

Keep calm and carry on helping people:

# What Brexit means for charities and what they can do

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## 1. Introduction

On the morning of Friday 24 June 2016 Europe awoke to the largely unexpected news that the British public had voted (51.9% to 48.1%) to leave the European Union after 43 years of membership. The impact was felt instantly with an immediate fall in the value of the pound and global markets sent into turmoil. The UK, the EU, and hundreds and thousands of UK charities and community groups are entering an uncertain period.

At the time of writing, there is a crisis in British politics. Until the UK invokes Article 50 of the Treaty of Lisbon, the UK remains a full member of the EU. Constitutional law experts have suggested that legislation may be required before this can happen. Until then, and until British and EU negotiators work out the technicalities of 'Brexit', the UK's longer-term relationship with the 27-member bloc remains unclear – but we do know that the UK will remain an EU member in the near-term, as there is a two-year (or longer) negotiation process under the treaty.

Charities and community groups will no doubt have major concerns about how this affects their ability to continue helping their beneficiaries. This briefing aims to shed light on what's going on, and to assist charities and community groups in identifying some concrete actions to take.

Above all else, it is important not to panic or over-react. Hundreds of thousands of people still need charities desperately. The referendum result has not changed that. For some – such as migrants and refugees – their need for charity services and advocacy is likely to increase. We emerged from the referendum bloodied and bruised from a vicious campaign and now, as always, charities are being relied upon to heal our communities. So...



## 2. The political situation: near-term crisis and uncertainty

- 2.1. Political Vacuum:** Following David Cameron's resignation, a Tory leadership contest is underway. A new leader will be announced on 9 September. Contestants include Theresa May, Michael Gove and Stephen Crabb – Boris Johnson having declined to enter the race. Rob Wilson, Minister for Civil Society, could well find himself with a new job or out of post within months. Jeremy Corbyn has suffered a significant vote of no confidence from his MPs, triggering a leadership contest. Anna Turley, shadow minister for Civil Society, resigned from the Shadow Cabinet and nobody has yet been appointed in her place.

What you can do:

Charity policy is well down the list of priorities so gaining access to Ministers will be difficult, perhaps even pointless, as nobody knows where they're going. It may be advisable to work more closely with civil service officials during this time, rather than chasing the ministerial merry-go-round. Developing a relationship with and voicing concerns to whomever the Minister, and Shadow Minister, for Civil Society will be in the coming months will be important for some charities.

- 2.2. Early General Election:** A snap general election in the months following the party conferences, which are held at the end of September/early October, is a strong possibility but not a certainty. This could see a major shift in government priorities, with the possibility of some parties campaigning on a pro-Remain ticket. It is difficult to tell what impact the referendum will have on the parties' supporter bases. The outcome of an early election could dramatically change the make-up of the House of Commons with the potential for a hung parliament.

What you can do:

A new Cabinet would result from an election, with likely far-ranging reforms to government departments. Previous relationships between charities and ministers and their civil servants could change, but that will bring opportunities to create new ones. Acting quickly to do this will be vital.

The Lobbying Act would come into force, regulating charity campaigning in the run up to an Election Day. But this **does not mean charities are required to stop campaigning or highlighting issues affecting their beneficiaries**. You just need to make sure you do not directly give support to a particular party or politician. Ensuring the government accepts and implements the recommendations of the [Hodgson Review](#) is vital. [More info here.](#)

- 2.3. Emergency Budget:** General election or no general election, it is almost certain that the new Prime Minister will need to introduce an emergency budget, probably around the time of the Autumn Statement in November or early December. Again, timing may depend on whether a General Election is called.

What you can do:

As charity policy will not be considered a high priority, it is important that charities make representations and plans to scrutinise policy initiatives in the budget, as much may change. DSC and other policy bodies will be doing this so keep an eye on our briefings and consider making your own representations. While this may create opportunities to win some favourable provisions, it could also mean danger. Could the government reduce rates reliefs? Gift Aid? Perhaps conduct another raid on the Big Lottery Fund?

- 2.4. The Constitution of the UK:** Scotland voted overwhelmingly to remain in the EU (38% to 62%). Already, First Minister Nicola Sturgeon and her government are considering a second referendum to leave the UK, and have been seeking discussions with Brussels. Northern Ireland also voted to remain, albeit by a narrower majority, and the NI First Minister Martin McGuinness has called for a referendum as well.

