

# NAVCA Brexit Briefing (January 2018)

## 1. About this Paper

For the past 2 ½ years Brexit has completely overshadowed all other important areas of public policy. The Chancellor recently announced that £4.2bn has already been spent on Brexit preparations, and rough estimates by NCVO set this at **the equivalent to the total income of the UK's 136,000 smallest charities for almost two years.**

This easy reference briefing provides NAVCA members with an update on Brexit and sets out some of the possible implications that the UK's exit from the EU could have on VCSE organisations and on life in general in the UK. It is intended to give a frame of reference and prompt thinking at local level of the potential and likely impacts of the current situation, regardless of the political drivers and perspectives.

Clearly the situation remains 'fluid' (that may be an understatement!) and we will provide further updates as frequently as possible to reflect changing circumstances.

**Events over the few days suggest the prospect of a no-deal Brexit is a bigger threat than ever.** The result of Monday night's (15/01/2019) Meaningful Vote for Theresa May's EU Withdrawal Agreement saw the most significant government defeat in over a century.

## 2. Impact on the Economy, Public Services & VCSE Organisations

The following section sets out possible the possible impact of Brexit on the economy, public services and public policy, and what implications these issues might have on VCSE organisations.

### 2.1 Brexit & the UK Economy

The Autumn Statement made significant public spending commitments to areas which included the NHS, mental health, social care and other public services, however these spending commitments were caveated against a deal being made between the UK and the EU.

During his Budget speech, the Chancellor stated that a **no-deal scenario would impact on future forecasts for the UK's economic performance and would see the Spring Statement become a "full fiscal event"** (*A summary and analysis of the Budget can be found by [following this link to NAVCA's Autumn Statement Briefing](#)*).

Several high profile analyses on the UK's withdrawal from the EU have concluded that **Brexit will have a highly detrimental fiscal and economic impact, with a significantly contracted economy, and as a result, less money available to fund public services:**

- In 2017 the Office for Budgetary Responsibility (OBR) forecasted that Brexit would cause a £15.2 billion shortfall to public spending;
- The Centre for Economic Performance at London School of Economics (LSE) has outlined that the national economy will be 1.9%-5.5% smaller per person by 2030 under

Theresa May's Brexit deal, compared to if we remained in the EU, at a cost of 1.8% of GDP;

- A National Institute for Economic and Social Research (NIESR) study commissioned by the People's Vote group used economic modelling against different scenarios to conclude that under Theresa May's proposed Brexit deal, the UK would be £100bn worse off a year than if it had remained in the EU, and that GDP would be 3.9% lower by 2030.

**The economic instability that Brexit is likely to cause will have a significant impact on our most vulnerable and deprived communities, pushing more people to the brink.**

- A report prepared for DWP outlines that the worst case scenario under "a chaotic no-deal" could see the number of people claiming jobseeker's allowance rise by 140,000 new claimants per month (the equivalent of £12bn over three years);
- The resultant conditions of an economic downturn are also likely to lead to increases in homelessness, suicide rates and food bank use;
- Failing to agree a trade deal and has to operate under WTO rules will lead to steep increases in food prices for everything – from bread, cereals and dairy to fruit, vegetables and meat. Higher prices at the checkouts would push more individuals and families into foodbank use, which would in turn, struggle to cope with demand: Higher prices would also make it more difficult for shoppers to donate to foodbanks and help keep their shelves stocked.

Whilst the government have published technical advice notes across a range of areas for a no-deal Brexit, no guidance has been published on what action would be taken to deal with the major socio-economic problems that would arise. **Such issues will trigger increased demand for community support services delivered by VCSE organisations**, however a weakened economy will mean more funding cuts, and as local authorities and CCGs look to make savings there would be result in further reductions in core funding and commissioning.

Funding issues faced by VCSE organisations are likely to be made worse by a decrease in the availability of grant funding (many charitable trusts depend on the interest from investments to fund their grant making – a weakened economy will significantly impact upon this). Charities and the wider voluntary sector may also see lower levels of individual giving in line with reductions in disposable income.

