

# Public Document Pack



## SCOTTISH BORDERS COUNCIL THURSDAY, 31 AUGUST, 2023

A MEETING of the SCOTTISH BORDERS COUNCIL will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST. BOSWELLS AND VIA MICROSOFT TEAMS on THURSDAY, 31ST AUGUST, 2023 at 10.00 AM.

**All Attendees, including members of the public, should note that the public business in this meeting will be livestreamed and video recorded and that recording will be available thereafter for public view for 180 days .**

J. J. WILKINSON,  
Clerk to the Council,  
21 August 2023

<b>BUSINESS</b>		
1.	<b>Convener's Remarks.</b>	
2.	<b>Apologies for Absence.</b>	
3.	<b>Order of Business.</b>	
4.	<b>Declarations of Interest.</b>	
5.	<b>Minute (Pages 5 - 20)</b>  Consider Minute of Scottish Borders Council held on 29 June 2023 for approval and signing by the Convener. (Copy attached.)	2 mins
6.	<b>Committee Minutes</b>  Consider Minutes of the following Committees:-  (a) External Service Providers Monitoring Group 23 May 2023 (b) Hawick Common Good Fund 23 May 2023 (c) Peebles Common Good Fund 24 May 2023 (d) Cheviot Area Partnership 31 May 2023 (e) Planning & Building Standards 5 June 2023 (f) External Service Providers Monitoring Group 6 June 2023 (g) Selkirk Common Good Fund 7 June 2023 (h) Tweeddale Area Partnership 13 June 2023 (i) Teviot & Liddesdale Area Partnership 14 June 2023	5 mins

	<p>(j) Planning and Building Standards 15 June 2023  (k) Local Review Body 19 June 2023  (l) William Hill Trust 20 June 2023  (m) Lauder Common Good Fund 20 June 2023  (n) Melrose Common Good Fund 20 June 2023  (o) Pension Fund 22 June 2023  (p) Pension Board 22 June 2023  (q) Eildon Area Partnership 22 June 2023  (r) Kelso Common Good Fund 27 June 2023  (s) Peebles Common Good Fund 27 June 2023  (t) Planning &amp; Building Standards 3 July 2023  (u) Coldstream Common Good Fund 5 July 2023  (v) Selkirk Common Good Fund 10 July 2023</p> <p>(Please see separate Supplement containing the public Committee Minutes.)</p>	
7.	<p><b>Scottish Borders Council Operating Model</b> (Pages 21 - 28)</p> <p>Consider report by Chief Executive. (Copy attached.)</p>	15 mins
8.	<p><b>Draft Resilience Framework for Scottish Borders Council</b> (Pages 29 - 58)</p> <p>Consider report by Chief Executive. (Copy attached.)</p>	15 mins
9.	<p><b>Council Tax and Non-Domestic Rates Recovery Policy</b> (Pages 59 - 88)</p> <p>Consider report by Director Resilient Communities. (Copy attached.)</p>	15 mins
10.	<p><b>Borderlands Inclusive Growth Deal - Business Infrastructure Programme - Coldstream Full Business</b> (Pages 89 - 176)</p> <p>Consider report by Director Resilient Communities. (Copy attached.)</p>	15 mins
11.	<p><b>Borderlands Inclusive Growth Deal - Natural Capital Programme Business Case</b> (Pages 177 - 318)</p> <p>Consider report by Director Resilient Communities. (Copy attached.)</p>	15 mins
12.	<p><b>Peebles High School New Build Project Update</b></p> <p>Consider report by Director Infrastructure and Environment. (Copy to follow.)</p>	15 mins
13.	<p><b>Integration Joint Board Directions - July 2023</b> (Pages 319 - 326)</p> <p>Consider report by Chief Officer Health and Social Care. (Copy attached.)</p>	5 mins
14.	<p><b>Tackling the Barriers Experience by Care Experienced People in Scottish Borders</b> (Pages 327 - 336)</p> <p>Consider report by Director Social Work and Practice. (Copy attached.)</p>	15 mins
15.	<p><b>Short Term Lets Licensing Scheme</b> (Pages 337 - 368)</p> <p>Consider report by Director Corporate Governance. (Copy attached.)</p>	15 mins
16.	<p><b>Leisure Centre Works</b> (Pages 369 - 376)</p> <p>Note works approved under emergency powers. (Copy attached.)</p>	5 mins
17.	<p><b>Representatives on Outside Bodies</b></p>	

	Consider replacing Councillor Parker with Councillor Weatherston on the COSLA Health and Social Care Board.	
18.	<p><b>Motion by Councillor Greenwell</b></p> <p>Consider Motion by Councillor Greenwell in the following terms:-</p> <p>“Given the announcement of more Bank closures due to take place within the Scottish Borders and the suggested solution being the setting up of Bank Hubs along the lines of the current post office setup, Scottish Borders Council acknowledges that this could put extreme pressure on Post Office businesses across the Borders. The Council therefore agrees to instruct the Council Leader to write to the Director-General of Post Offices expressing Scottish Borders Council’s support for Postmasters’ remuneration to be brought in line with the remuneration that Banks receive which will help make Post Offices thriving local businesses.”</p>	5 mins
19.	<b>Open Questions from Councillors</b>	15 mins
20.	<p><b>Open Question from Member of the Public</b></p> <p>Question to the Executive Member from Mr. Stitt, Selkirkshire Ward:-</p> <p>“What is being done to stop gangs of youths cycling inside the transport hub in Galashiels? They have no regard for anyones safety and it is only a matter of time before an old person or a disabled person cannot move out of their way quickly enough.”</p>	5 mins
21.	<b>Any Other Items Previously Circulated</b>	
22.	<b>Any Other Items Which the Convener Decides Are Urgent</b>	
23.	<p><b>Private Business</b></p> <p>Before proceeding with the private business, the following motion should be approved:-</p> <p>“That under Section 50A(4) of the Local Government (Scotland) Act 1973 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1 of Schedule 7A to the aforementioned Act.”</p>	
24.	<p><b>Minute (Pages 377 - 378)</b></p> <p>Consider private Section of Minute of Scottish Borders Council held on . (Copy attached.)</p>	1 mins
25.	<p><b>Committee Minutes</b></p> <p>Consider private Sections of the Minutes of the following Committees:-</p> <p>(a) External Service Providers Monitoring Group 23 May 2023  (b) Hawick Common Good Fund 23 May 2023  (c) Peebles Common Good Fund 24 May 2023  (d) Selkirk Common Good Fund 7 June 2023  (e) Lauder Common Good Fund 20 June 2023  (f) Pension Fund 22 June 2023</p>	2 mins

	(g) Peebles Common Good Fund (h) Selkirk Common Good Fund	27 June 2023 10 July 2023	
	(Please see separate Supplement containing private Committee Minutes.)		
26.	<b>Borderlands Inclusive Growth Deal - Mountain Bike Centre Full Business Case</b> (Pages 379 - 590)		15 mins
	Consider joint report by Director Resilient Communities and Director Infrastructure and Environment. (Copy attached.)		
27.	<b>Eastgate Theatre, Peebles</b> (Pages 591 - 596)		10 mins
	Consider report by Director of Finance and Procurement. (Copy attached.)		

#### NOTES

1. **Timings given above are only indicative and not intended to inhibit Members' discussions.**
2. **Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

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**SCOTTISH BORDERS COUNCIL**

MINUTE of MEETING of the SCOTTISH BORDERS COUNCIL held in Council Headquarters, Newtown St. Boswells on 29 June 2023 at 10.00 a.m.

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- Present:- Councillors W. McAteer (Convener), J. Anderson, D. Begg, C. Cochrane, J. Cox, L. Douglas, M. Douglas, J. Greenwell, C. Hamilton, S. Hamilton, E. Jardine, J. Linehan, N. MacKinnon, S. Marshall, S. Mountford, A. Orr, D. Parker, J. PatonDay, J. Pirone, C. Ramage, N. Richards, E. Robson, M. Rowley, S. Scott, F. Sinclair, E. Small, A. Smart, H. Steel, R. Tatler, V. Thomson, E. Thornton-Nicol, T. Weatherston
- Apologies:- Councillors P. Brown, D. Moffat.
- In Attendance:- Chief Executive, Director Corporate Governance, Director Education and Lifelong Learning, Director Finance and Procurement, Director Infrastructure and Environment, Director Resilient Communities, Director Strategic Partnerships and Commissioning, Clerk to the Council.
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**1. CONVENER'S REMARKS**

- 1.1 The Convener welcomed Mr Jamie Bryson, Headteacher at Selkirk High School together with 3 pupils - Evie Stewart, Clemency Cross and Kady Amos - who had worked with the Harris Trust on their SAS "Who Cares Wins". Councillor Leigh Douglas introduced the pupils and advised that the Harris Trust provided opportunities for the neurodiverse and had supplied a recording studio within the school to provide creative opportunities. The 3 pupils spoke about the impact the Trust Project had had on the school. The Convener thanked them for coming along to speak to Council.
- 1.2 The Convener advised that HRH King Charles and HRH Queen Camilla would be visiting the Great Tapestry in Galashiels and then going on to visit Selkirk on 6<sup>th</sup> July 2023.
- 1.3 The Convener congratulated Suzy Douglas and Nuala McKinlay on their Director appointments.
- 1.4 The Convener wished Cory Paterson all the best in his role as Braw Lad for the events in Galashiels the following week.
- 1.5 The Convener congratulated the TD1 Youth Hub on winning the Community Based Youth Work Project category at the recent National Youth Work Awards.

**DECISION**

**AGREED that congratulations be passed to those as appropriate.**

**2. MINUTE**

The Minute of the Meeting held on 25 May 2023 was considered.

**DECISION**

**AGREED that the Minute be approved and signed by the Convener.**

**3. COMMITTEE MINUTES**

The Minutes of the following Committees had been circulated:-

Berwickshire Area Partnership	30 March 2023
Local Review Body	17 April 2023
Teviot and Liddesdale Area Partnership	18 April 2023

Peebles Common Good Fund	19 April 2023
Planning and Building Standards	24 April 2023
Chambers Institution Trust	10 May 2023
Local Review Body	15 May 2023
Gibson Trust	15 May 2023
Executive	16 May 2023
Jedburgh Common Good Fund	29 May 2023
External Services Providers	30 May 2023
Scrutiny and Petitions	1 June 2023
Innerleithen Common Good Fund	1 June 2023
Executive	13 June 2023
Galashiels Common Good Fund	15 June 2023

#### **DECISION**

**APPROVED the Minutes listed above.**

#### **4. COMMITTEE RECOMMENDATION – PROPOSED SCRUTINY REVIEW PROGRAMME**

There had been circulated copies of an extract from the Minute of the Scrutiny and Petitions Committee held on 1 June 2023 which was seeking approval of their Review Work Programme. Councillor Thornton-Nicol, Chair of the Committee asked Members to support the recommendation and reminded Members that further items could be added if they or their communities had further suggestions.

#### **DECISION**

**AGREED to approve the Scrutiny Review Work Programme.**

#### **5. GALASHIELS ACADEMY RELOCATION**

With reference to paragraph 7 of the Minute of 13 May 2021, there had been circulated copies of a report by the Director Education and Lifelong Learning seeking approval for the relocation of Galashiels Academy to a site comprising the existing Academy site and part of Scott Park following the completion of a public consultation process as set out in the Schools (Consultation) (Scotland) Act 2010 (as amended). The report explained that the statutory consultation in respect of a proposal to relocate Galashiels Academy had taken place between 13 March and 12 May 2023. A proposal paper had been published and advertised detailing the Educational Benefits of the proposal and the reasons for choosing the proposed site. Meetings were held with pupils and staff during May and a public meeting was held on 20 April 2023, where there was an opportunity to discuss the proposals, ask questions and make comments. The Council received 127 responses to the consultation with 66% agreeing with the proposal, 29% against and 5% who were undecided. A Consultation Report, which detailed the consultation process as well as the comments and representations made throughout the consultation process was prepared. The Consultation Report also contained responses to the comments and representations made during the consultation process and a copy was appended to the report. The Report was published on 6 June 2023, with the Council inviting further comments and suggestions regarding the proposal. The last date for comments was 27 June 2023 and the responses were detailed later in the report. Members welcomed the report and supported the proposed relocation.

#### **DECISION**

**AGREED to approve the proposal to relocate Galashiels Academy to a site comprising the existing school site and part of the town's Scott Park.**

#### **6. GALASHIELS ACADEMY NEW BUILD PROJECT - UPDATE**

With reference to paragraph 7 of the Minute of 13 May 2021, there had been circulated copies of a report by the Director of Environment and Infrastructure providing an update on the progress with the new Galashiels Academy Community Campus following the statutory and procurement stages and recommending proceeding to construction. Previous reports to Council on 17 December 2020 and 13 May 2021 provided an update on the project and on the informal engagement undertaken on the range of options for the location of the new

school and external sports facilities. The 13 May 2021 report to Council recommended that the project should proceed to the formal statutory stages. Planning consent was granted in September 2022. This allowed the project to proceed to detailed design and procurement. This stage was now complete and the project was ready to proceed to construction. The total approved budget for the Galashiels Academy project was £60.155M. Of this, costs of £5.1M had been incurred to 31 March 2023, including the Enabling Works undertaken to get the project prepared and ready for the main construction. The Director highlighted the impact of construction inflation and following the tender returns, the project team and main contractor Morrison Construction had been working to minimise the over budget position. This work was ongoing with a target date for reaching contract close soon and to allow for this, it was recommended that Officers were given delegated authority to reach a final contract sum within an overall budget maximum of £64.5M. Members agreed to approve the proposed funding increase to allow construction to commence at an early date.

#### **DECISION**

##### **AGREED to:-**

- (a) note the progress of the project through the statutory planning stage and the completion of the detailed design and procurement stage;**
- (b) note the current budget position that, as a result of the procurement stage, was £4.345M above budget;**
- (c) delegate authority to the Director Infrastructure & Environment, in conjunction with the Chief Financial Officer, to conclude the contract with Hub South East Scotland Ltd at a project budget no greater than £64.5M allowing the project to proceed to construction; and**
- (d) receive update reports as the project proceeded.**

#### **7. SCOTTISH BORDERS PROPOSED GAELIC LANGUAGE PLAN**

With reference to paragraph 12 of the Minute of 17 June 2021, there had been circulated copies of a report by the Director Education and Lifelong Learning recommending that the Council's proposed Gaelic Language Plan, as contained in Appendix A to the report, be forwarded to the Bòrd na Gàidhlig for their agreement in accordance with the Gaelic Language (Scotland) Act 2005. The report explained that all Councils in Scotland had been asked by the Bòrd na Gàidhlig to prepare a statutory Gaelic Plan in accordance with the Gaelic language (Scotland) Act 2005. Gaelic Language Plans were seen as a key part in delivering the National Gaelic Plan to secure the status of Gaelic in Scotland. Following the public consultation, the plan had to be submitted to the Bòrd na Gàidhlig for approval. The outcome of the consultation was contained in Appendix B to the report. Amended recommendations had been circulated before the meeting and following discussion these were approved.

#### **DECISION**

##### **AGREED:-**

- (a) to approve the Gaelic Plan, as contained in Appendix A to the report, for submission to the Bòrd na Gàidhlig for their approval, subject to the implementation of the Plan being within existing Council budget and resources;**
- (b) that once approval of the Plan had been given by Bòrd na Gàidhlig, to translate the Plan into Gaelic and both copies (English and Gaelic) would be published on the Council's website; and**

- (c) that the Director of Education & Lifelong Learning would bring forward a further report to Council should further resources be required for the implementation of the Plan.

8. **ANTI-POVERTY STRATEGY PROGRESS REPORT**

With reference to paragraph 7 of the Minute of 23 September 2021, there had been circulated copies of a report by the Director Resilient Communities on the progress made in delivering the Anti-Poverty Strategy Action Plan, which was adopted by Council on 23 September 2021. The report also gave an update of the work of the Anti-Poverty Members Reference Group, the Financial Inclusion Group and the quarterly Food Conversations. An update report in relation to additional poverty support provided by the £1.2M Cost of Living Fund was also being brought before Members later in the meeting. The report highlighted the actions and progress made against the 11 outcomes of the Anti-Poverty Action Plan which were detailed in the Anti-Poverty Strategy Progress Report contained in Appendix 1 to the report. Councillor Tatler, in his role as Executive Member, expressed his thanks for the report and agreed that a refresh was needed to take account of changes since 2021. He also advised that a Credit Union was to be created in the Borders which helped to combat illegal money lending. Members discussed the report and highlighted the problem of hidden poverty in the Borders.

**DECISION**

**AGREED:-**

- (a) the Anti-Poverty Strategy 2021 Progress Report;
  - (b) to note the work of the Anti-Poverty Members Reference Group, the Financial Inclusion Practitioners Group and the Food Conversations Group; and
  - (c) that the Anti-Poverty Strategy and Action Plan (created in 2021) be refreshed.
9. **SCOTTISH BORDERS CHILD POVERTY REPORT 2022/23 AND ACTION PLAN 2023/24**  
There had been circulated copies of a report by the Director Resilient Communities presenting the Scottish Borders Local Child Poverty Report for 2022/23 and Action Plan for 2023/24, contained in Appendix 1 to the report, for noting before submission to Scottish Government. The report explained that the Child Poverty (Scotland) Act 2017 required Local Authorities and Health Boards to jointly prepare a Local Child Poverty Action Plan Report and an Annual Progress Report. The report contained details of the levels of child poverty in the Scottish Borders, the progress made against the Action Plan for 2022/23 and set out planned actions for 2023/24. Members expressed concern regarding the increase in Child Poverty and noted that a significant amount of work would be required if targets were to be met, along with the need to raise awareness of the support available.

**DECISION**

**AGREED to note the Scottish Borders Local Child Poverty Report for 2022/23 and Action Plan for 2023/24 before submission to Scottish Government.**

10. **UPDATE ON COST OF LIVING RESPONSE**

With reference to paragraph 4 of the Minute of 25 August 2022, there had been circulated copies of a report by the Director Resilient Communities providing an update in relation to the £1.2m financial support package that was released from Council reserves to provide support to communities during 2022/23. The report explained that Council agreed on 25 August 2022 to approve the creation of a short-term multi-agency Cost of Living Crisis Strategic Group and an Operational Officers Group in order to provide an enhanced response to the exceptional autumn and winter pressures communities were facing. These groups had reported into the Anti-Poverty Members Reference Group and the Community Planning Partnership and had also considered local requirements and response across each of our five localities. Details of how the funding had been allocated and the remaining balances were contained in the report. The report also provided an update on the allocation of balances in relation to the Financial



Hardship Fund. Members commented on the success of projects such as “Low and Slow” and asked for information on the evaluation of projects. Concern around perceived stigma around certain projects was also highlighted. The Director answered Members’ questions and undertook to provide more information for Members at a future Members Briefing. The importance of always thinking “family” was critical to the Councils approach.

**DECISION  
AGREED:-**

- (a) **to note the Cost of Living spend to date as detailed in the report, and the balances being carried forward to 2023/24:**
- (b) **to note the Financial Hardship Fund spend to date as detailed in the report, and the balances being carried forward to 2023/24: and**
- (c) **that the Director of Resilient Communities, in consultation with the Anti-Poverty Members Reference Group, consider any further action that was required and provide a further report to Council if there were to be any further financial implications.**

**11. INTEGRATION JOINT BOARD DIRECTIONS MAY 2023**

There had been circulated copies of a report by the Chief Officer Health and Social Care providing an update on the Directions issued to the Scottish Borders Council from the Health and Social Care Integration Joint Board at their May 2023 meeting. The report explained that the Directions issued by the Integration Joint Board in May 2023 related to the implementation of the new Teviot and Liddesdale Day service in Hawick, the establishment of a Community Integration Group (Locality Working Group) pathfinder in the Eildon locality, the implementation of the homecare night support pathfinder in the Duns area, and the scoping of revenue costs for the Tweedbank and Hawick Care Village programme.

**DECISION**

**NOTED the Directions issued by the Health and Social Care Integration Joint Board to the Scottish Borders Council.**

**12. TEVIOT DAY SERVICE RE-PROVISIONING**

With reference to paragraph 5 of the Minute of 27 April 2023, there had been circulated copies of a report by the Chief Officer Health and Social Care providing an update on progress regarding the provision of Teviot Day Services. The report explained that following the options appraisal the internal option came out overall ranked 1. Due to the number of service users this would be provided 5 days a week, but there was room for further growth if required. The IJB Strategic Planning Group and IJB agreed to commission the internal service provision (SBC Adult Social Care), based on the recommendation of the Task and Finish Group. This was supported by the IJB Strategic Planning Group. Members welcomed the progress being made. The Day Service required to re-register with the Care Commission and recruit staff before it could re-open but Members would be kept updated on progress in this regard.

**DECISION**

**NOTED:-**

- (a) **the decision made by the Integration Joint Board (IJB) on 17 May 2023 regarding the provision of Teviot Day Services; and**
- (b) **the next steps relating to further considering the levels of need for people in Newcastleton and subsequently across the other four localities.**

### 13. **MAINSTREAMING AND EQUALITY OUTCOMES PROGRESS REPORT**

There had been circulated copies of a report by the Director People, Performance and Change seeking approval of the Scottish Borders Council Equality Mainstreaming Update Report 2021–2023 in order that it could be published to meet legal requirements. The report explained that the Council had statutory obligations under the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 to meet the Public Sector Equality Duty and to mainstream equality throughout its functions. As part of this duty the Council was required to publish a report on the progress it had made every two years and update report for the period 2021-2023 required to be published. The draft Update Report was contained in Appendix 1 to the report and provided a range of good practice examples that demonstrated how equality was mainstreamed into working practices and the achievements made against each Equality Outcome. Mr Davidson, Employee Relations Manager, answered Members' questions and agreed to look at evaluating the impact of training.

#### **DECISION**

**AGREED to approve the Equality Mainstreaming Update Report 2021 – 2023, as set out in the Appendix to the report, for publication.**

### 14. **STRATEGIC TRANSPORT PRIORITIES**

14.1 There had been circulated copies of a joint report by the Director Environment and Infrastructure and Director Resilient Communities providing an overview of current transport policy in Scotland and indicating how the Council was developing short, medium and longer term actions to help deliver national and regional transport strategy aspirations at a local level. The second version of the National Transport Strategy (NTS) had been published in February 2020 and set out the national ambition for the next twenty years, while coordinating objectives and outcomes with planning, economic development and Net Zero strategies to provide a core set of principles for all new development. The Regional Transport Strategy (RTS) which was developed by the South East of Scotland Transport Partnership (SEStran) was approved by Local Authority Members in 2022 and by Transport Scotland in March 2023. The document set out how transport priorities could be delivered across the South East of Scotland and linked directly to the NTS and local priorities. The Scottish Borders was in the unique position of being partners in two Growth Deals and having a South of Scotland Enterprise Agency to support the Council's ambitions. The key national and regional transport policy documents were supplemented by the Regional Economic Strategy for the South (RES) and The Edinburgh and South East of Scotland City Region Deal (City Deal) along with the associated Regional Prosperity Framework (RPF) provided a strong commitment to improving transport in rural areas. Scottish Borders Council had produced local transport strategy documents in the past and in 2015 a Main Issues Report recommended that a Local Access & Transport Strategy (LATS) for the Scottish Borders be refreshed once all of the national and regional strategies were in place. It was hoped that the initiation of a new LATS would commence later in the year. Even in the absence of an up-to-date LATS, there were still a number of strategically important projects being taken forward that delivered national and regional ambition, helped to improve transport connectivity in the area and looked to support the Council's Net-Zero commitments.

14.2 The Bus Network Review was the first full scale review of bus services for circa 30 years and was using data from operators and local businesses to help identify and design services that better met the needs of communities and try to grow patronage in a sustained period of funding pressures to subsidise services. Changes were likely to include the removal of duplication and delivering services that would make a difference to local communities. It was proposed to have a number of Elected Member briefings during the summer and bring forward proposals to Council in August/September 2023. The development of Active Travel (Cycling, Walking and Wheeling) throughout Scotland was a key plank of national and regional transport policy and The Scottish Government had currently committed to spend at least £320 million, or 10% of the total transport budget on active travel by 2024-25 (up from £39 million in 2017/18). However, in order to access this additional funding, Scottish Borders Council would need an Active Travel Team and develop a bespoke Active Travel Strategy for

the area. The Electric Vehicle Charging Expansion Plan acknowledged that Transport Scotland was transitioning away from publicly funding the public charging network and had provided support for Local Authorities to procure private sector investment in infrastructure, operations and services to grow the uptake of EV vehicles in Scotland. A proposed model had been built for the Scottish Borders using significant community engagement to create a proposal that would see an initial charging network delivered to 100 communities in the region, creating an equitable distribution of infrastructure, while demonstrating a viable investment for the private sector. It was proposed to bring the recommendations to Council in August/September 2023, to allow the procurement phase to commence later in the year. Members welcomed the paper and highlighted the importance of public transport in the Borders including the need for the Borders Railway extension.

## **DECISION**

### **AGREED to:-**

- (a) **note the status of Transport Policy in Scotland and the influence on regional and local actions;**
- (b) **note the progress on developing an updated Local Access and Transport Strategy in 2023;**
- (c) **note the progress on the Bus Network review and agreed that a report be presented to Council in Autumn 2023;**
- (d) **have a number of members briefings during the summer on the recommendations of the Bus Network review, based on locality areas;**
- (e) **noter the progress on Active Travel Development in the region;**
- (f) **note the progress on the Electric Vehicle Charging Expansion Plan and identify any additional briefings required before recommendations were brought to a future Council meeting; and**
- (g) **receive a report on the Electric Vehicle Charging Expansion Plan at the August or September Council meeting.**

## **MEMBER**

Councillor Robson left the meeting.

### **15. ORDER OF BUSINESS**

The Convener varied the order of business as shown on the agenda and the Minute reflects the order in which the items were considered at the meeting.

## **DECLARATION OF INTEREST**

Councillor Ramage declared an interest in the following item of business in terms of Section 5 of the Councillors Code of Conduct and left the Chamber during the discussion.

### **16. MOTION BY COUNCILLOR THORNTON-NICOL**

Councillor Thornton-Nicol, seconded by Councillor Parker, moved approval of the Motion detailed on the agenda in the following terms:-

“In the 1995 Pensions Act, the Government increased State Pension age for women from 60 to 65, with a further increase to 66 in the 2011 Pensions Act. The change was not properly communicated to 3.8m women born in the 1950s until 2012, giving some only one year’s notice of a six year increase in their anticipated retirement age. 7100 of the affected women are in our own authority area.

Council believes this injustice has not only had a profound effect on the individuals involved, but on the wider community in Scottish Borders. These women are impacted financially,

which impacts on every aspect of their lives. It affects their mental well-being and physical health. Women who had a planned retirement should have been able to make their own decisions. Some would have volunteered, some would have looked after older people as unpaid carers, some would have provided childcare for their families. All of these things that they cannot do have a knock on impact on local government and service provision. Our local economy is negatively affected by the reduced spending power and disposable income the uncommunicated State Pension Age changes has brought about among women born in the 1950s.

Council therefore agrees with:

1. The conclusion of the All Party Parliamentary Group on State Pension Inequality that women born in the 1950s have suffered a gross injustice, affecting their emotional, physical and mental circumstances in addition to causing financial hardship
2. A swift resolution to this ongoing injustice before more and more women die waiting for compensation.
- 3, The WASPI campaign for an immediate one-off compensation payment of between £11,666 and £20,000 to those affected, with the most going to women who were given the shortest notice of the longest increase in their state pension age.

and asks that the Leader of the Council writes to local Members of Parliament, and to the Secretary of State for Work and Pensions to outline the effects of the injustice to 1950s women on the community in Scottish Borders and to seek their support for an immediate compensation package.

Councillor Thornton-Nicol and Councillor Parker spoke in support of the Motion which was unanimously approved.

#### **DECISION**

**AGREED to approve the Motion as detailed above.**

#### **ADJOURNMENT**

The Convener adjourned the meeting for lunch at 1.20 p.m. and the meeting reconvened at 1.50 p.m.

#### **MEMBERS**

Councillors Marshall and Sinclair did not rejoin the meeting after the break.

#### **17. DOG FOULING ON SPORTS PITCHES**

With reference to paragraph 15 of the Minute of 30 March 2023. there had been circulated copies of a report by the Director of Corporate Governance providing an update on the Scottish Minister's response to Councillor Steel's Motion of 30 March 2023 and to recommend that Council consider seeking further information in the form of a report on the options and costs associated with additional signage and with a communication campaign. The report explained that Scottish Borders Council had written to Scottish Ministers in April seeking an amendment to the Dog Fouling (Scotland) Act 2003, a copy of which was appended to the report. Ministers had responded to that letter declining to implement the change sought. The reply from the Minister for Victims and Community Safety, as contained in Appendix 2 to the report, included examples of approaches being adopted in other areas to tackle dog fouling problems. One such example was improved signage and another was targeted communications on the problem. The report recommended exploring these approaches by calling for a report outlining options and detailing the costs associated with additional signage and a targeted communication plan. Members expressed their disappointment and discussed the options. The major health implications caused by fouling on sports pitches and the need to get the message out to all dog owners were highlighted.

#### **DECISION**

**AGREED to:-**

- (a) **note the letter from Minister for Victims and Community Safety contained in Appendix 2 of the report; and**
- (b) **to receive a further report by October 2023 on dog fouling containing detail on the possible options and associated costs for new signage and a targeted communications plan.**

**18. MOTION BY COUNCILLOR S. HAMILTON**

Councillor S. Hamilton, seconded by Councillor Anderson, moved approval the Motion as detailed on the agenda in the following terms:-

“This Council expresses its strong opposition to the closure of Bank of Scotland branches in Duns, Eyemouth, Jedburgh, and Newcastleton, recognising the negative impact it will have on local residents and businesses.

We request that the Leader writes to the Bank of Scotland on the following points.

1. Emphasise the importance of maintaining access to in-person banking services, particularly for those individuals who do not currently have access to internet or phone banking facilities.
2. Our deep disappointment by the lack of understanding demonstrated by the Bank of Scotland towards our small towns and rural communities that rely on these branches for their banking needs in the Scottish Borders.
3. We call upon the Bank of Scotland to reconsider its decision and engage in meaningful dialogue with local stakeholders, including this Council, to explore alternative solutions that preserve essential banking services within the affected communities.
4. This Council requests the Bank of Scotland to provide satisfactory responses to all questions and concerns raised by the Council and affected residents, ensuring transparency and addressing each point of inquiry thoroughly.
5. Underline this Councils commitment to collaborating with relevant community groups, local stakeholders, parliamentarians, and other authorities to seek solutions that mitigate the adverse effects of branch closures and secure continued access to vital banking services in the Scottish Borders.

Conclusion: Scottish Borders Council in conjunction with Parliamentary representatives continue to strongly opposes the closure of Bank of Scotland branches in Duns, Eyemouth, Jedburgh, and Newcastleton, and affirms its commitment to supporting the affected communities. We urge the Bank of Scotland to reconsider its decision, engage in constructive discussions, and provide satisfactory responses to address the concerns raised by the Council and local residents. Together, we will strive to find alternatives that prioritise the banking needs of our communities and preserve vital local services.”

Councillors Hamilton and Councillor Anderson spoke in support of the Motion which was unanimously approved. It was noted that representatives from the Bank of Scotland had agreed to meet with Councillors.

**DECISION**

**AGREED to approve the Motion as detailed above.**

**19. MOTION BY COUNCILLOR SINCLAIR**

Councillor Smart, in the absence of Councillor Sinclair, and seconded by Councillor PatonDay, moved approval of the Motion as detailed on the agenda in the following terms:-

“Scottish Borders Council:

- Recognises Scottish Breastfeeding Week, which took place between 5 and 11 June 2023, with the aim to celebrate the work being done to support, promote and protect breastfeeding, as well as raising awareness of the Breastfeeding Friendly Scotland Scheme;

- Welcomes the fact that 52 organisations in the Scottish Borders have signed up to the Scottish-wide Breastfeeding Friendly Scotland Scheme which aims to ensure that babies can be breastfed in comfort and without interruption, reducing barriers for parents who breastfeed; and,
- Recognises the benefits breastfeeding has for both baby and mother's health, helping to protect children from a vast range of illnesses and to protect mothers from breast cancer, ovarian cancer and heart disease."

Councillor Smart and Councillor PatonDay spoke in support of the Motion which was unanimously approved.

#### **DECISION**

**AGREED to approve the Motion as detailed above.**

#### 20. **OPEN QUESTIONS**

The questions submitted by Councillors Smart, Anderson, Sinclair, Robson, Douglas, Ramage, Begg and PatonDay were answered.

#### **DECISION**

**NOTED the replies as detailed in Appendix I to this Minute.**

#### **MEMBERS**

Councillors Cox, M. Douglas, C. Hamilton, Mountford, Orr, Richards, Scott, Small and Thomson left the meeting during consideration of the item above.

#### 21. **PRIVATE BUSINESS**

##### **DECISION**

**AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business detailed in Appendix II to this Minute on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 1, 6, 8 and 9 of Part I of Schedule 7A to the Act.**

### **SUMMARY OF PRIVATE BUSINESS**

#### 22. **Committee Minutes**

The private sections of the Committee Minutes as detailed in paragraph 4 of this Minute were approved.

##### **Declaration of Interest**

Councillor Rowley declared an interest in the following item of business in terms of Section 5 of the Councillors Code of Conduct and left the meeting during the discussion. As this was the last item of business he did not re-join.

#### 23. **Borderland Inclusive Growth Deal – Destination Tweed Outline Business Case**

Members approved the Outline Business Case and noted a further report would be brought to Council later in the year.

*The meeting concluded at 2.45 p.m.*

**SCOTTISH BORDERS COUNCIL**  
**29 JUNE 2023**  
**APPENDIX I**

**Question from Councillor Smart**

To the Executive Member for Roads Development and Maintenance

As the Kirkpatrick Coast 2 Coast Cycle Route is now in place and being promoted, what plans are in place to upgrade the road surface through the Borders of this route, with a view to ensure cycle safety, paying particular attention to road condition and up to date, clear signage?

Response from Councillor Greenwell

The Kirkpatrick C2C is an action from the South of Scotland Cycling Partnership Strategy – “Launch new South of Scotland Coast to Coast Slow Tourism Touring Route – 2023”

The route uses existing on-road cycle routes and is being promoted as an economic development benefit to experienced, capable, on road, adventure tour cyclists.

There will be a digital map and information launched by South of Scotland Destination Alliance in early July.

There were no specific requirements identified to upgrade the road surface as part of the independent Road Safety Audit undertaken as part of the project.

Consultants Mott MacDonald have prepared a signage strategy for the route, and this has also been run past our in-house road safety team.

Signs are currently being manufactured and will be erected by Scottish Borders and Dumfries & Galloway Council, beginning in July. This work will continue after the digital launch of the Coast to Coast Route in mid July.

The B6399 is inspected on a 2 monthly frequency in line with the Councils Standards on Carriageway/Footway & Footpath Safety Inspections. All safety defects are recorded and instructions issued for their repair.

Notice will be taken of the new cycling designation status of the route and repairs undertaken as appropriate with the budget available and the many competing prioritisations placed on the service.

I can however confirm that there are a number of road surface improvement schemes identified for the B6399 in the 3 year roads capital programme.

Supplementary

Councillor Smart commented on 2 dangerous areas on the road between Newcastleton and Hawick and asked for a copy of the schedule of works. Councillor Greenwell advised that she should have received a copy of the programme of works and if these areas were not included that she should contact Brian Young.

**Questions from Councillor Anderson**

1. To the Executive Member for Service Delivery and Transformation

Cheques are being discontinued across SBC. However, this seriously limits the needs of residents of care homes and care home staff who rely on cheques on a regular basis. What consultation took place to allow this decision to be made? What plans are in place to negate the negative consequential effects of this decision, and why is it felt wise to move to a digital platform for all finances without adequate consultation with those this decision affects directly?

Response from Councillor Rowley

A report was considered by CMT on 12th January 2022 detailing the cheques issued and received by the Council along with the costs and time consuming work that their process entails. The recommendations in the report agreed that the Council would routinely stop issuing cheques unless there were no other options, to remove reference to cheques in payment terms and to promote payments through digital means. A stage 1 IIA was undertaken to consider any adverse impact arising from the policy change.

Despite a move away from generating cheques from within SBC and actively promoting other payment channels for customers, I can confirm we have not stopped our customers' ability to use cheques for payment.

#### Supplementary

Councillor Anderson commented on issues staff at Saltgreens were having managing cash for residents. Councillor Rowley undertook to raise this. The Chief Executive confirmed that there was a policy in place but the specific situation at Saltgreens would be looked at.

#### 2. To the Executive Member for Estate Management and Planning

Will SBC offer an accessible toilet key to the public in Eyemouth, to be held in an agreed location close to the accessible toilets at to support the large number of tourists visiting the area particularly following the launch of the Coast to Coast cycle route?. This key will also require appropriate signage placed on the toilet door confirming opening hours, conditions for use and location of key for disabled users who do not possess a RADAR key.

In addition, can SBC ensure that all available and operational accessible toilets have appropriate signage in place confirming opening hours and the SBC website updated to highlight all locations in time for the school holidays beginning?

#### Response from Councillor Mountford

The Council recognise the concerns highlighted by the community over the provision of facilities to support tourists visiting Eyemouth.

Officers have been engaging with concerned businesses and the community to explore options to address these concerns.

Options focus around a community led initiative in Eyemouth. Discussions are ongoing and the Director of Infrastructure & Environment intends to meet representatives of the community in July. Officers are also developing a Comfort Scheme model that we intend to present to Members later this year.

As a tourism destination, there may be visitors who are unfamiliar to the area. With this in mind, the Council are willing to make a RADAR key available for disabled visitors, held at a location agreed with officers and the local community.

Since the Public Toilets report was presented to Council in March 2023, an officer working group has been established to progress the agreed actions. Members will recall that the report formalised the arrangement that had been in place since August 2021. Several omissions have however subsequently been highlighted from the list of toilets that remain open. To clarify, the disabled toilets at:

- Harbour Road Toilets in Eyemouth;
- Shedden Park in Kelso;
- High Street in Galashiels;
- Volunteer Park in Hawick; and
- Howegate Toilets in Hawick

Remain open for disabled users and are being serviced daily by the Council.

#### Supplementary



Councillor Anderson asked for a timeline for putting the keys in place and Councillor Mountford undertook to provide this information.

### **Question From Councillor Sinclair**

#### To the Executive Member for Education and Lifelong Learning

What support will Scottish Borders Council offer to childminders, including those who are not partner providers for 1140hrs ELC, now that the decision has been taken to remove funding for a dedicated childminding development officer after more than 20 years?

#### Response from Councillor L. Douglas

The annual contract between Scottish Borders Council and the Scottish Childminding Association (SCMA) has been in place for over 20 years and during that time has always been reviewed and considered on an annual basis. At the time of the start of the Contract, there were about 4 times as many Registered childminders in the Borders as there are now, (currently in the region of 80, 9 of whom are on the Council's Framework of funded providers of Early Learning and Childcare (ELC)).

The growth of nursery provision and increase in funded hours are being cited as two of the main reasons for there being such a significant reduction in the number of Registered childminders across Scotland. The Council's focus remains on targeting support where it is most needed and is of most benefit supporting the delivery of statutory provision.

Whilst Scottish Borders Council has valued the work of the SCMA Development Officer over the years, like many other Local Authorities who no longer Contract with SCMA, SBC needs to ensure that it is responding to the changing landscape of ELC and making best use of limited resources. The SCMA were given 3 months' notice that the Contract was not being renewed for this core part of the service. However, the Council is very pleased that SCMA have agreed to continue to co-ordinate the Council's Supported Childminding Scheme as a stand-alone Contract, as now happens in a number of other Local Authority areas.

The Council will continue to support childminders through its' central Early Years Team and the 9 childminders who are on the Council's Framework of funded providers will continue to receive the additional support through the Early Years Teacher Team. In addition to this, the Council will encourage all childminders to be members of the SCMA so that they can access the support and membership benefits it offers.

### **Question from Councillor Robson**

#### To the Executive Member for Education and Lifelong Learning

Can the Executive Member advise whether issues specific to the Borders arose during the Council's participation in the pilots that preceded the national roll-out from August 2023, of the additional year of early learning and childcare to eligible children who defer entry to Primary 1? In particular are there problems of resources or capacity or difficulties for private provider colleagues? Is the Council able to gather data about household and child characteristics better to inform the development of provision?

#### Response from Councillor L. Douglas

We were very pleased to be selected to pilot the "Give them Time" Pilot. Scottish Government Funding was provided to support this extension to the offer already in place whereby children born in January or February could automatically defer starting school until the August following their 5<sup>th</sup> Birthday, to include all those born in August to December as well.

Procedures were already in place to administer the scheme and no issues were encountered in provision of resource.

Data will be used to inform the national evaluation of the pilot and the report will be publically available.

Data shows that the number of parents requesting to defer their child's entry to P1 has increased from 70 parents in session 2016/2017, to 169 for session 2022/2023 with the actual number of children who have taken up the deferral remaining between 14% and 16% of the total P1 intake for the last 4 years.

This is because we also had an increase in the number of parents who, having applied for a deferred entry place, decided in the end to send their child to P1. In session 2022/23 of the 169 applications initially received 27 parents subsequently changed their mind and sent their child to P1.

There have been a few instances where both school and private and voluntary settings reported they were full, due to increased numbers of parents applying for a deferred entry place. However, on these occasions, almost all children were able to get a place with their second choice ELC provider.

Scottish Borders Council have always supported parents of children who have not had their 5<sup>th</sup> birthday before the first day of term in August by approving 100% of the eligible applications since session 2017/18.

### **Question from Councillor M. Douglas**

#### To the Executive Member for Estate Management and Planning

Following a recent meeting of the Licensing Board held in the Council Chamber, I have been approached by a member of the public concerned at the lack of facilities provided to the deaf and hard of hearing.

Can the Executive member please confirm whether a hearing loop system is installed in the Council Chamber, and whether it is operational or not. If one is installed but not operational, are there plans to repair or replace it? Alternatively, if a loop system is not installed, are there plans to install one?

#### Response from Councillor Mountford

Yes, there is a hearing loop installed in the Council Chamber however it is currently not working. A specialist contractor attended the site on 26 June to measure and obtain the specification for specialist items which will be ordered and fitted by 7 July, subject to parts availability and access to the Chamber to undertake the works. The reason for the system not working is that the current microphones in the room aren't connected to the existing induction loop, nor are there any specific induction loop microphones in the Chamber.

The work required is the installation of ceiling microphones (lowered by wire similar to the existing Teams speakers) which will be linked back to a new induction loop amplifier in the AV Rack, which will also be linked to the Teams system, in turn allowing Teams calls, and for anyone speaking in the room to be heard by anyone with a hearing aid.

### **Question from Councillor Ramage**

#### To the Executive Member for Health and Wellbeing

Has any consideration been given to the suggestion six month ago by Elected members that LAC be given a secure mobile device managed by CGI?

Carers get £120 per year toward phone costs. However, this puts the security concerns on to our carers. CGI could very easily supply a secure device that can be set to stop young people downloading Snap chat and other potentially dangerous apps.

#### Response from Councillor Parker

This has been considered by Officers but is not a recommended course of action.

The phone allowance is in place to ensure that all care experienced children have the same access to a private device of their choice as other children living in Scottish Borders to ensure the approach does not inadvertently discriminate against care experienced children.

Carers are provided with advice and guidance as to 'Safe Guarding Children online'.

### **Question from Councillor Begg**

#### To the Executive Member for Estate Management and Planning

How many EV Charging points are now operational here at SBC HQ? Of those, how many are available to visiting members of the public and how many are available to Councillors?

#### Response from Councillor Mountford

The recently completed Smart Grid project has delivered dual EV chargers providing 64 charging points for electric vehicles at SBC HQ.

28 charging points were installed adjacent to the visitor's car park on the site of the former canteen. They have had a tariff applied to make them available for Public/Councillor use. The remainder were installed in the Bowden Road Depot for use by Council Fleet vehicles.

In addition, there is also 1 charging point located at the Old School Building and 2 charging points at Waverly Place Car Park, Newtown that are available for both members of the Public and Elected Members to use should they wish.

### **Question from Councillor PatonDay**

#### To the Executive Member for Service Delivery and Transformation

How many young people are at this time receiving work experience, training or apprenticeships within the Council or its Contractors?

#### Response from Councillor Rowley

The Council currently employs 35 Modern Apprentices employed across a variety of services.

The Council also has extensive arrangements in place to deliver community benefits through a range of contracts with our suppliers. The procurement report which is submitted annually to the Scottish Government highlights these opportunities. The information reported to Council previously and published for 2021/22 highlights:

- 35 new employment opportunities were created
- 6 people were engaged as apprentices
- 11 young people were involved in work experience placements and employability programmes
- over 1600 young people were engaged in community benefit related support activities with our suppliers

The Employability Service currently have 1 placement in SBC which is being delivered through No one Left Behind funding at an early years centre. The placements are identified and set up using a person centred approach as we try and match the skills and needs of the young person to the right type of placement. Many placements are catered for through external companies and organisations in the area where they reside or on an accessible travel route.

The service is also currently delivering 2 pre-employment training courses one in Eyemouth and one in Galashiels for 16 individuals. These courses last 10 weeks for a minimum of 2 days per week through a blended learning approach of face to face sessions and virtual training. Individuals have the opportunity to obtain accredited qualifications in employability, personal development, core skills and customer care. A short work taster placement may also be offered during the training with follow on 1-1 support.

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## **Scottish Borders Council Operating Model**

**Report by Chief Executive**

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**Scottish Borders Council**

**31 August 2023**

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### **1 PURPOSE AND SUMMARY**

- 1.1 This report seeks approval for the strategic principles which will inform the development of the Council's Operating Model over the next 5 years.**
- 1.2 This report aims to define the overarching aims of a revised operating model for Scottish Borders Council and establish the strategic principles that should guide its implementation. An operating model provides a structured framework to enable the efficient and effective delivery of public services, ensuring alignment with organisational objectives, stakeholder needs, and statutory requirements. It encompasses the organisational structure, governance mechanisms, processes, and capabilities. The objective of the operating model is to ensure the Council remains able to fulfil its responsibilities and deliver the highest possible quality services to all communities.

### **2 RECOMMENDATIONS**

- 2.1 I recommend that Council approve the strategic principles and aims for developing a revised operating model for Scottish Borders Council as set out in section 4 of this report and agree to receive further reports as detailed proposals are developed.**

### 3 BACKGROUND

- 3.1 Scottish Borders Council along with most other local authorities faces unprecedented challenges over the coming years in terms of demand for services, fiscal pressures, demographic changes and the impact of global climate change. The Council has a long track record of responding to such challenges through our transformation activity. The pressures facing the council are however growing and they require a well-planned, proportionate response. This will require the Council to position its future service delivery model in such a way as to take advantage of opportunities to maximise the benefits for communities and ensure the sustainability of the organisation
- 3.2 The recent '[Local Government in Scotland – Overview 2023](#)' document, published by the Accounts Commission, states that 'Radical change is needed across Scotland's councils' and that 'Councils have never faced such a challenging situation'. The operating environment within which SBC delivers services has changed dramatically in recent years, not least due to COVID-19, and pressures are continuing to deepen. SBC's operating model needs to evolve in future, building on the strong foundations laid down by Fit for 2024 to allow it to continue to deliver vital services. Further drivers for change are:
- Cost of living crisis
  - Service Demands
  - Workload, capacity and skills
  - Lack of Prioritisation
  - Member/ Community dissatisfaction with Services and poor public image
  - Financial resource Constraint
  - Community Expectation
  - Recruitment, Staff Retention and career progression.
  - Climate crisis
- 3.3 An effective operating model for Scottish Borders Council should embrace the principles of citizen-centricity, collaborative governance, transparency, accountability, agility, effective leadership, efficient resource allocation, sustainable development, and staff engagement. By adhering to these principles, the Council can establish a strong foundation for delivering high quality public services, meeting community needs, and promoting the well-being of its residents.
- 3.4 Implementing this operating model requires a comprehensive review of existing practices, stakeholder consultation, and the development of robust governance structures and processes. It is a continuous journey that necessitates ongoing evaluation, adaptation, and improvement to address emerging challenges and ensure the long-term success of the Council.
- 3.5 This report serves as a starting point for further discussions and exploration of the specific requirements and context of the Council, providing a roadmap for designing a future operating model that aligns with the unique needs and aspirations of the Scottish Borders.
- 3.6 The development of the Council's operating model will evolve, identifying the successful things to do more of, what we should possibly do less of, and

also establishing key areas for improvement in line with the needs and priorities of residents and communities.

## **4 PRINCIPLES OF THE OPERATING MODEL & NEXT STEPS**

The following principles serve as the proposed foundation for the future operating model for Scottish Borders Council. They will build upon existing plans, particularly the Council Plan, and will seek to establish consistency and clarity across all Council services over processes, structures, quality and expectations.

### Citizen-Centric Approach

4.1 A citizen-centric approach is essential, placing the needs, aspirations, and well-being of the community at the forefront of decision-making and service delivery. SBC's operating model should ensure ongoing active engagement with citizens, incorporating their input in policy-making, service design, and evaluation processes.

### Collaborative Governance

4.2 Collaborative governance encourages partnerships and collaboration between the Council, other public sector partners, third sector organisations, and community stakeholders. It fosters inclusive decision-making processes and shared accountability, allowing for collective problem-solving and the pooling of resources to achieve common goals.

### Transparent and Accountable Practices

4.3 Transparency and accountability are vital to promote public trust and confidence in the Council. The operating model should include mechanisms for open access to information, clear decision-making processes, and robust systems for monitoring and evaluation. Additionally, it should encourage the responsible use of resources and adherence to ethical standards.

### Agile and Responsive Operations

4.4 The operating model should support a more agile and responsive approach in our neighbourhoods to meet evolving societal, economic, and environmental challenges. This entails flexibility in resource allocation at a local level, streamlined efficient processes, and the ability to adapt to changing circumstances swiftly. It should foster innovation, experimentation, and continuous improvement in service delivery.

### Effective Leadership and Governance

4.5 Strong leadership and effective governance structures are crucial for successful Council operations. The operating model should define clear roles, responsibilities, and accountabilities at all levels, while enabling effective decision-making, risk management, and performance oversight. It should encourage a culture of professionalism, integrity, and collaboration among staff and elected representatives and devolve operational decision making to front line staff wherever possible.

### Efficient Resource Allocation

4.6 Efficient resource allocation is necessary to optimise service delivery and achieve desired outcomes within budgetary constraints. The operating model should prioritise evidence-based decision-making, resource efficiency, and performance measurement. It should promote collaboration

between departments, effective project management, and the adoption of digital technologies to streamline operations.

#### Sustainable Development and Environmental Responsibility

4.7 The operating model should reflect a commitment to sustainable development and environmental responsibility. It should encourage practices that minimise SBC's environmental footprint, promote climate resilience, and support the transition to a low-carbon economy. Integration of sustainable development goals into policies, service provision, and infrastructure planning should be a key consideration, with the aim of SBC achieving its Net Zero obligations and acting as an exemplar for communities.

#### Staff Engagement and Development

4.8 Staff engagement and development are critical for building a motivated and skilled workforce within the SBC. The operating model should prioritise the recruitment, training, professional development and retention of employees. It should promote diversity, equality, and inclusion, while fostering a supportive work culture that recognises and rewards excellence. The recruitment and retention of talented individuals is vital to the delivery of high quality services; as is the involvement of staff in designing and developing Council services and business solutions.

#### What specific things will the developing Operating Model impact?

4.9 The development of the Council's operating model will reshape the Transformation Programmes for SBC, and look at the key overarching component parts that affect the overall effectiveness, relevance and financial sustainability of all Council services. It will align with the 6 key themes of the Council Plan (Clean Green Future; Empowered Vibrant Communities; Fulfilling our Potential; Good Health and Wellbeing; Strong Inclusive Economy and Infrastructure and Working Together Effectively) and will pose key questions in the design of the future Council, including:

- Customer & Communities – Have we engaged meaningfully and are our services designed and co-produced?
- Staff – Are we fully enabling, equipping & empowering staff to allow SBC to excel?
- Digital Technology, Systems and IT – Are we using the full potential of digital solutions to maximise the benefits for customer experience, community wellbeing, staff enablement, financial sustainability and service quality?
- Property – Does the current and planned SBC estate optimise its value and effective use, whilst minimising its footprint and costs?

#### Next Steps

4.10 Scottish Borders Council has an excellent track record of delivering change and balancing its budget over many years. The COVID-19 response provides recent evidence of how quickly the Council was able to adapt its entire operating model in response to rapidly changing requirements, always with customer and community needs at the centre of all activity. The key lessons from this are that a clarity of purpose can unify efforts towards remarkable success – a success valued by communities and a source of pride for all parties across SBC. This will be a key goal of the Operating Model.



4.11 There will be communications developed for all key stakeholders around the ideas shared within this report. This will seek to explain the “what and why” of SBC’s developing operating model, whilst also seeking to encourage involvement in developing the ideas. Progress will be reported to Elected Members as the ideas set out in this report are developed.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no costs attached to any of the recommendations contained in this report however the financial sustainability of all Council services is dependent on the evolution of the Council’s operating model.

### **5.2 Risk and Mitigations**

The risks for Scottish Borders Council of not evolving the operating model are significant. In an increasingly fast-changing operating context, there is a need to proactively adapt all facets of the Council’s operating model in order to meet growing demands, increasing financial pressures and a range both known and unknown challenges that will need to be met.

### **5.3 Integrated Impact Assessment**

A full IIA will be undertaken as part of evolving the operating model. Indeed, the implications of any changes to the operating model will need to fully explore all potential impacts on a range of different groups.

### **5.4 Sustainable Development Goals**

The developing operating model will be designed to facilitate the fulfilment of all SBC’s sustainability goals.

### **5.5 Climate Change**

The development of the operating model will require SBC to carefully consider all positive steps that can be taken by SBC in contributing to action around climate change.

### **5.6 Rural Proofing**

The operating model should explore decentralised models of service delivery and co-produced local solutions, which will ensure that all rural issues are fully considered.

### **5.7 Data Protection Impact Statement**

It is anticipated that the proposals in this report will seek to enhance SBC’s data protection arrangements, by ensuring that data maturity and effective use of information are increasingly at the heart of improvement activity.

### **5.8 Changes to Scheme of Administration or Scheme of Delegation**

It is not anticipated that there will be any changes to the Scheme of Administration or Scheme of Delegation as a direct result of evolving the Operating Model. However, any specific changes that may be required at a future date will be fully discussed in accordance with established protocols.

## 6 CONSULTATION

- 6.1 The Director (Finance & Corporate Governance), the Director of Corporate Governance, the Director (People Performance & Change), the Chief Officer Audit and Risk, the Clerk to the Council and Corporate Communications will be consulted and any comments received will be reported verbally to the Council meeting.

### Approved by

**David Robertson**

**Chief Executive**

### Author(s)

Name	Designation and Contact Number
Clair Hepburn	Director – People, Performance & Change
Jason McDonald	Senior Manager – Business Strategy & Resources

**Background Papers:** [insert list of background papers used in compiling report]

**Previous Minute Reference:** [insert last Minute reference (if any)]

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. [Insert name] can also give information on other language translations as well as providing additional copies.

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## **DRAFT – RESILIENCE POLICY and FRAMEWORK**

**Report by EMERGENCY PLANNING OFFICER , CHIEF EXECUTIVE**

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### **SCOTTISH BORDERS COUNCIL**

**31 AUGUST 2023**

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#### **1 PURPOSE AND SUMMARY**

**1.1 This report proposes the DRAFT Resilience Policy and Framework for adoption by Scottish Borders Council.**

1.2 Scottish Borders Council’s Resilience Policy and Framework aims to ensure that the Council carries out its duties under the Civil Contingencies Act 2004 (as amended in the Civil Contingencies Act Amendment Regulations 2013) (CCA) and effectively prepares for, responds to and recovers from any incident impacting on our communities.

1.3 The Council’s Resilience Policy and Framework will ensure that:

The concept of resilience and the Council’s resilience policy and approach is understood and embedded by all stakeholders.

Up-to-date plans and arrangements are in place and can be activated, as necessary, in response to an incident that is impacting upon communities. The response to and recovery from any incident is proportionate and effectively managed thus reducing the impact on communities and Council services.

A programme of training and exercising is put in place to robustly test resilience related plans.

Lessons identified through an incident response (based on either real experience or training and exercising) are embedded into resilience arrangements.

Generic business continuity advice and assistance is provided to the business community and voluntary organisations.

Where appropriate, resilience advice is provided to communities to support the development of community resilience.

#### **2 RECOMMENDATIONS**

**2.1 It is recommended that the Council endorses and adopts the draft Resilience Policy and Framework.**

### **3 BACKGROUND**

3.1 Following an internal audit on Resilience Planning by the Chief Officer Audit and Risk it was identified that the Council not only meets the specific duties placed on it by the Civil Contingencies Act but also demonstrates good practices as defined in the guidance.

Specifically;

The use of the Resilience Direct Platform demonstrates various good practices including good cyber resilience.

Effective early warning systems are in place with good communications processes.

A number of community groups are in place with good governance to allow effective support to the Council. The groups undertook vast a range of duties during the Covid-19 pandemic and following Storm Arwen

3.2 An area for improvement was identified in that there was no overarching resilience policy. This would provide clarity to all stakeholders and assist in embedding resilience across the Council.

### **4 IMPLICATIONS**

#### **4.1 Financial**

There are no costs attached to any of the recommendations contained in this report.

#### **4.2 Risk and Mitigations**

The report carries no significant elements of risk that have been identified in relation to this policy and no specific additional concerns need to be addressed.

#### **4.3 Integrated Impact Assessment**

A full Integrated Impact Assessment has been completed as this is a new policy and is submitted to Council for approval in support of the draft Resilience Policy and Framework.

#### **4.4 Sustainable Development Goals**

Goal 11- Sustainable Cities and Communities

(By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations)

#### **4.5 Climate Change**

There are no related climate impacts associated with this report.

#### **4.6 Rural Proofing**

This report does not affect or amend rural proofing policies.

#### 4.7 **Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

#### 4.8 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to the Scheme of Administration or the Scheme of Delegation as a result of the proposals within this report.

## 5 **CONSULTATION**

- 5.1 The Chief Executive, Council Management Team (inc) Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted.

### **Approved by**

<b>Name</b>	<b>David Robertson</b>	<b>Title</b>	<b>Chief Executive</b>
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### **Author(s)**

Name	Designation and Contact Number
Andy McLean	Emergency Planning Officer 01896 825056
Stephen Mitchell	Assistant Emergency Planning Officer

**Background Papers:** Final Audit Report to Chief Executive, Directors and Emergency Planning Officer on Resilience Planning, 2<sup>nd</sup> August 2023

**Previous Minute Reference:** N/A

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Information on other language translations as well as providing additional copies.

Contact us at [eps@scotborders.gov.uk](mailto:eps@scotborders.gov.uk)

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# **Resilience Policy and Framework Scottish Borders Council**

Prepared and issued by:	Emergency Planning Team	Version:	1.0
Date:	July 2023	Review Date:	June 2026

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## FOREWORD

Scottish Borders Council recognises the importance of ensuring that the area is resilient, whether from an external emergency (such as flooding or pandemic disease) or an internal business continuity disruption (such as loss of .IT), these incidents will all undoubtedly have an impact on Scottish Borders Council and the communities within the area.

As such, the Council aims to be as prepared as possible to effectively respond to, and recover from any incident, where required working in conjunction with partner agencies to reduce the impact of any incident on our communities and assist those communities to recover from the effects and impact of the incident.

To achieve this, we need to ensure there is continued involvement and commitment from all council employees, positive leadership from managers and elected members, along with excellent engagement across our communities, to ensure effective processes are in place to limit the impacts incidents have on the Scottish Borders.

Insert Chief Exec signature/image here\*\*

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## 1. INTRODUCTION

### 1.1 Aim

Scottish Borders Council's Resilience Policy and Framework aims to ensure that the Council carries out its duties under the Civil Contingencies Act 2004 (as amended in the Civil Contingencies Act Amendment Regulations 2013) (CCA) and effectively prepares for, responds to and recovers from any incident<sup>1</sup> impacting on our communities.

### 1.2 Objectives

The Council's Resilience Policy and Framework will ensure that:

- the concept of resilience and the Council's resilience policy and approach is understood and embedded by all stakeholders.
- up-to-date plans and arrangements are in place and can be activated, as necessary, in response to an incident that is impacting upon communities.
- the response to and recovery from any incident is proportionate and effectively managed thus reducing the impact on communities and Council services.
- a programme of training and exercising is put in place to robustly test resilience related plans.
- lessons identified through an incident response (based on either real experience or training and exercising) are embedded into resilience arrangements
- generic business continuity advice and assistance is provided to the business community and voluntary organisations.
- where appropriate, resilience advice is provided to communities to support the development of community resilience.

### 1.3 Scope

The Council's Resilience Policy and Framework document describes:

- The Council's approach to embedding resilience across the Council
- the activities undertaken to ensure that the Council is prepared to respond and recover from an incident affecting our communities
- The Council's Incident Management<sup>2</sup> Structure

The resilience arrangements developed and implemented by the Council (including Social Work and Social Care services) and the Scottish Borders Health and Social Care Partnership complement each other. Details of the latter can be found in the

<sup>1</sup> The term 'incident' is used throughout to refer to both any civil emergency and business continuity disruption, whether these occur with no notice or are potential future events.

<sup>2</sup> The term 'Incident Management' encapsulates the effort to co-ordinate activities both in the initial response phase of an incident, and in the longer-term recovery phase.

**1.4 Review**

This document will be reviewed three yearly or as required by virtue of change

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## 2. RESILIENCE POLICY

### 2.1. Policy Statement

- The Council must work to meet its statutory duties under the Civil Contingencies Act (2004) and other resilience-related legislation (see 3.1 for further details)
- All employees and elected members have a role to play in ensuring the Council is effectively prepared to respond to, and recover from, any incident that is impacting upon our Communities

### 2.2. Responsibilities for Employees

To ensure the Council meets its duties under the CCA (2004) and other resilience-related legislation, employees and, where appropriate, elected members must:

- Have an awareness of and understand their role during the preparation for, response to and recovery from, an incident including, as appropriate, promoting resilience engagement across our communities
- Participate in training and exercising, as required
- Support the Council's response to and recovery from an incident, as required

### 2.3. Links to other Policies

This document supports or links directly/indirectly to the following Council policies and strategies:

- HR Guidance- Severe Weather and other Critical Incidents
- Information Security Policies

### 2.4. Governance

The Emergency Planning Team monitor the Council's work to ensure effective preparation for, response to and recovery from any incident. This is achieved through maintaining regular contact with Directorates to confirm that any resilience related actions that have been planned and/or undertaken.

The Emergency Planning Team also link with the partners in the Scottish Borders Health and Social Care Partnership to ensure arrangements between organisations are complimentary.

### 3. RESILIENCE FRAMEWORK

#### 3.1. Legislation and Guidance

##### 3.1.1. Civil Contingences Act (2004)

The Civil Contingencies Act (2004) (as amended in the Civil Contingencies Act Amendment Regulations 2013) governs civil protection in the United Kingdom.

The Act identifies the following key responding agencies as Category 1 and 2 responders:

Category 1 responders	Category 2 responders
Integration Joint Board	Port and Harbour authorities
Local Authorities	Network Rail
Maritime and Coastguard Agency	Utility companies
NHS Boards	Telecommunications
Police Scotland	MET Office
Scottish Ambulance Service	
Scottish Environment Protection Agency	
Scottish Fire and Rescue Service	

As a Category 1 responder, Scottish Borders Council is subject to the following duties:

- Assess the risk of an emergency occurring and use this to inform contingency planning
- Plan for emergencies, including training and exercising
- Develop arrangements to warn and inform the public both before and during emergencies
- Share information with other responders to enhance co-ordination
- Co-operate with other responders to enhance co-ordination and efficiency
- Put in place and maintain business continuity plans
- Provide business continuity management advice and assistance to businesses and voluntary organisations

The Civil Contingencies Act (2004) defines an emergency as:

- An event or situation which threatens serious damage to human welfare
- An event or situation which threatens serious damage to the environment
- War or terrorism which threatens serious damage to the security of the UK

However, in practice, an emergency response by Scottish Borders Council would likely be required if:

- significant resources are required to respond effectively
- significant disruption to the community has occurred
- a response more than normal day-to-day operations is required

- 
- a major incident<sup>3</sup> has been declared that requires the implementation of special arrangements by one of more of the emergency services or other Category 1 responder

### 3.1.2. Pipeline Safety Regulations (1996)

Scottish Borders Council has a legal duty, under the Pipeline Safety Regulations (1996) to maintain an emergency plan for each pipeline identified under these regulations which passes through the area.

### 3.1.3. Preparing Scotland: Scottish Guidance on Resilience

To support the requirements of the CCA legislation, the Scottish Government has developed a suite of Preparing Scotland documents covering specific resilience guidance on key areas.

[Preparing Scotland Guidance](#) is based upon the principles of Integrated Emergency Management (IEM). IEM, which aims to develop flexible and adaptable arrangements for dealing with incidents, whether foreseen or unforeseen, is based on multi-agency co-ordination in the event of an incident (full details of IEM can be found within 'Preparing Scotland: Philosophy, Principles, Structure and regulatory duties.'

The Preparing Scotland guidance has been adopted by Scottish Borders Council in preparing for, responding to and recovering from any incidents and thus will work with partners, as required, to enable an appropriate response to any incident.

## 3.2. Multi- agency Partnership Working

Multi agency partnership working is supported by Resilience Partnerships. These have been established at both the regional and local level, to ensure a joined-up approach to both preparing for, and responding to and recovering from, an incident.

Scottish Borders Council is a member of the Lothian and Borders Local Resilience Partnership (L&BLRP) and of the East of Scotland Regional Resilience Partnership (EoSRRP).

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<sup>3</sup> Declaration of a major incident can be made by any of the Category 1 responder organisations. Where one of the responding agencies declares a major incident but it is not considered to be a major incident for other organisations, the other agencies will provide appropriate support to effectively manage the incident.



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The Resilience Partnerships provide a link, through the Resilience Coordinators, to the Scottish Government Resilience Room (SGoRR), which will be activated as required in response to an incident affecting Scotland.

Full details of the resilience partnerships across Scotland can be found within 'Preparing Scotland: Philosophy, Principles, Structure and regulatory duties.'

### **3.3. Planning and Preparation**

#### **3.3.1. Risk and Preparedness Assessment**

Scottish Borders Council participates in a regional Risk and Preparedness Assessment to identify emerging and/or changing risks.

Information regarding these risks is collated and published within the Lothian and Borders and East of Scotland community risk registers.

Scottish Borders Council will assess its existing capability and capacity to respond to the identified risks. The results are then used to inform the Councils' training and exercising programme (see 3.3.3).

#### **3.3.2. Scottish Borders Council Resilience Arrangements**

The Council's Resilience Arrangements (figure 1, p.10) are composed of the following:

- Major Incident Plan, which can be activated in response at any incident that is impacting/ has the potential to impact upon the wider communities of the Scottish Borders
- Incident specific resilience plans, which can be activated as required to support the response
- Service operational resilience procedures, which can either be activated individually to respond to a service level incident or which can be activated in support of a wider incident response (e.g. the response resulting in a number of displaced persons)

Depending on the scale of the incident, Scottish Borders Council will also be part of any wider regional and/or national response that is established (section 3.2 and figure 2, p.11).

This structure ensures that Scottish Borders Council's Resilience Arrangements are flexible and adaptable and can be activated in response to any incident.

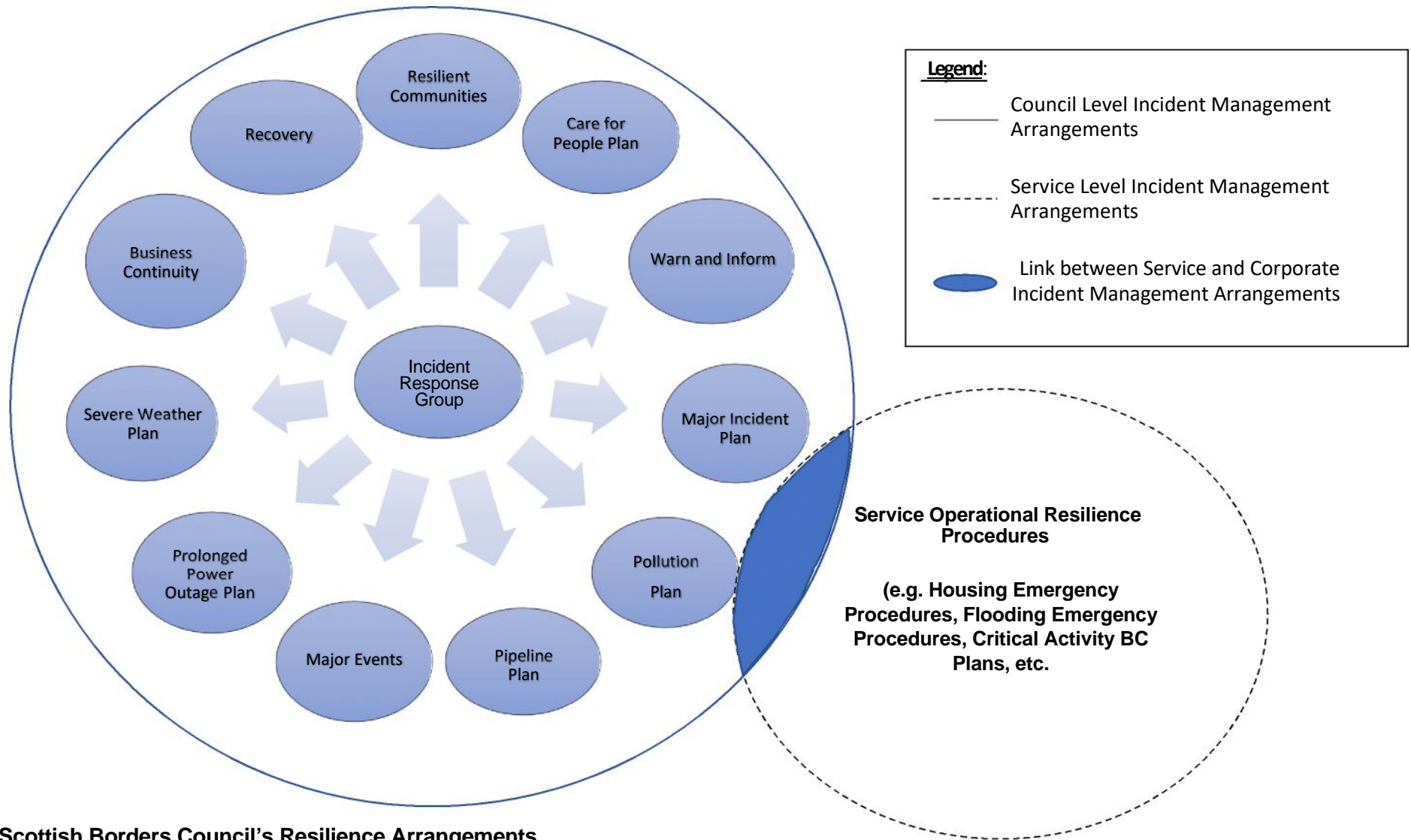
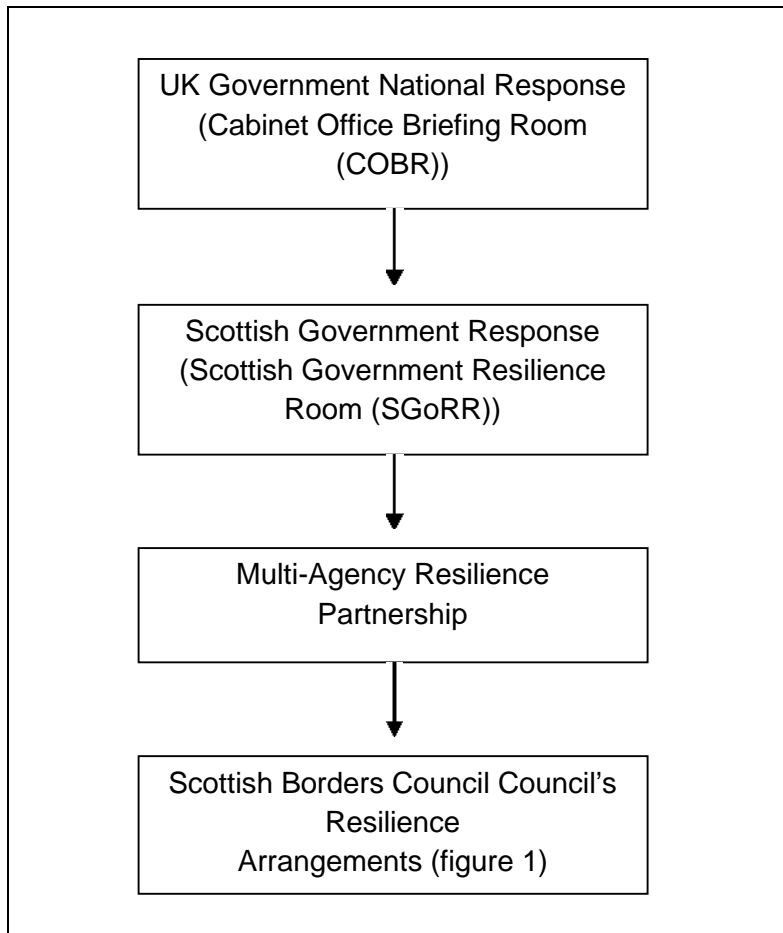


Figure 1: Scottish Borders Council's Resilience Arrangements

**Figure 2: Scottish Resilience Structure (for full details, see Preparing Scotland Guidance documents)**



### 3.3.3. Training and Exercising

Informed by the Risk and Preparedness Assessment process, Scottish Borders Council employees, will take part in both an internal and an East of Scotland Regional Resilience Partnership training and exercising programme.

