A GUIDE TO FORMING MUSIC TEACHER CO-OPERATIVES
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FOREWORD

A SENSE OF DÉJÀ VU

Over 25 years ago, drastic cuts to local authority budgets saw the demise of numerous music services across the country. Many teachers were left without secure employment. Despite Labour’s attempt to repair this damage (especially in the early 2000s), we face uncertain times yet again as a result of austerity cuts.

A common theme of local authority restructures has been the decimation of music services. Our research on music hubs published in March 2015 (see Appendix F), reports that many instrumental teachers have been made redundant from their employed work, only to be ‘re-appointed’ on zero-hour contracts, or left adrift as self-employed.

During the 1990s, the Musicians’ Union (MU) produced a handbook called Are You Ready for a Brand New Beat? This informative guide steered teachers through the process of forming their own co-operatives. These very same organisations are now almost 20 years old and are well-established, successful music services. Their experience has inspired and informed the following pages.

It is to be noted that the MU is not promoting self-employment over direct employment. Nothing can compare to the certainty and protection employment offers. Instead, the MU is promoting work over unemployment, unity over division. Co-operatives enable teachers to continue working together in an environment that values every contribution, and encourages the sharing of expertise. Co-operatives empower teachers with greater control over their own working lives – they are a progressive option and provide a sense of purpose and unity.

We at the MU would like to thank David Barnard, MU member and founder of Swindon Music Co-operative, for his work in producing this document, and also for providing invaluable help, support and guidance to recently formed co-operatives. We also thank Gareth Wright from Co-operatives UK, as well as all of those who have contributed with their experiences and expertise, to make this essential reading.

John Smith
General Secretary, Musicians’ Union
The last five years have been a period of dramatic upheaval in many parts of our public sector. Important services have been cut and those who provide them have been forced to look for alternatives. This is what many music teachers – like their colleagues across the public sector – have had to do, as austerity Britain’s public spending cuts came into effect.

Some, however, have refused to stop doing the work they love. Inspired by the pioneering North East Music Co-operative and Swindon Music Co-operative, a new wave of music teachers facing job cuts are banding together to form co-operatives so that they can continue providing a valuable service to children across the UK.

Co-operatives work. From high-street retailers and credit unions, to community-owned pubs, the co-operative sector is thriving. By giving ownership and control to the people closest to an organisation, co-ops can harness innovation, boost productivity and give people a stake in the work they love.

The particular co-operative model described in this informative and inspiring guide from the Musicians’ Union is one that has brought success to businesses large and small. The biggest and most commercial farmer co-operatives use a similar model, as do co-ops formed by taxi drivers, creative freelancers and actors.

Most music teachers will be coming to the co-operative model out of necessity. In it they will find a tried and tested approach that has brought good jobs and business performance to people across the UK, indeed around the world, for decades.

We look forward to welcoming you.

Ed Mayo
Secretary General, Co-operatives UK
The following guide is based on *Are You Ready for a Brand New Beat* (written by Geof Cox in 1995 [in collaboration with Bob Wearn]), which outlined the formation of the North East Music Co-operative (NEMCO) – the UK’s first music teachers’ co-operative. It also refers to various booklets and fact sheets published by Co-operatives UK and the Musicians’ Union, and draws upon my own personal experience of forming Swindon Music Co-operative (SMCO) in 1998.

The purpose of this publication is:
– to explain what a co-operative is and how it works (Part 1);
– to explore some of the key issues and challenges which may affect the set-up process, including TUPE, employment status, VAT, pricing, direct billing, admin, location, websites, banking, etc. (Part 2);
– to provide some guidance, hints and advice on forming your own co-operative (Part 3).

This is not a definitive guide – every component will need to be reviewed and adapted according to your local needs and circumstances. Variables that could affect the planning and implementation process may include:
– the extent to which the local authority is willing to support;
– social and economic factors within the local area;
– customer expectations and aspirations (i.e. schools, pupils and parents);
– the teachers themselves – their commitment to change and their willingness to engage;
– the competition, e.g. private teachers, agencies, retailers, etc.

The most important message to take from this guide is perhaps the most crucial: that, with co-operation and determination, music teachers CAN create and run their own co-operative for mutual benefit. Seeking professional advice regarding employment status, taxation law and business development is strongly recommended; it is better to pay for good advice than to get bad advice for free. For help and support, please refer to Appendix A for a full list of contacts.

A ‘Co-op Starter Pack’ with model contracts, Articles of Association, and a teacher-member’s Code of Professional Practice, is available from the Musicians’ Union.

Good luck

David Barnard
Founder – Swindon Music Co-operative
At present, there are 6,323 registered co-operatives in the UK involving a total of 15 million people. These social enterprises range from farming to retail, healthcare to housing, wine producing to music teaching. Their combined contribution to the UK economy is approximately £37 billion per year.

(Source: The Co-operative Economy, Co-operatives UK).

A Co-operative is a business run FOR and BY its members. It provides a mechanism for sharing ideas, costs, resources, skills and expertise and is governed by a set of shared values:

- self-help
- self-responsibility
- democracy (one-member-one-vote)
- equality
- equity
- solidarity

Co-operatives are flexible organisations with different models serving different needs and purposes. For example:

a. Worker Co-operatives are owned and controlled by their employees (worker-owners). Examples include: the New Internationalist and Suma Wholefoods. Worker-owners hold the majority of the company’s shares and exercise control through a democratic voting process. Day-to-day decisions may be delegated to a management team, which is accountable to the worker-owners.

b. Consortia Co-operatives provide services to an association of self-employed traders, freelancers or small independent businesses. Examples include: Single Cell and The Very People. Taxi co-operatives are typical of this form, whereby each driver owns their own vehicle and is self-employed, but pays a percentage of each fare to a central office, which co-ordinates journeys and responds to customer enquiries on behalf of its members. Other benefits include negotiated discounts on tyres, fuel, servicing, insurance and more.

c. Consumer Co-operatives are owned by their customers for the purpose of purchasing goods and services, e.g. Midcounties Co-operative Society, Ugly Food and Credit Unions. The world’s largest consumer co-operative is the Co-operative Group, well known for its high street supermarkets, money, travel and funeral services.

d. Community Co-operatives are a group of people with common, local interests. Examples include: Double Elephant Print Workshop, Fair Isle Crafts, Gloucestershire Printmaking and a number of community land trusts. Community co-operatives are often set up when there is no external service (private or public) prepared to take on a community role, as it may be too small or too remote.
THE CO-OPERATIVE MODEL CONTINUED

e. Multi-stakeholder Co-operatives are a mix of the above drawn from a variety of interests, including local residents, partnership organisations, employees and relevant professionals. Several schools have used this model when forming school associations and learning hubs.

f. Secondary Co-operatives are owned by other co-operatives, e.g. ABCUL – the Association of British Credit Unions.

Music teacher co-operatives in Newcastle, Swindon and Milton Keynes (and soon to arrive, Isle of Wight) are based on the Consortia model, whereby the co-operative (a legal entity in the form of a limited company) provides a range of ‘paid for’ services to its teacher-members who are all self-employed. They in turn own and control the company (in accordance with the Articles of Association), and elect a board of directors to represent the membership and oversee its day-to-day management.

The organisational structure is completely flat; there are no heads of department or heads of service. Teacher-members are free to develop and grow the co-operative in whatever way they choose. The key priority is providing a service that customers want, at a price they can afford. The co-operative’s viability and success is therefore dependent on its quality of service, for which all members are responsible.

Like taxi co-operatives mentioned above, teachers pay a percentage of their hourly fee to cover admin costs and support services(1), which include invoicing, debt control, customer support, professional development, marketing, dispute mediation, and timetabling. Newcastle and Swindon ‘employ’ their own admin team to provide these services, whereas Milton Keynes uses an external company through a Contract for Services.

(1) This cost is tax-deductible.
A MODEL FOR MUSIC TEACHER CO-OPERATIVES

Swindon Music Co-operative

The following section describes how SMCO works. Like all public-facing organisations, its modus operandi changes, adapts and improves in response to customer and teacher-member feedback. Other co-operatives may function in a slightly different way, but the core principles and values outlined above remain the same – see ‘Variations on a theme’.

Swindon Music Co-operative (SMCO) was formed in 1998 following the council’s decision to disband the music service (a year after the council became a unitary authority). There were a number of issues influencing this decision, e.g. the operational budget was heading for an overspend of £150,000; schools were complaining that the cost of tuition was too high (then £29.50 per hour); the council was experiencing significant financial pressure and could not afford a subsidy; schools were leaving the service in favour of cheaper private providers (charging £18.00 per hour or less); hourly paid staff (receiving £14.00 per hour from the LA) were also leaving the service to become private providers (!), and more.

In searching for a solution, the council examined various business models, including employment agencies, charitable trusts, register of approved teachers, and co-operatives. The key concern was: How can we create a viable, long-term solution free from budget variables, whilst maintaining provision and quality? Teachers expressed a strong desire to remain a professional team as opposed to becoming competitors, and take control of their own affairs. Considering all options (and risks), it was decided that the co-operative model provided the best solution.

The trust model was considered and rejected due to concerns regarding TUPE (Transfer of Undertakings, Protection of Employment). Although these regulations usually protect the terms and conditions of employees when an organisation for which they work is taken over, they can sometimes make the take-over of a service by its employees problematic. The model explained here avoids these issues for the simple reason that the co-operative does not take over as an employer. This also secures the redundancy payments of the teachers. See ‘Issues: TUPE’ on page 17.

Vision and Mission Statement

SMCO’s aim is to provide a dynamic and high quality music service that encourages participation, achievement and pleasure in music by:

a. developing every pupil’s musical potential according to his or her individual needs and aspirations;

b. raising the quality, breadth and provision of music in schools and the wider community.

Its guiding values are:

- equality, access and inclusion
- democratic control
- common ownership and accountability
- a commitment to education, training and development
- personal fulfilment
- co-operation with and concern for the community
- innovation and creativity
- sustainability
- integrity

SMCO has grown from 20 members to over 50.
Membership
SMCO is a professional association of music teachers. Membership is by interview only, where candidates are invited to demonstrate their suitability for membership. This involves a practical demonstration of their musical and teaching skills; an awareness of what constitutes effective teaching and learning; and a commitment to professional standards and development.

Other checks include: professional and personal references, police clearance (DBS), qualifications, work permits (if applicable), driving licence, and proof of public liability insurance (provided through membership of the Musicians’ Union).

New teacher-members are required to attend an induction session prior to starting teaching. This covers a range of important subjects, such as:

– SMCO’s aims, objectives and policies
– administration procedures
– the teacher-member agreement
– Code of Professional Practice
– child protection
– professional development and support
– generating more work

New teachers requiring extra support are mentored by an experienced teacher-member. This may include some shadow teaching, advice on lesson planning, resource development, or on-site observations. This is a ‘paid for’ service, over and above the standard admin fee, which means that the new teacher-member receives a lower hourly rate for an agreed period of time.

As with all professional associations, SMCO has a Code of Professional Practice (available for free within the MU’s ‘Co-op Starter Pack’). This document covers the member’s responsibility with regards to pupils, parents, schools, colleagues, staff and the co-operative, and is reviewed and updated by the board on behalf of its members. Should a teacher-member’s behaviour or standards fall below acceptable levels, membership of the co-operative will be reviewed. This may result in services and membership being withdrawn.

Management and Administration
Responsibility for SMCO’s strategic direction is delegated to an elected Board of Directors. Membership of the board (all volunteers) is open to all teacher-members subject to the co-operative’s Articles.

The Board is responsible for:
– determining SMCO’s mission and purpose
– safe-guarding SMCO’s ethos and values
– strategic planning and business development
– financial reports and projections
– marketing and pricing strategies
– line management of employed staff
– developing policies and procedures(1)
– reviewing and upholding the professional code of practice
– ensuring that SMCO has adequate resources
– ensuring that SMCO’s assets are effectively used
– monitoring SMCO’s services on behalf of teacher-members
– reviewing policies and procedures
– co-ordinating professional development
– resolving disputes or complaints.

(1) Including: child protection, data protection, dispute resolution, complaints, membership, equal opportunities, harassment, health and safety, and more.

The board meets six times a year (on average) to discuss key issues and monitor performance. An annual general meeting (AGM) is held every September as part of the co-operative’s annual CPD conference. This includes a detailed Chairman’s report; financial statements prepared by SMCO’s accountant; the election of new or returning board members; and voting on key matters.
SMCO employs a Business Development Manager (p/t), Office Manager (f/t) and Administrator (f/t). They are responsible for:

– responding to parental or school enquiries/orders
– processing applications and cancellations
– producing invoices, refunds or credit notes
– chasing unpaid invoices
– checking timetables and teacher-member availability
– responding to customer complaints
– maintaining accurate records and accounts
– marketing and public relations
– school visits and liaison
– event management
– teacher-member support
– dispute resolution

The Business Development Manager is an experienced teacher-member and director. This work is considered as ‘employment’ and is subject to the usual tax and NI deductions, pension, holiday pay, etc. The salary is set by the board of directors, who are also responsible for monitoring performance.

Service Charge & ‘Paid For’ Services

The service charge to teacher-members is calculated on an hourly basis and is proposed by the chairman and approved by teacher-members at an annual general meeting (AGM), or at an extraordinary meeting if urgent. SMCO’s rates as of March 2015 were:

– Full rate (unit cost): £28.50 per hour
– SMCO’s service charge: £5.50 per hour
– Teacher-members’ take-home fee: £23.00 per hour

Some co-operatives have a smaller re-charge rate due to lower staff and operational costs, different levels of support, and other sources of income (see ‘Variations on a Theme’). SMCO is currently reviewing its hourly rate with the intention of increasing teacher-member pay.

Services to pupils, parents and schools

SMCO offers tuition in strings (violin, viola, cello, bass), guitar (classical, acoustic, electric, bass, ukulele) woodwind (flute, oboe, clarinet, bassoon, tenoroon, saxophone [alto and tenor], recorder), brass (trumpet, horn, trombone, euphonium, tuba), drum kit, keyboard/piano and voice.