**In short, VCSE organisations will have to more with even less, providing support and assistance for more people at crisis point and further stretching our already chronically underfunded sector to its very limit.**

## **2.2 Immigration & Freedom of Movement**

The government published its White Paper on immigration in December 2018. Key features of the new proposals on immigration and freedom of movement include:

- The end of free movement - This will mean that anyone wishing to come to the UK to work or study will be required to obtain a permission to do so;
- EU citizens settled in the UK who wish to remain will have until June 2021 to register under the government's EU Settlement Scheme (see below). Irish citizens will not have to apply for the settled status scheme or for a new visa;
- EU nationals who wish to join family members will need permission to do so, before entering the UK;

- There will be no cap on the number of skilled workers allowed to enter the UK, however in future, EU workers looking to obtain a sponsored UK work visa will have to earn a minimum salary of £30,000 and be in a job requiring A-level qualifications or above;
- “Low-skilled” workers who do not meet the salary and qualifications criteria would be restricted to short-term visas of one year at a time with a “cooling-off period” of a further 12 months to prevent people from working in the UK permanently. Low-skilled visas will not be a route into permanent settlement in the UK;
- People entering the UK under the new immigration rules would have no right of access to the welfare system. There will also be stricter criminality thresholds on refusal of entry and removals to EU citizens entering the UK;
- There is no intention to impose visas for short-term visits (e.g. for tourism or short business trips), and EU visitors will be able to continue using electronic passport gates at airports to allow quick entry to the country.

Critics of the Immigration White Paper have noted that the £30,000 minimum salary for skilled workers is too high a threshold for many occupational sectors, and as a result this will be subject to a 12-month consultation period. Additionally, whilst proposals for the low-skilled visa scheme may work well for seasonal agriculture workers, it is problematic for EU workers accounting for a significant proportion of other low-skilled, in-demand sectors such as social care and construction.

The government proposes opening the new visa scheme in autumn 2020 to allow plenty of time for new applications. Whilst the new measures would officially come into force in January 2021, after the Brexit transition period, they could be enacted as early as April 2019 if the UK leaves the EU without a deal.

### **The EU Settlement Scheme**

Under the EU Settlement Scheme, EU citizens in the UK will need to go through a digital application process which will confirm their status in this country for as long as they want to stay. In light of the role that local infrastructure plays in supporting marginalized communities, NAVCA have been working with the Home Office to ensure that vulnerable groups are supported to easily protect their status in the UK under the Scheme.

This work has had major influence on the Home Office’s announcement that up to £9 million in grant funding has been made available for VCSE organisations to help fund the work they will have to do to support vulnerable EU citizens. **This remains a key role for VCSE organisations, and one that many NAVCA members are taking a lead on.**

### **The VCSE Workforce**

Over 4% of the UK’s VCSE workforce comes from the EU. Regional variations show a higher concentration of EU staff in London (14%) and a cross-sector look shows the workforce to be highest across four key areas: social work (33%), residential care (12%), membership (13%) and education (12%).

Research by the IPPR highlights that EU nationals working in the VCSE sector tend to be more highly qualified and slightly higher paid than their UK colleagues. Applying the current rules for non-EU nationals to EU nationals would have a significant negative impact on recruitment:

- 82% of EU employees would not be eligible to work in the UK under the government’s immigration proposals;
- Lowering the salary and skills thresholds and the points based system would leave around two-thirds of EU nationals ineligible for their jobs;

- Wages in the VCSE sector are lower than the private sector, meaning many skilled workers would fall below the appropriate salary threshold.

**Brexit will bring with it a more complex immigration process which will present significant challenges to small VCSE organisations with EU staff**, and current high levels of labour market participation could make it difficult in the first instance to fill staff gaps with UK nationals.

## 2.3 Health & Social Care

As part of the NHS Long Term Plan the government has allocated over £20bn per year to healthcare until 2023, however Brexit will affect how much money is available to spend on the NHS. Alongside funding, Brexit poses issues for the NHS around staffing, and the supply of medicines.

### NHS Staffing - Nursing

One in 20 NHS staff are from the EU, and in total 5% of NHS nursing and midwifery staff are EU nationals. The NHS is already suffering from chronic understaffing and [a recent report by the Cavendish Coalition](#) outlines that 51,000 additional nursing staff (or the equivalent of 45 hospitals' worth of nurses) will be needed by the end of the Brexit transition period.

According to the Nursing & Midwifery Council and Cavendish Coalition, in the past year alone there has been a 2,385 drop in EU nurses and midwives. This problem will be further exacerbated by post-Brexit immigration rules, which will see lower paid nurses, healthcare assistants, porters and other vital non-clinical staff ineligible to work long-term in the UK under the minimum £30,000 threshold.

