European and External Relations Committee

The EU referendum and its implications for Scotland

Written submission from the Scottish Council for Voluntary Organisations

Summary

- SCVO recently held two roundtable discussions between our members and Scotland Office Ministers and Scottish Government Cabinet Ministers respectively. These meetings were designed to gauge the concerns of the third sector in Scotland, relay these to decision makers and offer practical solutions to the challenges ahead. We also held separate meetings with our Policy Officers Network, Intermediaries Network and Policy Committee.

- Whilst there remains a great deal of uncertainty, third sector organisations have highlighted areas of specific concern to the third sector and the implications this will have for communities across Scotland. These concerns are broken down in to three broad categories: The Role of the Third Sector, Funding and People and Environment

- Beyond the financial challenges, there was a strong view that the EU is something greater than a trading block or peace project. The idea of European solidarity, partnership working, developing best practice and cooperation between civil societies was considered to be of, at least, equal importance.

- There was unanimous concern about the impact of Brexit on the economy and what this would mean for public spending and charitable giving. EU funding, on which many organisations rely, was also an area of great concern.

- The key point was that the voice of the third sector must be heard in the ongoing debate and negotiations, and we must be in a position to play a role in ensuring communities are resilient enough to withstand any forthcoming challenges.

Context for the Third Sector

For the 2014-2020 programming period, Scotland secured a total investment of €941m (approximately £800 million) split across the European Regional Development Fund (ERDF) and European Social Fund (ESF). This will be split in to an ERDF allocation of €476m and an ESF allocation of €464m. The value of this funding can and does fluctuate depending on the exchange rate between Sterling and the Euro.

The 2014-2020 structure enables third sector organisations to access funds under the following Strategic Interventions:

- Employability Pipelines
- Social Inclusion and Poverty Reduction
- Growing the Social Economy
Recent analysis indicates that third sector organisations will receive between 10% and 100% of the local authority-led Employability Pipeline funding, with an average of 56% of this funding being delivered through the third sector.

The Employability Pipeline strategic intervention (SI) also includes £12.08 million allocated to Skills Development Scotland to operate a National Third Sector Fund. Other than minor administrative costs, this entire fund will be accessible and dedicated to activity delivered by the third sector.

Beyond this, third sector organisations successfully bid for transnational funding which comes directly from the European Commission. This includes research and development funding and funds such as Horizon 2020. In the timeframe since the referendum result, it has not been possible to fully assess the scale of this type of funding – although it is known to be significant.

Scotland’s rural economy and communities benefit greatly from LEADER funding, which runs from 2014-2020. This funding has seen rural communities benefit from schemes such as community account management, cultural events, museums, footpaths, landscape initiatives, skills, employment and broadband. SCVO submitted a request to establish how much LEADER funding comes to Scotland and received the following response:

“The budget for LEADER 2014 – 2020 is £86m and the EU element of this is approximately 36.3%. This amount is reviewed annually and in the previous Programme 2007 – 2013, it was changed several times.”

It is a fact that rural communities receive a greater proportion of spend than other communities and that there are more third sector organisations per head of population in rural areas. Work is ongoing to identify the value and impact of transnational funding and LEADER funding.

Concerns of the Third Sector

The Role of the Third Sector

Many organisations have expressed concern that the third sector is not being engaged actively enough in post Brexit discussions and that undue emphasis has been placed on the business community – many of whom will quickly be able to adapt to new circumstances in a way the third sector cannot. Some argued that the voice of the third sector and the benefits it provides via the EU was lost in the referendum debate and there is a sense of worry that these powerful arguments will continue to be overlooked.

Whilst it is welcome that the Scottish Government have moved swiftly to engage with universities, business leaders and the agricultural community, it is felt by some that Brexit represents only risk for the third sector and, due to the fact that many organisations are reliant on relatively short term funding cycles, the sector is less able to withstand the pressures that can be absorbed by larger institutions and businesses. It was also agreed that the third sector will almost certainly see an increase in demand for services if the economic outlook remains gloomy.
Initial calculations by Matthew Whittaker, chief economist at the Resolution Foundation, suggests the impact of benefit cuts could roughly double if inflation jumps in the way some have predicted as a result of the vote to leave the EU. Before the vote, the think-tank estimated a dual-income couple on modest pay with two children would lose £600 next year as the result of tax credit cuts and sluggish wage growth. That loss might now be closer to £1,300. Such a shock would likely lead to significant increased demand for support from third sector organisations.

