No-Deal Brexit

Advice and considerations for community organisations
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Introduction

As political turbulence and manoeuvring continue, the UK’s future relationship with the European Union (EU) remains uncertain. However, it’s fair to say since Boris Johnson became Prime Minister, a no-deal Brexit has risen up the agenda. Whether this is because it is being used as a negotiating tool or because it truly is the government’s default position is debatable. Yet, the fact that it is being entertained more seriously in the corridors of power, means we should do so too.

This guide aims to support community organisations to think and plan for a no-deal Brexit. A no-deal exit from the EU would likely have far-ranging impacts for the country. The extent to which these are relevant for your organisations depends on the sort of activity you are involved in.

This guide will run through the range of potential implications and explore the sort of issues you should be thinking about. It’s important to note that the exact implications of a no-deal Brexit are difficult to predict. But, one of the things we can be relatively sure of is that it would lead to an extended and prolonged period of uncertainty.

Locality has produced several briefings throughout the Brexit process for its members, much of which, following political developments, will now be out of date. This includes an earlier no-deal planning brief in February 2019 and guidance on the EU Settlement Scheme in the same month. In August, we joined forces with over 85 other organisations to express our concerns about the impacts a no-deal Brexit will have on civil society.

We have also produced major pieces of work looking at the role of community organisations in the context of the vote to leave the EU. Future Places looked at how community organisations can drive post-Brexit renewal, and Communities in Charge laid out how an EU successor fund should be designed with communities at its heart.

Alongside this guide Locality is providing the following support:

- A telephone advice service on 0207 336 9494, open between 9:30 – 16:30 from Thursday 17 October.
- A webinar series, 15:00 – 16:00 Wednesday 16 October, 11:00 – 12:00 Wednesday 23 October and 12:00 – 13:00 Wednesday 23 October.
- One to one business support.

These have been funded by the Department for Business, Energy and Industrial Strategy (BEIS), through their Business Readiness Fund.

More information can be found at locality.org.uk/no-deal-brexit-planning
Terminology

Community organisations is the term we use throughout. This includes social enterprises, co-operatives, community businesses and charities. These are the sorts of organisations that make up Locality’s membership, but advice and support are not limited to Locality’s member organisations.

A no-deal Brexit means that the UK leaves on Brexit day, whether that is 31 October 2019 or further down the line, with no agreement in place on what the future UK-EU relationship will look like. It would involve leaving the single market and customs union overnight; an end to our membership of institutions such as the European Court of Justice and Europol; and a reversion to World Trade Organisation trading rules.

Supply chain disruption

The supply of goods and service across borders may affect the ability of community organisations to deliver services or make delivery more expensive. Organisations should assess the key risks in their supply chains and take mitigating action where possible.

What are the main issues for community organisations?

- Community organisations are businesses much like any other; they all have supply chains and provide goods and/or services.
- Any supplies that come to you from EU countries could be affected in the event of a no-deal Brexit.
- Any goods and services that you supply to EU countries could also be affected; it is likely that the majority of community organisations have very little supply (or export) to EU countries.

What do we know?

- There is little information at the moment about the exact implications of a no-deal Brexit on imports, exports and customs.
- It is likely, that in any no-deal scenario there will be significant disruption at the borders which may only be short term – but at this stage, it is hard to say.
- It is not in the interests of any national government to make things harder than they need to be; there need to be good reciprocal arrangements on both sides.
- Some supply chains have been “stockpiling” to a certain extent, i.e. keeping large stocks of certain goods ready in warehouses to ease any potential supply issues.
- Certain areas may be more affected than others:
- Food – nearly a third of the UK’s food comes from the EU. Suppliers are warning that there could be shortages and/or price rises in certain foods in the event of a no-deal Brexit.
- Medicines – around 75% of medicines and medical supplies come from the EU. Pharmacy suppliers are warning that there could be shortages of both common and more specialist medicines in the event of a no-deal Brexit. This could affect both price and supply. The government has committed significant funding to this area to try and minimise disruption.
- Imports from non-EU countries may be affected as well if there is significant disruption at customs points with goods coming into the UK.

**What might happen next?**

Much is still very uncertain in this area. The issues around customs and borders are perhaps the one that the government is most concerned about. We hope this means that should any real problems arise in the event of a no-deal Brexit then the government will move as quickly as possible to resolve these issues.

It is important that community organisations understand their whole supply chains; awareness of potential issues is likely to lead to quicker resolutions to any problems.

**Further information**

- BBC article on potential food shortages
- BBC article on potential medicine shortages
- Metro article on border delays
What to consider

Can you undertake an audit of your supply chains for goods and services coming into your organisation that enable you to deliver your services? Think about your whole supply chain. For example, you may think that Supplier A is fine because they are UK based – however, if that supplier relies on Supplier B who is EU based, then you may have some issues.