Work is needed by government to address EU migration issues amongst NHS staff, particularly nurses. Government should either:

- Revise its immigration plans to give special consideration to nursing staff;
- Invest in and implement more domestic nursing training (which would prove difficult, expensive and may still not meet the staffing shortfall)
- Undertake a combination of both of the above options

### The Social Care Workforce

Leaving the EU could have a catastrophic impact on the delivery of social care in the UK. Our social care system is already in crisis: Analysis by the [Local Government Association](#) (LGA) highlights a funding shortfall of £3.9 billion in adult social care.

With a rapidly ageing population, demand for social care for older people in particular is set to double by 2040. As demand for services grows, our social care workers remain undervalued and underpaid. Fewer adults in need of social care are having their needs met as public sector budgets continue to be cut and local authority are forced to prioritise funding for people with the most acute needs.

Brexit is likely to have a further, hard-hitting impact upon an already struggling social care sector. **Regardless of whether or not a deal is reached, the likelihood of an economic downturn will mean that less money will be available for public services, putting further pressure on social care support.**

At present 7% of England's social care workforce (or almost 95,000 people) are from EU countries, with regional variations ranging from 13% in London to 2% in North East England. [Recent research by the Nuffield Trust](#) has shown that in 2016/17 the adult social care sector had a vacancy rate of 6.6% and an annual staff turnover rate of 33.8%. Brexit will undoubtedly further exacerbate these problems due to the possibility of limited EU migration after Brexit: The research

forecasts a shortfall of more than 70,000 workers to fill social care roles in England by 2025/26 if freedom of movement is not maintained.

A limitation on Freedom of Movement will add to recruitment and retention problems in the social care sector as demand continues to grow: **Some VCSE organisations that deliver care are reliant on workers from EU countries. Difficulties caused by Brexit will make it more difficult for these EU staff to continue working in the UK, and will exacerbate staff shortages.** As we have suggested for the NHS' nursing workforce, government should be looking to revise its immigration plans to give special consideration to social care staff, or consider how the staffing shortfall in the sector might be filled by domestic workers.

### **Supply of Medicines**

The UK needs to remain part of the EU medicines market to allow the NHS to draw upon supplies from across Europe and to ensure that new treatments can be introduced as early as possible. The UK relies on pharmaceutical imports, and according to the [House of Commons Business, Energy & Industrial Strategy Committee](#), 73% of pharmaceutical imports to the UK come from the EU; the equivalent of £18.3 billion worth of products or around 37 million packets of medicines every month.

The port of Dover is the main supply route for pharmaceutical products coming into the UK from Europe, however, in the event of a no-deal Brexit there could be significant delays at the port and our other national borders. This poses an obvious, major risk to patients in need of medicines particularly those reliant of a regular supply of life saving drugs for conditions such as cancer, diabetes, epilepsy, asthma or severe allergies. Delays at the UK border could also lead to "time or temperature-sensitive" medicines being damaged or not reaching patients in a condition to be of benefit. Such delays and shortages would also put additional pressure on hospitals and GP practices across the UK.

The UK currently doesn't have enough manufacturing capacity to meet national demand for medicines on its own, and building this capacity would take considerable time. In summer 2018, the government asked pharmaceutical companies to stockpile a six-week supply of drugs to mitigate any problems in the event of a no-deal Brexit, however this is problematic when it comes to medicines that need refrigerating (such as insulin and vaccines), or those with a short shelf life (such as EpiPens). In light of this, the government is drawing up contingency plans to fly vital treatments into the UK. There is also **a potential opportunity for government and NHS to engage and collaborate with VCSE organisations and use our sector's expertise to connect with vulnerable patients in the community and carers, and to gauge and work out plans to meet local need.**

## **2.4 Community Cohesion and Civil Disobedience**

Brexit has emphasised deep social divides in communities across the UK, with many people seeing an exit from the EU as a protest against marginalisation, poor social mobility and dissatisfaction with local public services. It is clear that whatever the ultimate outcome, the underlying socio-economic factors will remain unaddressed, and that divisions are likely to deepen. If Brexit does go ahead, even under the most optimistic scenario those most marginalised by austerity and economic disadvantage will continue to feel the effects of further economic downturn; if it does not go ahead, those communities will feel even more marginalised and ignored than ever.

Since the result of the EU referendum there has been an increase in recorded hate crime, and figures show a 17% rise in the 12 months to March 2018. Whilst better reporting and recording processes will have had an impact, the Home Office has stressed the EU referendum as a key event at which there were significant spikes in both face-to-face and online hate crime. A few examples of notable and worrying incidents since the referendum include ongoing and increased



racist targeting of people from mainland Europe, increased anti-Semitism and the alarming gamification of hate crime demonstrated through the “*Punish a Muslim*” hate campaign. There has also been increased mobilisation of far-right groups.