It was also the opinion of many organisations that the vote to leave the EU was not necessarily a rejection of the institutions of the EU, their cost, power or remit; but that many people felt disenfranchised, that public services were overstretched and that social conditions were poor. This feeling of dissatisfaction was, in turn, projected on to the EU and influenced the way many people voted. Assuming that this is the case, third sector organisations believe that the true source of these concerns have yet to be addressed. It was broadly agreed that the third sector is best placed to help identify and tackle underlying issues, such as poverty, inequality, lack of community empowerment and poor service provision.

Funding

Many health charities (including Alzheimer Scotland and British Heart Foundation) are warning that medical research will be jeopardised, with the UK losing out on billions in research funding. It is estimated that British universities receive £1.2 billion per year from the EU’s Horizon 2020 research fund. The UK’s involvement in the European Medicines Agency and continued early access to medicines is also a matter of great concern. There is already evidence that Scottish and UK organisations/institutions are no longer being considered as partners in transnational partnerships bidding for EU funding. This could jeopardise Scotland’s place as a centre for excellence in this field.

British Heart Foundation in particular pointed to the £62 million worth of research they carry out in Scotland and warned that withdrawal from the EU may see an exodus of Principal Investigators (PIs) – individuals who leverage funding, administer grants and lead research projects. It was pointed out that within six months of Switzerland’s referendum rejecting freedom of movement, the number of PIs dropped from 21 to 2.

The EU has compelled member states to ring-fence minimum spends on areas such as combating poverty and social inclusion. The UK Government previously opposed ring-fencing and there is concern the funding will not be maintained. The UK also stands to lose £10 billion of EU Cohesion Policy funding, currently allocated to the UK for regional and local development in the period 2014-20 under European Structural and Investment Funds. Scottish Third Sector employability bodies are concerned about the loss of some £20 million in European Structural Funding each year.

UK participation in the Erasmus programme, which allows students from EU countries to study at universities in other EU countries for up to a year, now looks to be in jeopardy, after running successfully for 30 years. Exclusion from Erasmus would also have what one vice-chancellor called “a stunning impact” on university finances, alongside the crisis facing funds for science, research and other grants.
There are 120,000 students from EU countries at UK universities, of which 27,401 are through Erasmus with their fees paid by the EU. The Prime Minister has recently backed calls to further restrict student visas in a bid to reduce immigration which would suggest such fears are well founded.

Current funding from Europe – ESIF, LEADER, INTERREG, Erasmus etc. – is only guaranteed by the Scottish Government until December 2018. However, these funds run until 2020, meaning there may be a potential gap in funding and also a shock to organisations who over-committed prior to the referendum – expecting funding to continue. It has been pointed out that, even though funding is guaranteed until 2018, blockages are appearing in the here and now. Some organisations have found that local authorities expect evidence to demonstrate that projects and services are sustainable over a longer period of time. At the moment, due to uncertainty around the continuation of funding, such assurances are impossible to provide, and the green light is being withheld on many areas of work.

While the UK Treasury have guaranteed EU funding committed up to the Autumn Statement, we are concerned about the pace of committing ESIF funds in Scotland. This has the potential to jeopardise the maximum use of EU funds.

Housing charities believe that house building targets may become unachievable, due to the reliance on finance and investment from the private sector. Due to economic uncertainty, many lenders and investors have lost confidence.

Prior to the 2014 independence referendum, a number of English-based grantmakers put Scottish funding on hold until after the result. In the event of a second referendum, it is thought that these issues may arise again.

Each and every organisation expressed concerned about two things: the impact on the economy and what this will mean for donations and public spending; and the political aims of the new government and the cabinet.

People and Environment

Ensuring free movement of people was highlighted as a key concern for many charities. It was pointed out that, following the implementation of the Scotland Act 2016, public spending will be based on the performance of the Scottish economy and the demographic make-up of the country. It was the view of many that Scotland needs to address its demographic imbalance and that immigration would play a key role in this. Some charities have pointed out that the services they provide – particularly in the field of medical research and the care sector – are heavily reliant on an immigrant workforce.

