

SUBMISSION FROM THE CITY OF EDINBURGH COUNCIL

INTRODUCTION

This submission from the City of Edinburgh Council is provided in response to the Local Government and Communities Committee's request for views on the proposed National Planning Framework 2. The sections in this statement that refer to the Edinburgh Waterfront are also supported by members of the Edinburgh Waterfront Partnership.

To assist the Committee, the Council has prepared a series of proposed modifications to the text of NPF2 which are set out in an Annex.

SUMMARY

The City of Edinburgh Council welcomes the publication of NPF2 and commends the Scottish Government for the considerable efforts it has made in engaging with key stakeholders throughout the review period.

However, the Council requests that NPF2 is modified to take account of Edinburgh's roles as a capital city and the main driver of the Scottish economy. This is particularly important in view of the current economic recession which has developed since NPF2 was drafted. In this context it is important that Edinburgh's role is fully recognised in addressing current economic challenges and securing future prosperity. It should also recognise that the sustainable growth of the city-region depends critically on the provision of the full tram network and affordable housing.

In addition, the Council considers that the scale and significance of development and change at Edinburgh's Waterfront is significantly downplayed. As one of the largest regeneration projects in Europe it will be of major benefit to the national economy.

The Council also requests some detailed but important modifications to bring NPF2 into line with other Scottish Government policy. These relate to: the Forth Replacement Crossing, West Edinburgh and Edinburgh Airport.

THE ROLE OF EDINBURGH

The Capital City

The Council is concerned that there is no reference in NPF2, Scotland's principal spatial development plan, to Edinburgh being the nation's capital or to the implications of this status. The role of Edinburgh as the capital city is set out at length in the Council's submission to Scottish Ministers in September 2008 in respect of the Capital City Supplement. In summary, as a capital city, Edinburgh:

- is the nation's economic hub, its quality of life bringing in jobs and investment to Scotland that would not otherwise come here;
- articulates our national identity and provides the unique historic urban backdrop for a variety of symbolic national events and festivals;

- is the main gateway to the nation, drawing in business, investment, tourists and workers to Scotland as a whole;
- is the seat of decision-making, and the nation's venue for royal visits, VIP events and political demonstrations;
- is the nation's public face and a key part of Scotland's international brand.

The spatial implications of capital city status are far-reaching. It fuels population and household growth, driven partly by in-migrants who tend to be attracted to capital cities, increases pressures for development which in turn drive up land prices, increases the need for affordable housing, adds to transport demand and requires the highest environmental standards for transport gateways such as the airport and railway stations as well as the public realm in general.

The Council therefore requests that NPF2 make reference to Edinburgh's role as a capital city (modification CEC 4).

Scotland's Growth Engine

The Council welcomes NPF2's recognition of cities as key economic drivers. Edinburgh worked closely with national government and other Scottish cities to establish this in the 2003 Cities Review. However the Council submits that the unique potential of Edinburgh to become the country's main economic driver with benefits for the whole of Scotland remains understated in NPF2.

Scotland's sustainable economic growth depends to a very large extent on the success of Edinburgh. This dependency is even more critical as the country enters an economic downturn. The city's economy is founded on a number of key sectors that the Government Economic Strategy recognises as having growth potential. Financial Services remains very important despite the adverse economic conditions, accounting for 38% of Scottish jobs in this sector. Many of these are high value due to the concentration of HQ functions. The capital's tourism industry generates £1bn for the Scottish economy and 48% all overseas visitors to Scotland visit the capital. Over half Scotland's life sciences jobs are located within the Edinburgh City-Region which also accounts for 48% of Scotland's Research and Development. As a consequence:

- Edinburgh is the only one of the four main cities expected to experience population growth over the next 25 years;
- Edinburgh's output growth between 2004 and 2010 is projected to be 3.3%, twice that of Scotland and the second highest of any UK city;
- Edinburgh's GDP per head is currently 67% above Scotland as a whole;
- Edinburgh's GVA per head is currently the highest in the UK;

- 44% of the working population holds a degree or equivalent qualification (Scotland is 33%);
- The Lothians are expected to account for almost half of all new jobs in Scotland over the period to 2017;
- Edinburgh contains the largest concentration of head offices in Scotland and as a business location it competes internationally with other prestige locations in the UK and overseas.

The Council therefore requests that NPF2 makes reference to Edinburgh's role as Scotland's economic driver (modification CEC 4).

If this level of growth is to be maintained and increased sustainably it must be accompanied by essential infrastructure. The most significant item of infrastructure is the Edinburgh Tram network. The network has been designed to provide high quality public transport access to the strategic growth areas of the City Centre, the Waterfront, West Edinburgh/Airport and the South East Wedge/Bioquarter. It will also provide connectivity between these growth areas and the wider city-region through interchange with rail.

The Council submits that NPF2 gives insufficient recognition to the importance of the full tram network to the sustainable growth of Edinburgh and its city-region. It must be stressed that the benefits will be much wider than the city itself. The inclusion of appropriate references would ensure that the NPF is consistent with the Edinburgh and the Lothians Structure Plan and the SEStran Regional Transport Strategy, both of which have ministerial approval and full city-region support.

The Council therefore requests that NPF2 highlights the importance of the full tram network for the sustainable long-term growth of the city-region (modification CEC 5).

The city's growth and success has led to high land prices and an urgent need to increase the supply of affordable housing. There is an identified requirement for 12,000 affordable homes over the next 10 years to accommodate the growing population and support economic growth. It is essential that housing investment reflects the geography of need across Scotland and that additional resources are directed to Edinburgh and its city-region.

The Council therefore requests that NPF2 acknowledges the requirement for Government's national housing investment programme to fully reflect the geography of need (modification CEC 2).

EDINBURGH'S WATERFRONT

The Council is particularly disappointed with the NPF2's insufficient reference to the regeneration of the Edinburgh Waterfront and concerned that the case put forward by the Edinburgh Waterfront Partnership for fuller recognition has not been accepted. It is a project of great significance to the City and wider city-region, forming the key area to accommodate future growth including much needed additional affordable

housing and a new business and commercial quarter. Edinburgh's Waterfront is an important part of a long-term tourism development strategy strengthening Scotland's links with the world, and creating a new and complementary destination at the water's edge.

The Waterfront also lies adjacent to many of the City's most economically deprived wards. The neighbourhoods in Granton, covering the Forth Neighbourhood Partnership area, rank in accordance with the SIMD (2006) as the most deprived area in Edinburgh and in the top quartile of most deprived areas in Scotland. The project presents an important opportunity to improve access to skills development and employment for people in these areas.

The significant scale and integrated mix of uses being planned for the Waterfront, which is unmatched in Scotland, offers a unique opportunity to design and deliver sustainable development and communities that complements the Governments strategies for climate change and energy including aspirations for low carbon and zero waste solutions.

In order to realise the fullest potential of the area, it requires enabling infrastructure including improved transport connections with the full completion of Tram Line 1 (to Leith and Granton), enhanced road connections – especially in an east-west direction, investment in the provision of a Cross-Forth Ferry terminal and public transport interchange, new bus infrastructure and enhanced services, further investment in improving cruise liner facilities, significant flood defence improvements, facilities for active travel (walking and cycling) and investment in high quality public realm including development of a major new public Esplanade/events space in Leith and creation of a continuous east to west walking/cycling route at the waters edge (the Edinburgh Promenade).

It is clear from the above that the comparative size, complexity and significance of the Edinburgh waterfront project are sufficient to warrant its inclusion in the list of areas identified in paras 57 and 184 where major change is taking place.

The Council therefore requests that the Edinburgh Waterfront be considered an area where major change is taking place, which offers substantial strategic growth potential and where co-ordinated action is needed in the national interest. It further requests that, in common with the other development areas identified within the 'Spatial Perspectives' section, the elements of infrastructure required to ensure the delivery of the development be identified (modifications CEC 1, 3, 6, 7, 10 and 12).

POLICY CONSISTENCY

Forth Replacement Crossing

The Council notes that the proposed NPF2 does not fully reflect the outcome of the Scottish Government's Strategic Transport Policy Review announced on 10 December 2008 with respect to the Forth Replacement Crossing. STPR Project 14 The Forth Replacement Crossing states that "*this project also includes the provision of a dedicated multi-modal corridor giving priority to public transport and the*

opportunity to introduce light rapid transit between Edinburgh and Fife in the future". The Council is currently considering the full implications of the STPR for Edinburgh however the general objective of improving public transport provision between Edinburgh and Fife is one that it supports.

The Council therefore requests that NPF2 para 127 be amended to reflect the relevant passage in STPR Project 14 (modification CEC 8).

West Edinburgh

The draft version of NPF2 identified West Edinburgh as an Area for Co-ordinated Action in Map 19. This reflected the fact that the Scottish Government has identified West Edinburgh as a national asset through the West Edinburgh Planning Framework (WEPF). The WEPF is based on an integrated and interdependent package of investment in transport. The WEPF states that its implementation and delivery requires the continued co-operation and effort from all public and private stakeholders over a sustained period. To this end, a strategic partnership has been formed which includes Scottish Government representatives. As required by WEPF, the partnership has recently commissioned a major transport study to evaluate a range of transport proposals in the area.

However the Council notes that in Map 9 of the proposed NPF2 (which shows the equivalent information as Map 19 in draft NPF2), West Edinburgh is no longer identified as an Area for Co-ordinated Action. It is the Council's submission that nothing has changed between the draft and proposed versions of NPF2 that would warrant West Edinburgh's removal. If anything, the need for co-ordinated action has intensified. It is essential that NPF2 is consistent with the Government's WEPF.

The Council therefore requests that West Edinburgh remain as an Area for Co-ordinated Action and that Map 9 is amended accordingly (modifications CEC 9 & 11).

Edinburgh Airport

National Development 3 of the proposed NPF2 refers to Strategic Airport Enhancements (page 70). This includes developments at Scotland's four main airports. The description of elements covered by the designation at Edinburgh Airport is based on the Government's WEPF. However the description omits any reference to the need to make provision for a second main parallel runway despite this being included in the WEPF in accordance with the Air Transport White Paper. As with West Edinburgh generally, it is important for NPF2 to be consistent with Government policy as set out in the WEPF.

The need for the runway to be constructed would still depend on the Government's air passenger forecasts which are reviewed periodically. The Council has previously recommended that the Government to carry out an early review of aviation passenger forecasts in the light of sustainable development and climate change policies. If appropriate, the WEPF should be reviewed to reflect new policy and/or forecasts.

However there is a further reason why it is important for the description to cover the possibility of a second runway. NPF2 (page 67) makes it clear that designation in the NPF is the mechanism for establishing the need for national developments. Any subsequent examination of the planning issues, for example through a public inquiry or a hearing, should be concerned only with matters such as siting, design and the mitigation of environmental impacts, not the principle of the development.

