

Policy and Sustainability Committee

10.00am, Thursday 11 June 2020

City of Edinburgh Council response to the Scottish Government Advisory Group on Economic Recovery Call for Views

Executive/routine	Routine
Wards	All
Council Commitments	2-7

1. Recommendations

- 1.1 To note the Council's response to the call for views from the Scottish Government Advisory Group on Economic Recovery. This was approved by the Chief Executive in consultation with the Convener and Vice Convener under urgency provisions contained within Committee Terms of Reference and Delegated Functions.

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City of Edinburgh Council response to the Scottish Government Advisory Group on Economic Recovery Call for Views

2. Executive Summary

- 2.1 This report includes the Council's response to the Call for Views issued by the Scottish Government's Advisory Group on Economic Recovery. The response was compiled based on feedback from service areas, and in alignment with existing Council statements and policies. The response also draws on the emerging findings of engagement with businesses and partners carried out as part of early stages of the Sustainable Economic Recovery strand of the Council Adaptation and Renewal Programme. A full report on this engagement activity and its findings will be reported to committee upon its completion.
- 2.2 This call for views was open for a short, 13 day period with the deadline for submission falling before this meeting of the Committee. To meet the submission deadline, the Convener and Vice Convener were consulted on the intended response, and it was approved by the Chief Executive using the urgency provisions within Committee Terms of Reference and Delegated Functions. The response was subsequently submitted to Scottish Government. The committee is asked to note this response which is attached in Appendix 1.

3. Background

- 3.1 The Advisory Group on Economic Recovery was established by the Scottish Government to provide independent expert advice on supporting the sectors and regions of Scotland's economy to recover from the impact of Covid-19. The group has been asked to make recommendations by the end of June 2020 on how the Scottish Government should approach supporting Scotland's economic recovery.
- 3.2 To help shape these recommendations, on 18 May 2020 the Advisory Group issued a call for views seeking contributions to the group's work. To allow time for all views collected to be fully considered by the group, this call for evidence closed on Sunday 31 May.

4. Main report

- 4.1 The consultation response, provided in Appendix 1, the response was compiled based on feedback from service areas, and in alignment with previously agreed Council policies and statements. The response also draws on the emerging findings of engagement with businesses and partners carried out as part of early stages of the Sustainable Economic Recovery strand of the Council Adaptation and Renewal Programme. A full report on this engagement activity and its findings will be reported to committee upon its completion.
- 4.2 The consultation questions cover a broad scope of topics in considering what shape and form Scotland's recovery should take. The call for views asks for knowledge and insight on the sectors, industries, and groups of society most affected by lockdown, the environmental implications of the crisis, and the changes in the nature and interactions between different institutions in Scotland needed to support recovery.
- 4.3 The Council response to this call for evidence draws on the Council Adaptation and Renewal Programme approved by Committee on 28 May 2020 and recognises that, like all cities, Edinburgh expects to feel the economic impact of the coronavirus crisis for some time to come.
- 4.4 One lesson learned during recovery from previous major crises is that having a strong vision for the city is aiming to achieve is an important factor in the success of any recovery and renewal plan. Towards this, the response notes that the development of the 2050 Edinburgh City Vision provides a strong guide to the ambitions, values and priorities that should underpin the city's long term renewal from this crisis.
- 4.5 The Council response notes that Edinburgh's recovery from this crisis will depend on core assets on which the city's economic strength and resilience over the past decade have been built - a highly skilled workforce, good connectivity and infrastructure, world recognised natural, cultural, and built heritage, strong anchor institutions (including world leading higher education providers), and an innovative entrepreneurial ecosystem. The protection and strengthening of these assets will form the basis of the next renewal of the city.
- 4.6 At the same time, however, the current crisis also emphasises and strengthens the case for addressing long recognised challenges and opportunities for the city economy. Key among these include the core challenges of addressing poverty, climate change, and improving wellbeing.
- 4.7 Over the past year the city has established independent commissions to guide its ambitions to end poverty in the city and to meet its net zero carbon targets. The city is also a central part of an ambitious City Region Deal programme with Data Driven Innovation at its heart, and an objective for the region to be the data capital of Europe. These ambitions, and the work done to plan and guide the city towards them remain core to how Edinburgh and Scotland should plan for recovery and renewal from this crisis.

