

Report of the ESRC Research Seminar Series: *The implications of Brexit for economic development and devolved governance in the North of England* (Series delivered within the 'UK in a Changing Europe' initiative).

Seminar Organisers: Professor Ignazio Cabras and Professor Keith Shaw (Northumbria University), Professor Frank Peck and Dr Gail Mulvey (University of Cumbria); Professor Michael Danson (Heriot Watt University).

Overview: This ESRC Seminar Series provided a timely opportunity to address, investigate and discuss opportunities and challenges associated with the impact of Brexit on the North East of England (NE), Cumbria and the south of Scotland (increasingly referred to by policy-makers as the 'Borderlands'). Invited speakers and participants of the Seminar Series explored and examined multiple issues related to Brexit with regard to economic, social and governance development for the region. The Seminar Series attracted more than 200 participants, with each of the three events registering an attendance of 70 and over. Such a high level of interest can be explained by a number of inter-related factors:

Firstly, the Leave campaign registered an impressive result in the areas within England contrasting with a very different picture in Scotland. The NE had the second highest leave vote of any English region, while only two constituencies out of 18 across the two English areas voted to remain, with a leave vote of over 60% in ten of these local areas. In Cumbria, 56.4% of voters voted to leave the EU. This is despite the two areas benefiting heavily from EU structural fund investments and experiencing comparatively low numbers of migrant workers relative to other English regions.

Secondly, the implications of Brexit for the two most northerly areas in relation to the Anglo-Scottish border are significant. Scotland voted 62% remain, with all parts of Scotland voting that way. This created considerable doubts for the evolving relationship between Scotland and the NE and Cumbria due to the large number of collaborative opportunities across the Borderlands in areas such as rural development, farming, tourism and renewable energies, in which continuing EU investment and support are vital.

Lastly, the uncertainty created over the future direction of devolution in England may have an impact on the evolution of devolution deals in the North East and the future of the Northern Powerhouse. NE council and business leaders are concerned that, without EU funding, several of the key features of the devolution deals would be hard to implement.

The seminar series aimed at facilitating and fostering knowledge exchange and engagement across different stakeholders from the regions addressed in the three events and beyond. All experts invited to the seminars have complementary interests in economics; regional economic development; public management; industry and innovation, employment policy; and the labour market.

Progress to date (25.11.2017): All three of the proposed *seminars* have now taken place (see outlines below). Attendees included senior academics, early career researchers and doctoral students, practitioners and policy-makers. Each event was organised in the form of a one-day workshop structured in two parts. The morning session included three local experts invited from industry, government and academia to discuss the implications of Brexit in relation to the main theme identified for the day. The afternoon session was organised using a 'Question Time' (QT) format, with an Independent Chair introducing a group of contributors drawn from a range of relevant sectors and organisations. Outcomes and responses gathered from the QT sessions have been transcribed to form the basis of an academic publication.

Seminar 1: Carlisle; March 10th, 2017

Title: 'Brexit and the Border: implications of Brexit for economic development in the North-East and Cumbria'

Organisers: Frank Peck and Gail Mulvey, University of Cumbria;

Invited speakers and panellists:

Keynote Speakers: David Bailey (Aston Business School), Graham Haywood (Cumbria Local Enterprise Partnership), Mark Shucksmith (Newcastle University), John Shutt (Leeds Beckett University).

Panellists: Ewan Green (Dumfries and Galloway Council), Lois Mansfield (University of Cumbria), Jane Meek (Carlisle City Council), Ian Stephens (Chief Executive, Cumbria Tourism), Simon Sjenitzer (WYG Group).

The event started with the Pro-Vice Chancellor, Sandra Booth welcoming the audience. The invited audience comprised a cross section of managers of large businesses as well as SMEs; representatives from Local Government and support agencies; journalists and representatives of the media; leaders of non-governmental organisations; and representatives from community and voluntary groups.

