

**Edinburgh and South East Scotland City Region Deal (ESESCRD) -
Strengthening Regional Partnerships****Report by Kevin Anderson, Executive Director Place****Report for Information****1 Recommendation**

Council is requested to;

- i. Agree to the ESESCRD Programme Management Office working collaboratively with regional partners to develop a proposition which demonstrates how the region can deliver greater inclusive economic growth with further commitment of funding, resources and powers; and
- ii. Agree the proposed approach for engaging with partner authorities in developing a draft proposition, and to
- iii. Note that the draft proposition will be developed for elected members at the ESESCRD Joint Committee consideration at a future meeting.

2 Purpose of Report/Executive Summary

This is an initiation report which seeks Midlothian Council's support for the Edinburgh and South East Scotland City Region Programme Management Office (PMO) in working collaboratively with each regional partner to develop a proposition which makes the case for greater funding, resources and powers to enable regional partners to work collectively to accelerate inclusive economic growth whilst recognising the subsidiarity principle. The areas of exploration will respect the proper competence of Local Authorities in addressing matters of local concern, focusing on issues that cross local authority boundaries and where there is clear added value in working together to address shared challenges and opportunities.

The proposition will require Scottish and UK Governments to empower local leaders to drive rapid improvements in housing, skills, innovation, transport and net zero infrastructure, to harness the unique strengths in the region.

A draft proposition will be developed for consideration by the Joint Committee elected members at a future meeting and will require individual partners

agreement to the most appropriate arrangement for reporting this work to their council.

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3 Background

On Friday 7 March 2025, the ESESCRD Joint Committee approved a proposition to engage with Scottish and UK Governments. The proposition set out the case that Edinburgh and South East Scotland is the optimal location for a next-generation City Region Deal arrangement due to its economic strengths and track record in delivery. It captures proposals for how our region can further drive economic growth, create new jobs and reduce poverty and promises even greater returns than have so far been achieved, fostering inclusive growth and unlocking vast economic potential that will benefit the region, Scotland, and the UK.

Following this approval, the Convener of the Joint Committee wrote to the UKG Chancellor of the Exchequer, the Secretary of State for Scotland and the SG Deputy First Minister to highlight the proposition and opportunity for accelerating regional and national economic growth and prosperity. A roundtable discussion followed on 28 April 2025 at Dover House with the UKG Parliamentary Under-Secretary of State for Scotland and the Edinburgh and South East Scotland constituency MPs.

On Friday 28 November 2025, the First Minister subsequently highlighted the Scottish Government's intention to introduce (in the next parliament) enabling legislation, which will allow regional groupings to seek formal legal status as a "Regional Partnership", with a range of powers and responsibilities.

4 Regional Proposition

The First Minister's speech also highlighted that Scottish Government want to develop these plans in partnership with regional partners and other key stakeholders, including deciding the range and scope of powers that should be available. There will also be some capacity funding to regional partnerships to support the development of regional structures and strategies. This report outlines an approach to develop a proposition for the ESES regional partners to respond to the First Minister's comments, to strengthen the regional partnership, and to build on the successful track record of collaboration and delivery which has been realised through the City Region Deal and its Regional Prosperity Framework (RPF).

The proposition will further develop the thinking around each area and will also set out options for the resources, governance and powers required to deliver the full economic potential of the region.

ESESCRD partners' ambitions align closely with the Scottish Government's economic priorities to eradicate child poverty, address Scotland's unfilled economic performance, and create a fairer and wealthier Scotland. They also fully align with the UK Government's missions, particularly on growing the economy, opportunity for all, and making Britain a clean energy superpower. This requires a move from a project funding led model to long term strategic approach

bound by a commitment to deliver joint outputs and outcomes across housing, transport, infrastructure, skills and innovation.

5 Strengthening Regional Collaboration

There is an opportunity for ESESCRD regional partners to respond to the First Minister's comments, to inform the development of the enabling legislation, to strengthen the regional partnership and to build on the successful track record of collaboration and delivery which has been realised through the City Region Deal and Regional Prosperity Framework.

Edinburgh and South East Scotland faces unique advantages and challenges to the rest of Scotland and within the city region there are different issues and opportunities to be addressed for the benefit of all. Future arrangements need to recognise this diversity and reflect the bespoke needs and opportunities of each part of the region. The devolution of control over local transport networks, infrastructure planning, skills and housing delivery could provide for a better alignment between planning, infrastructure and growth.

Such a place-based approach could enable us to respond to the unique strengths, challenges, and infrastructure needs of both our urban and rural communities and to deliver real and meaningful improvements more responsively, more quickly and in a better manner for the people and businesses of Edinburgh and South East Scotland.

It is important that the competitiveness of Scottish city regions is not compromised by the enhanced powers of the new Strategic Authorities in England which will help them to align growth plans with the UK's growth mission. There is therefore an advantage in being an early adopter within the context of the enabling legislation proposed by the First Minister. Glasgow City Region has signalled that they consider they are ready to lead the way.

Options need to be developed in relation to the resources, governance and powers required to deliver the full economic potential of the region. To develop a proposition to present to the incoming Scottish Government, regional partners propose to utilise the capacity funding to procure consultancy support to best understand the range of options for strengthening and fiscally empowering regional partnerships to focus spend on what delivers the greatest prosperity locally. PMO officers will also liaise closely with Glasgow City Region counterparts as there will be much commonality in the structures, powers, mechanisms, financial arrangements and governance required to underpin a strengthened regional partnership with legal status.

