

The £8bn question: would local councils be better off outside the EU?

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Local authorities are due to receive £8bn in EU funding between 2014 and 2020. But would leaving the EU free up money to be spent more wisely and with fewer administrative obstacles? **Dominic Leigh** (left) and **Ben Ramanauskas**, both of Localis, make the cases to Remain and Leave on behalf of local government.



The case to Remain

Much of the debate surrounding the EU referendum has centred upon the economic benefits of continued access to the Single Market for the country as a whole. However, there has been less focus on the impact of the EU on local authorities and their ability to stimulate growth in their area. Brexit, I believe, could threaten the billions of pounds of funding local areas currently receive from the EU for investment in local projects that support jobs and growth.



Local areas are set to **receive** £8bn in EU funding from 2014 to 2020 from European sources such as the European Regional Development Fund and the European Social Fund. This funding has helped local authorities to support jobs and revitalise communities through investment in apprenticeships, infrastructure and local businesses. The EU has been crucial for development in traditionally Labour areas like the North East, which has received EU funding for a **host** of iconic projects, including the Sage, Millennium Bridge and the Core science centre. But at the same time, the EU has supported small businesses across the country, including in Tory shires like Shropshire and Herefordshire whose EU-backed Business Fund has **helped** nearly 200 businesses and created over 100 full-time jobs. Indeed since 2007, the European Regional Development Fund alone **has**, according to the Department for Communities and Local Government, created around 115,000 jobs and helped 25,000 businesses to start or move into local areas in England.



Looking west from Wroxeter, Shropshire. Photo: [Micolo J](#) via a [CC-BY 2.0 licence](#)

Although the LGA has understandably taken a neutral position on whether Britain remains in or leaves the EU, it has

previously [said](#) that the EU's cohesion policy promotes a devolved or localist approach in Member States. Even the most ardent Eurosceptic would surely accept that this EU funding has had a positive impact for local communities and businesses, while also helping to increase the business rates that local councils collect. The million dollar question – or in this case the £8bn pound question – facing local government is whether, if we left the EU, the UK government would ensure that any money 'repatriated' through Brexit is given back to local areas rather than used for other priorities, such as balancing the Treasury's books. I've looked high and low but I can't find any pledge from the Leave campaign on this issue. Maybe I'm too cynical, but that makes me suspicious.

Many councillors have already expressed concerns that central government would opt to reclaim some or all of this valuable funding, to the detriment of local communities around the country. More than 60 Labour councillors [signed](#) a letter in the Times stating that Brexit would "represent a further funding black hole that would make it harder [for councils] to build homes and protect our towns against flooding". But this is a bipartisan concern, with 40 leading Conservative councillors [writing](#) to the Daily Telegraph echoing these sentiments. My question to supporters of localism is: Why would you want to put local authorities' access to this crucial funding at risk by pulling out of the EU?

Dominic Leigh is a researcher at Localis.

The case to Leave

Those who believe the UK should remain in the EU often argue that local areas within the UK will suffer economically in the event of Brexit. However, far from being worse off financially, local economies will benefit if the UK leaves the EU.

The Remain argument starts from the fact that the UK is set to receive £8bn to spend on local projects in the period 2014-20. Therefore, they argue, if Britain leaves the EU this money could be lost and their economies suffer as a result.

However, although it is true that the EU has provided local authorities with some funding in the past, this has often been in an ineffective and inefficient way. The Local Government Association itself has argued that previous EU funding programmes have been too fragmented, too centrally driven, and unnecessarily challenging to access. Given such problems, it is surely the case that funds for local governments should be managed, commissioned, and delivered on a local level and not by the bureaucratic and inefficient EU.

But more than that, local communities would, I believe, be in a better position financially in the event of Brexit. Firstly, although the UK does receive some funding from the EU, it gets far less back than it puts in. So when Britain leaves, we will in fact have more money available to give to local authorities to enable them to improve local infrastructure and so enhance their economies.

Furthermore, a liberated UK would be able to pursue free trade agreements with other nations. Free trade has produced prosperity on a massive scale that is unprecedented and unmatched in human history. If Britain leaves the EU, it will give local businesses access to potentially billions of extra consumers, in some of the fastest growing economies on the planet. The economies of local communities will benefit as a result.

Far from damaging the economies of local communities, Brexit will actually enable them to flourish.

Ben Ramanauskas is a research fellow at Localis.

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