A core provision of 34 lessons is offered each academic year. These are generally delivered in schools, but out-of-school tuition can also be arranged subject to teacher availability. Parents/carers may request additional lessons during holiday periods, subject to teacher-member availability. Note: the tuition ‘contract’ or ‘agreement’, vis-à-vis the commitment to provide a set number of lessons per term, lies between the teacher-member and the customer (parent or school).

SMCO offers the following lesson options:

– Group A – four pupils in 30 minutes (primary schools only)
– Group B – three pupils in 30 minutes or two pupils in 20 minutes
– Group C – two pupils in 30 minutes
– 20 minute individual
– 30 minute individual
– 15 minute individual

Fees are reviewed and agreed annually by the board of directors on behalf of the members, taking into account local socio-economic factors, nationally recommended rates, competitors, etc.

In addition to instrumental tuition, SMCO is able to provide curriculum support, school ensembles, composing and arranging, holiday courses, music therapy, piano accompaniment, aural training and after-school clubs. Fees are negotiated on a project-by-project basis.

Note: in some cases, classroom work may be considered as ‘employed’ activity – see ‘Employment status’ below. Please consult your tax/legal adviser.
Allocation of work
The co-operative is not able to guarantee work to its members and there is no obligation to do so either. In some cases where the demand is high, e.g. guitar, a new member may start teaching immediately after induction. Where the demand is low, e.g. brass and double reed, teacher-members may have to wait for some time, or take a proactive approach by visiting schools in order to recruit.

Applications for tuition are processed by the admin team as soon as they are received. This involves checking teacher-member availability; confirming arrangements with parents and schools; advising parents on instrumental hire (either commercially or from the local authority); banking fees and chasing bad debt.

The allocation of work follows an agreed process and considers a number of factors, including:

- where the teacher-member is already working
- recruitment activity
- time availability to suit the pupil’s needs
- the preferred instrument and style (e.g. jazz piano)
- the preferred age range (primary, secondary, or further)
- areas of expertise (e.g. working with SEN children)
- location and mode of transport

Teacher-members are free to accept or refuse the offer of work. There are no contractual obligations to accept pupils (this would violate their self-employed status). Applications that cannot be allocated are retained on a waiting list for six months only.

As soon as lessons have been allocated, the pupil’s details are entered onto SMCO’s tuition database. This information is retained in accordance with the Data Protection Act and cannot be shared with any other person or organisation, except the teacher-member providing the service. Teacher-members are responsible for organising their own timetables in consultation with schools, parents and carers.

Unpaid lessons
Every effort is made to reduce the risk of bad debt, both to SMCO and the teacher-member. Occasionally, lessons may have to be suspended. This may occur when payment has been defaulted by either a bounced cheque or non-payment of fees. The teacher-member is informed of the situation immediately and is advised to either suspend or withdraw services. Should the teacher-member continue to provide tuition, they do so at their own financial risk.

Lessons may be cancelled at the end of a term. Notice of cancellation must be received by the office before the first day of the new term, otherwise a four-week cancellation fee is payable.

Attendance
If a teacher-member is absent, the lesson is either made up (during the designated make-up weeks), or credited to the following term. If the pupil is absent without seven days’ notice, the lesson is recorded as ‘given’. However, the final decision rests with the teacher-member who carries the risk.

Remissions
Schools are encouraged to utilise the Pupil Premium Grant to subsidise the cost of lessons for eligible pupils. There is no subsidy from the Music Hub. SMCO has a close working relationship with the Swindon Music Trust – a registered charity. The trust raises funds to support children from low-income families and is active in promoting music within the community.

Reports
As part of SMCO’s commitment to upholding the highest professional standards, all teacher-members are required to produce an annual pupil report. This service is included as part of the tuition fee.
Money flow

Invoices are issued in advance of tuition being provided in one of two ways:

- ‘Direct’ – SMCO administers all applications for tuition, collecting fees directly from parents/carers;
- ‘Bought-in’ services – the partner school orders blocks of time from SMCO and may use its own funds to subsidise lessons.

Advanced payment avoids the risk of bad debt, but requires a robust invoicing and debt control system. Administrative discipline – supported by clearly defined terms and conditions of service – is essential. Any loss to the company becomes the responsibility of its members.

Money collected from schools, parents/carers is done so on behalf of teacher-members, and is deposited in a Members’ Trust Account. This is separate from SMCO’s other trading activities. Members’ money cannot be used for any other purpose – it belongs to the teachers.

Members claim on a monthly basis using a pre-designed electronic register/invoice. This provides evidence of lessons given (including student and teacher absences) and calculates the final invoice. This statement also itemises SMCO’s service charge, which is deducted before payment is made.

The co-operative does not cover travel expenses. Teacher-members are expected to log all motor expenses and fuel costs in accordance with HMRC guidelines. This information is then used to deduct ‘business travel’ expenses against tax. The current rates (2015) are 45p per mile for the first 10,000 miles, and 25p per mile thereafter (please check with HMRC for the latest approved rates).

Furthermore, being self-employed means that teacher-members are responsible for their own national insurance, tax, pension and VAT (if applicable), and for recording income and expenditure in-line with HMRC guidelines. For further details regarding self-employment, please refer to the following sites:

HMRC’s Guide to self-employment:  
www.gov.uk/business-tax/self-employed

The Self-employed:  
http://theselfemployed.com

Professional development

SMCO provides a professional development programme for its teacher-members. This is a ‘paid for’ service, which is deducted from the service charge. A key part of this programme involves the observation of teaching by a trained observer. Teaching is usually observed every year, or two years depending on the level of support needed. Observations draw on a number of key questions:

a. Is music-making at the heart of the learning process?
b. Is the teaching purposeful?
c. Are pupils clear about what they are doing?
d. Is there effective interaction between teacher and pupil(s)?
e. Does teaching create and sustain interest and motivation?
f. Are lessons managed in ways that ensure an efficient and orderly approach to teaching and learning?
g. Are activities well matched to pupils’ ages and their abilities?
h. Is assessment and evaluation integral to teaching and learning?

Teacher-members receive a confidential report with ideas and suggestions for further development. Any serious concerns regarding the quality of teaching are referred to the board, who may issue a warning to the teacher-member. Failure to resolve these concerns could lead to a breach in the Professional Code of Practice, and may result in membership being suspended or withdrawn.

Matters that arise from observations also provide themes and content for CPD training days. In the past, topics have included: simultaneous learning, technology, learning styles, child protection, Alexander Technique and improvisation.

Complaints & dispute resolution

Complaints from customers, schools or colleagues are referred to the teacher-member for immediate resolution. However, if the complaint is unresolved, or affects the professional standing of the co-operative and its members, the board may take action and investigate. If the teacher-member is found to be in breach of the Professional Code of Practice, membership may be suspended or withdrawn indefinitely.
ADVANTAGES OF THE CO-OPERATIVE MODEL

The advantages of the co-operative model are:

- **It’s democratic.** The co-operative is owned and controlled by its teacher-members. This has many positive advantages. It encourages personal responsibility, interdependency, entrepreneurship, leadership and collaboration.

- **It’s cost-effective.** The charge to parents/carers and schools is the true cost of the teacher’s fee, plus the service charge. There are no dividends to external funders or top-slicing to pay for senior managers. In addition, prices can be adjusted with relative ease and speed. National insurance and tax are calculated in a different way from being employed (PAYE), and often at a lower rate. There are more allowable deductions against tax, which are not available to employees.

- **It’s low-risk.** The fact that SMCO does not employ its teachers – just a small admin and management team – creates a very flexible structure, which carries lower overheads. It can easily expand or contract without the costs associated with recruiting or losing staff (thus triggering a redundancy process).

- **It’s free from political interference.** As a private company, the co-operative is only accountable to its members. Decisions can be made and implemented quickly and with little fuss.

- **It provides a united front.** Working together with agreed values and standards provides a clear, trusted and valued ‘corporate identity’. This provides reassurance to schools and parents.

- **Mutually beneficial.** The co-operative may apply for mutual trading status. Because its income is derived from its members, and the co-operative itself belongs to its members, any surplus generated within the co-operative may be returned to its members or invested elsewhere (e.g. professional development, instruments, sheet music, etc.). As members would subsequently pay tax on said income, any surplus generated by the co-operative itself is not subject to tax. If it derives income from trading outside of its membership, as long as this income can be isolated in its accounts, it will not pay tax on that portion of the surplus that is derived from trade with its members.

DISADVANTAGES OF THE CO-OPERATIVE MODEL

The disadvantages of the co-operative model vary from place to place and depend greatly on prior trading history, leadership, funding, customer relations and personnel. Former music services with an entrepreneurial outlook adjust to the new arrangement with enthusiasm and energy, whilst others, perhaps with a more traditional outlook, may struggle to adjust.

The biggest challenge in becoming a co-operative is one of perception and institutionalised thinking. Some teachers are, quite rightly, concerned about the loss of security in terms of work and finance (this may be true to a certain extent, but the demand for tuition remains high, especially for effective teachers), and others may struggle with the reality of taking personal responsibility. This could potentially lead to a leadership vacuum. If no one is prepared to pick up the baton, nothing will happen.

Other issues may include:

- Local authorities wanting to control access to schools through an accreditation scheme (which is unenforceable);
- access to instruments, either for hire or purchase;
- access to remissions support;
- gaps in provision – areas in which there is a lack of teaching expertise;
- limited career progression;
- salary reduction and potential stagnation.
VARIATIONS ON A THEME – NEWCASTLE AND MILTON KEYNES

Like all organisations, co-operatives grow and adapt to reflect local trading conditions, opportunities and threats. The following ‘variations on a theme’ focuses on Newcastle (NEMCO) – now celebrating its 20th year – and Milton Keynes (MKMC), formed only last year.

NEWCASTLE MUSIC CO-OPERATIVE
(in conversation with Sue Belshaw)

The North East Music Co-operative (NEMCO) was established as an independent company in 1995 with the assistance of Newcastle City Council and the Musicians’ Union. The co-operative provides individual and small group tuition, and a wide range of ensemble activities during the school week and Saturday mornings.

How many teacher-members do you have?
On average 30. Covering all instruments, although currently not voice. We do struggle from time-to-time finding upper string teachers.

Does NEMCO employ any one?
We employ three admin staff – equal to 2.0 FTE. This team provides a comprehensive range of services to teacher-members. These include invoicing, registrations, cancellations, marketing, customer services and more.

The board consists of seven members, who meet monthly. The chair provides line-management support to the admin team and is responsible for quality and training and school liaison. This equals roughly one day per week, term time only. Payment for this work is based on the standard hourly rate and is considered as ‘compensation for teaching lost’.

What is your hourly rate?
We have two rates depending on the customer: (i) schools (ii) parents (direct). Rates for March 2015 are as follows:

The school rate is £32.30 per hour. Most schools re-charge parents, either at the full rate, or at a subsidised level.

The rates for parents paying directly depend on the type of lesson:
- Group lesson = £6.05
- Individual 30 minute lesson = £14.80
- Paired 30 minute lesson = £9.00
Parents also pay an initial £10.00 registration fee.

At present, NEMCO provides tuition to just over 1,300 pupils.
What do teacher-members earn?
Our rate is competitive with other providers and private teachers. Teacher-members earn £26.50 per hour after deduction of the service charge. New teachers (needing support and guidance) earn £25.50 per hour for the first six months.

We have a unique system for paying teachers during August, whereby the trading profit (accumulated to that point in the financial year) is shared with members. This helps with cash flow during the holiday period.

How many weeks per year does NEMCO provide teaching?
On average, 36 weeks. However, teacher-members are free to determine how many weeks they offer. Some therefore only provide 30 weeks per year, whilst others offer 36 weeks plus. This provides flexibility for seasonal work, touring, etc.

Do you have access to instruments?
Our initial instrument stock was inherited from Newcastle City Council. Over the years, we have augmented and refined this stock. Loan rates depend on the instrumental group:

- Strings = £9.70 per term
- Woodwind and brass = £15.00 per term
- School loan = £8.50 per term

How do you monitor the quality of teaching?
All new teachers are monitored in the first year and receive one-to-one coaching as necessary. Thereafter, the quality of teaching is monitored through school, parent and pupil feedback. If a problem occurs, the Chair organises a visit. Some teachers request an observation.

NEMCO provides an annual CPD conference for its members. Topics have included child safeguarding, the code of practice and effective teaching.

Besides individual and small teaching, what else does NEMCO provide?
NEMCO provides a broad programme of ensemble activities regardless of whether the pupil uses NEMCO for tuition. Opportunities consist of:

- Simply Strings (grades 0 to 3)
- Senior Strings (grades 4+)
- Junior Wind Band (grades 1 to 3)
- Intermediate Wind Band (grades 3 to 4)
- Senior Wind Band (grade 5+)

Parents pay £26.00 per term.

NEMCO also provides summer schools for strings, wind and guitars and more recently a Swing Ensemble Workshop and a beginner level string ensemble workshop.

What is your relationship with the Music Hub?
NEMCO was firmly established before the Hub was created. The relationship is minimal and could be better. We do not receive any funding for our activities.

What are your key challenges?
Like all music services and private companies we have a number of challenges (and opportunities). These range from recruiting effective and experienced teachers, maintaining instruments, and pupil recruitment; to challenges regarding pupil access, lack of marketing resources, and making sure that our members are happy and paid a fair rate. However, we are free to make our own decisions, to innovate new ideas, and be what we want to be, without political interference.
When was the co-operative formed?
The co-operative was launched in April 2014 following initial conversations in October 2013 when the Local Authority announced it was going to cut its music support budget. At that time, the music service employed around 85 teachers on a mix of full-time, part-time and hourly paid ‘casual’ contracts – all based on teachers or instructors terms and conditions. Around 30 teachers were employed on permanent contracts (i.e. 1265 hours per year or a proportion thereof).

MKMC’s constitution is based on the Industrial and Provident Society model (now known as the ‘Registered Society’ model [the old I&PS model was abolished when the 2014 Act was brought into force). This has turned out to be a little cumbersome and we are seeking advice on changing our constitution to a simple Private Company Limited by Guarantee (LTD).

How many teachers joined the co-operative?
60 teachers transferred to the co-operative. The remainder either retired, left teaching altogether, found class-teaching jobs, or become private teachers.