The WEPF requires the City of Edinburgh Council to incorporate the vision into development plans at the earliest opportunity and in the short term to bring forward an alteration to the Rural West Edinburgh Local Plan (para 16). The draft Alteration was approved by the Council's Planning Committee on 29 October 2008 and is currently out for consultation. It incorporates all the elements of the WEPF including provision for a second main parallel runway. The next stage will be to publish a finalised Alteration which will be placed on deposit to allow for formal objections. If necessary, the Council will hold a public local inquiry so that objections may be heard.

If NPF2 omits any reference to the new runway, which would have put the need to reserve the land beyond debate, the inquiry reporter may feel compelled to hear evidence on need. Given the widely held concerns about the environmental impact of aviation there is a high probability that a large volume of objections would be generated to the local plan alteration reserving land for the new runway. The outcome could be a very lengthy public inquiry, out of all proportion to the local plan alteration, hearing objections that concern matters of national government policy and more properly debated elsewhere.

The Council therefore requests that National Development 3 include reference to the need to reserve land for a second main parallel runway subject to the periodic review of air passenger forecasts, in accordance with the WEPF (modifications CEC 13 & 14).

ANNEX

MODIFICATIONS TO NPF2 PROPOSED BY THE CITY OF EDINBURGH COUNCIL

CEC 1: Within para 57 insert “Edinburgh Waterfront” to the list of key locations offering substantial strategic growth potential

CEC 2: At the end of para 74 insert the following sentence “The Government’s national housing investment programme will reflect this geography of need.”

CEC 3: Within para 184 insert “Edinburgh Waterfront” to the list of areas where co-ordinated action is needed in the national interest.

CEC 4: After existing para 185 insert the following new paragraphs:

“Edinburgh

Edinburgh’s role as Scotland’s capital city gives it an international profile. Its iconic architecture and townscape qualities articulate the national identity and its outstanding historic built environment, which includes a world heritage site in its centre, provides a unique backdrop for a variety of symbolic national events and festivals. As the capital city it is a principal gateway to the nation, drawing in business, investment, tourists and workers to Scotland.

Edinburgh is also a significant engine of economic growth and wealth creation. It is the only one of the four main Scottish cities expected to experience significant population growth over the next 25 years. This growth is due to the high representation of key growth sectors, a concentration of head offices, tourist attractions and a highly skilled workforce. This level of growth will create pressures on infrastructure, particularly transport and housing and these will need to be addressed through development plans for the capital city to remain internationally competitive.”

CEC 5 After new paragraphs in modification CEC 4 insert the following new paragraph:

“A key element of transport infrastructure is the Edinburgh Tram. The network has been designed to provide high quality public transport access to the strategic growth areas of the City Centre, the Waterfront, West Edinburgh/Airport and the South East Wedge/Bioquarter. It will also provide enhanced connectivity between the city’s growth areas, the wider city-region and the central belt through interchange with rail. The network is being developed in phases, with the first phase (1a) due to start operation in 2011.”

CEC 6 In the fifth sentence of para 186 add the following:

“and help to regenerate adjacent communities.”

CEC 7: After existing para 186 insert the following new paragraph:

“There are key elements of enabling and supporting infrastructure needed in order to realise the full economic opportunities from this development and which will need close collaboration between the public and private sector partners to fund and deliver. These include: development of the public transport infrastructure to support a new cross-Forth ferry operation, the extension of the tram network to complete Line 1b to Granton and potential future link between the harbours to Line 1a to Newhaven, a new east-west road link through North Edinburgh from Ocean Drive to Seafield, renewal of sea-walls/coastal defences along the northern edge, development of major infrastructure to deliver district-wide low carbon energy and zero-waste solutions to multiple households and businesses, a new deep water cruise liner terminal promoting international connectivity and bringing significant additional tourist traffic to Edinburgh and Scotland, improved bus infrastructure, facilities for active travel (walking and cycling), creation of major new public realm and events areas including a new Esplanade in Leith and new Promenade providing a continuous east-west walking/cycling route along the water’s edge, and a major new cultural/leisure facility on the Waterfront.”

CEC 8: At the end of para 127 add the following sentence:

“This project also includes the provision of a dedicated multi-modal corridor giving priority to public transport and the opportunity to introduce light rapid transit between Edinburgh and Fife in the future.”

CEC 9: In the fifth sentence of para 236 add “West Edinburgh”.

CEC 10: In the fifth sentence of para 236 add “Edinburgh Waterfront”.

CEC 11: In Map 9 show West Edinburgh as an Area for Co-ordinated Action as in Map 19 of draft NPF2.

CEC 12: In Map 9 show Edinburgh Waterfront as an Area for Co-ordinated Action as in Map 19 of draft NPF2.

CEC 13: On page 70 in Elements Covered by the Designation: Edinburgh Airport, after “maintenance hangers” insert “a second main parallel runway”

CEC 14: On page 70 in Need for Development: Edinburgh Airport after “associated facilities.” insert new sentence: “The need for the second main parallel runway will be kept under review in the light of air passenger forecasts.”

CAPITAL CITY SUPPLEMENT

THE CASE FOR ADDITIONAL FUNDING FOR SCOTLAND'S CAPITAL CITY

Executive Summary	2
1. Introduction	3
2. Capital City Functions	7
Edinburgh's Role as Scotland's Capital	8
Edinburgh as a Growing City	9
3. Edinburgh's Economic Role – An Area Experiencing Benefits, Costs and Risks	9
4. Unique Costs	12
- Cultural Role	13
- Gateway Role	15
- Decision-making Role	17
- Ambassadorial Role	20
5. Economic Role – Capital Expenditure Requirements	21
6. Outcome Focus	24
Appendix 1A – Housing Affordability	25
Appendix 1B – Migration	27

EXECUTIVE SUMMARY

The City of Edinburgh Council warmly welcomes the opportunity to submit to the Scottish Government a case in respect of the diverse and unique range of costs incurred as part of supporting a capital city of significant international standing.

The Council's Single Outcome Agreement acknowledges the privileged role we play in realising both local and national objectives. Investment in Edinburgh is truly investment for Scotland – Edinburgh's growth is Scotland's success.

- Edinburgh's population is the only one of Scotland's four main cities to show sustained growth in recent years; looking forward, 38,000 more people are projected to live in the city by 2016 than did so in 2006, and a further 41,000 by 2031;
- Edinburgh is the UK's second most-visited city, with the tourist industry supporting 31,000 jobs and generating £1.7 billion annually for the Scottish economy;
- Edinburgh has been named "Best Place to Live in Britain" by the *Location, Location, Location* television programme and voted Europe's "Best Small City" by *Foreign Direct Investment* magazine;
- Edinburgh's Gross Value Added (GVA) per capita of £28,432 is the highest of any city in the UK. Edinburgh's economy is the UK's strongest and fastest-growing outside London – almost half of the new jobs in Scotland over the next decade will be based in the city and surrounding city region;
- The city's already-iconic festivals saw a 60% growth in attendances between 2002/2003 and 2006/2007.

The case identifies a number of themes (economic, cultural, gateway, decision-making and ambassadorial) under which the Council incurs substantial additional costs resulting from the capital city role. Each of the themes is examined in turn, couched within a broader discussion of the extensive benefits to Scotland as a whole of investment within Edinburgh as the country's main economic driver. The costs identified include those associated with supporting the world-renowned festivals programme and the diverse range of other national events taking place within the city, as well as expenditure incurred in maintaining the uniqueness of the city's built environment and serving as Scotland's gateway and shop window to the world.

Additional annual revenue costs of £10.67 million are documented, reflecting the city's multi-faceted and unique role as the country's economic, cultural and ceremonial capital. A further annual supported borrowing requirement of £22.2 million has been identified in order to build upon Edinburgh's existing strengths and maximise the resulting benefits for Scotland.

The case for the Capital City Supplement has been developed and supported by a range of key stakeholders spanning the public, private and voluntary sectors. It has in addition been shared, in draft form, with all political groups within the Council and commands their broad support. It is eminently clear from these discussions that the unique elements of additional expenditure identified within this document are not merely desirable but essential to maintaining Edinburgh's role as an iconic national capital in an increasingly competitive global market. An investment in Edinburgh is, quite simply, investing in Scotland's future prosperity.

Jenny Dawe,
Leader,
The City of Edinburgh Council

CAPITAL CITY SUPPLEMENT

THE CASE FOR ADDITIONAL FUNDING FOR THE CAPITAL CITY

1. Introduction

The purpose of this paper is to quantify the funding required to support the specific items of additional expenditure incurred by the Council arising from the City of Edinburgh's capital city status.

The Council warmly welcomes the opportunity to submit such a case whilst at the same time acknowledging the financial constraints within which the Scottish Government is necessarily operating. In keeping with the underlying ethos of Single Outcome Agreements, however, in addition to identifying specific costs incurred by Edinburgh as Scotland's capital city, the document seeks to illustrate Edinburgh's unique role in delivering a whole range of ambitious Scotland-wide targets. This serves to demonstrate that Edinburgh's growth is very much Scotland's success; investing in Edinburgh is investing in Scotland.

Edinburgh is of immense importance to the social, cultural and economic life of Scotland. It is the capital city and is increasingly presenting itself as such both within Scotland and to the world. Its standing on the national, UK and international stages places it centrally in any discussion about the future of Scotland.

As Scotland's capital, Edinburgh is in a unique position, serving as the nation's political, cultural, administrative and tourist centre. In its role as Scotland's economic driver, Edinburgh has an ambitious development programme. Key growth zones have been identified in the City Centre, Waterfront, the airport corridor in West Edinburgh and at the BioQuarter in the South-East Wedge of the city. Together, these developments will unlock over £6.36bn of investment and help create 49,000 new jobs over the next ten years, almost half of Scotland's predicted total. It may further be contended that Edinburgh's growth has been pivotal in effecting a turnaround in Scotland's population after a period of decline for many years.

Edinburgh's potential to provide such a significant return on investment for Scotland may be placed in jeopardy if it is unable to respond to the growing demands it faces as a capital city of increasing importance projecting Scotland's image and reputation at home and abroad. Relatively modest investment in ensuring the city can perform its role and functions as a capital city successfully will yield strong dividends for Scotland as a whole. Carefully-targeted and managed investment can, in fact, release further potential and allow the city to play an even-greater role in driving sustainable growth and attendant prosperity for Scotland – there is an opportunity cost of not doing so.

Additional Funding Support for Lothian and Borders Police

In March 2004 Lothian and Borders Police submitted a case for supplementary funding, on the grounds that, as in the case of the Metropolitan Police, the Force experiences specific and unique demands arising from policing a capital city. Relevant activities include those associated with national events for which the capital forms a natural focal point or, alternatively, where there is a ceremonial, diplomatic or VIP/Royal protection element resulting from hosting both the Scottish Parliament and Scottish Government.

The Scottish Government has acknowledged that Lothian and Borders Police experiences unique circumstances and by extension faces increased demands relative to the other seven forces in Scotland by providing additional annual funding of £817,000.