- 4.8 Finally, the response notes that as capital city and strongest economy, Edinburgh will play a critical role in Scotland's recovery from this pandemic period. Over the next few years Edinburgh's renewal must be central to the shape and pace of Scotland's recovery and the way that recovery is planned. It is clear, however, that the economic recovery needed from this crisis cannot be planned for and delivered solely through national schemes. The speed of response needed, the varying experience and impact of the crisis on different sectors and citizen groups, and the need for decisions to be made with and close to the communities affected means that planning for recovery needs to be shaped and driven at the local level. More specifically, further fiscal devolution should be supported. Local Government, or Local Authorities working together at the regional level, need greater freedom on a range of fiscal measures as well as agreement between central and local on what's most appropriate in differing economic circumstances.

5. Next Steps

- 5.1 The Scottish Government Advisory Group on Economic Recovery has been asked to consider the insights gathered in this call for views and to deliver its recommendations by the end of June. These will be published alongside a report providing the evidence for how the Advisory Group arrived at its recommendations.
- 5.2 A full report on findings of engagement activity carried out as part of the Sustainable Economic Recovery strand of the Council Adaptation and Renewal Programme will be provided to Committee upon its completion.

6. Financial impact

- 6.1 There are no financial impacts for the Council arising from this report at this time.

7. Stakeholder/Community Impact

- 7.1 The response to this consultation has been developed from engagement with Council service areas led by the Council's Strategy and Communications Division, and drawing on existing consultation and engagement materials. A full citizen engagement plan for the Council Adaptation and Renewal Programme, to which the response refers, is currently in development.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 1: City of Edinburgh Council response to the Scottish Government Advisory Group on Economic Recovery Call for Views.

Appendix 1: Call for Views: Advisory Group on Economic Recovery

Question 1:

Significant macroeconomic and fiscal implications will change the economic context for the foreseeable future

What will be the shape and form of the recovery from the crisis and the what will be the implications for the future growth and structure of the economy?

Like all cities, Edinburgh expects to feel the economic impact of the coronavirus crisis for some time to come. In starting to plan for the future it is important to acknowledge that business as usual isn't an option. Within Edinburgh, the Council's Adaptation and Renewal Programme is the first step in building a future that keeps poverty reduction and sustainability in sharp focus.

During this crisis the city has already seen a profound impact on some of the sectors that have been part of Edinburgh's economy over recent decades. Most obviously, in April the Council leaders and the organisers of the five August festivals announced that this year's events will not be held due to concerns around the Coronavirus pandemic. This represents the first time in more than 70 years that the five festivals that attract audiences of some 4.4 million people and transform Edinburgh into the world's leading cultural destination every August are not going ahead.

The cancellation of festivals, alongside impacts on tourism, retail, construction, creative industries, and on the city's higher education institutions, highlight the ways in which this crisis is affecting the core sectors that have underpinned the economy in Edinburgh and across Scotland. In response to these impacts, early engagement is already under way with businesses and stakeholders to understand how coronavirus is affecting Edinburgh's sectors and how they can begin to rebuild in a more sustainable manner.

One key message from that engagement so far has been to reflect on how the city responded and recovered from the last global economic crisis in 2008/09. Edinburgh's recovery from that crisis, which in financial services similarly impacted on sectors which were at the core of the city's economy, was built on inherent core strengths which allowed the city to renew and adapt to new economic conditions. These assets – including a highly skilled workforce, good connectivity and infrastructure, world recognised natural, cultural, and built heritage, strong anchor institutions (including world leading higher education providers), and an innovative entrepreneurial ecosystem – all remain in place and their protection and strengthening will form the basis of the next renewal of the city.

This crisis, however, also emphasises and strengthens the case for addressing long recognised challenges and opportunities for the city economy. Key among these include the core challenges of addressing poverty, climate change, and improving wellbeing.

We know, for instance, that the first and hardest impacts of this crisis (in economic and health terms) are being felt by the poorest in society. We know too, that this current crisis is only one of a series of shocks and challenges the city will face over the next decade – climate crisis, Brexit, and a data revolution changing the way citizens work and live. These changes demand a resilience and ability for economies to adapt to future

uncertainties. This resilience requires a policy environment that is focused on long term priorities – of fairness, sustainability, and wellbeing – and a business environment that encourages flexibility and adaptation.

