<u>DRAFT</u>

Treatment of Insurance from 2014/15

1. The Current Position

Under the new funding reforms introduced from April 2013, Insurance must be delegated. However in the case of Primary and Secondary maintained schools only the LA can propose 'de delegation' ie that it remains centrally managed. BCC proposed de delegation for 2013/14 and the primary and secondary maintained school representatives on Schools Forum agreed.

In the case of maintained Nursery and Special schools insurance is delegated and BCC simply charges them for the cost for still being covered by the authority's insurance cover

The scope and coverage provided by BCC is set out in Appendix 1

2. The Change from 2014/15

BCC will not propose de delegation for 2014/15 i.e. the insurance budget for primary and secondary maintained schools will be delegated. The change in approach (as set out in the report to Schools Forum on 12th September 2013) has been dictated by the fact that the cost of insurance in primary and secondary maintained schools is £2.242m for 2013/14. However the budget is currently only £1.705m as a result of schools becoming academies and taking a share of the insurance budget with them. As such there is an immediate funding shortfall of £0.537m for 2013/14.

The City's Insurance officer advises that the reasons for insurance costs not yet reducing are threefold, namely:

- The numbers of schools that have become academies to date is insufficient to trigger a material reduction in premium costs.
- Any savings that do materialise are being offset by inflation increases in annual premiums, increases in building valuations and the addition of completed new build constructions.
- The historic value of liability claims, particularly those covering employee injury and disease which can be received some period after the event, coupled with the general increase in damages awarded by the Courts means that there will not be an immediate reduction in insurance costs.

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In view of the above we anticipate that insurance costs will continue to be at the £2.242m level for 2014/15. As such given the existing and growing disparity between actual costs and an ever reducing budget it is not viable to sustain 'de delegation' – particularly as the school funding regulations do not permit us to increase the insurance budget to be able to maintain it centrally

In practical terms delegation of the insurance budget will be consistent with other maintained schools. and academies.

3. What will this mean

All BCC maintained schools (Nursery, Primary, Secondary and Special) will continue to be covered by BCC's insurance arrangements and benefit from the cover set out in appendix 1 – unless they specifically opt out and wish to make their own arrangements. BCC will, from 2014/15, charge individual maintained schools based on a banding framework as set out below.

| Band - Pupils | Band Value £ |
|---------------|-----------------|
| 0-150 | 2,500 |
| 151 - 300 | 4,000 |
| 301 - 450 | 7,500 |
| 451 - 600 | 10,000 |
| 601 - 750 | 15,000 |
| 751 - 1000 | 19,500 |
| 1001 - 1250 | 24,500 |
| 1251 - 1500 | 29,500 |
| 1501+ | 37,000 |
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The charges have been set at a level that will enable BCC to fund the provision of insurance but are below what an external provider may charge on a like for like

basis. For example some indicative comparisons with what schools could expect to pay if they procured insurance from an external provider are:

- £8,550 for a primary school of approximately 190 pupils
- £14,500 for a primary school of approximately 600 pupils
- £29,500 for a secondary school of approximately 800 pupils
- £49,000 for a secondary school of approximately 1700 pupils

It is to be noted that the actual premium from an external provider will also factor in the claims history of the schools concerned (which BCC will be obliged to provide) and as such premium costs from external providers could be higher than the 4 examples quoted above

4. Actions

- Maintained Schools will need to notify the LA in writing by the end of January 2014 if they wish to opt out of BCC's insurance arrangements and make their own provision. The letter will need to be signed by the Head teacher and Chair of Governors
- If maintained schools opt out, they must:
 - a) arrange insurance cover from 1st April 2014 that includes all the areas set out in Appendix 1.
 - b) Send the City's Insurance officer (Mr Dave Evans) a copy of the Insurance schedule by 31st March 2014 at the latest to the following address:

Insurance Section Zone 2 Ground Floor PO BOX 16340 10 Woodcock Street Birmingham B2 2XR

- Failure to do the above will still result in a charge to the school (based on the banding above)
- Schools who wish to remain under the BCC Insurance umbrella do not have to do anything. They will receive a charge based on the relevant banding value.

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