Once you have identified potential risks, prioritise these using a risk-based approach – i.e. the balance of what is likely to happen and what may have the biggest impact.

Once you have a priority list – think about what you can do to mitigate each one. Some ideas include:

- Having more than one supplier to spread the risk,
- Re-negotiating your delivery schedules for your own services,
- Thinking about pricing and how flexible you can be if your own supply costs increase.

Think carefully about your services and which ones might be vulnerable. For example – do you run any food projects, such as a lunch club for older people? If so, you might find regular food supplies are interrupted and/or become more expensive.

If you think you might need to make changes to services, make sure you let your service users know as far in advance as possible.

While it may only affect a small number of organisations, you should also think about exports. Do you export any good or services? Are you in a longer supply chain for the export of good or services? Speak to the purchasers involved to see if they need changes or anticipate specific problems.
A new regulatory regime

Community organisations may be affected by changes in regulatory standards. Some of these are specific technical standards, others, such as data protection standards, are more generic. The government is likely to ensure the transfer of responsibility for such standards is smooth; the key issue for most organisations is understanding where the key risks are for them and to maintain awareness of any changes.

What are the main issues for community organisations?

- A range of regulatory standards is in place across the country for how certain products or services should be delivered.
- Community organisations are not exempt from such standards and must comply with regulations where appropriate.
- Community organisations have to be aware of any changes in this area so they can remain compliant with regulations.

What do we know?

- The government has introduced the New Legislative Framework. This covers certain areas of technical legislation and introduces a UK wide standard.
- The EU has the concept of harmonised standards across the community to give suppliers and governments the confidence that there is an agreed standard. The UK government has said this will be transferred into UK law. These will be called designated standards.
- This work will mean that UK product standards will be upheld across the EU just as they are now.
- The government has said that all existing EU environmental laws will continue to operate within the UK – but will be enforced by our own institutions rather than EU ones.
- The government has also said there will be a new body to ensure accountability for environmental standards, but we don’t yet have the details of this.
- The recent GDPR standard for data protection is already included in UK law and will apply in a no-deal scenario.
- While the current situation ensures that any data transfers from the UK to EEA will remain unrestricted, transfers from the EEA to the UK are less certain as the EU has not yet stated its intentions.

What might happen next?

While so much about Brexit is unclear, it is in the interests of all governments to ensure a smooth path from one regulatory regime to another. It is unlikely that there will be sudden and dramatic changes.
The most important thing is to maintain awareness of what regulations you are required to follow and then to keep abreast of changes so that you have ample time to respond. For example, the link below for environmental standards allows you to sign up for email alerts.

Further information

- Guidance on the new legislative framework and what standards are affected
- Information on environmental standards
- Information on transferring data across international boundaries

What to consider

Identify where there are regulatory issues that affect your organisation. For example, it’s clear that most organisations may be affected by any changes in data standards but only some by environmental and product standards.

Remember some standards are domestic. For example, if you are involved in Neighbourhood Planning, this law is for the most part domestic and as such much of it will not be affected by Brexit (although note the next point).

As most environmental law is ‘driven by’ the EU this can impact on other areas, e.g. environmental assessment (including environmental impact assessment and strategic environmental assessment). As stated above it’s understood the government will use statutory instruments so that the relevant legislation functions effectively when the UK leaves the EU. What may change over time is how these standards are enforced and by whom.

Other standards such as Health and Safety compliance should not be affected.

In terms of data protection and GDPR, you should already be complying with the current standards. However, you should check carefully about data transfers from the EEA to the UK. Do you have EU based servers or services, such as payroll? If so – you will need to talk to your suppliers to ensure they are able to respond appropriately if, and when, the rules are clarified.
Staffing

Staff who are EU citizens need to apply to the government’s Settled Status Scheme before December 2020; our advice is to do this as soon as possible. Organisations with non-EU workers should keep a close eye on immigration developments and plan accordingly.

What are the main issues for community organisations?

- UK law states that all employers must take reasonable steps to ensure their staff have a right to work in the UK.
- Currently, freedom of movement rules guarantees EU citizens the right to work in the UK.
- Freedom of movement is likely to end with Brexit, although to what extent we do not fully know. This situation has created uncertainty around these rights and your staff may feel anxious about their future with you.

What do we know?

