Regional Policy and the Consequences of Leaving the EU

A Report Prepared for the Common Futures Network

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1.0 Introduction

Since the 1970s when the UK with other Member States of the European Economic Community (EEC) lobbied for the establishment of a European regional policy, the EEC and subsequently the EU have played a significant role in economic, social, and environmental development and regeneration across the UK's regions and communities. In light of this context, this report has been prepared in response to a request from the Common Futures Network for reflections on the following questions:

- Why did a regional policy emerge in the 1930s and what were its characteristics?
- How did the policy of dispersal operate during 'les trente glorieuses' from 1940 to 1970?
- When and how did the EU get involved in policy for the regions and what were the main instruments?
- How effective were RDAs under the new Labour governments?
- What will be the peripheral regions lose from the departure from the EU in terms of structural funds and mechanisms?
- What are the options for regional policy post EU in terms of mechanism and budgets? What might be the consequences of doing nothing?

Each question is addressed in turn below. The work is based on a reading of secondary sources and previously published research. Input was also sought from those working on responding to the consequences for regional policy and regions of the UK potentially leaving the EU. Limited responses, information and insight were obtained from such approaches, though they corroborated the picture which can be gained, and assumptions made, from considering secondary sources, publicly available statements by government ministers and historical experience.

The conclusions are personal and do not represent the official view of the University of Liverpool or the Centre for Sustainable and Resilient Cities.

2.0 Why did a regional policy emerge in the 1930s in the UK and what were its characteristics?

From the 1930s onwards Britain has pursued a regional policy, at different scales and with a shifting focus (McCrone, 1969). As Morgan (2017) notes:

> The first country to industrialise, Britain was also the first to de-industrialise when its heavy industries – coal, steel, shipbuilding and the like – collapsed in the inter-war depression. Although it was too little too late, the Special Areas Act of 1934 saw the birth of the world's first regional policy, which was designed to mitigate the socio-economic crisis of the depressed areas – the areas where the heavy industries were all clustered.

But the changes which occurred from the 1930s onwards were also more subtle and regionally differentiated than a wholescale process of deindustrialisation of Britain. The 1930s was also a decade of fast industrial growth in the South and Midlands, where new industries emerged, focused on electronics, aviation and vehicles. In fact from 1924 to 1937 industrial output per head rose by a third, considerably faster than in the Victorian heyday (according to Hobsbawm, 1999, 223). The challenge was the slow collapse of the old industries in the North of England, Scotland and Wales. Differential growth and resultant regional imbalances already constituted a 'regional-national economic problem' for the UK to use the terms McCann (2016) employs to describe the current state of Britain's regional development. In response, the *Barlow Report* of 1940 recommended action to address the issues of the 'distressed areas' and foster more balanced distribution of industry and population to make better use of national resources – issues which have been of varying concern to different UK governments down to the present day.

Regional policy has had many objectives at different times over the intervening period but has typically sought to address the structural issues facing those regions which industrialised precociously and to a significant degree from the 19th century onwards (generally, though not exclusively, in the north and west of Britain). At times the spatial emphases of land use and strategic 'planning' at the local or strategic scales and that of regional policy have coincided closely, for example where New Towns were planned and built in areas assisted under regional policy. In the 1960s the Labour government of Harold Wilson sought to establish a form of national economic planning rather in the French style with the adoption of a National Plan in 1965, but this initiative did not become embedded. It was also the case that from the late 1960s governmental action increasingly turned to addressing issues of deprivation and physical degradation in urban areas through the emergence of urban policy. This emphasis grew in the 1970s as industrial and economic restructuring started to affect many urban areas (Couch et al., 2011). Though often such urban challenges emerged in towns and cities which were located in the regions assisted by regional policy, the distinct urban focus of initiatives such as the Urban Programme (1968) also provided a set of priorities and resource demands which competed with wider regional policy and planning-related state actions such as the New Towns programme. From the 1970s onwards the evolution of UK regional policy also took place in an increasingly Europeanised context, a development we address in point 5.

By 1980 the broad 'social democratic consensus' of the post-war years had given way to the rise of neoliberal influence on the state and public policy. As Morgan notes:

> If post-war regional policy was undermined by economic decline, the post-war political settlement on which it was predicated was overthrown by Thatcherism, which changed the rules of the territorial game because regional policy shifted away from redistributing investment between regions to promoting growth within regions, a form of regional autarky that exists to this day.
>
> (Morgan, 2017)

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 (Genova, 2015; Travis, 2011) – the very antithesis of regional policy. In this context it increasingly fell to EC/EU Cohesion Policy to keep the flame of regional policy burning in the UK, though figures such as Michael Heseltine (significantly a pro-European) still argued for the idea that place-based interventions had a role in building capacity to act in fostering territorial development. Where Government sought to bring in Foreign Direct Investment (FDI), especially in the motor industry, to regions including in the north, access to the Common Market (then from 1 January 1993 the European Single Market) was a significant factor of attraction for overseas investment[1]. The need to administer EU Structural Funds also had effects on regional institutions. The regional offices originally devised during WW2 as the regional commissioners were turned into 'integrated regional offices' by Heseltine in the 1990s partly in response to this. The exposure to EU regional policy therefore played a role in regionalisation of the state as well as in fostering 'bottom-up' regional capacity to act.

