

COVID-19 – deploying £75 million support for university research

- This paper asks the Finance Committee to consider a range of options for the distribution of an additional £75 million of capital for research provided to mitigate the effects of COVID-19 and to advise the Board on the most effective option to satisfy the SFC’s objectives for such a one-off allocation, taking proper account of the advice of Ministers.

Recommendations

- **Note** the background to the announcement of additional investment in research by SG and the context in which it is made.
- **Advise** the executive on which of the options for distribution of the £75 million additional investment should be presented to the SFC Board for approval.
- **Note** the proposed use of conditions of grant to reinforce the expectation of delivery against the outcomes sought by Ministers and by SFC.

Financial implications

- The Committee is considering options for the distribution of £75 million of additional capital funding to be provided by SG to SFC for distribution to the university sector in Academic Year (AY) 2020-21 to mitigate the impact of COVID-19 on research in Scotland’s universities.
- If a formulaic approach to the distribution were to be agreed by the SFC Board, the profile of that distribution will be agreed with SG and with the university sector but is not, currently, envisaged to start before 1 August 2020.

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Purpose

1. This paper asks the Finance Committee to consider a range of options for the distribution of an additional £75 million of capital for research provided to mitigate the effects of COVID-19 and to advise the Board on the most effective option to satisfy the SFC’s objectives for such a one-off allocation, taking proper account of the advice of Ministers.

Impact of COVID-19 on research

2. The Committee will be familiar with the 29th April publication¹ by SFC of a Briefing Note on the evolving and predicted financial impact on both the university and college sectors of the COVID-19 pandemic.
3. For the university sector, the headlines in that document included:
 - In [an] optimistic scenario ..., where the normal intake of new international students drops by half, Scottish universities face a collective operating deficit of £383.5 million in AY 2020-21.
 - In [a] pessimistic scenario ..., if there is a complete drop in new international students in AY 2020-21, universities could face an operating deficit of £651 million.
 - Even allowing for some new and returning international students, and further mitigating actions by institutions, we might still expect a significant deficit of at least £450-500 million.
 - COVID-19 will have cumulative, multi-year impacts well beyond AY 2020-21.
4. Research in universities is, in general, undertaken at a financial loss, in that the funding of research rarely covers the full economic costs (FEC) of doing the research. For example, the UKRI Research Councils fund at no more than 80% of FEC. While the quality-related funding (the Research Excellence Grant) from SFC assists, our funding is also used to support new research areas and the training of PhD students, giving an overall sectoral recovery of research costs in Scotland of 78% of FEC. The balance of costs (£366M in AY 2017/18) is supported, typically, from the profits from international student fees. So, a drop in international students affects research activity directly.

¹ http://www.sfc.ac.uk/web/FILES/covid-19/SFC_briefing_note_-_COVID-19_Further_and_Higher_Education_Financial_Impacts.pdf

5. In the short term, the main impacts are cash-flow from paused grants; disrupted recruitment and inhibited staff retention; and the interruption of research. This is likely to be compounded by significant falls in annual funding from charities and industry, amounting to tens of millions of pounds of research funding.
6. In the medium term, predicted impacts are a significant loss of research momentum, a reduction in the volume of new research grant awards from some funders and the creation of a “lost generation” of PhD students and post-docs whose work will be blighted. In the longer term, universities are highlighting the impact from the start of the new AY being a varied, but in the case of our research intensive universities dramatic and sustained, risk to research capacity which, if not externally compensated for, will lead to hard sustainability choices being faced by universities, a loss of capacity and reputation, and a more limited ability to contribute to the post COVID-19 economic recovery.
7. An unmanaged, significant reduction in research capacity, could lead to many staff losses and we may lose the ability to prioritise research and innovation that matters to Scotland’s future. A more strategic, managed reshaping of the research base, over several years would help to preserve key activities that matter.
8. To allow for that strategic approach to the future of research in Scotland, urgent support is needed in the short term to stabilise and offset immediate losses.

