
SCOTTISH BORDERS COUNCIL ECONOMIC DEVELOPMENT PRIORITIES

Report by Executive Director for Corporate Improvement and Economy

SCOTTISH BORDERS COUNCIL

26 November 2020

1 PURPOSE AND SUMMARY

- 1.1 This report recommends refreshed Economic Development priorities for the Council.**
- 1.2 Identifying the Council's Economic Development priorities is essential to the Council being able to allocate resources effectively to deliver on its priorities, and in identifying also the responsibilities of partners throughout the South of Scotland in a shared 'Team South of Scotland' approach, which optimises collective efforts.
- 1.3 The report acknowledges both the challenging economic environment and the alignment of a number of new opportunities, which provide the Council and its partners with opportunities not only to seek to respond to those challenges, but to respond also to longstanding structural challenges in the economy of the Scottish Borders and to make good on ambitions for the region. To ensure that the Council's efforts are as effective as possible, it is appropriate to clearly identify and pursue a number of specific economic development priorities, and these priorities must now sit within a "Team South of Scotland" approach in which the Council seeks to optimise outcomes by working collaboratively with partners. Five priorities are proposed and these are each supported by a rationale.

2 RECOMMENDATIONS

- 2.1 I recommend that the Council agrees the following Economic Development Priorities for Scottish Borders Council:-**
- a) Development and delivery of the Regional Economic Strategy for the South of Scotland through close working within the Regional Economic Partnership and partners more widely, particularly SOSE and Dumfries and Galloway Council**
 - b) Securing and delivering The Borderlands Inclusive Growth Deal**
 - c) Delivering The Edinburgh and South-East Scotland City Region Deal**

- d) Addressing Employability, Skills, Training and Transitions**
- e) PLACE, including support for our communities, increasing the adaptability and resilience of our town centres, building community capacity and promoting culture and creativity through events and tourism**

3 Background

- 3.1 For the Scottish Borders and for the wider South of Scotland region, 2020 and the years beyond it present both unprecedented challenge and unparalleled opportunity. Among the challenges, the most immediate is COVID-19. The global, national and local economies are being dramatically shaped by the imperative of public health and the need to protect citizens from infection, rather than by conventional and familiar market forces. The end of the EU Transition Period on 31st December 2020, and climate change add to this picture of challenge.
- 3.2 The Scottish Borders is facing unprecedented challenges as the result of the Covid-19 pandemic. This is evidenced by the large numbers of its businesses experiencing trading difficulties due to reductions and changes in market demand for goods and services. Sectors most affected include hospitality and tourism, retailing, and manufacturing. The spatial manifestation of this is shown by the economic problems being faced in the area's town centres.
- 3.3 These difficulties have resulted in the Scottish Borders as elsewhere in Scotland and the UK suffering significant increases in unemployment and increasing redundancies. The latest claimant unemployment figures for September 2020 shows claimant unemployment at 3,760 and compares with 1,730 in the same month last year. All age groups are affected by these increases in unemployment but the largest increases are in young people 16-24 and older people aged 50+. It is apparent that the unemployment and employment challenges arising will be much worse than previous economic recessions as it is likely that there will be fewer jobs for people to go into. This will likely lead to increased poverty, more disadvantaged and vulnerable families and individuals and place additional demands on public support services.
- 3.4 Yet for the Scottish Borders and the South of Scotland, there are positives in what is undoubtedly a challenging outlook. As the economy recovers, there is an opportunity not simply to go back to how things were, but to address with a renewed impetus many of deep-seated economic, environmental and social challenges. The challenge of COVID has for example underlined the vital importance of economic enablers like digital connectivity, whilst at the same time highlighting the importance of local supply chains. Delivering Green Growth/ Education and Skills must recognise the need to support young people in challenging times and protect them from the effects of long term unemployment. Repurposing "places" including the provision of good quality, affordable housing is essential to attract and retain people in Scotland's remote and rural communities. In Tourism, there are significant opportunities for the region to recover strongly and more rapidly from the impacts of COVID-19, aided by 'staycations' and a strong focus on the domestic market. The South of Scotland Destination Alliance, a new industry led, pan South of Scotland tourism destination organisation was created in the summer with the support of Team South of Scotland partners precisely to build on our strengths in this sector and the opportunities to develop and grow tourism in the area. Those opportunities will be enhanced by making the most of the tourism focused projects within the Borderlands Inclusive Growth Deal, particularly Destination Tweed and the wider leisure

opportunities connected to the Mountain Biking Centre and the 7 Stanes project.