3.0 How did the policy of dispersal operate during from 1940 to 1970 (*'les trente glorieuses'*)?

Early attempts at a UK regional policy have been divided by Martin et al (2016) into policy aimed at 'taking workers to the work' and that aimed at 'taking work to the workers'. The Industrial Transference Act 1928, which facilitated migration from areas with an overrepresentation of declining industries and mining activities to the more prosperous South and East of England, is representative of the former category. After only four years of operation this policy was in decline and was soon after succeeded by the Special Areas Act 1934. This Act, falling into the latter category, represents the first introduction of the policy of dispersal within UK regional policy.

The defining role that dispersal would play in UK regional policy was established by the Barlow Commission of 1937-1940, whose minority report, acted upon in modified form by Government, had recommended that national controls over the location of industry be imposed. The first expression of the Barlow Commission's findings was the Distribution of Industry Act 1945. As Hall and Tewdwr-Jones (2011) note, this Act granted powers both positive and negative over industrial location. The Board of Trade (later the Department of Trade and Industry) was given negative powers to control the development of new or

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[1] And remains important to the current and future success of the UK's automotive industry according to its members – KPMG (2014).

extended industrial facilities above 10,000 square feet (929m^2) or a 10% increase in size (though these were adjusted over time) through the granting of Industrial Development Certificates. These were used to direct industrial development towards the economically weaker regions, designated as 'development areas', which were at first broadly defined around Merseyside, West Cumberland, North East England, Central Scotland and Dundee, and South Wales. The positive powers given by the Act encouraged the location of industrial development in these areas using subsidised new premises, together with loans and grants for investment in new plant and machinery.

The form of regional policy, and within that the scale of those areas into which new employment-creating development would be dispersed, remained the same until 1960, after which a series of adjustments were made. The Local Employment Act 1960 replaced the fixed development area designations with more flexibly demarcated 'development districts', defined on the basis of employment decline of 4.5% or more over the course of several months. The Act aimed to focus policy strictly on those areas that could be said to be suffering from relatively large and rapid employment decline and to avoid allocating resources to more widely defined areas within which employment change was uneven. These adjustments in scale and definition had the effect of spreading resources more thinly and drawing investment away from those towns and cities within the former development areas where firms might have prospered more. In 1963 regional plans were produced covering central Scotland and the North East of England which further altered the scale of action and thereby the nature of dispersal. These two plans drew on the concept of the *pôle de croissance* from contemporaneous developments in regional policy in France, focusing their investments on the economic centres of their regions.

A key development in the background to post-war regional policy was that manufacturing employment across the UK as a whole was stagnating, with the total net increase in employment being in service jobs, which were located disproportionately in the South East of England (Hall and Tewdwr-Jones, 2011). The Control of Office Employment Act 1965 sought to address this by bringing new office space into the policy of dispersal that already operated for new factory space, through the introduction of Office Development Permits.

The Industrial Development Act 1966 revisited the scale of regional policy once again, this time expanding it by replacing the development districts with development areas larger than those originally used from 1945 to 1960. As part of the Act, firms moving to the development areas were given a grant worth 40% of the cost of new plant and machinery, double the grant available to firms locating outside of the development areas. Furthermore, the Selective Employment Tax (SET), which was introduced during the same year as a tax on service sector employers designed to promote manufacturing, was used as the basis for a new Regional Employment Premium (REP). This introduced grants (worth almost £100 per year per worker) for manufacturers in development areas. In 1968 the dispersal policy was strengthened further still, as the SET was expanded to encompass all firms outside of development areas, including manufacturers. Thus the SET had been redirected from being a tax on service firms designed to encourage manufacturing to being a tax on all firms in non-development areas designed to encourage manufacturing in development areas. Both SET and REP were abolished in 1974, however, replaced with a system of tax incentives and grants.