UK context

9. The challenge of COVID-19 causing a loss of international student income and a threat to university research is UK wide. The UK Government announced², on the 4th May, a reprofiling of £100 million of the English equivalent of REG funding, a reprofiling of Student Loan Company payments and measures to control the market in domestic undergraduates. No new resources have been made available to universities in England in response to COVID-19 challenges as yet.
10. At the same time, the UK Government also announced the creation of a UK Research Sustainability Taskforce: “DfE and BEIS Ministers will set up an advisory sector working group with the Devolved Administrations to consider how best to respond to the challenges universities face on research as a result of COVID-19, and so university research can continue to support the UK’s

² <https://www.gov.uk/government/news/government-support-package-for-universities-and-students>

economic recovery following the crisis.” SFC’s CEO and our Minister, Mr Lochhead, are members of that Taskforce and both are very active in that forum to help UK Government decide on a purposeful intervention that will benefit the whole UK research base.

Scottish Government announcement

11. SFC has been working closely with SG throughout this crisis and has been helping Ministers to identify the impact of the COVID-19 pandemic on our university research base. We have had very positive engagements with Government Ministers and with Universities Scotland as we have understood and communicated the risk to research itself, to the jobs and careers of researchers, and the value of research as a contributor to our national economic and social recovery.
12. On the 6th May, SG announced a “**£75 million boost for Scottish university research**”. This is a one-off SG payment to help mitigate financial effects of COVID-19. The announcement is [here](#) and at **Annex A**.

Advice from Ministers

13. The key points in the 6th May statement are that the investment should be used to:
 - Protect world-leading research;
 - Help institutions concentrate fully on planning the long-term future;
 - Help universities focus more effort on the high priority research needed to fight the outbreak and to support society and the economy; and
 - Support PhD students whose studies have been impacted.
14. We further understand that Ministers would advise:
 - A form of distribution which gives accountability to SFC on the delivery of the objectives above;
 - SFC directing this money in such a way that it is used for the priorities in the first set of bullet points and not for addressing pre-existing financial weaknesses in individual universities; and
 - SFC developing the mechanism for distribution in consultation with the university sector.

SFC objectives for distribution

15. This is £75 million over AY 2020-21, a year in which the sector predicts £400M-£600M+ of reductions in income with that income loss partially sustained in subsequent years. The university sector's income loss is focussed heavily on the subset of (largely ancient) universities most reliant on international student income for their research-intensive business model (FC/20/20).
16. Our high-end research is so exposed to international student income because some autonomous universities have, understandably, taken business decisions to augment research volume and quality in a business model where global research reputation fed a virtuous cycle of income generation from overseas students.
17. SFC will lead the debate in considering how to use public (financial and regulatory) influence to assist the sector move towards a more sustainable research model from AY 2020-21 onwards. We will be looking to our research base to contribute strongly to a low carbon post-Brexit economy.
18. We could translate the advice from Ministers into objectives for SFC for this intervention: SFC will want to see this £75 million:
 - Providing financial headroom in universities to allow medium-term planning decisions to be taken with reduced short-term pressure;
 - Retaining researchers in jobs and thereby protecting research excellence;
 - Supporting extensions for some PhD student stipends where justified and thereby protecting a talent pipeline;
 - Requiring focus on high priority research relating to COVID-19 and to the post COVID economy and society;
 - Providing a platform for discussion of longer term sustainability.

