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# What does Brexit mean for UK charities' European Union funding?



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# About the report

Brexit has created a range of uncertainties about the UK's future relationship with the EU, including for social sector organisations that have funding or policy relationships with the EU and its member states. The long-term impacts may not be fully understood for many years, but early discussion has focused on EU funding and what the implications of leaving the EU will mean for organisations which rely on it. Many umbrella bodies representing the charity sector as a whole have urged government to clarify the future of EU funding and made proposals.<sup>1</sup>

While the UK is a net contributor to the EU budget, a large portion of the budget comes back here to fund spending in areas like regional growth, agriculture and security. This paper analyses available data to quantify how much of that EU funding goes to charities, and thus to make clear how much UK charities stand to lose if the government chooses not to replace that funding after the UK's departure from the EU.

We have analysed data published under the European Commission's Financial Transparency System and the UK government from 2015, the most recent year for which complete data was available when we began working on this report. Due to the nature of the data, the picture cannot be 100% accurate and represents a snapshot of one year's worth of funding, but we believe we have identified the bulk of European Union funding received by UK charities in 2015.

In defining 'charities', we have counted only organisations registered as charities with any one of the UK's three charity regulators, and have not included grants awarded to other non-profit organisations, universities, or non-departmental public bodies.

The report looks at:

- How much EU funding is at stake
- Where the EU funding comes from
- Variations across topical and regional areas
- Government statements about the future of EU funding
- What policymakers and charities should do

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<sup>1</sup> NCVO, ACEVO and UKCF have asked government to use the money previously spent on European Structural Funds to create a successor to the European Social Fund: [https://blogs.ncvo.org.uk/wp-content/uploads/2017/09/Autumn-Budget-submission-from-NCVO-ACEVO-and-UKCF.pdf?utm\\_source=Bates%20Wells%20Braithwaite&utm\\_medium=email&utm\\_campaign=8740008\\_BWB%20Briefing%203.10.17&dm\\_i=1Y95,57BU0,PZBPAW,K0JLX,1](https://blogs.ncvo.org.uk/wp-content/uploads/2017/09/Autumn-Budget-submission-from-NCVO-ACEVO-and-UKCF.pdf?utm_source=Bates%20Wells%20Braithwaite&utm_medium=email&utm_campaign=8740008_BWB%20Briefing%203.10.17&dm_i=1Y95,57BU0,PZBPAW,K0JLX,1) ; ACF supporting previous positions from NCVO and CFG have urged government to ensure that 'EU funding currently accessed by charities and social enterprises is replaced from 2019 onwards': <http://www.acf.org.uk/news/autumn-budget-2017-letter-from-acf>

# Executive summary

With Brexit negotiations now underway, it could be less than two years before the United Kingdom (UK) will cease to be a member of Europe's institutions. The Directory of Social Change DSC has been examining what this means for charities, specifically the future of European Union (EU) funding and how much is at stake.

## **A large amount of EU funding is at stake, which is vital to the charity sector:**

- We estimate that the total EU funding from which UK charities benefitted in 2015<sup>2</sup> to be at least **£258.4 million**.
- In 2015 about **295 UK charities** were awarded a sum total of **£210.9 million under direct management** (funds which are administered directly by the European Commission (EC)).
- In the same year around **113 UK charities** also received around **£47.5 million from three main European Structural and Investment Funds under shared management** (EC remains responsible for funds, but allocating is responsibility of national governments).
- **Variations in funding levels across topics and regions** means that the impact of a potential non-replacement of funding could disproportionately affect certain charities, causes or UK home nations – for example environment and conservation, or Scotland.
- We believe we have identified the vast bulk of the European funding received by UK charities in 2015, but the figures we present should be regarded as minimums and represent only a snapshot of one year's worth of funding. Furthermore, there is a way bigger range of EU funding in particular from the European Structural and Investment Funds which supports regions and organisations across the UK.<sup>3</sup> Charities do benefit indirectly from this investment as well.

## **So far, there have been only piecemeal statements on maintaining funding after Brexit:**

- In October 2016 the UK government provided a guarantee to continue to support projects which are agreed up to the point at which the UK departs the EU. However, funding will be guaranteed only for those projects which are 'good value for money' and 'in line with domestic strategic priorities.'<sup>4</sup>
- The 2017 Conservative Party manifesto outlines the plan to 'use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund.'<sup>5</sup> What this means in detail remains unclear.

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<sup>2</sup> As the most recent year for which complete data exists, we have looked at 2015. For more information, see Appendix 1. In defining 'charities', we have counted only organisations registered as charities with any one of the UK's three charity regulators, and have not included grants awarded to other non-profit organisations, universities, or non-departmental public bodies.

<sup>3</sup> In 2016/17 the UK received £4.1 billion of funding allocated to the UK government. Funding allocated directly to UK organisations was worth another £1 billion - £1.5 billion in recent years. See:

<http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7886>

<sup>4</sup> <https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>

<sup>5</sup> <https://s3.eu-west-2.amazonaws.com/manifesto2017/Manifesto2017.pdf>

## Concrete steps can be taken right now to mitigate uncertainty around the future of EU funding

### For the charity sector:

- Identify your potential exposure to a loss of EU funding as part of strategic planning, involving your board if there is a significant risk. Look for partners which may be in a similar situation, in your sector as well as across sectors.
- Provide evidence to umbrella bodies (in your sector and for the wider charity sector) as well as local MPs in constituencies where EU funding supports key services. Describe the potential impacts of non-replacement of EU funding on your beneficiaries.
- Ask government via umbrella bodies and local MPs to provide a credible commitment on how EU funding will be *replaced* in full after the UK's departure from the EU, and a clear timetable for this.

### For government:

- Clarify the level of funding that will be maintained throughout the Brexit process, including a definition of the conditions under which present funding will be guaranteed:
  - What specific criteria will be used to judge whether a project is 'value for money' or 'in line with domestic strategic priorities' for projects awarded pre-Brexit?
- Provide a credible commitment on how EU funding will be *replaced* in full after the UK's departure from the EU, and a clear timetable for this.
- Consult with the charity sector and the wider social sector in developing the potential UK Shared Prosperity Fund. Including:
  - What the strategic purpose, aims and priorities of the fund will be?
  - How will it be administered – for example by individual government departments, or via a new body be set up specifically to administer the fund?
  - How it will support critical social causes?

