

**Annual revision of the sickness and supply scheme**

Report of the Director of Children Schools and Families

Author: Cheryl Faint  
Tel: 01992 555946  
Executive Member: Keith Emsall

**1. Purpose**

- 1.1 To inform members about the current financial position of the Sickness and supply scheme (“the scheme”) and its ongoing operation.
- 1.2 To seek approval from the Forum for proposed increases in the benefits to be provided by the scheme in 2008-9 and the proposed premiums to be charged.
- 1.3 To seek approval for the extension of a 0 waiting day option to Special schools.

**2. Background and current operation**

- 2.1 The Scheme is a mutual non profit making insurance scheme, currently administered on behalf of the Authority and schools by Serco. The Scheme provides Hertfordshire schools with an alternative to either no insurance or insurance via a commercial insurer for protection against the high risks associated with sickness and supply costs.
- 2.2 All Hertfordshire schools, whatever their history or sector, are allowed to join. They have the option to insure any or all of the following categories of staff but must pay a premium on all members of staff they employ in each insured category. The categories are;
  - a) Teaching staff
  - b) Non teaching staff
  - c) Nursery nurses

- 2.3 Benefits are payable per academic day of an employee's absence, after the selected number of days have elapsed. This can be for 2,5,10 or 20 days although Primary and Nursery schools have an additional option of 0 waiting days. It is proposed that the 0 waiting day option is extended to Special schools.
- 2.4 Special schools pay a marginally higher premium when compared to the secondary, ESCs and primary sectors.

### 3. Recent History

- 3.1 The Scheme has made a significant recovery from its 2004-6 deficit balances and started 2006-7 in credit. The recovery has continued through 2006-7.
- 3.2 A major source of the recovery in the fund has been the Primary and Nursery sector. To recognise this, this sector received the lowest increase in charges (3%) for 2007/8. For 2007/8 the Secondary sector saw an increase in both benefits and premiums of 4%. Special schools, as net beneficiaries of the Scheme, saw an increase of 5% in their premiums. All sectors currently receive the same benefit of £160 per day.
- 3.3 Late claims had been identified as one of the management issues of the Scheme. In order to further tighten controls, it was agreed with Schools Forum that from 2007-8 Serco be limited to apply discretion for claims received up to two weeks after the three month deadline and that any claims after this time for which there are extenuating circumstances be referred to School Funding. Only one case was referred to School Funding during 2007-8.
- 3.4 The recent history of the fund is set out in the table below:

£'000	Actual 2002-03 @ 31.03	Actual 2003-04 @ 31.03	Actual 2004-05 @31.03	Actual 2005-06 @31.03	Actual 2006-07 @31.03
Balance brought forward	562	263	(465)	(197)	542
Premiums received	3,082	3,148	3,239	3,419	3533
Total claims	(3,423)	(3,897)	(2,975)	(2,730)	(2810)
Administration fee	( 31)	( 32)	(33)	(34)	(35)
Interest	72	52	37	84	120
Surplus/ (deficit) in year	(299)	(728)	268	739	808
Balance carried forward	263	(465)	(197)	542	1350

- 3.5 The estimated balance of the Scheme at 31<sup>st</sup> July 2007 was £1,506K. This is after adjustment for claims relating to the period to July but paid in the three months after 31<sup>st</sup> July and the apportionment of annual premiums based on a historic profile of sickness absence throughout the year, (24% of sickness absence was incurred between April and July in the historic data set, therefore 24% of premiums were applied to the period). If the premiums had been apportioned on a calendar day basis the estimated balance at 31<sup>st</sup> July 2007 would be £1,841K.
- 3.6 There has been no formally agreed target for the level of balance carried by the scheme. Clearly it would be inappropriate for the balance to become too high. It is recommended that the target balance should be between 30% to 50% of annual premiums in order that 2 years of adverse claims can be afforded. The balance at March 2007 represents 38% of annual premiums, which is in the centre of this range.

#### 4. Membership of the Scheme

- 4.1 The table below shows the take up of the scheme in 2007-8. Membership of the Scheme remains stable. The main patrons of the Scheme continue to be the Primary, Nursery and Special schools.

