

SCOTTISH PARLIAMENT EUROPEAN & EXTERNAL RELATIONS COMMITTEE CALL FOR EVIDENCE ON SCOTLAND'S RELATIONSHIP WITH THE EU

EVIDENCE FROM THE UNIVERSITY OF THE HIGHLANDS & ISLANDS

This response provides an overview of the impact on UHI of the UK Referendum decision in June 2016 for the UK to exit the EU and the key messages emerging from analysis to date

1. What is the background to EU engagement in UHI?

Over the last twenty years, EU engagement, whether in terms of financial investment or collaborative work with partners in other member states, has been at the heart of the new institution.

EU Structural Funds (ESIF) have been fundamental to the development of the UHI network and its unique model, with significant investment in teaching and research facilities, ICT and course development and delivery, offering employment and economic development opportunities where these did not hitherto exist. Along with the roll out of superfast broadband, UHI remains the region's highest priority in pursuit of a sustainable economic model.

We are in the process of introducing new ESIF activities in the 2014-20 ESF and ERDF programmes, including key additional skills provision through the Scottish Funding Council's (SFC) Developing Scotland's Workforce Strategic Intervention and planning for future engagement in other Strategic Interventions, notably SFC's and HIE's Innovation, Skills Development Scotland's Developing Scotland's Workforce and Scottish Government's Low Carbon and Circular Economy.

UHI has also been involved in many EU transnational funding programmes, particularly through INTERREG (Northern Periphery & Arctic, Cross Border, Atlantic Area), Horizon 2020 (and previous Framework Programmes) and Erasmus+, with many Academic Partner collaborations dating back over many decades. These have had a strong influence on our development – certainly for the investment of additional funding, but also for the lessons learnt through project work and collaboration with European partners.

EU funding has levered in ~£200m for the UHI network over the past 20 years, currently representing on average about 35% of our total 'other' annual income.

We therefore welcome the opportunity to contribute views on the impact on UHI from the UK decision to exit the EU and the following sections provide some initial observations.

2. What are the implications of Brexit to date?

The implications of the UK Referendum decision in June 2016 to cease membership of the EU are immense, leading to uncertainty for all organisations involved in EU engagement and project delivery. UHI is doubly affected, due to the impact on the FE/HE sector and the Highlands and Islands as a Transition Region (lagging behind the EU average GDP). The prospect of losing this funding source, as well as invaluable exchange of good practice with transnational partners and potential reduction in involvement from students and staff from the EU, will have to be carefully monitored.

We are working with UHI Academic Partners to quantify and mitigate the risks caused by Brexit, preparing to take the necessary action to secure funds for priority initiatives and maintain key transnational collaborations and/or access alternative funding sources, as further details emerge.

Official advice from Westminster and Holyrood officials is that EU initiatives already fully operational will continue 'business as usual' pending the UK's formal exit from the EU at the end of the Article 50 negotiations, which is not expected to be before the end of 2018. The UK retains full obligations and rights as a Member State until that date.

Further detail on Brexit planning was issued by HM Treasury on 12 August, which sets out some possibilities for guaranteeing full funding, stating:

- *all structural and investment fund projects, including agri-environment schemes, signed before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU*
- *the Treasury will also put in place arrangements for assessing whether to guarantee funding for specific structural and investment fund projects that might be signed after the Autumn Statement, but while we remain a member of the EU. Further details will be provided ahead of the Autumn Statement*
- *where UK organisations bid directly to the European Commission on a competitive basis for EU funding projects while we are still a member of the EU, for example universities participating in Horizon 2020, the Treasury will underwrite the payments of such awards, even when specific projects continue beyond the UK's departure from the EU¹*

We therefore need, as a priority, to ensure that, wherever possible, existing UHI EU initiatives are included in one of the categories outlined in this announcement.

We are kept up-to-date with developments through our various networks. In particular, the Higher Education sector, through UniversitiesScotland and UniversitiesUK and Scotland Europa have been very effective in keeping members updated on latest developments and representing members' views through consultations and Parliamentary hearings. For ESIF and INTERREG programmes, we have been working closely with the Managing Authority, Lead Partners and National Contact Points to ascertain next steps and any immediate action required.

