

WIRRAL COUNCIL

SCHOOLS FORUM – 25th SEPTEMBER 2012

REPORT OF INTERIM DIRECTOR OF FINANCE

PROVISION OF INSURANCE SERVICES TO SCHOOLS

EXECUTIVE SUMMARY

This report summarises the insurance and ancillary services currently made available to schools. It explains how charges are calculated and describes some of the future influences on the services.

BACKGROUND

For many years the authority has offered schools a package of insurance and ancillary services (such as claims handling, plant inspection and risk management support). With the delegation of the relevant budget several years ago, insurance is now provided as a traded service.

The package of covers has been improved and extended over time and now includes -

Liability (Public / Employers / Officials Indemnity / Libel and Slander)

Property (Buildings and contents)

Equipment

Business Interruption (increased cost of working and loss or revenue)

Money

Fidelity Guarantee

Engineering (Inspection and Insurance)

Personal Accident

Motor

Glazing

Additional services have also been introduced. These include a 'risk ranking' programme supported by the Department for Education through which schools are visited to assess their management of a range of insurable risks. The assessment is scored, resulting in each school being ranked against the others. An individual report is also prepared highlighting areas of good practice and issues requiring improvement.

CURRENT POSITION / UPDATE

At present all primary (both controlled and voluntary aided) and special schools purchase their insurance through the authority. Other than academies, all secondary schools also buy into the authority's insurance programme.

Under the Government's 'Academies' programme half of the secondary schools have now converted to academy status or are in the process of doing so. The legal status of such schools means that they cannot participate in the authority's existing insurance programme. However academies have been taking advantage of the facility under which the authority's Risk & Insurance team can support them with procuring cover from respected insurers and continue to assist with claims handling and the provision of insurance and risk management advice in a similar way to before. It is important to note that the

insurance costs for an individual academy are significantly higher than for schools covered by the authority's programme. On average schools converting face a doubling of their costs in this area.

More schools are expected to become academies in the coming years. Whilst this should reduce the exposure to loss under the authority's insurance programme, the effect is not necessarily pro-rata. So charges for those schools that remain in the common 'pool' could increase as economies of scale reduce.

FUNDING

Individual charges are calculated for each type of insurance for each school. The method of calculation has been refined over the years to ensure equity for each school. For the major classes of business the premium comprises two main elements - the value at risk (such as building values or payroll) and the school's claims experience. For some minor classes of business (such as glazing) the premium is essentially determined by the claims history. The Risk & Insurance team recovers its charges by adding an on-cost (9.1% in the current financial year) to each school's total premium.

Based on 2012/13 figures average costs for different categories of school range from £3,400 for an Early Years Centre, £5,500 for primary and special schools up to approximately £24,100 for secondary schools. The average for schools in the authority's PFI programme is around £4,000, in recognition that risks are shared with the PFI partner.

Overall insurance costs for schools have fallen sharply in the past 3 years as a result of better procurement, more effective management of risk and improved claims handling. Several major contracts including insurance for buildings and contents are subject to tender before June 2013. Despite this overall costs are expected to remain broadly stable. However it should be borne in mind that the charges for an individual school can fluctuate from one financial year to the next according to its size and claims history. As indicated above the growth in academies could also place upward pressure on charges for remaining schools.

DELEGATION TO SCHOOLS 2013-14

Most insurance costs have been delegated to schools for some time. However as part of the funding arrangements for voluntary aided schools, the centrally held Schools Budget meets the cost of liability insurance for governing bodies - £65,400. Cover is arranged by the relevant Diocese and schools formally apply for reimbursement of their premiums, providing evidence of the sum paid.

This budget will be delegated to all schools from 2013-14, unless Schools Forum representatives agree otherwise. This item is covered elsewhere on the agenda as part of the School Formula Funding Consultation.

RECOMMENDATIONS

That the report be noted.

Peter Timmins
Interim Director of Finance