

BREXIT: IMPLICATIONS FOR THE VOLUNTARY SECTOR

NCVO PUBLIC POLICY
JUNE 2016

CHAMPIONING
VOLUNTARY
ACTION

NCVO

1. INTRODUCTION

2. THE POLITICAL LANDSCAPE

3. FUNDING AND FINANCE

4. SOCIAL TENSIONS

5. REGULATORY CHANGE

6. THE ROLE OF CIVIL SOCIETY

1. INTRODUCTION

THIS IS OUR INITIAL ANALYSIS OF BREXIT

- This is NCVO's first overview of Brexit for voluntary organisations following the event
- It is likely that the impact of Brexit in the short term will be over-estimated; but impact in the long-term will be under-estimated
- Our analysis focuses on risks: but amidst much uncertainty our commentary requires many assumptions. These may change.
- In particular, there are different Brexit scenarios – such as whether the UK remains in the single market. We will reflect on these in our next overview.



2. THE POLITICAL LANDSCAPE

THE VOTERS HAVE SPOKEN...

- “At the top of British politics, a vacuum yawns wide” – the Economist
- There is significant **political uncertainty**: the resignation of the Prime Minister, much of the Shadow Cabinet are arguably unprecedented
- **New party leaders?** Elections by 2 Sept for Conservatives; Labour leadership under pressure
- More elections: a **general election looks probable**, despite fixed term parliament. Referendums in Scotland and NI mooted

WEEKEND
International New York Times
PAGE 21 | WEEKEND ARTS

THE CHARM OF AN ANCIENT NORTHERN ITALIAN CITY
BACK PAGE | WEEKEND ARTS

A RUSSIAN OIL COMPANY FOR SALE — AGAIN
PAGE 11 | BUSINESS

ROGER COHEN ON BRITAIN'S LEAP OF FAITH
PAGE 8 | REVIEW

FLUENT IN THE SECRETS OF NEW YORK
PAGE 26 | WEEKEND ARTS

A DANCER RETURNS AT 53, DEFYING FATHER TIME
PAGE 21 | WEEKEND ARTS

International New York Times
SATURDAY-SUNDAY, JUNE 25-26, 2016

Britain stuns world with E.U. exit vote

Uncertainty and disorder jolt markets around globe
Cameron announces he will leave by October

LONDON
BY PETER J. HODGMAN
Britain has voted to leave the European Union, a historic decision sure to reshape the nation's place in the world, rattle the Continent and rock political establishments throughout the West.
Not long after the vote tally was completed, Prime Minister David Cameron, who led the campaign to remain in the bloc, appeared in front of Downing Street on Friday morning to announce that he planned to step down by October, saying the country deserved a leader committed to carrying out the will of the people.
The coming days of events was accompanied by a plunge in the financial markets, with the value of the British pound at a record low. The margin of voters startled even analysts, as it fell from 52 percent to 49 percent.
"Leave" (campaign won by 52 percent to 47 percent) was the outcome of a referendum on Thursday in which voters in the European Union, and about 5.1 million overseas in the bloc, "will do everything I can as prime minister to steady the ship over the coming weeks and months," Mr. Cameron said. "But I do not think it would be right for me to try to be the captain that steers our country to its next destination."
Despite opinion polls before the referendum that showed the odds in a close race to win, the outcome stunned much of the world, highlighting the power of a small, remote and somewhat unimportant island in a time of economic and cultural dislocation.
The vote was the result of a referendum on an independent United Kingdom, which would be a member of the Commonwealth of Nations, but not of the European Union. The party of the prime minister, the Conservative Party, and of the majority of members of the House of Commons, was leading the European Union, but losing support for the first time.
LONDON, the European Union, is largely seen to his successor, will mean Brexit.

