventions are beneficial. There are many other areas of musical inclusion to develop, but we've made a start.
- Variety of Genres and Styles of music – there were few opportunities for young people who want to play in bands, write electronic music, or singer-songwriters.

We're developing this area, alongside starting a jazz festival, and increasing our world music offer.

- Rural Isolation – we found funding for some outreach projects, ran a Skype tuition pilot with the Isles of Scilly, and have an ongoing and growing partnership with Falmouth University who are developing the Online Orchestra as a way to connect isolated communities with live music performance and tuition.
- Cornish Culture – building on the existing work the curriculum team do using the Cornish language and exploring culture and identity, we work with the council's culture department to gain funding for projects celebrating the Cornish culture.

As you can see, what began as a few small bids has become a larger proportion of our income, and developed themes and areas of need relevant to our local situation. However, it's worth noting the advice we received from other music services, that it can be more effective to focus on a couple of themes at a time, rather than a scatter-gun approach. For example, there can be more impact and long-term change with a well-publicised year-long programme, with a launch event, schools encouraged to sign up, staff given CPD, media coverage, and some high-profile gigs with invitations to local dignitaries. Once that strand of work is established and ongoing, there can be a new focus for the next year.

4. Structured for growth

There are two main structural factors affecting the ability to expand: facilities, and staffing capacity. This can be a chicken and egg situation for a new business where the growth that will increase revenue can't happen until money is found for facilities or staff. There are some funders who fund infrastructure costs such as buildings or music equipment. Councils often have unused buildings which, with a grant, could be converted for use as a music centre. This involves business risks due to the costs of running and maintaining buildings, so an alternative is to negotiate shared use of existing facilities, such as out-of-hours use of the music department in a school or college.

Expansion of work, managing projects and writing funding bids all takes time. With modest margins to keep teaching wages competitive, it's not possible to simply create management posts. However, many funders allow full cost recovery, where management and administration costs can be included in the bid. There may be enough good-will and

motivation amongst some staff to put some time into getting things off the ground without being paid up-front (e.g. writing the first bids, in the knowledge it will provide them with more income later), or the Head of Service may have time to write the first bids. This can kick-start a new role which can continue, provided enough additional future funding (or increase in work by new members of the team, with the additional margin income from their work) can sustain the role.

This proved effective for CMST, where the 20% project management component for a grant allowed enough income for the trustees to agree to the creation of a new Inclusion Manager role with a 0.125 FTE management allowance. This management time has been spent on writing new bids (also including 20% project management where allowed), developing partnerships, and managing new teams to expand work. Discussions with other music services have shown that many managers for areas of work that aren't self-financing (such as musical inclusion) spend much of their time writing bids as well as leading from the front by delivering music projects, training, and finding new work for their team. If staff with the potential to develop these skills are not available within the music service, there is always the possibility to create a job description and recruit new staff.

CMST researched how other financially sustainable music services around the country are structured, and there are a range of possibilities for management roles to stimulate growth. Some have area managers responsible for liaising with schools, coordinating and generating new work. Some have music centre managers, others having managers for a particular field of work (such as rock and pop). Each music service will have different local contexts that determine which roles are beneficial for increasing the amount of work and it's quality.

However, it is necessary to cost out each role to make sure it pays for itself as well as being useful for music education. Financial viability can be achieved in a number of ways, including: funding bids (particularly for inclusion or hub-related work); a role including an element that generates revenue (e.g. profit-making concerts, or selling education resources); a role that increases delivery and staff numbers (e.g. if teaching work generates a 5% surplus, twenty full-time teachers could support one manager).

15. GROWTH AND DEVELOPMENT – CONTINUED

5. Research and Development:

Online lessons have already been piloted but could become a larger part of delivery for CMST in the future, an area of development also being piloted in other rural music services. The Online Orchestra research project, on which CMST is collaborating with Falmouth University is developing a new piece of software that will allow for two-way communications over the internet. Software like Skype and Facetime can only deal with one-way audio which has its limitations for delivering music lessons, so this added benefit with the new software should make delivering lessons easier, and can allow for ensemble music-making to happen across the internet. CMST may also have the opportunity to collaborate on a long-term research project around the healing properties of music. One of CMST's key partners is looking to fund a research project of this kind, assessing not only the in-school healing properties, but also the effects music has on people who are recovering from various illnesses.



16. CONCLUSION – WHICH PATH IS RIGHT FOR YOU?

Music teacher co-operatives and music service trusts present two possible starting points. The choice isn't black and white – it is closer to a sliding scale, and finding the place that fits the aims and skills of your group of teachers is key.

The governance and structure of an organisation aren't set in stone, and can change. A co-operative can decide to change to having employed rather than self-employed members, and could become a charity to allow funding bids to expand and diversify. Equally, a music service trust could decide to become a co-operative if staff felt their interests would be better served by the leadership being democratically accountable.

The choice of starting point does, however, set a direction, and the table below shows the different aspects each model emphasises, which might help your choice of which combination of aims best fits your situation. A co-operative could be set up with aspects of a music service trust, or vice versa. Once the aims are clear, the most suitable governance and structure can be decided.

Music Teacher Co-operative	Music Service Trust
Accountable to staff through democracy	Accountable to staff through policies and trustees
Self-employment can be more tax efficient	Permanent employment provides job security
Lower charge to customers	Higher charge to customers
Lower overheads	Can generate surplus for investment that benefits the community
Simpler administration	Employment entails more administration
Director role encourages focus on better meeting teacher needs	Head of Service role encourages focus on business growth (as well as teacher needs)
Risk in a democracy that consensus doesn't encourage innovation	Risk that success is dependent on individual leaders
Often stick to core tuition and ensemble provision	A music service unleashed from public sector culture/restrictions can diversify and explore
Co-operatives are simpler if core tuition/ensemble/curriculum work is the priority	A charity can apply for more sources of funding (particularly for inclusion work), develop partnerships, and use gift aid for some services.
Supports members in continued self-employment	Encourages and supports staff to develop new areas of work

16. CONCLUSION – WHICH PATH IS RIGHT FOR YOU? – CONTINUED

Co-operative ethos in practice

Even if its structure does not resemble a co-operative per se, having a co-operative ethos makes a big difference to the long-term success of setting up a music service.

If management listen and respond to staff, being open and transparent throughout the set-up process, and seek consensus, staff will have a personal investment in their new service. The continuation of this ethos in running the service after launch has many benefits for both staff and the community.

This involves keeping channels of communication open: for example, anonymous staff surveys, a performance management setup where the service also responds to staff suggestions or criticism, and making sure staff have a continued say in the direction and priorities of the service (e.g., by asking for suggestions for new projects to seek funding for). By being responsive to the needs of the community, the service can also seek to grow in ways that benefit more young people who may be missing out.

A healthy workplace scheme can help address broader staff needs, including physical health and mental health issues such as stress. The isolation or loneliness often felt by peripatetic teachers who don't often meet colleagues can be helped by asking for suggestions, for social events or regular opportunities (such as cinema outings or sports).

The practical impact of this in CMST reveals a relationship between low sickness absences, staff satisfaction, shared goals, and the financial, musical and societal benefits when all staff have a stake in the endeavour. As staff see growth and new avenues of work coming to fruition, it can generate positivity for the future, and new musical opportunities for young people and the community.

Skills Needed to Set Up a Trust

Setting up a new trust (or co-operative) only works if a leadership team with the right skills and an openness to change are willing to step up to the mark, and commit their time and energy to the many tasks. It also requires someone who is able and willing to be a Head of Service (with all the skills needed to run a large business). It is quite possible that someone already works the service is fit for this role, one who is willing to throw themselves in the 'deep-end' and learn the skills as they go, if they have the dedication and character for the role. However, there is also the possibility of an interim team setting up a music service trust and later stepping aside and recruiting a Head of Service, if that is considered the best option.

Setting up and running a music service trust requires a whole range of skills that musicians and teachers don't normally have: accountancy, legal, business, funding, negotiation and playing politics. These skills can be learnt on the job, and gaps filled by canvassing support from experts who may be willing to help if they also believe in both the project, and in keeping a functioning music service in the area. Even though council funding cuts may mean a music service can't be financed, supportive councillors can still offer pointers to resources and people who can help.

Other educational organisations that have had close connections with the music service (such as local colleges or universities) may also have an interest in seeing its continuation and evolution, and may be able to offer advice, or the time of some of their staff.

There are also a range of council and government-funded organisations specifically tasked with helping new businesses start up, such as the Local Enterprise Partnerships, or the Cabinet Office Mutuals Information Service. Although staff may not have all the skills needed, that is no reason to be put off – support and resources are available.

It's not for the faint-of-heart, but if a small group of staff have the motivation and skills, or are willing to 'take the plunge' and learn on the job, or can motivate other people with skills to help, the rewards can make it all worthwhile.

Perhaps the main qualification is "not giving up".

17. TIME FOR REFLECTION

Gareth Churcher – Head Of Service for CMST

Whilst writing this guide for the MU along with colleague and now esteemed friend Steve Hawker, it has given me the opportunity to reflect on what a unique, amazing and utterly exhausting process this has been. Although launching in January 2015, hours upon hours of time were devoted by so many people to make this happen. Starting with a chance meeting with Andrew Gordon-Brown (Headmaster) in the hallway of Truro School who offered his support, to poring over business plans, Charity Commission and Companies House applications amongst other important jobs to the small hours of the morning.

CMST has not been set up for the financial gain of anyone, but it offers employment and job security now to 120 people and their families. It appears a weird twist of fate that, having personally trained as an accountant and later moving into music education, this would give me the skill set needed to implement a suitable financial model, along with ensuring that we had the best intentions for our young aspiring musicians.

But the most exceptional part of all is the teachers of CMST. They stuck together, pulled together and worked together to make CMST work. They will always have my greatest respect for what we have managed to achieve.



17. TIME FOR REFLECTION – CONTINUED

Steve Hawker – Inclusion Manager for CMST

The process of designing and setting up a music service from scratch has revealed some interesting and unique things about the foundations of the work we do – music education. Those two words, 'music' and 'education' don't just signify a job in order to make a living. For each person involved in music education there is a life-long journey that has led us to this vocation. And the qualities and principles we developed in our training can also be reflected in the organisation we create.

Every musician has learned the art of mastering new techniques that were previously unknown, developed resilience and creativity in solving problems, and learned how to cooperate with others to make music that is more than the sum of its parts. Educators are also interested in long-term development, in putting aside their own self-interest in order to help light the spark in the next generation. And we start to realise that education isn't just about young people learning skills (how to do things), but also about finding their voice, and finding something interesting to say – learning how to become a person with integrity and principles.

It turns out that these qualities and principles are invaluable in setting up and running a music service too!

Having read a regular stream of news articles about music services around the country being closed down, the language used by councils when making their tough decisions is often about "financial liabilities", "corporate responsibilities", and "business cases". This language (alongside the stress of being made redundant) could make it easy to lose sight of the reason why we are involved in music education in the first place, and distract from the fact that it is possible for music teachers to cooperate and use their qualities and principles to make a better future.

It is amazing (and gratifying) to see the positivity and enthusiasm amongst staff continue, three years after launch, and the breadth and quality of work steadily increase. This is in large part down to having actively involved all staff in discussion about how to set up CMST, and continuing to make it a grass-roots organisation that values transparency, and asks staff What do you want your music service to become? And how can we help that to happen? This is a cultural change from the top-down management style seen in many council organisations. Gareth Churcher has ably shown how this can bring many benefits for staff, pupils, and the community.

In undertaking the research into various music service models at the start of this process, to find what might work best for us in Cornwall, the advice and support of the Musicians Union was critical. In many ways, the CMST model is the condensation of discussions with MU Education Official, Fran Hanley. Sadly she passed away in 2017. But to the extent that we have helped CMST become a success, I see this as a testament not only to the staff who built it, but also to Fran, whose knowledge, experience and compassion helped us to keep going, ask the difficult questions, and try our best to do the right thing for music teachers and for music education.



