

### **Regional Studies**



ISSN: 0034-3404 (Print) 1360-0591 (Online) Journal homepage: https://www.tandfonline.com/loi/cres20

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**To cite this article:** Chloe Billing, Philip McCann & Raquel Ortega-Argilés (2019) Interregional inequalities and UK sub-national governance responses to Brexit, Regional Studies, 53:5, 741-760, DOI: <u>10.1080/00343404.2018.1554246</u>

To link to this article: <a href="https://doi.org/10.1080/00343404.2018.1554246">https://doi.org/10.1080/00343404.2018.1554246</a>

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### **POLICY DEBATES**



### Interregional inequalities and UK sub-national governance responses to Brexit

Chloe Billing<sup>a</sup>, Philip McCann<sup>b</sup> and Raquel Ortega-Argilés<sup>c</sup>

#### **ABSTRACT**

This paper discusses the various potential impacts of Brexit on UK regions and outlines the sub-national governance challenges these potential impacts raise. In the light of these, the types of activities that UK sub-national governance bodies have initiated in preparation for Brexit are then reviewed. The conclusions suggest that the UK sub-national institutional system is largely unprepared for the post-Brexit realities.

#### **KEYWORDS**

governance; Brexit; sub-national; policies

JEL R12, R58, R59

HISTORY Received 17 July 2018; in revised form 9 November 2018

### **INTRODUCTION**

This paper highlights various critical emerging issues facing UK and European Union (EU) regions in the context of Brexit, issues which as yet are little articulated and underdeveloped in current policy debates on either side of the English Channel. In terms of regional issues, we will argue that Brexit is likely to make the UK's interregional inequalities worse than they are, while at the same time also inhibiting the sub-national governance devolution agendas that the UK government itself advocates. These conflicting pressures are to some extent also reflected in official UK government documents in which the placebased dimensions of government policy are only weakly developed in comparison with sectoral interests that dominate the picture, as is currently also the case in Brexit debates. Most UK localities have no role whatsoever in the Brexit negotiations and have received no real guidance from central government, the result of which is that local and regional authorities are currently largely on their own in terms of thinking and planning for Brexit.

This paper surveys the types of actions and activities that local, city and regional authorities within the UK are undertaking in response to Brexit. On the basis of this survey, we reflect on the ability of different sub-national bodies to design and implement local industrial and development policies suitable for the post-Brexit context. We also discuss some Brexit-related issues facing regions in other EU countries and outline some of their major

The paper is organized as follows. The next section discusses the relationships between Brexit, UK interregional inequalities and current sub-national governance trends. It then surveys the different actions and activities currently being undertaken by different UK sub-national governance tiers and bodies, and follows this with a short review of some Brexit-related activities at the sub-national level taking place in other EU member states. The paper then reflects on the extent to which the current UK sub-national governance institutional set-up is fit for purpose in the post-Brexit context, especially in comparison with other European counterparts, and it identifies the key themes and principles that need to be embedded in any future post-Brexit UK urban and regional policy framework. The paper ends with some brief conclusions.

### **BREXIT, UK INTERREGIONAL INEQUALITIES AND SUB-NATIONAL GOVERNANCE**

A very powerful Leave narrative at the time of the UK Referendum on EU Membership on 23 June 2016 was

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the idea that the 'metropolitan elites' of London were the major beneficiaries of EU membership, while the majority of the population did not benefit from such membership. Judging by the frequency with which this argument was put forward by both politicians and the general public in the pre-Referendum media coverage, it is clear that this argument gained real traction in many arenas. Yet, while this argument was very persuasive, it has been shown to be entirely wrong empirically. This was first demonstrated by Los, McCann, Springford, and Thissen (2017a) who showed that the UK regions that voted Leave tend to be more dependent on EU markets for their prosperity than those regions that voted Remain. This broad pattern holds true both when calculated on the basis of local gross domestic product (GDP) or local labour income (Los et al., 2017a). Overall, there is a clear correlation between greater local dependency on EU markets and the share of the Leave vote, especially in the Leave-voting regions of the Midlands and North of England which are also amongst the UK's economically weakest regions. Furthermore, if we expand this analysis and consider all the Brexit trade-related risk exposure of each UK region including all UK-EU global value-chains connected to third countries - we see that this same broad pattern is still very evident. The regions that voted Leave, and especially the economically weaker regions, tend to be more exposed to Brexit trade-related risks than the regions that voted Remain. In contrast, the wealthier Remain-voting regions of the UK in and around the London economy as well as in Scotland are both less dependent on EU markets for their prosperity and less exposed to wider Brexit trade-related risks than the economically weaker Leavevoting regions (Chen et al., 2018).

Obviously the actual regional and national outcomes of Brexit on the UK and the EU will depend in part on the final form of Brexit. For most of the time since the 2016 Referendum the discussions have largely been about four broad forms of Brexit, namely, the so-called Norway model, the Swiss model, the Canada/South Korea model and the World Trade Organization (WTO) model, with most analyses assuming that the likely adverse economic consequences of Brexit on the UK become progressively more serious with this ordering. Meanwhile, the likely regional impacts of these four main types of Brexit are all discussed in detail by Los et al. (2017a). In addition, two other possibilities have recently emerged in mainstream public debates, namely, a hybrid 'Chequers Plan' model proposed by Prime Minister Theresa May and a 'No Deal' scenario. The Chequers Plan is something of a combination between the so-called 'Jersey model' (Springford & Lowe, 2018) and the Swiss model (Springford, 2017), and this model aims to keep goods and agricultural commodities in a common UK-EU customs set-up while excluding services. On face value, a simple sectoral view would suggest that the likely impacts of the Chequers Plan would appear to be less severe for regions specialized in manufacturing than for more service-oriented regions. Indeed, research arrives at similar conclusions, although not specifically related to this plan (Dhingra, Machin, & Overman, 2017; Fingleton, 2018). However, the high levels of value-chain integration at the local level between services and manufacturing (Los et al., 2017a) means that such services versus manufacturing-type conclusions do not necessarily hold. Meanwhile, the consequences of a No Deal scenario are generally regarded as being catastrophic for the UK as a whole, and especially for many of the UK's weaker regions that tended to vote Leave (The UK in a Changing Europe (UKICE), 2018), due in particular to the rupturing of cross-border just-in-time (IIT) supply chains in regions already deeply embedded EU-wide value-chains (Bailey, McCann, & Ortega-Argilés, 2018). Indeed, a large majority of other research using different data sources and modelling techniques has also subsequently come to similar findings that the likely impacts of Brexit will more adversely affect the weaker regions of the UK (Borchert & Tamberi, 2018a, 2018b; Cambridge Econometrics, 2018; Chen et al., 2018; Clarke, Serwicka, & Winters, 2017; Gasiorek, Serwicka, & Smith, 2018; House of Commons Exiting the EU Committee (HoCEEUC), 2018; Institute for Public Policy Research (IPPR), 2018; Levell & Norris Keiller, 2018; Los et al., 2017a; Brewer & Quest, 2018; HM Government, 2018b), largely irrespective of the form of Brexit.