LONDON
BY PETER J. HODGMAN
Britain has voted to leave the European Union, a historic decision sure to reshape the nation's place in the world, rattle the Continent and rock political establishments throughout the West.
Not long after the vote tally was completed, Prime Minister David Cameron, who led the campaign to remain in the bloc, appeared in front of Downing Street on Friday morning to announce that he planned to step down by October, saying the country deserved a leader committed to carrying out the will of the people.
The coming days of events was accompanied by a plunge in the financial markets, with the value of the British pound at a record low. The margin of voters startled even analysts, as it fell from 52 percent to 49 percent.
"Leave" (campaign won by 52 percent to 47 percent) was the outcome of a referendum on Thursday in which voters in the European Union, and about 5.1 million overseas in the bloc, "will do everything I can as prime minister to steady the ship over the coming weeks and months," Mr. Cameron said. "But I do not think it would be right for me to try to be the captain that steers our country to its next destination."
Despite opinion polls before the referendum that showed the odds in a close race to win, the outcome stunned much of the world, highlighting the power of a small, remote and somewhat unimportant island in a time of economic and cultural dislocation.
The vote was the result of a referendum on an independent United Kingdom, which would be a member of the Commonwealth of Nations, but not of the European Union. The party of the prime minister, the Conservative Party, and of the majority of members of the House of Commons, was leading the European Union, but losing support for the first time.
LONDON, the European Union, is largely seen to his successor, will mean Brexit.

Populist anger is upending politics across the West
Country's storied history opens unsettled chapter

LONDON
BY JIM VABELEY
From Brussels to Berlin to Washington, leaders of the Western democratic world awake on Friday morning to a stark, once-in-a-lifetime rebuke delivered by the fiery citizens of a small island nation in the North Atlantic. Populist anger against the established political order had finally broken free.
The British had decided.
Their remaining vote to leave the European Union presents a political, economic and existential crisis for a bloc already reeling from entrenched problems. But the Thursday-morning vote might be hardly limited to Britain. The same yawning gap between the elite and mass opinion is being felt in other

LONDON
BY STEVEN ERLANGER
Aided to vote as it sat, Britain has chosen decisively to cut off all 28-year-old membership in the European Union, leaving it to face a more complex question: What kind of nation will it be now?
"We'll remain by the new world order, unexpected, confident country that makes it independent way in the world, as the leaders of the 'Leave' campaign insisted it could be? Or will it retreat to become a Latin, English, nationalist and a much weaker, responding to the voters that drove it to quit the European Union?"
Does more important? Will it be indelible? With Scotland's independence, Europe, Greece, will increase for each

NEW SCOTLANDERS TO WHOLELY LEAVE
Scotland's leader cited the party's election manifesto as the reason for another secession referendum. PAGE 2

WOMEN WELLSIDE 'WENT DOWN'
The preservation of women, on a visit to London, said the party's manifesto would help. PAGE 2

FIGHT FOR CONSERVATIVES SOLD OUTS
Prime Minister David Cameron's gamble on a referendum failed as the party he led to seek for PAGE 2

POLLING ON THE DEFENSE AND AI
The pollsters, still voting from that year's general election, the "Brexit" vote in another endorsement. PAGE 2

CHAMPIONING VOLUNTARY ACTION

...POLITICIANS ARE THINKING ABOUT IT...



David Allen Green
@DavidAllenGreen



In essence:

1. Brexit has not been triggered
2. The EU cannot force it to be triggered.
3. It may never be triggered.

David Allen Green @DavidAllenGreen

Where we are now with Article 50: "decision" "notify" and devolution issue

New post at @JackofKent: jackofkent.com/2016/06/where-...