- The government has confirmed, on several occasions, its commitment to uphold the rights of individuals already living in the UK, even once freedom of movement comes to an end.
- There is an EU Settlement Scheme. Those individuals that qualify fully for Settled Status will be granted indefinite leave to remain in the UK, with the same rights they currently have - including the right to work.
- Technically, if an EU citizen has lived and worked in the UK for 5 years by December 2020, they will qualify for Settled Status.
- People should be granted Pre-Settled Status if they have spent less than 5 years in the UK. The expectation is that this will be converted to Settled Status once they have achieved the 5-year point.
- If there is a no-deal Brexit – the current deadline for applying to this scheme is 31st December 2020.
- NB Irish citizens are currently exempt from this scheme and need to take no action.
- For Non-EU Nationals – the current immigration rules apply, but these are being reviewed by the government; currently looking at a new “skills-based” approach.

What might happen next?

While so much about Brexit is unclear it is unlikely that in any scenario the UK government will draw a ‘hard-line’ on EU workers already working in the country. The government will want to rely on reasonable reciprocal arrangements with other EU countries. There may be some changes to the settled status scheme and so our advice is for people to register with this scheme as soon as possible.
The general, non-EU immigration situation is more uncertain and all we can advise at this stage is to keep a close eye on emerging news and information.

**Further information**

- Applying for settled status
- The government’s Immigration White paper

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**What to consider**

This can be a difficult, anxious and uncertain time for staff: communicate, support and reassure as much as possible. This will show how much you value your staff.

Check with your staff; who needs to apply to the Settled Status Scheme, and have they done so? If they haven’t, see what support they need.

If you have large numbers of staff in this category, you might consider setting up a buddy system to help create a support network.

As well as your own staff, you may find users of your services are worried or not aware of what they have to do; put up notices, include in your newsletters, etc.

If you employ non-EU nationals, you should keep an eye on developments in immigration proposals as these could affect you.

If you have large numbers of employees in either category you should consider undertaking a thorough audit across your staff and develop a medium-term HR plan that takes the current risks into account.
Economic impacts

Since the EU referendum, the UK’s economic performance has been underwhelming but not catastrophic, but as the threat of a no-deal exit grew, the economy shrank. The second quarter (April – June) of 2019 saw the first contraction since 2012, leading to a fall in the value of the pound. While it recovered slightly in August, its value is again on the decline.

Experts who have modelled a range of scenarios agree that the immediate economic impacts of a no-deal Brexit are uncertain (but potentially challenging). However, there is a relative consensus that the longer-term impacts of no-deal would leave the country significantly worse-off.

What are the main issues for community organisations?

- Scenario planning under a no-deal Brexit points to a challenging economic environment which could mean greater demand for the services community organisations provide.
- Poor economic performance could also lead to reduced funding sources for your organisation if public spending is reduced and/or funders and investors are not able to spend at previous levels.

What do we know?

- Relatively little. Most of what is included below are scenario-planning. However, a range of different organisations have reached similar conclusions.
- Since the EU referendum, the UK’s economic performance has been underwhelming but not catastrophic.
- As the threat of a no-deal exit from the EU grew, the economy shrank in the second quarter (April – June) of 2019. This was the first contraction since 2012.

What might happen?

Office for Budget Responsibility research suggests that a no-deal Brexit could lead to recession. It suggests this recession could be as bad as that suffered in the 1990s and a third as bad as that caused by the financial crisis in 2008/09. This could lead to higher inflation, increased unemployment and a sharp fall in the value of the pound – meaning an increase in the price of imported goods and services.

UK in a Changing Europe and the LSE Centre for Economic Performance analysis finds that, after ten years, a no-deal Brexit could reduce the UK’s income per capita by between 3.5% and 8.7%. By comparison, the forecasts in the event the UK left with a deal similar to that negotiated by Theresa May’s government is between 1.9% and 5.5%.

In both cases, UK households would substantially worse-off than if the UK were to remain in the EU but leaving with a deal cuts the economic costs of Brexit almost in half.
Difficult economic conditions can lead to reduced availability of income sources, whether that’s government and grant funding, consumer spending or investment opportunities.

**Further information**

- Centre for Economic Performance (March 2019) *Economic Performance since the EU Referendum*
- Institute for Fiscal Studies (October 2019) *UK economic outlook in four Brexit scenarios*
- Office for Budget Responsibility (July 2019) *Fiscal risks report*
- UK in a Changing Europe (2018) *The economic consequences of Brexit*

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**What to consider**

Do you deliver local or central government contracts which could be at risk if public sector spending is reduced?

Is your business model reliant on people spending money with trading operations that support the rest of the organisation?

Do you deliver employment support services which could face increasing demand under a recession?

In the short term, do you have complex, international supply chains which could be disrupted?

