



T: 0300 244 4000
E: scottish.ministers@gov.scot

Amanda Solloway MP
Parliamentary Under Secretary of State
Minister for Science, Research and Innovation
Department for Business, Energy & Industrial
Strategy
1 Victoria Street
London
SW1H 0ET

12 June 2020

Dear Amanda

COVID-19 RESPONSE AND HORIZON EUROPE

Thank you for our recent call and for initiating and co-chairing the meetings of the University Research and KE Financial Sustainability Taskforce. I have found our regular discussions very useful as a way of working constructively together in what are challenging times for us all.

We are all agreed that the Covid-19 crisis presents a unique and significant challenge to the higher education system in the UK. In Scotland, the Scottish Funding Council's (SFC's) recent analysis suggests that universities will lose around £72 million in academic year 2019-20 alone. An operating deficit of between £384 million and £651 million in academic year 2020-21 is expected, a large part, but not all of which is due to the reduction in the number of international students. As you know, university courts are expecting within weeks to make key strategic decisions which run the risk of damaging their long term prospects.

I was therefore delighted to hear that you plan to announce a stabilisation package for university research across the UK next week.

I very much look forward to seeing more details of the UK Government package. It is critical that this takes account of any particular interests of Scotland's universities, ensuring we not only have the appropriate *share* of resources but also that the *distribution* across institutions, and any *conditionality*, can be managed in a way that suits firstly, all the needs of the Scottish sector and secondly, our respective aims. It will be important to understand the role of any loans should they form part of this package given they may be problematic for some of our institutions. Indeed, given the nature, scale and seriousness of the crisis, it would be unfortunate if the focus of any package was loans.

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My officials would be happy to discuss these aspects with BEIS officials as soon as possible to ensure the package and its distribution meets these aims. Early engagement in the details of this would facilitate an early announcement to provide some much needed reassurance and certainty to the university sector which is so desperately needed.

I would welcome continued engagement on financial sustainability issues through the UK taskforce. The work of the taskforce will not be completed with the announcement of the stabilisation package as it is unlikely to resolve the fundamental longer term issues that:

- COVID-19 has led to an overall reduction in research funding from funders other than the funding agencies, and this is being aggravated by Brexit;
- Such funders are not providing funding at 100% Full Economic Cost (FEC) forcing universities to use other sources of income to fund research.

In addition, the full impacts of the end of the transition period following Brexit are still unknown as it is still not clear whether the UK will associate to Horizon Europe or otherwise enable partial access to EU research and mobility programmes. This is creating further financial uncertainty for the university sector and is causing significant damage to our potential to continue to collaborate on research internationally.

Participation in Horizon 2020 has been incredibly valuable to Scotland, supporting growth by investing in research and innovation. Since 2014, over €711 million of funding in research and innovation has been competitively won by Scottish organisations, with universities securing almost 75% (over €536 million) of this. The funding won by Scottish organisations since Horizon 2020 began is around 11% of the UK's Horizon 2020 funding (over €6.6 billion). Scottish universities receive an average of 8% of their total research funding from the EC – around £100 million per year mostly from Horizon 2020.

I would like to reiterate the Scottish Government's position that we would expect the UK Government to ensure that Scottish organisations and researchers will be able to participate as fully as possible in Horizon Europe and with no loss of the current benefits derived from full participation in Horizon 2020. Any UK Government stabilisation package as a result of the pandemic is unlikely to compensate for the financial and other benefits of access to Horizon and other EU programmes.

My officials continue to press officials in BEIS for a co-production approach so that any policy related to Horizon Europe or domestic alternatives can be truly UK-wide by properly reflecting the needs of all four nations.

I have copied this letter to Minister Donelan.



RICHARD LOCHHEAD

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St Andrew's House, Regent Road, Edinburgh EH1 3DG
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