Regional policy is estimated by Moore et al (1986) to have, between 1960 and 1981, created around 630,000 additional jobs in the development areas. While not all regional policy had the aim of dispersal from faster to slower growing regions (most notably the Regional Economic Planning Councils and the regional plans for Central Scotland and North East England had other aims), dispersal was the most prevalent feature of regional policy during this period. The backdrop to the operation of the dispersal policy was the increasing degree of stagnation in the manufacturing sector, where the majority of policy had focused. Added to this was the increasing tendency for those sectors of the economy that were growing to respond to a logic of concentration and agglomeration, confounding a regional policy based on the principle of dispersal of employment and convergence of regional growth trends.

4.0 When and how did the EU get involved in policy for the regions and what were the main instruments?

Britain joined the then European Economic Community (EEC) on 1 January 1973, with a five year transition period! Already at the Paris Summit in 1972 the final communiqué had stressed that *"regional policy should in future be given a new and higher priority in the total strategy of the Community as it moved towards fuller economic and monetary union"* (cited in Lee, 1979, 107). To make the policy operational a Commissioner was to be appointed and *"set up a Regional Development Fund... to deal with both problems of rural poverty and also problems of declining industry and problems of industrial underemployment"* (Trade and Industry sub-Committee, Brussels, February 1973 cited in Lee, 1979).

George Thomson from the UK was duly appointed first Commissioner for Regional Policy overseeing the production of the *Report on the Regional Problems in the Enlarged Community* (*The Thomson Report*) (1973). This made a *"moral, environmental and economic case for a Community regional policy"*, analysed regional imbalances in Europe (Lee, 1979, 107) and identified regional development issues is certain distinctive regions in Europe, notably agriculturally dominated areas (e.g. parts of Ireland and the Italian Mezzogiorno) and those of industrial change and structural underemployment (UK and parts of Belgium). Another issue it raised was the problem of outward migration. In the wake of the Thomson report the European Regional Development Fund (ERDF) was set-up in 1975. This only represented 4% of the Community Budget in 1976 and was able to be spent in areas assisted through national regional policy, with a focus on priority areas and a need for a regional development programme to be in place.

The UK was thus one of the prime movers in the establishment of a European regional policy drawing on its experience of such policy domestically and driven by its own regional economic structure concern that it would not benefit as much financially from the Common Agricultural Policy (CAP) as certain other states. The emergence of a reginal policy at the European level was particularly significant at the time given that the UK, 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). But aside from material conditions it was also significant that certain UK interests had managed to "upload" a concern with regional development issues to the European level just prior to the neoliberal ascendency and rise of the 'New Right' in the UK[2].

In addition to the ERDF, the European Social Fund (ESF), aimed at retraining workers, the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), which targets depressed agricultural areas, the aid granted by the European Coal and Steel Community (ECSC) for areas with declining industries in those sectors, and the European Investment Bank (EIB), making low interest loans to lagging regions, have also provided assistance to Europe's disadvantaged regions. These instruments are known collectively as the 'European Structural Funds'.

The introduction of a 'non-quota section' of the ERDF in the 1979 reforms represented an early innovation that was a precursor to a more wide-ranging EU regional policy, as opposed to a supplement to, or replacement for, the member states' own regional policy (Manzella and Mendez, 2009). This enabled the Commission to pursue aims determined at the European scale and allowed for the spatial targeting of areas not necessarily designated for aid by the member states. Above all, the non-quota section involved programmes of initiatives, in contrast to the standalone projects otherwise funded by ERDF, leading to the Integrated Development Operations (IDOs) used as a way of tailoring aid programmes to the problems of particular urban areas, and pioneered in Belfast and Naples. This went some way towards establishing the integrated, programmatic and, ultimately, place-based, form that the ERDF would take over the course of subsequent reforms.

[2] A fuller account of the UK's contribution to the foundation of European regional (Cohesion) policy and the role that it played subsequently in supporting communities and regional development can be found in Sykes and Schulze-Bäing (2017).

5.0 How effective were RDAs under the New Labour governments?

The Regional Development Agencies (RDAs) established by the Labour Government in 1998 represented a form of regional policy based on what has been discussed as a 'new paradigm' (Bachtler, 2001) to contrast with the established regional policy of central government investments, grants to firms, and spatial redistribution of industry. The tendency towards privatisation, deregulation and liberalisation prevalent in much of Europe by the 1990s was most pronounced in the UK. The effects of this on regional policy had at first been a withdrawal from the regions. This came in the form of the scaling back of the assisted areas programme and the reduction in the use of development permits to negatively control the location of new development, together with a shift from a regional to an urban policy which targeted resources only at those inner urban areas displaying the most severe deprivation. In the background to this, however, was a widely documented resurgence of the region as a scale of economic activity, based to a great extent on empirical studies of regions such as Emilia Romagna in Italy and Baden Württemberg in Germany, and a corresponding interest in regional institutions as one factor in stimulating this resurgence. While the UK's regional policy had been centrally orchestrated and had not, excepting the brief lifetime of the Department for Economic Affairs, sought to build regional institutions, the importance of these in the administration of the European Structural Funds, in addition to the uneven engagement at the regional scale by planners, had meant that regional institutions of some form had existed selectively since the 1970s.

