East Lothian Council

COMMITTEE:	East Lothian Council
MEETING DATE:	17 February 2026
BY:	Depute Chief Executive – Resources and Economy
REPORT TITLE:	Regional Economic Partnership
REPORT STATUS:	Public

1 PURPOSE OF REPORT

1.1 This report provides an update on regional partnership working, and notes discussions to develop a regional partnership proposition.

2 RECOMMENDATIONS

2.1 To note the proposed approach for developing a draft regional partnership proposition in response to the First Minister's announcement "to introduce enabling legislation in the next Parliament to allow regional partnerships to seek legal status, unlock new powers, and design delivery models tailored to local priorities";

2.2 To note that the Scottish Government intend to consult on the future options for operational models and have committed to work closely with COSLA and regional partnerships;

2.3 To note that all councils involved in the Edinburgh and South East of Scotland City Region Deal will have the opportunity to consider a similar report; and

2.4 To agree that the Council engages and supports the engagement of a consultant to explore opportunities for further regional collaboration, noting that the outcome and any recommendations will come back to Council to inform future considerations around regional approaches.

3 BACKGROUND

3.1 On 7 March 2025, the Edinburgh and South East Scotland City Region Joint Committee approved a proposition to engage with Scottish and UK Governments, setting out the case that this region is the optimal location for a next-generation City Region Deal arrangement due to its economic strengths and track record in delivery.

3.2 On 28 November 2025, the First Minister announced the Scottish Government's intention to introduce enabling legislation allowing regional groupings to seek formal legal status as a "Regional Partnership" with a range of powers and responsibilities.

3.3 On 5 December 2025, the Joint Committee agreed that the City Region Programme Management Office (PMO) should work collaboratively with regional partners to develop a proposition demonstrating how the region can deliver greater inclusive economic growth with further commitment of funding, resources and powers. The Joint Committee also noted that it would be important to engage with individual councils to both inform and seek agreement on the development of this approach, noting any recommendations around the future of regionalised working will need to be further considered by individual councils as well as through the current formal City Region Deal governance structures.

3.4 In principle, there appears to be growing support for the need to empower Regional Economic Partnerships. The Independent Report on Regional Economic Development in Scotland by Professor Sir Anton Muscatelli highlights the urgent need to address shared infrastructure priorities across Scotland to realise greater economic growth and productivity, recognising that Regional Economic Partnerships could provide the optimal means to achieve this with the right private/public/university partnerships.

Policy Context

3.5 The landscape for regional and local/community empowerment has seen a growing support and the principles remain embedded within a number of key policy document as set out below:

- COSLA, through the COSLA Plan 2022-27 and the "New Deal with Local Government" – Verity House Agreement, (June 2023), emphasises that community empowerment relies on devolution of power to local authorities and that a well-functioning relationship between Scottish Local Government and Scottish Government is based on subsidiarity. COSLA has welcomed the place-based flexibility and empowerment suggested in the First Minister's announcement.

- Recent research from the University of Glasgow and University of Strathclyde notes that City Region Deals have enabled regional partners to establish trusted relationships and provide a platform to build on gains made. It suggests existing partnerships should design

a new regional development framework where capacities and responsibilities can increase incrementally and that this could take the form of a tiered structure, such as is now present in England.

- The English Devolution and Community Empowerment Bill signals a significant shift of powers from central government to local leaders, establishing three levels of 'Strategic Authority' with varying powers: foundation strategic authorities; mayoral strategic authorities; and established mayoral strategic authorities.

3.6 There appears to be emerging consensus for strengthened regional partnerships underpinned by powers, longer-term funding settlements and fiscal mechanisms and accountability. Economies across the UK do, however, face unique advantages and challenges. Future arrangements should therefore reflect the distinct needs and opportunities of each area.

Scottish Government Position

3.7 At the end of November 2025, the First Minister announced an intention to bring forward enabling legislation in the next Parliament to allow Regional Partnerships to have legal status, and the powers and abilities that come with this. The Scottish Government does not view a “one size fits all” model as the future for Regional Partnerships and nor do they see the imposition of additional powers or responsibilities as a reasonable proposal.

3.8 The Scottish Government are developing plans to consult on the future options for operational models and have committed to working closely with COSLA. They have also indicated their intention to meet with Regional Partnerships to discuss both longer-term planning for the future of Regional Partnerships, and how legislation might work; as well as ways that regional working could be taken forward without legislation, including changes to policy and funding.

3.9 The First Minister indicated that the Scottish Government would provide capacity funding, with £400,000 available across the Scottish Regional Partnerships in financial year 2025/26, to support the development of new regional structures and regional economic plans. Subject to normal Parliamentary procedures, Scottish Government also expect to be able to access additional capacity funding in 2026/27, and an update on this is expected early in the next financial year (2026/27).

