

# Implications of a Brexit for UK National Governance and Local Government

Report of the hearing held on 31st April, 2016



LSE Commission on the Future of Britain in Europe

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## Foreword

This is the report of a hearing on 13 April 2016 at the LSE. Participants were invited for their expertise in relation to the governments of Scotland, Wales and English local authorities. In all cases, they were asked to provide neutral and objective views, rather than any they held personally.

We are grateful for the friendly and constructive discussions that took place on the subjects raised. Some participants wished not to have their views cited, so the entire event was treated as being held under the 'Chatham House Rule'. Accordingly, contributions by individuals have not been attributed nor should any be assumed. The purpose of the hearing was to uncover the key issues likely to be salient to devolved and other sub-national units of government, whether or not the United Kingdom remains in or leaves the European Union.

# Contents

<b>1. Introduction</b>	<b>4</b>
<b>2. Summary</b>	<b>5</b>
<b>3. Scotland, the EU and the referendum</b>	<b>8</b>
<b>4. Wales, the EU and the referendum</b>	<b>12</b>
<b>5. Local government, the EU and the referendum</b>	<b>16</b>
<b>6. A wider discussion of key issues</b>	<b>18</b>
<b>7. Conclusion</b>	<b>21</b>
Participants list	22
Further reading	23

# 1. Introduction

The EU referendum debate is, understandably, much concerned with the UK's existing and potential future international relations. Trade, the economy and diplomacy could be affected by a decision to leave the EU. Equally, if the UK votes to stay, there are likely to be implications for the country's future external links. But the outcome of the referendum will also have domestic effects on the UK's nations, city-regions and local authorities. It is impossible to predict with certainty what would happen to the governance of the UK if the country left the EU. Nonetheless, there will certainly be implications for the relationship between the Scottish government and Westminster, and possibly implications for the path of devolution within England. The UK is a remarkably centralised country. A vote to leave the EU might trigger a longer-term change to the constitutional arrangements of the UK, or might further centralise power. But it is certain that the EU referendum will affect internal UK government and politics just as much as the country's relationship with the rest of Europe and the world.

## 2. Summary

### Scotland

Scotland's position within the UK means that it is able to have a voice within the European Commission and the other institutions of the EU. Scotland supports the UK position where it suits Scotland, but it also enjoys an independent voice and may take contrary positions to those of the UK government.

The differences between the UK and Scotland in relation to the EU have both material and symbolic importance. Fisheries, for example, are of material importance. Symbolically, the denial of Scotland's voice within the EU, as it would be portrayed after Brexit, would be of enormous political importance, though it clearly varies in practice, depending on the UK ministers involved.

A vote to leave the EU would certainly not make the union stronger or happier. It would excite some elements within the SNP and would likely cause, then have a significant impact on, the timing of a second referendum for Scottish independence. Yet, there is no automaticity. A second Scottish referendum is unlikely, unless and until public opinion is consistently and overwhelmingly in favour of independence.

### Wales

Economically, Europe is a very important dimension for the Welsh economy. Many firms export to the EU and many EU companies have offices in Wales.

There has also been substantial financial support for Wales, much of it decided for the unfortunate reason that it reflects the needs of the Welsh economy, which has faced increasing de-industrialisation since 1945.

Wales has been engaged for many years in the use of EU regional and agricultural funds. It has been a major beneficiary of structural funds. It is likely that Wales is a net recipient of EU funds. Research institutions are particularly concerned at the prospect of the UK leaving the EU, since significant funding for Wales would be at risk and there is no guarantee such funds would be replaced by new resources from the UK government.

There are a number of similarities between Wales and Scotland in terms of negotiations and the role of Welsh ministers in the EU, though in Wales there is no push for independence. A key issue, however, is the EU money spent in Wales and the extent to which it is perceptible. Such resources used to be highly visible, but they are less so today. Money used to be spent on easily visible infrastructure projects, while today funds are mostly spent on more 'invisible' provision, such as education and skills training.

### Northern Ireland

For Northern Ireland the implications of leaving the EU would be substantive, not least because of the border between what may be a member state and another that is leaving the EU. Some politicians in the Republic of Ireland and Northern Ireland

are concerned about the unpredictable scale of the impact if the UK left the EU. A narrow result might be unstable. It might not provide an outlet for any latent political energy. The issue is unlikely to be solved by the referendum. Indeed, in Northern Ireland the vote might have implications for the post-peace process settlement.

