

## Leaving the EU: One year to go – *Action for Charities*

### Why This Matters

In 1998, Kubernesis produced a booklet entitled ‘*A Practical Guide to the Millennium “Bug” for Charities, Churches and Voluntary Organisations*’. You may recall that the Government of the day was urgently encouraging all organisations and individuals to prepare for the possibility of a serious bug in any kind of IT system, and even possibly in the software built into domestic appliances, that would be unable to cope with the change of date from 1999 to 2000. There was felt to be a serious risk of a vast number of failures of day to day systems on which we rely, as we moved into the early hours of 1 January 2000. Our guide suggested that charities, especially small/medium organisations, were in danger of overlooking the significance of this issue.

In the end, the adverse consequences were very few – not because the threats were imagined – but because large businesses and software providers took every possible step to ensure their systems were amended or updated with correct date processing functions to ensure that 01/01/00 was recognised as a *later* date than 31/12/99. However, the investment to achieve this was enormous. We were saddened by many charities diverting funds that should have been spent on beneficiaries into replacing IT equipment ‘just to be sure’.

On 29 March 2019, the UK faces a change that, in our view, is *thousands of times more complex than the millennium “bug”* – in the practical impact of ceasing to be a member of the EU.

Some consequences may be postponed by the ‘Implementation Period’ which the UK and EU have now agreed, when the UK will temporarily remain a member of the Single Market and Customs Union, but the implementation period will end only 21 months later on 31 December 2020.

So, on Saturday 30 March 2019 – or, in some cases, on Friday 1 January 2021 (both of which are not normal working days) massive changes will need to be ready and working in every possible area of our lives which depend on our relationship with the EU.

We believe these issues have been drastically under-considered. Apart from a few specialist articles in technical publications for specific industries or on the inside pages of some newspapers, there has been hardly any consideration of the practical steps which need to be taken by *every* organisation which relies on any kind of relationship or communication with other EU countries. These steps need to be *complete and implemented* before 29 March 2019 (or by December 2020) as applicable.

Failure to get these steps right, could mean massive disruption to UK food supplies, energy supplies, transport, communication and much else. The consequences are likely to affect almost every person in the UK and many elsewhere who rely in any way on the UK. As always in a crisis the poor and vulnerable are likely to suffer most.

*So charities must, we believe, be at the forefront of persuading businesses and authorities to plan properly for these issues, and need to be ready with practical steps to help those affected if things go wrong.*

This Bulletin offers some reflections on this issue. It goes well beyond our normal focus on issues of charity regulation and accounting – it is a direct call for action by charities *to put beneficiaries first* in considering the practical steps needed.

### The Key Stages

Apart from those with a detailed interest in the issues, most members of the public have forgotten the timescales of the Brexit process. Some think we have *already* left the EU and are just tidying up the details. Some think we will never actually leave. Most are unaware of the fundamental transitions that lie ahead.

- **23 June 2016** – EU Referendum. Vote is in favour of leaving the EU but only by 52% to 48%.
- **29 March 2017** – The Prime Minister gave formal notice to the EU under Article 50 of the Treaty on European Union that the UK wished to leave the EU.

This triggered a two year notice period until the actual departure date to allow time to negotiate an orderly departure. So at the present time, the UK remains a full member of the EU, our MEPs continue to operate in the European Parliament, all EU laws continue to apply and the UK continues to have all the benefits (or disadvantages – depending on one’s point of view) of EU membership. The only restriction is that UK Ministers are excluded from EU discussions about the Brexit process itself – but the UK can still contribute and influence EU policy on other issues (as we have seen recently regarding relations with Russia).

- **8 June 2017** – General Election. Conservatives re-elected as a minority government (working in partnership with the DUP). Formally, the General Election did not change the Brexit process or timescale but it introduced several months delay in the negotiations.
- **Friday 29 March 2019** – The date when the UK formally ceases to be a member of the EU (at 11pm UK time, midnight in Brussels). UK Ministers no longer have a place at any EU councils or meetings. UK MEPs will no longer sit in the European Parliament. This is likely to be a major emotional moment for the UK. The number of EU Member States will go down from 28 to 27.

However, under the transitional agreement almost all the rules of the EU will continue to apply in the UK during this implementation period until the end of 2020. For all practical purposes the UK will remain a member of the European Single Market and Customs Union during this period. So goods and services can be freely supplied by companies in the UK to buyers in the EU and vice versa (“the EU” will now mean the 27 remaining countries – often referred to as the EU27). Freedom of movement will continue to apply so nationals of EU countries can continue to travel to live and work in the UK or vice versa and settle permanently in each others’ countries. No visas or work permits are needed except as currently for non-EU citizens. UK organisations (for example, farmers, charities, universities) in receipt of EU funding will continue to receive the funding agreed.