Over the past year the city has established independent commissions to guide its ambitions to end poverty in the city and to meet its net zero carbon targets. The city is also a central part of an ambitious City Region Deal programme with Data Driven Innovation at its heart, and an objective for the region to be the data capital of Europe. These ambitions, and the work done to plan and guide the city towards them remain core to how Edinburgh and Scotland should plan for recovery and renewal from this crisis. In doing so, the shape of the economy's renewal needs to:

- Establish a fair and equitable economy, underpinned by fair, secure work that provides enough to live on
- Invest in job retention and creation programmes, accompanied by a new approach to skills and employability provision to support resilience and career development
- Identify and support those sectors and businesses with the resilience and adaptability needed to thrive and create new jobs during this renewal period
- Invest in those leading sectors needed for successful transition to a net zero carbon economy
- Deliver support for the renewal and rebooting of key sectors most affected by this crisis, including higher education, retail, tourism, and culture
- Deliver practical business support and guidance from regulatory services on re-opening practices and opportunities
- Provide a new emphasis on health and care as core sectors of the economy
- Develop new approaches to supporting the development of circular economy approaches and practices
- Invest to maintain and progress key infrastructure developments in the city, including affordable housing pipelines, transport infrastructure, and commercial development, and
- Ensure that Data Driven Innovation is a core part of the renewal process.

Question 2:

Different sectors and businesses will be impacted in different ways.

What are the medium- to long-term consequences of the lockdown on businesses, including loss of employees, debt overhang, loss of markets, reduced investment and unemployment?

Most analysis, including that conducted by the Scottish Government, agree on the core sectors at highest risk during the lockdown and recovery period. These include:

- Accommodation & food services, Manufacturing, Construction, Retail and wholesale, Education and arts, Entertainment & recreation – all of which sectors are at risk of loss of demand, disruption to supplies, and/or availability of key skilled workers as a result of coronavirus and lockdown, and
- Public administration activities, Administration and support services, Health and social work and other services - all of which are sectors identified as being at high

risk of disruption during lockdown and recovery due to availability of key skilled workers, and/or dependence on workers from high risk groups.

According to Skills Development Scotland analysis, such sectors account for over 100,000 jobs in Edinburgh, or 28% of total employment in the city. The crisis so far has represented a significant challenge to some of Edinburgh's most important institutions, including Higher Education, Airport, Festivals, and Tourism businesses. Initial issues raised by businesses during consultations carried out over recent weeks include:

- Concerns over survival and cash flow in the short to medium term. UK wide, surveys suggest that 29% of businesses are not confident they have the financial resources to survive this crisis. In Edinburgh alone that would equate to some 6,300 enterprises.
- Ability to take on and maintain increased debt levels through a period of slow recovery
- Loss of employees, particularly in sectors dependent on migrant labour where the current crisis is exacerbating existing concerns over Brexit
- Potential loss of key populations, including the potential impact of student numbers not returning in the usual numbers post summer
- Issues for key tourism and culture sectors and the impacts on businesses across the city from the loss of summer festivals
- Potential constraints on availability of finance and investment capital for growth and recovery – particularly as a constraint for transition to net zero carbon industries, and
- Concerns over an expected coming wave of unemployment in the city. Latest data shows claimant counts in Edinburgh up by 92% in the month to April, with almost 7,000 net new claimants. If the city follows the unemployment trend projected by Scottish Government for Scotland as a whole this number could be expected to almost double again during the next few months.

These concerns relate to immediate issues raised by businesses and institutions in relation to this lockdown period. While the response to this crisis must reflect and act on these concerns, advice and guidance from the city's independent commissions on Poverty and Climate change both emphasise the way it is equally important that renewal planning takes a long term perspective focused on building a more resilient and fairer economy. As noted above, this current crisis is only one of a series of shocks and challenges the city will face over the next decade – climate crisis, Brexit, and a data revolution changing the way citizens work and live. A key priority for recovery and renewal should be support for the businesses, institutions, and ways of working needed to ensure the ongoing resilience of Edinburgh's economy. Within this approach it will be important to recognise and support those industries and sectors which demonstrate the ability to grow and thrive during this renewal period. Such sectors will have a critical role to play in shaping a new, more resilient economy which can create new jobs and take up some of the losses that may be felt.

Question 3:

The crisis will impact differently on different groups in society, and on different parts of the labour market; and, has already revealed some thorny issues about relative wages across key occupations.

What will the implications of the recovery be for different groups, unemployment and on the nature of work? How is the recovery likely to impact on socio-economic inequality as a whole?