The Council also incurs a wide range of additional and unique costs as a direct consequence of being the capital city. These include expenditure associated with some capital city-linked events for which commensurate financial support is already provided to Lothian and Borders Police. In initiating discussion in this area between representatives of the Council and the Scottish Government, the Cabinet Secretary for Finance and Sustainable Growth has now further acknowledged that the City of Edinburgh Council discharges a number of unique functions relative to Scotland's thirty-one other local authorities.

Westminster Council - Financial Settlement Recognition of Capital City Factors

It should also be noted that additional funding is already afforded to Westminster Council in recognition of the specific and unique spending pressures associated with being the hub of the capital city and, by extension, attracting many day visitors. This financial support reflects distinct revenue expenditure pressures stemming from the capital city role across a number of areas including cleansing, roads maintenance, cultural services, policing and the provision of other recreational facilities. One substantial area where Edinburgh's additional expenditure requirement is not currently captured within the Financial Settlement, acknowledged as such by the Scottish Government, is with regard to day visitors; Edinburgh receives approximately 4.5 million such visitors each year.

It is further worth emphasising that similar pressures on services to those outlined in this document are experienced by a number of our partners, such as NHS Lothian. While not the subject of the Capital City Supplement submission, these include additional demands on hospitals and Accident and Emergency Departments, costs of interpretation and translation and more general public health issues associated with Edinburgh's prominence as Scotland's capital city.

There are five key areas where Edinburgh makes a significant contribution to the life and economy of Scotland and where the Council experiences additional demand, and therefore incurs additional costs, as a result of being the capital city. These are examined in turn in the following sections of this case.

Economic role

In recent years Edinburgh has benefited from a period of sustained economic growth unparalleled elsewhere in Scotland. It is the second-fastest growing city in the UK in terms of economic outputs¹. Edinburgh is the main engine of economic growth and wealth creation in Scotland. The city brings jobs and investment to Scotland that would not otherwise come here; the city region has been designated an EU "Region of Excellence for Innovation", one of only three in the UK.

Key to sustaining this growth are ready access to the labour market, a growing, economically active population, an adequate supply of affordable housing and sustainable public transport infrastructure. The on-going development of the capital city therefore offers opportunities for all of Scotland; Edinburgh's growth is Scotland's success. It is equally clear, however, that sustainable economic growth and development not accommodated in the capital city are likely to be lost to Scotland entirely with other parts of the UK or the world benefiting. Closer alignment and collaboration across the public and private sectors is important in rising to Scotland's economic challenges.

The city is home to five Higher Education Institutions, including Scotland's largest, The University of Edinburgh, which consistently features prominently in national and international quality assessments. In addition to the strong academic base, witnessed by Edinburgh's accounting for 22% of Scotland-wide Research and Development expenditure, the city's Higher and Further Education institutions all boast foreign student numbers well in excess of the Scottish average². Their presence adds to the city's vibrant and cosmopolitan environment but, at the same time, puts strain on Edinburgh's infrastructure, particularly in the area of housing.

The Council plays a pivotal role in the city's economic and physical development and has a clear and sustainable strategy in this area, working extensively with the business community and wider city region to nurture and maintain conditions conducive to encouraging and supporting growth. Edinburgh's quality of life has long been recognised, witnessed for example by the coveted accolade of being designated "Best Place to Live in Britain" by the property-based television

¹ Cambridge Econometrics predicted output growth to 2010

² Per Higher Education Statistics Agency data for 2006/2007 academic year, www.hesa.ac.uk

programme *Location, Location, Location* in 2007. If any further evidence were needed, Edinburgh has also recently been voted Europe's "Best Small City" by *Foreign Direct Investment* magazine, an influential Financial Times-produced publication, testament to its attractiveness as a place to visit, invest, live and work. These awards are important in attracting high-quality candidates for senior positions who, in turn, are crucial in promoting investment and business growth.

There are, nonetheless, burdens associated with this rapid growth. These include the 'problems of success' reflected in high land values; a lack of affordable housing; inadequate infrastructure, particularly in transportation; the need to attract a skilled work force; and the additional costs associated with the planning process. In Edinburgh's case, it is estimated that there are currently 22,000 more jobs than people in the local labour market to fill them. This has led to magnified pressures in respect of in-migration and a shortage of affordable housing, placing unprecedented demands upon Council services. There is also a need to address key gaps in Edinburgh's and Scotland's performance relative to the top-performing economies in areas such as productivity, innovation, business growth, entrepreneurship and training opportunities for younger people.

A key function of managing the city's economy, therefore, is maintenance of an appropriately-diverse blend of complementary business sectors within a broader environment facilitating investment, development and growth. This growth needs to take due account of its wider impact in promoting sustainable solutions and communities.

Despite its unbridled success within the UK context, the Edinburgh city region has not grown as quickly as key competitors within Europe and further afield, to the extent that it needs to close a 20% productivity gap if it is to attain the wealth of Europe's top-performing regions³. Competitor cities have invested heavily in, for example, new housing, rapid transit systems and their cultural and sporting infrastructure. These are all issues that need to be addressed in order to ensure future economic growth benefiting the whole of Scotland. In an increasingly competitive environment, it is important that the costs of doing business in the capital are controlled by continuing to invest in the infrastructure and physical assets of the city as this will be a key component of our ability to attract inward investment and talented individuals to the capital. The Scottish Government is making efforts to address this gap with investment in trams in Edinburgh and sporting facilities in Glasgow as an integral part of hosting the Commonwealth Games.

Cultural role

Capital cities articulate national identity. Being the capital Edinburgh hosts numerous festivals and events which attract very large numbers of national and international visitors to Scotland. The unique richness of the city's festivals offering is acclaimed across the world. The appeal of the city's rich cultural life more generally has therefore been a key factor in elevating Edinburgh to the position of being the UK's second most-visited city⁴, accounting for 45% of all overseas tourist visits to Scotland; some 25% of the city's Gross Value Added (GVA) is attributable to tourist expenditure.

Gateway role

The capital city helps to connect the nation to the rest of the world. An integral part of marketing and emphasising the undoubted qualities of the city is investment in city dressing. While some progress in this area was facilitated through Cities Growth Fund Phase 1 funding, given ever-more acute financial pressures since that time and increasing global competition from existing and emerging world-class cities, additional spend is now required to present the capital in the best possible light. This will open up Edinburgh, the city region and the rest of Scotland to visitors, existing and potential residents and businesses alike.

³ The city's productivity was measured at only 80% of the Metro European average in the BAK Basel Economics Benchmarking report in 2006.

⁴ *Travel Trends 2006 – Data and Commentary from the International Passenger Survey*, pages 14 and 90

In the same way that London is the “gateway” to England, Edinburgh is clearly the gateway to the rest of Scotland. Edinburgh is also seen as a recognisable part of the Scottish brand and in the same way that Sydney influences a decision to visit Australia, Edinburgh has a similar impact on potential tourists to Scotland.

Central Edinburgh’s esteemed architectural heritage, reflected in its World Heritage Site status, is unique within comparable urban areas in the UK. The city has the largest number of listed buildings in the UK after London (over 4,500) and the greatest proportion of Category “A” listings of all UK cities. In addition, 23% of the city’s residents live in conservation areas.

Edinburgh’s Old and New Towns constitute by far the largest of Scotland’s five World Heritage Sites⁵. In addition to the prestige afforded by inclusion on this list, the unique quality of the city’s distinctive architecture has been identified as Edinburgh’s principal tourist draw in a recent survey; 68% of visitors cited it as the key factor in their decision to visit. With this listing, however, come additional responsibilities and, by extension, expenditure commitments to be borne by the Council.

Decision-making role

Capital cities are places where important decisions are made on behalf of the nation. As a result, many events, marches, protests and demonstrations are held here, as are numerous other unique VIP and royal events. This is essentially because the Scottish Parliament, the Palace of Holyroodhouse and most of the Scottish Government are all located in Edinburgh.

Ambassadorial role

Capital cities represent the nation and create a positive impression abroad. For most countries with representation in Scotland, Edinburgh hosts the lead diplomatic office; its unique status as the nation’s diplomatic base and the important role the city therefore plays in enhancing and promoting Scotland’s reputation for quality and competence in international relations is vital.

Edinburgh’s international standing has also, however, generated substantial benefits for the city, city region and Scotland as a whole through the focussed development and maintenance of a coherent, self-reinforcing city brand. This activity is increasingly vital amidst heightened expectations and international competition for tourism and inward investment. As this work is inextricably linked to the city’s economic and cultural roles, it is discussed as part of examining those themes in later sections of this document.

⁵ The other designated sites are the Antonine Wall, St. Kilda, New Lanark and the Heart of Neolithic Orkney.

2. Capital City Functions

Capital City Functions

Capital cities are different from other cities. It is through the capital city that almost all nations have their most important interface with the world. Nearly all successful nations have a successful capital city. Capital cities perform additional functions over and above those carried out by other cities.

The number and range of roles played by capital cities over the years have increased. Urban economics has long recognised that capital cities host administrative functions that other cities do not⁶. These functions include:

- **Diplomatic functions and base** which create international recognition and relationships, as well as fostering a cosmopolitan outlook;
- **Hosting national institutions** that constitute a form of local investment;
- Developing a “**visitor economy**” through the seat of power and cultural functions that attract domestic and international visitors;
- Developing a “**destination identity**” – capital cities are places which act as magnets and where important discussions occur and decisions are made. They are in addition often a centre for printing and publishing;
- Direct and indirect jobs supporting **administrative / government functions**;
- **Seats of learning** that enrich local and national capacity and strengthen the city’s and nation’s international standing.

These factors also play an important role in the way in which a capital city can adjust to the challenges and opportunities of the knowledge-driven global economy. All these require additional enhanced infrastructure and connectivity to operate efficiently and effectively⁷.

In former periods capital cities in the Western world were seen to be less productive places as they were often contrasted with productive industrial and manufacturing cities. However, global trade and technology have encouraged shifts in the international division of labour between nations with much production shifting to lower-cost countries.

Capital cities have a special responsibility to encourage economic growth. The optimum outcome can be achieved only by concentrating investment in the areas within a nation most suited to future growth.

⁶ Greg Clarke ‘*Capital Cities & Economic Development: What is the agenda?*’, Oct 2006

⁷ Greg Clarke & Laura Cioffi ‘*Capital Cities & National Success*’, March 2007

Edinburgh's Role as Scotland's Capital.

Extensive research undertaken in 2007 by the City Development Department's Strategy and Information Team identified a series of roles which some cities play simply by virtue of the fact that they are designated as national capitals. Figure 1 below summarises these roles and gives examples of costs which the Council incurs as a result.