The situation of uncertainty arising from the political situation, and the sheer complexity of the task, created much speculation about what Brexit might mean under different scenarios. In the context of Cumbria, the emphasis would be on the important sectors of the land-based economy, specialist manufacturing, the energy sector and tourism. Inevitably, the Brexit debate not only affects sectors but every aspect of public policy including significantly, debates surrounding devolution within England and the future relationship between England and Scotland.

Many themes and issues were touched upon during presentations delivered in the morning session. *Professor David Bailey* gave a very informed presentation on the likely impacts of Brexit on the Manufacturing sector, emphasising the profound effect that Brexit was likely to have on the UK economy. He mentioned the UK Treasury estimating a 6% reduction of UK GDP in real terms by 2030, and a study by the NIESR estimated a lower GDP by 2030 of between 1.5-7.8% and a "substantial loss of export trade." The aforementioned studies suggested that the closer the end deal resembled current arrangements, with the UK remaining part of the European Free Trade Area, the better off the UK would be. Using the automotive industry as an example, the number of times that components in the supply chain cross the Channel in the car manufacturing process is four or five. If there were to be no free trade deal and tariffs were to be placed on components both at entry and exit to the UK, the cost implications for car manufacturing in this country would be considerable. Given also that 60% of UK-made cars are exported to the EU, the probable outcome of tariffs being imposed would be for car companies to move production abroad. A feasible outcome would be that reshoring would take place so that manufacturers in the supply chain in this country would see a boost in demand for their products and could possibly replace imported components.

Graham Haywood focused more on the opportunities that might arise and the prospects for industry in Cumbria, expressing the belief that businesses in Cumbria were in a decent position to overcome the detrimental effects arising from Brexit such as the rising cost of imports and imposition of tariffs. He stated that Cumbria was a "world leading centre for decommissioning in the nuclear industry with a

whole array of firms in the West Cumbria Business Cluster that supports all aspects of nuclear” and it can be argued that other countries would be wishing to join with the UK rather than the other way around. In addition, if the lower value of sterling were to persist on world currency markets, this would favour UK exports of goods.

On the other hand, a threat to industry potentially associated with Brexit and identified by invited experts, is the possibility of the UK becoming a less attractive destination to foreign investors wanting to have a foothold in the EU. In addition, the uncertainty surrounding the outcome of trade negotiations could mean that firms either divest from the UK (cf. Vauxhall, Nestlé) or make their investment decisions conditional on government arranged special deals (e.g. Nissan in Sunderland). One of the panellists from the private sector, the CEO of an energy company, stated “that from a business point of view, we need to know what the state of play is sooner rather than later whether to be closer to market or to resources or else investment will be diverted. Identification of new markets is difficult in uncertainty.”

The implications for the land-based sector in Cumbria were discussed by *Professor Mark Shucksmith* in his presentation. Professor Shucksmith stated that CAP payments to UK farmers as a whole will amount to €251bn of direct payments and €2.6bn for agri-environment and rural development in the period 2014-20. Currently, 95% of UK sheep exports go to the EU, hence the size and nature of the Brexit effect depends on both the trading relationships agreed and on the replacement UK or devolved policies that are put in place. The worst-case scenario would be if there were to be no trade deal signed with the EU meaning that WTO rules would be applied. The latter, it was stated, would leave hill sheep farms facing more than 30% tariff on exports; beef farmers facing more than 50% tariff on exports and dairy farms facing more than 36% tariff on exports. In addition, WTO rules would limit payments under agri-environment schemes to that of income foregone by farmers and which must be non-trade distorting, rather than positive inducements to foster natural capital.

Finally, *Professor John Shutt*, considered the place of Brexit in devolution and governance issues given the fact that devolution had already been in train before Brexit had even been thought about. The devolution deals that were currently being bargained over between Government and English Local Authorities, it was argued were not going to solve the widening North/South divide in Britain. The UK had disposed of decision-making at the regional level and yet that, it was argued, was the reasonable scale at which to conduct regional policy. Instead, England had been left with a fragmented network of LEPs which do not necessarily reflect functional economic space. Comments were also made by several speakers about the un-coordinated way that the Government’s Green Paper on Industrial Strategy had been sent out for consultation.