Scottish Borders Council employees will also have a key role to play in the planning and delivery of training and exercising, either as part of a multi-agency team or a cross service team of Council employees.

Any lessons identified from these exercises will be incorporated into the Council's Resilience Arrangements.

#### 3.3.4. Warning and Informing

Scottish Borders Council has arrangements in place to communicate with the public to:

- Raise public awareness before an incident (i.e., informing and educating the public about risks and preparedness)
- Provide public warning at the time of an event (i.e., alerting the members of a community whose immediate safety may be at risk)
- Inform and advise the public about the nature of a continuing event and
  - the immediate actions being taken by responders to minimise the harmful effects on human or animal health and welfare, the environment or property
  - the actions being taken by responders to assist recovery
  - the actions people can take to minimise the impact of the incident

#### 3.3.5. Business and Community Resilience

- Business Resilience

Scottish Borders Council has a statutory duty under the CCA (2004) to support local businesses and voluntary organisations through the provision of pro-active business continuity advice and assistance.

- Community Resilience

In addition to its statutory duties, the Council engages and supports communities in developing plans and arrangements to enhance their local resilience by:

- Promoting awareness of the risks experienced across the area
- Working with community groups and organisations to support the development of local resilience arrangements for their community
- Promoting resilience through the Curriculum for Excellence

#### 3.3.6. Information Sharing

As a Category 1 responder, Scottish Borders Council must share information with partner response agencies during an incident to ensure a coordinated response.

Arrangements are in place to ensure, where possible, that this is done in line with the General Data Protection Regulations (2018).

### **3.4. Incident Management**

The response to any incident requires management to ensure co-ordination between those council services, and partner agencies, involved. The level at which this management occurs, and which services / agencies are involved, is dependent on the characteristics, scale and impacts of the incident, and can be escalated as necessary as the incident progresses. The response to significant incidents involving a number of agencies will, in most instances, be coordinated by Police Scotland. Scottish Borders Council has a key role to play in any multi-agency response and will support this through activation of internal incident management arrangements. Scottish Borders Council becomes the lead agency as the focus of the response moves into recovery.

#### **3.4.1. Scottish Borders Council Incident Management Arrangements**

Echoing Scotland's wider resilience structure, the Council's response to and recovery from an incident will be managed and coordinated by an Incident Response Group (IRG) operating at the appropriate level (for full details, see Scottish Borders Council's Major Incident Plan). The Council's response to any incident can be escalated as necessary, utilising additional employees and resources, as the incident progresses and/or escalates.

### **3.5. Roles and Responsibilities**

While all employees and elected members have a role to play in ensuring that the Council is effectively prepared to respond to, and recover from, an incident that is impacting upon communities (see 2.2 for details), staff within the following roles have additional responsibilities.

#### **3.5.1 Chief Executive / Directors:**

- Responsible for the implementation of the Resilience Policy across the Council
- Approve/lead an appropriate level of incident management for any incident
- Represent Scottish Borders Council at the East of Scotland Regional Resilience Partnership and Lothian and Borders Local Resilience Partnership
- Ensure their Directorate can effectively respond to and recover from any incident, both during and outwith office hours
- Ensure their Directorate/Service has appropriate resilience and operational arrangements in place to respond to any incident
- Ensure employees in their Directorate/Service/ area of responsibility attend Council and multi-agency exercises, as appropriate

#### **3.5.2 Heads of Service/Senior Managers/ Critical Activity Owner:**

- Ensure their Service/ area of responsibility is effectively prepared to respond to any incident both during and outwith office hours

- Ensure their Service / area of responsibility has appropriate resilience and operational arrangements in place to respond to any incidents
- Ensure employees in their Directorate/Service/ area of responsibility have received an appropriate level of awareness and training to allow them to carry out their role during any incident
- Ensure employees in their Directorate/Service/ area of responsibility attend Council and multi-agency exercises, as appropriate.
- Manage an appropriate level of response to and recovery from any relevant Incident.
- Represent the Council at multi-agency meetings

### 3.5.3 Emergency Planning Team:

- Develop and embed a corporate approach to planning for, responding to and recovering from any incident.
- Carry out a monitoring and oversight role to ensure suitable resilience arrangements are in place across the Council.
- Participate in the multi-agency led risk assessment process
- Ensure a corporate process is carried out for developing, reviewing and maintaining resilience plans.
- Co-ordinate and/or support the Council's response to and recovery from any major incident.
- Arrange/design and deliver relevant training sessions for appropriate employees across the Council in their resilience role
- Develop an exercise programme to test and validate all corporate resilience plans.
- Co-ordinate Council involvement with single agency and multi-agency training and exercising activities.
- Liaise with East of Scotland Regional Resilience Partnership and Lothian and Borders Local Resilience Partnership members, as required.
- Develop arrangements to warn and inform the public prior to and during any incident, linking with internal communications officers and multi-agency partners as required.
- Provide business continuity advice and assistance to the business community and voluntary organisations.
- Develop community resilience through engagement with local communities

### 3.5.4 Directorate Business Continuity Leads:

- Support senior management in the development and embedding of the business continuity management process in their Directorate/Service.
- Participate in the development of business continuity training and exercises, as appropriate.
- Participate in training and exercises, as appropriate.
- Share and receive best practice in business continuity
- Promote and provide business continuity advice within their Directorate/Service.

- Support senior management in the co-ordination of the response to and recovery from a business continuity disruption affecting their Directorate/Service

#### 3.5.5 Elected Members:

- Have an awareness of the Council's responsibilities in preparing for, responding to and recovering from incidents
- Understand and carry out role both during response to and recovery from any Incident.
- Support the development of Community Resilience across the Scottish Borders.

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## Integrated Impact Assessment (IIA)

### Stage 1 Scoping and Assessing for Relevance

#### Section 1 Details of the Proposal

<b>A. Title of Proposal:</b>	<b>Resilience Policy</b>
<b>B. What is it?</b>	A new Policy/Strategy/Practice
<b>C. Description of the proposal:</b> (Set out a clear understanding of the purpose of the proposal being developed or reviewed (what are the aims, objectives and intended outcomes, including the context within which it will operate))	Following an internal Audit, it was recommended the Emergency Planning department write a Resilience policy for SBC to outline how the organisation aims to be resilient during an emergency, but also how the organisation will assist the communities in the Borders to be resilient.
<b>D. Service Area:</b> <b>Department:</b>	Emergency Planning
<b>E. Lead Officer:</b> (Name and job title)	Andy McLean – Emergency Planning Officer
<b>F. Other Officers/Partners involved:</b> (List names, job titles and organisations)	Stephen Mitchell – Assistant Emergency Planning Officer
<b>G. Date(s) IIA completed:</b>	03/08/2023

**Section 2 Will there be any impacts as a result of the relationship between this proposal and other policies?**

<b>No</b> <i>(please delete as applicable)</i>
<b>If yes, - please state here:</b>

**Section 3 Legislative Requirements**

<b>3.1 Relevance to the Equality Duty:</b>	
<b>Do you believe your proposal has any relevance under the Equality Act 2010?</b> <i>(If you believe that your proposal may have some relevance – however small please indicate yes. If there is no effect, please enter “No” and go to Section 3.2.) Yes</i>	
<b>Equality Duty</b>	<b>Reasoning:</b>
<b>A. Elimination of discrimination (both direct &amp; indirect), victimisation and harassment.</b> <i>(Will the proposal discriminate? Or help eliminate discrimination?)</i>	Developing resilience in communities will aid in the elimination of harassment.
<b>B. Promotion of equality of opportunity?</b> <i>(Will your proposal help or hinder the Council with this)</i>	N/A
<b>C. Foster good relations?</b> <i>(Will your proposal help to foster or encourage good relations between those who have different equality characteristics?)</i>	Encouraging communities to develop resilience will help foster good relations between groups with different equality characteristics.

**3.2 Which groups of people do you think will be or potentially could be, impacted by the implementation of this proposal?  
(You should consider employees, clients, customers / service users, and any other relevant groups)**

Please tick below as appropriate, outlining any potential impacts on the undernoted equality groups this proposal may have and how you know this.

	Impact			Please explain the potential impacts and how you know this
	No Impact	Positive Impact	Negative Impact	
<b>Age</b> Older or younger people or a specific age grouping		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Disability</b> e.g. Effects on people with mental, physical, sensory impairment, learning disability, visible/invisible, progressive or recurring		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency, or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Gender Reassignment/ Gender Identity</b> anybody whose gender identity or gender expression is different to the sex assigned to them at birth		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident , the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency, or assist with the recovery thereby

				minimising any potential impact on ALL sectors of the community.
<b>Marriage or Civil Partnership</b> people who are married or in a civil partnership		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Pregnancy and Maternity</b> (refers to the period after the birth, and is linked to <b>maternity</b> leave in the employment context. In the non-work context, <b>protection</b> against <b>maternity</b> discrimination is for 26 weeks after giving birth),		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Race Groups:</b> including colour, nationality, ethnic origins, including minorities (e.g. gypsy travellers, refugees, migrants and asylum seekers)		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Religion or Belief:</b> different beliefs, customs (including atheists and those with no aligned belief)		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the

				community by reducing the immediate impact of the emergency, or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Sex</b> women and men (girls and boys)		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Sexual Orientation</b> , e.g. Lesbian, Gay, Bisexual, Heterosexual		x		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<p><b>3.3 Fairer Scotland Duty</b></p> <p>This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to how we can reduce inequalities of outcome caused by socioeconomic disadvantage when making <u>strategic</u> decisions.</p> <p>The duty is set at a strategic level - these are the key, high level decisions that SBC will take. This would normally include strategy documents, decisions about setting priorities, allocating resources and commissioning services.</p>				

<p><b>Is the proposal strategic?</b>          Yes <i>(please delete as applicable)</i>  <b>If No go to Section 4</b></p>				
<p><b>If yes, please indicate any potential impact on the undernoted groups this proposal may have and how you know this:</b></p>				
	Impact			State here how you know this
	No Impact	Positive Impact	Negative Impact	
<p><b>Low and/or No Wealth</b> – enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future.</p>		x		<p>This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.</p>
<p><b>Material Deprivation</b> – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure and hobbies</p>		x		<p>This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.</p>
<p><b>Area Deprivation</b> – where you live (e.g. rural areas), where you work (e.g. accessibility of transport)</p>		x		<p>This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency, or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.</p>

<b>Socio-economic Background</b> – social class i.e. parents' education, employment and income		<b>x</b>		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Looked after and accommodated children and young people</b>		<b>x</b>		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Carers</b> paid and unpaid including family members		<b>x</b>		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Homelessness</b>		<b>x</b>		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.
<b>Addictions and substance use</b>		<b>x</b>		This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident, the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency, or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.

<p><b>Those involved within the criminal justice system</b></p>		<p><b>x</b></p>	<p>This policy is ensuring we remain resilient in an emergency as an organisation and also assist our communities to be resilient during and after an emergency incident , the pure nature of this resilience should have a positive impact on all areas of the community by reducing the immediate impact of the emergency, or assist with the recovery thereby minimising any potential impact on ALL sectors of the community.</p>
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<p><b>3.4 Armed Forces Covenant Duty (<i>Education and Housing/ Homelessness proposals only</i>)</b></p>	
<p>This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to the three matters listed below in Education and Housing/ Homelessness matters. This relates to current and former armed forces personnel (regular or reserve) and their families.</p> <p><b>Is the Armed Forces Covenant Duty applicable?</b> <b>No</b></p> <p>If “Yes”, please complete below</p>	
<p><b>Covenant Duty</b></p>	<p><b>How this has been considered and any specific provision made:</b></p>
<p><b>The unique obligations of, and sacrifices made by, the armed forces;</b></p>	



<p><b>The principle that it is desirable to remove disadvantages arising for Service people from membership, or former membership, of the armed forces;</b></p>	
<p><b>The principle that special provision for Service people may be justified by the effects on such people of membership, or former membership, of the armed forces.</b></p>	

## Section 4 Full Integrated Impact Assessment Required

Select No if you have answered “No” to all of Sections 3.1 – 3.3.

**No** (please delete as applicable)

If yes, please proceed to Stage 2 and complete a full Integrated Impact Assessment

**If a full impact assessment is not required briefly explain why there are no effects and provide justification for the decision.**

A full impact assessment is not required at this stage.

The policy is a formal statement of processes which are already in place. These processes have been formulated based on de- brief reports following previous emergency incidents and SBC Emergency Planning Officers’ experiences of such incidents.

The de- briefs indicated what went well, what could be changed and what did not go well providing pathways to improvement in resilience and support to the communities.

Monitoring will continue and outcomes of this Policy will be reviewed at least every two years. If any trends emerge these will be analysed and appropriate steps taken, potentially including a full review of the policy. Additionally, as a minimum an integrated impact assessment of the policy will be carried out every two years in accordance with the Council's Policy Review programme or as required by legislative requirements in order that the Policy remains relevant and fit for purpose.

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<b>Signed by Lead Officer:</b>	<b>Andy McLean</b>
<b>Designation:</b>	<b>Emergency Planning Officer</b>
<b>Date:</b>	<b>03/0/8/2023</b>
<b>Counter Signature Director:</b>	
<b>Date:</b>	



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## **Council Tax and Non-Domestic Rates Recovery Policy**

**Report by Director of Resilient Communities**

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### **Scottish Borders Council**

**31 August 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report seeks approval for a Council Tax and Non-Domestic Rates Recovery Policy.**
- 1.2 Scottish Borders Council has previously followed procedures in line with The Council Tax (Administration and Enforcement) Regulations 1992 and The Non-Domestic Rates (Collection and Enforcement) Regulations 1989.
- 1.3 This policy has been created to provide Scottish Borders Council employees and customers with a document they can refer to in relation to Council Tax and Non-Domestic Rates recovery. This policy will not change the current recovery process.
- 1.4 In March 2023 a total of 59,656 annual Council Tax bills were issued. In April 2023 11% of customers failed to pay their Council Tax instalment and received a reminder from which 69% went on to receive a Final Notice as they failed to bring their instalments up to date.
- 1.5 In April 2023 we issued 8,839 Non-Domestic Rates Bills. In May 2023, 6% of the 7,390 customers we pursued failed to pay their Rates instalment and received a reminder from which 74% went on to receive a Final Notice as they failed to bring their instalments up to date.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Council approves the Council Tax and Non- Domestic Rates Recovery Policy, as detailed in [Appendix 1](#), and that it takes immediate effect.**

### **3 BACKGROUND**

- 3.1 Scottish Borders Council have followed Council Tax and Non-Domestic Rates procedures in accordance with The Council Tax (Administration and Enforcement) Regulations 1992 and The Non- Domestic Rates (Collection and Enforcement) Regulations 1989 since the charges were introduced.
- 3.2 It is essential for Scottish Borders Council to demonstrate that it carries out administration and recovery of Council Tax and Non-Domestic Rates debt efficiently, effectively, and fairly and by doing so the Council:
  - (i) provides Revenue;
  - (ii) deters fraud and error;
  - (iii) demonstrates commitment to accuracy; and
  - (iv) demonstrates a provision of quality service to customers.
- 3.3 The stages involved in Council Tax and Non-Domestic Rates Recovery are:
  - (i) A recovery timetable is drawn up at the beginning of each financial year;
  - (ii) Demand notices, reminder and/or final notices are issued in accordance with the timetable and regulations;
  - (iii) A summary warrant is issued by the Sheriff Court; and
  - (iv) Debt may be passed to the Sheriff Officer for diligence.
- 3.4 In March 2023 a total of 59,656 annual Council Tax bills were issued. In April 2023 11% of customers failed to pay their Council Tax instalment and received a reminder (6,738 reminders) from which 69% went on to receive a Final Notice as they failed to bring their instalments up to date (4,678 finals).
- 3.5 In April 2023 we issued 8,839 Non-Domestic Rates Bills. As a result of late legislative changes and software issues, we did not pursue 1,449 of these accounts. In May 2023, 6% of the 7,390 customers we did pursue failed to pay their Rates instalment and received a reminder (519 reminders) from which 74% went on to receive a Final Notice as they failed to bring their instalments up to date (382 finals).
- 3.6 Digital transformation allows more customers to self-serve for a variety of Council services on the website, enabling Customer Service Advisers to spend more time with debtors giving them an opportunity to maximise their income and sign post customers for other assistance to reduce poverty and improve the cost of living crisis for individuals.

3.7 This includes :

- (i) Offering the customer to pay by direct debit over 12 months instead of 10 months;
- (ii) Offer Revised Instalment Plans (RIP's) to allow a more flexible payment schedule to suit the customer's needs. RIP's must be paid by direct debit and must be clear by the end of the financial year;
- (iii) Check customers receive all income they are entitled to;
- (iv) Signposting for help with applications for benefit;
- (v) Referring the customer to their energy provider for support or to Home Energy Scotland for energy efficiency advice
- (vi) Refer debtors to Citizens Advice for money advice.

## **4 AIMS OF THE POLICY**

4.1 The specific aims of the policy, which is included at Appendix 1, are:

- (i) To ensure all customers pay in accordance with their bills or demand notices or by agreement in accordance with the regulations;
- (ii) To ensure bills and demand notices are issued at the earliest opportunity in accordance with the regulations;
- (iii) To take prompt action to reduce the risk of arrears escalating and becoming unmanageable to the customer;
- (iv) That the Council's approach to debts/arrears is fair and consistent for all customers;
- (v) To take appropriate action to recover outstanding monies;
- (vi) To recognise that failure to recover monies due impacts on the Council's ability to provide key services.
- (vii) To recognise payers may have difficulties in paying and to offer alternative support.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no changes to the costs attached to any of the recommendations contained in this report.

### **5.2 Risk and Mitigations**

If we do not introduce a Council Tax and Non-Domestic Rates Recovery Policy, we put the Council at risk of not recovering debt owed to the Council.

### 5.3 **Integrated Impact Assessment**

An IIA was carried out and there is no negative impact identified.

### 5.4 **Sustainable Development Goals**

The policy has no impact on Sustainable Development Goals.

### 5.5 **Climate Change**

This policy has no impact on climate change.

### 5.6 **Rural Proofing**

There are no effects on rural proofing.

### 5.7 **Data Protection Impact Statement**

There are no personal data implications arising from the proposal.

### 5.8 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to be made.

## 6 **CONSULTATION**

- 6.1 The Director Finance & Procurement, the Director Corporate Governance, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and the comments received have been incorporated into the final report.

### **Approved by**

**Jenni Craig**

**Director Resilient Communities**

### **Author(s)**

Name	Designation and Contact Number
Clare Pettie	Customer Advice & Support Development Officer, 01835 824000

**Background Papers:** N/A

**Previous Minute Reference:** N/A

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Clare Pettie can also give information on other language translations as well as providing additional copies.

Contact Clare Pettie, Council HQ, Newtown St Boswells, TD6 0AS, 01835 824000, [CASSDevelopmentTeam@scotborders.gov.uk](mailto:CASSDevelopmentTeam@scotborders.gov.uk)

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## COUNCIL TAX AND NON DOMESTIC RATES RECOVERY POLICY

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## **1. INTRODUCTION**

- 1.1 While an element of the Council's overall spending is supported by means of Scottish Government grant, Council Services are also funded through Council Tax and Non Domestic Rates which contributes to the range of essential services Scottish Borders Council provides.
- 1.2 Customers, citizens and businesses within the Scottish Borders have a responsibility to pay for the services they receive and the charges and taxes they are liable for.
- 1.3 Council Tax is payable in line with a statutory instalment scheme or by arrangement. There is a legal duty place on the Council and its Officers to collect outstanding debt in accordance with The Council Tax (Administration and Enforcement) (Scotland) Regulations 1992.
- 1.4 Non-Domestic Rates will be administered and collected using the guidance set out in the legislation as detailed in Local Government Scotland Act 1989.
- 1.3 It is essential that all monies due to the Council are actively pursued to minimise service disruption and maximise income collection.
- 1.4 The purpose of this document is to set out the general principles in doing so.

## **2. WHY WE NEED A POLICY**

- 2.1 It is essential for the Council to demonstrate that it carries out administration and recovery of Council Tax and Non-Domestic Rates debt efficiently, effectively, and fairly. By doing so the Council:
- (i) provides Revenues for the Council;
  - (ii) deters fraud and error;
  - (iii) demonstrates commitment to accuracy;
  - (iv) demonstrates a provision of a quality service to customers.

## **3. AIMS AND OBJECTIVES**

- 3.1 The overall objective of the Council Tax and Non-Domestic Rates Recovery policy is to maximise income to the Council by ensuring that all billing, collection, and recovery action is undertaken in an effective and efficient manner in accordance with legislation.
- 3.2 There will be circumstances where some of our customers may be suffering hardship and need help and advice. The approach to debt recovery will therefore be sensitive to individual circumstances and take account of multiple debts owed.
- 3.3 The policy is intended primarily for Customer Advice and Support staff who are involved in this process.
- 3.4 The specific aims of this policy are:
- (i) To ensure all customers pay in accordance with their bills or demand notices or by agreement in accordance with regulations
  - (ii) To ensure bills and demand notices are issued at the earliest opportunity in accordance with regulations
  - (iii) To take prompt action to reduce the risk of arrears escalating and becoming unmanageable to the customer
  - (iv) That the Council's approach to debts/arrears is fair and consistent for all customers
  - (v) To take appropriate action to recover outstanding monies
  - (vi) To recognise that failure to recover monies due impacts on the Council's ability to provide key services.
  - (vii) To recognise payers may have difficulties in paying and to offer alternative support.

## 4. SERVICE STANDARDS

4.1 A summary of Scottish Borders Council's service standards are set out below:

- (i) Have detailed procedures that are applied consistently across the service;
- (ii) Ensure staff are trained to enable them to carry out their roles effectively;
- (iii) Ensure a wide range of accessible payment methods are available;
- (iv) Provide advice and guidance to customers about claiming any reduction, discount, or exemption they may be entitled to allowing optimum income maximisation;
- (v) Ensure customers are aware of their responsibility to report any change in their circumstances;
- (vi) Ensure that customers are given the opportunity to agree an arrangement to repay arrears at a realistic amount and reflect the ability to pay as well as the level of debt owed;
- (vii) Signpost customers to money advice agencies as appropriate;
- (viii) Provide access to Council financial help when possible, during debt recovery discussions;
- (ix) Debtors will be offered, when required, a private interview with Customer Advice and Support Staff;
- (x) No debtor will be subject to discrimination;
- (xi) Generally, the minimum amount of an instalment following a payment arrangement would be equal to the amount which could be obtained by deductions from the customers DWP/SSS income.

## 5. PAYMENT OPTIONS

5.1 The Council recognises that the easier it is to pay, the more likely that payment will be made and the less likely that debts will accrue. Therefore, the Council is committed to providing a wide range of payment methods for its customers. These methods will offer flexibility through online, contact centre and face to face engagements while also promoting the Council's objective to operate accurately, consistently, and efficiently.

5.2 In order to minimise the cost of collection the Council will actively promote low-cost payment options such as Direct Debit. The following main methods of payment will, however, be offered/accepted:

- (i) [Direct Debit](#) (the preferred method)
- (ii) Online
- (iii) Automated payment line
- (iv) Assisted payment line
- (v) "Paypoint" facilities at shops and outlets across the Scottish Borders
- (vi) Standing Order
- (vii) Credit or Debit card at Contact Centres

5.3 Contact Centres do not take cash for payment of Council Tax or Non Domestic Rates, however, all bills and reminders have a printed barcode which can be taken to any Post Office or Paypoint outlet for payment.

All payments will be processed in accordance with the Council's [Income Management Policy](#).

5.4 Bills issued by the Council will be clear and wherever possible include a barcode to facilitate easy payment. Instalment plans and payment dates will be communicated clearly.

5.5 The Council will adopt best practice payment approaches to facilitate, authenticate and, where possible, automate payments from the customer to the relevant Council account.

5.6 Should customers encounter difficulties paying according to their bill, Advisers will spend more time with debtors giving them an opportunity to maximise their income and signpost for other assistance to reduce poverty. This includes (but is not limited to) :

- (i) Offering the customer to pay by direct debit over 12 months instead of 10 months;

- (ii) Offer Revised Instalment Plans (RIP's) to allow a more flexible payment schedule to suit the customers needs. RIP's must be paid by direct debit and must be clear by the end of the financial year;
- (iii) Check customers receive all income they are entitled to;
- (iv) Signposting for help with applications for benefit;
- (v) Referring the customer to their energy provider for support or to Home Energy Scotland for energy efficiency advice;
- (vi) Refer debtors to Citizens Advice for money advice.

## 6. RECOVERY OF COUNCIL TAX ARREARS

- 6.1 Council Tax is a levy charged on domestic properties based on the Council Tax band the property is in. The full amount is normally payable unless the owner or occupier is entitled to a reduction from Council Tax. The main reasons for reductions include empty property discounts, disregards, single occupancy discounts and discretionary awards e.g., against the increase charges for long term empty properties.
- 6.2 Council Tax is payable in line with a statutory instalment scheme or by agreement. There is a legal duty placed on the Council and its officers to collect outstanding debts in accordance with the Council Tax (Administration and Enforcement) (Scotland) Regulations 1992.
- 6.3 Scottish Borders Council also has a duty to collect domestic water and waste water charges on behalf of Scottish Water which is included in the Council Tax demand notice.
- 6.4 Recovery is based on a staged escalation process in accordance with the relevant legislation.
- 6.5 The stages involved are:
- (i) A recovery timetable is drawn up at the beginning of each financial year
  - (ii) Demand notices, Reminder and/or Final notices are issued in accordance with the timetable and regulations
  - (iii) A Summary Warrant is issued by the Sheriff Court (see section 9)
  - (iv) Debt may be passed to the Sheriff Officer for diligence (see section 10)
- 6.6 If a debtor is in receipt of an appropriate qualifying benefit, Scottish Borders Council can make a request to the Department of Work and Pensions (DWP) or Social Security Scotland (SSS) for a Third-Party Deduction. (This is where the DWP/SSS deduct money from the debtors benefit and pay it to a creditor or supplier to clear a debt.)
- 6.7 Where a debtor holds a credit in another financial year or account that they are liable for, we will assess whether the credit should be offset against any arrears or monies owed to the Council.

## 7 JOINT AND SEVERAL LIABILITY

- 7.1 Joint and several liability means in law that all, or both the jointly liable parties are each responsible for the whole liability. As a result, the billing authority can recover the whole amount due from any or all parties and it is their responsibility to arrange their respective contributions between themselves. Where there is more than one person jointly responsible for paying Council Tax on a property:
- (i) One bill will be issued showing the name of all liable parties;
  - (ii) The Council can ask for payment from any of the liable parties;
  - (iii) If payment is not made, separate reminders and summonses will be issued to each of the liable parties;
  - (iv) Any of the people named on the bill can be held liable for the whole debt.

## **8. RECOVERY OF NON-DOMESTIC RATES**

- 8.1 Non-Domestic Rates (also called Business Rates) is a tax levied on eligible business properties based on their rateable value and the rate poundage which is set by Scottish Government. They are usually payable by the owner, tenant, or occupier of a non-domestic property. They are charged on most non-domestic and commercial properties, for example, shops, offices, factories etc. The amount payable may be reduced by Non Domestic Rates relief if the property, owner, or occupier is eligible.
- 8.2 Non-Domestic Rates are payable in line with a statutory instalment scheme or by agreement. There is a legal duty placed on the Council and its officers to collect outstanding debts in accordance with the Local Government (Scotland) Act 1989.
- 8.3 The Council will ensure that all billing, collection, and recovery action is undertaken in an effective and efficient manner in accordance with legislation.
- 8.4 The stages involved in this process are:
- (i) A recovery timetable is drawn up at the beginning of each financial year
  - (ii) Demand notices, Reminders and/or Final notices are issued in accordance with the timetable and regulations
  - (iii) A Summary Warrant is sought from the Sheriff Court (see section 9)
  - (iv) Debt may be passed to the Sheriff Officer for diligence (see section 10)
- 8.5 Where a debtor holds a credit in another financial year or account that they are liable for, we will assess whether the credit should be offset against any arrears or monies owed to the Council.

## **9. COUNCIL TAX AND NON-DOMESTIC RATES – SUMMARY WARRANT**

- 9.1 Once a Final Notice has been issued to the taxpayer and either:
- (i) Payment has not been made in accordance with the previously issued notices;
  - (ii) A payment arrangement has not been made; OR
  - (iii) A payment arrangement has been made but not upheld;
- 9.2 The Council can apply to the Sheriff Court for a Summary Warrant. Once granted it allows the application of a 10% Statutory Penalty to be added to the outstanding balance and permits further recovery by legal action called diligence (see point 10 for a more detailed explanation).
- 9.3 Once the Summary Warrant has been granted, Scottish Borders Council will pass accounts to their debt management company for collection. The debtor will be given the opportunity to make a suitable payment arrangement with the debt management contractor. Should the debtor not make, or keep to, a payment arrangement then further recovery action can be taken by the debt management contractor. Scottish Borders Council retains the right to offer payment arrangements to debtors.

## **10. DEBT ENFORCEMENT**

- 10.1 The different processes of debt enforcement which are available under Scottish Law are referred to as diligence. A person or organisation (the creditor) can use diligence if someone who owes them money (the debtor) has failed to pay a sum due.
- 10.2 Where appropriate, a debtor will be served with a Charge for Payment by a Sheriff Officer, prior to the execution of diligence, on behalf of the Council. The Council will utilise all forms of diligence including, but not limited to:

- (i) Earnings Arrestments – deductions are made from the debtor’s wages at a rate determined by legislation
- (ii) Bank Arrestments - placed on debtor’s bank account on any funds in excess of the statutory minimum
- (iii) Attachments - the Sheriff Officer will attach goods, value them for sale, and if the debt is not paid within a specified period the goods will be sold. An Exceptional Attachment applies to individuals, sole traders and partnerships and cannot be executed without an Order being granted in Court. If granted, an auction will take place to realise the value of goods attached (Applies to Non Domestic Rates only).
- (iv) Third party deduction - if a debtor is in receipt of an appropriate attachable benefit, Scottish Borders Council can make a request to the Department of Work and Pensions (DWP) or Social Security Scotland (SSS) for a Third-Party Deduction. (This is where the DWP/SSS deduct money from the debtors benefit and pay it to a creditor or supplier to clear a debt.) Deductions can only be made if there’s no other way to clear the debts without putting the welfare of the customer or their family at risk.
- (v) If the amount of arrears meets the statutory minimum requirement, the Council may petition for sequestration or liquidation (see section 11 below).
- (vi) The Council may arrange for an inhibition order to be placed on a property to prevent a debtor from disposing of the property before making payment of an outstanding debt.

## 11. SEQUESTRATION

- 11.1 Sequestration is often referred to as bankruptcy and applies to individuals and partnerships, but not companies. The assets and property of the debtor are transferred to a Trustee who administers the estate and is obliged to generate these assets into money and distribute the proceeds amongst the creditors.
- 11.2 An application for sequestration must be made to the court and if granted will last for one year after which the debtor will be discharged. If the debtor has not been cooperative, the trustee may ask for the court to defer the discharge.
- 11.3 Applying for sequestration:
- (i) The debtor must owe over a specified amount before sequestration can be considered. There are specific guidelines and procedures to follow when considering a debtor for this recovery action.
  - (ii) A Petition for Sequestration is required to be presented and a Trustee is appointed to manage the process.
- 11.4 Once the debtor has been sequestrated any diligence currently in progress must end and no further diligence can be started in respect of that debt.
- 11.5 The Trustee will ask the Council for details of the outstanding debt as at the date of sequestration. Any new debt occurring from the date of sequestration can be pursued in the normal manner.
- 11.6 Where a debt is held jointly in more than one name, in the event of one of the jointly responsible parties being sequestrated, the other party will remain responsible for the full debt. In these circumstances the debt would not be written-off, albeit the sequestrated party will no longer be considered responsible for the debt and dependent on individual circumstances the other party will be pursued for payment of the residual debt.
- 11.7 In the event of the Council considering petitioning for sequestration it will be discussed and approved by the Service Director. This would only be likely where it is known that the debtor owns property and where there may some realisable equity following any sale of the property by the trustee. Consideration should also be given to the costs of such an action against the potential benefit to the Council.
- 11.8 There are alternatives to applying for Sequestration. Scottish Borders Council may accept other types of payment agreement such as:
- (i) A Debt Arrangement Scheme (DAS)
  - (ii) A Trust Deed

## 11.9 Debt Arrangement Scheme (DAS)

- (i) This is a statutory debt payment scheme set up by the Scottish Government to provide those in debt with a means of paying off what they owe over a longer period of time without resorting to sequestration (bankruptcy).
- (ii) If they are successful in applying, they will make one regular payment to cover most of their debts. This is made to an approved payments distributor who will send the money to their creditors. If they keep to the agreed payments, their creditors will not be able to make them bankrupt or use diligence against them. This protection starts once they have made an application for a debt payment arrangement and are waiting for it to be approved. Joining a debt payment arrangement freezes interest, fees, and charges on their debts.

## 11.10 Trust Deed

- (i) This is effectively a formal repayment agreement set up between a debtor and their creditor which typically lasts for four years and will be set up according to how much they can afford to pay back. Once the Trust Deed is protected recovery action will stop.

## 12. LIQUIDATION, RECEIVERSHIP AND ADMINISTRATION

12.1 This form of insolvency applies to companies and is regulated by the Insolvency Act 1986.

12.2 Liquidation is the equivalent of sequestration for a company. A Liquidator is appointed to gather the company's assets to pay the creditors. The company will end as a going concern unless the directors can find the money from outwith the business to keep it trading.

12.3 An Administrative Order is designed to allow the company some breathing space from its creditors and allow the best course of action to be taken to resolve the situation. A formal proposal is put to the creditors, which may include the sale of assets. An Administrator is appointed to help trade the company out of its financial difficulties. It is an alternative to winding up and is used mainly by large companies where there is the prospect of something being saved for the creditors. It prevents the company from being wound up, securities being enforced, or new legal proceedings being actioned.

## 13. DEATH OF A DEBTOR

13.1 There can often be problems associated with the recovery of the debts of a deceased person as there may be no funds to settle the debt or an executor cannot be identified. All efforts will be taken to ensure that debts are paid from the estate wherever possible.

13.2 The role of an executor in winding up an estate (if the deceased person has not left a will, the court will appoint an executor), is to ascertain a valuation of the deceased person's debts and liabilities. Once this information has been obtained, they will have to apply to the court for confirmation of the estate, which when granted gives the executor the authority to realise the assets, such as bank accounts, by producing the confirmation certificate. It is the executor's duty to ensure that the debts of the deceased person are settled.

13.3 In some instances the assets can be transferred without confirmation: for example, if there are few assets and the value is low. This means that it is not always necessary to employ a solicitor to undertake the duties. There is no requirement for a formal valuation of household contents provided the estimate is genuine, but a professional valuation will be required for items such as a house.

13.4 For Council Tax purposes an exemption may apply following the death of a person if the tax would otherwise be met from the estate of that person. The exemption could apply for up to six months from the date of the Grant of Confirmation but will end sooner if the estate is settled and ownership, or the tenancy, of the property transferred. It should not be assumed however that the person residing in a property prior to their death would remain responsible after their death: for example, a person who has a life-rent in a property will be responsible for Council Tax as long as they are considered to be residing

in the property. Following their death, the ownership of the property is not in dispute and liability for the Council Tax would immediately transfer to the actual owner.

## **14. TRACING OF DEBTORS**

- 14.1 All amounts of unpaid debt will be pursued in accordance with the above policy. In the event of the debtor leaving their last known address without providing a forwarding address, the Council will use various methods of tracing the individual which may include external tracing agents and companies where the balance is over £100.

## **15. WRITE OFFS**

- 15.1 An integral part of debt recovery is the effective management of outstanding debts. The Council will normally consider debts owed as being recoverable however recognises that a small proportion of its overall income may not be collectable due to matters out with its control and will regularly identify and write off irrecoverable debts. This ensures the Council uses its resources in an efficient manner and supports strategic financial planning.
- 15.2 The Council will seek to minimise the cost of write offs by taking all appropriate action to recover what is due in line with consistent guidelines and procedures.
- 15.3 It is not possible to list every scenario that may make a debt suitable for write off, however, the Council will consider the specific circumstances of the debt and the debtor to ensure the Council's financial position is balanced considering factors such as anti-poverty issues, economic considerations, aged debt, and official error. Key write off categories include:
- (i) Customer has died and there are insufficient funds in the estate;
  - (ii) Customer cannot be traced;
  - (iii) Uneconomical to pursue the debt;
  - (iv) Income is uncollectable due to sequestration/insolvency;
  - (v) All recovery methods have been exhausted and it is clear that the amount due will not be recovered;
  - (vi) Legal action has been unsuccessful;
  - (vii) Not in the public's interest to pursue e.g. at risk and vulnerable service users;
  - (viii) If legislation allows us;
  - (ix) Other exceptional circumstances
- 15.4 There is a framework of consistent guidelines and procedures to follow once every practical recovery process has been exhausted, this includes a structure and scheme of authorisation which is tiered based on the amount to be written off. Where debts have been written off, if at a later date there is a prospect of payment, the debt will be reinstated to enable recovery action to re-commence.
- 15.5 The powers for writing off debts are contained within the Council's Financial Regulations and Scheme of Delegation. The Chief Financial Officer (CFO) has delegated authority to write off amounts up to £100k. Any potential write off greater than this must be approved by Council.
- 15.6 For practical reasons the CFO may delegate authority to the Director for Resilient Communities and other officers to approve individual write off amounts up to a pre-determined level as approved in the Scheme of Delegation.
- 15.7 A write off report giving summary details of the number of debts and amount to be written off by category will be submitted quarterly by the Chief Financial Officer to the Executive in accordance with the Financial Regulations.



## **16. PERFORMANCE MONITORING**

16.1 The Council recognises that prompt recovery action is essential for effective debt management. The Council will:

- (i) Monitor the level and age of its debt;
- (ii) Set clear targets for the recovery of debt;
- (iii) Have recovery procedures where required;
- (iv) Assess recovery methods to ensure maximum returns; and
- (v) Regularly review irrecoverable debts for write-off.

16.2 To ensure this policy achieves its objectives a range of indicators are monitored for performance against annual targets. Key indicators include:

- (i) In-year collection targets;
- (ii) Five year collection rate – rolling trend;
- (iii) Sheriff Officer's collection performance;
- (iv) Number of Council Tax changes outstanding;
- (v) Number of Non Domestic Rates changes outstanding;
- (vi) Council Tax third party deductions.

16.3 The Council recognises that failure to achieve income and collection targets will have financial and service consequences. Performance will be reviewed on a monthly basis by operational managers and this information will be reported as part of the Council's wider performance updates to Committee.

16.4 Where an external agency assists the Council's collection and recovery process it will also be required to produce detailed performance and management information.

## **17. EQUALITY AND DIVERSITY**

17.1 The Council will ensure that the provisions outlined within this policy are accessible to everyone and that customers are treated fairly and equally. The Council will:

- (i) Ensure that all relevant equality standards are being met;
- (ii) Ensure appropriate staff receive cultural awareness, disability discrimination and mental health awareness training;
- (iii) Communicate to customers using plain English and help customers whose first language is not English; and
- (iv) Ensure our documents and communications can be made available in different languages and formats.
- (v) Ensure all statutory financial, equality and diversity regulations are applied.

## **18. CONFIDENTIALITY**

18.1 The Council will ensure that all information about a customer's personal and/or financial circumstances is dealt with in the strictest confidence and in accordance with the Data Protection Act 2018 and any other statutory functions duties and responsibilities of the Council.

If you require a copy of this policy in another language, please contact CASS Development Team at [CASSDevelopmentTeam@scotborders.gov.uk](mailto:CASSDevelopmentTeam@scotborders.gov.uk)

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## Integrated Impact Assessment (IIA)

### Part 1 Scoping

#### 1 Details of the Proposal

<b>Title of Proposal:</b>	Council tax and Non Domestic Rates Recovery Policy
<b>What is it?</b>	A new Policy
<b>Description of the proposal:</b> (Set out a clear understanding of the purpose of the proposal being developed or reviewed (what are the aims, objectives and intended outcomes, including the context within which it will operate).	To provide SBC employees and customers with a document they can refer to in relation to Council Tax and Non Domestic Rates recovery
<b>Service Area:</b> <b>Department:</b>	Resilient Communities Customer Advice & Support – Council Tax & Non Domestic Rates
<b>Lead Officer:</b> (Name and job title)	Clare Pettie, Development Officer
<b>Other Officers/Partners involved:</b> (List names, job titles and organisations)	Katrina Wilkinson – Revenues & Benefits Manager Rachael Stewart – Revenues Lead Officer
<b>Date(s) IIA completed:</b>	05/06/2023

**2 Will there be any cumulative impacts as a result of the relationship between this proposal and other policies?**

No
If yes, - please state here:

**3 Legislative Requirements**

<b>3.1 Relevance to the Equality Duty:</b>	
<p><b>Do you believe your proposal has any relevance under the Equality Act 2010? Yes</b>  <i>(If you believe that your proposal may have some relevance – however small please indicate yes. If there is no effect, please enter “No” and go to Section 3.2.)</i></p>	
<b>Equality Duty</b>	<b>Reasoning:</b>
<b>Elimination of discrimination (both direct &amp; indirect), victimisation and harassment.</b> <i>(Will the proposal discriminate? Or help eliminate discrimination?)</i>	We follow legislation in the collection of Council Tax and Non-Domestic Rates. By encouraging staff to speak to all debtors to maximise their income and establish benefit entitlement will help eliminate discrimination.
<b>Promotion of equality of opportunity?</b> <i>(Will your proposal help or hinder the Council with this)</i>	By encouraging staff to speak to all debtors to maximise their income and establish benefit entitlement.
<b>Foster good relations?</b> <i>(Will your proposal help or hinder the council s relationships with those who have equality characteristics?)</i>	By encouraging staff to speak to all debtors to maximise their income and establish benefit entitlement. Staff have been trained to have what matters conversations.

<b>3.2 Which groups of people do you think will be or potentially could be, impacted by the implementation of this proposal? (You should consider employees, clients, customers / service users, and any other relevant groups)</b>				
Please tick below as appropriate, outlining any potential impacts on the undernoted equality groups this proposal may have and how you know this.				
	Impact			Please explain the potential impacts and how you know this
	No Impact	Positive Impact	Negative Impact	
<b>Age</b> Older or younger people or a specific age grouping			✓	The age of a debtor could have an impact on their income and their ability to pay
<b>Disability</b> e.g. Effects on people with mental, physical, sensory impairment, learning disability, visible/invisible, progressive or recurring			✓	The disability of a debtor could have an impact on their income and their ability to pay
<b>Gender Reassignment/ Gender Identity</b> anybody whose gender identity or gender expression is different to the sex assigned to them at birth	✓			
<b>Marriage or Civil Partnership</b> people who are married or in a civil partnership	✓			
<b>Pregnancy and Maternity</b> (refers to the period after the birth, and is linked to <b>maternity</b> leave in the employment context. In the non-work context, <b>protection</b> against <b>maternity</b> discrimination is for 26 weeks after giving birth),			✓	A person pregnant or on maternity leave could be impacted due to their income or their ability to pay
<b>Race Groups:</b> including colour, nationality, ethnic origins, including minorities (e.g. gypsy travellers, refugees, migrants and asylum seekers)			✓	The race group of a debtor could have an impact on their income and their ability to pay as there may be a language barrier

<b>Religion or Belief:</b> different beliefs, customs (including atheists and those with no aligned belief)	✓			
<b>Sex</b> women and men (girls and boys)	✓			
<b>Sexual Orientation</b> , e.g. Lesbian, Gay, Bisexual, Heterosexual	✓			
<p><b>3.3 Fairer Scotland Duty</b></p> <p>This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to how we can reduce inequalities of outcome caused by socioeconomic disadvantage when making <u>strategic</u> decisions.</p> <p>The duty is set at a strategic level - these are the key, high level decisions that SBC will take. This would normally include strategy documents, decisions about setting priorities, allocating resources and commissioning services.</p>				
<p><b>Is the proposal strategic? No</b> Yes / No <i>(please delete as applicable)</i></p> <p><b>If No go to Section 4</b></p>				
<p><b>If yes, please indicate any potential impact on the undernoted groups this proposal may have and how you know this:</b></p>				
	<b>Impact</b>			<b>State here how you know this</b>
	<b>No Impact</b>	<b>Positive Impact</b>	<b>Negative Impact</b>	
<b>Low and/or No Wealth</b> – enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future.				

<b>Material Deprivation</b> – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure and hobbies				
<b>Area Deprivation</b> – where you live (e.g. rural areas), where you work (e.g. accessibility of transport)				
<b>Socio-economic Background</b> – social class i.e. parents' education, employment and income				
<b>Looked after and accommodated children and young people</b>				
<b>Carers</b> paid and unpaid including family members				
<b>Homelessness</b>				
<b>Addictions and substance use</b>				
<b>Those involved within the criminal justice system</b>				

#### 4 Full Integrated Impact Assessment Required

Select No if you have answered “No” to all of Sections 3.1 – 3.3.

**No** (please delete as applicable)

If a full impact assessment is not required briefly explain why there are no effects and provide justification for the decision.

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<b>Signed by Lead Officer:</b>	<b>CPettie</b>
<b>Designation:</b>	<b>Development Officer</b>
<b>Date:</b>	<b>05/06/2023</b>
<b>Counter Signature Director</b>	
<b>Date:</b>	



## Part 2 Full Integrated Impact Assessment

### 5 Data and Information

#### What evidence has been used to inform this proposal?

(Information can include, for example, surveys, databases, focus groups, in-depth interviews, pilot projects, reviews of complaints made, user feedback, academic publications and consultants' reports).

We have legislation to follow that is specific but we have worked on ensuring the customers income is maximised and have a conversation with the customer to build a picture of the customers circumstances and financial implications

**Describe any gaps in the available evidence,-then record this within the improvement plan together with all of the actions you are taking in relation to this** (e.g. new research, further analysis, and when this is planned)

Please state your answer here

## 6 Consultation and Involvement

### Which groups are involved in this process and describe their involvement

Financial Inclusion Team are embedded in our service so we have not had to undertake any consultation. The Revenues lead officer was involved in writing the policy. As Revenues collection is legalistic, we have followed procedures since the instruction of council Tax and Non-Domestic Rates. This policy has been created to provide Scottish Borders Council employees and customers with a document they can refer to in relation to Council Tax and Non-Domestic Rates recovery.

### Describe any planned involvement saying when this will take place and who is responsible for managing the process

N/A

### Describe the results of any involvement and how you have taken this into account.

N/A

### What have you learned from the evidence you have and the involvement undertaken? Does the initial assessment remain valid? What new (if any) impacts have become evident?

(Describe the conclusion(s) you have reached from the evidence, and state where the information can be found.)

No evidence gathered

N/A

--

## 7 Mitigating Actions and Recommendations

Consider whether:

Could you modify the proposal to eliminate discrimination or reduce any identified negative impacts?  
(If necessary, consider other ways in which you could meet the aims and objectives of the proposal.)

Could you modify the proposal to increase equality and, if relevant, reduce poverty and socioeconomic disadvantage?

Describe any modifications which you can make without further delay (e.g. easy, few resource implications)

<b>Mitigation</b> Please summarise all mitigations for approval by the decision makers who will approve your proposal			
Equality Characteristic/Socio economic factor	Mitigation	Resource Implications (financial, people, health, property etc)	Approved Yes/No
Age	Having a conversation with the customer and, maximising their income and signposting them to the appropriate resource for further assistance.		
Disability	Having a conversation with the customer and, maximising their income and signposting them to the appropriate resource for further assistance.		
Pregnancy & maternity	Having a conversation with the customer and, maximising their income and signposting them to the appropriate resource for further assistance.		
Race	Having a conversation with the customer through an interpreter if required, and		

	<b>maximising their income and signposting them to the appropriate resource for further assistance.</b>		
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**8 Recommendation and Reasoning** *(select which applies)*

- Implement proposal with no amendments
- **Implement proposal taking account of mitigating actions (as outlined above)**
- Reject proposal due to disproportionate impact on equality, poverty, health and Socio-economic disadvantage

**Reason for recommendation:**

**It is a legislative requirement for Local Authorities to recover Council Tax and Non-Domestic Rates. The policy will not change the current recovery process, but documents the administration and recovery of Council Tax and Non Domestic rates.**

<b>Signed by Lead Officer:</b>	<b>Clare Pettie</b>
<b>Designation:</b>	<b>Development Officer</b>
<b>Date:</b>	<b>05/06/2023</b>
<b>Counter Signature Director</b>	
<b>Date:</b>	

**Office Use Only (not for publication)**

**This assessment should be presented to those making a decision about the progression of your proposal.**

**If it is agreed that your proposal will progress, you must send an electronic copy to corporate communications to publish on the webpage within 3 weeks of the decision.**

**Complete the below two sections. For your records, please keep a copy of this Integrated Impact Assessment form.**

### Action Plan (complete if required)

<b>Actioner Name:</b>	<b>Action Date:</b>
<b>What is the issue?</b>	
<b>What action will be taken?</b>	
<b>Progress against the action:</b>	
<b>Action completed:</b>	<b>Date completed:</b>

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### Monitoring and Review

State how the implementation and impact of the proposal will be monitored, including implementation of any amendments? For example what type of monitoring will there be? How frequent?

Please state your answer here
-------------------------------

**What are the practical arrangements for monitoring? For example who will put this in place? When will it start?**

Please state your answer here

**When is the proposal due for review?**

Please state your answer here

**Who is responsible for ensuring that this happens?**

Please state your answer here





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## **BORDERLANDS INCLUSIVE GROWTH DEAL: BUSINESS INFRASTRUCTURE PROGRAMME (SCOTLAND) - COLDSTREAM FULL BUSINESS CASE**

**Report by Director, Resilient Communities**

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### **SCOTTISH BORDERS COUNCIL**

**31 AUGUST 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides an update to Council on the Full Business Case for the Business Infrastructure Programme (Scotland) - Coldstream, which is required to draw down funding from the Borderlands Inclusive Growth Deal. Coldstream is the first site in the programme outlined in the Outline Business Case, which was approved by Council in November 2020, to be brought forward for approval. A second site in the Scottish Borders, at North Burnfoot in Hawick, is also in the programme.
- 1.2 A Full Business Case for the Business Infrastructure Programme (Scotland) - Coldstream is in the process of being approved by the Scottish Government, and will be submitted to the Borderlands Partnership Board for approval at its meeting on 13 September 2023. An advanced final draft of the business case is attached as Appendix 1. Approval from the Scottish Government is expected by the date of the Council meeting and any updates will be provided on the day.
- 1.3 The Full Business Case is the final part of a continuous set of approval milestones for the programme in accordance with HM Treasury Green Book guidance. A Full Business Case for the Hawick site will be developed and a report will be brought to Council in due course.

#### **2 RECOMMENDATIONS**

##### **2.1 I recommend that Council:**

- (a) Approves the Full Business Case for the Coldstream site set out in Appendix 1.**

- (b) Notes that the Full Business Case on the Hawick site will be presented to Council in due course.**

### **3 BACKGROUND**

- 3.1 The Business Infrastructure Programme (Scotland) - Coldstream is a £1.2m capital project that is part of the wider Business Infrastructure Programme (Scotland), which sits within the Supporting Business, Innovation and Skills theme of the Borderlands Inclusive Growth Deal.
- 3.2 The Outline Business Case for the Business Infrastructure Programme (Scotland) was approved by Council in November 2020. This Full Business Case is required to draw down funding from the Borderlands Inclusive Growth Deal for the development of new industrial units at vacant employment land at Coldstream Business Park, which is owned by Scottish Borders Council.

### **4 KEY ELEMENTS OF THE FULL BUSINESS CASE**

- 4.1 The Full Business Case has been prepared in accordance with HM Treasury guidance and is based on the five-case model: Strategic; Economic; Commercial; Financial; and Management. The Full Business Case is set out in Appendix 1.
- 4.2 The Project Description in the Full Business Case shows that a property market update and demand study was undertaken by Ryden on behalf of South of Scotland Enterprise in August 2022. The study showed that current industrial floorspace in the Scottish Borders is typically between 40 and 50 years old, which presents an increasing issue of potential obsolescence. While there is evidence of strong demand for smaller industrial units of up to 5,000 sq.ft., the report concluded that public sector intervention is required in the South of Scotland's land and property markets. Consequently, South of Scotland Enterprise is supportive of an intervention being made to address the poor quality and inadequate supply of industrial space as a means of boosting the productivity and economic resilience of the South, including the Scottish Borders.
- 4.3 Within the Business Infrastructure Programme (Scotland), new industrial space in the Scottish Borders is to be constructed and serviced in Coldstream and Hawick, respectively. Three criteria were used in selecting the programme's sites:
  - Strategic Fit. Sites in more peripheral areas outside the central Borders, but close to major communication routes.
  - Planning status. Sites allocated for business use within the Local Development Plan.
  - Market failure. Sites situated in an area identified as lacking a supply of good, quality modern industrial premises. The Berwickshire area, which includes Coldstream, and the town of Hawick met this criterion.

- 4.4 It is intended to develop vacant employment land at the Coldstream Business Park, which is owned by Scottish Borders Council. The proposed development would comprise three workshop units based on the design of existing units, which were built in 2015. These new units will provide 333 sq. m. of industrial space at an estimated cost of £1,201,268 and will be built out by July 2024. There are currently no buildings on the proposed development land and the site is allocated for business use in the Local Development Plan and was considered as part of the LDP2 process.
- 4.5 In the Strategic Case section of the Full Business Case, it shows that in the Scottish Borders, demand has recently been stimulated by public sector intervention for newly built industrial units in Hawick. The problem is that there is not enough of this type of property currently available in the region. One of the objectives of the Business Infrastructure Programme (Scotland) is that building out sites will ensure a provision of more modern, environmentally friendly buildings that will help to assist the quest for a low carbon, more sustainable economy.
- 4.6 Investment objectives for the Business Infrastructure Programme (Scotland), which apply to the Coldstream project, have been agreed by Dumfries and Galloway and Scottish Borders Councils to:
- Objective 1: Create Critical Mass and A Dynamic Business Environment.
  - Objective 2: Improve Site Uptake.
  - Objective 3: Develop the Quality of the Supply of Investment Property.
- 4.7 The programme's Critical Success Factors (CSFs) are presented in the Economic Case as the key criteria for investment against which the options for the Business Infrastructure Programme (Scotland) were appraised. The CSFs are:
- CSF 1: strategic fit with Borderlands Partnership objectives (narrowing the productivity gap, inclusive growth, and increasing the working age population).
  - CSF 2: responding to local demand for business accommodation.
  - CSF 3: delivering against local sector and growth objectives.
  - CSF 4: tackling market failure to attract private sector investment.
  - CSF 5: ability to finance from available funds.
  - CSF 6: achievability within the programme envelope.
  - CSF 7: ability to optimise social value and advance inclusive growth in terms of potential costs, benefits and risks.
- 4.8 The Options Appraisal in the Economic Case of the Outline Business Case assessed a number of options. The preferred option that is being taken forward best fits the objectives for the wider Business

Infrastructure Programme (Scotland). It includes the proposal to develop industrial space on vacant employment land at Coldstream. In addition to the projects at Coldstream and Hawick, this option also includes three projects at sites in Dumfries and Galloway.

- 4.9 The Economic Impact Analysis for the Coldstream site shows that it would create up to nine jobs (FTE), including three that are additional, achieve net additional GVA of £2.2 million, and deliver 333 sq. m. of new industrial space for the Scottish Borders. The value for money assessment of the preferred option shows that it would generate a Benefit Cost Ratio (BCR) of 2.1:1, which is part of an overall programme with a BCR of 3.8:1, which represents very good value for money.
- 4.10 The Economic Case also shows that the programme is expected to deliver significant economic benefits for the Borderlands area and the wider region:
- Stimulating the industrial property market through greater levels of investment.
  - Contributing to a low carbon economy and savings in CO2 emissions on premises that are built-out to high energy efficiency standards.
  - Contributing to inclusive growth and generating local employment opportunities for disadvantaged, young and long-term unemployed.
  - Increasing the provision of business space available to business start-ups and local SME's.
  - Increasing opportunities for higher value skills employment.
  - Creation of temporary construction jobs and the potential to generate apprenticeship opportunities.
- 4.11 As discussed in the Financial Case, the grant funding of the project will be distributed by Dumfries and Galloway Council, the accountable body for the Borderlands Inclusive Growth Deal in Scotland, to Scottish Borders Council as the grantee. It should be noted that the financial projections in the Financial Case are based on the funding streams that were envisaged at the time of writing. The financial implications of the project are explored in more detail in the next section of this report.
- 4.12 The Commercial Case outlines the procurement strategy for the project. This has been determined by the prevailing conditions of uncertainty and price fluctuation in the construction sector. Obtaining competitive tenders in the Scottish Borders from larger construction firms is more challenging owing to the lack of suitable local businesses. Therefore, a decision has been made for the Coldstream development to be delivered through SBC Contracts.

- 4.13 The Management Case outlines the management structure, governance, and arrangements to ensure the delivery, monitoring and evaluation of the project. The governance structure will be led by the Borderlands Project Board for Business, Innovation and Skills, which will be supported by the two Scottish local authorities as the lead programme sponsors. A Project Delivery Board to give strategic guidance and an officer-level Project Delivery Team are being established within Scottish Borders Council for the Coldstream project.
- 4.14 As the lead delivery partner, Scottish Borders Council will be responsible for recording the benefits of the project. Indicative outcomes have been developed as part of the Full Business Case and apply across the Coldstream and Hawick sites.
- 4.15 Scottish Borders Council will be responsible for monitoring and evaluation, and also any reporting of changes to project scope, scale, and cost. Any changes will be recorded in a Change Control Notification and immediately reported to the relevant authority as per the governance arrangements.
- 4.16 The Full Business Case is the final part of a continuous set of approval milestones for the programme in accordance with HM Treasury Green Book guidance. A Full Business Case for the Hawick site will be developed, and a report will be brought to Council in due course.

## **5 IMPLICATIONS**

### **5.1 Financial**

- (a) Officers remain in discussions with Scottish Government officials regarding the overall Borderlands financial profile for 2023-24 and beyond. Council will be updated on the financial position when this is clarified. Currently, the funding position for the programme shows that Scottish Borders Council will draw down £3m from the Borderlands Inclusive Growth Deal, which will be supplemented by £632k from the Council for the development of the site at Hawick.
- (b) When the Outline Business Case for the Business Infrastructure (Scotland) Programme was brought to Council in November 2020, the Coldstream project was estimated to cost £866,794, which was to be entirely funded from the Borderlands Inclusive Growth Deal. Since that date, costs have increased by 39 per cent to £1,201,268 mainly because of inflation in the cost of construction materials.
- (c) A total of £1.2m is therefore required for the project at Coldstream and it is intended that this money will be fully drawn down from Borderlands Inclusive Growth Deal grant funding. Scottish Borders Council received approval from the accountable body to spend up to £51,781 at risk on pre-

construction work in 2022-23 prior to the anticipated approval of the Full Business Case.

## **5.2 Risk and Mitigations**

The programme has a risk register laying out all strategic and operational risks with associated mitigations, and this feeds into a wider risk register that the Council maintains for the Borderlands Inclusive Growth Deal programme.

## **5.3 Integrated Impact Assessment**

As part of the Full Business Case submission to Government, the project is required to complete an Integrated Impact Assessment. This Integrated Impact Assessment has been prepared and submitted along with the Full Business Case to ensure that it meets the requirements of the Equality and Fairer Scotland duties.

## **5.4 Sustainable Development Goals**

The development of the programme will contribute to the ambitions to be a green, fair and flourishing region, helping to achieve net zero ambitions, and support community wealth building and thriving places. An assessment of this contribution towards the outcomes of the 17 UN Sustainable Development Goals has been undertaken and a Carbon Impact Assessment has been submitted as part of the Full Business Case.

## **5.5 Climate Change**

As the programme is taken forward, there will be specific assessments undertaken to assess embodied carbon emissions during its implementation and lifecycle. The Carbon Impact Assessment required by Government has allowed for the measurement of carbon impacts and benefits relating to the five themes—Resilience, Transport, Nature-based solutions, Energy and Waste—as set out in the Council’s Climate Change Route Map.

## **5.6 Rural Proofing**

This report does not affect or amend rural proofing policies.

## **5.7 Data Protection Impact Statement**

There are no personal data implications arising from proposals contained in this report.

## **5.8 Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to the Scheme of Administration or the Scheme of Delegation as a result of the proposals within this report.

## 6 CONSULTATION

6.1 The Chief Financial Officer, the Director of Corporate Governance, the Chief Officer Audit and Risk, the Director of People Performance & Change, the Clerk to the Council and Corporate Communications have been consulted on this report.

### Approved by

**Jenni Craig**  
**Director, Resilient Communities**

### Author(s)

Name	Designation and Contact Number
Sam Smith	Chief Officer, Economic Development 01835 825612
Stuart Kinross	Economic Development Officer 01835 826505

**Background Papers:** None.

**Previous Minute Reference:** Council – 26 November 2020.

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Stuart Kinross can also give information on other language translations as well as providing additional copies.

Contact us at Stuart Kinross, [stuart.kinross@scotborders.gov.uk](mailto:stuart.kinross@scotborders.gov.uk)





Business Infrastructure Programme (Scotland):  
Coldstream

# Full Business Case (FBC)

Borderlands Inclusive Growth Deal

**Version 2.0**

Issue Date: 24<sup>th</sup> May 2023

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## **Purpose of this document**

This document sets out the Full Business Case (FBC), in support of the Business Infrastructure Programme (Scotland): Coldstream.

An Outline Business Case (OBC) was completed and agreed as part of the development of the Borderlands Inclusive Growth Deal agreed in November 2020.

This FBC provides the evidence that the most economically advantageous investment project is being delivered and that it is affordable. In addition, the FBC explains the fundamentals of the Business Infrastructure Programme (Scotland): Coldstream and demonstrates that the required outputs can be successfully achieved.

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# Executive Summary

## Background

1. This document constitutes the Full Business Case (FBC) for the Business Infrastructure Programme (Scotland): Coldstream and seeks approval of £1.2 million of funding under the authority of the Borderlands Inclusive Growth Deal approved by the Prime Minister and the First Minister in March 2021.
2. This FBC is structured in accordance with the five case model as recommended by the guidance in the HM Treasury Green Book: strategic, economic, financial, commercial, and management. The Strategic Case discusses the rationale and policy context for the project. The FBC then develops value for money, affordability, procurement, and governance considerations as articulated in the Economic, Financial, Commercial, and Management Cases.
3. The full cost of implementing the proposed project is estimated to be £1,201,268. It is planned that the project will start in June 2023 and be completed by May 2024. **The project has a positive economic impact with an estimated Benefit-Cost ratio (BCR) of £2.10:£1. It should be noted that this is within the context of an overall programme BCR of £3.80:£1, which represents very good value for money.**

## Project Description and Strategic Case

4. The FBC for developing land in Coldstream is a constituent part of the Business Infrastructure Programme (Scotland), which is one of the programmes within the Supporting Business, Innovation and Skills theme of the Borderlands Inclusive Growth Deal. The objectives of the programme are to increase the supply of modern industrial premises in the South of Scotland and to facilitate private sector investment. It is proposed to build-out vacant employment land at Coldstream by constructing 333 sq. m. of new business space at a cost of £1,201,268. The project will be completed by May 2024.
5. New industrial space in the Scottish Borders will also be serviced in Hawick following on from the Coldstream project. Three criteria were used in selecting the two sites:
  - *Strategic Fit.* Sites in more peripheral areas outside the central Borders, but close to major communication routes.
  - *Planning status.* Sites allocated for business use within the Local Development Plan.
  - *Market failure.* Sites situated in an area identified as lacking a supply of good, quality modern industrial premises. The Berwickshire area, which includes Coldstream, and the town of Hawick met this criterion.
6. A property market update and demand study undertaken by Ryden on behalf of South of Scotland Enterprise in August 2022 showed that current industrial floorspace in the Scottish Borders is typically between 40 and 50 years old, which presents an increasing issue of potential obsolescence. The Ryden report concluded that public sector intervention is required in the South of Scotland's land and property markets. Consequently, South of Scotland Enterprise is supportive of an intervention being made to address the poor quality and inadequate supply of industrial space as a means of boosting the productivity and economic resilience of the South of Scotland, including the Scottish Borders.
7. In the Scottish Borders, demand has recently been stimulated by public sector intervention for newly built industrial units in Hawick. The problem is that there is not enough of this type of property currently available in the region. One of the objectives of the Business Infrastructure Programme (Scotland) is that building out sites will ensure a provision of environmentally friendly buildings that will help to assist the quest for a low carbon, more sustainable economy.
8. The Business Infrastructure Programme (Scotland) complies with policies and strategies for inclusive economic growth at the UK, Scottish, regional, and local levels, including robust carbon management. Each of these initiatives aims to address the constraints on economic growth in the South of Scotland that are manifested in relatively poor productivity.

9. Investment objectives for the Business Infrastructure Programme (Scotland) have been agreed by Dumfries and Galloway and Scottish Borders Councils. These are to create critical mass and a dynamic business environment; improve site uptake; and develop the quality of the supply of investment property. The project at Coldstream will assist in meeting these investment objectives and in meeting the strategic opportunities presented by the Borderlands Inclusive Growth Deal:

- **Developing a future-proofed knowledge-based rural economy:** The creation of new, fit-for-purpose business space will be configured to the digital connectivity requirements of such an economy.
- **Strengthening trade across borders:** Opportunities will be available for businesses to have a base in a geographical location that is ideally placed between the large markets of northern England and the central belt of Scotland.
- **Developing our offer to the world:** State of the art business space in an attractive rural location will be attractive to inward investors who, in a post-Covid-19 pandemic environment, may be looking to locate outside urban centres.

## Economic Case

10. The Business Infrastructure Programme (Scotland) will support the delivery of new business infrastructure across Dumfries and Galloway and the Scottish Borders thereby contributing to addressing the challenges that the Borderlands Inclusive Growth Deal is designed to overcome. Seven Critical Success Factors (CSF's) have been developed:

- CSF 1: strategic fit with Borderlands Partnership objectives (narrowing the productivity gap, inclusive growth and increasing the working age population).
- CSF 2: responding to local demand for business accommodation.
- CSF 3: delivering against local sector and growth objectives.
- CSF 4: tackling market failure to attract private sector investment.
- CSF 5: ability to finance from available funds.
- CSF 6: achievability within the programme envelope.
- CSF 7: ability to optimise social value and advance inclusive growth in terms of potential costs, benefits and risks.

11. The Options Appraisal in the economic case of the OBC assessed a number of options. The preferred option includes the proposal to develop industrial space on vacant employment land at Coldstream.

12. The Economic Impact Analysis for the Coldstream site shows that it would create up to nine jobs (FTE), including three that are additional, achieve net additional GVA of

£2.2 million, and deliver 333 sq. m. of new industrial space for the Scottish Borders. The value for money assessment of the preferred option shows that it would generate a BCR of 2.1:1, which is part of an overall programme with a BCR of 3.8:1, which represents very good value for money.

13. The whole life Carbon Emissions Impact associated with the project, including embodied carbon from construction, has been estimated as 323 tonnes CO<sub>2</sub>e over a ten-year period. This impact has been quantified and included within the BCR.
14. There are two major risks that could potentially impact on the value for money of the project: lower underlying demand and higher costs. These risks have been included within the project risk register and will be monitored as the project proceeds.

## **Financial Case**

15. The project at Coldstream will cost £1,201,268. This cost has increased by 39 per cent since the OBC, mainly owing to inflation in the cost of construction materials.
16. The Borderlands Inclusive Growth Deal Heads of Terms agreement provides £8 million for business infrastructure in the South of Scotland. These sums will be drawn down over the period of the Borderlands Inclusive Growth Deal. Funding will be provided as grant and will be drawn down quarterly in arrears.
17. At present, there is a funding gap of £0.34 million between the cost of the Hawick site and the funding available in the funding profile after the costs of the Coldstream site will have been met. This issue will need to be addressed prior to the submission of the Full Business Case for the Hawick site.
18. Council revenue funding will finance any maintenance and management costs that are required on an ongoing basis.

## **Commercial Case**

19. In accordance with the requirements of the Borderlands Inclusive Growth Deal and with the policy of Scottish Borders Council, community benefit clauses will be put in place to benefit the long-term unemployed, young people looking for apprenticeships, and other people requiring work experience opportunities.
20. Given the significant degree of uncertainty and price fluctuation in the construction sector at present, it is proposed that Scottish Borders Council's direct labour division, SBC Contracts, should be the principal contractor for the Coldstream development. This will allow for a streamlined procurement route without the risk of conflict thus enabling a quality product to be delivered quickly, efficiently and cost-effectively.



## Management Case

21. Business Infrastructure Scotland will be overseen by the Borderlands Project Board for Business, Innovation and Skills, which will be supported by the two local authorities as the lead project sponsors. Officers from the councils will also work with the Scottish Government to develop the detail of the five constituent projects.
22. A Project Delivery Board to give strategic guidance and an officer-level Project Delivery Team are being established within Scottish Borders Council for the Coldstream project. A Project Manager will be responsible for managing the delivery of the project.
23. An Accountable Body (Dumfries and Galloway Council) has been agreed so that legal and financial responsibility for funding is assured and covered by appropriate internal and external audit arrangements.
24. The key milestones for the project are that construction will begin in June 2023 and be completed by May 2024. It is anticipated that the first tenants will occupy their unit in September 2024.
25. A project risk register and benefits realisation plan are being developed for the project.

# 1. Introduction

## 1.1. Context

1.1.1. The Borderlands Inclusive Growth Deal is a partnership between the local authorities of Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland Council, and Scottish Borders Council. The Borderlands area faces a number of economic challenges that are common to each local authority area, notably relatively low productivity, a declining working age population, and issues caused by economic, social and digital exclusion. The Business Infrastructure Programme is being implemented to encourage business growth, increase productivity, and ensure that those who are currently excluded from the labour market are given more opportunities to enter it.