18. VARIATIONS ON A THEME, THE CIC MODEL

INTRODUCTION

The following guide has been written to complement the two other publications by the Musicians' Union: "Altogether Now" a guide to forming music teacher co-operatives" written by David Barnard, and "Guide to Starting a Music Service Trust", written by Stephen Hawker and Gareth Churcher.

The intention of this guide is to explain thoroughly what a Community Interest Company (CIC) is. It looks at variations, challenges, comparisons with other company models, and a number of issues which may be useful to those considering options in setting up an independent music service.

The guide is based largely on the journey travelled by directors and staff during the formation and running of what may be the UK's first music teachers' CIC: North East Music Foundation Community Interest Company (NEMFCIC).

It includes information on the decisions made within a fluid political and economic environment, not forgetting on-going changes to education and funding. As with any business model/company structure, it must look forwards as well as backwards in managing both risk and opportunity.

Part of the longer term vision of NEMFCIC is to try to reverse the movement towards self-employment that brought about the creation of co-operatives in the first place. In the words of the recently retired General Secretary of the MU, John Smith: "Nothing compares to the certainty and protection employment offers."

Some of the key issues and challenges in the set up process are similar to those covered in "Altogether Now". It is not the intention therefore to replicate these in full. However, where there are differences in key issues arising out of the company structure of a CIC, then they have been expanded upon.

As with co-operatives and charitable trusts, there are aspects of the CIC that will need to be reviewed and developed according to local needs and circumstances. Similarly, variables such as local authority/hub support, social/economic factors and also the expectations of schools, parents, pupils and teachers can all affect the planning and development of the CIC.

OVERVIEW

According to the 2016/2017 report of the Office of the CIC regulator there were 13,055 CICs on public record in Great Britain, with 2,812 new CICs being established in that year. Almost 10,000 of those CICs were limited by guarantee, and just over 3,000 were limited by shares (explained below). The increase of new CICs on the register is far outstripping those dissolving.

The success of the CIC model has surpassed all expectations. When they began in 2005, parliament expected 200 incorporations per year – this number is now exceeded each month, and the number easily surpasses the total number of cooperatives and community benefit societies (source: CIC regulator April/May 2017).

The CIC model is therefore worthy of further consideration as a means of offering a collective provision of instrumental and singing tuition to schools, and the wider community. As stated above, the advantages of its structure have given rise to its growth across all economic areas of the UK.

Examples of CICs

- **Warm Wales** is a CIC which aims to make sure homes have affordable warmth, while at the same time reducing the national carbon footprint.
- **Blues and Beers** is a CIC which started by raising funds to run a local festival celebrating live music, artisan beers and local food.
- **Good Green Fun** a CIC which aims to reduce the amount of waste going to landfill through the reuse and recycling of second hand children's clothes, toys, books, cots etc.
- **Musica Music and Wellbeing** is a great example of a CIC that began life as a private limited company in 2011, but converted to a CIC in March 2017. The company provides music workshops and performances in care settings, and music programmes for children across the south of the UK.

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

WHAT IS A CIC? A HISTORY OF NEMFCIC

What is a CIC?

A community interest company (CIC) is a type of company introduced by the United Kingdom government in 2005 under the Companies (Audit, Investigations and Community Enterprise) Act 2004, designed for social enterprises that want to use their profits and assets for the public good.

A social enterprise is an organisation that applies commercial strategies to maximize improvements in human and environmental well-being. This may include maximizing social impact alongside profits for external shareholders.

A CIC is a type of social enterprise. Essentially it is an ordinary limited company which has to comply with company law, and may be limited by guarantee or by shares, although the majority are limited by guarantee. Further information can be found, with greater detail, on the government's website through the following link: <https://www.gov.uk/government/publications/community-interest-companies-business-activities>

The CIC regulator

The CIC Regulator is an independent statutory office-holder, which adopts the systems and controls of the Department for Business Innovation and Skills (BIS), and regulates CICs for the whole of the UK. They work closely with Companies House, and are located within the same building in Cardiff.

In its information and guidance notes, the office of the CIC regulator lists the following under the heading: "What are you trying to achieve?" detailing the key characteristics of a CIC:

- You want to be a company with limited liability (see below).
- You want to be a company because it is a familiar legal form with the flexibility to tailor it to your own organisational structure, membership and governance.
- You want to deliver real and tangible benefit to a community.
- You want it to be clear to your members, financial backers, customers and others that you work for the benefit of the community.
- You do not want to run a business just for private gain.
- You want to be sure that, if the organisation ceases to be a CIC the remaining assets will be used for the community and not distributed to members.

- You do not want charitable status because it is not appropriate to your planned activities.
- You want transparency of operation so that anyone affected by the company's activities can see, on the public record, an account of the benefit provided.

Limited Company

A company with limited liability is one where the personal assets of business owners, such as houses, cars, etc., are not at risk. Only the assets of the business are at risk if the company falls into debt, insolvency, or any other such corporate obligation.

Shares or Guarantee?

As to the terms "not for profit" and the two alternatives for CIC's, namely "limited by shares", or "limited by guarantee", there seems to be an understandable degree of confusion.

In an attempt to simplify the apparent conflict of how a "not for profit" company can be limited by "shares" it should be noted that where shares are concerned, the implication is that profit can be made! This is correct, but the shares in such a CIC are subject to what is known as a "dividend cap", meaning that only a relatively small percentage of any profits can be paid to directors. The majority of the profit (65%) must be reinvested into the company – ensuring that the assets and "profits" of the CIC are devoted to the community. That being said, the fact that a profit can be made with a company that is limited by shares would also make the company liable for corporation tax and VAT (see below).

A company limited by guarantee is an alternative type of corporation used primarily for non-profit organisations that require a legal personality (i.e. capable of having legal rights and duties enabling them to enter into contracts, sue, and be sued). Such a company does not usually have a share capital or shareholders, but instead has members who act as guarantors. The guarantors give an undertaking to contribute a nominal amount (typically very small e.g., £1.00) in the event of the winding up of the company. This seems to be the preferred model for music teacher co-operatives, charitable trusts and CICs.

VAT and the CIC:

If the choice has been made to register the CIC as a company "limited by shares", then the company may have to register for VAT if its taxable turnover exceeds £85,000 in a 12 month period. It would not fall under the category of an "eligible body"

(see below) which cannot and does not distribute any profit it makes, and might not be in a position to state that “any profit that might arise from its supplies of education is used solely for the continuation or improvement of such supplies...”

Distributing profits includes not only the paying of a dividend to shareholders, but also other activities.

In light of the above, the “limited by guarantee” model is preferable to avoid the issue of VAT, although it should be noted that a company limited by guarantee could also make a profit.

VAT regulations relating to a CIC, where teachers are not self-employed, are somewhat different from those applying to a self-employed co-operative (see Altogether Now).

The following italicised section is a slightly abridged excerpt from HMRCs website outlining considerations for VAT. Hence the numbering is not complete. The full version can be found here: <https://www.gov.uk/government/publications/vat-notice-70130-education-and-vocational-training>

VAT Notice 701/30: education and vocational training (updated 26th April 2017)

The following things are to be considered:

VAT treatment of charges for education

The VAT treatment is unaffected by who pays the charge whether that is the student, employer or a local authority.

Education is still a business activity even if the charge is not enough to meet the full cost of providing it and it is subsidised from some other source, such as a grant from central government or a bursary or scholarship.

Where education is:

- *wholly funded by grants: In general, direct funding by local or central government is not consideration for a supply of education, or a business activity, and is outside the scope of VAT*
- *partly funded by grants: If the education provided to an individual is funded by a combination of government grants and by making a charge, it is a supply for VAT purposes. The government funding is a contribution to the business activity and is outside the scope of VAT*

Education providers

Educational institutions that are in business

These establishments require payment for the education they provide, so their education is a business activity:

- *independent fee paying schools, including non-maintained special schools*
- *universities; and*
- *institutions teaching English as a foreign language*

Educational institutions that are not in business

These establishments normally make no charge for the education they provide, so their education is not a business activity:

- *community schools*
- *foundation schools*
- *voluntary aided schools, including former special agreement schools*
- *voluntary controlled schools*
- *community special schools*
- *foundation special schools*
- *grant maintained (integrated) schools (Northern Ireland)*
- *self-governing schools (Scotland)*
- *city technology colleges*
- *free schools; and*
- *academies*

There are also sixth form, tertiary and further education colleges; which:

- *do not charge for students who are 19 years or under (18 years or under in Scotland) at the start of their courses; but*
- *charge students over that age and foreign nationals.*

Here the age of the student is immaterial. When a charge is made, the education is a business supply.

The establishments listed above may, however, be in business for other activities they carry out.

Eligible body status

What is an eligible body?

An eligible body is one of the following:

- *school, university, sixth form college, tertiary college or further education college or other centrally funded higher or further education institution (defined as such under the Education Acts); or*
- *the governing body of one of these institutions:*
 - *local authority*
 - *government department or executive agency*

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

- non-profit making body that carries out duties of an essentially public nature similar to those carried out by a local authority or government department
- health authority
- non-profit making organisation that meets certain conditions; or
- commercial provider of tuition in English as a foreign language (EFL) – in which case special rules will apply

Is a non-profit making organisation an eligible body?

Where an organisation is:

- a charity, professional body or company that
- cannot and does not distribute any profit it makes, and
- any profit that might arise from its supplies of education, research or vocational training is used solely for the continuation or improvement of such supplies

it is likely to be an eligible body.

How to establish the VAT liability of the business supplies

It must be established whether the supplies are being made:

- by an 'eligible body' and
- whether the supplies are of education, or vocational training

If... an eligible body (see above)

Then... the supplies of education and vocational training are exempt from VAT

If... not an eligible body then consider whether the services provided are either private tuition or examination services

The meaning of the term 'does not distribute any profit'

Distributing profits does not just include paying a dividend to shareholders. It also includes making a payment or donation to another body, even where the recipient is a charity.

Management charges or other fees paid to an associated company or individual may also be viewed as a distribution of profits.

It will be necessary to provide reasonable evidence that the profits cannot be distributed and that if the organisation's activities do generate a profit that they will be recycled back into its education or training activities. For example, the Memorandum and Articles of Association, or some other constitutional document, containing a suitable reference or clause, may be acceptable as evidence of how profits are to

be treated, although it is what takes place in practice which will determine whether the exemption applies.

The Asset Lock

A CIC is subject to what is called an "asset lock" which means that all of its assets are locked into the company and are used to benefit the community. In the case of a music CIC, this could be musical instruments, but may also include office equipment, sheet music and other resources. An inventory should be kept of all assets purchased and sold by the company.

In the event of the company being wound up, these assets must be passed on to another CIC, a charity, or a statutory body such as a school, or similar, so that the community will continue to benefit even after the CIC has ceased to exist.

The Community Interest Test and Report

A CIC must pass a "community interest test" which means making a statement that their particular company will benefit members of the community rather than just members and directors. This is done on form CIC36 when forming a new CIC, or on form CIC37 when converting from a charity to a CIC.

The form CIC36 contains:

- A declaration that the company will not be: a political party; a political campaigning organisation; or a subsidiary of a political party or political campaigning organisation.
- A declaration that the company's activities will benefit the community, or section of the community.
- A description of the community or section of the community that the company's activities will benefit.
- A description of the company's activities.
- A description of how the activities will benefit the community.
- A description of how any surpluses will be used.

Form CIC36 can be seen as the company's mission statement. Careful drafting of it will help focus the directors on the purpose of the company.

Another required form is the IN01, which is a standard form used in the formation of any company and has no particular CIC aspects. Further information about this form can be obtained from Companies House.