These adverse implications of Brexit for the UK's weaker regions are also likely to be exacerbated by the fact that many of these regions have greatly benefitted from EU Cohesion Policy over more than four decades. The EU Structural and Investment Funding Streams are to be terminated post-Brexit. Annually, the EU Structural and Investment Funds currently invest on average some €2.5 billion in the UK, a figure that rises with domestic co-financing to over €4 billion, and to over €10 billion per annum if we also include European Investment Bank<sup>1</sup> investments (Ayres & O'Brien, 2018).<sup>2</sup> These funds tend to be weighted somewhat more towards urban areas, and especially urban areas in the UK's weaker regions. At the same time, if we also include the implications of the withdrawal of the Common Agricultural Policy (CAP) from rural areas, these figures then become even more significant because the UK's allocation of CAP funds currently amounts to over €3.2 billion per annum. In addition, with Cohesion Policy, the funds allocated to UK rural areas and maritime areas for promoting economic development and structural transitions amount to some €770 million, respectively, plus some €300 million of domestic UK co-financing, leading to an annual total funding stream of over €1 billion for economic development in UK rural and maritime areas (Ayres, & Brien, 2018). All these funding streams, which currently amount to over €11 billion per annum, and over €14 billion per annum if we include CAP, are to be terminated after Brexit.

Brexit, therefore, has the potential to make the UK's interregional inequalities, which are already amongst the highest in the industrialized world, to become much greater than they already are. This is because Brexit is likely to make the trading position of the UK's weaker regions significantly harder that it already is, and therefore these

regions will have to restructure and adjust much more than wealthier regions in order to maintain their competitiveness and prosperity. Yet, these Leave-voting regions are also those that tend to be less resilient to economic shocks and also more reliant on EU regional, urban and rural development funding streams. Their industrial structures tend to be more specialized and narrowly defined than more prosperous regions, they display lower levels of technology and skills, their levels of global connectivity tend to be much lower than in more prosperous regions, and their governance autonomy and flexibility also tends to be much more limited than in many of the wealthier UK regions. Indeed, this has already been very much the pattern of UK regional responses to the 2008 Global Financial Crisis (Centre for Cities, 2018). In contrast, the UK's more prosperous regions that voted Remain tend to be more resilient to economic shocks because they are more globalized in their trade orientation, more sectorally and structurally diverse, with higher levels of knowledge activities, skills and connectivity.

Yet, the fact that the UK's peripheral and economically weaker regions voted so strongly against their own economic interests to many observers appears puzzling. Part of the reason could simply be that the 'metropolitan elite' argument was never seriously challenged during the EU Referendum debates. Indeed, the only evidence on this issue emerged a week or so before the vote took place (Springford, Los, McCann, & Thissen, 2016). However, more likely, the reason is that voting patterns depended on a complex range of other issues, in which these critical trade-related arguments were almost entirely lost (Los et al., 2017a). Whatever the reason, it remains the case that while all parts of the UK economy are likely to be adversely affected by Brexit, the adverse effects will probably be much harsher in those economically weaker regions with a more limited ability to adjust to the shocks. In all likelihood, the result will be even greater interregional imbalances within the UK than already exist.

The likely post-Brexit widening of the UK's interregional imbalances must be a major cause of concern for politics. Dissatisfaction and disengagement from mainstream politics is likely to worsen significantly if Leave voters in particular, who felt they were voting to improve their livelihoods and the prosperity and viability of their local communities, subsequently find that in the post-Brexit context their communities are even more adversely impacted than in the pre-Brexit context. Before the Brexit vote, the recent aim of central government has been to develop more of a place-based approach to UK policy, with an increasing emphasis on helping weaker regions to reorient themselves towards new development trajectories by providing more local decision-making powers (HM Government, 2017b). However, Brexit appears to have stalled or even reversed many of these decentralization and devolution processes.

Brexit is nowadays dominating, and to a large extent completely overwhelming, the vast majority of UK current government thinking and activities. The scale of the Brexit challenge facing the UK means that many other aspects of governance have been largely put on hold while the Brexit process continues (Bloomberg, 2018), and this situation is likely to continue to prevail for several years into the future. In such a complex and uncertain environment in which the UK's long-run fiscal balances are also likely to deteriorate (Emmerson, Johnson, Mitchell, & Phillips, 2016), the need to control and coordinate government activities naturally leads central government to try to centralize and control 'in-house' all government activities and initiatives, as far as possible. This tendency towards centralization and control is all the stronger in a state such as the UK, which is already highly centralized and extremely topdown in terms of governance decision-making systems. This is because, unlike in federal countries, there are few, if any, countervailing institutions to resist or oppose these centralization pressures, and this is especially the case in England. In the devolved administrations of Scotland and Wales, there are efforts to acquire power that were previously the remit of European policies such as agriculture, fisheries, and urban and regional policy (Menon, 2018). In England, however, except for a very few localized efforts for Brexit-related exemptions,<sup>3</sup> sub-national government has almost no influence and plays almost no part in the Brexit negotiations. The only possible exception here is the effort to maintain some special post-Brexit status for the financial markets in The City of London.<sup>4</sup> This effort is very much the remit of central government, although it is supported by heavy local lobbying as, unsurprisingly, the impacts of any such deal would be felt primarily in London. Ironically, for all the media profile and political efforts going into securing such an exemption, this sector only has a relatively low level of risk exposure in comparison with many other UK sectors (Los, Chen, McCann, & Ortega-Argilés, 2017b).