1.1.2. The Business Infrastructure Programme sits within the Supporting Business, Innovation and Skills theme of the Borderlands Inclusive Growth Deal. There are three strands to the Business Infrastructure Programme:

- An English strand, which will involve funding from the UK Government to support the development of business growth and productivity in Cumbria and the North East of England.
- A Scottish strand, which covers projects in Dumfries and Galloway and in the Scottish Borders, including projects at Coldstream and Hawick. It is the second of these projects that is the subject of this Full Business Case (FBC).
- Funding from the Scottish Government to develop the former nuclear power site at Chapelcross in Dumfries and Galloway (now referred to as the Chapelcross Green Energy Park).

1.1.3. The Scottish Borders strand of the proposed programme will make a significant contribution to the achievement of the wider policy agenda and the Borderlands Inclusive Growth Deal programme objectives by supporting the development of business premises to accommodate business growth and diversification. The objectives of the programme are to increase the supply of modern industrial premises in the South of Scotland and to facilitate private sector investment. These aims will be achieved at Coldstream by building 333 sq. m. of new business space on vacant employment land at an estimated cost of £1,201,268 and by acquiring and servicing land at Hawick at an estimated cost of £2,372,456. The proposed pathway from inputs to outputs is summarised in the logic model shown in Figure 1.

**Figure 1: Business Infrastructure Scotland Logic Model**

Strategic Context	Inputs (Costs)	Activities	Beneficiaries	Short-term outcome(s)	Medium-term impacts	Long-term impacts
<ul style="list-style-type: none"> <li>Market failure.</li> <li>Obsolescence.</li> <li>Lack of supply.</li> <li>Suppressed demand.</li> <li>Economic and social exclusion in rural areas;</li> <li>Low wages.</li> <li>Low skills base.</li> <li>Low productivity.</li> </ul>	<p>Funding streams, including Borderlands Inclusive Growth Deal and local authority contributions.</p>	<p>Development of immediately available employment land supply as part of a place-based approach.</p>	<p>Employees, nearby local businesses.</p>	<p>Take-up of industrial space by the private sector/removal of constraints.</p>	<p>Increase in area's R&amp;D activity and in employees benefiting from Fair Work.</p>	<p>Area has reputation for quality offer and private sector has confidence to invest in speculative development.</p>
	<p>Capital investment to deliver industrial space.</p>	<p>Development of new industrial space in areas of greatest demand/with strong latent markets.</p>	<p>Private businesses, employees, people excluded from certain labour markets.</p>	<p>Private sector investment in innovative practices, e.g. R&amp;D and also in Fair Work and Living Wage initiatives.</p>	<p>Young people compete for well-paid jobs.</p>	<p>Improvement in productivity (and GVA). Narrowing of employment disparities by gender, etc.</p>
	<p>Complementary Borderlands Growth Deal investments:</p> <ul style="list-style-type: none"> <li>Skills.</li> <li>Digital.</li> <li>Borders Railway Feasibility.</li> <li>Business Infrastructure (England).</li> <li>Chapelcross Green Energy Park.</li> </ul>	<p>Marketing of industrial units.</p>	<p>Young people, unemployed.</p>	<p>Development of skillsets.</p>	<p>Local suppliers compete for high-value contracts.</p>	<p>Increase in wage levels and reduction in regional disparities.</p>
		<p>Community benefits through construction (MA's, etc).</p>	<p>Local businesses.</p>	<p>Local supply chain builds up knowledge and experience.</p>	<p>Increase in business survival rates.</p>	<p>Influx of skilled workers and maintenance of local talent pool as the area builds a higher profile nationally.</p>
		<p>Supply chain engagement through supplier development activities.</p>	<p>Entrepreneurs, local businesses.</p>	<p>Increase in start-up businesses.</p>		<p>Place-based assets are used to improve the lives of people, support inclusive and sustainable economic growth, and create more successful towns.</p>
		<p>Support to start-up and established businesses through South of Scotland Enterprise and Business Gateway.</p>				

## 1.2. Document Purpose

1.2.1. This document and its appendices form the FBC for the Coldstream project within the Business Infrastructure Programme (Scotland). This FBC represents the final stage of the agreed Borderlands Inclusive Growth Deal business case development process for Coldstream following approval of the Programme OBC in November 2020. This FBC is submitted for approval in the Borderlands Inclusive Growth Deal Funding Agreement.

## 1.3. Document Status

1.3.1. This FBC is intended for review by the Scottish Government to confirm the Coldstream project should be approved for funding through the Borderlands Inclusive Growth Deal.

## 1.4. Document Structure

1.4.1. This FBC is structured around HM Treasury Green Book guidance:

- **Project Description** (Section 2).
- **Strategic Case** (Section 3), setting out a clear rationale for the project.
- **Economic Case** (Section 4), identifying the key economic impacts of the project and its overall value for money.
- **Financial Case** (Section 5), presenting evidence of the project's affordability.
- **Commercial Case** (Section 6), summarising the preferred approach to project procurement and rationalising the commercial and legal viability of such an approach.
- **Management Case** (Section 7), setting out how Scottish Borders Council will ensure that the project is delivered successfully – on time and to budget, with suitable governance and risk management processes in place.

## 2. PROJECT DESCRIPTION

- 2.1.1. The Business Infrastructure Programme (Scotland), of which the project outlined in this FBC is part, is intended to help to address the three challenges that the Borderlands Inclusive Growth Deal is designed to overcome. It will *narrow the productivity gap* through delivering quality business premises and serviced sites, attract higher value knowledge-based businesses and labour, and raise productivity levels. It will generate higher value employment opportunities and encourage further investments in skills development.
- 2.1.2. The Business Infrastructure Programme (Scotland) will help to *increase the Working Age Population* through delivering new, more diverse and higher value business and employment opportunities in new and expanding businesses. Consequently, there will be an attractive employment offer to working age people, including young people, from inside and outside the area.
- 2.1.3. Finally, the Business Infrastructure Programme (Scotland) will help to *deliver inclusive growth* and contribute to a well-being economy by encouraging a fair and inclusive jobs market through a number of initiatives such as Fair Work and the Living Wage, as well as the use of community benefits in procurement processes, thereby assisting in the enhancement of regional cohesion to provide greater economic opportunities across the South of Scotland.
- 2.1.4. A property market update and demand study undertaken by Ryden on behalf of South of Scotland Enterprise in August 2022 showed that current industrial floorspace in the Scottish Borders is typically between 40 and 50 years old, which presents an increasing issue of potential obsolescence.<sup>1</sup> While the vacancy rate for industrial units in the South of Scotland is relatively high at 8.9 per cent, this is a reflection of a mismatch between demand and supply. There is evidence of strong demand for smaller industrial units of up to 5,000 sq.ft. Nevertheless, the Ryden report concluded that public sector intervention is required in the South of Scotland's land and property markets. Consequently, South of Scotland Enterprise is supportive of an intervention being made to address the poor quality and inadequate supply of industrial space as a means of boosting the productivity and economic resilience of the South, including the Scottish Borders.
- 2.1.5. New industrial space in the Scottish Borders will be constructed and serviced in Coldstream and Hawick, respectively. The methodology used to select these sites for inclusion in the programme was set out in the OBC and is detailed in Appendix 5 of this FBC. In summary, three criteria were used in selecting the programme's sites:
- *Strategic Fit.* Sites in more peripheral areas outside the central Borders, but close to major communication routes.

- *Planning status.* Sites allocated for business use within the Local Development Plan.
- *Market failure.* Sites situated in an area identified as lacking a supply of good, quality modern industrial premises. The Berwickshire area, which includes Coldstream, and the town of Hawick met this criterion.

2.1.6. Coldstream Business Park in Berwickshire is located on the north-east edge of the town of Coldstream close to the English-Scottish border. It is intended to develop vacant employment land at the business park, which is owned by Scottish Borders Council. The proposed development would comprise three workshop units based on the design of existing units, which were built in 2015. These will provide 333 sq. m. of industrial space at an estimated cost of £1,201,268 and will be built out between April 2023 and April 2024. There are currently no buildings on the proposed development land and the site is allocated for business use in the Local Development Plan. The site has been considered as part of the recent LDP2 process and it should be noted that it benefits from good 4G coverage.

2.1.7. It is also proposed that a site will be acquired at North Burnfoot, Hawick, and made serviceable for business use with Borderlands Inclusive Growth Deal funding supplemented by a contribution from Scottish Borders Council. The total cost is estimated to be £2,372,456. Servicing work was to be completed by 2024-25, but is likely to be delayed by 12 months because of the likelihood of a compulsory purchase process. Once servicing has been completed, it is intended that, depending upon market conditions and the drivers of demand at that time, the site will be either sold to the private sector or industrial units will be built to demand. The site at Hawick will be the subject of a future Full Business Case.

2.1.8. The Scottish Borders region has characteristics that are common to areas with a predominantly rural spatial profile. The population of 115,240 is spread across numerous market towns, villages, isolated, and very isolated, rural settlements. Critically, it is projected that this population will increase by only 0.7 per cent by 2043 (compared to a projected increase of 2.5 per cent in Scotland) and that the working age population will decline by 4.8 per cent (compared to 0.2 per cent for Scotland).<sup>2</sup> Consequently, this would mean that the dependency ratio will increase from 69.2 in 2018 to 87.4 in 2043, the highest in Scotland (the average for Scotland will be 60).<sup>3</sup>

2.1.9. In the Scottish Borders, geography tends to dictate the nature of the business base rather than sectors, which are manifested in clusters rather than being dispersed over a wide geographical area.<sup>4</sup> The local business base consists of 5,050 businesses (2022). Of these businesses, 4,575 (90.6 per cent) are micro-businesses employing nine people or less. Across Scotland as a whole, 87.8 per cent of businesses are micro.<sup>5</sup>

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<sup>2</sup> National Records of Scotland.

<sup>3</sup> Skills Development Scotland, *Regional Skills Assessment, Scottish Borders*, March 2022.

2.1.10. Total industrial floorspace across the Scottish Borders amounts to some 2.82 million sq. ft. Vacancy rates for industrial floorspace is 5.2 per cent.<sup>6</sup> The share of employment in sectors that require industrial space, such as manufacturing, is greater than the Scottish average. However, rent levels in the region are below those required to incentivise the private sector to build new industrial space, which has created a market failure situation.

2.1.11. The Centre for Regional Economic Development, University of Cumbria, has identified the current business environment across the Borderlands as being the main constraint to economic growth in the area:

“[T]he business environment in the Borderlands continues to present many challenges including poor physical infrastructure, low quality digital connectivity, decline of working-age population, narrow range of skills, low productivity and low incomes.”<sup>7</sup>

2.1.12. Moreover, in 2019, a study commissioned by the Scottish Government, The Good Economy’s *Business-Led Inclusive Job Growth in the South of Scotland*, reported:

“The South of Scotland is particularly challenged in achieving business-led inclusive job growth. This evidence is known national and locally, providing the rationale for establishing SoSEP and the new Enterprise Agency. ...The South of Scotland’s unfavourable growth performance is mainly attributable to the region’s shrinking working age population and lack of business dynamism, specifically in the 1–19 employee, early-stage and scale-up business range. On the Inclusion side, resident earnings are relatively low even when compared to other rural areas of Scotland and Great Britain. Furthermore, the region has a weak skills profile and is short of graduate talent.”<sup>8</sup>

2.1.13. The economy in the Scottish Borders is particularly reliant on sectors such as agriculture and tourism, which tend to be less productive in terms of Gross Value Added (GVA). Using the most recently available data from 2020 for GVA per hour worked, it can be seen from Figure 2 that the Scottish Borders (£32.30) is performing poorly relative to most of the rest of Scotland.

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<sup>4</sup> University of Edinburgh, *Development Opportunities in the Scottish Borders: Evolving Data-Driven Innovation and the Entrepreneurial Ecosystem. Preliminary Analysis Report*, 2021.

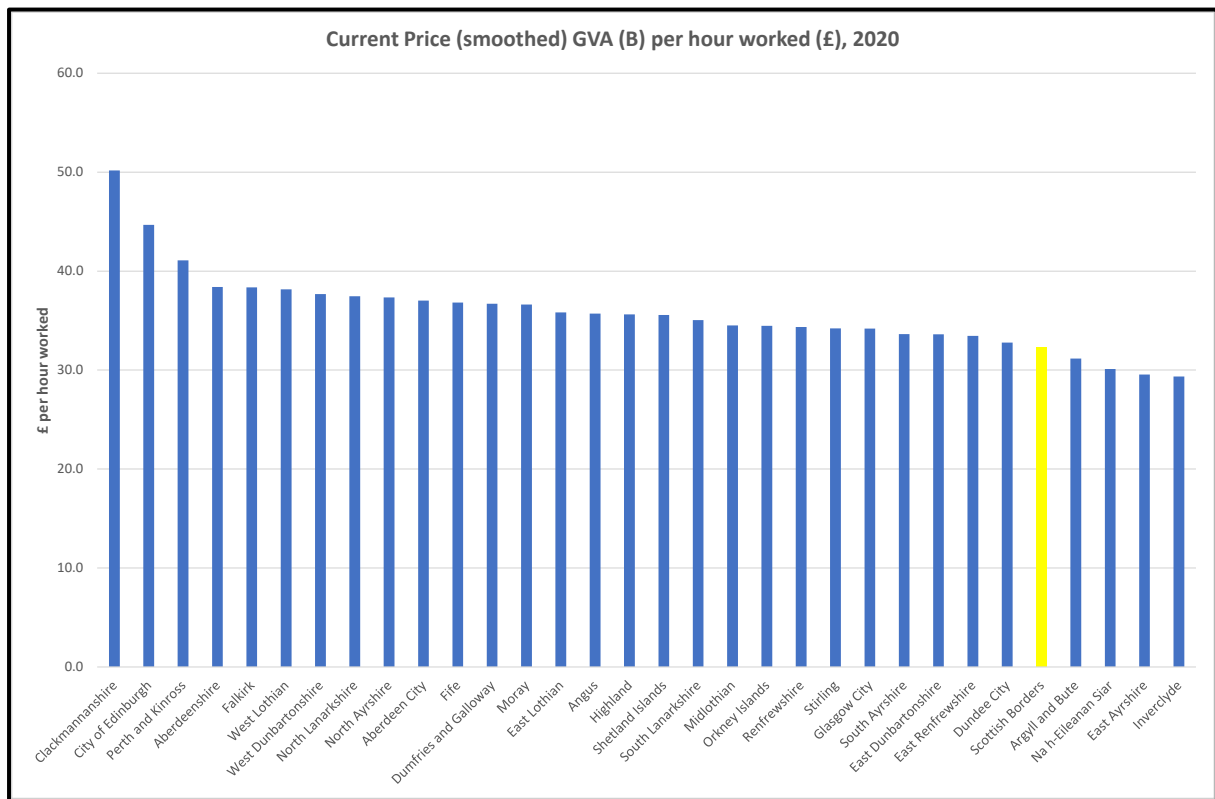
<sup>5</sup> NOMIS.

<sup>6</sup> Ryden report.

<sup>7</sup> Centre for Regional Economic Development, *Business Growth and Business Support in the Borderlands: Review of Evidence*.

<sup>8</sup> The Good Economy, *Business-Led Inclusive Job Growth in the South of Scotland*, June 2019.

**Figure 2: Productivity levels per hour worked by local authority, 2020**



Source: Office for National Statistics



- 2.1.14. The Covid-19 pandemic has exacerbated the economic problems facing the Scottish Borders. The Oxford Economics Vulnerability Index in 2020 assessed a local authority area's economic diversity, business environment and digital connectivity to gauge its resilience in relation to the economic shock caused by the pandemic. This analysis showed that the Scottish Borders was the third most vulnerable local economy in Scotland. The area was particularly vulnerable in the capability of digital connectivity, suggesting low broadband speeds and therefore more obstacles to working from home.
- 2.1.15. The Covid-19 pandemic resulted in a large increase in unemployment across the UK. In the Scottish Borders, the number of working age residents claiming Universal Credit as a result of being unemployed peaked at 3,835 or a rate of 5.7 per cent in July 2020. By October 2022, these numbers had fallen to 1,910 and 2.8 per cent respectively. In the Mid Berwickshire ward, which includes Coldstream, there were 145 working age residents (a rate of 2.4 per cent) claiming the benefit in October 2022.
- 2.1.16. With respect to business infrastructure, the current business property offer in the Scottish Borders is not economically viable. A previous South of Scotland property market baseline study undertaken by Ryden on behalf of Scottish Enterprise in March 2020 reported that a problem for all businesses in the region was access to business premises, particularly modern business premises.<sup>9</sup> The study analysed supply through a survey of properties on the market. It concluded that the largest proportion of properties were graded as being in satisfactory condition, "performing well but with minor problems that require repair and maintenance". However, where properties require substantial refurbishment, the study noted that the cost of such work would not be recovered through increased capital values meaning that the public sector would have to intervene to support re-investment in existing properties to support sustainable economic development. Shortfalls of between £8.25 and £35 per sq. ft. were quantified depending on the type of building that would house an industrial unit.
- 2.1.17. The Ryden study of 2020 also carried out a consultation to gauge the types of businesses that might be attracted to the area. It found that small and medium-sized businesses, particularly those offering high quality, service sector employment, were key. In order to attract such businesses, digital connectivity would need to be improved as would the provision of high quality, modern premises.

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<sup>9</sup> Ryden, *South of Scotland Property Study*, March 2020

- 2.1.18. Since March 2020, the impact of the Covid-19 pandemic has greatly affected the industrial property market. Ongoing price shocks caused by rising inflation hinders speculative development. Across the south of Scotland as a whole, the supply of industrial property has fallen by 25 per cent since the pandemic began. Ryden, in its study for South of Scotland Enterprise of August 2022, reported that although the current vacancy rate for industrial units of 8.9 per cent is healthy, the need to have a choice of units across many places means that the tightening of supply needs to be monitored closely. Ryden concluded that supply might already have reached a pinch-point with 52 per cent being units smaller than 5,000 sq. ft. compared with take-up of 72 per cent since 2015.<sup>10</sup>
- 2.1.19. Current stock is therefore inadequate given the area’s ambition to raise productivity levels. The construction of the Borders Innovation Park, which is part of the Edinburgh and South East Scotland City Region Deal, is helping to address this problem in the central Scottish Borders. However the region’s geography – a large area of over 4,732 sq. km. – consisting of numerous market towns and district centres – and with poor transport infrastructure linking the east of the region with the west – indicates that there is a need for more localised hubs, particularly in peripheral areas, that will link business and jobs growth with place-focused investment.
- 2.1.20. In policy terms, the increasing emphasis upon a wellbeing economy—which will be explained fuller in the Strategic Case—means that property markets are now being tailored to provide modern, flexible workspace in sustainable locations, with the aim to stimulate growth by attracting new businesses and supporting existing businesses to create well-paid jobs.
- 2.1.21. Place-focused investment promotes a shared understanding of Place and the need to take a more collaborative approach to a place’s services and assets to achieve better outcomes for people and communities. The Place Principle means that the benefits of planning, investment and implementation activity at the local level of place should be considered – where a local focus could drive a more inclusive approach to growth. Consequently, while investment at the Borders Innovation Park is aimed at establishing a hub of regional significance and impact, smaller scale interventions at carefully selected sites within the context of local Housing Market Areas (HMA’s) will help to stimulate inclusive growth at sub-regional level. Coldstream is one such site.
- 2.1.22. An independent economic impact appraisal of the programme was undertaken to verify the anticipated benefits of its constituent projects and to justify the value for money of the proposed interventions. The benefits for the Coldstream site are summarised below in figure 3.

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<sup>10</sup> Ryden report, 2022.

**Figure 3: Summary of Programme benefits**

Type of benefit	Quantifiable benefit
GVA (inc. carbon impact and exc. construction)	£2.9 million
Gross jobs (FTE)	9
Net additional jobs (FTE)	3
Benefit-to-Cost Ratio	2.1:1

*Source: Scottish Borders Council*

## 3. Strategic Case

### 3.1. Overview

3.1.1. This section describes the “case for change”, explaining the rationale for making the proposed investment and presenting evidence on the strategic policy fit of the project.

3.1.2. The Strategic Case establishes:

- The context for the business case, outlining the strategic aims at national, devolved, regional and local levels.
- The management of carbon for the project.
- The rationale for the proposed investment.
- The market context and the demand for industrial property in the Scottish Borders.
- How current market failure provides evidence to support the proposed intervention.
- A set of objectives to meet the project’s aims.
- Outputs and KPI’s for determining successful delivery of the objectives.
- Wider benefits.

### 3.2. National policy objectives

3.2.1. The UK Government released a White Paper on 2 February 2022, *Levelling Up the United Kingdom*, which sets out a number of missions to enable all citizens to have the same opportunities.<sup>11</sup> The priorities of these missions include employment and productivity, manufacturing, and attracting businesses to locations around the United Kingdom where economic activity and employment rates have been relatively low. A £4.8 billion Levelling Up Fund has been announced to expedite this policy and will provide capital investment for regeneration. This will enable some funding to be used for employment land and business space. Preference is given to bids from Category 1 areas, which are based on an Index of priority places, which has been developed by the UK Government using a range of economic and social criteria. The Scottish Borders is a Category 1 area.

3.2.2. The objectives of the Business Infrastructure Programme (Scotland) are also aligned with the UK Government’s Industrial Strategy (November 2017). This strategy articulates five foundations of productivity to transform the UK economy and boost productivity and earning power: Ideas; People; Infrastructure; Business Environment; and Place (Figure).<sup>12</sup>

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<sup>11</sup> <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

<sup>12</sup> HM Government: *Industrial Strategy: Building a Britain fit for the future*, November 2017.

**Figure 4: The alignment of the Business Infrastructure Programme (Scotland) with the UK's Industrial Strategy**

<b>UK Industrial Strategy Five Foundations</b>	<b>Description</b>	<b>Compatibility with the objectives of the Business Infrastructure Programme (Scotland)</b>
Ideas	The world's most innovative economy.	Creation of business space and wider investment to generate innovative ideas and products.
People	Good jobs and greater earning power for all.	Creation of new and higher value jobs.
Infrastructure	A major upgrade to the UK's infrastructure.	The area's business infrastructure will be modern and flexible.
Business Environment	The best place to start and grow a business.	Provision of space to aid start-up businesses.
Place	Prosperous communities across the UK.	Creation of economic activity that will foster inclusive growth.

*Source: Dumfries and Galloway and Scottish Borders Councils*

### 3.3. Devolved policy objectives

3.3.1. The Scottish Government's *National Strategy for Economic Transformation* (March 2022) is a ten-year strategy containing priorities and actions towards creating a wellbeing economy.<sup>13</sup> Delivering economic prosperity in the context of a green recovery from the Covid-19 pandemic and transition to a net zero economy, while improving business prospects, productivity and people's access to skilled, well-paid jobs will require business infrastructure that will include employment land and premises for start-up businesses and for established businesses to expand and grow.

3.3.2. The project is also aligned to Scotland's *National Performance Framework*,<sup>14</sup> which aspires to:

- Having a globally competitive, entrepreneurial, inclusive and sustainable economy.
- Tackling poverty through sharing opportunities, wealth, and power more equally.
- Having thriving and innovative businesses, with quality jobs and fair work for everyone.

3.3.3. The *National Performance Framework* was extended in 2021 to include economic capital, which will include the range of potential impacts and outcomes delivered by employment land and premises, including long-term economic sustainability

3.3.4. National Planning Framework 4 (NPF4) was adopted by Scottish Ministers in February 2023. The project at Coldstream is aligned with Policy 26 of NPF4: "Development proposals for business and industry uses on sites allocated for those uses in the LDP will be supported."<sup>15</sup>

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<sup>13</sup> <https://www.gov.scot/publications/scotland-national-strategy-economic-transformation-evidence-paper/>

<sup>14</sup> <https://nationalperformance.gov.scot/>

<sup>15</sup> <https://www.gov.scot/publications/national-planning-framework-4/pages/3/>

### 3.4. Regional policy objectives

3.4.1. *The Regional Economic Strategy for the South of Scotland* of 2021 is a ten-year strategy that seeks to maximise the economic opportunities in the South of Scotland, whilst taking account of its key challenges.<sup>16</sup> It was developed by the South of Scotland Regional Economic Partnership, which comprises members from Scottish Borders Council, Dumfries and Galloway Council and South of Scotland Enterprise, together with appointed members from businesses, communities, social enterprises, registered social landlords, and representatives from colleges, universities and public bodies. The latter include the Scottish Funding Council, Skills Development Scotland, Scottish Enterprise, and Visit Scotland.

3.4.2. The vision of the Regional Economic Strategy recognises the unique strengths of the South of Scotland in relation to its natural capital, the quality of its communities and cultural identity and aims to increase the working population and attract visitors to the region. Inclusivity, sustainability, innovation and creativity, and making the most of everyone's potential were key elements in influencing the Regional Economic Strategy's vision and its priority themes.

3.4.3. The Regional Economic Strategy's six priority themes are:

- Skilled and Ambitious People.
- Innovative and Enterprising.
- Rewarding and Fair Work.
- Cultural and Creative Excellence.
- Green and Sustainable Economy.
- Thriving and Distinct Communities.

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<sup>16</sup> South of Scotland Regional Economic Partnership, *The Regional Economic Strategy for the South of Scotland*, September 2021.

- 3.4.4. These priority themes provide the ambition and intent for a three-year delivery plan, *South of Scotland RES Delivery Plan 2022-2025*, comprising actions by South of Scotland Regional Economic Partnership partner organisations and others based on the priorities identified under each theme. A number of performance targets through which progress will be measured from a baseline position have been established. The delivery plan is to be updated annually.
- 3.4.5. This project is part of a wider strand of proposed investment in business infrastructure activity under the Borderlands Inclusive Growth Deal and, in this respect, Scottish Borders Council will work closely with the other local authorities. It will also benefit from other Borderlands Inclusive Growth Deal programmes and projects, particularly:
- *The Borderlands Skills and Learning Network*. By providing appropriate modern business accommodation, the Business Infrastructure Programme (Scotland) will stimulate new employment and skills opportunities.
  - *The Digital Borderlands programme*, which complements the intention to ensure that premises developed under the Business Infrastructure Programme (Scotland) will have excellent digital connectivity.
- 3.4.6. The project also supports the Inclusive Growth imperative of the Borderlands Inclusive Growth Deal. It will seek to address the acute challenges that areas across the South of Scotland face in delivering employment and business growth. These challenges are attributable in part to low rates of business growth and start-ups, with access to appropriate business support and accommodation acting as a major barrier.
- 3.4.7. The project is one of the strategic development projects identified in the South of Scotland indicative Regional Spatial Strategy (iRSS), which was submitted to the Scottish Government in April 2021 and was produced in order to help inform the preparation of the National Planning Framework (NPF) 4. The new duty to produce a full Regional Spatial Strategy will be enacted with the publication of statutory guidance, which the Scottish Government anticipates will be in place in late 2022.

### **3.5. Local policy objectives**

- 3.5.1. The *Scottish Borders Economic Strategy 2023* sets out a strategic approach to the development of a prosperous economy. Objectives directly relevant to this project are:
- “To ensure that new land and premises are developed to allow businesses to grow and relocate.”
  - “To encourage and support new business start-ups, and the growth of existing businesses.”
  - “To attract new businesses to the Scottish Borders.”



### **3.6. Carbon Management**

- 3.6.1. Providing new, modern, low/zero carbon industrial stock is key to maximising business efficiency and therefore attracting ambitious indigenous businesses and inward investors to the area. It is intended that the new site will meet or exceed current building regulations and legislation in line with the climate change objective for the Borderlands Infrastructure Scotland Programme to support a low carbon economy and will go beyond these standards to meet the requirements of Net Zero by 2045. The *Scottish Borders Council Climate Change Route Map* proposes that 75 per cent of the work required to make this target should be achieved by 2032.
- 3.6.2. These ambitious local standards require the activities and project emissions to be zero carbon or low carbon as standard. Further discussion will take place with the design team once procurement is underway to ascertain the best possible zero/low carbon technologies to be utilised on the site for power and heating. Any plans to go beyond the limits imposed by current regulations and legislation will be developed in due course, including updates to the Local Development Plans and Carbon Management Plans. For example, from 2024, it is expected that non-domestic buildings should have no direct emissions. In this case, there will need to be a clear plan put in place to retrofit the buildings with zero/low carbon energy systems.
- 3.6.3. The project has initially been categorised 4B for its Carbon Emissions Impact according to the Scottish City and Growth Deal Carbon Guidance Control and Influence (A-C). It is intended that as the project matures, this category will change to 3B. It should be noted that when the site is operational, there will be road travel to and from it, but this will create a negligible change overall as such activity could be taking place elsewhere.

### **3.7. Rationale – The need to invest**

- 3.7.1. The fundamental issue driving the Business Infrastructure Scotland programme is that there is industrial property market failure in the South of Scotland that is constraining business activity and undermining efforts to secure inclusive, place-based, economic growth. The proposed response reflects a requirement for investment by the public sector to stimulate the market by providing speculative industrial property and immediately available serviced land, with a particular emphasis on linking this with supporting resilience and growth in the selected location of Coldstream. This approach will act as a catalyst to the process of overhauling the current supply and market reliance on low value stock, which is becoming increasingly obsolescent in physical, functional and environmental terms, by providing high quality premises at a key location that will allow for a more competitive business environment, the building of local economic resilience, and generating inclusive growth.

- 3.7.2. As with many rural economies, the Scottish Borders faces the challenge presented by market failure caused by a combination of dispersed business activity across geographically remote locations, poor infrastructure, and obsolescence. Investing in new industrial space in strategic locations within the region will therefore create the conditions that can allow business innovation to occur more easily and allow innovative businesses to grow, diversifying and future proofing the economic base at the local level.
- 3.7.3. As alluded to above, the Scottish Borders is vulnerable to the current economic environment given its relatively poor connectivity, particularly digital connectivity, greater number of small businesses as a proportion of the business base, dispersed communities, and higher levels of self-employment. However, there has been a latent market for smaller and medium-sized business units that pre-existed the Covid-19 pandemic, particularly for affordable space that is modern and up-to-date with a need for high quality digital connectivity, strong energy efficiency measures, and accessibility to town centres. There have been encouraging expressions of interest in the business incubator space that will be developed as part of another Borderlands Inclusive Growth Deal project, the Mountain Bike Innovation Centre at Innerleithen in the Scottish Borders. Moreover, occupancy rates of business property let by Scottish Borders Council have not declined since the start of the Covid-19 pandemic in March 2020.
- 3.7.4. Public sector intervention of the kind represented by this project is now more important than ever given the current economic climate. It is imperative that there is a return on the investment in this project that is maximised to meet the objectives of the Borderlands Inclusive Growth Deal. There are opportunities that can be exploited given that the Covid-19 pandemic has highlighted the attractions of living and working in a high quality rural area, with attractive market towns, well performing schools, and good quality housing. However, these attractions will continue to be elusive to many of those currently excluded from the labour market and to businesses that are currently unable to maximise productive potential unless the type of market failure that has resulted in the need for the Business Infrastructure Programme (Scotland) is addressed.

### **3.8. Market context and responding to demand**

- 3.8.1. The employment land audit carried out by Scottish Borders Council in 2021 shows the total available business and industrial land at that time (Figures 5a and 5b).

**Figure 5a: Summary of employment land supply in the Scottish Borders, 2021**

<b>Status of Land</b>	<b>Area (hectares)</b>
Immediately available	41.1
1-5 years	45.2
Beyond 5 years	11.0
Under construction	1.4
<b>Total</b>	<b>98.7</b>

*Source: Scottish Borders Council Employment Land Audit 2021*

Figure 5b: Availability of employment land supply by Housing Market Area, 2021

HMA	Area	Immediate	1-5 yrs	Beyond 5 yrs	Under Construction	Total
Berwickshire	Chirnside	0.7	0	0	0	0.7
	Coldstream	7.2	0.1	0	0	7.4*
	Duns	4.2	1.5	0	0	5.7
	Eyemouth	7.9	0	1.9	0	9.8
	Greenlaw	0	0.6	0	0	0.6
	<b>Berwickshire</b>		<b>20</b>	<b>2.3*</b>	<b>1.9</b>	<b>0</b>
Central	Earlston	0	4.6	0.2	0	4.8
	Galashiels	0.4	0	2.6	0.2	3.3*
	Hawick	0.7	7	5	0.2	12.9
	Jedburgh	1.2	4.9	1.3	0.0	7.5*
	Kelso	1.8	3.2	0	0	5
	Morebattle	0	0.6	0	0	0.6
	Newtown St Boswells	0	12.8	0	0	12.8
	Selkirk	1.7	2.5	0	0	4.2
	St Boswells (Charlesfield)	10.7	4	0	0	14.8*
	Tweedbank	2.2	1.8	0	1	5
	<b>Central</b>		<b>18.7</b>	<b>41.5*</b>	<b>9.1</b>	<b>1.4</b>
Northern	Innerleithen	0.4	0	0	0	0.4
	Lauder	2	0	0	0	2
	Peebles	0	0.7	0	0	0.7
	West Linton	0	0.7	0	0	0.7
	<b>Northern</b>		<b>2.4</b>	<b>1.4</b>	<b>0</b>	<b>0</b>
Southern	Area Total	0	0	0	0	0
Scottish Borders	<b>Total</b>	<b>41.1</b>	<b>45.2</b>	<b>11</b>	<b>1.4</b>	<b>98.6</b>

\* denotes figures do not add up owing to rounding.

Source: Scottish Borders Employment Land Audit 2021

- 3.8.2. Of the total employment land in the Scottish Borders, which consists of 66 sites, some 42 per cent was immediately available, i.e. sites serviced (fully or partially) with no constraints to prevent development, with another 46 per cent being available within five years. However, these figures paint an overly optimistic picture of the situation as there is a limited take-up of sites by the private sector. In 2020-21, take-up of employment land in the Scottish Borders was only 0.55 ha, which consisted of three sites. This figure was down on 2019-20 when 3.23 ha was taken up, although this was prior to the Covid-19 pandemic. Moreover, of the 30 sites immediately available, the majority are less than one ha. in size, with only three sites exceeding five ha. in size.
- 3.8.3. When the high-level data is disaggregated to a local level, it can be seen that Berwickshire HMA, which includes Coldstream, has 20 ha. of immediately available employment land, which is almost 49 per cent of all immediately available employment land in the Scottish Borders.
- 3.8.4. There are 27 industrial estates located in the Scottish Borders. Of these, 15 are owned or part-owned by Scottish Borders Council. The remainder are owned by a mixture of owner-occupiers and private investors. The largest industrial estates are Tweedbank Industrial Estate (22,718 sq. m.), which changed ownership in 2018-19, Bankend Industrial Estate, Jedburgh (12,580 sq. m.), and Pinnaclehill Industrial Estate, Kelso (12,143 sq. m.).
- 3.8.5. According to analysis carried out by Ryden in March 2022, industrial stock in the Scottish Borders for sale or rent consisted of 18 units, which totalled 222,443 sq. ft. in area. Of these, 65 per cent of space was in properties that exceeded 30,000 sq. ft. in area (Figure 6).

**Figure 6: Industrial Stock in the Scottish Borders, March 2022**

Size band (sq. ft.)	Number of properties	Area (sq. ft.)
0-999	2	699
1,000-4,999	6	18,749
5,000-9,999	6	46,217
10,000-29,999	1	11,844
30,000+	3	144,934
<b>Total</b>	<b>18</b>	<b>222,443</b>

Source: Ryden

### 3.9. Demand for industrial property in the Scottish Borders

3.9.1. The experience derived from the initial phase of the Borders Innovation Park where tenants and owner-occupiers were identified for the buildings to be constructed (amounting to 7,696 sq. m of mainly office and some industrial space) suggested that demand existed when a supply of new, quality business space was made available. However, the experience of the Covid-19 pandemic and the modal shift to hybrid working patterns makes it more difficult to support this conclusion, certainly with regard to office space.

3.9.2. The experience of the “build it and they will come” principle has been mirrored elsewhere in the Scottish Borders. For example, in 2019, four new industrial units covering an area of 456 sq. m. became available at Galalaw Business Park in Hawick and these were immediately let to businesses. These were the first new units that Scottish Borders Council had built in some 50 years. This experience illustrates the need for public sector intervention because of a lack of private sector investment in business space in the area. The aftermath of the Covid-19 pandemic only reinforces this need.

3.9.3. Scottish Borders Council does not currently do much marketing for its industrial and commercial properties as it has an occupancy rate of 88 per cent (Figure 7), which is close to saturation point, and there are waiting lists in many areas. Enquiries are mainly generated by the availability of premises listed on the Council’s website.

**Figure 7: Occupancy rates of Scottish Borders Council industrial and commercial properties, January-March 2023**

<b>Locality</b>	<b>Occupancy rate</b>
Berwickshire	<b>78 per cent</b>
Cheviot	<b>89 per cent</b>
Eildon	<b>93 per cent</b>
Teviotdale & Liddesdale	<b>85 per cent</b>
Tweeddale	<b>97 per cent</b>
<b>Overall</b>	<b>88 per cent</b>

*Source: Scottish Borders Council*

3.9.4. Figure 8 gives an indication of the demand for various sizes of industrial property within the Scottish Borders based on the period from 2015 to 2022. It shows that 58 per cent of properties sold or let for employment use had an area between 1,000 and 4,999 sq. ft. A further 28 per cent of properties had an area between 5,000 and 29,999 sq. ft. (These figures omit properties sold for redevelopment.)

**Figure 8: Industrial take-up in the Scottish Borders, 2015-2022**

Size band (sq. ft.)	Number of properties	Area (sq. ft.)
0-999	17	11,679
1,000-4,999	70	167,718
5,000-9,999	24	160,717
10,000-29,999	9	167,433
30,000+	0	0
<b>Total</b>	<b>120</b>	<b>507,547</b>

Source: Ryden

3.9.5. Analysis carried out by Ryden of recent industrial transactions in the Scottish Borders (Figure 9) shows that rents between £2 and £6.95 per sq. ft. were agreed. These rates compare favourably with those in the central belt and parts of Northumberland and Cumbria. Rents in the neighbouring town of Berwick-upon-Tweed, Northumberland, for example, are £6 per sq. ft. while rents for industrial property in Midlothian are typically £9 per sq. ft. The length of the leases involved varies between one and ten years.

**Figure 9: Recent industrial transactions in the Scottish Borders**

Address	Size (sq ft)	Details
Unit 3, Tweedside Park, Galashiels	7,740	Let in March 2022 at £4.20 per sq.ft.
Caerlee Mill, Innerleithen	17,932	Purchased by South of Scotland Enterprise in October 2021. To be converted into the Mountain Bike Innovation Centre, which is part of a Borderlands Inclusive Growth Deal project.

Pinnaclehill Industrial Estate, Kelso	13,808	Let in October 2021.
10 Commerce Road, Hawick	5,551	Let in September 2021 at £2 per sq ft.
Unit 1, Block 10 Tweedbank, Galashiels	3,737	Let in August 2021 to Scottish Ministers/ NHS Borders on a 5-year lease.
Unit 2a, Hawick Trade Park, Hawick	3,175	Let in August 2021 to motor trade business on a 5-year lease at £5.50 per sq.ft.
Unit 1A, Gibson Buildings, Level Crossing Road, Selkirk	5,865	Let in June 2021.
Unit G, Pinnaclehill Industrial Estate, Kelso	2,893	Let in April 2021 at £3.15 per sq.ft.
Charlesfield Industrial Estate, St Boswells	7,043	Let in April 2021
Pinnaclehill Industrial Estate, Kelso	3,864	Let in December 2020 at £6.50 per sq.ft.
Unit 1-2 Netherdale Industrial Estate, Galashiels	3,631	Let in March 2020 at £6.95 per sq.ft.
Netherdale, Galashiels	6,776	Let in February 2020 at £3.02 per sq.ft.
Unit F, Pinnaclehill Industrial Estate, Kelso	1,652	Let in February 2020 at £3.15 per sq.ft.

Source: Ryden

### 3.10. Market failure

3.10.1. The concept of market failure is fundamental to the need for the Business Infrastructure Programme (Scotland). It will address three core market failures:

- **Positive externalities.** Private investors (including developers, businesses and banks) are likely to value the benefits of sector growth and area regeneration in a different way to the public sector. They may be unwilling to take higher risks or bear the extra cost of developing specific sites, premises and sectors regarded by the public sector as key economic development priorities. This can lead to under-investment and a case for public resources to unlock economic development benefits (including employment, skills, clustering, site decontamination, vacancy, and wider regeneration).
- **Imperfect information.** The private sector may not be fully aware of the risks and potential returns of investment opportunities in an area. This could give rise to perceptions of the area as being one of high risk and low opportunity, in turn reflected in investors' propensity not to seek to invest.

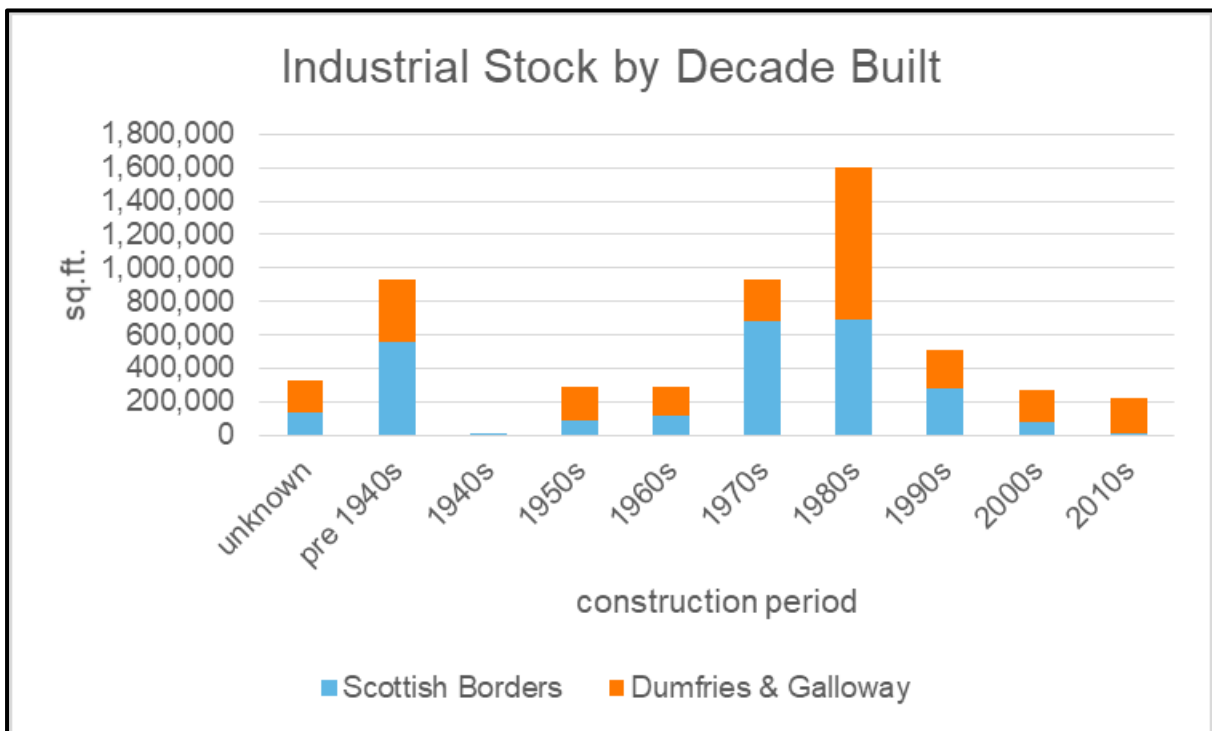


- **Co-ordination failure.** The time, cost and complexity involved in ownership and management of larger sites will not readily be borne by the private sector, providing a role for the public sector to facilitate investment.

3.10.2. As a rural economy with dispersed, relatively small centres of population, the Scottish Borders is constrained by poor infrastructure and remoteness compared to the more urbanised economies of the central belt. Over time, the difficulties in creating a critical mass to stimulate the market has led to market failure resulting in a lack of supply of modern business premises and the increasing obsolescence of existing stock.

3.10.3. Figure 10 shows that over half (52 per cent) of the industrial floorspace in the Scottish Borders dates from the 1970's and 1980's. In 2020, Ryden carried out an analysis of the condition of industrial property supply in the South of Scotland. In summary, it showed that of 49 properties assessed, only 25 were categorised as being in satisfactory condition. The report suggested that the main cause of this situation was the prohibitive costs to the market of the maintenance and renovation of aged stock.

**Figure 10: Age profile of industrial stock in the South of Scotland**



Source: Ryden

- 3.10.4. Given their age, few of these buildings will have been refurbished to standards introduced by the Scottish building regulations of 2002 let alone be in a condition to meet the requirements of the switch to a low carbon economy. Moreover, the April 2016 reduction in vacant property rates relief from 100 per cent to 10 per cent after six months means that an older industrial building of over 1,000 sq. m. is liable to an annual rates bill of around £18,000.
- 3.10.5. There is a vacuum in the market with the private sector unable to invest in essential infrastructure and develop modern business space because of the relative costs of development compared to rental and capital values. Public funds can be provided to address the resulting commercial viability gap where it will lead to a more equitable distribution of economic opportunity and growth.

### **3.11. Our objectives**

- 3.11.1. The Business Infrastructure Programme (Scotland) aims to unlock potential in line with the general policy rationale for City Region and Growth Deals. It will capitalise on the core opportunities highlighted in the Borderlands Inclusive Growth Deal. It will assist in developing a future-proofed knowledge-based rural economy through ensuring that new and existing knowledge-based businesses have access to modern, flexible accommodation and the space to expand and invest.
- 3.11.2. The ability of towns and businesses in the South of Scotland to establish themselves in growing markets has been constrained by a lack of investment in business sites and infrastructure. The programme will help in strengthening trade across borders through developing key clusters of business activity across the area and positioning towns and strategic business sites as key trading nodes. By providing modern business sites and premises, the programme will encourage new businesses with international market reach to locate in the area. The programme will also target and support smaller businesses to invest in scaling up productivity and capacity to serve export markets.
- 3.11.3. The programme is key in developing an offer to the world. It will provide a clear indication, nationally and internationally, that the South of Scotland is a place where businesses are able to grow within attractive modern premises.

### **3.12. Investment objectives**

- 3.12.1. Investment objectives for the Business Infrastructure Programme (Scotland) have been agreed by Dumfries and Galloway and Scottish Borders Councils. The project at Coldstream will assist in meeting these. Figure 11 illustrates the proposed investment objectives.

**Figure 11: Proposed Investment Objectives**

INVESTMENT OBJECTIVES	EXISTING ARRANGEMENTS	BUSINESS NEED
<p><b>Through this programme our investment objectives are to:</b></p>	<p><b>What is currently happening/ the status quo:</b></p>	<p><b>To tackle the problems with the status quo, we need:</b></p>
<p><b>Objective 1: Create Critical Mass &amp; A Dynamic Business Environment:</b> Provide high quality business space in strategic locations that provide clusters of business activity and establish towns as key trading nodes with a dynamic business environment.</p>	<p>The rurality of the South of Scotland has resulted in dispersed supply and low critical mass of business space, and this constrains business activity and growth.</p> <p>Dispersed supply together with the perception of being on the periphery undermines the competitiveness of the South of Scotland as a business location despite its proximity to markets in the Central Belt and northern England.</p> <p>Diseconomies of scale associated with providing high quality modern industrial space in rural and remote rural locations in the South of Scotland acts as a barrier to investment.</p>	<p>To cluster business space at key locations in the South of Scotland – particularly where there is a high degree of connectivity with transport and broadband infrastructure - and use this clustering to support towns as business and employment locations.</p>
<p><b>Objective 2: Improve Site Uptake:</b> Increase the uptake of the area’s allocated employment land by growth businesses/inward investors</p>	<p>Co-ordination failure by the private sector to unlock constrained sites prevents the South of Scotland offering business locations to meet the demand by growth businesses and inward investors.</p>	<p>An increase in the number of effective sites for business and industrial use in the South of Scotland.</p>
<p><b>Objective 3: Develop the Quality of the Supply of Investment Property:</b></p>	<p>The quality of the available supply of modern, energy efficient, high quality accommodation is rapidly reducing owing to increasing obsolescence and low replacement rates.</p> <p>Rents for this stock are low and are depressing the investment market for business space.</p>	<p>The provision of new supply of high quality business space for rent to meet demand.</p> <p>New, high quality stock with higher investment yields that will strengthen the investment market and will attract private sector investment into the supply side across the South of Scotland.</p> <p>New, high quality stock with higher yields that attract investment into improving the quality of the existing supply in order to remain competitive.</p>

### 3.13. Outputs and Key Performance Indicators

3.13.1. To sum up, the Business Infrastructure Programme (Scotland) is a programme that is being tailored to meet the strategic opportunities presented by the Borderlands Inclusive Growth Deal:

- **Developing a future-proofed knowledge-based rural economy:** The creation of new, fit-for-purpose business space will be configured to the digital connectivity requirements of such an economy.
- **Strengthening trade across borders:** Opportunities will be available for businesses to have a base in a geographical location that is ideally placed between the large markets of northern England and the central belt of Scotland.
- **Developing our offer to the world:** State of the art business space in an attractive rural location will be attractive to inward investors who, in a post-pandemic environment, may be looking to locate outside urban centres.

3.13.2. The Coldstream project will achieve the following outputs:

- 333 sq. m. of business floorspace constructed for owner occupation.

This will lead to the following outcomes:

- Nine gross jobs (FTE)
- Three net additional jobs (FTE) created.
- £2.9 million estimated additional GVA (inc. carbon impact and exc. construction) generated.

### 3.14. Wider Benefits

3.14.1. There will also be wider benefits from the programme, including:

- Contributing to the low carbon economy.
- Contributing to Inclusive Growth, tackling low wages and rural poverty.
- Creating an industrial property market and stimulating greater levels of investment.
- Increasing opportunities for higher value skills employment.
- Attracting those in the working age population.

### **3.15. Inclusive Growth Assessment**

- 3.15.1. The Business Infrastructure Scotland Programme aims to address the challenge to create inclusive growth as stated in the objectives of the Borderlands Inclusive Growth Deal by encouraging a fair and inclusive jobs market through a number of initiatives such as Fair Work and the Living Wage. Community benefits will also be used, where appropriate, in procurement processes.
- 3.15.2. Business Infrastructure Scotland will help accelerate Inclusive Growth across the region as it delivers a programme of site servicing and construction. Each site is not a stand-alone project, but part of a wider programme, which will increase the supply of a diverse range of serviced employment land and modern business premises. The projected intervention will create employment for local people within the region and will be accessible to those with protected characteristics.
- 3.15.3. An Integrated Impact Assessment (IIA) has been completed for the Coldstream project, and this highlighted no negative impacts on any of the protected characteristics within the general duties under the Equalities Act 2010. The full Integrated Impact Assessment is at Appendix 4.

## 4. Economic Case

### 4.1. Overview

4.1.1. This section identifies the key economic impacts of the project and presents an assessment of its overall value for money. This effectively shows the extent to which the project's benefits outweigh its costs. The economic impacts of the project have been appraised following the principles contained within HM Treasury's Green Book guidance.

4.1.2. This section contains the following elements:

- An overview of the project's Options Appraisal, including the Critical Success Factors identified for the overall programme.
- A value for money assessment of the preferred option.
- Sensitivity analysis.
- Potential risks to achieving value for money.
- A description of the anticipated economic impacts from the project.

## 4.2. Options Appraisal

4.2.1. The Business Infrastructure Programme (Scotland) will support the delivery of new business infrastructure across the Scottish Borders and Dumfries and Galloway thereby contributing to addressing the challenges that the Borderlands Inclusive Growth Deal is designed to overcome. The Outline Business Case developed Seven Critical Success Factors (CSF's):

- CSF 1: strategic fit with Borderlands Partnership objectives (narrowing productivity gap, inclusive growth and increasing working age population).
- CSF 2: responding to local demand for business accommodation.
- CSF 3: delivering against local sector and growth objectives.
- CSF 4: tackling market failure to attract private sector investment.
- CSF 5: ability to finance from available funds.
- CSF 6: achievability within the programme envelope.
- CSF 7: ability to optimise social value and advance inclusive growth in terms of potential costs, benefits and risks.

4.2.2. The OBC also identified three potential options, all of which included the build-out of vacant employment land at Coldstream. (Please note that the costs are those calculated at the time of the OBC):

- Option 1 – a total public sector investment of £12.2 million including £8 million from the Borderlands Inclusive Growth Deal for site build-out on Coldstream Business Park, full site servicing on Hawick (5ha) and a phase 1 of site servicing on Annan (3.04ha), Castle Douglas and Newton Stewart.
- Option 2 - a total public sector investment of £13.4 million including £8 million from the Borderlands Inclusive Growth Deal for site build-out on Coldstream Business Park, full site servicing on Hawick, a smaller scale of site servicing on Annan (1.89ha), phase 1 site servicing and build-out on Castle Douglas (0.96 ha) and Newton Stewart (0.85ha).
- Option 3 – a total public sector investment of £15.1 million including £8 million from the Borderlands Inclusive Growth Deal for site build-out on Coldstream Business Park, full site servicing on Hawick, phase 1 of site servicing on Annan, phase 1 site servicing and build-out on Castle Douglas and Newton Stewart.

4.2.3. The preferred option (Option 2) that is being taken forward best fits the objectives for the wider Business Infrastructure Programme (Scotland), including the Coldstream site. In addition to the projects at Coldstream and Hawick, this option includes three projects in Dumfries and Galloway:

- Annan Business Park - site acquisition and site servicing of 1.89 ha. to include 12 serviced plots at a total public sector cost of £2,811,555 including £1.5 million from the Borderlands Inclusive Growth Deal.
- Castle Douglas - site acquisition and site servicing of a Phase 1 and build-out of premises providing 930 sq. m. of industrial space across five units at a total public sector cost of £3,925,546 including £2.05 million from the Borderlands Inclusive Growth Deal.
- Newton Stewart - site acquisition and site servicing of a Phase 1 and build-out providing 765 sq. m. of industrial space at a total public sector cost of £3,026,005 including £1.45 million from the Borderlands Inclusive Growth Deal.

4.2.4. The preferred option allows Scottish Borders and Dumfries and Galloway to benefit from serviceable sites coming forward as well as build-out of specific premises on a number of smaller sites such as Coldstream to ensure greater certainty around the realisation of jobs and GVA through direct provision of high quality and energy efficient business space.

### 4.3. Value for money assessment

4.3.1. Value for money calculations for the preferred option assess costs per one unit of benefits achieved (i.e. cost per one FTE job or per one pound generated in the economy), net present value (NPV) of cash flows, and provides a benefit/cost ratio (BCR). The BCR is compared across all options in the sensitivity analysis.

4.3.2. The total public sector capital costs associated with the investment to unlock business infrastructure at Coldstream are outlined in Figure 12 below.

**Figure 12: Value for money assessment**

<b>GVA impact and jobs impact</b>	
NPV of Direct GVA (inc. carbon impact and exc. construction)	£2.9 million
Gross jobs (FTE)	9
Net additional jobs (FTE) impact	3
BCR	2.1:1

Source: Scottish Borders Council



4.3.3. In addition to the jobs set out above, demand for temporary construction jobs will be generated during the construction phase. Temporary construction benefits are not factored into the value for money assessment but are a wider benefit that may also bring about local employment, procurement and training opportunities. A displacement rate of 50 per cent was assumed in the economic model.

4.3.4. Following the BCR assessment, the Preferred Option would generate a BCR of 2.1:1 and although this represents medium value for money, it needs to be viewed within the context of the programme as a whole, which has a BCR of 3.8:1 that represents very good value for money.

4.3.5. More detail about the economic appraisal is provided in Appendix 1. In summary, the economic appraisal found:

- A total economic cost (optimism bias included and discounted) of £1.76 million.
- Additionality adjustments/factors used to calculate the BCR, providing justifications/the evidence for using these adjustments...
- The total economic benefit was calculated by using BEIS GVA per manufacturing job data as shown in Appendix 1.
- The lifetime period of the project ends at 2040-41.

## 4.4. Sensitivity Analysis

4.4.1. To assess the robustness of the value for money assessment, the preferred option has been subject to sensitivity testing by adjusting key variables that drive direct and indirect benefits.

4.4.2. In line with the sensitivity testing undertaken at the OBC stage, the individual sites within the programme have been sensitivity tested by making adjustments to the following variables, each of which drive project costs and economic effects:

- Test 1: The timing and quality of jobs created through the programme on sites that are being serviced is at higher risk of being delivered than on sites that include build-out of specific premises. A risk factor of 50 per cent has been applied to jobs on sites that are site servicing only.
- Test 2: Indirect and induced job creation (multiplier effects) have been removed from the appraisal.
- Test 3: Deadweight has been increased to 50 per cent across all projects.
- Test 4: Total costs have increased by 20 per cent, with 44 per cent Optimism Bias incorporated.

4.4.3. The results of this sensitivity testing for the Coldstream site are set out below in Figure 13. The results demonstrate that when looking at the adjusted impacts, Coldstream falls into a “low” value for money category under tests 2-4.

**Figure 13: Summary of Site Specific Sensitivity Testing for Coldstream**

	Test 1	Test 2	Test 3	Test 4	Preferred option
<b>Coldstream</b>	n/a	1.8	1.4	1.7	2.1

*Source: Scottish Borders Council*

## 4.5. Value for money risks

4.5.1. There are two major risks that could potentially impact on the value for money of the project:

- **Lower underlying demand.** This is a risk as it is difficult to determine the levels of demand for the anticipated space across the lifetime of the programme given the unpredictability of future economic conditions.
- **Higher costs** resulting from an underestimation of capital costs or an increase in the future costs of servicing and construction owing to macro-economic conditions. Price volatility created by inflationary conditions has already been apparent in the period between the approval of the OBC and the production of this FBC.

4.5.2. These risks have been included within the Project Risk Register, which is in Appendix 2 of this FBC, and will be monitored as the project proceeds.

## 4.6. Carbon Management

4.6.1. The whole life Carbon Emissions Impact associated with the project, including embodied carbon from construction, has been estimated in tonnes of CO<sub>2</sub> emissions (CO<sub>2</sub>e) over the economic appraisal period. Using the BEIS carbon values, it is estimated that carbon emissions will amount to 323 tonnes CO<sub>2</sub>e, which is quantified as having a cost of £96,903. This cost has been considered in the cost/benefit calculations described in the value for money assessment above and reduces the BCR from 2.1:1 to 2.0:1. Further detail of the Carbon Emissions Impact is provided in Figure 14.

**Figure 14: Carbon Emissions Impact**

Measurement	Value
Floor area (sq. m.)	333
Assumed kgCO <sub>2</sub> e/sq. m. <sup>17</sup>	970
Net whole life carbon across economic appraisal period (tonnes CO <sub>2</sub> )	323
Average BEIS carbon value (£)	300
Economic cost of carbon over economic appraisal period (£)	96,903
BCR (exc. carbon emissions impact)	2.1:1
BCR (inc. carbon emissions impact)	2.0:1

<sup>17</sup> Assumption is based on the RIBA 2030 Climate Challenge metric (2025 target).

*Source: Scottish Borders Council*

4.6.2. The project is unable to expedite a fully electric solution at its outset, but this will be considered as a retrofit option as the project matures beyond the first 12 months of the operation of the site.

#### **4.7. Economic Impacts**

4.7.1. Beyond the direct and indirect impacts modelled above, it is anticipated that the project will help to deliver a wider range of benefits for businesses and residents across the Scottish Borders. Whilst these cannot be factored into a value for money assessment, they highlight the depth of added value likely to be achieved:

- Stimulating the industrial property market through greater levels of investment.
- Contributing to a low carbon economy and savings in CO2 emissions on premises that are built-out to high energy efficiency standards.
- Contributing to inclusive growth and generating local employment opportunities for disadvantaged, young and long-term unemployed. Census data indicates that workplaces in the Scottish Borders tend to draw labour from a local catchment with 30 per cent of workers residing within 5km of their workplaces and an above average proportion residing within 2km of their workplace.
- Increasing the provision of business space available to business start-ups and local SME's.
- Increasing opportunities for higher value skills employment.
- Creation of temporary construction jobs and the potential to generate apprenticeship opportunities.

## 5. Financial Case

### 5.1. Overview

5.1.1. This section presents evidence of affordability across the life of the project. It also includes information on the drawdown of Borderlands Inclusive Growth Deal funding.

### 5.2. Project costs

5.2.1. The project will cost £1,201,268. This cost has increased by 39 per cent since the OBC, mainly owing to inflation in the cost of construction materials, and was verified by Scottish Borders Council's cost consultants in February 2023. A contingency of 10 per cent has been applied to the construction cost. A summary of the current project costs is given in Figure 15.

**Figure 15: Cost estimate summary**

Cost element	Cost (£)
Construction	████████
Project management	████████
Consents, survey, site investigation, and utility connections	████████
Contingency	████████
<b>Totals</b>	<b>1,201,268</b>

*Source: Scottish Borders Council*

### 5.3. Spend profile

5.3.1. The Borderlands Inclusive Growth Deal Heads of Terms agreement provides £8 million for business infrastructure in the South of Scotland. These sums will be drawn down over the remaining period of the Deal. Funding will be provided as grant and will be drawn down quarterly in arrears.

5.3.2. Within the Scottish Borders, the current spend profile is £4.02 million (Figure 16), split on the basis of an 75 per cent contribution from the Scottish Government through the Borderlands Inclusive Growth Deal, i.e. £3 million, and a contribution of 17 per cent from Scottish Borders Council (£0.68 million).

**Figure 16: Funding profile, 2022-23 to 2030-31 (£million)**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Totals
Scottish Government	0	0.989	0.512	1.412	0.087	0	0	0	0	<b>3</b>
Scottish Borders Council	0	0	0.682	0	0	0	0	0	0	<b>0.682</b>
<b>Totals</b>	<b>0</b>	<b>0.989</b>	<b>1.194</b>	<b>1.412</b>	<b>0.087</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.682</b>

Source: Scottish Borders Council

5.3.3. At present, there is a funding gap of £0.34 million between the cost of the Hawick site and the funding available in the funding profile after the costs of the Coldstream site will have been met. This issue will need to be addressed prior to the submission of the Full Business Case for the Hawick site.

5.3.4. Scottish Borders Council received approval from the accountable body to spend up to £51,781 at risk on pre-construction work in 2022-23 prior to the anticipated approval of this FBC. Figure 17 shows the projected spend on the Coldstream site as at February 2023.

**Figure 17: Coldstream spend profile, 2022-23 to 2024-25**

	2022-23	2023-24	2024-25	Total
Spend (£)	30,236	1,157,493	13,539	1,201,268

Source: Scottish Borders Council

## **5.4. Funding assumptions**

- 5.4.1. In its role as the Borderlands Inclusive Growth Deal's accountable body, Dumfries and Galloway Council will have a framework in place to ensure accountability; that the funding represents value for money; and that there are sufficient safeguards in place to ensure the money is spent in accordance with appropriate legal requirements. As a recipient of this money, Scottish Borders Council will abide by all accountability and assurance criteria.
- 5.4.2. As set out in the funding agreement, each project in receipt of Borderlands funding will provide an auditors' review confirming that the project outcomes have been successfully achieved each year and also at the end of the project, unless agreed in writing with the Programme Management Office (PMO) and Accountable Body.

## **5.5. Revenue activity**

- 5.5.1. Council revenue funding will finance any maintenance and management costs that are required on an ongoing basis. This funding source will also resource work on employability initiatives, community benefits, and innovative activity and business support that is required through the assistance of South of Scotland Enterprise and Business Gateway. Businesses that are interested in occupying the new premises will be encouraged to develop fair and progressive workplace practices through highlighting opportunities to participate in national, regional, and local initiatives on Fair Work and the Living Wage.

## **5.6. Carbon Management**

- 5.6.1. The requirement to change over from an energy system supplied by gas to one supplied by electricity has been noted as part of this Full Business Case. Given that the timescales for making this change are not yet known, the cost has been excluded from the project costs put forward in this Financial Case. It is proposed that when the time of the switchover and the associated costs are known, a change control notification will be provided with these details. As part of the planning process to retrofit the buildings with zero/low carbon energy systems, costings and timings will be calculated in due course. At this stage, no definitive funding stream can be identified to pay for this work and it may be that it is funded out of the Council's budget for maintaining its commercial and industrial properties.

## **5.7. Accountancy Treatment**

- 5.7.1. The assets created by the Business Infrastructure Programme (Scotland) will initially be owned by Scottish Borders Council. These will be transferred to the Council's Property Portfolio on completion.

## **6. Commercial Case**

### **6.1. Overview**

- 6.1.1. This section sets out the approach for procuring the construction of the project. With regard to the procurement of works and services, Scottish Borders Council's procurement regulations will be fully adhered to as will the provisions of relevant UK and Scottish legislation. Scottish Borders Council is very experienced in delivering infrastructure works in the Scottish Borders.
- 6.1.2. All procurement will take place in accordance with Scottish Borders Council's procurement regulations and the relevant legislation. All contracts let by the Council must comply with the Council's Procurement and Contract Standing Orders.
- 6.1.3. The outputs and options are described below together with an outline of the proposed approach.

### **6.2. Required outputs**

- 6.2.1. The outputs required throughout the project from consultants and contractors will be monitored throughout the duration of all contracts that are let. The project manager will have responsibility for the monitoring of performance; compliance with the specification and other terms of the contract; costs and benefits; Best Value requirements; equality requirements; delivery; and risk management. The contractors must adhere to the procurement regulations described above. With regard to meeting the equality duty, an Integrated Impact Assessment has been completed for the project and is at Appendix 3.
- 6.2.2. In accordance with the requirements of the Borderlands Inclusive Growth Deal and with the policy of Scottish Borders Council, community benefit clauses will be put in place to benefit the long-term unemployed, young people looking for apprenticeships, and other people requiring work experience opportunities. These clauses will help to unlock opportunities within relatively deprived communities and groups thereby assisting inclusive growth.



### 6.3. Procurement Strategy

6.3.1. There is a significant degree of uncertainty and price fluctuation in the construction sector at present with various reports of principal contractors tendering for works, but refusing to commit to either the tender price or to a contract period. An additional consideration is that the construction sector is “overheating” at present making it likely that obtaining competitive tenders in the Scottish Borders from larger construction firms will be more challenging owing to the lack of suitable local businesses.

6.3.2. SBC Contracts is the direct labour division of Scottish Borders Council with a proven track record of delivering complex civil engineering works over a long period; more recently, they have established themselves as reliable principal contractors for building construction as well. During the Covid-19 pandemic lock-down period, for example, they completed two new-build early years buildings for SBC Architects at a time when the rest of the industry was at a standstill. The additional pandemic restrictions and associated safety measures delayed the completion date, but the two projects were delivered within budget, to a very high quality standard and, crucially, without any contractual claims, or accidents.

6.3.3. The proposal to use SBC Contracts as the principal contractor for the Coldstream development is influenced by the above experience, but also by the following advantages:

- They were the groundworks contractor for the original industrial estate development and therefore have direct knowledge of the existing infrastructure.
- As in-house colleagues, they are available to respond at short notice and would be co-opted onto the project design team in order for it to benefit from their practical skills to minimise the risk of time and money lost during the construction phase.
- They are local, which supports the sustainability agenda, both in terms of carbon emissions from travel, but also in securing local, skilled jobs and the supply chain.
- They have an exemplary health and safety record, with a highly developed Health and Safety regime for all operatives.

6.3.4. The project will be delivered in an “open book” manner: an external quantity surveyor will be appointed for the project who will develop the contract bill of quantities that will be priced by the principal contractor and scrutinised by the quantity surveyor against market prices. The aim of the contract will not be focussed on profit margins, but on quality and delivery.

6.3.5. In summary, this overall approach will allow for a streamlined procurement route without the risk of conflict thus enabling a quality product to be delivered quickly, efficiently and cost-effectively.

## **7. Management Case**

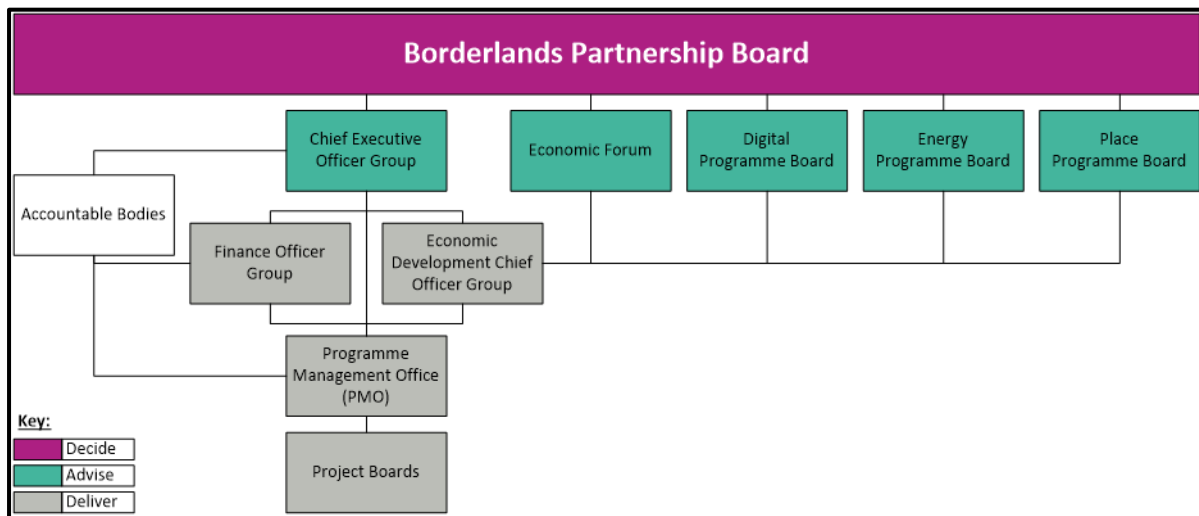
### **7.1. Overview**

- 7.1.1. This section describes how the project will be delivered. It demonstrates the realism of the timescales; that a robust governance structure is in place; that risks have been identified and can be managed; and that there are clear processes in place for communications and stakeholder management.
- 7.1.2. The Management Case also shows how the benefits set out in the Economic Case will be realised and includes measures to assess and evaluate these.
- 7.1.3. This section contains the following elements:
- Governance, organisational structure and proposed roles.
  - A programme implementation scheme.
  - Information on proposed communications and stakeholder management.
  - Risk identification and a risk management strategy, setting out the risks that have been identified, their potential impact, appropriate mitigation and management.
  - A Benefits Realisation, Monitoring and Evaluation Plan, which describes the approach to ensuring that the stated benefits in the Economic Case are delivered. It also describes monitoring of the programme's objectives and KPI's as stated in the Strategic Case.
  - Change management process.

### **7.2. Project governance and reporting**

- 7.2.1. At the regional level, the project sits within the governance structure agreed by the Borderlands Inclusive Growth Deal partners (Figure 18). These governance arrangements will enable decisions to be taken in an open and transparent way for the whole region.

