
Economic Development Update

Report by Director of Resilient Communities

Executive Committee

13 September 2022

1 PURPOSE AND SUMMARY

- 1.1 This paper provides elected members with an update on the current economic development landscape affecting the Scottish Borders. It identifies the major policies and strategies that are driving economic development.
- 1.2 The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK Government's Levelling Up policy agenda. The Scottish Borders has been allocated funding of £4,442,628 for UKSPF and a further £927,345 for Multiply, which is about improving numeracy for employability purposes. It is anticipated that the investment plans for this funding will be agreed by the UK Government in October.
- 1.3 The Levelling Up Fund (LUF) was established by the UK Government during the 2020 Spending Review and prioritises regeneration and growth. The UK Government issued a Prospectus for a Second Round of bids to the LUF as part of the Chancellor of the Exchequer's Spring Statement. Scottish Borders Council has submitted three funding applications to the LUF for this round, consisting of applications for its two parliamentary constituencies, each for around £20 million, and also a Scottish Borders transport bid.
- 1.4 The Scottish Government's National Strategy for Economic Transformation (March 2022) is a 10-year strategy containing priorities and actions towards a wellbeing economy.
- 1.5 Within the Borderlands Inclusive Growth Deal, the Scottish Borders will benefit from £64m of government investment in ten programmes and projects. The initial group of projects that have reached Full Business Case stage will be reporting on progress to the Council in the autumn and winter of 2022/23.
- 1.6 The Regional Prosperity Framework (RPF) will build on the ambitions of the Edinburgh and South East Scotland City Region Deal. A 'Regional Prosperity Delivery Framework', which takes the previously identified nine 'Big Moves' and translates these into a Delivery Framework of eight Delivery Programmes supported by a number of specific projects, has been developed.

- 1.7 The Regional Economic Strategy (RES) for the South of Scotland of 2021 is a ten-year strategy that seeks to maximise economic opportunities in the South of Scotland, whilst taking account of the area's key challenges. The six priority themes identified in the RES provide the ambition and intent for a South of Scotland RES Delivery Plan 2022-2025, comprising actions by South of Scotland Regional Economic Partnership partner organisations, including Scottish Borders Council, and others, based on priorities identified under each theme.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:

- (a) Notes the information that is provided regarding the current economic development landscape affecting the Scottish Borders.**
- (b) Supports those projects within the Scottish Borders that have been developed from the various policies and strategies, and also notes where future progress on the projects is to be reported to Council.**

3 THE CURRENT ECONOMIC DEVELOPMENT LANDSCAPE

3.1 The current economic development landscape affecting the Scottish Borders combines various policies and strategies at national, devolved, regional, and local levels. The main drivers of the current economic development landscape for the Scottish Borders are described below.

3.2 UK Government Shared Prosperity Fund

The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK Government's Levelling Up policy agenda. A Prospectus for UKSPF was published on 13 April 2022 setting out its investment priorities, which were communities and place, business support, people and skills, and Multiply, which is about improving numeracy for employability purposes.

Each local authority in Scotland has been given funding allocations over the financial years 2022/23 – 2024/25 for their administrative areas to be used to meet UKSPF investment priorities and Multiply objectives respectively. The Scottish Borders funding allocation is £4,442,628 for UKSPF and £927,345 for Multiply. This funding is divided into around 85% revenue and 15% capital. The year on year breakdown of this funding is as follows:

Scottish Borders	UKSPF General Funding	UKSPF Multiply Funding
2022/23	£539,154	£280,360
2023/24	£1,078,308	£323,492
2024/25	£2,825,166	£323,492
Total	£4,424,628	£927,345

To access the funding, local authorities were required to submit an investment plan setting out measurable outcomes and interventions by 1 August. The plan submitted by Scottish Borders Council uses the investment priorities of the South of Scotland Regional Economic Strategy and its Delivery Plan, which is described further below in this report. It also links into the opportunities provided by the Regional Prosperity Framework of the Edinburgh and South East Scotland City Region Deal Partnership and the work of the Borderlands Inclusive Growth Deal, which are both also described further below. The Multiply part of the investment plan is being developed from the employability work being carried out by Scottish Borders Council and its local partners through the Scottish Borders Local Employability Partnership. It is anticipated that the investment plans will be agreed by the UK Government in October.

3.3 UK Government Levelling Up Fund

The Levelling Up Fund (LUF) was established by the UK Government during the 2020 Spending Review. The LUF focuses on capital investment in local infrastructure and prioritises regeneration and growth for places in need and areas of low productivity and connectivity. LUF will not support revenue commitments. The Fund is jointly managed by HM Treasury and the Departments for Levelling Up, Housing and Communities, and Transport.

