Regional and Territorial Development Policy after the 2016 EU Referendum – initial reflections and some tentative scenarios

Olivier Sykes, University of Liverpool

Andreas Schulze Bäing, University of Manchester

Abstract

European regional policy evolved partly as a response to the distinctive needs of the UK following its accession to the then European Economic Community (EEC) in the 1970s and remains a key and well-regarded 'British contribution' to the present-day European Union (EU). Inspired by this rarely acknowledged reality and the aftermath of the UK's EU referendum in 2016, this paper firstly reflects on the position of regional policy within the wider 'European Project'. It then outlines the material, symbolic and political impacts that European regional policy has had on Britain and its deprived regions and communities over the past four decades. The outcome of the UK's 2016 EU referendum is then reviewed from a territorial perspective, and some of the key spatial and placed-based contradictions which it embodies are unpacked. A reflection on the prospects for place-based policy in a post-EU Britain then follows emphasising that the new context invites a reappraisal of the purposes and forms of regional development policy. Five tentative scenarios of the UK's future relationship with EU territorial development policy are then presented. The conclusion recalls the crucial role that EU regional policy has played in UK regions and communities and calls for close attention to be paid over the coming years to the distributional territorial impacts of leaving the EU.

Keywords

regional policy, territorial development, EU referendum

Introduction

The central question which underpins all choices about place-based (Garcilazo, 2011) regional and regeneration policy is whether and how public action should address economic and social changes which have varied effects on different places and communities. When it comes to the issue of employment the question has often been stated, for example, as being one of whether public action should seek to *"Bring the people to the work. Or the work to the people"*. The former option may imply allowing, encouraging or facilitating, migration of populations to places of growth, economic opportunity and employment, whilst the second might justify active state policy and investment to encourage investment and growth in places which have lost economic momentum and face problems of structural change and unemployment. The EU's regional and territorial development, or Cohesion Policy, reflects the latter logic in seeking to put into practice the idea of solidarity between the peoples of Europe mentioned in the preamble to the Treaty on European Union. It helps a fundamental Treaty objective: the strengthening of the EU's economic and social and territorial cohesion by reducing the development disparities between its regions. It also impacts on the competitiveness of regions and living conditions of their inhabitants, mainly by co-financing multi-annual development programmes. Informed by this, and the aftermath of the UK's referendum on EU membership in 2016, this paper firstly considers the position of EU regional policy in the context of the wider 'European Project'. Secondly, it reviews how the regeneration and structural investment delivered under this policy benefitted deprived communities in the UK in the decades of its EEC/EU membership. Thirdly, it discusses the results of the UK's 2016 EU referendum from a territorial perspective and unpacks some of the spatial and placed based contradictions embedded in these. Fourthly, it reflects on place-based policy in a post-EU Britain and how the new context invites a reappraisal of the purposes and forms of regional development policy. Fifthly, the paper presents a reflection and some tentative scenarios of the UK's future relationship with EU territorial development policy. Finally, the paper concludes by reflecting on the role that EU regional policy has played and (at the time of writing continues to play) in UK regions and communities and calls for the socio-spatial disciplines to pay close attention in the coming years to monitoring to the distributional impacts of leaving the EU on UK people and places.

EU regional policy within the 'European Project'

Structural and Investment Funds (ESIF) disbursed under the EU's Cohesion Policy currently account for approximately 40-45% of the EU budget and fund area based, sector based, and human capital oriented investment. They are reviewed every few years to reflect changing needs and political and economic considerations. There are mixed views about their effectiveness but there is evidence that disparities in revenue and employment were declining in the EU before the 2008 financial crisis. The EU's *6th. Cohesion Report* (CEC, 2014) thus noted that the economic crisis "reversed a long trend of converging GDP rates within the EU" and has "also led to increases in poverty and social exclusion" (European Commission, 2014: 2). To address such trends, the European Social Fund (ESF), for example, continues to fund programmes fostering sustainable and quality employment and supporting labour mobility; promoting social inclusion, combating poverty and any discrimination; investing in education, training and lifelong learning; and, improving the efficiency of public administration. In the UK the ESF programme focuses on reducing inactivity among young people and the long-term unemployed with €4.9 billion available to fund operational programmes in Wales, Scotland, Northern Ireland, England and Gibraltar (European Commission, n.d.).

