



House of Commons
Education Committee

**Exiting the EU:
challenges and
opportunities for
higher education:
Government Response
to the Committee's
Ninth Report of Session
2016–17**

**Fourth Special Report of Session
2017–19**

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The Education Committee

The Education Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Education and its associated public bodies.

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Committee staff

The current staff of the Committee are Richard Ward (Clerk), Katya Cassidy (Second Clerk), Anna Connell-Smith (Committee Specialist), Chloë Cockett (Committee Specialist), Madeline Williams (Inquiry Manager), Jonathan Arkless (Senior Committee Assistant), Hajera Begum (Committee Apprentice), Gary Calder (Senior Media Officer), and Oliver Florence (Media Officer).

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Fourth Special Report

The Education Committee reported to the House on [Exiting the EU: challenges and opportunities for higher education](#) (HC 683) in its Ninth Report of Session 2016–17 on 19 April 2017. The Government's response was received on 9 October 2017 and is appended to this report.

In the Government response, the Committee's recommendations appear in **bold** text and the Government's responses are in plain text.

Appendix: Government Response

Introduction

1. The Government welcomes the Education Select Committee's report 'Exiting the EU: challenges and opportunities for higher education', and we are particularly grateful to the many individuals and institutions who provided written and oral evidence to the Committee's inquiry. We are pleased to have this opportunity to respond to the Committee's report and recommendations following the evidence we submitted to the enquiry on 30 November 2016. This report, and its supporting evidence, will be a valuable resource as we continue our work to ensure the UK continues to attract global talent and maintain a world-class higher education and research sector after we leave the EU.

2. As the Prime Minister made clear in *The United Kingdom's exit from and new partnership with the European Union White Paper* ('the EU Exit White Paper'), one of the UK's great strengths as a nation is the breadth and depth of its academic and scientific communities, backed up by some of the world's best universities.¹ The UK is ranked by the World Economic Forum as one of the top six nations in the world for university-industry collaboration in research and development, and in 2016, the UK was also third in the Global Innovation Index. That is why ensuring the UK remains the best place for science and innovation has been identified as one of the Prime Minister's 12 key objectives for the negotiations. We outlined our objectives for an ambitious science and innovation agreement with the EU in our paper *Collaboration on science and innovation—a further partnership paper* ('the Science and Innovation Collaboration Paper').²

3. The Prime Minister has also been clear that the UK will remain open to the talent we need from Europe and the rest of the world. The UK has some of the best universities and researchers in the world, and international students, academics and researchers play a significant part in that success. Our institutions have a long established tradition of attracting the brightest minds, at all stages of their careers, from around the world. These staff can play a critical role in the economy and wider society, and they are helping the UK to remain at the forefront of science and research. The UK also has an excellent offer for overseas students in terms of education and wider experience, and in 2015/16, there were more than 127,000 EU students and over 311,100 non-EU international students at UK Higher Education Institutions. Combined, this accounts for more than 19% of the UK's

1 *The United Kingdom's exit from and new partnership with the European Union White Paper*, Department for Exiting the European Union, February 2017

2 *Collaboration on science and innovation: a future partnership paper*, Department for Exiting the European Union, September 2017

total student population.³ We will always ensure that Britain's world-class universities can attract international students, and that our universities can recruit the brightest and best staff from around the world.

4. As we exit the EU, the Government is acting to provide certainty to staff, students and institutions wherever possible, sending a clear message that we remain open to the talent we need, both from Europe and from the rest of the world. In particular, we want to reach a reciprocal agreement for EU citizens in Britain and UK nationals in Europe as quickly as possible. That is why we published our policy paper *Safeguarding the position of EU citizens living in the UK and UK nationals living in the EU* ('the citizens' rights policy paper) on 26 June—to outline our offer for EU citizens, and provide them with certainty about their future.⁴ We want to ensure EU citizens continue to not only be able to live here as they do now, but also to continue enjoying other important rights such as access to healthcare, education, benefits and pensions.

