

The EU Referendum Result: Issues for Scottish Charities

Discussion Workshop

Scotland's Third Sector Governance Forum
TRUSTEES WEEK CONFERENCE

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The Issue

- On 23 June 2016, voters in the United Kingdom as a whole decided by a small majority (52% Leave, 48% Remain) that the UK should leave the European Union (EU).
- However, in Scotland the overall vote was 62% Remain, 38% Leave
- What may this mean for Scottish charities?
- Possibly the biggest change for the nation since WW2
- *Short intro by GM followed by discussion*

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Stages and Timescales (UK)

- **Stage 1: Discussions within UK – 24 June 2016 to March 2017**
 - The formal process of withdrawal only begins once the UK government gives notice to the EU under Article 50 of the *Treaty on European Union* that it wishes to withdraw from the EU.
 - High Court has ruled that Parliamentary legislation is needed to sanction Article 50 – but Govt appealing to Supreme Court and in any case there is probably time for a rapid Act at Westminster before 31 March 2017
- **Stage 2: Withdrawal negotiations – (probably) April 2017 to March 2019**
 - Once the UK gives notice to the EU under Article 50 there is a maximum period of two years to complete negotiations for full withdrawal from the EU (unless all 27 of the remaining EU members agree an extension which seems unlikely).
 - Government plans “Great Repeal Bill” to prepare for repeal of European Communities Act 1972 and transfer other EU provisions into domestic law.
- **Stage 3: Full withdrawal (probably) from 1 April 2019**
 - A key element in the negotiations will be to set a formal date for the UK’s official withdrawal as an EU member. UK Government seems keen to link the process to UK public sector financial years, so 1 April 2019 is perhaps the most likely date for formal withdrawal.
 - Vast range of new UK law and trade deals needed.

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Stages and Timescales (Scotland)

KEY QUESTIONS:

- **Could Scotland remain in the EU even if the rest of the UK leaves?**
 - Almost certainly only possible only as an independent state
- **Is the difference in the Referendum result between Scotland vs England & Wales enough to trigger a second independence referendum?**
 - Wide range of views. Big differences between Nicola Sturgeon & Theresa May
- **If there is a second independence referendum:**
 - When will it be held? What will be the outcome?
 - Could a second independence referendum take place in time for independence before the final UK withdrawal from EU?
- **EU Process in the event of Scottish independence**
 - Could Scotland take over the former UK membership of the EU with no gap “reverse Greenland model” – *If so, no period of Scotland outside EU* **OR**
 - Would Scotland have to apply afresh for EU membership as a new member state? – *Could mean many years of Scotland outside EU*
- **Could Scotland remain in the UK and in the Single Market even if the rest of the UK opts for a ‘hard Brexit’?**

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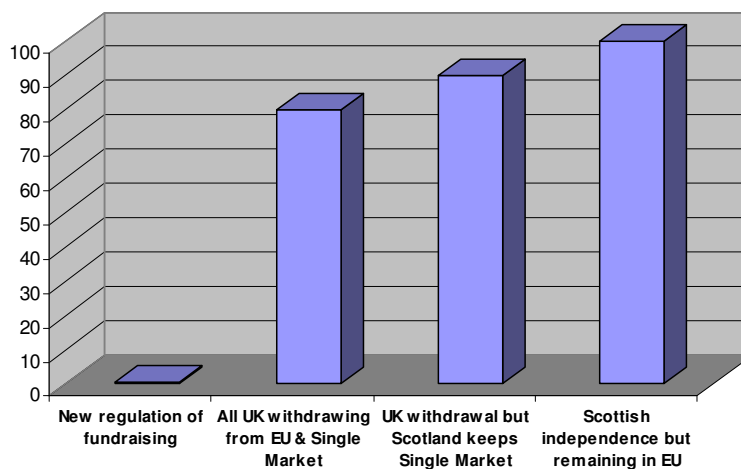
Hence: Scenarios for Scottish charities

- **A: Scotland still in EU as part of the UK – but facing antipathy from EU because of withdrawal process**
 - In principle, EU funding still available, but harder to get
 - More difficult to build partnerships with other EU members
- **B. Scotland *not* in EU as UK has withdrawn**
 - Complex period of UK (and Scotland) seeking to build a new place in the world – may be difficult legal changes
 - No EU funding but in theory government could make up for loss of EU funds. Some short-term promises made but no long-term guarantees
 - *Possible* unique opportunities if Scotland remains in single market
- **C. Scotland in the EU *but not* England & Wales**
 - All the complexities and transitions of independence
 - Scotland much smaller EU member than UK – different relationship
 - Could be great opportunities for Scotland

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Not a time for charities seeking a quiet life!

Possible charity effort in dealing with various changes



Key areas that may change *for Scottish charities themselves*

- **Charity law and accounting**
 - Very little change. Already enshrined in Scots law. OSCR established.
 - Some UK-wide charities may decide to split
- **Taxes**
 - UK outside EU may opt to make changes to some taxes such as VAT which is heavily based on EU law – but Government still needs tax revenues!
 - Scotland outside UK (but in the EU) would be free to change tax laws inherited from UK: on income tax, capital gains tax, business rates
 - Could mean big changes for charitable giving
- **Currency in use**
 - Pound sterling? Scottish pound? Euro? Accounting systems need to be ready for change
- **Funding**
 - Massive changes in any funding from public sector (EU, UK Govt, Scottish Govt) as new political priorities emerge.
 - If economy suffers from Brexit, Government tax revenues will be reduced at least in short term
- ***But all organisations will be affected by the huge degree of change***
 - It may be hard to get understanding of the specific issues faced by charities

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Key changes that may impact *on the work of charities and beneficiaries*

- **Currency fluctuations are *already* having impact**
- **A vast range of themes which are at the core of many charities' objects could be about the change:**
 - Freedom of movement for other EU citizens in Scotland
 - Freedom of movement for Scottish citizens in EU
 - Environmental protection
 - Workers' rights
 - Discrimination
 - Consumer Law
 - Higher education
 - International trade
 - Community cohesion
- ***Charities may urgently need to mount major campaigns to protect their beneficiaries on issues that they thought were settled many years ago***
- **New organisations likely to emerge in a climate of uncertainty**

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Some further resources:

CHARITY-SPECIFIC:

- **SCVO** –
Implications for Scotland and the third sector on leaving the EU
 - www.scvo.org.uk/long-form-posts/implications-for-scotland-and-the-third-sector-on-leaving-the-eu/
 - Includes many useful figures on EU funding etc to Scottish charities
- **Charities Aid Foundation** –
A Stronger Britain: How Can charities build post-Brexit Britain?
 - www.cafonline.org/about-us/publications/2016-publications/a-stronger-britain-how-can-charities-build-post-brexit-britain
 - No specific points on Scotland, but strong on the social changes

SCOTLAND GENERAL:

- **Scottish Parliament European & External Relations Committee** –
The EU Referendum result and its implications for Scotland: Initial Evidence
 - www.parliament.scot/S5_European/Reports/EUS052016R01.pdf
- Many other reports from academics, professional bodies, etc – but bear in mind the situation is changing rapidly

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How to proceed: The issues are just too big!

POINTS FOR DISCUSSION:

- **What can charities usefully do at this stage to plan for the changes ahead?**
 - Internal/organisational/funding
 - Issues for users/beneficiaries
- **How far will charities shape the agenda?**
 - Huge opportunities and challenges for campaigning on issues ahead
 - Make sure all campaigning is linked to charitable objects
- **What is the role of charity trustees in ensuring charities are ready for potentially huge changes?**

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