

BREXIT AND THE VOLUNTARY SECTOR

PREPARING FOR CHANGE

NCVO

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Introduction

The UK will leave the EU on 29 March 2019. With much still to be decided in terms of how we leave and the country's future relationship with the EU, it is important to think about the impact on your organisations, the people you work with and the causes you support. Understanding the potential impacts of any Brexit scenario – whether we leave with or without a deal – is vital. Preparing for uncertain times is crucial to our futures.

Voluntary organisations should be mapping out their potential exposure points and addressing relevant scenarios. While there is still significant uncertainty about what the impact of Brexit will be in the short and long term, we do know that it will have implications for all organisations and the economic and regulatory environment in which we operate. This factsheet sets out the main Brexit considerations for voluntary organisations in the UK as well as practical steps you can take to prepare for the post-Brexit environment, including:

- economic impact
- employing EU nationals
- EU Funding
- the opportunities ahead.

Economic impact

It is important that voluntary organisations remain alert to the wider economic environment in which they are operating. While it is difficult to predict exactly what the long-term impact of Brexit will be for the economy, we can make some assumptions about operating in the current climate of ongoing austerity. Furthermore, we can assume that in the short term, uncertainty and economic volatility will continue to dominate. A more detailed analysis of the impacts of Brexit, as well as NCVO's wider thinking on the challenges ahead can be found [here](#).

It is important to note that in times of economic uncertainty, need increases. Voluntary sector organisations must remain financially robust in order to maintain the ability to cope with the needs of beneficiaries and support our communities. The Federation of Small Businesses' (FSB) [guide on planning for uncertainty](#) provides practical information on things you can be thinking about now. When planning for the future, organisations should consider the current decline in the value of the pound and the increase in inflation – trends which could affect investments, overseas operations and value for money.

We recommend all organisations keep up to date with the latest economic thinking – organisations such as the [Institute for Fiscal Studies](#), the [National Institute of Economic and Social Research](#) and [UK in a Changing Europe](#) regularly publish informative content on the wider economic impact of Brexit.

Employing EU nationals

According to research conducted by the Institute for Public Policy Research (IPPR), over 80% of EU nationals currently working in the charity sector would be ineligible to work in the UK post-Brexit under current migration proposals. This figure rises to 87% in social and residential care jobs. Meanwhile, the Office for National Statistics tells us that the number of EU workers in the UK fell by 86,000 in 2017.

It is important that organisations which employ EU nationals keep up to date with any changes to immigration policy and the rules for employing workers from outside the UK (see the resources at the end of this document).

In September, the Migration Advisory Committee suggested that the cap on low-skilled migrants in the UK should be significantly reduced. Furthermore, the committee recommended that EU nationals be treated the same as non-EU nationals under any new migration system. The IPPR has found that 62% of charities have no experience of recruiting non-EU nationals – organisations that fall into this category should familiarise themselves with the relevant procedures and paperwork.

The UK government has confirmed that EU citizens will be entitled to live in the UK after Brexit on the condition that they are residents by 29 March 2019. Further clarity for EU nationals living and working in the UK has been provided by the government's new 'settled status' scheme. Under this scheme, EU nationals who have lived and worked in the UK for five years by December 2020 will be able to apply for 'settled status' which will grant them indefinite permission to live in the UK. This extends to close EU-national family members (spouses, civil and unmarried partners, dependent children and grandchildren, and dependent parents and grandparents). Those who have lived in the UK for less than five years will be able to apply for 'pre-settled status', which will be automatically updated to 'settled' once they reach the five-year threshold. Irish citizens will not have to apply for settled status as their right to reside in the UK is unaffected by Brexit and is covered by the Ireland-UK Common Travel Area agreements and the 1949 Ireland Act. Organisations should familiarise themselves with [Home Office guidance](#) that is being constantly updated.

The deadline for applications will be 30 June 2021. Employers should ensure that their employees are aware of the requirement to register as well as the deadline. The application fee

will be £65 for people 16 years or over and £32.50 for under 16s. Supporting documents required will include proof of identity, a recent photograph and a declaration of any criminal convictions. EU citizens arriving during any transition period will still be entitled to free movement rights, but will need to register if staying longer than three months.