Figure 1

CAPITAL CITY ROLES		
Role	Explanation	Potential Cost Implications
Economic	A capital city should act as an economic hub for the nation; creating wealth and channelling it to the rest of the nation.	The city is the main engine of economic growth and wealth creation in Scotland. The city brings jobs and investment to Scotland that would not otherwise come here; there are, however, costs associated with rapid economic growth.
Cultural	A national capital should articulate national identity, engender national confidence and embody national values.	Hosting symbolic national events – St Andrew's Day celebrations, international festivals and sports events - and maintaining important national monuments, institutions and venues – the Scott Monument, Usher Hall, Festival Theatre and city centre public realm .
Gateway	A capital city should connect the nation to the rest of the world, providing a focal point for migrants and visitors and acting as a signpost to the rest of the nation.	Provision of information for visitors and other new arrivals in the city and city dressing . The Festivals and the richness of the city's architecture draw tourists to Scotland. The development of nationally important strategic infrastructure – airport expansion, airport rail link, fast rail links.
Decision-making	Capital cities are expected to make important decisions on behalf of the nation.	Edinburgh and the Scottish Parliament are the focus for many marches, protests and demonstrations ; as the capital and principal seat of royalty within Scotland, Edinburgh also hosts a raft of VIP and royal events .
Ambassadorial	A capital city is the nation's public face, representing the nation in public diplomacy and creating a positive impression abroad.	Hosting international delegations , developing an international 'brand' , investing in efforts to attract talent and trade which may not ultimately stay in the Capital through, for example, the work of the Council's Events and External Relations Units and City Branding Team .

Edinburgh as a Growing City

In addition to being Scotland's capital city, Edinburgh is unusual in that it is the only one of Scotland's four main cities expected to experience population growth over the next 25 years. Figure 2 below illustrates some of the key areas in which Edinburgh has been growing and is expected to continue to grow.

Figure 2

Area	Expected Level of Growth
Economic	Output growth of around 3.3% per annum between 2004 and 2010, the second-highest city rate in the UK ⁸ .
Jobs	An extra 38,000 new jobs are predicted by 2018, an increase of 11% on the current total ⁹ .
Population	Population growth of 17.2% between 2006 and 2031, equating to an additional 79,510 people ¹⁰ .
Children	An additional 3,600 children under the age of 16 by 2031, a 5% increase on the present total ¹¹ .
Elderly people	An additional 17,600 people over 75 years of age by 2031, a 51% increase on the present total ¹² .
Households	There are now 10,205 more households in Edinburgh than there were in 2000. This trend is expected to accelerate to the extent that there will be a further increase of 75,000 households between 2006 and 2031 ¹³ .
Commuters	In 2001, around 85,000 people ¹⁴ commuted into the city, a figure expected to rise to over 100,000 by 2014.
Immigrants	There were 40,210 national insurance registrations by non-UK nationals in Edinburgh between 2002 and 2007, representing 27.4% of the Scottish total ¹⁵ .

3. Edinburgh's Economic Role - An Area Experiencing Benefits, Costs and Risks

Economic growth in Edinburgh provides benefits to the wider city region, central belt and the whole of Scotland. The Council plays a crucial role in creating and maintaining an economic environment conducive to Scotland's wider success. As a result, many of the additional costs and risks of meeting this demanding brief fall on the Council.

The large number of tourists, in addition to day visitors, puts additional pressure on services such as street cleansing, waste disposal and road maintenance. The localised cost of hosting capital city events (e.g. managing and co-ordinating major diplomatic events, organising temporary road closures and diversions, erection of barriers, street cleaning, park reinstatement, etc.) is also substantial.

The wisdom of concentrating investment in these areas is not in doubt; arguably, increased spend is in fact required to maintain the city's competitive position. The entwining of the city's vibrant cultural life and dramatic natural setting is a key element of the unique blend that is

⁸ Cambridge Econometrics predicted output growth to 2010

⁹ *Capital Review* – Spring 2008

¹⁰ General Register Office of Scotland, 2006-Based Local Authority Population Projections

¹¹ Source as footnote 10 above

¹² Source as footnote 10 above

¹³ General Register Office of Scotland, 2006-Based Local Authority Household Number Projections

¹⁴ 2001 Census

¹⁵ Department for Work and Pensions: National Insurance registrations in respect of non-UK nationals

Edinburgh. In addition to hosting almost half of Scotland's total overseas visitors, we act as a gateway to the rest of the country. The year-round programme of festivals generated an estimated economic benefit to Scotland in 2004 of £184 million¹⁶, a figure now likely comfortably to exceed £200 million given substantial subsequent growth in attendances.

Some of the further ways in which Scotland benefits from the Council's and its partners' investment include:-

- **The redistribution of Non-Domestic Rates income** raised in the city to support other areas of Scotland – in 2007/2008, this amounted to £112 million¹⁷;
- A level of **new business start-ups** within the city above the average for Scotland as a whole¹⁸;
- **Substantial Planning, Economic Development and other professional input** reflected in the continuing presence within the city of a number of prestigious world-class companies including the Royal Bank of Scotland at Gogarburn. In recognition of the Council's uniquely-influential role in this area, additional resources of £300,000 were allocated to Economic Development and Planning activity as part of setting the 2008/2009 budget;
- Through its activities the **Edinburgh Convention Bureau (ECB)**, part-funded by the Council, generated £72.8 million in economic benefit for Scotland in 2007/2008¹⁹. This represents a leverage rate of almost £100 for each pound of public support received. The business tourism sector as a whole is forecast to grow markedly, accounting for 40% of total tourism-related revenues by 2020 and therefore a key sector in realising Scottish Government targets in this area. At present, however, the ECB's operational budget is well below that of international competitor destinations;
- A **GDP per head**, based on the most recent figures available, some 67% above that for Scotland as a whole;
- Edinburgh has the **strongest city economy in the UK**, with a Gross Value Added figure of £28,432 per capita²⁰, higher even than that of London and around £10,000 above the UK average. This reflects the city's diverse economic base, including Edinburgh's role as the UK's second, and Europe's sixth, largest financial centre. Edinburgh's wide sphere of influence benefits the labour market across a large surrounding area;
- Edinburgh will have a **disproportionate contribution to achieving the New Economic Strategy (NES) for Scotland** targets. The spatial expression of this, set out in National Planning Framework 2, highlights the importance of cities and Edinburgh in particular in terms of its overall contribution to growth, with a nationally-significant role being played by West Edinburgh and the BioQuarter (examined overleaf);
- Edinburgh has a **strong representation in key industry sectors** that make an increasing contribution to the success of the Scottish economy e.g. financial services, life sciences, etc. Addressing the needs and opportunities identified by Scotland's main industry sectors at a city region level will be key to implementing the NES for Scotland;
- Looking forward, Edinburgh's **BioQuarter** in Little France aims to become one of the world's top ten locations for life sciences over the next decade. This sector is anticipated to grow four times faster than the economy as a whole over this period and forecast to add £350 million annually to Scotland's economy by 2025.

While the city is undoubtedly enjoying a period of sustained success, there are two important caveats to this position. Firstly, although the Council plays a vital facilitative role in sustaining this success, little of the associated financial benefit accrues to it. The corollary of success for the

¹⁶ *Study of the Impact of Edinburgh's Festivals* jointly funded by The City of Edinburgh Council, Scottish Enterprise Edinburgh and Lothian, Visit Scotland and Event Scotland

¹⁷ Contribution to national pool figure is sourced from Unaudited Final Accounts for 2007/2008; redistribution from the national pool from the Local Government Finance Settlement for the same year.

¹⁸ *Quarterly Statistics for New Businesses, March 2008* – produced by Committee of Scottish Clearing Bankers

¹⁹ Edinburgh Conference Bureau Annual Report 2007/2008, page 2

²⁰ Figures contained within report prepared by Campbell Dallas, Chartered Accountants, based on Office for National Statistics data covering years 1995 to 2005.

city, wider region and Scotland as a whole is an associated investment requirement by public authorities in Edinburgh. Secondly, empirical evidence indicates that such investment needs to be heightened as international competition increases; the status quo is not a viable option. This environment forms an integral part of the backdrop to this Capital City Supplement submission.

4. Unique Costs

Edinburgh's pivotal role and the costs associated with this status – revenue items

The unique functions undertaken by capital cities as opposed to cities more generally have been outlined in the preceding sections. The relevance and associated costs of these functions will now be considered within Edinburgh's specific context. The City of Edinburgh Council plays a vital role in the delivery of services befitting a capital city.

It is important to note that in many respects it is the complexity and interaction of these factors that drives the nature and level of costs involved. With this in mind, consideration may also be given to what the City of Edinburgh should be spending as the nation's capital city to deliver future outcomes for both the Scottish Government and Scotland.

A table identifying the principal unique revenue costs attributable to Edinburgh's capital city status is provided below. These costs are expressed on a 2008/2009 price base:

Revenue Expenditure	Annual Cost £000
<u>Cultural Role</u>	
Festivals/Events Management	
- Festivals support – direct grant and other funding	4,752
- City Branding (Inspiring Capital)	350
- City Events – management and promotion	490
- City Dressing	110
- Events Unit	205
<u>Gateway Role</u>	
Old and New Towns World Heritage Site – Grant Support to World Heritage Trust	617
Old and New Towns World Heritage Site – Additional Operational Costs	1,114
Old and New Towns World Heritage Site – Additional Planning Costs	200
Migration – Additional costs stemming from being the Capital City	1,407
<u>Decision-Making Role</u>	
Marches and Parades	41
Ceremonial, Royal and Other National Events	1,017
Emergency Planning	30
Police	200
<u>Ambassadorial Role</u>	
Hosting International Visits/Meetings/Public Diplomacy	135
TOTAL	<u>10,668</u>

While not exhaustive, the following discussion provides brief background to some specific areas where the Council incurs additional costs in discharging these roles.

Cultural Role

Festivals and Events Management

(i) Festivals Support

A key element of both Edinburgh and Scotland's overall marketing strategy is the iconic and extensive festivals programme, widely acclaimed as the world leader in this area. Substantial energies have been devoted in recent years to developing a truly year-round events programme as part of strengthening Edinburgh's brand identity as capital of Scotland. The far-reaching economic benefits of this activity have been cited earlier in this document. Festival audience numbers have risen by over 60% between 2002/2003 and 2006/2007. Besides this, the festivals programme is a key element of both the city's overall tourist sector and the wider branding of Scotland as a tourist and inward investment destination. Edinburgh has been, in addition, designated UNESCO's World City of Literature.

One of the biggest success stories in recent years has been the development of the city's world-class Hogmanay and Winter Festivals programme which has rapidly become the most important aspect of both Edinburgh and Scotland's tourism offer in December. The month-long programme of events is surpassed amongst Edinburgh's festivals only by the Festival Fringe in the number of visitors it attracts. The wide appeal of the events is witnessed by the fact that 54% of all visitors come from outside Scotland. The economic benefits of the festivals programme are similarly dispersed across Scotland; market research undertaken with those attending the winter festivals found that the average visitor, in addition to three days spent in Edinburgh, went on to spend two days elsewhere in Scotland.

While the undoubted and substantial benefits of the diverse range of events taking place over Hogmanay accrue to Scotland as a whole, the net funding requirement falls on the Council. Any scaling back of funding by the Council would have not only major adverse economic consequences but in a sense also undermine the Scottish Government's own ambitions to establish a nationwide winter festival from St. Andrew's Day to Burns' Night. It would in addition potentially weaken Edinburgh's contribution to international marketing campaigns such as Homecoming Scotland.

