Cumbria Third Sector Network

Brexit Impacts – December 2018

Cumbria's Third Sector

Cumbria's Third Sector comprises a large number of mainly small organisations: Third Sector Trends Study

- Around 5000 organisations
- 60% have annual income under £5k
- Only 10% with annual income over £250k

Whilst national third sector representative bodies such as NCVO are producing Brexit briefings, these tend to focus on the impacts on the larger and more formal third sector organisations and do not necessarily reflect the concerns in Cumbia.

Cumbria's third sector organisations tend to be locally focussed – in terms of their staff, supply chains and (some of) their funding. This means they may be relatively insulated from some of the potential impacts of Brexit being identified nationally (such as the consequences for organisations employing large numbers of staff from EU countries).

However, the small size of most Cumbrian third sector organisations means that they also lack capacity to assess and plan for Brexit impacts, and they are likely to be unaware of many of the potential impacts.

Economic Instability

The uncertainty around Brexit may lead to a period of economic instability. It is reasonable to predict that if the UK economy goes through a weak phase, this will have the greatest impact on the most deprived, and that demand on the services of the third sector organisations that support these people will increase.

This is likely to be compounded by a decrease in the available grant funding (as many charitable trusts depend on the interest from investments to fund their grant making).

Shared Prosperity Fund

Cumbria has benefitted from significant EU investment supporting social and economic development in the past, and the design of the UK Shared Prosperity Fund that will replace ESF and ESIF funding streams is a key concern for local third sector organisations.

Cumbria Third Sector Network considers it is important to ensure that:

- Cumbria receives a fair allocation of the future funding
- The fund supports inclusive growth, which benefits those on the lowest incomes
- Application, delivery and monitoring processes are designed to support the inclusion of small, local organisations in the delivery of funded programmes
- Funding is available to support long term projects (for example, skills development in the most deprived areas) as well as short term, high profile quick wins.

EU funding streams have tended to be very bureaucratic and place a significant financial risk on small organisations (due to the potential for "claw back" of funds). However, these small, locally rooted organisations are often the best placed to support long term and sustainable change in the most deprived communities, and if the Shared Prosperity Fund is not designed in a way that enables them to access funding then an opportunity to support inclusive growth will have been missed.

Joseph Rowntree Foundation have produced a detailed briefing on the potential to develop a fairer Shared Prosperity Fund from a national perspective.

Opportunities

VAT rules have been constrained by EU law, meaning that the UK government has been unable to easily make exemptions to VAT for charities (although a number of rebate schemes have been developed). This would no longer be the case post-Brexit and provides an opportunity for the government to demonstrate its commitment to supporting civil society organisations.

Public sector procurement processes have also been constrained by EU law. This has included a principle that organisations from across the EU should have an equal chance to bid for contracts – making it difficult for the procuring organisation to favour local organisations (and support the local economy) apart from to a minor degree through the use of social benefit clauses.

A redesign of procurement would not necessarily favour either the third sector or local SMEs, but there is the opportunity for it to do so.

Wider issues

A number of local third sector organisations are likely to be affected by changes within the wider environment in which they operate.

For example, there are a number of relatively large third sector organisations in Cumbria that provide social care services. Whilst these organisations employ relatively few EU nationals directly, they are aware that other organisations operating in the care sector in Cumbria (and neighbouring counties) appear to be becoming increasingly reliant on workers from EU countries. If Brexit means that it more difficult for these individuals to continue to work in the UK, there is likely to be an overall shortage of staff within Cumbria's Care Sector, and this is likely to have knock on effects for the third sector organisations, making it challenging for them to recruit staff with the skills they require.

If you have any questions or suggestions regarding this briefing, please contact:

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