RETWEETS

552

LIKES

396

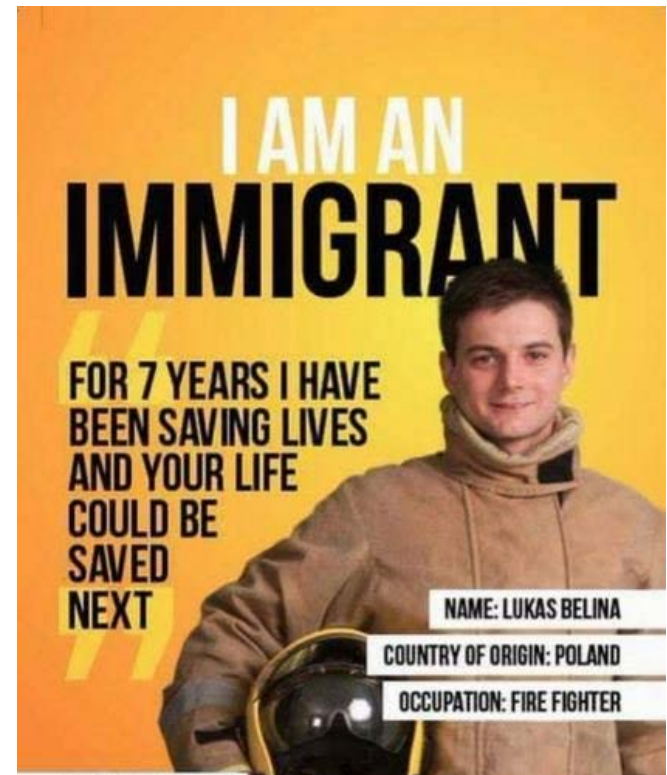


10:52 PM - 26 Jun 2016

- *'The decision whether to withdraw remains a matter for the government'* – Public Law for Everyone
- The UK Government has not invoked **'Article 50'**, the trigger for formal leave negotiations.
- Until that point – which may be months away – there is **no formal change** in the UK's membership of the EU.
- The **Cabinet Office** has established a unit to lead preparations, headed by Oliver Letwin
- Osborne signals key **budget** decisions to be held off until Autumn; other major (and minor) policy decisions likely to be held off

...CIVIL SOCIETY CAN HELP FIND THE ANSWERS

- Civil society organisations will need a route to feed into EU negotiations
- Opportunities for vol orgs to raise issues that affect their beneficiaries, ensure that the voices of all communities are heard
- If a general election is held, opportunities to campaign to inform manifesto commitments
- But the wider business of government will be slow – charities will need to forge new relationships with new ministers and shadow ministers, update policy agendas
- As we look to the future, offer solutions for our own democracy – how to better engage the public, give voice to those less often heard, and ensure politicians and institutions are accountable.



3. FUNDING AND FINANCE

ECONOMIC INSTABILITY, VOLATILITY

- “We are in uncharted waters without a compass.” – Paul Johnson, IFS
- **Markets are volatile:** falls in sterling and UK stock exchanges followed the result; loss of AAA rating; the Bank of England has stepped in to reassure investors
- Forecasters: **recession likely** as inward investment to the UK likely to fall, some firms starting to relocate staff away from the UK.
- Forecasters: further cuts to public services, tax rises or both could be on the cards, though **no emergency budget** before new PM in place
- **Uncertainty** will hit investment levels (and future growth)

FINANCIAL TIMES
TUESDAY 28 JUNE 2016 WORLD BUSINESS NEWSPAPER UK £2.70 Channel Islands £3.00 Republic of Ireland €3.00

‘I do not believe that Brexit will happen’ GIDEON RACHMAN, PAGE 13

Sterling and bank stocks hammered as Cameron seeks to calm markets

David Cameron
“We will want the strongest possible economic links with our European neighbours”

Charts:
 - Sterling (pound) per dollar: Shows a sharp decline from approximately 1.50 to 1.30 between June 26 and 27, 2016.
 - RBS share price (pence): Shows a decline from approximately 250 to 150 pence over the same period.
 - 10-year gilt yield (per cent): Shows a decline from approximately 1.4% to 0.8%.
 - FTSE 250 index: Shows a decline from approximately 18,000 to 15,000.

