

## Board of Management

<b>Date of Meeting</b>	<b>Wednesday 5 December 2018</b>
<b>Paper No.</b>	<b>BoM3-H</b>
<b>Agenda Item</b>	<b>14</b>
<b>Subject of Paper</b>	<b>Brexit Update</b>
<b>FOISA Status</b>	<b>Disclosable</b>
<b>Primary Contact</b>	<b>Julia McAfee</b>
<b>Date of production</b>	<b>29 November 2018</b>
<b>Action</b>	<b>For Noting</b>

### 1. Recommendations

To note this report and reflect on impacts.

To consider this an item for the Board's February Planning Event.

## **2. Purpose of Paper**

This paper is for information and to inform strategic planning.

## **3. Strategic Context and Key Points**

As the March 2019 deadline for the UK leaving the European Union looms ever closer, much is still to be resolved. The purpose of this paper is to endeavour to assimilate the key likely impacts for the College and the sector alongside the proactive work that the College and its partners are engaged in to mitigate the known financial and other risks associated with Brexit, at the current time.

Leaving the EU will have a significant impact on the college sector. The effect will be financial but also social in terms of student and staff mobility and the enrichment of learning experiences and broadening of horizons and opportunities.

This week the Bank of England's report to the UK Parliament forecasts a worst case scenario where the economy contracts 8% in a single year, unemployment rises to 7.5% from 4.1% and inflation could be driven up to 6.5%. For that to happen the UK would need to leave the EU without a deal. However, whatever the outcome it is broadly agreed that we face economic uncertainty, risks to prosperity and investment.

Our strategic priorities 7 and 8 (Finance) would seem the most directly affected but arguably all of our priorities will be impacted upon: we will need to innovate more, work harder to support the national economy and address the potential loss of ESF monies, which support our students from Glasgow's most deprived backgrounds.

As a College we set up a risk register in 2016 and have been maintaining and updating this as much as we are able to. We continue to support Colleges Scotland in lobbying government at UK and Scottish levels to confirm policy proposals on the key issues for colleges. We are represented on the Brexit Forum for Colleges. We keep close to business through our connections internationally and locally on bodies such as the Chamber of Commerce.

## **4. Impact and Implications**

### **4.1 Funding**

European Structural and Investment Funds (ESIF) have supplemented Scottish Government funding and investment for estates infrastructure and to deliver additional learning and teaching. Importantly the additional delivery monies have supported strategic priority groups such as young people not in education, employment and training.

Unless an alternative and sustainable funding stream is identified, it is the loss of European Structural Funds (ESF), which are used mainly to provide additional student places and to support skills development, which will hit Colleges hard. ESF has been match-funded by SFC. In 2017-18, SFC spent £24 million on ESF activity, of which £14 million comes from ESF income and £10m from SFC's own resources.

Over the three-year period 2015-18, the following activity has been funded through ESF/SFC:

- 185,000 college credits (which equates to around 11,000 students).
- 370 university funded student places.

The Enterprise and Skills Strategic Board's Strategic Plan, published in October 2018, identifies that:

*If EU funding is not replaced the sector will lose a stream of income that has been crucial in helping to develop the infrastructure of colleges and to increase the numbers of students and the support given to them, particularly those with additional requirements. The sector has contributed greatly to the addressing of particular problems of upskilling, reskilling and tackling poverty and inequality. The impact of continued and significant EU contributions to the Scottish college sector is indeed significant. To lose this additional source of funding and the financial and social benefits it supports would be damaging to the sector.*

The Board's report recommends that the Scottish Government's post-Brexit strategy should incorporate the funding of the college sector to ensure that the momentum gained through EU funding is not lost.

The College is part of the Scottish Funding Council's managed ESF programme, currently badged Developing Scotland's Workforce. The predecessor to this fund was the Youth Employment Initiative (YEI). In 2017-18, as part of the YEI, the College delivered 11,378 Credits to a mix of FT HE and FE students with grant funding of £2.6m and £1.6m student support funding. Academic year 2018-19 is the first year for delivery of this programme which covers 662 students on full time HE courses, amounting to 9,198 credits and grant funding of £2.4m. The fund supports the provision of additional places for eligible students on HN programmes across the majority of curriculum areas and represents the equivalent of 30 discrete groups.

Colleges also benefit from ESF monies either directly or indirectly from other sources, such as SDS who support apprenticeship programmes and local authorities and third sector bodies. Further analysis of this third-party ESF income is needed to gain a clearer understanding of the impact of its loss on colleges. The need for this analysis has been recognised by the Brexit Forum for Colleges and newly recruited SFC staff, funded through a recently successful bid for funds from Scottish Government for 'Brexit consequentials', will be undertaking this exercise.

#### **4.1.2 Capital Projects**

Capital projects such as our own (valued at £228m) are supported by loans (£80m) from the European Investment Bank (EIB). SFC has indicated that they do not expect these loans to present a significant risk, however, as EIB lends to non-EU countries.

#### **4.2 EU Students**

In 2016-17 out of a total of 291,850 students enrolled in colleges, 16,065 were EU nationals (approximately 5.5%). However, SFC data indicates that as 98% of all college enrolments had a Scottish postcode upon application we know that the majority of EU nationals in colleges were already resident in Scotland.

Our College 17/18 data tells us that only 1.16% of students indicated that they had an EU non-UK domicile at the point of application and 6.56% of students gave their nationality as EU non-UK.

