

## Written evidence submitted by Professor Philip McCann (FRE0089)

My answers to your questions below are based on my many discussions with people in local, city- region and sub-national government, but in the end they reflect my own assessments and understanding of the situation.

***• What are English local and regional authorities' key priorities in the negotiations between the UK and the EU? How do these priorities vary between different parts of the country? Has the Covid-19 pandemic changed any of these priorities?***

Most local and regional authorities have very little idea in terms of what they want from the UK-EU negotiations because they have not been party to any of the discussions in any substantive way. Local and sub-national interests were never part of the negotiating priorities for the national government so this is no surprise. As such, they are largely unaware of what options, trade-offs, or complementarities might be available from the UK-EU negotiations, knowledge which would be required in order to determine their prioritisation logic. The paucity of material of any substance displayed on the Local Government Association Brexit website is testament to the dearth of discussion, as is the generality of the material on MHCLG website. For example, flagship initiatives include some £56.5 million of funding which was announced on 28 January 2019 to help local councils plan for Brexit. Similarly, on 5 February 2019 a network of nine local government chief executives was convened to discuss Brexit issues. These (very limited) initiatives were over 2.5 years after the EU Referendum.

***• To what extent do different English local and regional authorities' priorities align with the negotiating aims set out by the UK Government? What are the areas of greatest disagreement?***

Any involvement of The City will tend to align with the broader London objectives, but as far as the rest of the country is concerned, it is very hard to see how any alignment is possible, given that local authorities have little, if any, real idea about what is going on.

***• To what extent did the UK Government consult English local and regional authorities before publishing its negotiating mandate? Were any amendments made as a result? Have they contributed to, or had the opportunity to comment on, any UK draft legal texts?***

As far as I am aware there was almost zero interactions, except some very limited engagements with the Devolved Administrations, the Mayor of London Assembly, and interests in The City. The rest of the city-regions, LEPs, local government arenas have been kept largely in the dark.

***• To what extent has the UK Government kept English local and regional authorities informed of developments in the future relationship negotiations? Have they found this satisfactory? If not, what improved means would you propose?***

Again, most local government bodies are still largely in the dark about what is really, or has been, going on. The material from the MHCLG website is of very limited use, and barely more instructive from what can be gleaned by reading the newspapers.

***• What would be the possible consequences for English local and regional authorities and the***

***areas they administer of a deal which does not meet their priorities? How do these possible consequences vary between different parts of the country? To what extent do English local and regional authorities have the power and resources to address any resulting social or economic impact on their area?***

Their priorities are entirely unclear for the reasons outlined above, so there is no deal which can meet their priorities. The economic impacts of Brexit will be much more severe for the poorer parts of the UK and English local and regional authorities have almost no powers to mitigate the economic effects of Brexit.

***• Is it clear at which level of government powers previously exercised by EU bodies will now sit? Does the end of EU competency over many areas of policy represent an opportunity for further devolution to English regions? If so, which areas of policy and which regions would be most suitable? Are you aware of any such proposals made by English local and regional authorities?***

At present it is entirely unclear at which levels of governance former-EU powers will now sit. In terms of regional development, the management powers for EU Regional (Cohesion) Policy were traditionally held at the regional level, but when RDAs were abolished in 2010 and replaced by LEPs, then in England devolved management effectively disappeared and became centralised in Whitehall. England became an extreme outlier in Europe with the largest most centralised governance EU Regional Policy system anywhere – precisely against the intended logic of the funds. This further centralisation tendency has continued with the Regional Growth Fund. The new arrangement vis-a-vis the replacements for EU Regional Policy – namely the ‘Shared Prosperity Fund’ – could potentially be devolved at the city-region and local levels, but this is entirely at the discretion of the government, as was the decision to centralise EU Regional Policy funding in 2010.

