

## **Russell Group response to the Government Review of the Balance of Competences between the UK and EU: EU Budget**

### **1. Summary**

- EU funding streams are key to the continued growth of research excellence in the UK, to innovation and to the creation of economic value. They are an irreplaceable source of funding for UK universities and for research intensive universities in particular. The EU provides a unique and highly competitive platform for international collaboration.
- Overall, investment in EU funding streams for research and development generates an excellent return for the UK economy.
- EU funding for research and development complements the UK Government's continued investment in excellent research and innovation, and must not be seen as a substitute for the UK's own investment.
- The Framework Programme for research and innovation constitutes the Russell Group universities' main interaction with EU funding. The 24 Russell Group universities have had approximately the same level of participation in Framework Programme 7 (FP7) as all higher and secondary education institutions in both France and Germany put together.<sup>1</sup> Their high level of participation explains why the UK wins a far higher proportion of FP7 funding than its proportional contribution to the EU budget.

### **2. Introduction**

- 2.1 The purpose of The Russell Group is to provide strategic direction, policy development and communications for 24 major research-intensive universities in the UK; we aim to ensure that policy development in a wide range of issues relating to higher education is underpinned by a robust evidence base and a commitment to civic responsibility, improving life chances, raising aspirations and contributing to economic prosperity and innovation.
- 2.2 We welcome the opportunity to comment on the balance of competences between the UK and the EU on the subject of the EU budget. This response will particularly focus on the EU budget in relation to research and innovation as this is the area where Russell Group universities have the greatest interaction with EU-funded programmes.
- 2.3 The Russell Group has also submitted responses to the Balance of Competences reviews on Research and Development, Asylum and Immigration and Free Movement of Persons.

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<sup>1</sup> European Commission e-CORDA data.

### **3. What are the advantages and disadvantages of having unanimously-agreed long-term budget periods? How long should they be? (question 3)**

- 3.1 A long-term commitment to science, research and innovation is needed to provide stability for the future and ensure the UK can maximise its potential.<sup>2</sup> With regard to the EU Framework Programmes for research, identifying funding opportunities, building international consortia and preparing bids takes time so researchers need to be sure that there will be funding available for projects in the medium- to long-term. Having a headline figure for the amount of funding available for the next seven years allows universities to plan ahead and prepare for upcoming bids.
- 3.2 EU budget negotiations can be extremely complex, as demonstrated by the recent process to agree the MFF for 2014-2020. The difficulty in arriving at an agreement between the EU institutions meant that the MFF was only adopted by the European Parliament on 19 November 2013 and by the Council on 2 December. This created uncertainty over the funding that would be available from 2014 as well as over the potential delay to EU programmes if the MFF had not been concluded. Having longer-term financial planning gives more certainty and stability for those who wish to engage in EU programmes, which includes a large number of researchers at Russell Group universities.

### **4. What are the advantages and disadvantages of the existing system of commitments and payments? Can you think of ways to improve that system? (question 4)**

- 4.1 The organisation of the EU budget into commitments and payments can be problematic if the gap between the two different appropriations is too large, which can create a payment credit shortfall. This has been the case for Framework Programme 7 (FP7) over the last few years and tends to be the result of pressure from Member States to lower the payment ceilings whilst leaving the commitment ceilings broadly the same. Consequently, the Commission is able to enter into new commitments, such as signing new research grant agreements which require pre-financing, but they run out of payment appropriations to cover these commitments. A draft amending budget is then required to release extra funds to cover commitments made.
- 4.2 If a draft amending budget is delayed or not approved by the Council or European Parliament, it can potentially delay the signing of new research grant agreements, which leaves researchers in a position of uncertainty as to whether their project will be funded or when it will start. This makes short- to medium-term planning of researchers' time difficult. A payment credit shortfall could also require the Commission to reduce the amount of pre-financing for projects, which could potentially put pressure on universities to plug the gap for the funds needed at the beginning of a project.
- 4.3 More accurate financial planning with an efficient mechanism for ensuring that funding committed to by the Commission for particular projects can be paid would give participants in EU programmes the security and certainty they need to justify the investment of time, effort and resources in bidding for funding.