The Question Time session addressed some additional effects of Brexit, notably on the tourism sector, the labour market and implications for cross-border cooperation.

In Cumbria, world heritage attractions such as the Lake District and Hadrian Walls had become more attractive to foreign tourists due to the weakening of sterling. If this situation were to prevail, Cumbria and the Borders had the opportunity to attract more “home-grown” visitors. If the Lake District were to attract World Heritage Site status, along with the existing attraction of Hadrian’s Wall, and the airport were to start accepting international flights, then Carlisle could be badged as “City of the Lakes” and thereby attract more international and domestic visitors to Cumbria. The one drawback that Brexit brought to the visitor economy was any possible implications for foreign nationals staying in this country and the ability of the hospitality industry to recruit from abroad. Stephens stated that 11% of the 60,000 people working in the tourism industry in Cumbria were migrants.

Questions about free movement of labour between the EU and the UK, as well as the plight of EU nationals living in the UK and vice versa, indicated a high level of uncertainty as to the impacts of Brexit on Britain's labour force. This was an area of particular concern to members of the audience. Uncertainty was already having a detrimental effect on the ability to staff hospitals in Cumbria and the possible impact on research staff in universities in the North of England was also mentioned. The importance of getting arrangements for EU nationals in place to give reassurance to the work force was underlined.

Finally, the importance of Brexit for local councils, such as Carlisle City Council, cannot be understated. Firstly, as a council, there is much EU legislation which dictates what they do. Thus, environmental issues, landfill and waste concerns are all affected by EU regulation and one of the speakers wondered whether it was merely going to be a case of crossing out "EU" and replacing it with "UK" as far as rules and regulations were concerned. Secondly, while Carlisle needed to grow, one consequence of Brexit was that the cost of imported construction materials was going to increase and, given the significance of imports in the sector, this would signify a big impact on Carlisle and the local economy. Finally, in terms of cross-border collaboration, both the possibility of a second Scottish independence referendum and the future status of Scotland within the EU created considerable uncertainty. Despite this, some felt that the hard work done so far to develop a Borderlands Growth Deal between the five councils on either side of the border should still be pushed forward. However, the challenges of local governance cannot just be reduced to Brexit – as austerity localism, changes in local government finance, demographic changes and the reshaping of the benefits system predate the 2016 Referendum and constitute distinct challenges.

Seminar 2: Edinburgh; May 18th, 2017

Title: 'Enhancing policymakers' understanding of the implications of Brexit for economic development and government in the North of England and the South of Scotland'

Organiser: Mike Danson, Heriot-Watt University;

Invited speakers and panellists:

Keynote Speakers: Michael Russell MSP (Minister for UK Negotiations on Scotland's Place in Europe); Gordon MacIntyre-Kemp (Business for Scotland)¹; Professor Graeme Roy (Fraser of Allander Institute); Maggie Chapman¹ (Scottish Green Party).

Panellists: Amanda Burgauer (Scottish Rural Action); Maggie Chapman (Scottish Green Party), Leaza McSorley, (Glasgow Caledonian University.) Gordon MacIntyre-Kemp (Business for Scotland); Steven Thomson (Scottish Rural University College);

Seminar overview:

Professor Mike Danson introduced the event, opening with a reference to the recent Policy Forum at the Scottish Economic Society Annual Conference, attended by Economists from across Europe, where the strong consensus was that Scotland's best interests would be served if Scotland became an

¹ Also taking part in the afternoon panel

independent country and member of the EU. This set the context for the day's presentations, discussions and debate.

The opening presentation was delivered by *Michael Russell MSP* and Minister for UK negotiations on Scotland's Place in Europe. Mr Russell argued that he did not believe that we could take advantage of Brexit but did consider it conceivable that Scotland might find ways to mitigate the implications of Brexit. Referring to the Joint Ministerial Committee², Mr Russell said that the structure was not robust and effective in involving all the devolved authorities within the EU negotiations (*'It is always held in London and that some parts of it were heavily weighted towards the UK level'*). Scotland's wish was to allow the UK to leave the EU, but for Scotland to remain in the free trade area. A similar proposal came from Wales and one from Sinn Fein but these were dismissed and did not then appear in Article 50.