- **Thursday 31 December 2020** – End of the transitional period.
- So, from **1 January 2021**, the UK ceases to have *any* of the rights and obligations linked to EU membership *except* as specifically agreed under a trading deal negotiated between the UK and EU and finalised by this time. It is generally agreed that the deal is likely to have parallels with the existing agreement between the EU and Canada, but many are doubtful whether full agreement can be reached by December 2020. But from 2021 the UK will also lose all the benefits of EU trade agreements with the rest of the world – so trade with the rest of the world will only be possible under the terms of the WTO (World Trade Organisation) *except* where the UK has concluded trade deals with other countries prior to December 2020. The UK will cease to be a member of any of the EU-linked regulatory bodies such as the European Medicines Agency (currently in London, but moving to Amsterdam) or Euratom (which regulates nuclear energy) *unless* the government manages to negotiate continued membership as a non-EU state and persuades the UK Parliament to accept continued application of EU law in these areas. The border between Northern Ireland and Ireland becomes an external border of the EU.

## Charities Cannot Avoid these Issues

For most small/medium charities that do not receive any direct EU funding, there is a danger of saying: ‘These are complex issues, but let’s leave it to the politicians’. Also, many charities are sensitive to the tensions between remain and leave supporters in their communities and feel that discussion of EU bodies and the details of the Brexit process will just stir up tension – so it may be put into the category of ‘topics best avoided’!

However, we suggest that charities *must engage with these issues* and help communities and individuals to prepare for the changes ahead. See page 4 for a list of practical questions to consider.

## Practical Consequences of Leaving the EU

Here are a few day to day practical issues that have been raised as consequences of the Brexit process that will affect the lives of ordinary people. Most of these changes are almost certain to apply from 1 January 2021 – *unless* the UK manages to negotiate an alternative approach in time for it to be *implemented* by that date.

- Any food exports from the EU to the UK will have to go through complex border processes which are likely to cause extra cost and delay (which can be disastrous in the case of fresh food). At present the UK imports large amounts of food from other EU countries. Some are predicting serious food shortages in early 2021 unless these issues are fully resolved. Unless the public is fully reassured beforehand that such issues are properly addressed there may be panic buying from late 2020. Food bank charities may have a particular role in this, possibly planning for support to vastly more people than their normal users.
- Flights between the UK and other EU countries are currently negotiated under slots which are governed by EU law. Some airlines (notably Ryanair) have warned that by leaving the EU, the UK will lose all flight slots to EU countries and planes may be grounded leading to vast numbers of people stranded.
- Border checks will have to be introduced at all points of transit between the UK and EU – including airports, ferry terminals etc – where the checks on individuals will have to be the same as those currently applying to non-EU citizens. Without this, the limitation on freedom of movement which was one of the biggest issues leading voters to support Brexit, cannot possibly be implemented. But many airports and seaports

simply do not have the space for such facilities. Large building extensions will be needed – these will need to be started long before December 2020 in order to be ready by then. Large delays are likely. Even the worries about possible complications are likely to discourage travel. Those individuals and families who plan journeys without considering such complications may suffer considerably, especially in the early months of 2021.

- UK citizens wishing to travel to other EU countries may well need some kind of visa – possibly even for holiday trips. There will be no reciprocal health arrangements with other EU countries. Any UK charity sending members of staff to another country where they will be working as part of the trip will probably need to obtain a work visa. This will have huge effects on any charities organising exchange programmes.
- EU citizens wishing to travel to the UK may well need some kind of visa and a work permit for paid work. Any UK charity which recruits workers from other EU countries is likely to find the process *much* more difficult. Even at present, while the UK remains a full EU member, many employers are already reporting difficulties.
- People in the UK will find it harder to access goods or services which depend on people from other EU countries working in the UK. The consequences are already being seen in the NHS. The agricultural sector is warning of dire consequences if the UK can no longer bring in seasonal workers to pick crops, especially in rural areas where there is a shortage of local labour. Some are suggesting that crops may be left in the fields to rot, resulting in food shortages and/or much higher food prices.
- In the absence of a free trade deal between the UK and the EU, EU goods brought into the UK will be subject to import tariffs and likewise UK goods will face tariffs when exported to the EU. This will increase costs – and hence prices in the shops – for UK consumers. It will also make it harder for UK companies to sell their goods in the EU (EU buyers will find it cheaper to source supplies from other EU countries).
- Some sectors are particularly affected. Many large financial institutions are already relocating to other EU countries. This will lead to a major loss of tax revenue for the UK Exchequer as some of the most highly paid workers and some of the most profitable companies will not be paying taxes in the UK. This loss of tax revenue may mean substantial further cuts to public services (beyond those planned).
- More broadly, the UK economy may suffer badly – some predict as much as an 8% drop in GDP, with the biggest effects in regions which have received the most support from EU funding programmes.

This list could be much longer. The consequences for people may be enormous.

Of course, all these issues could potentially be avoided if the UK is able to negotiate the right agreements with the EU. But, as has been said many times, we will never have the same benefits in terms of access to markets and participation in EU bodies as we currently have as an EU member. And there remains the complication that almost *any* acceptance of EU rules is unacceptable to many Brexit-supporting MPs. So the government may struggle to get many measures through Parliament which might otherwise be beneficial.