The *Thundering Hooves* report examined the on-going competitiveness of the festivals programme and the associated revenue and capital pressures this places on the city. The report identified a significant investment requirement in the facilities and venues through which the city delivers its ground-breaking and innovative festivals offering. Current revenue expenditure supporting the city's extensive festivals programme amounts to £4.752 million per annum, although estimates of additional expenditure required to develop the festivals to maintain global pre-eminence are of the order of a further £7.5 million per annum, in addition to far-reaching investment in the city's cultural infrastructure of some £200 million. It is clear that additional support is required to fund what effectively amounts to an investment in Scotland's continued prosperity, but equally self-evident that the continuing benefits to Scotland as a whole of such investment far outweigh the sums concerned.

City Marketing and Events Management

In addition to the festivals programme, the city plays host to a wide range of other events attracted to the city due to a combination of its capital city status, cosmopolitan environment and unrivalled natural setting. The importance to the wider economy of Edinburgh's vibrant blend of events and cultural heritage cannot be overstated; hotel room occupancy, at 79.3%²¹, and room yield, at £71.56 per night (2007 figures), are the highest such figures in the UK outside London. Recent data indicating a slight fall in occupancy levels emphasise the need to build upon current investment to realise the city's full potential.

²¹ *Deloitte International Hotel Occupancy Survey, 2007*

(ii) City Branding

The “Inspiring Capital” brand, launched in May 2005, ensures a more joined-up and effective approach to city promotion by providing a cohesive marketing image across both domestic and international markets which highlights the strengths of the area as a place to live, invest, visit and study. Its key aims include developing and maintaining a coherent city communications strategy and formulating marketing propositions for Edinburgh’s nationally-vital economic sectors in conjunction with key partners. In addition, it brands national and international events and gateways to Edinburgh which, in many cases, serve as the shop window for Scotland as a whole; its activities influence how Scotland is perceived by residents, potential visitors and businesses alike. Such is the fiercely competitive nature of the global tourism industry, however, that this support needs to be supplemented by additional partner funding to maximise the benefits for Scotland as a whole and thereby facilitate attainment of ambitious country-wide targets in this area.

Council support for the City Branding project in 2008/2009 amounts to £350,000.

(iii) National Events – Management and Promotion

In addition to investing substantially in city branding and the city’s array of festivals, the Council also funds the delivery of a wide range of other national events. The events chosen are carefully selected on the basis of such factors as the resulting economic benefit and contribution to the year-round animation of the city, supporting and reinforcing national objectives in these areas. The cumulative effect of these events is to raise Edinburgh’s profile nationally and internationally, whilst at the same time cost-effectively contributing to social inclusion, education, civic and international relations objectives, all of which benefit Scotland as a whole. The list of events co-ordinated by the Council is diverse and varied; recent successes include the CowParade, which attracted some 300,000 visitors. Plans are well afoot, for example, both in organising next year’s Edinburgh Marathon, Scotland’s premier long-distance race, and a further series of events to celebrate “Homecoming Scotland” in 2009 where Edinburgh, as the nation’s capital, will serve as the focal point.

Financial Support for City Branding and National Events

In the past, the Council has allocated part of the agreed revenue element of its Cities Growth Fund (CGF) monies to supporting these nationally-vital activities. With all such monies now included within the Council’s capital grant allocation, however, it has been necessary to fund initiatives previously financed by this means from mainstreamed revenue resources; the sums concerned are £350,000 in respect of city branding and £490,000 for national events.

It should be noted that the latter figure is less than the total former CGF allocation of £700,000 for this project in recognition of the need, within this Capital City submission, to isolate the city’s unique national, rather than merely urban or local, role.

(iv) City Dressing

City dressing relates to the temporary installation of banners, flagpoles and other presentational devices to promote events and festivals. Effective city dressing reinforces the values of the “Inspiring Capital” brand, raising the city’s profile and promoting Edinburgh as a world-class location for civic, national and international events. In recognition of the complementary importance of city dressing to the city’s, and ultimately Scotland’s, attractiveness (the latter through Edinburgh’s unique “gateway” role), a further sum of £110,000 is therefore included in respect of this item.

(v) Events Unit

The Council's Events Unit was specifically created in July 2004 to support the heightened level of events taking place in the city and develop this selling point of Edinburgh's overall marketing strategy. A sum of £205,000 is budgeted in 2008/2009 in respect of this unit. The importance of this activity cannot be overemphasised given Edinburgh's marketed role as Scotland's, indeed the world's, "Events City".

Although included under this capital city "theme", the Council's Events Unit assumes the role of organising the whole range of events discussed within this submission – ceremonial, royal and national. It is an integral part of maintaining the unique attributes that give Edinburgh its unrivalled quality of life.

In summary, the Festivals and Events Programme involves total annual revenue costs borne by the Council of £5.9 million. Further work undertaken in light of the recommendations contained within *Thundering Hooves* points to an additional revenue spending requirement of up to £25 million²² over three years to safeguard Edinburgh's pre-eminence in this area. As emphasised in the preceding paragraphs, the hosting of events in Edinburgh confers a very significant benefit on the Scottish economy as it results in increased hotel occupancy, particularly at traditionally quieter times of the year, provides a year-round boost to businesses more generally and serves as a vital gateway to the rest of Scotland.

Gateway Role

The following section examines two aspects of Edinburgh's gateway function; firstly, the role of Edinburgh's renowned architecture in attracting visitors to Scotland and secondly, the additional costs stemming from serving as Scotland's principal point of entry for migrants, particularly those coming from the A8 EU states. In accordance with the remit of the Capital City Supplement submission, both of these constitute areas where specific, additional costs may be identified. In the case of the World Heritage Site, however, it should be emphasised that this ostensibly serves more as *recognition* of the richness of the Old and New Towns' architecture; it is only a part of the city's wider attractiveness to residents, tourists and business alike.

Cost Implications of World Heritage Status for Old and New Towns

Edinburgh's Old and New Towns were afforded World Heritage Site (WHS) status in 1995. In common with other factors, while the resulting preservation activities undoubtedly add to the city's and Scotland's attractiveness to tourists, they impose substantial revenue and capital expenditure obligations upon the Council. The principal aspects involved are:-

- ***Direct revenue funding for the Edinburgh World Heritage Trust***, a charitable organisation that champions the WHS, monitors Edinburgh's state of conservation as required by UNESCO and protects and enhances the fabric and underlying principles of the site in accordance with modern-day requirements. The annual revenue grant provided for the Trust's administrative operations amounts to £117,000; in addition, the Council provides funding through its revenue budget to support the onward awarding of grants by the Trust, commensurate with its preservation aims, of £0.5 million per annum.
- ***Additional cost of revenue and capital works undertaken by the Council in WHS areas***. Although the relative differentials vary depending on the location and nature of the works concerned, it has been estimated that re-instatement work within Edinburgh's WHS in respect of relatively simple works such as replacement slabs costs five times that in non-WHS areas due to the obligations such status places on the Council. This inevitably constrains the buying power of the host authority relative to one without any such

²² *Thundering Hooves Progress Report* to Culture and Leisure Committee, 20 Nov 2007 (Appendix 4)

considerations and in this way does not fully reflect the professed principle of the grant distribution process, namely that funding should support provision of a uniform level of service across Scotland. Little of the associated benefit of maintaining Edinburgh's Old and New Towns in terms of tourism and business revenues flows to the Council but nonetheless these factors impose severe pressures on the city's ability to fund other necessary work.

The requirement for a higher standard of materials, with correspondingly higher maintenance costs, is a direct consequence of WHS status. As an example, recent works undertaken on Castle Street took twelve months to complete, cost £1.2m and incurred a further design fee equating to 10% of the works value. For a reinstatement in a non-WHS area, the works would most likely have taken two months, cost around £200,000 and incurred only a 3% design fee. On the basis that works to this value are typically undertaken each year, this points to an additional cost of £1.114m per annum.

- **Length and complexity of planning application process in WHS areas** – in combination with the large number of listed buildings in the city, particularly those in Category A, the need to work extensively with both the World Heritage Trust and Historic Scotland inevitably lengthens many planning applications. Additional planning staff time requires to be devoted to both the correspondingly more formalised nature of the relevant Environmental Assessment and the heightened subsequent degree of scrutiny of the proposals as part of necessary liaison with UNESCO; in almost all cases, however, this expenditure is not recovered by planning fee income.

The net expenditure incurred in respect of planning activity in Edinburgh is vividly highlighted in an inter-authority comparison of actual spend – recorded net expenditure on the planning function as a whole amounted to 20.3% of the all-Scotland figure in 2006/2007²³, despite Edinburgh's accounting for only 9% of the national population and commanding a similar share of GAE. A modest sum of £200,000 has therefore been included within this submission in recognition of this additional factor. **It is worth emphasising, however, that the level of planning expenditure in Edinburgh reflects a much wider combination of factors extending far beyond the reaches of the World Heritage Site.** This unique blend is a result of the interaction of capital city factors acting as a magnet for existing and new business re-locations, as well as the abundance of conservation areas.

Migration

That Edinburgh is a growing city has been emphasised elsewhere within this submission; what is less well-known, however, is that the city's projected growth in population is almost entirely attributable to net in-migration. Although extensive migration from the EU accession states has been a Scotland-wide phenomenon, Edinburgh had a far higher net migration gain over the period 2001 to 2006 than any other Scottish local authority, accounting for nearly one-fifth of the total national migration gain. While it is further true that the Finance Settlement now incorporates population projections across all client groups in determining funding allocations, what it is less effective in capturing is the additional and in many cases disproportionate costs associated with such patterns. Edinburgh serves as a gateway and in many cases a first port-of-call, to the rest of Scotland – 27.4% of Scotland-wide National Insurance registrations over the period 2002 to 2007 were made in the city. The effects of this in-migration are vividly illustrated, for example, by a threefold increase in the number of pupils from EU Accession 8 states during the past year alone. Further analysis of the position in respect of migration is provided in Appendix 1B.

²³ *Scottish Local Government Finance Statistics 2006/2007*, published by Scottish Government in January 2008 (figure excludes Planning – Environmental Initiatives expenditure)

It is widely acknowledged that Edinburgh and Scotland as a whole have been enriched by recent migration and therefore continuing migration and full integration of those who have already come to Scotland is desirable. The Council is recognised across Scotland as a progressive authority with regard to mainstreaming equalities and respecting diversity and is therefore a key player in fostering cohesion in this area. The creation and maintenance of such facilitative conditions, however, requires focussed effort and investment. These factors include:-

- **Advice and Information** – through the Council's Advice Shop, an extensive range of legal advice is available to those settling in the UK. As Edinburgh is often the first port-of-call within Scotland, this requires highly-trained staff conversant with a wide range of legislation (approximate annual cost £10,880);
- **Interpretation and Translation** – current levels of growth in demand (around 50% per year) coupled with the relevant legislative position, promoting access to all Council services for those who cannot speak English, add substantially to costs incurred in respect of these areas (£64,260);
- **Children and Families Commissioning** – under child protection legislation and guidance, the Council's Children and Families Department is required to accommodate children facing child protection issues. Costs relating to residents of EU countries, however, cannot be recovered from the Home Office, hence creating the potential for substantial additional costs to be incurred (£480,000);
- **Community Infrastructure and Development** – maintenance of social cohesion is a crucial element in both ensuring that recent migrants feel welcome within the city and creating an environment conducive to on-going in-migration. The costs include those incurred through teaching English as an Additional Language, Welcome projects, social support and HMO Team (£811,017).