Options for delivery to meet SFC objectives and Ministerial advice

19. We present for the Committee's consideration six options for distribution of the £75 million intervention by SG. The first four of these options are based on a formulaic distribution using existing SFC core grants as a guide.
20. To support the Committee's consideration of these options, the relevant SFC grants for AY 2020-21 are provided at **Annex B**, drawn from SFC published university funding allocation tables³. The three relevant grants with their AY

³ <http://www.sfc.ac.uk/publications-statistics/announcements/2020/SFCAN072020.aspx>

2020-21 values, are:

- The Research Excellence Grant (REG) is £240.3 million and is driven by quality and volume of research. It is there to underpin research excellence and support strategic investment and leverage.
 - The £35.9 million Research Postgraduate Grant (RPG) is driven by PhD student volume and exists to ensure research training infrastructure is in place.
 - The University Innovation Fund (UIF) is £13.7 million and contributes to the university infrastructure (staff) which support commercialisation, knowledge exchange, outreach, entrepreneurship etc.
21. The distribution of £75 million that would result from Options 1-4 are shown in **Annex C**.
22. **Option 1.** Use the AY 2020-21 REG allocations as a guide for the allocation. This would represent a 31% uplift to the REG allocation if it were delivered that as an uplift. Features to note are a strong alignment with research excellence and volume.
23. **Option 2.** Use the full allocation of research and innovation grants –REG, RPG and UIF. £75 million would represent a 26% uplift to the total of the three grants. Features of note include:
- Using the sum of all three grants aligns the core objectives of the £75 million intervention (research, PhD students and the economic recovery) with the purpose of the three grants themselves.
 - The distribution is less steeply focussed on research intensive universities than Option 1, though still notably so.
 - The Open University would receive an allocation, reflecting its role in the economy.
24. There is a possibility of including a minimum in the allocation, a floor. Options 3 and 4 show the effects of including a minimum allocation of £500K for most universities and £250K for the Open University (OU) and the Royal Conservatoire (RCS). The reasoning for a different floor for these two institutions is the relatively small awards they receive from the existing grant lines in research.
25. **Option 3.** Use REG as an allocation guide but with a minimum of £500K or £250K as appropriate. Features of note include:

- Introduces need to decide if OU are part of this distribution.
 - A broader distribution than Option 1.
 - The choice of floor is subjective, including the lower floor for RCS and OU.
26. **Option 4.** Use the sum of REG+RPG+UIF as an allocation guide but with a minimum of £500K or £250K as appropriate. Features of note include:
- It offers the same alignment of purposes as for Option 2.
 - It further flattens distribution relative to Option 2.
 - There is a risk of devoting too much research support in non-research-led institutions.
27. We present two further options, not based on a formulaic allocation.
28. **Option 5:** Hold a competition, using some or all of the £75 million. The competitive call could be for proposals to carry out research work of relevance to the COVID-19 pandemic or to our national recovery.
- We could specify outcomes, e.g. research relevant in the short to medium term for the fight against COVID-19 or the public policy implications of the pandemic, and award sizeable grants.
 - Profile would be high, we could hope for leverage and we could encourage collaboration.
 - Complex, high overhead, we would need to augment existing work as new work would be too slow to start (reducing impact for the investment).
29. **Option 6:** Do a needs analysis and respond accordingly.
- We could assess predicted losses arising from COVID-19 and distribute £75 million according to need.
 - Could be viewed as fair.
 - Which metric of “need” to choose and how to have reliable (new) data as existing data was not collected for that purpose.

Consultation with the university sector

30. In a survey of university Vice Principals for Research carried out before the announcement of the £75 million uplift, they consistently identified the combination of short term threats to employment, damage to PhD student projects and the long term impacts on research quality and activity in Scotland.
31. On Friday 8th May SFC met Universities Scotland’s Research and Knowledge

Exchange Committee to discuss the purposes of the £75 million allocation as expressed in the SG press release. Valuable feedback in support of a simple method of distribution was received as was the understanding of the conditionality required to meet the objectives of SFC and SG.