**Figure 18: Borderlands Inclusive Growth Deal Governance Structure**

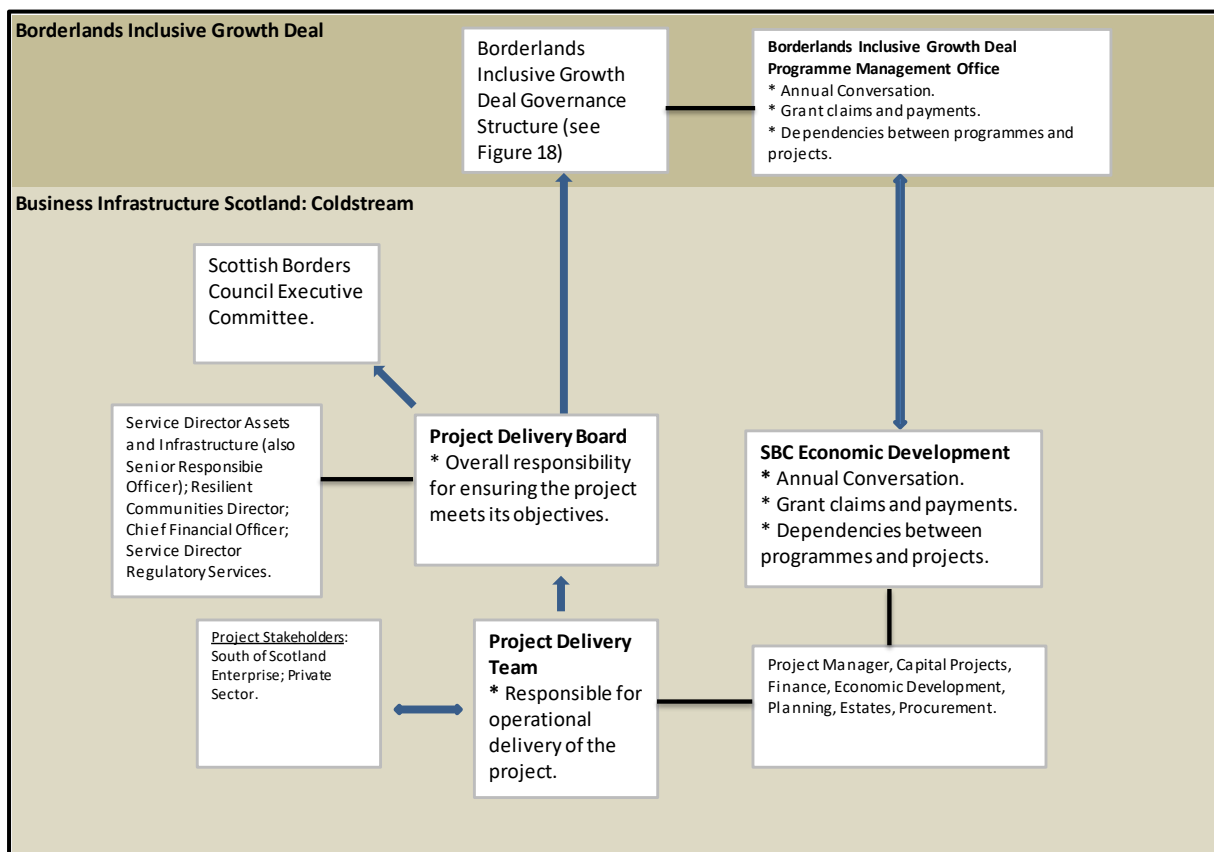


Source: *Borderlands Inclusive Growth Deal*

7.2.2. The Business Infrastructure Programme (Scotland) will be overseen by the Borderlands Project Board for Business, Innovation and Skills, which will be supported by the two local authorities as the lead project sponsors. Officers from the councils will also work with the Scottish Government to develop the detail of the five constituent projects.

7.2.3. A Project Delivery Board to give strategic guidance and an officer-level Project Delivery Team are being established within Scottish Borders Council for the Coldstream project. A Project Manager will be responsible for managing the delivery of the project. Figure 19 shows how this team fits into the local governance structure, which, in turn, fits into the Borderlands Inclusive Growth Deal governance structure.

**Figure 19: Local Governance Structure**



Source: Scottish Borders Council

7.2.4. The Project Board will provide strategic oversight and decision-making on the delivery of the project as defined in this FBC, and within the specific areas of remit and scope articulated in the Board’s Terms of Reference (these are reproduced in Appendix 4). The remit will be reviewed at intervals as the project progresses, and the Terms of Reference will be revised and approved by the Project Board if required.

7.2.5. Scottish Borders Council has experience of delivering large scale, multi-million pound capital projects. It has an in-house Major Projects team that has successfully delivered new schools, flood schemes, and other significant infrastructure projects in the recent past.

7.2.6. This project will submit its funding claims to Dumfries and Galloway Council, which is the accountable body for the Borderlands Inclusive Growth Deal finances in Scotland. Stewardship will be provided by the Project Board and membership will include a Section 95 Officer to provide assurance of the project’s finances, and ensure that the financial requirements agreed with both the UK and Scottish Governments are met. The project will also be aligned with Dumfries and Galloway Council’s financial regulations and, where appropriate, the regional partners’. Should the project present any risks to the overall programme, it will be held to account by Dumfries and Galloway Council.

7.2.7. Should this FBC be approved, formal Government approval will be sought to enable Borderlands Inclusive Growth Deal funds to flow to the project. Funding will be provided by the Scottish Government to Scottish Borders Council via Dumfries and Galloway Council in the respective roles of the local authorities as the delivery and the accountable bodies.

### 7.3. Project implementation scheme

7.3.1. A basic outline project implementation scheme with key milestones is described in Figure 20.

**Figure 20: Summary of Project implementation scheme**

<b>Project milestone</b>	<b>Date</b>
Construction start	June 2023
Construction complete	May 2024
Occupation by tenants	September 2024

*Source: Scottish Borders Council*

### 7.4. Communications and stakeholder management

7.4.1. A communications officer will sit on the Project Board and a communications plan will be prepared to enable Scottish Borders Council to:

- Inform the public and key stakeholders of progress with the project.
- Communicate the expected benefits of the project.
- Manage stakeholder expectations.

## 7.5. Carbon Management

7.5.1. The methodology that will be used to manage carbon in this project will be based on *PAS 2080: Carbon Management in Infrastructure*. Carbon management will be a key issue to be considered as part of the governance process.

7.5.2. The intention is for the site to move to a net zero carbon system as soon as practically possible. Whilst this will not be achievable upon the opening of the new units, post-construction, the latest target date for delivering a net zero carbon operation is 2032, which is in accordance with the objectives contained within Scottish Borders Council's *Climate Change Route Map*. However, it is anticipated that this could be done within the first five years of the project.

## 7.6. Risk management strategy

7.6.1. As lead delivery partner, Scottish Borders Council will be responsible for the identification, management, and mitigation of all risks associated with the project. A project risk register has been developed and is presented in Appendix 2.

## 7.7. Benefits realisation plan

7.7.1. As lead delivery partner, Scottish Borders Council will be responsible for recording the benefits of the project. Indicative outcomes (see the Strategic Case and Figure 21) have been developed as part of this FBC and apply across the two sites put forward in the Scottish Borders for the Business Infrastructure Programme (Scotland).

**Figure 21: Benefits Realisation Plan**

Indicators			Targets
Outputs	OP1	New floorspace created	333 sq m
	OP2	Area of site assembled	0.68 ha
	OP3	Number of FTE construction jobs	TBC
Outcomes	OC1	Gross jobs created	9
	OC2	Businesses supported	3
	OC3	Total value of works contracted to SME's	TBC
Impacts	I1	Net additional jobs created	3
	I2	Net additional GVA	£2.2m
	I3	Reduction in CO2 emissions	TBC

Source: Scottish Borders Council

## **7.8. Monitoring and evaluation**

7.8.1. Processes will be put in place to ensure that thorough through-life project evaluation takes place to demonstrate that the project is meeting its strategic objectives. The day-to-day monitoring of performance, budgets, and risks will take place as the project is being implemented. Appendix 6 contains a Monitoring and Evaluation Framework.

## **7.9. Change management**

7.9.1. Scottish Borders Council will be responsible for the monitoring and reporting of changes to project scope, scale, and cost. These changes will be recorded in a Change Control Notification and immediately reported to the relevant authority as per the governance arrangements described above. The “Project Change Control” form is the documentation used to request any change(s). The project manager will complete the “Project Change Control” form to document the request and submit this to the Borderlands PMO.

7.9.2. This will constitute the start of the Change Control process. This is the process through which all requests to change the approved baseline of a project, programme or portfolio are captured, evaluated and then approved, rejected or deferred.

7.9.3. The PMO will assess the Project Change Control form and request any additional information or evidence required to consider the request. As part of the Change Control assessment, the impact of the proposed change(s) on the delivery of the Borderlands Inclusive Growth Deal are fully considered by reviewing the impact on:

- the strategic fit;
- outputs and deliverables;
- spend and grant payments; and
- inclusion and sustainability.

## **Appendix 1: Financial and Economic Appraisal**

Submitted separately.



## Appendix 2: Project Risk Register

Risk	Impact	Probability	Mitigation
Increases in the costs of the project.	High.	High.	Financial costs with an allowance for inflation will be calculated as the project goes forward with input from technical cost consultants.
Delays to the project.	High.	Medium.	The project timescales have been increased and this will reduce pressure in this respect.
Lack of sufficient demand for employment land.	High.	Medium.	Scottish Borders Council will monitor potential demand and ensure this information is shared with Government and other stakeholders. Marketing of the units will take place at an opportune time.
Procurement strategy	High.	Low.	By utilising its own direct labour division, SBC Contracts, Scottish Borders Council will be basing its procurement strategy on an organisation with a proven record of accomplishment of delivering complex civil engineering works.
Failure to raise funds from sources other than the Borderlands	High.	Low.	A programme commitment of £8 million by Scottish Government in the Heads of Terms. Scottish Borders

Inclusive Growth Deal			Council has committed £0.68 million in its budget.
Ineffective governance structures.	High.	Low.	Establishment of an overall governance structure for the Borderlands Inclusive Growth Deal includes representation from senior local authority officers and elected members. Scottish Borders Council will appoint a project manager to lead a team that will enable robust project management subject to being accountable to a project board.
Interdependencies with other Borderlands Inclusive Growth Deal initiatives	High.	Low.	Scottish Borders Council is involved in interdependent initiatives and will ensure that there is synergy between relevant projects and programmes.

## **Appendix 3: Integrated Impact Assessment**

Submitted separately.

## Appendix 4: Project Board Terms of Reference

<b>BUSINESS INFRASTRUCTURE SCOTLAND PROJECT GOVERNANCE</b>	
<b>Terms of Reference (ToR)</b>	
<p><b>Purpose:</b> To provide strategic oversight and decision-making on the delivery of the Business Infrastructure Scotland project as defined in the Final Business Cases, and within the specific areas of remit and scope articulated in this document.</p>	
<p><b>Remit:</b></p> <p>This ToR describes the governance structure in relation to a project that has a timeline through to 2026. It is, therefore, anticipated that the remit will be reviewed at intervals as the project progresses, and the ToR will be revised and approved by the Project Board if required.</p> <p>Key areas of remit for the Project Board are:</p> <ol style="list-style-type: none"> <li>1. To provide overall leadership, oversight and decision making with respect to the Business Infrastructure Scotland project, noting that:               <ol style="list-style-type: none"> <li>a. The Board comprises officers from a range of services within Scottish Borders Council and also from partner organisations that are key stakeholders in the project – i.e., South of Scotland Enterprise (SOSE), the Borderlands Inclusive Growth Deal Programme Management Office (PMO), and the private sector.</li> <li>b. The Board is designed to be representative of different stakeholder needs/areas of focus, particularly with respect to risk; however, decision-making rests with the key partners and those with required authority as reflected in the quorum and decision making framework.</li> <li>c. Business Infrastructure Scotland Project Board meetings will be chaired by an SBC officer.</li> </ol> </li> <li>2. Agree the project plan linked to the development and final approval of the Business Cases, including project plans, stages or key milestones, capital, operational and maintenance costs, the specific scope of activity across the partner organisations, and review project progress against the plans via compiled highlight reports for each board meeting.</li> <li>3. Review escalated project changes, risks, mitigations and issues, and agree on appropriate courses of action which will be reported to the board via a formal change management and RACI process.</li> <li>4. To actively promote the benefits of the project by agreeing a stakeholder management approach and communications plan and</li> </ol>	<p><b>Scope</b></p> <p>The scope will be defined by the overall project plan, and the detailed deliverables and responsibilities across the partner organisations captured within the Outline and Full Business Cases. Items that are out of scope are those not defined in the Outline or Final Business Cases.</p> <p><b>Quorum, Advice &amp; Decision Making:</b></p> <p><b>Quorum:</b></p> <p>Chair and Deputy Chair of the Project Delivery Group.</p> <p><b>Decision Making:</b></p> <p>Final decisions signed off by the Chair, or in their absence, the Deputy Chair of the Project Delivery Group.</p> <p><b>Frequency of Meetings:</b></p>

<p>any subsequent concerns or threats that such communications might identify.</p> <ol style="list-style-type: none"> <li>5. Agree when further approvals are required to deliver the project.</li> <li>6. Approve any additional governance arrangements that are required as the project progresses.</li> <li>7. Ensure ongoing alignment to the Final Business Cases, commissioning project assurance and monitoring and evaluation reviews in line with any Borderlands Inclusive Growth Deal requirements.</li> <li>8. Ensure financial reporting requirements/ controls are in place and then monitor with respect to the Borderlands Inclusive Growth Deal.</li> <li>9. Organise and assess a lessons learned review to inform future changes, evaluate the changes made and evaluate benefits realisation.</li> </ol> <p><b>Project Delivery Group Constitution &amp; Membership:</b></p> <ol style="list-style-type: none"> <li>1. John Curry, Director of Infrastructure (SBC), Chair.</li> <li>2. Samantha Smith, Chief Economic Development Officer (SBC), Deputy Chief.</li> <li>3. Ian Aikman, Chief Planning Officer (SBC).</li> <li>4. Steven Renwick, Capital Projects Manager (SBC).</li> <li>5. Ray Cherry, Architectural Manager (SBC).</li> <li>6. James Paterson, Procurement Officer (SBC).</li> <li>7. John Hayward, Planning &amp; Development Standards Officer (SBC).</li> <li>8. Josephine Stewart, Estates Surveyor (SBC).</li> <li>9. Katie Greenwood, Economic Development Officer (SBC).</li> <li>10. Stuart Kinross, Economic Development Officer (SBC).</li> <li>11. Section 95 officer (SBC).</li> <li>12. Communications officer (SBC).</li> <li>13. Borderlands PMO rep.</li> <li>14. SOSE rep(s).</li> <li>15. Private sector rep(s).</li> </ol>	<p>Set at a monthly basis but to be reviewed as the project progresses.</p> <p>Attendance at the Board meeting may be either face-to-face or virtual.</p> <p>Papers to be issued 3 working days in advance using 2-page Plan, Do, Check, Act format.</p> <p><b>Minutes:</b></p> <p>Minutes and papers will be held in electronic copy</p> <p><b>Reporting:</b></p> <p>Project Manager to be responsible for producing a Highlight Report for each scheduled Board meeting to report progress. The Project Board will also be responsible for managing the overall project risk register.</p> <p><b>Support:</b></p> <p>To be provided by SBC Resources Admin Team.</p>
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## **Appendix 5: Site Selection Methodology (Scottish Borders)**

Sites were selected according to the following three criteria:

- Strategic fit: Sites had to be in more peripheral areas outside the central Borders, but close to major communication routes.
- Planning status: Sites had to be identified for business use within the Local Development Plan.
- Market failure: Sites had to be situated in an area identified as lacking a supply of good quality, modern industrial premises. The Berwickshire area and the town of Hawick met this criterion.

### **Berwickshire sites**

#### **Duns**

It was proposed to construct a block of business units on an existing site at Station Road Industrial Estate. The site is owned and was created by the Council, with EU funding assistance, and completed in May 2014, as an extension to the existing estate. There are currently no buildings on the extension site.

The Council is the main landlord for premises in the town, but is unable to satisfy demand, and has a current waiting list. The Council encourages a mix of tenants within Use Classes 4, 5 & 6.

The site is located beyond and adjacent to the existing estate providing a looped road within the estate. The expansion estate extends to 2 ha, creating 0.95 ha of development plots.

The proposed development would comprise 4 workshop units, which would provide the opportunity to satisfy local demand and stimulate interest in the site. The estimated costs of the workshop scheme would be in the region of £1.1M.

Council premises in this area are at 78 per cent letting.

#### **Coldstream**

It was proposed to construct a block of business units on an existing site at Coldstream Business Park. The site is owned and was created by the Council, with EU funding assistance, and completed in October 2015, with landscaping undertaken the following spring. There are currently no buildings on the site.

The site is located on Lennel road on the north east edge of the town, close to the Scotland - England border. The business park extends to 1.5 ha (3.77acres), creating 0.68 ha of development plots.

The proposed development would comprise 3 workshop units, which would provide the opportunity to satisfy local demand and stimulate interest in the site.

The estimated costs of the workshop scheme would be in the region of £850K (subsequently costed at £1.3M).

The Council is the main landlord for premises in the town, but is unable to satisfy demand, and has a current waiting list. One of its current tenants is currently in the process of acquiring a plot at the Business Park to develop their own premises to allow expansion. The Council encourages a mix of tenants within Use Classes 4, 5 & 6.

There is demand for business accommodation in Coldstream, but a lot of existing accommodation is low quality. Council premises in this area are at 78 per cent letting.

***Coldstream was selected in preference to Duns on affordability grounds owing to the funding restrictions imposed by the Borderlands funding profile.***

### **Hawick sites**

Both of the sites in Hawick are in the North Burnfoot area near the A7 trunk road, adjacent to each other and close to the units recently built at Galalaw. It was proposed to service the selected site at an estimated cost of £2.1M based on costing work done some time ago (preferred site subsequently costed at £2.7M) so as to make it ready for business use.

There is demand for quality business accommodation in the town that cannot currently be met. The quick take-up of the new units at Galalaw demonstrates this demand.

Council premises in this area are at 80 per cent letting.

### **North Burnfoot 1**

This is a strategic business and industrial site, which is suitable for development within Use Classes 4, 5 and 6. The LDP identifies the following site requirements which must be considered:

It is intended that a Planning Brief in the form of Supplementary Planning Guidance will be produced for this site. Vehicular access is available from the road serving Galalaw Business Park and a footway is required on the north west side of the B6359

### **North Burnfoot 2**

This site is currently outside the settlement boundary of Hawick as defined by the LDP 2016 and is not therefore allocated. The Council published a Main Issues Report, which is a forerunner to the next LDP, in November 2018 which identified this site as an option for future development. It is the intention that the site will be included for allocation in the next LDP as a high amenity business site (Class 4 use). It should be noted, however, that the site has been the subject of objection and as such it is likely that it will ultimately be considered by Scottish Government Reporter's during the LDP Examination.

***North Burnfoot 1 was selected in preference to North Burnfoot 2 as it is already allocated within the Hawick settlement boundary of the LDP and is not subject to the same planning constraints as North Burnfoot 2.***



## **Appendix 6: Monitoring and Evaluation Framework**

Submitted separately.

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## Integrated Impact Assessment (IIA)

### Part 1 Scoping

#### 1 Details of the Proposal

<b>Title of Proposal:</b>	Borderlands Business Infrastructure Programme (Scotland): Coldstream.
<b>What is it?</b>	A new Policy/Strategy/Practice <input checked="" type="checkbox"/> A revised Policy/Strategy/Practice <input type="checkbox"/>
<b>Description of the proposal:</b> (Set out a clear understanding of the purpose of the proposal being developed or reviewed (what are the aims, objectives and intended outcomes, including the context within which it will operate).	<p>The Borderlands Inclusive Growth Deal is an agreement between the Scottish and UK Governments, and the five Borderlands local authorities i.e. Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council, and Scottish Borders Council. <a href="https://www.borderlandsgrowth.com/">https://www.borderlandsgrowth.com/</a></p> <p>The Deal will provide a total of £345m over 10 years for the Borderlands area with £150m available for the South of Scotland, comprising £65m from UK Government and £85m from Scottish Government. The Deal was signed in March 2021.</p> <p>The Borderlands Inclusive Growth Deal has five overarching Themes (Destination Borderlands; Improving Places; Enabling Infrastructure; Encouraging</p>

	<p>Green Growth; and Supporting Business, Innovation &amp; Skills). Business Infrastructure is part of the Supporting Business, Innovation &amp; Skills Theme.</p> <p>The objective of the Business Infrastructure Programme (Scotland) is to increase the supply of modern industrial premises in the South of Scotland and to facilitate private sector investment. In the Scottish Borders, a project to build-out vacant employment land at Coldstream will provide 333 sq. m. of new business space at a cost of £1,309,893. This project will be completed by March 2024. A follow-on project under the programme will see the servicing of land at Hawick in 2025-26.</p>
<p>Service Area: Department:</p>	<p>The development of the Business Infrastructure Programme (Scotland): Coldstream project business case has been led by Scottish Borders Council.</p>
<p><b>Lead Officer:</b> (Name and job title)</p>	<p>Stuart Kinross. Economic Development Officer.</p>
<p><b>Other Officers/Partners involved:</b></p>	<p>South of Scotland Enterprise.</p>
<p><b>Date(s) IIA completed:</b></p>	<p>15 November 2022</p>

## 2 Will there be any cumulative impacts as a result of the relationship between this proposal and other policies?

**Yes** UK Government Levelling-Up White Paper, Scottish Government National Economic Strategy, Borderlands Inclusive Growth Deal, South of Scotland Regional Economic Strategy, Scottish Borders Council Local Development Plan, SESPlan Strategic Development Plan, Scottish Borders Economic Strategy 2023.

## 3 Legislative Requirements

### 3.1 Relevance to the Equality Duty:

**Do you believe your proposal has any relevance under the Equality Act 2010?**

Yes.

#### Equality Duty

#### Reasoning:

**Elimination of discrimination (both direct & indirect), victimisation and harassment.** *(Will the proposal discriminate? Or help eliminate discrimination?)*

Business Infrastructure Scotland will help to eliminate discrimination.

**Promotion of equality of opportunity?**  
*(Will your proposal help or hinder the Council with this)*

**Foster good relations?**  
*(Will your proposal help or hinder the council's relationships with those who have equality characteristics?)*

It is an explicit objective of the project to promote inclusive growth through creating employment opportunities for disadvantaged groups. In particular, the focus will be on supporting people who are currently excluded from the labour market in line with the aims of the Borderlands Inclusive Growth Deal.

It is anticipated that the project's objectives to promote equality of opportunity described above will help the council's relationships with those who have the above equality characteristics.

As the project develops, the project team will continue to consider accessibility for characteristics and groups identified under the Equality Act and Fairer Scotland Duty.

	<p>The Coldstream project will promote inclusive growth as part of a wellbeing economy.</p> <p>The project will deliver employment opportunities, generating jobs and income in rural communities in need.</p>
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**3.2 Which groups of people do you think will be or potentially could be, impacted by the implementation of this proposal? (You should consider employees, clients, customers / service users, and any other relevant groups)**

Please tick below as appropriate, outlining any potential impacts on the undernoted equality groups this proposal may have and how you know this.

	Impact			Please explain the potential impacts and how you know this
	No Impact	Positive Impact	Negative Impact	
<b>Age</b> Older or younger people or a specific age grouping		<b>X</b>		<b>A business that applies for a tenancy will be looked upon favourably if it intends to employ a trainee.</b>
<b>Disability</b> e.g. Effects on people with mental, physical, sensory impairment, learning disability, visible/invisible, progressive or recurring		<b>X</b>		One of the project's objectives is to increase the number of highly productive jobs in the area. We will be liaising with all potential tenants about workforce mix and the potential to employ workers from a wide recruitment base and to participate in the Fair Work initiative.
<b>Gender Reassignment Trans/Transgender Identity</b> anybody whose gender identity or gender expression is different to the sex assigned to them at birth	<b>X</b>			One of the project's objectives is to increase the number of highly productive jobs in the area. It is intended that there will be a focus on creating employment for under-represented groups as part of the process for achieving this target. We will be liaising with all potential tenants about workforce mix.
<b>Marriage or Civil Partnership</b> people who are married or in a civil partnership	<b>X</b>			

<b>Pregnancy and Maternity</b> (refers to the period after the birth, and is linked to <b>maternity</b> leave in the employment context. In the non-work context, <b>protection</b> against <b>maternity</b> discrimination is for 26 weeks after giving birth),	X			The construction phase plans to create high-value apprenticeships that will be targeted at young people and those from more excluded, isolated communities. Community Benefits are likely to ensure that apprenticeships go to as many residents from the local area as possible.
<b>Race Groups:</b> including colour, nationality, ethnic origins, including minorities (e.g. gypsy travellers, refugees, migrants and asylum seekers)	X			
<b>Religion or Belief:</b> different beliefs, customs (including atheists and those with no aligned belief)	X			
<b>Sex</b> women and men (girls and boys)	X			
<b>Sexual Orientation</b> , e.g. Lesbian, Gay, Bisexual, Heterosexual	X			
<p><b>3.3 Fairer Scotland Duty</b></p> <p>This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to how we can reduce inequalities of outcome caused by socioeconomic disadvantage when making <u>strategic</u> decisions.</p> <p>The duty is set at a strategic level - these are the key, high level decisions that SBC will take. This would normally include strategy documents, decisions about setting priorities, allocating resources and commissioning services.</p>				
<p><b>Is the proposal strategic?</b></p> <p>Yes</p> <p><b>If No go to Section 4</b></p>				

<b>If yes, please indicate any potential impact on the undernoted groups this proposal may have and how you know this:</b>				
	<b>Impact</b>			<b>State here how you know this</b>
	<b>No Impact</b>	<b>Positive Impact</b>	<b>Negative Impact</b>	
<b>Low and/or No Wealth</b> – enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future.		X		Employment opportunities in the construction phase and beyond will provide higher value job opportunities. In addition, the Fair Work initiative will be promoted to businesses letting the premises and it will be an advantage for a potential tenant to employ a trainee. The aim is to ultimately raise the economic profile for this group of individuals by opening up opportunities to those who would be defined as belonging to them.
<b>Material Deprivation</b> – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure and hobbies		X		
<b>Area Deprivation</b> – where you live (e.g. rural areas), where you work (e.g. accessibility of transport)		X		The site of the project is accessible by public transport and by foot within the town. There is an aspiration to ensure that those who have previously been isolated from high value employment opportunities will be able to access these.
<b>Socio-economic Background</b> – social class i.e. parents' education, employment and income		X		The use of our in-house contractor means that no direct community benefits are being applied in this contract. However, this will ensure that the workforce is predominantly local and will be expanding in-house skills for longer term benefit to the local community & economy.
<b>Looked after and accommodated children and young people</b>	X			
<b>Carers paid and unpaid including family members</b>	X			
<b>Homelessness</b>	X			
<b>Addictions and substance use</b>	X			



<b>Those involved within the criminal justice system</b>	<b>x</b>			
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#### 4 Full Integrated Impact Assessment Required

Select No if you have answered “No” to all of Sections 3.1 – 3.3.

**Yes**

If a full impact assessment is not required briefly explain why there are no effects and provide justification for the decision.

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<b>Signed by Lead Officer:</b>	Stuart Kinross
<b>Designation:</b>	Economic Development Officer
<b>Date:</b>	15/11/22
<b>Counter Signature Service Director</b>	Samantha Smith, Chief Officer Economic Development
<b>Date:</b>	15/11/22

## Part 2 Full Integrated Impact Assessment

### 5 Data and Information

#### What evidence has been used to inform this proposal?

(Information can include, for example, surveys, databases, focus groups, in-depth interviews, pilot projects, reviews of complaints made, user feedback, academic publications and consultants' reports).

Outline Business Case (OBC). Available on request.

UK Government.

<https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

Scottish Government.

<https://www.gov.scot/publications/scotland-national-strategy-economic-transformation-evidence-paper/>

<https://nationalperformance.gov.scot/>

Borderlands Inclusive Growth Deal.

<https://www.borderlandsgrowth.com/>

South of Scotland Regional Economic Partnership.

<https://sosrep.dumgal.gov.uk/article/21953/Regional-Economic-Strategy>

Skills Development Scotland.

<https://www.skillsdevelopmentscotland.co.uk/media/49109/rsa-borders.pdf>

University of Edinburgh.

*Development Opportunities in the Scottish Borders: Evolving Data-Driven Innovation and the Entrepreneurial Ecosystem. Preliminary Analysis Report.* Available on request.

Ryden.

*South of Scotland Property Market 2022.* Available on request.

Scottish Borders Council.

Climate Change Route Map. Available on request.

**Describe any gaps in the available evidence,-then record this within the improvement plan together with all of the actions you are taking in relation to this** (e.g. new research, further analysis, and when this is planned)

N/a.

## **6 Consultation and Involvement**

**Which groups are involved in this process and describe their involvement**

Internal:

The Project Delivery Board will have a strategic overview of the project. It will be composed of senior officers from Economic Development, Capital Works, Estates, Regulatory Services, and Finance. It will meet every month.

At an operational level, the Project Delivery Team with officers from Economic Development, Capital Works, Estates, Procurement, HR, and Finance will work together on a regular basis on various aspects of the project.

External:

South of Scotland Enterprise.

Private sector businesses that are interested in the units.

Borderlands Partnership Board.  
Borderlands Programme Management Office.

**Describe any planned involvement saying when this will take place and who is responsible for managing the process**

There is on-going involvement in the project. Some stakeholders may change meaning that some new ones may come on board. The Project Manager will manage this process with assistance from officers across the Council.  
Monitoring, e.g. risk register and the evaluation framework, will be in place.

**Describe the results of any involvement and how you have taken this into account.**

Involvement is on-going and any developments that arise from it will be used to inform the on-going monitoring of the project.

**What have you learned from the evidence you have and the involvement undertaken? Does the initial assessment remain valid? What new (if any) impacts have become evident?**

(Describe the conclusion(s) you have reached from the evidence, and state where the information can be found.)

The available evidence shows that the initial rationale for the project remains valid. All evidence is held on our electronic filing system and is available to those officers who need to see it.

## **7 Mitigating Actions and Recommendations**

**Consider whether:**

**Could you modify the proposal to eliminate discrimination or reduce any identified negative impacts?**

(If necessary, consider other ways in which you could meet the aims and objectives of the proposal.)

Could you modify the proposal to increase equality and, if relevant, reduce poverty and socioeconomic disadvantage? N/a.

Describe any modifications which you can make without further delay (e.g. easy, few resource implications)

<b>Mitigation</b> Please summarise all mitigations for approval by the decision makers who will approve your proposal  All mitigations are provided within the risk register in the FBC. Risks and mitigations will remain under review.			
<b>Equality Characteristic/Socio economic factor</b>	<b>Mitigation</b>	<b>Resource Implications (financial, people, health, property etc)</b>	<b>Approved Yes/No</b>
Disability e.g., Effects on people with mental, physical, sensory impairment, learning disability, visible/invisible, progressive or recurring			

## Monitoring and Review

State how the implementation and impact of the proposal will be monitored, including implementation of any amendments? For example what type of monitoring will there be? How frequent?

The Business Infrastructure Programme (Scotland) Coldstream project is being funded through the [Borderlands Inclusive Growth Deal](#). The Borderlands Programme Management Office oversees the development and delivery and effective day-to-day management of the deal (for

more details see ['how we work'](#)). As the Deal moves further into delivery, the Borderlands Programme Management Office will co-ordinate the collection of monitoring and evaluation information.

**What are the practical arrangements for monitoring? For example, who will put this in place? When will it start?**

The project has set out a monitoring and evaluation framework as part of the Full Business Case (FBC).

Monitoring and evaluation targets have been set out in the FBC.

**When is the proposal due for review?**

The Outline Business Case (OBC) has been approved with the FBC currently under scrutiny. This Integrated Impact Assessment is included within the FBC. Following approval of the FBC, we anticipate the project will be reviewed with the Borderlands Programme Management Office annually as part of the monitoring and evaluation process.

**Who is responsible for ensuring that this happens?**

The Borderlands Programme Management Office and the Project Delivery team within Scottish Borders Council.

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## **BORDERLANDS INCLUSIVE GROWTH DEAL: NATURAL CAPITAL PROGRAMME BUSINESS CASE**

**Report by Director, Resilient Communities**

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### **SCOTTISH BORDERS COUNCIL**

**31 AUGUST 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides an update to Council on progress with the Programme Business Case for the Natural Capital Programme, which is required to draw down funding from the Borderlands Inclusive Growth Deal.
- 1.2 The Programme Business Case has been approved by the Scottish Government, and will be submitted to the Borderlands Partnership Board for approval at its meeting on 13 September 2023. The Programme Business case is attached as Appendix 1.
- 1.3 The Programme Business Case is part of a continuous set of approval milestones for the programme in accordance with HM Treasury Green Book guidance. The initial Natural Capital Strategic Proposition was brought to Council in November 2020. The pilot business cases described in the Programme Business Case will be brought before Council in due course.

#### **2 RECOMMENDATIONS**

##### **2.1 I recommend that Council:-**

- (a) Approves the Programme Business Case set out in Appendix 1 as the next stage of approval for the programme.**

- (b) Notes that individual Business Justification Cases are being finalised for the Species Rich Grassland (and Solway Marine and Whole Farm Audit) projects. A Full Business Case is being finalised for the Woodland Creation project. These business cases will be brought before Council in due course.**

### 3 BACKGROUND

3.1 The Programme Business Case sets out the justification and objectives of the Natural Capital programme. The document notes *'The natural capital assets of the Borderlands region in Scotland underpin a great deal of its economic activity and prosperity, through both direct dependency sectors such as agriculture and fishing, forestry, and the visitor economy, and those that indirectly depend on the natural economy as land-based sectors such as hospitality, food and drink, manufacturing, energy, renewables, and utilities.'*

3.2 The Natural Capital Programme in Scotland is a £5m capital and revenue programme that is part of an overall Natural Capital Programme across the regional Borderlands Inclusive Growth Deal, a comparable programme of natural capital projects will be delivered across the English Local Authority areas when clarification is obtained on future agricultural support mechanisms south of the Border.

3.3 The overall aims of the programme are to demonstrate the need to deliver innovation in land use management through a series of initiatives comprising 6 pilot projects in the South of Scotland.

The projects will highlight the role of natural capital in underpinning -

- regional economic development
- community development
- land-use planning
- innovative sustainable land management

3.4 They will also enable investment to help to transform current practices and influence emerging economic and agricultural support policy. The contribution of £5m from the Borderlands Inclusive Growth Deal will help to fund the pilot projects, with accessible funds allocated equally between revenue and capital spend. Scottish Borders projects can draw down £2m and Dumfries & Galloway projects £3m.

3.5 The Programme Business Case has been developed by partners and at the time of writing of this report is being reviewed by the Scottish Government with approval anticipated imminently. The document is presented for approval by the Council.

3.6 The Scottish programme is being led by Scottish Borders Council with Dumfries and Galloway Council acting as the Accountable Body, and South of Scotland Enterprise as a key project partner. Each partner will oversee the delivery of 2 projects, with project management being provided by expert Delivery Partners.

### 3.7 Scottish Borders Council Projects

#### a) Species Rich Grassland

The overall objective of the pilot is to develop a more ecologically sustainable approach to hill livestock farming by supporting and promoting the rural economy and sustainable land management. This will focus on Species-rich Grassland (SRG) and the conservation of the Northern Brown Argus (NBA) butterfly in the Scottish Borders, and Dumfries and Galloway, using the butterfly as a flagship for Species-rich or flower -rich grassland.

#### b) Integrated Land Use & Woodland Creation

This project will take a catchment scale approach to integrated land use and woodland creation to enable the integration of farming and forestry at a landscape scale. It will create up to 600ha of mixed woodland, demonstrating multiple benefits of planting a wide range of different woodland types. These benefits will timber production and natural flood management, identifying alternative revenue models associated with woodland creation, and overcoming siloes to adopt a sustainable agri-forestry model.

3.8 The full set of 6 constituent projects are described below:

<b>Project name (with project lead)</b>	<b>Description</b>
Species Rich Grassland (Agri-environment) (Scottish Borders Council)	To develop a more ecologically sustainable approach to hill livestock farming including habitat restoration.
Whole Farm Audits & Advisory (Agri-environment) (Dumfries & Galloway Council)	Audit 12 farms to test a new Natural Capital centred approach to whole farm auditing and support for project development.
Woodland Creation (Scottish Borders Council)	Creation of up to 700ha of integrated and targeted mixed woodland, demonstrating multiple benefits of planting.
Sustainable Solway Economy: Coastal & Marine (Dumfries & Galloway Council)	Restoration and expansion of coastal, intertidal, and marine habitats.

Data Audit and Mapping (South of Scotland Enterprise)	Innovative approaches to Artificial Intelligence interpretation of satellite data to understand the natural capital data needs of partners.
Natural Capital Investment Plan (South of Scotland Enterprise)	To unlock blended and innovative finance opportunities to enhance our Natural Capital assets and deliver ecosystems services.

## 4 KEY ELEMENTS OF THE PROGRAMME BUSINESS CASE

4.1 The Programme Business Case has been prepared in accordance with HM Treasury guidance and is based on the five-case model: Strategic; Economic; Commercial; Financial; and Management. The Programme Business Case is set out in Appendix 1.

### 4.2 Strategic Case

In the Strategic Case of the Programme Business Case, the case for change is set out, noting *'The vision is to demonstrate the potential for a progressive natural capital-based economy to underpin the region's prosperity. This closely aligns with Scotland's strategic ambitions for a robust and resilient wellbeing economy, with South of Scotland's vision to be "green, fair and flourishing by 2031" with natural capital driving green growth, and with the Borderlands Growth Deal's ambition "for the Borderlands to reach its potential for everyone, delivering green growth and attracting new businesses and investment".'*

The Case for Change is summarised in 5 Investment Objectives:

- **Strategic Objective 1:** By 2030, deliver the six Scottish-led innovation pilot projects, delivering economic outputs, demonstrating best practice nationally, and disseminating lessons to support scaling and to influence future policy.
- **Strategic Objective 2:** Deliver holistic economic benefits for the regional economy, through the maintenance, restoration, and enhancement of natural capital, with additional benefits for the environment and communities, supported by a strategic cross-border relationship
- **Strategic Objective 3:** Align with existing initiatives, such as the South of Scotland RLUP pilot, and activity south of the border, to improve understanding of current land and marine uses, the benefits delivered, their interdependencies and drivers for change, and how to ensure future uses deliver

economic benefits, both direct and additional, as well as wider social and environmental outcomes

- **Strategic Objective 4:** Deliver strategic capacity building within regional businesses, organisations and supply chains and better equip regional workers for skilled jobs in the natural capital-based economy of the future
- **Strategic Objective 5:** By 2030 develop a long-term investment plan for the region that capitalises on private and blended finance opportunities through both responsible private sector and public sector sources

4.3 The Strategic Case also details the significance of the asset and how the programme's aims align with strategies and plans at the national, regional and local level.

#### 4.4 **Economic Case**

The Economic Case is structured around an Options Assessment based on investment objectives from the Strategic Case and Critical Success Factors (CSFs).

The programme's Critical Success Factors (CSFs) are presented in the Economic Case as the key criteria for investment against which the options for the programme were appraised. The CSFs are:

- **Business Need** - the extent to which the Programme will align with current business needs identified in the Strategic Case
- **Strategic Fit** - the extent to which the Programme fits within the strategic context of existing policy drivers and developing land-use planning initiatives
- **Additionality** – the extent to which the Programme will deliver additional to (i.e. not duplicating) existing policy efforts, and therefore meaningfully contribute to meeting Scottish Government objectives
- **Benefits Optimisation** - the extent to which the Programme will sustain and further unlock the economic value of the natural economy across direct, indirect, and additional holistic benefits
- **Potential Achievability** – the extent to which the scope is achievable within the timeframe and resources available within the Borderlands Inclusive Growth Deal terms and will ensure an ongoing legacy programme

- **Supply-side Capacity and Capability** – the extent to which there is appropriate resourcing, with the capacity and capability to deliver the transformation required (in terms of new ways of working, thinking and partnership building)
  - **Potential Affordability** – the extent to which the scope is affordable within the Borderlands Inclusive Growth Deal funding committed to the natural capital theme, whilst noting the ambition to secure and lever in additional resources.
- 4.5 An Options Appraisal was carried out for the programme. An initial long list was filtered which resulted in 3 shortlisted options being assessed alongside a 'do nothing' option. The preferred option is a programme of cross-sector demonstration of innovative land and marine management practices and sharing of best practice, regionally and nationally, combined with long term planning for the region.
- 4.6 The Economic Case also shows that the programme is expected to deliver significant economic benefits for the South of Scotland across three main benefit typologies: incidental (temporary result of the pilots), direct (persistent) and downstream (scaled up long term results of the pilots). Across these typologies, there are two main benefit categories: economic (e.g. employment, GVA, cost savings/efficiencies) and environmental/natural capital (e.g. carbon sequestration / GHG emissions reduction, timber production, food provision).
- 4.7 The economic and environmental/natural capital benefits of the Preferred Option have been monetised, for example:
- **Incidental employment** – 100 Direct FTEs, and a further 41 Indirect FTEs, supported in total across the programme delivery period, or c. 16 FTEs per year. Borderlands GVA per FTE: £66,873 (sector F – construction).
  - **Direct employment and GVA** –55 direct FTE jobs will be created across the delivery period, or c. 5.5 FTEs per year. Borderlands GVA per FTE: £93,035 (sectors A-E Production).

The Economic Case also assesses the financial value of the other benefits noted above and calculates the overall economic benefits of the programme £55.5m over a 25 year period and a Benefit-Cost Ratio of 4.6:1 which according to HM Treasury Guidance is "very high value for money".

#### 4.8 **Commercial Case**

The Commercial Case outlines the procurement strategy for the programme together with associated contract management considerations. The projects that make up the Natural Capital programme will be brought forward separately on a timeframe to be agreed with the Programme Board and the Borderlands Partnership and within the timescale of the overarching programme. The projects will adhere to the procurement requirements of funders in terms of the appointment of Delivery Partners and contractual arrangements. Approaches to maximising Community Wealth Building opportunities will also be explored.

#### 4.9 **Management Case**

The Management Case outlines the management structure, governance, and arrangements to ensure the delivery, monitoring and evaluation of the project. The governance structure is currently led by a Working Group that was established to oversee the development and approval of the Programme Business Case. This will be augmented by the establishment of a Programme Delivery Board with representation from key stakeholders, including Scottish Borders Council. It will be the responsibility of the Programme Board to monitor the delivery of project outputs.

4.10 The Programme Business Case is part of a continuous set of approval milestones for the programme in accordance with HM Treasury Green Book guidance. A Full Business Case is required for the Woodland Creation Project (due to the total project budget exceeding the Green Book FBC threshold of £1m), and Business Justification Cases are being produced for the other 5 projects. These will be brought to Council in due course.

## **5 IMPLICATIONS**

### **5.1 Financial**

- (a) Officers remain in discussions with Scottish Government officials regarding the overall Borderlands financial profile for 2023-24 and beyond. Council will be updated on the financial position when this is clarified. Currently, the total funding position for the Natural Capital programme delivery of projects in both Scottish Borders and Dumfries and Galloway is set out below.



<b>Source of funding</b>	<b>Totals</b>
Borderlands Inclusive Growth Deal	£5m
Anticipated Public Sector	£3.34m
Anticipated Private Sector	£0.42m
<b>Totals</b>	<b>£8.77m</b>

- (b) A total of £3.77m is required for the delivery phase of the programme in addition to the investment being provided through the Borderlands Inclusive Growth Deal. This funding will be met from a range of sources, including Scottish Forestry (Forestry Grant Scheme). Council will be informed of the financial profiles for the individual pilots when their business cases are submitted for approval.

## 5.2 Risk and Mitigations

The programme has a risk register laying out all strategic and operational risks with associated mitigations, and this feeds into a wider risk register that the Council maintains for the Borderlands Inclusive Growth Deal programme. The programme risk register is updated and reported to the meetings of the Programme Board.

## 5.3 Integrated Impact Assessment

As part of the Programme Business Case and Project Business cases submission to Government, Integrated Impact Assessments require to be completed. Integrated Impact Assessment will be prepared and submitted to Council for approval to ensure that the projects meet the requirements of the Equality and Fairer Scotland duties.

## 5.4 Sustainable Development Goals

The development of the programme will contribute to the ambitions to be a green, fair and flourishing region, helping to achieve net zero ambitions, and support community wealth building and thriving places. An assessment of this contribution towards the outcomes of the 17 UN Sustainable Development Goals will be undertaken as the programme is taken forward. The projects are currently undertaking Carbon Impact Assessments as part of the Business Case process.

## 5.5 **Climate Change**

As the programme is taken forward, there will be specific assessments undertaken to assess embodied carbon emissions during its implementation and lifecycle. The Carbon Impact Assessment required by Government will also allow for the measurement of carbon impacts. Benefits relating to the five themes set out in the Council's Climate Change Route Map— Resilience, Transport, Nature-based solutions, Energy and Waste— will also be assessed.

## 5.6 **Rural Proofing**

This report does not affect or amend rural proofing policies.

## 5.7 **Data Protection Impact Statement**

There are no personal data implications arising from proposals contained in this report.

## 5.8 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to the Scheme of Administration or the Scheme of Delegation as a result of the proposals within this report.

# 6 **CONSULTATION**

- 6.1 The Acting Chief Financial Officer, the Interim Chief Officer Corporate Governance (and Monitoring Officer), the Chief Officer Audit and Risk, the Director of People Performance & Change, the Clerk to the Council and Corporate Communications have been consulted on this report.

**Approved by**

**Jenni Craig**  
**Director, Resilient Communities**

## Author(s)

Name	Designation and Contact Number
Sam Smith	Chief Officer, Economic Development 01835 825612
Louise Cox	Sustainability and Climate Change Manager 01835 824000

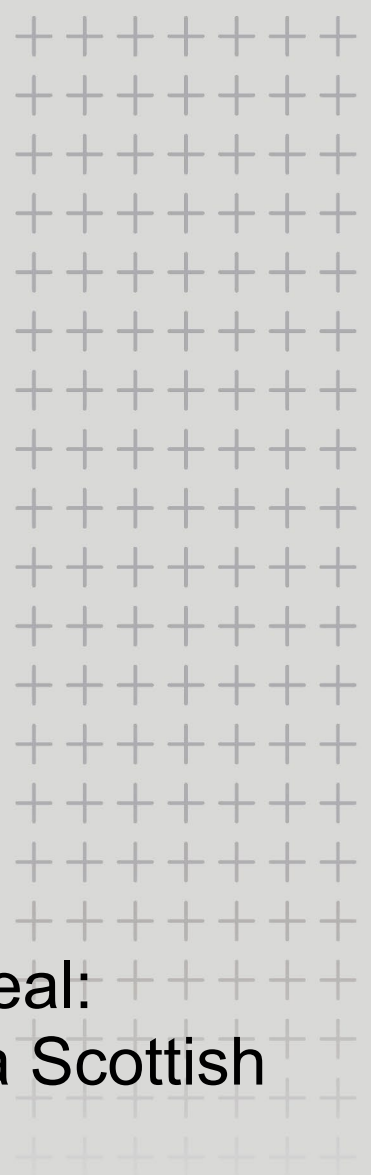
**Background Papers:** None.

**Previous Minute Reference:** Council – 26 November 2020.

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Stuart Kinross can also give information on other language translations as well as providing additional copies.

Contact us at Stuart Kinross, [stuart.kinross@scotborders.gov.uk](mailto:stuart.kinross@scotborders.gov.uk)

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# Borderlands Inclusive Growth Deal: Programme Business Case for a Scottish Natural Capital Programme

A Final Report  
v.4.0 July 2023

# Borderlands Inclusive Growth Deal: Programme Business Case for a Scottish Natural Capital Programme

July 2023

[www.hatch.co.uk](http://www.hatch.co.uk)

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**Appendix A - Strategic Policy & Objectives**

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**Appendix B - Non-monetised Natural Capital Benefits Summary**

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**Appendix C - Programme Costs**

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**Appendix D - Risk Register**

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**Appendix E - Programme Gantt Chart**

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**Appendix F - Letter of Confirmation of Stakeholder Support**

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**Appendix G - Natural Capital Scotland Working Group**

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**Appendix H- Natural Capital Programme Board**

**Appendix I - Monitoring and Evaluation and Benefits Realisation**



## Executive Summary

- 1.1 The Borderlands Partnership<sup>1</sup> put forward the unique Borderlands Inclusive Growth Deal to the UK Government and Scottish Government which outlines a cross border and strategic approach to the challenges and opportunities of the region.
- 1.2 The signed Deal defined a package of activities that the governments will support which includes the Natural Capital Programme, part of the Green Growth them. This theme underpins the development of the rural economy and supports clean growth.
- 1.3 The Business Case for a Natural Capital Programme, made up of several natural capital pilot projects, is about delivering innovation across a blend of revenue- and capital-based activities to support a new way of working that reflects the role of natural capital in underpinning regional economic development, community development, and land-use planning and management at a landscape scale. As such, it represents an enabling investment that will help to transform current practices, influence an emerging economic policy area post-Brexit, and support a series of long term and sustainable economic, environmental, and social outcomes. The argument for this economic business case is fundamentally about the direct economic benefit and broader socio-economic and environmental additionality it can bring to the Borderlands region in Scotland.
- 1.4 The Borderlands region has a wealth of unique and diverse natural capital assets which yield a wide range of economic, environmental, and social benefits for the region, on a spectrum from core economic activities delivering jobs and GVA, through to wider non-market benefits that themselves support further important parts of the economy. Yet much of the management of this natural capital currently relied on EU subsidy to survive. As a result, there is a need to adapt to a new approach to land and marine management practices in a post Brexit context, making the natural capital proposals highly important to the region's future economic resilience.
- 1.5 The principle of the Natural Capital Programme that the Scottish authorities of the Borderlands Partnership want to take is that the environment is no longer regarded as incidental or an obstacle to economic development, but that a healthy environment is the basis of developing a wellbeing economy and future resilience, thereby directly contributing to the strategic objectives for the Borderlands Inclusive Growth Deal. This principle is explained in detail in the Strategic and Economic Cases.
- 1.6 This Programme will be led by a cross border Programme Board, to join up the Natural Capital work across the Borderlands region and champion the work across the wider Natural Capital policy space.
- 1.7 The proposed programme, with six pilot projects in the South of Scotland, is aimed at demonstrating the impact of investment in natural capital assets to support long-term economic benefit. This will be achieved by supporting jobs and business growth and provide learning for embedding natural capital considerations into future investment. The six pilot projects are summarised on the following pages Project final design and delivery, including confirmed outputs, will be further developed, and agreed during their business case stage

<sup>1</sup> Bringing together the five cross-border local authorities of Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council

Table 1 Borderlands Natural Capital Programme for the South of Scotland: Pilot Projects	
Agri-Environment Pilot: Embedding Agricultural Resilience for a Productive Future – Farmers, Landowners and Species-rich Grassland	
Lead	South of Scotland Enterprise and Scottish Borders Council
(Potential) Partners	<ul style="list-style-type: none"> <li>• South of Scotland Enterprise</li> <li>• Butterfly Conservation</li> <li>• Project farmers</li> </ul>
Funding Required	<ul style="list-style-type: none"> <li>• £727,160 Borderlands funding</li> <li>• Potential additional or follow-on funding of £4,783,024</li> </ul>
Key Objective	To develop a more ecologically sustainable approach to hill livestock farming by supporting and promoting the rural economy and sustainable land management, focussing on Species-rich Grassland (SRG) and the conservation of the Northern Brown Argus (NBA) in the Scottish Borders, and Dumfries and Galloway.
Key Deliverables	<ul style="list-style-type: none"> <li>• Develop an effective outcomes based agri-environment scheme for SRG &amp; NBA, including establishing two farmer led Natural Capital groups to help develop, trial, and review the pilot scheme</li> <li>• Habitat restoration trials across both scrub removal and species rich grassland</li> <li>• Northern Brown Angus – Co-ordinate an NBA survey across both the Borders and Dumfries and Galloway, establish monitoring of NBA population, and develop an NBA landscape metric to determine the impact of the project</li> <li>• Support educational outreach / promotion through the establishment of two demonstration sites, online talks to local colleges, host undergraduate projects, and assist a PhD student</li> </ul>
Key Outputs	<ul style="list-style-type: none"> <li>• 400ha of species rich grassland under restoration management</li> <li>• 10 work placements achieved through short-term work experience</li> <li>• 2 local community liaison or volunteer groups established</li> <li>• 2 farmer-led Natural Capital groups established</li> <li>• 2 demonstration sites</li> <li>• At least 36 volunteer work parties undertaken to restore SRG</li> <li>• 90 volunteers engaged, contributing around 1000 days, worth £140,000</li> <li>• Engage with 50 farmers</li> </ul>
Agri-Environment Pilot: Whole Farm Audits and Natural Capital Advisory	
Lead	Dumfries and Galloway Council
(Potential) Partners	<ul style="list-style-type: none"> <li>• Galloway and Southern Ayrshire Biosphere</li> <li>• Scottish Environmental Protection Agency</li> <li>• National Farmers Union Scotland</li> <li>• Scottish Land and Estates</li> </ul>

	<ul style="list-style-type: none"> <li>• Academic institutions</li> <li>• NatureScot POBAS trials</li> </ul>
Funding Required	<ul style="list-style-type: none"> <li>• £612,460 Borderlands funding</li> </ul>
Key Objective	To test out a new Natural Capital centred approach to whole farm auditing that will identify synergies between management interventions that deliver public goods and a modern sustainable farm business.
Key Deliverables	<ul style="list-style-type: none"> <li>• Conduct whole farm audits for 12 land holdings by 2026 and provide each with a menu / combination of options (including management technique changes and enhanced capital menu) to support modern sustainable farm business.</li> </ul>
Key Outputs	<ul style="list-style-type: none"> <li>• 12 landholdings in pilot project by 2026 and approximately 1,200 hectares of land in the scheme</li> <li>• 250 hectares of habitats improved within 6 years and 20 hectares of new woodland including Riverwoods within 6 years</li> <li>• Increase in farm energy efficiency by 5% on each farm unit within 12 months of the efficiency measures being implemented</li> <li>• Reduction in use of artificial fertilisers on audited farms by a minimum 10% within 3 years of an alternative grassland management system being implemented</li> <li>• Increase in sward diversity on a minimum 10% of land on each holding within 4 years</li> <li>• 1.5 FTE jobs created within the first year and retained through the first five years of the project</li> <li>• Minimum of 6 landholding awarded Biosphere Certification Scheme within 5 years</li> <li>• Undertake training programme in natural capital land management techniques for 2 development roles</li> <li>• Sharing of best practice and a platform for continued sharing of best practice through peer to peer group of a minimum of 20 landowners within 12 months of third audit</li> </ul>
<b>Woodland Pilot: Integrated Land Use and Woodland Creation</b>	
Lead	Tweed Forum
(Potential) Partners	<ul style="list-style-type: none"> <li>• South of Scotland Enterprise</li> <li>• Scottish Forestry</li> <li>• Scottish Environmental Protection Agency</li> <li>• NatureScot</li> <li>• Landowners</li> </ul>
Funding Required	<ul style="list-style-type: none"> <li>• £1,136,467 Borderlands funding</li> <li>• £3,115,350 Forestry Grant Scheme</li> <li>• £422,215 private finance</li> <li>• £225,000 charitable (Woodland Trust, National Lottery Heritage Fund, LIFE WADER other)</li> </ul>
Key Objective	To pioneer a more integrated approach to Farming, Forestry and Conservation, that will use the SMART approach to promote the case for land use change

Key Deliverables	<ul style="list-style-type: none"> <li>• Up to 700ha of integrated and targeted mixed woodland, (approximately 60% Productive- largely conifer forestry- &amp; 40% Native- largely broadleaf woodland)</li> <li>• Demonstrate the multiple benefits of planting a wide range of different woodland types in the landscape</li> <li>• Encourage farmer uptake of different woodland types</li> </ul>
Key Outputs	<ul style="list-style-type: none"> <li>• Up to 700ha of new woodland</li> <li>• 20 work placements</li> <li>• 2 FTE jobs created / protected (through local forestry, fencing, and tree planting contractors)</li> <li>• 4 community liaison groups (to feedback local issues and opportunities)</li> <li>• 4 demonstration site (to act as focus areas where facilitated/organised visits by interested groups can take place)</li> <li>• Monitoring programmes (consisting of fixed-point photography, drone fly over coverage, and basic tree condition survey) to demonstrate change over time</li> </ul>
<b>Marine Pilot: A Sustainable Solway Economy</b>	
Lead	Dumfries and Galloway Council with delivery partner, Solway Firth Partnership
(Potential) Partners	<ul style="list-style-type: none"> <li>• Scottish Blue Carbon Forum</li> <li>• University of Glasgow</li> <li>• Candidate Biosphere Extension</li> </ul>
Funding Required	<ul style="list-style-type: none"> <li>• £1,998,973 Borderlands funding</li> <li>• ~£40,000 match funding from the Scottish Blue Carbon Forum for the employment of a PhD student</li> </ul>
Key Objective	To achieve a 'Sustainable Solway' economy through the restoration and expansion of coastal, intertidal, and marine habitats in support of key economic fishery species, water quality, key coastal tourism locations, climate mitigation and adaptation, and carbon sequestration. The project will also forge links with and help other Borderlands themes maximise natural capital benefits of the Solway e.g., opportunities associated with the development plans at Stranraer Marina and the wider Loch Ryan area. Taking a place-based approach, integrating natural capital interventions with wider regeneration initiatives, and focus on building sustainable economic outputs from across the Solway.
Key Deliverables	<ul style="list-style-type: none"> <li>• A number of interrelated interventions will be undertaken to deliver improvements in natural capital assets of the Solway Firth in a minimum of Four defined locations.</li> <li>• Research and develop innovative ways to reinstate coastal and marine habitats around the Solway</li> <li>• Investigate and pilot reintroduction of native oysters in historically known native oyster areas</li> <li>• Stranraer marketed as the 'Oyster Capital of Scotland' increasing research and tourism interest</li> <li>• Develop a 'Centre of Excellence' for Stranraer for research into practical restoration and host academic research and local training opportunities.</li> <li>• Undertake a training programme in reintroduction techniques and share best practice and build capacity in the region.</li> </ul>

	<ul style="list-style-type: none"> <li>• Trial of saltmarsh restoration techniques and investigate marketing of sustainably produced lamb and beef from restored saltmarsh</li> <li>• Where possible capture data to support the development of a Marine Carbon Code</li> <li>• Partnerships with universities formed to further Solway regional research</li> <li>• Attract private investment to further the restoration of natural capital assets</li> <li>• Oyster Spat trials for the capture, sale and supply of native oyster spat for Loch Ryan oyster beds and the supply to other oyster restoration projects</li> <li>• Streamlined or innovative methods for seagrass propagation tested and analysed for successful seagrass bed restoration</li> <li>• Local oyster depuration to assist in the development of local and Scottish markets</li> <li>• Partnership opportunities within the Candidate Biosphere Extension to use the Biosphere certification to boost the exclusivity, sustainability and accreditation of food fished, and reared within this extended area.</li> </ul>
Key Outputs	<ul style="list-style-type: none"> <li>• 1 Centre for Excellence</li> <li>• A sustainable business model for the Centre for Excellence providing long-term practical restoration in the Solway Firth</li> <li>• New collaborative working and partnerships</li> <li>• One PhD opportunity/opportunities through partnerships or universities</li> <li>• Increased training opportunities (including 5+ work experience placements, 1,280 internship hours, 40+ volunteers, lecture sessions education 100+ people)</li> <li>• 2.2 FTE jobs created</li> <li>• 50% increase in sales of Loch Ryan oysters</li> <li>• 4 hectares saltmarsh expansion</li> <li>• 1 hectare expanded seagrass</li> <li>• 2 hectares expanded native oyster bed</li> <li>• Research evidence to support the establishment of a marine carbon code</li> <li>• A body of research and proven new restoration techniques for seagrass, native oysters, and saltmarsh</li> <li>• A commercial oyster spat production for restoration project elsewhere</li> </ul>
Investment Pilot: Borderlands Natural Capital Investment Plan	
Lead	South of Scotland Enterprise
(Potential) Partners	<ul style="list-style-type: none"> <li>• South Uplands Partnership</li> <li>• Public sector agencies (e.g., NatureScot, Scottish Environmental Protection Agency, Crown Estates Scotland etc.)</li> <li>• National and regional capital authorities (e.g., Borders Forest Trust, Bug Life, Butterfly Conservation, Crichton Carbon Centre, Galloway and Southern Ayrshire Biosphere, RSPB, Scottish Wildlife Trust, Solway Firth Partnership, The Rivers Trusts, Tweed Forum and the Wildfowl and Wetlands Trust)</li> <li>• Scottish Government Responsible investment in Natural Capital Programme</li> </ul>

Funding Required	<ul style="list-style-type: none"> <li>• £156,750 Borderlands funding</li> <li>• Any additional funding will be sourced out with the Borderlands budget to deliver additional opportunities that may arise (e.g., from SOSE, local authorities, or public sector agencies working in this policy area)</li> </ul>
Key Objective	To explore how we can unlock blended and innovative finance opportunities to enhance our Natural Capital assets and deliver ecosystems services projects across the South of Scotland Borderlands programme and beyond.
Key Deliverables	<ul style="list-style-type: none"> <li>• Phase 1 – an initial rapid appraisal of natural capital in the Scottish side of Borderlands, which would involve working closely with the Data pilot on: <ul style="list-style-type: none"> <li>○ Identify biodiversity and natural capital investment priorities across Borderlands</li> <li>○ Identify natural capital dependencies and opportunities associated with various themes of the whole Borderlands Programme</li> <li>○ Align D&amp;G and SBC areas with regards to data and knowledge base on Natural Capital assets – SBC already have quality baseline data from the pilot Land Use Strategy (LUS).</li> <li>○ Create a broad map of biodiversity opportunity areas built on previous work and knowledge within the stakeholder group</li> <li>○ Package up and prioritise opportunities at scale, identifying potential funding mechanisms for delivery, including consideration of capital and operational costs</li> </ul> </li> <li>• Phase 2 – the financial mechanisms would be further developed and applied to deliver portfolios of projects in the following 5 years, including blended finance to stimulate New Market opportunities.</li> </ul>
Key Outputs	<ul style="list-style-type: none"> <li>• Phase 1 – production of an Investment Plan highlighting opportunities in the Borderland area and the creation of linkages and contacts in the financial sector, working in collaboration with the Responsible Investment in Natural Capital Programme.</li> <li>• Phase 2 – build on the Investment Plan offers discreet packages of investment for various sectors and locations.</li> </ul>
<b>Data Pilot: Natural Capital Data Audit and Mapping</b>	
Lead	Tweed Forum
(Potential) Partners	<ul style="list-style-type: none"> <li>• Galloway and South Ayrshire UNESCO Biosphere</li> <li>• Crichton Carbon Centre</li> <li>• Tweed Forum</li> <li>• NatureScot</li> <li>• SEPA</li> <li>• Dumfries and Galloway Council</li> <li>• Scottish Borders Council</li> <li>• Local educational institutions</li> <li>• South West Scotland Environmental Information Centre</li> <li>• The Wildlife Information Centre (TWIC)</li> <li>• Southern Upland Partnership</li> </ul>

	<ul style="list-style-type: none"> <li>• SOSE</li> <li>• Space Intelligence as our technical partner (subject to procurement)</li> </ul>
Funding Required	<ul style="list-style-type: none"> <li>• £359,000 Borderlands funding</li> </ul>
Key Objective	Using innovative approaches to AI interpretation of satellite data, this project will produce data in a way relevant to and at a resolution that is useful to the Borderlands themes and partner organisations working in the natural capital sector. It will be used to explore land use change, habitat connectivity and restoration, carbon capture, and potential for nature-based solutions.
Key Deliverables	<ul style="list-style-type: none"> <li>• Information audit to understand the data needs of partners across the region</li> <li>• Testing a catchment-wide approach on the ground, where a real-time monitoring data network that is linked with existing (satellite) data to make informed sustainable land use change decisions, support collaboration, and build the evidence base</li> <li>• Creation of a bespoke data set for the South of Scotland required by those working on the Regional Economic Strategy, Natural Capital and other projects within Borderlands that integrates socio-economic data</li> <li>• The mapping imagery and AI processing will be procured to collect and analyse the data, which will be ground truthed, via a combination of partner organisations and citizen science projects, with the results fed back to the model to improve future iterations.</li> <li>• GIS officer will be allocated to focus training and activity amongst partners and NGOs, upskilling the sector and encouraging greater adoption of this technology</li> <li>• 2 part time training posts to enhance digital skills and build capacity within the South of Scotland</li> </ul>
Key Outputs	<ul style="list-style-type: none"> <li>• 2 FTE jobs – 1 GIS Officer and 2 PT training posts</li> <li>• Data needs audit of Borderlands schemes, NGOs, and partners</li> <li>• Up-to-date spatial data procured for the Borderlands area in Scotland reflecting the data needs audit</li> <li>• Contemporary monitoring linked to other datasets tested</li> <li>• Links to wider socio-economic data and analysis</li> <li>• Central GIS resource</li> <li>• Training and skills development, including training placement opportunities in GIS, remote data collection and AI interpretation</li> <li>• IT consumables to enable partner organisation to engage with utilising and capturing spatial data</li> <li>• Opportunities for the wider public to engage with the project through citizen science ground truthing</li> </ul>

# 1. Introduction

1.8 The Borderlands Partnership<sup>2</sup> put forward the unique Borderlands Inclusive Growth Deal to the UK Government and Scottish Government which outlines a cross border and strategic approach to the challenges and opportunities of the region. The Deal was signed with the UK Government and Scottish Government on 18th March 2021. The Deal is made up of £265 million from the UK Government £85 million from the Scottish Government and £102.56 million from local partners. The Deal Agreement states that the following are expected to be achieved over the 20-year benefits realisation period for the Deal, subject to full business cases:

- deliver an additional 5,500 job opportunities
- attract more than four million extra tourists to the area
- improve mobile and digital connections
- unlock investment in towns across the area
- generate around £1.1 billion in GVA for the Borderland's economy<sup>3</sup>

1.9 The signed Deal defined a package of activities that the governments will support, and described the Natural Capital theme as follows:

“This project underpins the development of the rural economy and supports clean growth. The UK and Scottish Governments will jointly fund up to £5 million in Scotland and the Department for Environment, Food and Rural Affairs will contribute up to £5 million in England, subject to full business case approval, to develop trials and sector strategies to capture the benefits of the region's natural capital. The £5 million for the Borderlands Natural Capital Innovation Zone in the South of Scotland comprises £2.5 million in capital, which is to come from the UK Government, and £2.5 million in revenue, which is to come from the Scottish Government. There are six pilot projects proposed in the South of Scotland to be funded by these capital and revenue allocations.” “The emerging projects on both sides of the border will apply the same natural capital approach and as such will work together in sharing best practice and learning as well as exploring the scope to increase the scale of these trials to wider areas as appropriate.”

1.10 The Natural Capital theme, as identified in the Borderlands Inclusive Growth Deal, underpins the development of the rural economy, and supports clean growth. The UK and Scottish Governments will jointly fund up to £5 million in Scotland and DEFRA will contribute up to £5 million in England, to develop trials and sector strategies to capture the benefits of the region's natural capital. A programme comprised of six pilot projects is proposed in the South of Scotland to be funded. The Programme will deliver a series of pilot interventions aimed at demonstrating the impact of investment in natural capital assets to support long-term economic benefit. This will be achieved by supporting jobs and business growth and provide learning for embedding natural capital considerations into future investment. The six pilot projects are:

- **Two Agri-Environment Pilots:**

<sup>2</sup> Bringing together the five cross-border local authorities of Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council

<sup>3</sup> Borderlands Inclusive Growth Deal March 2021



- **Embedding Agricultural Resilience for a Productive Future – Farmers, Landowners and Species-rich Grassland (led by Scottish Borders Council)**
- **Whole Farm Audits and Natural Capital Advisory (led by Dumfries & Galloway Council)**

Focused on engagement of farmers and land managers with new ways of working to protect and enhance natural capital and identification of the potential benefits to them through new revenue models linked to public and private sector investment. This will deliver direct economic benefit through new jobs and GVA, as well as safeguarded livelihoods, more sustainable businesses, skills and innovation, and long-term investible projects for the private sector

- **Woodland Pilot: Integrated Land Use and Woodland Creation**

Taking a catchment scale approach to integrated land use and woodland creation to enable the integration of farming and forestry at a landscape scale, engaging landowners and farmers and foresters providing multiple benefits including timber production and natural flood management, identifying alternative revenue models associated with woodland creation, and overcoming siloes to adopt a sustainable agri-forestry model. This will deliver direct economic benefit through new jobs and GVA, as well as additional benefits associated with safeguarded livelihoods, a sustainable forestry sector, innovation in timber production and secondary manufacturing opportunities, and blended finance packages.

- **Marine Pilot: A Sustainable Solway Economy**

Across the two shores of the Solway on both sides of the border focused on habitat restoration in support of biodiversity, climate mitigation and the fishing and shellfish industry and saltmarsh-based livestock products, as well as water quality and coastal flood defence. This will deliver direct economic benefit through new jobs and GVA, as well as progress towards a sustainable farming and fishing industry, additional benefits for the visitor economy, safeguarded livelihoods, and enhanced flood resilience, delivering a legacy of skills, research, and capacity in the region.

- **Investment Pilot: Borderlands Natural Capital Investment Plan**

Associated with mapping a practical action plan for the Borderlands region to develop investable projects based on innovative blended finance and funding models. This could include elements like the development of a catchment trading platform to channel investment into environmental markets, based on a cornerstone outcome (e.g., water quality) but able to expand into other outcomes (e.g., flood risk reduction, biodiversity net gain). This will deliver important economic additionality benefits associated with enhanced investment into the region, new commercial activity, and business opportunities, as well as improved financial contacts, skills, and capabilities.

- **Data Pilot: Natural Capital Data Audit and Mapping**

Including digital mapping of the Borderlands Natural Capital assets and associated economic and non-market benefits, digital integration to challenge siloes, and demonstrating the use of innovative “smart” technology and a data driven approach. This will deliver direct economic benefit through new jobs and GVA, as well as training and skills development, and building innovation and technology capacity in the region.

- 1.11 During 2021 and early 2022, the natural capital leads within Scottish Borders and Dumfries and Galloway authorities were in dialogue with both Scottish Government and

UK Government on the next steps for the Natural Capital Programme and Scottish pilot projects. This led to approval for a Programme Business Case to be developed, with the intention that if successful, the six pilot projects will be brought forward under individual Business Justification Cases in due course.

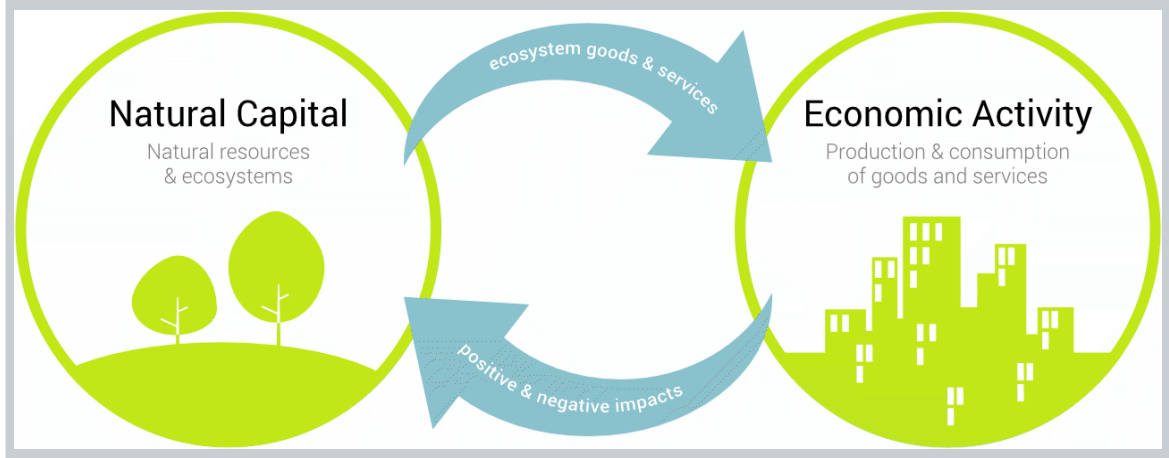
- 1.12 The Business Case for a Natural Capital Programme, made up of several natural capital pilot projects is about delivering innovation across a blend of revenue- and capital-based activities to support a new way of working that reflects the role of natural capital in underpinning regional economic development, community development, and land-use planning and management at a landscape scale. As such, it represents an enabling investment that will help to transform current practices, influence an emerging economic policy area post-Brexit, and support a series of long term and sustainable economic, environmental, and social outcomes. The argument for this economic business case is fundamentally about the direct economic benefit and broader socio-economic and environmental additionality it can bring to the Borderlands region in Scotland, as set out below.

