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**By:** Keith Abbott, Director of School Resources

**To:** Schools Forum

**Subject:** School Personnel Service (SPS) Excepted Items

**Date:** 8<sup>th</sup> March 2013

<p><b>Summary</b> This report sets out the financial position/options for SPS Excepted items and whether to continue delegation to schools in the current form or determine an alternative scheme.</p>
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### **Introduction**

Following the delegation decisions by Cabinet in 2011, SPS (Excepted items) was one of six services to have their budgets delegated to schools. Through a buy back process undertaken last year many schools chose to retain SPS as a service provider and this will continue until March 2104.

The SPS Team manages the budget for 'Excepted Items' on behalf of the ELS Directorate. This includes reimbursement for schools covering staff that are subject to Maternity leave, Suspension, Jury service and public service duties.

Unfortunately, over the last three financial years the budget has been overspent each time in excess of £500k for 2010 and 2011 and £270k in 2012, Appendix 1 provides the detail of the budget. Please note the drop last year was due to Schools converting to Academies as no purchase of Excepted items is allowed. This was an issue that most concerned schools, especially Primaries which is why the decision to delegate was taken but maintained the Maternity scheme as is.

### **The Current Position**

Members in the current year have maintained the status quo to ease delegation but were keen that alternative options were needed for 2014/15 as it was not sustainable to continue the existing process and risk another large overspend.

Four options have been considered initially:

**1)** The first was to see if any Insurance Companies would look at this if Kent went out to tender the rationale being that the Company takes the risk although the premiums could too high and probably a lot higher than the amount that would be delegated to each school. The school would then need to make a decision as to whether to buy this 'insurance', or take the risk and cover its own staff maternity, jury cover etc.

However, following lengthy discussions with our Strategic Sourcing & Procurement Team they have informed me that essentially insurers would price on known spend, suitably inflated for RPI, together with a further risk premium and add on their costs and profits.

They have spoken to Steve Street at Gallagher Heath Insurance regarding the plausibility of insuring KCC against financial losses incurred from the cost of 'Excepted Items'. Unfortunately, on the basis that as a service it is already incurring a regular financial loss, Steve has assured the Procurement Team that insurance brokers will consider the risk of KCC making a claim too high for them to agree to provide the relevant insurance.

Taking this one stage further we actually investigated one Insurance Company and asked what the costs would be. If you see the attached table (Appendix 2) it shows what one Primary, Secondary and Special School would receive as their budgets and what it would cost them to be covered by this Company.

You will note that the figures are too price ably high to be really considered as a valid option.

**2)** The second option was to develop an internal 'pool system' which is a process that has been run by several LA's for many years and in this instance SPS would retain the administration of their service and the schools could pay the amount that has been delegated to them in this respect back to KCC and SPS would pay out against the claims received.

However, because these activities have been overspending it would be unlikely that SPS could pay out 100%. If this scheme was to be put in place it wouldn't matter how many schools paid in as only those paying into the scheme could claim. The end result may well be that each school would only get a percentage of each claim.

Attached is a table (Appendix 2) showing an analysis of the last four years expenditure, the figure to note is in the last column showing the percentage proportion that could be paid out on the assumption all Schools bought back the service.

**3)** The third option is to consider running our own similar style Insurance scheme whereby we offer a policy and the School would select an excess say no claim for the first 3 days. This may result in the budget not being overspent but further detailed work on this would be needed.

**4)** The remaining option is to retain the current system and continue to subsidise the scheme which in the current financial climate is a realistic possibility.

### **Next Steps**

If we are to make changes for 2014/15 then there is a timetable that needs to be followed if Schools are to renew their contracts, so ideally we need to inform them before the end of September and certainly need to talk about this issue over the next few months.

### **Recommendations**

In reality option 2 and 3 would appear to be the only practical options and we will be developing options around both of those but would welcome Forum's views on all the above.

Keith Abbott

Director of School Resources