5. In our written evidence, we mentioned that we had made a series of announcements on access to student finance support and underwriting funding for EU research, innovation and collaboration to provide certainty for students, academic staff and institutions alike. Since then, in addition to publishing the EU Exit White Paper, we have also confirmed that EU nationals and their family members who are starting their courses in the 2018/19 academic year or before continue to remain eligible for home fee status and for undergraduate, master's, postgraduate and advanced learner financial support, for the duration of their course. They also continue to remain eligible to apply for Research Council PhD studentships.

6. We also recognise that people and businesses—both in the UK and in the EU—would benefit from a period to adjust to the new arrangements in a smooth and orderly way. That is why the Prime Minister has proposed a period of implementation, which will give businesses and people alike the certainty that they will be able to prepare for the change. At the same time, this would be time-limited, giving everyone the certainty that it will not go on for ever. How long the period is should be determined by how long it will take to prepare and implement the new processes and new systems that will underpin that future partnership—we expect this to last for around two years.

7. The Committee's report highlights issues that we know we will have to consider as we prepare to leave the EU, many of which will need to be considered as part of wider discussions about our relationship with the EU. We would like to reassure both the sector and the Committee that departments across Government are working together to understand these issues fully and to plan for a range of exit scenarios. For example, the Home Secretary has commissioned the independent Migration Advisory Committee (MAC) to help us build an evidence picture of (a) the impacts on the UK labour market of our exit from the EU and how the UK's immigration system should be aligned with a modern industrial strategy, and (b) the impact of international students in the UK.

8. We will continue to engage closely with the Devolved Administrations and a wide range of higher education stakeholders on issues arising from our exit from the EU. We acknowledge the views raised by the sector about the UK's impending exit from the EU

3 HESA Student Record, 2015/16

4 *Safeguarding the position of EU citizens in the UK and UK nationals in the EU*, UK Government, June 2017

including their views on arrangements for EU students and staff already in or coming to the UK (including specific mobility schemes such as Erasmus+), student finance, research funding and collaboration and the need for a phased process of implementation.

However, the Government continues to believe that our exit presents a number of opportunities for the higher education sector—highlighted in the Committee's report—and remains committed to making the most of these.

The withdrawal process and the future relationship with the EU: possibility of 'no deal'

The Department for Education, in co-operation with the Home Office and the Department for Business, Energy and Industrial Strategy, should publish a contingency plan for higher education to prepare for a 'no deal' situation. This plan should set out clear proposals to ensure potential risks are mitigated. (Paragraph 8)

9. The Government is confident that the UK and the EU can reach a positive deal that reflects our deep and special partnership. This will be to the mutual benefit of both the UK and the EU, and we will approach the negotiations in this spirit. However, whatever the eventuality, we will ensure that our functions can continue. That is why the Department for Education is working closely with other Government departments, including the Department for Exiting the European Union (DExEU), the Home Office and the Department for Business, Energy and Industrial Strategy (BEIS), to plan for a range of exit scenarios.

10. It would not be appropriate to publish the detail of this planning while negotiations are ongoing, but we want to reassure the Committee that policy development continues to be informed by our close engagement with the Devolved Administrations and higher education sector representatives from across the UK. This takes place through a number of official and ministerial-level routes, including the High Level Stakeholder Working Group on EU Exit, Universities, Research and Innovation, which the Minister of State for Universities, Science, Research and Innovation chairs and DExEU ministers regularly attend. This group provides a valuable forum for senior representatives from higher education, science and innovation communities to discuss issues of common interest in approaching the UK's exit from the EU, and to discuss the development of future policy on research and innovation both domestically and internationally.

11. As the UK prepares to leave the EU, we will continue to engage closely with the sector to ensure we understand the risks and opportunities that exiting the EU presents. But we would also encourage the sector to continue to think about what it could do to best prepare for our exit from the EU—whether in mitigating potential risks or in taking advantage of new opportunities.

