

## MSP Briefing – Scottish Government Debate: Implications of the EU Referendum on Higher and Further Education

### Background

Colleges in Scotland have a history of attracting staff and students from around the world and leading on key overseas projects, and we want to maintain this work and relationships with our European partners at all levels. As an example, City of Glasgow College has recently been presented with a prestigious Sustaining Outstanding Results award at this year's European Foundation for Quality Management (EFQM) Excellence Awards in Milan. The awards are often described as "like playing in the Champions League" because of their very rigorous assessment process.

It is vital that both the Scottish and UK Governments pursue every possible avenue and option to enable our staff, students and projects to continue to flourish and excel in the new landscape, following any Brexit negotiations.

This briefing provides an overview of the most significant ways in which colleges relate to the European Union (EU) and the other EU countries. Since the UK has been part of the EU for over forty years, the relationships and impacts are both deep and extensive, therefore considerable work will be required to ensure the unpicking of these relationships is done in the most efficient and sensitive way. It is also important that any potential financial impacts on the college sector as a result of the EU Referendum results are carefully considered and mitigated by the Scottish Government and Scottish Funding Council (SFC) to ensure the college sector is not adversely affected and can continue to provide high quality and effective learning.

### Income from European Union

Colleges in Scotland receive European funding which helps to deliver high quality courses that benefit students, society and the economy. There are two main college projects which are significantly funded by the EU and which make up the bulk of college income derived from the EU:

- Developing Scotland's Workforce (DSW), excluding transitional funding for the Highlands and Islands (see below for details of this); and
- Youth Employment Initiative (YEI).

Funding for both these projects for in Academic Years is outlined below:

£m	2016/17	2017/18	2018/19
DSW	4.3	4.3	13.3
YEI	13.9	14.9	0
<b>Total</b>	<b>18.2</b>	<b>19.2</b>	<b>13.3</b>

Please note, the figures for 2018/19 are SFC calculations and based on a number of assumptions including SFC match funding staying at the same level. The DSW funds are subject to a mid-programme review as required by the EU; this may also have an impact on that final figure for 2018/19.

The important point to recognise is that this funding translates into the provision of additional student places for Scottish learners of around 63,000 credits (4,200 full-time equivalent (FTE) students). YEI is significant for Glasgow (around £4.1m) and Lanarkshire (around £3.0m).

EU funding for the University of Highlands and Islands (UHI) in the Highlands and Islands region, is additional to that set out above, and is outlined below:

£m	2016/17	2017/18	2018/19	2019/20
DSW – H&I	2.8	5.5	7.0	unknown

This funding is for planned expenditure for both FE credits and university provision. The particular challenge with this funding is that UHI has committed to provide places for a four-year period that goes beyond 2018/19, which would need to be funded from another source if not from EU funds.

#### Indirect EU funding

Colleges can also be contracted by, for example, local authorities to provide employability training, which is funded from European funding. Colleges can therefore receive funding indirectly from the EU.

#### Princes Trust

The college sector is already experiencing the impact of rule changes related to use of EU funding streams, with the cessation of the previous ability to use SFC core grant as match funding for the Princes Trust Team programme. The practical implication of this decision is that colleges need to provide greater funding from their own sources, putting this key employability programme in jeopardy.

The most immediate and significant issue is uncertainty over how the Scottish Government and SFC would bridge the gap if EU funding is diminished (estimated at £500k-£600k per annum).

### **Income from Overseas Markets**

Traditionally, Scotland's colleges have been active players in the EU and international market, both in terms of recruiting international students and pursuing markets to identify commercial opportunities, however this position changed following the Office for National Statistics (ONS) reclassification of incorporated colleges as public bodies, which took effect in 2014. These significant changes brought several areas of complexity as well greater accountability to the Scottish Government. Colleges now have to consider carefully what overseas markets, including in relation to recruiting students, are part of their delivery plan. Reclassification has significantly restricted the ability of colleges to make strategic decisions around using resources up-front to develop an area of benefit to the college and its students. Any commercial income streams received need to be spent in the same year or the college will have to donate the monies into an Arm's Length Foundation (ALF). ALFs were established in agreement with the Scottish Government, the SFC and Colleges Scotland and are administered by independent trustees. Colleges are required to apply for any funds, including preparing a business cases, from the ALFs.

