Schools Cover for Absence Mutual Fund

- All Local Authorities were obligated to delegate Cover for Absence budgets to schools with effect from 1st April 1999. There was no discretion or power to retain budget centrally.

- During May 2000, David Blunkett Secretary of State for Education wrote direct to Headteachers asking them to achieve a reduction in teaching staff sickness on the 1999 rate of 20% by the end of 2001 and a 30% reduction by the end of 2002.

- In response to the delegation of budgets, schools where consulted on whether they wished to establish a Mutual Fund and the terms under which the scheme would operate. Just over 93% of respondents indicated that Governors would be recommended to join the Mutual Fund and consensus of replies determined other conditions. Importantly, at that stage, 50.5% of respondents indicated that the Fund SHOULD NOT provide discounts.

- In addition, the scheme details clearly indicated that the Fund would be "balanced" at the end of each financial year, with Member schools equally sharing the cost of a "deficit" or gaining a benefit from a surplus. The balance would be allocated pro rata to payment contributions to the Fund.

- There is no capacity to carry-over balances at year-end. The Fund operates outside of the control of the Local Authority and there is no capacity for this item to be recorded within its accounts. Questions have been raised about carrying forward year-end balances and notwithstanding the above, this could have created significant problems if it had been effected. Two years worth of deficit would now amount to £860,531 and with a potentially ever-decreasing membership, the burden of financing this would prove too great.

- Over the past three years, membership of the Fund has significantly reduced. The major block of schools who have left the Fund are primary schools, with low levels of sickness, who make no claims and continually faced increasing costs. In these instances, private insurers can offer very competitive insurance premiums.

- The scheme operates under a number of conditions, namely :-

    - It is wholly managed by seven headteachers (3 primary, 3 secondary and 1 special school representative;
    - It is operated on a non-profit basis and fully self-funded by member schools;
    - The County Council has minimal influence on its operation. There are no central costs levied on the Fund for supporting it and the terms of the scheme are determined by consultation with Headteachers.

- As a result of membership falling significantly during each subsequent year of operation , the Headteacher Board consulted on the terms of the scheme, specifically in terms of providing a financial benefit to low or zero claimant schools. Consequently, the terms of the Fund will be amended with effect for the forthcoming financial year, to provide the following :-

    - Schools that are low or zero claimants will either receive a greater share of any surpluses that are generated or receive limits on deficit surcharges;
    - Schools will buy into the Fund for a fixed period of three years;

  It is hoped that by making this change, schools will be encouraged to rejoin the Fund.

- The Fund will only continue to operate as long as school demand remains. If the Fund ceased to exist, schools would be left with two choices, to enter into private insurance or bear the cost of absence from delegated budgets. There is evidence that a number of schools with high levels of sickness have been unable to enter into a private insurance facility as a result of the high risk. Private insurers clearly only provide a service where a profit can be generated. Therefore, private insurers will either offer a lower level of cover than compared to that provided by the Mutual Fund (generally with a range of exclusions) or charge significantly higher rates than those of the Fund.

- Schools, especially small primaries, are encouraged to arrange insurance cover as opposed to taking the risk on delegated budgets. As case existed within the East Devon area whereby a primary school joined the Fund during 1999/2000, at a cost of a few thousand and received reimbursements totalling well in excess of this figure. At the budget decision taking stage, and after notification that a surcharge was likely that year, the Headteacher and Finance Governors decided to take the risk of absence on their delegated budget and returned a form to that effect. During the middle part of the financial year, two members of the teaching staff succumbed to a stress related illness that resulted in significant absence from the school. The Head requested membership to the Fund, despite submitting a membership form that clearly indicated their willingness to take the risk. After consideration by the Headteacher Board, the school's request to join was refused and the school faced a significant cost on their delegated budget as a result.

- In terms of private insurance, following recent discussions with schools who entered into such agreements, the experience appears to be mixed. Some schools who suffered staff sickness have faced either substantially increased costs or the cessation of provision by insurers. However, in order to maintain a balance, there are clearly a number of schools who continue to secure significant cost savings from private insurance.

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15th January 2002