

POST-BREXIT:

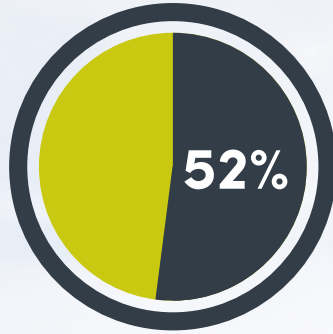
The impact for social care provider organisations



V O D G



**10pm,
June 23rd...**



**52% of voters
elect to leave EU...**



**after 43 years of
membership**

By 10.00pm on 23rd June, 52% of the 33 million people who had voted in the UK's in/out referendum had elected to leave the EU after 43 years of membership.

Following this result VODG has identified a number of post Brexit priorities and issues amongst organisations within its membership¹. Whilst there remain a lot of uncertainties there are issues and leading indicators that organisations need to consider when planning future strategy, services and their workforce. To these ends VODG commissioned Cordis Bright to provide a short analysis to prompt further discussion and debate, and which will be relevant to chief executives and senior directors as well as boards of trustees.

¹ VODG (2016) Brexit: *What next for voluntary sector disability organisations?*
Available: www.vodg.org.uk



Read the earlier VODG report on the risks and issues facing the sector

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SOFT BREXIT ◀ VS ▶ HARD BREXIT

At the time of writing, there is no formal date for leaving; but spring 2019 looks a likely point of departure. The immediate consequence of the vote is an effective change of government and the creation of a whole new government department tasked with negotiating a successful exit from the EU (a department that could in the short term draw energy, expertise and resources from across the civil service). These changes can feel remote from the world of social care and the day-to-day realities of supporting people but some impacts are likely to become apparent not least of all in terms of this change on people's thinking and attitudes.

We can only speculate on some of the possible consequences for the social care sector, but the difficulty in speculation is coming up with a model which makes sense of the different competing visions of what Brexit might mean. A broad framework of hard Brexit/soft Brexit has been used in this paper, recognising that these are short-hand for a broader range of ideas across the political spectrum.

SOFT BREXIT

Soft Brexit is the Norway plus model, where the UK becomes a member of European Economic Area, with full access to the single market, but obliged to make a financial contribution and accept the majority of EU laws, including free movement as it applies to the rest of the EU.

It is worth noting that CETA is still not signed after seven years of negotiation so one thing we do know about hard Brexit is that it is unlikely to be an approach with a quick resolution.

Where the UK ends up gives us some ideas about how Brexit will impact on social care.

HARD BREXIT

Hard Brexit is more like the proposed approach with Canada. A Comprehensive Economic and Trade Agreement (CETA) would be negotiated between the EU and UK and would give the UK preferential access to the EU single market without all the obligations that Norway faces, eliminating most but not all trade tariffs.

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ECONOMIC AND PUBLIC SPENDING IMPACT

The 'change' in government does not appear to herald a complete retreat from the current path of austerity even with the government acknowledging that there will be no balanced budget by 2020. The expectation therefore is that most, if not all, the spending reductions planned between now and 2020 will stand.

A more critical economic question is will Brexit produce a sustained downturn in the economy which impacts in tax receipts and the revenue that government receives in order to fund social care and other public services. The omens for this are not good but there is no consistent view amongst economists that a full blown recession is inevitable. If the UK economy does move into recession then unemployment is likely to rise: putting further pressure on public services but, at the same time, probably making recruitment of care

and support staff easier in the short term.

A faltering economy might also call into question commitments made by the pre-Brexit administration. If the UK enters a sustained period of economic slowdown an important question hangs over central government's earlier commitment to increase the national living wage at the rate of over 5% a year through to 2020.

Many voluntary organisations already face the consequences of the wider economy underperforming in the form of growing pension deficits, often inherited via TUPE transfers from the statutory sector. These deficits, in the short term, are likely to increase and this may mean some well performing providers with operational surpluses having a negative balance sheet.



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ECONOMIC AND PUBLIC SPENDING **IMPACT** *cont.*

Property valuations are falling and although most housing association borrowings secured against property appear solid for now it does not bode well for the availability of resources for future developments which are such a key part of the housing infrastructure for social care.