People

The Government should guarantee home rate fees and access to tuition fee loans for EU undergraduate students starting in England in the academic year 2018/19 well in advance of the early deadline for course applications. The status of postgraduate students should also be clarified. This will create some immediate stability during the negotiations. (Paragraph 19)

It is important that the higher education sector is given enough notice of any changes to the migration status of EU students, their fee rate and access to loans. The Government needs to ensure sufficient time for universities and others in the higher education sector to adjust and plan ahead. It must also ensure that changes to fees or loans do not occur midway through a student's course. (Paragraph 20)

12. Attracting talent from across the globe is essential to maintaining the UK's world-class higher education sector, and we know that clarity on student finance arrangements for EU nationals as we prepare to leave the EU is a key issue for the sector. Before giving evidence to the Committee, we had already confirmed that current eligibility rules remained in place for EU students starting courses in the 2016/17 and 2017/18 academic years.

13. We have since acted to provide certainty to EU nationals and their family members who are starting their courses in the 2018/19 academic year. In April, we announced that they will continue to remain eligible for home fee status and for undergraduate, master's, postgraduate and advanced learner financial support, for the duration of their course. At the same time, we announced that EU nationals continue to remain eligible to apply for Research Council PhD studentships at UK institutions for 2018/19, to help cover costs for the duration of their study. As a student's eligibility for support is assessed at the start of their course, and no further assessment takes place during it, this has provided EU students with the reassurance they need to continue applying to study in the UK, safe in the knowledge that financial assistance is available if needed. Our citizens' rights policy paper confirmed that we will ensure these students have a parallel right to remain in the UK to complete their course.

14. Our announcements allow providers to plan ahead for the next two academic years. Listening to the sector, we recognise the importance of communicating arrangements for courses starting in the 2019/20 academic year and beyond in advance of applications opening. We recognise that an appropriate implementation period—should there be any changes to arrangements for student finance for EU students coming to study in the UK after exit—is extremely important to the sector, and we are factoring this into our planning. We are also using our close engagement with the sector to make sure we understand the perspectives of different regions and different institutions on these issues, as well as the national picture.

15. For qualifying EU citizens who arrived in the UK before a specified cut off date (which is for negotiation, but at its earliest will be 29 March 2017, the Article 50 trigger date, and at the latest the day of Brexit), our citizens' rights policy paper explains that, in relation to education, including student finance, we want existing rights and arrangements to be respected and maintained across the whole of the UK. This is of course subject to respecting the devolution settlement and the constitutional position of the devolved administrations which may allow the precise entitlement to be varied in different parts of the UK. In England, this means EU nationals here before the specified date will continue to be eligible for tuition fee loans and home fee status, as well as being eligible to apply for maintenance support on the same basis as they can now, even if they start courses after the UK has left the EU. These entitlements will be subject to any future domestic policy changes which apply to UK nationals.

We believe the best model for EU students is to retain a reciprocal open approach with light touch controls, such as visa-free access, which would enable preservation of a

system closely resembling freedom of movement. We recommend the Government takes this open approach with all international students if it is serious in its desire for the UK to remain a global leader in higher education. (Paragraph 21)

16. The Prime Minister has made it clear that the UK will remain open to the talent we need from Europe and the rest of the world, which includes both EU and non-EU students. We are a diverse and tolerant country and openness to international talent will remain one of our most distinctive assets; we recognise the valuable contribution migrants make to our society and welcome those with the skills and expertise to make our nation better still.

17. This includes international students who study in the UK. We recognise that they enhance our educational institutions both financially and culturally; they enrich the experience of domestic students; and they become important ambassadors for the United Kingdom in later life. This is evidenced by the fact that we remain the second most popular destination globally for international higher education students, with four UK universities in the world's top 10 and 16 in the top 100⁵ and international student satisfaction at 91% for undergraduates.⁶

18. Because we recognise the value of international students, on 24 August the Home Secretary commissioned the MAC to provide an objective assessment of the impact that both EU and non-EU students have on the UK. Never before has the MAC been asked to consider the impact of international students, and this commission will provide a much needed assessment of their value. The commission will consider the impact of both EU and non-EU students at all levels of education, and will consider the whole of the UK, including its constituent nations and regions. The MAC will also consider the impact of tuition fees and other spending by⁶international students on the national, regional, and local economy and on the education sector, in addition to the impact their recruitment has on the provision and quality of education provided to domestic students.