## Natural Capital

### What is Natural Capital?

According to the Natural Capital Committee, Natural Capital is that part of nature which directly or indirectly underpins value to people, including ecosystems, species, freshwater, soils, minerals, the air and oceans, as well as natural processes and functions. For UK Government, natural capital underpins the other four types of capital: manufactured, financial, human and social.<sup>4</sup> The Scottish Government framing has natural capital as one of four key pillars, the other three being financial and physical, human, and social capital.<sup>5</sup> In combination with other types of capital, natural capital forms part of our collective wealth; that is, our ability to produce actual or potential goods and services into the future to support our economic prosperity and wellbeing.

Natural Capital is distinct from Ecosystem Services. Natural Capital is the stock of natural assets found in natural ecosystems, which in turn delivers a range of flows of benefit which accrue to people and wider society termed Ecosystem Services. As such, Natural Capital is the resource that underpins all economic prosperity and finding a way to sustain it and ensure it represents a renewable asset is critical to long term economic health.



<sup>4</sup> Natural Capital Committee – Natural Capital Terminology report, 2019

<sup>5</sup> Advisory Group on Economic Recovery – Towards a robust, resilient wellbeing economy for Scotland, 2020

Source: Scotland's Economic Strategy, 2015

In its most recent State of Natural Capital Annual Report 2020<sup>6</sup>, the Natural Capital Committee assesses progress to date against the UK Government's 25 Year Environment Plan. It finds that only moderate or limited progress has been made towards some of the 25 YEP ten goals and many areas of the environment are in decline. The State of Nature Scotland 2019 report<sup>7</sup> also identifies a continued decline in Scottish wildlife and species, and whilst Scotland's Natural Capital Asset Index 2020<sup>8</sup> summary suggests natural capital is being maintained north of the border, the potential of Scotland's habitats to contribute to wellbeing remains well below historic levels.

**The Natural Capital of the Borderlands region underpins much of its economic prosperity with its reliance on land-based and coastal industries such as, agriculture, forestry, energy, food and drink, tourism, and outdoor recreation.** A Natural Capital approach to economic development recognises the role of a healthy environment as the basis of the Region's sustainable economic growth, with natural capital underpinning prosperity, health, and wellbeing<sup>9</sup>, rather than it being treated as incidental or an obstacle. As a result, the future land and marine assets of the region are recognised as a critical element of its future economic growth and resilience.

- 1.13 The Borderlands region has a wealth of unique and diverse natural capital assets which yield a wide range of economic, environmental, and social benefits for the region, on a spectrum from core economic activities delivering jobs and GVA, through to wider non-market benefits that themselves support further important parts of the economy. Yet much of the management of this natural capital currently relied on EU subsidy to survive. As a result, there is a need to adapt to a new approach to land and marine management practices in a post Brexit context, making the natural capital proposals highly important to influence or inform policy and management decisions for the region's future economic resilience.
- 1.14 The principle of the Natural Capital Programme that the Scottish authorities of the Borderlands Partnership want to take is that the environment is no longer regarded as incidental or an obstacle to economic development, but that a healthy environment is the basis of developing a wellbeing economy and future resilience, thereby directly contributing to the strategic objectives for the Borderlands Inclusive Growth Deal. This principle is explained in detail in the Strategic and Economic Cases.

## Structure of the Business Case

- 1.15 The programme business case follows the Green Book Five Case Model Programme Business Case guidance.<sup>10</sup> Under this model, five key dimensions are addressed:
  - The Strategic Case – this section makes the case for change and demonstrates how the business case provides strategic fit

<sup>6</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/858739/ncc-annual-report-2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/858739/ncc-annual-report-2020.pdf)

<sup>7</sup> <https://www.nature.scot/state-nature-scotland-report-2019>

<sup>8</sup> <https://www.nature.scot/sites/default/files/2020-04/Scotland%27s%20Natural%20Capital%20Asset%20Index%202020%20-%20Update%20summary.pdf>

<sup>9</sup> National Strategy for Economic Transformation, Scottish Government, March 2022

<sup>10</sup> HMT Guide to Developing the Programme Business Case, 2018.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/749085/Programme\\_Business\\_Case\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749085/Programme_Business_Case_2018.pdf)

- The Economic Case – this section identifies the proposal(s) that will deliver the best value, including wider economic, social and environmental effects
- The Financial Case – this section demonstrates the affordability and funding of the preferred option, including the support of stakeholders and customers, as required
- The Commercial Case – this section demonstrates that the preferred option(s) will result in viable procurement and a well-structured Deal between the public sector and its service providers
- The Management Case – this section demonstrates that robust arrangements are in place for the delivery, monitoring, and evaluation of the scheme, including feedback into the organisation’s strategic planning cycle

1.16 As outlined above, the intention is that once approval is secured for the programme business case, this will be followed by individual business justification cases and / or full business cases for the six natural capital pilot projects, based on Green Book Better Business Cases guidance and the Single Stage Business Case – Medium Value and Risk template<sup>11</sup>.

<sup>11</sup> Medium-cost risk Business Justification Case template, HMT  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/935531/Template\\_for\\_medium-cost-risk\\_business-justification-case.docx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935531/Template_for_medium-cost-risk_business-justification-case.docx)

## 2. Strategic Case

### Strategic Context

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#### Organisational overview

2.1 The following local authorities and organisational partners are involved in the Borderlands Natural Capital Programme on the Scottish side.

- Scottish Borders Council
- Dumfries and Galloway Council
- South of Scotland Enterprise (SOSE)
- Nature Scot
- Scottish Environment Protection Agency (SEPA)
- Marine Scotland
- Crown Estates Scotland
- Scottish Forestry
- Rural Payments and Inspections Division

#### Alignment with policy and objectives

2.2 The strategic policy drivers and challenges that the Natural Capital Programme will help to address in Scotland are summarised below.

2.3 The proposal aligns with Scottish Government's policy requirements - as mentioned in the Programme for Scotland 2019-20 & 2020-2021 - to deliver the Scottish Land Use Strategy by establishing Regional Land Use Partnerships (RLUPs), and the need to reconcile the requirements of the main strategic drivers for land use and marine management set out in government legalisation and policy documents.

2.4 The Natural Capital Programme has been designed at the outset to deliver potential implementation projects for the RLUP under the emerging Regional Land Use Framework. The framework is likely to include high-level regional priorities for land use and marine management to enhance the region's natural capital assets and deliver against climate change and biodiversity objectives.

2.5 A detailed list of these documents and their key messages are included in Appendix A, with a summary of key strategic drivers below

**Table 2.1 Policy and Strategic Alignment**

Headline land-use/marine management, and holistic economic growth strategies both regional and national which particularly highlight the role of the green and blue economy and Natural Capital:

- **Scotland's National Strategy for Economic Transformation (2022)**<sup>12</sup> sets out the priorities for Scotland's economy as well as the actions needed to maximise the opportunities of the next decade to achieve the vision of a wellbeing economy. Natural Capital will be central to how Scotland transforms its economy and one of the Strategy's actions is to develop a high integrity values-led market for responsible private investment in natural capital.
- **The Scottish Budget 2023/24** highlights the green economy and strengthening Scotland's pandemic recovery as a major focus, outlining Scottish Government's ambition to build a stronger, fairer, greener economy for all Scotland's people and places, and to make the economy more sustainable and resilient in the long term.<sup>13</sup>
- **The 2022/23 Programme for Government** outlines how Scottish Government will deliver changes which will underpin a greener, fairer Scotland and how they will realise Scotland's potential to become a global green energy powerhouse.<sup>14</sup>
- **South of Scotland Regional Economic Strategy (RES) (2021)**<sup>15</sup> which sets out a bold vision for the South of Scotland to be Green, Fair and Flourishing by 2031.
- **South of Scotland RES Delivery Plan 2022-2025 (2021)** outlines how the region's economic strategy will be delivered. Theme 5 (Green and Sustainable Economy) outlines priorities surrounding the green and sustainable economy, including to harness and enhance Natural Capital in the region. The Borderlands Inclusive Growth Deal is included in the RES under Theme notably Action 5c: to develop proposals to increase opportunities and benefits arising from the region's natural capital assets including support for sustainable agriculture, woodlands and forests, restoring peatlands, marine management, water management and increasing biodiversity
- **Circular Economy** The Circular Economy Bill was introduced to Parliament on 13<sup>th</sup> June 2023 and is now published on the Scottish Parliament website at the following link [Circular Economy \(Scotland\) Bill – Bills \(proposed laws\) – Scottish Parliament | Scottish Parliament Website](#)

Sitting in a wider landscape of economic strategies, including:

- UK Industrial Strategy (2017)<sup>16</sup>
- Levelling Up the United Kingdom White Paper (2021)<sup>17</sup>
- Scotland's Economic Strategy 2015
- Scotland's National Planning Framework 3 (NPF3) and NPF4 (published Feb 2023)
- Future Fisheries: management strategy - 2020 to 2030 ([www.gov.scot](http://www.gov.scot))

Following the Covid-19 pandemic, there is also a renewed focus on the wellbeing economy and how this can help to drive a green recovery:

- The recent report from the Advisory Group on Economic Recovery (AGER) on a resilient wellbeing economy for Scotland post-Covid 19
- UK Government's Covid-19 Recovery Strategy (2020)

These economic strategies are supported by a series of headline land use, marine, and environmental strategies:

<sup>12</sup> Scotland's National Strategy for Economic Transformation, Scottish Government, March 2022

<sup>13</sup> [Scottish Budget 2023-24](#)

<sup>14</sup> [The 2022/23 Programme for Government](#)

<sup>15</sup> South of Scotland Draft Regional Economic Strategy, South of Scotland Regional Economic Partnership, 2021

<sup>16</sup> Industrial Strategy Building a Britain fit for the future, UK Government, 2017

<sup>17</sup> [Farming Innovation Programme – Farming Innovation Programme \(ukri.org\)](#)

- **Update to the Climate Change Plan (2018-2032) *Securing a Green Recovery on a Path to Net Zero*** - “Scotland’s Natural Capital is of great economic significance; it is believed to account directly for more than 60,000 jobs in Scotland. It is vital to our tourist industry, which employs more than 200,000 people across the country and it is essential to Scotland’s food and drink sector”and “A clear opportunity for recovery and renewal in Scotland lies in our massive marine zone - six times the size of Scotland’s land mass. Our rich marine natural capital has the potential to help drive Scotland’s green recovery from COVID-19. The Organisation for Economic Cooperation and Development forecast the global blue economy to double from 2010 to 2030”
  - **Scottish Land-Use Strategy 2021-2026** which outline a series of land use objectives including: Land based businesses working with nature to contribute more to Scotland’s prosperity; Responsible stewardship of Scotland’s natural resources delivering more benefits to Scotland’s people; Urban and rural communities better connected to the land, with more people enjoying the land and positively influencing land use.
  - **Scotland’s Draft Biodiversity Strategy 2022-2045** which sets out an ambitious new strategy to halt biodiversity loss by 2030 and reverse it with large-scale restoration by 2045.<sup>18</sup>
  - **Biodiversity Strategy Post-2020: A Statement of Intent** which signals Scottish Government’s ambitions for Scotland in tackling the twin crises of climate change and biodiversity loss and outlines key priorities to achieve this such as extending the area protected for nature in Scotland to at least 30% of its land area by 2030.
  - **Regional Land Use Partnerships and Framework (RLUPs)** Scottish Government pilot RLUPs are one of the key platforms for change in the national LUS. The pilots aim to test the practicalities of different ways to establish RLUPs and outline in a Framework (RLUF) how to use a natural capital approach to identify and agree upon current and potential land use changes across the region that support the delivery of Scottish Government’s climate change targets and other environmental objectives, including improving biodiversity. The RLUP is aligned to the Regional Economic Partnership and Regional Economic Strategy as noted above.
  - **National Marine Plan (2015)**<sup>19</sup> and the proposed ‘NMP2’ ( final plan expected late 2025/early 2026), which sets out the vision for the marine environment – “clean, healthy, safe productive and diverse seas; managed to meet the long term needs of nature and people”
  - **Blue Economy Vision for Scotland (2022)**<sup>20</sup> sets out Scottish Government’s long-term ambition for Scotland’s blue economy to 2045 – “By 2045 Scotland’s shared stewardship of our marine environment supports ecosystem health, improved livelihoods, economic prosperity, social inclusion, and wellbeing”
- Supported by a wider landscape of national and regional environmental policies that address the twin crises of climate change and biodiversity loss:
- UK Government 25 Year Environment Plan (2018)<sup>21</sup>
  - Climate Change (Emissions Reduction Targets) (Scotland) Act 2019
  - Scottish Biodiversity Strategy: ‘It’s in your hands’ 2004, & Scotland’s Biodiversity Strategy Post 2020: A Statement of Intent

<sup>18</sup> [Scotland’s Biodiversity Strategy to 2045](#)

<sup>19</sup> [National Marine Plan \(2015\)](#)

<sup>20</sup> [Blue Economy Vision for Scotland \(2022\)](#)

<sup>21</sup> A Green Future: Our 25 Year Plan to Improve the Environment, UK Government, 2018

- NatureScot: Delivering Scotland’s Ambition to Secure Positive Effects for Biodiversity (2020)
- Environment Strategy for Scotland: Vision and Outcomes
- Dumfries and Galloway Climate Change Emergency Declaration (2019)
- Scottish Borders Climate Change Route Map (2021)

Renewed emphasis across the public sector on the importance of sustainable development drivers:

- As a signatory to the UN Sustainable Development Goals, and the National Outcome Indicators for Inclusive Growth to include the ‘Wellbeing Economy’<sup>22</sup>
- NatureScot’s Corporate Plan ‘Connecting People and Nature’: refers to sustainable prosperity and wellbeing
- SEPA’s ‘One Planet Prosperity’ plans refer to the SDGs
- The statutory aims of SOSE include improving the amenity and environment of the South of Scotland as well as furthering sustainable economic and social development

Numerous national policies that address the challenges and opportunities associated with the main land and marine use type sectors in the Borderlands region:

- Scottish Forestry Strategy 2019 – 2029
- Ambition 2030 – A Growth Strategy for Farming, Fishing, Food and Drink
- Scotland’s Historic Environment Strategy 2014 – ‘Our place in time’
- The Scottish National Marine Plan 2015 and proposed ‘NMP2’ ( final plan expected late 2025/early 2026).
- Scottish Energy Strategy: The future of energy in Scotland 2017
- Scotland 2030 – ‘Responsible Tourism for a Sustainable Future’<sup>23</sup>
- Our Vision for Scotland as a leader in sustainable and regenerative farming (2022)
- Solway Tweed River Basin Plan 2021-2027<sup>24</sup>
- SEPA Flood Risk Management Plans 2022<sup>25</sup>

Relevant local policies specific to the Borderlands region:

- South of Scotland Enterprise (SOSE) Operating Plan<sup>26</sup>
- Scottish Borders Woodland Strategy 2005 and 2012 update
- Scottish Borders Land Use Strategy pilot
- Scottish Borders Local Biodiversity Action Plan 2018-28
- Regional Land Use Partnership and Framework for the South of Scotland, and delivery of the Scottish Government pilot
- Scottish Borders Economic Strategy 2023
- Dumfries and Galloway Regional Economic Strategy 2015-2020
- Dumfries and Galloway Forestry and Woodland Strategy
- Dumfries and Galloway food and drink strategy
- Dumfries and Galloway Local Biodiversity Action Plan
- Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024

<sup>22</sup> <https://www.gov.scot/groups/wellbeing-economy-governments-wego/>

<sup>23</sup> <https://scottishtourismalliance.co.uk/scotland-outlook-2030-download/>

<sup>24</sup> 211221-final-rbmp3-solway-tweed.pdf (sepa.org.uk)

<sup>25</sup> Flood Risk Management Plans | SEPA

<sup>26</sup> [https://www.southofscotlandenterprise.com/media/1134/sose\\_operatingplan20\\_interactive.pdf](https://www.southofscotlandenterprise.com/media/1134/sose_operatingplan20_interactive.pdf)



Source: Borderlands Partnership and Hatch, 2022

### Other strategic drivers

- The UK's exit from the European Union is resulting in changes to the current system of land and sea management practices and subsidies. This, along with measures required to tackle climate change, presents challenges and potential radical alterations to land and sea use patterns. These changes are likely to lead to traditional upland areas in the Borderlands becoming more financially marginal, further embedding siloed thinking and short termism, and threatening the viability of the farming and fishing sector as well as the social and cultural structures that farming and fishing supports.
- Interest in developing novel investment models and making natural capital projects investable for the private sector is accelerating<sup>27</sup>. For example, the Billion Pound Challenge in Scotland, led by the Scottish Wildlife Trust and the Scottish Environment Protection Agency (SEPA), is an initiative to pioneer, develop, and showcase cutting edge- investment and funding models to close the gap between public and private sector funding, with the potential to generate £1 billion for biodiversity. Similarly, the Scottish Conservation Finance Project aims to generate new forms of investment in Scotland's stocks of natural capital in ways that will deliver significant economic, social, and environmental benefits, as well as returns for investors.
- Additionally, NatureScot and its partners are exploring innovative approaches to secure more varied and sustained investment in nature through the Facilitating Local Natural Capital Investment project.<sup>28</sup>
- Additionally, COP26 discussed the emerging idea of Finance for Nature, highlighting the role of private finance in the global transition to more sustainable pathways. The debate centred on the need to include nature in financing accounts and how new parameters such as nature, biodiversity loss, and social impact can be included into traditional investment models. The development of the Taskforce on Nature-related Financial Disclosures will help to facilitate reporting on the risks in relation to nature. Whilst only 3% of global finance is being spent on nature-based solutions, the programme presented several examples of how financing nature and nature-based solutions is both possible and profitable.<sup>29</sup>
- There is a significant track record in piloting natural capital activity in the region, including on the Scottish side of the border, e.g., the Natural Capital Protocol trial by Scottish Forum<sup>30</sup>, and the Tweed Forum's work to leverage investment in natural capital<sup>31</sup>. The proposal for a Natural Capital Programme is unique in bringing together different pilots and will harness this good practice and drive forward the next wave of new ways of working in alignment with the ambitions of the Scottish Land Use Strategy and pilot RLUPs.

<sup>27</sup> <https://www.iema.net/preview-document/accelerating-private-investment-in-nature-based-solutions>

<sup>28</sup> Hume, A., Gibson, A., Fitton, R. and Mansfield, J. 2021. Facilitating Local Natural Capital Investment – project report. NatureScot Research Report 1272.

<sup>29</sup> <https://www.globalethicalfinance.org/2021/11/25/finance-for-nature-in-nature-at-cop26/>

<sup>30</sup>

[https://naturalcapitalscotland.com/docs/070\\_525\\_\\_trialofncpforland\\_basedbusinesses\\_overviewreport\\_1539873053.pdf](https://naturalcapitalscotland.com/docs/070_525__trialofncpforland_basedbusinesses_overviewreport_1539873053.pdf)

<sup>31</sup> <http://www.tweedforum.org>

- The climate crisis, Covid-19 and calls for a green recovery towards a wellbeing economy in Scotland<sup>32</sup>, and the biodiversity crisis are all key drivers for this proposal.
- Additionally, there is a lot of public research and engagement in Scotland around marine natural capital and its value, benefits etc. The DEEP project, Project Seagrass and others have proven that businesses have an interest in investing in natural capital. Project Seagrass have the band Coldplay as ambassadors/patrons, as well as support from Hendricks Neptuna Gin, Yo Sushi and Brewgooder.
- Building on the ambition for Scotland to deliver a values-led and high-integrity market for natural capital set out at COP26, Scottish Government have recently submitted a set of Interim Principles for responsible private investment in Scotland's natural capital, in advance of more formal policy documents. As a priority action under the National Strategy for Economic Transformation, the Scottish Government will develop new market infrastructure, rules, and governance for responsible private investment in natural capital. The principles include investment that:<sup>33</sup>
  - Delivers integrated land use
  - Delivers public, private, and community benefit
  - Demonstrates engagement and collaboration
  - Is ethical and values-led
  - Is of high environmental integrity
  - Supports diverse and productive land ownership

### Key Messages from Strategic Policy Drivers

2.6 The key policy and strategic drivers discussed above highlight several key messages that the Borderlands Natural Capital Programme will respond to, including:

- Economic resilience – supporting GVA and employment generation, as well as local training and education opportunities, in future-proofed sectors
- Environmental sustainability – supporting enhanced landscapes and seascapes, improved woodland cover and peatlands, and enhanced biodiversity
- Valuing the natural environment – supporting innovative ways to commercialise land management approaches and increase private investment in natural capital
- Non-tangible value benefits such as improved wellbeing through knowledge and access to blue/green space
- 
- Building buy-in across stakeholder groups – working collaboratively with local farmers, organisations, and stakeholders to deliver economic, environmental and social benefits

<sup>32</sup> AGER report – Towards a robust, resilient wellbeing economy for Scotland, 2020

<sup>33</sup> <https://www.gov.scot/publications/ministerial-statement-on-interim-principles-for-responsible-investment-in-natural-capital/>

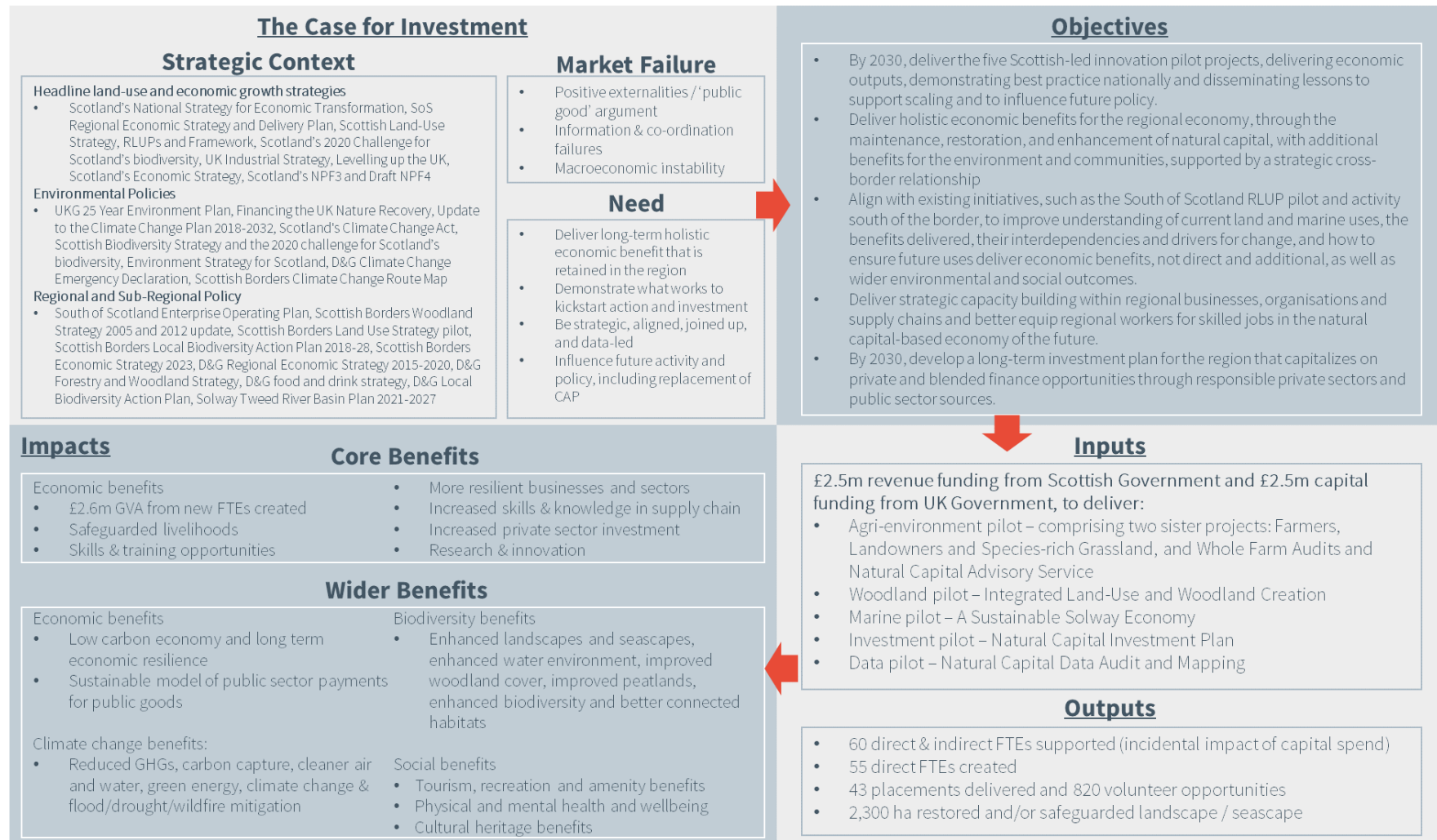
## The Case for Change

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### Borderlands Natural Capital Programme – Logic Model

- 2.7 A logic model is presented below for the Borderlands Natural Capital Programme in Scotland.

Figure 1.1 Borderlands Natural Capital Programme in Scotland – Logic Model



Source: Borderlands Partnership and Hatch, 2022

## Investment objectives

- 2.8 The natural capital assets of the Borderlands region in Scotland underpin a great deal of its economic activity and prosperity, through both direct dependency sectors such as agriculture and fishing, forestry, and the visitor economy, and those that indirectly depend on the natural economy such as hospitality, food and drink, manufacturing, energy, renewables, and utilities.
- 2.9 However, the reliance of the regional economy on natural capital is not fully recognised currently, and the planning and coordination of the Borderlands' nature-based assets is fragmented from economic development with the consideration of economic benefits being treated separately from the wider environmental and social benefits that it delivers. This presents challenges to those charged with managing a largely upland countryside, particularly related to marginal financial viability and a current reliance on national subsidy.
- 2.10 Improving the integration of land planning and delivery to support a wider set of economic activities and opportunities for long term resilience, whilst providing multiple wider, non-market benefits, will lead to better outcomes for the economy, the environment, and communities by capitalising on the region's unique natural resources. A Borderlands Natural Capital Programme in Scotland will enable a collective, coordinated, strategic approach to enhancing and growing the region's natural capital, both land and water, and associated economic opportunities through innovative integrated land use and management, informed decision-making, and improved communication across stakeholder groups.
- 2.11 The vision is to demonstrate the potential for a progressive natural capital-based economy to underpin the region's prosperity. This closely aligns with Scotland's strategic ambitions for a robust and resilient wellbeing economy, with South of Scotland's vision to be "green, fair and flourishing by 2031" with natural capital driving green growth, and with the Borderlands Growth Deal's ambition "for the Borderlands to reach its potential for everyone, delivering green growth and attracting new businesses and investment". Both Dumfries and Galloway and Scottish Borders Councils have been heavily engaged with and endorse this vision for the region.
- 2.12 The following objectives have been identified for the Borderlands Natural Capital Programme in Scotland:
- 1) **By 2030, deliver the six Scottish-led innovation pilot projects, delivering economic outputs, demonstrating best practice nationally and disseminating lessons to support scaling and influence future policy.**  
*Aligns with Action 5(A) of SoS RES Delivery Plan 2021 to undertake natural capital opportunity mapping and work to develop specific investment propositions.*
  - 2) **Deliver holistic economic benefits for the regional economy through the maintenance, restoration, and enhancement of natural capital, with additional benefits for the environment and communities, supported by a strategic cross-border partnership.**  
*Aligns with the vision of the National Strategy for Economic Transformation (2022) which describes how natural capital will be used to transform the economy whilst creating more, well-paid, and secure jobs and developing new markets based on renewable sources of energy and low carbon technology. It also aligns with the SoS RES vision to use the region's natural capital assets to drive green growth.*
  - 3) **Align with existing initiatives, such as the South of Scotland RLUP pilot and activity south of the border, to improve understanding of current land and**

**marine uses, the benefits delivered, their interdependencies and drivers for change, and how to ensure future uses deliver economic benefits, both direct and additional, as well as wider environmental and social outcomes.**

*Aligns with Action 5(C) of SoS RES Delivery Plan 2021 to develop proposals to increase the opportunities and benefits arising from the region's natural capital.*

- 4) Deliver strategic capacity building within regional businesses, organisations and supply chains and better equip regional workers for skilled jobs in the natural capital-based economy of the future.**

*Aligns with Action 5(D) of SoS RES Delivery Plan (2021) to take forward recommendations within the SOS Community Wealth Building pilot report, and the National Strategy for Economic Transformation (2022) to deliver new, good, green jobs through investment in education, skills, and capacity building.*

- 5) By 2030 develop a long-term investment plan for the region that capitalises on private and blended finance opportunities through both responsible private sector and public sector sources.**

*Aligns with the National Strategy for Economic Transformation (2022) aim to establish a values-led, high-integrity market for responsible investment in natural capital.*

## Existing arrangements

### Baseline

- 2.13 The Borderlands region is a unique area whose assets include high quality and varied natural landscapes which support land/marine based sectors such as farming, forestry, fishing, energy, as well as residential desirability and tourism. It represents 10% of UK landmass and is home to over 1 million people.
- 2.14 Over 13.5% of all employment in the South of Scotland was in the natural economy in 2018<sup>34</sup> and around 7.5% of Scotland's workforce are employed in nature-based jobs (19 5,000 jobs). Between 2015-2019 jobs in this sector accounted for a third of all job growth in Scotland.<sup>35</sup>
- 2.15 However, there is currently no comprehensive baseline or register of natural capital in Scotland, and in particular the Borderlands region including marine based natural capital.
- 2.16 At a national level, Scotland's Natural Capital Asset Index attempts to quantify and track changes in the capacity of Scotland's terrestrial ecosystems to provide benefits to people. Notably it does not include the benefits from the marine environment. Whilst it does not include monetary values, a set of experimental natural capital accounts looked at the contribution of Scotland's natural capital in monetary terms in 2019 and 2020.
- 2.17 The Area Characterisation for the Scottish Borders Local Authority area describes it as geographically characterised by the catchment of the River Tweed, with arable farmland and grazing land accounting for 57% of land cover, woodland accounting for 23%, and

<sup>34</sup> [https://www.sruc.ac.uk/download/downloads/id/4648/natural\\_economy\\_report\\_to\\_sruc\\_from\\_biggar\\_economics.pdf](https://www.sruc.ac.uk/download/downloads/id/4648/natural_economy_report_to_sruc_from_biggar_economics.pdf)

<sup>35</sup> NatureScot (2021) Nature-based Jobs and Skills

heath / moor, bog, and peatland accounting for 20%.<sup>36</sup> Note that data for Dumfries and Galloway is not available in the same manner.

## Threats

- 2.18 The baseline picture is not secure, and natural assets are being depleted and damaged with implications for those economic and social activities which are supported by them. For example, 37% of SSSI features in the Scottish Borders are in (un)favourable declining or unfavourable no change conditions. Woodland in the region is largely conifer plantation (17% land cover in Scottish Borders and >30% in Dumfries and Galloway), and whilst productive for timber output, this land is low in biodiversity and recreational value. Only 1.4% of the landcover across both Scottish Borders and Dumfries and Galloway is semi-natural woodland.<sup>37</sup>
- 2.19 Across Scotland, the GVA generated by the natural economy declined over the period 2008-2018 by 18%, mainly due to a decline in the GVA generated by the energy sector<sup>38</sup>.
- 2.20 The UK Government has ambitious plans for the advancement of nature-based solutions<sup>39</sup> but several challenges exist which may prevent widespread adoption. These include:
- Skills deficits to deliver nature-based solutions at scale, including in forestry, ecology, and habitat restoration
  - Lack of support for those responsible for farming, including advisory to help them negotiate a new funding landscape and support to change farming methods
  - The need for more funding in several key areas, including research, science, skills programmes, and public delivery bodies.<sup>40</sup>
  - The need for robust comprehensive data that creates a comprehensive and accurate picture of current natural capital assets<sup>41</sup>, so that progress can be monitored and reported to relevant audiences.

## Existing Support

- 2.21 There is a wide policy landscape contributing directly and indirectly to supporting economic activity in Scotland. Those with a particular focus on natural capital include:<sup>42</sup>
- **National Strategy for Economic Transformation (2022)** – sets out the Vision for Scotland’s economy in 2032. This is supported by several programmes including the Rural Entrepreneur Fund, Green Jobs Fund, and the Climate Emergency Skills

<sup>36</sup> Dickie, I. and Royle, D. 2021. Facilitating Local Natural Capital Investment – Scottish Borders Area Characterisation. NatureScot Research Report 1284

<sup>37</sup> Dickie, I. and Royle, D. 2021. Facilitating Local Natural Capital Investment – Scottish Borders Area Characterisation. NatureScot Research Report 1284

<sup>38</sup> [https://www.sruc.ac.uk/download/downloads/id/4648/natural\\_economy\\_report\\_to\\_sruc\\_from\\_biggar\\_economics.pdf](https://www.sruc.ac.uk/download/downloads/id/4648/natural_economy_report_to_sruc_from_biggar_economics.pdf)

<sup>39</sup> The term “nature-based solutions” is used to mean working with the grain of nature to achieve a range of benefits, including enhanced biodiversity, flood alleviation, better livelihoods for local communities, and contributing to greenhouse gas reductions, either by storing carbon or by preventing its release.

<sup>40</sup> [Nature-based solutions: rhetoric or reality? - The potential contribution of nature-based solutions to net zero in the UK \(parliament.uk\)](https://www.parliament.uk/business/committees/committees-a-z/commons-select/nature-based-solutions/)

<sup>41</sup> AGER - Towards a robust, resilient wellbeing economy for Scotland, 2020

<sup>42</sup> [Meeting of the Advisory Council for the National Strategy for Economic Transformation: FOI release - gov.scot \(www.gov.scot\)](https://www.gov.scot/news/2022/03/22/2022-03-22-meeting-of-the-advisory-council-for-the-national-strategy-for-economic-transformation-foi-release/)

Action Plan which have particular relevance to natural capital and the green economy.

- **The Food and Drink Sector Recovery Plan** – sets out a stream of actions to be delivered to 2023, to recover from the impacts of Covid0-19 on the sector and accelerate the core work of the sector’s overall strategy – Ambition 2030.
- **The Climate Emergency Skills Action Plan** – identifies a series of priority areas focused on employers, education and individuals that will help Scotland capitalise on job opportunities emerging from a net-zero transition.
- **The Skills Action Plan for Rural Scotland** – sets out a partnership approach to developing the skills and talent needed to make sure that Scotland’s rural economy and communities continue to flourish and grow. Focussing on education and skills provision tailored to the needs of the rural economy.
- **The Green Jobs Workforce Academy** – will support existing employees, and those who are facing redundancy, to assess their existing skills and undertake the necessary upskilling and reskilling they need to secure green job opportunities as they emerge.
- **The Natural Capital Asset Index** – monitors the quality and quantity of terrestrial habitats in Scotland, according to their potential to deliver ecosystem services now and into the future.
- **The Environment Strategy for Scotland** – sets out an overarching framework for Scotland’s existing environmental strategies and plans, including the Climate Change Plan
- **A Blue Economy Vision for Scotland** - sets out the long-term ambition for Scotland’s blue economy to 2045. It demonstrates how much the marine environment it valued and its significance. This is captured in six outcomes sitting across a range of environmental, social and economic ambitions.

2.22 Additionally, there are numerous funding schemes including:

- **The Scottish Rural Development Programme**<sup>43</sup> - aims to enhance the rural economy, support agricultural and forestry businesses, protect, and enhance the natural environment, address the impacts of climate change, and support rural communities
- **The Agri-Environment Climate Scheme** - promotes land management practices that protect and enhance Scotland’s natural heritage, improves water quality, manages flood risk, and helps to mitigate and adapt to climate change
- **The Forestry Grant Scheme** that supports sustainable management of existing woodlands and the creation of new woodlands
- **Marine Fund Scotland(Marine and fisheries grants - gov.scot (www.gov.scot)**, which delivers on Scotland’s Blue Economy Vision, (pub 2022) and can support eligible individuals, businesses, organisations and communities to deliver projects which contribute to an innovative and sustainable marine economy, reducing carbon emissions and supporting coastal communities
- **Scottish Marine Environmental Enhancement Fund (SMEEF)** is a trusted enabler, providing an innovative mechanism to funding projects in the Scottish marine and coastal environment ([www.smeef.scot/](http://www.smeef.scot/))

<sup>43</sup> [Scottish Rural Development Programme | NatureScot](#)



- **SEPA's Water Environment Fund<sup>44</sup>** – which aims to restore Scotland's catchments where historical activities have left them damaged, often resulting in water bodies being downgraded in the river basin management plan
- **NatureScot Nature Restoration Funds<sup>45</sup>** – which encourages applicants with projects that restore wildlife and habitats on land and sea and address the twin crises of biodiversity loss and climate change
- Previous EU funding schemes also included:
  - **Common Agricultural Policy** – an income support scheme for farmers engaging in agricultural activities. Schemes within this policy included the basic payment scheme which accounted for over £250 million of payments in Scotland in 2020, the sustainable land use scheme, and the less favoured area support scheme<sup>46</sup>.
  - **LEADER Funding Programme** – a scheme that was available for Local Action Groups (LAGs) for funding projects that created jobs, helped businesses to grow, and benefited the rural community under the LEADER scheme. LEADER funding was delivered via LEADER LAGs and was available to local businesses, communities, farmers, foresters, and land managers.
  - **European Maritime and Fisheries Fund (EMFF)** which helped fishers to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts.

2.23 There is currently a siloed availability of agricultural farming advice, with little collation of support in the context of Natural Capital Assessment, values, qualities, etc. Some guidance programmes do exist in isolation, and these include:<sup>47</sup>

- Scotland's Farm Advisory Service (a part of the Scottish Rural Development Programme)
- Monitor Farm Programme
- Crofters and Smallholders Skills Boost
- Future Farming Scotland
- SEPA Diffuse Pollution in the Rural Environment

2.24 Finally, there are existing natural capital pilot projects including the South of Scotland RLUP Pilot Project which aims to identify opportunities for land use change at a regional and landscape level to deliver environmental, socio-economic, and climate change goals through the production of a regional Land Use Framework.<sup>48</sup>

2.25 However, under existing arrangements there is a lack of progress and implementation gaps still exist due to a number of factors including: knowledge gaps and the need to push best practice further to demonstrate effectiveness, reduce costs, and find ways to scale-up smaller scale interventions.

<sup>44</sup> [SEPA Water Environment Fund](#)

<sup>45</sup> [Scottish Government Nature Restoration Fund \(NRF\)](#)

<sup>46</sup> [Renewing-Scotlands-Rural-Areas-revisited.pdf \(scotlink.org\)](#)

<sup>47</sup> [Support for farmers and land managers | NatureScot](#)

<sup>48</sup> [South of Scotland Regional Land Use Pilot - Progress to Date \(2021\)](#)

## Benefits

- 2.26 The Borderlands’ rich and diverse natural capital assets yield a wide range of economic, environmental, and social benefits for the region, on a spectrum from core economic activities delivering jobs and GVA, through to wider non-market benefits that themselves support further important parts of the economy.
- 2.27 These include **direct dependency sectors** that are mainly land/sea-based and environmental industries, such as the dairy and livestock industry (both lowland and upland farming), arable and forestry activity, and fisheries, with associated upstream and downstream expertise and capacity. These sectors also act as custodians and managers of the landscape and deal with the challenges and opportunities in sustainable landscape and land management in a way that further supports other parts of the economy. This includes **indirect dependency sectors**, including associated innovative and successful business clusters relating to the outdoor tourism, food and drink, and hospitality sectors, and linked skills provision with the Further and Higher Education sectors. Other major industries are also linked to land-based industries such as food and drink related manufacturing and forestry and paper products, as well as the growth of renewable energy and technology sectors.<sup>49</sup> The following direct benefits are associated with these sectors:

Table 2.2 Benefits of Natural Capital Assets	
Direct Dependency Sectors	
Sector	Benefits
Agriculture and Fishing (A&F)	<p>Employment and GVA:</p> <ul style="list-style-type: none"> <li>• Across Scotland, agriculture provides 2.5% of employment, increasing to 10% in some rural areas.<sup>50</sup></li> <li>• As of 2021, crop and animal production accounted for almost 6% of employment in the Scottish Borderlands authority areas (6,700 jobs), of which 3,500 jobs were in Dumfries and Galloway and 3,200 jobs were in Scottish Borders.<sup>51</sup></li> <li>• As of 2020, crop and animal production, hunting and related service activities contributed circa. £102m to the Scottish economy, accounting for c. 0.1% of Scotland’s total GVA.<sup>52</sup></li> <li>• The industry also makes significant contributions to other industries, including in 2022 supporting a further 17,500 enterprises in the food and drink industry.<sup>53</sup></li> </ul>
Forestry	<p>Employment and GVA:</p> <ul style="list-style-type: none"> <li>• As of 2021, across Scotland, forestry and logging accounts for 0.2% of employment (6,000), this rises to 0.9% in Dumfries and Galloway (650) and 1.3% in Scottish Borders (600). The sector has also grown since 2015, by 60% in both Scotland</li> </ul>

<sup>49</sup> [https://www.dumgal.gov.uk/media/18717/Regional-Economic-Strategy-2016-2020/pdf/Regional\\_Economic\\_Strategy\\_2016\\_-\\_2020.pdf?m=636592257429570000](https://www.dumgal.gov.uk/media/18717/Regional-Economic-Strategy-2016-2020/pdf/Regional_Economic_Strategy_2016_-_2020.pdf?m=636592257429570000)

<sup>50</sup> Farming and Food Production – Future Policy Group Report Draft (2020) [Farming and Food Production Future Policy Group report: EIR release - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/farming-and-food-production-future-policy-group-report-2020/pages/1-to-100.aspx)

<sup>51</sup> Skills Development Scotland (2022). Regional Skills Assessment, South of Scotland. Skills Development Scotland (2022). Regional Skills Assessment, Dumfries and Galloway. Skills Development Scotland (2022). Regional Skills Assessment, Scottish Borders.

<sup>52</sup> Scottish Annual Business Statistics (2020)

<sup>53</sup> <https://www.gov.scot/publications/growth-sector-statistics/>

	<p>and the Scottish Borders and by 30% in Dumfries and Galloway.<sup>54</sup></p> <ul style="list-style-type: none"> <li>• As of 2020, forestry and logging contributed c. £193m in GVA to Scotland’s economy, accounting for c. 0.2% of Scotland’s total GVA.</li> <li>• The key economic activities associated with forestry are through the production of timber and other wood fibre, and through the provision of recreation and tourism assets. In 2015, forestry and timber processing contributed £771 million GVA and employed almost 20,000 FTEs, while forest recreation and tourism contributed £183 million GVA and employed just over 6,000 FTEs.<sup>55</sup></li> </ul> <p>Natural Capital:</p> <ul style="list-style-type: none"> <li>• In Scotland, some 443k hectares of the forest resource are classified as native woodland and are regarded as being of high value of biodiversity.<sup>56</sup></li> <li>• The Forestry Commission’s National Forest Inventory (NFI) estimates that softwood availability for the Scottish Borderlands’ forest estate (across Forestry Commission and private estates) will increase from 3.8 million cubic metres per year in 2017-21 to 5 million in 2027-31, after which it will reduce to 2.7 million in 2047-51.<sup>57</sup> This will have knock-on effects in terms of market products, jobs and GVA, but also in terms of wider non-market benefits. For example, in 2012 Scottish Borderlands’ woodland trees represented a carbon stock of over 29.6 million tonnes of carbon<sup>58</sup> which would be depleted with a reduction in forest estates.</li> </ul>
<p>Visitor Economy</p>	<p>Employment and GVA:</p> <ul style="list-style-type: none"> <li>• Over 60 million visitors a year generating a value of over £1.3 billion to the Borderlands area<sup>59</sup>, with 21% of total employment in the tourism sector, compared to 19% for Scotland as a whole.</li> <li>• eftec et al (2019)<sup>60</sup> estimated that for Scotland, 63% of tourism spending was dependent on natural ecosystems, 82% of the total adult population take recreational visits to the outdoors every year<sup>61</sup> and the GVA associated with the forestry sector alone, through forest recreation and tourism, is £183m. The Borderlands area is highly represented in these activities.</li> </ul>

<sup>54</sup> ONS, BRES, 2021

<sup>55</sup> Farming and Food Production – Future Policy Group Report Draft (2020) [Farming and Food Production Future Policy Group report: EIR release - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/farming-and-food-production-future-policy-group-report-2020/pages/10-to-12.aspx)

<sup>56</sup> <https://www.forestryresearch.gov.uk/tools-and-resources/national-forest-inventory/what-our-woodlands-and-tree-cover-outsidewoodlands-are-like-today-8211-nfi-inventory-reports-and-woodland-map-reports/nfi-woodland-ecological-condition>

<sup>57</sup> NFI provisional estimates for woodlands in the Borderlands (2018)

<sup>58</sup> NFI provisional estimates for woodlands in the Borderlands (2018)

<sup>59</sup> Borderlands Growth Deal Heads of Terms Agreement, July 2019

<sup>60</sup> The ecosystem contribution to tourism and outdoor leisure, Defra (2019)

<sup>61</sup> Scotland’s People and Nature Survey, based on 2017-18 data

	<ul style="list-style-type: none"> <li>The 'Visit Scotland' survey undertaken in 2015-2016 showed that 38% of visitors to Scotland visited a beach as part of their visit, in Dumfries and Galloway this figure is higher at 44%, highlighting the importance of coastal areas to Scotland's visitor economy.</li> </ul>
Indirect Dependency Sectors	
Sector	Benefits
Manufacturing	<p>Employment and GVA:</p> <ul style="list-style-type: none"> <li>As of 2021, manufacturing accounted for c.7% of employment in Scotland (179,000), this rises to c.9% in Dumfries and Galloway (6,000) and c.10% in Scottish Borders (4,750).<sup>62</sup></li> <li>As of 2020, manufacturing contributed c. £10,970m in GVA to the Scottish economy, accounting for c. 14% of total GVA in Scotland. In Dumfries and Galloway, manufacturing accounts for 19% of total GVA in the District and in Scottish Borders this figure is 14%.<sup>63</sup></li> <li>Represents a fifth of the Borderland's GVA<sup>64</sup>, including food manufacturing, forestry and wood processing and bio-technologies reliant on natural assets.</li> <li>These sectors are increasingly reliant on fast-changing digital technology and require skilled people<sup>65</sup>, delivering high value employment in the region.</li> </ul>
Energy	<p>GVA:</p> <ul style="list-style-type: none"> <li>The Borderlands region is a major player in a range of the UK's energy and power sectors. The energy sector across Scotland generated over £13.6b GVA in 2020<sup>66</sup>, and onshore wind is by far the most common form of renewable energy in the Galloway and Southern Ayrshire Biosphere.<sup>67</sup></li> </ul>
Water	<p>Employment and GVA:</p> <ul style="list-style-type: none"> <li>In 2020, fishing and aquaculture accounted for 0.3% of employment in Scotland (5,800). The sector contributed c. £540m GVA to the Scottish economy, accounting for 0.7% of Scotland's total GVA.<sup>68</sup></li> <li>In 2020, Scotland's broader marine economic sector contributed c. £4 billion in GVA, accounting for 2.8% of the total Scottish economy. Additionally, the sector provided employment for 68,600 people, accounting for 3.6% of total Scottish employment. Although oil and gas services are the biggest contributor to the marine economy in terms of turnover and GVA, marine tourism employs the most people of all the sub-sectors, accounting for 39% of employment within the</li> </ul>

<sup>62</sup> ONS, BRES, 2021

<sup>63</sup> Scottish Annual Business Statistics (2020)

<sup>64</sup> The Borderlands Proposition September 2017

<sup>65</sup> [https://www.confor.org.uk/media/246960/br\\_egger\\_forestry\\_en\\_borderlands-growth-deal\\_may-2018.pdf](https://www.confor.org.uk/media/246960/br_egger_forestry_en_borderlands-growth-deal_may-2018.pdf)

<sup>66</sup> Scottish Government, Growth Sector Statistics Database (2020)

<sup>67</sup> <https://www.gsabiosphere.org.uk/wp-content/uploads/2017/09/GSA-Biosphere-Socio-Economic-Report-FINAL.pdf>

<sup>68</sup> Scottish Annual Business Statistics (2020)

	<p>marine sector. Fishing contributed £284m in GVA, and provided employment for 4,300 people. Of the Scottish Districts, Dumfries and Galloway ranks 9<sup>th</sup> for the percentage of GVA accounted for by the marine sector, at 2%.<sup>69</sup></p> <ul style="list-style-type: none"> <li>• As of 2020, in Dumfries and Galloway, fishing contributed £5.6m in GVA. In Scottish Borders this figure was £1.8m.<sup>70</sup></li> </ul> <p>Natural Capital:</p> <ul style="list-style-type: none"> <li>• Overall, Scotland’s water environment is in good condition, but a wide range of problems exist at a local level, for example, assessments indicate that about 40% of Scotland’s river basin waters fail the environmental standards required to support good ecology<sup>71</sup>.</li> <li>• The Borderlands area is highly significant in terms of its marine and freshwater resources which underpin manufacturing, tourism, energy, and other key sectors.</li> <li>• There are 624 river, lake, estuary, coastal, and groundwater bodies in the Solway Tweed river basin district.<sup>72</sup> 46% of water bodies and 36% of protected areas in the district are not in good condition.<sup>73</sup></li> </ul>
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Source: Borderlands Partnership and Hatch, 2022

2.28 There are also a wider set of non-market benefits that exist across all sectors, including avoided costs associated with mitigating the risks of not safeguarding natural capital, such as avoided flooding costs, property value uplift, a wide range of ecological, climate and air quality impacts, and health and wellbeing impacts including avoided healthcare costs. Whilst there is a lack of quantified evidence for these impacts at the scale of the Borderlands region or on the Scottish side specifically, there is strong evidence more widely for the importance of natural assets across a broad spectrum of benefits. This includes the work of the Scottish Forum on Natural Capital to trial the Natural Capital Protocol for land-based businesses in Scotland<sup>74</sup>.

### Key players

2.29 Alongside the two Scottish local authorities in the Borderlands region, there are a wide range of relevant public and private sector organisations, agencies and groups that contribute to the area’s land/water management and thinking on its natural capital. This includes:

- Scottish bodies – Scottish Environment Protection Agency (SEPA), NatureScot (prev. Scottish Natural Heritage), Scottish Land Commission, Scottish Forestry, Forestry and Land Scotland etc
- Community and development agencies – South of Scotland Enterprise (SOSE)

<sup>69</sup> [Scotland's Marine Economic Statistics \(2020\)](#)

<sup>70</sup> [Scotland's Marine Economic Statistics \(2020\)](#)

<sup>71</sup> [https://www.sepa.org.uk/media/37765/significant-water-management-issues\\_scotland.pdf](https://www.sepa.org.uk/media/37765/significant-water-management-issues_scotland.pdf)

<sup>72</sup> [https://www.sepa.org.uk/media/218890/rbmp\\_solway\\_tweed\\_2015.pdf](https://www.sepa.org.uk/media/218890/rbmp_solway_tweed_2015.pdf) p.5

<sup>73</sup> [https://www.sepa.org.uk/media/218890/rbmp\\_solway\\_tweed\\_2015.pdf](https://www.sepa.org.uk/media/218890/rbmp_solway_tweed_2015.pdf) p.9

<sup>74</sup>

[https://naturalcapitalscotland.com/docs/070\\_525\\_\\_trialofncpforland\\_basedbusinesses\\_overviewreport\\_1539873053.pdf](https://naturalcapitalscotland.com/docs/070_525__trialofncpforland_basedbusinesses_overviewreport_1539873053.pdf)

- Place-based partnerships – Galloway and Southern Ayrshire UNESCO Biosphere (GSAB), Solway Firth Partnership, Crichton Carbon Centre, Tweed Forum, Borders Forest Trust, etc
- NGOs and other groups – Scottish Wildlife Trusts, Rivers Trusts, RSPB, Scottish Land & Estates, Southern Uplands Partnership, Environmental Alliance for the South of Scotland (EASOS), National Farmers Union Scotland (NFUS), Etc
- Private sector businesses in the natural economy and its supply chains.

## Business needs – current and future

2.30 There are a number of identified needs, challenges, and opportunities in the Scottish side of the Borderlands region in relation to its land management and Natural Capital:

Strategic business needs	Important sub-themes
<ul style="list-style-type: none"> <li>• The need to deliver long-term holistic economic benefit that is retained in the region</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting the delivery of long term holistic economic benefit from natural capital assets – addressing current challenges by taking an innovative approach to unlock direct, indirect, and additional economic, environmental, and social benefits to enhance the region’s natural economy for a resilient future for rural communities</li> <li>• Retaining benefits locally – increasing the level of secondary processing and manufacturing of the region’s raw products to retain the economic benefits, high value jobs, and related innovation</li> <li>• Delivering community wealth building through encouraging and demonstrating good practice for anchor organisations, creating ‘green’ local supply chains, and breaking down barriers for suppliers.</li> </ul>
<ul style="list-style-type: none"> <li>• The need to demonstrate what works to kickstart action and investment</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrating what works – working with land owners, managers, and their supply chain to address the lack of awareness about new and innovative ways of working and associated benefits</li> <li>• Utilising responsible blended finance - developing new blended financial investment models to attract green finance to the sector from both responsible private and public sector sources</li> </ul>
<ul style="list-style-type: none"> <li>• The need to be strategic, aligned, joined-up and data-led</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic planning – developing clear medium- and long-term goals in order to reverse decline and to grow the natural capital opportunities of the region before it is too late</li> <li>• A joined-up approach – addressing the current fragmented and siloed approach to land and marine management in order to safeguard and enhance natural assets and overcome the barriers to sustainable economic prosperity in the long term</li> <li>• Institutional co-ordination - taking a partnership approach to maximise the impact of existing activities across key agencies and advisory bodies and to help build stronger networks with the public and private sector</li> </ul>

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	<ul style="list-style-type: none"><li>• Alignment with existing initiatives – ensuring alignment with activity south of the Border, as well as relevant activity across Scotland including the RLUPs</li><li>• A data-led approach – developing a comprehensive and accurate picture of current assets, noted as a key need in the recent AGER report<sup>75</sup>, so that progress can be monitored and reported to relevant audiences</li><li>• Utilising innovative technology – capitalising on advancements in technology to deliver innovative natural capital solutions where appropriate</li></ul>
<ul style="list-style-type: none"><li>• The need to influence future activity and policy, including replacement of CAP</li></ul>	<ul style="list-style-type: none"><li>• Influencing future policy and land use - ability to better inform and influence future land and marine use changes and associated regulation (post Brexit) to generate long term, resilient benefits for the region</li><li>• Replacing the European Common Agricultural Policy post-Brexit – replacing reliance on subsidies with a model associated with public money for public goods in order to safeguard economic activities and that sustain and build natural capital stocks</li></ul>

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Source: Borderlands Partnership and Hatch, 2022

### Case for Change summary

2.31 The case for change is summarised below for each investment objective.

<sup>75</sup> AGER - Towards a robust, resilient wellbeing economy for Scotland, 2020

**Proposed investment objectives**

Investment objective	Existing arrangements	Business need
<p><b>Objective 1: By 2030, deliver the six Scottish-led innovation pilot projects, delivering economic outputs, demonstrating best practice nationally, and disseminating lessons to support scaling and to influence future policy.</b></p>	<p>Much of the current land and marine management practices in the Borderlands region rely on EU subsidy. These practices are therefore vulnerable in a post Brexit context.</p>	<p>Demonstrating what works</p>
	<p>Reformed agricultural policy and investment streams have created uncertainty for agriculture and land-based industries<sup>76</sup></p>	<p>A data-led approach</p>
	<p>There has been some work towards building a natural capital evidence base for Scotland. For example, Scotland’s Natural Capital Asset Index quantifies and tracks changes in the capacity of Scotland’s terrestrial ecosystem to provide benefits to people.</p>	<p>Influencing future policy and land use</p>
	<p>Additionally, Scotland’s Natural Capital Accounts analyses the contribution of Scotland’s natural capital to society in monetary terms.</p>	<p>Replacing the European Common Agricultural Policy post-Brexit</p>
	<p>In 2020, AECOM and the Lifescape Project set up the Natural Capital Laboratory in the Scottish Highlands to understand and value the natural world. This will explore the way in which technology can collect natural capital data, including trials of drones, satellites, AI, and robotic covers.<sup>77</sup> Further similar adoption of advanced technologies is needed in the Borderlands region to fully understand and value the regions natural capital offer.</p>	<p>Innovative technology use</p>
	<p>But there remains a key need for a full and comprehensive Scottish Natural Capital Census, as identified in the recent AEGR report.<sup>78</sup></p>	
<p>South of Scotland’s Regional Economic Strategy Delivery Plan highlights several priority actions to achieve the theme of a green and sustainable economy. This includes Action 5a – To undertake natural capital</p>		

<sup>76</sup> South of Scotland Regional Economic Strategy (2021)

<sup>77</sup> [GUEST BLOG - Natural Capital Laboratory - Natural Capital Scotland](#)

<sup>78</sup> AGER - Towards a robust, resilient wellbeing economy for Scotland, 2020



<p><b>Objective 2: Deliver holistic economic benefits for the regional economy, through the maintenance, restoration, and enhancement of natural capital, with additional benefits for the environment and communities, supported by a strategic cross-border relationship</b></p>	<p>opportunity mapping and work to develop specific investment propositions.</p> <p>Natural assets are being depleted with implications for those economic and social activities which are supported by them. Across Scotland, the GVA generated by the natural economy declined over the period 2008-2018 by 18%.<sup>79</sup></p> <p>Natural Capital assets underpin the region’s cultural, economic, and social activities through the ecosystem services they provide. If these assets are allowed to deteriorate, they present a real risk to the region’s ability to deliver inclusive economic growth.<sup>80</sup></p> <p>There is an emerging economic policy landscape in Scotland that has a focus on the holistic benefits of a wellbeing economy, to address the challenges faced in the region. E.g., National Strategy for Economic Transformation, South of Scotland Regional Economic Strategy</p> <p>Local challenges include:</p> <p>Some jobs in the region pay poorly, are insecure and are limiting standards of living<sup>81</sup>, with ~14% of people in the South of Scotland earning below the real living wage, compared to 9% across Scotland.<sup>82</sup></p> <p>The South of Scotland has some areas and groups of people that need more support to reduce deprivation, poverty, barrier and inequalities, otherwise their economic participation will be limited. For example, Burnfoot, Langlee, Lochside, and Lincluden are amongst the 20% most deprived areas in Scotland.<sup>83</sup></p>	<p>Deliver long term holistic economic benefits from natural capital assets</p> <p>Retain benefits locally and deliver inclusive growth</p> <p>Institutional co-ordination</p>
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<sup>79</sup> Dickie, I. and Royle, D. 2021. Facilitating Local Natural Capital Investment – Scottish Borders Area Characterisation. NatureScot Research Report 1284

<sup>80</sup> South of Scotland Regional Economic Strategy Delivery Plan, 2021

<sup>81</sup> South of Scotland Regional Economic Strategy (2021)

<sup>82</sup>ONS Annual Survey of Hours and Earnings, 2022

<sup>83</sup> South of Scotland Regional Economic Strategy (2021)

	<p>Land and marine management practices in Scotland are currently disjointed and fragmented, and there needs to be a decisive break in business-as-usual to create a co-ordinated approach to deliver better outcomes for the economy, environment, and society, and to put farming and food production on a more sustainable trajectory.<sup>84</sup></p>	
<p><b>Objective 3: Align with existing initiatives, such as the South of Scotland RLUP pilot, and activity south of the border, to improve understanding of current land and marine uses, the benefits delivered, their interdependencies and drivers for change, and how to ensure future uses deliver economic benefits, both direct and additional, as well as wider social and environmental outcomes</b></p>	<p>The Borderlands natural capital assets deliver a wide range of economic, environmental, and social benefits to the region. These include direct contribution to GVA and employment. But there is a lack of quantified evidence for the wider non-market benefits at the scale of the Borderlands including on the Scottish side.</p> <p>Although there is some understanding of the benefits that natural capital assets contribute to Scotland’s wellbeing economy (Scotland’s Natural Capital Asset Index, and Scotland’s Natural Capital Accounts), there remains a need for a full and comprehensive Scottish Natural Capital Census.<sup>85</sup></p> <p>Existing initiatives include a programme of national funding, support programmes, and innovative pilot projects including the South of Scotland RLUP pilot project which aims to identify opportunities for land use change to deliver environmental, socio-economic and climate change goals through the production of a Regional Land Use Framework.<sup>86</sup></p> <p>South of Scotland’s Regional Economic Strategy Delivery Plan includes Action 5(C) which highlights the need to develop proposals to increase opportunities and benefits arising from the region’s natural capital assets. These should include support for sustainable agriculture, woodlands, and forests, restoring peatlands, improved water management, and increasing biodiversity.</p>	<p>Aligning with existing initiatives</p> <p>Strategic planning</p> <p>A joined-up approach</p>

<sup>84</sup> [Renewing-Scotlands-Rural-Areas-revisited.pdf \(scotlink.org\)](#)

<sup>85</sup> AGER - Towards a robust, resilient wellbeing economy for Scotland, 2020

<sup>86</sup> [South of Scotland Regional Land Use Pilot - Progress to Date \(2021\)](#)

<p><b>Objective 4: Deliver strategic capacity building within regional businesses, organisations and supply chains and better equip regional workers for skilled jobs in the natural capital-based economy of the future</b></p>	<p>Currently, there is a skills gap in the UK to be able to deliver nature-based solutions at scale. Skills deficits range from forestry, ecology, and peatland restoration, to guidance for local authorities.<sup>87</sup></p> <p>In the South of Scotland, people are less likely to attain higher level skills (5% fewer people hold a degree level qualification in the region versus the Scottish average<sup>88</sup>), with those who learn elsewhere not bringing these skills back to the region, harming the regional economy and accentuating growing skills gaps<sup>89</sup></p> <p>South of Scotland Regional Economic Strategy Delivery Plan highlights actions to achieve a green and sustainable economy. It includes Action 5(D) “to take forward the recommendation within the South of Scotland Community Wealth Building pilot report.” This includes encouraging good practice for anchor organisations, creating ‘green’ local supply chains, and breaking down barriers for suppliers.</p>	<p>Retaining benefits locally</p> <p>Community wealth building</p> <p>Delivering inclusive growth</p>
<p><b>Objective 5: By 2030 develop a long-term investment plan for the region that capitalises on private and blended finance opportunities through both responsible private sector and public sector sources</b></p>	<p>The South of Scotland has a relatively low public profile and identity for the region, with lower levels of inward investment in comparison to other parts of Scotland, with no single brand or prospectus for inward investment purposes.<sup>90</sup></p> <p>Under CAP, public funding most recently totalled £670 million, and ongoing public investment into Scotland’s rural areas is required.<sup>91</sup></p> <p>But there is a need for between £15 and £27 billion of investment to deliver Scotland’s nature-based ambitions over the next 10 years. Much of this money will have to come from new private sources, paid for by businesses that depend upon and have impacts on nature.<sup>92</sup></p>	<p>Utilising responsible blended finance</p> <p>Strategic planning</p>

<sup>87</sup> [Nature-based solutions: rhetoric or reality? - The potential contribution of nature-based solutions to net zero in the UK \(parliament.uk\)](#)

<sup>88</sup> ONS, APS, 2022

<sup>89</sup> South of Scotland Regional Economic Strategy (2021)

<sup>90</sup> South of Scotland Regional Economic Strategy (2021)

<sup>91</sup> [Renewing-Scotlands-Rural-Areas-revisited.pdf \(scotlink.org\)](#)

<sup>92</sup> [Scotland's £bn Challenge for Natural Capital | NatureScot](#)

It is recommended that the Government must facilitate private investment in high quality nature-based solutions.<sup>93</sup>

The National Strategy for Economic Transformation highlights an aim to establish a values-led, high-integrity market for responsible investment in natural capital. This is both an important economic opportunity and essential to meet the pace and scale of Scotland's climate change targets, biodiversity goals and wider land use policy objectives.<sup>94</sup>

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Source: Borderlands Partnership and Hatch, 2022

<sup>93</sup> [Nature-based solutions: rhetoric or reality? - The potential contribution of nature-based solutions to net zero in the UK \(parliament.uk\)](#)

<sup>94</sup> Scotland's National Strategy for Economic Transformation, Scottish Government, March 2022

## Potential scope and service requirements

2.32 The strategic needs of the region suggest that a transformational programme intervention is required that can support fundamental changes in the current way of working, through a blend of revenue- and capital-based activities rather than a one-off capital project. To pave the way for, and contribute to, this transformational change, the Borderlands Natural Capital Programme for Scotland requires a combination of the following elements, including the core services that are essential for success as well as optional services that could support further change.

- **Innovation-Based Cross-Border Demonstrator Pilot Projects-** Showcasing new ideas and ways of working to deliver cross border economic benefits and learning, including promoting awareness, developing understanding and skills, and ultimately achieving buy-in and influencing changes in emerging policy
- **Cross-Sector Pilot Projects** - Targeted interventions based on sectoral need, but which operate cross-sector, e.g., agri-environment, multi-marine sectors, commercial forestry with natural flood management approaches, etc.
- **Pilot Project Dissemination and Networking Opportunities** – Disseminating knowledge and lessons learnt to influence and support the transition to a new policy regime that replaces European subsidies and ensures landowners, land managers, farmers and fishers get payments for economic and non-market benefits delivered and can benefit from sustainable natural capital stocks
- **Strategic Investment Plan for Natural Capital in Scotland’s Borderlands Region** - Exploring ways to join-up the needs of the region with private sector investment opportunities, given the acceleration in interest in novel green / sustainable investment opportunities and making natural capital projects investable for the private sector
- **Digital Register of Natural Capital Assets in Scotland’s Borderlands Region** - Digital mapping of natural assets, , including marine/coastal, and the economic and non-market benefits they deliver to provide an accurate baseline picture against which progress can be measured and reported and using digital integration to challenge siloes.

### Optional

- **Community Wealth Building** – Strengthening and upskilling natural capital businesses, organisations and their supply chains and better equipping regional workers to undertake high-skilled jobs and to tackle future natural capital challenges
- **Natural Capital Business Support** – Facilitating and supporting the creation and growth of new private enterprises and start-ups which focus on the natural capital challenges and opportunities of the region

**Summary table of levels of scope and service requirements**

Range	Core	Optional
Potential scope	<ul style="list-style-type: none"> <li>• Showcasing new ideas and ways of working to deliver cross border benefits and learning, including promoting awareness, developing understanding and skills, and ultimately achieving buy-in and influencing changes in emerging policy.</li> <li>• Targeted interventions based on sectoral need, but which operate cross-sector, e.g., agri-environment, multi-marine sectors, commercial forestry with natural flood management approaches, etc.</li> <li>• Disseminating knowledge and lessons learnt to influence and support the transition to a new policy regime that replaces European subsidies and ensures landowners, land managers, farmers and fishers get payments for economic and non-market benefits delivered and can benefit from sustainable natural capital stocks.</li> <li>• Exploring ways to join-up the needs of the region with private sector investment opportunities, given the acceleration in interest in novel green / sustainable investment opportunities and making natural capital projects investable for the private sector.</li> <li>• Digital mapping of natural assets and the economic and non-market benefits they deliver to provide an accurate baseline picture against which progress can be measured and reported, and using digital integration to challenge siloes</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening and upskilling natural capital businesses, organisations and their supply chains and better equipping regional workers to undertake high-skilled jobs and to tackle future natural capital challenges</li> <li>• Facilitating and supporting the creation and growth of new private enterprises and start-ups which focus on the natural capital challenges and opportunities of the region</li> </ul>
Key service requirements	<ul style="list-style-type: none"> <li>• Innovation-Based Cross-Border Demonstrator Pilot Projects</li> <li>• Cross-sector pilot projects</li> <li>• Pilot Project Dissemination and Networking Opportunities</li> <li>• Strategic Investment Plan for Natural Capital in Scotland’s Borderlands Region</li> <li>• Digital Register of Natural Capital Assets in Scotland’s Borderland’s Region</li> </ul>	<ul style="list-style-type: none"> <li>• Community Wealth Building</li> <li>• Natural Capital Business Support</li> </ul>

Source: Borderlands Partnership and Hatch, 2022

## Main benefits and risks

### Benefits

- 2.33 The Borderlands Natural Capital Programme for Scotland will essentially provide a mechanism, at a landscape scale, to develop integrated, place-based and locally-led initiatives that contribute to the delivery of direct and additional economic benefits, whilst responding to devolved drivers such as the Scottish Land Use Strategy and the Wellbeing Economy. In so doing, it will allow the Borderlands Partnership to better understand its natural capital assets, determining the opportunities and potential for these assets to further contribute to and enhance economic development and productivity. This would ensure that the value of these natural assets would be fully reflected in the emerging plans and policies developed by the Regional Economic Partnership, of which South of Scotland Enterprise (SOSE), Dumfries and Galloway Council, and Scottish Borders Council are members.
- 2.34 The benefits of the programme as a blend of revenue- and capital-based pilot activities with the objective to deliver learning for their future scale-up to promote a new way of working, rather than a one-off capital project, are therefore many, varied and long term, ultimately safeguarding the economic resilience and productivity of the region. These benefits include:
- **Economic benefits** – direct economic benefits associated with new employment and GVA, as well as enhanced efficiency and cost savings, and a range of indirect and additionality benefits such as safeguarded livelihoods, more resilient businesses and sectors, increased skills and knowledge in supply chain, increased private sector investment, sustainable model of public sector payments for public goods, and long-term economic resilience.
  - **Natural capital benefits**, including:
    - **Climate change benefits** – supporting a low carbon economy with embedded climate change mitigation and adaption, leading to reduced GHG emissions, carbon capture and storage, cleaner air and water, renewable energy, and flood, drought and wildfire mitigation.
    - **Biodiversity benefits** – sustainable farming, forestry, and fishing, leading to enhanced landscapes and seascapes, improved woodland cover, improved peatlands, enhanced biodiversity and more resilient habitats.
  - **Social benefits** – indirect tourism, recreation and amenity benefits, physical and mental health and wellbeing, and cultural heritage benefits, for rural and urban communities, as well as a cultural shift in people’s perceptions of natural capital and the benefits it can bring.