# How much funding is at stake

European funding is administered through one of three mechanisms: **direct management** (funds which are administered directly by the European Commission), **shared management** (EC remains responsible for funds, but allocating is responsibility of national governments) or **indirect management** (funding is administered by various EU institutions, agencies, and other external bodies).<sup>6</sup> While only a relatively small amount of EU funding is managed indirectly, information is much harder to collate because funding is administered by lots of small bodies. **We have therefore focused only on those funds that fall into the first two categories (direct and shared management).** We categorised the funding under direct and shared management into eleven thematic areas for analysis and illustration<sup>7</sup> (for a full overview and definitions see Appendix 2):

- Agriculture
- Aid
- Conservation
- Foreign policy
- Health
- Home & social affairs
- Economy & trade
- Education
- Energy & environment
- EU-specific funding
- Research

We estimate that the **total funding from which UK charities benefitted in 2015 to be at least £258.4 million.** This total amount is broken down by funding area in the Table 1 below.

- In 2015 about **295 UK charities** were awarded a sum total of **£210.9 million under direct management.**
- In the same year around **113 UK charities** also received around **£47.5 million from three main European Structural and Investment Funds under shared management.**

Out of this total sum, **£15.3 million** in funding was administered by European Commission Directorates whose work relates specifically to the functioning and development of the European Union itself.<sup>8</sup> This funding will most likely need no replacement after Britain's departure from the EU. Therefore, the minimum 'funding gap' – or **minimum amount** which has **to be replaced** after withdrawal from the European Union in order to maintain current programmes **amounts to £243.1 million.**

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<sup>6</sup> For more detail on the EU funding mechanism, see Appendix 1 below.

<sup>7</sup> These categories are only an approximation which allow for clustering data which has been collected across different funds and programmes. We acknowledge that EU funding areas and titles of programmes exist. However, these are manifold and also represent broad themes. We therefore developed our own categories in order to be able to display data which came from a variety of sources in a meaningful way.

<sup>8</sup> For example, the European Commission's Directorate-General for Neighbourhood and Enlargement Negotiations' or the 'Directorate-General for Translation'.

*Table 1: Total of EU funding from which UK charities benefitted in 2015, listed per funding area*

<b>Funding area</b>	<b>Amount allocated to UK charities in 2015 (£)</b>
Aid	£125,691,208
Research	£59,472,707
Conservation	£35,443,983
EU-specific	£15,514,208
Education	£9,524,033
Energy & environment	£3,035,651
Home & social affairs	£2,942,666
Economy & trade	£2,345,622
Health	£1,894,594
Foreign policy	£1,413,888
Agriculture	£1,145,309
<b>Total</b>	<b>£258,423,869</b>

There are also notable variations in how much funding is received by each of the UK's home nations (see Table 2 and Chart 1 below). The major share of funding goes to charities based in England (almost £230 million), with Scotland receiving £26.1 million and Northern Ireland and Wales receiving similar amounts (around £1.38 million and around £1.18 million respectively). We explore this in a subsequent chapter below.<sup>9</sup>

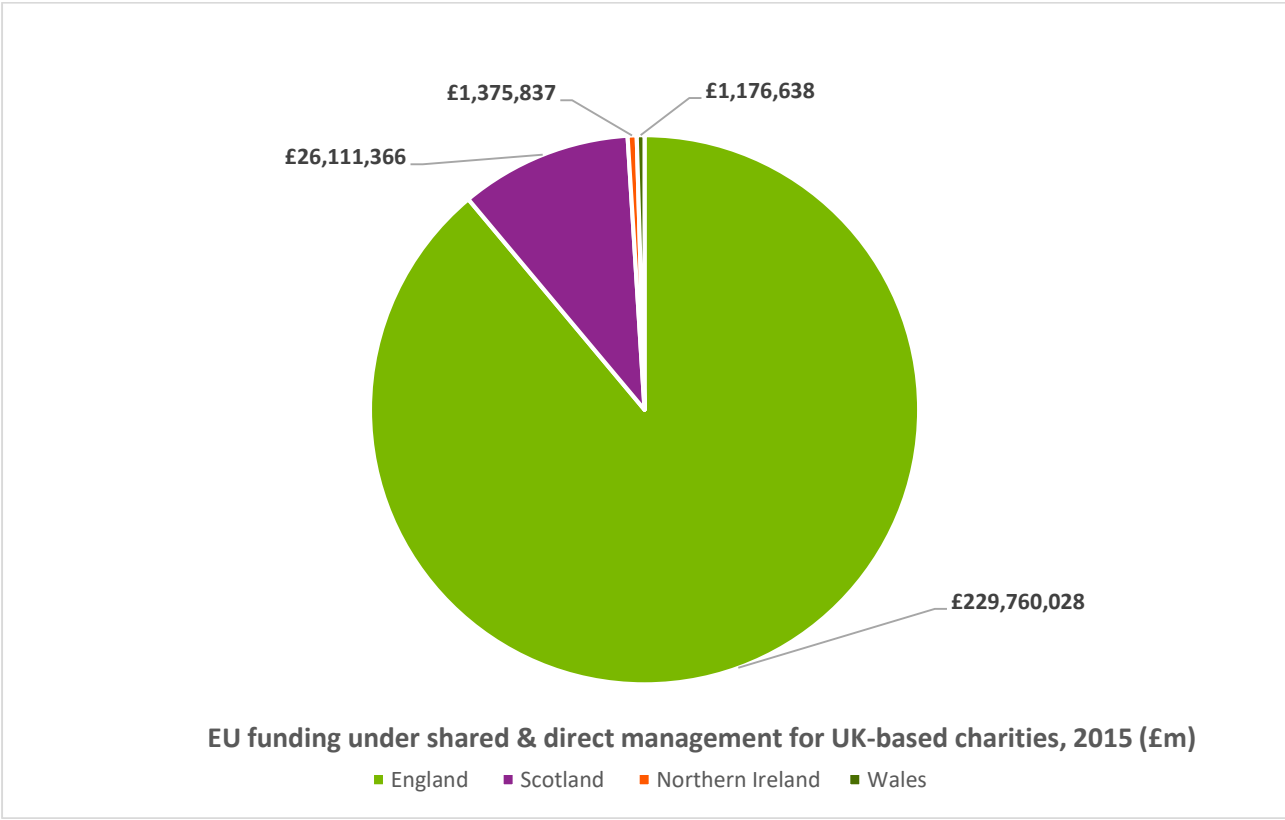
It is unclear why, for example, Scotland's charity sector would appear to receive so much more EU funding relative to population than that of Wales or Northern Ireland. Without speculating as to why this might be the case, these differences will need to be considered when discussing a potential replacement of funding in the future after the UK has left the EU.