LUF is delivered through local authorities, with all relevant organisations throughout the UK having been invited to make an application to the fund. Preference is given to bids from Category 1 areas, the criteria for which is based on an index of priority places that has been developed by the UK Government using a range of economic and social measures. The Scottish Borders is a Category 1 area. Capacity funding of £125,000 was allocated to all local authorities in Category 1 areas to help prepare bids for LUF funding.

The UK Government issued a Prospectus for a second round of bids to the LUF as part of the Chancellor of the Exchequer's Spring Statement on 23 March. This is a highly competitive UK-wide capital fund for local authorities to apply for local infrastructure funding relating primarily to town centre regeneration, culture, and transport.

Local authorities can bid for up to £20 million for each parliamentary constituency in their area and also for a local authority transport bid of £20 million. There is a four-year funding cycle from 2021/22 to 2024/25. In exceptional cases, these bids can be up to £50 million. Applications were submitted to the UK Government on 6 July. It is anticipated that the final decision on the application process will be made by the UK Government in October.

As reported to Council on 14 June, Scottish Borders Council has submitted three funding applications to the LUF, consisting of the two parliamentary constituencies (represented by John Lamont MP and David Mundell MP, respectively), noting that the David Mundell application is a joint bid with other local authorities, and also a Scottish Borders transport bid.

The bid for John Lamont MP's constituency is for around £20 million and focuses on enhancing heritage and place-based assets and travel connections along the River Tweed and its tributaries, and the Berwickshire coastline. Two small projects in Upper Tweeddale, which are in David Mundell MP's constituency, have also been included in the bid. This is allowable within the LUF rules.

The bid for David Mundell's constituency has been submitted jointly with Dumfries and Galloway Council and South Lanarkshire Council, and involves shared funding of around £20 million. This bid is based on developing an integrated network of long distance paths and active travel routes across the South of Scotland, which meet in the constituency.

Finally, the Scottish Borders Council transport bid encompasses: developing the first phase of an east/west Strategic Active Travel Route Network; the establishment of stronger transport links from Tweedbank Railway Station; and the de-carbonisation of public transport.

3.4 Scottish Government National Strategy for Economic Transformation

The Scottish Government's National Strategy for Economic Transformation (March 2022) is a 10-year strategy containing priorities and actions towards a wellbeing economy. It aims to deliver economic prosperity in the context of a green recovery and transition to a net zero economy, while improving business prospects, productivity, and people's access to skilled, well-paid

jobs. The programme is aligned to Scotland's National Performance Framework in that it would:

- Build a globally competitive, entrepreneurial, inclusive and sustainable economy;
- Tackle poverty through sharing opportunities, wealth, and power more equally; and
- Have thriving and innovative businesses, with quality jobs and fair work for everyone.

There is an expectation that all business cases for programmes and projects going forward will align with the National Strategy for Economic Transformation.

3.5 **Borderlands Inclusive Growth Deal**

The Borderlands Inclusive Growth Deal was signed in March 2021 by the Borderlands Partnership, the UK and Scottish Governments, and the five local authorities within the Borderlands area: Carlisle City Council, Cumbria County Council,¹ Dumfries and Galloway Council, Northumberland Council, and Scottish Borders Council. The Deal will provide a total funding package of £345m over 10 years for the Borderlands area with £150m available for the South of Scotland, comprising £65m from the UK Government and £85m from the Scottish Government.

The Scottish Borders will benefit from £64m of government investment in ten programmes and projects: the Mountain Bike Innovation Centre and Adventure Bike Park; Destination Tweed; Business Infrastructure Scotland; the Place Programme; 7Stanes Redevelopment; the Natural Capital Programme; the Energy Programme; the Digital Programme; the Borders Railway Feasibility Study; and the Learning and Skills Programme.

Currently, the Mountain Bike Innovation Centre and Adventure Bike Park, Destination Tweed, and Business Infrastructure Scotland projects are at Full Business Case stage, which is the final milestone for approval from government to release grant funding. These Full Business Cases will be presented to Council over the autumn and winter months of 2022/23. There will also be progress updates on the Natural Capital and Place Programmes.

At the Borderlands Inclusive Growth Deal Annual Conversation that was held recently with Senior Civil Servants and Partner Authorities, Officers from Scottish Borders Council impressed upon both Scottish and UK Governments the vital importance of this work to the region.. This included the opportunity to highlight significant concerns regarding the apparent lack of progress with the commitment to deliver the feasibility work for the extension of the Borders Railway to Carlisle. A commitment was given to unlock the £10m funding to progress the feasibility work as soon as practicable.

¹ In April 2023, Cumbria County Council will be succeeded by two new unitary authorities: Westmorland and Furness; and Cumberland.

