



**ALARM's response to the Department for  
Education's consultation on:**

**Extending the academies' Risk Protection  
Arrangement (RPA) to Local Authority Maintained  
Schools (LAMS)**

**4<sup>th</sup> November 2019**

## **About ALARM**

ALARM is the voice of professionals managing risk and insurance, within local government, education, housing, and central government agencies. ALARM offers its members support, networking, training and recognition for their excellent work serving public services and our communities. The association is achieving this through developing and establishing best practice in public services risk management.

## **Summary**

ALARM has engaged with members in order to respond to the Department for Education's consultation on extending the Risk Protection Arrangements (RPA) for academies to Local Authority Maintained Schools (LAMS).

The service currently provided to schools goes beyond just arranging insurances. The service includes risk management advice, claims support and handling, and site inspections to assist in identifying and managing operational risks. Councils and insurers also support and project manage responses in the event of a major loss.

There is a potential impact on jobs in council teams that support schools from a risk management and insurance perspective: has consideration been given to the impact on these jobs? In some councils, with large volumes of schools, it may mean having to make people redundant, with all associated costs: will the Department for Education compensate councils for this? Councils may potentially lose skills and expertise needed in other areas of the organisation to support wider risk agendas.

Based on these points, and the further detail below, ALARM does not support extending the scheme to Local Authority Maintained Schools. In addition, ALARM responded to points raised by the RPA in relation to ALARM's initial response to the consultation, however, to date there is still a lack of evidence to substantiate work suggested to be carried out by the RPA.

## **Current insurance arrangements and procurement**

The current insurance market for public sector risks, including education risks, is healthy and competitive. The market has greater choice and competition than it had when the RPA was originally founded: even at that point the market worked well, with good competition for education risks.

Councils currently review costs on a regular basis. Insurance is procured in line with OJEU requirements issuing a tender to the market. The 'market' currently includes these insurers:

- Maven (Aviva/XL)
- Protector
- Risk Management Partners (AIG/QBE)
- Travelers

- Zurich Municipal.

The tender process means insurers are competing against each other, which drives competition for service expertise and price.

Removing schools from the council's insurance package will have a direct cost implication on premiums such as material damage. However, it is likely councils will not see any significant reduction in liability insurance premiums, which will affect councils' wider insurance package and cost increases for remaining services.

In addition, the price quoted for schools to join the RPA does not reflect all insurance and risk services to schools. Has the impact on schools been considered if councils no longer offer additional services or insurances not covered by the RPA?

### **Advice**

Through the insurance team within a council, a council's insurance consultants and in turn insurers, schools receive a great deal of advice, guidance and best practice. This is on managing risk, day to day on site, off site on trips, and outings. As well as operational guidance, risk advice is given on strategic matters. From what has been shared under current proposals, it looks like such advice would be extremely unlikely to be replicated,

This broad advice and insight is drawn from many years of managing risks in this area, across a wide spectrum of Local Education Authority's (LEA), ranging from inner city councils to shire counties. Insurers visit schools and talk through particular risk issues, they offer a bespoke service. For example, in a special school what are the best ways to manage pupils with particular medical needs? A council's insurance team also offers onsite support, including site inspections to assist in identifying and managing operational risks and security issues.

### **Claims Service**

In the event of a claim and in particular a major loss such as a fire, the support and hands on guidance received by schools is unsurpassed. It cannot be underestimated how important this service is in getting a school, and in turn a community back up and operating. There are numerous examples of support and the work undertaken by insurers liaising closely and expertly with council teams. The LEA offers 24-hour support and localised on-site provision to schools, which would be very hard to replicate.

### **Policy cover**

Councils are able to provide schools with access to an extensive basis of cover as well as high limits of indemnity for their liability claims: limits of £50m are not uncommon. Cover provided by a council's balance of risks policy is an example of a council fulfilling local needs and demands with a very cost effective solution.

The insurance policy is also a legally enforceable contract as oppose to a 'scheme', where payments from the scheme are discretionary.

In addition, current insurance arrangements mean that in the event of a total loss and a decision was made not to reinstate the school, currently insurers would settle

the material damage claim on an indemnity basis. This would mean a council would receive funds for the loss incurred as premiums had been paid. There appears to be no evidence to support how this would be dealt with under the RPA arrangements.

### **Improvements to risk**

Councils have undertaken a great deal of work in assisting schools in managing their risks to protect the premises, ensure a safe environment for children and also to minimise any potential interruption to school business. For example, in the 1980's and 1990's school fires caused through arson were the number 1 risk facing local authorities. Through a combination of better use of schools outside of core hours, changes in society, and most importantly the work of insurers and their surveyors in helping to seek solutions to improve school risks, both by design and the retro fitting of improvements such as sprinklers, the risk is a fraction of what it used to be. This is one of the hidden benefits of a well-balanced insurance and risk programme.

### **Resilience to large claims**

By spreading the claims portfolio, LEAs are able to have a better balance to the challenges of large material damage or casualty claims and in turn secure stability of pricing and service from the insurance market.