32. On Tuesday 19th May, SC met the university Principals and discussed the range of options for distribution that were open to us. The advice they gave included:
- Keep it simple and formulaic.
 - They understood the SG and SFC objectives and recognised the practicality of conditions of grant and reporting on them.
 - Points for and against a minimum allocation were raised but more support was offered for an allocation based on the sum of all three research grants than one based on only REG.
 - The idea of a competition was universally rejected as impractical and unhelpful.
 - There were no strong views on timing or the use of a new grant line (as opposed to an uplift to existing grant(s)).
 - The plea was for an early announcement to allow planning certainty.
33. Two points were raised that merit more explanation. The first is that the Principals agreed with the need to support talent by ensuring affected PhD students were enabled to make up for lost time but they were keen to highlight the plight of post-doctoral researchers on fixed term contracts whose work was interrupted. We understand that UKRI may bring forward assistance for costed extension to projects that are affected and by which many of these staff are employed. It will be appropriate to mention them in the conditions of our award in order to highlight that universities should be mindful of this group of staff whose jobs and careers are affected.
34. Secondly, the timing of this award with respect to the UIF review is unfortunate. UIF is distributed on a basis which, for good reason, has been frozen since 2015 and was on the point of refresh following a consultation timed, unfortunately, to coincide with the outbreak of COVID-19. The Principals saw this unfortunate timing. Our suggestion is that we acknowledge the imminent UIF refresh in any advice to the Board if the Committee is minded to recommend an option including it.

Conditions of grant

35. In order to ensure delivery of the objectives identified by Ministers and the

outcomes SFC itself identifies, conditions of grant of the following nature are proposed. We would therefore make any award conditional on universities individually agreeing to:

- A demonstrably collaborative approach, nationally and regionally, wherever that makes research more effective;
- A demonstrable research emphasis in the coming year on the fight against COVID-19 and on the social and cultural impacts of COVID-19;
- A recognition that university research translation is critical for our post Covid, low-carbon economy and that the SFC needs to see universities giving proper focus to their economic role;
- Protection, where possible, of jobs at all levels in research to protect our national capability, explicitly to include recognition of the impact on fixed term postdoctoral researchers;
- Universities to assist PhD students whose studies are affected by COVID-19, in a common manner across the sector;
- That the conditions above should be reported on quarterly beginning August 2020.

Risk assessment

36. If we were to delay a decision on distribution of the £75 million beyond early to mid-June then the value of the investment in discouraging precipitate or unfortunate (staffing) decisions by universities would be much reduced. The risk would be a reduction in the impact of the investment.
37. The monitoring of this investment will periodically require SFC staff time management.
38. The most significant risk, if it were to materialise, would be if universities did not deliver against the conditions of grant (and hence Ministerial and SFC priorities) associated with this investment. This risk is considered to be low as mitigation (monitoring and oversight) can be put in place.

Equality and diversity assessment

39. Once the Finance Committee has recommended an option or options it advises should be considered by the SFC Board, an Equalities and Human Rights Assessment will be carried out on the recommended option(s).

Financial implications

40. The Committee is considering options for the distribution of £75 million of additional capital funding to be provided by SG to SFC for distribution to the university sector in AY 2020-21 to mitigate the impact of COVID-19 on research in Scotland's universities.
41. If a formulaic approach to the distribution were to be agreed by the SFC Board, the profile of that distribution will be agreed with Scottish Government and with the sector university but is not, currently, envisaged to start before 1 August 2020.

Recommendations

42. The Committee is invited to:
 - **Note** the background to the announcement of additional investment in research by SG and the context in which it is made.
 - **Advise** the executive on which of the options for distribution of the £75 million additional investment should be presented to the SFC Board for approval.
 - **Note** the proposed use of conditions of grant to reinforce the expectation of delivery against the outcomes sought by Ministers and by SFC.

Publication

43. This paper will be published on the Council website.

Further information:

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Scottish Government news release 6/5/20

£75 million boost for Scottish university research

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One-off Government payment to help mitigate financial effects of COVID-19.

The Scottish Government has announced a one-off £75 million increase in funding for Scotland's universities to ensure they can protect their world-leading research programmes against the financial impact of COVID-19.

The significant intervention will help secure the jobs and training needed to support ongoing and future research work, meaning institutions can concentrate fully on planning the long-term future of a sector so vital to the Scottish economy.