This has serious implications for community cohesion. [Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services \(HMICFRS\)](#) have issued a warning on the “‘real possibility’ that Britain’s exit from the European Union...will trigger a spike in hate crimes...to a climate of hostility such as that seen in the 1990s”. There are also concerns that the possibility of a second referendum or a no-deal Brexit could lead to civil disobedience with the National Police Coordination Centre having recently warned that the “necessity to call on military assistance is a real possibility” in the weeks after Brexit.

Following on from serious incidents over the past year such as Grenfell Tower, the Manchester terrorist attack and flooding in areas like Cumbria, VCSE organisations have proved an invaluable resource in emergency and resilience planning. **Police, fire and rescue services, local authorities and other lead stakeholders should look to increase collaboration with VCSE groups to improve local contingency and business continuity planning, and to provide support for community cohesion initiatives.**

## 2.5 EU Funding

EU structural funds (ESF) and the European Regional Development Fund (ERDF) have made a major contribution across UK communities in financing regeneration, supporting small businesses and social enterprises, creating jobs, providing investment for digital and transport infrastructure to better connect communities, and supporting training initiatives to help address local skills gaps. According to the [Directory for Social Change, €11.8bn of European funding will have been invested in the UK between 2014 and 2020 alone.](#)

ESF & ERDF will no longer be available following the UK’s exit from the EU, and the loss of these streams poses a risk that UK charities could lose more than £258m in funding - The equivalent of half of the Big Lottery Fund’s annual allocation. **VCSE organisations that don’t directly receive European funding but who benefit from support via community buildings, initiatives or regeneration that has been funded by the EU are also impacted.**

The government has set out proposals to replace EU funding with a UK Shared Prosperity Fund (UKSPF). Much of the focus to date has been on using the UKSPF to support communities by tackling the UK’s productivity problem (e.g. getting people into jobs and filling skills gaps). **Whilst this in itself is important, influential VCSE voices such as the [Joseph Rowntree Foundation](#), have set out the case for use of the UKSPF to support inclusive growth by investing in places that have been left behind by economic change.**

## 2.6 EU/UK Passenger Travel

There is a mixed picture with regard to EU/UK travel. As mentioned previously, the government will not require short-term visitors to the UK to apply for a visa. This will also be reciprocated by the EU for UK travellers. Passengers will also have the same rights to assistance and compensation if subject to denied boarding, delay or cancellation and passengers with reduced mobility would still be entitled to the same assistance from airports and airlines. UK travellers would also have the same consumer protection in the event of a travel provider folding.

A no-deal scenario, however, could give rise to the following:

- UK travellers would need to pay €7 for a travel permit, as part of the European Travel Information and Authorisation Scheme (Etiias), and would be subject to the same customs checks as those from non-EU states;

- There could be disruptions to air travel and problems for British passport holders travelling to and from the EU;
- UK driving licences may also not work in the EU following no-deal, and British citizens residing in the EU may have to re-take their driving tests;
- UK- European health insurance cards (EHIC) which are used by 27 million UK citizens and cover travellers who have an accident or become ill on holiday would no longer be valid;
- Pet passports would be affected and owners would need to obtain a health certificate at least 3 weeks beforehand if their animal was travelling into the EU for the first time. In the worst case scenario pet owners would have to discuss travel arrangements with a vet around four months before their departure date. **It is not clear what provisions (if any) are being made for travellers with sensory disabilities who use assistance dogs.**

A key issue for businesses (including VCSE organisations) is that problems caused by a no-deal Brexit could see staff and residents from local communities being subject to travel difficulties or even being stranded and in need of emergency assistance. **Provisions to plan (and address) the resource impact of this as well as designing support packages in partnership with local authorities will need to be explored.**

## 2.7 Procurement & Commissioning

There has been no clear outline from the government on how public sector commissioning and procurement will work after Brexit. It is likely that current procurement rules will continue to apply until the UK has left the EU. It's uncertain what impact a no-deal scenario would have on commissioning and procurement, but even without a transition period to the end of 2020 some EU laws will continue to apply in the UK, which means the potential impact may be minimal. [The Local Government Association \(LGA\)](#) has highlighted the need for a comprehensive programme local reform post-Brexit to include more flexible procurement rules and easier state aid rules for projects of local benefit, both of which would be beneficial to VCSE organisations.

## 3. Update on the EU Withdrawal Agreement

The result of Monday night's (15/01/2019) Meaningful Vote for Theresa May's EU Withdrawal Agreement was the most significant government defeat in over a century. Events over the last few days suggest the prospect of a No-Deal Brexit is an increasing threat.

