

1. Context

The University of the Highlands and Islands (UHI) is the UK's leading integrated university, encompassing both further and higher education. The distinctive partnership of 13 colleges and research institutes is locally based and rooted in communities, but with national and international reach as part of a regional university structure. As the first university based in the region, it has played a significant role in the region's economic development.

Over the last twenty years, EU investment and collaboration have been at the heart of UHI. European Structural Funds have been fundamental to the development of the new institution and its unique model, with significant investment in physical estates and IT infrastructure, research capacity and facilities, as well as course development and delivery, offering employment and economic development opportunities where these did not hitherto exist. The area includes some of the most fragile communities of the EU, many on islands.

Structural Funds investment in UHI has been a key factor in improvements in the region's GVA/GDP over the past 3 programming periods – but there is further work to be done and the region's inherent challenges of remoteness, geography and sparsity of population remain.

Along with the roll out of superfast broadband, UHI remains the region's highest priority in pursuit of a sustainable economic model.

2. General implications of Brexit on UHI

The implications of the UK Referendum in June 2016 to cease membership of the EU are immense, leading to uncertainty for all higher and further education institutions. UHI is doubly affected, due to the impact of the FE/HE sector *and* the impact on the Highlands & Islands, currently designated as a Transition Region.

European Union funding currently represents, on average, 35% of UHI's external income and has levered in over £200m investment over the last 20 years. Planned European funding until 2022 would have increased this substantially.

Loss of European Structural Funds, in particular, after 2018 will cut a proposed £19m from funding for additional student places, student support, curriculum development to meet business and public sector skills requirements.

Four major INTERREG VA cross border projects, which fund collaborations with Northern Ireland and the Republic of Ireland, are at risk.

Loss of opportunity for our research community to participate in Horizon 2020 will curtail key development areas including marine energy and life sciences.

Participation for staff and students in the ERASMUS+ programme which facilitates collaborative exchanges is key to our development as an outward-looking, international organisation.

We are proud of the achievements and contribution of our European Union staff and students. They are a valuable resource and we need clarity on their status.

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).

This analysis indicates 3 distinct categories of risk – high, medium and low.

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 – careful attention of the emerging situation is required.

Thus, the implications for UHI from Brexit across various EU programmes are significant, however it is within ESIF that there will be the greatest impact.

3. UHI ESIF engagement

A range of Strategic Interventions had been introduced for the 2014-20 ESIF programmes in Scotland, operating through a new approach whereby key national organisations take on responsibility for overall delivery as Lead Partners, working with Delivery Agents on detailed activities. Although several Strategic Initiatives are of interest to UHI (eg Highlands & Islands Enterprise's and Scottish Funding Council's Innovation, Skills Development Scotland's Developing Scotland's Workforce, Scottish Government's Low Carbon and Circular Economy), it is in Scottish Funding Council's Developing Scotland's Workforce (DSW) that there is the greatest potential and where the most progress has been made to date.

UHI has been working on the development of DSW in the Highlands & Islands with SFC for more than 3 years, as part of the introduction of the 2014-20 programmes. SFC is the Lead Partner – UHI is the sole Delivery Agent in the Highlands & Islands, a Transition Region.

In summary, a funding package of £29.2m was allocated to the Highlands & Islands for SFC DSW activities for 2014-20. This includes match funding at 50% intervention rate, provided by SFC.

It should be noted that all UHI Academic Partners apart from Perth College UHI are fully located within the Transition Region. DSW activities at Perth College UHI are funded through LUPS ESF, with additional outputs contributing towards LUPS targets. However, these activities are planned and delivered together with those in the Highlands & Islands, leading to increased value added and economies of scale.

Although formal approvals are processed through Operations Applications, covering one or two years at a time, an integrated plan for the entire programming period was agreed in principle by SFC and UHI at the start, specifically designed to build on previous structural funds investment, dating back to the Objective One Programme of 1994-99 and most recently ERDF and ESF delivery through UHI's role as a Strategic Delivery Body in the 2007-14 programming period. The current 7-year integrated proposal comprises integrated and sequenced work-streams, including:

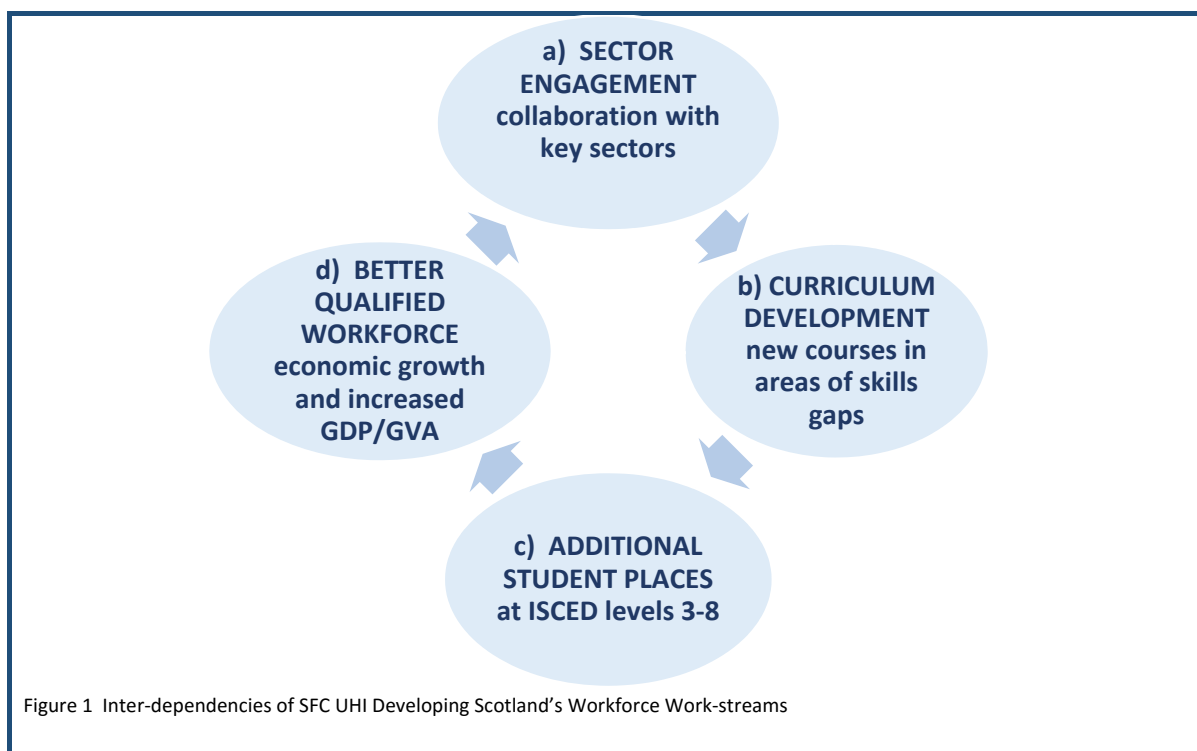
- Further and Higher Education growth – additional student numbers
- Postgraduate growth, research and taught – additional student numbers
- Underpinning development to enable and facilitate the above– new 2-3 year posts, working on curriculum development and sector engagement, focussing on key sectors

Further detail is outlined at Annex 1.

To date, delivery in DSW has been restricted to Further Education growth, which comprises additional student places in 1-year courses at ISCED level 3; activities in all other work-streams have been delayed pending confirmation of longer-term approval, as they involve commitments lasting more than a single academic year – without sufficient underwriting of funding for additional places, it would not be acceptable practice to start students on such courses. Without such confirmation, the number of ISCED levels 6, 7 and 8 outputs will be severely restricted, as most of these require funding for courses of 3.5 and 4 years' duration.

We are now, therefore, at a critical point for the programme.

The work-streams have been specifically designed as an integrated, sequenced package, consequentially leading to the key aims in the ESF Operational Programme as follows:



The labour market in the Highlands and Islands is changing, with new opportunities and challenges emerging in key sectors such as health & life sciences, renewable energy and the creative industries. However, there are significant skills gaps in higher level qualifications in these sectors; greater engagement with employers and professionals is required to identify specific gaps (a, in figure 1 above), then to inform new curriculum development, tailored to meet job requirements (b), which will attract additional student places (c), ultimately leading to a better qualified workforce in the Transition Region and improved economic performance (d).

Given the fragile economy of the Highlands and Islands, if one element is taken away, it jeopardises delivery in another.

Further work-stream activity has now been approved for Academic Years 16-17 and 17-18; however, without certainty of funding for the remainder of the programme, it will not be possible to start any activities beyond the annually delivered FE provision (ISCED level 3) and perhaps some limited, 1-year duration taught postgraduate provision (ISCED level 7).

The programme is a strategic response to regional development opportunities identified in the Regional Skills Investment Plan and regional Smart Specialisation priorities for the Highlands and Islands, recognising the significant increase in economic growth within the region with more people now in employment, but with a GVA per employee that still lags behind that of the rest of Scotland. This suggests a response that is designed to both retain and attract working age people across all communities by supporting and enhancing those traditional areas of activity that currently sustain high levels of employment in the very diverse local economies and raising their value, alongside focussing on and nurturing new and emerging areas of activity - Smart Specialisation Highlands & Islands style.

The ultimate target, as identified in the ESF Operational Programme, is to have a workforce with higher level qualifications in key sectors (to be delivered through work-streams 1-3); this can best be achieved

throughout the region with new, high quality online learning materials (developed through work-stream 5) which are directly in line with industry requirements (secured through work-stream 5).