Every CIC must also submit annually a "community interest report" with its accounts which informs the Regulator of the

activities of the company throughout the year, and its relationship with the stakeholders. These may include for example, the pupils being taught but also the schools at which tuition takes place as well as parents and the wider community. This information is placed on the Companies House public register ensuring a level of openness and transparency. The form used for this is the CIC34 community interest company report and it is most likely that the “simplified” version will suffice for the majority of start-up CICs. For further details, follow this link:

<https://www.gov.uk/government/publications/form-cic34-community-interest-company-report>

Completing this form is fairly straightforward, and an annual fee of £15 is payable to Companies House to be sent in with the form.

Members' Memorandums and Articles of Association

A “member” of the company is simply the person or persons that have registered their names in the memorandum/articles of association of the company.

The “memorandum of association” is the document that sets up the company and the “articles of association” set out how the company is run, governed and owned.

CICs must demonstrate a good system of “corporate governance” in line with company law and “best practice” guidance. This must be included within the articles of association. See the following link from the Financial Reporting Council website: **<https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>**

Incorporation

A corporation or incorporated business is a type of business that offers many benefits over being a sole proprietor or partnership, including liability protection and additional tax deductions. Corporations allow owners to separate and protect their personal assets. In a properly structured and managed corporation, owners should have limited liability for business debts and obligations.

A HISTORY OF NEMFCIC

NEMFCIC (North East Music Foundation CIC) was set up in 2011 by directors Eric Lewis and Ian Dawson who had differing but complementary backgrounds in Music Education. David Shaw joined the team in 2016 as a third director. The company was set up with some access to a solicitor (family member), and some occasional free help and advice from an accountant friend. The moral of this statement though, as indeed for the setting up of a co-operative, charitable trust or any other type of company, is not to be put off from pursuing this avenue because you don't think you have the knowledge or enough information. The information is out there, and not too hard to find. Opportunities are there to be grasped by those that seek them, and from personal experience, overcoming the challenges you might be faced with is potentially very rewarding. See it not as a mountain, merely a series of small hills, much like learning to play an instrument.

Whilst we managed at NEMFCIC with very little help from solicitors or business advisors, we would certainly recommend taking advice from professionals whenever possible and if your budget allows.

Company History and Decisions

The choice of a CIC with employed staff was influenced by several factors, some of which arose from the way the old local authority music service in the Sunderland area had operated previously. At some time in the mid 1990's, what was then Sunderland Music Service with an employed staff, was disbanded, and after a suitable period of time the local authority began to reconstitute a new organisation based upon a self-employed model. Around the same time, Newcastle Music Service suffered a similar fate, which gave rise to the UK's first music co-operative NEMCO, who are still going strong today. History has more recently repeated itself across the country in this respect with co-operatives in Swindon, Bedford, Salisbury, Milton Keynes and Denbighshire.

Rather than adopt a self-employed model, a decision was taken quite early to constitute the company on an “employee” basis. The aspect of control (a factor in employment status) as a mechanism for being better able to guarantee the quality of teaching was an important factor in this decision. NEMFCIC can safely observe, appraise and train its staff without any

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

worries over their employment status as the tutors are not self-employed. An organisation that has adopted a self-employed model has to be careful not to be seen to have too great a degree of control over how, when and where teacher-members work due to issues of employment status.

As is generally well understood now, a self-employed model is a lot cheaper to run than an employed model due to what is referred to as lower “on-costs”, namely national insurance contributions by the employer, pension contributions, holiday pay, length of service benefits, unfair dismissal considerations, etc.

Whilst the co-operative model was initially also considered, the driving force behind the choice of the CIC model was a desire to change, steer, lead, innovate, and take a personal responsibility in the building of a more efficient organisation than that which existed. It should be noted, that at the time (2011), the CIC model was previously unknown to both founding directors. A chance conversation with a family member who became aware of CICs through working with a local authority led to some further research.

The co-operative model, where there are no heads of department or heads of service, and where teacher-members are free to develop and grow the co-operative in whatever way they choose, was given careful consideration.

However, although more democratic, we felt that the co-operative structure was potentially cumbersome and slow in decision-making – not always a good thing in today’s world of successful organisations that are able to change and adapt very quickly. Looking back now, the formation and development of NEMFCIC had some similarities with what is now referred to as the “lean start-up” business model, first proposed and described by Eric Ries (an American entrepreneur, blogger and author of *The Lean Startup Way*). For NEMFCIC directors, this issue helped drive the development of some unique selling points as the landscape changed in North East schools.

Where there was a low take up of certain instruments, the company was able to offer a rotation of the same tutors across several schools. This solved the thorny issue of pupils missing the same classroom lesson too often, and kept schools happy.

With regard to control in general, maintaining respect for the staff is of paramount importance. Directors make every effort not to be overly heavy handed and place a high value on the

opinions and feedback of the tutors. As a result NEMFCIC has acquired a high degree of staff loyalty over time.

With company control, NEMFCIC can choose for example, a particular graded exam board syllabus that it wishes its staff to use. This makes it easier to organise special visits for exams, the timing of which can be selected to be right at the end of a given exam period thus affording pupils more time to prepare for the exam, and effectively, enter a greater number of pupils during each period.

Some of the factors which could be considered advantages for a self-employed co-operative become potential disadvantages to an employed CIC model and vice versa. One of the biggest of those could have occurred at the outset and involved the matter of TUPE transfer (Transfer of Undertakings – Protection of Employment – Regulations 2006). This is covered in *Altogether Now*, but from a different perspective. Had NEMFCIC been formed to replace an existing provision such as a traditional music service with staff on contracts of employment, it would have had severe difficulties from the outset in having to transfer all previous staff on the same terms and conditions, including their number of hours, hourly rate, holiday pay, sick pay, pension contributions, accumulated redundancy rights, etc. These liabilities can prove disastrous for a new company that doesn’t have a substantial financial reserve to fall back on. Within the local landscape of self-employment in 2011 though, conditions were entirely suitable for NEMFCIC to use an employed model without the need for TUPE.

In July 2017 NEMFCIC commenced its auto-enrolment of staff on a pension scheme (which is now compulsory for all employers).

NEMFCIC is limited by guarantee (see below) in the same way as Swindon and Milton Keynes co-operatives and Cornwall Music Service Trust. The contracts used currently are variable-hours contracts which are also similar in nature to the contracts used by Cornwall Music Service Trust.

PROS AND CONS

The Benefits of a CIC

(Source: the Office of the Regulator of Community Interest Companies)

The CIC brand provides:

- Reassurance to stakeholders, as the asset lock and community purpose are regulated

- A higher profile for social enterprises and not-for-profit companies
- A growing network and voice within the social enterprise and third sector

The CIC has transparency of operation:

- An annual CIC report is placed on the public record for public scrutiny. The CIC report describes:
 - The CIC's activities and the benefit provided to the community
 - The remuneration paid to its directors
 - The assets transferred other than for full consideration
 - Dividends paid
 - Performance-related interest paid
 - The steps taken to consult stakeholders and the outcome.

The CIC has statutory clauses, which cannot be removed:

- The asset lock ensures the assets are used for the benefit of the community and there are other clauses to ensure members retain control.
- These clauses set it apart from other companies and prevent demutualisation and windfall profits being paid to directors and members without the balances and checks of mutuality and charitable status.

The CIC provides continuity of purpose:

- Once a CIC is incorporated it will continue providing benefit to the community until it is dissolved or converted into a charity.
- If it is wound up under the insolvency act 1986 any residual assets, after satisfying its creditors, will be transferred to another asset-locked body, such as a charity or another CIC.

The CIC is quick, easy and inexpensive to set up and is designed for social enterprises.

The CIC provides limited liability for its members.

The CIC uses a company form that:

- can be tailored to a specific organisational structure, governance or membership, and
- can be anything from a co-operative providing benefit to a wider community to a single member company.

A CIC can take advantage of a company's risk-taking features by accessing the debt market for loans and bonds.

A CIC limited by shares may expand by selling its shares.

A CIC may find community development finance institutions a valuable source of funds.

Company legislation (with which a CIC must comply) and the company form are well understood by the business community.

Disadvantages of a CIC

(Sources: various)

- This is a not-for-profit model more suited to those with something of a social conscience, than those who are primarily motivated by profit.
- Cost – registration fee, set up costs (depending upon who does the set up work) and annual filing fee.
- External accountability – on the register of CICs held by CIC Regulator at Companies House.
- Higher level of internal accountability, obligations to HMRC for PAYE and NI, to the Pensions Regulator, and liability around issues such as unfair dismissal.
- Paperwork – keeping registers, annual returns to Companies House and informing Companies House of changes.
- Public access to records – information about directors is publicly available via the register of companies and the registers are open for inspection.
- Winding up of the company – this is a formal process.
- Tax – must pay taxes on profits, must pay stamp duty, no gift aid, no mandatory rate relief.
- Funding – funders may not want to fund CICs.
- Charity status – a CIC can't be a charity.

Compare and Contrast – a Variety of Models

The following statements are taken from the CIC Regulator's "The benefits of a Community Interest Company (CIC)" and compare a CIC with a charitable company and an ordinary company.

Compared with a Charitable Company the CIC has:

- Greater flexibility in terms of activities e.g. they can change their objects, as long as they are still delivering community benefit. Charities cannot.
- No trustees and trustee control.
- The ability to be run by a single director, so have more freedom in decision making.

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

- CICs can operate as a business, and can make a profit, although this will probably lead to liabilities for corporation tax and VAT. If limited by shares, they can issue dividends. Currently charities cannot.
- Directors who can be paid, but this is regulated.
- Light touch regulation, but no tax incentives/benefits.
- Fewer reporting requirements and administration – a charitable company has to complete the Charities SORP (statement of recommended practice), for example.
- A charity (if incorporated and limited by guarantee) can convert to a CIC, but a CIC must remain a CIC. However, just to cloud the issue, there are instructions on how to change from a CIC to a charity here:

<https://www.gov.uk/government/publications/community-interest-companies-business-activities/cic-business-activities-forms-and-step-by-step-guidelines#convert-a-cic-to-a-charitable-company>

Compared with an Ordinary Company the CIC has:

- A social purpose, that of benefitting their community rather than to make their directors/members wealthy.
- Official recognition that it exists to benefit the community which means that CICs are becoming an increasingly popular form of social enterprise.
- An asset lock which is inexpensive and easy to set up, an ordinary company has no such mandatory asset lock.
- Statutory provisions that prevent the members of the CIC removing the asset lock by special resolution.
- Regulation to ensure the CIC maintains its asset lock and provides benefit to the community it was set up to serve.
- Checks and balances provided by CIC legislation.
- A Community benefit report stating what the CIC has achieved and that is open to public scrutiny.
- Transparency of directors' remuneration and use of assets.
- Legal protection from demutualisation and windfall profits being paid to directors and members.
- Profits that stay within the company if the CIC is limited by shares which is achieved by means of a dividend cap. This is stated in a video released by the office of the CIC regulator – however the figure is that of 65% of the dividends staying within the company, which obviously means that the remaining 35% can be distributed to members/directors. An ordinary company, however, is able to distribute 100% of its dividends.