Text Excerpts:
 - **Richard Allen and Michael McKenzie:** “The financial fallout from Brexit intensified yesterday, hitting global shares and sterling, with investor sentiment soured by the prospect of weaker global growth and an extended period of political uncertainty. UK markets were the focus of selling pressure that targeted banks, airlines and housebuilders, but the pain spread across Europe and Wall Street with investors seeking the haven of government debt and the US dollar. In a more gloom, Standard & Poor’s removed Britain’s top triple A sovereign rating from a major agency last night, demoting the UK two notches to AA, citing the economic, fiscal and constitutional risks that work’s Brexit vote. Earlier, sharply lower government bond yields, led by the UK 30-year gilt falling below 1 per cent for the first time, spurred the selling of financial stocks, with banks and insurers seen being squeezed by a future of ever lower interest rates. London’s FTSE 250, a gauge of the UK economy, fell 7 per cent, while the more global blue-chip FTSE 100 index lost 2.5 per cent. The FTSE 250 had fallen 14 per cent over two days, its worst loss since the crash of 2008. The sharp sell-off came despite efforts by the British government to shore up confidence. George Osborne, the chancellor, broke days of silence to reassure investors before markets opened that government finances and the banking sector remained sound. “Our economy is at least as strong as it could be to confront the challenge our country now faces,” Mr Osborne said. David Cameron, the prime minister, also attempted to calm nerves by laying out to parliament the steps he had taken to stabilise the economy and prepare for Brexit negotiations with Brussels. “I think everyone is agreed that we will want the strongest possible economic links with our European neighbours,” Mr Cameron said. Those efforts went unheeded by global markets. The S&P 500, a broad index of European equities, closed down 4.1 per cent. In New York the S&P 500 was down 1.8 per cent at midday. US financial stocks dropped 2.2 per cent. Jonathan Stubbins, US and European equity strategist for Citic, said the upheaval reflected the challenge of anticipating a third political situation involving so many actors in different countries, at a time when many were already nursing losses. “You have added another, a very low level of confidence, and a lack of consensus, the need for UK banks, the risk Brexit presents to their business model, which includes being regulatory protection to service EU clients, went down in Royal Bank of Scotland and Barclays tumbling, closing 15 per cent and 17 per cent lower, respectively. Shares dropped in home-bankers, whose fortunes are closely tied to the British economy, and reflecting disruption in their coverage by EU-aligned regions. “There is a cost for the UK economy,” said Paul Mathison, who manages a fund of global equities at Serica Investment Management. “If the Bank of England does not raise rates, it will be negative for the banking sector.” European banks fell a further 6 per cent, after a loss of 18 per cent at the end of last week. Investors are therefore on a struggling cautious economy of the Eurozone to long-term of the EU.”

Other Content:
 - **News and analysis, including Cameron speaks to MPs and Corbyn digs in:** Pages 2-8
 - **Editorial Comment:** Page 12
 - **Comment from James Galloway, Gordon Brown, Paul Marshall and Rupert Harrison:** Page 13
 - **Let Page 16**
 - **Easy Jet and Fraxion blame Brexit:** plus Short View Page 17
 - **Companies reports, plus Lombard:** Pages 18-22
 - **Markets Pages:** 30-32

PRESSURE ON INCOME, COSTS

Regions Demand UK Govt Matches Lost EU Funds

Cornwall and some towns in Yorkshire want guarantees they will not miss out on cash they were due to receive from the bloc.

17:11, UK, Saturday 25 June 2016



Projects in Wales were among those supported by millions in EU funding



Regions of the UK being supported by European Union funding are seeking guarantees that grants they will now not receive will be provided by the UK Government.

Councils in Yorkshire were due to be given £600m of EU grants to help boost the area's economy before 2020, while Cornwall was expecting a further £400m.

In total, **£3.6bn** was due to be spent in the UK under the EU's European Regional Development Fund between 2014 and 2020.



