

HEREFORDSHIRE SCHOOLS FORUM

Briefing note to explain the Capital Maintenance allocation of a £300,000 contribution to insurance in addition to £250,000 for an emergency contingency.

Background

The Herefordshire Schools Forum has been advised of the schools' capital funding allocations for 2011/12.

The Capital Maintenance budget for Community, Voluntary Controlled, Foundation and Trust schools has been spent in the following areas:

	<u>£000</u>
Roof repairs/replacement	758
Fire precautions	21
Electrics/Lighting upgrades	314
Replacement doors/windows/curtain walls	263
Boiler replacement/heating	180
Damp proofing	35
Insulation	75
Asbestos removal	170
Oil tank replacement	30
LPG Tank safety	30
Legionella prevention	60
Lift upgrades	80
Energy Trend System	50
Condition surveys	80
Contribution to insurance	300
Emergency contingency	<u>250</u>
	2,696

Purpose of allocations

Contribution to insurance - £300k.

In 2010/11 Herefordshire Council operated a self funding mutual insurance scheme for schools and unusually liability for claims was unlimited. For many years the scheme has operated successfully with premiums and claims for building repairs balancing. However the serious floods in summer 2007 created a significant call on the available funding which was further exacerbated by the number of claims rising from the unprecedented cold weather over the Christmas and New Year period in 2010/2011. The funds available to carry out the

necessary repairs through the mutual insurance scheme were inadequate. The cost of the repairs was £600k above the funds available through the mutual insurance scheme.

To cover this £600k loss, a number of options were considered including use of DSG. The most appropriate option and the option which would have least direct impact upon schools, was deemed to be use of the Capital Maintenance grant. As the claims were for capital works to school buildings, the relevant source of funding to meet the required £600k was the Capital Maintenance grant. A £300k allocation was therefore made in 2011/12 and a further £300k committed for 2012/13, to spread the impact over two financial years.

The mutual insurance scheme has been reviewed by the council's actuaries and is now underwritten by a "stop loss" insurance policy to minimise future liabilities. In addition, premiums in 2011/12 were increased to re-establish the claims fund to provide for the future. Premiums were reduced in 2012/13 and in future the scheme will operate on a more realistic and robust basis. Schools that have contributed through the higher premiums in 2011/12 will benefit from reduced costs in future although it is recognised that some schools have opted to buy insurance direct from the market.

The Local Authority continues to provide advice to schools on steps that should be taken to mitigate damage to school buildings, especially during prolonged periods of severe cold. Schools can help reduce the costs of insurance by following the advice given.

Emergency contingency - £250k

The Local Authority allocates the Capital Maintenance grant each year in order to meet the highest priority condition items across the Local Authority maintained building stock. Priorities are identified through building condition surveys and with the professional advice of Property Services officers.

The emergency contingency of £250k is to mitigate the risk of needing to carry out unplanned and urgent building maintenance work where it is necessary to ensure continuity of educational provision at a school or schools. This would only apply to work that is not chargeable to the mutual insurance scheme, i.e. work which has not previously been identified as a priority or has become more urgent following a condition inspection, rather than an 'incident' claimable on insurance.

Rob Reid
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