Advanced Learning and Science Directorate
Colleges, Young Workforce and SFC Sponsorship Division

Scottish Government
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Our ref:
10 February 2021

Dear Andy

Derogation of Business Insurance until 31 July 2024

Thank you for your correspondence with Scottish Government and colleagues in the Scottish Funding Council. We met on the 10 December 2020 and Colleges Scotland subsequently provided further information to us on 21 December 2020 to support the continuation of the derogation that allows colleges to purchase non-statutory insurance.

It is noted that Colleges Scotland provided sufficient evidence that the continued purchase of non-statutory business insurance cover would be a more financially viable option for the College Sector. In reference to the 2014 and 2017 agreement Colleges sighted the following requirements:

- insurance in respect of statutory cover (Motor and Engineering) was required;
- insurance was required by banking and some commercial contracts; and
- the sector would work to better negotiate premiums and demonstrate greater value for money as a result of economies of scale and improved procurement If a further roll forward is not permitted,

You have requested a further 3 year roll forward for the following reasons:

- the sector will have very little time to put in place arrangements to self-insure and this would require considerable investment of time and effort at a time when colleges are focused on a learner-centred approach to the on-going response to Covid-19
- Colleges, the Scottish Funding Council (SFC) and Scottish Government officials need to prioritise work on dealing with the Covid pandemic
- The self-insurance route will involve additional costs to the college sector, which would require additional funding, direct claims to SFC for unmet cover, or a cut in resources currently focused on the learner. This is highly likely (as set out in this paper) to be more than any savings on insurance premiums.

- There is currently a rise in legal cases around ‘failure to educate’ observed in England and COVID-19 is adding an additional layer of uncertainty.
- Scottish Government has already recognised the different situation faced by the college sector since 2014, when it allowed the first 3-year derogation period.

Having taken consideration of these points, the business case provided and that Colleges are currently in the position that this provision of business insurance is accounted for in current budgets, Scottish Government are content for this to continue with a further review due prior to July 2024 to ensure that this process still provides best value for public funds in accordance with the Scottish Public Finance Manual.

I have copied this letter to the Scottish Funding Council.

Yours Sincerely,

Luise Siekman
College Funding Team