*Table 2: Total EU funding under direct and shared management from which UK charities benefitted in 2015 per country*

	<b>England</b>	<b>Scotland</b>	<b>Northern Ireland</b>	<b>Wales</b>	<b>Total</b>
<b>Total combined</b>	<b>£229,760,028</b>	<b>£26,111,366</b>	<b>£1,375,837</b>	<b>£1,176,638</b>	<b>£258,423,869</b>

<sup>9</sup> Given the scope of the report we do not account for or explore how the services receiving this funding would benefit populations across the UK or in England, Scotland, Wales and Northern Ireland only.

Chart 1: Total EU funding under direct shared and management from which UK charities benefitted in 2015; total amount per country





# Where EU funding comes from

## Funding administered under direct management

Funding tends to be administered under **direct management** where co-operation and collaboration between organisations based in numerous member states is involved. This often applies to projects in science, research, and aid. UK charities will potentially also cease to be involved or be less involved in a range of EU-funded cross-national projects after Brexit. Such projects include government departments, universities, private companies and charities.

Our analysis of data from the EC's Financial Transparency System shows that in 2015, 295 UK based charities were awarded a total sum of **£210.9 million** under direct management through a total of 545 grants. Charities working in aid, research, education, and environmental policy benefit the most from this funding. **Full details of the amounts granted to UK charities by each of the European Commission's Directorates General** (as well as executive agencies, services and joint centres) can be found in **Appendix 2**.

There is a wider amount of funding under direct management which has been excluded for the purposes of this paper:

- The total of £210.9 million does not include a further £119.1 million worth of grants awarded to consortia, of which UK charities received an unspecified share. For example, several organisations based in different EU countries received a grant for a project that they implemented together, but the specific share of the total funding that the UK partner has received is unspecified. Such grants are similarly omitted here.
- Furthermore, £15.3 million of funding in 2015 was administered by Directorates whose work relates specifically to the functioning and development of the European Union itself. This funding will most likely need no replacement after Britain's departure from the EU.

This leaves 'a funding gap' of at least around **£195.6 million under direct management that UK-based charities were awarded in 2015, which potentially will need to be replaced after Brexit**.

## Funding administered under shared management

The vast bulk of funding administered under **shared management** comes from one of five European Structural and Investment Funds<sup>10</sup>:

- **European Regional Development Fund (ERDF)**: aims to strengthen economic and social cohesion in the different regions of the EU by correcting imbalances between its regions. This is done via targeted investments into key priority areas: innovation and research, the digital agenda, support for small and medium-sized enterprises (SMEs), and the low-carbon economy.<sup>11</sup>
- **European Social Fund (ESF)**: This is Europe's main instrument for supporting employment-related projects and works by investing in Europe's human capital (workers, young people and job seekers).<sup>12</sup>
- **European Agricultural Fund for Rural Development (EAFRD)**: This fund focuses on resolving a wide range of economic, environmental and social challenges facing the EU's rural areas. Together with the European Agricultural Guarantee Fund the EAFRD makes up the Common Agricultural Policy.<sup>13</sup>
- **Cohesion Fund (CF)**: Through this vehicle the EU funds transport and environment projects in EU countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average.<sup>14</sup>
- **European Maritime and Fisheries Fund (EMFF)**: This fund is used to help fishermen to adopt sustainable fishing practices and coastal communities around the EU to diversify their economies.<sup>15</sup>

For the purposes of this paper, the Cohesion Fund and the Maritime and Fisheries Fund have been excluded. The UK did not receive any funding from the Cohesion Fund for the 2014-2020 funding period. The UK did receive £26.2 million<sup>16</sup> from the Maritime and Fisheries Fund in 2015, but the vast majority of this would have gone to private fishermen and not to charities.

Using data mainly published by the UK government, we have established that **in 2015 UK charities received a combined total of £47.5 million**<sup>17</sup> from the remaining funds.

**£9.3 million** came from the **European Regional Development Fund (£5.2 million)** and the **European Social Fund (£4.1 million)**. This went to six different charities, including the Prince's Trust. Although the Common Agricultural Policy primarily exists to subsidise and regulate the agricultural industry, it also supports development of rural areas. UK charities do benefit significantly from this investment.

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<sup>10</sup> [https://ec.europa.eu/info/funding-tenders/european-structural-and-investment-funds\\_en](https://ec.europa.eu/info/funding-tenders/european-structural-and-investment-funds_en)

<sup>11</sup> [http://ec.europa.eu/regional\\_policy/en/funding/erdf/](http://ec.europa.eu/regional_policy/en/funding/erdf/)

<sup>12</sup> <http://ec.europa.eu/esf/main.jsp?catId=35&langId=en>

<sup>13</sup> [http://ec.europa.eu/agriculture/rural-development-2014-2020/index\\_en.htm](http://ec.europa.eu/agriculture/rural-development-2014-2020/index_en.htm)

<sup>14</sup> [http://ec.europa.eu/regional\\_policy/en/funding/cohesion-fund/](http://ec.europa.eu/regional_policy/en/funding/cohesion-fund/)

<sup>15</sup> [http://ec.europa.eu/fisheries/cfp/emff/index\\_en.htm](http://ec.europa.eu/fisheries/cfp/emff/index_en.htm)

<sup>16</sup> <https://ec.europa.eu/fisheries/sites/fisheries/files/docs/body/overall-table-2014-2020.xls>

<sup>17</sup> <https://www.gov.uk/government/publications/european-structural-and-investment-funds-useful-resources> ; <http://cap-payments.defra.gov.uk/Download.aspx>

Based on data<sup>18</sup> published by the Department for Environment, Food, and Rural Affairs (DEFRA), UK charities received a total of **£27.1 million** from the **Agricultural Fund for Rural Development** and **£11.1 million** from the **Agricultural Guarantee Fund**<sup>19</sup> in 2015. From the two funds combined, £12.3 million went to 34 different wildlife trusts. The remainder went to a variety of conservation and community projects. In total, 107 charities received 111 grants.

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<sup>18</sup> <http://cap-payments.defra.gov.uk/Download.aspx>

<sup>19</sup> Because the number of grants administered in the UK under the Common Agricultural Policy runs well into the hundreds of thousands, we looked only at those worth £50,000 or more.

# Variations across topical and regional areas

In addition to this, individual charities working on particular causes and geographical areas could be hit significantly if levels of EU funding are not replaced. A cliff-edge drop in funding could harm beneficiaries in a relatively short space of time. When looking at funding **under direct management**, charities working in the aid sector and research could be particularly impacted from a funding drop, in particular in England and Scotland (see Chart 2 and Table 3 below).