What you can do:

Another Scottish referendum could turn out very differently this time which will affect charities working across the border. Cross-border charities should continue as normal as a referendum is not yet confirmed and would likely be some years away. As these conversations develop, affected charities should point out the impact that leaving or remaining part of the UK would have on their beneficiaries.

Charity regulation is unlikely to be hugely affected as the Scottish charity regulator is already separate. A Northern Irish referendum is perhaps less likely –having a referendum to unite Northern Ireland with the Republic of Ireland has been a long standing policy of the Sinn Féin party. Given the smaller margin in the Northern Irish vote it is less likely that this will amount to a movement to leave the UK.

- 2.5. Local Government:** It's too early to tell how the referendum will affect relationships between charities and local authorities, which are arguably more directly significant to most charities' beneficiaries than their relationship with central government or the EU.

There is some uncertainty around Local Enterprise Partnerships however, which have some involvement with European Social Fund and other funding programmes. Following Brexit, the future of these programmes in their current form is in doubt (even if the UK Government decides to replace existing EU funding to some extent).

What you can do:

Overall, local government policy could easily be business as usual. Devolution will still be the keyword of the day with the potential for closer working relationships with local decision-makers. So properly managing these relationships will be important going forward. Local charities should continue to invest in building relationships with local politicians and officials where this is in their beneficiaries' best interests – in fact this may prove more productive given the chaos and uncertainty nationally.

### **What you can do about the political situation: summary**

- Focus more of your energy on strengthening relationships with local authorities and civil servants - chasing ministers might be a lost cause.
- When the new cabinet is formed, work quickly to make representations on behalf of your beneficiaries.
- Use the potential early general election to highlight issues affecting your beneficiaries. The Lobbying Act does not stop you doing this.
- If there is a second Scottish referendum to leave the UK, use this to highlight how Scottish secession may affect your beneficiaries.
- As we prepare for the Autumn Statement and possible emergency budget, look out for briefings and get involved in the discussion.

### 3. The economic situation: short-term crisis, medium-term uncertainty

- 3.1. Initial turmoil:** Following the Leave result being announced, the value of the Pound significantly decreased and \$2 trillion was wiped off of the world's stock markets. The UK's credit rating has been downgraded by ratings agencies and there are rumours of businesses making redundancies and pulling out of the UK. However this sudden shock would have been expected. The Pound and markets are recovering slightly already but it remains to be seen what the longer term impact will be. We will not know if the vote has triggered sufficient economic instability to lead to a recession for several quarters at least, or what effect it has had on investment and hiring by multi-national companies here.

What you can do:

It's a bad time to buy foreign currencies, which may affect charities sending money overseas. Charities with stock market or other investments may see the value of these drop. In the case of grant-making charities, this could mean less money for grants following a recent recovery after 2008 financial crisis. Economic uncertainty may persist for some time, which could damage economic growth. Charities may find themselves helping more people who, for example, have lost a job due to companies relocating. But it's important to remember that this remains to be seen.

- 3.2. Medium term:** It is too soon to tell what the long-term impact on the UK economy will be. Access to the common market seems to be to a priority for the present government and it's unlikely that the UK will wish to lose that. But what deal will it be able to negotiate with the EU? It is difficult to see how any UK government could maintain access while curtailing the movement of people, which was a central issue for both the Remain campaign and the successful Leave campaign.

What you can do:

Making sure your charity is financially secure and has sufficient reserves will help you face future shocks. If your charity has significant investment assets or is planning major changes, it would be a good idea for trustees to strategically review these and ask for professional advice.

- 3.3. EU funding:** Charities in the UK receive approximately £200m from EU funds every year and this has been put at risk. Any loss of European funding will come as bad news, but it is important to remember that it represents only 0.5% of the sector's income.

Alongside this, the future of billions more in EU structural funds that predominantly benefit disadvantaged areas is now uncertain. Changes to the European Regional Development Fund, for example, will indirectly affect many charity beneficiaries in less advantaged areas. What you can do:

In the near-term, Britain remains a full member of the EU, with all the rights and responsibilities that entails. Charities which receive EU funding should

demand clarity about the status of their funding with relevant bodies. DSC has been contacting fund administrators – so far they have been unable to say what will happen, but more information should become available over coming months. Trustees should begin to plan now for the possibility that any awarded funds could be removed either in the medium or longer term.

