Universities Wales response to The External Affairs and Additional Legislation Committee consultation “Resilience and preparedness: the Welsh Government’s administrative and financial response to Brexit”

1. About Universities Wales

1.1. Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK (UUK). Universities Wales’ Governing Council consists of the Vice-Chancellors of all the universities in Wales and the Director of the Open University in Wales.

2. Introduction

2.1. As the UK and Welsh Government develop plans to seize the opportunities and minimise the uncertainty presented by exiting the European Union (EU), the university sector can make an invaluable contribution to a dynamic, outward-facing and competitive Wales.

2.2. Universities in Wales are committed to working with Welsh Government and others to navigate the best course for Wales and the rest of country as Britain exits the EU. Whilst the process of exiting the EU will bring challenges, universities welcome the opportunity to continue contributing to shaping solutions, and we are committed to maximising the opportunities it will present for Wales.

2.3. This submission outlines the main issues facing the sector as a result of the UK’s withdrawal from the European Union, and includes further measures that Welsh Government can take to help universities prepare for exiting the European Union, following the questions suggested by the consultation guide.

3. Summary:

3.1. The implications of a UK withdrawal from the EU are likely to impact upon all aspects of Welsh higher education activity. Concerns for Welsh universities posed by the UK exiting the European Union include:

- Loss of structural funds
- Increased barriers to recruiting talented European staff
- Loss of funding for research and innovation and damage to international research collaboration
- Increased barriers to recruiting European students
- Reduced outward mobility opportunities for staff and students
3.2 A UK withdrawal from the EU will have severe financial implications for the higher education sector, in terms of direct funding lost and financial implications of reductions to student recruitment.

3.3 Whilst these are common implications across UK higher education, Welsh universities are disproportionately disadvantaged by projected losses of Structural Funding, and so the Welsh Government should continue to raise awareness of the unique reliance in Wales on these funds, and to argue for their replication post-Brexit.

3.4 Universities Wales has appreciated the creation of the Welsh Government Higher Education Brexit Working Group, in enabling the sharing of information, preparing for collective responses and facilitating shared work within the sector. Unis Wales has also been feeding into the First Minister’s Brexit committee, and we have appreciated being able to articulate the concerns of the higher education sector within this forum.

1. What are the main issues facing your sector as a result of the UK’s withdrawal from the European Union, and how should the Welsh Government respond to these?

4. Loss of Structural funds

4.1 European Structural and Investment Funds (ESIF) play a crucial role in supporting universities to generate local growth and jobs by turning ideas and research discoveries into new companies, by fostering entrepreneurship and employability, and by attracting talented people to study, work and spend in their areas.

4.2 Universities in Wales receive a significant amount of funding from European Structural Funds, and this continues to provide vital investment and funding for projects and infrastructure that contribute towards economic and social growth in Wales.

4.3 European Structural Funds have also played an important role in both innovation funding in Wales, and private investment in research and development. High quality research and innovation are the bedrocks of a growth economy, and have knock-on benefits for all communities across Wales.

4.4 As the third largest recipient of structural funds in the last round, universities are very exposed to the withdrawal of this funding. It is crucial that this funding for infrastructure and capacity-building is maintained, regardless of whether this comes from the EU or national budgets.

4.5 A full discussion on implications of loss of such funding is provided in question three.

4.6 Unis Wales is calling on UK Government to **Sustain or replace European Structural Funds at a devolved level** following the UK’s withdrawal from the EU so that Welsh universities can continue to deliver the maximum economic and social impact in communities across Wales.
4.7 UK Government policy to drive growth across the UK’s regions and nations post-Brexit should, as structural funds do, focus on the poorest parts of the UK, which includes Wales.

5. Increased barriers to recruiting EU staff

5.1 EU staff play a critical role in supporting the excellence of Wales’ research base, as well as the quality and diversity of teaching provision. The latest HESA information indicates that there were 1,355 staff from the EU at Welsh universities (academic and non-academic staff).

5.2 The excellence and global competitiveness of Wales’ research base relies on attracting and retaining the most talented researchers to pursue ground-breaking projects at Welsh universities, regardless of where they come from. Inability to recruit and retain the best researchers has serious risk of damaging our internationally excellent research reputation and losing the beneficial impact Wales’ research has on Wales. The outstanding results of Welsh universities in the Research Excellence Framework (REF 2014) were reliant on high performing research teams, many of which are strengthened, if not dependent on, international mobility.