3.6 Edinburgh and South East Scotland City Region

The Regional Prosperity Framework (RPF) will build on the ambitions of the Edinburgh and South East Scotland City Region Deal through providing the basis for economic recovery post-pandemic and also future direction for major projects and investment that support inclusive growth and the transition to a net zero economy over the next 20 years. The RPF was approved by City Region partner representatives on 3 September 2021 with the final version being approved by Council on 23 September 2021.

Work has since been ongoing to develop high-level strategies into investable propositions under nine 'Big Moves'. This work complements the publication of the Levelling Up White Paper from the UK Government and the National Strategy for Economic Transformation from the Scottish Government.

A Regional Prosperity Delivery Framework, which takes the previously identified nine 'Big Moves' and translates these into a Delivery Framework of eight Delivery Programmes supported by a number of specific projects, has been developed. This process is illustrated in the following table.

Big Moves	Delivery Programmes
1) Data capital of Europe	Digital connectivity and data gathering and deployment
2) Rethinking our place	City, town centre and rural recovery
3) Sustainable transport	Sustainable transport and infrastructure
4) Regenerating the Forth	Regenerating our Waterfront and Coastal sites
5) Sustainable tourism	Visitor economy
6) Supporting enterprise	Outstanding and inclusive innovation ecosystems
7) Aligning skills	Upskilling and reskilling our workforce
8) Reinventing healthcare	
9) Anchor institutions	Maximising the role of our anchor institutions

Scottish Borders Council has had particular involvement in the development of the sustainable transport and infrastructure delivery programme; and also in maximising the role of our anchor institutions, a delivery programme that is led on behalf of the City Region by the Council's Director for Resilient Communities.

Within the City Region Deal itself, progress is being made on the delivery of the Borders Innovation Park at Tweedbank, the funding of which includes £15m from Scottish Government. A report on next steps with this project will be presented to Council in November.

3.7 South of Scotland Regional Economic Strategy

The Regional Economic Strategy (RES) for the South of Scotland of 2021 is a ten-year strategy that seeks to maximise economic opportunities in the South of Scotland, whilst taking account of its key challenges. It was developed by the South of Scotland Regional Economic Partnership, which comprises members of Scottish Borders Council, Dumfries and Galloway Council, and South of Scotland Enterprise, together with appointed members from businesses, communities, social enterprises, registered social landlords, and representatives from colleges, universities and public bodies. The latter include the Scottish Funding Council, Skills Development Scotland, Scottish Enterprise, and Visit Scotland.

The vision of the RES recognises the unique strengths of the South of Scotland in relation to its natural capital, the quality of its communities and cultural identity, and aims to increase the working population and attract more visitors to the region. Inclusivity, sustainability, innovation and creativity, and making the most of everyone's potential, were key elements in influencing the RES's vision and its six priority themes.

The six priority themes (Skilled and Ambitious People; Innovative and Enterprising; Rewarding and Fair Work; Cultural and Creative Excellence; Green and Sustainable Economy; and Thriving and Distinct Communities) provide the ambition and intent for a South of Scotland RES Delivery Plan 2022-2025, comprising actions by South of Scotland Regional Economic Partnership partner organisations, including Scottish Borders Council, and others, based on priorities identified under each theme. A number of performance targets through which progress can be measured from a baseline position have been established. The delivery plan is to be updated on an annual basis.

4 IMPLICATIONS

4.1 Financial

Each project noted in the paper has their own particular financial issues and will be reported on individually. This is a descriptive report and therefore detailed analysis of each project has not been provided.

4.2 Risk and Mitigations

Each project noted in the paper has their own particular issues in relation to risk and potential mitigation and will be reported on individually. This is a descriptive report and therefore detailed analysis of each project has not been provided in this instance.

4.3 Integrated Impact Assessment

There are no direct implications associated with an Integrated Impact Assessment. However, a key aspect of Scottish Borders Council's work in relation to Economic Development is to reduce barriers to inequality and help to promote sustainable, inclusive economic growth.

4.4 Sustainable Development Goals

The intention for each of the projects noted in the paper is to provide socially and environmentally responsible decision making, balanced with

delivering economic benefits to help sustain local communities and where applicable the local supply chain and to support the circular economy.

4.5 Climate Change

There are no direct implications associated to climate change in this report.

4.6 Rural Proofing

This report provides an update on a number of projects that would potentially have a positive impact on the Scottish Borders.

4.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

4.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the scheme of administration or the scheme of delegation proposed in this report.

5 CONSULTATION

5.1 The Acting Chief Financial Officer, the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and any comments received will be incorporated into the final report.

Approved by

Jenni Craig
Director of Resilient Communities

Signature

Author(s)

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Background Papers: Various

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Graeme Johnstone can also give information on other language translations as well as providing additional copies.

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