### Local government

Local government's influence on policy development is quite substantial, though it is not formal or treaty-based. There are many informal lobbying activities between local government and the European Commission. These bypass national government, and very often they are effective in developing regional policy and the direction of structural funding.

There are nonetheless legal imperatives for local government to be engaged with the EU. The implementation of the 70 per cent of legislation affecting local government and requiring local government implementation originates in Brussels, but if EU directives affect to a significant extent local councils, influencing their negotiation is much easier in Brussels than in Whitehall.

Leaving the EU could lead to a hollowing out of environmental protection or social protection, from maternal leave to working regulations.

Financial benefits received by local authorities have been important in terms of the direction of local government's plans for economic development.

In a context of budgetary and policy restrictions by central government, many local authorities have managed to follow an expansionary economic development path by using structural funds and other EU funding. Leaving the EU could lead to a hollowing out of environmental protection or social protection, from maternal leave to working regulations. Having said this, the UK has generally adopted the minimum level of such regulation as possible.

Local authorities' offices in the EU engender relationships with Commission officials allowing informal lobbying and the creation of relationships with other cities. Scotland is particularly effective at creating such links, while the Mayor of London has an office in Brussels to promote the UK capital's agenda and vision.

### Wider observations

The outcome of the referendum may affect UK nations' and regions' relations with each other and with the UK government. The UK's EU membership has allowed devolved nations to 'play off' UK and EU policies. Devolution has created an alternative platform to elaborate and develop alternative policy to that proposed by Whitehall. Nevertheless, devolved authorities have proceeded in a relatively cautious way, because of uncertainty

about how the changing nature of the balance of power within the UK. Devolved governments might become more critical of, or even antagonistic to, the UK government if one or more of the UK's constituent nations voted in a different way from the UK as a whole.

There was consideration of the question of the possibility (if the UK remained within the EU) of the EU imposing a level playing field and a one-size-fits-all solution.

This is precisely what local government might be expected to oppose. Nobody disagrees with the view that if central government in Whitehall decides what local government can and cannot do, this is a bad thing. But when such policies are decided in Brussels, local influence is quite small and perhaps even smaller than at Whitehall level. Why would EU rules be better than central government rules? EU-wide procurement rules arising from single market requirements were cited as an example.

The EU referendum will take place against the backdrop of continuing constitutional uncertainty within the UK. The UK has been attempting for years to develop new constitutionally evolved links between both the constituent countries of the UK and also within England. It is widely accepted that if the UK votes to leave the EU there may be pressures within Scotland to re-visit the question of independence. Wales, because of its reliance of EU funds, would face significant financial uncertainty if the UK left the EU. In Northern Ireland, there are issues related to the peace process and, more complicatedly, to the

No national politician can any longer truly speak for the United Kingdom.

border. Local government has developed its own relations with the EU, often in an attempt to create an alternative power source outside Whitehall.

The governments of Scotland, Wales and Northern Ireland all have reasons to carry their own views into the debate about the UK's future in relation to the EU. Inside or outside the Union, the devolved nations have significant power to change the constitutional settlement. England lacks a single voice, at least for the present. Indeed, the electorate can be segmented in many ways, not only by geography. Gender, race, ethnicity, age and geography are some of the sub-sets of the electorate whose views will be differently expressed in the referendum. Perhaps the most striking conclusion to be drawn from this hearing was the diffusion of impacts across the UK. No national politician can any longer truly speak for the United Kingdom. In approaching the referendum, all British politicians probably need to bear this fact in mind. Decisions about the UK and the EU will likely feed back into domestic politics for years to come.

### 3. Scotland, the EU and the referendum

The initial discussion suggested three questions needed to be addressed: first, how the EU relates to the political economy of Scotland. Second, where the EU sits in the case made for independence made by the SNP, and third, the consequences for Scotland of a Brexit vote.

Scotland, it was argued, is an open economy on the periphery of the EU with a significant industrial legacy. As such, the degree of fit with what the EU has on offer is immediately apparent. There is now a consensus on what can be termed an 'inclusive growth model'. The EU has embraced this consensus, accepting OECD-type notions, for example that there is no trade-off between a vigorous drive for growth and social inclusion: the one reinforces the other. This has broad support in Scotland. There is no traction for a vision of a 'neoliberal' Scotland. In this view of the world, there are no conservatives, no Thatcherism. The Conservative Party is markedly less Eurosceptic in Scotland than south of the border. In the longer-term, both Conservative and Labour votes have fallen in Scotland. At the same time there is almost no support for Brexit among Scottish businesses, as there is in other parts of the UK.