### **Conclusion**

We are not aware of any evidence that LAM schools would be better placed in joining the RPA, rather than continuing with their current arrangements. In doing so, schools will lose vital support from their council, insurers, and the wider insurance and LA community. A provision of local services at a local level will be lost, along with the level of specialist expertise currently on offer through the mix of council's self-insurance and commercial insurance arrangements.

### **ALARM's initial response**

ALARM issued the following response to members on 20 September 2019. Following the response ALARM received a number of observations from the RPA (highlighted in red), to which ALARM responded and has not received a response (highlighted in blue).

## **DEPARTMENT FOR EDUCATION CONSULTATION - ALARM'S RESPONSE (20 September 2019)**

Last week we highlighted the Department for Education (DfE)'s plan to launch its consultation on extending the academies risk protection arrangement (RPA) to local authority maintained schools.

Here we aim to highlight some points that should be considered, and possibly be raised, when responding to the DfE's consultation:

- The RPA is not an insurance scheme and merely a financial transaction, we believe it fails to recognise the wider support local authority risk and insurance

teams provide to schools.

RPA = As well as providing an indemnity for losses as set out in the draft membership rules, the RPA provides the following additional support services to members:

1. Risk management guidance and support including but not limited to best practice guidance documents, template documents (e.g. risk assessment), bulletins on topical issues, on-line training, workshops delivered throughout England, risk audits and access to risk managers for specific risk management queries.

ALARM: you appear to offer a lot of support services that are not widely known about, reported on or discussed. We would welcome seeing examples and evidence of the risk management work you have done and would also like information on the risk managers you are using. We would also ask why you have not reached out to Alarm as the public sector risk management organisation on this work.

2. Claims support including but not limited to a dedicated portal for claim notification, appointed loss adjusters and legal advisers, rehabilitation facilities, 24 hour contact details in the event of a catastrophic event.

ALARM: again, we would like to hear about the catastrophic events you have responded to with your claims support, demonstrating the effectiveness of your services. Can we assume you are using third party suppliers for these services? If so who?

3. Pre travel advice for overseas travel. Medical and security assistance in the event of a claim overseas.

- Member organisations will need to be clear about the range of insurance and risk services they include within their offering to schools.
- Consider what the impact on jobs will be within your organisation if schools go into the RPA. Whilst this may have been proactively managed with schools converting to academies, you could be faced with a significant number of schools leaving in one go. Will it mean making staff redundant with all the costs associated with that?
- In addition to the impact on jobs, removing schools from your own schools insurance arrangements could undermine such arrangements due to the loss of ability to spread the cost of the risks.
- Whilst a local authority's spend on property insurance may reduce, if schools are removed from their portfolio, it is highly unlikely that spend on casualty premiums, such as public liability, will reduce. This is because highways,

children's services and social care are the main areas of risk and premiums reflect this. As a result, council's will have to meet a greater share of the cost of premiums as there will be a smaller base to share this cost.

- Most local authorities, with the help of their insurers, have proactively worked with schools over many years to improve the risk, ensuring buildings are safe, secure and pupils are safeguarded.

RPA = The RPA is committed to the promotion of risk management; its aim is to achieve consistent and improved risk management standards throughout its membership. The RPA proactively works with its members to identify risks and provide support and guidance in the mitigation of these risks. The entire RPA membership is asked to complete an online risk management survey, the results of this survey are used to identify risks that require immediate action and support, identify best practice (that can be shared with the membership) and to determine general support requirements (e.g. workshops, training, bulletins, guidance documents).

ALARM: Examples of the types of risks picked up by online survey would be welcome - again though, how can you be sure that the person completing the survey is qualified to identify the risks and is reporting them correctly?

- The RPA has no risk management provision, with the cost being a fixed price it highlights there is no incentive for schools to improve or effectively manage their risks.

RPA = The RPA includes risk management provisions as stated above. The same price does apply to all members regardless of the member's risk profile however through the various methods set out above, risks identified are addressed and followed up with the individual member. Significant risk issues identified through the online survey are addressed immediately with the member. Risk improvement recommendations made during a detailed audit remain open until the member has confirmed compliance. The risk manager who conducted the audit remains in contact with the member until all recommendations are completed.

One incentive of improved risk management of the RPA membership as a whole is the potential to reduce claim costs which impacts the cost per pupil (The cost per pupil has reduced since the start of the RPA in 2014).

Additional costs (e.g. fines/penalties, negative impact on reputation) not covered by insurance or the RPA may be saved if risk management is improved.

ALARM: Can we see an example of the detailed audits and RIAs. What are the question sets/criteria you are measuring? Who is the risk manager conducting

the audit? How many are done per year, how many have been done since the RPA was established?

- Local authorities, and their insurers, often both undertake a programme of schools surveys to help identify risks and make recommendations to improve them. We are not aware that the RPA undertakes any surveys and therefore has no way of ensuring standards are maintained or risks are improved.