The EU structural funds thus reflect the ‘social wing’ of the EU project and ‘European model of society’ (Faludi, 2007). As such they have often come under pressure from the more economically liberal EU member states (also usually the wealthier ones) who wish to minimise their own contributions to the EU budget. As noted by Hague (2016) “The UK in particular [has] sought an EU Cohesion Policy that would simply be a safety net for the poorest regions”. Arguments against structural funds are a version of the view that ‘place-based’ regional policy and regeneration does not really work and simply diverts scarce resources from places where they could be spent with more impact and return, a similar position as that advanced domestically in the UK by some liberal think tanks (Leunig et Al., 2007). In this account some places have simply outlived their economic purpose and should be allowed to whither as their populations move out and move on. State policy, regulation and investment should therefore (except in exceptional circumstances) be place-‘blind’ as opposed to ‘place based’ (O’Brien et Al., 2017). The territorial narrative and resources of EU structural funds have countered this kind of spatialized market fatalism applied to places and communities, though in the post-2008 context they too have increasingly had to justify themselves in terms of their contribution to growth agendas, with some commentators feeling that they have been ‘captured’ by the competitiveness agenda (Hague, 2016).

Yet despite this, the ESIFs continue to promote place-based territorial development bringing some “work to the people” in less economically developed parts of the EU. Following the global financial and economic crisis of the late 2000s, public investment in the Member States “most affected…would have fallen by an additional 50%” without the support of EU

Cohesion Policy" (European Commission 2014: 2). In the EU's territorial cohesion narrative such support is seen as an act of European solidarity and intrinsically the right thing to do, but also as a positive investment in territorial potential and development (Commission of the European Communities, 2008; European Commission, 2009). Ironically, even some Eurosceptics may see the benefit of such investment, which in bringing greater opportunities to people *in situ* - where they are, can help to moderate and stabilise migration flows towards the more economically developed EU member states. The economic situation in Poland, for example, improved significantly following the country's 2004 EU accession helped in part by Cohesion Policy investments (Kolodziejczyk, 2016).

Within the wider context and history of EU regional policy outlined above, there is also a particular and rather secret 'British story' to which the following section now turns.

From British to European Regional Policy– a much appreciated 'secret' contribution to the European project

From the 1930s onwards Britain pursued a form of regional policy to try and provide opportunity and more equal levels of economic development between her regions (McCrone, 1969). The *Barlow Report* (1940), for example, recommended action to address the issues of 'distressed areas' and foster more balanced distribution of industry and population to make better use of national resources. These issues have been of varying concern to different UK governments down to the present day as reflected by recent initiatives such as the *Northern Powerhouse* which seeks to close the productivity gap between the north and south of England by encouraging growth across the larger northern city regions (Nurse, 2015).

Over the decades, UK regional policy has typically sought to address the structural industrial and employment issues facing regions which became heavily industrialised from the 19th century onwards – often though not exclusively, in the north and west of the UK. By the 1970s, notably following the oil crisis of 1973, many of these regions and their communities were facing the full effects of economic restructuring. This was manifested in rising levels of unemployment and the physical change and frequent dereliction/pollution of landscapes and the living environment for local communities. Many areas of the UK continued to face such challenges into the Thatcher era of the 1980s and beyond. Meanwhile other major European countries such as France and West Germany were still enjoying relative prosperity in the 1970s with relatively low levels of unemployment and high levels of GDP per capita compared with the UK. This was the context in which the UK joined the then European Economic Community (EEC) in 1973 that led to this new Member State playing a very particular role in the evolution of the wider European project which it had now joined.

