

Brexit and COVID-19 – An Economic Assessment for Midlothian Council**Derek Oliver, Chief Officer – Place****Report for Decision****1 Recommendations**

Council is recommended to:

- a) Note the contents of the Economic Assessment;
- b) Endorse the ten strategic priorities listed within the Economic Assessment and summarised in Sections 3.9 to 3.18 of the report;
- c) Approve the creation of a new Economic Strategy for Midlothian, to be presented to Council for approval in early 2023.

2 Purpose of Report/Executive Summary

In March 2022, Midlothian Council commissioned ekosgen to undertake an analysis of the economic impact of Brexit and the COVID-19 pandemic on Midlothian's economy.

ekosgen's report (Appendix B) presents an analysis of challenges, opportunities and strategic priorities that will enable the Council, along with its strategic partners, to respond to the impacted economic landscape through a refreshed economic strategy.

This report summarises the key findings and the strategic priorities that are recommended to be taken forward through a new Economic Strategy.

Date Tuesday 13 September 2022**Report Contact:**

Derek Oliver, Chief Officer – Place

Derek.Oliver@midlothian.gov.uk

3 Background

- 3.1** ekosgen were commissioned by Midlothian Council in March 2022 to undertake an analysis of the economic impact of Brexit and the COVID-19 pandemic on the Midlothian economy. Both Brexit and COVID-19 have had a profound negative effect on the Scottish economy as a whole.
- 3.2** In early 2020 economic analysis had already identified that Brexit had impacted on the UK's economic performance. This was compounded by the COVID-19 pandemic, the recovery from which is not anticipated to be conventional. There is a consensus that the nature of the post-pandemic economic recovery has not been previously experienced, uneven economic performance and tight labour markets expected due to the pandemic's long-lasting impacts. Many commentators anticipate that these challenges will be exacerbated by the effects of Brexit.
- 3.3** ekosgen's report (Appendix B) presents an analysis of challenges, opportunities and strategic priorities that will enable the Council, along with its strategic partners, to respond to the changed economic landscape through a refreshed economic strategy.

Summary of key findings

- 3.4** ekosgen looked at a number of key economic areas to inform their analysis:
- Overview of the Midlothian economy including pre-COVID and pre-Brexit
 - The economic outlook for the short, medium and long term
 - Labour market, skills and employability
 - Impact on communities
 - Sectorial impacts (including retail, social work, construction and education)
 - Business impacts
 - Funding landscape
- 3.5** They concluded that Midlothian, along with the rest of Scotland and the UK, has been profoundly affected by the COVID-19 pandemic, and by Brexit. These events have caused macro-economic shocks that are likely to have an ongoing impact upon Midlothian's economy, in the short, medium- and longer-term future, and the full impacts are still to materialise over the next few years.
- 3.6** Coupled with the cost of living crisis, increasing energy costs, rising inflation and a forecast recession, the economic outlook is one of significant uncertainty, and much more challenging conditions for many businesses in both the service and industrial economy are expected.
- 3.7** It is therefore imperative that businesses are supported to navigate the ongoing economic disruption and uncertainty, whilst at the same time ensuring that ambitions for net zero, climate emergency and community wealth building can be realised.

- 3.8** It is important to note that whilst the scale and immediacy of the challenges is significant, Midlothian is well-placed to safeguard against many of the impacts. Midlothian benefits from a comparatively strong economy, and a growing population. Nevertheless, the Council and partners will need to respond quickly and effectively to ensure ongoing economic resilience and long-term prosperity. Ten strategic priorities have been recommended by ekosgen and will be incorporated into the refreshed economic strategy

Strategic priorities

- 3.9 Supporting business and employment growth:** There is an ongoing need to ensure a proactive approach to economic development and the provision of business support. Continuing the Council's responsive, flexible approach to delivering solutions tailored to Midlothian's socio-economic context is key to this and could be extended to include innovative approaches to applying land use classes or making use of simplified planning zones to support business growth. Extending this proactive approach to collaborative working and relationships with strategic partners in the public and private sector should also be a part of this – ongoing engagement and conversations, rather than a more reactive mode of ad-hoc or project-based working.
- 3.10 Provision of business premises:** Though the Council is already taking steps to increase the provision of fit-for-purpose business premises, more needs to be done to meet the demand from a variety of sectors, and ensure that Midlothian continues to be an attractive location for business growth and investment.
- 3.11 Re-imagining and regenerating town centres:** There is an increasing need to revitalise Midlothian's town centres by responding to changing employment, retail and leisure trends, and recognising the different needs that must be met. The function of town and city centres is fundamentally changing, and this must be reflected in the activity that the Council supports and facilitates in these areas. Again, simplified planning zones or flexibility in consideration of land use classes will help in this regard.
- 3.12 Infrastructure enhancements:** The acceleration of growth and reduction of carbon emissions through infrastructure upgrades is a stated priority for Midlothian in the Regional Prosperity Framework. This is an important element of ensuring that Midlothian is an attractive location for both businesses and employees. Improving multimodal interconnectivity between Midlothian's towns – particularly across more East-West routes – will also contribute to improving the vibrancy and accessibility of town centres.