A hard Brexit would place the UK procurement regulations outside of the OJEU framework and could lead to local procurement arrangements driven by local considerations. Local procurement rules might be advantageous to local providers, but for national and regional regional providers it would mean needing to comply with a variety of different procurement approaches, which could be a disadvantage. Soft Brexit would mean that even outside the EU, the OJEU rules would continue to apply in some form which would mean little change.

The empty promise of an additional £350million a week to fund the NHS made during the referendum debate does not mean that no additional resources will flow into the NHS as a result of Brexit. However, what additional money there might be will be substantially less than the claimed figure and unless directed at increasing the rate at which people were successfully discharged from hospital will have very limited impact on social care costs.

Finally, UK charities received over £200million from EU funding in 2014. Not being part of the EU means that UK charities will no longer have access to this funding pot. At present it is difficult to see how this shortfall will be addressed.



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DOMESTIC AGENDA IMPACT

Given the significance of Brexit it will not be surprising if it dominates the government's agenda, and there is a very real risk that domestic policy becomes the poor relation to Brexit losing both focus and momentum. Where we end-up domestically will be strongly influenced by which type of Brexit is adopted.

Given the previous 43 years of legislation and regulation which reflected our membership it has to be assumed that parliament will seek a quick fix for replacing the role of the EU and its structures with the British government and UK institutions as anything else risks MPs having an unprecedented opportunity to re-open issues that most would have thought long since closed, with a working majority of just 17 it would be reasonable to anticipate some backbenchers seeing an opportunity to promote a range of marginal issues.



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WORKFORCE IMPACT

There has already been concern expressed for the c.80,000 EU nationals involved in the delivery of care and support in the UK. However, it is unlikely that there will be an attempt to repatriate the 2 million UK citizens and the 3 million EU citizens currently living outside their country of origin. That said, there will be significant implications for the size and nature of the future workforce if the UK pursues a Hard Brexit position.

²Cavendish Coalition (2016) Accessed: <http://www.nhsemployers.org/your-workforce/need-to-know/brexit-and-the-nhs-eu-workforce/the-cavendish-coalition/resources-and-guidance>

▶ **Hard Brexit = no ongoing free movement of people:** no points based system of immigration is going to prioritise unskilled people with the potential to become frontline care and support staff. This will result in a growing shortage of workers.

▶ **Hard Brexit = poorer employment protection.** There must also be some concerns that hard Brexit will reduce employment protections for care staff such as the working time directive.

The newly formed Cavendish Coalition² have committed to secure the workforce required to deliver continuing quality in health and social care through:

1. Supporting the economic as well as social health of the communities we work within through the creation of opportunities for training and employment
2. Promoting employment policy and practice which ensures that the UK continues to be able to attract vital skills from Europe and around the world to work in health and social care
3. Seeking certainty for those already working in the UK by advocating for the right of the current health and social care workforce originating from European Economic Area (EEA) members to remain here.



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UNCERTAINTY IMPACT

Probably the biggest single challenge will be the prolonged uncertainty which the vote on 23rd June has created: uncertainty about the domestic intentions of the Theresa May led government, uncertainty about the UK's negotiating position and its achievability, and prolonged uncertainty about what the UK will be like outside the EU come the end of 2018.

Of course this is just the beginning. Between now and Brexit we are likely to have at least two budgets and, roughly a year after leaving the EU, a general election. A lot can change both here and in the rest of the EU in this time. There is a very real possibility that the EU which we leave in 2018/19 looks completely different from the one we currently know.

A post-Brexit world will change social care but we do not know what this change will be like, we can see the workforce impacts have the potential to be exceptionally negative whereas local procurement might be more beneficial.

The uncertainty that has been experienced to date has been the consequence of a sustained reduction in the funding of social care. This paper illustrates how the next few years will be tough. The extent of this will depend on whether a hard or soft Brexit is negotiated. The question is whether it will be as tough for the social care sector as to what has gone before.



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VODG NEXT STEPS

As part of VODG's ongoing activities to support the sector following the EU referendum we are continuing to:





1 ▶ Capture key issues and risks in the sector.


2 ▶ Work alongside key agencies highlighting the impact for social care and disability organisations.

3 ▶ Keep members abreast of developments including with additional intelligence and reports when required.



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