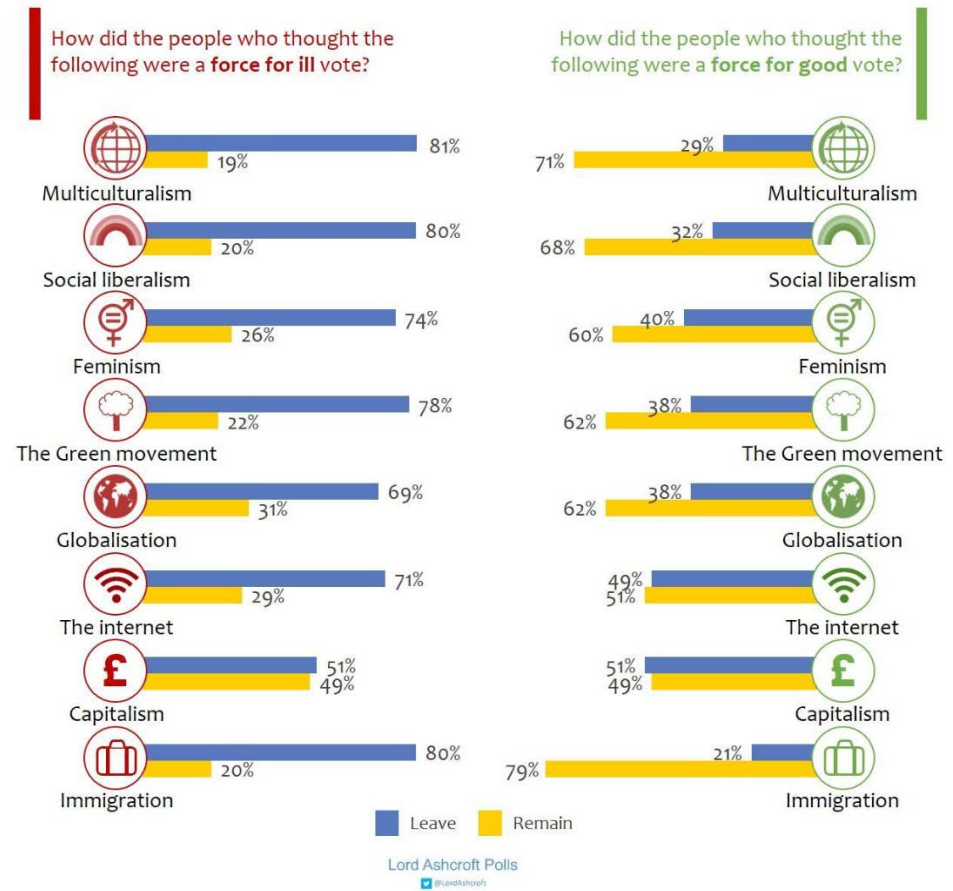
- Short-term hits to income are unlikely, but in the long-run are more likely.
- Brexit might result in reduced income for the sector: grantmaking foundations rely upon investment income
- Falls in sterling, rising inflation might hit disposable income and charitable giving
- Move overseas of some corporates/major donors risks sponsorship and large gifts
- Government may reduce spending on public services, with variable geographic impact
- Longer-term, end of EU structural funds most significant direct hit should government not establish alternative programmes
- Economic/social distress inevitably places cost pressures on voluntary orgs

4. SOCIAL TENSIONS

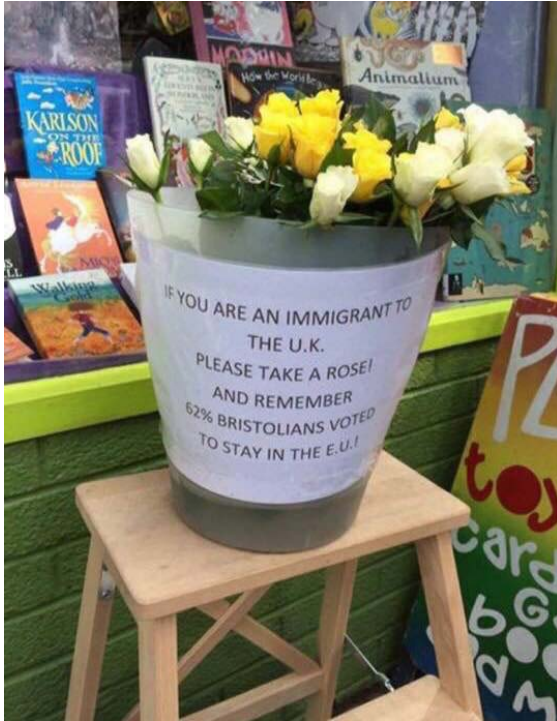
A NATION DIVIDED?

- A close referendum result has exposed **divisions in society** (age, education, income) that do not easily map onto traditional party politics
- Anecdotal evidence of post-referendum rise in **social tensions**, with reports of racist incidents across the country
- Some signs of **inter-generational conflict** as young and old simultaneously blamed for Brexit
- The Brexit vote may not fundamentally change immigration levels – leaving some disappointed and angry

Do you think of each of the following as being a force for good, a force for ill, or a mixed-blessing?