What’s the morale like after the change?
There was no real resistance to forming the co-operative. Teachers accepted the inevitability after years of worry and concern. Morale is now very good. Most teachers are happy with the new arrangement and enjoy the freedom it brings. Some teachers however, especially those on former full-time contracts, are worried about work security and sustaining a viable income. However, the demand for tuition remains high, which is reassuring. Those teachers who were already self-employed are also happy – nothing has really changed for them.

Did you get any help with understanding self-employment?
Our accountant was excellent in guiding members through self-employment. Many are now registered with him for filing their annual accounts.

What help did you get from the Local Authority?
The Local Authority provided a start-up grant of £5,000 and some admin support during the transition term. Most of the money was used to cover the costs of setting up the co-operative, which included accountancy and legal services. Although computer hardware was offered, the process of acquiring former council equipment was too bureaucratic. We therefore purchased our own equipment.

How often does the board meet?
The board consists of five members. At present we meet every two weeks. As a new organisation with a lot to learn, we feel this is necessary. We are aspiring to SMCO’s pattern of six meetings per year.

Have you recruited any new teachers to the co-operative?
Since the co-operative’s launch, six new teachers have joined the ranks. Teachers were interviewed as before and on a similar basis to SMCO. However, we do not differentiate between experienced and inexperienced teachers – the rate is the same for everyone.

How did schools respond to the co-operative?
The response from schools was very positive, but for different reasons. Those with a proactive music policy were relieved that the quality of tuition and the continuity of service was not affected, whilst others (less interested in music), were just pleased to see the cost of tuition fall (see p16). The transition process was helped by the Local Authority allowing teachers to discuss the idea of a co-operative during the redundancy period.

There was little feedback from parents – it was business as usual.
What is MKCO’s hourly rate for tuition?
The hourly rate for tuition depends on the lesson format:

– £30 – individual 30 minute lesson
– £34 – paired 30 minute lesson
– £36 – paired 20 minute lesson or three pupils in 30 minutes
– £40 – Group of four in 30 minutes

The cost of tuition is now less than under the previous music service. An individual 30-minute lesson was £39.00. Tuition has grown by 22% since then.

Tuition is provided in schools for 34 weeks per year, and 30 weeks per year for after-school tuition (provided at the music centre). At present, this is our only service. The idea of summer schools, workshops and community work will follow as soon as everything has settled down.

What is your service charge?
The service charge (deducted from the hourly tuition rate) is also proportional:

– £2.00 per hour – individual 30 minute lesson
– £4.00 per hour – paired 30 minute lesson
– £5.00 per hour – paired 20 minute lesson or three pupils in 30 minutes
– £6.00 per hour – group of four in 30 minutes

The service charge covers more-or-less the same services as SMCO, however, we do not directly employ an administrator. Instead, we ‘buy-in’ the services of a part-time administrator (15 hours per week, term-time only) from a council-run agency. This works very well for us and avoids having to deal with employment issues. The cost is around £6,000 per year. The added bonus is that the administrator is a singer and therefore understands the purpose and value of what we do.

Do you have an office?
The Local Authority provides a small office free of charge within the music centre with access to other rooms, photocopying (500 sheets FOC) and other resources. Sharing the same facility as the Music Hub is very useful. This helps to maintain contact and communications. There is no cost to the co-operative for using this facility for after-school tuition (for the time being).

Do you invoice schools or parents?
MKMC does not invoice parents directly, except for after-school tuition. All invoices are sent to schools, which in turn re-charge parents.

How do you get on with your hub?
The relationship with the Music Hub is good. It is clear that the current arrangement is mutually beneficial. The terms of the relationship are set out in a Memorandum of Understanding. The co-operative is represented on two of the Hub’s main committees: (i) Delivery, and (ii) Development.

The Hub has introduced an accreditation scheme. This includes the monitoring of teaching and free DBS checks. We are watching this carefully to ensure that self-employment is not affected.

The Music Hub is responsible for ensemble activities and instrumental hire.

What were the biggest challenges to forming your co-operative?
On reflection, the biggest challenge to forming our co-operative was knowing what to do next and when (hopefully this guide will help). Most of us had never set-up a business before and had little understanding of self-employment. The learning curve was very steep. Help provided by the Musicians’ Union and Co-operatives UK was invaluable.

The biggest frustration was getting a bank account. We should have started the process a lot sooner as it nearly took two months to resolve. Being an Industrial and Provident Society also created confusion, hence the advice above re. forming a Private Company Limited by Guarantee (LTD) – which banks seem to understand more readily.

Maintaining a good relationship with the Local Authority during the conversion process was crucial, despite the feelings of animosity felt by members at being made redundant. Creating a positive ‘can do’ culture gave members hope.
There are a number of key issues that require careful consideration and professional advice from a chartered accountant, employment solicitor or business adviser.

Finding a name
Some may find it surprising to see such an apparently trivial issue raised here. However, experience shows that the selection of a name for the co-operative is often one of the most difficult and contentious areas. In fact, it is often best to seek help from an outside agency, rather than have a name decided internally. However, their suggestions will only be as good as the brief you set them; there is still a need to articulate the intended ‘message’ for the name, logo, and other areas of the co-operative’s public persona to convey. The graphical side of the name and logo will come later, but there are advantages to selecting the name at an early stage; it creates an immediate identity for all concerned and helps any media coverage that the conversion process may receive contribute to the marketing of the new service. Note: before announcing the company name, first check that the name is actually available. A few minutes searching through Companies House (www.gov.uk/choose-company-name) and Intellectual Property (trade mark), Financial Conduct Authority (www.fca.org.uk/your-fca/documents/forms/change-of-name-notes) will save both time and money.

TUPE
The externalisation of a Local Authority music service to a private co-operative similar to SMCO could result in TUPE issues arising (the Transfer of Undertakings, [Protection of Employment] Regulations 2006 and the EU parent Directive, the Acquired Rights Directive 2001/23/EC). TUPE law is complex but it essentially provides that, if TUPE applies, then:
– employees who principally work in the provision of a particular service will transfer to the new provider of that service, automatically;
– the new provider will inherit all rights, liabilities and obligations in relation to those employees;
– employees are protected against dismissal and changes to their terms and conditions of employment in connection with the TUPE transfer;
– there is an obligation to inform and consult with representatives of the affected employees.

This can have important financial, structural and resource implications for the new owners. In particular, any dismissals will be automatically unfair if the sole or principal reason for the dismissal is the transfer to the new owners itself. If, however, the reason is an economic, technical or organisational reason, then they will instead be potentially unfair.
Further, resignations in response to a fundamental breach of contract (a constructive dismissal) or to substantial changes in working conditions to the employee's detriment may be treated as deemed dismissals to which this enhanced protection against dismissal applies.

Even if TUPE does not apply, if an employee with at least two years service is dismissed (or constructively dismissed), that may still be argued to be unfair on ordinary grounds, under the Employment Rights Act 1998.

In the SMCO model, the co-operative does not take over as an employer (this explains why the Consortia model, as opposed to Worker or Charity model, may be the preferred option). If TUPE does not apply, whilst there may be claims that any dismissals are unfair, they are unlikely to be automatically unfair. The legal position (in particular as to whether TUPE applies or not), is however not straightforward and the prudent approach is to take advice from an employment solicitor on these matters. It is also important to emphasise that TUPE protects ‘employees’.

**Employment status**
The SMCO model is based on teacher-members being self-employed, without which the benefits of this model (and in particular its financial viability) soon fade.

For tax and national insurance purposes, there is NO statutory definition of a contract OF service, or of a contract FOR services. Case law indicates there is no single satisfactory test governing the question of whether a person is an employee (with statutory rights, e.g. on two years continuous service to argue a dismissal is unfair), merely a worker (with fewer statutory rights, e.g. rights to holiday pay), or is self-employed.

What the parties call their relationship, or what they consider it to be, is not conclusive. An HMRC tax inspector will consider the true position and reality of the relationship when determining employment status. For example, if there is a clear indication of ‘control’ by the ‘employer’, a lack of financial risk, or the absence of ‘a right to substitution’, the inspector may conclude that the relationship is leaning towards employment. Such a ruling would be difficult for a Consortia Co-operative and could lead to its demise or re-constitution as a Workers’ Co-operative (which would have a massive impact on costs). It could also provoke employment law issues, which could in turn result in financial and reputational issues for the co-operative. Getting the ‘relationship’ right (in operational terms) and understood (in practice) by teachers is crucial. Professional advice from a chartered accountant and an employment solicitor is therefore strongly recommended. It is also important to appreciate that an employment tribunal may take a different view of the employment status of an individual to that of HMRC on the same facts.

The following points may be useful when demonstrating the employment status of co-operative members:
- Consortia Co-operatives are an established model for self-employment and are used far and wide by self-employed actors, taxi-drivers, GPs, home-carers, etc.;
- the organisation is democratically owned and controlled by its members;
- the co-operative provides a range of services to its members for which a service charge is made;
- members provide their own equipment (except when this is impractical, e.g. pianos, large percussion) and resources;
- there is NO compulsory teaching method or curriculum – teachers design their own materials and pedagogy;
- learning a musical instrument is an entirely voluntary activity – it is not statutory or a requirement of the national curriculum;
- lesson times are arranged by the teacher in negotiation with the pupil, parent and host school;
- the teacher has the right to refuse work and is responsible for making up missed lessons in their own time and at their own risk;
- the teacher may appoint a temporary substitute to cover his or her work (subject to statutory and quality checks carried out by the co-operative) and is responsible for paying the substitute (this may be administered by the co-operative on the member’s behalf);
- the teacher is personally responsible for all equipment and resources used in their work;
- the teacher has multiple clients who may change from term to term;
- there are no ‘employee-type’ benefits such mileage allowance, pension, expenses card, etc.

It is important to bear all these points in mind when discussing the tax status of workers who are members of the co-operative. For further guidance on employment status, please refer to Appendix B – ‘Employment Status: Employed or Self-employed?’
**Value Added Tax – VAT**

The Value Added Tax (Education) Order 1994 (updated in 2013) states that “the supply of private tuition, in a subject ordinarily taught in school or university, by an individual teacher acting independently of an employer” is an exempt supply for VAT purposes. It is probably of little consequence for individual teacher-members as the VAT threshold is currently £81,000.

However, the matter of VAT, as far as the co-operative is concerned, is very important, and depends on whether the co-operative has ‘principal’ or ‘agency’ status. If HMRC adjudges the organisation not to be separate from its members it will be treated as a ‘principal’ for VAT purposes. Since the above private tuition exemption only applies to independent individual teachers, all of the charges by all of the teacher-members will be added together, and since this in turn is bound to add up to more than the registration threshold of £81,000 in a year, VAT will have to be charged on all income.

In SMCO’s case, the income from members’ fees and other income reached a total of £78,919 in 2013-14. This is approaching the maximum VAT threshold, and will need careful monitoring.

**Costing and Pricing**

Costing and pricing are crucial aspects of any business planning process. It’s a careful balancing act between the teacher-member’s fee and the cost of services.

Teachers leaving an employed situation will understandably want to maintain their current terms of employment and pay levels. However, this may not be possible without a subsidy (previously provided by the local authority). Therefore, it is likely that former salaried teachers will experience a reduction in their hourly rate, whilst former hourly-paid teachers (on zero-hour, casual contracts), may experience the opposite.

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**The formula for arriving at an hourly rate is as follows:**

$$\text{Total teaching hours} \div \left( \text{Total fees to teachers} + \text{Total service costs} \right)$$

**Assuming:**

1. $1 = \text{the total teaching hours per year multiplied by the teacher’s hourly pay.}$
2. $2 = \text{the costs of running the co-operative, e.g. staff costs, rent, electricity, etc.}$
3. $3 = \text{the expected hours of work in that period.}$

This will generate a ‘break-even’ charge rate, to which some margin for error, or profit, should be applied. This must then be compared to the ‘going rate’. If calculated charges are higher than competitors, it is necessary to consider reducing costs or increasing hours. Conversely, if the calculated rate is lower than that of your competitors, it is worth considering increasing it in order to maximise the income of teacher-members.
Direct billing
The mechanism for invoicing tuition needs careful consideration. The easiest and cheapest method for collecting fees is to invoice schools directly. Schools may then determine their own policy with regards to re-charging parents/carers, or otherwise. The obvious benefits of this system are: less administration (for the co-operative) and a reduced risk of bad debt. However, there are some downsides, for example:

- The decision to continue, expand or reduce tuition is often made by one person – the head teacher. He/she may have problems balancing the school budget and decide to look elsewhere for cheaper teachers. This decision is often taken at the last minute with little or no time to negotiate or adjust. The consequent impact on teachers’ income and on the viability of the co-operative is potentially significant.

- The school could place a cap on the number of children learning due to financial circumstances, or even restrict access to certain instruments.

- HMRC could take a view that teachers visiting the school are ‘employees’ (albeit on zero-hour contracts). This undermines the co-operative’s financial advantage and creates a level of complexity for the teacher with regards to personal tax. More often than not, when head teachers become aware of the possibility that the visiting clarinet teacher may be viewed as an employee of the school (and therefore entitled to sick pay, holiday pay, pension and other benefits), they are very quick to look for an alternative means of provision. This could range from no provision at all, to all lessons being shunted to after school, where the teacher has to rent a room.

In order to avoid these issues, SMCO decided to invoice parents/carers directly (although a small number of schools remained on the old system in order to provide free or subsidised lessons). Schools were delighted with this decision, who on the whole struggled to administer their own scheme. Direct billing revealed a number of benefits. It gave teachers (and the co-operative) direct access to parents/carers, which enabled them negotiate extra time, re-arrange lessons, etc., and gave the co-operative greater control over admissions. It also minimised financial risk by widening the customer base and improved communications. And finally, it provided opportunities for direct marketing.

Direct billing also strengthens the case for self-employment with regards to ‘control’ and having multiple customers. Under this arrangement, the teacher’s customers are the parents/carers, not the schools. In fact, the school is now a ‘partner’ in facilitating the service.

The downside of direct billing is the extra administrative work involved. Rather than having 79 invoices (to schools), the co-operative now has 1,500. With this comes the increased potential for bad debt, which, if not controlled, could become a serious matter. However, a robust invoicing policy, supported by an effective database, should alleviate these concerns.