Universities will also be expected to adapt and use their own resources, as well as the packages of support for businesses provided by the UK Government, to counter the effects of the pandemic on research operations.

The new funding will replace lost research income, protect research jobs, and help universities focus more effort on the high priority research needed to fight the outbreak and to support society and the economy, post COVID-19.

Richard Lochhead, Minister for Further Education, Higher Education and Science, has now written to his UK Government counterpart Michelle Donelan, Minister of State for Universities, calling for a UK investment and support package for Higher Education (HE), including additional financial support for universities, to ensure they and their graduates can continue to play a key role in the UK's economic and social recovery from the pandemic.

Scottish university income has been significantly affected by the COVID-19 outbreak, most notably by a loss of international student income, cancelled conference bookings, and returned accommodation fees. Recent Scottish Funding Council (SFC) analysis indicated Scottish universities face a loss of around £72 million due to COVID-19 this academic year alone, with a collective operating deficit of between £384 million and £651 million forecast for next academic year.

The Scottish Government is working with the SFC and the sector to mitigate the current issues across the range of university activities including research, supporting teaching excellence and student well-being.

Deputy First Minister John Swinney said:

“Our world-renowned university research activities are under threat from COVID-19, from a loss of university income to the risk to jobs and investment. That research is critical to Scotland's future public health and prosperity. So we are investing now to protect our research sector's excellence, with £75 million of additional funding, as we plan together for the future sustainability of Scotland's society and economy as a whole.

“We are taking a partnership approach, talking to the universities and staff unions, as we build up our response. For the universities' part, they are stepping up with a willingness to use part of this investment to support PhD students whose studies have been impacted by COVID-19.

“Now we need the UK Government to join those efforts. So far, their main interventions have been focused on the HE sector south of the border. We need the UK Government to take a UK approach and join with Scottish universities and the Scottish Government to build a support package that will protect the sector from the impact of this virus.”

The additional funding will be administered by the SFC. Its Chief Executive, Karen Watt said:

“This is very welcome additional funding for research in Scotland. We will work closely with the sector to ensure it helps universities continue with vital research, including the response to COVID-19, and contributions to our subsequent recovery.”

Universities Scotland Convenor, Professor Andrea Nolan said:

“We welcome the Scottish Government’s recognition of the role research and innovation will play in supporting business and industry and strengthening our post COVID-19 economy and society.

“The pace of this commitment, and the injection of confidence it will give the research community within the sector, is very welcome.

“We will work closely with Government and the Scottish Funding Council to ensure this resource has the most impact, including support for our PhD students, who are our pipeline of talent for future research and who have been adversely affected by the instability created by the pandemic.”

Background

The additional money is research capital funding. University research is classed as capital in the current 2020-21 Scottish budget. The details of the allocation to individual universities will be subject to consultation with the sector by the Scottish Funding Council.

A number of PhD students will have their work interrupted by, as examples, the closure of laboratories or the inability to pursue fieldwork owing to COVID-19. This intervention will give universities additional resource to respond, for example, by offering financial support to a student to extend a project once their practical work can recommence.