In fact a form of EEC regional policy had been discussed for some time, but the UK joining provided an added impetus to its development (Manzella & Mendez, 2009). As noted above, the UK had long pursued such a regional policy and the idea of developing an EEC equivalent appealed as a means of ensuring that the UK received a larger direct return on its contribution to the EEC budget. This was because the UK was not expected to benefit as much as certain other states from the Common Agricultural Policy (CAP), having a different economic structure, a lower share of the workforce employed in agriculture (O'Brien and De La Escosura, 1992) and facing a different set of regional development issues. The creation of the European Regional Development Fund (ERDF) in the mid-1970s was thus a product of the UK working with certain other EEC member states (Ireland and Italy). It was an early example of how engaging with other countries within the EEC could produce results and outcomes which benefitted the UK – in this case her economically struggling regions and by extension the communities within these. Contrary to the received wisdom of many in the UK regarding the peripherality of British interests and influence in the EEC/EU, the creation of the ERDF remains a key and well-regarded contribution to 'European construction'. French author Claude Husson has even rather declaratively titled a section of a book on the emergence of territorial cohesion policy in Europe, - *'Merci monsieur les anglais!'* (Husson, 2002).

The emergence of a European regional policy and the 'structural funds' which supported it was to prove particularly significant to the UK, which at the time was facing dramatic economic change sooner than countries like France and Germany; was relatively poorer; had higher levels of unemployment; and, more social unrest (Couch et Al., 2011). Economic restructuring impacted particularly on those areas and communities with a high dependency on traditional manufacturing sectors, including many areas of northern and western Britain that bore a disproportionate part of the social, economic, environmental and cultural costs of change from the 1970s onwards. Resultant urban problems were largely, although not exclusively, concentrated in the 'inner cities' of urban areas in these regions. But it was not simply the actual effects on the ground of economic change that made the support provided by European regional policy so significant at the time. The broad 'social democratic consensus' of the postwar years had given way to the rise of neoliberal influence on the state and public policy (Monbiot, 2016). This advocated less state spending and intervention to address the consequences of economic and social change. The context of economic turbulence, mass unemployment and urban unrest in the 1980s, reinforced the shift towards an urban focus in state spatial policy with the emergence of 'urban regeneration' as a major focus of urban policy. This sought to address urban 'problems', typically in what Thatcher famously described as "those inner cities" (Guardian Newspaper, 2014). Regional policy meanwhile was increasingly sustained as an idea and financially – notably after 1989, by European Cohesion Policy programmes.

Domestically, urban policy was increasingly dominated by Central Government initiatives allied with an increased role for the private sector (Parkinson, 1989). The national government's general scepticism towards public action led to the local government being marginalised in the urban regeneration process particularly in the 1980s. In some circles of government there was even talk of "managed decline" for certain major urban areas such as Liverpool (Guardian Newspaper, 2011; Liverpool Echo, 2015). Such thinking would have been unacceptable to post-war British governments of any political hue prior to the neoliberal ascendancy of the 1970s and 1980s. Crucially it remained unacceptable to a number of key actors both in the UK and at the highest levels within the European institutions. Significantly - and with a resonance which echoes down to the current aftermath of the 2016 EU referendum, those Conservatives who advocated more attention and resources for regeneration – notably Michael Heseltine; were also amongst the most pro-European members of a party whose internal 'civil war' over Europe ultimately led the UK to the juncture it faces today. EU funding programmes meanwhile were stepping in to support communities devastated economically and socially by the state's campaign against certain industrial sectors and communities (e.g. initiatives such as 'RECHAR' which provided EU support to communities affected by pit closures)[1].

As the 1990s arrived, the shocking truth was revealed that some areas of the UK such as Merseyside and South Yorkshire were now eligible for the highest level of European regional policy support (called 'Objective 1'). This was available to regions whose Gross Domestic Product (GDP) per head was below 75% of the European average – regions normally to be

[1] Though difficulties in securing UK funding to 'match' this were reported and debated in Parliament. See: http://www.parliament.uk/edm/1989-90/1306

found in the relatively less prosperous countries of the EC such as Ireland, Greece, Spain or Portugal. The regional consequences of Thatcherism were stark and could not be masked completely by the wider return to growth of the 1990s. Though the UK had one of the largest economies in what was now called the EU (after 1993) it also had the largest regional disparities in terms of economic development level. Through the 1990s, EU structural fund support in regions such as Merseyside, South Yorkshire parts of Wales and Cornwall had significant effects on helping to regenerate the physical environment and ameliorate social conditions.