*Chart 2: Total EU funding under direct management from which UK charities benefitted in 2015, listed per funding area and country*

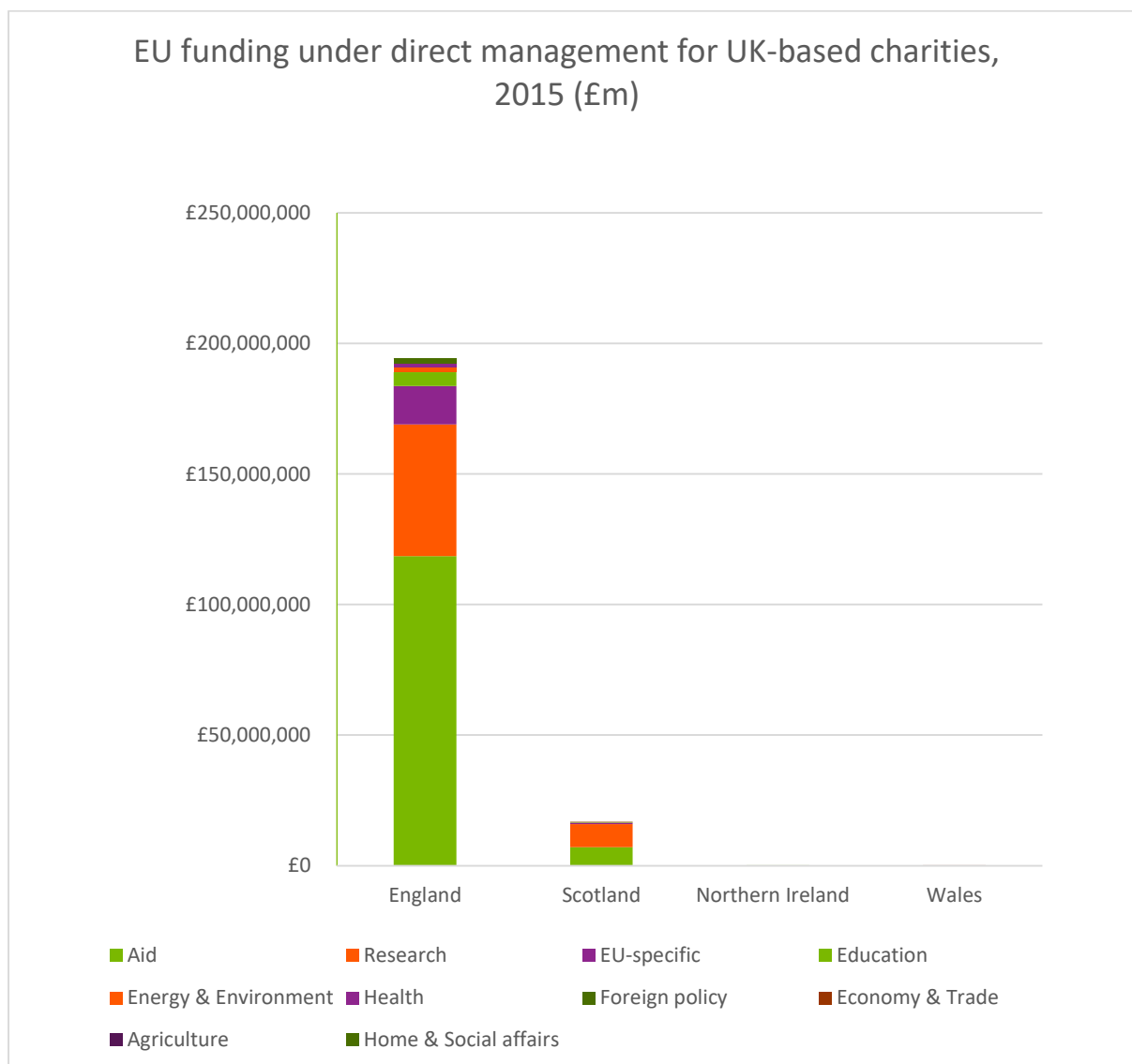


Table 3: EU funding under direct management from which UK charities benefitted in 2015, listed per funding area and country

Direct management	England	Scotland	Northern Ireland	Wales	Total
Aid	£118,572,054	£7,119,154			£125,691,208
Research	£50,443,107	£8,793,334	£14,577		£59,251,018
EU-specific	£14,694,757	£557,743		£40,108	£15,292,608
Education	£5,302,584	£224,554	£90,811		£5,617,949
Energy & environment	£2,021,438				£2,021,438
Health	£1,553,550				£1,553,550
Foreign policy	£1,413,888				£1,413,888
Economy & trade	£51,945	£6,044		£575	£58,564
Agriculture	£4,477				£4,477
Home & social affairs	£2,124				£2,124
<b>Total</b>	<b>£194,059,924</b>	<b>£16,700,829</b>	<b>£105,388</b>	<b>£40,683</b>	<b>£210,906,824</b>

When looking at the EU funding under **shared management** charities working in the area of conservation in England and Scotland could be particularly affected by a non-replacement of EU funding (see Chart 3 and Table 4 below).

*Chart 3: Total EU funding under shared management from which UK charities benefitted in 2015, listed per funding area and country*