There is a significant risk that experience of coronavirus could lead to a more unequal society and deepen issues around social mobility, fairness, and empowerment that have long been recognised in Edinburgh and across Scotland. Evidence from this crisis already illustrates that the impacts, both in terms of health risks and risk of income loss, are likely to be felt most strongly by workers who are low earners, women, parents, young people, people in BAME groups, and people who live in the most deprived areas of the city:

- People on low incomes are 2.4 times more likely to work in shutdown sectors, than
- higher earners
- 23% of women work in shutdown sectors, compared to 16% of men
- 16-24-year-olds workers are twice as likely to be working in shutdown sectors as the
- rest of the workforce
- Nearly half of all people on zero-hours contracts work in shutdown sectors
- Two-thirds of working single parents are in jobs bearing the greatest economic and
- health risks in this crisis
- Young black, Asian and ethnic minority workers are significantly more likely to be
- exposed to the economic effects of this crisis. Such workers are 47% more likely to be on a zero hours contract and less likely to have a permanent contract than their white peer group.
- UK BAME groups are also at a significantly higher risk of developing and dying from coronavirus, account for 34% of critically ill Covid-19 patients and a similar percentage of all Covid-19 cases.

Already those impacts are being seen in labour market outcomes which show increasing universal credit claims, a trebling of weekly claims for Scottish Welfare Fund support, and a quadrupling of monthly support referrals for some of the city's employability programmes. While these impacts are stark, there remains concern that they represent only the beginning of a number of waves of crisis that will need to be managed over the coming period. In particular, responses to Council engagement so far reveal concerns that the ability of businesses and citizens to weather a crisis – through reliance on financial or other assets – may be quickly used up, and that the most significant impacts of the lockdown may not be felt for a number of months. These concerns again emphasis that flexibility and speed of response will be the biggest asset over the coming

period. Such flexibility needs a repositioning of powers and decision making that is as close to communities as possible.

Question 4:

What can be done now to ensure the transition to a wellbeing-oriented, inclusive economy on a transition to net zero

How can the wellbeing of the people of Scotland flourish and what are the environmental implications of the crisis?

There is a key risk that the need for a strong recovery felt in the short term could back work underway towards long term priorities such as net zero carbon, addressing poverty and inequality, and improving wellbeing. It is important that the need to address one existential crisis does not exacerbate another and that those principles of fairness, sustainability, and wellbeing remain at the core of adaptation and renewal planning. The climate challenge, for instance, will remain a crisis regardless of, and in addition to, the immediate challenges of coronavirus. The risks that each pose are compounded when they are considered together and our resilience to multiple shocks either because of climate impact or new waves of outbreak, or other challenges, need to be planned for in our economic recovery packages.

Alongside the principles and priorities highlighted above, this period of renewal and recovery will be supportive of a longer term transition to a well-being, inclusive, net zero carbon economy if it:

- Prioritises place based solutions built around strong relationships with communities, backed up by investment in community capacity and wealth building.
- Develops investment programmes which provide projects which combine strong short term benefits (such as job creation) with long term benefits to Edinburgh residents
- Stimulates local business supply chains – through strategic use of public and major private sector procurement budgets – targeting development of strategically important supply chains for a net zero economy
- Delivers appropriate public investment where long term financial and community benefits are clear – progressing with major development projects critical to the future of the city
- Is built on the increased powers, flexibility and finance needed at a local level to respond effectively in the particular context of Edinburgh
- Recognises the need to invest in citizen resilience as well as business resilience, and that the mental and emotional stability of the workforce will be an important bedrock to a successful recovery, and
- Recognises the importance – to physical and mental resilience, to the economic attractiveness of the city, and to the climate agenda - of open and green space in urban areas.

Question 5:

There will be big changes in the form, nature and interactions between different institutions.

How will the crisis change the role and relationships between the UKG/SG/LAs, business and other institutions?

As capital city and strongest economy, Edinburgh will play a critical role in Scotland's recovery and renewal from this pandemic period. Throughout the last decade the city has consistently outperformed its size with regard to economic indicators. It records the highest productivity rates of any major city in the UK (outside central London), and has created over 37,000 net new jobs since 2009, more than a quarter of the total created across Scotland in the same period. This role as Scotland's engine of growth has been important during a period when the city has been thriving, and will become even more critical through a period of expected economic downturn. Scotland's economic prospects over the past decade have been underpinned by Edinburgh's prosperity. Over the next few years Edinburgh's renewal must be central to the shape and pace of Scotland's recovery and the way that recovery is planned.