The Merseyside Objective 1 programme, for example, directly sought to address the needs of communities through its 'Pathways' programme which was seen as a best practice example at EU level. The requirements of EU funding such as the need to 'match fund' projects (meaning the member state had to contribute too)[2] and the need to manage Structural Fund programmes also obliged the national government to think about how it would deliver regeneration. New institutions such as Regional Government offices were created in part to oversee EU regional programmes and played a role in tailoring policy to regional circumstances and communicating regional needs to Whitehall. Other principles of EU funding such as partnership working helped build governance capacity (e.g. at city regional level) and the fact it operated over a cycle of 6 yearly budgets gave more certainty over resources for a longer period.

Following the election of the New Labour government in 1997 and into the 2000s, EU structural funding priorities and programmes dovetailed well with national initiatives and objectives such as the 'urban renaissance' and the social inclusion and neighbourhood renewal agendas. Against a backdrop of generally rising prosperity EU structural funds

[2] This is due to the principle of 'additionality' which means that the EU Structural Funds *"may not replace public or other equivalent structural expenditure by the Member State"*.

played a significant role in fostering faster growth in some previously ‘lagging’ areas such as Merseyside, South Yorkshire and the Highlands and Islands. This led such areas to begin to emerge from this status as their GDP per head figures gradually converged with the EU 15 average. The entry of less prosperous nations into the EU in the mid-2000s also had a significant impact here due to the so-called ‘statistical effect’ – this meant that the average level of GDP per head level in the EU fell making the UK regions which had previously been amongst the poorest in the EU seem relatively more prosperous ‘overnight’. In effect there was a need to deal with regional disparities that were much greater in the new EU of 28 states than in the former EU of 15 states.

But beyond the redistribution of resources to less prosperous areas, the EU structural funds also had significant symbolic and political value to some places and the opportunities they have opened-up for empowerment of local decision-makers and communities should not be underestimated. In a traditionally highly centralised state such as the UK, the ability for cities and regions to engage in ‘three way’ negotiation with central government and the EU commission has given new leverage for place-based development to local politicians and communities. Access to EU funding and the ‘European stage’ (Lord and Sykes, 2011) has enabled some cities and communities to regain the sense of worth and dignity which was stripped from them in the national context in the latter decades of the 20th. century - for example, through media and political stereotyping about certain places being welfare dependant failures inhabited by benefit scroungers (Boland, 2008). The renaissance of cities such as Liverpool cannot be attributed solely to EU programmes, but the idea that major regional cities can be described as international centres or ‘European Cultural Capitals’ (Garcia et Al., 2010) is in no small due part to the role EU-support has played in on to reimaging and reimagining such places. Given the British experience of EU regional policy and its effects on specific places briefly outlined above, one of the questions as the 2016 EU referendum approached was how far these might affect attitudes towards the EU. In particular, how might the more local EU territorial interest of places and populations be recognised within wider context of a strongly 'nationalist' (including in the sense of a *scalar* focus on the nation state level) debate and campaign? Such issues are explored in the following section.

The result of the 2016 EU referendum – regions 'out of' and 'against' themselves?

Despite the UK's experience of EU regional policy outlined above, Hague (2016) - writing in the aftermath of the EU referendum, commented -"I doubt that the phrase "territorial cohesion" was ever uttered in the thousands of speeches and pamphlets" during the EU referendum. Perhaps this accounted at least in part for the fact that many areas which are not only the key UK beneficiaries of EU funding, but which also have economies that are more integrated with the rest of the EU than those of London and the South East (McCann, 2016a,b; Semple, 2017), voted to leave the EU. In contrast the majority of metropolitan centres and urban cores voted to remain in the EU. In the north west of England Liverpool and Manchester voted to remain in the EU. Liverpool saw a vote of 58% to remain in the EU; 73% of the electorate failed to back the leave cause; and, as a proportion of the city's population at the last census (2011), the leave vote represented around 18% of the population (Liverpool City Council, n.d.).

In Wales, whilst the overall vote was to leave the EU, there were marked differences across the parts of the country which receive the highest levels of EU structural and investment fund support having 'less developed region' status (i.e. a GDP/head < 75% of the EU average).