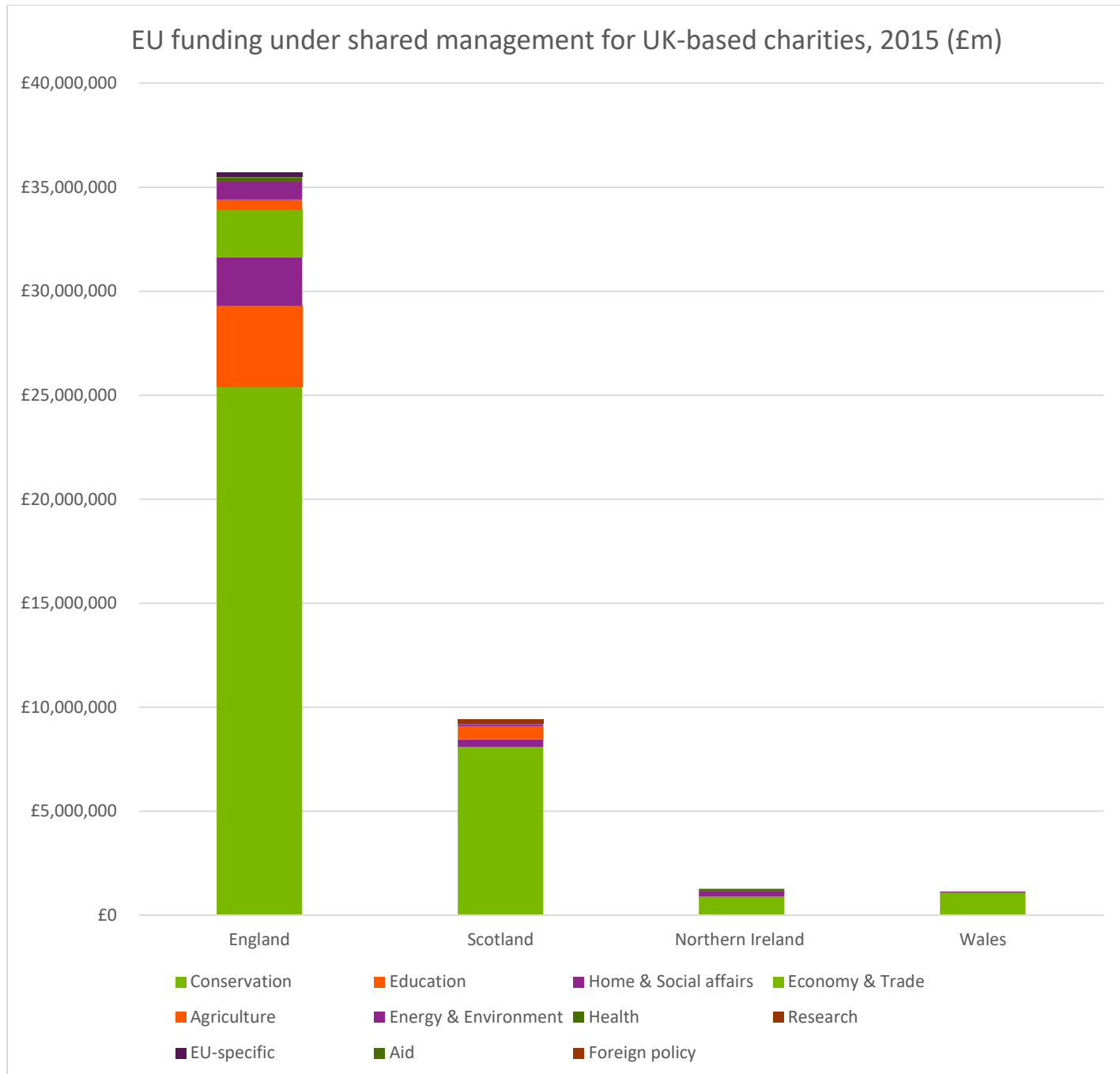


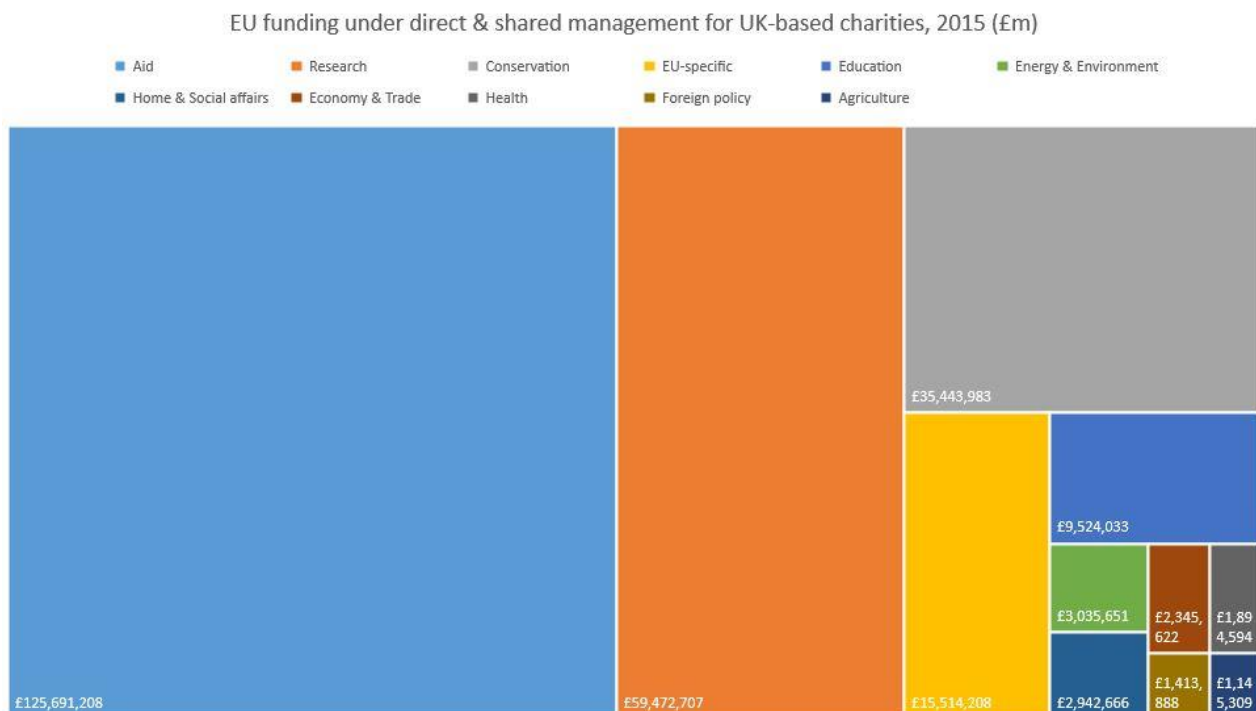
Table 4: EU funding under shared management from which UK charities benefitted in 2015, listed per funding area and country

Shared management	England	Scotland	Northern Ireland	Wales	Total
Conservation	£25,392,480	£8,088,818	£889,090	£1,073,595	£35,443,983
Education	£3,906,085				£3,906,085
Home & social affairs	£2,321,416	£357,662	£261,464		£2,940,542
Economy & trade	£2,287,057				£2,287,057
Agriculture	£496,345	£644,487			£1,140,832
Energy & environment	£853,972	£97,881		£62,360	£1,014,213
Health	£221,149		£119,895		£341,044
Research		£221,689			£221,689
EU-specific	£221,600				£221,600
Aid					
Foreign policy					
<b>Total</b>	<b>£35,700,104</b>	<b>£9,410,537</b>	<b>£1,270,449</b>	<b>£1,135,955</b>	<b>£47,517,045</b>

\* Only the following European Structural and Investment Funds were taken into account: European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD)

From a national perspective across the UK the three main areas that could be most impacted are aid, research and conservation. The vast majority of EU funding that charities based in the UK benefitted from in 2015 was allocated to these three funding areas.

Chart 4: Total EU funding under direct and shared management from which UK charities benefitted in 2015, listed per funding area



The regional variations are similar, with charities located in England getting the largest share of funding, followed by charities in Scotland.