In extreme political economy circumstances such as Brexit, these centralization processes might not necessarily be a problem per se. However, the problem is that these centralizing Brexit-related governance pressures are taking place at a time when the UK government is also explicitly advocating movements towards greater sub-national governance decentralization and devolution. This is a policy agenda that began in earnest from 2013 onwards and the cornerstones of the agenda were the city-region devolution deals and the Northern Powerhouse programme (McCann, 2016). The momentum behind the devolution agenda increased rapidly throughout the period 2013-16, but then has largely stalled since the EU Referendum. The combined authority (CA) mayoral elections that took place in 2017 were based on policies that were already developed before the EU Referendum, but since then almost no new devolution-related policy initiatives have taken place and few, if any, are currently on the horizon. Moreover, the downgrading of the long-term expectations for the UK's public finances, in part as a result of Brexit (Emmerson et al., 2016), and the continuing austerity policies, have meant that local government finances have been heavily curtailed. At present, much of UK sub-national government, and within England especially, has very few resources, with little power and with very limited influence

over central government. Indeed, it is no surprise that the morale of local council leaders regarding the likely impacts of Brexit is at a low ebb (Helm, 2018), with pessimism the highest in the Leave-voting regions outside of London and the South East (New Local Government Network (NLGN), 2018). Indeed, the present analyses give good reasons why local council leaders in these regions ought to be especially concerned. At the same time, the hiring of new public officials and civil servants is dominated by the need to expand central government's capabilities to deal with Brexit. As such, the Brexit-induced governance centralization processes go precisely against the decentralization and devolution agenda that was being encouraged by the UK government over recent years.

From a medium- and long-term policy perspective, the national government's contradictory positions on Brexit and sub-national governance militate against any real clarity or effectiveness in policy-making. The possibilities for genuinely structured, analytical and strategic thinking about the future of UK regional and urban policy have become very limited because such thinking is constantly running up against conflicting or contradictory political or operational pressures. On the one hand, government centralization could be argued to be essential both for negotiation control and also to be able to develop UK-wide standardized policy-setting for the post-Brexit era. On the other hand, the regional shocks that are likely to be induced by Brexit ought to mean that now is a time requiring serious advances in UK urban and regional policy development. Yet, a current concern in many quarters is that efforts at genuinely long-term and outcome-oriented policy design are becoming dominated by Brexit-induced political thinking driven by short-term political considerations, and these concerns are not without substance. Indeed, it was this type of short-term political thinking that in 2010 gave rise to the abolition of the English regional development agencies (RDAs) and their replacement by local enterprise partnerships (LEPs), a policy decision that took place without any real serious or structured thinking about the long-term implications of the abolition decision. Today, there are still genuine concerns regarding the extent to which the 'Northern Powerhouse' agenda is maintaining its earlier momentum and doubts about the seriousness with which central government currently takes programmes such as the Northern Powerhouse or the 'Midlands Engine'. This is all the more concerning because these two programmes also include many of the Leave-voting areas that are so vulnerable to Brexit. Apart from some limited policy initiatives in the area of planning and housing, central government's momentum behind the subnational devolution agenda appears to have largely stalled for the foreseeable future, except possibly in the arena of industrial policy.

The possible new place-based dimensions of UK industrial policy were first discussed in detail in the Green Paper entitled *Building Our Industrial Strategy* (HM Government, 2017a). The Green Paper included discussions about the need for new sub-national meso-level institutions within the UK that are capable of designing and delivering

a devolved approach to industrial policy decisions at a more local level. For urban and regional analysts, these ideas represented a very welcome step forward in thinking and suggested a possible change of trajectory for sub-national governance. However, following an extensive public consultation, in the subsequent White Paper entitled Industrial Strategy: Building a Britain Fit for the Future (HM Government, 2017b), these ideas had been heavily watered down. Discussions regarding possible new meso-institutions has all but disappeared and instead the focus shifted to the development of 38 local industrial strategies to be led either by city-region mayors in the newly formed CAs, or by the LEPs in other areas. In contrast to the earlier Green Paper, the tone of the White Paper appears to have moved away from place-based and sub-national institutional reform priorities and much more towards 'big science' themes with limited sub-national institutional implications. Evidence of this shift from place-based to sectoral narrative comes from the fact that, in simple raw terms, the share of discussion and analysis of place-based perspectives and dimensions fell from just under 15% in the Green Paper to less than 10%. To what extent is this shift due to pressure and lobbying from strong sectoral interests or to a lack of clarity on the part of city-regions regarding their future post-Brexit roles and missions is not clear. There have recently been new devolution arrangements agreed for the North of the Tyne and Sheffield City regions, and there are some ongoing discussions about devolution-related matters.<sup>5</sup> The government 2017 election manifesto also proposed a devolution framework, although nothing concrete has as yet emerged. A new UK Shared Prosperity Fund to replace EU Cohesion Policy in the UK has been announced, but there is little or no real detail as yet about what this implies in terms of the overall UK sub-state governance or financial system, how this will relate to the UK's complex patchwork of local development institutional arrangements or how this might operate alongside local industrial strategies. There have been suggestions that this will probably be a competitive fund, along the lines of an expanded version of England's Regional Growth Fund, but whether such a system would best be operated at the level of the UK as a whole, at the level of the four nations or at a sub-state regional level remains a key issue on which there has a yet been no theoretical, empirical or operational discussions. Nor is it clear whether the British Business Bank can replace the role of the European Investment Bank (EIB) or whether some form of regional business or investment banks may be required.

Overall, it therefore remains to be seen what will emerge from these various debates, but the general point still holds that the sub-national decentralization and devolution agenda which was already in train before the EU Referendum appears to have largely stalled, while at the same time Brexit now provides four serious challenges to the long-run development potential of the UK's weaker regions. First, almost all the available evidence suggests that the UK's interregional inequalities are likely to increase precisely because of Brexit and this leads first to an *economic challenge* of trying to reduce these inequalities or to limit

their growth in the long run. Second, Brexit leads to a political challenge regarding the responses to public expectations because this is not what Leave-voting regions were led to believe in the EU Referendum debates. On the contrary, many sections of the general public in economically weaker regions were persuaded that Brexit would improve their local prosperity and fortunes. Third, Brexit has created an enormous governance challenge because the hyper-centralization induced by the Brexit negotiation process has stalled and in many ways reversed the earlier governance decentralization and devolution trends evident before the EU Referendum. Fourth, there is now a serious institutional challenge because while there has been some progress in governance (Department for Communities and Local Government (DCLG), 2017; HM Government, 2018a), many LEPs still have no real capacity to design or deliver serious long-term and effective local industrial policies, especially in the weaker regions and in the aftermath of Brexit. These four challenges ought to prompt a nationwide rethinking about what the optimal or appropriate scale of sub-national governance in England, at least, might be (McCann, 2016). However, as we have already seen, central government has as yet taken no real steps to respond to any of these four challenges. The responsibility for addressing these issues has therefore shifted to local and regional sub-national or sub-state bodies with very limited powers and no real potential to influence national debates (Menon, 2018). It is many of these institutions that are the most acutely aware of the implications of Brexit for their communities and also the most concerned to start addressing the challenges and we survey in this paper the types of activities and actions currently evident at the sub-national and sub-state levels.