5.3 In recognition of the contribution made by EU staff, Universities Wales is of the strong opinion that the UK Government must make a clear and unequivocal statement affirming that staff from the EU’s future right to reside, alongside their dependents, will not be brought into question following the UK’s exit from the EU and invest in promotional efforts to support the attractiveness of the UK as a destination for talent.

5.4 In the long term, we urge the UK Government to affirm that it is a priority to ensure that future EU staff coming to the UK will not impeded by an unwelcoming system of unnecessary bureaucracy regardless of the wider immigration status of EU nationals.

5.5 Universities Wales is concerned about either an income threshold or a skills level threshold for workers from the EU until further investigation of the staff grades of EU staff had been examined e.g. highly-specialised technical staff. Whilst this is a matter for UK Government, it is important that Welsh Government, working with Welsh universities, consider the specific skills shortages and geographic challenges in Wales compared to the rest of the UK.

6. Loss of funding for research and innovation and damage to international research collaboration.

6.1 Collaboration is fundamental to Welsh research excellence, profile and impact. Internationally co-authored papers have 50% more impact than papers authored at national level: any obstacles to collaboration risk undermining the strength and profile of the UK’s research base
6.2 The EU incentivises and supports international research collaboration, and the UK currently does disproportionately well in securing this funding, receiving £836m in research grants and contracts from EU sources in 2014/15 alone. Welsh universities received over £40m in EU research funding.

6.3 The UK’s exit from the EU has resulted in uncertainty regarding the status of current bids and prospective bids which are likely to run past the date on which the UK formally leaves the European Union, undermining the attractiveness of EU funding for Welsh researchers, as well as the attractiveness of Wales as a prospective partner for European researchers.

6.4 If the UK does not reach an agreement with the EU, UK researchers’ ability to participate in the current EU research programme, Horizon 2020, would come to a sudden end in 2019. Without a deal the UK will be relegated to ‘third country’ status within Horizon 2020 and future EU research programmes. This severely restricts UK participation, meaning that researchers are no longer able to bid for research funding or play a significant role in collaborative projects with EU partners through EU programmes.

6.5 Longer term, a solution will need to be arrived at whereby UK researchers retain the same, and ideally expanded, opportunities for collaboration inside Europe and new bilateral and multilateral cooperation schemes with priority partners globally are established.

6.6 Universities Wales urges the Welsh Government to continue working with the UK Government to use the Brexit negotiations to secure continued UK participation in Horizon 2020 for the remainder of the programme. Furthermore, Welsh Government should work with UK Government to secure close collaboration with European partners to deliver excellent research in the long-term. Provided the 9th Framework Programme (FP9) maintains a focus on excellence, the UK government should seek access to it, as well as influence over its future shape.

7. Increased barriers to recruiting European students

7.1 Overseas students make an enormous contribution to Wales – academically, culturally and economically. There were 5,424 EU students of all modes and levels (i.e. Full and Part Time, Undergraduate and Postgraduate) at Welsh universities in 2014/15, equivalent to 4% of the student population. EU students in Wales generated £150.3m for the Welsh economy and over 1,400 FTE jobs across the country in 2014/15.

7.2 Changes to visa regulations and uncertainty as to long-term EU citizen’s rights would lead to EU citizens wishing to come to the UK being unclear on visa requirements and
eligibility, and facing an increase in bureaucracy and cost. This would likely lead to a fall in EU students applying to study in Wales.

7.3 A drop in student recruitment from the EU will have a significant financial impact on all Welsh universities and would adversely affect the diversity of the student body, which broadens perceptions and prepares our graduates for an increasingly global world of work.

7.4 Regardless of the final settlement between the EU and the UK, it is important that the Welsh Government continues to **publicly affirm the value** placed on EU students and their contribution to Welsh universities, invests in supporting future recruitment overseas through promotional activity, and provides reassurances to current EU students that they will remain welcome in Wales following its departure from the EU.

7.5 Furthermore, Welsh Government **should consider any adverse effects on reciprocity** i.e. how decisions will affect Welsh students in, and wanting to study in EU universities.

7.6 Post-Brexit, universities in Wales are anticipating that EU students will be treated on the same basis as current international students, both in respect of student fees and access to student finance. It is imperative however, we remain open to well qualified international students in the future, including EU students and their dependents, regardless of the wider agreement reached on the immigration status of EU nationals. Putting up unnecessary barriers to what are, in effect, export earnings, would be illogical in a post-Brexit world.