It is clear that the economic recovery needed from this crisis cannot be planned for and delivered solely through national schemes. The speed of response needed, the varying experience and impact of the crisis on different sectors and citizen groups, and the need for decisions to be made with and close to the communities affected means that planning for recovery needs to be shaped and driven at the local level. That means more powers for local government and more flexibility to shape and apply national economic provisions and investment plans.

Overall, there is a need for a new transformative model governance that gives the flexibility and accountability needed to respond to challenges, now and in future, around economic change, as well as future health and climate emergencies. This model needs to involve working with communities to strengthen the local citizen networks and local business infrastructure that will be needed to maintain public support and action on the various challenges that will occur in coming years.

More specifically, further fiscal devolution should be supported. Local Government, or Local Authorities working together at the regional level, need greater freedom on a range of fiscal measures as well as agreement between central and local on what's most appropriate in differing economic circumstances. Public services work best when run in line with and close to local needs and the response to this crisis will be strongest and most effective with a greater share of local taxes raised at a local level. Such changes would be consistent with the rationale behind City Region Deals and the success of Edinburgh and South East Scotland City Region Deal to date as this is intended as a precursor for transferring further powers, policy resources and levers (in line with the Scottish Government's Enterprise and Skills Review).

Examples of tools and instruments which could be important levers for recovery at the local level over the coming period and would encourage investment and mixed models of investing in the long-term resilience of the city include:

- Land value uplift taxes
- Non domestic rates
- Decision making powers for key site development
- Ability to introduce streamlined and more flexible planning/development management systems; and to deliver responsive 'ready steady go' support from regulatory services to support re-opening for (particularly) smaller businesses to rebuild public confidence.

Alongside these, the discretion to introduce a Transient Visitor Levy or a Workplace Parking Levy, if the circumstances are right, will strengthen local democracy and local choice. The Scottish Government made a commitment in its Programme for Government to introduce the Transient Visitor Levy Bill this parliamentary year. It is important that this is not used to replace existing funding but will provide additionality over and above existing funding streams. There is now more urgency to ensure local tourism activity is supported more proportionately and in a sustainable way over the long term.

Question 6:

The pandemic is a shock which will provide insights and data across a range of areas

How do we ensure that we learn from the impact of the crisis and respond accordingly?

One major lesson learned from recovery after previous major crises is that having a strong vision for what the city, and Scotland, are aiming to achieve is an important factor in the success of any recovery and renewal plan.

Towards this, in 2016 Edinburgh began a conversation with citizens about creating a shared vision for what the city should aim to be like by 2050. The Edinburgh 2050 City Vision public engagement campaign prompted a high volume of citizen response and the findings have already informed key Council strategies. There was clear consensus between citizens on the values that they wanted to see represented in a 2050 Vision and these values still feel relevant during the COVID-19 crisis.

The development of the Edinburgh 2050 City Vision provides the groundwork for realising citizens' ambitions and should, therefore, guide adaptation and renewal activities carried out in the city. The City Vision acts as a guide to the city and society the people of Edinburgh want live in as Scotland emerges from the current crisis. The values and priorities from the Edinburgh 2050 City Vision public engagement campaign – welcoming (happy, healthy, safe), thriving (green, clean, sustainable), fair (inclusive, affordable, connected) and pioneering (culture, data, business) – reflect a positive ambition for the city to be embedded in recovery plans.

Building on these values are one way to ensure that the recovery plan remains clearly based on the needs and priorities of residents, using this moment of heightened public awareness and collective effort to embed a more collaborative approach to strategy, planning and delivery. But the next steps are equally important. Recovery and renewal planning should ensure that

- Investment projects to stimulate growth are aligned to Scotland's National Performance Framework (to deliver agreed national outcomes, beyond just GDP growth), along with Edinburgh's own fair work and 2030 net zero carbon goals.
- Planning focuses on building new institutional partnerships, capabilities and governance (with residents and business) to enable long term outcomes in line with Edinburgh's 2050 Vision and plans for fair work, ending poverty and a net zero carbon economy.
- Part of the recovery plan must assess the needs of communities and create positive change for the long term by identifying positive shifts in behaviour, and
- The recovery plan must use data and software to inform and support recovery by improving our capability to take intelligent actions from the data we have.
- Measures of success adopt an innovative approach to considering the impact of recovery on citizen wellbeing, and resilience
- Responses and approaches are taken that understand and target local risks and fragilities, rather than adopting a blanket national approach to issues which may look very different in individual areas across Scotland.