# A SURVEY OF BREXIT ACTIONS AND INITIATIVES WITHIN THE UK AND EUROPE

We conducted a UK-wide survey of Brexit-related policy actions and initiatives using systematic search tools. The survey involved a rapid evidence review of the academic literature, grey literature, online news and websites of relevant government and business organizations between September 2017 and May 2018. These examples were documented and grouped according to the region and stakeholders involved, highlighting the regional differences. In May 2018, we also hosted a series of participatory workshops to explore post-Brexit scenarios with city, regional and national stakeholders. The four workshops took place across the country in London, Birmingham, Leeds and Edinburgh and invited leading academics, policy stakeholders, government officers and business representatives to participate in a series of panel discussions. Over 200 delegates attended the four workshops, which provided a useful platform to 'road test' the findings from our rapid evidence review on interregional inequalities and subnational responses.

In our evidence review, we did not restrict the analysis to any particular size, mode or tier of sub-national governance because the institutional set-up of the UK is very much a patchwork. Instead, we have documented at the level of the 12 NUTS-1/OECD-TL2 UK regions all the major publicized and observable activities, initiatives and actions according to whether they were initiated: (1) at the level of the wider city-region combined mayoral authorities; (2) at the narrower level of the individual town or city; (3) at the local level and initiated by businesses groupings, sectoral bodies or industry associations; and (4) reports and analyses produced by other bodies. The examples reported here reflect some of the key concrete initiatives taking place in each region, and a fuller list of activities including news briefings, political statements and media pieces is available on our project website.<sup>7</sup>

As shown in Table 1, there are currently many different types of Brexit-response activities and actions taking place in the different parts of the UK. These activities and actions are almost entirely organized at the local, city or city-regional or devolved administration level with no involvement from central government whatsoever. Indeed, central government has as yet not organized any Brexit-response activities or actions for sub-national government. Table 1 provides an overview of the various types of Brexit-response activities and actions taking place within the UK subnational institutional set-up, broken down according to the region, the tiers of governance, the types of stakeholders and the types of initiatives. The list is obviously not exhaustive, although it is detailed, and presents a broad roadmap of what is or is not taking place.

The first thing that is immediately evident is that the Brexit-response activities and actions currently taking place in the different tiers and parts of the UK vary enormously. In general, there is no systematic or coherent schema underpinning these activities, most of which are organized locally and largely in a rather ad-hoc manner. Nor is there any real evidence of coordination between regions, especially at the larger scale regions. Various discussion-type forums have been established and in different localities aimed at bringing local stakeholders together; some localities have held conferences to debate local Brexit-related issues; and some areas have commissioned local impact analyses and reports to improve the local evidence base around key sectors. Some areas have also started local campaigns aimed at raising Brexit awareness, especially amongst the local business community, while other regions are producing briefing and discussion papers. In general, the devolved administrations of Scotland, Wales and Northern Ireland, along with some of the major city-regions such as Greater Manchester and the West Midlands, have undertaken the majority of the Brexit-response activities. In contrast, when surveying the UK sub-national governance landscape, it becomes evident that the majority of UK localities have undertaken no Brexit-response activities or actions whatsoever. Indeed, even including the devolved administrations and the CAs, while there have been various Brexit-response activities, across the UK there have been few if any concrete policy-related actions. At this stage, much of what is being undertaken is largely speculative. In part this is because the final post-Brexit UK-EU trading relationships are

Table 1. Brexit policy responses and actions taking place at the UK sub-national level.

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
West Midlands	In August 2017, UK Cabinet ministers visited the West Midlands to meet businesses and members of the public in a Brexit Summit Andy Street, Mayor of the West Midlands Combined Authority (CA), demands greater local governance powers: 'Give us the millions you hand the EU, demands mayor' ( <i>Birmingham Post</i> , 2018)  Parliamentary Under Secretary of State Robin Walker attended a series of roundtables hosted by Street	Birmingham Birmingham City Council has an 11- person team in charge of Brexit issues as part of the European & International Affairs team Meetings were held to discuss the council's Business Growth Strategy within the context of funding opportunities available to small and medium-sized enterprises (SMEs) in a post-Brexit world  Stoke-on-Trent In November 2017, the Stoke-on-Trent and Staffordshire local enterprise partnership (LEP) launched a survey to seek the views of local businesses on Brexit	The Engineering Employers' Federation (EEF – the manufacturers' organization) launched a Brexit Roadshow series conference in Birmingham The West Midlands National Farmers Union and Daniel Dalton MEP invited Shropshire Young Farmers to a one-day conference on The Future of Farming in Post-Brexit Britain in Worcester, 3 February 2018	A Birmingham City University thinktank at the Institute for Design and Economic Acceleration (IDEA) (2017) produced a paper <i>The Countdown to Brexit</i> The West Midlands Economic Forum, the Black Country Chambers of Commerce and the Centre for Brexit Studies produced the report <i>Making a Success of Brexit: Evaluating the Impact on the Economy of the WMCA and the Wider Region</i> (Centre for Brexit Studies, 2018) Independent Brexit Impact Analysis by the Brexit Advisory Board
	<i>'Brexit Advisory Board'</i> – An advisory commiss Birmingham City Council, LEPs and the West N universities in the region to gather evidence to	Aidlands CA as well as experts from the		