## The Other Side of the Argument

Along with many people in the charity sector, we believed in the lead-up to the EU Referendum that the welfare of most people in the UK would be better if we remained in the EU. But there is a counter-argument that the UK could face a strong future outside the EU, that the complexities of leaving are exaggerated, that any loss of trade with the EU will be more than compensated by improved trade with the rest of the world, and that in the long run the economy will do better.

But even the most committed Brexiteers are suggesting that the UK will need to change substantially to take advantage of Brexit, and accept that there could be some disruption during the withdrawal process.

## The Devolved Nations

The devolved nations of the UK – Scotland, Wales and Northern Ireland – may face further issues. In all three cases there are serious concerns at powers returning from the EU which may be retained by Westminster.

Scotland voted 62% to remain in the EU. Every local authority area in Scotland voted to remain. So there is a strong sense by many of ‘being taken out of the EU against our will’ – giving additional tensions for Scottish charities to consider. A further independence referendum remains likely at some point before 2021 – which could lead to Scotland remaining in the EU as a member state in its own right – but then facing many complications at the border with England. The First Minister, Nicola Sturgeon, indicated she will reflect and make an announcement in autumn 2018. The economic impact of Brexit could be considerably worse in Scotland than in England and Scotland has benefited substantially from EU immigration.

Northern Ireland also voted to remain (by 56%). Yet the Northern Ireland Assembly remains suspended, so there is a lack of political leadership and the DUP are in a partnership at Westminster with the Conservatives. The possibility of checks at the border with the Republic of Ireland are causing great anxiety, and whilst the Westminster government insists these can be avoided, the mechanisms remain unclear.

Wales voted narrowly in favour of leaving the EU with a result close to the UK average. But Wales could see some of the worst economic consequences – creating huge challenges for Welsh-based charities.

## Action Needed by Charities

*Charities must act*, we believe, to help prepare people for these changes. As a first step, we suggest putting this on the agenda for the next trustees meeting – not as a quick item under AOB, but as a substantive item for major discussion. Feel free to copy this Bulletin if it would help to get discussion started.

Ask your trustees to consider the question: “*What, specifically can our charity do on the following?*”

- (1) What can we do to support our beneficiaries/service users/community to prepare for the practical consequences of Brexit in our community: food supplies, jobs, travel, etc?
- (2) Do we need to be prepared to be available for immediate support in the days on and immediately after 29 March 2019 and (especially) 31 December 2020 if there are practical effects which disrupt everyday lives?  
(Whilst it is to be hoped that the government and relevant industries will take all the relevant practical steps in time, there are real fears that issues will be overlooked. We believe this is *much* more complex than the millennium “bug” issue mentioned on page 1 because that was one very specific issue that needed correcting – the date processing procedures in software. Making Brexit work is *vastly* more complex.)
- (3) How can we support citizens of other EU countries who live and work in our community to make sure they continue to feel welcome and included and to support them in the practical processes needed to register their rights to ‘UK settled status’? Some may have experienced particular acts of hatred or abuse.
- (4) What can we do to help bring together those who have radically different views on the Brexit process, to understand some of the practicalities? (We suggest there is a specific role for educational charities in communicating the facts and for religious and community cohesion charities in promoting understanding.)
- (5) In some cases it may help for charities in different fields to work together. For example, it is known that in the EU referendum, younger people voted predominantly to remain whilst older people voted to leave. People with higher levels of education voted predominantly to remain, whilst those who feel disadvantaged were much more likely to vote to leave. A majority of people who identify as Christians voted to leave whilst Muslims voted by a similar proportion to remain. Collaborations with charities in other fields – or with similar charities in different communities – may be an effective way to bring people together.
- (6) What can we do to help remain voters reconcile themselves to a way forward which was supported by the majority of UK voters, even if it is not what they personally believed was best? (Of course, if the vote had gone the other way, similar support would have been needed for leave voters.)
- (7) For some people the consequences of leaving the EU has a profound direct effect including loss of jobs (or being forced to relocate to another EU country in order to continue their work), loss of opportunities to work abroad, loss of the rights of EU citizenship. Counselling charities may need to publicise help available.
- (8) Should we be making contact with employers in our community to understand the specific risks in particular industries, the UK/EU agreements they need, and how we might support those affected?
- (9) Much of the detail of Brexit is still in the early stages of negotiation. What representation should we be making to politicians on the specific decisions? Can we give them examples of individuals or situations that will be affected that will help them to make the case to negotiators to achieve practical ways forward? (Note: Charities are fully entitled to campaign in this way, so long as the campaigning follows directly from your charitable objects and is not linked to support for particular political parties.)
- (10) How will our own work as a charity be affected? Do we need to make any changes to our own processes and procedures – especially any links outside the UK (not just EU)? (But think of your beneficiaries first.)

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