Scotland's position within the UK means that Scotland is able to have a voice within the Commission and the other institutions of the EU. It supports the UK position where it suits Scotland, but can also have an independent voice when taking contrary positions to those of the UK government. This is not to say that an

independent Scotland would not have a louder voice, but it is important not to diminish the value of the leverage Scotland already enjoys. This context explains (in part) the consistent support in Scottish opinion polls for the 'remain' position.

Continued membership of the EU is a fundamental pillar in the SNP's case for Scottish independence. It lies at the core of the SNP view of a viable and thriving independent Scottish state, and is perfectly parallel with the proposition of independence from the UK. This independence has always been a call for a shared sovereignty model in relation to the UK. And Scotland is already used to 'shared sovereignty'. The SNP seeks independence within the EU and thus adopts an internationalist posture. It really does want Scotland's closest neighbour to remain a member of the EU, so Brexit would add a series of undesirable complications for the independence proposition.

A Brexit vote would in any case certainly not make the union stronger or happier. It might excite some elements within the SNP and certainly have a significant impact on the timing of a potential second referendum for independence. There is, however, no automaticity, however, and a second referendum is highly unlikely, unless and until public opinion is consistently and overwhelmingly in favour of Scottish independence. Polarization is the last thing the SNP needs. The economic case for independence also needs to be reassessed now oil prices are no longer at \$100 per barrel. While oil may no longer contribute much to the

overall budget, it remains very present in debates about the economic case for independence. Its iconographic, symbolic significance remains high. But ultimately the structure of the Scottish economy resembles that of the UK in general, as the SNP has endeavoured to point out.

Ultimately, Scottish independence is probably too bold a move immediately after a Brexit vote, not least because it is unlikely that the UK would support a second referendum. Such support is necessary if only in order to avoid the legal challenges of a second referendum. We may thus expect a cautious line from the SNP. Movements for shared sovereignty arrangements rest essentially upon consent, and both parties must be willing to envisage this.

There was discussion of the fiscal balance arrangements between the EU and Scotland. The hearing discussed whether Scotland was a net contributor or net importer of finance. What was the general perception of this issue? Expert evidence suggested it was not completely clear whether Scotland is a net contributor or beneficiary, but the perception was that Scotland clearly benefits from Horizon 2020, structural funds etc. Moreover, the EU's visibility in Scotland is relatively high. As far as overall EU funding is concerned it was suggested that between 2007 and 2013 the UK had been a net contributor, though two areas within the UK were net beneficiaries: Cornwall and West Wales. Scotland considers itself a net contributor, though, importantly, in social terms a net beneficiary.

Discussions led to the question of whether there were examples of how the Scottish government aligns itself with the UK government, and how it manifests its voice independently of the UK government within the EU. Expert evidence suggested that there was a case of common interest between Scotland and UK in higher education policy, where Scottish universities have benefited significantly from, for example, Horizon 2020. Where there is a split between Scotland and the UK is, for example, in terms of fishing, where the industry has large influence on the government. To a lesser extent, but still importantly, the same can be said of agriculture in general. When the SNP came to power it worked hard to create coalitions of interests and cooperative relationships across the spectrum, but nowhere as much as in relation to fishing, agriculture and rural interests. This plays out in EU policy-making, where others have real differences with Britain; most prominently in relation to priorities with regard to ranking, for example, to the Common Agricultural Policy.

If there were a vote to stay, would there be calls for a reconfiguration of the relations between central and sub-national government? And conversely, would there be calls for further devolution of power in case of a Brexit? And could Scotland then take control, for example, of its fisheries policy?

The expert response suggested that the differences between the UK and Scotland are both of material and symbolic importance. Fisheries would be

of material importance. Symbolically the denial of Scotland's voice within the EU, as it would be portrayed, would be of enormous symbolically political importance. In practice, it varies depending on the UK ministers involved. The more confident, ebullient ministers are happy to give a voice to the Scottish minister of the day.

Would it change in the event of a vote to remain? It is changing anyway, since the political weight of Scotland has continued to increase since the referendum on Scottish independence, and Scotland has been taken increasingly seriously within the UK. The manifestations of this are a more fluid approach to those kinds of issues. In case of Brexit, the idea of a disaggregation of Scotland's share of the UK budget in relation to the EU would actually take about a decade to reorder, and development of an agricultural and fisheries policy would be crucial, yet without any certainty as to the extent of money to be made available. Negotiations would be likely to prove very difficult. Yet, in the end, devolution would probably happen. Nonetheless, at the same time Scotland would likely try to form independent links with the EU.