<b>Table 1</b> . Contii	nued.
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Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
North East	Advancing the North East event (November 2017): brought together a panel of experts to develop a new agenda for change	Newcastle upon Tyne The city hosted a Brexit and the North of England: An Expert Seminar, funded by	The Brexit Ready Supply Chain Campaign to Support North East Businesses, which is jointly organized by	The North East Brexit Group brings together key networks representing businesses, education, trade unions,
	North East Local Enterprise Partnership Board engaged in discussions with local firms	the Economic and Social Research Council (ESRC) In March 2017, Newcastle College hosted a conference of business leaders, learning providers and other key stakeholders on the economic outlook for Newcastle and what steps the city could take to ensure	the North East England Chamber of Commerce and commercial law firm Square One Law, aims to create a planned and collaborative approach to Brexit preparations	local authorities and voluntary organizations
		growth and jobs creation in the post- Brexit context  Sunderland:		
		Although Nissan is the major local		
		employer, Brexit is not covered in Sunderland's Core Strategy and		
		Development Plan 2017–2033 – other		
		than it provides a post-EU Referendum perspective on future economic growth forecasts		
		PACEC Ltd, in partnership with Dr Swati Dhingra of the London School of		
		Economics' (LSE) Centre for Economic Performance, were commissioned by		
		Sunderland's Economic Leadership Board		
		in March 2016 to study the likely economic impacts of the UK voting to		
		leave the EU on the local economy of Sunderland		

Table 1. Continued.

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
		Durham		
		The EU Energy and Environment Sub-		
		committee published its report on Brexit:		
		Energy Security, looking at the		
		implications for energy supply, consumer		
		costs and decarbonization (Parliament.uk,		
		2018). The Durham Energy Institute		
		(Durham University) was quoted several		
		times in the report on questions related to		
		energy security, the internal energy		
		market, research collaboration, policy		
		uncertainty and Euratom		
North West	The North West Brexit Monitor, produced by	Manchester	The bi-annual North West Business	The IPPR North (2017a) State of the
	the Greater Manchester CA, documents key	The Greater Manchester Brexit Monitor	Monitor, compiled by the Liverpool	North Report 2017: The Millennial
	economic and policy developments (Greater	(New Economy, 2016–18) is produced	Business Association (2018) and	Powerhouse contains a section on
	Manchester Combined Authority, 2017)	monthly by New Economy, the strategy	Manchester-based independent market	'Brexit: An Uncertain Future Ahead'.
		research arm of the Association of Greater	research consultancy Lookout, provides	The IPPR North (2017b) also produce
		Manchester CA, to provide a real-time	insights into a wide range of issues	The Impact of Brexit on Energy in the
		snapshot of the economic and policy	facing the business owners and senior	North: A Northern Energy Taskforce
		impact of Brexit	managers of hundreds of North West	Working Paper
		Andy Burnham, Mayor of the Greater	enterprises, including Brexit	
		Manchester CA, argued for Greater	Research from professional services	
		Manchester to have a say in negotiations	giant KPMG found that 33% of the	
		over Britain's departure alongside the	region's manufacturers are thinking of	
		devolved administrations of Scotland,	relocating part of their business	
		Wales and Northern Ireland	overseas in the next three years either to	
			boost productivity or to cut costs	

Table 1. Continued.

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
		Liverpool		
		In July 2017, a meeting of the Liverpool		
		City Region CA recognized that, alongside		
		local industrial strategies and greater		
		fiscal autonomy, there was also a need for		
		a regional voice on Brexit		
		Research was undertaken by the		
		Voluntary, Community, Faith and Social		
		Enterprise (VCFSE) on the potential		
		impact of Brexit on the Liverpool City		
		Region via the withdrawal of the sector's		
		EU funding		
Yorkshire	The leaders of three Yorkshire councils shared	Leeds	The Engineering Employers' Federation	
and	a platform to argue that a Yorkshire-wide	Leeds City Council leader Judith Blake led	(EEF) (2017) EEF/BDO Regional Outlook	
Humber	devolution settlement would enhance the	a delegation of core city mayors to meet	2017 report highlights how Brexit has	
	scale and influence of the region including in	Michel Barnier to discuss the interests of	thrown up significant challenges for	
	Brexit debates (26 January, 2018)	the city-regions	manufacturers	
		Sheffield		
		A report was published by Oxford		
		Economics (2017) for the Sheffield City		
		Region: <i>The Impact of Brexit on the</i>		
		Sheffield City Region: Issues and Evidence		
		Shemera City Negron. Issues and Evidence		

Table 1. Continued.

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
Scotland	The Scottish government produced a report	Glasgow		
	entitled the Potential Implications of the UK	The Glasgow Chambers of Commerce in		
	leaving the EU (Gov.scot., 2016) and another	conjunction with the International Public		
	called Brexit: What's at Stake for Businesses	Policy Institute (IPPI) and The Fraser of		
	(Gov.scot., 2017)	Allander Institute, University of		
	The Scottish Parliament Information Centre	Strathclyde, produced a report entitled		
	has released a series of briefing papers on	Brexit and the Glasgow Economy:		
	Brexit-related issues, and the Scottish	Impacts, Actions and Asks (Glasgow		
	Government Culture, Tourism, Europe and	Chambers of Commerce, 2016)		
	External Relations Committee (2017)			
	produced <i>Brexit – What Scotland Thinks:</i>	Edinburgh		
	Summary of Evidence and Emerging Issues	Edinburgh Council is to publish a plan on		
	documenting the views of over 150 different	how the local authority will support EU		
	organizations and individuals	citizens during the uncertainty of the		
	-	Brexit process		
		Dundee		
		Dundee has set up a Brexit Advisory Team,		
		made up of six of the council's most senior		
		officials, to monitor Brexit developments		
		and to assess its impact on the city		

(Continued)

Table 1. Continued.

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
		Inverness		
		The 'Unheard Voices, Unseen		
		Communities' event brought together		
		over 35 politicians, academics, social		
		workers and community activists to		
		discuss issues affecting Polish		
		communities in Scotland		
		On the 9 October 2017, the Civil Society		
		Brexit Project presented Brexit Means		
		What?		
		Perth		
		The Perth & Kinross Economic Journal		
		(2017) produced a briefing on Migration		
		since the Brexit vote		
ondon	The mayor commissioned an independent e	conomic Brexit analysis for London entitled	The City of London Corporation that has	The real estate company Savills (2016
	Preparing for Brexit (Cambridge Econometric	cs, 2018)	been heavily involved in ensuring the	produced the report The impact on
	The Think Tank Centre for London (2017) pr	oduced the report <i>London after Brexit</i>	voice of financial and professional	residential development: Brexit
			services firms is heard in helping to	Briefing 2016
			shape the future relationship between	
			the UK and the EU	
			Frontier Economics (2018) produced the	
			report Assessing the Impact of Brexit on	
			Financial Services	
			Oliver Wyman (2017) produced the	
			report One Year On from the Brexit	
			Vote: A Briefing for Wholesale Banks	
			The ILC 2018 report Brexit and the	
			Future of Migrants in the Social Care	
			Workforce (ILC-UK, 2018)	
			ECONSTOR (2016) produced a report	
			Will Brexit Dwarf London's	
			Competitiveness as a Financial Centre?	