Mr Russell confirmed that Scotland would continue to seek changes through widening consultation and consensus across Scotland, to ensure that people put forward their ideas not only to the Scottish Government but also to the UK Government. However, he strongly questioned not only whether 'good' trade deals could be secured with countries outwith Europe but also the sorts of trade-offs that they would demand, with environmental and animal rights just two areas under threat. The cost of leaving the EU would be borne overwhelmingly by the UK purse and that would be at the cost of the regions that are going to be disadvantaged the most.

Mr Russell concluded by emphasising that Scotland had to have strategies to either mitigate or avoid the damage of Brexit:

- It was essential that the negative impacts were broadcast widely as damaging and dangerous for the Scottish economy, and that this would be getting progressively worse;
- If and when the UK/Brexit position was apparent, including even a walk-out from the negotiations, Scotland would have to have a decision to be either in or out of the EU.

The second invited speaker, *Professor Graeme Roy*, highlighted that 180,000 EU nationals – most of them workers – were living in Scotland. Of these, 115,000 were employed in EU firms; half of all international exports were dependent on EU markets; and many more jobs were based in international companies attracted here to access the EU single market. Beyond this, many SMEs as well as branch plants were intrinsically embedded into supply chains that stretch across the continent, able to realise economies of scale within the single market. Also, the Scottish economy has seen advantages from access to mobile workers from the enlarged EU in the period after 2004 which has allowed a change in the labour processes employed in food and drink, hospitality and agriculture industries in particular, benefiting rural Scotland and areas of sustained out-migration by offering the opportunity to retain and enhance value added here.

Professor Roy showed that all estimates of the implications of leaving the EU - as measured in terms of GDP, employment, and real wages - revealed adverse effects on the Scottish economy. The analysis confirmed there is no avoiding a continuation of the initial negative results of the Brexit vote with increased inflation, falling real wages, job losses and postponed investment. In the longer term, even with standard remedial measures, GDP would fall under a Norwegian-style ('Soft Brexit') relationship with the EU by between 2.0% and 3.1%, real wages by between 2.9% and 4.3%, and jobs by 1.2-1.8%;

² The group tasked with the Brexit negotiations and looking at the implications of Brexit and set up under Supplementary Agreement A of the Memorandum of Understanding between the UK Government, Scottish Government, Welsh Government and Northern Ireland Assembly on Devolution, the JMC convenes under several distinct formats

none of these is a trivial figure. A 'Hard Brexit' would see GDP declining by about 5.3%, real wages by 7.2% and employment by 3.2% on average. Consistent with the wider literature on Brexit, he demonstrated that there are no forecasts from any credible agency that do not offer similarly pessimistic scenarios, even on optimistic assumptions. The Norway model would mean continued membership of the four single markets – goods, services, capital and labour – but with no opportunity to shape EU rules and regulations, though contributions to the EU budget would be reduced by about 20%. The 'Hard Brexit' or WTO (World Trade Organisation) model would mean a prolonged period of complex trade negotiations, reducing EU budget contributions and 'freedom' from the single market restrictions.

Maggie Chapman showed how, on standard measures of labour market flexibility, national, rather than EU, regulation dominates working conditions across developed countries. Therefore, the UK itself is responsible for having one of the most flexible labour markets in the OECD and the least regulated in the EU. This confirms both that workers are better protected everywhere else in the European Union that we are leaving, and that our current competitive advantages in securing inward investment and competitiveness are apparently reliant on being at the extremes of European labour market flexibility.

Finally, *Gordon MacIntyre-Kemp* argued that the uncertainties generated by Brexit were much greater than those promised by independence, with none of the opportunities. Reflecting the afternoon panel's consensus, his greatest concerns were for Scotland's fragile rural economy and the farming sector at the core of this key industry. The SRUC research and data from the RESAS Farm Accounts Survey suggested that half of Scotland's farms would be unprofitable without EU CAP payments. Forestry and other land-based activities may grow under such changes as the UK seeks to adopt autarky as a solution to a worsening economic and trading scenario but with detrimental overall results.