In terms of our ESOL delivery 12% of students gave their nationality as EU non-UK.

There are significantly more EU students at Scottish universities so where universities seek to fill recruitment gaps then students who might previously have attended College will go to University. There is a risk to our recruitment targets and also to our attainment targets; on the

assumption that the more able students are recruited to universities, where previously these students might have been articulating students who attended college before progressing to University. Ultimately this could impact upon the success of these students who benefit from the more supportive environment offered by college before articulating to university.

### **4.3 EU Staff**

We currently have 45 non-UK EU employees; 25 support staff and 20 academic staff. This is a relatively small proportion of our staff particularly when compared with the University sector. By way of example around 1 in 10 staff currently working at the University of Dundee are non-UK EU staff. Universities are signposting their staff to Home Office advice. This may be something that the College should consider doing. In addition, some Universities are offering to pay for their staff to apply for a registration certificate or a permanent residence document (both currently £65). Neither of these is a requirement for living and working in the UK but the former may be useful in relation to claiming benefits, using services and applying for permanent residence and the latter is an essential document for those subsequently wishing to apply for British Citizenship.

### **4.4 Impact on procurement of goods and services**

APUC Heads of Category are currently carrying out impact assessments on each of their categories. Once this information has been collated it will be fed down to institutions' procurement teams to assess any local implications and determine appropriate actions. There have been press stories about stockpiling processed food and medical supplies, particularly in the event of a no deal Brexit: NHS England, it was reported in the Guardian on 11 November 2018, are making contingency plans for short supply of imported ingredients for hospital food.

## **5 Strategic Activity**

### **5.1 Brexit Forum for Colleges**

Membership of the Forum, which is chaired by Paul Smart, Scottish Government, Head of Colleges, Young Workforce and SFC Sponsorship Division includes representation from Scottish Funding Council, Scottish Government, Unions, NUS, Colleges Scotland and Colleges (including CoGC). The purpose of the group is *'to consider collectively how our colleges, including their staff and students, continue to thrive in the context of the UK's withdrawal from the Europe Union.'* Key objectives of the group include the facilitation of communication between SFC, colleges and Government and to ensure that Ministers are kept informed of the potential impacts of Brexit on the sector and to consider actions to be taken in mitigation of the impact or risks of Brexit. A very useful sectoral impact report has been prepared as a consequence of this Forum and to inform their work. A sub group of College staff recently met and plan to issue a questionnaire for all colleges shortly.

### **5.2 University perspective**

A similar sectoral group has been established by SFC and Scottish Government for Universities in Scotland, where the impact is likely to be much more profound. European students account for more than 80,000 of the 1.6 million first-time undergraduates at UK universities and nearly 50,000 postgraduates. Applications from European students have remained buoyant since the referendum but the Higher Education Policy Institute think tank has predicted that numbers could crash by as much as 60% when Britain leaves the European Union. The loss of research funding could hit hard too with the EU funding almost a third of IT and a quarter of chemistry research at UK Universities. Lee Cronin, Professor of Chemistry at Glasgow University warns in a recent Guardian article that *'Without alignment UK science crashes out of the biggest network ever built in human history.'*

On 22 November 2018 colleges, universities, trade unions and the Scottish Government signed a joint letter, which sets out how they will work together to protect higher and further education from the negative impact of Brexit. The joint statement sets out how they will press the UK government to reintroduce a Post Study Work Visa in Scotland, continue research collaboration and safeguard education relationships with Europe. The statement also stresses the importance of ensuring that Scotland remains open and welcoming to EU staff and students.

### **5.3 Enterprise and Skills Strategic Board**

By way of contrast to the potential loss of funding and social opportunity we must look to the opportunities presented by Brexit and the disruption it is creating. The E&S Strategic Plan identifies opportunities for growth which we are well placed to take advantage of. The report makes recommendations to Government which the College should proactively support.

- *Working in partnership with colleges and universities, build on the good work already underway across the education system to: ensure international awareness within schools; encourage an international focus in more college/university courses; encourage more young people and students to learn a foreign language and to take-up opportunities for international travel and work experience;*
- *Encourage universities/ colleges to work together to identify mechanisms to encourage more inclusive student mobility post- Brexit; and build a collective focus to support and champion the re-introduction of the post-study work visa to allow international students to extend their stay and work, for example, for a Scottish company on an international export project; and*
- *Explore the full potential of the international dimension of colleges' and universities' export earnings, international activity and international alumni networks in supporting economic growth.*

### **6. Risk Analysis**

We set up a risk analysis map in 2016 and have been maintaining and updating this as much as we are able to. This has been reported to the Audit Committee on a regular basis and will be tabled at its meeting on 14<sup>th</sup> November 2018. We are developing a more detailed analysis of the contributory risks which will be shared with the Board at its planning event in February 2019.

### **7. Conclusion**

We are constantly adapting our curriculum for industry 4.0 and beyond and developing the meta skills of our students to prepare them for ever more change and uncertainty, given the fluidity of geopolitical and economic circumstances; we will be proactive contributors and participants in shaping what comes with and after Brexit. As a college we will continue to encourage a global mind set whilst ensuring that we keep at the forefront of all sectoral lobbying and collaborative activity, ready to adapt and flex to capture both the opportunities and risks presented by Brexit. We will use our position within the business community in Scotland e.g. the Glasgow Chamber of Commerce, to ensure that we keep close to and anticipate the changing needs of business.