Table 1. Continued.

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
Wales	In January 2017, the Welsh government launched a White Paper Securing Wales' Future (Gov.wales., 2017), setting out the main issues facing Wales as the UK leaves the EU In February 2018, a document released by the National Assembly for Wales, External Affairs and Additional Legislation Committee is entitled How is the Welsh Government preparing for Brexit?		On 8 January 2018, The Welsh government announced that a £50 million EU Transition Fund was being set up to help Welsh businesses prepare for Brexit  The Federation of Small Business (2018) produced the report Making Brexit  Work for Wales' Smaller Businesses	Cardiff University – The Wales and the EU Hub (http://sites.cardiff.ac.uk/wgc/eu/) provides analyses examining the implications of Brexit for Wales as a devolved nation
East Midlands	ргераппу тог втехи:	Leicester Meeting of the Health and Wellbeing Board, 3 April 2017 (Item 67). The board discussed the possible impact of Brexit on the local NHS and care workforce	Over 200 delegates from across the East Midlands attended the region's Brexit conference entitled Business after Brexit in November 2017 held at Newark Showground	Unite union shop stewards from across all sectors of the East Midlands economy came together on 28 November 2017 to discuss Brexit and build an action plan to protect jobs in the region
		Northampton The University of Northampton Students' Union Rotaract Club and the Northamptonshire County Council together organized two events examining the impacts of Brexit on jobs and prosperity, the second of which was entitled Brexit and Civil Society		

(Continued)

REGIONAL STUDIES

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
South West	An online survey to gather evidence about the	Bristol	In March 2018, the Society of Motor	
	impact of Brexit was promoted by the Heart	Mayor Marvin Rees convened a city-wide	Manufacturers and Traders (SMMT)	
	of the South West LEP and local authority	Brexit Response Group (BRG) to fully	brought together automotive	
	partners in Devon, Plymouth, Somerset and	understand the challenges and	manufacturers, suppliers and	
	Torbay	opportunities posed by Brexit. The group	government officials from across the	
		includes local organizations in the public,	South West at its Regional Forum in	
		private, business and academic sectors	Swindon to discuss new supply chain	
		plus voluntary and community groups	opportunities and preparations for Brexit	
		Exeter	The Chartered Institution of Building	
		In October 2017, Exeter held its first	Services Engineers (CIBSE) South-West	
		international trade event aimed at local	held a joint event on Brexit and the	
		businesses that export their goods or	impact on the South West construction	
		services overseas, including speakers from	industry, attended by over 100 people	
		the Heart of the South West LEP and the	Cumulus Consultants (2017) produced	
		Department for International Trade	an analysis on the potential impacts of	
		.,	Brexit for farmers and farmland wildlife	
		Plymouth		
		Plymouth established a Brexit		
		Opportunities and Resilience Group		
		update – Plymouth City Council provided		
		some research and analysis support for		
		the group – and its first projects will be to		
		look at the issues and opportunities		
		around agriculture, construction and		
		labour markets		
		iabodi ilialkets		

Table 1. Continued.

Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
		Truro		
		On 27 February 2017, representatives of		
		local councils, business leaders, health,		
		housing and education providers, and		
		voluntary and community organizations		
		discussed the progress in delivering the		
		Devolution Deal awarded to Cornwall and		
		the Isles of Scilly the previous year and to		
		hear about the area's post-Brexit plans for		
		the future		
South East	The South East LEP (2017) published <i>A five</i>	Oxford		In July 2017, the (Centre for European
	year skills strategy: Brexit and its impact on	Oxford City Council (2017) produced a		Studies at Canterbury Christ Church
	funding, sectors and the local workforce,	Response to a Local Government		University (2017) produced the report
	focusing on Brexit and its impact on funding,	Association Enquiry into the Impacts of		Kent and Medway. Making a Success of
	sectors and the local workforce	Brexit		Brexit: A Sectoral Appraisal of Small
	The South East England Councils and South			and Medium Sized Enterprises and the
	East Strategic Partnership for Migration			Rural Economy
	produced a response to the Migration			Metro Dynamics produced a report on
	Advisory Committee's (MAC) call for evidence			the potential implications of Brexit on
	on the economic and social impacts of the UK			19 of Norfolk's and Suffolk's strategic
	exit from the EU			and strong sectors
Northern	In March 2018, the 11 local authorities that	Armagh	The Northern Ireland Chamber of	Queen's on Brexit brings together
Ireland	comprise the Ireland/Northern Ireland Border	In December 2017, the House of	Commerce (2017) produced a report on	academics from Queen's University
	Corridor met with Helen McEntee, Republic of	Commons Brexit Committee was in	Business Brexit Priorities	Belfast to discuss Northern Ireland's life
	Ireland Minister of State for European Affairs,	Northern Ireland to hear the views of local	PwC (2018) produced a report on	and policy affected by Brexit
	in Newry to discuss the implications of Brexit	people	Brexit: Implications for Pharma and Life	The Northern Ireland Human Rights
	on the Border Corridor		Sciences Companies	Commission (NIHRC) and The Northern
		Belfast		Ireland Business and Human Rights
		Belfast City Council established a		Forum meet to discuss the steps
		committee focusing on issues		Northern Ireland businesses are taking
		surrounding Brexit		to protect and respect human rights

Table 1. Continued.	ıtinued.			
Region	Mayor/regional governance action	City council actions	Local businesses actions	Reports, groups and commissions
		In February 2017, Derry City and Strabane		
		District Council (2017), in conjunction		
		with Donegal County Council, published a		
		research document on the potential local		
		impacts of Brexit		

not known, and partly because the evidence base that is available to local policy-makers has been so limited. Nor has there been any support from UK central government which as yet has not organized any Brexit-response actions or activities for sub-national tiers of government. Awareness even at the local level of most of these Brexit-related activities appears to be minimal at best, and at the level of central government it is almost non-existent. Nor do these local activities appear to have any influence on any of the narratives and debates taking place in the highly London-centric national media. Indeed, the limited, uncoordinated and largely ad-hoc nature of the local activities, their largely undefined roles and objectives, and their almost total lack of influence on the national Brexit agenda is in many ways a reflection of the overall state of UK subnational governance.

