

COMBINED IMPACT OF THE COVID-19 PANDEMIC AND BREXIT ON SCOTLAND'S UNIVERSITY RESEARCH BASE

I wanted to write to you to highlight the combined threat that Brexit and the COVID-19 pandemic are forming to the excellence of our university research base and its capability for international collaboration.

The lockdown restrictions and financial losses due to the pandemic, together with the likely end of formal UK participation in EU programmes for at least a short period if not permanently, will have cumulative, multi-year impacts on our world-leading research base well beyond AY 2020-21.

The resulting fundamental changes to research funding levels and ease of researcher mobility are placing Scottish universities in a hugely challenging position and are endangering our longer term capacity to create new knowledge to support social, environmental and economic recovery.

Summary of combined effects of Covid and Brexit

- Reduced research income – **1/3** of university research funding could be at risk of being negatively impacted including £90 million per year from the European Commission.
- Reduced potential for international income – European Commission study suggest that **EU-funded research teams are around 40 % more likely** to be granted patents or produce patent application.
- Reduced talent attraction and retention - **1 in 5** of university academic teaching staff are EU nationals.
- Reduced university income from international student fees - **£752m** in fee income from Non-EU and EU students; 19% of the sector's total income.
- Reduced competitiveness for attracting international students - At **23%** Scotland has the highest percentage of international students of any of the four UK nations.

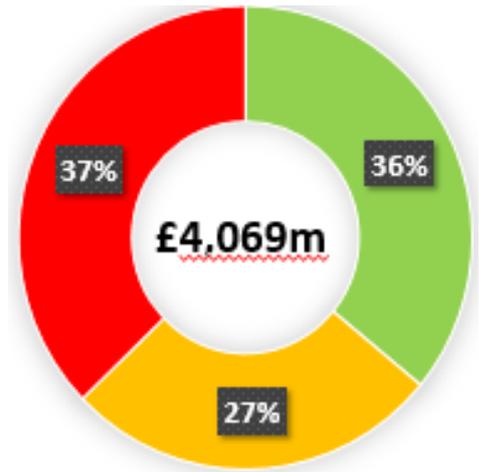
SFC Evaluation of Impact of Covid-19 in AY 2020-21

- SFC estimate the potential loss of income for universities in AY 2019-20 to be **£72m** due to Covid-19.
- Potential operating deficit of between **£383m and £651m** depending on the numbers of international students.
- The cost of research is cross-subsidised by international tuition fee income. The scale of these losses do not take account of the potential loss of research income as a result of leaving the EU.
- Even with mitigating actions, the SFC expect a significant deficit of at least **£450-500 million**.
- All 18 Scottish universities will go into deficit in AY 2020-21.
- Even allowing for some new and returning international students, and further mitigating actions from institutions, we might still expect a significant deficit of at least **£450-500M**.

University Sector Income by Risk

Based on historic data for 2018-19, SG analysts undertook complementary analysis to that produced by SFC:

- **37% (around £1.5bn)** is estimated to have a **high risk** of being negatively impacted (including tuition fees from international students and non-government research grants);
- **27% (around £1.1bn)** is expected to have **medium risk** being negatively impacted (including other research grants and investments);
- **36% (around £1.5bn)** is expected to be at a **lower risk** being negatively impacted (government funded grants and tuition).



Scottish and UK Government Support for the Sector

The UK Government announced on 27 June that, from this autumn, UK universities will be able to access a series of UKG grants and long-term, low interest loans covering up to 80% of their income losses caused by a decline in international students (capped by their research income from non-public sources). In addition, around £280 million UKG funding will be made available to universities and research organisations for costed extensions of UKRI and National Academy research projects impacted by the pandemic.

Although we welcome the UK Government's recent announcement which builds on the Scottish Government's commitment in May to provide an additional £75 million in one-off additional funding for university research in Scotland, we are concerned about the emphasis on loans in the UK Government's stabilisation package, as not all universities will be in a position to take advantage of those.

We will continue to work with the UK Government not only to agree how this package will be implemented in Scotland, but also to address the long term sustainability of our sector to ensure it plays a key role in Scotland's economic and social recovery.

I would be happy to discuss any of these issues with you.

RICHARD LOCHHEAD

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