##### Membership of the Scheme – Premium analysis 2007-8

		Teaching		Non teaching		Nursery Nurse	
	Schools in sector	Schools in scheme	Schools in scheme	Schools in scheme	Schools in scheme	Schools in scheme	Schools in scheme
Secondary	82	11	13.4%	3	3.7%		n/a
Nursery	15	15	100.0%	11	73.3%	15	100%
ESC	9	4	44.4%	3	33.3%	0	0%
Special	25	21	84.0%	15	60.0%	12	48%
Primary	405	385	95.1%	244	60.2%	189	47%
Total no of schools	536	436		276		216	
Total % of schools		81%		51.5%		40%	
Staff (fte)		4666.81		2524.21		293.1	

#### 5. Data Comparison of benefits and payments in year

- 5.1 The table below analyses the net in year difference between premiums and benefits by sector over the last 5 years.

	Primary & Nursery	Secondary & ESCs	Special	Total
2002-03	( 53)	(38)	(196)	(287)
2003-04	(308)	(126)	(269)	(703)
2004-05	304	7	(47)	264
2005-06	683	29	(24)	688
2006-07	664	120	(61)	723
Overall Total	1290	(8)	(597)	685

- 5.2 Special schools continue to be substantial net beneficiaries of the scheme with an 154% increase in their net claims against the Scheme during 2007-8.
- 5.3 The Primary sector continued to be the major contributor to the Scheme. There was a marked drop in claims from the Secondary sector during 2006-7 which has led to the increase the net contribution from the Secondary sector during the year.
- 5.4 The Scheme has seen a steady improvement in its financial position. However, the table demonstrates how volatile the inherent level of risk is in the management of a sickness and supply scheme.

## 6. Premiums and benefits for 2007-8

- 6.1 The increase proposed for 2008/9 are outlined in the table below. These recognise the relative contribution to the Scheme over the last 5 years.

Sector	Benefits	Premiums
Primary and nursery	+3%	+2%
Secondary and ESCs	+3%	+3%
Special	+3%	+5%

- 6.2 The Forum is asked to endorse the above increase in benefits and premium rates to take effect from April 2008.

## 7. Extension of 0 day waiting option to Special schools

- 7.1 It is proposed that a 0 waiting day option is offered to Special schools for teaching staff only. 63% of all claims from special schools relate to teachers. This option is currently only available to the Primary and Nursery sector where there are less than 100 pupils (fte) on roll. The new Special School Funding model does not specifically include funding for supply purposes but does give additional funding element per teacher to allow supply cover to be purchased. The model provides an element inline with the 2 day waiting option to be selected on non-teaching staff.

- 7.2 15 of the 21 Special schools who are currently members of the Scheme selected the 2 waiting days option. If all of these schools had selected a 0 waiting day option at a charge of £1430 (£1500 less the proposed 2008/9 increase of 5%), the premiums received would have increased by £694 per insured teacher. This would have generated an additional £142k in premiums.
- 7.3 Likewise, if all the claims for those Special schools who had selected 2 days waiting period option in 2006/7 had been payable at 0 waiting days, this would have increased payments by £52k, leading to a net contribution to the scheme of £90K. 95% of all claims from the Special school sector were for absences of over 2 days. It is therefore not anticipated that the 0 waiting day option will undermine the financial viability of the Scheme. However it is not known whether there are absences of 2 days or less which are currently unreported.
- 7.4 The new special school Funding model includes a funding element of £1500 per FTE teacher for supply insurance purposes selecting the 0 waiting day option. It is therefore proposed that the 0 waiting day option premium be £1500 to match the new funding arrangements.
- 7.5 The Forum is asked to approve the proposal to extend a 0 waiting day option for teaching staff to all Special schools and to agree a charge of £1500 per fte teacher.

## **8. Future arrangements for the Scheme.**

- 8.1 The Authority is currently considering the inclusion of the management and administration of the Scheme with that of the main insurance portfolio of the Authority. It is planned that any proposals for the change to management arrangements be brought before Forum at an appropriate point.

## **9. Conclusion**

- 9.1 The financial position of the Scheme has continued to strengthen throughout 2006-7. However, the history of the Scheme reminds us of the inherent high risk in providing insurance cover for sickness and supply.
- 9.2 The Forum is asked to endorse the proposed increases to benefits and premiums for 2008-9 and to extend the 0 day waiting option to Special schools in line with the new Special School Funding model.
- 9.3 Approve the target that the scheme balance should be within 30% to 50% of annual premiums.