3.10 A framework for Regional Intelligence Hubs is also being developed to help regions who wish to design and implement their own Intelligence Hubs in order to support greater devolved decision-making by ensuring that Regional Partnerships have access to high-quality, shared data and insights.

Edinburgh and South East Scotland City Region - Current Position

3.11 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. The Deal has been instrumental in promoting inclusive economic development throughout the region and has (to date) 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. 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.

3.12 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. The region 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.

3.13 Accommodating such 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), demonstrating the unprecedented and unsustainable pressure on local housing and homelessness services. While Midlothian Council has not declared an emergency, it is experiencing comparable challenges.

3.14 To build upon the success of the Deal and the regional partnership that has been established, partner authorities extended the remit of the Edinburgh and South East Scotland City Region (ESESCR) Joint Committee and established the ESESCR Elected Member Oversight Committee (EMOC) to provide oversight of the Regional Growth Framework and Regional Spatial Strategy.

What Could be Involved?

3.15 In his statement in November 2025, the First Minister indicated his desire for regional partnerships to have the opportunity to expand their strategic capacities and role, with a package of additional devolved competencies available over time. He referenced powers such as skills, economic development and planning as being on the table.

3.16 Areas of competence within the English Devolution Bill are:

- transport and local infrastructure;
- skills and employment support;
- housing and strategic planning;
- economic development and regeneration;
- environment and net zero;
- health, wellbeing and public service reform; and
- public safety.

3.17 The ESES Regional Prosperity Framework (2021) 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.

3.18 The Regional Prosperity Framework was further developed into a Delivery Plan (2023) and the "Regional Prosperity Framework Delivery Plan Two Year Review" report was considered by the ESESCR Joint Committee on 5 September 2025 and highlighted four key priority areas:

- Housing: Accelerated delivery of housing across all tenures including transformational strategic housing sites.
- Innovation: Delivering our Regional Innovation Action Plan.
- Skills: Integrated Regional Employability and Skills (IRES) 2027+ – a new approach to labour marker 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.

3.19 ESES partners' ambitions align closely with the Scottish Government 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 missions, particularly on growing the economy, opportunity for all, and making Britain a clean energy superpower. Meaningful delivery of the collective regional ambitions does, however, require greater autonomy, powers, delivery mechanisms and 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.

Opportunity

3.20 There is an opportunity for ESES 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.

3.21 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.

3.22 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 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 themselves ready to lead the way.

3.23 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 initial 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. Officers will also liaise closely with Glasgow City Region counterparts, and other regional partnerships, 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.

Respecting Individual Sovereignty

3.24 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.

3.25 An initiation report is being considered by each partner authority during February and March 2026. Engagement will also be required with community planning partners, arms-length external organisations, and national or regional agencies performing a role in the policy areas that might be within scope.

3.26 The ESESCR Elected Member Oversight Committee will provide guidance and direction throughout the development phase. Any proposition will require individual and collective approval of constituent councils.

3.27 The original timeline for developing a proposition ahead of Scottish Parliamentary Elections is considered too ambitious to properly engage with relevant stakeholders and explore potential models. Details of capacity funding from Scottish Government are also yet to be received.

Next Steps

3.28 It is proposed that the Programme Management Office (PMO) will develop the proposition working with regional partners, engaging with all six constituent councils and relevant stakeholders.

3.29 The ESESCR Elected Member Oversight Committee will provide ongoing guidance and direction.

3.30 Any proposition will require individual and collective approval of constituent councils with further details brought back to Council for consideration.

4 POLICY IMPLICATIONS

4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance: It is anticipated that work will be progressed through the Edinburgh and South East Scotland City Region PMO, existing partnerships, and through utilising external funding when available.

A future proposition may include proposals for a multi-year integrated settlement to fund local priorities across housing, regeneration, local growth, local transport, skills, retrofit, and employment.

5.2 Human Resources: N/A

5.3 Other (e.g. Legal/IT): N/A

5.4 Risk: N/A

6 INTEGRATED IMPACT ASSESSMENT

6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data. [X]

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows: [ ]

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[*Enter information on impacts that have been identified*]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 N/A

8 BACKGROUND PAPERS

8.1 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)

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

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

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

8.5 The report to Committee on 9th December 2025 on the Edinburgh and South East Scotland City Region Deal Annual Report 8.9 ESES CRD Annual Report 2024_25.pdf

9 AUTHOR AND APPROVAL DETAILS

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Date	6 February 2026

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Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
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