*Table 4: Total of combined EU funding under direct and shared management from which UK charities benefitted in 2015, listed per funding area and country.*

Combined	England	Scotland	Northern Ireland	Wales	Total
Aid	£118,572,054	£7,119,154			£125,691,208
Research	£50,443,107	£9,015,023	£14,577		£59,472,707
Conservation	£25,392,480	£8,088,818	£889,090	£1,073,595	£35,443,983
EU-specific	£14,916,357	£557,743	£0	£40,108	£15,514,208
Education	£9,208,669	£224,553	£90,811	£0	£9,524,033
Energy & environment	£2,875,410	£97,881		£62,360	£3,035,651
Home & social affairs	£2,323,540	£357,662	£261,464		£2,942,666
Economy & trade	£2,339,002	£6,045		£575	£2,345,622
Health	£1,774,699		£119,895		£1,894,594
Foreign policy	£1,413,888				£1,413,888
Agriculture	£500,822	£644,487			£1,145,309
<b>Total Combined</b>	<b>£229,760,028</b>	<b>£26,111,366</b>	<b>£1,375,837</b>	<b>£1,176,638</b>	<b>£258,423,869</b>



# Government statements about the future of EU funding

David Gauke (Chief Secretary to the Treasury at that time) had confirmed on 12 August 2016 that where UK organisations had bid for current EU funding projects:

‘the Commission have made it clear that the referendum result changes nothing about eligibility for these funds. UK businesses and universities should continue to bid for competitive EU funds while we remain a member of the EU and we will work with the Commission to ensure payment when funds are awarded. The Treasury will underwrite the payment of such awards, even when specific projects continue beyond the UK’s departure from the EU.’<sup>20</sup>

Following the referendum result, the first major announcement from the government about the future of European funding came on 13 August 2016, when Chancellor Phillip Hammond guaranteed funding for all projects signed before the Autumn statement.<sup>21</sup>

On 3 October 2016 the UK Treasury further announced that the guarantee had been extended to projects signed to the point at which the UK departs the EU.<sup>22</sup> But the announcement went on to stipulate that:

‘Funding for projects will be honoured by the government, if they meet the following conditions:

- they are good value for money
- they are in line with domestic strategic priorities

Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. These conditions will be applied in such a way that the current pipeline of committed projects are not disrupted, including agri-environment schemes due to begin this January. Where the devolved administrations sign up to structural and investment fund projects under their current EU budget allocation prior to Brexit, the government will ensure they are funded to meet these commitments.’<sup>23</sup>

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/545767/CST\\_letter\\_to\\_SoS\\_for\\_DExEU\\_August\\_2016.PDF](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545767/CST_letter_to_SoS_for_DExEU_August_2016.PDF)

<sup>21</sup> <https://www.gov.uk/government/news/chancellor-philip-hammond-guarantees-eu-funding-beyond-date-uk-leaves-the-eu>

<sup>22</sup> <https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>

<sup>23</sup> <https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>

No further details about the conditions were provided, but both could prove problematic for the charity and social enterprise sectors. In the first case, the value of social sector projects can be hard to quantify, particularly in economic terms. In the second, charities could find themselves winning funding only for work that bolsters the government's own political aims.

During the run-up to the 2017 snap election, the 2017 Conservative Party manifesto<sup>24</sup> stated in a section titled 'United Kingdom Shared Prosperity Fund':

'Current EU-wide structural funding was designed to tackle disparities but it is expensive to administer and poorly targeted. As we leave the European Union, we must look at how we can better reduce and eliminate these inequalities. We will use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations. The money that is spent will help deliver sustainable, inclusive growth based on our modern industrial strategy. We will consult widely on the design of the fund, including with the devolved administrations, local authorities, businesses and public bodies. The UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most.'<sup>25</sup>

Following the referendum result, government announcements initially addressed the issue of European funding already awarded before Brexit. They did not clarify whether funding would be replaced post-Brexit. In other words, whether charities will have access to an equivalent source of funding in five or ten years' time, for the same or similar purposes.

It is notable that the election manifesto does not pledge to replace any specific area or quantity of money coming from the European Structural and Investment Funds after the UK's withdrawal from the EU. This leaves an uncertain future for approximately £47.5 million EU funding from which UK charities benefit annually. It says also nothing about funding under direct management by the European Commission. As laid out above, in 2015 this funding was worth £210.9 million to the UK's charity sector.

To set this in context, government<sup>26</sup> grants and contracts made up roughly one third (34%) of the UK's voluntary sector's income in 2014/15.<sup>27</sup> The sector received £15.3 billion from government bodies in 2014/15 which was £400 million lower than its 2009/10 peak of £15.7 billion.<sup>28</sup> The portion of that income that comes from government grants has also fallen to £2.9 billion in 2014/15 from £6.2 billion in 2003/4 amid a growing preference for contracts – 81% of the sector income from government bodies was earned through contracts or fees in 2014/15.<sup>29</sup> This is a shift which has and will likely continue to harm in particular small and medium-sized charities.

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<sup>24</sup> <https://s3.eu-west-2.amazonaws.com/manifesto2017/Manifesto2017.pdf>

<sup>25</sup> <https://s3.eu-west-2.amazonaws.com/manifesto2017/Manifesto2017.pdf>

<sup>26</sup> Government is defined as any statutory body, including central government departments, local authorities, devolved and regional government, the EU and international governments, town and parish councils, NHS Trusts and non-departmental public bodies. See: <https://data.ncvo.org.uk/a/almanac17/income-from-government-2/>

<sup>27</sup> <https://data.ncvo.org.uk/a/almanac17/income-sources-2/>

<sup>28</sup> <https://data.ncvo.org.uk/a/almanac17/income-from-government-2/>

<sup>29</sup> <https://data.ncvo.org.uk/a/almanac17/income-from-government-2/>

While EU funding represents a small share of the total amount of income that UK charities receive annually<sup>30</sup>, every pound counts for charities in the current funding climate. Further, particular subsectors and geographical areas may be more likely to receive EU funding. Charities continue to depend on significant amounts of local and central government funding, which has been under pressure since the recession. Removing EU funding from the mix would only add to the pressure.

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<sup>30</sup> NCVO estimates that the voluntary sector income alone in 2014/15 was around £45,5bn for 146,379 charities. See: <https://data.ncvo.org.uk/a/almanac17/income-data/> ; research by the Britain Stronger in Europe campaign found that 249 charities received £200m in EU funding in 2014 which equated to 0.5% of the total income of the charity sector for the same year. See: <https://www.dsc.org.uk/wp-content/uploads/2016/07/EU-Funding-Briefing.pdf>

# What policymakers and charities should do

Our analysis concludes that the **total EU funding from which UK charities benefitted in 2015 to be at least £258.4 million**. So far there are only piecemeal statements from government available about the future of EU funding after Brexit.