Importantly, the wider ‘levelling up’ agenda presents an opportunity for real devolution, and a devolved Shared Prosperity Fund alongside a wider shift towards greater sub-national devolution would be an important element of this devolution, but whether this is what will actually occur is still unknown. Importantly, it is not leaving the EU which provides new devolution opportunities. They were already there, and EU Regional Policy actually enhanced these opportunities. The decision as to whether or not to devolve regional and local development policy is entirely internally-generated according to political priorities and is unrelated to withdrawal from EU Regional Policy.

***• What are English local and regional authorities’ key priorities for the Shared Prosperity Fund? How do these priorities vary between different parts of the country? Has the Covid19 pandemic altered these priorities? On what basis should funds be allocated? To what extent should any formula account for the differing effects of leaving the EU on each region? To what extent have English local and regional authorities been consulted by the Government about the design of the fund?***

At present, the most detailed proposals for the Shared Prosperity Fund come from the All-Party Parliamentary Group (APPG) on Post-Brexit Funding for Nations, Regions and Local Areas which was

established in Westminster in June 2018 and reported in November 2019. However, the extent to which any of the recommendations published in the report are embodied in the final

design of the Shared Prosperity Fund is still unknown.

In the UK regional development priorities vary dramatically, precisely because we are one of the most interregionally unbalanced countries in the industrialised world (and on many indicators we are THE most unbalanced country). Moreover, Brexit itself is almost certain to make the inequalities greater – because the UK's weaker regions are more dependent on EU trade than the UK's more prosperous regions, and Covid-19 will make these inequalities even greater again. The combination of Brexit and Covid-19 has doubly made levelling up even more difficult than it already was.

For the Shared Prosperity Fund to have any chance of being successful, the underlying logic underpinning it must seriously and significantly take account of the fact that both Brexit and Covid-19 are likely to make existing UK interregional inequalities – which are already huge – even greater than they are. Funding must be very large in scale, long-term (significantly beyond the life of a single parliament), and genuinely devolved and must also allow flexibility for locally-determined priorities –

without being ring-fenced according to particular national sectoral priorities, or the whims of ministers.

Consultation between central and local government about the Shared Prosperity Fund has been generally very limited indeed. Most local government actors are still basically in the dark as to what will eventuate.

***• What guidance has UK Government given English local and regional authorities as to the steps that will need to be taken to prepare for the end of the Transition Period, for example: additional infrastructure or staff? What areas remain unclear? What further steps are likely to be needed to implement the Government's new border operating model? Which level of government is responsible for taking these steps?***

The paucity and generality of the material on the MHCLG website suggests that very little of substance has been implemented.

***• What effect has the Covid-19 pandemic had on English local and regional authorities' preparations for the end of the Transition Period? What has been done and what still needs to be done? What is a reasonable timetable for these steps to be taken?***

Covid-19 has, unsurprisingly, stalled any Brexit preparations by almost half a year.

***• What steps have English local and regional authorities taken to prepare businesses and civil society for the end of the Transition Period? Has there been any coordination with the UK Government about what practical changes businesses will need to make? Do SMEs face any additional challenges?***

Almost none as far as I can see. The sheer lack of public awareness of what we are going to face in the coming years is what is now most evident – most people assume that Brexit is all done.

***• What opportunities does leaving the Transition Period present for English local and regional authorities and the areas they administer? What steps are English local and regional authorities taking to exploit these opportunities?***

None of any substance as far as I can see on either count.

***• What might be the economic and social consequences for English local and regional authorities and the areas they administer if no future relationship with the EU is agreed before the end of the Transition Period? How might these consequences vary between different parts of the country? What are English local and regional authorities doing to prepare for this eventuality?***

Given the current direction of travel and the negotiating position of the UK government, in reality the differences between a 'no-deal' and a 'deal' are likely to be very small, at least in economic terms. The medium and long-term effects on UK localities are likely to be very severe, especially for the economically weaker parts of the UK. English local authorities have very limited abilities, if any, to prepare for these eventualities. Indeed, national government has very limited ability to respond to these realities.