The total estimated additional costs incurred in respect of migration-related services amounted to £1.366 million in 2007/2008. Assuming an inflationary uplift of 3%, this results in an estimated cost of £1.407 million in 2008/2009, although it should be noted that this may understate the actual level of expenditure concerned depending upon on-going migratory patterns.

Decision-making Role

As Scotland's seat of government, coupled with its unique setting and extensive and varied media presence, Edinburgh forms a natural focal point for a wide array of national events. Aside from direct costs associated with organising and co-ordinating these national events (discussed in the "Cultural Role" section above), these activities place unique demands on the Council in such areas as the resulting requirement for road closures, traffic regulation, erection and subsequent dismantling of barriers, stewarding, city dressing, other temporary street furniture and street cleaning. There is furthermore an associated but vital overhead in the cost of planning and managing this essential element of the staging of national events within Edinburgh. The unique burden this places on Lothian and Borders Police has already been acknowledged through provision of supplementary funding and this principle should therefore be extended to other relevant services.

Comprehensive analysis has been undertaken of the vast range of events taking place within the city in 2007/2008 to determine the net call on Council resources in respect of those of a national, as opposed to local, nature, in line with the distinction drawn in the rest of the submission. The results of this analysis, set out in the following paragraphs, demonstrate the substantial sums incurred through these often-overlooked but nevertheless vital activities.

Marches and Parades

The events held in Edinburgh are in many cases inordinately large or potentially controversial in nature and hence require a commensurate allocation of resources in both policing and associated temporary infrastructure costs, the precise nature of which is discussed in specially-convened

meetings of the Event Planning and Operations Group (EPOG). As such, these represent substantial additional costs to those incurred in city, but not capital city, comparators.

Relevant events held in Edinburgh in 2007/2008 included People and Parliament Against Trident, Cut the Carbon Walk and Rally, the Freedom to Choose Demonstration, Citizens' Commission on Rights and Pride Scotia. The Council incurred additional costs of £40,062 for roads, parks and cleansing services in respect of these events. It should be noted these costs do not include additional expenditure incurred by Lothian and Borders Police, the subject of discussion later in this document.

Ceremonial, Royal and National Events

Aside from marches and parades, the Council also facilitated the hosting of an array of other ceremonial events, including royal and VIP visits but, more materially in financial terms, numerous other occasions serving a Scotland-wide role. These events, as with marches and parades, place unique demands on a number of Council functions, including roads and cleansing services. The Council's Roads Services Division, for example, incurred costs of over £45,000 in respect of the Opening of the Scottish Parliament alone.

Costs were further incurred in supporting a number of national roles outlined elsewhere in this submission; some £30,000 in respect of various royal visits, £345,000 in facilitating the city's year-round festivals programme (particularly Roads Services costs) and £113,000 with regard to other iconic national events, including the Royal Highland Show, General Assembly of the Church of Scotland and Edinburgh Military Tattoo. A further £453,000 was incurred with regard to "twilight" cleansing in the tourist heart of the capital, a cost that has inevitably increased as the city's unique attractiveness not just to tourists but also to day visitors, has similarly extended throughout the year.

In summary, total additional costs incurred by the Council in 2007/2008 across the spectrum of events discussed within this section of the submission amounted to £1.026 million. In uprating costs in this area to the 2008/2009 price base used throughout this document, this points to an annual cost of £1.058 million. This is felt to be a conservative estimate given the on-going growth in the relevant sectors "serviced" by this activity.

Two specific points need to be emphasised in any discussion of this area. Firstly, Edinburgh as the capital is being extensively promoted as an "Events City" and as such work in this area forms an integral part of the city's attractiveness to residents, visitors and businesses alike. As a cornerstone of the city's brand identity, it is a key aspect of Edinburgh's being able to deliver a 63% increase in tourist revenues by 2015, thereby allowing the Scotland-wide target of 50% to be attained. Only investment in Edinburgh, the capital city and the driver of Scottish tourism, creates the opportunity to realise this national ambition. Secondly, in times of acute financial pressure on Council services more generally, continuing expenditure in such areas may be at risk; if the Council were no longer to support financially these activities, this would inevitably lead to the gradual erosion of Edinburgh's carefully-crafted and world-class city brand and reputation with a knock-on effect far out of proportion to the relatively modest level of support required to fund the expenditure concerned.

Return visits to Scotland and personal recommendations are based on the visitor experience therefore it is important that the visitor experience is a good one. Increased investment in the cleanliness and appearance of the city, alongside a greater level of security, are important issues for the visitor and delegate.

Emergency Planning

As Scotland's political, financial, administrative and media capital, in combination these factors exert acute and unique security pressures upon the city within the Scottish context and, by extension, require the putting in place of multi-disciplinary contingency arrangements. The Home

Office has identified the need for the Council and its partners to formulate an Emergency Response Plan and the Council has lead responsibility in a number of aspects of these vitally-important arrangements. In addition to this activity, the Council has had extensive involvement in a number of emergency planning and business continuity exercises with the Scottish Parliament and Government since the former's inception in 1999. The additional estimated annual cost of the Council's involvement in this area is £30,000.

Police Services

Lothian and Borders Police have previously submitted two separate cases for additional funding to the Scottish Executive/Government, citing the incurring of substantial additional costs resulting from increased activity in the security and protection needs of both royalty and the Scottish Parliament/Government since the advent of devolution. As a result, a total of £817,000 of additional funding has been awarded in recognition of these costs. More recent discussions have further examined the need, emphasised by the Home Office, to maintain public confidence at a time of heightened security risk; such on-going confidence is vital to maintaining the city's attractiveness as a business and tourist destination.

For the purposes of this submission, however, the primary focus is on identifying direct additional staffing resources requiring to be deployed to support the diverse range of national events taking place in the city. If not separately funded, these additional activities will exert continuing operational and financial pressures on the Force's ability to support other frontline duties. Funding of such costs forms a natural extension of the Scottish Government's existing financial support for the full-time staffing resources devoted to the Force's strategic co-ordination role for the spectrum of national events overseen.

The additional annual cost to Lothian and Borders Police of supporting capital city events, primarily comprising necessary overtime and payments for officers requiring to work rest days, is estimated to be at least £200,000; this expenditure falls outside the scope of that previously acknowledged by the provision of additional funding. As an example, during Royal Week, there is a significant demand on police officers' time and additional officers are brought in from outlying areas.

Ambassadorial Role

Ambassadorial and Civic Role – Hosting of International Visits

The establishment of the Scottish Parliament in 1999 has led to the cementing of Edinburgh as a key diplomatic base. Edinburgh hosts the lead diplomatic offices for most countries with representation in Scotland. While this does not place a material cost pressure on the Council per se, the presence of the Parliament and the diplomatic base in the city increase substantially the number of requests for visits from foreign dignitaries and results in correspondingly heightened expectations.

As Scotland's capital city, Edinburgh acts as a gateway to the world and the city's public diplomacy involves the promotion of excellent international relations to harness new opportunities and enhance Scotland's national reputation as a key player on the international stage. Since June 2007 alone, for example, the Council has hosted visits by the Austrian, Chinese, Croatian, Iranian, Israeli, Italian, Norwegian, Russian, Thai and Ukrainian Ambassadors to the UK. In addition, we have received an extensive array of delegations of other senior officials, including those from Kosovo, Denmark, Sweden and China. While it is an honour to represent Scotland in this way and the visits themselves generate considerable benefits for the city and Scotland more generally, such activities do entail substantial officer time and other resources in both preparation and delivery, estimated to amount to £135,000 in a typical year.

This activity comprises two distinct strands. The first relates to the hosting of foreign dignitaries and the associated co-ordination and delivery of a carefully-constructed and tailored programme

of events and seminars to share ideas, spread good practice and pave the way for closer international co-operation in areas of common interest. Secondly, the Council's Civic and Members' Services Manager assumes a lead role with regard to the whole range of royal and VIP-associated events, making an invaluable contribution to the showcasing of Edinburgh. As a capital city, Edinburgh receives opportunities that other cities may not and therefore needs to take full advantage of these.

5. Economic Role - Capital Expenditure Requirements

This section of the submission briefly examines the main areas in which further investment in Edinburgh's infrastructure is required, quantifying the additional capital spending concerned and the associated borrowing costs. The Council has welcomed the continued inclusion within the Finance Settlement of sums previously provided in respect of the Cities Growth Fund. As allocation of those sums was essentially calculated on a per capita basis, however, by definition it took no account of the capital city factors which impinge upon investment requirements in Edinburgh and the surrounding area. These capital expenditure-related factors represent the natural flipside of the revenue items outlined elsewhere in this submission.

Festivals - £200million

The capital expenditure requirement indicated is based on the findings of the Council's recent cultural venues audit, an external report commissioned in response to the *Thundering Hooves* recommendation in this area. The audit has served to provide a route map for future investment over the next fifteen to twenty years. It includes, for example, works in respect of the King's Theatre and Ross Bandstand, as well as improvements to the Tourist Information Centre. Such investment will facilitate growth in both the range of events and the numbers attending the city's diverse, world-class festivals offering, as well as nurturing the talent and innovation required to maintain Edinburgh's position as the world's leading festival city.

National Sports and Recreational Facilities - £35 million

The capital expenditure figure indicated is based on the net funding required to improve national sport facilities such as Meadowbank Stadium and the Royal Commonwealth Pool. In addition, it includes sums in respect of facilitating the development of the Royal Zoological Society's premises to increase the range of world-class attractions able to be accommodated there.

Affordable Housing - initial borrowing support for £16 million, increasing incrementally thereafter

Edinburgh is experiencing an acute lack of affordable housing with 40,000 new jobs projected by 2017 and a corresponding requirement for 1,200 new units of affordable housing to be provided each year to meet demand. The extent of the current pressure is witnessed, for example, by the fact that there have been on average 152 bids for every available Council property in 2008.

Less than half the required amount of affordable housing, however, is actually being built by the city's housing associations (only 480 units were completed in 2006/2007). This position reflects at least in part the mismatch between relevant Scottish Government funding and relative need; despite accounting for 75% of Scotland's overall need for affordable housing, only 15% of funding support is currently allocated to the South East of Scotland. Edinburgh has received a level of per capita support below the Scottish average for each of the last ten years despite now having by far the largest affordable housing shortage of any local authority in Scotland (the chart in Appendix 1A compares affordable housing investment to population growth).