SMCO invoices parents/carers in advance of tuition being provided – usually a month to six weeks prior to lessons starting. Teacher-members receive a register at the start of each term listing pupils who have paid, and which are ‘suspended’ (on hold pending payment). This is updated as payments are received. Teacher-members can only claim for lessons paid.

IMPORTANT: whichever system you adopt, it is vital to establish an advanced billing system as soon as possible. This will require a clear policy statement and may need to be reiterated several times to ensure that parents and schools understand all expectations and consequences. Teachers will expect to be paid at the end of the first month, and delays in payment could lead to a breakdown of trust and confidence. This is especially important in the early days when cashflow is likely to be tight.
Finance & data systems

The co-operative will need to have an efficient finance and data system, including PAYE for its employed team. It is advisable to recruit an experienced administrator/bookkeeper at the outset of forming the co-operative in order to design and set up these systems, again with the assistance of the business advisor.

If the co-operative is able to obtain free help from a local accountant, their time would be best spent on helping teacher-members to understand their responsibilities of self-employment, and how to record their income and expenditure. Note: it may be preferable to set up a basic Excel spreadsheet first, which runs alongside the computerised system for a period of time until it is clear that the latter is working smoothly. Many organisations have got into serious problems with computer systems they do not fully understand. However, some level of automation, even if it’s only a sales ledger system is essential to handle the volume of work involved in direct billing.

With regard to mutual trading status, it is important that the co-operative’s finance systems are capable of separating out income derived from its members and any other sources of income, and that the arrangements for transactions with and on behalf of members are kept in the following format:

- The co-operative invoices parents on behalf of teacher-members, listing on each invoice the hours worked, and fees due to each teacher.
- The co-operative, at monthly intervals (most likely on a monthly basis) calculates the total fees it has collected for each teacher-member and then passes these on to each teacher-member, excluding its own service charge, in the form of a single monthly payment;
- it is wise to place members’ income in a separate bank account or ledger, so that these are always kept separate from the co-operative’s other financial transactions;
- along with the monthly payment, the co-operative issues a paid invoice for its fees and a statement of what these fees represent, i.e. hours worked for each client that month.

In addition to financial systems, the co-operative will need to have a reliable database to record and store information about its teacher-members, their pupils, instruments and other assets. Microsoft Access is a good example of a ‘relational’ database and can be quickly designed and customised to meet your needs. Not only does it store information, it will also create reports based on this data, which may be useful when analysing the co-operative’s performance.

The database will need all or most of the following information (it is often a good idea to design the database alongside the accompanying application form):

- Pupil’s name
- Date of birth
- Age
- Parent/carers name (main contact)
- Home address
- Telephone
- Emergency contact number
- Email address
- School
- Instrument
- Teacher-member
- Level (beginner, grade 1, etc.)
- Instrument hire
- Special needs
- Remissions
- Lesson format
- Start date
- End date
- Ensemble activity
- Next school

The MS Access community has created a number of free database templates, ranging from stock inventories to student records. Click [here](#) for further details.

MS Access is compatible with Sage, which enables you to transfer data from one programme (MS Access) to another (Sage) for the purpose of raising invoices. This process will require expert help, but time and money spent on getting this right will save a fortune in the future.
Data Protection
The Data Protection Act 1998 requires every data controller (e.g. the Co-operative) who is processing personal information to register with the ICO – Information Commissioner’s Office. The annual cost is £35.00. Data protection is a serious matter and guidance from ICO is clear and easy to implement. Failure to comply could lead to serious fines ranging from £100,000 to £500,000. No organisation is exempt – not even the police or Justice Department. Click [here] for some examples.

Instruments
Access to quality instruments is essential. In cases where the music service is closing altogether, the co-operative will need to negotiate access to, or ownership of, the local authority’s instrumental stock. Before discussions start, it is highly recommended that the service (or council) complete an asset audit. This involves locating the instruments (sometimes stored in the most surprising places), recording key data (models, serial numbers, etc.) and assessing their condition and current market value (not to be confused with ‘replacement’ value). This is a major exercise and will reveal future liabilities, shortages and opportunities. Instruments that are beyond ‘economic’ repair should be written-off at this stage and recycled.

In moving forward, the Local Authority has three possible options: (i) retain ownership and hire (to the co-operative or otherwise); (ii) donate, or (iii) sell. Bearing in mind that retaining ownership requires the LA to provide storage, maintenance and administration (at significant cost), most authorities prefer options two or three (although there are examples where the LA has loaned instruments free of charge in return for stock maintenance and storage). It is worth noting that it is not uncommon for local authorities to transfer sizable assets for as little as £1 – see ‘Leicester City Council sells £200,000 building for £1’. It’s worth a try.

As mentioned above, VAT applies when income exceeds £81,000 per year. It is therefore were considering the idea of forming another limited company (or indeed a charity) for the purpose of managing the instrumental hire scheme. This side steps the threat of VAT being imposed on members’ fees. This company could then start its own retail service, providing instruments, accessories and sheet music. Profits (after tax) could be used for remissions, special projects and more.

Premises
Another conversation with the Local Authority concerns accommodation. In its early days, SMCO was given access to space at a large secondary school free of charge. This enabled the co-operative to accrue some financial reserves. However, this arrangement ended when the school expanded. SMCO therefore relocated to a commercial property and started paying around £4,500 per year. This, plus the cost of heating, lighting, cleaning, insurance, telephone, internet, etc., was not budgeted for in the original business plan and required a regrettable hike in fees to fund the increase in expenditure, impacting on both members and customers. It is therefore recommended that all accommodation costs (albeit hypothetical) should be factored into the business plan from day one, whether it’s necessary or not.
Creating a website
Setting up a website is now a pre-requisite for any start-up business. It’s both a ‘shop window’ for the world and a vital marketing and information tool. Purchasing a domain name is the first priority after registering your company with Companies House. A quick glance on the internet will show that there are a number of vendors offering domain names such as .co, .com, .org, .biz,.net, etc. Prices vary from £11.99 per year for a .org domain name, to as little as £3.49 per year for a .co.uk domain name. SMCO uses .co.uk; Milton Keynes uses .com, and NEMCO uses .org.uk.

An even better option is the .coop domain – www.domains.coop. This is used by thousands of co-operatives all over the world, making it the global identity for the co-operative movement. It helps co-operative organisations enhance and market their businesses, and network with other co-operatives across the world. The first year is also free through membership of Co-operatives UK.

Some domain vendors provide a complete solution, including domain registrations, free templates, email addresses, web hosting, mobile compatibility and shopping functionality. One such provider is 123.Reg. All that is required of the business is content creation – i.e. images and written material to be displayed on the website. Prices for the business/mobile service start at around £180.00 + VAT per year. This offers a very comprehensive starting point, allowing the website to launch after as little as a few hours.

Other templates or themes are available from WordPress – famed for its blogging system. Here, templates are beautifully crafted by some of the world’s leading designers and can be developed further using numerous plug-ins and widgets, although some technical experience is needed here.

Alternatively, you may prefer to design and build your own bespoke website. For this, an experienced web designer is needed, making it an expensive option compared to using widely available templates. However, outsourcing websites such as www.freelancer.co.uk and www.fiverr.com may help in finding someone to meet your budget.

Content preparation is the final task in producing a website. SMCO’s website – www.swindonmusiccoop.co.uk, has the following key sections:

- **Home** – with outline information about the Co-operative
- **Tuition** – including:
  - **Instruments taught** – with a list of instruments taught, recommended starting ages and instrumental hire
  - **Lesson options and prices** – with lesson options (group or individual), cost per lesson and financial support
  - **Applying for lessons** – detailing how to apply (with a downloadable PDF application form with terms and condition) and SMCO’s data protection statement
- **Other Services** – including aural and theory training, accompaniment, ensemble coaching, composing, and more
- **Teachers** – including:
  - **About our teachers** and becoming a member
  - List of teachers in each category
- **Members only** – for posting minutes, reports and communiqués
- **Contact Us** and search

NEMCO’s website has some additional features, e.g.
- **Ensemble activities**
- A gallery
- Pay online via PayPal

Similarly, Milton Keynes Music Co-operative has two extra sections:
- Information for schools
- News

For more guidance on designing a website, please refer to Appendix C.
Finding a good bank
From the outset, the co-operative needs a supportive and reliable bank, which understands the nature of the company. Not all banks are the same. Services needed may include some or all of the following:
- on-line banking
- loans and overdrafts
- a company credit card
- free banking for at least a year
- support from the bank’s business adviser
- no limit on deposits or withdrawals
- no minimum account balance
- no bounced cheque charges

A quick look at www.moneysupermarket.com will reveal who the top performers are and why. Business banking is still very much dominated by the four biggest players. However, the Co-operative Bank (despite its recent troubles) has a lot to offer. It may not be as slick or as polished as the major players, but its ethical policy – concerning human rights, international development, ecological impact, animal welfare and the environment – resonates with the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity. The Co-operative Bank invests its members’ money wisely, preferring organisations that make a positive community, social and environmental impact.

Another worthy provider is the Unity Trust Bank – www.unity.co.uk/bank-with-us/co-operatives. Unity is a specialised bank for the social economy and wider civil society. It provides tailored day-to-day banking and finance to charities, social enterprises, co-operatives, voluntary and community organisations, trade unions, councils, housing associations, and more.

For more guidance on selecting a bank, please refer to Appendix D.

Working with the Hub
Music Education Hubs were created in response to the 2011 National Plan for Music Education to provide access, opportunities and excellence in music education for all children and young people. The core activities (for which funding is made available from the Arts Council) are:
- to ensure that every child aged 5-18 has the opportunity to learn a musical instrument ideally for a year (but for a minimum of a term) of weekly tuition on the same instrument
- to provide opportunities to play in ensembles and to perform from an early stage
- to ensure that clear progression routes are available and affordable to all young people
- to develop a singing strategy to ensure that every child sings regularly and that choirs and other vocal ensembles are available in the area.

The Hub is expected to work with all schools (primary and secondary), and with local music and arts organisations. It is responsible and accountable for designing and commissioning services in order to deliver on this plan. The co-operative should therefore be a significant stakeholder in this strategy, and where appropriate (e.g. should the co-operative provide ensemble activities [core objective 2]) receive some core funding.

In some cases, teacher-members may find themselves working through the co-operative and for the Music Hub. Working for the Hub may involve a degree of control, i.e. teaching a specified curriculum, at fixed times under a performance management system. As mentioned above, HMRC could interpret any controls, restrictions, demands and requirements as employment. This may be unavoidable, in which case the teacher-member should view this work as employment and invoice the Hub accordingly (for zero-hour contracts), or negotiate a part-time PAYE contract. Some teachers in Milton Keynes for example operate on a dual status arrangement, whereby the work they do for the Hub is classed as employment, and the work they do with the co-operative as self-employment.
PART THREE
FORMING YOUR CO-OPERATIVE

A co-operative can be formed at any time – it doesn’t have to follow straight after the redundancy process. However, others may prefer immediate action in order to maintain provision and continuity. Note, once a service has disbanded and its members dispersed, it is much harder to form a unified whole.

Start-up costs
You will need a budget to cover a wide range of start-up costs including all or some of the following expenses: incorporation fees, professional services (legal and accountancy), office rent, furniture and fixings, computers and printers, insurance, licences and permits, signs, stationery, marketing, logo design, telephone and internet, training, etc. Swindon was given a budget of £10,000, whereas Milton Keynes received only £5,000. The ideal figure is hard to quantify, although £5,000 is broadly accurate. The figure will vary according to local conditions and the LA’s willingness to support the move (some LA’s may provide an enterprise grant and/or benefits in kind). You are strongly advised to prepare a budget in advance of signing any contractual agreement, and in cases where the service is being ‘externalised’ by the LA, negotiated a start-up fund. It is vital to invoice schools/parents in advance of services being delivered. Teachers will expect to be able to claim their money at the end of the first month of trading.

Forming a steering group
The first step towards forming your co-operative is creating a steering group. The steering group should be big enough to be representative, but small enough to be able to meet and act quickly and efficiently. Five proactive members is a good number in most situations, but this can be extended if necessary to achieve broad representation. Note: your steering group will probably form your first board of directors, and will be responsible for appointing the admin team.
Responsibilities of the steering group will include:

- forming the company
- preparing the business plan – see below
- preparing key documents and policies
- communicating with key stakeholders
- preparing operational procedures
- supporting teacher-members
- responding to media enquiries
- appointing staff (as appropriate)
- liaising with schools and parents to ensure continuity of service
- preparing IT systems
- resolving disputes
- preparing and approving content for the website
- member training
- organising the launch event
- negotiating with the local authority with regards to instruments, facilities, equipment, grants and benefits in kind
- and more

Please refer to the chart below on key activities with an approximate timeline.

**Appointing advisers and trainers**

The steering group will need help at some point during the start-up phase. Appendix A provides a useful list of advisers and trainers. Some level of help and advice is available for free through government or local authority-funded agencies. More specialist help and advice (i.e. employment and contract law, and accountancy) will have to be paid for by one or a mixture of the following means:

- local authority start-up fund;
- ‘sinking fund’ – whereby all of the teachers contribute some money (say £100 each) to pay for an adviser, on the understanding that this money will be refunded once the company starts trading;
- some advisers are prepared to do the same, i.e. offer their services ‘at risk’ in the ‘hope’ that fees will be paid once the organisation is trading.

It is also possible to enter into an agreement with a local accountant. Since all of the teachers will become self-employed, the co-operative has a significant bargaining tool in getting some preliminary work done at no charge, in return for the co-operative’s recommendation.

Another great source of ideas, support and inspiration, is other co-operatives; after all, solidarity is a key value of the co-operative movement. The network provided by the Musicians’ Union and Co-operatives UK is invaluable.

**Forming your company**

The Co-operatives UK document Simply Legal – [www.uk.coop/simplylegal](http://www.uk.coop/simplylegal) provides an excellent guide to forming a co-operative and covers everything to do with legal forms, types of co-operative, ownership, etc. *Note: this document is free to use and download but readers should be mindful that it hasn’t been updated to reflect new law since 2009.*

Organisations or people wanting to form a Co-operative must choose one of the following legal forms:

- Private Company Limited by Guarantee (LTD)
- Private Company Limited by Shares
- Co-operative Society (formerly Industrial & Providential Society – IPS)
- Community Interest Company (CIC) limited either by shares or by guarantee
- Limited Liability Partnership (LLP)

A ‘legal form’ is a separate legal entity, which exists independently of its members, and is typically regulated by Acts of Parliament.