The form of regional policy introduced by the Labour Government can be seen as a response to these multiple trends, while also being the product of the politics of that Government. The New Labour movement sought to satisfy both the left, in the form of attempts to address geographically uneven growth, and the right, in the logic of globalisation invalidating 'spatial Keynesianism' and requiring the mobilisation of supply side factors at local and regional tiers to encourage indigenous growth. The new paradigm of regional policy, which is regarded as having been prevalent across much of Europe by the early 2000s, is congruent with this balance of left and right, being concerned with both equity and efficiency while addressing socio-cultural as well as economic factors. The RDAs took this as their model, aiming to proactively forge competitive regions through a strategic approach that was tailored to the needs and advantages of each region. Crucially, rather than being a regional policy to address specified sectors only in those regions most in need, every region in England had an RDA, each with its own sectoral priorities. This symbolises the extent to which conceptions had shifted from the region as a component of the national space whose economic conditions (measured chiefly in terms of employment) could converge with national levels, to the region as a space in and of itself, whose economic conditions respond to its capabilities, in terms of its skills base, industry clusters and innovative capacity.

The RDAs were required to deliver Public Service Agreement No 2 in order to address the longstanding regional development disparities in the UK with the aim to make *"sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions"* (HM Treasury 2001). Yet as Tomaney et. al. (2003) noted, the implication of the PSA 2 target was that the lagging regions of the UK needed to grow faster than the national average. This was because the successful regions already had much bigger economies, and the economic gap and regional disparities would not have been closed if the growth rates were simply matched. To help deliver this agenda, the RDAs were ultimately funded at the level of £2.3bn per annum, and are estimated to have generated £23bn in benefits, assisted 35,000 businesses, helped to create over 8,500 net businesses, created or safeguarded almost 213,000 jobs, assisted over 403,000 people in skills development, and remediated over 570 hectares of brownfield land. Interestingly, given the nature of the activities undertaken by the RDAs as compared with earlier iterations of regional policy, as well as their direct impacts on job creation they are judged to have had additional impacts on raising business productivity, raising the earnings potential of individuals through skills enhancements, and to have generated a 'strategic added value'. This refers to the effects of the RDAs on the behaviour of other regional actors through, for instance, the coordination of investments and the forming of partnerships with stakeholders (PricewaterhouseCoopers, 2010).

Yet throughout the lifetime of the RDAs the divergence in growth of GVA and employment between the north and south of the UK increased (Martin et al, 2016). It might be argued that the RDAs were insufficiently funded to counter this trend, that their powers were inadequate, that their existence was too brief, or that the task of spatially rebalancing growth in the UK is too great to be accomplished by regional policy of the sort practiced by the RDAs. The last of these alternatives raises the possibility that a regional policy equal to this task would require a shift back to some form of centrally coordinated approach, perhaps in concert with the regionally-based form undertaken by the RDAs.

6.0 What will be the peripheral regions lose from the departure from the EU in terms of European Structural and Investment Funds and mechanisms?

The extent to which peripheral regions of the UK lose out from the potential departure of the UK form the European Union will depend on a number of factors. Firstly, on their relative position in terms of growth and GDP per capita at the moment that the GDP figures for EU regions which will inform the disbursement of Cohesion Policy resources under the EU's post-2020 Multiannual Financial Framework (MFF) are calculated, secondly on the overall allocation to Cohesion Policy within the next MFF, thirdly on the thematic priorities and funding allocations which are adopted within the post-2020 Cohesion Policy and the potential eligibility for funding that these might open for the UK's peripheral regions; and, finally institutional structures and decisions about the distribution of funding within the UK negotiated by the UK government and the devolved administrations.