Now is the time to have your finance person/people review your funding arrangements and to develop a strategy, if necessary, to replace funds which might be affected directly from Brexit (like a grant from an EU body) or indirectly (due to an economic decline). Your fundraiser/s can help by gathering information on [potential new sources of funding](#). Bear in mind that you may be receiving money from a body which itself is receiving EU funds and that may be at risk.

#### What you can do about the economic situation: summary

- Certain charities, especially those working in poverty alleviation, should expect to continue seeing a rise in demand on their services.
- Trustees should review planned investments or major changes at the charity and consider how best to proceed.
- Increases in demand on services should be recorded and reported to the rest of the voluntary sector, umbrella bodies, and policy-makers.
- Those responsible for finances should review income streams and consider the impact of losing funds that come from the EU, including funds which come from the EU through a third party.
- If you are concerned about you funding, start gathering information on prospective new funders. [There are lots of resources to help](#).



## 4. The social situation: divided society

- 4.1. Divided families and workplaces:** The question of whether or not to leave the EU was so fundamental and emotive that it has pitched people from the same families and organisations against one another.

What you can do:

Charities will need to consider the workplace environment and manage relationships. It is important to stress to staff that no matter how people voted they must be respectful towards others' decisions. It is important to foster an environment of understanding and to realise that there are good arguments on both sides.

- 4.2. Community cohesion:** There is no doubt that the campaign was divisive, at times shameful. There have been incidences of hostility and hate crime towards EU and non-EU immigrants and even UK citizens. This could have far reaching consequences for social cohesion as many hard-working migrants, who had integrated well, have been demonised during the campaign and continue to be.

What you can do:

Many charities will be affected by this, especially if their beneficiaries are mostly from migrant backgrounds. Such charities, and indeed the sector as a whole, should be aware of the increased possibility of hostility, particularly internet trolling and negative press. Those charities may see increased demand on services and should report this to the rest of the voluntary sector and to policy-makers. It is important for all charities to play a role in promoting inclusivity and social unity above all else, and not allow the referendum to divide us.

Perhaps more concerning for migrant charities will be the constitution of the next government. The conservative government has already expressed a desire of withdrawing from the European Convention on Human Rights (not an EU convention) which contains important safeguards and rights of appeal for asylum seekers and other people. Withdrawing from the EU will also mean withdrawing from the common asylum system meaning certain qualification and reception conditions will no longer apply. However, one of the leading candidates to replace David Cameron, Theresa May, has now said she would not withdraw the UK from the ECHR.

- 4.3. A generational divide:** There is a clear generational divide, with the vast majority of younger people voting to remain, and a majority of older people voting to leave. Many younger people are feeling betrayed as they are claiming they will have to live with the consequences of the vote for far longer and are being denied the opportunities to work which may not apply to the older generation as much.

What you can do:

There is a risk of increased ageism and a loss of respect for the older generation. Particularly on social media, older people have been ridiculed.

While it may be taken light-heartedly, charities working with older people in particular might be concerned for their beneficiaries. Charities working with older people and younger people should use this as an opportunity to build an understanding between these groups. Charities working with younger people could use this referendum as example of the importance of young people being vocal and engaging with the political process through voting.

#### **What you can do about the social situation: summary**

- Remind staff that we all have to respect each other's right to hold a political opinion. It is helpful to point out that there are valid arguments on both sides of the Brexit debate.
- Charities which mainly help people from migrant backgrounds should be wary of increased demand on their services and the potential for online abuse. Trustees should be involved in building a strategy to address this.
- Increases in demand on services should be recorded and reported to the rest of the voluntary sector, umbrella bodies, and policy-makers.
- Asylum and refugee charities should be prepared for potential reform of the immigration and asylum system.
- Charities working with older and younger people should seek to develop an understanding between these groups.
- All charities should play a role in promoting inclusivity and social unity and rejecting hatred and violence.
- Use the EU referendum as an argument for why young people should be more vocal and should get out and vote.