Benefit	Beneficiary
New employment and associated GVA	Regional population and economy
Safeguarded livelihoods	Regional population
More resilient businesses and sectors	Regional businesses and population
Increased skills and knowledge in the supply chain	Regional businesses and population
Increased private sector investment	Regional economy
Sustainable model of public sector payments for public goods	Regional to national economy

Sustainable model of private sector payments for carbon / biodiversity and community benefits	Regional to national economy
Long-term economic resilience	Regional and national economy
Supporting a low carbon economy with embedded climate change mitigation and adaption, leading to reduced GHG emissions	National economy and landscape
Carbon capture and storage	Regional economy and biosphere
Cleaner air and water	Regional population and biosphere
Renewable energy	Regional economy
Flood, drought, and wildfire mitigation	Regional population and biosphere
Tourism, recreation, and amenity benefits	Regional population and economy
Physical and mental health and wellbeing	Regional population
Cultural heritage benefits	Regional population and economy
Cultural shift change in people's perceptions of natural capital and the benefits it can bring	Regional population, businesses, and economy

Source: Hatch and eftec, 2022

## Risks

- 2.35 The main risks identified for the proposed Borderlands Natural Capital Programme for Scotland which would impact significantly on its success include:

Risk type	Description
Business risks	<ul style="list-style-type: none"> <li>Resourcing, capacity, and skills related risks within the Scottish authorities or delivery partners</li> <li>Available cash flow of Scottish local authorities</li> <li>Failure to spend revenue in a given financial year</li> <li>Reputational risk associated with the delivery of the pilot projects</li> <li>Resource costs to administer the pilot projects</li> <li>The current fast moving and fluid Scottish policy landscape which will continue to evolve over the course of the delivery period</li> </ul>
Service risks	<ul style="list-style-type: none"> <li>The programme's pilot projects do not come forward in a timely manner</li> <li>The programme does not generate tangible results or lessons which can be shared and used to influence future land use and policy</li> <li>The programme cannot be delivered in full due to increased costs associated with inflation etc.</li> </ul>
External risks	<ul style="list-style-type: none"> <li>Lack of landowner, land manager, farmer and fisher buy in or engagement with pilot projects or take-up of opportunities</li> <li>Lack of private sector buy-in and further investment to fully realise the ambition of the programme</li> <li>Brexit and removal of European subsidy causes short termism and inhibits partnership approach</li> </ul>



	<ul style="list-style-type: none"> <li>• COVID recovery causes short termism and inhibits partnership approach</li> <li>• The speed at which green finance markets will sufficiently mature to enable private sector investment</li> <li>• Potential unintended negative impacts of conflicting government policy areas leading to a lack of clarity and direction</li> </ul>
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Source: Borderlands Partnership and Hatch, 2022

## Constraints and dependencies

**Table 2.5 Constraints and Dependencies**

The main constraints for the proposed Natural Capital Programme for Scotland at this stage include:

- The available Growth Deal funding is from the Heads of Terms Agreement, and approved through the 2020 Strategic Proposition, which provided for £5 million in funding for the natural capital theme on either side of the Border, with the £5m in Scotland comprised of half capital half revenue.
- The available Growth Deal funding is for a spending period until 2030/31
- The timescales, including the speed at which the pilot projects can start to be delivered
- Current land management is fragmented from economic development and lacking clear channels, roles and responsibilities which could hamper progress. The proposed establishment of a Natural Capital Programme aims to overcome this.
- Dependent on the success of pilot development, the scope may expand in time if additional external funding is secured

The main dependencies for the proposed Natural Capital Programme at this stage include:

- The Natural Capital Programme needs to fit with and influence emerging policy changes from Scottish Government to replace European Common Agricultural Policy subsidies.
- Activities and projects need to align with developing land use initiatives in the Scottish region of the Borderlands, namely the proposed RLUPs. The development of the Natural Capital Programme will build on the work undertaken in current pilots and initiatives.
- The Natural Capital Programme needs to align with other Borderlands Inclusive Growth Deal proposals, including:
  - Dairy Innovation Centre in Scotland, South of Scotland Learning Network, Mountain Bike Innovation Centre and Forestry Innovation Zone in England
  - Destination Borderlands and its role as a leading outdoor and adventure tourism destination – Hadrian’s Wall, Destination Tweed,

- Stranraer Marina, Lilidorei at the Alnwick Garden, 7Stanes Mountain Biking Centre development, and See More Lake District Cycling
- Energy masterplan and Borderlands Energy Investment company
  - Place programme and the interdependencies between rural and urban environments, sectors and activities
  - Transport theme and the opportunity for habitat creation and other biodiversity enhancements.
- Activities and projects need to be delivered in line with partner organisations including Stranraer Marina
  - The programme needs to align with work carried out across the border to develop a joined-up cross-border relationship
  - The progress of national and regional activities which may overtake / overlap with the work of the pilot projects if their start dates are delayed
  - Nature based solutions is a key theme within the Scottish Borders Climate Change Route Map (CCRM) and there may be opportunity to support the concept across the Borderlands region through the programme

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Source: Borderlands Partnership and Hatch, 2022

## 3. Economic Case

- 3.1 Hatch and etec have drafted the economic case on behalf of the Borderlands Natural Capital client group.
- 3.2 The Natural Capital Programme requires an innovative approach for the development of the economic case given that Government guidance on natural capital is still fairly new. It has not been widely tested in relation to a programme level investment rather than a defined natural capital project; nor as part of a Growth Deal; nor in relation to the treatment of exploratory pilot projects.
- 3.3 In this context it is important that the funding decision is based on the full Programme business case, across all five cases, and the Value for Money (VfM) assessment and Benefits Cost Ratio (BCR) should not be considered as the primary way to make this decision. This fits with the HM Treasury Green Book update, which stresses the importance of the Strategic Case.
- 3.4 It is also important the options appraisal process is undertaken in the context of the Strategic Proposition for the Natural Capital programme (developed in 2020) which sets out the six Scottish pilot projects and was approved by Scottish Government in 2021.
- 3.5 As a result, the economic case departs from formal guidance in order to produce a compelling case in a robust but pragmatic manner. This was discussed with Scottish Government economists on 14<sup>th</sup> June 2022 and is captured in a summary note prepared ahead of that meeting.
- 3.6 The economic case is structured as follows:
  - The **Options Assessment** is comprised of a **longlist assessment** using investment objectives from Strategic Case and Critical Success Factors (CSFs) to demonstrate how the configuration of a Natural Capital programme made up of a set of themed pilot projects was developed, including a shortlist of potential alternatives
  - Rather than subjecting the shortlist to a VfM assessment, a more detailed, qualitative **shortlist assessment** based on multiple criteria is used to demonstrate that the six Scottish pilot projects and planned procurement mechanisms and delivery approach are the most appropriate configuration for the programme and taken forward as the Preferred option into the economic appraisal
  - The **Economic Appraisal** therefore assesses the VfM of the Preferred option only, as opposed to assessing the shortlist options also, on the grounds this would not be robust or proportionate.

## Options Assessment

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### Market Failure

- 3.7 As outlined in the strategic case above, there is a clear case for intervention in the Natural Capital Programme, as a result of long-running market failures that have led to a disjointed policy arena, implementation failures and knowledge gaps. The fundamental rationale for public sector investment in the Natural Capital programme relates to the market's failures which are three-fold, comprising partial public goods and private sector reluctance to invest due to both coordination and information failures, as well as wider instability at a macroeconomic level.

- 3.8 Positive externalities (partial public goods): the potential economic, environmental and social benefits that would be delivered by the Programme would be felt broadly, and it is both unrealistic to identify a way to capture revenue from all those beneficiaries deriving value from it, as well as impractical to exclude those who do not pay from benefitting. As a result, the market will not solve this challenge.
- 3.9 Information / coordination failures: in part, coordination failures are acting to prevent investment, and with many different landowners and stakeholders across the Scottish Borderlands region, the challenge of mobilising and coordinating plans is high and perceived difficulties by the private sector limit action. This is being compounded by information failures where there are knowledge gaps in the private sector, acting as a barrier for change.
- 3.10 Macroeconomic instability: a further barrier to investment is driven by current instability at a macro level, including in a post-Brexit context and the current challenges faced in the UK economy, which is acting as an inhibitor of private sector willingness to innovate and invest.
- 3.11 The BIG Deal funding provides an opportunity to unlock investment for a Natural Capital Programme, that has the potential to deliver a range of benefits beyond a financial return to the immediate landowners. The Borderlands group is committed to delivering a holistic package of pilot-based interventions that provide long-term opportunities and solutions to the challenges faced in meeting Scottish Government objectives that would not be taken forward by the private sector alone.

## Longlisting of Options

- 3.12 A workshop was held on 1st February 2022 with representatives from the local authorities, the natural capital sector, and Scottish Government. The workshop focussed upon the range of possible options for the programme, taking in matters of:
- **Scope** – including discussion around the current policy gap, the primary land and marine uses of the region, the need for a joined-up approach to create systematic change, and funding availability
  - **Service solution** – including discussion around emerging policy post-CAP, the need to value natural capital, the need for holistic evaluation and support, and existing projects and initiatives
  - **Delivery** – the capacity of the councils, including skills and resources, the prevalence of trusted intermediaries and land use organisations across the South of Scotland and where best practice exists within organisations
  - **Implementation** – the constraints of the Borderlands Programme, the timing of policy development and business need
  - **Funding** – possibility of scaling projects to match further funding, capital and revenue split requirements, and delivery of public good
- 3.13 Throughout the discussion of each matter above, the critical success factors of business need, strategic fit, additionality beyond existing policy efforts, benefits optimisation, potential achievability, supply side capacity and capability and potential affordability were considered.
- 3.14 Using the above themes and discussions the group generated a longlist of potential options against which the project's investment objectives could be met, which are set out below.

Table 3.1 Longlist Options					
Delivery Option	Scope	Service	Delivery	Implementation	Funding
<b>Option 1 / Do Nothing (Reference Case)</b>	Continuation of business-as-usual land use management practices which tend to operate in sector-based silos, like agriculture or forestry, rather than through a holistic systems approach. <sup>95</sup> These management practices have tended to rely on public subsidy, such as The Common Agricultural Policy and The Scottish Rural Development Programme.	There is a lack of holistic support and evaluation, for example the siloed availability of agricultural and farming advice.	There are some pockets of innovation delivered by natural capital organisations, e.g., the South of Scotland RLUP project.	n/a	n/a
<b>Option 2 Cross-sector demo</b>	A cross-sector demonstration of innovative land and marine management practices and sharing of best practice, regionally and nationally.	The delivered services would comprise of pilot projects across significant land use types in the region, including agri-environment, woodland and forestry, as well as the marine sector.	Delivered by Dumfries and Galloway and Scottish Borders Councils.	The pilot projects would be delivered from 2023 to 2030.	£5 million public funding from Scottish Government, half of which is capital, half of which is revenue (and aim to secure match funding).
<b>Option 3 Cross-sector demo and</b>	A cross-sector demonstration of innovative land and marine management	The delivered services will comprise of six pilot projects across significant land use	Delivery will be outsourced through the procurement of	The pilot projects would be delivered from 2023 to 2030	£5 million public funding from Scottish Government, half of

<sup>95</sup> Scotland's Third Land Use Strategy 2021-2026, Scottish Government, March 2021

Delivery Option	Scope	Service	Delivery	Implementation	Funding
<b>long-term planning</b>	practices and sharing of best practice, regionally and nationally, combined with long term planning for the region.	types in the region, including two agri-environment, woodland and forestry, and marine sectors, as well as a data led pilot project and an investment pilot project.	lead delivery partners.		which is capital and half of which is revenue (and aim to secure match funding).
<b>Option 4 Scaled-up cross-sector demo and long-term planning</b>	A scaled-up cross-sector demonstration of innovative land management practices across numerous (sub)sectors and sharing of best practice nationally, combined with long term planning for the region.	The delivered services will comprise of eight pilot projects across multiple land use types in the region including agri-environment, woodland and forestry, marine, rivers, and peatland, as well as a data led pilot project, an investment pilot project, and a skills pilot project.	Delivery will be outsourced through the procurement of lead delivery partners.	The pilot projects will be delivered from 2023-2030.	Funded by £5m public funding from Scottish Government, half of which is capital and half of which is revenue (and aim to secure match funding). If further match funding is made available, expansion of the scheme into further sub sectors of regional land uses will be explored.
<b>Option 5 Cross-border programme</b>	A cross Scottish-English border programme of innovative land management practices and sharing of best practice, combined with long term planning for the Borderlands region.	The delivered services will comprise of six pilot projects across multiple land use types on both sides of the border within the Borderlands region. This will include, two agri-environment, woodland and forestry, and marine sector pilot projects, as well as a	Delivery will be outsourced through the procurement of lead delivery partners.	The pilot projects will be delivered from 2023 to 2030.	Funded by £5m public funding from Scottish Government, half of which is capital and half of which is revenue, combined with £5m of Defra funding from the English side (and

Delivery Option	Scope	Service	Delivery	Implementation	Funding
<b>Option 6 Cross-sector demo of technologica l solutions</b>	A cross-sector demonstration of technologically focused land management practices, and sharing of best practices, combined with long term planning for the region.	The delivered services will comprise of innovative pilot projects, focusing on how technological solutions can be applied across the major land use typologies on the Scottish side of the Borderlands region including agri-environment, woodland and forestry, and marine sectors. Additionally, there will be an investment pilot project and a data pilot project.	Development and delivery of these pilot projects will be fully outsourced to the private sector.	Pilot projects will be delivered between 2023-2030.	aim to secure match funding). Funded by a blend of £5m public funding from Scottish Government, half of which is capital and half of which is revenue, combined with £2m private sector funding (and aim to secure further match funding).

Source: Borderlands Partnership and Hatch, 2022

## Longlist Options Assessment

3.15 The longlist has been assessed against the programme's investment objectives, as outlined in the Strategic Case, and Critical Success Factors.

### Critical Success Factors

3.16 The following Critical Success Factors have been identified for the Scottish Borderlands Natural Capital Programme.

- **CSF1 – Business Need** - the extent to which the Programme will align with current business needs identified in the Strategic Case including:
  - The need to deliver long-term holistic economic benefit that is retained in the region
  - The need to demonstrate what works to kickstart action and investment
  - The need to be strategic, aligned, joined-up and data-led
  - The need to influence future activity and policy, inc. replacement of CAP
- **CSF 2 – Strategic Fit** - the extent to which the Programme fits within the strategic context of existing policy drivers and developing land-use planning initiatives
- **CSF 3 – Additionality** – the extent to which the Programme will deliver additional to (i.e. not duplicating) existing policy efforts, and therefore meaningfully contribute to meeting Scottish Government objectives
- **CSF 4 – Benefits Optimisation** - the extent to which the Programme will sustain and further unlock the economic value of the natural economy across direct, indirect, and additional holistic benefits
- **CSF 5 – Potential Achievability** – the extent to which the scope is achievable within the timeframe and resources available within the Borderlands Growth Deal terms and will ensure an ongoing legacy programme
- **CSF 6 – Supply-side Capacity and Capability** – the extent to which there is appropriate resourcing, with the capacity and capability to deliver the transformation required (in terms of new ways of working, thinking and partnership building)
- **CSF 7 – Potential Affordability** – the extent to which the scope is affordable within the Borderlands Inclusive Growth Deal funding committed to the natural capital theme, whilst noting the ambition to secure and lever in additional resources.

3.17 To assess the longlist of options, a RAG analysis matrix was used, as shown in Table 3.2. below. Each option was assessed against the investment objectives and the CSFs and given an overall rating of red, amber, or green.



Table 1.1 Longlist Option Assessment						
Evaluation Criterion	Option 1 / Do Nothing	Option 2 - Cross-sector demo	Option 3 - Cross sector demo and planning	Option 4 - Scaled up cross sector demo	Option 5 - Cross-border demo	Option 6 - Technological cross sector demo
<b>Investment Objectives</b>						
Obj 1: By 2030, deliver the six Scottish-led innovation pilot projects, delivering economic outputs, demonstrating best practice nationally and disseminating lessons to support scaling and influence future policy.	Red	Amber	Green	Green	Amber	Amber
Obj 2: Deliver holistic economic benefits for the regional economy, through the maintenance, restoration, and enhancement of natural capital, with additional benefits for the environment and communities, supported by a strategic-cross border partnership.	Red	Green	Green	Green	Green	Amber
Obj 3: Align with existing initiatives, such as the South of Scotland RLUP pilot, and activity south of the border, to improve understanding of current land and marine uses, the benefits delivered, their interdependencies and drivers for change, and how to ensure future uses deliver economic benefits, both direct and additional, as well as wider environmental and social outcomes.	Red	Amber	Green	Amber	Green	Green
Obj 4: Deliver strategic capacity building within regional business, organisations and supply chains and better equip regional workers for skilled jobs in the natural capital-based economy of the future.	Red	Amber	Green	Green	Green	Red
Obj 5: By 2030 develop a long-term investment plan for the region that capitalises on private and blended finance opportunities through both responsible private sector and public sector sources.	Red	Red	Green	Green	Green	Amber
<b>Critical Success Factors</b>						
CSF1: Business Need	Red	Amber	Green	Green	Amber	Amber
CSF2: Strategic Fit	Red	Amber	Green	Green	Amber	Amber
CSF3: Additionality	Red	Amber	Green	Green	Amber	Amber
CSF4: Benefits Optimisation	Red	Amber	Amber	Amber	Green	Amber
CSF5: Potential Achievability	Green	Green	Green	Amber	Amber	Green
CSF6: Supply-side Capacity and Capability	Green	Red	Green	Amber	Green	Amber
CSF7: Potential Affordability	Green	Green	Green	Amber	Red	Amber
Shortlisting Outcome	Carry forward	Carry forward	Preferred Way Forward	Carry forward	Discount	Discount

Source: Borderlands Partnership and Hatch, 2022

3.18 Note: **Green** = strong alignment with evaluation criterion. **Amber** = some alignment with evaluation criterion. **Red** = poor alignment with evaluation criterion

## Longlist Assessment Summary and Selection of Shortlisted Options

Table 3.2 Longlist Assessment Summary

### Option 1 / Do Nothing (Reference Case)

Under the do-nothing scenario, there is a continuation of current business-as-usual (BAU) land and marine management practices with negative effects for natural capital assets, and the economic and social activity they support, operating under a siloed policy landscape. Natural capital is not fully valued in current land and marine management approaches which are skewed towards solo-sector thinking and reliance on public subsidy, rather than long term economic and environmental resilience. There is a lack of holistic support and evaluation, with siloed availability of agricultural and farming advice. The BAU is set out in more detail in the Strategic Case, under the section on Existing Arrangements.

The do-nothing scenario therefore fails to address the majority of the strategic objectives and critical success factors:

- Current business-as-usual land and marine use change is negatively affecting natural capital, prohibiting the delivery of holistic economic benefits which can be delivered through the maintenance, restoration, and enhancement of natural capital.
- There is a lack of a comprehensive evidence base of natural capital in the Borderlands region, or across Scotland, and there are few projects trialling new ways of working which are being successfully delivered with the vision to scale up and disseminate lessons regionally or nationally. Therefore, the ability to influence emerging economic and environmental policy changes is reduced.
- Natural capital is not fully valued in current land and marine management approaches which are skewed towards solo-sector thinking and reliance on public subsidy, rather than long term economic and environmental resilience.
- There is currently no long-term investment plan for the region that capitalises on blended finance opportunities from both responsible private sector and public sector sources.

### Option 2: Cross-sector demo

Option 2 does, in part, address some of the strategic objectives. However, certain objectives and CSFs are not addressed:

- The lack of a data pilot project will hamper the ability to create a comprehensive natural capital evidence base and the ability to understand current land and marine uses and challenges.
- Without an investment pilot project, it will not be possible to build a long-term plan for the region to capitalise on blended and responsible private finance sources. Therefore, it does not address key business needs or the emerging strategic vision to create natural capital markets for private finance sources.
- As local councils are delivering these projects, there is little opportunity to build capacity within the regional economy and deliver community wealth building. This also creates problems relating to supply-side capacity and capability, due to the capacity and resource constraints that the councils are operating under. Within the region, there is an array of land use organisations experienced in delivering best practice land use projects and have built a positive reputation and relationship with regional landowners and managers. This option does not capitalise on these organisations, which is likely to affect benefits optimisation.

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### Option 3: Cross-sector demo and long-term planning

Option 3 performs well in addressing both the strategic objectives and the critical success factors:

- The delivery of the six pilot projects focuses on some of the most influential land/marine uses in the region and where implementation gaps are considered to exist compared to current policy efforts (based on knowledge gaps, need for demonstrable best practice, demonstration of effectiveness, cost reduction etc) and is likely to deliver significant benefits optimisation given the scale of the funding. However, its likely that holistic economic, environmental and social benefits could be further optimised if this programme was expanded into a cross-border programme.
- The delivery of the data pilot project ensures that the programme can build a natural capital evidence base identified as a key business need. Additionally, the investment pilot project will contribute to the development of a long-term plan for the region that capitalises on blended finance opportunities from both responsible private and public sector sources.

### Option 4: Scaled-up cross-sector demo and long-term planning

Option 4 generally addresses the investment objectives, however there is some misalignment with some of the strategic objectives:

- Objective 3 highlights the need to align with existing initiatives. This option will deliver a higher number of pilot projects across a wider range of land use sectors and sub sectors. Consequently, there may be some overlap with existing initiatives in Scotland, such as in the rivers sub-sector.
- There are significant problems surrounding the potential achievability and affordability of the programme. The scale of this programme would not be deliverable with the £5 million funding available from Scottish Government and may also place strain on the existing capacity within the region. Given funding constraints, it would also diminish the benefits optimisation by over stretching resources across a greater number of land use (sub) sectors.

### Option 5: Cross-border programme

Option 5 performs well against most of the investment objectives and would address the need to build a strategic cross-border partnership to deliver holistic economic benefits particularly well. However, there are crucial problems in its delivery:

- Given the different policy landscapes in Scotland and England, the programme may struggle to deliver on the objective to influence future policy and to address the business need of replacing the European Common Agricultural Policy post-Brexit.
- The English natural capital working group within the Borderlands Inclusive Growth Deal is developing a distinct approach that responds directly to the drivers and needs on that side of the Border, negating the possibility of delivering cross-Border pilot projects.

### Option 6: Cross-sector demo of technological solutions

Option 6 does not perform well against many of the investment objectives and critical success factors.

- It fails to deliver against Objective 4, to deliver capacity building and the business need to deliver community wealth building. As the programme would be entirely delivered through outsourcing to the private sector, there would be reduced

opportunity for capacity building outside of those businesses and immediate supply chains, with reduced wider benefit for other local organisations and communities.

- The option may be less likely to influence future policy due to the lack of local council involvement. This may also affect its alignment against all of the identified business needs, given that it would be driven by the open market and the priority challenges that have been identified by the local council teams based on their knowledge of the region may not be fully addressed.
- Finally, the affordability of the option is likely to be comparatively reduced due to the VAT implications of outsourcing to private companies compared to channelling public funds through the local councils.

- 3.19 The longlist assessment has identified that Option 1 to 4 are taken forward to the shortlist and Options 5 and 6 are discounted, as shown in the tables above.

## Short-listed Options and Assessment

- 3.20 Following the assessment of the longlist options against the investment objectives and critical success factors, there are **three shortlisted options** alongside the Do Nothing:

Table 3.3 Shortlist Options Summary

### Option 1: Do Nothing (Reference Case)

There is a continuation of business-as-usual land management practices with negative effects for natural capital assets, operating under a siloed policy landscape. Natural capital is not fully valued in current land and marine management approaches which are skewed towards solo-sector thinking and reliance on public subsidy, rather than long term economic and environmental resilience. There is a lack of holistic support and evaluation, with siloed availability of agricultural and farming advice.

### Option 2: Do Minimum (Cross-sector demo)

A cross sector demonstration of innovative land and marine management practices and sharing of best practice, regionally and nationally. The delivered services will comprise of pilot projects across significant land use types in the region, including agri-environment, woodland and forestry, and marine sectors. These projects will be delivered by Dumfries and Galloway and Scottish Borders Councils. The pilot projects will be delivered from 2023 to 2030 and will be funded by £5 million public funding from Scottish Government, half of which is capital and half of which is revenue, and aim to secure match funding.

### Option 3: Preferred Way Forward (Cross-sector demo and long-term planning)

A cross-sector demonstration of innovative land and marine management practices and sharing of best practice, regionally and nationally, combined with long term planning for the region. The delivered services will comprise of six pilot projects across significant land use types in the region, including agri-environment, woodland and forestry, and marine sectors, as well as a data led pilot project and an investment pilot project. Delivery will be outsourced through the procurement of lead delivery partners. The pilot projects will be delivered from 2023 to 2030 and will be funded by £5 million public funding from Scottish Government, half of which is capital and half of which is revenue (and aim to secure match funding).

### Option 4: Do Maximum (Scaled-up cross-sector demo and long-term planning)

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A cross-sector demonstration of innovative land and marine management practices across numerous (sub)sectors and sharing of best practice nationally, combined with long term planning for the region. The delivered services will comprise of eight pilot projects across multiple land use types in the region including agri-environment, woodland and forestry, marine, rivers, and peatland, as well as a data led pilot project, an investment pilot project, and a skills pilot project. Delivery will be outsourced through the procurement of lead delivery partners. The pilot projects will be delivered from 2023-2030 and will be funded by £5m public funding from Scottish Government, half of which is capital and half of which is revenue (and aim to secure match funding). If further match funding is made available, expansion of the scheme into further sub sectors of regional land use will be explored.

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Source: Borderlands Partnership and Hatch, 2022

## Shortlist Options Assessment

- 3.21 Each shortlisted option was qualitatively assessed against multiple criteria, as opposed to be taken forward directly into the economic appraisal.

The table below provides a summary of the shortlist assessment and the assumptions that guided this.

Table 3.4 Shortlist Assessment Summary				
Evaluation Criterion	Option 1 / Do Nothing	Option 2 Cross-sector demo	Option 3 Cross sector demo and planning	Option 4 Scaled up cross sector demo
Pilot projects: land-use and marine sectors	No pilot projects or associated learning and dissemination	Most influential land and marine uses in the region	Most influential land and marine uses in the region	Most influential land and marine uses in the region, but combined with additional sub sectors which could dilute efficiency
Pilot projects: long-term planning	No pilot projects or associated learning and dissemination	Efficacy of the programme will be hampered as no data pilot, particularly in terms of longer-term benefits of future scaling up activity	Data and Investment pilots provide opportunity to build a natural capital evidence base and contribute to the long-term plan for the region	Data and Investment pilots provide opportunity to build a natural capital evidence base and contribute to the long-term plan for the region
Planned Delivery	N/A	Delivered by local councils without external collaboration, missing opportunity to build capacity and upskill within the regional economy, and creating supply-side delivery problems due to the significant constraints the councils are operating under.	Delivered in partnership between 2023 to 2030, as required by the Borderlands funding.	Delivered in partnership between 2023 to 2030, as required by the Borderlands funding.
Planned Procurement	N/A	N/A	Outsourcing to lead delivery partners would capitalise on existing expertise, networks and relationships of regional land use organisations and the landowners and managers across the South of Scotland region, including an existing network of stakeholders for each pilot as well as contributing to capacity building and upskilling in the region.	Outsourcing to lead delivery partners – also capitalising on existing networks and contributing beneficially to capacity building in the region (as under Option 3)
Expected Benefits	No benefits expected,	Fails to capitalise on the existing expertise and networks of local	Optimises potential for influential learning and dissemination to	Potential to deliver significant benefits given breadth of pilot

	continued dis-benefit of BAU	organisations in the region nor the positive relationships they hold with regional landowners and managers, affecting the potential scale of benefits and longer term legacy that could be realised through a more collaborative approach	drive scaled up activity in the future. Likely to deliver significant benefits optimisation within the region according to the scale of funding.	projects. But likely to negatively affect benefits optimisation by overstretching the existing capacity within the region.
Expected Risks	High risk of natural capital assets being further depleted with negative impact for economic and social activity supported by them	Risk of none or very little downstream opportunities for scaling up of pilot activity: <ul style="list-style-type: none"> <li>Without a Data pilot, strong risk that land and marine use pilots will remain as demonstrator activity only. This is because the region already suffers from a lack of a comprehensive natural capital evidence base to understand current land and marine uses and challenges, and respond to them effectively.</li> <li>Without Investment pilot, not be possible to build a long-term plan for the region to capitalise on blended and responsible private finance sources.</li> </ul>	Proposed configuration and delivery approach mitigates risks associated with affordability, deliverability, as well as optimising opportunity for dissemination and learning, capacity building and longer term scaling up and legacy across the region.	Not affordable or deliverable within the funding available: <ul style="list-style-type: none"> <li>Increasing the number of pilot projects within the programme is likely to cause significant problems associated with achievability and affordability</li> <li>Likely to overstretch existing resources given the scale of funding available is £5 million from Scottish Government</li> </ul>
<b>Appraisal Outcome:</b>	<b>Discounted</b>	<b>Discounted</b>	<b>Preferred Option, taken forward into the Economic Appraisal</b>	<b>Discounted</b>

Source: Borderlands Partnership and Hatch, 2022

- 3.22 Therefore, Option 3 has been taken forward as the Preferred Option in the economic appraisal below, which focuses on assessing the Value for Money (VfM) of the Preferred Option only as opposed to appraising a further set of alternative options or pilots.

## Economic Appraisal

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### Economic Appraisal Summary

- 3.23 This section sets out the assessment framework for assessing the benefits of the Scottish Natural Capital programme.
- 3.24 The economic appraisal is structured by three main benefit typologies:
- **Incidental benefits** supported as a result of pilot delivery in the immediate term. These are **not** included in the core BCR as they are temporary in nature and supported by the capital. They are presented in an adjusted BCR.
  - **Direct benefits** created by the pilots that persist over time. These are included in the VFM assessment and core BCR.
  - **Downstream benefits** of any potential scaled up activity beyond the pilots in the long term. These are dealt with separately and are not included in the VFM assessment or core BCR, due to the uncertainties in projecting them.
- 3.25 Across these typologies, there are two main benefit categories that can be assessed and monetised in line with Government guidance, as follows:
- **Economic benefits**
    - Incidental employment supported
    - Direct employment and GVA
    - Social value of placements and training
    - Social value of volunteering
    - Cost savings / enhanced efficiency
  - **Environmental/natural capital benefits**
    - Carbon sequestration / GHG emissions reduction
    - Timber production
    - Food provision
    - Air quality benefits

### Monetised Costs and Benefits

- 3.26 Costs are split between Borderlands Inclusive Growth Deal funding, public sector match funding from a range of sources across the pilot projects, and private sector match funding through unsecured private finance in the Woodland pilot.

#### Capital and Revenue costs

- 3.27 The total capital costs for the Preferred Option are estimated to be £6,250,065.
- 3.28 The total revenue costs for the Preferred Option are estimated to be £2,512,500.



3.29 Before adjustment for optimism bias and discounting, the assumed breakdown by financial year is as follows:

Table 3.5 Summary of Programme Costs		Borderlands	Public match	Private match
FY2023/24	Capital	£0.11m	£0.39m	£0.05m
	Revenue	£0.13m	£0.01m	
FY2024/25	Capital	£0.35m	£0.39m	£0.05m
	Revenue	£0.25m		
FY2025/26	Capital	£0.73m	£0.43m	£0.05m
	Revenue	£0.47m		
FY2026/27	Capital	£0.61m	£0.43m	£0.05m
	Revenue	£0.47m		
FY2027/28	Capital	£0.3m	£0.43m	£0.05m
	Revenue	£0.45m		
FY2028/29	Capital	£0.23m	£0.43m	£0.05m
	Revenue	£0.42m		
FY2029/30	Capital	£0.17m	£0.43m	£0.05m
	Revenue	£0.3m		
<b>Total</b>		<b>£5.00m</b>	<b>£3.34m</b>	<b>£0.42m</b>

Source: Natural Capital Programme Scotland –Working Group

## Benefits

3.30 The economic and environmental/natural capital benefits of the Preferred Option have been monetised below.

Table 3.6 Monetised and Non-Monetised Benefits Summary	
The following variables have been monetised in line with Government guidance:	
Value of incidental employment supported	Estimated using the Scottish Government Local Economic Impacts of Natural Capital Investment Model (v1.0 April 2022) to estimate the number of FTEs supported, and the GVA impacts calculated using ONS sub-regional productivity stats and BRES data to identify GVA per FTE in sector F: Construction. Not monetised as part of the core BCR.
Value of direct employment and GVA	Estimated based on the number of direct new FTE jobs that the pilots will create, and the GVA impacts calculated using ONS sub-regional productivity stats and BVES data to identify GVA per FTE in sectors A-E: Production.
Social value of placements and training	Calculated using the HACT Social Value Bank – ‘vocational training’.
Social value of volunteering	Calculated using the HACT Social Value Bank – ‘regular volunteering’.
Value of cost savings and enhanced efficiency	Calculated by etfec <sup>96</sup> , in alignment with UK Government guidance on natural capital assessment. Further detail is provided in the VfM Assessment section below.

<sup>96</sup> Eftec – Economics for the Environment Consultancy are environmental economics specialists.

Value of carbon sequestration	Calculated by eftec, in alignment with UK Government guidance on natural capital assessment. Further detail is provided in the VfM Assessment section below.
Value of GHG emissions avoided	Calculated by eftec, in alignment with UK Government guidance on natural capital assessment. Further detail is provided in the VfM Assessment section below.
Value of timber production	Calculated by eftec, in alignment with UK Government guidance on natural capital assessment. Further detail is provided in the VfM Assessment section below.
Value of food provision	Calculated by eftec, in alignment with UK Government guidance on natural capital assessment. Further detail is provided in the VfM Assessment section below.
Value of air quality	Calculated by eftec, in alignment with UK Government guidance on natural capital assessment. Further detail is provided in the VfM Assessment section below.
<b>The Natural Capital programme is likely to lead to the following wider benefits that have not been monetised and are not included within the VfM assessment:</b>	
Innovation and learning	Delivered across all six pilot projects given their experimental nature and represents an important impact which is key to pilot activity being scaled up in the future. This is discussed in more detail in the section below on Downstream Benefits.
Enhanced resilience of jobs and safeguarded livelihoods	This would be at a small scale as a direct benefit of the pilot projects but could be significant to the long-term economic success of the Borderlands region if learning and activity is scaled up in the future. Benefits are tied to enhancing the resilience of associated businesses and sectors for the longer term in relation to land use management and climate-related challenges.
Access to additional revenue streams / private investment	Through the pilots, in particular the Investment pilot, opening up opportunities for leveraging investment in scaled-up activity in the future.
Cost savings and enhanced efficiency	Likely to be delivered through the Agri-environment (Whole Farm Audits) pilot in terms of energy and fertiliser savings, and in the Data pilot and Investment pilot in terms of time savings in future project planning and development.
Other natural capital benefits	Other direct natural capital benefits are likely to be delivered by all three of the applied land and marine use pilots (Agri-environment, Woodland and Marine) but these benefits are either difficult to evaluate in monetary terms or are small at this scale but could be significant if implemented at regional or national scale. Please see Appendix B - for a summary of these non-monetised natural capital benefits.

Source: Hatch and eftec

## Optimism Bias

- 3.31 Green Book Supplementary Guidance has been applied. The upper limit for 'non-standard civil engineering' projects (66.0%) was considered as the starting point. Given that programme planning and costings are not fully developed, a conservative approach was adopted in applying this upper limit of 66.0% to all capital costs within the economic appraisal. As the programme and its pilots are developed, residual Optimism Bias (OB) will fall.

## Discounting

- 3.32 The economic appraisal presents both a 60-year appraisal period in line with HM Treasury Green Book guidance and which is suited to capturing the long-term nature of natural capital benefits, as well as a 25-year appraisal period to test the level of benefit over a shorter time frame which is more suited to capturing the shorter term direct economic benefits as well as a significant quantum of the natural capital benefits. A discount rate of 3.5% has been applied in line with the HM Treasury Green Book over the 25-year appraisal period. For the 60-year appraisal period, the 3.5% discount rate has also been applied to year 30 and from year 31 applies a discount rate of 3.0%.

## Inflation

- 3.33 Inflation has been applied in the capital and revenue costs estimates for the programme presented in the Financial Case and in Appendix C - Programme Costs. Therefore, the costs presented below remove inflation from the capital and revenue cost inputs for the Preferred option.
- 3.34 It should be noted that Sensitivity Test 1 increases the application of optimism bias on capital costs to assess the implication of inflationary pressures on VfM. As the programme planning and costing work evolves for the project, the pilot project delivery partner leads will consider in more detail how inflation impacts upon the programme.

## VAT

- 3.35 Costs in the economic case do not include VAT.

## Assessing Additionality

- 3.36 The following additionality adjustments have been accounted for within the VfM assessment:
- **Appraisal Period** – a 25-year appraisal period for the persistence of economic benefits has been implemented. The appraisal period starts in FY2023/2024 when delivery is expected to begin. A 60-year appraisal period has also been implemented in order to address the long-term nature of some of the natural capital benefits.
  - **Leakage** – In terms of the economic impacts related to employment and GVA, and the social value of placements, training and volunteering, a leakage rate of 25.0% has been applied in line with *HCA Additionality Guide - Ready Reckoners*. No leakage rate has been applied to natural capital benefits.
  - **Displacement** – In terms of the economic impacts related to employment and GVA, and the social value of placements, training and volunteering, a displacement rate

of 25.0% has been applied in line with *HCA Additionality Guide - Ready Reckoners*. No displacement rate has been applied to natural capital benefits.

- **Deadweight** – in terms of the social value of placements, training and volunteering, deadweight has been applied in line with the specified social value indicator as set out in the HACT Social Value Bank to account for social value that may occur elsewhere<sup>97</sup>.

## Value for Money Assessment

- 3.37 Value for Money (VfM) calculations assess costs per one unit of benefits achieved (i.e. cost per one pound generated in the economy), net present value of cash flows, and analyses the cost/benefit ratios for all options to compare value.
- 3.38 A robust forecasting model, built on a series of assumptions, has been established in order to quantify the economic benefits and VfM being achieved through the proposed interventions.
- 3.39 All methods and assumptions are drawn from the following Government publications and guidance documents:
- HM Treasury Green Book (2020)
  - Ministry of Housing Communities and Local Government (MHCLG) Appraisal Guide (2016)
  - Homes and Communities Agency (HCA) Additionality Guidance (4th Edition)
  - GDP deflators at market prices, and money GDP October 2021
  - Housing Associations Charitable Trust (HACT) Social Value Bank
- 3.40 The assumptions for quantified economic benefits are set out below:

### Incidental employment impacts

- 3.41 Incidental employment benefits arising from the delivery of the pilot projects has been calculated using the Scottish Government Local Economic Impacts of Natural Capital Investment Model to estimate the number of FTEs supported, which is anticipated to be 100 Direct FTEs, and a further 41 Indirect FTEs, supported in total across the programme delivery period, or c. 16 FTEs per year.
- 3.42 ONS sub-regional productivity stats and BRES data have been used to estimate GVA impacts per FTE for sector F (construction), as follows:
- **Borderlands GVA per FTE: £66,873 (sector F)**
- 3.43 A leakage rate of 25.0% has been applied in line with *HCA Additionality Guide – Ready Reckoners*.
- 3.44 A displacement rate of 25.0% has been applied in line with *HCA Additionality Guide – Ready Reckoners*.

### Direct employment and GVA

- 3.45 Based on information provided by the pilot project leads, it is assumed that a total of 55 direct FTE jobs will be created by the Natural Capital programme across the delivery period, or c. 5.5 FTEs per year.

<sup>97</sup> 'Vocational training' = 15%; 'Regular volunteering' = 19%

3.46 ONS sub-regional productivity stats and BRES data has been used to estimate GVA impacts per FTE for sectors A-E (production), as follows:

- **Borderlands GVA per FTE:** £93,035 (sectors A-E)

3.47 A leakage rate of 25.0% has been applied in line with *HCA Additionality Guide – Ready Reckoners*.

3.48 A displacement rate of 25.0% has been applied in line with *HCA Additionality Guide – Ready Reckoners*.

### Social value

3.49 Social value arising from the pilot projects has been calculated using the HACT Social Value Bank (v4). The HACT Guidance permits the valuation of social impact through placing a value on wellbeing. Wellbeing valuation is specified in the HM Treasury’s Green Book as a method of placing market value on intangible social impacts.

3.50 The following outcomes and values<sup>98</sup> have been monetised as part of the social value appraisal for the pilot projects:

- **Vocational training:** £1,019 per annum

3.51 Based on information provided by the pilot project leads, it is assumed that a total of 43 placements will be delivered through the Natural Capital programme during its delivery period, or c. 4.3 placements per year.

- **Regular volunteering:** £3,199 per annum

3.52 Based on information provided by the pilot project leads, it is assumed that a total of 820 volunteers will be involved in the Natural Capital programme during its delivery period, or c. 82 volunteers per year.

3.53 In terms of additionality, the following deadweight values have been applied as per the HACT Social Value Bank guidance:

- **Placements and training:** 15%
- **Regular volunteering:** 19%

3.54 A leakage rate of 25.0% has been applied in line with *HCA Additionality Guide – Ready Reckoners*.

3.55 A displacement rate of 25.0% has been applied in line with *HCA Additionality Guide – Ready Reckoners*.

### Value of cost savings and enhanced efficiency

3.56 Cost savings are the economic benefits that landholders receive from requiring fewer inputs into operations on their lands whilst maintaining or improving their efficiency or yield. Within the context of the Agri-environment Whole farm audit pilot project, cost saving benefits are derived from two activities: a reduction in the application of fertilisers to farmland and an increase in the energy efficiency of farming operations.<sup>99</sup>

Table 3.7 Costs savings and enhanced efficiency of Whole Farm Audit pilot

<sup>98</sup> Values have been obtained from the HACT Social Value Bank for ‘Outside of London’

<sup>99</sup> Cost savings, as defined here, were not identified for any of the other case studies within the Borderlands Programme. These figures are not intended to be exhaustive, and other pilot projects may confer cost saving benefits to landholders, but these could not be identified here due to insufficient data.

Reduced fertiliser use	Documentation provided by the pilot states that proposed changes to agri-environment practices on farm holdings will result in a 10% reduction in the amount of fertiliser used annually. Additionally, provided documentation states the current estimated fertiliser application on Borderlands farm holdings is 67 kg/ha. Assuming that these improvements take place across all farm holdings (encompassing an area of approximately 1,200 hectares), it is estimated approximately 80,400 kg of fertiliser is used across the pilot project area annually. This total is multiplied by the 10% reduction figure to estimate the volume of fertiliser use avoided as a result of improved farming practices (8,040 kg of fertiliser use avoided annually). It is assumed that ammonium nitrate (AN) is representative of all fertilisers on all landholdings within project scope. Using this assumption, the market price of ammonium nitrate fertiliser as of May 2022 (Farmers Weekly, 2022) <sup>100</sup> of £716/tonne is multiplied by the volume of avoided fertiliser use to produce the value of cost savings from improved farming practices.
Energy efficiency of farming practices	Documentation provided by the pilot states that proposed changes to agri-environment practices on farm holdings will result in a 5% improvement in energy efficiency across all farm holdings. This 5% improvement is interpreted as a reduction in the amount of fuel used for current farm operations. Based on previous research conducted by etfec, it is estimated that approximately 43 litres of diesel per hectare is used on farm holdings. Multiplying this litre usage assumption by the total area of farm holdings within project scope (1,200 hectares) provides an estimate of the total annual fuel usage by farms within the pilot project area. This total fuel usage figure is then multiplied by the estimated improvement in energy efficiency to yield the amount of fuel usage avoided through improved agricultural practices. This avoided fuel usage figure is multiplied by the market price for diesel as of June 2022 (Farmers Weekly, 2022) <sup>101</sup> of £1.24/litre to estimate the total value of improved energy efficiency on farm holdings.

Source: etfec

### Value of carbon sequestration

- 3.57 Across pilot projects, the sequestration rate of four different types of assets was used: woodland, hedgerows, saltmarsh, and seagrass. This benefit is estimated using the most recent sequestration rates for each habitat (tonnes CO<sub>2</sub> equivalent per hectare) and the central value of carbon (BEIS, 2021)<sup>102</sup>. Sequestration rates for these three habitat types are assumed to remain constant over time.

Table 3.8 Habitat sequestration rates

Pilot Project	Habitat	Sequestration rate (average)tCO <sub>2</sub> e/ha/yr	Source
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<sup>100</sup> <https://www.fwi.co.uk/prices-trends/fertiliser-prices>

<sup>101</sup> <https://www.fwi.co.uk/prices-trends/fuel-prices>

<sup>102</sup> <https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

Farm audit	Woodland	5.75	ONS (2021) <sup>103</sup> and Forestry Commission (2017) <sup>104</sup>
Farm audit	Hedgerows	1.99	Robertson et al. (2012) <sup>105</sup> ; Gregg et al. (2021) <sup>106</sup>
Marine	Saltmarsh	5.19	Beaumont et al. (2014) <sup>107</sup> ; cited in Gregg et al. (2021)
Marine	Seagrass	1.1	Defra (2021) <sup>108</sup>

Source: effec

- 3.58 The total amount of CO<sub>2</sub> equivalent sequestered is estimated by multiplying these per hectare rates by the total hectares of the respective habitat type. The amount of CO<sub>2</sub>e sequestered is then valued following the BEIS (2021) for the central value of carbon, £245 per tonne of CO<sub>2</sub>e in 2021. This is multiplied the estimated tonnes of CO<sub>2</sub>e sequestered. Future flows of carbon are valued using the BEIS (2021) carbon values series until 2050. Following BEIS (2021) advice, a real annual growth rate is then applied starting at the most recently published value for 2050 and into the future.

#### Note on the Woodland pilot

For woodlands planted in the Woodland pilot project, the differential sequestration rate over time for coniferous and broadleaved tree species as reported in the Woodland Carbon Code's (2020) Carbon Calculation Spreadsheet<sup>109</sup> was used to more accurately estimate physical flows. It is assumed that sequestration data for mixed conifers and mixed broadleaves is reflective of the tree species to be planted in the pilot project. It is also assumed that no tree thinning is performed on coniferous and broadleaved woodland and that trees have a spacing of 1.5 meters per hectare.

#### Note on the Marine pilot

The differential carbon sequestration rate for seabed and coastal habitat restoration, over time, in the Marine Pilot is acknowledged, however the understanding of these rates and differentials is very much site dependant and research work on these metrics is still underway nationally (for example by the CEH) to fully understand and build models to predict this. Therefore, for simplicity at this Programme OBC stage, the calculation for carbon storage for marine habitats has been assumed as being constant over time.

- 3.59 Additionally, in the Woodland pilot project, woodland planting does not occur in a single period and is instead evenly phased over a seven-year period, beginning in 2023. This

<sup>103</sup> <https://www.ons.gov.uk/economy/environmentalaccounts/bulletins/uknaturalcapitalaccounts/2021>

<sup>104</sup> <https://www.forestresearch.gov.uk/documents/3176/wapr2017.pdf>

<sup>105</sup> Robertson, H. et al. (2012) Economic, biodiversity, resource protection and social values of orchards: a study of six orchards by Herefordshire Orchards Community Evaluation Project. Natural England Commissioned Reports (November), pp. 1–257. Available at: <http://publications.naturalengland.org.uk/publication/1289011>

<sup>106</sup> Gregg, R. et al. (2021) Carbon storage and sequestration by habitat: a review of the evidence. Natural England Research Report NERR094., Natural England Research Report. Available at: <http://publications.naturalengland.org.uk/file/6257983284838400>

<sup>107</sup> Beaumont, N. J. et al. (2014) The value of carbon sequestration and storage in coastal habitats. Available at: <https://nora.nerc.ac.uk/id/eprint/504365/1/N504365PP.pdf>

<sup>108</sup> <https://www.gov.uk/government/publications/enca-featured-tools-for-assessing-natural-capital-and-environmental-valuation>

<sup>109</sup> <https://woodlandcarboncode.org.uk/landowners-apply/template-documents>

means that only a fraction of total carbon sequestration benefits will be realised in years 2023 – 2028, with 100% of woodland being planted in 2029 onwards. This phasing impacts coniferous and broadleaved woodland identically, and one species is not preferentially planted. Carbon emissions from livestock and peatland have not been included in these accounts as there was no data to indicate that the presence of either asset on pilot project lands would not change substantially after pilot projects are implemented.

### Value of avoided GHG emissions

- 3.60 In the Whole farm audit pilot project, reductions in the use of fertiliser and diesel confer benefits to society due to reductions in the associated GHG emissions produced by these sources.
- 3.61 GHG emissions associated with fertiliser and diesel use are estimated to be 2.28 kgCO<sub>2</sub>e and 2.68 kgCO<sub>2</sub>e from a kg of fertiliser and a litre of diesel, respectively (Farm Carbon Calculator, 2022; BEIS, 2022)<sup>110</sup>. These figures are multiplied by the total amount of avoided fertiliser and diesel use to estimate the total amount of avoided GHG emissions from improved farming practices. These figures are then multiplied by the BEIS (2021)<sup>111</sup> carbon values.

### Value of timber production

- 3.62 Timber production benefits are only realised for the woodland pilot project, where a total area of 380 hectares of woodland is expected to be planted for timber production as a significant benefit. The varieties of woodland planted for this purpose include conifers and productive broadleaves.
- 3.63 Delivery partner data suggested that coniferous and broadleaved woodlands would have a per hectare annual yield of 14 – 30m<sup>3</sup> and up to 12m<sup>3</sup>, respectively. To provide a conservative estimate of the total timber benefits produced, a yield class of 14m<sup>3</sup> and 10m<sup>3</sup> are assumed for coniferous and broadleaved woodland, respectively.
- 3.64 For coniferous and broadleaved woodland categories, two different harvesting strategies are assumed. Coniferous woodland is allowed to grow to maturity and is harvested once every 50 years. At this time, the cumulative annual yield of the previous 50 years is assumed to be harvested in a single period. Broadleaved woodland is assumed to require 50 years of growth to reach a mature, harvestable age. Once period 50 is reached, there is a steady harvest rate through thinning thereafter.
- 3.65 The value of softwood timber production is based on the Forestry Commission standing sales price index (Forest Research, 2021)<sup>112</sup>. The stumpage price used in the account is estimated as the price recorded in September 2021, roughly £40.12/m<sup>3</sup> overbark standing in 2021 prices. This monetary unit value is then applied to the estimated volume of softwood removals. It is also assumed that the unit value remains constant over time. Note that this sales figure is applied to both coniferous and broadleaved woodland.

<sup>110</sup> <https://calculator.farmcarbontoolkit.org.uk/>; <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>

<sup>111</sup> <https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal>

<sup>112</sup> Forest Research (2021) Timber Price Indices: Coniferous Standing Sales Price Index for Great Britain. Available at: <https://www.forestresearch.gov.uk/tools-and-resources/statistics/statistics-by-topic/timber-statistics/timber-price-indices/>



- 3.66 Note: the timber production benefits do not overlap with the GVA impacts that have been assessed, as these are associated with the direct jobs created through the pilots only, and not the wider impacts on employment in the sector.

### Value of food provision

- 3.67 Food provision comprises the increase in the extent of native oyster beds in the marine pilot and is measured based on the estimated increase in the number of native oysters produced and the additional income they are expected to generate. While food provision may be impacted elsewhere (e.g., changes in grazing density on saltmarsh in the marine pilot project), there is insufficient information about these impacts for a complete valuation.
- 3.68 Estimates of the benefits that two additional hectares will generate is based a production estimate of 3,000 native oysters/yr. Applying this yield figure to the two additional hectares of native oyster beds to be created in the pilot project yields an estimated 6,000 additional native oysters per year.
- 3.69 Delivery partner data on the market value of native oysters produced serves as the basis for monetary valuation. It is estimated that native oysters generate £45,000 in revenue annually, or £0.6 per native oyster as income to the producer (note retail sales are c £1.2 per native oyster). The per oyster sales figure is multiplied by the total volume of additional native oyster production generated in this case study, generating an annual benefit of £3,600/yr.
- 3.70 Note: the food provision benefits do not overlap with the GVA impacts that have been assessed, as these are associated with the direct jobs created through the pilots only, and not the wider impacts on employment in the sector.

### Value of air quality

- 3.71 Air quality benefit arises from the ability of different types of vegetation to remove pollutants from the air. This benefit is estimated for the amount of PM2.5 removed by woodland, which makes up more than 70% of this benefit in the UK (Jones et al, 2017), and the human health benefits of this removal.
- 3.72 Jones et al. (2017)<sup>113</sup> modelled this benefit for the UK national accounts reflecting the variety of different levels of PM2.5 concentration, types and extent of vegetation and density of human population across the country. An update to this study has produced estimates of PM2.5 removal per hectare of woodland by local authority. The kilograms PM2.5 removed by hectare of woodland (eftec and CEH, 2019)<sup>114</sup> is multiplied by the total woodland area in a given local authority in each reporting area. The PM2.5 removal per ha of mature (i.e., existing) woodland is falling over 2015-2030 based on the assumption about emissions and concentrations falling over time. For all pilot projects reviewed, physical and monetary flow data for the Scottish Borders council area was used.
- 3.73 The economic value of this service is estimated through the resulting avoided healthcare cost at local authority level (eftec and CEH, 2019). The account shows the benefits as the result of: £ per ha of woodland (in terms of avoided health care cost due to PM2.5 removed, in 2021 prices, for a given local authority area (eftec and CEH, 2019), which is

<sup>113</sup> Jones, L. et al. (2019) National Atmospheric Emissions Inventory: Greenhouse Gas Inventories for England. Available at: [http://naei.beis.gov.uk/reports/reports?section\\_id=3](http://naei.beis.gov.uk/reports/reports?section_id=3)

<sup>114</sup> eftec and Centre for Ecology and Hydrology (2019) Pollution removal by vegetation. Available at: <https://shiny-apps.ceh.ac.uk/pollutionremoval/>

multiplied by the total woodland area in that area (as produced by further GIS analysis). This produces the annual value of PM2.5 removal by woodland.

- 3.74 Future benefits decline in line with lower emission / concentration assumption mentioned above but are discounted at lower levels using the lower health discount rates (HM Treasury Green Book, 2022).
- 3.75 Note that the time phasing of woodland planting used for carbon sequestration calculations is not applied to air quality regulation calculations. This is due to underlying assumptions of the eftec & CEH (2019) tool, where the per hectare PV figures reported are only valid if all woodland planting begins in period 0. Therefore, the figures shown are a slight overestimate.

## Economic Benefits Summary

- 3.76 The below table sets out the value of the economic benefits for the Preferred Option:

Variable	Preferred Option (NPV 25 years)	Preferred Option (NPV 60 years)
<b>Incidental Benefits</b>		
Incidental employment supported	£4.9m	£4.9m
<b>Direct Benefits</b>		
Direct employment	£2.6m	£2.6m
Social Value – Vocational training	£0.02m	£0.02m
Social Value – Regular Volunteering	£1.1m	£1.1m
Cost savings / enhanced efficiency	£0.1m	£0.2m
Carbon sequestration/avoided GHGs	£46.6m	£88.3m
Timber production	£0.0m	£1.7m
Food provision	£0.1m	£0.1m
Air quality	£0.0m	£0.1m
<b>Total (Direct Benefits only)</b>	<b>£50.5m</b>	<b>£94.2m</b>
<b>Total (Direct and Incidental)</b>	<b>£55.5m</b>	<b>£99.2m</b>

Source: Hatch

## Value for Money – Borderlands Inclusive Growth Deal funding

- 3.77 The core and adjusted BCRs are presented below. The core BCR does not include the value of incidental employment supported.

Value for money assessment (£m, discounted, 2022 prices)		Preferred Option NPV 25	Preferred Option NPV 60
Total economic benefits (Direct)	(A)	£50.5m	£94.2m
Total economic benefits (Direct and Incidental)	(AA)	£55.5m	£99.2m

<i>BIG Deal cost/funding</i>	(B)	£6.0m	£6.0m
<i>Co-funding</i>	(C)	£4.3m	£4.3m
<i>Total public sector funding</i>	(D) = (B) + (C)	£10.3m	£10.3m
<i>Private sector funding</i>	(E)	£0.6m	£0.6m
<i>Total economic costs</i>	(D) + (E)	£10.9m	£10.9m
<b>Core Benefit-Cost Ratio (BCR)</b>	<b>(A) / (D) + (E)</b>	<b>4.6</b>	<b>8.6</b>
<i>Adjusted Benefit-Cost Ratio (BCR)</i>	<i>(AA) / (D) + (E)</i>	5.1	9.1

Source: Hatch

## The Preferred Option

- 3.78 The Preferred Option (NPV 25) delivers a core BCR of 4.6:1 within 25 years, which according to HM Treasury Guidance is “very high value for money”.

### Sensitivity Analysis

- 3.79 To assess the robustness of the value for money assessment, the Preferred Option (NPV 25) has been subject to a number of sensitivity tests. These have been designed to mimic the potential implications of reduced benefits associated with the Preferred Option.
- 3.80 The impacts associated with the Preferred Option have been tested by making adjustments to the following variables, each of which drive project costs and economic effects:
- 1) **Test 1:** Increasing Optimism Bias on capital costs to 80% (beyond the Upper Limit for Non-standard Civil Engineering projects from within HMT Green Book).
  - 2) **Test 2:** Adjusting the BEIS non-traded carbon value used in estimating the carbon sequestration impacts of the Woodland pilot<sup>115</sup> to the Low estimate (the original analysis used the Central estimate).
- 3.81 As set out below, Sensitivity Test 1 still returns a BCR of 4.3 which demonstrates “very high value for money” (VFM).
- 3.82 Under Sensitivity Test 2, the BCR is 2.5 which still demonstrates “high value for money” (VFM).

The results of this sensitivity testing are set out below:

Sensitivity Test	Net Present Value of Public	Net Present Value of Private	Net Present Value of Benefits	BCR (net present benefits – net present)

<sup>115</sup> Carbon sequestration in the Woodland pilot represents the benefit category delivering a highly significant proportion of total benefits at £46.6m (NPV 25), and therefore it is an important sensitivity test to apply a lower carbon value estimate to this pilot.

	Sector Costs inc. OB	Sector Costs inc. OB	(Direct only, NPV 25)	private sector costs / net public sector costs
Central Estimate (Preferred Option, NPV 25)	£10.3m	£0.6m	£50.5m	4.6
Test 1: Adjustment to OB on capital costs to 80%	£11.2m	£0.6m	£50.5m	4.3
Test 2: Adjustment to non-traded carbon value to the Low estimate	£10.3m	£0.6m	£27.4m	2.5

Source: Hatch

- 3.83 The results summarised above illustrate that, when looking at adjusted impacts, value for money remains at 2.5 or above across all tested scenarios. This remains above the HMT Appraisal Guide benchmark for strong value for money (2:1).

## Switching Values

- 3.84 For the BCR to decrease to 2.0:1 for the programme, the benefits and costs would need to be altered by £28.7 million and £14.4 million respectively. This implies a decrease of approximately 57% in the programme's benefits, or a 132% increase in the programme's costs.

Table 3.10 Reducing the BCR to 2.0:1 for the Preferred option (NPV 25)

	Absolute Value (£m)	% change
Benefits	-£28.7m	-57%
Costs	£14.4m	132%

Source: Hatch

## Downstream Benefits

- 3.85 Beyond the incidental and direct impacts modelled above, we anticipate that the Natural Capital Programme will support a wider range of downstream benefits for residents, businesses, and visitors across the Borderlands region. Whilst these cannot be quantified robustly and factored into a VfM assessment, they highlight the depth of added value likely to be achieved. The following sections present this in detail for each of the pilot projects.

### Agri-Environment Pilot – Species Rich Grassland

#### Approach to Scaling up

- 3.86 If the pilot is successful in developing new restoration techniques and helping to develop a Result-based Agri-environment Payment Scheme for national roll out then the direct benefits included in the VfM assessment would be expected to extend across all species-rich grassland (SRG) in Scotland.

#### Scale of Opportunity

- 3.87 Species-rich grasslands (SRG) are a scarce national resource and a conservation priority. Accurate mapping of potential SRG opportunities is still under development, however

around 30,000 ha of SRG could be restored in Scotland according to the Scottish Natural Heritage (SNH, now NatureScot) NH commissioned report on “The extent and condition of non-designated species-rich lowland grasslands in Scotland”.

- 16% of Scottish Borders landcover (74,474 ha) is classified as other grassland i.e., not productive grassland with potential for restoration to SRG.
- The SNH commissioned report (2014) conducted surveys across Scotland to estimate the extent of non-designated species-rich lowland grasslands. 43 sites were surveyed in the Borders totalling 878 ha. In Dumfries and Galloway, 10 sites were surveyed totalling 126 ha.
- Data is available on the uptake of SRG management options under the current agri-environment scheme (AECS). This gives an estimate of 3,275 ha of SRG being managed under AECS in the Scottish Borders and 1,075 ha in Dumfries and Galloway.

3.88 Butterfly Conservation Scotland’s survey of the Northern Brown Argus (NBA) (2016) estimated that there is approximately 1,500 ha of ‘key habitat’ for NBA in the Scottish Borders and Dumfries and Galloway.

### Potential Outputs

3.89 If the pilot is successful in developing new restoration techniques and helping to develop a Result-based Agri-environment Payment Scheme for national roll out, then the benefits outlined below would be expected to extend across all SRG in Scotland. However, there is currently insufficient information to adequately quantify the scale of these benefits at this stage.

- Flower-rich grasslands support greater numbers and diversity of pollinating species than any other habitat type. Grassland networks for pollinators in southern Scotland can significantly increase their extent and improve connectivity.
- Carbon sequestration in grassland, although the improvement in sequestration rate depends upon the grassland management regime of the grassland prior to SRG restoration. There is potential to explore funding from emerging carbon credit schemes.
- In addition to NBA conservation, SRG restoration can support other rare species such as, the Small Pearl-bordered Fritillary (vulnerable), Forester moth (UKBAP priority species), Dingy Skipper (vulnerable) and Grayling (endangered).
- Both rare and common species of butterfly and pollinators contribute to human well-being and can be ambassadors for species conservation. This can be enhanced by the planned programme of education, outreach, and research.
- Investigating the potential for selling accredited farm produce. Indications from Quality Meat Scotland (QMS) are that certification can achieve a 15% price premium relative to non-assured meat. However, any price premium can vary overtime (with market conditions) and care is needed in attributing any premium to specific elements as these can include a broad range of consumer concerns such as; animal welfare, traceability, and local supply as well as conservation measures. Hence it is very difficult to isolate the relationship between accreditation benefits and specific environmental outcomes.

3.90 As part of their work with the Programme, Butterfly Conservation Scotland has been liaising with NatureScot’s natural capital team developing the Piloting an Outcomes Based

Approach in Scotland (POBAS) programme, and the team overseeing NatureScot's Farming with Nature programme.

## Agri-Environment Pilot – Whole Farm Audit

### Approach to Scaling up

- 3.91 The project is partnered with NatureScot POBAS trials. This means that it is part of a national set of pilots and will help to inform the national approach. Consequently, the findings of the pilot audit can be fed into the process of changing agricultural support in Scotland post 2024. As only limited information from phase 1 of the pilot would be available at the time a new policy is brought in, it is likely that any changes to the new subsidy system will be reviewed in the light of ongoing practice so interim findings of the pilot can be fed into that process.
- 3.92 SAC Consulting, who run the Farming Advisory Service and produce existing farm plans, are interested in the progress of the pilot and how it may build upon the plans they currently produce. This represents an opportunity for a much wider roll out of the audit process.
- 3.93 Further funding could also be used to scale up the pilot further (including potentially from NatureScot Nature Restoration Fund, Woodland Trust, individual charities such as Esmee Fairburn).

### Scale of Opportunity

- 3.94 Approximately 70% of the land in Scotland is classed as being agricultural in terms of land use. Improved grassland at 1,405,500 ha represents around 18% of Scotland's land area with a concentration of this in the south of Scotland.
- 3.95 There are approximately 51,000 farm holdings in Scotland, to which process and environmental benefits could be scaled up to. Within Dumfries and Galloway alone, there are a total of 3,900 registered farms. The audit process can, in theory, be scaled up to any farm that seeks finance outside of the business itself, which will become much more likely given the move towards conditionality in the agricultural support system.

### Potential Outputs

- 3.96 It is not possible to predict the precise improvement opportunities that may emerge from the farm audits. However, some level of potential improvement may be expected to be realistically achievable based on the following assumptions:
- Farm productivity improvements can be achieved through a wide range of farming changes, with the aim of the audits to both boost farm income and improve environmental outcomes. Note it may be reasonable to assume that the lower quartile farms productivity can at least be brought up to average without detriment to environmental improvements.
  - Local accreditation and connection to local quality food markets – small price premium (up to 15%) but the scale is small (i.e. only a limited proportion of farms will qualify to maintain the distinctiveness of their product).
  - Farm emissions reductions and further soil carbon sequestration represent major opportunities to mitigate climate change and contribute to the Scottish Government's net zero target. Whilst there are no targets set for specific measures, the Scottish Government aims to encourage widespread adoption of all best

available techniques<sup>116</sup>, and emerging initiatives such as the grassland carbon code for farm soils is being developed by SRUC<sup>117</sup>.

- Water quality can be improved by a broad range of measures including, reductions in fertiliser use, steps taken to avoid soil run off, riparian woodland planting and steps to prevent poaching from livestock. All these measures are important but to be effective would require the majority of farms to take the required measures at a catchment scale. 22% of Scotland’s water bodies are in moderate condition and 14% are poor or worse, with agricultural activities being a major reason for not achieving good status.

3.97 As an indication of the potential scale of benefits across the Scottish non-LFA grazing sector the potential for costs savings in fertiliser and diesel use and associated GHG savings are shown below.

Table 3.11 Summary of Downstream Benefits from Farm Audit Pilot Projects across Several Scenarios

	Scotland (non-LFA grazing sector)	
	5%	10%
Cost saving/productivity increase %		
<b>Benefits</b>	<b>£’m PV (25)</b>	<b>£’m PV (60)</b>
Fertiliser cost saving	94.2	188.5
Diesel cost saving	104.8	209.5
GHG saving (Fertiliser reduction)	90.2	180.3
GHG saving (Diesel reduction)	68.2	136.5
Productivity improvement	TBD	TBD
<b>Total Benefit</b>	<b>357.4</b>	<b>714.7</b>

3.98 Several of the proposed activities from the process and the result of them being scaled-up are set out below:

- **Process and environmental**
  - The pilot aims to increase sward diversity by a minimum of 10% on each holding. If this were to be scaled up to grassland across Scotland, this could represent an increase in the diversity of the grass sward and soil carbon/fertility benefits of 140,000 hectares with associated pollinator benefits.
- **Economy and jobs/training**
  - The audit process itself could create approximately 50 new positions for whole farm audit advisors across Scotland (England has been recruiting well in excess of this number for its transition to Environmental Land Management Systems).
  - The audit will create learning and development opportunities through development of the audit tool, with approximately 100 development roles/training positions throughout Scotland. The implementation of the audit Scotland wide and the jobs created directly from the additional interventions

<sup>116</sup> Scottish Government (2020) Securing a green recovery on a path to net zero: climate change plan 2018–2032 – update. Online at: <https://www.gov.scot/publications/securing-green-recovery-path-net-zero-update-climate-change-plan-20182032/pages/13/>

<sup>117</sup> SRUC (2021), <https://www.sruc.ac.uk/all-news/new-projects-to-develop-ecosystem-markets/>

on the ground to meet investment and public policy requirements could be between 5—and 1000.

- The farm audit can assist significantly in moving to a net zero Scotland by 2045 while maintaining and safeguarding the £3.68 billion output value (including £502 million support payments) and the 67,000 direct jobs in agriculture and the many others that rely on that output by widening the skills base requirement in natural capital management techniques

## Integrated Land Use & Woodland Pilot

### Approach to Scaling Up

- 3.99 Upon completion, the success of the pilot programme will be promoted in several ways, including:
- The creation of a case study document which will be used to raise awareness of the programme amongst the agriculture and forestry sector
  - Workshops in partnership with organisations such as Royal Scottish Forestry Society, NFUS, and Confor for those involved with the agriculture and forestry sectors to promote integrated land use
  - Promotion of the project on social media platforms
  - Raise awareness of the project amongst further education providers, including Borders College and SRUC and educational events such AS Tweed Forums' Borders Demonstration Catchment events.
- 3.100 Tweed Forum has held several meetings over the last two years with landowners and senior Scottish Government officials to show them the broad range of the work they do and to demonstrate Integrated Catchment Management processes. Integrating Farming, Forestry and Conservation is a key aim of Tweed Forum; they have recently written and submitted a paper to Scottish Forestry regarding how the planting of riparian woodlands could be better facilitated.

### Scale of Opportunity

- 3.101 The total potential areas that the integrated approach could be applied (to productive forestry) would be c. 445,000 ha (c. 195,000 ha (41%) in Scottish Borders and c. 250,000 ha (39%) in Dumfries and Galloway). This land has the most potential for integrating different woodland types. Additionally, potential native woodland areas amount to c. 89,000 ha (c. 34,000 ha (7%) in Scottish Borders and c. 55,000 ha (8%) in Dumfries and Galloway).
- 3.102 Additionally, of the 4,000 ha of woodland approved for planting annually in southern Scotland (over recent years) the project aims to encourage c. 50% of this (2,000 ha) to be a more varied tree species mix and woodland option type, to deliver more integrated land use.
- 3.103 At 700 ha, the woodland creation of this project represents less than 0.2% of the Scottish Borders Council area and less than 3% of the 25,000 ha woodland creation potential in the Scottish Borders. The Scottish Forestry Strategy (2019) aims to increase woodland cover in Scotland from 18.5% to 21% which represents around 200,000 ha of new woodland creation nationally. The Scottish Government wish to increase woodland planting in Scotland from current target of 15,000 ha to around 18,000 ha per year by



2024 onwards, to allow time for the supply chains to develop (e.g. seed supply, nursery production, labour resource etc).

- 3.104 It is likely that within the land capability classes for agriculture in SE Scotland, that the bulk of the productive woodlands will occur on land classes 5.1 to 5.3 (improved grassland). There may even be a small element on land class 4.2 (mixed grassland). The native woodland components are likely to be on similar land classes but will extend uphill into land class 6.1 to 6.2 (rough grazing). The greatest potential for new planting in the Scottish Borders will remain on these grassland areas.
- 3.105 Of the 4,000 ha of woodland approved for planting annually in Southern Scotland (over recent years) the majority is commercial conifer. The aim of the Borderlands project would be to encourage approximately 50% of this amount (i.e 2,000 ha) to be of a more varied tree species mix and woodland option type, to deliver more integrated land use.

### Potential Outputs

- 3.106 A range of 1% to 2.5% increase in woodland cover is a realistic target for both the South of Scotland and Scotland as a nation. The table below illustrates the range of benefits achievable at this scale of woodland creation. The benefits quantified below, could be achieved by current approaches to woodland creation (large scale planting with emphasis on productive conifers). However, the advantage of this project's approach would be that a similar level of benefits could be achieved but with greater integration with other economic activities/livelihoods and land use to provide more targeted environmental benefits of biodiversity, water quality, natural flood risk mitigation. Whilst these additional benefits will occur, the precise level of benefit is crucially dependent upon the spatial location of the woodland and hence is difficult to quantify. This project suggests 50% of woodland creation could be targeted in this manner.

Table 3.12 Summary of Downstream Benefits of Woodland Creation across Several Scenarios

Increase in % of land cover	South of Scotland		Scotland	
	1%	2.5%	1%	2.5%
Woodland creation (ha)	11,158	27,895	77,910	194,775
<b>Benefits</b>	<b>£'m PV (60)</b>	<b>£'m PV (60)</b>	<b>£'m PV (60)</b>	<b>£'m PV (60)</b>
Timber production	27.4	68.5	191.3	478.3
GHG sequestration	1,393.9	3,484.9	9,733.2	24,332.9
Air Quality	2.0	4.9	13.7	34.3
<b>Total</b>	<b>1,423.3</b>	<b>3,558.3</b>	<b>9,938.2</b>	<b>24,845.5</b>
Less cost of creation	65.4	130.0	363.0	907.5
Less agri-income foregone	2.7	6.6	18.5	46.3
<b>Net benefit</b>	<b>1,355.2</b>	<b>3,421.7</b>	<b>9,556.7</b>	<b>23,891.7</b>

- 3.107 Cost of woodland creation assuming around £6.5k/ha (as per the pilot case), and agriculture income foregone assumes average LFA net income per hectare (£9/ha for LFA sheep)<sup>118</sup>. This illustrates that the net benefits are in the range of £1.4 to 3.3 billion (PV 60) for the Borderlands area and £9.2 to 23.9 billion (PV 60) for the whole of Scotland.
- 3.108 As well as these quantified benefits, there are numerous unquantified benefits that are anticipated to occur, including:

<sup>118</sup> Source: Scottish Agriculture Economic Report (2018-29)

- Employment support - The forestry sector currently supports 25,000 jobs in Scotland with ambitious plans from Scottish Government to increase future woodland planting. There is a skills shortage in the forestry sector, with a capacity for 200 skilled jobs within the forest sector annually (c.60 skilled jobs in the Scottish Borderlands area).
    - Employment will also be supported through tourism generated by the landscape benefits of new integrated woodland
  - Suitably sited woodland can increase shading for fish, leading to larger fish being caught and economic benefits accruing to shops and accommodation venues
  - Enhancement to water quality through the buffering of watercourses'
  - Soil erosion will be reduced through planting the most appropriate tree species in the most appropriate location
  - Biodiversity benefits through the creation of habitat networks
- 3.109 Tweed Forum are working with NatureScot and SOSE on a scoping study to investigate opportunities for private investment in natural capital including woodland creation in the region. This builds upon their earlier work for NatureScot on Facilitating Local Natural Capital Investment.
- 3.110 The Project will have a Steering Group which will report to a smaller Core Group. The Core Group will work closely with the RLUP. The RLUP's are not sufficiently developed to provide the space to debate the issue of integrating forestry into the farming landscape effectively. The project will explore the practicalities of achieving this and help inform the RLUP process and how that evolves. The aim of the project is to encourage a more diverse mix of commercial conifer and native broadleaf woodland types in the Scottish Borders landscape. The pilot project will explore the best ways to facilitate a more diverse mix of woodland types through a range of blended finance (both public and private) options. It will also help focus the debate on reforming the FGS scheme post 2025 to encourage a more balanced approach. The blended finance approach will look at the economics of forestry in terms of costs and benefits. The project is very much about promoting Integrated land use; the right tree in the right place at the right scale.

