

## Schools Forum

January 2015

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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.
2. To make recommendations relating to cashback for 2014-15.

#### **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 2014/15 is £1.174m (estimate as at 6 January assuming standard cashback of £0.122m to be distributed in June 2015, in accordance with the scheme (based on all schools eligible for the cashback rejoining the scheme in 2015/16). The projected balance would be £1.051m if enhanced cashback is paid of £0.245m. 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 £735,988 in 2014/15), 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. In 2013-14 we breached into the retained layer and received a cheque for £11,388 from the top loss cover.
7. Officers believe that it would not be prudent to retain a balance of less than £1m.

#### **Main Considerations**

8. 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.
9. On the basis of the estimate balance at the end of 2014-15 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%.
10. 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.

11. 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 still not something we can arrange to be covered from April 2015.

### Proposals

12. The following are proposed to Schools Forum;

- a) to offer 2015-16 Premiums at a 0% increase on 2014-15'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 2014-15 cashback in June 2015. This is estimated to leave the pool balance at £1.174m. This is £0.174m above our considered prudent retained level (£1m). This would enable Schools Forum year to increase the cashback calculation as set in the 2014-15 policy from the standard to the enhanced rate as in 2013-14.

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%)</b>	<b>£ 4,000 (a)</b>
<b>Or</b>	<b>50% of the above balance</b>	<b>£ 2,000 (b)</b>

13. The balance on the pool, at the end of 2015-16 is estimated to be £1.544m or £1.670m dependant on which option is chosen:

	Enhanced <b>A £m</b>	Standard <b>B £m</b>
Opening balance April 2015 (incl June 2015 cashback)	£1.051	£1.174
Premiums (14/15's figure)	£0.888	£0.888
Stop loss cover	-£0.042	-£0.042
Administration	-£0.042	-£0.042
Claims - estimated	-£0.646	-£0.646
<b>Closing balance @ 31 March 2016</b>	<b>£1.209</b>	<b>£1.332</b>

### Recommendation

14. 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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