However, UHI is in quite a distinct situation regarding EU engagement compared to other Higher Education Institutions, as analysis in Section 3 below confirms.

It is essential, therefore, that we respond directly to opportunities for consultations and presentations as well as contributing towards sectoral responses, setting out a consistent, evidence-based approach.

¹ <https://www.gov.uk/government/news/chancellor-philip-hammond-guarantees-eu-funding-beyond-date-uk-leaves-the-eu>

3. What is the current exposure?

We have undertaken a detailed analysis of current, pending and proposed EU projects run from UHI Executive Office, both in ESIF and other EU programmes, and pre- and post-2018 (as the current earliest estimate of the formal UK exit from the EU, at the end of Article 50 negotiations).

In summary, current levels of risk are:

RISK	CATEGORY	PROJECTS/APPLICATIONS
High	Post 2018	
	ESIF	<ul style="list-style-type: none"> SFC Developing Scotland's Workforce (1 major project, 6 work-streams)
	Committed other EU	<ul style="list-style-type: none"> Horizon 2020 project (1) Erasmus + projects (2)
	Pending other EU	<ul style="list-style-type: none"> INTERREG VA Cross Border applications (4) Erasmus + application (1) INTERREG VB Atlantic Area applications (3)
Medium	Prospective, other EU	
	Applications under devt	<ul style="list-style-type: none"> INTERREG VB Northern Periphery & Arctic applications (5) INTERREG VB Atlantic Area application (1) Horizon 2020 application (1) European Space Agency application (1)
Low	Pre end 2018	
	ESIF	<ul style="list-style-type: none"> SFC Developing Scotland's Workforce (1 major project, 6 work-streams)
	Committed other EU	<ul style="list-style-type: none"> FP7 project (1) Horizon 2020 project (1) INTERREG VB Northern Periphery & Arctic projects (3) JPI project (1) EMFF project (1) Erasmus + projects (6)

High risk budgets are those with activities beyond the end of 2018, where there is uncertainty over how planned activities will be funded, if at all. They include committed projects – ESIF and other EU – and some pending (ie applications have been submitted but the result is not yet known).

Medium risk includes prospective projects which are in the planning phase but not yet submitted, therefore there is an option not to submit if sufficient guarantees of future funding are not in place by the time of submission.

Low risk includes budgets in committed ESIF and other EU projects with activities prior to the end of 2018 (or whenever final Brexit date is confirmed) – advice is that such budgets are protected during this time.

The analysis includes only actual projects. It does not include speculative expectations of funding, the most significant of which is in other ESIF Strategic Interventions (eg Innovation, Low Carbon) and were estimated to total ~£10-20m prior to Brexit; some of this may still be allocated either pre or post 2018 – again, careful attention of the emerging situation is required.

Tables do not include separate exposure in individual UHI Academic Partners, which will be significant. Further work is underway to collate additional information and quantify total risk.

4. What are the key messages from our analysis?

Analysis to date identifies the following key messages regarding EU funding programmes:

- a) EU funding levered into UHI Executive Office currently represents, on average, 35% of external annual income to the organisation – and this at a time when ESIF monies levered in are very limited; further funding had been under development for future years up to 2022, which would increase that percentage substantially.
- b) Our greatest exposure, by far, is in ESIF post 2018 – **this is where attention must be focussed.** Our only confirmed and operational ESIF project currently is the SFC Developing Scotland's Workforce programme for the Transition Region, which funds additional student places at FE and HE levels (including postgraduate), student support, curriculum development and sector engagement. The total funding package amounts to £29.2m; of this, about £10.2m is committed up to the end of 2018, leaving £19m exposure beyond that date.
- c) This is followed by projects pending in other EU programmes – **noting that the majority of this exposure is in INTERREG VA Cross Border projects; 4 Stage 2 applications have been submitted and will be appraised over the next 2 months.**
- d) Although the number of current research projects in the EU Horizon 2020 programme (committed and prospective) is relatively small in UHI, it had been planned prior to Brexit to progress key areas from previous ERDF and Framework Programme investment into larger Horizon 2020 projects. Priority areas here are marine energy, building on the MERIKA Framework Programme 7 project, and life sciences, building on ERDF and ESF investment dating back to the Objective One programme of 1994-99.
- e) Good work is underway by the HE sector to secure future funding for Horizon 2020 and other innovation work supported by EU programmes – **however we need to stress that whilst we support this work, the loss of ESIF funding has an even greater impact for UHI.**
- f) UHI has been steadily increasing engagement in the ERASMUS+ Programme, particularly in student and staff mobility, building on a long tradition of collaborative exchanges in several Academic Partners, dating back to the 1980s. This is a key aspect of UHI's development as an outward-looking, international organisation. **Funding levels are not high, but it has a significant impact on participating students and staff.**