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Opinion polling currently suggested that 58% of the Scottish public would vote to stay and 30% would vote to leave; an interesting difference with the English polls, where 47% would vote to stay and 42% would vote to leave. Where there is a similarity between Scotland and England is on the issue of public services where 30% in both countries think the EU has had a positive effect on the delivery of public services. But in terms of pressure on public services 28% of people in England think the EU puts pressure on public services whereas only 14% think so in Scotland.

Would Scotland want a voice in the post-Brexit negotiation process? It was suggested that Scotland would continue to argue that it has distinctive interests that resonate in the relevant issue areas. The expert evidence suggested there might be a legislative consensus to force the UK government to consult properly with the Scottish government. The meeting certainly discussed strengthening devolved powers, and whether in certain policy areas such powers might be weakened. Leaving the EU might involve, for example, a hollowing out of devolved competences, since in some areas, e.g. the environment, policy has been operated both at Scottish and EU level. Scotland's approach to environmental issues ties in well with the EU's sustainability approach, which has often differed from the UK government's. Brexit would cut off the oxygen for this policy area in Scotland and Wales, and this would likely be strongly perceived as a diminishing of devolved competences.

If there were pressure (after a 'leave' vote) in Scotland for a second referendum, it would require support from the UK government. What would be the likely outcome in a scenario where the UK votes for Brexit, opinion polls in Scotland show support for independence, but the Scottish government is overruled within its own party and seeks independence. If the (possibly new) UK prime minister distances the UK government from David Cameron's earlier support for a Scottish referendum, what might happen? Scotland could hold an unofficial referendum, but could the UK then ignore the Scottish people's vote?

Expert evidence suggested that after a vote to leave the EU, the Scottish polity would seek a proposition from the UK in order to stop the material conditions in the UK turning to Scotland's disadvantage. There would then be demands to know how Scotland might pay its way and how it might relate to the remaining and continuing EU. The questions would remain posed, and the deeper the crisis after Brexit, the less easily would a proper plan reach fruition.



## 4. Wales, the EU and the Referendum

Wales is a different nation from England in many ways, though it has had a very long relationship with the EU. Like Scotland, the country is peripheral; it lies on the edge. Neither the Thatcher nor the Blair governments had much impact on Welsh political life, and the Welsh government is not neutral about EU membership. Indeed it is very pro-EU. In the same way Wales was pro-Union during the Scottish referendum. The referendum was thus challenging for Wales because of the Welsh Assembly election in May. The EU referendum thus muddies the waters in what is already a complex election.

Economically, Europe is a very important dimension for the Welsh economy. Many firms export to the EU, and many EU companies have offices in Wales. There has also been substantial financial support for Wales, much of it decided for the unfortunate reason that it reflects the needs of the Welsh economy, which has suffered de-industrialisation since 1945. In the early years of the 20th century, the Welsh economy was contributing enormously to the UK economy (largely because of its vast coal and steel output). It thereby underpinned the UK economy in many ways. Yet this was subsequently reversed as the country's economy generally became relatively weak compared to many other parts of the UK. Wales has benefitted from EU regional and agricultural funds and has been a major beneficiary of structural funds. It is likely that Wales is a net recipient of EU funds.

Higher education in Wales, for example, receives substantial funding from the EU. Research institutions are particularly concerned at the prospect of leaving the EU, and significant funding for Wales would be at risk in the case of Brexit. Moreover, there is no guarantee such funds would be replaced by new resources from the UK government. The impact on Wales of leaving the EU would thus likely be greater than in other parts of the UK, precisely because of the scale of receipt of regional funds. The table below summarises the position of Wales and other UK nations from 2014 to 2020.

EU Structural Funds, 2014-2020	
	€m
<b>England</b>	6174
<b>Wales</b>	2145
<b>Scotland</b>	795
<b>Northern Ireland</b>	457
<i>Source: Department of Business, Innovation &amp; Skills press notice, 26 March 2013</i>	

Welsh government EU interests are often in relation to 'social chapter' impacts. Expert evidence suggested there would be a hollowing out in the case of Brexit with regard to environmental issues, employment rights and equality issues. These are all areas driven by EU policy and unlikely to have risen to their current position in Wales without EU influence.