***July 2020***



# Committee on the Future Relationship with the European Union

House of Commons, London, SW1A 0AA

Email: [freucom@parliament.uk](mailto:freucom@parliament.uk) Website: <https://committees.parliament.uk/committee/366/committee-on-the-future-relationship-with-the-european-union/>

23 July 2020

Professor Philip McCann  
Professor of Urban and Regional Economics  
University of Sheffield

Dear Professor McCann,

The House of Commons Committee on the Future Relationship with the European Union is inquiring into the progress of the negotiations between the UK and the EU. Under normal circumstances, the Committee holds regular oral evidence sessions in Westminster. However, measures to prevent the spread of the coronavirus make this difficult.

The Committee wishes to gather as much evidence as possible to inform its deliberations and I am writing to you to ask whether you would be willing to help us with our work by making a written submission. We welcome general responses to our [call for evidence](#), which was published on 4 March. We also hope that you would be willing to answer some of the more specific questions set out below on issues that fall within your area of expertise. Submissions need not address every bullet point and can include other matters that you think are relevant to the negotiations and should be drawn to the attention of the Committee.

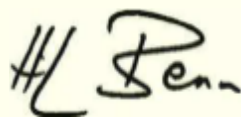
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- To what extent did the UK Government consult English local and regional authorities before publishing its negotiating mandate? Were any amendments made as a result? Have they contributed to, or had the opportunity to comment on, any UK draft legal texts?
- To what extent has the UK Government kept English local and regional authorities informed of developments in the future relationship negotiations? Have they found this satisfactory? If not, what improved means would you propose?
- What would be the possible consequences for English local and regional authorities and the areas they administer of a deal which does not meet their priorities? How do these possible consequences vary between different parts of the country? To what extent do English local and regional authorities have the power and resources to address any resulting social or economic impact on their area?
- Is it clear at which level of government powers previously exercised by EU bodies will now sit? Does the end of EU competency over many areas of policy represent an opportunity for further devolution to English regions? If so, which areas of policy and which regions would be most suitable? Are you aware of any such proposals made by English local and regional authorities?
- What are English local and regional authorities' key priorities for the Shared Prosperity Fund? How do these priorities vary between different parts of the country? Has the Covid-19 pandemic altered these priorities? On what basis should funds be allocated? To what extent should any formula account for the differing effects of leaving the EU on each

region? To what extent have English local and regional authorities been consulted by the Government about the design of the fund?

- What guidance has UK Government given English local and regional authorities as to the steps that will need to be taken to prepare for the end of the Transition Period, for example: additional infrastructure or staff? What areas remain unclear? What further steps are likely to be needed to implement the Government's new border operating model? Which level of government is responsible for taking these steps?
- What effect has the Covid-19 pandemic had on English local and regional authorities' preparations for the end of the Transition Period? What has been done and what still needs to be done? What is a reasonable timetable for these steps to be taken?
- What steps have English local and regional authorities taken to prepare businesses and civil society for the end of the Transition Period? Has there been any coordination with the UK Government about what practical changes businesses will need to make? Do SMEs face any additional challenges?
- What opportunities does leaving the Transition Period present for English local and regional authorities and the areas they administer? What steps are English local and regional authorities taking to exploit these opportunities?
- What might be the economic and social consequences for English local and regional authorities and the areas they administer if no future relationship with the EU is agreed before the end of the Transition Period? How might these consequences vary between different parts of the country? What are English local and regional authorities doing to prepare for this eventuality?

The Committee staff will be happy to discuss the inquiry, any issues raised, or the process for submitting written evidence. You can contact them at [freucom@parliament.uk](mailto:freucom@parliament.uk).

Yours,

A handwritten signature in black ink, appearing to read 'H/ Benn'.

**Hilary Benn**  
**Chair of the Committee**