5. What next?

This is clearly a fast-evolving situation – but it will be some time before we have any certainty over the UK's and Scotland's longer-term relationship with the EU and access to funding programmes, whether EU or domestic and specific arrangements for future funding will vary considerably across the different EU programmes.

There are several models which could be adopted for the UK's future relationship with the EU, after Brexit, ranging from Norway's example (as a member of the European Economic Area – EEA – Norway has access to 11 EU programmes, including Horizon 2020, Erasmus+ and some INTERREG programmes) to the World Trade Organisation, which entails no special access to the single market or involvement in any areas other than trade.

Whichever emerges over coming months (years?) as the UK model for post Brexit, the key areas of concern to UHI are:

- a) ESIF intervention has been of crucial importance to the development of UHI (and the Highlands & Islands) dating back to before the Objective One Programme of 1994-99. Although great progress has been made in the region's economic and social well-being as a result of this investment, structural disparities remain, particularly in terms of remoteness, geography and sparsity of population. EU territorial cohesion policy was directly aimed at addressing such disparities and the loss of this policy presents a threat to the region. With the repatriation of EU funding, it is essential that domestic policy does not lose sight of the aims of EU territorial cohesion in a positive way, ensuring that the Highlands & Islands can capitalise on our strengths through smart specialisation and being better connected.
- b) There is some level of comfort from the Treasury announcement on 12 August, but given the amount of funding for UHI activities post 2018, we share the concerns raised by other HIEP partners² about the short-fall of domestic assistance, compared to projected expenditure for the Transition Region for 2014-20 programmes. The separate HIEP consultation response suggests some ways of addressing immediate concerns and UHI would support these, thus avoiding a 'cliff edge' for regional stakeholders, bringing advances which have been sequenced and integrated over decades to an abrupt halt.
- c) Our EU networks and collaborations have been built up over decades and go far beyond project funding. For example, the collaborative work we have undertaken with higher education institutions in the north of Norway, Sweden and Finland, and Iceland, have helped to shape our provision in the more remote parts of the UHI network. A mechanism for protecting and promoting such collaborations must be found.
- d) More directly, the concept of free exchange of scientists, students and ideas has been as important to UHI as it has to other Scottish universities with centuries of work in this area. Although some encouragement has come over recent weeks on how Horizon 2020 may continue to support this work, there is already concern that restrictions on free movement for work or study will adversely affect students and researchers considering coming to UK institutions; we had some experience of this within days of the Referendum result.
- e) The position of EU citizens currently working or studying in UHI is an immediate issue– of particular concern to the Scottish Association of Marine Science UHI, which has some 12% of staff from the EU who are not UK or ROI citizens. We would support calls for the UK

² Highlands & Islands European Partnership – UHI, HIE and the 7 local authorities in the region.

government for people who commenced employment before 23 June to be able to remain and to work here, with pension and health benefit rights maintained.

In summary, the impact to UHI from losing access to EU funding and collaboration is so great that we must prepare for all eventualities. This should include intelligence gathering and analysis of alternative domestic and international funding sources, should access to all or some EU funding programmes longer-term cease.

We must continue to monitor the situation closely, particularly in those areas with greatest potential impact – ESIF, INTERREG Cross Border and Horizon 2020 – and be ready to react quickly to changing circumstances, whether positive or negative, with other key regional stakeholders, to mitigate the financial and operational risks posed by the UK's departure from the EU.

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