One big difference compared to Scotland is that there is no call for independence within Wales. Support for independence is around 6 or 8% of the population. A second difference stems from differences between the economic performance of Wales and Scotland's. There is no material basis for independence in Wales, simply because the resource base is relatively weak. The annual fiscal gap hovers around £14bn-£15bn. Thus, people in Wales are unlikely to want to leave the UK given this context.

There is thus a broadly pro-UK stance within 'official' Wales, but where does this leave the country in terms of the EU debate? The answer is: finely balanced. Polling at the moment suggests that there is a balance between voters intending to vote 'stay' and those decided to vote 'leave'. Ironically, the balance in favour of Brexit is probably strongest in areas in receipt of the most EU support.

There are a number of similarities between Wales and Scotland in terms of negotiations and the role of Welsh ministers in the EU. Yet, given the absence of a push for independence, Wales probably has less influence with the UK government. One issue is the EU money spent in Wales and the extent to which it is perceptible. One expert witness suggested EU support used to be highly visible, though it is less so now. Resources spent on visible infrastructure projects could be easily identified, while today funds are mostly spent on more 'invisible' policy areas, such as education and skills training. Comparison was also drawn with

the Highlands of Scotland, which are not disadvantaged. The hearing noted that the salience of the EU is palpable in economic development and farming etc., all highly visible as part of what is on offer. EU support has proved a binding agent linking economy and society.

In Wales voters in poor areas often turn to UKIP, whereas in Scotland they vote SNP. The leader of the Welsh Conservatives is in favour of leaving the EU, though many in the Assembly wish to remain in the EU. There might be a substantial number of Brexit voters within the Conservative base, but not so many in an Assembly strongly in favour of the EU. Those wishing to leave the EU tend to argue that the UK will replace the funding that the EU currently provides, though this can only be a hypothetical argument. It might and it might not.

Considering the differences in how different parts of the UK might vote, one contributor noted that Scotland is clearly in favour of remaining, while Wales and the rest of the UK are quite evenly split. There might be a tendency to make the four nations the units of comparison, though there are significant differences within England. How does the spread of opinion map out in the political geography of Wales and Scotland? There was consideration of the possible reaction in Scotland and Wales if 'remain' wins, merely because of votes in Scotland and London, though if the UK stays in because of Scotland and London, it was suggested Wales might accept the outcome.

The question of how the individual parts of the UK are likely to vote and whether the variation is what might lead the UK to remain in the EU was deemed important. The Brexit vote is different in different parts of the UK and potentially seriously problematic in Northern Ireland.

The Scottish position, it was argued, is different from the Welsh position, because the Scottish government is stronger in many ways. It has been able to act as a counter-force to a UK government dominated by the Conservatives, and this provides a frequently negative narrative about the EU. Northern Ireland and Wales are thought the least likely to be affected by such intra-UK power play.

For Northern Ireland the implications are enormous, it was argued, not least because of the border between what may be a member state and another leaving the EU. Some politicians in the Republic of Ireland and Northern Ireland are concerned about the entirely unpredictable scale of the impact if the UK left the EU. A narrow result might cause instability. It might not provide an outlet for latent political energy. So the issue is unlikely to disappear with the vote. Indeed, in Northern Ireland the vote might have further implications for the post-peace process settlement.

In Wales the media has been extensively concerned with the EU referendum; the Welsh election not even receiving the same airtime. Unlike in Scotland, most people in Wales get their news from general British not Welsh media. The EU referendum also played in with the political debate

leading up to the election. The coincidence of the two elections played into UKIP's agenda with UKIP pouring huge resources into Wales, where it stood to gain a number of seats through the proportional representation element of the electoral system. So there was something to play for in both elections.

As to the impact on the assembly elections in Wales, expert evidence suggested that interviews with party leaders, and particularly with the UKIP leader, focused on immigration and European issues, both of which are not within Welsh government competence. Yet, based on the EU referendum debate within Wales, UKIP might achieve a stronger position in the Welsh election. There is a feedback loop between the Assembly election and the EU referendum. There is also likely to be a period of uncertainty between the Assembly election and after the referendum. There are thus constraints on Welsh government and legal issues to sort out. Indeed, subsequent events left a deadlock in Cardiff Bay in relation to the office of First Minister.

Might there be an emergency situation in Wales because of a withdrawal of substantial EU resources from the Welsh economy, as expert evidence seemed to indicate? The UK government would thus have to decide how to replace the relatively large Welsh receipt of EU funding, as indeed it would to a lesser extent in other parts of the UK in receipt of substantial EU resources.