Given sparsity of population and issues of rurality and remoteness in the Highlands & Islands, it is not possible to grow student numbers – the future workforce – without this integrated approach, building on the successful strategy and outcomes of previous ESF and ERDF investment.

The announcement from HM Treasury on 13 August gave assurances of full funding for all ESIF projects signed before the Autumn Statement (expected by early December), even for activities lasting beyond Brexit. Furthermore, for some *specific* ESIF projects that might be signed after the Autumn Statement, but while the UK is still a member of the EU *‘the Treasury will also put in place arrangements for assessing whether to guarantee funding’*¹ and further detail was announced on 3 October.²

The Head of Scottish Government Structural Funds & State Aids met with members of the Highlands & Islands European Partnership (HIEP – UHI, HIE and the 7 local authorities in the region) to discuss the implications of Brexit and the Treasury announcement and members were requested to submit proposals for consideration as one of these ‘specific ESIF projects’.

As extensive planning for the full SFC DSW programme to be implemented by UHI had already been carried out, we explored the possibility of the remainder of the £29.2m package (ie for activities post 2018) to be included.

An initial draft has been submitted and is currently under consideration – we have been advised that a decision is not likely before January 2017.

4. Conclusion

In summary, Brexit will have a significant impact on UHI. We support the work done to date by UniversitiesScotland and UUK to ensure continued support for Horizon 2020 and other research collaborations, however our primary concern at present is in ESIF, given the significance of this funding stream in the past and the Transition Region status of the Highlands & Islands.

We will continue to pursue options in the immediate aftermath of Brexit and carefully monitor the development of longer-term proposals.

We welcome any support to present our particular case.

Linda Stewart
Director of European & International Development
University of the Highlands & Islands
30 September 2016

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

² <https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>

ANNEX 1 DSW in the Highlands & Islands Work-stream activities and outputs

The table below summarises activities and outputs in the 5 main work-streams (work-stream 6 covers administration and compliance in support of the programme). To date, DSW funding has supported additional FE credits in work-stream 1 during Academic Year (AY) 15-16. the Operations Application for AYs 16-17 and 17-18 has just been formally approved and will fund further work-streams.

If the programme is delivered as a whole, it will achieve maximum return on the £29.2m investment – as identified in column A. If funding ceases at the end of AY 17-18, outputs will be limited, as shown in column B. Column C identifies the additional outputs which will be secured if the additional 4 years sought in this proposal are approved. – demonstrating the significant difference that the additional investment will make, particularly in the context of average annual intakes, as shown.

	Work-stream	A TOTAL Outputs AYs 15-16 to 21-22	B Outputs AYs 15- 16 to 17-18 only	C Outputs secured by funding for AYs 18-19 to 20-21
1	FE Growth <ul style="list-style-type: none"> Credits at ISCED level 3 Outputs – FTE student places Courses - 1 AY duration (5 cohorts) Started in AY 15-16 and will conclude to AY 19-20 (Further outputs from Perth College UHI in the LUPS Programme, delivered alongside above) Average UHI annual intake of FE students (FTE) 	520 FTE student places	410 FTE student places	110 FTE student places
2	Postgraduate Research Growth <ul style="list-style-type: none"> ISCED level 8 Outputs – additional PhD student-ships (4 in collaboration with other Scottish universities) 3.5 years' duration each (2 cohorts – 17 & 22) Starting in AY 16-17 and finishing in AY 20-21 Average UHI annual intake of PhD students - 20 	39 PhD students	0 PhD students	39 PhD students
3	a) HE Postgraduate Taught <ul style="list-style-type: none"> ISCED level 7 Outputs - additional Masters level places Courses - 1 AY duration (3 cohorts, 20 places p/a) Starting in AY 16-17 and finishing in AY 19-20 Average UHI annual intake of PGT students (FTE) - 9 	60 Masters level places	20 Masters level places	40 Masters level places
	b) Undergraduate Taught <ul style="list-style-type: none"> ISCED level 6 Outputs - additional undergraduate places 4 years' duration each (2 cohorts, 250 and 335) Starting in AY 17-18 and finishing in AY 20-21 Average UHI annual intake of UGT students - 494 	585 undergraduate places	0 undergraduate places	585 undergraduate places
4	Sector Engagement <ul style="list-style-type: none"> New 2-3 year posts working with employers on skills gaps and labour market needs Outputs - contacts with employers Starting in AY 16-17 and finishing in AY 18-19 	400 employer contacts	200 employer contacts	200 employer contacts
5	Curriculum Development <ul style="list-style-type: none"> New 2-3 year posts to develop online blended learning materials in key sectors Outputs – new, fully accessible courses Starting in AY 16-17 and finishing in AY 18-19 	21 courses	4 courses	17 courses