Each of the legal forms listed above has advantages and disadvantages and, if you are unsure which structure might suit you best, you should seek advice.

The SMCO model is a Private Company Limited by Guarantee, abbreviated as ‘LTD’, registered with Companies House under the Companies Act 2006 (replacing previous Acts established in 1985 and 1989). This is one of the most popular and best-understood legal forms, and is widely used by co-operatives and other social enterprises, charities, etc. A private company limited by guarantee cannot issue shares. Instead, each member guarantees a certain amount, usually £1, in the event of the company winding up with outstanding debts.
Limited companies are administered by the Registrar of Companies (Companies House) – an agency of the Department of Business, Innovation and Skills (BIS). The governing document is called the ‘Articles’ (previously known as the ‘Memorandum and Articles of Association’). This defines the responsibilities of the Board of Directors, the kind of business to be undertaken, and the means by which the shareholders exert control over the board. Note: SMCO’s Articles have been revised on several occasions to reflect the changing nature of their business.

All limited companies must present annual accounts and a filing fee. Companies with an annual turnover below the ‘audit threshold’ (e.g. with gross assets less than £3.26m, or turnover below £6.5m) do not have to have their accounts audited (but they must still present them).

Forming a limited company is easy. Your accountant or solicitor will do this for you. Alternatively, Co-operatives UK provides an excellent registration service: [www.uk.coop/registering-new-co-operative](http://www.uk.coop/registering-new-co-operative). Please refer to the MU’s ‘Starter Pack’ for a model Articles of Association – based on the SMCO model.

**Keeping all of the teachers informed**

Keeping everyone informed of progress is extremely important, but also highly problematic. Peripatetic teachers are notoriously difficult to pin down – they’re either rushing from one school to another, or rehearsing with orchestras and bands.

The following ideas may be useful:

- Try producing a regular e-shot (email newsletter), outlining the work completed by the conversion team and their advisers. Social networks and messaging tools such as Yammer are extremely powerful in this respect. **Yammer** is a private social network. It allows you to connect with the right people and share information across teams, organise projects, co-ordinate schedules, and share files. The software is free and available on all platforms including mobile. There’s no need for Twitter or Facebook.
- Organise regular meetings (at least monthly) to share developments and ideas. This is also a great opportunity for developing a sense of ‘team’.
- Ask colleagues to complete questionnaires on crucial issues. This will encourage people to get involved and feel involved.
- Provide a programme of training days and seminars on subjects relevant to the new arrangement.
- Form focus groups to discuss certain issues and encourage members of the steering group to hold one-to-one private ‘surgeries’.
- Organise some social events at the local pub (this is no joke – it really works.)
Key Actions and Timetable
The following is a rough guide to the key activities and timeline for setting up your co-operative. As with all great plans, chaos may take hold very quickly and will demand a flexible and pragmatic approach. The timeline assumes a process lasting three months.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Who</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FORM A STEERING GROUP TO OVERSEE THE CONVERSION PROCESS</strong></td>
<td>General meeting of all teachers.</td>
<td>Week 1</td>
</tr>
<tr>
<td>This should be an elected body, but if possible should include the managers of the old service and those in whom the teachers have confidence to run the new organisation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>APPOINT A BUSINESS ADVISER</strong></td>
<td>Steering Group.</td>
<td>Week 2</td>
</tr>
<tr>
<td>See ‘Contact and information list’. You may need more than one adviser, e.g. an accountant, lawyer, business development, marketing, training. Organisations such as the Musicians’ Union and Co-operatives UK may have access to all of these people – <a href="http://www.uk.coop/start-co-op/who-can-help">www.uk.coop/start-co-op/who-can-help</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PRESENTATION OF BASIC PLANS TO ALL TEACHERS</strong></td>
<td>Steering Group Adviser(s)</td>
<td>Week 3</td>
</tr>
<tr>
<td>Trade Union and LA representatives could also be invited to discuss your proposals.</td>
<td>General meeting.</td>
<td></td>
</tr>
<tr>
<td><strong>RESEARCH OTHER ‘EXTERNALISED’ SERVICES</strong></td>
<td>Delegated members of the steering group.</td>
<td>Weeks 1 – 3</td>
</tr>
<tr>
<td>Good research is priceless. Contacting other co-operatives will provide you with a great deal of information and anecdotal evidence. Please refer to the Contact List for details.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CALCULATE APPROXIMATE COSTINGS AND LIKELY CHARGES</strong></td>
<td>Business adviser and a representative of the steering group with a head for figures.</td>
<td>Week 3</td>
</tr>
<tr>
<td>What is your co-operative going to charge for services?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What will teacher-members want to get paid?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How much does the co-operative need to charge for its services?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What operational costs will the co-operative incur?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MARKET RESEARCH</strong></td>
<td>Led by a member of the Steering Group, supported by selected teachers.</td>
<td>Weeks 4 – 7</td>
</tr>
<tr>
<td>- Design and distribute questionnaires to schools, parents/carers, teachers and other stakeholders. This should focus on practical matters such as tuition fees, service delivery, admin and communications systems, etc. The objective is to get a complete picture of what your customers want and expect.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Visit important schools to discuss their views and requirements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Inform all schools, parents/carers and pupils of your plans so far and reassure them that service will continue under a different banner. This is also a good opportunity to inform customers of any changes to the pricing structure.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Check out the competition (usually private teachers, but also local retailers). Don’t forget, information is empowering.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Hold a ‘brainstorming’ session with teachers, schools, parents/carers and pupils to explore other opportunities for income generation. It’s amazing how many great ideas are born this way.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MARKETING PLANNING 1</strong></td>
<td>Steering Group and business adviser</td>
<td>Weeks 6 – 9</td>
</tr>
<tr>
<td>- Organise a workshop session with a marketing trainer to help identify basic marketing ideas and strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MARKETING PLANNING 2</strong></td>
<td>Just one member of the steering group should be responsible for co-ordinating financial planning, another should co-ordinate marketing. The whole steering group should discuss and approve key items.</td>
<td>Weeks 6 – 9</td>
</tr>
<tr>
<td>- Finalise name and mission statement. It is of course useful to have done this before the market research, but because of the time that needs to be allowed for schools to respond this may well not have been possible. However, it is important to finalise the name and mission statement as early as possible so that there is enough time to commission a corporate image from graphic designers, and/or organise a schools competition to design a logo.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Start planning launch events. A modest launch, requiring little planning, is advisable – perhaps a reception with invited representatives from schools (heads and music teachers), the local authority, arts organisations and friends. This can be followed up with a higher profile event such as a concert after the co-operative has been running for a few months.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td>Who</td>
<td>Time</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td><strong>FINANCIAL PLANNING 1</strong></td>
<td>This can all be done by the steering group, but again co-ordinated by one member of the group assisted by the business adviser.</td>
<td><strong>Weeks 6 – 9</strong></td>
</tr>
<tr>
<td>– Work out the likely number of hours required by schools, parents/carers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Estimate other potential demands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Estimate potential top-down income (...income from above?)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Start work on planning the co-operative’s financial administration systems, i.e. what needs to done, when, by whom and what forms and equipment will be needed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ORGANISATIONAL PLANNING 1</strong></td>
<td>This should be done by the Steering Group in close consultation with the business adviser.</td>
<td><strong>Weeks 6 – 9</strong></td>
</tr>
<tr>
<td>– Decide on the office base, equipment needed and other requirements (e.g. phone, photocopiers, filing cabinets, etc.). In SMCO’s early days the local authority provided premises. If this cannot be negotiated, an office space will need to be leased.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Work out the admin/management structure, defining roles, responsibilities, duties, KPIs, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Prepare a ‘wireframe’ (navigation structure) for the co-operative’s website, prepare content, photos and links</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PREPARE LEGAL STRUCTURE</strong></td>
<td>Business Adviser.</td>
<td><strong>Weeks 6 – 9</strong></td>
</tr>
<tr>
<td>The key documents for registering the co-operative – the governing document – should be designed at this stage.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PRESENTATION UPDATE TO ALL TEACHERS</strong></td>
<td>Steering Group supported by the business adviser.</td>
<td><strong>By Week 9</strong></td>
</tr>
<tr>
<td>The most important aspects of the business planning process should be reported back to teacher-members on a regular basis. At this stage, especially, it is important to present the Steering Group’s conclusions as to the appropriate admin/management structure, basic financial projections (including the recommended hourly fee and service charge), feedback from the market survey, and an implementation timeline. This should be a positive discussion, leaving teachers feeling a sense of hope and aspiration.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>APPOINT DIRECTORS AND REGISTER THE CO-OBJECTIVE</strong></td>
<td>Steering Group supported by the business adviser.</td>
<td><strong>By Week 9</strong></td>
</tr>
<tr>
<td>It is possible to elect the directors at the above meeting. However, if the Steering Group continues to have the full confidence of the teachers, it is probably best for them (or some of them) simply to become the first directors by default. Continuity of leadership between the planning and implementation stage is crucial.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PERSONNEL PLANNING 1</strong></td>
<td>Steering Group supported by the business adviser.</td>
<td><strong>By Week 9</strong></td>
</tr>
<tr>
<td>Work out management/admin job descriptions, including salaries, and advertise if necessary.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PERSONNEL PLANNING 2</strong></td>
<td>Steering Group supported by the business adviser.</td>
<td><strong>Weeks 10 – 14</strong></td>
</tr>
<tr>
<td>– Organise a training workshop for directors on their legal responsibilities and general company administration.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Ask all key personnel to write a short biography (with qualifications) for inclusion in the business plan and if appropriate promotional material and website.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Design member training and personal development arrangements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Design support and supervision arrangements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Interview (if necessary) and appoint the admin team</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FINANCIAL PLANNING 2</strong></td>
<td>Steering Group supported by the business adviser.</td>
<td><strong>Weeks 10 – 14</strong></td>
</tr>
<tr>
<td>– Complete all financial projections relating to income and expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Finalise projections for start-up costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Complete the financial model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Obtain tax clearances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Write-up the business plan and apply for start-up funding (if necessary)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ORGANISATIONAL PLANNING 2
- Prepare policy documents, e.g. the teacher-member’s Agreement, Code of Practice, contracts, child safeguarding, health & safety, operational procedures, etc.
- Launch website
- Appoint an accountant, if you haven’t done so already. Since each teacher-member will be self-employed they will need individual advice each year on their tax affairs. The co-operative can offer to recommend an accountant to all of the teachers in return for some free training and advice.
- Complete design of finance and administration systems.
- Organise training on finance and administration.

This should be done by the Steering Group in close consultation with the business adviser.

By Week 14

LAUNCH TRAINING DAYS
- About three days should be set aside before the teachers go back into schools, now as members of the co-operative, to train them in the operational practice of the co-operative, its quality standards and customer care. The accountant or business adviser can also give basic training on what they should do now to register as self-employed, keep their own accounts, etc.

Steering Group supported by the business adviser, account and all teachers.

Weeks 15+

The above is not a definitive action plan. Every conversion process will have a unique set of challenges.
What can be guaranteed is the level of stress – which for some will be moderate to high, and for others high to severe.
Success will depend on a number of factors:
- The ability to empathise with others
- Effective communication at all levels
- Having SMART objectives (Specific, Measurable, Achievable, Resourced and Timed)
- Listening and watching
- Embracing criticism for the potential it holds
- Having the confidence to ask questions – no matter how basic
- Sharing the load and delegating wisely
- Finding and using talents
- Pausing to look back, and look forward
- Taking stock and re-grouping
- Keeping an eye on finances
- Being assertive
- Having the confidence to say “I don’t know”
- Asking for help
- Enjoying the journey
- Taking personal responsibility
- Making decisions
- Inspiring and empowering others
- Take time to rest
- Holding onto the vision
Developing your business plan

A good business plan is a written document that describes the business model, its objectives, its strategies, its market and its financial viability. The plan should be written with two audiences in mind: (i) Internal – for teacher-members and staff, and (ii) External – for investors, banks, partners, funding agencies and other stakeholders.

People are busy and tire quickly when presented with complex documents. The best business plans are short and concise. Use layman language and focus on customer benefits rather than technical features. Anything more than 20 pages has the danger of being filed – permanently. Additional information should be added as appendices or hyperlinks (if presented electronically) for further reading if necessary.

The presentation of the plan should be as visual as possible, utilising pictures, diagrams and tables. The ideal font is Verdana point 11 – it’s clean and easy to read.

The simplest format is as follows:

- **Contents** – clearly presented with hyperlinks for quick navigation.

- **Executive summary.** This should be no longer than two pages long. It summarises the business proposition in a clear and succinct fashion, and should encapsulate the viability of the business. This section is often written last.

- **Background and context** – helping to set the scene.

- **Mission, Aims, Objectives and Values** – this outlines what you aspire to be, your values and ethos.

- **Market analysis.** This should demonstrate a deep understanding of:
  - the market and its environment
  - customers and their aspirations
  - the potential for growth and profitability
  - market trends (is the market mature or new, in growth or decline)
  - competitors – who are they and how do you differentiate from them

- **Product and services,** describing what the company intends to provide and at what cost.

- **Marketing strategy** – explaining how you intend to promote your services.

- **The team.** Who is managing and operating the business, e.g. the board of directors, admin staff, volunteers, etc.

- **Operations.** What kind of facilities will the company need?

- **Financial projections.** This section should attract the most attention from potential investors and stakeholders. It will demonstrate whether the business is viable. It is best to base your (honest) projections over a three-year period. This will reveal trends and patterns, and illustrate trading viability.

Details should include:

- **Income** – service charges, grants and other income streams (don’t forget that the co-operative’s main source of income is the fee it charges teacher-members for administration)

- **Expenditure** – covering salaries, rents and rates, telephone, postage, travel (for employed staff only), marketing, advertising, stationery, professional services (e.g. accountancy), member training, insurance, banking, subscriptions, bad debt, depreciation (on equipment), repairs and maintenance.