The impact of Brexit on policy coherence in the UK was thus considered. Although the devolved authorities engage actively in capacity-building for policy making, there has not been a clash of policies between the four countries within the UK. This is usually explained by the coincidence of Labour governments in the UK, Scotland and Wales in the early years after devolution. A potential

culture of deference should also not be overlooked. Looking specifically at the devolved authorities' relationship with EU policy, account needs to be taken of the constitutionally contingent power of devolved authority within the UK.

The UK government may affect sub-national government access to the EU. Because the devolved authorities have valued their European position, it has allowed them to play off UK and EU policies. Devolution has created an alternative platform to elaborate and

There is likely to be a period of uncertainty after the Assembly election until after the referendum

develop policy to more restrictive policy in Whitehall. Nevertheless, devolved authorities have proceeded in a relatively cautious fashion, though anxious to retain their European platform, which, if removed, might imply a changing balance of power within the UK. Devolved governments might even become more antagonistic to the UK government. There has been a development of an increasingly formal network of communication between the devolved authorities for information sharing. This could be developed as a more challenging position in the future if the UK left the EU.



## 5. Local government, the EU and the Referendum

Expert evidence suggested that local government's influence on policy development is relatively substantial, yet not necessarily formal. There are many informal lobbying activities between local government and the European Commission that bypass national government. Very often these processes are effective in developing regional policy and influential in setting the direction of structural funding. Sometimes, Scottish interests even counter what the UK government has actually been seeking to achieve.

There are also legal imperatives for local government to be engaged with the EU. The implementation of EU directives happens to a large extent through local councils. 70% of legislation affecting local government originates in Brussels. Influencing that kind of legislation is much easier in Brussels than in Whitehall. Brussels is a much more open bureaucracy. Commission officials recognize their ignorance of how a policy directive might play out if and when implemented, so the EU in fact seeks advice from local government in formulating directives.

As to financial benefits received by local authorities, these have been important in terms of the direction of local government economic development. In a context of big budgetary and policy restrictions by national governments, many local governments have managed to follow an expansionary economic development path by using structural funds and other EU funding. Local authorities often find a way around problematic relationships by looking towards Europe. Leaving the

EU is likely to lead to a hollowing out of environmental protection or social protection, from maternal leave to working regulations. The UK has adopted the minimum level it possibly can.

Local authorities' offices in the EU were traditionally significant in number. The UK had 52, but this reduced when budget cuts affected councils. They are beginning to rebuild and play a useful role. These offices may engender relationships with Commission officials allowing effective informal lobbying and the creation of relationships with other cities. Scotland is particularly effective at creating such links. London has even created two Brussels offices; the first set up by local government worked democratically, while after the 33 local authorities set objectives and funding objectives, that office closed in 2004. An office very specifically promoting the London Mayor's agenda and vision in Brussels continues to exist.

The City of London also has an office in Brussels, focussed on regulation of the financial sector and protecting the interests of the square mile and the financial sector in general. London is probably now in a considerably weaker position in terms of influence on general policy issues and indeed on funding issues than it was 5-10 years ago. If the UK leaves the EU, there is of course a significant funding loss, probably not to be replaced by the national government for the sort of activities for which local government uses EU funding. In many cases, local government pursues a different economic development agenda from Whitehall.

Local government would also lose access to influencing policy development and thus the possibility of extending local political influence.

Local authorities used to have a closer relationship with the EU in relation to funding for particular projects. More recently, English local authorities have been required to bid via central government. The local authorities may have to re-establish more direct relationships whether or not the UK leaves the EU. More broadly, cities will continue to have strong direct relationships with cities within Europe even after Brexit, since these relationships are outside the formal EU institutions.

One expert explained that the City of London had an unusual approach to the EU: a 'love-hate' relationship, which began in the days of the Major government, when links to Europe were few. Realising the EU was gearing up to take action in relation to the City economy - broadly in financial and business services - the City became involved directly with EU Commissioners, working directly with them to deliver on its own objectives. This was without the official backing of Whitehall, notwithstanding the government's informal support. The increasingly special relationship with the EU led to the creation of an office, providing direct access to the EU's agenda on the regulation of financial markets and assistance in drafting directives. As the European Parliament achieved greater power, so this work became more complicated, and the City's significant amount of lobbying

and, behind the scenes, close cooperation with its opposite numbers in Paris and Frankfurt, became more intense. Under the post-1997 Labour government, the Treasury stepped up its interest in EU financial services regulation, with the City of London working closely and in parallel with them. The City assisted the UK government, sharing its contacts within EU institutions.