## Marine Pilot

### Approach to Scaling up

- 3.111 The pilot will generate important knowledge and practical lessons about what makes for successful native oyster bed, salt marsh and sea grass creation and restoration, and through effective information sharing this knowledge will be key to potential scaling up.
- 3.112 Nationally the work of the Solway Coast and Marine Pilot Project (SCAMPP) will be made available to other restoration projects both north and south of the border. The focus on innovation will help increase the success rate and decrease the cost of habitat restoration, increasing the flow of ecosystem services from the restored habitats. Locally the Project will be able to provide regional data to help highlight restoration areas and provide a baseline which can be used to illustrate and monitor changes in health and coverage of seagrass, native oysters and saltmarsh in Solway Firth through targeted habitat restoration and trials. This means that pressures can be identified to reduce or stop loss of these habitats in the future and will provide the basis and support for the roll out of more extensive marine and coastal habitat restoration work by a future project.

## Scale of Opportunity

3.113 Benefits can be scaled up regionally throughout the Solway both north and south of the border and nationally across Scotland and England in the following ways:

- Up to 600 ha possible native oyster bed creation in Loch Ryan (assume 25% of bay). Nationally projects are already underway with for example the Dornoch Environmental Enhancement Project (DEEP) project is investing £6.4m in restoring 40 hectares of native oyster reef off the shore in the Dornoch Firth, to provide a bioengineering solution to treatment of the last 5% of biological oxygen demand pollution from the Glenmorangie Distillery at Tain. As part of the overall project DEEP is investing £1.4m on sourcing native oysters some of which have been sourced from Loch Ryan. Restoration could enable economic activity from native oyster cultivation to equal the current Scottish levels for Pacific Oysters within 5 years, adding 5% growth. This has the potential to create up to 50 FTE jobs and £3.5m gross value added. These jobs would be in the most fragile rural communities, helping sustain some of the most economically marginal areas.<sup>119</sup>
- Saltmarsh creation. Potential range of opportunities of 900-1,600 ha in Solway Estuary, or 3,238-5,480 ha potential in Scotland. Offsetting a potential loss of 675ha in Scotland due to sea level rise. The Solway has the opportunity to be at the forefront of Scottish saltmarsh research, and restoration as it has some of the largest expanses of saltmarsh in Scotland. Caerlaverock, Wigtown and Kirkconnell Merse and Priestside Bank are among the 7 largest saltmarshes in Scotland. This concentration of saltmarsh assets means that saltmarshes in Dumfries and Galloway hold the largest quantity of carbon of any of Scotland's local authorities (41% of total Scottish surficial saltmarsh soil organic carbon stock) (Austin et al, 2021).
- Seagrass restoration. This trial aims to explore techniques to reduce the cost of restoration. At least 44% of United Kingdom's seagrasses have been lost since 1936, 39% since the 1980's. However, losses over longer time spans may be as high as 92%. Based on these estimates, historical seagrass meadows could have stored 11.5 Mt of carbon and supported approximately 400 million fish. The report results demonstrate the vast scale of losses and highlight the opportunities to restore seagrass to support a range of ecosystems services. (Green et al, 2021)<sup>120</sup>
- The Solway Coast and Marine Pilot project has undertaken a number of baseline surveys throughout its development (Seagrass extent and condition, Saltmarsh expansion potential and native oyster extent and condition) to further understand the condition of coastal and marine habitat within the Solway. This work will continue through the pilot project – adding to the detailed knowledge of the habitats of the Solway, their current condition and any change over time. This data will be available for us when assessing future activity within the Solway.

## Potential Outputs

3.114 Key benefits will include:

- Native oyster production plus breeding ground for other fish / shellfish

<sup>119</sup> Towards an Economic Value of Native Oyster Restoration in Scotland: Provisioning, Regulating and Cultural Ecosystem Services - Scotland's Centre of Expertise for Waters new report

<sup>120</sup>Green AE, Unsworth RKF, Chadwick MA and Jones PJS (2021). Historical Analysis Exposes Catastrophic Seagrass Loss for the United Kingdom. *Front. Plant Sci.* 12:629962

- Cultural and tourism benefits from the oyster fishery including the successful Stranraer Oyster Festival and birdlife associated with saltmarsh Carbon sequestration from seagrass and saltmarsh creation and associated impacts <sup>121</sup>
- Coastal protection from saltmarsh creation including increased flood resilience
- Improvement in water quality

Table 3.13 Summary of Downstream Benefits from Marine Pilot Project Across Several Scenarios

	<b>Native Oyster Beds</b>	<b>Seagrass</b>	<b>Saltmarsh</b>	<b>Saltmarsh</b>
Extent (ha)	600	6,148	3,238	5,480
<b>Benefits</b>	<b>£'m PV (60)</b>	<b>£'m PV (60)</b>	<b>£'m PV (60)</b>	<b>£'m PV (60)</b>
Food production	29.0	-	-	-
Carbon sequestration	-	54.8	136.3	230.7
<b>Total Gross Benefit</b>	<b>29.0</b>	<b>54.8</b>	<b>136.3</b>	<b>230.7</b>
Costs of creation	-	430.4	44.8	75.9
<b>Net benefit</b>	<b>n/a</b>	<b>-375.5</b>	<b>91.5</b>	<b>154.8</b>

## Data Audit and Mapping Pilot

- 3.115 This pilot is an enabling project that will support scaling up activity across the other land use -focused pilot activity and the marine pilot activity.
- 3.116 This project is to be applied across the whole of the South of Scotland and whilst applied policy may vary between England and Scotland, the concepts of good data collection, management and analysis can be readily expanded across the Borderlands area. There is existing engagement between national governments and departments on data requirements and project partners are linked into these discussions to facilitate scaling up. As an element of the delivery of Scotland's Natural Capital Programme, the data pilot will be a contemporary regional application of data activity to drive activity across Scotland.
- 3.117 This work will feed directly into that of the Regional Economic Partnership, supporting the management and monitoring of the Regional Economic Strategy and the delivery of the Regional Planning Strategy.
- 3.118 The Data pilot is also intrinsically linked with the development of the Investment plan and, as such, could lead to significant inward investment and associated skills, training, and job opportunities in the delivery of the NSET themes of New Markets and Digital.

## Natural Capital Investment Plan Pilot

- 3.119 This pilot is an enabling project that will support scaling up activity across the other land use focused pilot activity.
- 3.120 Increasing private investment in Natural Capital is a target of both UK and Scottish Government. For example, the UK Government is aiming for £500m annual natural capital investment by 2027 and £1bn by 2030. On a pro rata basis this would equate to a target of between £10m to £20m annually in South of Scotland from 2026 onwards. This

129 A Saltmarsh Carbon Code is being developed and there is momentum towards including seagrass and saltmarsh in the UK Greenhouse Gas Inventory

investment would be used to help restore and maintain the Borderlands natural capital assets and in turn would generate an associated increase in skills, training, and jobs opportunities needed to deliver the investment.

## All Pilot Projects

3.121 The scale of downstream benefits depends both upon the level of success of the pilot projects and the extent to which these are implemented across the Borderlands and across Scotland nationally. Based on the downstream assessments described in the preceding sections then the overall potential scale on monetary benefits at both the south of Scotland and whole Scotland area is summarised in the table below.

Project	Low scenario	High scenario
Whole Farm Audits	357.4	714.7
Woodland creation	9,938.2	24,845.5
Marine*	165.3	259.7
<b>Gross benefits</b>	<b>10,460.9</b>	<b>25,819.9</b>

\*Note: The Marine case assumes no rollout of seagrass creation as the estimated costs exceed the currently quantifiable benefits, the pilot hopes to develop cost effective restoration techniques so that rollout can occur .

3.122 It should be noted that these figures include only the benefits that can be quantified based on current levels of information and methods of evaluation. The projects yield other natural capital benefits, in particular enhanced levels of biodiversity which cannot be adequately evaluated in monetary terms.

## 4. Financial Case

### Introduction

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- 1.1 The Borderlands Natural Capital Scotland Programme will be delivered over a period of 8 years drawing on £5m from the Borderlands Growth Deal. The Programme will deliver 6 pilot projects, and each will complete a BJC, with one (Woodland Creation), completing an FBC as it is just over the funding threshold for a BJC. Each Pilot business case will include detailed financial information including:
- Details of the amount of capital investment required from the Borderlands Inclusive Growth Deal in total and per annum.
  - The amount of co-investment for each project, both in total and per annum, if relevant.
  - If applicable, the sources and status of co-investment for each project i.e. whether confirmed, confirmed subject to securing the Borderlands investment, awaiting decision, application submitted, or initial discussion with funder.
  - Details of any ongoing revenue costs, and how those costs will be met (e.g. income generation, lead partners own resources, revenue funding programmes).
  - A description of the lead delivery partner's financial management processes and systems. It is expected that each lead delivery organisation will have robust processes in place to effectively manage all grant funding received to support project delivery.
- 4.1 In addition, each Pilot business case will describe the change control processes in place, including how any changes to the overall spend profile for the project will be managed. This will be undertaken in line with the established processes for the Borderlands Inclusive Growth Deal.
- 4.2 This financial case sets out an overarching programme profile which is built up from the current forecasts for individual pilots. The final detailed profile will be agreed through the individual Business Justification Cases and Business Case.
- 4.3 The proposed pilot projects were asked to provide the latest forecast expenditure excluding recoverable VAT (as we anticipate the pilots will be lead primarily by organisations which are able to reclaim VAT or are exempt). A series of common assumptions were then applied to these base figures to address inflation (based on the forecasts available from the Office for Budget Responsibility (OBR) where available. Due to the length of the programme a flat 3% p.a. increase was applied for the period beyond available forecasts. Staffing costs received a more limited 3% p.a. uplift each year and a standard contingency for works was added at 15%. This was intended include an additional uplift to reflect the current uncertainty in material costs.
- 4.4 The final costs will be validated during the approval process for the individual pilot projects including through the due diligence activity of Dumfries and Galloway Council as the Accountable Body and Scottish Government and UK Government as part of the appraisal process in line with standard practice for Full Business Case and Business Justification Cases.
- 4.5 Alongside the £5m of Borderlands funding requests a further £3.77m is forecast to be delivered through match funding and co-investment. Due to the nature of the development process for the Programme Outline Business Case (OBC), the match funding commitment continues to be developed through the finalisation of the Pilot Project business cases. In most cases the match funding currently proposed is dependent on

funding competitions and has been provided as an indicative total figure due to the uncertainties over competition award timeframes. This would be agreed as part of the business case process and included in any funding award to the pilots. The likelihood and availability of match funding, particularly where this is essential to the delivery of the activity, will be a key part of the pilot assessments.

Funding Source	Value
Borderlands Inclusive Growth Deal Funding	£5m
Anticipated Public Sector Match	£3.34m
Anticipated Private Match	£0.42m
<b>Total</b>	<b>£8.77m</b>

Note: Numbers may not sum perfectly due to rounding.

## Capital and Revenue requirements

- 4.6 At the programme level the approach to developing the capital and revenue requirements has been build up from the individual project levels with a maximum set by the original Deal value approval.

### Capital funding

- 4.7 The total Capital funding requirement for the programme is £2,500,000 including inflation and contingency assumptions.
- 4.8 The precise nature of the Capital Expenditure varies across projects depending on the project itself and is set out in more detail in each of the project appendices but includes the construction of new assets, enhancement of landscapes and public realm works as well as supporting costs necessary to deliver these including staffing and management costs relating to the development of capital assets. The innovative Data pilot also includes support for IT equipment. As part of the pilot projects investment in assets required to enable monitoring and analysis are also included.
- 4.9 At a programme level the funding has been allocated against four headings as follows:
- Staffing – £ 371,162
  - On-site works – £ 2,008,152
  - Site monitoring and evaluation – £120,686
  - Contingency – £281,416.47
- 4.10 Details of what will be under these headings will be included in the project business cases.

### Revenue funding

- 4.11 The total revenue funding for the programme is £2,500,000 including inflation and contingency measures.
- 4.12 The specific amount of revenue funding is set out in project appendices in more detail but is primarily relating to salary costs for delivery of the project and specific costs such as software for pilot activity which is not identified as capital expenditure. Due to the nature of the pilot activity there is a focus on engagement activity to bring stakeholders, communities and businesses into the process and embed the approach in wider working. There is also a sizable budget to enable site-specific monitoring and data capture.

4.13 At a programme level the funding has been allocated against four headings as follows:

- Staffing – £ 2,032,493
- Engagement activity – £167,397
- Site monitoring and evaluation – £300,110
- Contingency – £8,339

4.14 The table below is built up from project level information and is inclusive of inflation and contingency.



Table 4.2 Programme level budget

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
<b>Capital</b>	112,408.00	348,276	726,638	612,638	300,138	228,941	170,961	2,500,000
<b>Revenue</b>	133,226.00	253,307	472,611	468,367	450,540	422,196	299,753	2,500,000
<b>Total</b>	245,634	601,583	1,199,249	1,081,005	750,678	651,137	470,714	5,000,000

## Net effect on prices

- 4.15 The full details of the impact will be considered at a project level. The total value of the programme is fixed. Projects will be required to undertake contracting in line with public sector procurement regulations. The current impact of inflation on prices is significant and larger contingency has been included and the inflationary forecast is based of the best available information.

## Impact on income and expenditure account

- 4.16 The cashflow of the programme will be undertaken by Dumfries and Galloway Council as part of the Accountable Body arrangements for the Borderlands Deal in Scotland. Individual project will be required to manager project level cash flow and reflect that all payments for grant claims will be quarterly in arrears from activity. As part of the due diligence of the pilot business cases and justifications the ability to cashflow the project to meet this requirement will be confirmed.

## Impact on balance sheet

- 4.17 The cash flow management at a programme-level will be undertaken by Dumfries and Galloway Council as the Accountable Body for the Borderlands Partnership in Scotland. All activities will be undertaken in line with the relevant financial regulations and as signed off by the Section 95 officer.
- 4.18 The Borderlands Partnership has an established approach to managing programme expenditure for the Borderlands Inclusive Growth Deal which is already operating in England through Northumberland County Council.
- 4.19 It is however not anticipated that there will be a significant impact on balance sheets with the funding provides on a quarterly basis from Scottish Government in line with the claims received from projects. As such, at a programme-level this will be undertaken in line with the processes set out for Growth Deals in Scotland.

## Overall affordability and funding

- 4.20 The specific affordability and funding package will be established at a project level through the business justification process. This will ensure that the project sponsor is able to take forward the project in line with the public funding requirements and ensure appropriate cash flow capacity. South of Scotland Enterprise, Dumfries and Galloway Council and Scottish Borders Council are all closely involved.

- 4.21 As Accountable Body Dumfries and Galloway Council is in a position to handle and manage the public funding in line with long-established financial regulations. This programme represents a small proportion in comparison to the annual Council budget of £391.6m.

## **Confirmation of stakeholder support**

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- 4.22 Please refer to Appendix F , Appendix G and Appendix H for details of the support of key stakeholders for the Programme at Programme level, including the proposed Programme Board.

## 5. Commercial Case

- 5.1 Consistent with other projects and programmes in the Borderlands Inclusive Growth Deal, the responsibility for the procurement for each pilot project will be with the project applicant. This may ultimately be one of the partner local authorities where robust processes to manage this are well established. In all cases the approach to procurement will be set out in the pilot project business case and will form part of the local appraisal to ensure a robust approach is agreed to the satisfaction of the Accountable Body, Dumfries and Galloway Council.
- 5.2 The approach to procurement for each project will be set out in detail within the relevant BJC/FBC and reviewed during appraisal by the Borderlands Partnership Programme Management Office (PMO) to ensure that the Accountable Body is comfortable that the approach complies with relevant UK and Scottish public procurement requirements such as The Procurement Reform (Scotland) Act 2014.
- 5.3 Each project will need to have a detailed description of the approach to procurement and how this complies with public procurement requirements. The lead local authority will provide support to project partners where necessary, to ensure they understand procurement requirements. As part of the approach to overall delivery, projects will need to set out how their approach to procurement will ensure robustness and transparency, achieve value for money and how it will support goals of inclusive growth, community wealth building to deliver local and social value, and sustainability. This will include the provision of an Integrated Impact Assessment, finalised as part of the BJC/FBC stage for the projects. Social value / community benefits will be used to encourage the use of local Small Medium Enterprises (SMEs) or Voluntary and Community Sector (VCS) organisations as part of any sub-contracting process, which, in turn, will make for a more sustainable approach to procurement. In this way, the local community will retain much of the economic benefit from their projects and will also see a reduction in the carbon footprint required to deliver these.
- 5.4 For each project where procurement is to be undertaken, the following information will be provided:
- The type/s of service to be procured.
  - The potential contract/s value for each procurement and the procurement route to be followed (OJEU, three quotes etc).
  - The potential timeline for each procurement.
  - Indicative selection criteria (price, quality, experience/track record).
  - Which organisations / individuals will be involved in assessing and selecting submitted quotes.
  - How community wealth building has been considered and integrated

### Appraisal

- 5.5 As part of the review process to be undertaken by the Borderlands Partnership PMO, following the 'Green Book' approach, there will be consideration of the procurement approach being proposed. The Accountable Body, through due diligence, will confirm that this meets public procurement requirements. This review will consider robustness and transparency of the approach, how value for money will be achieved, and how contributions to community wealth building, social value and sustainability are embedded.

As part of approving the business justification cases, and one full business case, for the specific pilots, the Scottish Government will complete a full appraisal of applications.

- 5.6 Where an asset is to be created through the project this will be captured in the project plan, setting out ownership, conditions of use, retention and benefit from the asset.
- 5.7 Issues highlighted through the appraisal or due diligence will normally be addressed prior to approval but depending on the nature of the specific issue may also be addressed through inclusion of a special condition in the Grant Funding Agreement to inform delivery.

## Assurance in Delivery

- 5.8 The requirement for procurement, including any special conditions identified through the appraisal, will be included in the Grant Funding Agreement between the Accountable Body and the project lead. The Grant Funding Agreement will require compliance with public procurement requirements as a condition of grant funding. In line with the delivery approach to be undertaken by the PMO, a Project Engagement Visit will be undertaken for each project during which the approach to procurement and required evidence will be discussed and confirmed.
- 5.9 As part of the Quarterly Monitoring Review and Claims process, each project will need to provide evidence of defrayal and delivery including details of any procurement undertaken, with a procurement report provided for procurement activity setting out the specification, approach taken, responses and resulting decision. This will ensure that on-going delivery is monitored to reduce risks. The Grant Funding Agreement will set out the response to non-compliance in line with the requirements of the Accountable Body. Standard practice includes retention of 10% of funding until after the Project Completion Visit during which all evidence of spend is confirmed.

## Procurement strategy and route

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- 5.10 The Procurement strategy and route for each of the pilot projects will be included in each project business case.

## Services and required outputs

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- 5.11 The project leads will set out the approach to procurement in the business justification or business case and will be required to share the procurement report and specification for any activity with the PMO to support claims activity. This will set out the scope of the procurement, specification, conditions for success and objectives as well as demonstrate how value for money was delivered in line with public procurement legislation.

## Risk allocation

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- 5.12 Programme-level risks are set out in the Programme Risk Register in Appendix D - . Pilots will be required to provide a project level risk register as part of the final business justification case/business case.

## Charging mechanism

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- 5.13 Projects will receive payment in arrears for evidenced, defrayed expenditure undertaken in the previous quarter. This will be claimed through the standard quarterly returns and claim process managed by the Borderlands Programme Management Office with Dumfries and Galloway Council this will confirm to the Borderlands Handbook which sets

out programme wide templates and processes and in line with the financial regulations of Dumfries and Galloway Council.

- 5.14 These claims will be collated and provided to Scottish Government in line with the Deal Grant Funding letter between Scottish Government and Dumfries and Galloway Council. Following receipt of the funding to Dumfries and Galloway and with the approval of the Section 95 officer a payment will be made to the project sponsor.

## **Key contractual arrangements**

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- 5.15 The contractual arrangements will be developed for each pilot project as part of their business case development.

## 6. Management Case

- 6.1 The Natural Capital Programme in Scotland will deliver 6 pilot projects across the Scottish Borders and Dumfries and Galloway local authority areas. The Natural Capital Programme Partners, working together with the Programme Management Office (PMO) and in consultation with the UK and Scottish Governments, have developed detailed and robust governance arrangements for the Programme, which fit within the overall governance arrangements for the Borderlands Inclusive Growth Deal.
- 6.2 The Programme partners recognise that delivering the ambitions of the Natural Capital Programme within the Borderlands Inclusive Growth Deal requires alignment between local, regional and national ambitions, policies and resources. The governance arrangements proposed in this document will ensure this alignment happens and the pilot projects are managed consistently within a framework. It will ensure that the outputs and outcomes of each pilot are brought together to deliver the Programme's objectives; to transform current practices, influence an emerging economic policy area post-Brexit, and support a series of long term and sustainable economic, environmental, and social outcomes
- 6.3 The Governance arrangements will link to the developing Natural Capital Programme in England, which will deliver in Cumbria and Northumberland, the other areas in the Borderlands region. They will ensure that the two Programmes are brought together at the appropriate level, to share learnings and outcomes, to deliver shared knowledge and results across the Borderlands region.
- 6.4 The management of the Natural Capital Programme in Scotland is comprised of three distinct stages which are overseen by a common governance arrangement:
- 6.5 **Development of the pilot business cases** – each pilot project is responsible for developing its own proposal for submission to the Scottish Government for appraisal and confirmation that they, as the funder, are comfortable with awarding the funding. In advance of submission to the Scottish Government the pilot cases will be considered by the Borderlands Programme Office for being complete and remaining within the principles of the Natural Capital programme and Borderlands Inclusive Growth Deal and endorsed for submission by the Borderlands Partnership Board. This is consistent with the approach for governance across the Deal.
- 6.6 **Monitoring and management during delivery** each pilot project will be established through a Grant Funding Agreement prepared by Dumfries and Galloway Council as Accountable Body for the Borderlands Inclusive Growth Deal in Scotland. This will set out the terms and conditions of award and grant payment profile. Following an initial Project Engagement Visit by the Accountable Body and Borderlands PMO all pilots will be required to provide a month update and quarterly claim based on activities undertaken and identifying any issues. This will be escalated as required including for change controls and be discussed at the regular Natural Capital Scotland Working Group.
- 6.7 **Evaluation and lesson learning** as a set of pilot projects a key outcome for the Natural Capital Scotland programme is the evaluation and benefits realisation from the pilot activity. Each project will provide the evidence needed to undertake this with the ownership of this being taken forward primarily by the Natural Capital Programme Board.

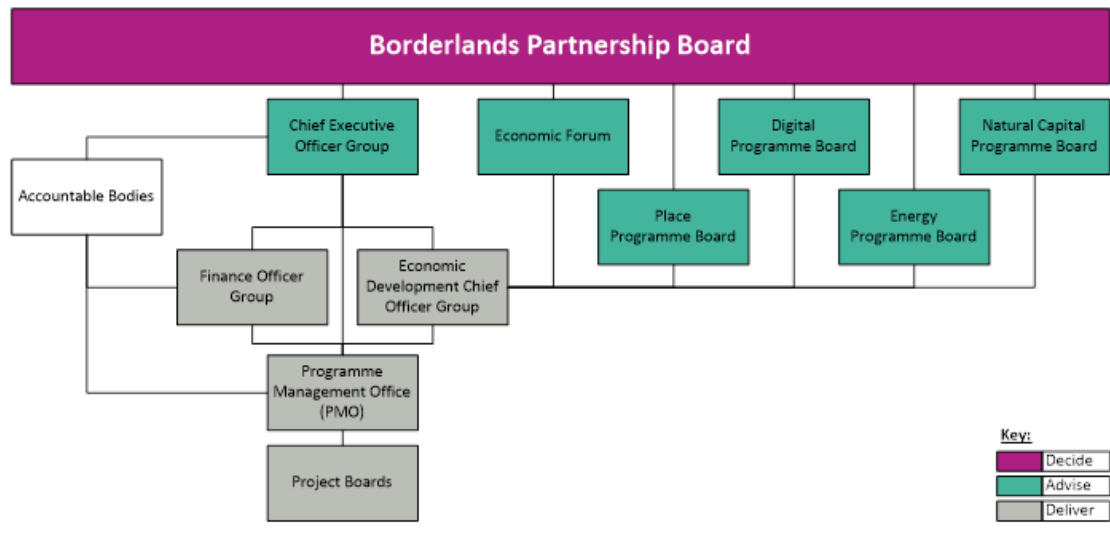
### Programme management governance arrangements

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- 6.8 The Natural Capital Programmes for England and Scotland will be incorporated into the overall Borderlands Governance and Management Arrangements through a Natural

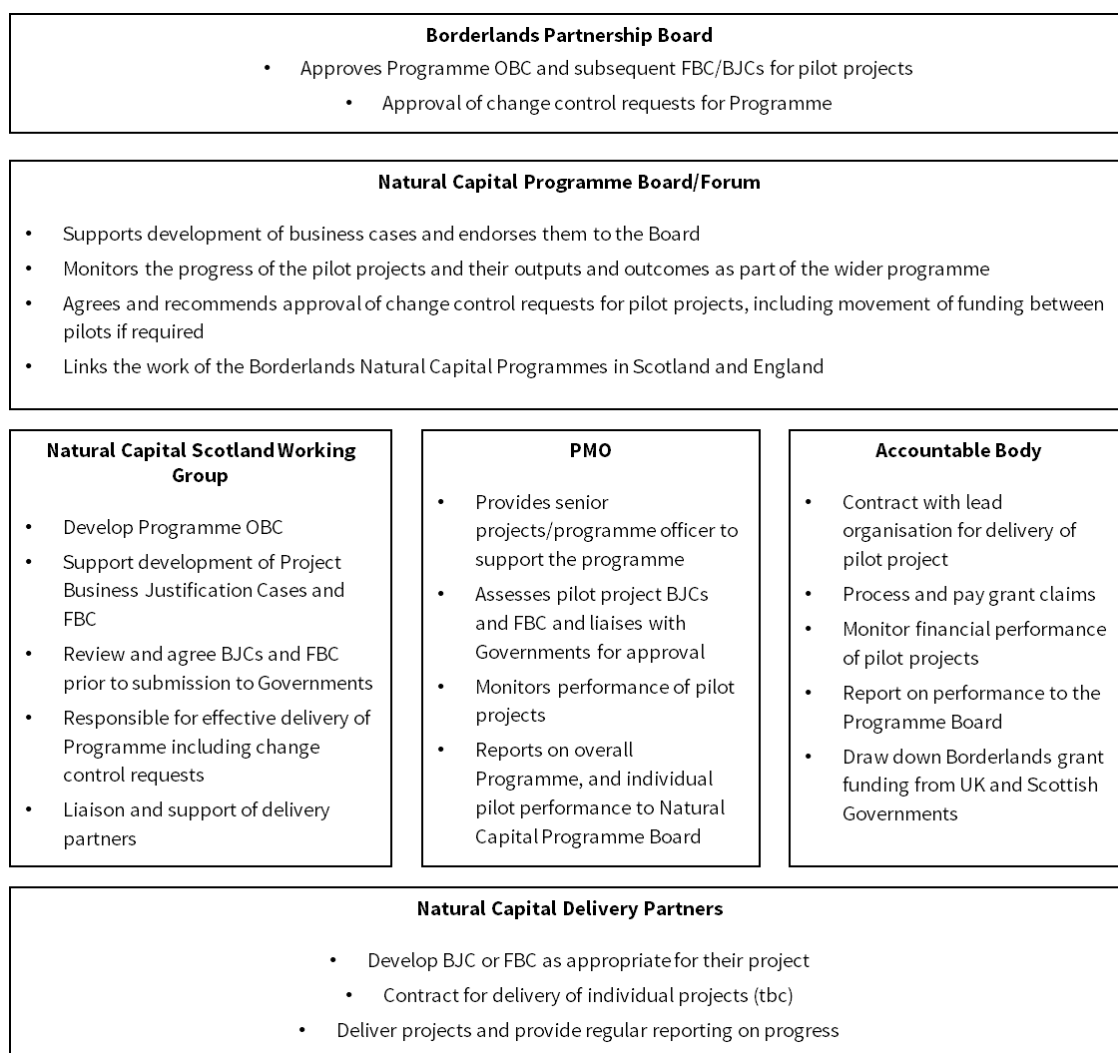
Capital Programme Board. The management of the programme will use the approach and templates set out for the overall Deal as included in the Borderlands Governance Plan, Implementation Plan, Finance Plan, Benefits Realisation Plan and accompanying Handbook. Its place in the overall governance is shown in the figure below.

Figure 1.2 Borderlands Governance and Management Arrangements



- 6.9 The roles and responsibilities of the key groups and organisations involved in the management and governance structure for the Natural Capital Programme Scotland are described below and illustrated in the following figure below.
- 6.10 A Natural Capital Programme Board will be set up to provide advice and “critical friend” support to the programmes in both Scotland and England. It will review and advise on the development of the pilot project business cases and their implementation. It will provide a link into policy experts across both governments and other private and public sector organisations. The Board will take a significant lead in overseeing the evaluation of the pilots collectively with ownership of the Benefits Realisation Plan. This will ensure that the pilot project outputs and outcomes are seen as a complete set of results to inform further project development and expansion. **More details for the Board are in Appendix H including a draft Terms of Reference.**
- 6.11 The Board would be appointed in line with the timetable for delivery of the Scotland Natural Capital Programme but will include cross border representation too, in anticipation of the Borderlands Natural Capital England programme. The representatives will include a range of strategic stakeholders (including the UK Government and Scottish Government) and specialists such as academics. This will ensure that cross border learnings and connections across projects can be established from the start, but it won't delay any elements of the programme delivery in Scotland. The Board will meet two to four times a year to receive updates from pilots, guide evaluation work.
- 6.12 A Natural Capital Scotland Working Group has been established which will focus on the delivery and coordination of pilots in Scotland only. This group is meeting on a monthly basis to oversee the progress and performance of the pilots and identify issues to be escalated. The Working Group includes representatives from each of the pilot projects alongside the Borderland Programme Management Office and Accountable Body. A Terms of Reference and full details are included at Appendix G.

**Figure 1.3 Overview of Natural Capital Programme management structure**



- 6.13 As part of the information assessment by the Programme Management Office in advance of submission, each pilot project will be required to develop a robust management plan as part of their FBC or BJC. This will set out how the pilot project will be managed, the capacity and experience within the lead partner to undertake this and how this will ensure that the evaluation requirements are met. This will include specific governance arrangements associated with the six projects, inc. SRO.
- 6.14 Each proposed project is led by an experienced organisation with strong connections in their field and a track record of delivering projects.
- 6.15 Programme Plan: a Gantt chart for the Programme is provided in Appendix E - and key milestones are outlined in the table below.

**Table 6.1 Key project milestones**

<b>Activity</b>	<b>Target dates</b>
Submit draft OBC to the UK and Scottish Governments	November 2022
OBC agreed by the UK and Scottish Governments and Borderlands Partnership Board	June 2023
Pilot project FBC / BJs developed in tandem with OBC	From Jan 2023
Pilot 1: Species Rich Grassland BJC signed off	July 2023



Pilot 2: Whole Farm Audits BJC signed off	July 2023
Pilot 3: Woodland Creation FBC signed off	July 2023
Pilot 4: SCAMPP Marine BJC signed off	July 2023
Pilot 5: Investment Plan BJC signed off	Q3 2023
Pilot 6: Data Audit and Mapping BJC signed off	Q3 2023
Delivery of pilot projects	Aug 2023-September 2030
Final project delivered	September 2030
Interim review of Programme performance and impact	Mar 2028
Final review of Programme performance and impact	Mar 2032

6.16 When developing the Gantt chart for the Programme, the following assumptions have been made:

- The Natural Capital Scotland Programme will be delivered over a period to March 2031. The Programme will involve 6 pilot projects as described in this OBC. The projects will develop a BJC – and an FBC in the case of the Woodland Creation pilot – in tandem with the development and sign off for the Programme OBC.
- Each pilot project will manage its own project plan and feed and updated the overall Programme Plan regularly.
- Each pilot will run to its own timetable but within the overall timescale for the Programme, ensuring that the outputs are delivered within the timescales for the Programme and the Borderlands Deal
- All Borderlands eligible activity should be complete by September 2030, allowing three months to finalise payments, and complete performance monitoring processes.
- As the Programme progresses, and pilot projects begin work, the Gantt chart will be regularly updated. This will help to manage the volume of work for the teams involved and inform forecast spend profiles to ensure alignment with the overall financial profile for the Natural Capital Scotland Programme.

## Use of specialist advisors

6.17 The Programme partners are working with Hatch and eftec, an environmental economics agency, to develop the Programme OBC. The partners do not currently have any plans to appoint special advisors to support delivery of the pilot projects, as they are being developed and delivered by specialist bodies. However, should the volume of demand exceed the available resource for any elements of the Programme, the partners may decide to procure specialist support to add to the capacity and specialist input of the PMO and the Programme partners. This may cover areas such as state subsidy advice, monitoring and evaluation, change control and due diligence advice, as well as specialist advice linked to the pilot areas of work.

## Change and contract management arrangements

6.18 Once the project BJC/FBC is approved, the Accountable Body, Dumfries and Galloway Council, will contract with the lead organisation to deliver the project, using a grant funding agreement.

6.19 The lead organisation will have overall responsibility for delivery of the project and reporting on performance to the accountable body and PMO. This will include claiming grant from the accountable body and reporting on project performance to the accountable body and PMO.

- 6.20 The PMO will amalgamate output, outcome and impact data for individual Projects, reporting on their performance to the Partnership Board.
- 6.21 The accountable body will review, and process grant claims, making payments to each project delivery organisation on submission of a complete and evidenced grant claim.
- 6.22 Contracts for the delivery of the projects will vary, depending on the details of the project, any condition of grant funding, and the overall timescale for delivery. The Programme has developed a change management and contract management process, based on existing good practice, to ensure all changes are handled fairly, consistently, and transparently. The process is consistent with the wider Scheme of Delegation and Collaboration Agreement which applies to the full Borderlands Inclusive Growth Deal. This includes delegation to the Natural Capital Programme team and to a named responsible officer within the PMO and working officers from the relevant Accountable Body. This approach will ensure that any proposed change or variation is confirmed to be reasonable, in line with the project approval and will not hinder the delivery of the Deal.
- 6.23 The process will apply to changes or variations within Project Plans that have been formally agreed.

## Change Management Process

- 6.24 The change management process is set out in the Borderlands Programme Handbook and involves three levels of change or variation: minor, notable, and significant, which will affect the level of information required to secure approval. The current process is as follows, any changes to this require approval from the Borderlands Partnership Board on advice of PMO, Accountable Bodies and UK Government and Scottish Government:
- 6.25 The project delivery partner identifies the change, why it is needed, and secures agreement from their project team
- 6.26 The project delivery partner notifies the PMO of the proposed change by completing a 'change request form', part of the agreed Borderlands change control process. In discussion with the relevant Accountable Body, the PMO will determine whether the proposed change is minor, notable or significant, which will determine the relevant level of approval required.
- 6.27 **Minor:** The proposed change or variation will be considered minor if it does not have a material impact on: the outputs or outcomes to be delivered; on the nature of the project; or to the overall financial profile of the project (such as a slippage in expenditure over a quarter within the year but no increase, or a less than 10% variation across budget headings), or following the change, the resulting project looks fundamentally the same. In the case of a minor change, the PMO, in agreement with the Accountable Body, will confirm the change or variation in writing. All 'minor' variations will be reported to the Natural Capital Programme team and will be included in the subsequent Programme updates to the Borderlands Partnership Board.
- 6.28 **Notable:** The proposed change or variation will be considered notable, if it has an impact on the nature of the project, the financial profile or the outputs/outcomes to be delivered, which may impact on the project's contribution to the overall Natural Capital Scotland Programme and the Borderland Deal. For example, if the change equates to less than 15% of the overall funding for the project; or will increase / decrease the outputs or outcomes to be delivered by less than 10%. In this case, the PMO will prepare a report to the Borderlands Partnership Board in consultation with the Accountable Body, with a recommendation to approve, not approve, or request further information about the rationale for, and potential impact of the change. If approved, and where a variation to the contract is required, the Accountable Body will update the contract, or provide an

appendix to the contract to confirm the change. The decision of the Partnership Programme Board will be reported to the Governments.

- 6.29 **Significant:** The proposed change or variation will be considered significant, if it will have a material impact: on the timescale for delivery; on the outputs and / or outcomes to be delivered of more than 10%; on the financial profile of more than 15% in total; or on the nature of the project to be delivered, with the activity being no longer consistent with that detailed in the contract award. Where a change or variation is considered to be significant, additional information will be sought from the partner delivery organisation, over and above that provided in the 'change request form'. In some instances, the PMO may require a revised BJC or project plan, setting out the proposed change/s in detail, and the impact on delivery. The updated project plan would be re-appraised to ensure that it remains eligible for Borderlands Investment, and will provide value for money, with the Accountable Body undertaking further due diligence checks if required. A report and recommendations about the significant change, (and the updated project plan) will be submitted to the Government partners and to the Borderlands Partnership for final approval.

## Benefits realisation arrangements

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- 6.30 Cumulative Programme level benefits have been described in the strategic case and quantified in the economic case. Each project will generate benefits (i.e., outputs and outcomes) which contribute to the achievement of the Programme level targets e.g., new FTE jobs created; timber production, carbon sequestered, land improved etc. The contract between the relevant accountable body and the pilot project lead will specify the benefits to be generated by the project, how they will be evidenced and reported on, and the timescale for delivery. The accountable body will regularly report on progress towards the achievement of benefits to the Borderlands PMO. The lead delivery partner for each project supported by Borderlands investment will have overall responsibility for the achievement of relevant contracted benefits. Any changes to the benefits for a project will be managed through the change control process described above.
- 6.31 The Borderlands PMO will be responsible for aggregating benefits information, reporting on progress towards the achievement of benefits to the Natural Capital Programme Board, and Borderlands Partnership Board, at an individual project and overall Programme level. The PMO will develop a benefits register for the Programme, at Programme and project level to track and monitor progress.
- 6.32 Successful delivery of the programme will be managed through best practice approaches and using the Borderlands Inclusive Growth Deal programme management guidance and processes. This will embed appropriate change, contract and risk management processes as well as the use of gateway reviews. The partners will agree any specific processes for programme control and risk management.

## Risk management arrangements

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- 6.33 The Natural Capital Scotland Programme will invest £5m of Borderlands funding across the pilot projects). As such, risks will need to be managed at two levels:
- **Programme-level** - Managing the risks associated with delivery of a complex, high-value, multi-faceted Borderlands wide investment programme.
  - **Project-level** - Managing the risks associated with the delivery of individual projects benefitting from funding.

6.34 The attached risk register (see Appendix D - ) identifies the main programme level risks, the approach to mitigating each risk, and those that will be responsible for risk management.

Table 1.3 Outline Risk Register	
Risk	Mitigation / Management
Costs in 2022 increased significantly, energy prices, material supplies, and the cost of living rose dramatically; this is forecast to continue and will affect all pilot projects	<ul style="list-style-type: none"> <li>Project to identify options during finalisation of the business case/justification. Increase contingency included in financial case assumptions.</li> </ul>
Projects do not align with Programme and Deal objectives, eligible interventions and target outcomes.	<ul style="list-style-type: none"> <li>NC working group and Borderlands PMO will work closely together in the development of the programme and project business cases, to ensure they align and meet the Borderlands Deal objectives and outcomes</li> </ul>
Difficulties in sourcing materials, employees or contractors across the pilot projects	<ul style="list-style-type: none"> <li>Sign off project business cases as soon as possible after the programme OBC, to secure funding to allow the procurement of staff and materials to begin.</li> </ul>
Weak evidence base justifying intervention and demonstrating market failure.	<ul style="list-style-type: none"> <li>Specialist consultants assisting with Programme business case development, working with all pilot projects</li> </ul>
Delay to signing off Programme Business case will lead to subsequent delays in the sign off and start date of the pilot projects	<ul style="list-style-type: none"> <li>Resource from Borderlands PMO to support the programme business case development and sign off. Close working with both Governments to ensure the review process is actively managed.</li> </ul>
Risk of skills shortages to deliver the proposed projects – how can this be assessed and managed.	<ul style="list-style-type: none"> <li>A range of mitigations in place, with more detail in the risk register. The projects have ensured that they have allowed for good market salaries and the projects will include training places which will help bring along a pipeline of skilled individuals</li> <li>Through this Borderlands project, we will gain further knowledge of the skills gap and be able to fold this information into training programmes being developed by the partner authorities as part of national and local schemes.</li> </ul>
Lack of engagement with stakeholders for the overall Programme	<ul style="list-style-type: none"> <li>Stakeholder engagement plan for the Programme will link with project engagement plans to ensure all stakeholders are involved and engaged</li> </ul>

6.35 Risks to the Natural Capital Programme will be identified, recorded and managed by the Head of the Borderlands Programme Management Office (PMO) who will be responsible for risk management at the overall Programme level, while ultimate accountability will rest with the Borderlands Partnership Board.

6.36 The Programme risk register will be monitored and updated on an ongoing basis by the PMO/Programme team, who will be responsible for identifying and implementing actions to mitigate each of the risks recorded in the register. Monitoring and management of some of the risks will also require the PMO to liaise closely with both the Accountable Body and

with the programme lead, in order to maintain an overview of risks associated individual projects.

- 6.37 The PMO will provide risk management updates on a quarterly basis to the Natural Capital Programme Board and will escalate key risks or significant changes to risk, to the Borderlands Partnership Board.
- 6.38 At project level, all projects will develop and manage their own risk register but will be asked to report on a quarterly basis to the programme team/PMO to highlight any changes to the register, either in level of risks or new risks emerging. These will be assessed and added to the programme level risk register as appropriate. Risks will be identified, monitored, and managed through the following process:
- Application and appraisal - Risk management will be integrated as a core element of the process of developing the individual project business cases. As part of preparing the BJC or FBC, each project will be responsible for developing a project risk register. The PMO and Programme team will undertake an assessment of risk at individual project-level as part of the overall appraisal of each BJC/FBC. The projects will need to include a robust risk management plan.
  - Contracting and monitoring - Once the BJC or FBCs for a project is approved by the Programme team and the Borderlands Partnership Board, the risk register will form part of the Grant Agreement between the Accountable Body and the lead Local Authority/Delivery Partner(s). This will place a responsibility on the lead Local Authority to manage and monitor risk at the project level. As part of the Quarterly Monitoring Returns, the lead Local Authority and project delivery partner will be required to report to the Accountable Body on risk management. On a quarterly basis, the Accountable Body and the PMO will report these into the overall Programme-level risk register.

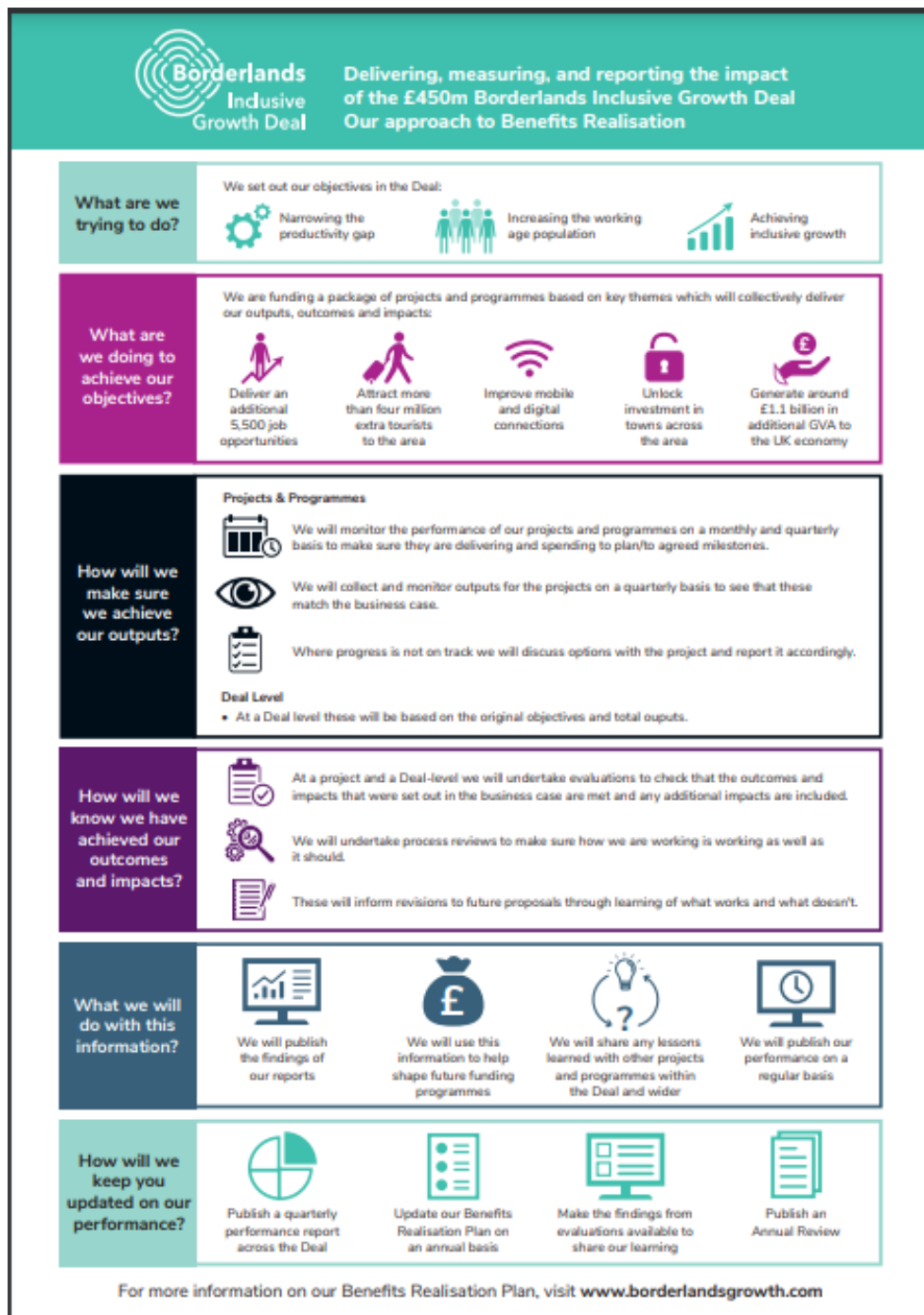
## Programme assurance and evaluation arrangements

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- 6.39 A full monitoring and evaluation framework will be developed for the Natural Capital Programme to guide all monitoring and evaluation activity. The framework design will be based on the Programme logic model and will be consistent with the Borderlands Growth Deal M&E Framework. In line with the overall monitoring and evaluation approach, the Natural Capital Programme specific activity will be to show that the Natural Capital Scotland Programme is making a difference in the Borderlands area, including:
- Contributing to the three challenges of the Borderlands Inclusive Growth Deal (increasing the working age population; boosting productivity; delivering inclusive economic growth).
  - Achieving the Strategic Objectives of the Natural Capital Scotland Programme.
- 6.40 This will feed into the overall evaluation of the Deal evidencing both the direct outputs generated by the investment but also the longer-term strategic impact in ensuring the natural environment of the Borderlands region is recognised as an economically productive asset and is developed sustainably and protected. The initial approach will focus on regular monitoring of delivery and the resulting outputs or key performance indicators (KPIs) directly generated as part of the quarterly and annual review approach for all projects. This will capture both delivery against spend but also the delivery of key direct outputs in relation to the projects' baselines established at the start of the programme.

- 6.41 The Natural Capital Scotland Programme has a focus on measuring and quantifying the benefits of the region's natural capital. Projects may include specific engagement and evaluation activities such as surveys and case studies undertaken throughout delivery of each project; this activity will be detailed in the project plans. Additional qualitative, as well as quantitative, elements will be an important part of the approach to monitoring and evaluation. At the project level the monitoring and evaluation approach will include:
- 6.42 **Baseline** - Establishing the baseline position in the Borderlands natural capital economy and in each of the pilot areas to benefit from the Programme's investment.
- 6.43 **KPIs** - Establishing the key output and outcome measures against which the progress and impact of the Programme will be assessed, including both quantitative and qualitative measures.
- 6.44 **Evidence** - Developing a system for collecting both quantitative and qualitative evidence through regular monitoring activity, as well as through evaluation research.
- 6.45 Together this approach mirrors the wider approach proposed for the full Borderlands Inclusive Growth Deal Monitoring and Evaluation framework.

Figure 1.4 Borderlands Inclusive Growth Deal benefits realisation plan



## Outputs, outcomes, and impacts

6.46 Outcome and impact measures will be used to assess the extent to which the Natural Capital Scotland Programme delivers on its Strategic Objectives as well as contributing to the three Borderlands Inclusive Growth Deal challenges (including the key priority of Inclusive Economic Growth). A table of outcome and impact indicators will be developed for the Programme which will identify the:

- Contribution to the Borderlands **three Borderlands Inclusive Growth challenges**:

- a. Increase the working age population
  - b. Boost productivity
  - c. Deliver inclusive growth
- Contribution to Inclusive Growth Outcomes
  - Environmental/natural capital benefits

## Monitoring Approach

- 6.47 Progress towards output and outcome targets will be evidenced by gathering performance data at the level of individual projects. Each project will have contracted targets quantified in line with the defined Programme output and outcome indicators.
- 6.48 Performance data will be gathered through Quarterly Monitoring Returns (QMRs) and will be aggregated by the Scottish Accountable Body. The data will be shared with the PMO who will maintain a programme database recording the performance of every individual project against output and outcome targets. This will be aggregated at the Programme level to evidence the overall progress towards output and outcome targets. Through the QMRs individual projects will also report on progress towards expenditure and funding targets.
- 6.49 Together, the outputs, outcomes and financial data will provide the evidence needed to assess the value for money delivered by the Programme, as part of the evaluation.

## Evaluation Approach

- 6.50 An independent evaluator will be appointed at the commencement of the Natural Capital Scotland Programme to undertake a longitudinal evaluation covering the full 8-year life of the Programme. This will be a combined process and impact evaluation.
- 6.51 **Process evaluation** - Using qualitative methods (surveys, focus groups, interviews and case studies) to explore and understand the role of the Natural Capital Scotland Programme in delivering a greater understanding of the value of the natural capital of the Borderlands area. To include investigating the types of interventions that are most and least effective in delivering the Programme objectives and outcomes; the role of each pilot project in supporting and providing a scalable approach to natural capital investment; and the Natural Capital Scotland Programme model (including Local Authorities and public sector bodies working with specialist delivery partners) as an effective approach to natural capital investment.
- 6.52 **Impact evaluation** - Using a mix of quantitative and qualitative data to assess the progress of the Programme towards the strategic objectives and outcome targets, using a combination of project-level performance data as well as key environmental statistics.
- 6.53 The evaluation will commence with a comprehensive **baseline study** which will help establish the current natural capital of the Borderlands area; this work is already underway as part of the wider Borderlands Deal benefits realisation work.
- 6.54 This will be followed with a **comprehensive evaluation study**, repeated at regular intervals throughout the programme and funded from the Borderlands programme budget. As well as assessing progress towards objectives and outcome targets on an ongoing basis, each evaluation study will undertake a value for money assessment (based on actual costs per net additional output / outcome), enabling the Natural Capital Scotland Programme to understand those interventions that are delivering the greatest



impact and value for money, helping to shape potential future investment decisions and roll out of the pilot schemes. The study will also consider the gross and net additional impacts of the Programme.

- 6.55 The evaluation reports will generate evidence demonstrating the impact of the Programme across the different areas of the natural capital economy, as well as exploring changes at the level of the overall Borderlands natural capital and considering the extent to which it may be possible to attribute these changes to the effects of the pilot projects and the Programme investment.
- 6.56 The evaluation work across the Programme will support the development of a roll out plan for the pilot work. This plan will be led by the Programme Board, ensuring that the stakeholder groups and organisations represented on the Board are involved in embedding and delivering the work. More detail on the mechanisms for the scaling up and roll out of the pilots will be included in their business cases. This will then be further developed and refined as learnings emerge during the course of each pilot.

## Appendix A - Strategic Policy & Objectives

A.1 The table below summarises the strategic and policy context across the following themes:

- Headline Land and Marine-Use and Economic Growth Strategies
- Economic Recovery
- Climate Change and Environmental Policy
- Sustainable Development Drivers
- Sector Specific Policy
- Policy relevant to the Borderlands region

Policy	Key Messages
Headline Economic Growth Strategies	
Scotland's National Strategy for Economic Transformation (2022)	Sets out the priorities for Scotland's economy as well as the actions needed to maximise the opportunities of the next decade to achieve the vision of a wellbeing economy. Rebuilding Natural Capital will be central to how Scotland transforms whilst creating more well-paid and secure jobs and developing new markets based on renewable sources of energy and low carbon technologies.
The Scottish Budget 2023/22	Highlights the green economy and strengthening Scotland's pandemic recovery as a major focus, outlining Scottish Government's ambition to build a stronger, fairer, greener economy for all Scotland's people and places, and to make the economy more sustainable and resilient in the long term
The 2022/23 Programme for Government	Outlines how the Scottish Government will deliver changes which will underpin a greener, fairer Scotland and how they will realise Scotland's potential to become a global green energy powerhouse
South of Scotland Regional Economic Strategy (2021)	"We will be a region of opportunity – where natural capital propels green growth, quality of life is unmatched, communities are empowered and cultural identity is cherished, attracting a new generation to live, work, visit, learn, and invest in the South of Scotland, enabling those already here to thrive"
South of Scotland RES Delivery Plan 2022-2025 (2021)	Has several key themes for delivering including Theme 5 Green & Sustainable Economy. Specific actions under this scheme include: <ul style="list-style-type: none"> <li>• Action 5(A) – undertake natural capital opportunity mapping and work to develop specific investment propositions</li> <li>• Action 5(C) – develop proposals to increase opportunities and benefits arising from the region's natural capital assets including support for sustainable agriculture, woodlands and forests, restoring peatlands, water management, and increasing biodiversity.</li> </ul>

	Action 5(D) – take forward the recommendations within the South of Scotland Community Wealth Building Pilot Report.
Circular Economy	<p>This Bill requires Scottish Ministers to introduce measures to help develop a circular economy. This includes:</p> <ul style="list-style-type: none"> <li>• Publishing a circular economy strategy</li> <li>• Developing circular economy targets</li> <li>• Reducing waste</li> <li>• Increasing penalties for littering from vehicles</li> <li>• Making sure individual householders and businesses get rid of waste in the right way</li> <li>• Improving waste monitoring</li> </ul>
<b>Wider Landscape of Economic Strategies</b>	
UK Industrial Strategy (2017)	Includes several grand challenges, including a Clean Growth priority area as well as commitments to investment in clean innovation, lowering carbon emissions and tackling local air pollution, further showcasing the linkages between a healthy environment and thriving economy
Levelling Up the United Kingdom White Paper (2021)	Sets out the programme to level up the UK with 3 key missions including spreading opportunities and improving public services; restoring a sense of community, local pride and belonging; empowering local leaders and community. It highlights the importance of natural capital to the UK, estimated to be worth £1.2tn in the UK. Increased R&D expenditure in the sector will include £140m over three years to scale up the Natural Capital and Ecosystem Assessment, in addition to the current Farming Innovation Programme
Scotland’s Economic Strategy 2015	“We will also protect and enhance our natural capital, our brand and reputation as a country of outstanding natural beauty, our commitment to low carbon and the opportunities our resources and assets provide for our economy and future generations”
Scotland’s National Planning Framework 3 and the Draft NPF4	“We have long sought to protect Scotland’s environment, recognising that it is a dynamic resource rather than a fixed asset. To better reflect this, more proactive and innovative environmental stewardship is required. The pressing challenge of climate change means that our action on the environment must continue to evolve, strengthening our longer-term resilience. A planned approach to development helps to strike the right balance between safeguarding assets which are irreplaceable and facilitating change in a sustainable way. We must work with, not against, our environment to maintain and further strengthen its contribution to society.”
<b>Economic Recovery</b>	
The recent report from the Advisory Group on Economic Recovery (AGER) on a resilient wellbeing economy for	Identifies that a green economic recovery must combine job creation with the development of natural capital and a reduction in emissions

Scotland post-Covid 19	
UK Government's Covid-19 Recovery Strategy (2020)	Outlines the plan to recover from the Covid-19 pandemic, with the central aim of returning to life as close to normal as possible, for as many people as possible, as fast and fairly as possible, in a way that avoids a new epidemic, minimises lives lost and maximises, health, economic and social outcomes. This includes economic and social support to maintain livelihoods and restore the economy.
<b>Headline Land Use and Environmental Strategies</b>	
Update to the Climate Change Plan 2018-2032 - <i>Securing a Green Recovery on a Path to Net Zero</i>	"Scotland's Natural Capital is of great economic significance; it is believed to account directly for more than 60,000 jobs in Scotland. It is vital to our tourist industry, which employs more than 200,000 people across the country and it is essential to Scotland's food and drink sector."
Scottish Third Land Use Strategy 2021-2026 (2021)	Outlines a 2050 Vision: "A Scotland where we fully recognise, understand and value the importance of our land resources, and where our plans and decisions about land use will deliver improved and enduring benefits, enhancing the wellbeing of our nation." And several Land Use Objectives: <ul style="list-style-type: none"> <li>• Land based businesses working with nature to contribute more to Scotland's prosperity</li> <li>• Responsible stewardship of Scotland's natural resources delivering more benefits to Scotland's people</li> <li>• Urban and rural communities better connected to the land, with more people enjoying the land and positively influencing land use</li> </ul>
Scotland's' Draft Biodiversity Strategy 2022-2045	Sets out an ambitious new Strategy to halt biodiversity loss by 2030 and reverse it with large-scale restoration by 2045
Scotland's 2020 Challenge for Scotland's Biodiversity	"This 2020 Challenge is Scotland's response to the Aichi Targets (2010) set by the United Nations Convention on Biological Diversity (2010) and the European Union's Biodiversity Strategy for 2020 (2011). These call for a step change in efforts to halt the loss of biodiversity and to restore the essential services that a healthy natural environment provides. Investment in the natural assets of Scotland will contribute to sustainable economic growth and support wellbeing and wealth creation."
Regional Land Use Partnerships and Frameworks	A Platform for change identified in the national Land Use Strategy to take forward deeper conversations about sustainable land use. RLUPs will help national and local government, communities, landowners and stakeholders work together to find ways to optimise sustainable land use in a fair and inclusive way - meeting local and national objectives and helping achieve Scotland's climate change targets through land use change and good land management that supports a sustainable future.
<b>Wider Landscape of national and regional environmental policies</b>	

<p>UKG 25 Year Environment Plan</p>	<p>Sets out the importance of enhancing natural capital to boost productivity as the essential basis for resilient and inclusive economic growth over the long term. This proposal aligns closely with several of its focus areas, including to use and manage land sustainably, to increase resource efficiency and reduce pollution and waste, to connect people to the environment to improve health and wellbeing.</p>
<p>Climate Change (Emissions Reduction Targets) (Scotland) Act 2019</p>	<p>Outlines the target for emissions reduction in Scotland – net zero emissions by 2045.</p>
<p>Scottish Biodiversity Strategy: ‘It’s in your hands’ 2004, &amp; the 2020 challenge for Scotland’s Biodiversity</p>	<p>Scotland’s 2020 Challenge aims to:</p> <ul style="list-style-type: none"> <li>• protect and restore biodiversity on land and in our seas, and to support healthier ecosystems.</li> <li>• connect people with the natural world, for their health and wellbeing and to involve them more in decisions about their environment.</li> <li>• maximise the benefits for Scotland of a diverse natural environment and the services it provides, contributing to sustainable economic growth.</li> </ul>
<p>NatureScot: Delivering Scotland’s Ambition to Secure Positive Effects for Biodiversity (2020)</p>	<p>The report outlines the ways in which the planning system should adapt to realise new ambitions to respond to the twin crisis of the climate emergency and biodiversity crisis as well as a green recovery post Covid-19.</p>
<p>Environment Strategy for Scotland: Vision and Outcomes</p>	<p>Outlines the vision for Scotland that by 2045: by restoring nature and ending Scotland’s contribution to climate change, our country is transformed for the better – helping to secure the wellbeing of our people and planet for generations to come.</p>
<p>Dumfries and Galloway Climate Change Emergency Declaration (2019)</p>	<p>Declares a climate emergency and outlines commitments to urgently respond to climate change and transition to a carbon neutral region.</p>
<p>Scottish Borders Climate Change Route Map (2021)</p>	<p>In August 2019 SBC committed to implementing the UN Sustainable Development Goals and in September 2020 declared a Climate Emergency. This commitment and declaration frame the climate challenge we face. They give impetus to the Race to Zero by SBC members, employees, and partners to reach a Net Zero destination and to transition to a low carbon economy by 2045 and to avoid a catastrophic level of ‘runaway’ climate change.</p>
<p>Sustainable Development Drivers</p>	
<p>As a signatory to the UNSDGs, and the National Outcome Indicators for Inclusive Growth to include the ‘Wellbeing Economy’</p>	<p>The Scottish Government defines inclusive growth as “growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly.” Outcomes include:</p> <ul style="list-style-type: none"> <li>• Productivity – businesses are competitive and economic growth is resilient and sustainable.</li> <li>• Population – Scotland has a sustainable working age population.</li> </ul>

	<ul style="list-style-type: none"> <li>• Participation – Inequality of opportunity to access work is addressed and jobs are fulfilling, secure and well-paid.</li> <li>• People – Scotland’s population is healthy and skilled and economic benefits are spread more widely, with low levels of inequality.</li> <li>• Place – Communities across Scotland have the natural and physical resources to ensure they are strong and sustainable.</li> </ul>
NatureScot’s Corporate Plan ‘Connecting People and Nature’: refers to sustainable prosperity and wellbeing	<p>It sets out our vision for Scotland’s nature and landscapes and is built around four interdependent outcomes:</p> <ul style="list-style-type: none"> <li>• More people across Scotland are enjoying and benefiting from nature.</li> <li>• The health and resilience of Scotland’s nature is improved.</li> <li>• There is more investment in Scotland’s natural capital and its management to improve prosperity and wellbeing.</li> <li>• We have transformed how we work.</li> </ul>
SEPA’s ‘One Planet Prosperity’ plans refer to the SDGs	<p>In 2014, the Scottish Parliament passed the visionary Regulatory Reform (Scotland) Act. This act gives SEPA the opportunity to create one of the first environmental regulatory systems in the world that is suited to the challenges of the 21st century. The challenges of the 21st century mean that an EPA must also increasingly help its society to tackle:</p> <ul style="list-style-type: none"> <li>• Diffuse sources of pollution;</li> <li>• Over-use of natural resources; and</li> <li>• Major environmental challenges, such as climate change.</li> </ul> <p>Furthermore, EPAs will need to do all of this work in ways that contribute to the social and economic success of the societies they serve.</p>
The statutory aims of SOSE	Include improving the amenity and environment of the South of Scotland as well as furthering sustainable economic and social development
<b>Sector Specific Policy</b>	
Scottish Forestry Strategy 2019 – 2029	“In 2070, Scotland will have more forests and woodlands, sustainably managed and better integrated with other land uses. These will provide a more resilient, adaptable resource, with greater natural capital value, that supports a strong economy, a thriving environment, and healthy and flourishing communities.”
Ambition 2030 – A Growth Strategy for Farming, Fishing, Food and Drink	Outlines the 2030 vision – “Farming, fishing, food and drink is Scotland’s most valuable industry, recognised at home and abroad as a model of collaboration and a world leader in responsible, profitable growth.” It outlines several key pillars of

	growth, including people and skills, supply chain and innovation.
Scotland's Historic Environment Strategy 2014 – 'Our place in time'	Outlines a vision for Scotland's historic environment – "Scotland's historic environment is understood and valued, cared for and protected, enjoyed and enhanced. It is at the heart of a flourishing and sustainable Scotland and will be passed on with pride to benefit future generations."
The Scottish National Marine Plan 2015	The policies and objectives of the Plan establish how Scottish Ministers intend marine resources to be used and managed. These include: <ul style="list-style-type: none"> <li>• Achieving good environmental status descriptors</li> <li>• Achieving a sustainable marine economy</li> <li>• Ensuring a strong, healthy and just society</li> <li>• Living within environmental limits</li> <li>• Promoting good governance</li> <li>• Using sound science responsibly</li> </ul>
Scottish Energy Strategy: The future of energy in Scotland 2017	Outlines a 2050 Vision for energy in Scotland: "A flourishing, competitive local and national energy sector, delivering secure affordable, clean energy for Scotland's households, communities, and businesses"
Scotland 2030 – 'Responsible Tourism for a Sustainable Future'	Outlines the vision for tourism in Scotland – "we will be the world leader in 21 <sup>st</sup> century tourism" and the mission "together we will grow the value and positively enhance the benefits of tourism across Scotland by delivering the very best for our visitors, our businesses, our people, our communities, and our environment."
Our Vision for Scotland as a leader in sustainable and regenerative farming (2022)	"We will transform how we support farming and food production in Scotland to become a global leader in sustainable and regenerative agriculture." "Scotland will have a support framework that delivers high quality food production, climate mitigation and adaptation, and nature restoration. High quality, nutritious food locally and sustainably produced is key to our wellbeing – in economic, environmental, social and health terms. We will support and work with farmers and crofters to meet more of our own food needs sustainably and to farm and croft with nature."
Solway Tweed River Basin Plan 2021-2027	Sets out a framework for protecting and improving the benefits provided by the water environment across Scotland
SEPA Flood Risk Management Plans 2022	Provide a route map for reducing the effects of flooding on Scotland's communities. It highlights flood hot spots within the Borderlands region and outlines the pressures from sea level change.
<b>Policy Relevant to the Borderlands Region</b>	
South of Scotland Enterprise (SOSE) Operating Plan	Outlines several investment priorities including: <ul style="list-style-type: none"> <li>• Those communities and community organisations that are looking to test project ideas that support inclusive growth and job creation in their locality</li> </ul>

	<ul style="list-style-type: none"> <li>Those communities that are seeking to develop sustainable projects that deliver inclusive growth from community assets</li> </ul>
Scottish Borders Woodland Strategy 2005 and 2012 update	Outlines a vision statement – “Trees, woodlands, and forests will achieve their full potential as a natural resource, creating the environment that gives greatest benefit to the life and work of Borders people”.
Scottish Borders Land Use Strategy pilot	The aim of the framework was to test the principles of the national Land Use Strategy at a local level to see how they can be realised in a practical way. This was based on an ecosystem approach that may guide decisions that help integrate land management that could make best use of the land. A key output of the pilot was the production of a draft framework which aims to provide new information on the multiple goods and services provided by land use in the Scottish Borders, some of which are possible currently undervalued or overlooked.
Scottish Borders Local Biodiversity Action Plan 2018-28	<p>We depend on the benefits biodiversity provides for our economic prosperity and our wellbeing, but some of the ways we use the land, water and seas have had a negative impact on biodiversity. The six steps of the SBS ‘Route map to 2020’ are intended to help address these negative impacts and to maintain and enhance the state of nature. These steps are based around practical, collaborative action for:</p> <ul style="list-style-type: none"> <li>Ecosystem Restoration</li> <li>Investment in Natural Capital (e.g., enhancing peatland ecosystems as carbon stores, or investing in natural flood management)</li> <li>Quality greenspace for health and education benefits</li> <li>Conserving wildlife in Scotland</li> <li>Sustainable management of land and freshwater</li> <li>Sustainable management of marine and coastal ecosystems</li> </ul>
Regional Land Use Partnership and Framework for the Scottish Borders and Dumfries and Galloway	Scottish Land Commission’s advisory paper to Scottish Government on the establishment of the RLUPs directly references the natural capital innovation of the Borderlands Deal.
Scottish Borders Economic Strategy 2023	The importance of making the best use of land and marine natural capital assets is highlighted in setting out a strategic approach to the development of a prosperous economy.
Dumfries and Galloway Regional Economic Strategy 2015-2020	“By 2020, Dumfries and Galloway will have a more diverse and resilient economy. One which is capable of taking advantage of opportunities by combining an appropriately skilled workforce and connected infrastructure to support more prosperous and inclusive communities where every member of every community has equality of access to that prosperity.”



<p>Dumfries and Galloway Forestry and Woodland Strategy</p>	<p>Outlines the vision for Dumfries and Galloway’s woodlands – “Developing the region’s forests and woodlands for the benefit of all, promoting economic development and healthy communities, enriching cultural heritage, landscape and the natural environment.”</p>
<p>Dumfries and Galloway Food and Drink strategy</p>	<p>“In 2016 the value (turnover) of the food and drink sector in Dumfries &amp; Galloway was £1.2 billion, making food and drink our largest economic sector and representing 25% of our region’s total economic activity. This figure includes agriculture and fishing (£328 million), food and drink manufacturing (£585 million) and food and drink service (£287 million) ... Both environmental and economic sustainability will be at the heart of our food and drink economy. Our natural capital is a valuable asset that requires responsible management and curation.”</p> <p>“The natural assets of Dumfries &amp; Galloway - landscape, environment and our native breeds – are an opportunity for our region to stand out in a crowded consumer marketplace. Capitalising on our natural capital through brand development can add premium to our exceptional natural larder.”</p>
<p>Dumfries and Galloway Local Biodiversity Action Plan</p>	<p>Outlines several aims:</p> <ul style="list-style-type: none"> <li>● Aim 1: Biodiversity conserved, enhanced, and re-created at the landscape and seascape scale.</li> <li>● Aim 2: Genetic diversity conserved.</li> <li>● Aim 3: Biodiversity incorporated into all relevant decision-making.</li> <li>● Aim 4: Biodiversity awareness, understanding, and engagement improved.</li> <li>● Aim 5: Natural processes allowed to operate wherever practicable.</li> <li>● Aim 6: Local distinctiveness enhanced.</li> </ul>
<p>Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024</p>	<p>“On 1 January 2021 the agricultural transition period will start. Between 2021 and 2027, we will gradually reduce and then stop untargeted Direct Payments. We will invest the money that we free up to support agriculture in different ways. We will pay farmers to improve the environment, improve animal health and welfare, and reduce carbon emissions”</p>

## Appendix B - Non-monetised Natural Capital Benefits Summary

B.1 The table below presents a summary of the natural capital benefits that are not monetised as part of the VFM assessment in the economic case.