If we now consider the Brexit-related issues and implications for regions in other EU member states, we know that it is the regions in Ireland, Germany, the Netherlands and Belgium, in descending order respectively, that are the next most exposed regions to Brexitrelated risks (Chen et al., 2018). Except for Ireland, the levels of Brexit trade-related risk exposure in these countries are very much lower than those for the UK regions, while regions in the rest of Europe spanning the Mediterranean, Central Europe and the Nordic countries have only tiny Brexit trade-related risk exposure levels (Chen et al., 2018). However, there are still serious concerns in many specific regions, and especially those with longstanding trading relationships with the UK such as regions in Ireland (Morgenroth, 2018) and regions close to the English Channel about the likely impacts of Brexit on their future development potential (European Union Committee of the Regions (CoR), 2018a, 2018b). Given its high levels of Brexit exposure (Chen et al., 2018), the Republic of Ireland has developed tools to help firms assess their Brexit risk exposure levels<sup>9</sup> and some local councils in Ireland have set up emergency funding possibilities for firms deemed to be severely at risk from Brexit. 10 Elsewhere, the CoR (2018a, 2018b) undertook a territorial impact assessment of the regional impacts of Brexit followed by a published report that integrated all the EU-wide evidence assessing the likely exposure of Brexit across EU regions. However, for almost two years since the UK's 2016 EU Referendum there has been no regionally based EU-wide coordinated programme of actions or initiatives in response to Brexit, although by the summer of 2018 EU activities in the cross-Channel port areas have been significantly stepped up in order to try to cope with a hard or chaotic Brexit (BBC, 2018a, 2018b). In the late summer of 2018, both the UK government (UK Government, 2018) and the European Commission (2018) started issuing policy papers regarding the implications and preparations for a No Deal scenario, but these are largely sectoral with little if any regional dimension to them, except in the case of the UK regarding short-term Cohesion Funding arrangements. As with the case of the UK, there appears to

have been little if any real official guidance in any country for regions that are especially exposed to Brexit.

## THE INSTITUTIONAL CAPACITY OF UK SUB-NATIONAL GOVERNANCE

In the post-Brexit UK context, the development of local industrial strategies is one of the main local, urban and regional policy initiatives. These are to be led either by city-region mayors in the newly formed CAs or by the LEPs in other areas. But how exactly these local strategies are to relate to the National Industrial Strategy, and what the overall future regional policy framework and settings are likely to be are, as yet, unknown. This, therefore, raises the questions as to the competence and capacity of the LEPs, CAs or devolved administrations to deliver such policies.

Many arguments suggest that the governance capacity of devolved administrations is reasonably high, especially relating to local development policies. In particular, both government experience and governance settings point to the fact that in comparison with most other parts of the UK, Scotland has the capacity and capability to design, develop and deliver a wide range of policies, including those related to local economic development, in the post-Brexit context. Wales has a more limited capacity for devolved governance than Scotland, partly because of both the much weaker underlying economic base and the fewer devolved powers. However, Wales still has far more experience at designing, delivering and managing policies economic development than most parts of England. Both Scotland and Wales have enjoyed longstanding direct contacts with Brussels in a manner that was not possible for many other UK regions, and they are likely to lose almost all these direct lines of communication after Brexit.

The situation in England is somewhat different. Before 2010, EU Cohesion Policy actions and interventions in the arena of local, urban and regional policy were managed by the RDAs, of which there were nine within England, working in conjunction with the regional government offices (McCann, 2016) as well as the three devolved administrations. The RDAs had built up some 15 years of experience in designing and managing local development policies co-financed by EU Cohesion Policy. Indeed, working alongside both central government and Brussels, the shared management experience the RDAs gained was one of the few genuinely multilevel governance arrangements in UK urban and regional economic policy. This experience was almost entirely lost with the abolition of the RDAs and their replacement with LEPs in 2010. Since then, the experience and efficacy of LEPs have been rather varied (Pike, Marlow, McCarthy, O'Brien, & Tomaney, 2015), to say the least, in all aspects including their links with Brussels, so in institutional-communication terms, the immediate impact of Brexit will depend on the strength of their existing links.

A much greater issue, however, is in terms of the ability of local industrial strategies partially to redress the Brexitinduced increasing interregional imbalances which are likely. Part of the problem is that many LEPs are entirely unsuitable for addressing, or responding to, many of the future economic development challenges facing the UK. Those LEPs that can play a realistic and meaningful role in fostering local development can do so largely because of the places in which they happen to find themselves, and not because of the fact that they as LEPs are the well-designed institutions to play such a role. In particular, those LEPs that are in city-regions which are either already prosperous or are already coordinating well in governance terms are likely to make some positive contributions to local development activities. In contrast, in cases where the local economy is weak or where local government coordination is difficult due to fragmentation or limited capacity, many local LEPs will be largely redundant. Indeed, the scale of the LEPs' budgets and institutional capacity means that these contributions will always be secondary, and in some cases entirely marginal, to the broader city-regional governance and economic picture. In particular, the current fragmented sub-national governance set-up does not encourage or facilitate coordination or cooperation between economically stronger and economically weaker places, except in a few very restrictive contexts. Indeed, even though a delegation of the leaders of the UK's ten 'Core Cities' met with Michel Barnier in early 2018, 11 their ability realistically to influence the trajectory of UK-EU negotiations, which are framed almost entirely within a national or sectoral logic, is extremely limited.

These issues will be particularly marked in many smaller towns and also coastal towns, and real concern has arisen regarding the future policy provision of their needs (Jennings, Lent, & Stoker, 2017). However, the likely impacts on smaller settlements post-Brexit also differ markedly across the country. In general, small towns tend to be relatively prosperous in many parts of the South, South East and South West of England, and many of these are actually more prosperous than even the most dynamic Northern or Midlands cities (McCann, 2016). In contrast, in the Midlands and North of England, many small towns are really struggling, with low levels of economic development and the widespread hollowing out of town centres (Wrigley & Lambiri, 2015). In these types of situations, many LEPs will be largely powerless to respond to their local needs, even with local industrial strategies, and the removal of discussions from the industrial strategy regarding any new coordinating meso-level institutions means that the situation is likely to remain largely unchanged for the foreseeable future because there will be no possibilities to link these towns with the city-regions.