- **Cash-flow** – showing the movement of cash in and out of the business (this should only relate to the co-operative’s money – fees collected on behalf of teacher-members should not factor here)

- **Profit and loss** – showing whether the company made or lost money.

- **Balance sheet** – showing a summary of all financial balances, listing assets, liabilities and ownership equity.

Please refer to the example ‘Profit & Loss Account’, ‘Balance Sheet’ and ‘Cash-flow Forecast’ below. You are strongly advised to seek the services of an accountant in preparing similar projections. This is not a ‘tick-box’ process, but an important pre-requisite to accessing the organisation’s long-term viability and success.

- **Risk assessment.** List each of the uncertainties or risks and indicate how these will be addressed and reduced. A SWOT matrix (Strengths, Weaknesses, Opportunities and Threats) is useful at this point.

- **Action plans and milestones,** detailing the key stages of development (with clear deadlines and measurable outcomes) – both commercial and technical – over the next 12 to 24 months.

- **Appendices** – this may include market research data, biographical information regarding the steering, sample documents, e.g. draft brochures, adverts, job descriptions, etc.
### EXAMPLE OF A PROFIT & LOSS ACCOUNT, BALANCE SHEET AND CASHFLOW FORECAST

#### PROFIT & LOSS ACCOUNT – YEAR 1

<table>
<thead>
<tr>
<th>INCOME</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hub grant</td>
<td>67,800</td>
</tr>
<tr>
<td>Member Fees</td>
<td>13,780</td>
</tr>
<tr>
<td>Instrument sales</td>
<td>900</td>
</tr>
<tr>
<td>Accessories sales</td>
<td>650</td>
</tr>
<tr>
<td>Local Authority activities grant</td>
<td>14,400</td>
</tr>
<tr>
<td>Activities fees</td>
<td>4,500</td>
</tr>
<tr>
<td>Concert admissions</td>
<td>2,000</td>
</tr>
<tr>
<td>Instrument repair charges</td>
<td>15,000</td>
</tr>
<tr>
<td>Other services</td>
<td>16,390</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td><strong>135,420</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management allowances</td>
<td>21,996</td>
</tr>
<tr>
<td>Other staff allowances</td>
<td>3,000</td>
</tr>
<tr>
<td>Employers NI</td>
<td>3,667</td>
</tr>
<tr>
<td>Activities payments</td>
<td>18,371</td>
</tr>
<tr>
<td>Concert costs</td>
<td>1,900</td>
</tr>
<tr>
<td>Instrument repair costs</td>
<td>13,500</td>
</tr>
<tr>
<td>Instrument transport</td>
<td>595</td>
</tr>
<tr>
<td>Rent and rates</td>
<td>–</td>
</tr>
<tr>
<td>Heat &amp; Light</td>
<td>–</td>
</tr>
<tr>
<td>Telephone</td>
<td>550</td>
</tr>
<tr>
<td>Print &amp; stationery</td>
<td>1,500</td>
</tr>
<tr>
<td>Advertising</td>
<td>5,100</td>
</tr>
<tr>
<td>Repairs &amp; renewals</td>
<td>500</td>
</tr>
<tr>
<td>Insurance</td>
<td>800</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,000</td>
</tr>
<tr>
<td>Member training</td>
<td>1,500</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,750</td>
</tr>
<tr>
<td>Bank charges</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td><strong>90,405</strong></td>
</tr>
</tbody>
</table>

**NET PROFIT**  **45,015**

#### BALANCE SHEET – END OF YEAR 1

<table>
<thead>
<tr>
<th>FIXED ASSETS</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture &amp; Equipment</td>
<td>11,250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CURRENT ASSETS</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>100</td>
</tr>
<tr>
<td>Stock</td>
<td>–</td>
</tr>
<tr>
<td>Cash in hand/bank</td>
<td>33,765</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td><strong>45,115</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CURRENT LIABILITIES</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank overdraft</td>
<td>–</td>
</tr>
<tr>
<td>Creditors</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LONG TERM LIABILITIES</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>45,015</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROFIT &amp; LOSS ACCOUNT</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROFIT &amp; LOSS ACCOUNT</strong></td>
<td><strong>45,015</strong></td>
</tr>
</tbody>
</table>

The above example assumes a grant from the Music Hub.
### CASHFLOW FORECAST – YEAR 1

<table>
<thead>
<tr>
<th></th>
<th>Sep £</th>
<th>Oct £</th>
<th>Nov £</th>
<th>Dec £</th>
<th>Jan £</th>
<th>Feb £</th>
<th>Mar £</th>
<th>Apr £</th>
<th>May £</th>
<th>Jun £</th>
<th>Jul £</th>
<th>Aug £</th>
<th>Year £</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Hub grant</td>
<td>27,800</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67,800</td>
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<td>30</td>
<td>40</td>
<td>80</td>
<td>100</td>
<td>-</td>
<td>70</td>
<td>-</td>
<td>80</td>
<td>-</td>
<td>2,340</td>
<td>2,350</td>
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<tr>
<td>Instrument sales</td>
<td>-</td>
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<td>40</td>
<td>60</td>
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<td>100</td>
<td>900</td>
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<tr>
<td>Accessories sales</td>
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<td>20</td>
<td>30</td>
<td>40</td>
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<td>100</td>
<td>-</td>
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<td>LA activities grant</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
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<td>750</td>
<td>-</td>
<td>-</td>
<td>4,500</td>
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<tr>
<td>Concert admissions</td>
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<td>500</td>
<td>500</td>
<td>-</td>
<td>-</td>
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<td>Instrument repair charges</td>
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<td>2,000</td>
<td>2,000</td>
<td>-</td>
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<tr>
<td>Other services</td>
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<td>240</td>
<td>-</td>
<td>420</td>
<td>-</td>
<td>-</td>
<td>390</td>
<td>-</td>
<td>-</td>
<td>340</td>
<td>-</td>
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<td><strong>TOTAL INCOME</strong></td>
<td>42,460</td>
<td>14,300</td>
<td>2,330</td>
<td>630</td>
<td>4,670</td>
<td>5,130</td>
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<td>49,750</td>
<td>5,660</td>
<td>5,290</td>
<td>2,810</td>
<td>660</td>
<td>135,420</td>
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|         |       |       |       |       |       |       |       |       |       |       |       |       |       |
| **EXPENDITURE** |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Management allowances | 2,806| 2,806| 2,806| 2,806| 2,806| 2,806| 2,806| 2,806 | 2,806| 2,806| 2,806| 2,806| 33,672|
| Other staff allowances | 250  | 250  | 250  | 250  | 250  | 250  | 250  | 250   | 250  | 250  | 250  | 250  | 3,000 |
| Activities payments | 1,531| 1,531| 1,531| 1,531| 1,531| 1,531| 1,531| 1,531 | 1,531| 1,531| 1,531| 1,531| 18,371|
| Concert costs | -    | -    | 475  | 475  | -    | -    | 475  | -     | 475  | -    | -    | 1,900|
| Instrument repair costs | 1,350| 1,350| 1,350| -    | 1,350| 1,350| 1,350| -     | 1,350| 1,350| 1,350| -    | 13,500|
| Instrument transport | 38   | 158  | 38   | -    | 38   | 38   | 38   | -     | 50   | 50   | 50   | 100  | 595   |
| Rent and rates | -    | -    | -    | -    | -    | -    | -    | -     | -    | -    | -    | -    | -     |
| Heat & Light | -    | -    | -    | -    | -    | -    | -    | -     | -    | -    | -    | -    | -     |
| Telephone | 100  | -    | 150  | -    | -    | 150  | -    | 150   | -    | 150  | -    | -    | 550   |
| Print & stationery | 1,000| 10   | 10   | 10   | 10   | 400  | 10   | 10    | 10   | 10   | 10   | 10   | 1500  |
| Advertising | 4,000| 100  | 100  | 100  | 100  | 100  | 100  | 100   | 100  | 100  | 100  | 100  | 5,100 |
| Repairs & renewals | 10   | 20   | 30   | 40   | 50   | 50   | 50   | 50    | 50   | 50   | 50   | 50   | 500   |
| Insurance | 300  | 50   | -    | -    | -    | -    | -    | -     | 500  | -    | -    | -    | 800   |
| Professional fees | 1,000| -    | 100  | -    | -    | -    | -    | -     | -    | -    | -    | -    | 2,000 |
| Member training | -    | 500  | -    | -    | -    | -    | -    | -     | 500  | -    | -    | -    | 1,500 |
| Capital expenditure | 5,000| 10,000| -   | -    | -    | -    | -    | -     | -    | -    | -    | -    | 15,000|
| Bank charges | -    | -    | -    | -    | -    | -    | -    | -     | -    | -    | -    | -    | -     |
| **TOTAL EXPENDITURE** | 17,690| 17,530| 6,895| 5,768| 6,440| 6,440| 7,580| 5,528 | 6,903| 7,053| 7,878| 5953| 101,655|

|         |       |       |       |       |       |       |       |       |       |       |       |       |       |
| **SURPLUS/DEFICIT FOR MONTH** | -3,230| -4,565| -5,138| -1,770| -1,310| -5,850| 44,223| -1,243| -1,763| -5,068| -5,293| 3,3765|

| CASHFLOW | 24,770| 21,540| 16,975| 11,838| 10,068| 8,758| 2,908| 47,130| 45,888| 44,125| 39,058| 33,765| 33,765|
APPENDIX A

INFORMATION SHEET

USEFUL CONTACTS

The Musicians’ Union
www.musiciansunion.org.uk
60 — 62 Clapham Road, London SW9 0JJ
Tel: 020 7840 5558

David Barnard
david.barnard@vivacetraining.co.uk
Initial consultancy, staff training, project management and support.

Geof Cox
www.geofcox.info
Freelance social enterprise developer.

David Alcock – Anthony Collins Solicitors
www.anthonycollins.com
Birmingham based legal practice with a national market in areas including community regeneration, housing, charities and procurement.

Swindon Music Co-operative
www.swindonmusiccoop.co.uk

NEMCO (North East Music Co-operative)
www.nemco.org.uk

Milton Keynes Music Co-operative
www.mkmusiccoop.com

Co-operatives UK
www.uk.coop
The national trade body – promoting, developing and uniting co-operative enterprises.

Co-operative and Community Finance
www.coopfinance.coop
Providing sympathetic loan finance for social purposes.

Co-operative Futures
www.futures.coop
A business development consultancy firm specialising in co-operative and community-led businesses.

Business Link
www.businesslink.gov.uk
Self-help web portal for start-up and existing businesses.

Locality
http://locality.org.uk
The national network of Community Enterprise.

Social Enterprise UK
www.socialenterprise.org.uk
The national body for social enterprise in the UK.

Transition Training and Consulting
www.ttandc.org.uk
Trading subsidiary of the Transition Network, delivering training and support around Transition-based enterprise.

UnLtd
www.unltd.org.uk
National charity funding and supporting social entrepreneurs.

Co-operative and Social Enterprise Development Bodies
Many regions also have dedicated development bodies that specialise in co-operatives and other social enterprise. These can also assist you in your start-up.

www.uk.coop/directory/filter/cdb/member

TOOLS & RESOURCES

Co-operative UK – ‘Simply Guides’ all available as PDF downloads.
www.uk.coop/simplyseries

Simply Legal
Legal and organisational structures for community enterprise.

Simply Finance
Options for financing a community enterprise.

Simply Governance
Structures and systems for the running of a community enterprise.

From Conflict to co-operation
A series of five booklets illustrating the creative use of conflict in a community enterprise:
www.uk.coop/fromconflict2co-operation
**CiviCRM**  
Free online customer/member relationship management system (CRM) for the ‘civic sector’.  
[http://civicrm.org](http://civicrm.org)

**Open Space meeting technology**  
A simple way to run productive meetings, for five to 2000+ people.  
[www.openspaceworld.org](http://www.openspaceworld.org)

**Practitioners’ guide to community shares**  
As well as many other resources relating to community finance.  
[www.communityshares.org.uk](http://www.communityshares.org.uk)

**REconomy project**  
Resources specific to enterprises emerging from transition initiatives.  
[www.transitionnetwork.org/projects/reconomy](http://www.transitionnetwork.org/projects/reconomy)

**WEB-BASED TOOLS:**

**Select-a-structure**  
An online questionnaire to help organisations choose the most appropriate legal form.  
[www.uk.coop/selectastructure](http://www.uk.coop/selectastructure)

**Governance Audit**  
An online questionnaire to assess the governance health of an organisation.  
[www.uk.coop/governanceaudit](http://www.uk.coop/governanceaudit)

**Social business toolbox**  
There are many business planning guides available on the web, including Business Planning Unwrapped produced by the Plunkett Foundation.  
[www.makinglocalfoodwork.co.uk](http://www.makinglocalfoodwork.co.uk)

**Business Balls**  
Free business and organisational development tools and resources.  
[www.businessballs.com](http://www.businessballs.com)

**OFFICIAL BODIES**

**Companies House**  
[www.companies-house.gov.uk](http://www.companies-house.gov.uk)

**Charity Commission**  
[www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)

**Community Interest Company Regulator**  
[www.cicregulator.gov.uk](http://www.cicregulator.gov.uk)

**Financial Services Authority**  
[www.fsa.gov.uk](http://www.fsa.gov.uk)

**Financial Conduct Authority**  
[www.fca.org.uk](http://www.fca.org.uk)

**HM Revenue & Customs**  
[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

**National Association for Voluntary and Community Action**  
[www.navca.org.uk](http://www.navca.org.uk)

**National Council for Voluntary Organisations**  
[www.ncvo-vol.org.uk](http://www.ncvo-vol.org.uk)
APPENDIX B

HMRC: EMPLOYED OR SELF-EMPLOYED?

**Personal Service**

It is a necessary condition of a contract of service that the worker is required to provide his or her services personally. Consideration must therefore be given to whether or not a worker could provide a replacement worker in his or her absence. This is usually referred to as a right of substitution.

Where both the worker and his or her engager understand that a suitably qualified or skilled person can (or must) be provided by that worker in his or her absence the situation is very likely to be self-employment.

Absence of the right of substitution (or in other words a requirement for personal service) does not necessarily mean that the worker will be an employee. A requirement for personal service may exist in situations of employment and self-employment.