- Around a third of Theresa May's own party voted against her and following the result, Jeremy Corbyn tabled a no-confidence motion in the government;
- The no-confidence vote was very narrowly won by the Conservatives, avoiding a possible general election (for the time being);
- Had Labour won the confidence vote and subsequently gone on to win a general election then this could have led to new Brexit negotiations, a redrafted Withdrawal Agreement and the need for an extension to Article 50.

Brexit has caused deep splits within the Conservative party, and **whilst the rejection of Theresa May's Withdrawal Agreement has left her government in chaos, it was doubtful that Labour would ever win the confidence vote:** Regardless of their stance on the Brexit deal, Conservative MPs were unlikely to open the way to allow a Labour government to take the reins.

The Prime Minister will now need to begin to form a "Plan B" Withdrawal Agreement to avoid a no-deal scenario.

### ***About the rejected EU Withdrawal Agreement***

In November the UK Government published the Brexit Withdrawal Agreement and the Political Declaration. **The Withdrawal Agreement** is a 585-page document was devised to set out terms under which the UK would leave the EU. Key issues outlined in the now rejected Withdrawal Agreement include:

- The UK will become a "single customs territory" from March 2019 until December 2020 and remaining in the EU customs union indefinitely if new agreement not reached by then;
- Establishing a post-Brexit transition period lasting until at least December 2020 to allow negotiators the time to achieve a final deal. The UK will continue to pay EU membership fees during the transition period and for as long as required if the UK negotiates an extension to the transition period;
- Putting an end to freedom of movement, but guaranteeing the rights of EU citizens living in the UK and of UK citizens living in the EU to continue to do so and request permanent residence during the transition period. EU nationals living in UK for five years in a row will have a right to stay permanently in UK with families;
- Ensuring Northern Ireland is in same customs territory as UK and EU if no future agreement is made, and implementing a Northern Ireland 'backstop' in the event of no trade agreement between the UK and the EU to avoid a hard border between Northern Ireland and the Republic of Ireland;
- The UK will become an "independent coastal state" whilst also working with EU on fishing rights.

**The Political Declaration** outlines a structure for the UK's future relationship with Europe after leaving the EU (or after the agreed transition period). This document is not binding and will be subject to change during negotiation.

### **3.1 What would a no-deal scenario mean for the UK?**

If a Withdrawal Agreement has not been ratified by the time the UK is scheduled to leave the EU (11pm on 29 March 2019), then all EU regulations will instantly cease to apply to the UK, leaving the UK in a state of limbo on key areas such as trade, travel and customs, and human rights.

A no-deal scenario would wipe out the transition period between March 2019 and December 2020 which is intended to allow government, businesses and other organisations to adapt to changes following Brexit.

- Failing to achieve a trade deal with the EU would see the UK treated as a "third country" and subject to World Trade Organization (WTO) rules. UK exports to Europe would be subject to the same duties as non-EU members, which could see tariffs on agriculture rise to 60%. Under this situation it is highly likely that the price of goods would rise considerably, and parts of the country could experience shortages of food and medicines;
- A no-deal scenario would also impact negatively upon EU citizens living in the UK and British citizens living in the EU, with both losing current protections to their citizenship rights;
- Imported and exported UK goods would be subject to the same customs checks as those from non-EU states, leading to serious logistical delays at our borders;



- Following an economic stress-test in Autumn 2018, the [Governor of the Bank of England described a worst-case scenario](#) whereby house prices could nosedive by 35% over three years following a no-deal Brexit. Mark Carney outlined that this situation, mortgage rates could spiral, the pound could fall and inflation would rise, leaving numerous homeowners in negative equity.

The uncertain effects of a no-deal Brexit paint a worrying, almost apocalyptic picture of what the future might hold. [Some political commentators have likened fear of a no-deal Brexit to the fear of the unknown \(and resultant non-impact\) of the Millennium Bug.](#)

**This briefing has set out to provide a comprehensive (although by no means not exhaustive) round-up of key issues related to Brexit. Over the coming weeks and months, NAVCA will continue to provide our members with further relevant updates.**

**We are also keen to hear from members of the scenario planning they are currently putting in place, the concerns they are thinking about and the issues they are picking up at grass roots level within communities, to inform our communication with Government and other key stakeholders over the coming weeks.**

### **Additional Useful Links:**

UK Government Brexit White Paper: [The future relationship between the United Kingdom and the European Union \(July 2018\)](#)

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