There are thus many contingent factors which will affect any assessment of the potential impacts of leaving the EU on the UK's peripheral regions. Some of these flow from 'hard' quantitatively definable measures whose implications and impact will be able to be taken into account and modelled in due course, whereas other factors are more 'qualitative' such as the manner in which the UK Government might decide politically to distribute the funds across UK territories and what the loss of EU support may mean for the capacity for autonomous action of UK places and regions. On the latter points precedent might be instructive as the UK Government has already enjoyed discretion over the spatial distribution of European Structural and Investment Funds (ESIFs) within the UK. Under the current 2014 -2020 round of funding, for example, it chose to allocate Merseyside only 202m Euros (£167.835m) of funding, when the European Commission's calculations suggested the area should receive around 350m Euros (£290.147m). The difference was redistributed to other areas in an approach described by Liverpool Mayor Joe Anderson as "Robin Hood in reverse

- taking from the poor to give to the rich" (BBC News, 2014). If this was a foretaste of the kind of 'Taking Back Control' that Britain's less prosperous regions can look forward to in the event of the UK leaving the EU, peripheral and less prosperous regions are right to be concerned. As Morgan (2017) puts it:

> "From a regional policy perspective, Brexit raises an issue that dwarfs all others and it is this: will London provide the same level of support after 2020 that is currently on offer from Brussels?"

Beyond the issue of what will replace the impact and influence of Cohesion Policy investments in financial and material terms, there is also the potential impact of their loss in symbolic and governance terms. The availability of funds earmarked to certain areas over a known period of time and the involvement of a third party (the EU Commission) in setting funding parameters and priorities has boosted the autonomy of many regions and gone some way to helping to recalibrate the top-down traditional supplicant – donor model of territorial finance in the UK. Post any so-called "Brexit" regions will be entirely dependent on the whims and territorial and political calculations of UK government and – crucially, the parties which control it at any given time.

In symbolic terms we have already seen the potential loss of the ability of UK cities to host the European Capital of Culture (ECoC) programme which provided such a fillip to the regeneration and reimaging in of Glasgow in 1990 and Liverpool in 2008. The UK government's guidance to the bidding cities had been vague amounting to three short paragraphs and a statement that:

> "...bidding cities should be aware that the European Capital of Culture title may be subject to the outcome of those exit negotiations which could have a bearing on the UK's participation and the government will advise bidding cities on this once negotiations have concluded".[3]

[3] See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578284/Impact_of_the_UK_Decision_to_Leave_the_EU.pdf

Astonishingly there was no mention in the text of the actual EU Decision creating the ECoC action, or the eligibility criteria for participation. Given that this is hardly the most complex of EU programmes or legislation this is not encouraging.

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 in the public discussion, for example, is the role of the European Investment Bank (EIB) which has been investing more and more in the UK in recent years (Wray, 2017). Over the 2012–2016 period the EIB invested E31.3 billion in the UK (European Investment Bank, n.d). In February 2017 the Northern Powerhouse Investment Fund 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 EIB – a fact few Britons are ever likely to see communicated in their media (EIB, 2017).

But aside from the impacts of changes in regional funding allocations and other EU investment opportunities, another impact on peripheral regions will be the opportunity costs of diverting scarce resources and attention (e.g. Parliamentary time) from authentic national policy challenges. These costs, which will not be just felt in terms of finance but also in terms of resources such as policymaker attention and Parliamentary time etc., may be high and are likely to impact disproportionality on those places and communities who can least afford to bear them.

7.0 What are the options for regional policy post EU in terms of mechanism and budgets? What might be the consequences of doing nothing?

Again the answer to this question is complex and contingent on a host of contextual factors. Planning for a so-called future UK Shared Prosperity Fund is apparently continuing to take place, but firm details and guarantees about future levels of support are hard to come by at present[4]. But from a wider perspective, the starting point in considering this question is to acknowledge, as Morgan (2017) notes, that:

> "What worries people in the poorer areas of the UK is that Brussels and London have radically different attitudes to regional policy – a commitment to "cohesion policy" is inscribed in the DNA of Brussels, but Conservative governments are more inclined to balance the budget and shrink the state through "a third parliament of austerity" as the Institute for Fiscal Studies put it recently"

For this reason Morgan (2017) argues *"All the assisted areas in the UK need to concert their efforts to demand a regional policy that is at least as generous as current levels of support".* The Industrial Communities Alliance (ICA)[5] has done just this and made a number of proposals for a new regional policy (Box 1) in a recently published document (ICA, 2017).[6] This welcomes "*the Conservative manifesto commitment to create a UK Shared Prosperity Fund to replace the EU Structural Funds"* but notes that *"as ever, the devil is in the detail"* (ICA, 2017, 1). It also warns that "*With the impending disappearance of the EU Structural Funds there is a massive gap to be filled"* (ICA, 2017, 9). The report also makes a number of specific proposals (Box 1) and also argues (2017, 7) that:

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[4] See the replies from Lord Henley, Parliamentary Under Secretary of State in the Department for Business, Energy and Industrial Strategy, to questioning on European Structural and Investment Funds – Hansard, 12 Dec.2017. https://hansard.parliament.uk/Lords/2017-12-12/debates/02B00000-02E4-49B8-BE0D-93CD46515DD8/EuropeanStructuralAndInvestmentFunds