- 3.5 This is also a moment in which a series of highly significant economic opportunities have aligned. Those opportunities comprise:
- a) **South of Scotland Enterprise** – On 1st April 2020, South of Scotland Enterprise (SOSE), a new non-departmental public body established by Scottish Government, formally began its operations in the South of Scotland comprising the local authority areas of the Scottish Borders and Dumfries and Galloway. The overarching aims of SOSE are to drive inclusive growth and ensure the region benefits from a new approach that supports a diverse and resilient economy, sustains and grows communities, and harnesses the potential of people and resources. It is worth adding that SOSE's express statutory aim to 'improve the local amenities and environment' and the Council's commitment to Sustainable Development through the Embedding Sustainable Development Report (29 August 2019) are highly complementary.
 - b) **Edinburgh and South-East Scotland City Region Deal** – comprising the local authority authorities of Edinburgh, East Lothian, Midlothian, West Lothian, Fife and Scottish Borders, together with regional universities, colleges and the private sector, is a mechanism for accelerating growth by pulling in significant government investment.
 - c) **Borderlands Inclusive Growth Deal** – With a focus on ways to make the area more attractive to investors, visitors and those who may wish to come and live here, the Borderlands Inclusive Growth Deal brings together the five cross-border local authorities of Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council to promote the inclusive economic growth of the area that straddles the Scotland-England border.
- 3.6 Cognisant of the challenges and opportunities, the Council continues to be highly ambitious for the Scottish Borders. The ambitions are to promote and sustain a strong diversified and sustainable economy built upon growing cohesive and enterprising communities, rich in economic and social opportunity, where a varied and skilled workforce enjoys pay and conditions commensurate with the best in Scotland. It is a place where entrepreneurship and innovation are commonplace with young people confidently looking forward to educational, training and employment prospects as stepping stones to realising their full potential in the South of Scotland. The region needs to both increase its economic output and the wealth retained within the area, and, in looking outward, to maximise the contribution it makes to national wealth. All this must be underpinned by the twin aims of inclusive economic growth and sustainability.

- 3.7 Taking account of the challenges, opportunities and the Council's ambitions for the region, the question is: how does the Council work organisationally and with partners in order to leverage maximum economic benefit for the Scottish Borders? There are two aspects to this:
- a) A clear identification of the Council's economic development priorities as elements of an economic strategy.
 - b) Agreement with partners with respect to 'who' does what to ensure that collective resources are marshalled to optimal effect.
- 3.8 It will be apparent that these propositions are inter-dependent. While it is for the Council to judge what should be its priorities, as a good partner and in order to maximise the economic ambitions for the region we share with partners, our priorities should be a matter of agreement with those partners. There is an element of 'chicken and egg' to those discussions. However, the 'Council Economic Development Priorities' set out in this report emerge from a dialogue with partners, most particularly SOSE. Indeed, this report is primarily concerned with identifying what are the economic development priorities of the Council, with a view to then developing a strategy to deliver those priorities in conjunction with partners. The wider issue of how partners should work together, the interface between them, and how their capacities can be best used to drive collective outcomes is the subject of a separate report on this Agenda in respect of SOSE and further future reports to Council and Executive.
- 3.9 It is proposed that the Council's priorities should be the following:-
- a) The Regional Economic Strategy for the South of Scotland supported through close working within the Regional Economic Partnership and partners more widely, particularly SOSE and Dumfries and Galloway Council
 - b) The Borderlands Inclusive Growth Deal
 - c) The Edinburgh and South-East Scotland City Region Deal
 - d) Employability, Skills, Training and Transitions
 - e) Place, including support for our communities and increasing the adaptability and resilience of our town centres

Further detail of these priorities is set out in subsequent paragraphs.

- 3.10 It is acknowledged that there are areas of detail, which this report does not meaningfully cover, and will require to be addressed in discussion with SOSE and in future reports to Council and / or Executive. This includes for example, community and place based economic development programmes and other services.