What impact, therefore, might Brexit have on local politics? UKIP has already begun to gain a larger share of the 'protest vote', but would it be undermined if the EU issue were finally settled? And how would that change politics?

In relation to migration, a reduction of people from Europe could imply some local authority services, notably social care, experiencing difficulties recruiting workers as the result of a reduction in migrant workforce. As to EU procurement and state aid rules, it is unclear whether there would be a relaxation or a need to retain single market rules after Brexit. The impact on local services and economies is difficult to predict. Directives are implemented in UK law, so these would need to be re-considered by government after Brexit. However, the future of procurement and state aid rules would be tied to the question of the future of the single market. The UK might have to comply with EU rules after leaving the EU in order to gain access to markets, thus indicating limited independence from the EU in this area.

## 6. A wider discussion of key issues

The Commission heard of the enormous variations between different areas and groups within the UK. Independently of the EU referendum, there is a noticeable unravelling of the sense of UK identity, likely to continue over the next 20 or 30 years. There is thus an existential argument about 'who we are? Who do we belong to? Who are we against? Who are we angry about? Who are we angry with?'

40% of all private sector jobs within the last 6 years, according to Sheffield University, were created in London. Yet the capital is only 15% of the population. So there is a big issue about London. It is a highly concentrated, highly emotive subject in terms of jobs, winners and losers. This may not be geographical. It may not be reflected in regional government. It may play out differently in the periphery and the centre. The main issue is geography of identity and emotion; both linked to the places where people live, with many other issues thereby amplified. The EU referendum must be seen against this backdrop.

Polls must be treated with caution. Public interest in London in the referendum is high. There were more requests for referendum voter registration than for

the London mayoral election. The great unravelling of our identity is likely to continue, and constitutional issues are one part of this. Others will include the extent to which we share economically and culturally across what is becoming a very diverse and varied polity. The Dutch referendum showed how an electorate might use a vote of this kind to express views about other issues. The Dutch referendum, ostensibly about a trade agreement, was about identity. Finally, outside London views are totally different from those in the rest of England.

Several participants agreed that the identity issue is actually underpinned by strong material factors, such as changes in the labour market, signifying substantial change in the conditions for a significant proportion of the population. The more important dimension concerns whether people are able to control the future or are angry about what power holders are doing. This is not about party or geographical lines, which may have implications, but these are not the most important factors.

There is not the same passion for place-based politics in the English debate as there is, for example, in Scotland. The city-regional deal for Greater Manchester was the result of a negotiation between the council's leadership and Whitehall. There is no attempt to get local public support for that kind of initiative, and it is unlikely there will be substantial or rapid devolution in England. Significantly, though, London is different.

If Britain leaves, substantial numbers of jobs are expected to be lost in 'City'-type occupations, owing to loss of access to the single market.

If Britain leaves, substantial numbers of jobs are expected to be lost in 'City'-type occupations, owing to loss of access to the single market. Unemployment may rise significantly in London, and if London were then to lobby to keep its tax resources (to re-invest in its weakened economy), that would likely stoke a debate on the role of London within the UK. If London had (like Scotland) voted to stay, while England voted to leave, the outcome might be London demands for much more extensive devolution than is contemplated at present.

The EU potentially imposing a level playing field and a one-size-fits-all solution is precisely what local government should oppose. Nobody disagreed that if central government in Whitehall decides what local government can and cannot do, this is not welcome. But when it is done in Brussels, local influence must be quite small. This is a strange argument. Why are EU rules better than central government rules? Single market demands for EU-wide procurement rules were cited as an example.

Was sub-national government about the ability of local administrations to express their political personality? This is sometimes better accommodated in Brussels. Yet, there are different issues here. Procurement is different. Indeed, decisions in Brussels are made by national governments. Policy decisions may be made at the EU level, as can mechanisms for delivering the goals formulated at the local level. This process is transparent in the EU. Against this view, it was suggested

The structures of production and the economy of the nation state are being hollowed out by the underlying economics of globalization.

that the EU might be seen as erecting barriers to small businesses and local powers, a process that limits freedom and leads to a concentration of power away from localities.

There followed a discussion of how many issues associated with the EU, such as migration, international investment and so on, are woven into the fabric of the most basic functions of the UK economy. The structures of production and the economy of the nation state are arguably being hollowed out by the underlying economics of globalization. This, in turn, is leading to the unravelling of political representation. In that sense the people are beginning to be ungovernable.