[5] The Industrial Communities Alliance (ICA) is a local authority association campaigning on behalf of councils in the industrial areas of England, Scotland and Wales. It has over sixty local Authorities, across nine regions as its members. See: http://www.industrialcommunitiesalliance.org/

[6] See: http://www.industrialcommunitiesalliance.org/uploads/2/6/2/0/2620193/post-brexit_regional_policy__updated_.pdf

"The UK's impending departure from the EU provides a unique opportunity to **redesign and strengthen** regional economic policy. There are good examples and principles from its time in the EU that the UK can take on its journey but there is no longer any need to be constrained by priorities or budgets set in Brussels." (Bold emphases in original)

- Deliver the new UK Shared Prosperity Fund to take over the responsibilities of the EU Structural Funds
- Set the new Fund's budget at a level that not only compensates for the loss of EU funding (£1.5bn a year) but also provides additional resources to match the scale of the challenge
- Structure the new Fund in ways that deliver support more efficiently, more flexibly and with more local authority control
- Allocate the new Fund in fair and transparent ways that give priority to the development needs of less prosperous regions and local economies
- Reform the rules on financial support to companies to enable the delivery of more effective support in the places that need it most
- Exploit the opportunity provided by this major revision of regional policy to align a wider range of public spending with the priority of local and regional economic development

Box 1 – Proposals for a new Regional Policy (ICA, 2017)

Since its inception in the 1930s regional policy has, however, depended not just on good ideas and intentions for its implementation and effectiveness. The shape of any future regional policy will depend on political priorities and power balances and there is no guarantee that in such a centralised state as the UK that the removal of the EU as arbiter and provider of alternative views on regional development policy will benefit the kinds of areas that the ICA represents. Intriguingly, the ICA's document does not consider whether *'the priorities and budgets'* set in Brussels which it alludes to might in fact favour the kinds of places the ICA represents rather more than those set by a UK government wedded to notions of austerity and what Morgan (2017) calls *'regional autarky'*. Similarly, whilst the ICA report states, many may agree, that *"it would be wrong for the Treasury to* ***pocket any of the money*** *that would* *have been handed over to Brussels and returned as regional aid"* (bold emphasis in original), the question how is outcome to be ensured in a polity displaying the characteristics summarised by McCann's '5 Provocations' (2018)[7]?

The ICA document also encapsulates some of the risky assumptions which some might be tempted to make about the potential future of regional policy in the UK. For example, it states that *"As the government has acknowledged, the new* [Shared Prosperity] *Fund can be financed in its entirety from the savings to the Treasury arising from withdrawal from the EU"* (ICA, 2017, 10). This accepts at face value the 2016 Leave campaign's claims that there will be 'savings to the Treasury' from leaving the EU and that such savings will flow to deserving public services. This argument is a territorial transposition of a version of the notorious 'red bus' Leave Campaign claim that the NHS would be the beneficiary of 'savings' to the Treasury from the UK's discontinued EU Budgetary contributions. Even if one discounts the publicly proven mendacity of the claim that the UK sends £350 million to the EU every week (Lichfield, 2017; Kirk, 2017), one still faces the question of where any 'savings' (even if they existed) would be directed. In the context of the present note we can thus firstly ask, would they be channelled to the NHS, or to a new more generously funded regional policy? Secondly, how does this assumption of 'savings to the Treasury' tally with the mounting evidence of the loss of economic momentum in the post-referendum period which is being felt even before the UK actually leaves the EU (Giles, 2017)? Are there really to be savings that will then be redirected to a new regional policy that *"not only compensates for the loss of EU funding"* but *"provides additional resources to match the scale of the challenge"* (ICA 2017, 3)?

[7] McCann, P. (2018) *5 Provocations regarding the UK Regional and Urban Development Challenges in a Post-Brexit Environment – for Discussion by the Common Futures Network*

The ICA document also states that:

> "To match the EU funding previously due to come to the UK, the new Fund's initial budget would need to be **at least £1.5bn a year**. This would guarantee continuity and ensure that, allowing for inflation, UK regions receive at a minimum all the funding they had been scheduled to receive through to the end of 2020. *There is no reason however why the new Fund's budget should remain tied to EU formulas*".
>
> (ICA 2017, 10, bold in original but added *emphases*)

Again is there really such confidence that abandoning the *"EU's formulas"* will improve the situation of 'Older industrial Britain' – notably as when the UK state has departed from these in the past it has led to some such areas losing-out (see BBC News 2014 and discussion in section 6.0 and below). It is surprising to see those lobbying for a continuation of the *"good examples and principles"* of EU regional policy (ICA, 2007, 7) lapse into the mind-set and language of a Leave Campaign and "Brexit" establishment which has paid little attention to regional policy before or since the EU referendum. Particularly when they are calling for regional policy post any "Brexit" to maintain what are viewed as the positive features of EU Cohesion Policy, as when the ICA state that *"Like the EU funds, the new UK Shared Prosperity Fund should operate on the basis of **multiannual financial allocations**, which create certainty, foster stability and allow the proper planning of ambitious projects"* (ICA, 2017, 10). This call for long term certainty is shared by other bodies concerned by the future of regional policy in the UK.

