

A photograph of Edinburgh Castle, a large stone fortress with multiple towers and battlements, situated on a grassy hill. The sky is blue with white clouds. The image is partially obscured by a white diagonal shape on the left and a purple triangle at the bottom left.

# **Prospectus for Growth Update**

July 2023

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# Introduction

Liz McAreavey, Chief Executive, Edinburgh Chamber of Commerce

Two years ago, Edinburgh Chamber of Commerce produced the results of a remarkable collaboration. Around 60 of the city's business leaders and key stakeholders came together to form the Edinburgh Business Resilience Group, whose purpose was to develop clarity around what might be needed to ensure our capital city's recovery from Covid and its future sustainable economic success.

The report we produced was designed as a blueprint for more productive working with policy makers at local, Scottish and national level, called the 'Prospectus for Growth', and it called on politicians to urgently re-set the relationship with business and make the economy their top priority. Sustainable economic recovery and growth, it said, would be needed to provide the resources to fuel our society.

It came off the back of a two-year global pandemic and lockdown, and Brexit. Only now are the consequences of both these seismic events – allied now to the war in Ukraine – becoming crystal clear.

Stubbornly high inflation, which risks becoming embedded in the UK economy more than any other leading developed economy; critical skills shortages; rising costs; wages inflation; and what appears to be an ever-increasing burden of legislation and regulation are hampering efforts to bring the cost of doing business crisis under control.

And yet... Edinburgh's economy continues to make progress despite the challenges. This must lead us to ponder that so much more could be accomplished if we had greater engagement and co-operation, greater understanding of what businesses need to create opportunities and wealth for our citizens, and the long-term thinking essential to replace the threat posed by short-term political expediencies.





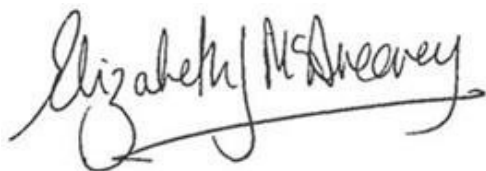
Inconsistency and instability are the enemies of a successful economy. In the past two years, the UK has had 3 Prime Ministers, 4 Chancellors of the Exchequer; Scotland has had 2 First Ministers and 2 Cabinet Secretaries for Finance and the Economy. We have a Conservative UK Government, an SNP-led Scottish Government, and a minority Labour-led city council.

In this update to the Prospectus for Growth, we are re-visiting some of the 'asks' and 'offers' Edinburgh businesses highlighted in that process to support our economic growth and recovery. In the spirit of the Scottish Government's recent commitments to re-set the relationship with business, which was the underlying theme of the Prospectus, and with a new administration at local government level, we feel that now is the time to re-engage on many of these still valid issues.

As part of the evolution of the Prospectus, we are also calling for the creation of a long-term modern Scottish Industrial Strategy, developed along cross-party lines to remove short-termism and politicisation from the equation. All that we hold dear in Scotland in terms of our ambitions around the wellbeing economy, fair work agenda and net zero targets depends upon a successful economy, and it is too important at this vital time that we make good, sustainable, thoughtful and strategic choices that will ensure the future is bright. Such a strategy, conceived and led in partnership with industry, and aligned with existing strategies such as those focussed on innovation and skills would bring everything together, creating a cohesive, overarching and long-term aim for the development of our economy and society.

But we do not intend to leave our interest there. As before, the Chamber will convene business leaders and key stakeholders from Scotland's Capital to give their time and enormous expertise to shape this Industrial Strategy. We invite you now to join us on this journey.

There are other key points within this brief document, which are equally important. To create a new, green, successful Scotland, business must be consulted with early in the process, to ensure that policies are carefully considered, that any legislation is workable, will achieve the stated objectives, minimise unintended consequences, and implementation and timings are not considered in isolation, but holistically, with an eye on the cumulative impact.





# Key Points – A Summary

In the Prospectus for Growth, we made the following key points:

- **On re-setting the relationship:** Some progress on this issue has been made since the publication of Prospectus for Growth. At a city level, a new Cross-Party Edinburgh Economic briefing is being held quarterly by the Chamber and partners and is well attended by politicians and influencers from government at all levels. At a national level, the New Deal Group, announced by the First Minister and Chaired by Neil Gray, Cabinet Secretary for Wellbeing Economy, Fair Work and Energy has been convened with Chamber representation. However, much more is needed. The top priority we are keen to see is earlier, more constructive meaningful engagement and consultation, and the establishment of a more formal forum at a local level where politicians can engage, hear and better understand the voice of business.
- **On skills and training:** We need a more cohesive approach to skills development, further improvements to the education-industry interface, and incentives to encourage businesses to invest in training and future skills – especially around the green and digital economies. The recently published Scottish Government report authored by James Withers, ‘Fit for the Future: Developing a Post-School Learning System to Fuel Economic Transformation’ provides a basis, but much will depend on the Scottish Government's response and implementation of proposed changes.
- **On entrepreneurship:** Edinburgh needs to tell a stronger story about its excellent start-up ecosystem, and its successful incubator and accelerator programmes. The creation of a city plan should be encouraged to help support, attract and retain entrepreneurial talent across the board, especially from under-represented groups and communities. The focus on creating an entrepreneurial culture as outlined in the National Strategy for Economic Transformation at the national level is welcome, but this needs to feed through at a local and city region level to become fully embedded.