Within the 'West Wales and the Valleys'[3] EU funding area (Welsh Assembly Government, 2017), for example, the Welsh speaking heartland of Gwynedd voted 58% remain, but in the east places like Blaenau Gwent voted strongly to leave (62%). As Richard Wyn Jones has noted given that the "Barnett formula leaves Wales under-funded to the tune of some £300m per annum compared with similar English regions, the fact that some 52.5% of the Welsh electorate chose to further impoverish their country by voting to exit the European Union appears to be bizarrely self-defeating" (Wyn Jones, 2016). Similarly, in Cornwall, which stood to benefit from ESIF support of approximately £947 per capita in the 2014-2020 period (Gomez, 2013), there was also a strong leave vote (56.5%). In the wake of the referendum the leader of the County Council moved quickly to state he would be asking the UK government to ensure that "Cornwall receives investment equal to that provided by the EU programme which has averaged £60m per year over the last ten years" (Independent Newspaper, 2016). There was (all too predictable?) disappointment for the region in February 2017 however as it only secured a much more modest sum in its 'growth deal' worth less than one third than the £60 million that which it receives annually from the EU (Independent Newspaper, 2017; UK Government, 2017).

Yet whilst it is true that in many less prosperous areas there was a leave majority amongst those who voted; as Danny Dorling points out "Contrary to popular belief, 52% of people who voted Leave in the EU referendum lived in the southern half of England, and 59% were in the middle classes, while the proportion of Leave voters in the lowest two social classes was just 24%" (Dorling, 2016). Similarly, much analysis of the results may overemphasise geographical versus value-based explanations of why certain individuals voted to leave the EU (Kaufmann, 2016). Despite the complex picture, since the referendum most commentary on the result has tended to emphasise the notion that the referendum result was due to a

[3] See: http://gov.wales/docs/wefo/publications/160917-erdf-operational-programme.pdf

'revolt' of the 'forgotten' or 'just about managing' people – who live in 'forgotten' or 'neglected' places'. The strong place-based element in this narrative sees places like Sunderland and Stoke on Trent, being cast as the locus of a revolt against the 'establishment' (lead by the establishment). Furthermore, whilst it is undeniably the case that a portion of those living in such areas, were persuaded to vote leave, the constant attributing of the result solely to such places and groups may also offer a form of 'forward defence' strategy for the progenitors and promoters of so-called Brexit. If 'Brexit Britain' does not live up to the expectations and promises which its supporters have loaded it with, opinion will have been primed to know who - and crucially *where* to blame[4]. If some places 'fail' to thrive following the UK's exit from the EU – those perhaps that stand to lose the most EU regional funding, and/or (and it will often be 'and') with sectors highly dependent on access to EU markets, then might this be constructed as their own fault? Will they be considered to have 'let the side down'; voted for 'Brexit' but not unable to 'make the most of it'; or, seen as expecting the state to 'pick-up the pieces?' etc. (one can almost visualise the headlines in the 'Brexit' supporting press). What will the post-EU British polity's response be? Which place-based solutions will be adopted ('Managed Decline 2.0' anybody?)? But more seriously, the aftermath of the referendum raises significant questions about the future form and role of place-based policy in a post-EU Britain to which the following section now turns.

[4] In this context it is noteworthy that the current (April 2017) International Trade Secretary has already been reported as stating that British business has become too 'fat and lazy' to make the most of the opportunities apparently offered by leaving the EU (BBC News, 2016a).

Place-based policy in a post-EU Britain – what happens next?

There is a profound territorial 'irony' (for want of a better word) embedded in the EU referendum results. This is that over recent decades a whole suite of EU programmes and initiatives have meant that many places which voted leave were in practice given greater attention and resources - were 'less forgotten' (to paraphrase current media narratives), than might otherwise have been the case had the UK not been compelled through EU programming to give greater consideration to their needs (as domestic regional policy had done in the less liberalised UK polity that obtained before the end of the post-WW2 consensus in the 1970s – O'Brien et Al., 2017). As noted in earlier sections, designation as a region eligible for EU regional funding support played a crucial role in requiring government to pay attention to such areas and 'match' fund EU projects with domestic resources. Yet, the referendum also raises searching questions about what might be termed the 'limits of place-based policy'.