SFC Core Research and Innovation Grants AY 2020-21

Grants for Research and Innovation for AY 2020-21				Table 6
Institution	Research Excellence Grant for AY 2020-21	Research Postgraduate Grant for AY 2020-21	University Innovation Fund for AY 2020-21	Total grants for Research and Innovation for AY 2020-21
	£	£	£	£
(1)	(2)	(3)	(4)	(5)
Edinburgh, University of	80,357,000	8,018,000	1,564,000	89,939,000
Glasgow, University of	48,992,000	8,392,000	1,578,000	58,962,000
Aberdeen, University of	19,726,000	2,678,000	1,383,000	23,787,000
Strathclyde, University of	19,129,000	4,614,000	1,259,000	25,002,000
Dundee, University of	19,028,000	1,404,000	864,000	21,296,000
St Andrews, University of	17,515,000	2,473,000	685,000	20,673,000
Heriot-Watt University	12,564,000	2,430,000	654,000	15,648,000
Stirling, University of	7,370,000	1,768,000	465,000	9,603,000
SRUC	3,267,000	75,000	1,167,000	4,509,000
Glasgow Caledonian University	2,762,000	764,000	405,000	3,931,000
Highlands and Islands, University of the	2,310,000	560,000	683,000	3,553,000
Edinburgh Napier University	1,681,000	552,000	542,000	2,775,000
West of Scotland, University of the	1,515,000	1,035,000	351,000	2,901,000
Robert Gordon University	1,224,000	352,000	486,000	2,062,000
Glasgow School of Art	1,223,000	179,000	328,000	1,730,000
Queen Margaret University, Edinburgh	731,000	325,000	392,000	1,448,000
Abertay University	671,000	244,000	330,000	1,245,000
Royal Conservatoire of Scotland	265,000	75,000	288,000	628,000
Open University in Scotland		-	281,000	281,000
Total	240,330,000	35,938,000	13,705,000	289,973,000

Options 1 to 4

Options for Additional Funding for Research for AY 2020-21					
Institutions ordered by allocation of Research Excellence Grant for 2020-21					
Institution	Research Excellence Grant for 2020-21	Indicative Allocations of Additional Funding for Research for 2020-21 Based on			
		Option 1	Option 2	Option 3	Option 4
	£	£	£	£	£
	(1)	(2)	(3)	(4)	(5)
Edinburgh, University of	80,357,000	25,077,081	23,262,252	24,651,382	23,066,062
Glasgow, University of	48,992,000	15,288,978	15,250,213	15,029,438	15,121,595
Aberdeen, University of	19,726,000	6,155,911	6,152,383	6,051,410	6,100,495
Strathclyde, University of	19,129,000	5,969,604	6,466,637	5,868,267	6,412,098
Dundee, University of	19,028,000	5,938,085	5,508,099	5,837,282	5,461,645
St Andrews, University of	17,515,000	5,465,922	5,346,963	5,373,134	5,301,868
Heriot-Watt University	12,564,000	3,920,859	4,047,273	3,854,300	4,013,139
Stirling, University of	7,370,000	2,299,962	2,483,766	2,260,919	2,462,818
SRUC	3,267,000	1,019,536	1,166,229	1,002,228	1,156,394
Glasgow Caledonian University	2,762,000	861,940	1,016,733	847,308	1,008,158
Highlands and Islands, University of the	2,310,000	720,884	918,965	708,646	911,214
Edinburgh Napier University	1,681,000	524,591	717,739	515,686	711,686
West of Scotland, University of the	1,515,000	472,787	750,328	500,000	744,000
Robert Gordon University	1,224,000	381,975	533,326	500,000	528,828
Glasgow School of Art	1,223,000	381,663	447,455	500,000	500,000
Queen Margaret University, Edinburgh	731,000	228,124	374,518	500,000	500,000
Abertay University	671,000	209,399	322,013	500,000	500,000
Royal Conservatoire of Scotland	265,000	82,699	162,429	250,000	250,000
Open University in Scotland	-	-	72,679	250,000	250,000
Total	240,330,000	75,000,000	75,000,000	75,000,000	75,000,000
(2) to (5) The options for allocating the additional funding for research are:					
Option 1: Allocated pro rata to the allocations of Research Excellence Grant for 2020-21.					
Option 2: Allocated pro rata to the combined allocations of Research Excellence Grant, Research Postgraduate Grant and University Innovation Fund for 2020-21.					
Option 3: As option 1, but with a minimum allocation of £500K for every institution except the Open University in Scotland and the Royal Conservatoire of Scotland which have a minimum allocation of £250K.					
Option 4: As option 2, but with a minimum allocation of £500K for every institution except the Open University in Scotland and the Royal Conservatoire of Scotland which have a minimum allocation of £250K.					