4 Scottish Borders Council Economic Development Priorities

4.1 A Regional Economic Strategy for the South of Scotland promoted by a strong Regional Economic Partnership

- a) The Council and its partners have previously agreed that the South of Scotland Regional Economic Partnership (REP) will be the vehicle for developing, agreeing and overseeing delivery of the South of Scotland Regional Economic Strategy which aligns with the Scottish Economic Strategy, and is informed by the relevant local strategies (Economic, Land Use, Transport etc.). It will set the strategic direction in relation to the regional economy. The REP will set priorities within the Economic Strategy and ensure that partner organisations are focused on delivering the agreed strategy. This strategic work is essential in directing the priorities of the Enterprise Agency and will be fundamental in development of the Action Plan they are required to provide to Scottish Ministers.
- b) On a cross-party basis, Council appointed four members (Councillors Haslam, Rowley, Mountford and Bell) and a substitute Member to the REP (Councillor Robson). The REP has now met on three occasions and has begun the work on developing the new Regional Economic Strategy.

4.2 The Borderlands Inclusive Growth Deal

- a) The Borderlands Inclusive Growth Deal seeks to develop the cross-border economy by driving up productivity and growing the working age population. The focus will be on ensuring inclusive growth by improving the fortunes of our residents and communities. The partners have followed the Treasury's 'Five Case Model' business case process in order to produce the documentation that is required to support the Deal.
- b) In March 2019, the UK and Scottish Governments both committed to working with the Borderlands Partnership and announced the funding package that was to be provided for the Region. The announcement highlighted a total of £345m over 10-15 years for the Borderlands Inclusive Growth Deal, made up of £260m from UK Government, committed in the Spring Statement, and £85m confirmed from Scottish Government.
- c) The Inclusive Growth Deal focuses on a number of key programmes and projects. To secure the support of both governments the proposals must be strategic in their approach and transformational in their economic impact. For the Scottish Government it is essential that the programmes and projects complement the South of Scotland Enterprise Agency proposals and support the inclusive growth agenda. It is hoped to sign the Deal early in 2021.

4.3 The Edinburgh and South-East Scotland City Region Deal

- a) The Council entered in to the City Deal in 2017 and has seen early investment in Tweedbank through the Deal. There remains more work to be completed in securing wider benefits from the City Deal but as the Deal's projects are developed further this will be possible.

- b) Development of the Tweedbank Business Innovation Park reflects the Council's continued strong involvement in providing and maintaining business infrastructure through the City Deal, while the projects at Coldstream Business Park and in Hawick manifest that same commitment within the Borderlands Inclusive Growth Deal.

4.4 **Employability, Skills, Training and Transitions**

As elsewhere in Scotland and the UK, the Scottish Borders is experiencing unprecedented increases in unemployment and increasing redundancies as a result of COVID-19. The claimant unemployment figures for August 2020 show claimant unemployment at 3,880 (2280 male and 1605 female) which compares with 1,755 (1080 male and 690 female) in the same month last year. The unemployment and employment challenges will be much worse than previous economic recessions as it is likely that there will be fewer jobs for people to go into. This is evidenced by vacancy rates being very low. The Council will require to do more in respect of employability than has been necessary for many years. This will include working with partners through the Regional Skills Investment Plan to provide coherent progression routes from school to training and to work based upon stronger alignment with employer needs. The Council has a very specific role to play in a number of areas:

- Developing a proposal and pilot programme to embed enterprise and entrepreneurial skills within the education curriculum/sector;
- Piloting a two-year graduate Attraction Programme to implement a paid graduate trainee programme across the region (two cohorts of graduates on paid projects of 6-12 months duration);
- Developing/enhancing support to increase participation of marginalised/lower participation groups (e.g. those with learning disabilities, mental health issues or care-experienced young people); and
- Increasing the number of Modern Apprenticeships within the Council to maximise the number of training and career progression opportunities the Council can offer directly, as well as addressing the Council's future workforce planning requirements.

4.5 **PLACE, including support for our communities and increasing the adaptability and resilience of our town centres**

The Council has recognised for several years that the strength of its communities should be supported through a relentless focus on 'Place'. That strategy is reflected in the work of the Community Planning Partnership as well as in the plans developed by the Local Area Partnerships. Town Centre regeneration and supporting the more rural communities through collaborative place based investment strategies has been notably successful in recent years. Communities, with support from the Council, have been successful at securing funding for many projects. Examples include: Eyemouth Harbour Trust, Newcastleton, and Stow. Linked to this is the need to improve capacities for Community Development (training and support for developing leadership and consensus, promoting positions of responsibility, dealing with volunteer exhaustion etc.) The SOSEP funded Community Enterprise Support Project Pilot has a potentially pivotal role in this through

the appointment of four Community Enterprise Managers for 12 months in Eyemouth, Galashiels, Hawick and Jedburgh. Finally, reflecting the unique cultural traditions of the Scottish Borders that are expressed in world-renowned literature, and storytelling, traditional music and song, custom and folklore, and, ultimately, profound feelings of identity and a sense of place, much more can be done to leverage our strengths in Creativity and Culture through events and tourism, strengthening communities in the process.