- **On planning:** The planning process at both a local and national level urgently needs to be speedier and more open if a whole variety of essential targets are to be achieved. This need not jeopardise the integrity of the system, but Edinburgh faces many planning challenges and growing demands on the system which need to be addressed if we are to provide affordable accommodation for our existing and growing population, address the need for flexible Grade A office space and maximise opportunities.
- **On culture, the arts and tourism sectors:** We need a sensible and progressive conversation with industry around the implementation of the Visitor Levy, and, critically, where this revenue will be spent. To maintain the city's international reputation profile we need to tell a more coherent story.

In all of this we need long-term strategic thinking to match targets, and we need that strategic thinking to be impervious to political cycles. If we continue to operate in an atmosphere of short-termism, long-term progress will elude us.



# On Re-setting the Relationship

This is urgently required at every level, and needs to be embedded, on both sides, in the fabric of our economic discourse. As previously mentioned, much still remains to be done at a fundamental level to achieve this, and we re-assert the Prospectus for Growth commitment to play our part in making it happen. At city level, we can make progress quickly, and indeed some exploratory work is already underway on some of the issues below:

- As a joint venture with business, set up a business support function/hub which could replace the disparate and fragmented arrangement that exists, drawing on all current agencies to work together. This could be set up on a virtual basis, and could:
  - Provide a 'landing space' for businesses and potential investors in the city.
  - Create a one-stop-shop for business support in the city, with a place-based focus.
  - Create 'the Edinburgh way' of doing business.
  - Externally and internally promote Edinburgh as a place to invest and do business, and promote the contribution it makes.
  - Contribute to reducing silo working issues and engender greater collaboration.
  - Actively promote and support initiatives to create success clusters in our City and enable scaling.
  - Where relevant, align to local and national policy initiatives
  - Include a Knowledge Hub: a bank of business mentors and incubators.
- Appoint an Executive Officer, reporting to the Chief Executive of the City of Edinburgh Council, whose purpose would be to represent business interests at a senior Council level. This person could co-Chair/lead the business support hub, and could be funded by the business community for an initial period to promote enhanced communication between business and the City Council.
- Draw on the approach and learnings from others – a more industry-led approach needs to be adopted.





At Scottish level, we need Government to be:

- More engaged with business, and more understanding of the needs of business.
- More collaborative and truly consultative through engaging earlier and more meaningfully. This may avoid some of the recent ill-conceived – though well-intentioned – policies which proved flawed and eroded confidence, such as the Deposit Return Scheme and Alcohol Advertising Restrictions. It remains to be seen if the work of the New Deal group will help to facilitate this.
- Prepared to engage with business in the creation of a modern Scottish Industrial Strategy, designed to outlive the short-term political cycle, through Cross-Party agreement and participation.



# On Skills and Training

While changes to our working lives may appear never ending and fast-paced, one constant remains. Business will always need the right people, with the right skills, at the right time. In Edinburgh, we have always benefitted from a highly educated workforce talent pool, thanks in large part to our world class Further and Higher Education institutions, the attractiveness of our City's cultural offerings, and its domestic and international reputation. However, we face a serious labour and skills shortage in the city, particularly in the visitor economy and construction, highlighting that much more needs to be done.

Given the twin focuses of a need for sustainability to tackle climate change, and the increased digitisation of our working lives, there is an obvious need for:

- Increased investment in transferrable skills – especially digital and green
- Greater support for older cohorts and lifelong learning – is there a role for 'ILA 2.0'? Or a 'Skills Boost' programme like 'Digital Boost' which is co-funded between the employer and government?
- Employers to invest in training and future skills. Businesses need incentives to make this a priority, and larger businesses can also model and support this behaviour through their supply chain management and procurement processes.
- Ensuring we are taking full advantage of all our people assets – inclusion and diversity will play a huge role by facilitating access to underutilised elements of the labour market, and reducing the number of people who are economically inactive, which has increased significantly since the start of the pandemic.

# On Entrepreneurship

Edinburgh enjoys an enviable reputation for the quality of its start-up eco-system, particularly in the technology sector, which has seen the birth of global success stories such as Skyscanner and FanDuel. The city also has a global reputation for data driven innovation, Artificial Intelligence, and robotics.