Compared with a Co-operative (self-employed model) the CIC (employed model) has:

(Sources: various)

- The ability to adopt a less democratic management structure, this could be an advantage or a disadvantage depending upon your point of view, and upon how effective the management is.
- Similar reporting obligations, which are transparent. This could be considered a disadvantage when considering the difficulty of maintaining any secrecy surrounding the business affairs of both models.
- A need for directors to grow the company, as their wage is dependent upon its success.
- The option to employ staff, where it has not had to recruit under the conditions of TUPE. Note: this is also possible for a co-operative.
- Greater legal protection for employed staff against unfair or wrongful dismissal.
- The potential for a slightly better deal when on maternity leave. Where average weekly earnings as an employee have been greater than £156.64 then an employee may receive a greater amount than a self-employed person for the first 6 weeks. Statutory maternity pay for an employee is 90% of their average weekly wage for the first 6 weeks, but thereafter the amount is the same for the next 33 weeks as that for a self-employed person – where they have paid sufficient Class 2 NI contributions.
- An entitlement to claim back 103% of Statutory Maternity Pay. CICs which pay less than £45,000 in Class 1 NI contributions qualify for Small Employers relief.
- To remain a not-for-profit company, whereas a co-operative can distribute any surplus profit to its members, or retain funds for other purposes. Surplus generated in a CIC can be used to purchase instruments or other equipment (which then become bound by the asset lock) or could be used on things such as rental of office space or CPD training etc.
- Staff who are not obliged to be personally responsible for all equipment or resources.
- No need to create strategies for the avoidance of the issue of “employee status” of the staff, as they are employed. With the new HMRC regulations on IR35 that came into force in April 2017, this has particular significance.

- Staff that may find their employed earnings are looked upon more favourably when taking out a mortgage.
- A pension scheme, now required by law that employees can opt out of (or into).

CIC Formation, Key Issues and NEMFCIC's story

Having decided on the CIC as a model and on your name (see *Altogether Now* for advice), your first step in the formation of the company will be to complete and submit the following:

- A printed copy of both the Memorandum of Association, and the Articles of Association. Templates for model Articles can be found on the Companies House website. All entries in red must not be altered, and if altering any other part of the articles, it is recommended that you take legal advice.
- Form IN01. This requires details of the CICs proposed name; whether limited by shares or guarantee public or private; the first directors (and secretary if applicable), the location of the registered office; a statement of compliance etc. You will need to indicate that the proposed company is adopting bespoke articles. Note that there are also continuation sheets should they be needed.
- Form CIC36 (the community interest statement). The purpose of this form is to confirm that the CIC will provide benefit to the community. It does this by describing its intended activities, who they will help and how. See below for the content used by NEMFCIC.
- A cheque for £35 made payable to Companies House.

Again, all of the relevant information can be found here:

<https://www.gov.uk/government/publications/community-interest-companies-business-activities>

As a guide, the activities used by NEMFCIC in the completion of CIC36 (section B), and information from the other forms mentioned above, can be viewed by going to the Companies House website: **<https://beta.companieshouse.gov.uk/>**

Enter the name "North East Music Foundation CIC" in the search bar. Under the heading "filing history" is to be found the Incorporation document dated 14th July 2011. Please feel free to use this as a guide, and amend to suit. As shown in the form IN01, NEMFCIC is a private company limited by guarantee.

It is perfectly acceptable to register the company by submitting the various articles and other forms as described above, without actually beginning to trade as a business. The company can remain dormant for a time whilst members/directors complete a business plan, and market/promote the company's services etc.

NEMFCIC's story

As already stated, the decision to form the company resulted partly from a desire to compete with and improve upon the model that existed in Sunderland up to 2011, but partly as a result of the open (supposedly) bidding process for Music Education Hubs (MEH) at that time.

NEMFCIC's directors put together an extensive business plan, and what we felt was an audacious 10,000 word bid to become the music hub. Whilst our chances of success as a new company were perhaps limited, the effect was to highlight to Arts Council England both how things were in the region at that time, and how we thought we could improve them.

Unfortunately, the MEH bids were a perfect example of what purported to be a fair and open bidding process yet was in fact a closed hierarchical system. The Catch-22 caveat within the bidding process was that those bidding had to have the backing of a local authority.

As all of the local authorities in the North East already had music services, they were clearly not about to back a competitive bid that would divert funding to another organisation. This was more or less the reply NEMFCIC received when asking for LA backing from the relevant portfolio holders in both Sunderland and South Tyneside Councils at the time. It was also commented on in the MU 2017 Education report: "In a surreal turn, nearly all music services in England won bids to become lead organisations, with the result that things carried on largely as before..."

The rest of this thorough and significant report can be read here: **<https://www.musiciansunion.org.uk/Files/Reports/Industry/MU-2017-Education-Report-8pp-A4.aspx>**

The Business Plan

For NEMFCIC, after the original idea, and choosing the company structure of a CIC, the business plan was one of the first things we turned our attention to. There is little need to justify this here, but our first business plan was very extensive. As such it contained the usual SWOT and PESTLE analyses, as well as details of confidential plans and innovations to address the needs set out in the funding criteria.

Needless to say, as the bid was unsuccessful, much of the plan was then useless. However, we took from it what we needed, changed and adapted to start small, and off we went...

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

A useful link for further information is this one:

<https://www.gov.uk/write-business-plan>

Also, the following link to a sample template:

<https://www.startuploans.co.uk/business-plan-template/>

Our business plan had a degree of flexibility, and as time went on we found we were in a position to increase the diversity of our services (see also 'other technology' below).

Accounting

A professional accountant is highly recommended, if not essential. Deadlines for submitting accounts and balance sheets to Companies House are strictly adhered to, and the company will incur financial penalties for late submission.

Should the company be registered without actually trading for any length of time, there is still a mandatory requirement to submit accounts to Companies House.

Human Resources (HR)

The five main functions of human resource management are recruitment, training, professional development, benefits/compensation and ensuring legal compliance. The first three have been undertaken mostly by directors, with some helpful professional advice for the remaining two. Although perhaps not ideal, HR advice can be bought in externally if and when needed.

Recruitment

Following interview, suitable candidates are subject to the following pre-employment checks: they will already have an enhanced DBS certificate (and have subscribed to the update service) or this will be applied for through the company. Two references are sought and other checks as required by government safer recruitment guidelines, such as strict identity checks, verifying that the candidate has the right to work in the UK, verification of any professional qualifications held, verification of any safeguarding training completed, and confirmation that the candidate has both the physical and mental capacity for the demands of the role. Checks are documented and retained securely on a personnel file, and are followed up if they are unsatisfactory, or if there are any discrepancies in the information received.

New teachers, where necessary, may receive some mentoring from a director or more experienced teacher, and may start on a slightly lower rate of pay for an agreed period.

Successful candidates are issued with a company photo ID that contains their DBS number, date of issue, company contact information etc.

Management and Administration

NEMFCIC's current policy is to invoice schools, rather than individual pupils/parents. Invoices are sent out monthly, and deliver a big saving in the administration costs of schools where they previously had to deal with up to 7 different tutors, all invoicing separately – 7 purchase orders, 7 remittance advice letters, 7 countersigned timesheets, 7 payments etc.

The month to month invoicing and administration is fairly straightforward and handled by directors, although the company is now at the stage where a part-time admin assistant is needed.

Directors have regular meetings at least once a month but sometimes more often. NEMFCIC has been actively involved in the development of unique study support resources that have had a positive influence in securing work with schools. Research has gone into the development of appraisal criteria, and other policies that allows us to present a more attractive offer to schools.

Funding

CICs should make sure that they are able to target the right funding bodies. Although there is no guarantee of funding, CICs are recognised and respected by third sector funders, local authorities, investors and banks who may consider investing in good business opportunities which are regulated and fulfil a social purpose.

As with any business, a strong business plan is required to ensure the success of the business in the same way as that of an ordinary company.

Further details of funding bodies and business toolkits can be found on the CIC regulators website.

So far, NEMFCIC has applied four times for a variety of funding and been successful once. Even though 3 bids were unsuccessful, they did contribute to an increased local awareness of the company's activities, and as such were not completely fruitless in spite of being extremely time consuming.

The Staff Handbook

As NEMFCIC employs its staff, its policies and procedures are required to be included in the form of a Staff Handbook.

Templates for these can be acquired free online, but require a reasonable amount of tweaking to be fit for purpose in the context of an independent Music Service such as NEMFCIC. The process of editing the staff handbook from a free template is time consuming, and the input of more than one person is recommended in its construction. You may want to consider consulting with staff for feedback on an early edition to see whether they feel there are any contentious issues that some staff may be unhappy about.

The handbook will usually commence with a welcome to staff, setting out the general services offered by the company and its objectives, visions and values, and the value the organisation places on its staff.

The range of issues covered in the Handbook needs to be comprehensive and will include for example, company policies and procedures and rules on:

- Equal opportunities
- Harassment at work
- Probationary periods
- Induction
- Holiday pay
- Criminal records checks
- Salaries
- Sick pay
- Maternity/Paternity pay
- Hours of work
- Pensions
- Training
- Data protection
- Safety at work
- Behaviour
- Communications
- Conflicts of interest
- Disciplinary procedures
- Grievance procedures
- Whistleblowing
- Equality and diversity
- Environmental policy

Invoicing

Schools differ in their invoicing policies, systems of payment and their own deadlines/payment times that they operate

under. It proved very important for NEMFCIC to build a good mutual understanding with the relevant business manager or other designated person in school offices. Gradually, we were able to use a proforma invoicing system with many schools (particularly secondary schools/academies where amounts were much larger).

We invoice once per month approximately one week early wherever possible, on the assumption that the tutors would teach their normal hours during the remaining week. Any deviation during this last week is corrected the following month (overpayment being noted as a “credit” on the next invoice).

More recently, a new school that we have begun supplying with tuition has said that they are not willing to use a proforma invoicing model, and that we should only invoice for tuition that has actually been completed. Although we are in a position to cope with this now, we may have struggled in the early days of the company.

Good people skills are essential in developing good relationships with the business/finance managers who are responsible for paying invoices. An earlier arrangement of a temporary overdraft facility with our bank would have helped us enormously, but we were a little slow in getting this in place.

As yet, NEMFCIC has continued with its policy of invoicing schools rather than parents, but will monitor the situation going forward.

Contracts

NEMFCIC uses “variable hours” contracts of employment. These were taken originally from one of the widely available free template downloads, the wording of which can be altered slightly to fit the particular type of work it refers to. It includes pay details, how holiday pay is calculated and paid; confidentiality clauses, description of duties, agreement to be subject to appraisals, and references to disciplinary and grievance procedures as set out in the employee handbook which forms part of the contract.

There are no clauses that restrict the tutors from working elsewhere, as the majority of staff also work in a self-employed capacity either privately or in local schools. We make no demands on our staff to inform us where else they are working, only to keep us informed of their availability.

Performance Management

Regular staff appraisals are undertaken with detailed observation criteria that are discussed with the tutors.

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

Continued Professional Development

As well as some shadow teaching, and peer mentoring, NEMFCIC has its own set of study support resources available to all staff. Child safeguarding training is arranged for those that require it, and some staff members have attended first aid at work courses.

Volunteers and those who progress to part time employment as a result, benefit greatly from working with experienced tutors.

Staff Wages and Rates of Pay

We made a commitment to our staff that they would be paid directly by Bacs transfer (formerly Bankers' Automated Clearing Services) on or before the last day of the month. This is subject to receipt of timesheets or confirmation from schools that they have completed the work, as stated in staff contracts. In order to fulfil this commitment, it is essential to carefully monitor invoicing and cash flow.

There are some variations in rates of pay depending upon whether tuition is small group, large group, whole class, primary or secondary school/academy. Discussions have taken place on how we can incorporate some form of longer term career progression to provide a potential increase in earning potential over time. So for example, where we provide a number of tutors to a particular school, we offer a slightly higher rate to a more experienced tutor who is able to take responsibility for arranging and coordinating suitable performance pieces for different instruments and voices. He/she might also be expected to work towards and organise performances in liaison with the school. Initially this task was taken on by directors, but as the company grew, then so did the need to delegate.

Holiday Pay

NEMFCIC used the following in its contractual clause regarding the payment of holiday pay:

The Holiday Year commences on the 1st day of September and runs for one year.

Paid annual leave entitlement is calculated by reference to a notional full time annual holiday entitlement of 28 days (5.6 weeks) per annum inclusive of bank and public holidays. The entitlement to paid holiday will be calculated pro rata to the hours actually worked. The employee agrees to receiving any holiday pay due at the end of each month worked, the amount paid being clearly marked on the employees payslip.