The derelict, dangerous, and not infrequently toxic, environments of the post-industrial 1970s-1990s have been improved in many places as a result of national and EU regeneration and territorial investment programmes and environmental legislation. However, during and after the EU referendum many stories appeared in the mass media about individuals in places extensively transformed through such interventions who believed that nothing had ever been done for their areas (Cadwalladr, 2016; Morris, 2016). The physical transformations and economic development delivered through planning and place-based investment since the 1980s it seems had only done so much to transform some places in a manner that felt inclusive, and delivered opportunity, to all their inhabitants. This is not to argue that these actions have 'comprehensively' failed, or, as some might have argued previously (Leunig et Al. 2007), that place-based policy is destined to provide only palliative relief for some places, and resources should not be committed to it in future. Place-based development is replete with 'wicked-problems' (Rittel and Webber, 1973) which may originate, and need to be addressed, at scales remote from the locality and beyond the purview and influence of local policy and decision makers. Still, the evidence, and for some a moral commitment, implies that policy and public investment in places facing particular challenges still has an important role to play despite its limits (Shaw and Sykes, 2015; Parkinson, 2016). But as the UK prepares to leave a bloc in which belief in territorial development policy and redistributive place-based programmes is not just an article of faith but a Treaty Article (to be precise Articles 174 to 178 of the Treaty on the Functioning of the European Union (TFEU); see also Faludi, 2007), the question is what shape and scale may it assume in a post-EU Britain?

At the risk of disappointing the reader, it will be immediately obvious that the latter question is effectively unanswerable at the time of writing! But notwithstanding this some tentative observations are offered below.

One of the arguments of the Leave campaigners was that the money redistributed via EU structural funds was 'only our money that we get back anyway'. Once the UK leaves the EU the argument was that such monies might then simply be redistributed to the same regions which had previously benefitted from EU support. Yet, the mechanisms and political trade-offs involved in how any government chooses to spend public resources across the territories under its jurisdiction in truth reflect a complex interaction of national priorities, the success of places in lobbying for their interests, and of course how much there is in in the coffers 'centrally' to allocate.

The political and contingent nature of decisions about territorial resource distribution is well-illustrated by some previous episodes related to EU funding in the UK. In the early 2000s when a new EU regional policy was being discussed, many UK local authorities supported the EU Commission's proposal for a larger EU budget than that wanted by the UK and certain other net contributor states (Sykes and Baeing, 2016). This was because they realised that a larger EU budget would mean greater regeneration funding for their areas. In other words at one of the most prosperous points in the UK's recent economic history the best way for some UK regeneration areas to get a larger share of UK national resources to spend on improving social, economic and environmental conditions was to see UK wealth routed and redistributed through the mechanism of EU Cohesion Policy. The UK government sought to diffuse the situation by offering a guarantee that if the lower budget proposed by the UK and other net contributors states was accepted, that UK territories would not lose out in terms of funding (North West Regional Assembly, 2003: 5) (though this commitment was subsequently withdrawn). More recently, in the allocation of the 2014-2020 structural funds the 2010-2015 UK Coalition government used its 'sovereignty' to reduce EU funding allocated to places like Liverpool and Sheffield already suffering from swingeing cuts to budgets under the same administration's austerity programme (Public Sector Executive, 2014; Waddington, 2014; Thorp, 2017). Such episodes illustrate the power plays and diverse calculations surrounding competing territorial and other interests which influence how resources are distributed in an advanced liberal democratic state such as the UK.

Furthermore, monitoring the effects of any form of 'Brexit' on place-based investment trajectories should not solely be confined to the foregone investments of ESIF monies. Rarely mentioned, for example, is the role of the European Investment Bank (EIB) which has been investing more and more in the UK in recent years. Over the 2012 – 2016 period the EIB invested €31.3 billion in the UK (European Investment Bank, n.d). In 2015 it committed its highest ever level of investment to the UK, providing €7.77 billion to support sectors including energy, water, transport, health, education and housing (HM Treasury and Osborne, 2015). In 2016 it made investments worth €5.5 billion in the UK and invested over £1.3 billion to build and improve social housing through loans to housing associations and the Housing Finance Corporation (investment which continues at the time of writing) (European Investment Bank, 2017). Another important EU funding stream is the strategic investment in transport (e.g. the Trans-European Transport Network -TEN-T) and communication networks. In the past this has co-funded projects like the A55 in North Wales and more recently the electrification of a Liverpool-Manchester railway line. Given the concern over a mismatch between infrastructure funding per head between London and the rest of the UK (Berry et Al., 2015) it remains to be seen what any withdrawal of this will mean for the balance of infrastructure investment across the UK.