International development agencies have grave concerns about leaving the world’s largest provider of aid – which has a broad reach and wealth of expertise. They have sought assurances that the UK’s contribution to the EC development budget should continue or be integrated into the UK aid budget. If the money is to be integrated into the UK budget, this should be administered by Department for International Development and not any other department. Following a re-shuffle, Priti Patel MP was appointed Secretary of State for International Development, despite calling for the same department to be scrapped in 2013 – favouring instead a new department.
for international trade and development. Richard Harrington MP, who had a role as 'Minister for Syrian Refugees', has been made a Minister for Pensions and his previous dedicated role will now be discontinued.

Equalities charities fear for the fate of the European Convention on Human Rights (ECHR) and the rights and legal protections afforded to people with disabilities through membership of the EU. These protections include EU rules on procurement by public bodies; the air passengers regulation, which provides assistance for disabled passengers travelling in the EU, and similar rules for travel by train, ship, bus and coach; the EU directive on web accessibility for public sector websites, which was agreed last month but has not yet become law; the EU directive on equal treatment in employment and occupation from 2000, which bans disability discrimination in employment; and the planned European Accessibility Act, which will set “common accessibility requirements for certain key products and services”. It has been suggested that a creeping erosion of rights protecting disabled people, perhaps over many years, may be realised.

Young persons’ organisations have expressed concern that young people feel particularly aggrieved following the referendum result – considering that young people were overwhelmingly in favour of remaining in the EU and that 16-17 year olds who had voted in recent Scottish elections were unable to vote in the EU referendum. It was felt that resentment could become entrenched if young people saw that their wishes had not been respected, but that they had no voice in shaping the future, as negotiations ensue.

Environmental organisations are concerned about the ratification of the Paris Climate Agreement, and withdrawal from the auspices of strict environmental legislation – which covers wildlife, farming, green energy, recycling and waste and sewage disposal. The issue of air pollution has been raised, given that 50,000 people in the UK die prematurely every year as a result of air pollution. It is understood that the UK Department for the Environment and Rural Affairs has consistently pushed for a weakening of EU air pollution limits and a delay to their introduction. Following a Cabinet re-shuffle, the UK Government Department for Energy and Climate Change was abolished and responsibility for climate change was moved to a new Department for Business, Energy & Industrial Strategy.

Some organisations have expressed concern that the UK Government has not done enough to reaffirm a commitment to human rights. Indeed, a number are worried that the UK Government may use the vote to leave to remove the UK from the auspices of the European Convention on Human Rights (ECHR), in favour of an, as yet undetermined, British Bill of Rights. It was agreed by many that the UK Government should do more to make clear its stance on human rights and the ECHR, not only for the benefit of citizens of the UK, but to send a clear message to European neighbours that the UK still stands for human rights and to ensure reactionary elements, currently on the rise across Europe, cannot use the example of the UK to feed their agenda.

The Third Sector considers the European Union to be far more than a peace project or a free trade area. There is a fundamental desire for, and are benefits from, close co-operation between European civil societies.
There are significant opportunities at the EU level for SCVO and the third sector in Scotland. Collaboration and cooperation on EU wide strategies through EU networks, civil dialogue with EU intuitions and transnational funding opportunities. Many civil society organisations across Europe are also engaged in business collaborations, such as owning buildings, trading, recruitment platforms for civil society jobs and community ownership. This point was emphasised by anti-poverty charities, health charities, and employability charities, all of whom share learning, data and policy analysis with organisations across the EU.

Implications for the Third Sector

The uncertainty following the outcome of the EU referendum is deeply damaging to the third sector, with many organisations reliant on EU funding and concerned about the increased demand likely to be placed upon services in the event of a recession or falling living standards.

Whilst we welcome commitments from the Scottish Government to continue EU funding to 2018, there are current blockages which are preventing funding from reaching the organisations and individuals who need it. In the event that guarantees cannot be made to continue funding until 2020, it would be helpful for guidance to be issued to allow third sector organisations to bid for contracts and services up until 2018, if this is as far as funding can be guaranteed. There should also be a concerted effort to maximise spending, including increasing the rates of intervention.