Directors are intending to look again at whether hours can be annualised, and holiday pay paid during school holidays, in particular the long summer break, and will endeavour to do so with the agreement of staff.

The Employment Appeal Tribunal (EAT) has just stated (see Brazel vs The Harpur Trust – 6 March 2018) that advice given by ACAS regarding holiday pay for part-time workers is wrong, i.e. 12.07% of the hours worked/pay received during the preceding term as an average. The judgment sets out that part-time workers, who work irregular hours, are entitled to holiday pay based on average weekly earnings over the prior 12-week period, but this average should not be calculated where it includes weeks that are not normally worked (e.g., half term week). Where there are weeks not normally worked, then the weeks worked immediately prior to the 12 week period should be included up to a maximum of 12 when calculating average weekly earnings.

The overall effect is that a term time worker who is classed as "part-time" may end up being entitled to be paid a total amount of holiday pay over a year which amounts to more than 12.07% of his or her hours worked. Typically, this may increase up to an amount of 17.5% in the case of some term time workers. The underlying principle is that part-time workers should not be treated less favourably than full-time employees (under the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000.

It is still possible to calculate holiday entitlement according to the 12.07% formula, but holiday pay must correspond to the 12 week average

PAYE and National Insurance

NEMFCIC started off with the fairly basic free software provided by HMRC for companies with fewer than 10 employees. Later, as the company expanded we bought one of HMRCs recommended software packages, a list of which can be found here: <https://www.gov.uk/payroll-software/paid-for-software>

The software allows a choice on how often you pay teachers, but monthly is usual.

HMRC now requires "real time information" (RTI) reporting, which is carried out automatically by the software. It is advisable to keep the same date every month to do this. The software calculates the deductions for PAYE, NI, student loan deductions, and more recently workplace pensions, and also generates the RTI report to HMRC which is submitted automatically. Payslips can be generated as electronic or paper. The software will also generate a P60 annually at the end of the tax year in April which is an HMRC document that informs the employee how much they have earned and any deductions that have occurred.

This document can then be used by the employee when completing a self-assessment tax return. The amounts on the P60 can be entered under "income from employment" section on the tax return.

Pensions

Whilst the process is sometimes a little time consuming and heavy going, NEMFCIC did manage to do it without the aid of a pensions advisor, and judging by the experiences of some other companies that did use one, we probably saved money in doing so. Having said that, the majority of our staff earned less than the threshold of £833 per month (£192 per week), and it may be prudent to seek professional advice if in doubt.

The company will need to choose a pension scheme, make sure that the payroll software it is using is fit for purpose, decide who needs to be enrolled on the scheme, write to staff, and declare compliance. There is a phasing period for the amount that needs to be contributed by both staff and employer, which increases after a year, and again a year later.

NEMFCIC chose The National Employment Savings Trust (NEST), which is a defined contribution workplace pension scheme in the UK. It was set up to facilitate automatic enrolment as part of the government's workplace pension reforms under the Pensions Act 2008.

Full advice on the company's obligations around pensions can be found on the website of the Pensions Regulator: <http://www.thepensionsregulator.gov.uk>

Cash Flow

Cash flow turned out to be an issue which required very careful monitoring. It has the potential to make or break a company if not watched carefully. If the company is set up with very little funds at the outset then we would strongly advise some careful thought as to how the company will deal with invoices that aren't paid on time.

As NEMFCIC started very small with two directors and two staff, initially we were able to work around problems as they occurred.

Directors were fortunately able to develop fairly good relationships with the relevant business managers and financial staff at schools. On a number of occasions however, temporary loans to the company had to be made to ensure payment of staff on time as a result of late payment of invoices. We would advise choosing your bank carefully with this in mind. A temporary overdraft facility is essential, but may not

be granted until the bank has some evidence of trading/turnover/accounts.

Company Insurance

NEMFCIC has both Public Liability insurance and Employers Liability insurance.

Public liability insurance protects the company if clients or members of the public suffer personal injury or property damage because of the business. It can pay for the costs of subsequent legal expenses or compensation claims and is an integral cover for businesses that interact regularly with customers.

Employers' liability insurance protects the company against the cost of compensation claims arising from employee illness or injury, sustained as a result of their work for the company. It covers anyone working for the company, including volunteers, self-employed persons under company supervision and students on work experience; note: it's a legal requirement if the business employs one or more people. Each day without the cover can bring fines of up to £2,500.

There are a great number of companies selling this type of insurance, and the monthly payments are quite small, although increase in proportion to the number of staff there are.

Volunteers

It can be very useful to both parties to take on volunteers. The cost of a DBS is minimal, and it can help reduce costs as well as assist the smooth running of after school music clubs or ensembles. In addition, it provides valuable work experience to the volunteer, and often helps bridge a generation gap between older tutors and their much younger pupils.

NEMFCIC has taken on several volunteers (all former pupils), some of whom have progressed to part-time employment with the company, often whilst at university. We have also liaised with local colleges/universities and taken students on work placements, which seems to be building towards an annual arrangement with one local college. It can also help fulfil the CIC's community interest objectives.

IR35 (Intermediaries Legislation)

IR35 is a legislation that was introduced in April 2000 as a way of preventing Limited Companies from taking a dividend where they acted as an employee, thus forcing people who were caught by IR35 to pay PAYE tax and class 1 National Insurance contributions.

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

A worker is involved in this “off-payroll working” when they work for a client such as a school, through their own intermediary. The intermediary can be a limited company (or personal service company – PSC), a partnership or another individual. The worker may be considered an employee if they were providing their services directly. As off-payroll workers are paid through their own intermediary, they pay Income Tax and National Insurance contributions (NICs) in a different way to an employee. The off-payroll working rules are in place to make sure that where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax and NICs as an employee (source – HMRC).

This topic has caused much debate recently within the MU, as HMRC goes after organisations or individuals working in the public sector (which includes all schools and academies) to try to recover some of the tax and NI that they have been losing. Some members of co-operatives have been challenged by schools, as have other tutors trading under the name of their own limited company (or personal service company), often after being advised to do so by an accountant as a way to pay less tax and NI.

Many small, independent companies which act in a similar way to agencies offering services to schools such as instrumental/singing tuition, and classroom music teaching, may fall foul of the new regulations. Fortunately, a CIC set up in the manner described here, is fully compliant with IR35 as it will already be registered with HMRC for PAYE and NI, as well as pension contributions.

Data Protection and amendments for 2018

The new Data Protection legislation due to come into force on 25th May 2018 (source: information commissioner’s office) is the GDPR (General Data Protection Regulation) which will replace the current DPA (Data Protection Act).

The government has confirmed that the UK’s decision to leave the EU will not affect the commencement of the GDPR. There is to be a slightly more expansive definition of what constitutes personal data, and also some other minor changes. The current GDPR document is referred to as a live document, and as such, may undergo changes between now and May 2018.

It will remain a requirement to pay the ICO (Information Commissioners Office) a fee, which may rise from the current amount of £35 to £55. The best advice to be offered as we write this document is to keep informed through the website of the ICO on the changing obligations of organisations. They

currently have an informative and useful video for organisations working in education, taken from a webinar: <https://ico.org.uk/for-organisations/education/>

Working with your Local Music Education Hub

There is an expectation for the hubs to work with all schools in their area, and with local music organisations. They are also responsible for commissioning services to deliver on the National Plan for Music Education (NPME). As such, local organisations such as CICs, Co-operatives, etc., that provide instrumental/singing tuition and ensemble activities, should be considered for funding by the hub.

The initial relationship of NEMFCIC with the hub in 2012 was tentative, and what started out as an offer of partnership was swiftly changed to that of a ‘memorandum of understanding’ (not legally binding), which we chose not to accept. The new hub manager had inherited a landscape of self-employed peripatetic tutors, along with our company, and another two small intermediary companies who also operated a self-employed model in contrast to NEMFCIC.

Our experience was that whilst we were asked to deliver some activities, there were difficulties surrounding the hub’s desire to share everything where best practice was concerned. We were developing and improving our own resources and ways of working which enabled our company to grow and recruit more staff. We were not necessarily inclined to give up these potential aspects of a better business model to our competitors, which ironically included the hub itself. There seemed to be some initial difficulty in recognising this on the part of the hub, and for the most part our paths crossed a good deal less than the NPME would have intended. We were unsuccessful in obtaining a seat on the hub’s strategic board in Sunderland, despite the fact that we had a sizeable and steadily increasing share of the delivery of tuition.

Initially, we worked exclusively within the geographical boundaries of a single hub, but as time went on, we were able to secure some more work in neighbouring hubs, and are hoping that this will continue. It may be a slightly more complicated landscape in the future if neighbouring hubs wish to engage with us.

Websites, Social Media and Branding

There is plenty of useful information in the creating a website section in “Altogether Now”. NEMFCIC has a website, with the company logo, colour scheme, etc. In it are a fairly large number of pages, many of which are password protected and used to host the two or three hundred study support videos

we have produced so far for our pupils. The site was set up on a very limited budget of less than three hundred pounds, but has been fairly easy to use and update when time allows.

NEMFCIC has almost outgrown this website now; new resources currently in development indicate that we are likely to require a more sophisticated platform than our current one.

The development of a social media presence was looked at in 2012, and NEMFCIC did open an account with one platform, but as time went on realised that we weren't able to commit resources to managing it.

Looking back, we believe that this has not been particularly disadvantageous to the business. Schools and social media have a relationship that is at best challenging to manage, and is one of the issues covered in child safeguarding training. By not using social media and yet continuing to grow the company at a manageable rate we feel our decision was justified, but will continue to keep our options open.

As NEMFCIC didn't need to connect directly with parents to invoice for lessons, our main requirements were twofold:

1. A branding/marketing tool to gain professional credibility and connect with schools.
2. A platform to host our video study support resources, enable access by pupils and allow parents to see the resources available to their children.

Other Technology

NEMFCIC has invested a lot of time in developing its video based study support library. In doing so, company directors have developed a brand new and innovative resource which has a forthcoming patent application.

NEMFCIC is encouraging the use of equipment such as loop stations in schools where possible. These are devices which allow recording and instant repeated playback after having connected either an instrument or microphone. This allows pupils to receive instant performance feedback, can be used to add layers of sound by way of harmonies, counterpoint, etc., and is an excellent tool for developing ensemble and compositional skills.

Whilst the facility to record and playback has long been available on many school electronic keyboards, it is still probably underused, and looping is totally alien to many teachers of brass, woodwind and stringed instruments. A slight disadvantage is the possible volume disparity on playback of louder acoustic instruments.

A basic foot operated loop station costs around £75, but there are also very low priced or free apps available for both iPads and Android devices. Some schools already have these, but not all are making full use of them. Instrumental tutors who have not used the technology before may require some encouragement and basic training on how to use them.

In the company's only successful funding bid to date, NEMFCIC secured a small amount from a reputable technology transfer company which specialises in the commercialisation of new and innovative products and services. The funding was for the services of an intellectual property lawyer who specialised in patents.

Whilst the product being developed was intended for mainstream learners, further research uncovered a strong potential benefit to learners who have memory problems, including those on the autistic spectrum. The potential was supported by a number of university experts in the fields of neuropsychology and cognitive psychology. This may open an unintended strand that NEMFCIC can explore, widening the diversity of community benefit.

NEMFCIC has trialled Skype lessons, and there is also great potential to further develop these, even given the limitations arising from 'latency' issues.

Other thoughts

Currently in the North East at least, the impact of the new IR35 regulations have not yet been felt in school based instrumental tuition, and to the best of our knowledge, some schools are either unaware of the changes in HMRC legislation, or may be deliberately choosing to ignore them. This view was confirmed quite recently by one local MEH manager in the North East in conversation with directors of NEMFCIC.