Those with permanent residence already must have it converted into a settled status document, however this will be free of charge.

Possible actions

- Undertake an audit to identify any EU, EEA and/or Swiss nationals
- Proactively engage with employees on Home Office guidance
- Be mindful of legal limitations – you may not assist in the actual application process

EU funding

It is important for organisations that have previously received EU funding to think about the long-term implications losing this funding may have. The UK government has confirmed that it will underwrite funding for all organisations that have secured it through existing EU programmes such as EU structural funds, EU regional development funds and Horizon 2020, even if we leave the EU without a deal. All successful bids by UK participants into EU funds until the end of 2020 will be guaranteed full funding for the entire length of the project.

Domestically, the government is following up on its manifesto pledge to create a shared prosperity fund, aimed at regenerating the UK's communities. It will consult on this in late 2018 – it is important that voluntary organisations are proactive in our response to this consultation, pushing for a well-designed fund that allocates resources based on social benefits. It is important the funding previously allocated under the European social fund (ESF) continues to support disadvantaged individuals and communities, and that funding is allocated based on places and needs.

The government has also provided a guarantee of funding for the following:

- The full 2014-2020 multiannual financial framework (MFF) allocation for European structural and investment funds (ESIF) and European regional and development funds (ERDF). New bids into what would have been ESIF and ERDF will be guaranteed by the Government until the MFF closes.
- The payment of awards where UK organisations successfully bid directly to the European Commission (eg through projects such as Horizon 2020) on a competitive basis until the end of 2020.

- The payment of awards under successful bids where UK organisations are able to participate as a third country in competitive grant programmes from Exit day until the end of the programme. However, there are some exceptions to the government's guarantee. For example, it does not apply to bids under the SME instrument in Horizon 2020 where an SME is either awarded a grant after 29 March 2019 or applies for one after 29 March 2019.

The opportunities ahead

In both a deal and no-deal scenario, directly after the UK's exit from the EU, many EU rules will be transposed into domestic law in order to provide certainty and continuity in the short term. This was confirmed in the EU (Withdrawal) Act 2018. Long term, there are a number of opportunities provided by the removal of EU rules which the voluntary sector can engage with.

Debate at present has focused primarily on the terms of the UK's withdrawal from the EU, and many organisations have found it difficult to engage with the public debate. Voluntary organisations can and should play a much bigger role in the discussion about the policy landscape and our direction of travel post-Brexit. There are also a number of areas where policy change post-Brexit may benefit voluntary organisations.

Freedom to change VAT rules

According to the Charity Tax Group, charities lose £1.5bn each year on services purchased. Reformed VAT rules can lower this.

Reformed state aid rules

This allows a focus on enforcing competition in real markets rather than providing 'red tape'.

Greater flexibility on public procurement rules

This allows for greater consideration of social, economic and environmental values, not just costs.

UK shared prosperity fund

This should allow for improvement in the awarding, design and delivery of funds.

Government technical notices

To help organisations prepare for a no-deal Brexit, the government has released a series of ‘technical notices’ aimed at advising the UK on what to expect in the event that we leave without a deal. The content of these most pertinent to the voluntary sector is outlined above, but below is a list of technical notices relating to EU funding which voluntary organisations should familiarise themselves with.

- [European regional development funding if there’s no Brexit deal](#)
- [European social fund \(ESF\) grants if there’s no Brexit deal](#)
- [Funding for UK LIFE projects if there’s no Brexit deal](#)
- [Horizon 2020 funding if there’s no Brexit deal](#)
- [The government’s guarantee for EU-funded programmes if there’s no Brexit deal](#)
- [Connecting Europe facility energy funding if there’s no Brexit deal](#)
- [European territorial cooperation funding if there’s no Brexit deal](#)
- [Upholding environmental standards if there’s no Brexit deal](#)
- [State aid if there’s no Brexit deal](#)
- [Erasmus+ in the UK if there’s no Brexit deal](#)

