BREXIT – A Public Sector perspective

Background and short term

After initial market volatility, we can expect a period of instability and uncertainty. It is important to bear in mind that very little changes immediately, so businesses, charities and public bodies should stay calm, review their contingency plans and start considering the mid-long term opportunities whilst the dust settles. Organisations need to assess the risks to their business and develop strategies which mitigate these, or indeed, capitalise on new opportunities.

In thinking about the impact on your organisation, you will want to consider not only legal and regulatory changes but also market reactions, consumer and business behaviours, and the wider political and economic environment.

Employees from other EU countries or non EU countries may need some reassurance about their position over next few days. Non-EU nationals are unaffected by this decision. Regarding EU-nationals, David Cameron has said: "I would also reassure Brits in European countries and EU citizens living here that there will be no immediate changes in your circumstances." The longer term issue is the impact on the pipeline of future recruitment.

The referendum debate has highlighted public distrust in business and political institutions and a frustration at how economic growth in the UK is distributed. That creates a challenge that public sector leaders must respond to – in looking at how to reinvigorate grass roots political engagement and trust and in building local economies which create opportunity for all.

No Member State has left the EU before and there is no agreed process for building a UK outside the EU. Leaders in the public, private and NFP sectors need to collaborate to lead this debate and help shape a vision of what a vibrant UK outside the EU will look like. The world is changing fast, driven by technology and social change, and we need to create a UK that can harness this change rather than ignore or resist it.

The outlook to 2020 and beyond

EU funding
Facts and figures:

- **The EU will invest €11.8billion in the UK between 2014-2020 as part of its Cohesion Policy**
- **Cohesion Policy funding between 2007-2013 was €10.6billion, helping:**
  - create more than 87 000 jobs;
  - assist the start-up of more than 29 000 businesses;
  - support more than 1 770 research and technical development projects.[1]
- **Projects funded include:**
  - Centre for Nano-Health (Wales)
  - Cornwall Next Generation Broadband (England)

[1] http://ec.europa.eu/regional_policy/sources/information/cohesion-policy-achievement-and-future-investment/factsheet/united_kingdom_en.pdf

The European Union has been an on-going source of funding for Local Authorities. This money comes as an added bonus, as it is not built into annual budgets funded from Central Government or local taxes., allowing them to fund projects they would otherwise be unable to deliver. In addition there are European Regional Development Fund and European Structural Fund grants that many councils receive and which funding will need to be replaced in the meantime.

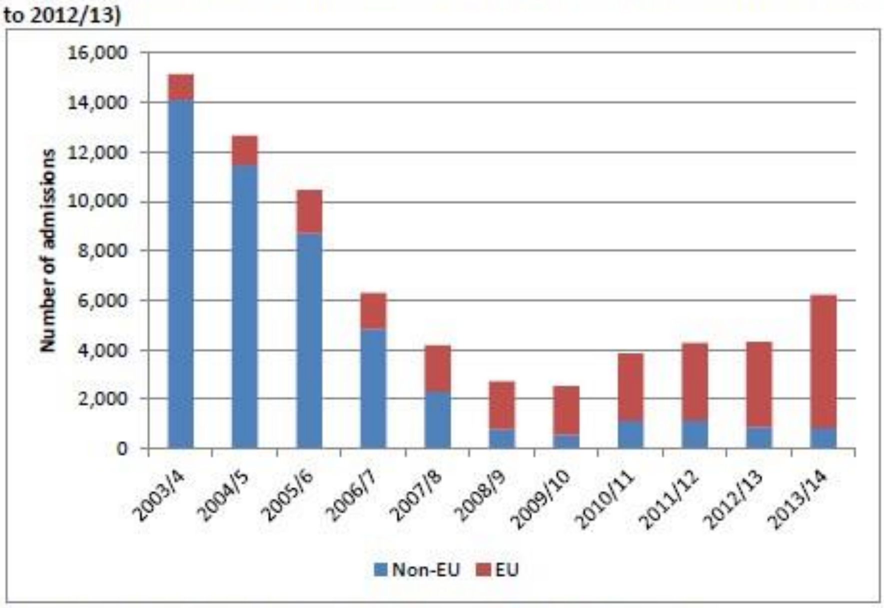
If we leave the EU, where will this extra funding come from?

Much has been made of the UK's net contribution to the EU budget, estimated at £8.5billion in 2015. It could be argued that the savings made from removing this membership cost could be used to replace current EU investment. However, there is no guarantee that this will happen or that it will be distributed around the country. There is a precedent for major infrastructure funding to be pooled in London and the South- East, which suggests that the desired reallocation will not occur without significant change in Government policy.

Social workers and the NHS

In the UK, the model for care is built on getting EU citizens to work in care centres and hospitals. Nurses are a key example. There is a clear shortage domestically, resulting in the health service recruiting Europeans to fill the gap.

Figure 9: Number of new entrants to the UK nursing register from non-EU and EU sources (2003/4 to 2012/13)



Source: Nursing and Midwifery Council, obtained under Freedom of Information

Of the 5,388 EU registrants in 2013/2014;

- 38% trained in Spain,
- 25% in Portugal,
- 10 % in Ireland,
- 7% in Romania,

- 6% from Italy and
- 4% in Poland.[2]

The reason we recruit so many from the EU is the ease.

If we leave the EU where will we fill the skill gaps from?

From a public sector perspective the impact of Leave vote is unlikely to be felt immediately given the negotiation timescale and the uncertainty over what the outcome of those negotiations looks like in terms of impact on the economy, trade deals and freedom of movement. There are however a number of medium and longer term impacts that will need to be considered including:

- the implementation of the Chancellor's proposed BREXIT austerity budget (if implemented) includes 5% further reductions for local government and 2% for health and education. There may be some very specific challenges linked to business rates which as the new model of funding for local government will be very sensitive to economic downturn if it were to be still a consequence of BREXIT in 2020
- clear recognition by all stakeholders including the public that the funding levels for public services are inexorably linked to the strength of the British economy and funding cannot increase indefinitely. Some of our current funding models for service delivery such as the NHS and adult social care are broken and need a new and genuine partnership between the public sector , the public , business and the not for profit sector;
- our core public services from healthcare to transport are heavily dependent on migrant workers from the EU and across the world.– Any reduction in migrant workers will mean significant investment in the existing British workforce to provide the necessary skills and indeed aspiration to perform vital public services on which an ageing population will be relying.
- many of our more deprived communities throughout the UK are heavily reliant on EU funded regeneration and infrastructure schemes. These schemes are based on a Europe wide assessment process. An assessment by a UK government may have different priorities and hence funding could be redirected elsewhere as part of legitimate political decisions. There will be a need to build a new narrative for both public bodies, communities and businesses on those regions previously heavily dependent on EU funding.
- There will need to be a major exercise considering the implications of EU directives that currently apply to the UK public sector on topics as diverse as external audit and energy efficiency targets.

[2] Page 10, https://www2.rcn.org.uk/__data/assets/pdf_file/0005/597713/004_740.pdf

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