

SCHOOL FUNDING WORKING GROUP

January 2014

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.
2. To agree the basis of any cashback allocation for 2013/14

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 (see paragraph 8d for further details).
4. The forecast balance on the Supply Pool at the end of 2013/14 is £1.366m (estimate as at 16 December) assuming standard cashback of £0.125m to be distributed in June 2014 in accordance with the scheme (based on all schools eligible for the cashback rejoining the scheme in 2014/15). The projected balance would be £1.240m if enhanced cashback is paid of £0.251m. 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 £788,377 in 2013/14), 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 152, 79% schools participating in the SPI Scheme, plus 8 academies.
8. On the basis of the estimate balance at the end of 2013-14 it is anticipated that cashback payments can be made at least to the level prescribed in the scheme (standard level) or at an enhanced level up to 100%.
9. The Supply Pool Insurance scheme does not currently extend to meet costs of covering maternity leave. Whilst the maternity budget will continue to be held centrally on behalf of maintained primary and secondary schools for 2014-15 it is delegated to maintained Special Schools as well as to academies.

10. As a result Schools Forum asked us to investigate 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 2014 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 in June 2014. Initially cover could be piloted six month period (September 14 – March 15) to academies and special schools.

Proposals

11. a) to offer 2014/15 Premiums at a 0% increase on 2013/14'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 2013/14 cashback in June 2014. This is estimated to leave £1.492m. This is £0.492m above our considered prudent retained level (£1m). This would enable Schools Forum year to increase the cashback calculation as set in the 2013/14 policy from the standard to the enhanced rate as in 2012/13

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>
Cashback =	Balance (100%)	£ 4,000 (a)
Or	50% of the above balance	£ 2,000 (b)

12. The balance on the pool, at the end of 2014-15 is estimated to be £1.544m or £1.670m dependant on which option is chosen:

	Enhanced	Standard
	A £m	B £m
Opening balance April 2014 (incl June 2014 cashback)	£1.240	£1.366
Premiums (13/14's figure)	£0.923	£0.923
Stop loss cover	-£0.042	-£0.042
Admin	-£0.020	-£0.020
12/13 Claims	-£0.530	-£0.530
12/13 Claims paid in 2013/14	-£0.027	-£0.027
Closing balance @ 31 March 2015	£1.544	£1.670

* Admin costs have increased from £0.014 due to increase hours from 1 Jan 2014

Recommendation

13. Schools Forum is asked to:
- a) Agree the proposals set out in this report, paragraph 8a) to c)
- b) To 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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