A small number of third-party intermediaries that are not compliant with IR35 continue to operate in the same manner as they have done previously in the North East region.

Concerts

A strong early driver for NEMFCIC was to increase the number of performance opportunities for pupils. We did this by organising regular gigs (mostly at school venues, but occasionally at some local sporting events). They were very popular with pupils who could see and meet others with similar interests, and parents were very supportive. First aid certificates were acquired for staff, and risk assessments completed etc.

18. VARIATIONS ON A THEME, THE CIC MODEL – CONTINUED

More recently however, the introduction of the Body of Persons Approval (BOPA) has made the organising of such concerts a bureaucratic nightmare.

Full details can be found here:

<http://www.nncee.org.uk/attachments/article/225/A%20Guide%20to%20Child%20Performance%20Licensing%20May%202016.pdf>

(See page 50 for BOPA, and also sections on chaperones and MEHs.)

School Funding:

This is a very serious issue indeed, as an increasing number of schools over the last couple of years have made redundancies in their performing arts departments. We have seen a number of secondary academies that have got rid of classroom music teachers, and effectively removed music from the curriculum altogether. GCSE music is now not an option at all in some schools.

Recently, a small multi academy trust to which NEMFCIC supplies tuition has had to reduce delivery to once a fortnight, rather than cut it altogether.

Head teachers are acutely aware however, and have been reminded by parents' complaints, that they are bound by the demands of Ofsted requirements to offer a balanced curriculum. Affected schools have found themselves in a situation where they felt they needed to continue to offer instrumental/singing lessons as provided by peripatetic tutors, but did not have a suitable member of staff to manage and coordinate a number of self-employed tutors. As a result there is a gap in the market to be filled by an organisation able to take on such a role. NEMFCIC has acquired two new secondary academies as customers recently as a result of this dilemma, and it is quite likely that more will follow.

By continuing to offer instrumental/singing tuition to those pupils that seek it, schools are attempting to be seen to offer at least a bare minimum in terms of their obligations towards a balanced curriculum.

An alternative, although less well rounded pathway for aspiring music pupils is to follow a route through recognised graded practical and theory exams. These can be delivered through a peripatetic provision without the need for a classroom music teacher.

Newcastle University (and no doubt others) recently confirmed similar changes to their future entry requirements for Music

degrees that reflect the reduction in numbers of students attaining an A level in music. They are to accept as a substitute for this, a grade 8 in the student's first instrument along with suitable A levels in other subjects. This is clear evidence of the erosion of the GCSE and A level pathway into music at degree level.

Some local schools have ceased to subsidise instrumental lessons to those pupils in receipt of free school meals, for which the school receives an amount of funding known as pupil premium. This means that only those pupils whose parents can afford to pay for the lessons have access to them. This is a serious regression in the fight to reduce educational elitism.

Pupil premium amounts for the 2017/18 financial year (source – UK government): schools will receive funding for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years. The amounts are £1,320 for pupils from reception to Year 6, and £935 for those in Year 7 to Year 11. Pupils in local authority care or under a special guardianship or child arrangements order will receive a greater amount.

A Final Thought

Deciding to form and run an independent music service as a CIC, or a Trust, or a Co-operative, is not for the faint hearted, nor a task to be undertaken alone. With a collective willpower, we should look for those same qualities we endeavour to foster in our pupils. Motivation, determination, enthusiasm, rising to a challenge, self-belief and being inspired. Oh yes, and a little optimism – it goes a long way!



Eric Lewis
Director
NEMFCI

APPENDIX 1 – CMST BUSINESS PLAN HEADINGS

As seen below, the Business Plan is a large document, and wherever possible it is favourable to have the services of professionals who are well-versed in compiling a document of this magnitude.

A brief outline of the chapters involved in the Business Plan for CMST are as follows:

<hr/> <p>1. Executive Summary</p> <ul style="list-style-type: none"> 1.1 Mission Statement 1.2 Products and Services 1.3 Summary of Future Plans 1.4 Financials 1.5 Reserves Policy <hr/> <p>2. Values, Vision and Objectives</p> <ul style="list-style-type: none"> 2.1 Values 2.2 Vision 2.3 Objectives <hr/> <p>3. History & Current Situation</p> <ul style="list-style-type: none"> 3.1 Background 3.2 Current Situation 3.3 Benefits of Music Teachers Staying Together 3.4 SWOT & PEST Analysis <hr/> <p>4. Service Delivery and Activities</p> <ul style="list-style-type: none"> 4.1 Core Activities <ul style="list-style-type: none"> 4.1.1 Music Tuition 4.1.2 Classroom and Curriculum Provision 4.1.3 Ensembles, Groups, Choirs and Orchestras 4.1.4 Progression and Providing pathways to a career in music 4.1.5 Training and Professional Development 4.2 Potential Future Activities <hr/> <p>5. The Marketplace, Competitors and Strategic Partners</p> <ul style="list-style-type: none"> 5.1 Market 5.2 Competitors 5.3 Strategic Partners <hr/> <p>6. Marketing</p> <ul style="list-style-type: none"> 6.1 Parents/Carers 6.2 Schools 6.3 Teachers 6.4 Developing Partnerships 6.5 Publicity <hr/>	<hr/> <p>7. Company Structure, Governance, Management and Structure</p> <ul style="list-style-type: none"> 7.1 Company Structure 7.2 Governance <ul style="list-style-type: none"> 7.2.1 Auditors 7.3 Structure 7.4 Management and Administration <ul style="list-style-type: none"> 7.4.1 Head of Service 7.4.2 Team Managers 7.4.3 Peripatetic Music Teachers 7.5 Support Function to be provided by Truro School 7.6 Funding & Advisory Groups <ul style="list-style-type: none"> 7.6.1 Funding Groups and Terms of Reference 7.6.2 Advisory Panel <hr/> <p>8. Revenue and Funding</p> <ul style="list-style-type: none"> 8.1 Sources of revenue 8.2 Charges 8.3 Funding <hr/> <p>9. Financial Model</p> <hr/> <p>10. Future Capital Development</p> <hr/> <p>11. Implementation/Exultation</p> <hr/> <p>Appendices</p> <ul style="list-style-type: none"> Appendix 1 – Start Up Costs Appendix 2 – Internal Assessment Appendix 3 – Five year Financial Forecast Appendix 4 – Staffing Structure <hr/>
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APPENDIX 2 – CMST PAYSCALES

The CMST payscale below shows 2016/2017 figures. It allows for recognition of both qualifications by way of further study and qualification through experience, Approved Prior Experiential Learning (APEL).

Range	Scale	Base Salary	Travel Time Allowance 20%	Gross Salary	SALARY RANGE CRITERIA
A	1	£17,795	£3,559	£21,354	A non-graduate musician without a teaching qualification, degree, diploma or accreditation of prior experiential learning (APEL).
	2	£18,537	£3,707	£22,244	
	3	£19,282	£3,856	£23,138	
	4	£19,644	£3,929	£23,573	
	5	£19,989	£3,998	£23,987	
B	6	£20,342	£4,068	£24,410	A non-graduate musician without a teaching qualification, degree, diploma but demonstrates APEL.
	7	£20,694	£4,139	£24,833	
	8	£21,043	£4,209	£25,252	
	9	£21,515	£4,303	£25,818	
	10	£21,986	£4,397	£26,383	
C	11	£22,147	£4,429	£26,576	A music graduate without a teaching qualification.
	12	£22,615	£4,523	£27,138	
	13	£23,082	£4,616	£27,698	A non-graduate musician with specialist music teaching accreditation (non QTS) or APEL.
	14	£23,534	£4,707	£28,241	
	15	£23,976	£4,795	£28,771	
D	16	£24,412	£4,882	£29,294	A music graduate with specialist music teaching accreditation (non QTS) or delivery portfolio.
	17	£24,681	£4,936	£29,617	
	18	£25,297	£5,059	£30,356	
	19	£25,908	£5,182	£31,090	A non-graduate musician who demonstrates relevant APEL.
	20	£26,516	£5,303	£31,819	
E	21	£27,116	£5,423	£32,539	A music graduate with QTS and additional specialist music teaching.
	22	£27,718	£5,544	£33,262	
	23	£28,308	£5,662	£33,970	
	24	£29,092	£5,818	£34,910	A non-graduate musician who demonstrates relevant APEL.



APPENDIX 3 – CMST POLICY HEADINGS

Important policies that CMST implemented as soon as possible were:

Health & Well-Being Code

Use of Images

Safeguarding Children & Vulnerable Adults

Safeguarding Summary for Temporary Staff

Recruitment & Selection Process Including Safer Recruitment

Equal Opportunities

Dignity at Work

Disciplinary

Health & Safety

Staff & Volunteers Code of conduct

Annual Leave

Statutory Rules on Retirement

Flexible Working Arrangements

Pay & Pensions

Maternity, Paternity & Shared Parental Leave

Whistleblowing

Managing Attendance

Complaints from customers

Non arrival of Child

Smoking (including drugs & alcohol)

Data Protection

Internet, Electronic Comms and Mobile Phone Use

Grievance

Capability

Redundancy

There are many more policies that could be implemented and it is important to review these policies on a consistent basis. A useful place to find many examples of these policies is at the ACAS website:

<http://www.acas.org.uk/index.aspx?articleid=4161>

APPENDIX 4 – USEFUL CONTACTS, LINKS AND RESOURCES

Governance and Structure

Starting points

Charity: <https://www.gov.uk/setting-up-charity/set-up-a-charity>

Co-operative: <http://www.uk.coop/developing-co-ops/start-co-operative>

Social enterprise: <https://www.socialenterprise.org.uk/start-your-social-enterprise>

Limited Company: <https://www.gov.uk/limited-company-formation/overview>

Business Support

Local Enterprise Partnerships – local business support for start-ups, growth, and job creation.

<https://www.lepnetwork.net/>

Public Service Mutuels – the government has previously offered free support for public service organisations “spinning out” from the public sector (and may do so again):

<https://www.gov.uk/guidance/introduction-to-public-service-mutuals>

Gift Aid

For some activities such as ensembles, membership subscriptions could qualify for gift aid:

<https://www.gov.uk/guidance/gift-aid-what-donations-charities-and-cascs-can-claim-on>

Registering with HMRC

Insurance

Data Protection

More details can be found at the Information Commissioner's Office: <https://ico.org.uk/>

Pay Scales

The Green Book payscale is used for other council staff, including Nursery teachers and social workers. Up-to-date information can be found with an internet search.

The Lecturers payscale is another alternative: https://www.ucu.org.uk/fescales_england

Policies

Examples are available on the ACAS website:

<http://www.acas.org.uk/index.aspx?articleid=4161>

List of Funders

Youth Music:

<http://network.youthmusic.org.uk/Funding/what-we-fund>

At the bottom of the page above is a link to Youth Music's guide and list of other funders:

<http://network.youthmusic.org.uk/sites/default/files/uploads/pages/Youth%20Music%20Guide%20to%20Other%20Funders%20April%202016.pdf>

Food for Thought

Youth Music, “The Power of Equality 2”: Chapter 3 on Evaluation has a lot of useful information on how music organisations are set up, how staff are motivated, and how organisations can evaluate their work. Although written for the non-formal music sector, it has much research relevant to music services:

<http://network.youthmusic.org.uk/learning/research/power-equality-2-final-evaluation-youth-musics-musical-inclusion-programme-2012-20>

APPENDIX 5 – CHARITY REGISTRATION

Information to help your community organisation understand whether it is or could be a charity, whether it should register with the Charity Commission, and how to do so.

- What is a charity?
- Charitable purpose
- Public benefit
- Types of charity
- Which charities need to register?
- Main advantages of being a registered charity
- Obligations of a registered charity
- How to register

Please note this page is written and managed by the Resource Centre, an independent charity. For more information about the Charity Commission, please contact the Charity Commission directly.