BRIDGING BETWEEN COMMUNITIES



- *“Museums are ideally placed to host these conversations with their local communities.”* - Sharon Heal, Museums Association
- One of the most troubling aspects of the EU referendum was divisive rhetoric that some have used to inflame racial tensions – civil society must be unanimous in its condemnation of racism
- As a sector with roots in local communities and communities of interest, we must play our part in bringing people together to discuss their hopes and concerns for the future
- In months ahead, we have a duty to help lead our communities and not just our organisations

5. REGULATORY CHANGE

LITTLE WILL CHANGE IN THE SHORT-TERM

- ‘Britain would not be able to engineer a boost to growth and employment by abolishing EU rules’ - **Centre for European Reform**
- Because the government will seek to negotiate continued access to the EU’s single market, it is unlikely to strip back regulation in the short term
- In years ahead, difficult work will begin to decide which aspects of EU legislation (that has been transposed into UK law) to maintain and which to repeal or revise
- New areas of EU legislation, e.g. forthcoming data rules, may not be transposed *but...*
- UK gov likely to develop similar rules to EU as need to maintain ‘level playing field’ to access single market – while no longer having opportunity to influence EU rules at source.



6. THE ROLE OF CIVIL SOCIETY

WHAT IS THE SECTOR'S ROLE NOW?

In the coming months, we will initiate conversations across the country to bring people together and discuss.

- Sir Stuart Etherington, NCVO: “My message today is that you should consider **what more you can do to bring communities together. Outreach and inclusivity matters now more than ever...**The sector’s voice will be essential in speaking up and shaping the future.”
- Julia Unwin, JRF: “**Inertia and apathy towards the plight of the worst-off won’t be tolerated.** We need to look long and hard at how politics and prosperity work in Britain. Politicians across the spectrum must ensure no one is left behind for so long ever again.”
- Jeremy Taylor, National Voices: “We will **continue to champion the development of more preventative, coordinated, people-centred approaches** to health and care. Our sector will continue to stand up for and work with the most vulnerable and disadvantaged in our society.”
- David Nussbaum, WWF-UK: “Leaving the European Union brings risks and uncertainties for our wildlife and wild places, but **with the right policies the UK could continue to be a global force for the protection of nature.**”

SUMMARY RISKS

	Direct	Indirect
Short term	<p>Uncertainty - no decision making in government, policy making paralysis</p> <p>Uncertainty – spending/investment decisions in partners</p> <p>Social tensions – attacks on minorities that voluntary orgs work with</p> <p>Fall in sterling – rising costs where expenditure in \$ or €</p> <p>Fall in investment values – T&Fs</p>	
Long term	<p>EU funding programmes end</p> <p>Reduced spending on public services</p> <p>Winners and losers from transition</p> <p>Skills shortages from reduced migration</p> <p>Corporates shift overseas, CSR programmes under pressure</p> <p>Uncertainty re regulation: eg GDPR</p> <p>Rising levels of social need</p> <p>Tensions between communities</p>	<p>Falling trust in institutions/public sphere as voters’ referendum expectations not met: voluntary orgs not immune</p> <p>Lower growth hits economic confidence, investment decisions difficult</p> <p>Regulatory uncertainty and change, costs thereof</p>

SOURCES

<http://jackofkent.com/2016/06/where-we-are-now-with-article-50-decision-notify-and-devolution-issues/>

<https://publiclawforeveryone.com/2016/06/24/brexit-legally-and-constitutionally-what-now/>

<https://twitter.com/NoXenophobia>

<http://news.sky.com/story/1717526/regions-demand-uk-govt-matches-lost-eu-funds>

<http://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why/>

<http://www.cer.org.uk/publications/archive/policy-brief/2016/brexit-and-eu-regulation-bonfire-vanities>

THANK YOU FOR READING

LET US KNOW YOUR THOUGHTS

TELL@NCVO.ORG.UK

FREE WEBINAR ON IMPACT OF BREXIT

7 JULY 2016

BIT.LY/28NDJSR

GET ALL OUR LATEST UPDATES AND

SUPPORT BY JOINING NCVO

WWW.NCVO.ORG.UK/ABOUT-US/JOIN-NCVO

CHAMPIONING
VOLUNTARY
ACTION

NCVO