Brexit checklist

General considerations

- ✓ What immediate impact would a no-deal Brexit have on you?
- ✓ Does Brexit present opportunities for you?
- ✓ Have you started planning for Brexit?
- ✓ Have you undertaken scenario planning, considering the 'what ifs' based upon the contracts and relationships you have?
- ✓ Are you monitoring and feeding into government consultations on relevant policy areas such as immigration and UK shared prosperity fund?
- ✓ Have you mapped out all of your potential pinch points of exposure to Brexit – from contracts and finance to an EU employee audit?
- ✓ Do you benefit or have you benefitted from EU funding?
- ✓ Has anyone in your organisation been assigned responsibility for Brexit maintenance/planning, and if not should someone now be tasked with this?
- ✓ Have you undertaken a budget plan for the coming years based on best and worst case scenarios?
- ✓ Have you considered governance training for your trustees and senior management to cover scenario planning and resilience to economic uncertainty?

Workforce

- ✓ Do you employ EU nationals?
- ✓ Have you familiarised yourself with new immigration proposals?
- ✓ Could Brexit and the new immigration system lead to skills shortages for you?
- ✓ Could you up-skill existing staff, take on apprentices or improve staff retention?
- ✓ Have you taken steps to support EU staff to gain residency?
- ✓ Have you considered drawing up a communications plan to employees to discuss updates to Home Office guidance and the application procedures?
- ✓ Have you looked ahead to staffing requirements over the next two to four years?
- ✓ Have you quantified the cost of having to retain new staff to replace or fill potential staffing gaps?

Brexit timeline

Late 2018

UK and EU aim to have full withdrawal agreement text agreed, including a political declaration on a future economic partnership.

- [Read the March 2018 draft of the withdrawal agreement](#)
- [Read an updated progress report on the withdrawal agreement](#)

December 2018

EU summit and arguably the last chance for a deal to be reached. This must be ratified by UK and EU parliaments. Any deal put to parliament must be translated into law, which gives MPs a chance to add amendments.

21 January 2019

If there is no deal by this date, the government must make a statement within five days on what it plans to do.

29 March 2019

UK formally leaves the EU and the implementation period begins (if a deal is reached). The current government position is that if the UK parliament votes against the EU withdrawal bill containing the EU-UK Withdrawal Agreement, it will leave the EU without a deal on this date.

May – June 2019

EU parliamentary elections see a new European Commission appointed. It is not yet clear whether the Article 50 taskforce led by Michel Barnier currently responsible for negotiations will be replaced by a new body to oversee the future partnership.

31 December 2020

Currently, this is the envisaged end of the transition period, at which point the future economic partnership takes effect. The prime minister has suggested an extension to UK customs union membership after this date if a deal cannot be agreed on the Irish border. The most recent [joint statement](#) on the withdrawal agreement sets out exact cut off dates for access to certain EU customs and VAT databases.

Resources

- [EU Settlement Scheme employer toolkit](#)
- [Full list of no deal technical notices](#)
- [NCVO's approach to Brexit](#)
- [NCVO Brexit webinar, August 2018](#)
- [Institute of Directors information on VAT consequences of Brexit](#)
- [Mayor of London's Brexit hub: What we know so far](#)
- [Institute for Government: What the government needs to do](#)
- [Institute for Government: The economic impact of Brexit](#)
- [UK in a Changing Europe report on the impact of no deal](#)
- [IPPR report on post-Brexit charity workforce](#)
- [Charity Finance Group cost-benefit analysis of Brexit](#)
- [Institute for Government report on Brexit scenarios](#)
- [Greener UK Brexit risk tracker](#)
- [Directory of Social Change: What does Brexit mean for UK charities' EU funding?](#)
- [Joseph Rowntree Foundation: Designing a shared prosperity fund](#)
- [FSB's 'Introduction to continuity planning'](#)
- [Brexit Civil Society Alliance: Creating inclusive growth](#)
- [Institute for Government: European structural funds after Brexit](#)
- [Institute for Government Brexit explainers](#)
- [NCVO: A Successor to European structural funding](#)
- [CBI: Brexit negotiations information](#)