19. We expect that the MAC will provide their report in September 2018, but the Government will continue to work hard to ensure that Britain's world-class universities can attract international students from the EU and beyond after we leave the EU. We are confident that EU students will continue to want to study in the UK after our exit. The UK has—and will continue to have after we leave the EU—a world-class education system that attracts students from across the world. We are fully committed to ensuring that the sector retains its global reputation and track record for excellence and value-for-money.

International students should be removed from the net migration target. The Government's refusal to do so is putting at risk the higher education sector's share of the international student market. Removing international students from the target would be a simple way to offset some of the risks from leaving the European Union. For domestic policy purposes, these students could be recorded under a separate classification and not be counted against the overall limit. The Office for Students should monitor and report on the overall trends of international student recruitment. The Government should continue to improve its data recording, prioritising exit check data. (Paragraph 28)

5 QS University Rankings 2018

6 *International Undergraduate Students: The UK's Competitive Advantage*, Universities UK International, December 2015

20. The UK is a highly attractive destination for international students, with their numbers remaining at record highs—over 170,000 non-EU entrants to UK higher education institutions for the sixth year running. The latest Home Office visa data also shows that, since 2011, university-sponsored visa applications have risen by around 12%.⁷ These students make a valuable contribution to the diversity of our higher education sector and the UK's economy and the Government strongly wishes to continue to attract them to study in the UK.

21. The independent Office for National Statistics (ONS) is responsible for the production of net migration statistics. While international students are studying here, they consume public services. Local authorities need to know the numbers so that they can accurately plan their resources. We therefore have no plans to remove international students from the net migration target. However, the target compares students who come and leave the UK; it does not equate to limiting numbers of students. Including students in the net migration target does not act to students' detriment or to the detriment of the education sector. There is no limit on the number of genuine international students which educational institutions in the UK can recruit, and, equally importantly, the Government has no plans to limit any institution's ability to recruit international students.

22. The Higher Education and Research Act 2017 created a new duty to ensure the publication of appropriate higher education information. The duty specifically requires the Office for Students (OfS), or a body designated to do the job in its place, to consider what published information would be helpful to current or prospective international students and the registered higher education providers that recruit them (or are thinking of doing so). The new duty will also require the body to consider publishing information on international student numbers. These provisions were designed to help make sure that there is as much information as possible available about the UK's offer to international students.

23. Regarding the final part of this recommendation, the Government welcomes the work that the ONS has been doing to improve the quality of statistics relating to international students. Given the volume of international students in the UK, it is vitally important that there are accurate statistics on the extent of student immigration and emigration. We have noted the preliminary conclusion that the ONS reached in its 24 August International student migration research update report, which was that the International Passenger Survey may be systematically undercounting emigration after study.

24. On 24 August, Home Office also published a report on exit checks data, which shows that the vast majority of current international students—those whose visas expired in 2016/17—went home on time.⁸ Exit checks data has been made available to the ONS, who will continue to work with the Home Office and other Government departments to improve the use of administrative data. This will lead to a greater understanding of how many migrants are in the UK, how long they stay for, and what they are currently doing. In the meantime, the International Passenger Survey continues to be the most robust estimate of overall net migration.⁹

7 Home Office Migration Statistics, 2017

8 *Second report on statistics being collected under the exit checks programme*, Home Office, August 2017

9 *What's Happening with Student Migration?*, ONS, August 2017

The rights of EU higher education staff to work and reside in the UK need to be guaranteed as soon as possible. The Government has rightly identified the agreement of the rights of EU nationals as its first priority in the negotiations. However, we caution that a delay in confirming these rights will only intensify the current uncertainty for universities, and likely lead to a significant ‘brain drain’ in talented staff. The Government must be prepared to unilaterally agree the rights of EU nationals before the end of 2017 if a reciprocal deal is not agreed before then. (Paragraph 36)

25. The UK’s higher education institutions have a long established tradition of attracting the brightest minds, at all stages of their careers, from around the world, and in 2015/16 this included around 33,700 EU national academic staff.¹⁰ We want that to continue and we are confident that, given the quality of the UK’s HE sector, it will.