### **Students from Other EU Countries**

The number of students attending colleges who came to Scotland from other EU countries specifically to study is outlined below:

	2012-13	2013-14	2014-15
FTEs	234	240	131

As can be seen, over the last three years, the number of these students has fallen. As colleges have reduced their student recruitment activity outside Scotland as a result of immigration

restrictions (Tier 4) and the reduction in core funding which has focused colleges on core delivery to Scottish domiciled students, this likely accounts for a portion of that reduction. It is also understood that the changing economic circumstances and the abolition of the post-study work visa has reduced migration for this group towards college study.

Although the numbers of students who came specifically to Scotland to study may appear fairly small, there are also those people from other EU countries who are already living in Scotland, and who attend college. Students in this category account for a further 6,800 FTEs (SFC data), and may need to leave Scotland if unable to continue their studies.

The most immediate and significant issue is uncertainty over the status of students from other European countries who are studying, or due to commence their studies in Scottish colleges. In relation to students currently in the system, until the UK leaves the EU, it is our understanding that EU students can rely on current arrangements. Therefore, students entering their final year of studies in 2016/17 should be able to complete their studies with their current fee status.

There is greater uncertainty surrounding those who have yet to take up the offer of a place, or who are in the early years of their studies at college. As the impact is not known as yet, and will no doubt be subject of the Brexit negotiation discussions, this uncertainty is likely to impact on college students attending colleges in Scotland.

There would be merit in considering the case that all current students have 'acquired' rights before the termination of the treaty. Also, when taking account of the framework for the UK's future relationship with the EU, the EU/European Parliament may seek to specify that any EU students already enrolled at the time of the UK's departure from the EU would be covered by some form of transitional arrangements that would mean they could complete their course on the same basis, in terms of fees, as when they first enrolled. Furthermore, a new relationship between the UK and the EU might include membership of the European Economic Area (EEA) with a requirement for free movement and therefore fee status could be protected.

## **Staff in Colleges**

Colleges have benefitted from freedom of movement of people as a result of membership of the EU. Participation in EU Framework Programmes has enriched the talent pool for staff, where ease of travel has afforded opportunities for UK staff. Consideration should be given to providing new and additional safeguards to protect a withdrawal of EU talent from the UK, including a similar exemption for other skilled educators and highly-skilled staff.

## **European Funded Projects**

### Erasmus Programmes

Erasmus and Erasmus+ are EU student exchange programmes and the single largest source of funding for Scottish/UK students wanting to study or work abroad. 1,600 Scots go abroad to European countries with Erasmus every year (SFC data).

The number of Scottish students taking up opportunities for outward mobility through Erasmus is increasing. They have gone up by 50% over the last seven years. The opportunity for student exchange within Europe enriches the learning experience, enhances employability and promotes greater understanding and respect of different people and cultures.

Colleges Scotland considers the Erasmus programme as extremely beneficial and that it would be a considerable loss if some equivalent arrangements are not introduced as the UK leaves the EU. Consideration should be given to whether any negotiated settlement would, like Norway's for example, allow continued participation in programmes like Erasmus for our students to be able to study abroad, and to facilitate EU students to continue to study in the UK.

## Capital Projects

The Scottish Government, through the capital funding programme arrangements administered by SFC over the last 10 years or so, has invested approximately £500m in the college sector towards a total of about £1bn. Typically such funding for a college capital project would be about 20-25%, but considerably higher in the more deprived areas like Lanarkshire and Glasgow. So a conservative estimate would be that approximately £200-250m of European funding has been provided towards historic capital projects.

## European Investment Bank

Colleges in Scotland have benefitted from the lower interest rates related to loans from the European Investment Bank. There is currently activity in the college sector involving the European Investment Bank. At this stage, it is uncertain what the impact of Brexit will have on these financial relationships.

**Colleges Scotland:** This briefing has been provided by Colleges Scotland for MSPs' information.

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