WHAT IS A CHARITY?

A charity is an organisation which:

- Has exclusively charitable purpose (as defined by law), and
- Exists for the public benefit (as defined by law).

It is often assumed that if an organisation is ‘not-for-profit’ (i.e. it reinvests its surplus income back into the organisation) it must be a charity. Although charities cannot be profit-making, this is not what defines a charity. Some not-for-profit organisations are not charities. See our sheet Not-for-profit organisations for more information.

It is the law which defines whether an organisation is a charity. If your group’s aims are exclusively charitable, and it exists for public benefit, then it is a charity in the eyes of the law even if you have not yet thought of it as a charity. Registering with the Charity Commission does not make a group into a charity: registering simply turns an unregistered charity into a registered charity. (The exception to this is Charitable Incorporated Organisations (CIOs), which must register with the Charity Commission in order to formally exist. An existing organisation that wishes to become a CIO must set up a new CIO, and then close down the old organisation).

CHARITABLE PURPOSE

There are 13 broad categories of charitable purpose. A charity’s objects, or aims, as set out in its constitution or other governing document, must fall within one of these categories:

- prevention or relief of poverty;
- advancement of education;
- advancement of religion (which includes religions which involve belief in more than one god, or do not involve belief in a god);
- advancement of health (including the prevention or relief of sickness, disease or human suffering) or the saving of lives;
- advancement of citizenship or community development (including rural or urban regeneration, and the promotion of civic responsibility, volunteering, the voluntary sector or the effectiveness or efficiency of charities);
- advancement of the arts, culture, heritage or science;
- advancement of amateur sport (sports or games which promote health by involving physical or mental skill or exertion);

- advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
- advancement of environmental protection or improvement;
- relief of those in need by reason of youth, age, ill health, disability, financial hardship or other disadvantage (including relief given by the provision of accommodation or care);
- advancement of animal welfare;
- promotion of the efficiency of the armed forces of the Crown, or the efficiency of the police, fire, and rescue services or ambulance services;
- other purposes currently recognised as charitable under charity law or under s.1 of the Recreational Charities Act 1958, and any new purposes which are analogous (similar) to another charitable purpose

These 13 categories of charitable purpose were introduced on 1st April 2008. Charities registered before that date under one of the four broad heads (categories) of charity below continue to be charitable:

- The relief of hardship
- The advancement of education
- The advancement of religion
- Certain other purposes for the benefit of the community

CHARITABLE OBJECTS

Your organisations' objects are listed in your governing document. They describe the aims of your organisation. It is through your objects that you show your organisation has charitable purpose.

If you want your organisation to be a charity, the objects in your governing document must be charitable. If you want to register an existing organisation with the Charity Commission, you might need to change the objects in your constitution to make them charitable.

The Charity Commission provides examples of charitable objects¹ on its website which you may wish to use. If one of the examples describes the aims of your own charity, you can copy it into your constitution; if you copy it without alteration, the Charity Commission will accept that your group has charitable purpose.

You may also find it helpful to use the Charity Commission Register of Charities² to look at the objects of charities similar to your own.

Exclusively charitable objects

When you apply to register a charity, the Charity Commission will look carefully at your constitution or other governing document to determine whether the objects of your group are exclusively charitable. If your objects clauses allow your group to do something which the law does not recognise as charitable, your group will not be considered a charity, even if your main objects are charitable.

Campaigning and political activities

A charity is not allowed to have directly political objects, but it can engage in political activities if they help support its charitable objects.

The Charity Commission guidance states:

- There may be situations where carrying out political activity is the best way for trustees to support the charity's purposes. A charity may choose to focus most, or all, of its resources on political activity for a period. The key issue for charity trustees is the need to ensure that this activity is not, and does not become, the reason for the charity's existence.
- Charities can campaign for a change in the law, policy or decisions where such change would support the charity's purposes. Charities can also campaign to ensure that existing laws are observed.

A charity cannot support or promote a specific candidate, politician or political party, and must ensure it maintains its independence at all times.

Further details are available from the Charity Commission in Speaking out guidance on campaigning and political activity by charities (CC9)³.



PUBLIC BENEFIT

A charity must be for the benefit of the community as a whole or a significant part of it. This is not simply a question of numbers and the Charity Commission will assess each organisation on its merits. In broad terms, the community may be a geographical area or a community of interest.

- A charity operating within a geographical area must demonstrate that it provides a benefit to the whole area.
- A community of interest may, for example, be disabled people, members of a minority ethnic group or people who have a particular illness. In this case, the charity must be open to anyone within that particular community of interest.

A charity cannot be set up to personally benefit its trustees or employees, though it may of course employ staff.

The Public Benefit Test

Charity Commission guidance sets out two key principles of public benefit:

There must be an identifiable benefit or benefits:

- It must be clear what the benefits are
- The benefits must be related to the aims
- Benefits must be balanced against any detriment or harm

Benefit must be to the public or section of the public:

- The beneficiaries must be appropriate to the aims
- Where the benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted either by the ability to pay any fees charged or by geographical or other restrictions
- People on low incomes must not be excluded from the opportunity to benefit
- Any private benefit must be incidental

TYPES OF CHARITY

There are several different types of organisation that can be charitable. Whichever structure an organisation has, it must have exclusively charitable purpose and pass the public benefit test in order to be considered a charity. There is much more information about all these structures in our page [Finding a legal structure to suit your group](#).

Charitable unincorporated association

An unincorporated association is a membership organisation. It can be whatever its members want it to be, and carry out whatever activity you choose. It is the easiest, quickest and cheapest way for a group to set itself up. This structure is suitable for groups such as community associations, social clubs, film clubs, and arts groups. If your unincorporated association has charitable aims, this makes it charitable unincorporated association, which is a type of charity.

An unincorporated association does not have its own legal existence, so its trustees are liable for its debts and obligations.

Charitable trust

A charitable trust is run by a small group of people, known as trustees. Its purpose is usually to manage money or property for a charitable purpose. A charitable trust does not have its own legal existence, so its trustees are liable for its debts and obligations.

Charitable Incorporated Organisation (CIO)

A Charitable Incorporated Organisation (CIO) can be a membership organisation (like an unincorporated association) or be governed by a small group (like a trust). It has its own legal existence, which means it can enter into contracts and have debts and obligations in its own right. This provides some protection for trustees, because they are not individually liable in the same way they are with an unincorporated association or charitable trust. It is more complicated to set up than an unincorporated charity.

Charitable Company

A charitable company is a limited company with charitable aims. It has its own legal existence, which means it can enter into contracts and have debts and obligations in its own right. This provides some protection for trustees, because they are not individually liable in the same way they are with an unincorporated association or charitable trust.

WHICH CHARITIES NEED TO REGISTER?

Every unincorporated charity and Charitable Company with a gross annual income of £5,000 or more must register with the Charity Commission. Once a charity reaches this threshold, it should register in the following financial year. Already registered charities below the £5,000 threshold will remain on the register.

All Charitable Incorporated Organisations (CIOs) have to register with the Charity Commission, regardless of their annual income. CIOs do not formally exist as charities until they are registered.

Although the majority of charities are required to register, there are no financial penalties for not being registered. You therefore have some room to ensure that you register at a time which best fits in with your group's development. It can take some time for a small charity to adopt a constitution which will satisfy the Charity Commission and develop a good book-keeping system.

NB. There are different regulations (with different income thresholds) covering Excepted Charities, such as churches and the Scouts, and Exempt Charities, such as provident societies.

MAIN ADVANTAGES OF BEING A REGISTERED CHARITY

- It can be easier to obtain grants. Many funders give grants only to registered charities.
- Registration lets the public know that your group is a legitimate organisation and is being monitored by the Charity Commission.
- You are entitled to tax relief on several taxes and reduced business rates on your premises; and you may reclaim the tax on covenants and other donations by individuals, such as Gift Aid.
- An unincorporated charity below the £5,000 threshold may enjoy the benefits of charitable status without having to satisfy the reporting requirements of charities registered with the Charity Commission. It can apply to the Revenue and Customs (HMRC) for tax relief. Like a registered charity number, an HMRC charity number should be accepted by banks and grant funders as evidence of charitable status. Information on how to register with the HMRC is available on their website⁴.

OBLIGATIONS OF A REGISTERED CHARITY

- Any charity (whether registered or not) must keep to its charitable purposes at all times and comply with charity law.
- A registered charity must follow Charity Commission rules concerning its annual report and accounts. We look at these rules in our information sheet on Charity Reporting and Accounts.
- A registered charity has the same general obligations of any community or voluntary organisation:
 - to follow the aims and rules of its constitution;
 - to be well run and managed;
 - and to act within the law.

HOW TO REGISTER

To register a charity you will need to complete the online registration process⁵ on the Charity Commission website. If you provide all the information and documents required, and answer all the questions clearly, the Charity Commission state that they will complete the process within 30 days.

Before completing the online form you should collect together all the documents and information that you will need. This includes:

A copy of your constitution or other governing document

The Charity Commission produces a model governing document for each form of charity organisation, which you can fill in with details of your own charity. If it suits you to combine a model governing document with one of the example objects referred to earlier, it will speed up and simplify the application process.

If your group has its own governing document, it is essential that it takes account of all the points in the relevant model even if it does not follow the exact format or wording. For more information see the Charity Commission guidance CC22b "How to write your charity's governing document"⁶.

Trustee Declaration form

This will be signed by all of your committee members declaring that they are willing to act as charity trustees. The governing document of your group will define who your trustees are. They are responsible for the running of your organisation and it is important that they are willing to take an active part in it.

Financial information

All Charitable Incorporated Organisations must register with the Charity Commission when setting up, so they will have no accounts information at the time of registration. In this case you will need to provide details of how your CIO will be funded in order to achieve its aims.

Other charities will need to show that their annual income is at least £5000. This will probably be your last set of annual accounts, and your bank account details.

Other information

You will need to provide information to explain:

- how your organisation's purposes are for public benefit, and how you will carry them out to ensure that you achieve your purposes.
- what your organisation does, who it helps and how it operates
- where your organisation operates: In England and/or Wales; in Scotland or Northern Ireland; or abroad.
- How you can be contacted: postal address, phone, email and website (if you have one)
- Any benefits that Trustees will receive
- Action you have taken to ensure you meet safeguarding requirements if you work with children or vulnerable adults

The Charity Commission guidance Registering as a charity (CC21)⁷ provides details on all the preparation you will need to do before registering.

Footnotes:

- 1 <https://www.gov.uk/government/publications/example-charitable-objects>
- 2 <http://apps.charitycommission.gov.uk/Showcharity/RegisterOfCharities/registerhomepage.aspx>
- 3 <https://www.gov.uk/government/publications/speaking-out-guidance-on-campaigning-and-political-activity-by-charities-cc9>
- 4 <http://www.hmrc.gov.uk/charities/tax/recognition.htm>
- 5 <https://www.gov.uk/guidance/how-to-register-your-charity-cc21b>
- 6 <https://www.gov.uk/guidance/how-to-write-your-charitys-governing-document> 7 <https://www.gov.uk/how-to-set-up-a-charity-cc21a>
- 7 <https://www.gov.uk/guidance/how-to-write-your-charitys-governing-document> 7 <https://www.gov.uk/how-to-set-up-a-charity-cc21a>

USEFUL CONTACTS

Charity Commission

Charity Commission
PO Box 211
BOOTLE
L20 7YX

<https://www.gov.uk/government/organisations/charity-commission>



APPENDIX 6 – NOT-FOR-PROFIT ORGANISATIONS

WHAT IS A NOT-FOR-PROFIT ORGANISATION?

“Not-for-profit organisation” is a broad term for all independent organisations that do not make private profit for directors, members or shareholders. Many different types of organisation can be “not-for-profit”. It is not a legal structure in and of itself.