26. However, we recognise that the rights of EU nationals to work and reside in the UK are a top priority for the sector and that is one reason why we want to reach a reciprocal agreement for EU citizens in Britain and UK nationals in Europe as quickly as possible. We want to ensure EU citizens continue to not only be able to live here as they do now, but also to continue enjoying other important rights such as access to healthcare, education, benefits and pensions. That is why we published our citizens’ rights policy paper—to outline our offer for EU citizens, and provide them (and employers and education institutions) with certainty about their future.

27. In the citizens’ rights paper, we make clear that no EU citizen here lawfully before the specified date will have to leave as a result of us leaving the EU. Our intention is that EU citizens who have been continuously resident here for five years will be allowed to stay indefinitely by getting ‘settled status’. This means these citizens will be free to reside in any capacity, have access to public funds and services and apply for British citizenship. EU citizens who arrived before the specified cut off date but who have not been here for five years will be able to get permission to stay until they have accumulated five years, after which they will be able to apply for settled status. Family dependants who are living with or join EU citizens before the UK’s exit will be able to apply for settled status after five years in the UK too, irrespective of the specified cut off date. There will, therefore, be no ‘cliff edge’ for employers or individuals, and we want to keep together families living lawfully in the UK.

28. EU citizens who arrive after the specified date will be able to apply for permission to remain after the UK leaves the EU under the future immigration arrangements for EU citizens. In the coming months, the Government will build on its regular engagement with stakeholders including business, other employers and communities by ensuring they are given the opportunity to contribute their views. We have also commissioned the MAC, in its capacity as a body of internationally recognised experts, to help us build an evidence picture of the needs of the UK labour market as we prepare to leave the EU. This will provide an open channel for stakeholders and the MAC’s credible, independent advice will help inform what may be some future decisions. Only when we have the MAC’s advice will we determine what the future long-term immigration rules for EU citizens should be. However, the Prime Minister has made it very clear that the UK will remain open to the talent we need from Europe and the rest of the world.

10 HESA Staff Record, 2015/16

Reforms to the immigration system need to reflect the requirements of higher education. The new immigration system after the UK leaves the European Union will need to facilitate, rather than inhibit, the movement of people in and out of our universities. Otherwise, continued academic collaboration and the sector's international competitiveness will be at risk. (Paragraph 40)

We recommend a new visa for all highly-skilled academics, more liberal than the Tier 2 route. This should have a lower salary threshold and a separate, higher cap, as well as lower bureaucratic burdens and costs. This new approach would show the Government was serious in its aim to bring in the best from around the world and encourage collaboration. (Paragraph 41)

29. As we have noted above, we are considering very carefully the options that are open to us in relation to future EEA and non-EEA migration. As part of that, it is important that we understand the impacts on the different sectors of the economy and the labour market from any changes that we make. That is why we have commissioned the MAC to help us build an evidence picture of the impacts on the UK labour market of our exit from the EU and how the UK's immigration system should be aligned with a modern industrial strategy. We will also ensure that businesses and communities have the opportunity to contribute their views over the coming months.

30. Science and research are vital to our country's prosperity, security and wellbeing, and they are at the heart of our industrial strategy. As the Prime Minister said in her statement in Parliament on Article 50, the UK must remain among the best places in the world for science and innovation, and we hugely value the contribution that EU and international staff and students make to this.

31. Immigration reforms for non-EU nationals since 2010 have explicitly taken account of the needs of the academic and research sectors, even while tightening controls on migration in other spheres. The Government has consistently protected and enhanced the treatment of these sectors in the immigration system. In Tier 2, the main non-EEA work route, there are generous provisions for PhD-level occupations, which includes university lecturers, scientists and researchers. These occupations have higher priority when allocating monthly places within the Tier 2 limit and none have ever been denied places when the limit was oversubscribed. We have also exempted these occupations from the £35,000 earnings threshold for settlement applications, exempted them from the Immigration Skills Charge and, in recognition that universities are fishing in a global talent pool, relaxed the Resident Labour Market Test to allow the best candidate to be appointed, regardless of nationality and whether there are suitable resident workers available.