The afternoon panel discussed and debated a variety of themes and issues. Maggie Chapman highlighted how it would be essential for many of the powers returning to the UK, post Brexit to become the responsibility of the Scottish Government, Parliament and people. However, given the uncertainty brought by Brexit, Scotland would be heavily constrained in its capacity to ameliorate the negative impacts of Brexit and to realise any potential benefits. The possibility to re-orientate Scotland's networks and linkages away from the UK and towards the rest of Europe and the world was discussed as a way to respect the expressed desire of the Scottish people to remain in the EU and to be international and inclusive. That these norms and values were different from the dominant views in England was a significant contextual issue for these debates.

Other major areas of concern were the dependence of Higher Education on international students and how the ongoing changes to the UK visa rules in tandem with removal of freedom of movement for EU citizens, including university staff and students, posed a real threat to the world-leading institutions in Scotland. The financial sector was similarly to be affected by the changes emanating from Westminster.

In summing up, Professor Danson commented on how pessimism came across the whole of the day, although there are opportunities which might allow dynamism to enter the market place. As the academics in the event demonstrated, when there is a lot of risk and uncertainty, scenario thinking and planning can be the way through. Again, the huge reliance in UK universities on international students will not be enhanced as questions on Brexit are asked. Therefore, they are likely to be negatively impacted by current events and subsequent developments will probably worsen the outcomes. Countering that, research resources in SRUC and The Fraser Institute, for instance, were recognised as unique in global terms and could continue to generate some hope for a Scotland following a different path from that favoured in England.

One feature that came out over the day was that talks addressed different scales, different geographies – prompting all to question what communities are going to do. For instance, the presence of action research going on in small Highland rural communities co-producing toolkits for assessing potential renewable energy projects was being transferred to Brazil. The critical role of volunteering and social capital in helping communities to become more resilient was stressed by Scottish Rural Action, for instance. Therefore, the event offered informed signs of where we are in very, very uncertain times. However, although there is a huge amount of pessimism and it is difficult to see the opportunities, Scotland has begun to build much stronger links around such international networks and partnership bodies as the Nordic Council, the Arctic Circle – as part of Scotland and the New North, and a North Sea macro-region.

Seminar 3: Newcastle upon Tyne; July 7th, 2017

Title: ‘The implications for the future of devolution deals and the Northern Powerhouse’

Organisers: Ignazio Cabras and Keith Shaw, Northumbria University;

Invited speakers and panellists:

Keynote speakers: Richard Baker (North East Local Enterprise Partnership); Beth Farhat (Northern TUC); Anna Round (IPPR North); Janice Rose (Northumberland County Council); Ross Smith (North East England Chamber of Commerce); Tom Smyth (Department for Business, Energy & Innovation Strategy).

Panellists: Jonathan Blackie (Former Director - Government Office for the North East); Cllr David Falkner (Newcastle City Council); Antonella Forganni (ESSCA Ecole de Management); Sarah Green (CBI); Rob Williamson (Tyne and Wear Community Foundation); Keith Wilson (Tees Valley Combined Authority).

Seminar overview:

The third and final event of the series was introduced by Professor John Wilson, Faculty Pro-Vice Chancellor (Business and Law). Discussions and debates largely reflected on many of the key themes touched on in the two preceding seminars, focusing upon the possible/likely impact of Brexit on the Devolution process, and its implications for the ‘Northern Powerhouse’. Invited speakers and panellists discussed and debated on the possible outcomes derived from the UK/EU negotiation process, and how these outcomes may affect the development of Devolution Deals for UK regions.

A number of relevant themes were addressed during the day: the feasibility of an industrial strategy supporting the process of leaving the EU; the role of Local Councils and Local Enterprise Partnerships in the NE and Cumbria within a new devolved authority, a possible rethinking of approaches at the pan-regional level or even ‘new federalism’, including an assessment of these approaches for governance and governing. Particularly in relation to the Northern Powerhouse and its implications for local economies and communities, the discussion highlighted opportunities and challenges for developing innovative approaches for multi-level governance, exploring these in the light of possible outcomes generated from Brexit.