If you are setting up a new not-for-profit organisation, or making changes to an existing one, choosing the right legal structure will help you to run your organisation as you wish. This sheet aims to give you some basic information to help you think through what your options are. You can also use the RouteMap on our website, which provides a step by step process to help you work out what the best structure is for your organisation.

Not-for-profit organisational structures fall into two broad categories: Charities & community groups and Social enterprises.

The main difference between these two categories is to do with who has overall control of the organisation.

In general, charities and community groups are controlled by a committee of volunteers (although they may employ staff to do the day to day work). This committee may be elected from among the members, or appointed by the existing committee. Because the people running the organisation do not make any financial gain, these organisations are more likely to receive grant funding.

Social enterprises can be controlled by people who have invested in them and/or are paid to work for them. This could be one or two people who own the business, all the paid staff together, the customers, or a large number of people who have bought “community shares” in the enterprise and are therefore members of it. Social enterprises generally keep themselves going by selling goods and services, and by inviting people to invest in them, rather than by applying for grants and donations.

Charities & community groups

These types of organisation are run by a group of volunteers, known as a management committee or board of trustees. They exist to organise activities or run services for their members or the wider community, or to distribute funds for charitable purposes. Some of these types of organisation might engage in trade or own property to support their work, but this won't be their primary reason for existing.

Here are some examples of circumstances in which a charity or community group structure might be suitable for your organisation:

- You are a group of people working together on a voluntary basis to make something happen (e.g. to organise social events for your members, to run a campaign, to improve your local neighbourhood and represent local residents, or to raise money for a charity or school)
- You wish to provide services for the community, and will apply for grant funding to do this. You might employ paid staff, but the organisation will be controlled by volunteers.
- You are a group of volunteers wishing to manage property or money for charitable purposes (e.g. to give out grants).

There are four main structures available for charities and community groups. These are:

- Unincorporated Association
- Charitable Trust
- Charitable Incorporated Organisation (CIO)
- Charitable Company

Brief details of each of these are below.

(Note that any of these types of organisation can be called a “charity”. “Charity” isn't a single legal structure – charities can adopt different legal structures depending on their needs and the way they work.)

There is much more detailed information on these types of organisation in our information sheet *Finding a legal structure to suit your group*.

Unincorporated Association

An unincorporated association is a membership organisation. It can be whatever its members want it to be, and carry out whatever activity the members choose. It is the easiest, quickest and cheapest way for a group to set itself up. It is ideal for many small groups, especially those without staff or premises. A large number of groups fall into this category (sometimes without knowing it).

You do not have to seek approval of any kind before setting up and you are free to draw up your own constitution, setting out the rules under which your group will be run.

If your aims are not charitable you do not have to register with any regulatory body. If your aims are charitable (as set out in charity law) you will be a "charitable unincorporated association" (a type of charity), and you must register with the Charity Commission if your group has an income of over £5,000 per year.

Unlike a Charitable Incorporated Organisation or a Charitable Company, an unincorporated association does not have a "legal personality", which means any contracts or liabilities are the responsibility of the trustees as individuals, rather than of the organisation itself.

This type of structure is often used by volunteer-run campaign groups, residents' associations, PTAs and clubs.

More detailed information about unincorporated associations and charitable unincorporated associations is in our information sheet *Finding a legal structure to suit your group*.

Charitable Trust

A Charitable Trust is a type of charity usually set up to manage money or property for a charitable purpose. It is run by a small group of people, known as trustees. The trustees are appointed rather than elected, and there is no wider membership.

A Trust is fairly cheap and simple to establish.

Charitable Trusts must register with the Charity Commission if their income is over £5,000 per year.

Unlike a Charitable Incorporated Organisation or a Charitable Company, a trust does not have a "legal personality", which means any contracts or liabilities are the responsibility of the trustees as individuals, rather than of the organisation itself.

This type of structure is often used by grant-giving charities.

More detailed information about Charitable Trusts is in our information sheet *Finding a legal structure to suit your group*.

Charitable Incorporated Organisation (CIO)

A Charitable Incorporated Organisation is a type of charity which is incorporated. It has "legal personality" which means the organisation can enter into contracts, buy or lease property, and employ people in its own right. The trustees are not personally liable for the debts of the organisation.

A CIO can be a membership organisation, in which the trustees are elected from among the members, or a trust-like organisation in which the trustees are appointed.

CIOs are registered with the Charity Commission, and the accounting and reporting requirements are less demanding than those of a charitable company.

This type of structure is often used by charities which employ people or own property.

More detailed information about Charitable Incorporated Organisations is in our information sheet *Finding a legal structure to suit your group*.

Charitable Company

A charitable company is a limited company with charitable aims (a type of charity). It has "legal personality" which means the organisation can enter into contracts, buy or lease property, and employ people in its own right. The directors are agents of the company and are not personally liable for its debts.

Charitable Companies are membership organisations.

Establishing a charitable company involves registering with both Companies House and the Charity Commission, and then submitting your annual report and accounts to both organisations annually.

More detailed information about charitable companies is in our information sheet *Finding a legal structure to suit your group*.

SOCIAL ENTERPRISES

A social enterprise is a business which makes its money from selling goods and services, and reinvests profits back into the business or the local community. Unlike charities and community groups, social enterprises can be owned and run by paid staff, or by people who have invested money in them. "Social enterprise" isn't a single legal structure – social enterprises can adopt different legal structures depending on their needs and the way they work.

Even if your group does not plan to sell goods and services, or pay staff, one of the structures below might suit you if you would like your organisation to be incorporated. (An incorporated organisation has "legal personality", which means can enter into contracts, buy or lease property, and employ people in its own right. The members or directors are agents of the organisation and are not personally liable for its debts.)

Here are some circumstances in which adopting one of the structures below might be the right choice for your organisation:

- You wish to be in control of the organisation and make a living from it
- Your organisation will make most or all of its income through trade and will not be reliant on grant funding
- You wish to ask members of the community to buy shares in your organisation to help fund it to get going
- You wish to sell goods or services to your members
- You wish to be incorporated but your aims are not legally charitable, so you cannot set up a Charitable Company or a CIO

There are a number of different legal structures a social enterprise can adopt. These include:

- Community Benefit Society and Cooperative Society
- Limited Company (including Community Interest Company (CIC))
- Limited Liability Partnership
- Development Trust and Social Firm

Community Benefit Society and Cooperative Society

Community Benefit Societies and Cooperative Societies are useful structures if you need to fund your organisation by selling shares to members. These types of Society are registered with and regulated by the Financial Conduct Authority¹.

A Community Benefit Society is owned by its members. Members hold shares and control the society democratically, on a one-member one-vote basis. The society must exist primarily for the benefit of the wider community, and members should not receive preferential treatment. Profits must be used for the benefit of the community (although interest on shares can be paid to members, up to a maximum rate).

If a Community Benefit Society has aims that are legally charitable, it can register as a Charitable Community Benefit Society. This allows the organisation to call itself a charity, although it is not regulated by the Charity Commission.

A Community Benefit Society is a useful structure if your community wishes to take control of an asset, such as a building. You can fund your organisation by selling

"Community Shares", and run the service to benefit the wider community.

A Cooperative Society is a similar structure to a Community Benefit Society, but the main purpose is to provide services to its members rather than the wider community. Cooperative Societies must be based on the co-operative values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In general, membership to a Co-operative Society is open to all people who use the services provided by the society, and profits may be distributed to members providing this is not the primary purpose of the organisation.

A Cooperative Society might be a suitable structure if your organisation plans to provide goods or services to its own members (e.g. a food co-op).

Co-operative Societies and Community Benefit Societies are incorporated, which mean they have "legal personality". They can enter into contracts, buy or lease property, and employ people in their own right. The members are not personally liable for the Society's debts.

To find out how to register a Community Benefit Society or Cooperative Society contact the Financial Conduct Authority. There is also very useful information about setting up these Societies on the Community Shares website².

Limited Company, including Community Interest Company (CIC)

A Limited Company is incorporated, which means it has "legal personality". It can enter into contracts, buy or lease property, and employ people in its own right. The directors are agents of the company and are not personally liable for its debts.

A limited company is run by a board of directors, who can be paid (unless the company is also a charity, see Charitable Company, page 4).

A company can be Limited by Guarantee or Limited by Share Capital. Being Limited by Share Capital allows profits to be distributed to share-holders, so companies limited by share capital are unlikely to be not-for-profit organisations. Companies limited by guarantee can be not-for-profit, but if the directors are paid it can make it difficult to get grant funding.

Community Interest Company (CIC)

A CIC is a limited company with special features to ensure that it works for the benefit of the community.

CICs commit their assets and profits permanently to the community by means of an "asset lock", ensuring that assets are used for the benefit of the community.

It differs from a charitable company in that it can be established for any purpose which benefits the community, whereas a charity must have exclusively charitable purposes.

Like other limited companies, the directors of a CIC may be paid. Bear in mind that some funders choose not to fund organisations with paid directors.

To register a new CIC, you have to apply to Companies House to register a company, and include with your application form CIC36, which you will use to describe how your company will benefit the community. You can also apply for CIC status for an existing limited company (including charitable limited company), but your organisation cannot be simultaneously a registered charity and a CIC.

For more information contact the Office of the Regulator of Community Interest Companies³.

Limited Liability Partnership (LLP)

A Partnership is a way that two or more people can run a business together, share responsibility and share the profits. A Limited Liability Partnership (LLP) is a type of partnership that has a separate legal personality similar to a company, so the partners are not personally responsible for the business's debts.

An LLP is a much more flexible structure than a company. There is more freedom to control things like the way decisions are made and how profits are distributed. An LLP can be a social enterprise if the partners decide that they will invest a majority of the profits into a social purpose.

Partners within an LLP generally take a salary from the business. Unlike Company Directors, however, their salaries are usually considered to be part of the profits of the business, rather than an operating cost. This can make it difficult to evidence that a majority of profits are going to a social purpose. The partnership agreement should outline very clearly the terms of partners' pay and how the partnership meets a social purpose. It still may not be considered not-for-profit for some purposes.

An LLP cannot guarantee its social purpose and not-for-profit status in the way that a Charitable Company, CIO or CIC can. This might make it harder to attract investment from organisations that make loans to social enterprises. An LLP will also struggle to attract grant funding because all the control is with partners who can take a salary from the business.

An LLP might be a structure to consider if you want a lot of flexibility and freedom, and will not need to rely on external funding.

LLPs are registered with Companies House⁴.

Development Trusts and Social Firms

These are two fairly common forms of social enterprise but neither is a legal structure in itself. Development Trusts are set up to bring about local regeneration and are often established as Limited Companies with a broad membership.

The Development Trust Association Wales⁵ provides useful information about setting up a Development Trust.

Social Firms are businesses set up specifically to provide employment or training to people who are disadvantaged by discrimination, such as disabled people. They are usually Limited Companies or Co-operative Societies.

Social Firms England⁶ provide useful information about setting up a Social Firm.

MORE INFORMATION

For more help deciding which legal structure is right for you, have a look at the *RouteMap* in the Information section of our website, www.resourcecentre.org.uk.

If you are setting up a community group or charity, you may find more of our information useful, especially:

- Starting a group
- Finding a legal structure to suit your group
- Constitutions
- Charity Registration and Requirements

These are all available in the Information section of our website, or contact us for a hard copy.

If you are setting up a social enterprise, the Resource Centre is not able to offer more detailed guidance. For more help, see our list of other organisations that provide information for social enterprises and cooperatives, available on our website⁷.

Footnotes:

- 1 www.fca.org.uk
- 2 <http://www.communityshares.org.uk/>
- 3 <https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies>
- 4 www.companieshouse.gov.uk
- 5 <http://www.dtawales.org.uk/>
- 6 <http://www.socialfirmsengland.co.uk/>
- 7 <http://www.resourcecentre.org.uk/service/information-for-social-enterprises-and-co-operatives/>