32. In addition, the Tier 1 (Exceptional Talent) route provides for exceptionally talented individuals in the fields of arts, humanities, science, engineering, and digital technology. These are individuals who are already internationally recognised as world leaders in their particular field, or who have already demonstrated exceptional promise and are likely to become future leaders. Successful applicants are able to work and settle in the UK without the need for a sponsoring employer.

33. The Tier 5 (Temporary Worker) route makes further provision for sponsored researchers, creative sector workers and others who will not be filling vacancies but wish to work in the UK for up to two years, for primarily non-economic purposes.

34. Our visit rules also allow academics to gather and share knowledge for specific projects, take part in formal exchange arrangements, give guest lectures, and examine students as part of quality assurance processes.

35. As we exit the EU, the Government intends to secure the right outcome for UK universities and research organisations, welcoming those with the genuine skills and expertise to make our nation better still. We continue to work closely with the research sector to identify further improvements we can make to the system. We will control immigration so that we continue to attract global talent to work or study in Britain, but manage the process properly so that our immigration system serves the national interest.

EU programmes

The Government should prioritise continued access to Horizon 2020 and other EU research funding after the UK's exit, and negotiate access to future EU funding programmes. The Government should also make a contingency plan for investing the same level of funding it received from the EU domestically in a scenario where access cannot be negotiated. (Paragraph 52)

36. Overall, the UK has been a net contributor to the EU budget. EU programmes which we participate in are funded from this pot.

37. Until our departure from the EU, we remain a Member State, with all the rights and obligations that entails. The Prime Minister has been clear that we will honour commitments we have made during the period of our membership and as we move forwards, we will also want to continue working together in ways that promote the long-term economic development of our continent. This includes continuing to take part in those specific policies and programmes which are greatly to the UK and the EU's joint advantage, including those that promote science, education and culture. In doing so, we would want to make an appropriate ongoing contribution to cover our fair share of the costs involved.

38. UK businesses and universities should continue to bid for competitive EU funds, such as Horizon 2020, while we remain a member of the EU. We will work with the European Commission to ensure payment when funds are awarded. The Government will underwrite the payment of such awards, even when specific projects continue beyond the UK's departure from the EU.

39. As set out in the Government's recent Science and Innovation Collaboration Paper, we want to continue playing a major role in creating a brighter future for all European citizens by strengthening collaboration with European partners in science and innovation. To that end, the UK will seek to agree a far-reaching science and innovation agreement with the EU that establishes a framework for future collaboration.

40. We also remain committed to maintaining and building on our strengths in research and development to continue attracting world-class people, skills and foreign investment. In the 2015 Spending Review we protected the science resource budget in real terms at

£4.7 billion per year. In the 2016 Autumn Statement we committed to substantial real terms increases in Government investment in R&D, rising to an extra £2 billion per year by 2020–21. This is an increase of around 20% to total government R&D spending, and more than any increase in any Parliament since 1979.

Continued membership of Erasmus+ would be the best outcome for the UK and the Government should consider this as a priority programme in its negotiations with the EU. If this proves impossible, it is vital that the mobility of students and staff is not impeded. The Government should guarantee it will underwrite any Erasmus+ placements potentially under threat in 2019. A replacement mobility programme will need to be drawn up at an early stage so it is ready to begin for the 2019/20 academic year. This replacement could focus on a wider net of countries around the world as long as it safeguards support for disadvantaged groups. (Paragraph 60)

Whatever the result of the negotiations, the Government should develop an ambitious outward mobility strategy with universities, which increases the range of mobility opportunities to more countries and includes a baseline participation target. (Paragraph 61)

41. The Government recognises the value of international exchange and collaboration in education and training as part of our vision for the UK as a global nation. The Prime Minister has been clear that as the UK leaves the EU, Britain will remain truly global—the best friend and neighbour to our European partners, but a country that reaches beyond the borders of Europe too.

42. The Prime Minister has also been clear that there may be specific European programmes in which we might want to participate after we leave the EU and that these will be considered as part of the negotiation. As we have noted above, the UK will honour commitments we have made during the period of our membership and as we move forwards, we will also want to continue working together in ways that promote the long-term economic development of our continent.