During a debate in the House of Lords on 12 December 2017[8] on European Structural and Investment Funds, Lord Watts (Labour), reminded the Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy (Lord Henley) (Conservative): *"that in the past Conservative Governments have reduced funding to areas that have been in receipt of structural funds"* (as in the cases of Merseyside and South Yorkshire described under 6.0 above) and asked if he could *"guarantee that in any new scheme there*

[8] See: https://hansard.parliament.uk/Lords/2017-12-12/debates/02B00000-02E4-49B8-BE0D-93CD46515DD8/EuropeanStructuralAndInvestmentFunds

will be no reduction this time and it will be additional?". Lord Henley responded *"My Lords, again the noble Lord will not expect me to give any specific guarantees at this stage"* (Hansard, 2017). In the same debate Baroness Pinnock (Liberal Democrat), making reference to EU programmes in Cornwall, asked *"Will the Minister make a commitment that the funding promised in the Conservative Party manifesto, to which he has just referred, will provide the same level of funding for such programmes after 2020?"* The Minister responded thus, *"My Lords, the noble Baroness will not expect me to give commitments of that sort."*

At the time of writing there is thus still precious little clarity on the situation and resourcing of regional policy after 2020. This is particularly important, for as the ICA (2017, 7) also note:

> "…it would be wrong to assume that **industrial strategy** is a substitute for regional policy. An industrial strategy is welcome and should be of benefit to older industrial areas, where much of what remains of UK manufacturing is still located. But industrial strategy is about promoting growth in all parts of the country, not just the most disadvantaged places. Indeed, the UK government's emphasis on R&D and housing development suggests that the South East of England could actually be the main beneficiary."

Similarly, McCann (2018) also notes how the place-based component of the final *Industrial Strategy: Building a Britain Fit for the Future* White Paper has been whittled down in comparison with the draft Green Paper.

Such uncertainty and sketchy development of a serious place-based dimension in any planning for the future of industrial and regional policy in the UK also raises another challenging prospect for UK regions. Whilst the funding allocations and priorities of post-2020 EU Cohesion Policy become clearer over the coming period, UK territories will be completely dependent on whatever decisions the British state makes and what information it chooses to release to them on any future regional policy and when. Regions in other EU countries will soon find out the kinds of funding levels and priorities they will be able to work with for the 6-7 years after 2020 and be able to start planning accordingly. Whether any new arrangements put in place in the UK deliver the same kind of certainty over an extended period as the EU Cohesion Policy's multiannual financial allocation model remains to be seen (The ICA, 2017 and others have called for this). If such certainty is not delivered by the so-called Prosperity Fund this loss of ability to plan ahead will become just another of the hidden costs of leaving the EU for UK territories. A clear task for researchers in the socio-spatial disciplines over the coming years will thus be to monitor the distributional effects of leaving the EU and disengagement from EU Cohesion Policy programmes on people and places.

Perhaps the key point to retain from the paragraphs above is to realise that the decisions about the future funding and format of regional policy will be intrinsically political. There is a risk in the assumption that the EU referendum result will mean more attention and resources will be focussed on more deprived areas and regions. The political calculus that might behove the political establishment committed to taking the UK out of the EU to pay attention to such areas is far from obvious. Add to this the fact that the EU Withdrawal Bill in its un-amended form will not only hollow-out Parliament's role of scrutinising the legislative and executive acts of government (Dougan, 2017), but its role of territorial representation, and the idea that the UK potentially leaving the EU provides some kind of moment of unique opportunity for a reinvigorated regional policy to address issues of regional imbalance which have affected the nation since the mid-20th century starts to look like an illusion. Another issue is that the 'success' of the process of a post-EU UK is likely to be gauged and mainly viewed in narrowly economic terms and at the aggregate level. Even if the UK found a path back to growth following its post-referendum loss of economic momentum and in the face of many economic forecasts for the future, what would this future look like and mean for our peripheral and regeneration regions? Economic growth at the aggregate level may well in itself be deemed a success as it has been since the 1970s. Whether any of this trickles down to peripheral and regeneration areas through the natural functioning of the spatial economy or some mild measures of redistribution, or the 'national-regional economic problem' (McCann, 2016) is addressed, may not unduly trouble the post-EU UK political establishment.