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<sup>2</sup> This is emphasised in the Russell Group submission to the 2013 Spending Review: <http://www.russellgroup.ac.uk/uploads/Russell-Group-submission-to-the-2013-Spending-Review-final.pdf>

## 5. In your view, is the EU budget focussed on areas of EU added value in expenditure? (question 8)

- 5.1 In order to get added-value from EU spending the budget should focus on areas which boost growth and jobs in the long- as well as the short-term. One of the crucial elements for supporting growth and jobs is research and innovation funding. Not only does this funding help to build a critical mass of knowledge, expertise and capability across Europe, providing the basis for addressing common (often global) challenges which we all face, it also has a significant economic impact. For example, the long-term impact in Europe of FP7 was estimated at an extra 0.96% of GDP, an extra 1.57% of exports, and a reduction of 0.88% in imports, along with 900,000 jobs, of which 300,000 were in the field of research.<sup>3</sup>
- 5.2 The UK has won 14.5% of all FP7 funding.<sup>4</sup> This is far higher than the proportional UK contribution to the EU budget (c. 11.9%) or the proportion of overall EU spending allocated to the UK (c. 5.0%).<sup>5</sup> Funding for competitiveness and innovation makes up 18.3% of the UK's receipts from the EU. This is almost the same as the receipts from cohesion funding (18.5%), even though overall EU spending on cohesion is nearly four times larger than that for competitiveness.<sup>6</sup> FP7 alone is 14% of the UK's receipts from the EU; this is higher than in any Member State except the Netherlands. For the UK, therefore, there is clearly a great deal of added-value from the Framework Programme and the Russell Group would like to see an increase in the amount of money and the proportion of the EU budget allocated to research and innovation.
- 5.3 The EU Framework Programmes provide a unique and highly competitive platform for international collaboration. Funding for research, development and innovation at EU level enables the pooling of Member States' resources to address global challenges such as climate change and food security, supporting researchers and innovators to work collaboratively to find solutions. The scale and multinational scope of such work could not be funded by the UK alone and provides added-value to EU involvement.
- 5.4 As well as boosting key areas of research and allowing activity at a larger scale than might be supported in the UK alone, EU funding can also help to sustain areas of research when funding isn't available at a national level. For example, research in fields such as heritage science and energy management in buildings was funded by the EU during a time when there was little available funding in the UK in these areas. The value of these fields of research is once again being recognised in the UK and, because of EU funding, we still have a core of excellent research capability and capacity on which to build.
- 5.5 Erasmus is the largest organised mobility programme in the world and facilitates thousands of international student and staff exchanges every year.<sup>7</sup> Indeed, the majority of outgoing UK students access study and work opportunities overseas through the Erasmus Programme and the Government has recognised the importance of student mobility in the recently-launched UK Strategy for Outward Mobility.<sup>8</sup> International mobility requires international cooperation and the Erasmus Programme would not be possible without EU funding and coordination. The Russell Group

<sup>3</sup> Horizon 2020 Impact Assessment Annex I.

<sup>4</sup> European Research Area Facts and Figures 2013 report.

<sup>5</sup> European Commission EU 2012 Financial Report.

<sup>6</sup> Ibid.

<sup>7</sup> <http://www.britishcouncil.org/erasmus>

<sup>8</sup> UK Outward Mobility Strategy: <http://www.international.ac.uk/media/2468186/uk-he-international-unit-uk-strategy-for-outward-mobility.pdf>

welcomes the 40% increase in funding for Erasmus+ for 2014-2020 compared to spending in the previous lifelong learning, education and training programmes as this is an area of the EU budget that has been recognised as having EU added-value.

- 5.6 EU funding streams for research, innovation and education programmes are irreplaceable sources of funding for UK universities, and for research intensive universities in particular. These areas of the budget must not be seen as a substitute for the UK's own investment and should be protected and promoted in the EU budget to get the most out of EU spending.**

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