Presentations delivered by invited speakers touched on several factors which could help a regional economy to survive and adapt to changes (shock, long-term structural shift, uncertainty), discussing these using a range of frameworks and scenarios associated with Brexit conditions.

Richard Baker (North East LEP) highlighted that, while the fall of the pound sterling following the EU referendum generated an immediate positive on exports for both the UK and NE economies, there were still several concerns about levels of investment and productivity in the region. In addition, while employment rates were continuing to grow, the Brexit process was increasing risks related to the size of labour force and its structure. In addition, inflationary pressures accentuated by Brexit raised questions about how future UK monetary policy would affect salaries and debt payment at a national level, and about its cascade effects at regional levels.

Tom Smyth (BEIS) focused on spatial inequalities and regional imbalances affecting the UK economy, which saw a gap in terms of productivity and GDP between London and the South East and other regions. Mr Smyth's presentation also expanded on the situation of devolved authorities in the UK. A third of England's population (including London) now has a directly elected city-region mayor with wide-ranging powers to drive economic growth. However, the role played by devolved authorities within the Brexit process remains still largely undefined.

The morning session also included an assessment of areas of common economic interest among different areas of the wider North, such as investment in infrastructure or collaborative opportunities within sectors and between places. Some speculation was offered with regard to possible post-Brexit outcomes. *Anna Round* (IPPR North), quoting research delivered by Booth et al (2015)³, suggested that whether the UK failed to strike a new trade deal with the EU - or to pursue a strong free trade agenda - would result in GDP falling by 2.2% by 2030 ('worst case scenario'). In contrast, a free trade agreement with the EU, accompanied by extensive deregulation of the UK economy and maximum openness to free trade with the rest of the world, would result in a 1.6% rise in GDP ('best case scenario'). These scenarios were deemed to be at the extremes; a more likely range is between a 0.8% permanent loss in GDP (where the UK strikes a comprehensive free trade deal with the EU) and a 0.6% gain. This latter would be more likely were the UK to negotiate a comprehensive free trade deal with the EU, undertake substantial deregulation of the UK economy, and engage in strong pursuit of free trade with the rest of the world.

Beth Farhat (Northern TUC) expressed concerns with regard to the possible implications of Brexit for EU employees, whose presence was significant in several economic sectors in the NE. Two in particular, higher education and health, were significantly exposed to risks associated with possible changes to the rights of EU citizens working in the UK, given the significant presence of EU workers within these sectors, and the relative shortage of skilled workers available in the region. *Ross Smith* (NECC) was concerned at the implications of Brexit for North East businesses and shared the TUC's fears on the shortage of skilled workers. Uncertainty over the possibility of continuing access to the Single Market (and the likelihood of a hard Brexit) was undermining business confidence, as was the lack of action in relation to developing the North East Powerhouse. However, the onus is on the region to get its case across on the importance of the North East to the UK economy, and on how the region can compete effectively in a post-Brexit context.

For *Janice Rose* (Northumberland CC), Brexit also offers opportunities for new creative and innovative ways of working. For the county, this entails operating across different scales of governance (including

³ Booth S, Howarth C, Persson M, Ruparel R and Swidlicki P (2015), *What if? The consequences, challenges and opportunities facing Britain outside the EU*, Open Europe Report 03/2015

the North of Tyne Devolution Deal, The Borderlands Growth Deal and the Rural Uplands Demonstrator). The latter confirms the crucial rural impact of Brexit – which may not have been given the attention by government it deserves.

During the afternoon session, panellists and contributors from the audience debated on multiple issues related to possible asymmetry in national and sub-national governance, and the way these affected local and regional economies. Questions and answers involved a number of policymakers and practitioners present among the audience and involved in local economic development.