8. **Reduced outward mobility opportunities for staff and students**

8.1 The Erasmus+ is a significant programme for student outward mobility, responsible for some 46% of all current mobility of UK students. Erasmus+ programme provides students and staff the opportunity to gain vital international skills and experience.

8.2 A reduction in mobility opportunities for students would negatively affect the student experience, reduce diversity on campuses, have a detrimental effect on the development of graduates’ skills, and some language courses, where study abroad is compulsory, could become vulnerable.

8.3 Whilst Universities Wales will urge the UK Government to prioritise negotiating continued participation in Erasmus+, at the same time we are keen to work with Welsh Government to consider **further domestic policy interventions to support Welsh**
students and staff in gaining the international skills and experience necessary to support Wales as a global trading nation.

2. What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

9.0 We welcome the commitment by Welsh Government in their Programme for Government to “better utilise our existing relationships with Welsh universities to help sell Wales to the world following the Brexit vote – and work with the sector to ensure protection for students, and important research grants.”

9.1 Universities Wales worked with the Welsh Government to establish the HE Brexit Working Group, which has the following objectives:

- To support HEIs (and WG) in understanding the implications of the various Brexit options and preparing for the impact of Brexit on the HE sector;
- To seek to influence the UK Government’s negotiations with the EU;
- To seek to influence the UK Government’s development of its post-Brexit policies and plans for higher education;
- To contribute to the First Minister’s work on relationship building with other EU and non-EU countries and regions;
- To raise awareness more widely (with other stakeholders and the public) as to the implications of Brexit for higher education;
- To develop a vision for the post-Brexit future of HE in Wales and secure HEIs’ commitment to it.

9.2 Unis Wales has found the WG HE Brexit Working Group useful in facilitating the sharing of intel, in bringing the sector together to coordinate work on shared issues, and ensuring the views of the sector are communicated to the Welsh Government, and in turn are fed into their own Brexit work.

9.3 Two of our Vice Chancellors are members of the First Minister’s Brexit Committee, which we have valued as a further platform through which to engage with the Welsh Government’s work on Brexit.

9.4 Universities Wales are meeting the First Minister later this month, which will give Vice Chancellor’s the chance to directly communicate their concerns and priorities for the Welsh Government’s work on Brexit.
We value the opportunity to continue contributing to National Assembly Committee responses/evidence sessions.

Given our international outlook, expertise and quality research, universities are well placed to provide support and solutions for the challenges posed by Brexit. Whilst the interaction we have had to date has been positive, it is crucial that moving forward, our universities, as national assets, are fully involved, engaged and their expertise utilised in the Welsh Government’s plans for, and transitioning to, a post-Brexit Wales.

3. **What financial considerations have arisen as a result of UK’s withdrawal from the European Union and what should be done to prepare for these?**

10. Loss of research funding and Structural funds

10.1 European Structural and Investment Funds (ESIF) play a crucial role in supporting universities to generate local growth and jobs by turning ideas and research discoveries into new companies, by fostering entrepreneurship and employability, and by attracting talented people to study, work and spend in their areas. As the third largest recipient of structural funds in the last round, universities are very exposed to the withdrawal of this funding. It is crucial that this funding for infrastructure and capacity-building is maintained, regardless of whether this comes from the EU or national budgets. Welsh Government should continue to articulate the case for continued structural funds, ensuring any replicated funding model distributes funding on a needs-based, place-based and flexible approach, ensuring funding targets the poorest areas of the UK, whilst recognising localised economic and innovation needs.

10.2 In 2015 alone, almost £25 million of ERDF funding was approved for proposals led by universities in Wales to enhance R&I infrastructure and build capacity, namely through the Aberystwyth Innovation and Enterprise Campus and Cardiff University’s Brain Research and Imaging Centre.

10.3 Wales has received over £4bn in Structural Funds since 2000 and we understand this presents a challenge for Welsh Government in terms of shaping their future economic strategy. Universities Wales is committed to working with Welsh Government to look at future proposals that avoid ‘pockets’ of replacement funds but consider strategic capital funding plans to achieve their ambitions for Wales whilst utilising the role of Welsh universities as economic and social anchors in many of Wales’ regions.