**Mutuality of obligation**

The minimum obligations that are necessary for a contract of service are the obligations on the part of the worker to give personal service, and the obligation on the part of the engager to pay the worker for that service. An employment contract will often also indicate that the engager will provide work for the duration of the contract during the agreed working hours.

**Right of control**

The employee must be subject to a certain degree of control by the engager although control need not be exercised in practice. It is the right of control that matters. The engager may control how a worker performs his services, what tasks have to be performed, when and, or where they must be performed.

The fact that a worker may be told how to perform duties will usually be seen as a strong pointer to employment but, where the worker is an expert (e.g. a ship’s captain, consultant brain surgeon and so on), the absence of this aspect of control would probably not be seen as material.

The employee will usually be expected to work set hours each day or week but may be permitted to work flexible hours and to work at the employer’s premises or at other places with the agreement of the employer. The self-employed person is more likely to have the freedom to do work when and where he or she wants.

**Right of substitution and engagement of helpers**

Some contracts give the worker a right to send a replacement or engage a helper. Where the worker has to pay that person this would be regarded as an indicator of self-employment. The degree to which it points in that direction would depend on the particular circumstances of each case. Relevant considerations would include whether the engager reserved the right to reject a substitute and whether the right was exercised on a regular basis.

The worker may, however, only have a right to propose a substitute rather than a right to actually send a substitute, and this would probably be seen as only a mild pointer to self-employment.

**Provision of own equipment**

A self-employed contractor generally provides whatever equipment is needed to do the job (though in many trades, such as carpentry, it is common for employees, as well as self-employed workers, to provide their own hand tools).

The provision of significant equipment (and/or materials) which is fundamental to the engagement is of particular importance. For example, where an IT consultant is engaged to undertake a specific piece of work and must work exclusively at home, using the worker’s own computer equipment, that will be a strong pointer to self-employment. But where a worker is provided with the necessary equipment, materials and so on by the engager that points to employment.

**Financial risk**

Individuals who risk their own money by, for example, buying assets needed for the job and bearing the running costs and paying for overheads and large quantities of materials, are almost certainly self-employed. Employees are not usually expected to risk their own capital.

One example of a financial risk would be one in which a skilled worker incurs significant amounts of expenditure on training in order to obtain the skills needed, which is used in subsequent engagements. This can be treated as a pointer to self-employment, in the same way as investment in equipment to be used in a trade, if there is a real risk that the investment would not be recovered from income from future engagements. Self-employed workers may also be required to rectify unsatisfactory work in their own time for no additional reward.
Financial risk could also take the form of quoting a fixed price for a job, with the consequent risk of bearing the additional costs if the job overruns. The risk of making a loss is a very strong indicator of self-employment and can be decisive on its own.

**Opportunity to profit**
A person whose profit (or loss) depends on the capacity to reduce overheads and organise work effectively may be considered self-employed. People who are paid by the job will often be in this position. For example, a person who quotes a fixed price may well be able to complete the task ahead of schedule or at a lower cost than originally envisaged. People who provide their own materials may be able to profit by getting a good price on the materials or by charging more for them.

**Length of engagement**
By itself, the length of a particular engagement may have little importance in determining employment status, although it is more likely that an employee will have an open-ended contract. It is however, common these days for employees to be engaged on fixed term contracts. Where a person undertakes a number of short-term engagements for different engagers and runs the risk of bad debts, incurs expenditure in the course of obtaining engagements and so on, he or she may be regarded as self-employed. On the other hand, a person engaged on a short-term contract may be regarded as a casual employee. This factor must be viewed in the light of all the different aspects of a person’s work.

**Part and parcel of the organisation**
At one time this was considered to be a test of employment or self-employment, but it is now viewed as one factor to be taken into consideration alongside other factors.

Establishing whether a person becomes ‘part and parcel’ of a client’s organisation can be a useful indicator in some situations. For example, someone taken on to manage a client’s staff will normally be seen as an integral part of the client’s organisation and this may be seen as a strong indicator of employment.

**Employee-type benefits**
The presence, in a contract, of benefits such as paid leave, membership of firm’s pension scheme, the right to a car parking space, access to canteen facilities and so on is a good indicator that an employment relationship exists. A contract of employment may also contain access to a grievance procedure and the worker may be subject to disciplinary procedures.

The absence of such benefits may be viewed as a pointer to self-employment but the lack of these is usually as a consequence of the intention of self-employment. It may be necessary to consider whether employees of the engager, who do similar work, have access to such benefits. A comparison might also have to be made between the rates of pay of those employees and the ‘contract’ worker, as the latter may be paid a greater rate in order to compensate in part for the absence of such benefits.

**The right to terminate contract**
A right to terminate an engagement for any reason other than serious breach, by giving notice of a specified length, may be viewed as indicative of a contract of employment, but, at best, would only be regarded as a minor factor. Such a provision is unlikely to be found in a contract for services, which usually ends on completion of the task, or if the terms of the contract are breached.

**Personal factors**
In deciding a person’s employment status it may sometimes be necessary to take into account factors that are personal to the worker and have little to do with the terms of the particular engagement being considered. For example, if a skilled worker works for a number of clients throughout the year and has a business-like approach to obtaining engagements (perhaps involving expenditure on office accommodation, office equipment and so on) this will point towards self-employment. Personal factors will usually carry less weight in the case of an unskilled worker, while other factors, such as the high level of control exercised by the engager, are likely to be conclusive of employment.

**Mutual intention**
The intention of both parties can be decisive where the factors pointing to employment and to self-employment are evenly balanced. But a stated intention, for example, for self-employment is of no consequence where the facts point clearly to employment.
Balance in favour

Whether a worker is an employee or self-employed depends on a range of factors, but the final opinion is not reached by adding up the number of factors pointing towards employment and comparing that result with the number pointing towards self-employment. The judiciary has specifically rejected that approach.

It is a matter of evaluating of the overall effect, which is not necessarily the same as the sum total of all the individual details. Not all details are of equal weight or importance in any given situation. The details may also vary in importance from one scenario to another.

When the detailed facts have been established, the right approach is to stand back and look at the picture in its entirety, to see if the overall effect is that of a person working in a self-employed capacity or a person working as an employee in somebody else’s business. If the evidence is evenly balanced, the intention of the parties may then decide the issue. Note: The same considerations to determine employment status will apply even if the worker works part-time or on a casual basis.

If a worker has more than one job or works for a number of different people for a few days or weeks at a time, it is necessary to answer the questions for each job.

If the worker provides services to many people, and does not work regularly for one person to the exclusion of others, this may affect whether the work for each is as an employee, or as a self-employed person.

Just because a worker is self-employed in one job, doesn’t necessarily mean he or she will be self-employed in another job. Equally, if a worker is employed in one job, he or she could be self-employed in another.

A worker could even be an employee and self-employed at the same time. For example, he or she could:
- be employed as a part-time shop assistant and spend the rest of their time running their own business from home
- or work full-time as an employee at a company, and run a part-time business in the evening or weekends

The worker may have a number of casual or part-time activities, and may be an employee in some and self-employed in others. It all depends on the facts.
Register.Com has the following top 10 tips on web design:

There’s nothing like a cluttered, clunky website to drive customers away. How can you make your site an enticing place? Here are 10 great ideas.

01. **Navigation** – Put some real thought into the layout of your site. Customers should be able to navigate through the site easily. Make sure that all important sections are prominently listed. Link as many pages as you can into the main navigation bar, instead of having subpages from pages.

02. **Branding** – Incorporate memorable elements of your brand into your website, such as your logo and company colour scheme. Make your logo prominent on your home page and put it on all subsequent pages to promote your brand.

03. **Home page** – Visitors should be able to tell immediately what your site is about. Any call to action such as “Buy Now” should be visually prominent on the page.

04. **Content** – If your primary business is offline, just present enough clear, concise information to get customers to call or email. If you sell your products or services online, provide complete information to give customers the confidence to click and buy. Don’t put too much content on any one page, as Internet readers don’t like to scroll down.

05. **Refresh content** – Changing content draws customers back. One easy way to renew your content without a lot of code changes is by starting a blog.

06. **Think SEO** – Always bear search engine optimization (SEO) in mind as you design. Photos and splashy graphics may look nice, but won’t be picked up by search engines. One fix: have a text link that says “View portfolio” instead of a graphical button.

07. **Colours** – Use complementary colours that make your text easily readable. Clashing colours such as red text on a blue background make text too hard to read and turn off visitors. Adobe’s colour wheel app is a great help here.

08. **Be accessible** – Make sure your contact information is easy to find.

09. **Sound good** – Music that starts playing automatically when your site loads is an automatic turnoff for many visitors. If you have sound, make sure it’s pleasant and easily disabled.

10. **External links** – Links that take visitors away from your site should always load in a new window. Make sure your site stays in front of the customer, even as you provide them with additional resources.
APPENDIX D

CHOOSING THE RIGHT BANK FOR YOUR BUSINESS

Jon Card – the Guardian’s business correspondent, (dated 9th September 2014):

A bank account is a must for all businesses, but the idea of shopping around and getting a good deal on one still seems alien to many of us. It is often quoted that a person is more likely to change their husband or wife than their bank account. But greater liquidity and competition would do wonders for the UK business environment. Entrepreneurs need to look beyond the well-known banks, or at least compare their offerings to the other options available. The online world is generating challengers to the banks’ hegemony and also greater transparency of their practices, and it’s high time businesses took note.

Many sole traders simply use their personal accounts for their fledgling businesses, and this is often the best option for them. Personal accounts are typically free or cheaper than business accounts, and have reasonable overdraft entitlements. However, for limited companies a business account is a necessity and companies are well advised to shop around. Sites such as Moneysupermarket.com and money.co.uk offer price comparisons similar to the way online sellers offer car insurance. Typically, banks aren’t offering businesses who switch much in the way of interest, however there are significant differences on standing charges and those incurred when making transactions.

Business owners often complain that they don’t know enough about their prospective bank and require more detailed and personalised information. John Longworth, director-general of the British Chambers of Commerce (BCC), is one of the louder and more prominent voices in the business community calling for both greater transparency in the banking sector and for laws that make switching accounts easier. Along with the Federation of Small Businesses (FSB), the BCC is also the joint sponsor of the Business Banking Insight (BBI) project, which examines the experience business owners have with their banks.

Every six months, ICM carries out a poll for BBI of 5,000 businesses, to rate the performance of their banks. Users of the free site can select the results most relevant to them and use it to vet their banking providers prior to a decision.

“Having information about where they should go to get a particular service can be really useful,” Longworth notes. “The information is completely independent and also quite granular, so you can find out what ‘people like me’ think about working with a particular bank offering a particular product.”

But Longworth admits that switching isn’t easy, and that some businesses will be reluctant to move their accounts unless it is absolutely necessary. “I co-founded a business in 2010 and we changed bank accounts because we had to, so we are living proof that it can be done,” he says. “But it wasn’t easy; there was a significant administrative burden and we had to change all the payments and direct debits manually. It was also quite a task talking to lots of different banks to find out which would be better for us.”

Some entrepreneurs are determined to get their banks working for them. Arnab Dutt is the managing director of manufacturing business Texane, which produces escalator wheels commonly used in subways. He argues businesses should think of their banks as they would any other supplier.

“Banks are suppliers of services and not your partners. Once you understand that, you should treat them as you would any other provider in your supply chain.”

Dutt recommends shopping around, using more than one bank, and creating competition between them. “If you want to mitigate business risk, always have more than one supplier for a critical product and ensure the suppliers know about each other. Make them compete and they will offer you an improved service. That works with banks, too. Texane has two banks. I have just started another company and now have a third bank that is aware of the others.”

The online world is offering alternatives to traditional banking services, and entrepreneurs are taking advantage. Simon Hargreaves, owner of The Gutsy Goose restaurant, decided to run his business’s finances via an account from online finance company Advanced Payment Solutions.

“We’d really fallen out of love with high street banks. We’d seen friends’ business ventures crumble as a result of banks refusing to provide them with a business account,” he says. “After a lot of research, we eventually came across the CashPlus business account offered by Advanced Payment Solutions.”
Solutions and managed to apply for a bank account in 10 minutes online, rather than jumping through a series of red tape hoops, which can take weeks. We were eventually even able to bypass the banks and secure a small business loan.”

He adds: “In the past, traditional banks were the only option for businesses, but with banking alternatives offering a smoother, faster and cheaper service, there’s no reason small businesses should be forced to depend on mainstream banks.”

Currently, the main banks still dominate the business environment and it will take considerable disruption to bring about any substantial change. Longworth believes that a combination of market solutions and government intervention will be required before a satisfactory state of affairs is reached.

“Critically, the banks should take on the burden of helping businesses to switch. If a business wants to switch from bank X to bank Y they should facilitate it. If they don’t, the market becomes sticky,” he says.

The government has set up the British Business Bank, which works with existing financiers who provide money to businesses to address any funding gap. It operates schemes such as Start-Up Loans and the Enterprise Finance Guarantee and its report, published last June, stated that it had helped more than 30,000 businesses and provided £782m of finance. But Longworth is concerned that the young, fast-growing businesses are still short of support.

“Businesses that are less than five years old and fast-growing aren’t getting the right support. Banks have never really supported them, as they are seen as being too risky and, since the banking crisis, they have done so even less. These businesses are the future of the British economy. If they can’t get capital to grow then we won’t get mid-sized businesses,” Longworth added.
FREQUENTLY ASKED QUESTIONS

How would the admin staff be funded?
The admin team (or person) is funded from the service charge levied to teacher-members. This may be subsidised by a grant from the Music Hub or through other income. Some co-operatives, e.g. Milton Keynes and the Isle of Wight, have decided not to employ an admin team, but have opted instead for a contract for services with an external company.

How do people join or leave the co-op?
Teachers are interviewed for membership of the Co-operative. This includes a practical demonstration of their playing and teaching abilities. Leaving the Co-operative is a simple administrative process, but advance notice is preferred in order to provide continuity for students.

Is there a membership fee?
No. However, teachers may be invited to donate some money to cover initial start-up costs if necessary.

Would we need to keep data regarding progression, etc.?
Good practice would suggest that as much data should be kept as possible. This will help monitor the effectiveness of the co-operative and may be useful for marketing purposes. The Hub may request data if a grant is provided. Don’t forget you must register with the Data Protection Authority.