High Property Values

Strong economic growth has boosted property values and almost one third of working households who do not qualify for benefits cannot now afford the cheapest housing. This is two to three times the equivalent proportion of households in other Scottish cities. This has a particular impact on migrants and new graduates, required for sustained growth in key sectors of the economy, who are finding it increasingly difficult to find housing in Edinburgh. This problem is exacerbated by the inexorable increase in the number of households accompanying population growth. Appendix 1A provides further evidence of the impact of high property values.

The funding required to support the construction of 200 affordable homes is estimated at **£1.33 million** per annum over twenty years.

Public Realm²⁴ - initial borrowing support for £6 million, increasing incrementally thereafter

When compared to competitor cities within both the UK and further afield, Edinburgh's comparative lack of public realm investment is all too apparent.

The availability of European structural funding has supported spend within Glasgow of £70 million in the last five years, whereas only £17 million has been spent in Edinburgh over the same period. Increased public realm investment is a pre-requisite of the city's continued competitiveness.

While support for only around £6 million-worth of investment each year is being requested in this submission, a requirement in excess of £100 million has been identified if Edinburgh is truly to compete on the world stage in this area.

Connectivity - initial borrowing support for £4 million, increasing incrementally thereafter

Strategic priority development areas at the Waterfront, City Centre, South East Wedge and West Edinburgh have the potential to deliver considerable amounts of housing, offices and community amenities. This will foster substantial expansion of the economy but depends crucially on transport infrastructure. Resources are therefore needed in all these areas to provide the transport infrastructure essential to underpin sustainable economic growth.

In the longer-term, further resources are required to integrate fully these centres of activity into Scotland's transport hubs and wider transport network. The city needs to be sufficiently flexible to react to economic downturns as in the case of the current global economic situation.

Sustainability of planned economic growth is important to the city and there is clearly a role for Government to ensure the continued growth of the strategic priority development areas. This, therefore, makes the case for better transport infrastructure investment even more crucial to continued growth. This will provide the stimulus required for continuing private sector investment in these areas.

Infrastructure - initial borrowing support for £5 million, increasing incrementally thereafter

The quality of infrastructure is important in order to maximise the potential of the city. Housing and road networks are the most important elements of infrastructure that businesses need and, being the capital, Edinburgh has the highest traffic loadings in Scotland. In addition sewerage infrastructure requires substantial investment or will become a barrier to future development. An initial infrastructure requirement of £5 million per annum has been identified.

Failure to invest adequately in the city's infrastructure represents a potential capacity barrier to further growth. These capacity-related pressures are particularly acute in housing and transport.

The additional capital expenditure requirements stemming from the unique range of functions the city fulfils are summarised in the table overleaf:-

Capital Expenditure	Total Cost²⁵ £000	Annual Cost £000	Annual Incremental Increase £000
			£000
Festivals	200,000	16,666	
National Facilities	35,000	2,917	
Affordable Housing	16,000	1,333	1,333
Public Realm	6,000	500	500

²⁴ Public realm is generally defined as those open spaces to which the public has access at all times (such as squares, footpaths, pavements and spaces between buildings) or spaces which are managed and have specific access arrangements but essentially public in nature, such as parks, gardens and shopping precincts and malls.

²⁵ Cost at 2008/2009 prices

Connectivity	4,000	333	333
Infrastructure	5,000	417	417
TOTAL CAPITAL		22,166	2,583

The figures shown in the second column above indicate the supported borrowing requirement for the level of capital investment requirement identified in the case.

6. Outcome Focus

This paper summarises the unique cost pressures that Edinburgh experiences as the capital city. Many of these are very clearly linked to the characteristics of Edinburgh as Scotland's capital city, such as costs associated with the festivals programme and the World Heritage Site, while others are linked on a more general level to Edinburgh's role as a national capital.

Edinburgh has benefited from a period of rapid economic growth which is forecast to continue. The fact that Edinburgh is the capital city is a key factor that influences many new businesses to locate (and remain) here. In order to optimise the outcome for Scotland as a whole, Edinburgh needs to be in a position to continue to take advantage of the opportunities that are available.

The importance of Edinburgh's role as the nation's capital, reflected in its rich heritage and cultural tapestry, hosting of an illustrious festivals programme and esteemed architecture, is key to attracting visitors to Scotland.

Continued economic growth may be restricted if the city is unable to fund the infrastructure and public realm investment required. The quality and prestige of the festivals similarly need to be maintained in order to compete with other capital cities. This requires appropriate and sustained funding to foster an environment conducive to on-going public and private sector support.

In recent years there has been a growing recognition of the important role that cities play both regionally and nationally; they are increasingly the focal point for policy makers. The new urban agenda focuses on the twin themes of city competitiveness and interdependence. The role of cities as economic engines, driving the performance of successful city regions, is well-documented and understood. The interdependence between a successful city and its surrounding region is similarly recognised and accepted. For these reasons, cities are now very much at the top of the policy-making agenda in the UK and further afield; boosting city competitiveness is regarded as the number one priority.

This is significant for Edinburgh for two reasons. Firstly, Edinburgh is not simply a typical city; it is also Scotland's capital city and must therefore perform a dual role both as the nation's main economic driver and, in addition, as a national capital. Secondly, Edinburgh, unlike the other three main Scottish cities, is growing and must accommodate both an increasing population and ever-greater volumes of visitors and commuters. Edinburgh is experiencing the problems associated with rapid growth. As a direct consequence of both of these facts, Edinburgh incurs unique expenditure additional to that which would otherwise be expected.

Our Single Outcome Agreement acknowledges this privileged but immensely challenging national role. In addition to a focus on local outcomes common to all of Scotland's local authorities, our SOA's objectives are therefore couched in the wider context of our uniquely-influential role in realising national targets. We have set ambitious targets for the whole range of factors upon which the foundations of Scotland's future prosperity are grounded, including tourism and festivals promotion, quality of life issues, availability of sites for development, private sector housing completions and labour productivity. We recognise the profound impact of our actions on the attainment of an array of ambitious targets serving to facilitate achievement of national objectives. In this vein, we would welcome the opportunity to discuss further with the Scottish Government its aspirations for the capital city and how these may be funded and delivered for the benefit of all of Scotland.

APPENDIX 1A

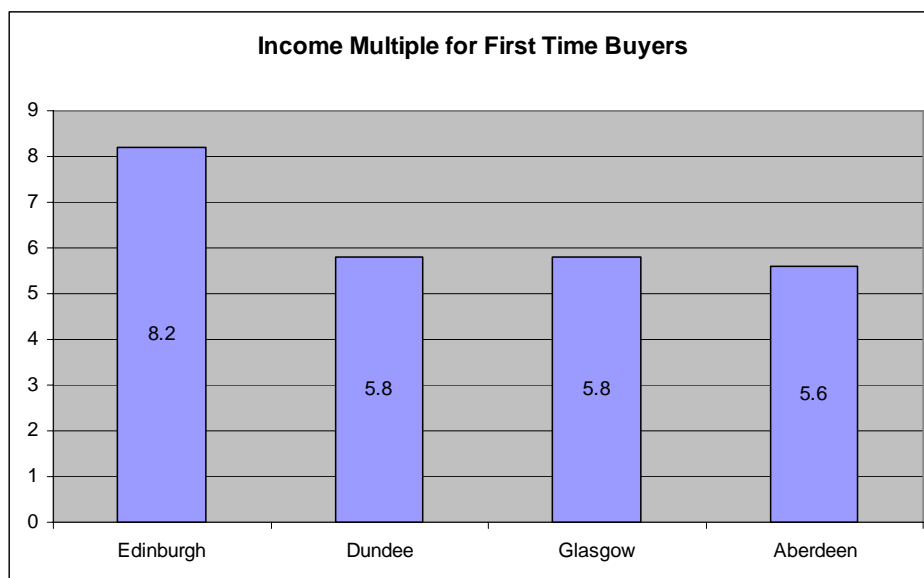
Housing Affordability

There are two distinct but related issues that have a profound impact in Edinburgh. Firstly, due to high property values there is an issue as to the affordability of housing in and around the city and secondly, there is a lack of designated affordable housing for people on low incomes. These factors combine to render the difficulties being experienced in the city particularly acute.

High Property Values

The chart below illustrates the impact of high property values on the affordability of housing in Edinburgh; the city is the least affordable place for working households to purchase their homes in Scotland.

- In 1998 average house prices in Edinburgh were 34% above the figure for Scotland as a whole. In 2007, on the equivalent measure, house prices in the capital were 58% above the Scottish average.
- The Scottish Government (Scottish Housing Market Review 2007) found that Edinburgh is the most expensive place for small and large families to buy a suitable property at the lower quartile. The report found that Edinburgh was the second most expensive place for single adults to buy a suitable property at the lower quartile.



Source: HBOS

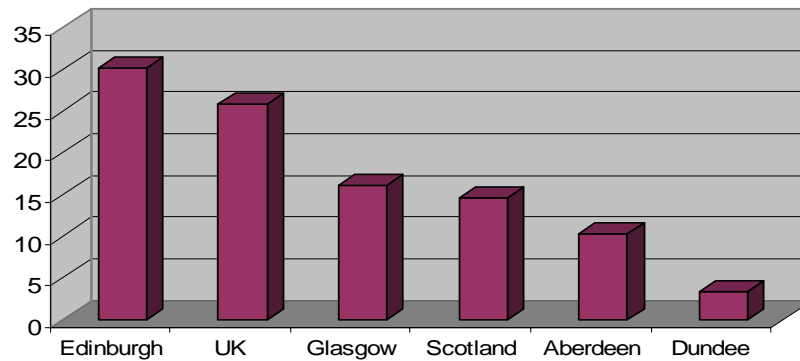
- HBOS (November 2007) found that Edinburgh is the least affordable place for First Time Buyers (FTB) to buy a home in Scotland. The research found that the average FTB in Edinburgh would have to pay 8.2 times their income to buy the average property in the city. This translates, for instance, to a cost 10.5 times that of a basic grade nurse's salary.

The following information shows that there is a greater need for mid-rent properties in Edinburgh than anywhere else in Scotland. Many households work and have sufficient earnings to ensure that they do not qualify for housing benefit but are unable to afford the cost of buying the cheapest homes on the market. This is called the 'narrow intermediate housing market' and those within it cannot therefore afford to buy a home without having a large deposit. People in the

Intermediate Market are usually the target for mid-rent housing and low-cost home-ownership schemes such as LIFT.

- Wilcox (2006) estimates that there are 74,885 working households in Scotland that earn too much to qualify for housing benefit but cannot afford to buy a property on the bottom decile of the market. Almost one in four of these households is in Edinburgh.