We need to build on these strengths, and we need to ensure that our all of our citizens are engaged in the opportunities this presents. The National Strategy for Economic Transformation and the recently published Innovation Strategy address the need for an entrepreneurial culture at a national level, however, at a local level, there is a need to:

- Develop a joint city strategy to support entrepreneurial talent from under-represented groups.
- Invest in Research and Development to increase start-ups.
- Provide greater support for our already successful incubator and accelerator programmes.
- Enhance and build on our global reputation for data driven innovation, and harness this to facilitate business growth and development. We also need to leverage the opportunities which our enviable tech eco-system provides to attract international enterprise.
- Sustain our investment in digital infrastructure.
- Do more to encourage business uptake of digital connectivity.
- Tell a more integrated story about our strong innovation reputation so we can all play our part in promoting this on the international stage.



# On Planning

Business concern and frustration with the pace of the planning process continues to be an issue. While there is a clear understanding of the importance and advantages of maintaining the integrity of planning, there is a firm belief that more can and should be done to speed up the process at both a local and national level. Revised Draft National Planning Framework (NPF) 4, published in January 2023, underlines the fundamental role of the planning system in tackling the key societal issues of our time, including the combined biodiversity and climate crisis, the need to reduce health inequalities, and delivering the new green economy, and we welcome the progress made here. However, in taking forward NPF4's implementation and delivery, three key considerations exist around how to resource the new system, how to ensure the production of a revised Delivery Programme which is fit-for-purpose, and how to monitor its progress and impact.

Therefore, we believe there is still a need to:

- Open up and speed up the planning process. We need to consider creating a more Vertical City – utilising new and different uses of space. Business can provide resources and expertise to help with this, but we need to be engaged with more meaningfully and at a much earlier point in the process. The changing nature of retail in our city centre, the impact of Covid on workspace demand, the huge and inspiring success of the St James Quarter and other developments all present challenges and opportunities that we need to address.
- Embrace a more agile predevelopment framework, working more collaboratively with industry at an earlier point.
- Agree a plan on how the City of Edinburgh Council will address any backlog on registrations, licences, approvals and planning applications, particularly in the face of increasing demands on the system by policies such as Short Term Let licensing.
- Create greater use of digital engagement to speed up the planning processes.

# On Events, Culture, and Tourism in the City

The role that events, culture and tourism play in our successful city economy is often underplayed. Apart from the significant economic value that they bring, supporting tens of thousands of jobs, they help create an international view of Edinburgh as a cosmopolitan, successful, innovative, and international city.

Creating a successful and sustainable future for these important and linked sectors is vital for the future of the Capital. Without our arts, our festivals, and our culture, we reduce our sense of place and become a less attractive city to visit, to live, to study and to do business.

We believe:

- City businesses who can should do more to support our live events, culture & tourism sector, e.g. subsidised tickets for staff, funding for outdoor city centre events, small city centre venues in empty shops or unused offices etc.
- Public-private partnerships could be utilised to rectify a historic lack of investment in the cultural and events sector
- A change in language and attitude around our festivals and events is needed, to better recognise the contribution of the events and cultural sector. As part of this, we need constructive engagement with those who regard the Festivals as a threat to the City's wellbeing and its residents.



We recognise and welcome the work done by the Edinburgh Tourism Action Group, the Strategic Implementation Group, the City of Edinburgh Council, Convention Edinburgh and other partners such as Visit Scotland and Edinburgh Airport around the creation of a new support infrastructure for the visitor economy which will lead on the implementation of Edinburgh's 2030 Tourism Strategy. We believe this is critical to ultimately achieving many of the ambitions we have for our visitor economy. Cities around the world look with envy on our ability, every year, to become the cultural and artistic capital of the world. No other city enjoys this pre-eminence. It is something to be nurtured, cherished, and sustained.



# Edinburgh As an International, Outward-Looking City

Edinburgh takes great pride in its role as an international city – and reaps significant rewards from it. Maintaining our international status is widely agreed as being important to the health of our city.

Yet it is fair to say that we need to do much more proactive planning and work to ensure that our reputation as looking outwards to the world is maintained and enhanced.

We recommend that we should:

- Line up behind the Scottish Government Inward Investment Strategy. We need an Inward Investment Strategy that is built ‘outside in’ and plays to the strengths the City and Region has on a global stage.
- As a city, and a nation, we need an Aviation Strategy. The Scottish Government consulted on this in 2021 and promised publication, but there is as yet no sign of this being published. We need to see real progress here, particularly as we face into the challenge of net zero. There is little doubt that international routes bring new markets and business opportunities, which is critical to our success.
- Finally, we would like policy-makers to consider the real opportunity which exists to help create a commercial advantage for Scotland through a bold and innovative approach to business taxation.

In particular we want to see the iniquitous business rates system reviewed, and a modern, radical approach taken, possibly moving away from property-based to a more mixed and transactional tax basis.

This is an area in which policy-makers could create a real point of difference between Scotland and the rest of the UK, and we urge them to consider a new approach.