10.4 In 2014/15 the total EU research grants and contract income for Wales was approximately £46 million. This represented around 21% of total research grants and contracts income in Wales for that year. However, financial statements will only
provide a historic view of the income that universities have received from EU sources. Of much more significance is the income that they are forecast to receive from projects currently funded, or in the process of being funded by the EU.

10.5 Universities Wales want to continue as close participation as possible in the European Research Area, including full participation in Horizon 2020. The latest Horizon 2020 total for Welsh universities (to date) was €40,889,510.39. However, if the UK is no longer able to access frameworks such as Horizon 2020, we risk the loss of access to collaboration – equally as crucial as funding.

10.6 Welsh universities have the highest percentage of ‘world leading’ research in terms of its impact of any part of the UK, with almost half of it considered to be having a transformational effect on society and the economy\(^1\). Much of this can be attributed to these international collaborations, which have been crucial to addressing global challenges. Long term economic growth is above all determined by knowledge accumulation and technological progress\(^2\) and there are few sectors of the Welsh economy with the capacity or scope to grow and generate export earnings as well as universities\(^3\). It is imperative for Wales that our universities are still able to access the both the most talented researchers and all available funding streams, underpinned by sufficient capital investment, in order to continue delivering these benefits for Wales and play their crucial role in growing prosperity in Wales.

11. Reduction of EU student numbers:

11.1 A drop in student recruitment from the EU will have a significant financial impact on all Welsh universities

11.2 Such a drop would have a knock-on financial impact on the wider economy. EU students in Wales generated £150.3m for the Welsh economy and over 1,400 FTE jobs across the country in 2014/15.

11.3 A reduction in EU student numbers would also adversely affect the diversity of the student body, which broadens perceptions and prepares our graduates for an increasingly global world of work.

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\(^1\) 2014 Research Excellence Framework (REF)
4. **What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?**

12.1 Universities need clarity, stability and a reduction in uncertainty. While negotiations continue, albeit at a slow pace, we are conscious that if our universities are to thrive post-Brexit, clarity is required on some key areas including access to European research networks and funding; student and staff mobility programmes; post-Brexit immigration policy and EU student fees and loans. We urge the Welsh Government to continue working to secure clarity on these areas from the UK Government.

12.2 Universities in Wales are committed to working with Welsh Government and others to navigate the best course for Wales and the rest of country as Britain exits the EU. Whilst the process of exiting the EU will bring challenges, universities welcome the opportunity to continue contributing to shaping solutions, and we are committed to maximising the opportunities it will present for Wales.

12.3 Although the Interaction we’ve had to date has been positive, it is crucial that going forward our universities, as national assets, are fully involved, engaged and utilised in WGs plans for, and transitioning to, a post Brexit wales.

12.4 This should include in particular, the economic strategy, as Wales’ universities are, and can be even more, crucial to increasing Wales’ productivity and prosperity.

12.5 Our universities in Wales are internationally competitive and a major economic asset, that bring widespread benefits to individuals, communities, the nation as a whole and government in Wales. The total combined impact of Welsh universities and their students on Wales’ GVA came to nearly £2.4 billion - equivalent to 4.6% of all Wales GVA in 2013. Welsh universities bring in a total of £413 million of export earnings and income to Wales through knowledge exchange between universities and the public, private and third sectors was £201 million in 2013/14.

12.6 Universities can play a central role in driving inclusive economic growth locally, regionally and nationally; improving productivity as part of a new industrial strategy; and strengthening our international trade and diplomatic relationships across Europe and the wider world.

12.7 Continued communication and cooperation between the Welsh Government and the higher education sector through Universities Wales will be essential in ensuring universities continue to contribute to shaping solutions to the challenges posed by Brexit.

12.8 To facilitate this, the WG HE Brexit Working Group should continue to meet, and communication between ministers and the First Minister and Universities Wales should continue.

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4 £218 million international revenue and £195 million off-campus expenditure of international students

5 Higher Education Business and Communities Interaction (HE-BCI) survey
around £240 million awarded to date to Welsh universities for the period 2014-2020 (http://gov.wales/docs/wefo/publications/170405-approved-projects.pdf)

A key driver of innovation activity in England is the Higher Education Innovation Fund and, similarly, in Scotland the University Innovation Fund. There is no equivalent fund in Wales. £160m innovation funding is currently provided in England with a recent additional increase of £160m funding for knowledge exchange.