6 Respecting Individual Sovereignty

The areas of exploration will respect the proper competence of Local Authorities in addressing matters of local concern. This is about top-down devolution, exploring the potential to draw national powers down to the regional level. It is not about losing existing powers that sit with local authorities or impinging on their

individual sovereignty. The focus will be on issues that cross local authority boundaries and where there is clear added value in working together to address shared challenges and opportunities, in line with the subsidiarity principle that decisions should be taken as closely as possible to the citizens or stakeholders most affected. It is essential that all constituent councils are properly engaged.

7 Regional Prosperity Framework and Delivery Plan

The Regional Prosperity Framework (RPF) represents the evolution of the regional partnership from delivering the City Region Deal projects to a holistic approach to how the region can work together to deliver across key strategic policy areas including housing, planning, infrastructure, transport, climate change, skills, innovation and economic development. Meaningful delivery of the collective regional ambitions requires greater autonomy, powers, delivery mechanisms and funding certainty.

- **Housing** - Accelerated delivery of housing across all tenures including transformational strategic housing sites.
- **Innovation** - Delivering our Regional Innovation Action Plan.
- **Skills** – Integrated Regional Employability & Skills (IRES) 2027+ a new approach to labour market strategy and delivery around both economic inactivity and employer led future skills needs.
- **Infrastructure and Transport** - Delivery of regional transport and net zero infrastructure including Heat Networks.

8 Report Implications (Resource, Digital and Risk)

Resource

The proposition does not commit resources from the six constituent local authorities.

Work to date is being progressed through the ESES City Region Deal PMO, existing partnerships, new partnerships with Visit Scotland, Edinburgh Climate Change Institute, Verture, and others; and through utilising external funding when available.

Digital

There are no digital implications arising from this report.

Risk

Risk to an opportunity for a multi-year integrated settlement to fund local priorities across housing, regeneration, local growth, local transport, skills, retrofit, and employment, as set for the region to address housing and economic challenges and accelerate growth.

Ensuring Equalities (if required a separate IIA must be completed)

Not applicable

Additional Report Implications

Appendices

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious
- None of the above

A.4 Delivering Best Value

Edinburgh and South East Scotland is the economic powerhouse of Scotland. It contributes 30% of Scotland's total economic output (approximately £44 billion annually) despite having only about 26% of Scotland's population. Edinburgh remains the sixth largest economy in the UK overall, behind London, Manchester, Birmingham, Leeds and Liverpool, but is the best performing per head of population.

The ESES City Region Deal has been instrumental in promoting inclusive economic development throughout the region. To date, the Deal has contributed to £3 billion in Gross Value Added (GVA) to the City Region, Scottish and UK economy, supported over 22,000 jobs, and assisted more than 1,000 local businesses.

A.5 Involving Communities and Other Stakeholders

Edinburgh and South East Scotland is experiencing rapid economic and population growth level in contrast to most other parts of Scotland and is by some considerable distance Scotland's fastest-growing region. A growing population and labour force drives economic growth and productivity. Successfully managing this growth and addressing our key constraints to growth is critical to Scotland's future economic success. However, the impact of growth is uneven, with poverty and equality presenting significant challenges across the region.

A.6 Impact on Performance and Outcomes

The ESES City Region Deal involves joint UK and Scottish Government investment of £600m. The original £1.3 billion Deal has increased to £1.7 billion through additional leverage. The £1.1 billion generated on top of government investment is the largest of any Scottish City Region or Growth Deal. Investment in Edinburgh and South East Scotland is in the national interest, generating the greatest return on investment and delivering on both the Scottish Government and UK Government's priority missions of driving economic growth for the benefit of all.

A.7 Adopting a Preventative Approach

Accommodating growth is a particular challenge. Five of the six Local Authorities in this region have declared local housing emergencies, (The City of Edinburgh Council, East Lothian Council, Fife Council, Scottish Borders Council and West Lothian Council), while Midlothian is also demonstrating unprecedented and unsustainable pressure on local housing and homelessness services.

A.8 Supporting Sustainable Development

Many of the projects identified in the RPF Delivery Plan can accelerate the Climate Ready South East Scotland; Net Zero Skills Accelerator Hub; Regional Energy Master Plan; Regional Delivery Alliance; Regional Transport Strategy Delivery Plan; and Strategic Sites Programme.

The RPF has an ambition and vision to protect the environment and make best use of our extraordinary built and natural assets. This will ensure that our Region delivers a just transition to a net zero economy. There are three main goals of the Delivery Plan: to reduce economic exclusion; sustained and increased competitiveness; and accelerate a fair transition to a Net Zero economy.

APPENDIX B

Accelerating Economic Growth and Prosperity in Edinburgh and South East Scotland: A Second Generation City Region Deal – appendix to report to Edinburgh and South East Scotland City Region Joint Committee (7 March 2025)

Regional Prosperity Framework Delivery Plan – Two Year Review - report to Edinburgh and South East Scotland City Region Joint Committee (5 September 2025)

Regional Prosperity Framework (RPF) Impacts – appendix to report to Edinburgh and South East Scotland City Region Joint Committee (5 September 2025)

First Minister Announcement ‘Supporting regional partnerships to drive growth’ made on 28 November 2025 (Scottish Government website)