Against such a background, following the referendum, the prospects for ongoing and planned EU investments in the UK were naturally of concern to policymakers in many places. In August 2016 the Chancellor of the Exchequer Philip Hammond announced that any EU projects signed-off before the 2016 Autumn statement would be backed, with an assessment to be made later of whether certain other projects would also have their funding guaranteed (Hammond, 2016). Representatives of the devolved administrations, and the Chair of the Local Government Association however, all sought more long-term certainty (BBC News, 2016). On 3rd October 2016 the cut-off point of the autumn statement was extended, so that for example ESIF[5] bidders could continue ongoing talks with DCLG even if signed after the autumn statement (HM Treasury et Al., 2016; Unger, 2016). Whilst this provided some short term certainty, there was no clear commitment on whether levels of support comparable to

[5] A good overview of the European Structural and Investment Fund is provided on the website of the network of Local Enterprise Partnerships https://www.lepnetwork.net/esif-programmes/

those that areas like Wales and Cornwall might have received from the EU post-2020, will be maintained.

The Industrial Strategy Green Paper published in early 2017 did not provide much more clarity simply stating that “We will [also] carefully consider the future of the European Structural and Investment Funds alongside the wider future funding environment following the UK’s exit from the European Union” (HM Government, 2017: 114). The Green Paper also claimed that it proposed “a framework to build on the particular strengths of different places and grasp the opportunities that could enable faster growth in each of them” (HM Government, 2017: 114) – a passage which chimes strongly with the EU’s territorial development philosophy of the past decade (O’Brien et Al., 2017). So there are also hints of possible continuity in how territorial development may be viewed and supported. The Green Paper even references the EU’s ESPON territorial research programme and cites European comparators such as Germany and France when observing that urban productivity and innovation could be improved in the UK (HM Government, 2017: 108). Intriguingly, given that this performance has been achieved by these countries whilst being fully part of the EU, the Green Paper does not explain how the UK leaving the EU is supposed to contribute to improved UK performance in these areas.

The past and evolving contexts and episodes of central-local interaction described in the preceding paragraphs underline the fact that one potential impact of the end of three way negotiation between localities, national (UK) government and the EU, will be the generation of new power-relations between scales of governance and territorial administrations. With central government potentially becoming the main source of ‘payment for the piper’ in place-based investment, its ability to ‘call the tune’ may well grow. The power symmetries which may result from the interaction of the new context with new territorial and administrative configurations such as Combined Authorities in England (Sykes and Nurse, forthcoming) also remain to be seen.

Discussion and Some Tentative Scenarios

The future of the UK's relationship with the European Union is unknown. Much will depend on the outcome of the Article 50 exit negotiations, accompanied and followed by many years of working on defining a new relationship. Yet despite the enduring uncertainties around the prospects for place-based policies, the following five scenarios attempt to summarise possible outcomes of the re-negotiation of UK's relationship with EU territorial development:

Scenario 1: Negotiations between the EU and the UK fail and the UK leaves the EU without a trade deal. Any form of regional policy may need to be replaced by domestic funding arrangements. UK territories will be at the mercy of domestic trade-offs and politically expedient 'sweetheart deals' with particular places (Walker, 2017) and sectors (Jenkins, 2016). Commenting on the draft Industrial Strategy the Commons Select Committee on Business, Energy and Industrial Strategy has already recommended that "the Government steps back from its current trajectory of focussing on sectoral 'deals' which risk a return to the discredited credo of 'picking winners'"(Business, Energy and Industrial Strategy Committee, 2017).

Scenario 2: The UK leaves the Single Market to get control over migration from EU/EEA countries, but remains, possibly partly, in the customs union. EU Cohesion Policy in the UK will most likely stop in this scenario, though one could imagine a coordination of infrastructure network planning as part of the EU TEN-T funding. More widely, as with Scenario 1, UK territorial funding may be subject to domestic trade-offs between a powerful central state and sub-state territories administratively organised according to a ‘variable geometry’ with varying degrees of devolution and autonomy.