5 Next Steps

- 5.1 As a consequence of agreeing the Council's Economic Development Priorities it will be possible to undertake the necessary Organisational Development Review of the Economic Development Service's structure and capacity to ensure that all the available resources of the Service are aligned to delivery of the Priorities set by Council and deployed to optimal effect.
- 5.2 Economic Development matters are already routinely considered by Executive at the regular Economic Development Executive meetings. This arrangement will continue with appropriate reports reflecting the priorities being recommended to Council forming the core of the matters to be considered by Executive.
- 5.3 Strategic Economic Development matters for example in relation to concluding the Borderlands Inclusive Growth Deal and in agreeing the Regional Economic Strategy will be the subject of further reports to Council. Any project requiring new approval of significant additional capital expenditure will also be the subject of report(s) to Council.

6 IMPLICATIONS

6.1 Financial

There are no direct financial implications arising from the report. However the Economic Development budget will be reviewed and subsequent reports to Council and Executive will recommend appropriate budgets for the delivery of the priorities recommended.

6.2 Risk and Mitigations

There are no direct risks that require to be addressed as a consequence of this report. The agreement of the priorities in itself provides a significant mitigation against adverse economic impact in the Scottish Borders as the priorities are designed to address the areas of greatest challenge and risk.

6.3 Integrated Impact Assessment

The focus of this report is on the high level Economic Development priorities of the Council. Those priorities are proposed within the framework of national policy, as well as the South of Scotland Enterprise Act 2019, the Regional Economic Partnership and the Growth Deals, including the Borderlands Inclusive Growth Deal and the Edinburgh and South East Scotland City Region. That framework seeks to focus and align resources, share knowledge, and identify new joined-up plans to accelerate inclusive economic growth at a local, regional, and national level. The approach is mirrored in the Council's own policy approach, not least in its commitment to the UN Sustainable Development Goals, manifested in the Embedding

Sustainable Development Report of 20 August 2019. Thus, inclusion is 'baked in' to the identification of priorities and will shape the strategy, plans and action designed to deliver on those priorities.

6.4 Acting Sustainably

The Council's Corporate Plan and commitment to implement 'the UN Sustainable Development Goals as they relate to local government' (through the Embedding Sustainable Development Report) reflect the Council's strong commitment to sustainable development. That commitment will underpin its approach to delivering against its Economic Priorities. Moreover, sustainable and inclusive economic growth is built into both the public policy landscape in which the Council operates (e.g. Scottish Government's Programme for Government, and the reports by the Advisory Group on Economic Recovery and the Enterprise and Skills Strategic Board) and the Economic Development and Growth vehicles of which the Council plays a part and/or is partner: the Borderlands Inclusive Growth Deal, the Edinburgh and South-East Scotland City Region Deal, statutory aims of SOSE and the objectives of the Regional Economic Partnership and the Convention of the South of Scotland. Through its work on its Economic Priorities and by working effectively with partners in a Team South of Scotland approach, a stronger and more integrated service to businesses can be delivered, allowing them easier access to funding which will have a positive impact on the economic well-being of the Scottish Borders area, promote more efficient use of public resource, and increase sustainability.

6.5 Carbon Management

It is not anticipated that there will be any effects on carbon emissions as a direct result of the recommendations in this report.

6.6 Rural Proofing

There are no rural proofing issues as a direct result of the recommendations in this report.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Schemes of Administration or Delegation are required by the recommendations in this report.

6 CONSULTATION

6.1 The Executive Director (Finance & Regulatory), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

6.2 Corporate Management Team have been consulted and any comments received have been incorporated into the final report.

Approved by

Rob Dickson
Executive Director
Corporate Improvement and Economy

Signature

Author(s)

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Background Papers: None

Previous Minute Reference: None

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