## 5. The legal situation

- 5.1. Foreign workers:** The big debate in this referendum has been over immigration to the UK. EU nationals are employed by businesses and charities across the country and it is widely accepted that our economy depends on them. The official government line at the moment is that their status in the country cannot be guaranteed in the long term.

What you can do:

It is likely that EU nationals working in your charity are worried about their futures. Reassuring them is important. It seems unlikely that the UK can maintain access to the common market while curtailing European citizens' right to work here – but any future arrangements will take years to agree. Besides this, expelling all EU-nationals currently working would be unrealistic, and there is a reasonable expectation that arrangements will be made for those already settled in the UK to remain.

- 5.2. Charity law:** It is unclear how the referendum will specifically affect charity law. That will be revealed over the next few years. The Brexit negotiations will, however, affect huge swathes of law and regulation that has an impact on charities – from VAT and employment law, to fundraising and data protection.

What you can do:

The Charities (Protection and Social Investment) Act 2016 is still a reality for charities and there are opportunities to influence how it will work. The Charity Commission is consulting on how it will exercise its powers to disqualify and remove the trustees and senior managers of charities. You can [make your voice heard formally until 22 August](#). The Commission is also consulting on powers to issue statutory warnings to charities. You can [also respond to this until 23 September](#).

- 5.3. Policy and advocacy:** Withdrawing from the EU will likely mean charities will lose access to the European Court of Justice as a court of appeal.

What you can do:

Charities have often brought about positive change by appealing to the supra-national ECJ having exhausted efforts to do so through domestic courts. Leaving the EU will reduce their capacity to bring about changes which the government of the day does not concur with. Charities will need to think about how their strategies are affected if they are involved in or planning legal challenges on this basis.

- 5.4. Fundraising:** While the referendum may drown out news about the new Fundraising Regulator, it is still set to launch on 7 July and it is consulting on how it will register and charge charities for regulation. Exiting the EU might mean future EU data protection directives may not apply to the UK, but this depends again on negotiations over access to the common market, as well as whether future UK governments wish

to mirror EU rules on data. There will also be implications for those charities which fundraise in the EU, but it is too early to say what these will be.

What you can do:

The introduction of a Fundraising Regulator is a big change for the voluntary sector and will mean additional costs for many charities. The regulator is still considering a Fundraising Preference Service which could result in a loss of charitable donations. [You can respond to the Fundraising Regulators consultation on registration and levies until 22 July.](#)

#### What you can do about the legal situation: summary

- Reassure any employees who are from outside the UK that their status in the country has not changed. It is unclear if there will be any changes to their status in the future, with efforts currently ongoing in parliament to guarantee their status.
- Respond to [the Charity Commission's consultation](#) on its powers to remove trustees and senior managers of charities before 22 August.
- Respond to the consultation on the Charity Commission's powers [to issue statutory warnings until 23 September.](#)
- Consider how leaving the EU might impact on your campaigning work, especially if you are involved in, or planning to become involved in, legal challenges at the European Court of Justice.
- Respond to the Fundraising Regulators consultation on registration

## 6. Conclusion: Keep calm, carry on helping people

The volatile and uncertain situation instigated by the Leave vote is likely to persist for the rest of 2016 at least. It is 'predictably unpredictable.' Even if the political situation stabilises, much depends on how the economy reacts, as well as the length and substance of the Brexit negotiations with the EU.

Before the referendum, many charities were experiencing increased demand on their services. That is likely to continue or increase. It is vital that trustees consider how the changing environment affects their charity and its beneficiaries. As a sector, it is important that keep making the point that absolutely [everybody benefits](#) from our work. We must try to project stability and consistency in the face of the opposite - that we keep calm and carry on helping people.

## Notes: links to important information and further reading

See [DSC's statement and position](#) on charities and the referendum result.

For a more detailed analysis of how Brexit could affect your charity's finances see [this excellent briefing from the Charity Finance Group](#)

For further analysis of the impact of the Brexit vote on politics, society and the economy [see NCVO's briefing paper](#).

For a summary of the voluntary sector's reaction to the referendum read these articles from [Third Sector Magazine](#) and [Civil Society Magazine](#)

For a full demographic break-down of how the UK voted [see Lord Ashcroft Polls](#)