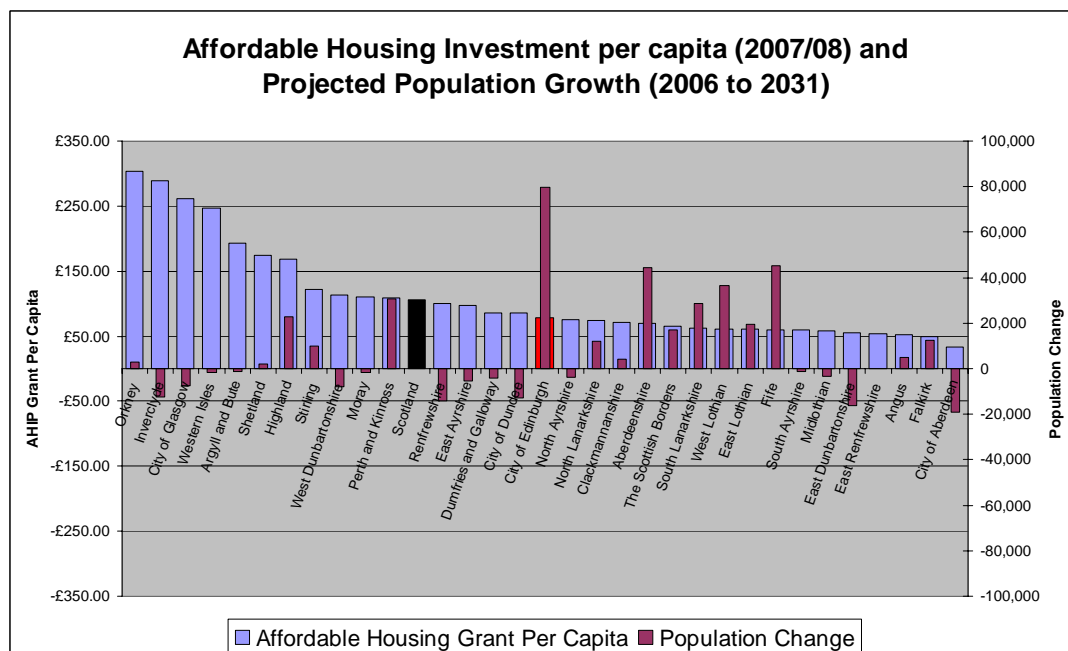
Percentage of Working Households that are in the Narrow Intermediate Housing Market (2005)



- Edinburgh has a higher percentage of households in the Narrow Intermediate Housing Market than any other city in Scotland, showing that there is more need for mid-rent properties in Edinburgh than in any other part of Scotland.

Affordable Housing

- With regard to Scottish Government funding for affordable housing, the position in respect of the relative mismatch between existing funding for affordable housing is vividly illustrated in the chart below. This indicates that funding is currently being targeted, in the main, at areas with lower relative need. In contrast, Edinburgh and the surrounding areas have the biggest need but receive below-average levels of support, with Edinburgh's relative mismatch of funding and need the most pronounced.



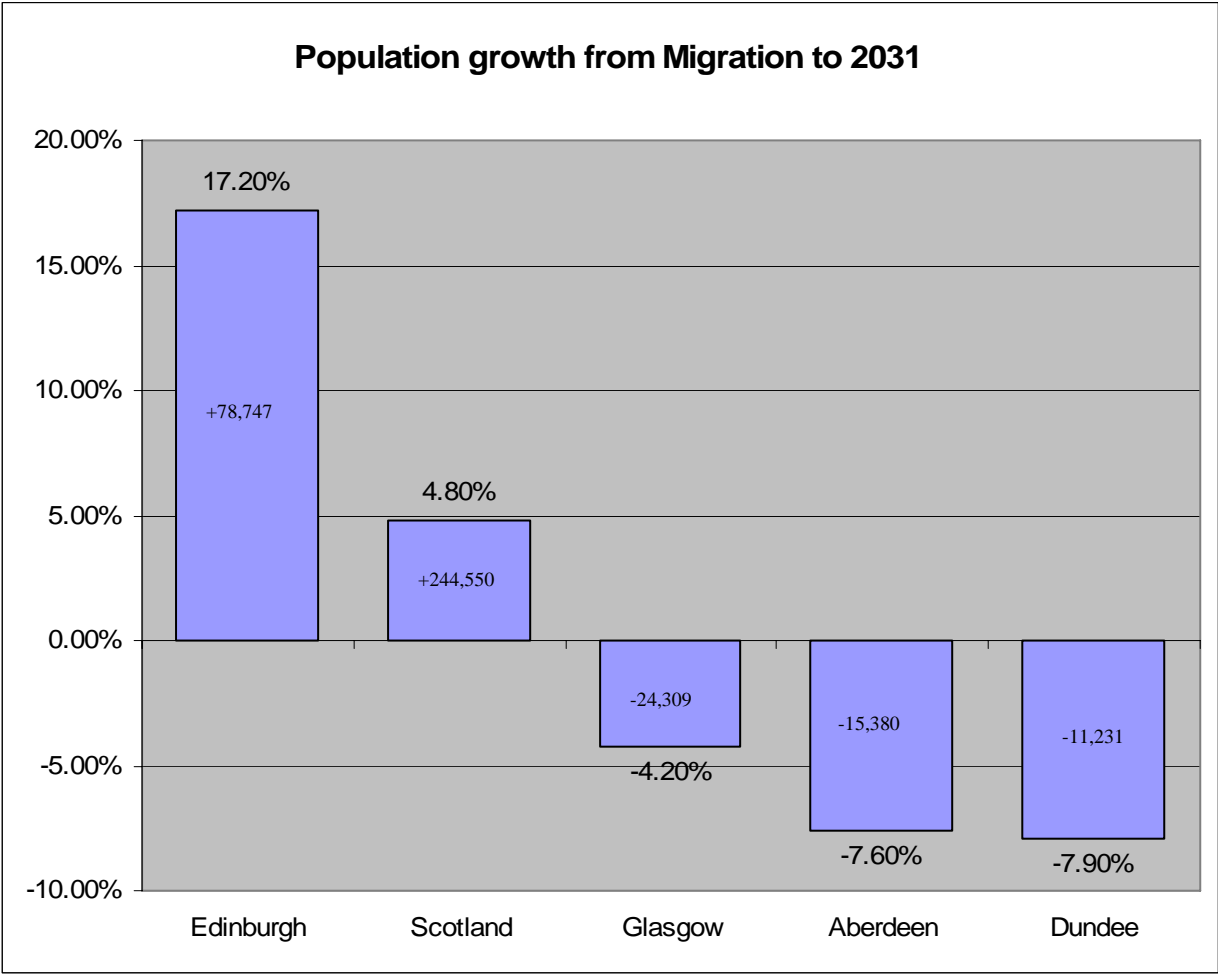
APPENDIX 1B

Migration

The following information illustrates the extent of inward migration into Edinburgh compared to other areas of Scotland.

Population Growth from Migration

Edinburgh will see the largest growth in population from inward migration in all of Scotland with almost 80,000 people expected to move to the city up until 2031. In comparison, the other cities in Scotland are expected to see a net loss in their populations as people move from these cities.

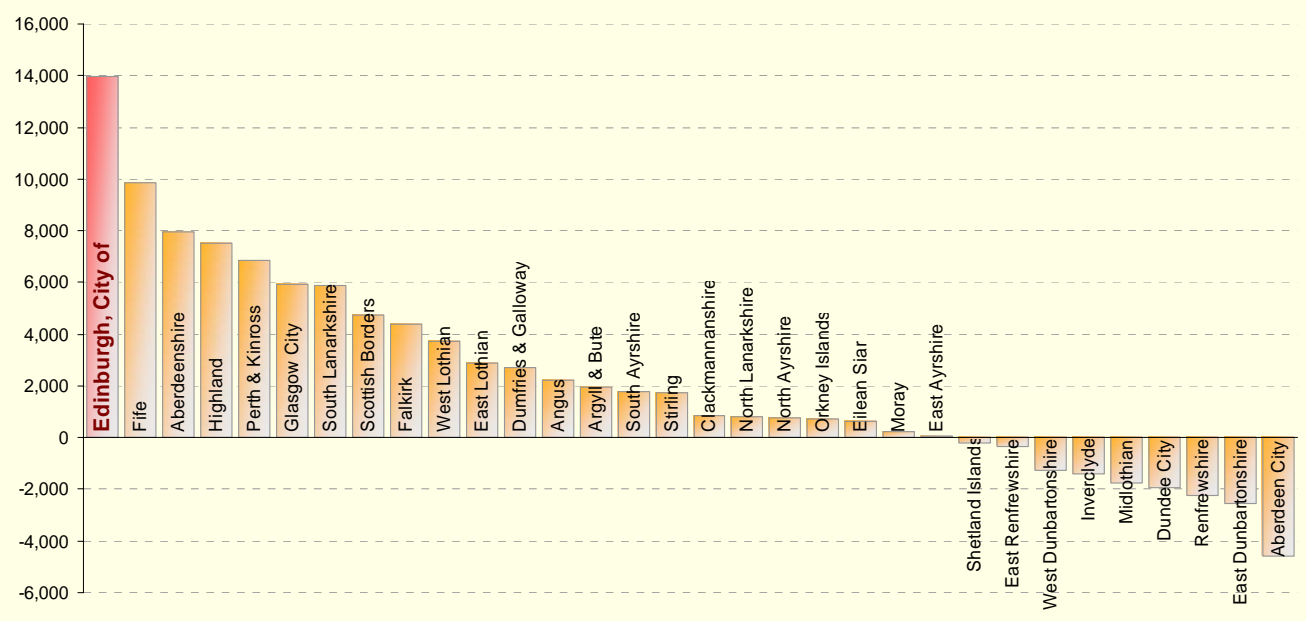


Source: GRO Scotland

Net migration population change by local authority

1. The Registrar General’s mid-year population estimates show that Edinburgh’s population increased by some 14,500 between 2001 and 2006, from 449,000 to 463,500. By far the most important component of this increase was an excess of **in-migration** over out-migration, which accounted for an additional 14,000 people. Edinburgh had a far higher net migration gain over this period than any other local authority, and accounted for nearly one-fifth of the total migration gain in Scotland (Graph 1).

Graph 1: Net migration population change by local authority, 2001- 2006 - absolute



numbers

source : GRO(S)

- Edinburgh has seen a far higher number of NI registrations than any other local authority and accounted for well over a quarter of the Scottish total during the period from 2002 to 2007. Clearly, Edinburgh has been acting as a magnet and first port of call for many foreign nationals seeking new economic opportunities in the UK.
 - As at September 2006, 8.9% of all Edinburgh pupils were from ethnic minority backgrounds, compared with a national average of 3.9%.
 - Edinburgh’s proportion of school pupils whose main home language was not English or Gaelic was also well in excess of the national average - 6.4% in 2006 compared with 2.9% in Scotland as a whole. English is a second language for a significant minority of school pupils; some 1.7% of those on Edinburgh’s school roll were classified either as ‘new to English’ or ‘at the early stages of acquisition’.