- 3.13 Building resilience and community wealth:** Midlothian Council should continue to pursue its community wealth building efforts, as well as continue activity to develop local supply chains. Taking a partnership approach to working with communities and businesses in supporting fair work, community ownership of key assets and using land and property for common good will help to generate and retain wealth within the local area. This in turn will help to increase resilience and insulate Midlothian from future economic shocks.
- 3.14 Skills and employability:** There is a need to ensure the skills system is aligned to support progression towards employment in emerging sectors, including the green economy, and sectors at the forefront of the response to the climate emergency. In addition, there is also a need to support those who have been disproportionately affected by the COVID-19 pandemic (particularly young people) to secure sustainable employment. Edinburgh and South East Scotland City Region partners are already undertaking range of research into regional skills issues, such as cross-cutting skills and the demand for the skills necessary for tackling the climate emergency. Midlothian Council should maximise the learning from these studies, taking forward any recommendations, and deploy regional resources (e.g. through the IRES Programme) to best effect within local circumstances.
- 3.15 Supporting the transition to net zero:** The transition to a fully net-zero economy by 2045 is ambitious. Within the scope of activity designed to tackle the climate emergency, there are significant economic opportunities. Many of these lie within renewable energy, but also in environmental services such as carbon sequestration or ecosystem restoration. Job and business creation can also be supported in projects delivering new zero carbon homes, maintaining and retrofitting existing homes, or sustainable transport. Midlothian Council should seek ways to support this transition.
- 3.16 Inward investment and developing Midlothian's proposition:** A key priority for economic development in Midlothian should be through raising the profile of the area. Midlothian Council should develop an investment proposition for Midlothian. This could take the form of a prospectus that details a proposition to encourage businesses and people to invest, live, work and learn in the area, identifies key assets and development objectives and values, and establishes an inward investment protocol in line with the approach taken by Scottish Enterprise and Scottish Development International.
- 3.17 Operating in a different funding regime:** Recognising the fundamentally changed funding landscape Scotland is now faced with, Midlothian Council should commit sufficient resources in preparing for and responding to competitive funding calls through mechanisms such as the Shared Prosperity Fund and Levelling Up Fund, to offset the increased uncertainty around funding for local economic development.

3.18 Tackling inequality: There is a need to tackle social and health inequalities, which act as a constraint to growth and influence quality of life and deprivation among communities. This is particularly important at a time when economic conditions and the rising cost of living are anticipated to place even more pressure on disadvantaged communities. Key interventions and actions will include:

- Action to ensure young people are able to gain the qualifications, skills and capabilities to take up training and employment opportunities;
- Ensuring targeted support is in place for those with physical and mental health issues to assist people back into employment and training;
- Support for those who need multiple interventions before they are ready to take up training and employment opportunities; and
- Maximising the local impact of regional initiatives such as the IRES Programme in tackling inequality.

In addition, the physical regeneration of deprived areas can play an important part in raising aspirations and increasing community confidence. The Council has an important role to play in reducing social and health inequalities.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

There is no resource impact for the development of the report as the costs were met from existing service budgets. Refresh of the Economic Strategy will be met from existing service resource. There will cost implications to deliver the Economic Strategy which will be continually assessed and require further reports to Council.

4.2 Digital

There are currently no known digital impacts.

4.3 Risk

The report from ekosgen outlines what the economic impacts are and could be for Midlothian. There is a risk of a more negative economic outlook should the strategic priorities not be progressed.

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

There is no requirement for an IIA at the moment. The refreshed Economic Strategy and associated action plans will be subject to an IIA when being developed.

4.4 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications

Appendix B – ekosgen report