43. Last year the Government encouraged UK businesses and universities to continue to bid for EU funds while we remain a member of the EU and committed to underwriting the payment of such awards even if specific projects continue beyond the UK's departure from the EU. On this basis, applications from UK institutions for Erasmus+ funding are continuing as normal, and contracts will be issued and payments made in the usual way.

We recommend that as a replacement to investment from European Structural and Investment Funds the Government establishes a new regional growth fund which allocates funding on a similar needs-based system. Given the UK is currently a net contributor, this new fund could easily exceed the level of investment the UK has traditionally received from the EU. This would help to meet the Government's aim to rebalance the economy. (Paragraph 64)

44. The future of European Structural and Investment Funds is an issue that affects a number of different sectors, and Government departments are working closely to understand the impact of, and plan for, a range of exit scenarios. In the UK higher education sector, European Structural and Investment Funds (including European Social Funds and European Regional Development Funds) account for 0.2% of total university income, but we recognise that there are significant regional and institutional variations

within this that will need to be taken into consideration as we plan for our exit from the EU.¹¹ This includes variation among the Devolved Administrations, with whom we are engaging closely throughout the exit process.

45. We are consulting closely with stakeholders to review all EU funding schemes in the round, with a view to ensuring that any ongoing funding commitments best serve the UK's national interest, while providing appropriate investor certainty. As we have noted above, in October 2016, the Government guaranteed funding for ESIF projects signed before the UK leaves the EU provided they are value for money and in line with domestic priorities. The Government's 2017 manifesto also stated our intention to use the structural fund money that comes back to the UK following our exit from the EU to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations.

Opportunities

There is tension between the current Government policies to both respect the current convention for Ministers not to decide what to spend research funds on, whilst also committing to ensuring R&D benefits the whole country. The Government needs to clarify its position. The uncertainty over the future availability of EU research funds and the creation of the UKRI means this is a golden opportunity to re-evaluate allocation of domestic funding so that the value of 'place' is articulated unambiguously. Otherwise, the Government will fail in its commendable aim to ensure R&D benefits the whole country. (Paragraph 71)

46. The Government is committed to the Haldane Principle, which is the convention that decisions about what to spend research funds on should be reviewed and made by experts in the field—and not by politicians. That is why, during the passage of the Higher Education and Research Bill, we enshrined a form of the Haldane Principle into legislation. This was in respect of UK Research and Innovation's (UKRI's) direct grant making activities, where we reinforced the need for research grants to be awarded following a review of quality and likely impact (such as peer review). This legislative step was introduced to further embed excellence into the grant making process. The longstanding view of current and past governments is that excellence is the most effective route to maximising the value for taxpayers money overall.

47. UKRI's ambition is to be the best research and innovation funder in the world. It will help to ensure that the UK maintains its world-leading position in research and innovation, building on the successful elements from the current funding system: dual funding (block grants and research councils), funding based on peer review, Innovate UK's business focus, our world-class institutes, and industrial research and development.

48. However, it is appropriate for Government to play a more direct role in addressing strategic issues and we will continue to do this by allocating resources for programs to address particular challenges or societal issues. This role for Government was well described in a 2010 Written Ministerial statement on the Haldane Principle, which remains available

through Hansard.¹² We can reassure the Committee that ‘place’ remains an important factor within our strategic purview and that Government retains the ability to address it, either directly, or in collaboration with UKRI or other partners.

49. One example of such a strategic intervention is the Government’s Industrial Strategy. In the Industrial Strategy Green Paper, the Government highlighted the ways in which UKRI will strengthen strategic capability, and develop and deliver a clear strategy—from fundamental research through to business innovation. The Green Paper proposed creating competitive new funding streams to back clusters of innovative businesses across the country. These could support world-class research and innovation strengths in local economies, and provide commercialisation funding to allow universities to work more with local businesses. The consultation on the Green Paper closed on 17 April and we are now analysing the feedback; the Government will respond in due course.

