

## SCHOOLS FORUM

24<sup>th</sup> January 2013

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### Supply Pool Insurance Scheme

#### Purpose of the paper

1. To raise School Forum's awareness of the current position of the Supply Pool Insurance Scheme and to seek agreement for the payment of "cashback" to schools for 2012-13
2. To consider whether cover for maternity leave should be incorporated in to the scheme in future years.

#### Background

3. The Supply Pool Insurance scheme has been running for a number of years providing schools with insurance cover for sickness absence. A cashback arrangement is in place whereby if a schools total year's claims are less than 50% of their premium, they will be entitled to a cashback payment of 50% of the balance (see paragraph 11d for further details). In 2011-12 there was sufficient balance remaining in the pool to enable that cashback to be increased to 100% of the difference.
4. The forecast balance on the Supply Pool at the end of 2012/13 is £1.277m (estimate as at 2 January) assuming 50% cashback of £0.068m to be distributed in June 2013 in accordance with the scheme. The projected balance would be £1.208m if 100% cashback is paid of £0.137m. See Appendix A for details of estimated cashback payments.
5. The Supply Pool is underwritten by external insurers, which provides protection under a Stop Loss policy to the extent that if claims exceed the underwriter's advised retained layer (set at £774,661 in 2012/13), the Local Authority can invoke the policy which will then cover further claims up to £300,000 in excess of the retained liability. It should be noted that stop loss cover does not apply to employees suspended without a sick note as this is a local arrangement.
6. Officers believe that it would not be prudent to retain a balance of less than £1m.

#### Main Considerations

7. The aim of the proposals set out below is to encourage schools to remain loyal to the LA SPI Scheme and to encourage new schools to join the scheme. Currently there are 153, 76% schools participating in the SPI Scheme, plus 7 academies.
8. On the basis of the estimated balance at the end of 2012-13 it is anticipated that cashback payments can be made at least to the level prescribed in the scheme (50% level) or at a higher level up to 100%.
9. The Supply Pool Insurance scheme does not currently extend to meet costs of covering maternity leave. Following the recent consultation with schools on the delegation of centrally held budgets from April 2013, some schools fed back that it is difficult to

purchase cover for maternity without also having to purchase cover for sickness. Whilst the maternity budget will continue to be held centrally on behalf of maintained primary and secondary schools for 2013-14 it will now be delegated to maintained Special Schools as well as to academies.

10. As a result Schools Forum is asked to consider whether in future years the scheme should be extended to cover maternity leave (including paternity and adoption leave) in line with other commercially available schemes. This is not something we can arrange to be covered from April 2013 but work could be carried out to look at the feasibility, costs and risks of extending the scheme with proposals brought back to Schools Forum later in the year. Initially cover could be extended to academies and special schools but maintained primary and secondary schools could also be included if the maternity budget were to be fully delegated. This would allow more choice to schools when considering whether the central maternity budget should be delegated in line with the principles of school funding reform. It would also present an opportunity to increase participation in the scheme and mitigate a potential risk of loss of business if we don't cover maternity in the future.

### **Proposals**

11. a) to offer 2013/14 Premiums at a 0% increase on 2012/13's prices.

b) Cashback payments should continue.

c) Start investigating extending the scheme to cover maternity in future years..

d) As above in para. 3 we have estimated the pool to be safely above the desired level to be able to afford the 2012/13 cashback in June 2013. This is estimated to leave £1.345m. This is £0.345m above our considered prudent retained level (£1m). This would enable Schools Forum year to increase the cashback calculation as set in the 2012/13 policy from 50% of the balance between claims and 50% of the premium, to be referred to as "standard cashback" to 100% of the balance, or "enhanced cashback" as in 2011/12

The formula to calculate the cashback is 50% of Schools premium-claims/divided by 2 = cashback balance e.g.

	Schools premium	<u>£10,000</u>
	Calculate 50% of premium	£ 5,000
	Minus claims for financial year	<u>-£ 1,000</u>
<b>Cashback =</b>	<b>Balance (100%) (Enhanced)</b>	<b>£ 4,000 (a)</b>
<b>Or</b>	<b>50% of the above balance (standard)</b>	<b>£ 2,000 (b)</b>

12. The balance on the pool, at the end of 2013-14 is estimated to be £1.427m or £1.496m dependant on which option is chosen:

	100%	50%
	<b>A £m</b>	<b>B £m</b>
Opening balance April 2013 (incl June 2013 cashback)	£1.208	£1.277
Premiums (12/13's figure)	£0.889	£0.889
Stop loss cover	-£0.042	-£0.042
Admin	-£0.014	-£0.014
11/12 Claims	-£0.556	-£0.556
11/12 Claims paid in 2012/13	-£0.058	-£0.058
<b>Closing balance @ 31 March 2014</b>	<b>£1.427</b>	<b>£1.496</b>

### **Recommendation**

13. Schools Forum is asked to:

- a) Agree the proposals set out in this report, paragraph 8a) to c)
- b) decide the basis of the cashback calculation ie enhanced (a) or standard (b)

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Unpublished documents relied upon in the production of this Report: NONE

Environmental impact of the recommendations contained in this Report: NONE KNOWN

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