The future of EU funding is uncertain, and crucial questions need to be answered. However, there are concrete steps which can be taken right now in order to mitigate uncertainty around the future of EU funding post-Brexit.

## For the charity sector:

- Identify your potential exposure to a loss of EU funding as part of strategic planning, involving your board if there is a significant risk. Look for partners which may be in a similar situation, in your sector as well as across sectors.
- Provide evidence to umbrella bodies (in your sector and for the wider charity sector) as well as local MPs in constituencies where EU funding supports key services. Describe the potential impacts of non-replacement of EU funding on your beneficiaries.
- Ask government via umbrella bodies and local MPs to provide a credible commitment on how EU funding will be *replaced* in full after the UK's departure from the EU, and a clear timetable for this.

## For government:

- Clarify the level of funding that will be maintained throughout the Brexit process, including a definition of the conditions under which present funding will be guaranteed:
  - What specific criteria will be used to judge whether a project is 'value for money' or 'in line with domestic strategic priorities' for projects awarded pre-Brexit?
- Provide a credible commitment on how EU funding will be *replaced* in full after the UK's departure from the EU, and a clear timetable for this.
- Consult with the charity sector and the wider social sector in developing the potential UK Shared Prosperity Fund. Including:
  - What the strategic purpose, aims and priorities of the fund will be?
  - How will it be administered – for example by individual government departments, or via a new body be set up specifically to administer the fund?
  - How it will support critical social causes?

# About the Directory of Social Change

The Directory of Social Change (DSC) has a vision of an independent voluntary sector at the heart of social change. We believe that the activities of independent charities, voluntary organisations and community groups are fundamental to achieve social change. We exist to support these organisations in achieving their goals.

We do this by:

- Providing practical tools that organisations and activists need, including online and printed publications, training courses, and conferences on a huge range of topics
- Acting as a 'concerned citizen' in public policy debates, often on behalf of smaller charities, voluntary organisations and community groups
- Leading campaigns and stimulating debate on key policy issues that affect those groups
- Carrying out research and providing information to influence policymakers, as well as offering bespoke research for the voluntary sector

DSC is the leading provider of information and training for the voluntary sector and publishes an extensive range of guides and handbooks covering subjects such as fundraising, management, communication, finance and law. Our subscription-based websites contain a wealth of information on funding from grant-making charities, companies and government sources. We run more than 300 training courses each year, including bespoke in-house training provided at the client's location. DSC conferences and fairs, which take place throughout the year, also provide training on a wide range of topics and offer a welcome opportunity for networking. For details of all our activities, and to order publications and book courses, go to [www.dsc.org.uk](http://www.dsc.org.uk), call 0207 697 4200 or email [cs@dsc.org.uk](mailto:cs@dsc.org.uk).

# Appendix 1 – Methodology

## Background for this research

Others have published previous research on the potential funding exposure of charities to Brexit. The Britain Stronger in Europe campaign reviewed data from 2014 and found that 249 charities across the UK received £217m from the EU.<sup>31</sup> Using data from their Almanac<sup>32</sup>, the National Council for Voluntary Organisations (NCVO) estimated that charities received over £300m from the EU in 2013/14, with no significant change in funding occurring between 2008/09 and 2013/14.<sup>33</sup> Our approach chosen for this paper differs slightly in the sense that we used data published under the European Commission's Financial Transparency System and the UK government looking for funding awarded to UK charities, while the Almanac figures are based on a sample of charities.

## What funding mechanisms did we look at?

European funding is administered through one of three mechanisms: direct, shared, or indirect management.

- Under **direct management**, funds are administered directly by the European Commission, which remains responsible for making decisions about which applicants receive funding as well as the final transfer of funds. Funding is awarded and administered by the EC's Directorate Generals, executive agencies, services and joint centres (see Appendix 2 below for a full overview).
- Under **shared management**, the Commission remains responsible for the budget, but allocating and administering of funds is the responsibility of national governments. Around 80%<sup>34</sup> of the EU budget is administered in this way.
- Under **indirect management**, funding is administered by various EU institutions, agencies, and other external bodies.

While only a relatively small amount of EU funding is managed indirectly, because it is administered by lots of small bodies full details of funding are much harder to collate. We have therefore focused only on those funds that fall into the **first two categories** (direct and shared management). For ease of explanation and analysis we clustered the funding under direct and shared management in eleven funding areas that we defined as follows:

- **Agriculture:** Funding intended to foster investment and growth in European agriculture as well as projects in rural areas.
- **Aid:** Funding targeted at fostering development in low income countries around the world or responding to natural disasters and man-made crises.

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<sup>31</sup> <https://www.thirdsector.co.uk/charities-lose-200m-funding-brexit-says-pro-eu-campaign/finance/article/1385211>

<sup>32</sup> <https://data.ncvo.org.uk/a/almanac17/income-sources-2/>

<sup>33</sup> <https://blogs.ncvo.org.uk/2016/12/16/what-do-we-know-about-charities-and-the-european-union/>

<sup>34</sup> [https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/management-eu-funding\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/management-eu-funding_en)

- **Conservation:** Funding used for natural and historical conservation. Notable recipients include bodies like the National Trust, various animal protection societies and wildlife trusts.
- **Economy & trade:** Funding targeted at implementing the EU's economic policy as well as encouraging entrepreneurship and SMEs within EU member states.
- **Education:** Funding intended to improve education and training across Europe.
- **Energy & environment:** Funding intended to help protect, preserve, and improve the environment across Europe, develop affordable renewable energy sources, and realise the EU's collective climate change policy.
- **EU-specific:** Funding targeted at improving the functioning and integration of the European Union itself. Funds include the Directorate-General for Translation or the Directorate-General for Neighbourhood and Enlargement Negotiations.
- **Foreign policy:** Funding related to the operational and administrative costs of the EU's actions abroad, including security policy, peacekeeping, and observations of elections.
- **Health:** Funding tasked with upholding food safety, consumer rights, and public health across the EU.
- **Home & social affairs:** Funding intended to help young and disadvantaged people into employment, encourage local economic development, and fund community groups. This category includes also funding dealing with issues of immigration and security.
- **Research:** Funding targeted at scientific and technological research and innovation (this does not include funding which was received by universities).