Universities should be represented in upcoming trade agreements with countries around the world to support their global ambitions. The Department for International Trade, in partnership with the Department for Education and the Department for Business, Energy and the Industrial Strategy, should develop a cross-Government strategy for international research and higher education. (Paragraph 77)

50. The Government recognises the importance of higher education and research to the UK’s economy. Higher education exports were estimated at £12.4bn in 2014, an increase of around 30% from 2010 (in nominal prices).¹³ This includes tuition fees and living expenditure of international higher education students (EU and non-EU), which contributed an estimated £11.1bn to the UK economy in 2014. We will continue to support growth in UK education exports through the work of the Department for International Trade (DIT), and actively promote study in the UK through the GREAT Campaign and through the British Council, which promotes the UK in over 100 countries and connects millions of people with the United Kingdom.

51. The Government also recognises the higher education sector’s interest in developing trade relationships globally—something that has long been fostered through the organisation of trade missions overseas designed to boost international dialogue and collaboration in higher education and research. We will ensure that the interests of the sector are taken into account as negotiations progress and trading partnerships develop. Discussions on how to maintain the strength and prosperity of our key sectors are already taking place between different Government departments. The valuable feedback that we have from engagement with higher education stakeholders informs these discussions and we will continue this dialogue to ensure that we understand the opportunities, as well as the risks, that EU exit presents.

52. During the later stages of the passage of the Higher Education and Research Act, the Government committed to refreshing its international engagement strategy for prospective overseas students. We want to make sure that international students continue to have the information they need about the UK’s excellent education offer. Showcasing the UK’s world-class research base will be an important element of this messaging, and we will seek sector representatives’ views in developing this narrative.

12 <https://publications.parliament.uk/pa/cm201012/cmhansrd/cm101220/wmstext/101220m0001.htm>

13 *Education-related exports and transnational education activity*, Department for Education, July 2017

53. We are also implementing Sir Paul Nurse's recommendations and establishing a single strategic research and innovation funding body—UK Research and Innovation (UKRI). UKRI will catalyse a more strategic, agile and interdisciplinary approach to addressing global challenges and play a key role in helping the UK strengthen its competitiveness as part of the new Industrial Strategy. UKRI will also have a key role, as a strong, single voice for UK research, to cement and catalyse research partnerships throughout the world, and with the OfS, to support a healthy, vibrant, outwardly engaged university sector.

We recommend the Government pursues bold new collaborations with major research countries such as the USA, prioritising nations where relationships are already well-developed, as well as investing additional resources into existing efforts such as the Global Challenges Fund and the Newton Fund. It is crucial any new investment does not come at the expense of existing research funding, which even with the recent increase still lags behind the OECD average. (Paragraph 78)

54. The Prime Minister has been clear that a global UK must be a country that looks to the future, which means being one of the best places in the world for science and innovation. The UK is a world leader in international research collaboration and we aim to build on this. Our vision is to achieve 2.4% of R&D spending within ten years and 3% in the longer term. We agree with the Committee that our exit presents significant opportunities for the sector to develop bold new collaborations globally and we are considering these opportunities as we prepare to leave the EU. BEIS, the Foreign and Commonwealth Office, the Department for International Development and DIT are working closely together to forge stronger bilateral relations, ensuring that our collaborations result in economic growth as well as progress in tackling global challenges.

55. International collaboration is one of the UK's key strengths in research: 47.6 per cent of UK articles in 2012 were internationally co-authored—a share that has been increasing. With just 3.2% of global research and development expenditure, the UK accounts for 6.4% of articles and 15.9% of the world's most highly cited articles.¹⁴ The UK also exported over £11 billion of intellectual property globally in 2015.¹⁵

56. That is why the Government is committed to building on existing international research partnerships and building new ones. The Global Challenges Research Fund and Newton Fund together represent a commitment of over £2 billion from 2016–21 and are leveraging the UK's world-leading research base to ensure that UK science takes a leading role in addressing the issues faced by developing countries. In March, we confirmed that we would spend over £100 million on global research talent over the next four years, to attract the brightest minds to the UK and help maintain the UK's position as a world-leader in R&D. This followed our November 2016 announcement of a significant increase in government investment in research and development.

14 *International Comparative Performance of the UK Research Base – 2013*, Elsevier for the Department of Business, Innovation and Skills, October 2013

15 *United Kingdom Balance of Payments, The Pink Book: 2016*, Office for National Statistics, July 2016