Seemingly, when local government cannot get what it wants from national government it looks elsewhere, and the EU has been a very convenient source of allies in other cities and the Commission. Indeed, this is even more important with the impact on local government of austerity. Local government now seeks money wherever it can be found. Brexit implies the UK may need a new constitutional settlement between national government and local authorities, because the need to rearrange post-Brexit

financing of the constituent parts of the UK will rise in importance. Local authorities may demand a new constitutional settlement on finance and possibly far more devolution. This is particularly important in England, where London will be at the forefront.

It was stressed that the EU budget is a redistributive mechanism. Replacing it inevitably implies a new redistribution mechanism - with winners and losers. Wales seems particularly exposed. It may be possible that everyone will be a

winner, because currently the UK is a net contributor, but this may not be the case if the UK decided to stay in the single market, when it would still have to contribute resources. It was nonetheless accepted that there are many unknowns in any such future calculation. The 'leave' campaign argues nothing will change. This was the case in the argument for Scottish independence. The tactics of both the 'remain and 'leave' campaigns in the EU referendum are strikingly similar to those used in the Scottish referendum.



## 7. Conclusion

The EU referendum will take place against the backdrop of continuing constitutional uncertainty within the UK. The UK has been attempting for years to develop new constitutionally evolved links between the constituent countries of the UK, and also within England. On 23 June 2016, the EU referendum will create new pressures on the British system of government. Scotland held a referendum on its future within the UK as recently as September 2014. It is widely accepted that if the UK votes to leave the EU there may be pressures within Scotland to re-visit the question of independence. Wales, because of its reliance on EU funds, would face significant financial uncertainty if the UK left the EU. In Northern Ireland, there are issues in relation to the peace process and, more complicatedly, for the border. Local government has developed its own relations with the EU, often in an attempt to create an alternative power source outside Whitehall.

Discussions at the hearing stressed the remarkable uncertainty facing the future not only of funding, but also of British identity. Any change in the relationship between the UK and the EU will create backwash into the British political system; a system already facing multiple threats. The traditional political parties face internal struggles, while trust in national politicians is low. British national identity has been challenged in a number of ways. Longer-term global economic change affects both Europe and the UK.

The governments of Scotland, Wales and Northern Ireland have reasons to carry their own views into the debate about the UK's future in relation to the EU. Inside or outside the Union, the devolved nations have significant power to change the constitutional settlement. England lacks a single voice, at least for the present. Indeed, the electorate can be segmented in many ways, not only by geography. Gender, race, ethnicity, age and geography are some of the sub-sets of an electorate, whose views will be differently expressed in the referendum. Perhaps the most striking conclusion from this hearing was the diffusion of impacts across the UK. No national politician can any longer truly speak for the United Kingdom. In approaching the referendum, all British politicians probably need to bear this fact in mind. Decisions about the UK and the EU will feed back into domestic politics for years to come.

## Participants List

First	Surname	Title
Jeff	<b>Andrews</b>	Former Special Advisor to Welsh Government Finance Minister
Brendan	<b>Donnelly</b>	Director of the Federal Trust; former Member of the European Parliament
Tony	<b>Halmos</b>	Director of the King's Commission on London; Visiting Professor at the Policy Institute, King's College London
Robert	<b>Hazell</b>	Professor of Government and the Constitution, University College London
Patricia	<b>Hogwood</b>	Reader in European Politics in the Department of Politics and International Relations, University of Westminster
Peter	<b>Housden</b>	Former Permanent Secretary, Scottish Government
Stephen	<b>Hughes</b>	Interim Strategic Director of Resources, London Borough of Brent; former Chief Executive, Birmingham City Council
Gregg	<b>Jones</b>	Head of EU Office, National Assembly for Wales
Judith	<b>Mayhew-Jonas</b>	Senior Adviser, Chatham House; Trustee of The Imperial War Museum; former Deputy Chairman of the London Development Agency
Akash	<b>Paun</b>	Fellow, Institute for Government
Don	<b>Peebles</b>	Head of the Chartered Institute of Public Finance and Accountancy Scotland
Barry	<b>Quirk</b>	Chief Executive, London Borough of Lewisham
Alex	<b>Thomson</b>	Chief Executive, Localis; former Conservative Party's specialist policy adviser for decentralisation and local government
Madeleine	<b>Williams</b>	Director, Access Europe Network; former Deputy Chief Executive of the ALG

## Further reading

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