The possibility of losing EU funding represented a clear concern for both contributors and attendees. With the NE being a net beneficiary from EU funding, losing access to it would create a shock for the region - the impact would be more significant and felt disproportionately compared to other regions in the country. This issue was explored with regard to mayoral Combined Authorities, which should ensure appropriate Departmental and Parliamentary accountability. Since the new Regional EU Policy for 2020-2027 was in the process of being launched, questions were raised about the nature of future relationships with Brussels with regard to – for instance - transitional programmes. Hence, potential losses in terms of EU funding meant that mayors involved at top-level discussions on Brexit needed to secure reassurances on future funding streams, and remediation/compensation for ceased EU support. Moreover, the majority of the Mayoral areas are under EU average GVA, and this is a relevant aspect to consider for any UK wide shared prosperity fund.

Another significant issue debated in the session was the apparent imbalance, in terms of economic trajectories and investments, among different areas of the wider North. Particularly in relation to large conurbation and local authorities such as Manchester, Birmingham and Liverpool, where larger authorities with enhanced powers in terms of management and control were already a few years ahead compared to Yorkshire and the NE. Imbalances and inequalities were also discussed between urban and rural areas, with the gap between the two seen as increasingly widening. Rural areas in the NE were suffering significantly due to the lack of investment in infrastructure, a constant retreat of services, and the case of Tees Valley Combined Authority was frequently highlighted as an example.

According to some participants in the audience, the devolution process appeared to be both very centralised and lacking in transparency. The Combined Authorities generated from the process are quite small, probably too small to actually operate in a functional and effective manner. Likewise, working across devolved regions appears extremely complex, and it is challenging to foresee how they could proceed in a deal-making process with the Government. In addition, the presence of different circles and networks running the development process related to the Northern Powerhouse meant that multiple centres of power were behind public and private partnerships, making the achievement of an optimal solution for diverse communities and contexts challenging and complex.

The Government's 'Transport for the North' was also discussed in light of how investments in HS2 and HS3 were distributed across the three Northern regions. Much of the investment suggested seems to address connections between a number of major Northern conurbations, but not Newcastle. Discussions during the sessions indicated a lack of representation for Yorkshire and the NE in debates with the Government addressing this important issue. Given the challenges experienced by Combined Authorities on a range of issues, more clarity was needed with regard to who/how was going to address and debate this and similar other issues with the Government.

In the final part of the session, panellists and audience examined and debated the process of leaving the EU from a business perspective. In the NE, 80% of businesses voted to remain, in contrast with the significant victory registered by the Leave campaign in the region. There is a clear difference between what the public wants and what businesses feel, as the latter are reasoning in terms of economic opportunities. Similarly, there was a divergence between what the trade union movement in the NE (and in Britain) wanted and what voters want. On this particular aspect, the EU seems to provide an advantage due to its balancing of different interests, something the UK could redevelop in order to achieve/re-establish convergence across different forces in the country.

Observations and Emerging Issues

While the three events held in Carlisle, Edinburgh and Newcastle highlighted issues that were place or sector specific - and rooted in particular experiences in Cumbria, Scotland and the North East of England – a number of more general observations can be identified.

1. One overriding impression is that those attending the events found the post-EU referendum environment *uncertain, complex and highly contested*.

Considerable *uncertainty* still surrounded: the political approach to negotiations over the exact form of Brexit; the role that devolved administrations would be able to play in the process; whether powers repatriated from Brussels would be devolved downwards by Westminster; and the quality of the evidence-base provided – particularly on the potential impact on individual economic sectors. There was also a clear sense of a strategic vacuum in terms of spatial policy – with many south of the border anxiously awaiting the publication of the Industrial Strategy.

The *complexity* and multi-dimensional nature of Brexit came across strongly during the three events. This was not just in terms of the wider economic debates on single market access for example, but in relation to the uneven and highly complex nature of changes *within* individual sectors such as advanced manufacturing, the nuclear industry, tourism and agriculture. While feedback from the events suggests that knowledge exchange had enhanced awareness and understanding, there is clearly still an onus on government to provide details on the evidence being utilised in decision-making and to do so in an open and accessible manner.