As a short term solution the Scottish or UK Governments could help the third sector to transition from the current situation to whatever deal is struck following negotiations with the EU and when details of UK Government continuation funding is outlined in the Autumn Statement. Such a move would have precedent on a smaller scale, such as when the Scottish Government introduced the Shadow Round to bridge the gap until funding under the 2007-13 Structural Funds programmes became available. The prospect of a hiatus periods in between programming periods for ESIF should also be explored.

The spending decisions made by the UK Government in the Autumn Statement and in the Scottish Government’s spending review will be of critical importance to the health of Scotland’s third sector and the sustainability of service delivery and we urge both to remain cognisant of this; particularly during a period of such instability.

In the event of a full and ‘hard’ withdrawal from the EU, there is concern that funding channels and systems of application will be totally re-designed. Given the delays experienced in the release of funding from a well-established system, there is concern in the sector that delays caused by the creation of any new system could prove catastrophic for some charities, who will be unable to continue operations without a constant funding stream. We ask the Scottish Government to consider this in their contingency planning.

The third sector welcomes the opportunity to engage with Scottish Government ministers and looks forward to an ongoing dialogue and a follow through on the commitment to ensure the voice of the sector is heard and channelled in to discussions and negotiations between the Scottish Government and UK Government.
Grantmaker organisations suggested a willingness to fund projects that could help promote social cohesion and tackle underlying problems that may have led to ‘Brexit’ or have arisen as a result of it. We encourage the Scottish Government to take advantage of this assistance and to match efforts to strengthen communities in advance of any future perceived challenges.

In terms of maintaining Scotland’s place within the EU, we welcome efforts by the Scottish Government to explore all options to maintaining membership. We recognise that there are options beyond the Norway and Switzerland models and would encourage the Scottish Government to look at the Opinion put forward by the European Economic and Social Committee to the Commission which explored “variable-geometry”, which would leave the regions of Scotland, Northern Ireland and Gibraltar still as members.

Third sector organisations have pointed to the lack of UK involvement in the project to establish a European Pillar of Social Rights. It has been suggested that Scottish Civil Society, in conjunction with the Scottish Government, may wish to contribute to the process to ensure our values and ambitions are still realised at a European level. The consultation on the European Pillar on Social Rights was circulated to SCVO’s Eurogroup some weeks ago and we will be organising a consultation event with Scottish Government Third Sector Division and the European Economic and Social Committee in short course.

Whilst it is recognised that the Scottish Government has no statutory duty to provide international aid or development; development agencies in Scotland wish to see the Scottish Government maintain a commitment to aid and international development.

There was disappointment amongst third sector organisations that influence in the EU had already greatly diminished. There was a sense of frustration that the UK has chosen not to take up its Presidency of the EU – which would have presented an opportunity to engage constructively with our European partners. In view of this, we would like the Scottish government to use both official and unofficial diplomatic channels to ensure EU nations and EU civil society are made aware of our desire to continue working constructively with them, as we have over many years. A commitment has been made by a number of third sector organisations to use our own networks and channels of influence to ensure this is realised.

**Conclusion**

With regard to concerns that the voice of the third sector will be lost in the mêlée, we welcome commitments made by Scottish Government ministers to include third sector organisations in ongoing discussions and to use the information procured to help build a ‘team Scotland’ approach to negotiations with the UK Government and EU institutions.

Our members call on the Scottish Government to remain mindful of the fact that many of Scotland’s third sector organisations are heavily reliant on EU funding streams and that even temporary gaps between funding cycles could force many to cease operations entirely.
With stark inequality already a concern in Scotland, we have grave concerns that downward economic trends could exacerbate the situation. This exact not only a terrible social cost, but will also place greater strain on public services and frontline third sector agencies. It is therefore essential that preventative measures to strengthen communities and empower individuals are taken as and where possible.

As uncertainty prevails, SCVO will continue to engage in dialogue with our members, the Scottish Government and UK Government to procure the most up to date information, relay the concerns of our sector and, where possible, seek assurances and protections for our collective interests.

About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 138,000 paid staff and approximately 1.3 million volunteers. The sector manages an income of £4.9 billion.

SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 1,600 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1,600 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland
- SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change.