### What data did we use?

As the most recent year for which complete data exists, we have looked at 2015 the most recent year for which data was available when we began working on this report.<sup>35</sup> It should be noted that the exact amounts vary year-on-year and the report represents a snapshot of one year's worth of funding. We have used data published under the European Commission's Financial Transparency System<sup>36</sup> and the UK government<sup>37</sup>. We believe we have identified the vast bulk of the European funding received by UK charities in 2015, but the figures we present should be regarded as minimums.<sup>38</sup>

### What organisations did we look at?

We have counted only organisations registered as charities with any one of the UK's three charity regulators<sup>39</sup>, and have not included grants awarded to non-profit organisations, universities, or non-departmental public bodies.

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<sup>35</sup> As the most recent year for which complete data exists, we have looked at 2015. The definition of 2015 varies marginally from fund to fund. For example, data published by the ERDF and ESF is dated using the start date of each project. That published by the EAFRD, the EAGF includes all projects for which payments were made during the 2015 EC financial year (16th Oct 2014-15th Oct 2015). Because we are aiming only to provide a snapshot of the value to UK charities of one year's worth of funding, for the purposes of this report this is not a significant distinction.

<sup>36</sup> [http://ec.europa.eu/budget/fts/index\\_en.htm](http://ec.europa.eu/budget/fts/index_en.htm)

<sup>37</sup> <https://www.gov.uk/government/publications/european-structural-and-investment-funds-useful-resources> ; <http://cap-payments.defra.gov.uk/Download.aspx>

<sup>38</sup> For example CAP grants under £50,000 were excluded from this review here.

<sup>39</sup> The Charity Commission for England and Wales, the Charity Commission for Northern Ireland, and the Office of the Scottish Charity Regulator.

### **Data for funding under direct management**

Data on grants administered by the European Commission is published by the Commission's Financial Transparency System.<sup>40</sup> We selected 'UK' and '2015' in its search function and downloaded the results. This gave us a table of all grants made by the Commission in 2015 of which a UK organisation was either the sole recipient or one of multiple recipients (those other recipients tending to be based in other EU member states). We then established which of those organisations were registered charities by manually searching their names on the databases of the UK's various charity regulators. Only grants made to bodies registered with the Charity Commission for England & Wales, the Charity Commission for Northern Ireland, or the Scottish Charity Regulator were included. Those made to an organisation registered only as a community interest company (CIC), non-profit, or non-departmental government body were not included. We also excluded grants made to universities. We then summed those grants made to UK charities and categorised them according to which Directorate General of the Commission administered them (see Appendix 2 below for a full overview of amounts allocated by EU directorates and agencies). We then also clustered the funding under direct management in eleven funding areas (own definitions, see above) based on the Directorate administering the funding, in order to be able to provide a more streamlined overview of the respective grants.

### **Data for funding under shared management**

National governments of EU member states ultimately have responsibility for administering the funds under shared management. They also publish information about those grants. In the UK, the particular body publishing the data depends on which of the European Structural and Investment Funds the funding came from. Data on grants from the European Regional Development Fund and the European Social Fund are published jointly by the Department for Communities & Local Government (DCLG), the Department for Environment, Food & Rural Affairs (DEFRA), the Department for Work & Pensions (DWP), and the Department for Business, Energy & Industrial Strategy (BEIS).<sup>41</sup> Data on grants from the Agricultural Fund for Rural Development and the Agricultural Guarantee Fund are published by the Department for Environment, Food, and Rural Affairs.<sup>42</sup> All recipients listed in those datasets were UK organisations, so we had only to establish which were charities. This we did again by searching for the respective organisations name on the databases of the UK's three charity commissions. Information about each grant came with a short description of the ultimate aims and means of that project. Using these descriptions, we clustered the grants under eleven funding areas (own definitions, see above) on a case-by-case basis, in order to be able to provide a more streamlined overview of the respective grants.

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<sup>40</sup> [http://ec.europa.eu/budget/fts/index\\_en.htm](http://ec.europa.eu/budget/fts/index_en.htm)

<sup>41</sup> <https://www.gov.uk/government/publications/european-structural-and-investment-funds-useful-resources>

<sup>42</sup> <http://cap-payments.defra.gov.uk/Download.aspx>





# Appendix 2 – Overview of EU funding under direct management

Responsible funding body	Amount allocated to UK charities (£)	Number of grants made	Funding area
Directorate-General for Agriculture and Rural Development	4,477	4	Agriculture
Directorate-General for Climate Action	99	1	Energy & environment
Directorate-General for Communication	87,637	11	EU-specific
Directorate-General for Communications Networks, Content and Technology	2,061,309	11	Research
Directorate-General for Education and Culture	36,522	1	Education
Directorate-General for Employment, Social Affairs and Inclusion	12,851	12	Economy
Directorate-General for Energy	26,924	2	Energy & environment
Directorate-General for Financial Stability, Financial Services and Capital Markets Union	278	1	Economy
Directorate-General for Health and Food Safety	1,146,120	8	Health
Directorate-General for Human Resources and Security	19,774	2	EU-specific
Directorate-General for Humanitarian Aid and Civil Protection (ECHO)	108,521,147	136	Aid

Responsible funding body	Amount allocated to UK charities (£)	Number of grants made	Funding area
Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs	66,487	2	EU-specific
Directorate-General for International Cooperation and Development	17,170,061	33	Aid
Directorate-General for Justice and Consumers	922	3	Home affairs
Directorate-General for Migration and Home Affairs	1,202	3	Home affairs
Directorate-General for Neighbourhood and Enlargement Negotiations	15,110,996	9	EU-specific
Directorate-General for Research and Innovation	9,778,399	63	Research
Directorate-General for Taxation and Customs Union	2,868	1	Economy
Directorate-General for the Budget	1,092	1	EU-specific
Directorate-General for the Environment	1,994,415	15	Energy & environment
Directorate-General for Trade	42,567	1	Trade
Directorate-General for Translation	2,605	1	EU-specific
Education, Audiovisual and Culture Executive Agency	5,581,427	93	Education
European Research Council Executive Agency	24,895,724	22	Research
Eurostat	754	2	EU-specific
Executive Agency for Competitiveness and Innovation	3,310,351	20	Research

Responsible funding body	Amount allocated to UK charities (£)	Number of grants made	Funding area
Executive Agency for Health and Consumers	407,430	4	Health
Innovation and Networks Executive Agency	3429302	12	Research
Joint Research Centre	51,460	5	Research
Office for the Administration and Payment of Individual Entitlements	829	1	EU-specific
Research Executive Agency	15,724,473	61	Research
Secretariat-General	2,434	1	EU-specific
Service for Foreign Policy Instruments	1,413,888	3	Foreign policy
<b>Total</b>	<b>210,906,824</b>	<b>545</b>	

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