Scenario 3: The UK follows the example of Switzerland and negotiates a complex range of bilateral agreements with the EU. In practice this may be very similar to a full EEA membership and would include being part of the EU’s Single Market. If this follows the model of Switzerland, this may involve accepting free movement of workers. This may also include a continuing contribution to the EU’s regional policy and TEN-T programmes and may mean a continuation of regional funding in the UK, though it would not include participation in the Common Agricultural Policy.

Scenario 4: The UK joins Iceland, Liechtenstein and Norway and becomes a full member of the EEA. This would be similar to Scenario 3, though the EEA is governed by an EEA council. Free movement of workers would be part of this membership, though not the Common agricultural Policy Common Fisheries Policy with their associated funding streams or the Customs Union. Regional policy and TEN-T funding may continue under this arrangement. UK territories may still be able to benefit from EU-style integrated territorial funding packages and EU mechanisms for territorial redistribution of resources.

Scenario 5: The article 50 negotiations may fail or the various parliaments may not all agree to the exit deal, and the UK could then remain part of the EU. At the same time the EU’s policy on freedom of movement may be reformed, which may give a political incentive for the UK government to remain in the EU after all. UK territories will be able to benefit fully from participation in the next round of EU territorial development policy and have full access to relevant ESIF funds.

The current political intention of the UK government would seem to suggest that Scenario 2 is the most likely outcome. Over the years of lengthy negotiations which will be required to develop this, the UK might then move more towards Scenario 3 following the Swiss example. But one should not rule out the other scenarios as, unlikely as some of them may seem from the current perspective, both the UK's and the EU's politics can change. The EU is currently reflecting on Five Scenarios for its future development to 2025 (European Commission, 2017) which may shape how it approaches both the UK's leaving negotiations and the design of future territorial development policy and programme post-2020.

Conclusion

In February 2017 the Northern Powerhouse Investment Fund (NPIF), was launched with the aim of "boosting the North of England's economy and helping the region's businesses realise their growth potential". Of the £400m being made available £184 million was provided by the European Investment Bank - a fact few Britons are ever likely to see communicated in their media (EIB, 2017). Yet the reality is that since the 1970s when the UK with other EEC Member States lobbied for the establishment of a European regional policy, the EU and its predecessors have been a significant player in regeneration across the UK's regions and communities. The question now is who, or what, will replace its contribution and at which level of support? But beyond wider economic impacts of leaving the EU and single market and the potential loss of EU territorial and other investments in UK places, the process of exiting the EU will impact localities and people in other ways. The opportunity costs of diverting resources and attention (e.g. Parliamentary time) from authentic national policy challenges such as the crises in housing (Sykes and Shaw, 2017) and health services, and other important areas of government policy from Higher Education, to social and environmental policy (Cowell, 2017) may be high - and impact disproportionality on those places and communities who can least afford to bear them. Monitoring the distributional effects on people and places will be an important task of researchers in the socio-spatial disciplines over the coming years, especially those such as urban planning which have an explicit normative and ethical as well as analytical orientation (Campbell, 2015; Silva et Al., 2015a).

Despite the concerns of some progressives about the liberalising aspects of the EU (Piketty, 2016) it is still an organisation that devotes almost half its (modest in relative terms) budget[6] to trying to uphold the principle that “No-one should be disadvantaged by where they happen to be born or live” which is the fundamental territorial expression of the principle of social democracy. In the UK context – particularly in light of the kind of ‘Brexit’ which currently seems most likely to be pursued by the government, slogans such as a post-Brexit economy that “works for everyone” (May, 2016), or “‘Labour Brexit’ that works for everyone” (Left Foot Forward, 2017), so far only offer a rather meagre substitute for Europe’s committed decades-long support of Britain’s unevenly developed regions and their communities.

[6] The EU budget represents approximately 1% of the GDP of the 28 EU states. Allowed EU spending in 2014-2020 is around €960 billion compared with, for example, expected UK public sector spending in 2016-17 of € 980.28 billion).(See http://researchbriefings.files.parliament.uk/documents/SN06455/SN06455.pdf and www.gov.uk/government/publications/budget-2016-documents/budget-2016)

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