The idea that the UK's departure from the EU opens the door for a newly active and well-endowed regional policy therefore seems a problematic and risky assumption. From their inception the EU's regional support structures were influenced by the needs of the 'forgotten' parts of Britain and the UK's own traditions, from the 1930s onwards until around the end of the 1970s, of regional policy. The 'one nation' British establishment (in a cross-party not just Conservative sense) that adhered to that vision has all but gone, but its legacy lives on in the EU's regional policy.

8.0 Conclusion

The UK had a long tradition of regional policy before it joined the EEC/EU and was successful in lobbying for a form of European regional policy to be created in the 1970s. In historic terms this was significant, because the point at which the UK joined the EEC also coincided with the decline of regional policy domestically. For much of the subsequent four decades it would be a generalisation, but not an outrageous one, to say it has been Brussels not London that has believed, and continues to believe, in regions and regional policy. EU Cohesion Policy has certainly experienced its own struggles and changes, having to increasingly justify its contribution to goals of territorial competitiveness, not just solidarity, and deal with the greater regional disparities of an enlarged EU. But the fact remains that in leaving the EU the UK and its regions are leaving a bloc where an attachment to regional development policy and principles such as territorial cohesion is not just an article of faith but a treaty article. The irony is compounded by the fact that, in cooperation with certain other EEC member states, the UK was instrumental in bringing about the creation of European regional policy in the 1970s. It is also this intellectual and ethical legacy and achievement, not simply the material support of Cohesion Policy and associated European Structural and Investment Funds that the UK is preparing to turn its back on.

As we write there is still precious little clarity on the funding and format of the regional policy which may emerge in a post-EU UK. The domestic political dimension is very significant here, because despite the dominant media representations, and as Dorling (2016) reminds us, the geography of so-called "Brexit" is as much a geography of privilege as one of disadvantage. The future of regional policy in a post-EU UK will effectively hang on the extent to which domestically there is an appetite for redistribution; or put in other terms how far the former geography will wish to support the latter in a UK floating free from EU (and historically

British) principles of territorial cohesion and inter-regional solidarity. In the four decades of UK membership of the EEC/EU the EU Cohesion Policy was one mechanism through which the resources of prosperous parts of the UK found their way to less prosperous UK areas. Some may argue that leaving the EU will allow us to break free from 'EU funding formulas' but seem not to have considered whether these may in fact better reflect the priorities and interests of the UK's peripheral and regeneration regions than future arrangements which may emerge in the UK. Domestically, models of 'regional autarky' (Morgan, 2017) and Cost/Benefit analyses which legitimate expenditure where the greatest immediate return is available may continue to drive thinking about place-based and regional policies. The cancellation by government of electrification schemes in the north of England in 2017 while support was maintained for Crossrail 2 (Pidd and Brown, 2017) is perhaps revealing in this respect.

Meanwhile, as the EU steps-up attempts to mitigate tax avoidance by major transnational corporations (European Commission, 2017) the "Brexit elite" in the UK see opportunities of leaving the EU as principally residing in (de)regulatory competition and reducing tax burdens. Tax share in the UK is already low and even under a Corbyn government elected on the 2017 General Election manifesto, would have been lower than under President Macron's plans in France (Hutton, 2017). It is hard to contemplate the future of regional policy in the UK without taking into account such contextual factors and the characteristics of the UK as a polity (see also McCann's Five Provocations). In light of these, when lobbying for a new regional policy for the UK, any assumption that leaving the structure and partnership of EU Cohesion Policy offers a uniquely propitious moment to redesign regional policy and expand its resources is at best intriguing and at worst dangerous. Precedent and the present political context call for greater circumspection. The future prospects for UK regional policy will also hinge on the articulation between and narration of the relationship between aggregate growth v. redistribution/territorial balance as gauges and symbols of the success of a post-EU UK. In the final analysis the key question becomes what role will regional policy be able to play in suturing a fragmented and divided nation within a likely context of diminished aggregate growth and political consensus, and which political calculations and trade-offs is it possible to envisage emerging to underpin such a policy and make its delivery possible? UK regions face all these questions and uncertainties just as the new EU Cohesion Policy is taking shape and the aggregate growth which makes such a policy easier to resource and deliver is returning to the EU. It is now clearer than ever that on the basis of economic fundamentals (notably the forecast regional effects of leaving the EU - cf. McCann, 2016; Chen et al., 2017), and the continuing opportunity structures that could be offered by EU Cohesion Policy, that the interest of the UK's peripheral and regeneration areas would be best served by the UK remaining a full member of the EU.

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