Any longer-term planning you are undertaking should factor in the potential impact of a no-deal Brexit on your ability to raise money for the work you do.
EU funding

Leaving the EU without a deal could have serious implications for charity funding. Many community organisations are in receipt of European Structural Funds. There has been a significant debate in recent years on what the successor to this funding might look like. While we still lack clarity, the government has committed to guarantee funding for all EU Structural Fund projects until the end of 2020 in the event of a no-deal Brexit.

What are the main issues for community organisations?

- European Social Fund (ESF) money forms a significant portion of community organisation funding in the UK; over €4.9 billion between 2014 and 2020. Leaving the EU, with or without a deal, puts this at risk.
- In the short-term, there have been guarantees from the UK government that, in the event of a no-deal Brexit, any EU funding will be underwritten until 31 December 2020.
- In the longer term, there is uncertainty about what will replace this funding.

What do we know?

- In the event of a no-deal Brexit the government has guaranteed funding for all Structural Fund projects, including ESF, that would have been funded under the 2014-2020 programme period.
- The 2017 Conservative Party manifesto committed to developing a UK Shared Prosperity Fund (UKSPF), but the consultation is yet to materialise.
- In July 2019 the government committed to ‘bring forward plans for the UK Shared Prosperity Fund’ including consultation on its design and priorities.

Communities in Charge

The Communities in Charge campaign – a coalition of local people, community groups, businesses and national organisations including Locality - has made the case that the UKSPF should be no less than what communities currently receive in EU funding. The campaign also calls for:

- Resources to be targeted to the people and places most in need.
- Local people to scrutinise all spending decisions through a dramatic increase in accountability.
- At least a quarter of the fund to go directly to local people to invest in their own priorities for the economy.

What might happen?

The original approach was devised by Theresa May for the Conservative’s 2017 General Election manifesto, and Boris Johnson’s leadership so far has shown he wants a clean break from much of his predecessor’s approach, creating uncertainty for the Fund.
The Government has made announcements aimed to ‘level up’ places that haven’t benefited from the current economic model. This could risk diluting the impact of EU Structural Funding. However, a more strategic approach to rebalancing the economy could benefit community organisations which are so often working at the sharpest end of disadvantage.

All this emphasises the importance of community organisations and their allies making their voices heard in campaigning for replacement EU funding that has communities at its heart.

**Further information**

- House of Commons Library (September 2019) UK Shared Prosperity Fund Briefing
- Locality (2019) Communities in Charge

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**Issues to consider**

Are you currently in receipt of EU funding? This could be directly or through partnerships.

You can continue applying for EU-funded projects. If you are successful, these will be guaranteed by the UK government in the event of no-deal until the end of 2020.

What would happen to your organisation if current EU funding was no longer available and how might you mitigate this?

Can you make your voice heard in the government’s UK Shared Prosperity Fund consultation if/when it materialises? This could be individually, or through the Communities in Charge Campaign.
What next?

There is no doubt that we live in difficult and uncertain times. Across the country, communities are facing huge challenges beyond Brexit from rising inequality to growing social isolation, insecure work to the impact of the climate crisis.

Many crucial local services have disappeared over the course of a deep and sustained period of austerity. Many more are on the brink, as demand pressures continue to rise.

Increasingly people feel that national politics and mainstream political institutions lack the answers required. The EU referendum brought this unease to the fore and highlighted the huge divides that exist within our society. For those committed to positive social change, this presents a daunting context. But at Locality, we believe we have a huge source of hope at our disposal – and that’s what we call the power of community.

There is a vast reservoir of ideas, skill, innovation, passion, local knowledge and long-term commitment that lives in our neighbourhoods. By creating strong and successful community organisations, we can unlock this power and provide lasting solutions to the big economic, social and environmental challenges we face.

One of these big challenges will be to respond to the post-Brexit landscape, whether we leave with a deal or not. Community organisations will have a central role to play in building community cohesion in increasingly divided towns and cities. They will have a role to play in building economically resilient local places, through their work as local economic anchors. And they will tackle the feelings of democratic disempowerment and dislocation people feel.

To ensure community organisations can play this vital role, this will involve planning for all eventualities, including a no-deal Brexit. Locality and others are here to support you to do this, and to continue transforming the lives of the people you work with.

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References and further reading


Institute for Fiscal Studies (October 2019), UK economic outlook in four Brexit scenarios - https://www.ifs.org.uk/publications/14421


Locality is the national membership network supporting local community organisations to be strong and successful. Locality supports local community organisations to unlock the power in their community to build a fairer society.

Locality.org.uk

Unlock the power in your community with us

Locality central office
33 Corsham Street, London N1 6DR
0345 458 8336
info@locality.org.uk

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