The decision to leave the EU remains *highly contested* and provided a key backdrop to the discussions. A critical view of Brexit was particularly noticeable north of the border, where the public and governmental desire to remain in the EU coupled with a hard-headed analysis of the likely impact on the Scottish economy, and a clear sense of not being adequately represented in Brexit negotiations, saw many adopt a pessimistic view. Some of the concerns were also raised in Cumbria and the North East, particularly in relation to the need to remain in a European Free Trade area, fears over the loss of EU workers from the labour force, the area becoming less appealing to inward investors (or existing investors moving production abroad) and real concerns over the question of replacing EU funding.

Others were more positive, and highlighted some of the opportunities provided by Brexit. These included building on the strengths of particular sectors - such as nuclear decommissioning and tourism and the visitor economy. Others noted that Brexit would allow local organisations to act in a proactive,

creative and innovative way. There are new issues to promote, new ways to work and new 'policy spaces' to occupy. New forms of economic and political engagement will be crucial and Brexit provides an opportunity to push forward with such approaches.

2. The event in Scotland highlighted a wider set of issues particularly associated with a powerful devolved administration in a country where 62% of people wished to remain in the EU, while the events in Cumbria and the North East also focussed on the particular place-based or sectoral implications of Brexit. However, even here, it was recognised that whatever the local dimensions of Brexit, it was important not to lose sight of the crucial importance of the wider national economic position and the significance of national economic levers. This also highlights the need for Cumbria and the North East for example, to be able to contribute strongly to national debates and discussions on Brexit and on the wider policy environment such as discussions on the Industrial Strategy, on rural issues and on the rights of EU workers.

3. While Brexit is clearly the most pressing challenge facing the UK, it is important to recognise that other issues exist that both predate the 2016 referendum and bring their own problems. Without Brexit, we would still have major issues to grapple with, such as public sector cut-backs, the reshaping of the benefit system, the pressures on health and social care, the restructuring of local government spending by 2020 and demographic pressures. Indeed, is there a danger that Brexit can serve as a distraction when trying to meet these challenges? There is also a capacity issue – will Brexit absorb vital political and administrative resources that leaves less capacity to be devoted to these other important matters.

4. Brexit remains a highly divisive issue, with governmental opinions in Scotland in particular, strongly in favour of continuing in the EU and/or in some form of free trade area. In northern England, there are signs of the emergence of a more accepting – and realistic - approach to the inevitability of Brexit. There is a continuing tension for decision-makers in the North East. While many would wish there to be a soft Brexit (which involves remaining in a free trade area) the scale of the leave vote in the region was such that, politically at least, there is no turning back. This has led to a more co-ordinated and collaborative approach to developing a more informed approach to Brexit. This includes trade unions, business organisations, Local Enterprise Partnerships and Local Councils working together, and starting to gather and share information. A local and sub-regional evidence base is emerging. However, there is clearly some overlap and a more co-ordinated approach would be of value.

5. In terms of governance arrangements, it was clear that contributors rejected a 'one size fits all' or centralised approach to the level at which we take decisions. Instead, the focus was on a flexible and multi-scalar approach. When considering repatriating powers from Brussels in conjunction with on-going devolution initiatives, different levels of governance will now have to come into play. This will include more powers to; the Scottish Parliament; English Combined Authorities; City Deals; Borderland Growth Deals; and even to a pan-Northern approach via the Northern Powerhouse, Transport for the North or even a new Council for the North. In creating new forms of economic governance, it is also important that the government also includes rural areas in these deliberations.

6. Given the centrality of the rural dimension in Cumbria, Northumberland and the South of Scotland, there were concerns that the rural implications of Brexit had not received the attention they should have

had – compared to cities and city-regions. This is particularly the case in terms of the land-based economy including agriculture and agri-business. The recent UK Government backing for the Borderlands Growth Deal is important, but a more integrated and coherent strategic approach to rural economic governance and rural productivity post-Brexit is badly needed.

7. Finally, much of the discussion – understandably – focussed on Brexit at the macro-level. The discussion was about global trade, international economic change, the labour market, and questions of sovereignty. However, for a number of contributors, it was as much about the impact on people and communities - it is important to see Brexit in a more personal and individual sense. There is the danger that we forget the human dimensions of Brexit and fail to grasp the wider social implications.