If the Council declines to offer start-up funding, are there any other sources we could try?
Yes – there are various organisations that offer start-up funding for such initiatives. Co-operatives UK is a good starting point.

Are schools legally required to operate a tendering process for instrumental teaching?
No. Schools are a partner in the provision of instrumental tuition.
How soon can we get information to schools?
This may be restricted by the redundancy process. Discuss the timeline with your union representative. Also, wait until a decision has been made between the Council and the co-operative before publicising your plans.

After the initial start-up, what is the responsibility of the board? Do they get paid for their work?
The Board is responsible for the strategic and operational management of the co-operative. It is also responsible for monitoring and supporting the administrator’s work. Membership of the board is voluntary. They are not paid for their work, but are entitled to reclaim acceptable expenses.

Does the Co-operative have one rate for all, or is there a sliding-scale for group work, number of hours, etc?
The Swindon model has one agreed rate, although new inexperienced teachers will start at a lower rate as they need more support. Having an agreed rate avoids competition between members. What teachers charge for private tuition is, of course, their own choice. You may also have different rates according to the service provided, i.e. the rate for large group tuition may be higher than individual to reflect the added responsibility, preparation etc.

Do teachers get sick pay?
No. Because teachers are self-employed they do not get sick or maternity pay. You would need to check your eligibility for statutory sick pay through the Department for Work and Pensions or make your own arrangements through private insurance. This is a reality of self-employed work. Cover for tuition is usually offered conditionally and is negotiable.

Are we entitled to the teachers’ pension scheme through the Co-operative?
No. Employers contributing to the teachers’ pension scheme must have ‘function provider’ status. The co-operative would struggle to achieve this status. Your existing teacher’s pension will effectively freeze and then become available to you on retirement (and will be index linked). The MU strongly recommends that teachers facing redundancy should check with the Teachers’ Pension Scheme that their contributions are accurate, especially for those on part-time contracts.

What do you think the reserves policy should be to help manage cash flow?
This depends on the administrator’s salary and the obligations required by law to support this post. Your accountant will advise you on this.

We understand that it’s not possible to apply for an enhanced disclosure as a self-employed person. Is there a way of doing this through the Co-operative?
The Musicians’ Union (MU) is aware of this loophole that affects self-employed teachers preventing them from undergoing a DBS check if they work alone. The MU provides a service for its members, which can act as a workaround – the MU itself provides the identity-check, thereby making it possible for any DBS check to be processed.
APPENDIX F

THE NATIONAL PLAN FOR MUSIC EDUCATION
THE IMPACT ON THE WORKFORCE

A Musicians’ Union report published March 2015
Ruth Ballantyne, Chair of Teachers’ Section Committee
Fran Hanley, Music Education Official
Diane Widdison, National Organiser for Education and Training

In February 2014 the Musicians’ Union (MU) published ‘Music Education Hubs – the real picture so far’, which described the impact of the change from Music Services to a Hub structure on the workforce.

The report summarised information collected by the MU since the inception of the Hubs in 2012 and noted detrimental changes in working conditions for teachers as well as concerns over equal access for pupils to music education.

Now, three years on from the launch of National Plan for Music Education, and with a General Election imminent, it is timely to reflect on the effect central and local policies have had on music education in England. Is the National Plan fulfilling its ambitions to end the postcode lottery for children in music education? What price are instrumental teachers paying for funding cuts and what needs to happen next to safeguard our Music Services and Music Education in England?

Firstly we do acknowledge the investment that has been made by the current Government into Music Education in England. Secondly we acknowledge some Hubs are endeavouring to do their best to support the workforce whilst still having to make very difficult decisions and there are really good examples of Hubs working hard to improve the offer to children and young people in their area. However, these are balanced out with consistent messages we get from MU members that the situation for instrumental teachers is unfortunately getting worse. Therefore after three years of implementing the National Plan we feel it is important to reflect and assess what is actually happening within Music Services and with the teachers who deliver the work.

The MU is well placed to report the impact on instrumental teachers of the Hub concept. Since 2012 we have been involved with consultations involving many Music Services, often representing members facing redundancy, and we have worked closely with the NUT and other unions to try and minimize the cost to teachers by challenging proposals to cut or reduce funding both locally and nationally. We have reported on teacher led start-ups, including Milton Keynes and Cornwall, where the MU has played an important role supporting teachers wishing to avoid being set in competition with each other and we have continued to advise and negotiate to ensure our members are able to continue their careers as instrumental teachers. Our MU Hub Rep scheme now has over 50 Hubs covered across England and it is these members who regularly report accounts of developments within their Hubs therefore providing us with a realistic picture of the generally worsening conditions which are being imposed on the workforce. The body of evidence the MU has collated stands in stark contrast to the skewed picture that selected data collection by the Arts Council offers.
The loss of appropriate and professionally recognised employment conditions for instrumental teachers is tangible and has implications. The imposition on highly qualified teachers of reduced pay along with worsened contractual arrangements and insecurity is now significantly affecting the current workforce. Unfortunately as long as music making is still seen to be happening within schools then the reality is that the decision makers seem to be simply not interested in the working conditions of those teachers delivering the work.

In the new landscape of Arts Council funding where Music Hubs are perversely more dependent than ever on central Government funding, it is understandable that criticism is rare from those involved. Music Hub leaders are challenged by the effort of delivering the National Plan whilst juggling impossible budgets and therefore, in the main, do not look closely at the resulting collapse in what was once a professional field of work.

The resulting silence about the scale of the destruction of music education in England is both dishonest and dangerously misleading. Although, as noted, the Government has invested a significant amount of money into implementing the National Plan we feel it is inaccurate for those involved in music education to infer that everything is going well and that the current level of funding is sufficient to deliver its aspirations comprehensively across the country. In fact we do not know what it really costs to deliver the National Plan because the 123 Hubs still operate in very different ways, paying their instrumental teachers widely different rates of pay and passing on a variety of charges to both parents and schools.

And what of the Music Education postcode lottery the National Plan sought to end? Reports from our members around the country tell us that it is possibly just as bad if not worse. It is not the intention of this report to unpick the efforts by different Hubs to deliver to all children, and of course, more recently to offer advice and curriculum support to schools as well. However we can reliably say that the quality of first access tuition is highly variable. What Music Hubs consider acceptable, in terms of instruments offered, length of sessions, experience and training of those teaching; how many sessions are offered and at what age children learn, combine to create a level of variability that undermines any real possibility that the postcode lottery has been addressed successfully.

**Financial cuts arising from Local and National policies**

Where once Local Authorities funded their Music Services and Government funding (Music Standards Fund) was regarded as a top up in areas where, for political reasons, local funding was absent or low, the situation is now almost entirely reversed. Heads of Music Services (de facto Hub Leaders) have widely reported that with the advent of the National Plan and the confirmation of three year Government funding, their Local Authorities increasingly see no need to provide Music Services with continued local funding. So a stream of central funding, which originally began as a stopgap, has now become the main source of public funding resulting in Music Services being more vulnerable than ever to policy change.

The rebalancing of funding for Music Hubs on a per head basis has resulted in cuts of up to 50% for Music Services not previously supported by Local Authorities. For other areas more reliant on Local Authority investment, the impact has been greater still with some areas losing up to 70% of their income and of course cuts on this scale inevitably lead to job losses. We see Music Services who lose Local Authority funding being forced into making teaching posts redundant whilst also discontinuing the use of Qualified Teacher Status (QTS) pay and conditions. Music Service restructures vary but one thing is always certain – that teachers’ terms and conditions are reduced, often along with rates of pay, and increasingly teachers are contracted as self employed freelance teachers, put on zero hours contracts on instructor or unqualified teachers pay scales or simply left to find work independently. Our members report that this can result in them losing up to half of their previous income, which of course makes their career choice unsustainable, yet we often see in these restructures the management team being protected from both job losses and pay cuts.

The consequence of these changes is that instrumental teaching is being downgraded and the professionalism of the workforce undermined. What has always been a neglected and overlooked profession, which suffered disproportionately from isolation, is now deeply fragmented, underpaid, casualised and in the spirit of the times, increasingly working in competition with one another.

It is difficult to be precise on the number of jobs lost since the last time the then Music Service umbrella body, The Federation of Music Services (now Music Mark) stated that there was a workforce of approximately 12,000 instrumental teachers in 2009. Although this included both full and part time roles it nevertheless showed that teaching for Music Services represented a significant proportion of work for musicians who teach. Between 2012 and 2015 the MU has represented members facing redundancy in over 70 music services and even with a conservative estimate we believe that between a quarter and a third of the workforce have lost their jobs.
During the summer of 2014 the MU participated in three National meetings with Music Hub Leaders as part of a series of Music Education Council events. Some Hub leaders expressed great concern over losing professionally trained and experienced teachers as well as reporting that they were reluctant in investing time and money training young recently graduated teachers only to see them leave after two or three years, disillusioned by the poor pay and limited opportunities for career progression.

This mirrors what our members are telling us in that it is becoming increasingly difficult to sustain an income as an instrumental teacher working for a Music Service. We see experienced teachers leaving the profession to work privately or outside of the Hub only to be replaced by a less skilled workforce. There is no incentive for Hubs to invest in a worker whose loyalty to the organisation is by definition limited and similarly there is no incentive for experienced teachers who can generate independent work to work for a third party where pay has collapsed and the security of employed work is becoming less likely. Thus, the demise of Music Services continues as experienced teachers leave.

**Shifting priorities**

The MU has noted the tendency for Music Services to reorganise their work around the priorities of the National Plan for Music Education. Given their diminished resources, Music Services are increasingly ridding themselves of instrumental teachers and then retaining just a small core of ‘employed’ music teachers whose role is to deliver the ‘first access programme’ otherwise known as Wider Opportunities.

Issues we see arise from this trend are:

- Insuperable pressure on the remaining teachers to deliver wider opportunities across an area.
- Loss of the skills of experienced tutors
- Less staff loyalty
- Successful progression routes being diminished.
- Lower hourly pay attracting less qualified or lower caliber freelance tutors.
- Loss of teaching team making it hard to maintain levels of service regarding quality. Music Hub Leaders, attempting to reconcile their new workforce of independent contractors and casualised workers with the reality of what the work involves are increasingly trying to exercise control which is not proportional. We see Music Hubs expecting self-employed instrumental teachers to adopt School/Hub/Music Service policies and accept the hours and rates offered with no provision for preparation and administration. These teachers are regularly expected to provide their own insurances and DBS checks as well as pension/holiday/paternity/sickness provision yet rates for those transferring from employed to self-employed status are often the same or less. Music Hubs, anxious that providing payments for the self-employed to attend Continuing Professional Development (CPD) will result in employment status claims, are beginning to expect teachers to attend training at their own expense in order to keep work. This situation can also be found with whole class teaching of instruments (Wider Opportunities or First Access) where we frequently hear from young or inexperienced teachers who are obliged to take on the work with little or no training or support and who subsequently struggle with the delivery therefore becoming quickly disillusioned with Music Service work.

These dilemmas expose the myth that teaching can be safely subcontracted. Music Service provision is already bedeviled with issues over communication. The classic issue of whether a teacher is paid or not when they turn up expecting to teach, only to find the school has not told them the children are unavailable due to exams, sports day etc. is now weighted even more firmly against the teacher who has limited recourse in these situations. Such disputes erode good will, that intangible yet essential ingredient to successful provision. Morale amongst instrumental teachers working for many Music Services is extremely low as we see unrealistic attempts to control teachers working in very challenging circumstances whilst giving them none of the benefits and security of employed work.

Examples of such control include unrealistic expectations of the activities of independent teachers and worryingly, their students. We have come across Local Authorities publishing lists of ‘licensed’ or ‘accredited’ teachers with no information being available for ‘non’ accredited teachers on how to access the scheme. We have also seen instances where only children learning with ‘licensed’ teachers are able to access discounted instrument hire or access to the Assisted Purchase Scheme therefore excluding some of their pupils who are legitimately entitled.

Another worrying trend is the introduction of schemes to observe instrumental teachers where a judgment is made as to whether their teaching is of a suitable quality or not. We have many concerns about the fairness and practical application of such schemes and although we can understand...
the aspiration of quality control by the Music Hub we continue
to make a stand about the introduction of such spurious
schemes imposed on teachers who are often self-employed
with no connection to the Music Service. Although most
Music Hubs do not charge for these schemes we have already
seen instances of the proposal of introduction of fees for the
teacher resulting in the passing of the cost of quality
assurance on to teachers.

These examples illustrate how some Music Hubs are passing
both responsibility and liability to the teachers, many of
whom derive no benefits from working for the Hub. Children
and young people deserve teachers who are well trained,
motivated, resourced and treated with the professional
respect that they deserve and we sympathise with those
teachers who feel aggrieved by the changes to their status
yet are still expected to behave like they still have all the
benefits of employment.

It is the belief of the MU that there is an urgent need for these
issues which are adversely affecting the workforce to be
addressed. Work needs to be done to establish a pay scale
that reflects the skills required and the demands made on
teachers as well as encouraging professional development
by rewarding teachers appropriately for the responsibilities
placed on them. This will not only provide a fair and consistent
structure for the profession but also allow a much more
accurate provision for funding based not only on the financial
outlay but also the skills and roles covered. Furthermore
it will facilitate the development and experience of staff within
those roles and in turn provide a more stable and professional
workforce.

There also needs to be an open and honest discussion to
look at different models of Music Service which ensure the
continuation of an organised workforce, such as co-
operatives, which can be a viable alternative to the current
system which is unsustainable in its present form.

If issues to do with the workforce are not addressed the
variability which drove the creation of the National Plan in the
first place will simply become more widespread. There are
many talented and experienced teachers leaving music
services to work privately or even leaving the profession
entirely and if we are to continue to enhance and encourage
the next generation of young people through music we need to
ensure there is a skilled and professional workforce to deliver it.

In conclusion the MU recommends an exploration
of the following:
A pay scale for instrumental teachers based on skills,
role and experience which is suitable for national adoption.

Different models considered for Music Services
which allows the continuation of an organised workforce.

A commitment from Government that funding for the
expected Music Education provision is fit for purpose and
is based on what is needed to ensure the remuneration of
a professionally trained workforce.
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