RPA = The RPA undertakes onsite surveys of members throughout the academic year. Risk improvement recommendations that are made are followed up by the risk manager who conducted the audit maintaining contact with the member until all of the recommendations are closed out. A selected number of members are re-audited, the results of the re-audits so far have demonstrated an improvement in risk management standards.

ALARM: As we mention we are not aware that the RPA does this so please provide evidence to back this up - number of surveys, question sets used, the areas of risk that the re-audits have demonstrated improvements in?

- We are aware that local authorities use their local knowledge to determine the best proposition and appropriate level of service for schools in their area. This knowledge and local support is fundamental when a school has an issue and needs someone to help them. Under the RPA this local knowledge and support will not be there. This does not support the localism agenda, with local services delivered as close as possible to the point of use?

RPA = Support is available to members from the DfE, risk managers, claims handlers and other RPA members. Examples of best practice are shared and members have the chance to network with other members in their geographical area at workshops which are delivered throughout England. If a school has a particular risk issue they can contact the RPA risk managers who can provide support and/or put them in contact with another member who has faced a similar issue.

- Schools form part of the local authority infrastructure and undertake the role of more than just a school for example, voting and community assets. Current insurance arrangements recognise this and respond in partnership with all users, in the event of a loss.

RPA = The RPA provides cover for any activity in which a Member may engage. This would include schools being used for voting and community activities.

ALARM: You may not have understood what we are saying here, it is not about providing the cover. It is about working in partnership with all users to prevent a

loss, ensuring that the school as a community is considered in the event of a loss and all needs are responded to, to ensure the community asset remains not just the school, this is what current insurance arrangements and the LA self-insurance element look at.

- Accountability and the duty to educate sits with the local authority, however under these proposals, local authorities are losing control of funding and decision making in schools to central rather than local government in the event of a major loss or problem arising. Member organisations will need to consider how they can be sure that they will still be able to meet their statutory responsibilities.

RPA = In the event of a loss, the RPA will have no more say over how claim payments are made than an insurer. The RPA (or DfE) does not take over control of funding or decision making of any of its members.

ALARM: We have been made aware of a recent example in Scotland of a school suffering a major loss and a Government decision is merge rather than reinstate the school. What assurances can the RPA give that this cannot happen under their arrangements?

- Under a conventional insurance contract, as long as the policy conditions are met, the insured is entitled to indemnity and the insurer will pay claims. The RPA, like a discretionary mutual, is not contractually obliged to pay out on claims.

RPA = As long as the conditions of the membership rules are met the member is entitled to indemnity. Claims are handled by a Third Party Administrator (TPA) and the process of dealing with claims is set out in the membership rules. This includes the process followed by the TPA in the event the TPA deems that a loss is not covered. The claims guidelines within the membership rules also set out the process for independent arbitration if a member disagrees with the findings of the TPA.

- In the event of a major loss, the RPA is not obliged to replace a school to the quality or requirements for the community; we know that insurers have a proven record of working with the school, community and local authority in this area, both in the short- term after a major loss, and in the long-term.

RPA = The TPA and loss adjuster will work with the member and if applicable other interested parties in the event of a loss.

In the event of a property damage loss the RPA will indemnify the cost of repair / reinstatement / replacement. The RPA extends to cover

1. Costs of EU / local authority requirements

2. Professional fees
3. Debris removal
4. Temporary removal
5. Extinguishment expenses
6. Landscaping
7. Metered water
8. Trace and access
9. Temporary repairs and expediting costs
10. Fixed glass
11. Locks and keys
12. Involuntary betterment
13. Loss reduction expenses
14. Sprinkler upgrading costs
15. Theft damage to buildings
16. Greening

Further the RPA does not require a property schedule / property values so “average” cannot apply whereby the claim payable is reduced in the event that the property value is below the actual reinstatement value.

ALARM: Loss adjuster would work with them for small loss but on large loss, DfE could take decision to not reinstate, as above. Whilst we note the list of what is covered, what support would be provided to the school and its community in terms of decision making, advice on how to respond? Can we have an example of a major loss and the response received from the RPA to bring this list to life?

- The RPA does not cover risks including engineering, motor, work in progress. Local authorities should highlight this to their schools, indicating whether they are

willing to provide a service covering these risks in isolation.

RPA = The RPA does provide cover for construction work at existing premises subject to a limit of £250,000 each and every loss. There is no provision under RPA for “joint names cover” with the contractor. If a member enters into a contract requiring “joint names cover” or requires cover in excess of £250,000 separate commercial insurance should be sought. The RPA does not provide a statutory inspection service and does not provide cover for motor risks.

ALARM: The fact that some covers are not included in the RPA proposition means that care must be taken when comparing price per pupil as any extra covers needed to be taken out with other providers need to be taken into account. Local authority insurance arrangements typically offer the schools all the covers they need.

At ALARM, we continue to support our members, and local authorities, by providing information, guidance, and events on managing risk, enabling our members to support risks within their organisation, including schools and education. It is unclear how the RPA will provide similar opportunities to schools, so they are aware of current and emerging risks and have the knowledge and skills to manage them.