The economic and institutional weaknesses of many of these localities is all the more problematic because for the last three decades the local, urban and regional development policy in the UK has been dominated by the logic and architecture of EU Cohesion Policy. A major advantage of EU Cohesion Policy was that it explicitly targeted weaker regions with long-term investment commitments that were largely independent of the politics of the UK national government that happened to be in power at any

one time or of the lobbying power of particular industrial sectors. Leaving the EU not only will again domesticate the remnants of regional policy but also, more importantly, will almost immediately re-politicize it, making long-term development commitments by the private sector of civil society sectors all the more difficult. This is because for purely political reasons new parties in government will always have an incentive to abolish what went on during previous governments. Such decisions will often be taken without any serious or structured thinking regarding the long-term consequences of the decision, exactly as occurred in the case if the 2010 dissolution of the RDAs and the government offices for the regions. Moreover, in a country such as the UK, with a highly centralized and top-down governance system with few countervailing institutions, the temptation to act in this purely political manner is always very strong. In the most extreme case, it will also make it easier for central government to abolish, undermine or dissolve regional policy entirely, if it so wishes, even under the guise of promoting cities. Again, the fact that the 2010 government also heavily centralized regional-related policies for England at a national level, almost entirely against the logic and spirit of place-based thinking, combined with the fact that all talk of new meso-level institutions disappeared from the industrial strategy White Paper, means that these are not unrealistic concerns. The tendency for new governments to change policy will make the establishment of long-term policy commitments which are also attractive to both the private sector and civil society - which are essential for any place-based possibility of regional rebalancing - all the more difficult. The national need for institutional reform aimed at devolution and local capacity-building will nearly always be subsumed by the perceived national-control needs of central government.

### **CONCLUSIONS**

The great majority of available evidence suggests that Brexit is likely to make the UK's interregional inequalities worse than they already are, with many Leave-voting regions being especially vulnerable. Although recently there have been some very tentative steps towards a more place-based governance system, the UK's highly centralized and top-down governance system would seem to be uniquely ill-equipped to deal with these eventualities. Moreover, these inabilities are currently exacerbated by Brexit, which is leading to both further governance centralization and also the stalling of many policy arenas, including regional economic development. Unsurprisingly, the UK's sub-national governance system appears to be largely unprepared for the post-Brexit challenges, with the many observed Brexit-related initiatives and activities being largely ad hoc and uncoordinated between localities, reflecting the widespread policy paralysis evident in the UK institutional system. Moreover, the various opposing national and sub-national governance pressures, along with the UK's domestic desire to diverge from EU-related systems and structures, will make it very difficult to design and implement a serious and workable post-Brexit UK regional development framework.

A final issue concerns the hypothetical counterfactual case, of whether a different sub-national governance setup in the UK might have permitted a more coordinated and effective response to Brexit at the regional level, and there are four possible responses to this point. First, there are strong grounds for believing that a much more devolved longstanding sub-national governance system may well have limited the interregional inequalities evident arising within the UK (McCann, 2016), and as such may have lessened the likelihood of a Leave vote in the first place. Second, international comparisons suggest that with a more devolved sub-national UK governance system, the weaker UK regions would in all likelihood have been much stronger than they currently are, and therefore they would have been more resilient to economic shocks than is currently the case. Third, however, international comparisons of other large advanced economies also suggest that the current level of devolution taking place within England is primarily to areas that are simply too small to be effective in responding to major shocks (McCann, 2016), and serious consideration needs to be given as to how the coordination between CAs as well as between LEPs and CAs can be strengthened. Fourth, it may be that much of the previously existing subnational governance capacity has been withered or destroyed by years of austerity (Bailey & Budd, 2017) and now there is the risk that devolution post-Brexit may further undermine weaker regions unless it is much more heavily underpinned with greater financial and decision-making resources from central government. Taken together, the arguments and evidence presented here suggest that a much more serious sub-national devolution agenda - with far greater financial and decisionmaking resources which also operate at larger spatial scales - is essential for a post-Brexit Britain on economic, political, governance and institutional grounds.

### **DISCLOSURE STATEMENT**

No potential conflict of interest was reported by the authors.

### **FUNDING**

The research undertaken for this paper was part of the research project 'The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors'. The project was funded through the Economic and Social Research Council (ESRC) [grant reference number 35587; council reference number ES/R00126X/1].

### **NOTES**

1. The European Investment Bank committed €36 billion of investment to the UK between 2011 and 2016, an

- annual funding flow of some €6 billion (Ayres & O'Brien, 2018).
- 2. For comparison, the total combined annual investments of all the new UK city-region combined authorities amount to no more than £300 million per annum (Pike, Kempton, Marlow, O'Brien, & Tomaney, 2016).
- 3. See https://www.grimsbytelegraph.co.uk/news/grimsbynews/brexit-exemption-sought-grimsby-seafood-736984/.
- 4. A search of Hansard (House of Commons Library and Parliamentary mentions) showed that Brexit plus London had been mentioned 1379 times, while Brexit plus Birmingham had only 186 mentions.
- 5. See https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-administration-and-constitutional-affairs-committee/news-parliament-2017/devolution-local-government-evidence-17-19/.
- 6. Which was worth some £500 million per annum between 2010 and 2015.
- 7. See https://www.birmingham.ac.uk/schools/business/research/research-projects/economic-impacts-of-brexit-on-the-uk.aspx/.
- 8. For a more detailed coverage of sub-national activities based also on local media coverage, see https://www.birmingham.ac.uk/schools/business/research/research-projects/economic-impacts-of-brexit-on-the-uk.aspx/.
- 9. See https://www.enterprise-ireland.com/en/News/Press Releases/2017-Press-Releases/Enterprise-Ireland-launches-Brexit-SME-Scorecard-to-help-companies-self-assess-readiness-for-Brexit.html/.
- 10. See https://www.localenterprise.ie/Tipperary/News/Press-Releases/Brexit-Loan-Scheme.htm/.
- 11. See https://www.corecities.com/core-cities-uk-leaders-meet-eu-chief-negotiator-michel-barnier/.

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