<p>Agri-environment pilot – Species Rich Grassland (SRG)</p>	<p>Flower-rich grasslands support greater numbers and diversity of pollinating species than any other habitat type. Grassland networks for pollinators in southern Scotland can significantly increase their extent and improve connectivity.</p> <p>Carbon sequestration in grassland, although the improvement in sequestration rate depends upon the grassland management regime of the grassland prior to SRG restoration. There is potential to explore funding from emerging carbon credit schemes.</p> <p>In addition to Northern Brown Argus (NBA) conservation, SRG restoration can support other rare species such as, the Small Pearl-bordered Fritillary (vulnerable), Forester moth (UKBAP priority species), Dingy Skipper (vulnerable) and Grayling (endangered).</p> <p>Both rare and common species of butterfly and pollinators contribute to human well-being and can be ambassadors for species conservation. This can be enhanced by the planned programme of education, outreach, and research.</p> <p>Investigating the potential for selling accredited farm produce. Indications from Quality Meat Scotland (QMS) are that certification can achieve a 15% price premium relative to non-assured meat. However, any price premium can vary overtime (with market conditions) and care is needed in attributing any premium to specific elements as these can include a broad range of consumer concerns such as; animal welfare, traceability, and local supply as well as conservation measures. Hence it is very difficult to isolate the relationship between accreditation benefits and specific environmental outcomes.</p>
<p>Agri-environment pilot – Whole Farm Audits</p>	<p>Biodiversity improvements from 130 ha of grassland improvement, (in particular increased sward diversity), and new woodland/hedgerow creation, will support pollinators, insects and farmland birds such as lapwing, curlew and greenfinch. However, at this scale the improvement will be small.</p> <p>Flower-rich grasslands support greater numbers and diversity of pollinating species than any other habitat type. Grassland networks for pollinators in southern Scotland can significantly increase their extent and improve connectivity.</p>

	<p>Carbon sequestration in grassland, although the improvement in sequestration rate depends upon the grassland management regime of the grassland prior to SRG restoration. There is potential to explore funding from emerging carbon credit schemes.</p> <p>Enabling educational interactions, through talks/visits for land management based students and a possible PhD research opportunity are helpful but expected to be at a small scale.</p>
Woodland pilot	<p>Biodiversity – native woodland will help priority habitats and priority species such as Black Grouse. Riparian tree planting can benefit UK priority species such as: Atlantic Salmon, Otter, Water crowfoot, river lamprey, brook lamprey which are designated features of the Tweed SAC, but the areas of land involved are very small.</p> <p>Food produced by agro-forestry and venison as a by-product from deer management activity.</p> <p>Riparian benefits to fish stocks through shading and cooling of rivers, would be very important to the River Tweed if implemented at catchment scale.</p> <p>Improving water quality in river catchments through buffering &amp; infiltration, reducing diffuse pollution at catchment scale.</p> <p>Natural flood risk mitigation benefits of woodland planting is very spatially specific and can only be evaluated through complex hydrological modelling, hence has not been evaluated here.</p> <p>Recreation, health and well-being. At greater scale an improved network of public access routes could substantially increase the number of recreational visits to outdoor spaces and hence corresponding recreational value and improvements to physical health and mental well-being.</p> <p>Reductions in soil erosion and run-off.</p> <p>Enabling engagement, education and volunteering opportunities. The project aims to set up 4 demonstration centres providing educational visits to around 375 students per year and around 3 volunteer days per year.</p> <p>Enhancing landscape character, whilst small at this scale would have a significant benefit if implemented at scale which noticeably alters land cover proportions.</p>
Marine pilot	<p>Habitat for biodiversity. Biogenic reef and seagrass habitats provide multiple benefits including improved biodiversity, nursery ground for commercial fish species, seabed stabilisation and coastal flood defences.</p>

	<p>Water filtration impacts on water quality of Native Oyster bed expansion. Sale of Native Oyster spat - as yet volumes are not known but offers potential.</p> <p>Educational opportunities including a PhD and other opportunities in the Centre for Excellence</p> <p>The sale of saltmarsh grazed lamb and beef offers opportunities for increased quality and price</p>
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## Appendix C - Programme Costs

### PROGRAMME LEVEL COSTS - aggregated from project information as at February 2023

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL
<b>Capital</b>								
Staffing	37,405	60,023	88,986	104,588	80,159	0	0	371,162
Engaging activities	0	0	0	0	0	0	0	0
On-site works	67,053	270,656	608,149	473,772	201,375	218,754	168,394	2,008,152
Site Monitoring and evaluation	7,950	17,597	29,503	34,278	18,604	10,188	2,567	120,686
Contingency removed								
<b>Capital Total</b>	<b>112,408</b>	<b>348,276</b>	<b>726,638</b>	<b>612,638</b>	<b>300,138</b>	<b>228,941</b>	<b>170,961</b>	<b>2,500,000</b>
<b>Revenue</b>								
Staffing	105,067	206,413	373,381	379,897	379,937	355,355	232,443	2,032,493
Engaging activities	12,863	20,742	36,281	32,987	27,622	26,973	9,929	167,397
Site Monitoring and evaluation	15,296	26,152	62,948	55,483	42,981	39,868	57,381	300,110
Contingency (removed)								
<b>Revenue Total</b>	<b>133,226</b>	<b>253,307</b>	<b>472,611</b>	<b>468,367</b>	<b>450,540</b>	<b>422,196</b>	<b>299,753</b>	<b>2,500,000</b>
<b>Programme Total</b>	<b>245,634</b>	<b>601,583</b>	<b>1,199,249</b>	<b>1,081,005</b>	<b>750,678</b>	<b>651,137</b>	<b>470,714</b>	<b>5,000,000</b>

## Appendix D - Risk Register

Risk Category Level 1	Risk Category Level 2	Risk Category Level 3	Description	Mitigating Actions	Current Likelihood	Current Impact	Risk Owner	Target Completion
1- Strategic	1.2- External Events	1.2.3- Geopolitical, Environmental or Economic Shock	Costs in 2022 increased significantly, energy prices, material supplies, and the cost of living rose dramatically; this is forecast to continue and will affect all pilot projects	Overall programme costs monitored by the PMO to ensure the Programme stays within budget. Investigate options for match funding, changing scope or delivering projects in stages to allow for additional funding options.  Managed through scale of project and duration (the delays to getting project approval have already reduced the delivery years and therefore the fixed costs)	3 - High	4 - High	Natural Capital Programme working group / Borderlands PMO	31/03/2026
1- Strategic	1.1- Programme Design & Delivery	1.1.4- Development	Projects do not align with Programme and Deal objectives, eligible interventions and target outcomes.	NC working group and Borderlands PMO will work closely together in the development of the programme and project business cases, to ensure they align and meet the Borderlands Deal objectives and outcomes	1 - Low	2 - Low	Natural Capital Programme working group / Borderlands PMO	31/06/2023

1- Strategic	1.2- External Events	3.2.3- Operations	Difficulties in sourcing materials, employees or contractors across the pilot projects	Sign off project business cases as soon as possible after the programme OBC, to secure funding to allow the procurement of staff and materials to begin.	2 - Medium	3 - Medium		30/06/2023
1- Strategic	1.1- Programme Design & Delivery	1.1.4- Development	Weak evidence base justifying intervention and demonstrating market failure.	Specialist consultants assisting with Programme business case development, working with all pilot projects	1 - Low	2 - Low		30/04/2026
1- Strategic	1.1- Programme Design & Delivery	1.1.4- Development	Delay to signing off Programme Business case will lead to subsequent delays in the sign off and start date of the pilot projects	Resource from Borderlands PMO to support the programme business case development and sign off. Close working with both Governments to ensure the review process is actively managed.	2 - Medium	4 - High		30/03/2023
1- Strategic	1.3- External Stakeholders	1.3.1- External Stakeholder Management	Lack of engagement with stakeholders for the overall Programme	Stakeholder engagement plan for the Programme will link with project engagement plans to ensure all stakeholders are involved and engaged	1 - Low	2 - Low		30/04/2026
1- Strategic	1.4- Capabilities & Resources	3.2.3- Operations	Risk of skills shortages to deliver the proposed projects – how can this be assessed and managed.	A range of mitigating actions being undertaken across the projects. For example, DGC pilots have allowed for good market salaries and are also working with their employability teams to highlight sectoral short falls and see where they might encourage local young people to gain these skills. The projects will include training places which will help bring along a	1 - Low	2 - Low		30/04/2026

				<p>pipeline of skilled individuals. For example, the Woodland pilot project aims to address these shortages by helping to facilitate training and skills needs, though assisting 10 Borders College Forestry Course Students with visits/work programmes on Borderland project sites in the Borders. Also helping 5 students from The Conservation Volunteers with visits/work programmes on Borderland project sites in the Borders.</p> <p>The skills gap around natural capital is being addressed both nationally and locally, with the Dumfries &amp; Galloway Council looking into potential schemes that would creatively address this issue. Through the Borderlands projects, we will gain further knowledge of the skills gap and be able to fold this information into training programmes being developed.</p>				
1- Strategic	1.1- Programme Design & Delivery	1.1.4- Development	Natural Capital Programme Scotland unable to demonstrate value for money and additionality at UK and Scotland level.	This will be addressed in the Programme business case, developed by Hatch with support from NC specialist consultancy, etec	1 - Low	2 - Low		30/11/2022



2- Financial	1.1- Programme Design & Delivery	3.2.3- Operations	Lack of match funding to support individual projects – may be exacerbated if a delay in programme and project sign offs	Most project do not require match funding. The Woodland project is government subsidy which will be available as long as project meet criteria which is known in advance	1 - Low	3 - Medium		30/04/2026
1- Strategic	1.1- Programme Design & Delivery	1.4.4- Siloed Ways of Working	Duplication with other funding programmes for natural capital	NC working group will ensure the programme doesn't duplicate other funding, working closely with other organisations both public and private sector	1 - Low	2 - Low		30/04/2026
1- Strategic	1.1- Programme Design & Delivery	1.4.4- Siloed Ways of Working	Lack of alignment with other natural capital investment programmes (including the developing Natural Capital Programme on the England side of Borderlands).	Coordination with the England NC programme in Cumbria/Northumbria will be managed by the PMO and existing Borderlands governance structures. NC working group and Board will lead on ensuring alignment with other NC investment programmes in the region and at national level.	1 - Low	3 - Medium		30/04/2026
3- Operational	1.4- Capabilities & Resources	3.2.3- Operations	Capacity in PMO to support programme management (management of working group and Programme Board, ongoing monitoring of pilot projects)	PMO recruitment (due to complete autumn 2022) will provide additional resource to lead the programme development and ongoing management	1 - Low	2 - Low		30/04/2023

3-Operational	1.1- Programme Design & Delivery	1.2.1- Policy Change	Pilot projects need to change elements of their projects through the project lifecycle	Change management process will be agreed as part of the Programme Business Case and actively managed by the Borderlands PMO	2 - Medium	3 - Medium		30/04/2030
3-Operational	1.3- External Stakeholders	1.3.1- External Stakeholder Management	Lack of engagement of stakeholders (landowners, farmers etc) and communities in development of Pilot Projects	All pilot projects will include a stakeholder engagement plan within their business case	1 - Low	2 - Low		30/04/2026
3-Operational	3.2- Internal Management & Critical Systems	3.2.3- Operations	Ongoing management of assets created / improved with Natural Capital funding	Sustainability and ownership of assets in long-term included in the appraisal process requiring applicant to set out proposed approach and how this will be managed.	1 - Low	2 - Low		30/04/2030
3-Operational	3.2- Internal Management & Critical Systems	3.2.3- Operations	Ensuring individual projects follow appropriate public procurement regulations	Procurement regulations are specifically included in the appraisal process requiring applicant to set out proposed approach and how this will be managed.	1 - Low	2 - Low		30/04/2028
3-Operational	3.2- Internal Management & Critical Systems	3.2.3- Operations	Ownership of assets created or improved through Borderlands Deal investment	Asset ownership is specifically included in the appraisal process requiring applicant to set out proposed approach and how this will be managed.	1 - Low	1 - Extremely Low		30/03/2023



# Appendix E - Programme Gantt Chart

E.1 See separate excel document.

# Appendix F - Confirmation of Stakeholder Support



Borderlands Natural Capital Working Group

14<sup>th</sup> December 2022

Dear Colleagues,

**RE: Borderlands Partnership Support for the Natural Capital Programme (Scotland)**

I am pleased to write on behalf of the Borderlands Partnership confirming our on-going support for, and commitment to, the Natural Capital Programme (Scotland).

At our Board Meeting of the 7<sup>th</sup> December 2022 the recommendations in the attached paper were approved. This includes continuing our efforts in supporting the governance arrangements for the working group and future programme board, development of the business cases for the pilots set out, and undertaking the appropriate Accountable Body role in due course. These will be taken forward in line with our Collaboration Agreement whereby Dumfries and Galloway Council is the Accountable Body for Deal activity in Scotland.

The importance and potential of the Natural Capital Programme and the component pilots was also reaffirmed recognising the value of our natural capital in enabling economic prosperity and growth in the Borderlands. We look forward to continuing to work with you as the pilot activity comes forward and in embedding this in our overarching Deal benefits realisation activity.

Yours sincerely

A handwritten signature in black ink that reads "James Davies".

James Davies – Borderlands PMO Manager



# Appendix G - Natural Capital Scotland Working Group

- G.1 The Natural Capital Scotland Working Group was set up in September 2022, to provide a delivery group for the Programme, working with the lead Local Authorities, the Borderlands Partnership, through the Programme Management Office and the delivery partners for the Programme.
- G.2 The agreed Terms of Reference for the Group are included below.

<b>NATURAL CAPITAL SCOTLAND PROJECT GOVERNANCE WORKING GROUP</b>	
<b>Terms of Reference (ToR)</b>	
<b>Purpose:</b> To provide strategic oversight, communications, and decision-making on the delivery of the Natural Capital programme as to be defined in the Programme Business Case, and within the specific areas of remit and scope articulated in this document.	
<p><b>Remit:</b></p> <p>This ToR describes the governance structure in relation to a project that has a timeline through to 2031. It is, therefore anticipated that the remit will be reviewed at intervals as the programme and project strands progress. The ToR will be revised, and the establishment of a Programme Board will be progressed when the Programme Business Case has been approved by the Borderlands Partnership Board and the Scottish and UK Governments.</p> <p>Key areas of remit for the Working Group are:</p> <ol style="list-style-type: none"> <li>1. To provide overall support to project partners in the form of co-ordination and communication across partner organisations, to provide oversight and decision making with respect to the specification and delivery methods/models for the 6 Natural Capital projects, noting that:                     <ol style="list-style-type: none"> <li>a. The Working Group comprises officers from a range of partner organisations that are key stakeholders in the project. The partners are –                              Scottish Borders Council (SBC)                              Dumfries and Galloway Council (DGC)                              South of Scotland Enterprise (SoSE)                              Borderlands Inclusive Growth Deal Programme Management Office (PMO)                              An agreed communications representative from the PMO</li> <li>b. The Working Group is designed to be representative of partner and stakeholder needs and areas of activity, particularly with respect to project scoping, financial</li> </ol> </li> </ol>	<p><b>Scope</b></p> <p>The scope will be defined by the development of the overall Programme plan and individual project plans. A key role for the Working Group is to provide co-ordination and communications across the projects and partners to ensure effective conclusion of the Programme Business Case and progress to project delivery.</p> <p>The detailed deliverables and responsibilities across the partner organisations will be captured within the required project Business Justification Cases and Full Business Case. Items that are out of scope are those not defined in the Outline or Final Business Cases.</p> <p><b>Quorum, Advice &amp; Decision Making:</b></p> <p><b>Chair:</b></p> <p>Chair from Scottish Borders Council</p> <p><b>Decision Making:</b></p> <p>Final decisions on scope and content of the Programme Business Case will be agreed by members of the Working Group. The Programme Business Case will be signed off by the Borderlands Partnership Board.</p> <p><b>Frequency of Meetings:</b></p>

<p>planning, procurement, risk mitigation and monitoring of outputs by delivery partners.</p> <p>Strategic decision-making will however sit with a Programme Board when the Programme Business Case has been approved as noted at above. (The Board will be established to oversee the delivery phase of the projects and made up of key partners and those with required authority as reflected in the quorum and decision-making framework.)</p> <p>c. The Natural Capital Working Group meetings will be chaired by Scottish Borders Council as lead body.</p> <ol style="list-style-type: none"> <li>2. Agree and implement a project plan for the finalisation and submission of the Programme Business Case, including key milestones, capital, operational and maintenance costs, the specific scope of activity across the partner organisations, and finalise project specifications to ensure procurement of services to deliver project outputs is effective.</li> <li>3. Brief progress updates on project plan implementation to be provided to the Working Group via compiled highlight reports for each Working Group meeting.</li> <li>4. Review project changes, risks, mitigations and issues, and agree on appropriate courses of action to address these.</li> <li>5. To actively promote the benefits of the Natural Capital Programme by agreeing a stakeholder management approach and communications plan and any subsequent concerns or threats that such communications might identify.</li> <li>6. Approve any additional governance arrangements that are required as the project progresses (i.e., establishment of a Programme Board).</li> <li>7. Ensure financial reporting requirements/ controls are in place to take the Programme Business Case to completion.</li> </ol>	<p>Set at a monthly basis but to be reviewed as the project progresses.</p> <p>Attendance at the Working Group meeting may be either face-to-face or virtual.</p> <p>Papers to be issued 3 working days in advance using 2-page Plan, Do, Check, Act format.</p> <p><b>Minutes:</b></p> <p>Minutes and papers will be held in electronic copy</p> <p><b>Reporting:</b></p> <p>As defined by the requirements of the respective governance structures of the partner organisations, and Borderlands Inclusive Growth Deal requirements. The Working Group will produce a Highlight Report for the Programme Board on a quarterly basis. This will feed into the Partnership Board reporting as required.</p> <p>The Working Group will be responsible for managing an overall Programme risk register until the Programme Board is established.</p> <p><b>Support:</b></p> <p>The Borderlands Programme Management Office will provide technical and administrative support to the Working Group as agreed by members if the Working Group.</p> <p>When a Programme Board is established, the Working Group will act as a technical support resource. It will assist, critically support and guide focused areas of project development, test and challenge, provide subject specialisms, quality checks, and realise opportunities that contribute to achieving the overall objectives of the subject.</p>
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## Appendix H - Proposed Natural Capital Programme Board

- H.1 A Natural Capital Programme Board will be set up to provide advice and “critical friend” support to the programmes in both Scotland and England.
- H.2 The Board will include cross border representation, in anticipation of the Borderlands Natural Capital England programme. The representatives will include a range of strategic stakeholders and specialists such as academics. This will ensure that cross border learnings and connections across projects can be established from the start. The Board will meet two to four times a year to receive updates from pilots, guide evaluation work.
- H.3 Membership of the Board will be nominated from a range of organisations, including but not limited to those listed below. In addition, representatives from each of the of the constituent Councils within the Borderlands Partnership will attend the Programme Board as advisors. The Chair or nominated representative of the Natural Capital Scotland Working Group, a representative from the Natural Capital England working group and a member of the Borderlands Programme Management Office will also attend as observers.
- Scottish Government
  - UK Government
  - Borderlands Economic Forum member
  - SEPA
  - Nature Scot
  - SOSE
  - Natural England
  - Environment Agency
- H.4 Terms of Reference for the Board has been drafted and will be developed and signed off as the Programme is approved. The draft ToR is included here but note that the full membership is still to be confirmed.

### **Natural Capital Programme Board Terms of Reference - draft**

**(March 2023)**

#### **1. Introduction**

The Borderlands Inclusive Growth Deal will bring in up to £452m of investment into our area supporting businesses and communities to strengthen and grow. Setting out an ambitious approach to increase the working-age population, increase productivity and achieve inclusive growth, our deal is supported by the five local authorities: Cumberland Council, Dumfries and Galloway Council, Northumberland County Council, Scottish Borders Council), Westmorland and Furness Council, the Scottish Government and the UK Government. Covering an area that represents 10% of the UK landmass and home to over 1 million people the Borderlands are a varied area with very high quality of natural capital within a 2-hour drive of 14m people and a vibrant rural economy with tourism, heritage and agricultural assets as well as the city of Carlisle. Our Deal seeks to build on these advantages whilst also addressing the specific challenges the



Borderlands face in achieving our potential and providing a resilient place to live, work and visit. To deliver this we are focusing our investment around four key themes: Improving places; Supporting business, innovation and skills; Enabling infrastructure and Encouraging green growth

Within this approach our Natural Capital Programme represents a key component of encouraging green growth across the Borderlands, as well as contributing across all other areas of the Deal. The Programme is focused on investing in and improving the natural capital of the Borderlands using a series of pilots to build a body of evidence to lead to wider rollout of successful interventions. The Programme Board will oversee the delivery of the programme and make recommendations to the Borderlands Partnership Board for the Natural Capital Programme

## 2. Composition and Remit

### 2.1 Composition

The Programme Board will comprise of members who will include representatives of the following organisations. The final list will be confirmed following the sign off of the Natural Capital Scotland Programme OBC following consultation with the Natural Capital England Programme.

- 1 independent Chair with a knowledge of Natural Capital policy and delivery
- UK Government
- Scottish Government
- Borderlands Economic Forum representative
- SOSE
- SEPA
- Nature Scot
- Natural England
- Environment Agency
- NFU
- Others to be confirmed

In addition, representatives from each of the of the constituent Councils within the Borderlands Partnership will attend the Programme Board as advisors. The Chair or nominated representative of the Natural Capital Scotland Working Group, a representative from the Natural Capital England working group and a member of the Borderlands Programme Management Office will also attend as observers.

### 2.2 Chair

The Chair will be approved by the Borderlands Partnership Board for a period of two years following an open process. This individual will have a knowledge of Natural Capital policy and delivery but be independent from the constituent authorities of the Borderlands partnership. The Chair will not be a salaried position.

The role of the Chair will be:

- To ensure the efficient conduct of each meeting of the Programme Board
- To act as the Programme Board's spokesperson in relation to the Borderlands Inclusive Growth Deal and engage with the wider Deal governance structures,
- To look for opportunities to add value and embed Natural Capital within other work streams

- To lead and champion the work of the Borderlands Natural Capital Programme beyond the Deal and across the Natural Capital policy space

If the Chair is unable to act as chair of a meeting of the Natural Capital Programme Board or is not present within 15 minutes of the start time another member of the Programme Board will be appointed to chair that meeting by the Chair and/or the membership present in the case of an unexpected absence.

### **2.3 Role and Purpose of the Natural Capital Programme Board**

The Programme Board will oversee the delivery of the Natural Capital Programme within the Borderlands Inclusive Growth Deal. It will provide advice and “critical friend” role for the programmes on both sides of the border. A key role will be to join up the work in Scotland and England, to ensure cross border learnings are realised and opportunities for cross border working are delivered.

The Programme Board will be responsible for making recommendations to the Borderlands Partnership Board on all matters that require a decision, such as change control requests and pilot project future roll out plans.

The Programme Board will review and advise on the development of the pilot project business cases and their implementation. It will work closely with the officer led working groups established for the Natural Capital in both the Scotland and England areas of the Borderlands region. It will provide a link into policy experts across both governments and other private and public sector organisations. The Board will take a significant lead in overseeing the evaluation of the pilots collectively with ownership of the Benefits Realisation Plan. This will ensure that the pilot project outputs and outcomes are seen as a complete set of results to inform further project development and expansion. The Programme Board will receive reports on the performance of the programme overall and individual projects to ensure delivery remains on track, risks are identified, and suitable responses put in place and will be able to invite in projects to discuss progress and opportunities from their work projects.

### **2.4 Delegation and Decisions making**

The Programme Board will receive reports on any proposed variation to projects in the Programme. Where the variation is within the scope of the original proposal it will be reported to the Programme Board for information. Where there is substantive change the Programme Board will consider this and make recommendations to the Borderlands Partnership Board as to the acceptance of those changes. This will be in line with the agreed Borderlands change control process.

All matters that require a decision will be considered by the Programme Board with recommendations made to the Borderlands Partnership Board for decision in line with the Borderlands Inclusive Growth Deal Collaboration Agreement.

All recommendations will aim to achieve unanimity of opinion however where this is not possible a vote will be taken with each member having one vote. Where an attendee has joined by electronic means this will be considered present and include an entitlement to vote. Where considered necessary a recommendation can be agreed by written procedure.

Subject to approval by the Borderlands Partnership Board decisions will be made public through the Borderlands Partnership website.

## **2.5 Duty to act in best interest of the Borderlands Inclusive Growth Deal**

In carrying out their functions in relation to the Programme Board, members will act in a way which best promotes the overall success of the Natural Capital Programme and the Borderlands Inclusive Growth Deal.

## **3 Rules of Procedure**

### **3.1 Quorum**

All members should undertake best endeavours to be present at all meetings, with electronic and telephone attendance considered fully present. To enable recommendations to be made at least two-thirds of members will be required to be present.

### **3.2 Substitutes**

Each member of the Board, except the independent Chair, will nominate a substitute member. Where a member is unable to attend including by electronic means or telephone the substitute member will attend in their place. The substitute will have the relevant voting rights of the individual they are substituting for.

### **3.3 Attendance by others**

The Programme Board may, at its discretion, invite any individual to attend all or any part of any meeting of the Natural Capital Programme Board as an observer and/or to contribute information and advice to the discussion. Such individuals will not have any voting rights.

The Natural Capital Programme Board is not a public meeting, but the outcomes of decisions made by the Borderlands Partnership Board will be made public in line with national guidance through the Borderlands Partnership website.

### **3.4 Frequency of meetings**

Meeting of the Programme Board will be held 2 to 4 times a year, with the option to arrange meetings more regularly if required.

For the avoidance of doubt meetings may take place virtually where required either fully or for individual members and all members will be considered fully present. Business may be conducted by written procedure on the advisement of the chair. Where decisions are made by written procedure the decision will be recorded at the following meeting.

### **3.5 Recording of meetings**

A list of action points arising from each meeting will be circulated to all members within 2 business days of the meeting.

Minutes of the meeting will be circulated to all individuals listed to as being in attendance within 5 business days of the meeting.

Any comments on the minutes or suggestions for amendments should be notified to the PMO within 5 business days of receipt of the minutes and to all other recipients of the minutes for consideration (and, if considered appropriate, adoption) by the Programme Board at its next meeting.

### **3.6 Code of Conduct and Register of Interests**

Each member of the Programme will be required to sign up to a Code of Conduct as determined by the Borderlands Inclusive Growth Deal Partnership Board.

Each member of the Natural Capital Programme Board will be required to provide a register of interests which will be available to the public as required.

### **3.7 Support to Meetings**

The Programme Management Office for the Borderlands Inclusive Growth Deal will provide the secretariat support to the Natural Capital Programme Board.

# Appendix I - Monitoring and Evaluation framework and benefits realisation

- I.1 A draft Monitoring and Evaluation framework has been developed for the Programme. It will be further developed and finalised as the project business cases are developed and agreed. It is attached separately.

# HATCH



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## **INTEGRATION JOINT BOARD DIRECTIONS: JULY 2023**

**Report by Joint Director, Health and Social Care /  
Chief Officer, Integration Joint Board**

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**Scottish Borders Council**

**31 August 2023**

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### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides an update to the Scottish Borders Council on the Directions issued to the Scottish Borders Council from the Health and Social Care Integration Joint Board in their July 2023 meeting.
- 1.2 The Direction issued by the Integration Joint Board in July 2023 relates to Surge planning for unscheduled care.

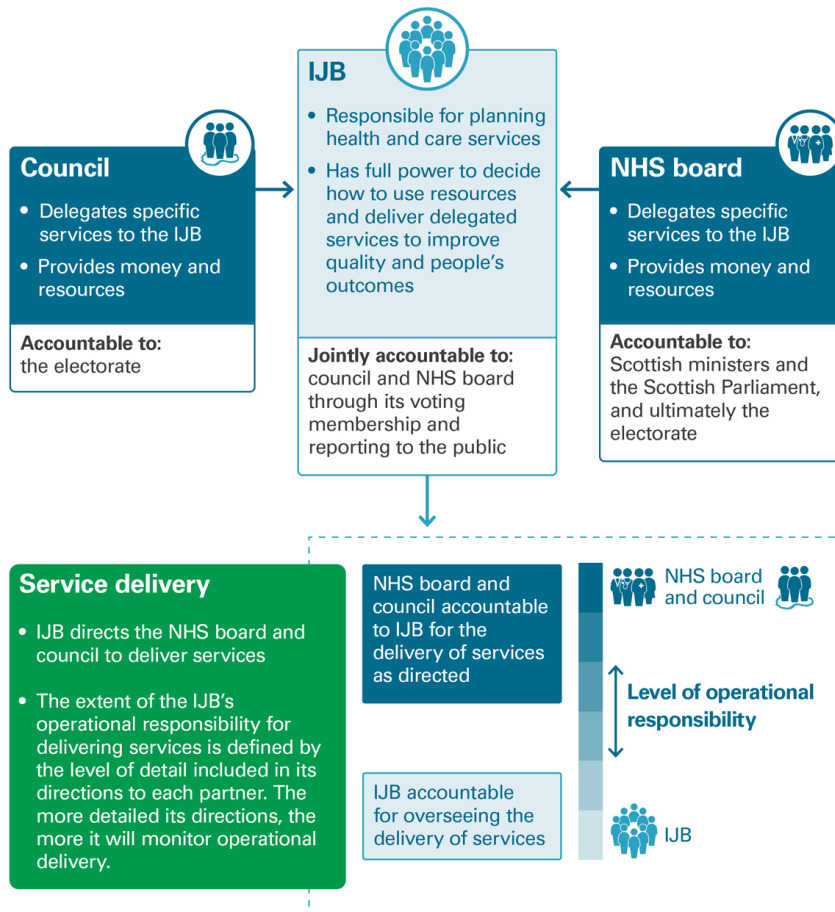
### **2 RECOMMENDATIONS**

2.1 **I recommend that the Council:-**

- (a) **Notes the Direction issued by the Health and Social Care Integration Joint Board to the Scottish Borders Council**

### 3 BACKGROUND

3.1 The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) outlines the arrangements for delegating services and resources from Local Authorities and Health Boards to Integration Joint Boards. These arrangements are summarised at a high level in the Audit Scotland diagram below.



Source: [What is integration? A short guide to the integration of health and social care services in Scotland](#), April 2018, Audit Scotland

- 3.2 Under these arrangements, the responsibility for decisions about the planning and strategic commissioning of all health and social care functions that have been delegated by the Council and the Health Board sit with the Integration Joint Board as a statutory public body.
- 3.3 The Act states that an Integration Joint Board must direct their partner authorities to carry out each function delegated to the Integration Joint Board.
- 3.4 Directions are a legal mechanism intended to clarify responsibilities requirements between partners. The primary purpose of Directions are to set a clear framework for the resourcing and operational delivery of the functions that have been delegated to the Integration Joint Board and to clearly convey the decision(s) made by the Integration Joint Board about any given function(s).



- 3.5 Within our local context, the “Integration Joint Board Directions Policy and Procedure” ensures that all Directions that affect the Scottish Borders Council are developed in partnership between the Integration Joint Board and Scottish Borders Council, so that when they are issued, these are supported and understood.
- 3.6 This update is included to ensure that Integration Joint Board directions issued to the Scottish Borders Council are shared with all Elected Members at Full Council so as to ensure that Elected Members are fully sighted, and as a matter of record.

#### **4 DIRECTIONS ISSUED FOLLOWING IJB MEETING IN JUNE 2023**

- 4.1 The ‘Surge Planning’ Direction is enclosed in Appendix 1.
- 4.2. This Direction relates to an ask from the Integration Joint Board jointly to the Scottish Borders Council and NHS Borders to commence the surge planning process for Winter, including pre-emptive closure of surge capacity in NHS Borders to support winter surge, and to develop and implement the following policies:
- Single assessment – to move to a policy where relevant health and social care professionals are able to undertake a social work assessment that is accepted and not then repeated
  - Home to assess – to move to a policy of discharging people home or to a homely setting to allow them to recover and support their re-enablement prior to assessing their needs
  - Strengthened engagement with the third sector – to ensure that we are maximising the opportunities in close working with the third sector relating to urgent and unscheduled care
  - Communications – promoting community supports (including but not exclusively local primary care services (Right Care, Right Time, Right Place), social prescribing, Self Care, What Matters Hubs, Self Directed Support, Carers Supports)
- 4.3 In addition, the Direction recognises that surge planning now needs to occur throughout the year rather than just in Winter.
- 4.4 This follows escalation of the need to commence surge planning early by the Health and Social Care Partnership Joint Executive to the Integration Joint Board. The Joint Executive comprise members of the Council Management Team and NHS Borders Executive Team.
- 4.5. Following the Direction, a surge planning workshop was held on the 31<sup>st</sup> July 2023 between Scottish Borders Council and NHS Borders Officers to consider the modelling for winter / surge, and plan appropriate mitigations in line with the work underway by the HSCP Urgent and Unscheduled Care Programme Board and the additional funded social care capacity for older adults that was agreed as part of the Council and Integration Joint Board budget setting processes. The plans are now being further developed by Officers with a view to confirming the surge plan shortly.

- 4.6. A further update on progress against this Direction will be brought to the Integration Joint Board, to the Council and to the NHS Borders Board relating to the Winter / surge planning process for Health and Adult Social Care / Adult Social Work.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no costs attached to any of the recommendations contained in this report.

### **5.2 Risk and Mitigations**

The purpose of the Direction was to appropriately reduce risk relating to the increased pressure faced across the Health and Social Care system during periods of surge, such as Winter. The update paper to Council following confirmation of the surge plan will outline the approach that will be undertaken to reduce these risks.

### **5.3 Integrated Impact Assessment**

- (a) An Integrated Impact Assessment will be undertaken for the work of the Urgent and Unscheduled Care Programme.

### **5.4 Sustainable Development Goals**

The Integration Joint Board works to achieve the following Sustainable Development Goals:

- Goal 3: Ensure healthy lives and promote well-being for all at all ages
- Goal 5: Achieve gender equality and empower all women and girls
- Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all
- Goal 10: Reduce inequality within and among countries
- Goal 16: Promote just, peaceful and inclusive societies
- Goal 17: Revitalise the global partnership for sustainable development

### **5.5 Climate Change**

There are no related climate impacts associated with this report.

### **5.6 Rural Proofing**

n/a

### **5.7 Data Protection Impact Statement**

- There are no personal data implications arising from the proposals contained in this report.

### **5.8 Changes to Scheme of Administration or Scheme of Delegation**

No changes to the Scheme of Administration or Scheme of Delegation are required.

## **6 CONSULTATION**

- 6.1 The Chief Executive, Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the

Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted.

**Approved by**

**Name**        **Chris Myers**        **Title** **Joint Director, Health and Social Care**

**Author(s)**

Name	Designation and Contact Number
Chris Myers	Joint Director, Health and Social Care / Chief Officer Integration Joint Board

**Background Papers:**

Scottish Borders Health and Social Care Integration Joint Board 19 July 2023 Surge planning paper. Available from:

<https://scottishborders.moderngov.co.uk/documents/s76296/Item%205.2%20-%20Surge%20Planning.pdf>

Scottish Borders Health and Social Care Integration Joint Board Directions Policy and Procedure. Available from 12 December 2021 papers (page 21):

<https://scottishborders.moderngov.co.uk/documents/s61363/IJB%2015.12.21%20Agenda%20pack.pdf#page=21>

Directions from integration authorities to health boards and local authorities: statutory guidance. Available from: <https://www.gov.scot/publications/statutory-guidance-directions-integration-authorities-health-boards-local-authorities/>

**Previous Minute Reference:** n/a

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below.

Contact us at Chris Myers [chris.myers@scotborders.gov.uk](mailto:chris.myers@scotborders.gov.uk)

**Appendix 1 –  
Surge Planning Direction**

**DIRECTION FROM THE SCOTTISH BORDERS INTEGRATION JOINT BOARD**  
 Direction issued under S26-28 of the Public Bodies (Joint Working) (Scotland) Act 2014

<b>Reference number</b>	SBIJB-190723-2
<b>Direction title</b>	Surge Planning
<b>Direction to</b>	Scottish Borders Council and NHS Borders
<b>IJB Approval date</b>	Direction approved at IJB on 19 July 2023
<b>Does this Direction supersede, revise or revoke a previous Direction?</b>	No
<b>Services/functions covered by this Direction</b>	Unscheduled care delegated and set aside services
<b>Full text of the Direction</b>	<p>To commence the surge planning process for Winter, including pre-emptive closure of surge capacity to support winter surge, and to develop and implement the following policies:</p> <ul style="list-style-type: none"> <li>- Single assessment and Home to Assess;</li> <li>- Strengthened engagement with the third sector in unscheduled care, and</li> <li>- Communications which promote community supports</li> </ul> <p>It is expected that an Integrated Impact Assessment is developed and acted upon as part of the planning process, and that this is reported from the Urgent and Unscheduled Care Programme Board routinely to the HSCP Joint Executive, and to the IJB by escalation/exception.</p>
<b>Timeframes</b>	<p>To start by: With immediate effect</p> <p>To conclude by: December 2023</p>
<b>Links to relevant SBIJB report(s)</b>	July IJB papers: <a href="https://scottishborders.moderngov.co.uk/ieListDocuments.aspx?CId=218&amp;MIId=6536&amp;Ver=4">https://scottishborders.moderngov.co.uk/ieListDocuments.aspx?CId=218&amp;MIId=6536&amp;Ver=4</a>
<b>Budget / finances allocated to carry out the detail</b>	<p>It is expected that in the first instance the Health and Social Care Partnership work to deliver better value from the existing resource that has been invested, including if there is potential for better value to be delivered through redeployment of existing resource, including the transfer of resource between the Delegated Budget and the Set Aside budget for directed hospital services.</p> <p>There are no costs envisaged attached to this direction, however it is recognised that there is a chance that investment may be required. Any requirement for major investment will need to be escalated to the IJB for decision.</p>
<b>Outcomes / Performance Measures</b>	<p>It is expected that the proposal will impact positively on all nine National Health and Wellbeing Outcomes.</p> <p>In addition, the surge plan should help reduce admissions to hospital, length of stay and deconditioning in hospital settings, and promote independence for those people who need care out with the hospital setting. In turn, it is also expected that this will reduce the need and</p>

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	demand for social care from the hospital system, and the number of delayed discharges.
<b>Date Direction will be reviewed</b>	Progress to be reported to the Integration Joint Board in November 2023, and by exception / escalation by the HSCP Joint Executive

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## **TACKLING THE BARRIERS EXPERIENCED BY CARE EXPERIENCED PEOPLE IN SCOTTISH BORDERS**

**Report by Stuart Easingwood, Director Social Work and Practice (CSWO)**

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**Scottish Borders Council**

**31<sup>st</sup> August 2023**

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### **1 PURPOSE AND SUMMARY**

- 1.1 In November 2022 Councillors Anderson and Ramage brought forward a motion in support of making care experience a protected characteristic for Scottish Borders Council. A decision was taken to amend the motion so that no further action was taken until a report was presented by the Director of Social Work and Practice on the barriers faced by Care Experienced People and how the Council can address that.**
- 1.2 This report explores the work that is currently being undertaken to tackle the barriers experienced by care experienced people (Care experienced people is used to describe anyone who is currently, or has been, in the care system. For example, kinship care, looked after at home, foster care, residential care, secure homes, and adoption) and further action the Council could take overcome these.**

### **2 RECOMMENDATIONS**

- 2.1 I recommend that in recognition of the Council's commitment to the Promise and our responsibility as corporate parents to take positive action to improve the lives of care experienced children and create communities where all children have the right to grow up loved, safe and respected:**
  - (a) That Scottish Borders Council voluntarily ensure that Care Experience is considered in strategic decision making by amending our Integrated Impact Assessment process to include Care Experienced individuals.**
  - (b) As part of the work the Children and Young People's Planning Partnership (CYPPP) is doing to deliver The**

**Promise and ensure Corporate Parenting responsibilities are met, we will engage with care experienced individuals to ascertain their views on Care Experience being a recognised protected characteristic under the Equality Act (2010).**



### 3 BACKGROUND

3.1 **Part 9 of the Children and Young People (Scotland) Act 2014** introduced legislation focusing on the duties and responsibilities of Corporate Parents. The Statutory Guidance that was published after the implementation of Part 9 of the Act in April 2016 outlines the requirements that Corporate Parents are to adhere to.

3.2 Part 9 has also listed Corporate Parents (Appendix 1), highlighting the collaboration and partnership requirements that need to be put in place to meet the needs of this vulnerable group. All employees at Scottish Borders Council are classed as corporate parents within the legislation.

3.3 **The Corporate Parenting Duties are:-**

(a) be alert to matters which, or which might, adversely affect the wellbeing of children and young people to whom Part 9 applies, (Care Experienced)

(b) assess the needs of those children and young people for services and support it provides,

(c) promote the interests of those children and young people,

(d) seek to provide those children and young people with opportunities to participate in activities designed to promote their wellbeing,

(e) to take such action as it considers appropriate to help those children and young people—

(i) to access opportunities it provides in pursuance of paragraph (d),

(ii) to make use of services, and access support, which it provides, and

(f) to take such other action as it considers appropriate for the purposes of improving the way in which it exercises its functions in relation to those children and young people.

3.4 **Equality Act 2010-** Under the Equality Act 2010 it is unlawful to discriminate, harass or victimise someone because they have or are perceived to have one of the characteristics protected under the Act, or if they are associated with someone who has a protected characteristic.

3.5 This means for someone to be protected from discrimination and harassment under the Act, they must share one of the nine protected characteristics. The characteristic of care experience is not protected under the Act at this time.

3.6 These characteristics are:-

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief

- sex
- sexual orientation

- 3.7 **The Promise** -Three years ago the national Independent Care Review heard that Scotland needed to change how it cares for children, young people and their families, and concluded the care system required a radical overhaul.
- 3.8 “The Promise” was subsequently developed consisting of 80 changes to support a whole system redesign. Since then, the National Promise Team have published a National Plan for 2021-2024 and the Promise ‘Change One Programme’, highlighting their expectations around what should be accomplished by 2024.
- 3.9 Scotland’s care system has the potential to set up children and young people for life. When we get it right, everyone with care experience can thrive throughout their lives: they can do well in school, have good mental health, and succeed at work. We need to keep the Promise so that all Scotland’s children and young people can flourish.
- 3.10 The Promise and Plan 21- 24 recommendations did not include a recommendation of making care experience a protected characteristic, as the feedback from care experienced children, young people and their families on this issue was inconclusive at that time. However, since November 2022, 3 local authorities in Scotland have introduced care experience as a protected characteristic. (Edinburgh City, Falkirk and North Ayrshire.)
- 3.11 The Scottish Borders has welcomed The Promise. Work undertaken to date includes:
- recruiting a Promise Implementation Officer and a Promise Project Worker to support this work across the Scottish Borders;
  - a restructure of our multi-agency Children’s Strategic Planning Partnership to ensure that the Promise is our umbrella policy driver for children and young people’s services and that strategic corporate parenting becomes a core responsibility for the new Children and Young People’s Planning Partnership (CYPPP) Board;
  - developing a Champions Board approach to ensure the voices of care experienced children and young people are at the heart of decision making in Scottish Borders;
  - creating a ‘Scottish Borders Reframing Our Language’ guide based on recommendations from care experienced young people across Scotland and foster carers from our Scottish Borders Service Development Group;
  - our fostering conference 2023 which centred on the Promise with a keynote from colleagues at the Promise Scotland;
  - raising awareness of the Promise through teams and face to face workshops;
  - development of a corporate parenting e-learning module by a range of local corporate parents in partnership with Who Cares? Scotland;

- progressing with plans to develop an independent advocacy service for children and young people (in line with the Joint Inspection recommendations from earlier this year and 2016)
  
- 3.12 We are committed to improving outcomes for children, young people and families in Scottish Borders and recognise that when we meet their needs, our communities thrive. Whilst some progress has been made in the first two years, there are many areas we will continue to develop, evolve and improve in the years to come.
  
- 3.13 **The Independent Care Review in England-** In a national context, The Independent Review of Children’s Care in England (May 2022) commented:
  
- 3.14 *‘Hearing testimony from care experienced people sharing the discrimination they have experienced, even from a very young age, it is clear that such discrimination can be similar in nature to other groups that have a legally protected characteristic under the Equality Act (2010). So while there may be ways that society can help reduce stigma and discrimination, including creating greater public consciousness on these issues, just as with other areas of equality, there is a case to go further.*
  
- 3.15 *Making care experience a protected characteristic would provide greater authority to employers, businesses, public services and policy makers to put in place policies and programmes which promote better outcomes for care experienced people’.*
  
- 3.16 **Stigma and Discrimination-** The evidence around the impact of stigma and discrimination on care experienced children, young people and families was reviewed as part of the Scottish Independent Care Review. Stigma is a complex phenomenon. The impacts of stigma are wide ranging and vary greatly from one individual to another. The Care Review discussed the following:
  - **stigmatising language and terminology:** children and young people reported the overuse of acronyms or too much jargon by professionals involved in their care, which they found difficult to understand and did not like.
  - **Lack of respect for children’s privacy:** children and young people were concerned that they were not always able to control who knew intimate details about their lives
  - **Unfair or different treatment:** children and young people sometimes felt they were not allowed to do similar things to their peers. They said there were ‘too many rules’ and sanctions and those supporting them did not have enough discretion about how the rules should be applied, e.g. delays in permissions for school trips/haircuts/sleepovers; needed a police check before visiting friends’ houses; waiting for health and safety checks before taking part in activities
  - **Actions that unnecessarily identify children as ‘looked after’:** this includes things such as holding meetings associated with being in care during school time which could result in them being taken out of

lessons, workers wearing ID badges when out in the community with children and young people

- **Stigmatising experiences at school:** teasing, bullying or rejection by other children for being in care, being worried that school staff did not always hold high aspirations for them, being subject to discrimination from adults, including teachers and other professionals
- **Views of the general public on the 'care system' and children in care**
- **Representations in the media:** our media often churns out stereotypes of care experienced children and young people as 'lost causes' and 'problem children.' This affects our attitudes and behaviours, often in ways we don't even realise. This stigma and discrimination affect people with care experience in all areas of their life.

3.17 It's time to change the story, and the recommendations in the Promise seek to address this. Children in Scotland may become involved in the care system when their parents have trouble navigating the challenges of their lives. Just like stormy weather can make it hard to stay on an even keel, things like poverty, social exclusion, poor housing, and chronic unemployment can make it difficult for parents to stay afloat and provide children with the best care and support.

## 4 ASSESSMENT

- 4.1 Who Cares? Scotland and the Equality and Human Rights Commission outlined in their report in 2018, that the statutory guidance on corporate parenting makes it clear that this duty includes taking action to tackle discrimination faced by care experienced children and young people. This means that discrimination based on care identity has been recognised at a statutory level in Scotland, and corporate parents have a duty to tackle that discrimination.
- 4.2 The Council uses an Integrated Impact Assessment (IIA) to meet the requirements of the Equality Act 2010, Human and Children's Rights conventions, Fairer Scotland Duty 2018 and the Climate Change (Scotland) Act 2009.
- 4.3 The IIA is an integral part of the Council's decision-making process, enabling it to identify and address any unintended consequences of its decisions. The scope of potential impacts include: equalities and diversity, human rights, the environment and the economy.
- 4.4 Alongside our multi-agency work to keep the Promise outlined above, Scottish Borders Council could further tackle the discrimination faced by care experienced children, young people, and adults by voluntarily amending the content of the Fairer Scotland Duty contained in our Integrated Impact Assessments to include Care Experienced individuals.
- 4.5 Although this amendment would only apply to our own organisation, this would nonetheless ensure that, internally at least, any strategic decision making made by the Council involves consideration of children, young

people and adults with care experience. It would also require that awareness about the discrimination faced by care experienced children, young people and adults is raised and addressed.

- 4.6 As well as helping us to meet our duties as a corporate parent, there are further potential benefits for the Council. For example, corporate parenting work and equality and diversity work overlap in several different ways. Including care experience in our Integrated Impact Assessment would allow these two workstreams to be more closely aligned and provide clarity on how the two areas should interact. In addition, the responsibility to support care experienced individuals would become an intrinsic part of Scottish Borders Council's culture and strategic decision-making process. It would no longer be relegated to certain teams but would become a responsibility permeating all levels of our organisation.
- 4.7 It should be noted here that this initial report has been compiled without any involvement of care experienced children, young people or adults from within Scottish Borders. We need to ensure that any action we take does not make a child, young person or adult feel that their 'care identity' is overly visible within the community. We must also be mindful and sensitive about how any actions we take could (even inadvertently) reinforce the stigma associated with care experience, and therefore involvement of individuals from our local care experienced communities in the next stage of this work will be crucial.
- 4.8 All children and young people need the same things to thrive: a stable home, strong support and steady, loving relationships. Incorporating 'care experience' into our integrated impact assessment could be a further way in which we keep the Promise and ensure we are providing these things for each and every child, young person and care experienced adult in Scottish Borders.

## **5 IMPLICATIONS**

### **5.1 Financial**

- (a) There are no costs attached to any of the recommendations contained in this report.

### **5.2 Risk and Mitigations**

The Promise has 'voice' at the heart of its recommendations:

*'active listening and engagement must be fundamental to the way Scotland makes decisions and supports children and families...'*  
(p13)

If we do not engage with care experienced individuals in Scottish Borders, we will not be keeping them at the heart of our decision making around this important issue.

### 5.3 Integrated Impact Assessment

An integrated impact assessment will be undertaken on the further report submitted following engagement with Care Experienced individuals.

### 5.4 Sustainable Development Goals

<b>UN SD Goal</b>	<b>Impact</b>
End poverty in all its forms	N/A
End hunger, achieve food security and improved nutrition and promote sustainable agriculture	N/A
Ensure healthy lives and promote wellbeing for all at all ages	N/A
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	N/A
Ensure access to affordable, reliable, sustainable, and modern energy for all	N/A
Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	N/A
Reduce inequalities within and among countries	N/A
Make cities and human settlements inclusive, safe resilient and sustainable	N/A

### 5.5 Climate Change

There is no impact on climate change as a result of endorsing the publication of this report.

### 5.6 Rural Proofing

There are no rural proofing implications contained in this report.

### 5.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

### 5.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes required to either the Scheme of Administration or the Scheme of Delegation as a result of publishing the Champions Board report.

## 6 CONSULTATION

6. We consulted with:

- all members of the Corporate Management Team

## Approved by

**Name: Stuart Easingwood**

**Title:** Director of Social Work and Practice (CSWO)

### Author(s)

Name	Stuart Easingwood, Director of Social Work and Practice (CSWO)
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#### • Background Papers:

- Galloway, T. *Care Experience as a Protected Characteristic*. Care Leaver Offer. Available from: [Care Experience as a Protected Characteristic \(careleaveroffer.co.uk\)](http://careleaveroffer.co.uk) [17<sup>th</sup> August 2023]
- Independent Care Review (2020a) *Evidence Framework*. Glasgow: Independent Care Review. Available from: [https://www.carereview.scot/wp-content/uploads/2020/07/ICR\\_Evidence\\_Framework\\_v2-1.pdf](https://www.carereview.scot/wp-content/uploads/2020/07/ICR_Evidence_Framework_v2-1.pdf) [17<sup>th</sup> August 2023]
- Independent Care Review (2020b) *The Promise*. Glasgow: Independent Care Review. Available from: <https://www.carereview.scot/wp-content/uploads/2020/02/The-Promise.pdf> [17<sup>th</sup> August 2023]
- Who Cares? Scotland and The Equality and Human Rights Commission (2018) *Care Experience and Protected Characteristics*. Glasgow: Who Cares? Scotland. Available from: [https://www.celcis.org/application/files/2015/1879/0916/WCS\\_and\\_EHRC\\_2018\\_Care\\_Experience\\_and\\_Protected\\_Characteristics.pdf](https://www.celcis.org/application/files/2015/1879/0916/WCS_and_EHRC_2018_Care_Experience_and_Protected_Characteristics.pdf) [17<sup>th</sup> August 2023]


**Previous Minute Reference:** 24<sup>th</sup> November 2022, Item 14.

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 <b>Scottish Borders COUNCIL</b>	
<b>LICENSING OF SHORT TERM LETS</b>	
<b>Report by Director of Corporate Governance</b>	
<b>SCOTTISH BORDERS COUNCIL</b>	
<b>31 August 2023</b>	

**1. PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to advise Members of the outcome of the review of the Short Term Lets Licensing Policy which Council agreed at its meeting on 24 November 2022.**
- 1.2 That Members consider the proposed amendments to the policy as highlighted in blue on the as detailed at Appendix 1.**

**2. RECOMMENDATION**

- 2.1 It is recommended that Council**
  - (a) note the reasons for the proposed amendments and thereafter approve the amendments to the policy as detailed at Appendix 1.**
  - (b) thereafter instruct the Director of Corporate Governance to adopt the amended policy with immediate effect.**

### **3. BACKGROUND**

- 3.1 On 19 January 2022, the Civic Government (Scotland) Act 1982 (Licensing of Short Term Lets) Order 2022 ("the Order") was approved by the Scottish Parliament. The Order came into force on 1 March 2022 and inserts new legislative provisions into the Civic Government (Scotland) Act 1982 ("the Act")
- 3.2 The Order introduces a new mandatory licensing system for short term lets which local authorities are required to establish by 1 October 2022.
- 3.3 Prior to the introduction of the legislation, there was no requirement to licence short term lets and, therefore, local authorities did not have the ability to regulate these types of premises.
- 3.4 The licensing scheme was brought in by the Scottish Government with the aim to ensure that short term lets are safe, address issues faced by neighbours, to facilitate local authorities in knowing and understanding what is happening in their area and handling complaints effectively. It also enables local authorities to ensure the people providing short term lets are suitable. The legislation aims to make sure that the economic tourism and benefits from short term lets are balanced with the needs of the local communities.
- 3.5 At the meeting on 24 November 2022 Council approved the existing policy which has been effective from that date.
- 3.6 Following the implementation of the legislation and the Council's policy, the Scottish Government amended the timescale for existing short term let hosts and operators to submit an application for a licence by 6 months from 1 April 2023 to 30 September 2023. In addition, the deadline by which all short term let hosts and operators must be licensed was extended to 1 January 2025. The proposed amendments to clause 2.2, 2.3 and 12.1.2 of the policy as detailed at Appendix 1 reflect these changes.
- 3.7 On 23 March 2023, Shona Robison, MSP, Cabinet Secretary for Social Justice, Housing and Local Government wrote to all Local Authorities regarding the provision of Temporary Exemptions from the licensing provisions under the Short Term Lets Licensing legislation. In her letter, the Cabinet Secretary encouraged Local Authorities to accept Temporary Exemption applications, in particular for home exchanges for circumstances such as large-scale events. The legislation allows local authorities to grant exemptions for a specific period which must not exceed 6 weeks within a 12 month period. In terms of the policy approved by Council at its meeting on 24 November 2022 it was the Council's position that it would not grant temporary exemptions under any circumstances but with the caveat that the position would be kept under review. Following a review it is appropriate that the Council amend the policy to allow temporary exemptions in specific circumstances all as outlined in the proposed amendments to clause 10 of the policy as detailed at Appendix 1.
- 3.8 Following the implementation of the Policy, Licensing Officers have received a number of queries from applicants regarding the provision of temporary

licences. The legislation provides that temporary licences can be granted for a duration of up to 6 weeks. Whilst reviewing the policy it became apparent that the opportunity to apply for a temporary licence would be beneficial in situations where short term lets are being sold as a going concern from one operator to another. As a consequence, the proposed amendments to clause 11 of the policy as detailed at Appendix 1 are recommended.

- 3.9 The Council had not previously set fees for applications for either a Temporary Exemption or a Temporary Licence. The letter received from the Cabinet Secretary outlined that the expectation was that the fee for Temporary Exemptions should be a token amount and it is therefore proposed that a fee of 50% of the full application should be charged as detailed at Clause 17.3 of the policy as detailed at Appendix 1. This is consistent with the approach adopted by most other local authorities.
- 3.10 Following the implementation of the policy, Licensing Officers have found that applicants are not understanding that planning permission may still be required even if a property lies outwith a short term let planning control area. At present, the Council has not designated any short term let control areas and the proposed amendment to clause 16.3 of the policy as detailed at Appendix 1 is recommended in order to make it clear to applicants that although a short term let licence application may be granted, the Council as planning authority may still investigate planning enforcement action if planning permission(s) for a short term let property are required.
- 3.11 As members may be aware, the short term lets licensing policy of the City of Edinburgh Council was recently challenged by a Judicial review in the Court of Session. The Court determined that there were certain parts of the City of Edinburgh Council's policy which were unlawful in a number of material respects. As a consequence, the Association of Scotland Self Caterers in conjunction with their solicitors are currently reviewing the short term lets licensing policies of all local authorities in Scotland. Following the completion of these reviews there is a possibility that the short term lets licensing policies of other local authorities, including the Council's, could similarly be challenged by way of a judicial review. In particular, the Court of Session judgement in the City of Edinburgh Judicial Review highlighted that policies which include additional conditions relating to the use of watercraft, provision of bicycles and outdoor play equipment may be in contravention of the Provision of Services Regulations 2009 and therefore subject to challenge. In order to reduce the risk of a challenge by Judicial Review it is proposed to remove the additional conditions from the Council's policy and replace it with the wording as highlighted under the heading of "Guest Safety- additional services or equipment" in the Additional Conditions section of the Council's policy as detailed at Appendix 1. This wording is consistent with that now being used by some other local authorities whose initial policies contained these additional conditions.

#### **4. NEXT STEPS**

- 4.1 The adoption of the amendments to the policy will enable officers to take the necessary steps to ensure that the Council's short term lets licensing regime is updated with immediate effect.

## **5. IMPLICATIONS**

### **5.1 Financial**

There are no costs attached to any of the recommendations contained in this report. There are no costs associated with the publication of the amended Short Term Lets Licensing Policy as this will be published online. The proposed Licensing fee structure will be reflected in the Council's fees and charges schedule and any financial implications arising therefrom will be reflected through the monitoring process for the remainder of the financial year 2023/2024 and the financial planning process for 2024/2025.

### **5.2 Risk and Mitigation**

The immediate implementation of the proposed amendments will reduce the potential risk of the Council's Short Term Lets Licensing Policy being challenged by way of a Judicial Review.

### **5.3 IIA**

It is anticipated that there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious belief arising from the proposals in this report.

### **5.4 Sustainable Development Goals**

There are no sustainable development goals arising from the proposals contained in this report.

### **5.5 Climate Change**

There are no climate change impacts from the proposals contained in this report.

### **5.6 Rural Proofing**

There are no rural proofing issues arising from the proposals contained in this report.

### **5.7 Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

### **5.8 Changes to Scheme of Administration or Scheme of Delegation**

No change to either the Scheme of Administration or the Scheme of Delegation as a result of the recommendations in this report.

## **6. CONSULTATION**

The Director of Corporate Governance, the Chief Officer Audit and Risk, Director of People, Performance and Change, the Clerk to the Council and Corporate

Communications have been consulted and any comments received have been incorporated into the final report.

**Approved by**

**Nuala McKinlay**  
**Director of Corporate Governance**

**Author(s)**

Name	Designation and Contact Number
<b>Ron Kirk</b>	<b>Managing Solicitor, Property and Licensing, Tel No. 01835 826764</b>

**Background Papers:** None

**Previous Minute Reference:** 29 September 2022 and 24 November 2022

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Contact us at, Ron Kirk, Managing Solicitor, Property & Licensing, Tel. No. 01835 826764. Email: [ron.kirk@scotborders.gov.uk](mailto:ron.kirk@scotborders.gov.uk)

**Appendix 1**

**SCOTTISH BORDERS COUNCIL CIVIC GOVERNMENT  
LICENSING COMMITTEE**

**SHORT TERM LETS LICENSING**

**POLICY STATEMENT**

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## **Foreword**

This policy statement is the first one published by Scottish Borders Council.

The purpose of the policy is to provide guidance for applicants, licence holders and members of the public on the licensing system for short-term lets.

Consultation on the draft policy statement took place during the period from 5 October 2022 to 30 October 2022.

A report providing details of the comments received from consultees was considered at the meeting of Scottish Borders Council on 24 November 2022.

This policy statement will be reviewed and revised when necessary.



## 1. Background

- 1.1. On 19th January 2022, The Civic Government (Scotland) Act 1982 (Licensing of Short-term Lets) Order 2022 (“the Order”) was approved by the Scottish Parliament. The Order came into force on 1st March 2022 and inserts new legislative provisions into the Civic Government (Scotland) Act 1982 (“the Act”).
- 1.2. The Order introduces a new mandatory licensing system for short-term lets which local authorities are required to establish by 1<sup>st</sup> October 2022.
- 1.3. Prior to the introduction of the legislation, there was no requirement to licence short-term lets and, therefore, local authorities did not have the ability to regulate these types of premises.
- 1.4. The licensing scheme was brought in by the Scottish Government with the aim to ensure short-term lets are safe, address issues faced by neighbours, to facilitate local authorities in knowing and understanding what is happening in their area, and handling complaints effectively. It also enables local authorities to ensure the people providing short-term lets are suitable. The legislation aims to make sure that the economic and tourism benefits from short-term lets are balanced with the needs and concerns of local communities.

## 2. Timescales for applying

- 2.1. After 1<sup>st</sup> October 2022, new hosts and operators will need to have a licence. This means that, if you were not using your premises to provide short-term lets before 1<sup>st</sup> October 2022, you can advertise but not take bookings or receive guests until you have obtained a licence.
- 2.2. Existing hosts or operators (those using accommodation to provide short-term lets before 1<sup>st</sup> October 2022) have until 30<sup>th</sup> September 2023 to apply for a licence. During this period you can operate without a licence (by continuing to take bookings and receive guests) unless your licence application has been determined and refused.
- 2.3. After 30<sup>th</sup> September 2023, existing hosts can only continue to operate if they have submitted an application for a licence on or before 30<sup>th</sup> September 2023 that has not yet been determined or been granted a short-term let licence.

## 3. Definitions

- 3.1. A short-term let is defined in the 2022 Order as the use of residential accommodation provided by a host in the course of business to a guest, where all the following criteria are met-
  - (a) the guest does not use the accommodation as their only or principal home,
  - (b) the short-term let is entered into for commercial consideration,
  - (c) the guest is not-
    - (i) an immediate family member of the host,

- (ii) sharing the accommodation with the host for the principal purpose of advancing the guest's education as part of an arrangement made or approved by a school, college, or further or higher educational institution, or
- (iii) an owner or part owner of the accommodation,
- (d) the accommodation is not provided for the principal purpose of facilitating the provision of work or services by the guest to the host or to another member of the host's household,
- (e) the accommodation is not excluded accommodation,
- (f) the short-term let does not constitute an excluded tenancy.

**Commercial consideration** - this includes money and a benefit in kind (such as a provision of a service or reciprocal use of accommodation).

**Guest** – this means a person who occupies accommodation under a short-term let.

**Host** – this means a person who is the owner, tenant or person otherwise in control over occupation and use of the accommodation.

**Immediate family member** – a guest is deemed to be an immediate family member of the host if they are-

- (a) your partner (spouse, civil partner or someone you live with as if you were married to them),
- (b) you or your partner's parent, grandparent, child, grandchild or sibling,
- (c) the partner of one of your parents, grandparents, children, grandchildren or sibling.

**Excluded accommodation** – this means accommodation which is, or is part of-

- (a) an aparthotel,
- (b) premises in respect of which a premises licence within the meaning of section 17 of the Licensing (Scotland) Act 2005 has effect and where the provision of accommodation is an activity listed in the operating plan as defined in section 20(4) of the 2005 Act,
- (c) a hotel which has planning permission granted for use as a hotel,
- (d) a hostel,
- (e) residential accommodation where personal care is provided to residents,
- (f) a hospital or nursing home,
- (g) a residential school, college or training centre,
- (h) secure residential accommodation (including a prison, young offenders institution, detention centre, secure training centre, custody centre, short-term holding centre, secure hospital, secure local authority accommodation, or accommodation used as military barracks),
- (i) a refuge,

- (j) student accommodation,
- (k) accommodation which otherwise requires a licence for use for hire for overnight stays,
- (l) accommodation which is provided by the guest,
- (m) accommodation which is capable, without modification, of transporting guests to another location,
- (n) a bothy, or
- (o) accommodation owned by an employer and provided to an employee in terms of a contract of employment or for the better performance of the employee's duties.

**3.2.** Please note that if you have an HMO licence for your property, you would still need a short-term let licence if it is also to be used for short-term lets. This is the case whether or not you live at the premises covered by your HMO licence.

**3.3.** Self-catering property in the grounds of a licensed hotel would be excluded.

It is recommended that people take their own independent legal advice on whether or not their accommodation would require a short-term let licence. The Licensing Authority cannot provide legal advice on whether or not a premises is excluded from requiring a short-term let licence.

**Excluded tenancy** – an excluded tenancy means a tenancy which falls within any of the following definitions:

- (a) protected tenancy (within the meaning of section 1 of the Rent (Scotland) Act 1984,
- (b) an assured tenancy (within the meaning of section 12 of the Housing (Scotland) 1988 Act),
- (c) a short assured tenancy (within the meaning of section 32 of the Housing (Scotland) Act 1988),
- (d) a tenancy of a croft (within the meaning of section 3 the Crofters (Scotland Act 1993),
- (e) a tenancy of a holding situated outwith the crofting counties (within the meaning of section 61 of the Crofters (Scotland Act 1993) to which any provisions of the Small Landholders (Scotland) Acts 1886 to 1931(8) applies,
- (f) a Scottish secure tenancy (within the meaning of section 11 of the Housing (Scotland) Act 2001),
- (g) a short Scottish secure tenancy (within the meaning of section 34 of the Housing (Scotland) Act 2001),
- (h) a 1991 Act tenancy (within the meaning of section 1(4) of the Agricultural Holdings (Scotland) Act 2003),
- (i) a limited duration tenancy (within the meaning of section 93 of the Agricultural Holdings (Scotland) Act 2003),
- (j) a modern limited duration tenancy (within the meaning of section 5A of Agricultural Holdings (Scotland) Act 2003),

- (k) a short limited duration tenancy (within the meaning of section 4 of the Agricultural Holdings (Scotland) Act 2003),
- (l) a tenancy under a lease under which agricultural land is let for the purpose of its being used only for grazing or mowing during some specified period of the year (as described in section 3 of the Agricultural Holdings (Scotland) Act 2003),
- (m) a private residential tenancy (within the meaning of section 1 of the Private Housing (Tenancies) (Scotland) Act 2016),
- (n) a student residential tenancy.

**3.4.** There are four types of licences for short-term let accommodation. Any licence granted must be for either-

- (a) Secondary letting,
- (b) Home letting,
- (c) Home sharing, or
- (d) Home letting and home sharing.

**3.5.** The different types of licences are defined as follows-

- (a) **Secondary letting** – this means a short-term let involving the letting of property where you do not normally live,
- (b) **Home letting** - this means using all or part of your home for short-term lets whilst you are absent,
- (c) **Home sharing** – this means using all or part of your own home for short-term lets whilst you are there. This includes guest houses or bed-and-breakfast accommodation within the host's principal residence.

**3.6.** A separate licence is required for each of your premises. However, a single licence may be issued in respect of unconventional accommodation where there is more than one separately bookable property on the site.

**3.7. Dwellinghouse** means for these purposes, an independent dwelling (with its own front door, kitchen and bathroom) such as a house, flat, cottage etc.

**3.8.** You do not need a separate licence for short-term lets within the same dwellinghouse. For example, if you are letting out two rooms in your home, that would be covered by one licence.

**3.9. Unconventional accommodation** – this means residential accommodation that is not defined as a dwelling house and would include residential accommodation such as glamping pods and yurts.

## 4. Application and notification

**4.1.** All applicants must complete an online short-term let licence application form. The application should either be submitted online or paper applications should ideally be emailed to [liquorandlicensing@scotborders.gov.uk](mailto:liquorandlicensing@scotborders.gov.uk) or, alternatively, posted to, The Licensing Unit, Scottish Borders Council details of which are available at **Appendix 1**.

- 4.2. Applicants must either pay the application fee as part of the online application process or if submitting a paper application form by making a payment to Scottish Borders Council by contacting [insert once finalised ].
- 4.3. Under the terms of the Act, all applicants who apply for a short-term let licence must display a notice for a period of 21 days beginning with the date on which the application was submitted to the licensing authority at or near the premises so that it can be conveniently read by the public.
- 4.4. The notice shall state that an application has been made for a licence, the main facts of the application, that objections and representations in relation to the application may be made to the licensing authority and how to make objections or representations. A template will be provided to the applicant once an application is submitted.
- 4.5. Applicants are required to certify compliance that they have displayed the site notice as soon as possible after the 21 days has expired. A template will be provided to the applicant once an application is submitted.
- 4.6. A copy of the application shall be sent to Police Scotland and the Scottish Fire and Rescue Service by the local authority. A copy will also be sent to:
  - Scottish Borders Council’s Planning Department
  - Scottish Borders Council’s Building Standards service
  - Scottish Borders Council’s Environmental Health service
- 4.7. All personal data will be processed in line with the following privacy notices:

## **5. Objections and representations**

- 5.1. The 1982 Act permits any member of the public to submit an objection or representation in relation to an application for a short-term let licence.
- 5.2. To enable Scottish Borders Council, as licensing authority (“the Council”) to entertain an objection or representation, it must be:
  - (a) in writing (email is sufficient),
  - (b) specify the grounds of the objection or the nature of the representation,
  - (c) specify the name and address of the person making it,
  - (d) be signed off by them or on their behalf,
  - (e) be received by the Council within 28 days from when the notice of application is displayed.
- 5.3. Anonymous objections or representations will not be considered. “Anonymous” includes objections or representations where the person making the objection or representation cannot be contacted using the contact information provided.
- 5.4. Late objections or representations may be considered, entirely at the Council’s discretion, if the Council is satisfied that there is sufficient reason as to why it was not made in the time required.

- 5.5.** The objection should be relevant to the statutory grounds that can be taken into consideration when refusing an application. These are set out in the 1982 Act-
- (a) the applicant or anyone else detailed in the application form is not a fit and proper person to be the holder of a licence,
  - (b) the activity would be carried out by a person other than the applicant who, if he had made the application himself, would have been refused,
  - (c) the premises is not suitable for the conduct of the activity, having regard to-
    - (i) the location, character or condition of the premises,
    - (ii) the nature and extent of the proposed activity,
    - (iii) the kind of persons likely to be in the premises,
    - (iv) the possibility of undue public nuisance, public order; or public safety,
    - (v) where there is other good reason
- 5.6.** It should detail clearly the reasons for the objection/representation and why the applicant and/or the premises are not suitable.
- 5.7.** A copy of the objection or representation will be provided to the applicant and will include your name and address. All personal data will be processed in line **with the following privacy notice:**

## **6. Determination of application**

- 6.1.** Everybody named on the application form will be subject to the fit and proper test. Every application form will require consultation with Police Scotland who will carry out background checks.
- 6.2.** Licensing authorities are responsible for determining whether you are a fit and proper person to be the holder of a licence for short-term lets. Consideration will be given to a wide range of information including relevant criminal convictions, other relevant information provided by Police Scotland, any previous disqualifications from being a private landlord, previous revocations of a HMO licence and providing false or misleading information in your application form.
- 6.3.** If there are no objections or adverse representations to a short-term let licence application, the application will be determined under delegated powers by the Clerk to the Council's Civic Government Licensing Committee and other duly authorised Licensing Officers within the Council's Licensing Unit.
- 6.4.** If an objection or adverse representation is submitted in relation to the short-term let licence application, the application will be subject to a hearing at a meeting of the Council's Civic Government Licensing Committee.
- 6.5.** The person submitting the objection or representation will be invited to attend the meeting of the Civic Government Licensing Committee and speak to their objection/representation. You will be given at least 14 days' notice of the hearing date.
- 6.6.** The applicant or their representative will also be invited to attend the meeting and given the opportunity to state why the application should be granted.

- 6.7. The Committee will be able to ask questions of both parties and, thereafter, decide whether to grant or refuse the application. The grounds for refusing an application are set out at paragraph 5.5.
- 6.8. Applications will be heard in public unless required to be taken privately on the grounds of disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973.
- 6.9 Both the applicant and the person(s) making an objection/representation can request a statement of reasons for the decision within 21 days of the date of the decision. The statement of reasons will be produced by the Clerk to the Civic Government Licensing Committee within 10 days of that request.
- 6.10. If your application for a licence is refused, you cannot reapply for a licence within one year of that decision, unless there has been a material change in your circumstances since then.

## **7. Right of appeal**

- 7.1. The applicant and the person(s) making an objection/representation have a right of appeal to the Sheriff Court.
- 7.2. However, they only have this right if they have taken every opportunity to state their case to the Committee as has been made available.
- 7.3. The Sheriff can uphold an appeal only if the sheriff considers that the licensing authority erred in law, based their determination on any incorrect material fact, acted contrary to natural justice or exercised their discretion in an unreasonable manner.
- 7.4. Any appeal must be lodged by way of a summary application with the relevant Sheriff Clerk's office within 28 days of the date of the decision appealed against.
- 7.5. Parties should seek their own independent legal advice in relation to an appeal.

## **8. Licence duration and renewal**

- 8.1. The duration of the licence applies from the date on which the licence comes into force. This will be specified on the licence together with the expiry date of the licence.
- 8.2. When an application is made to renew a licence timeously, the existing licence will continue in effect until such time as a decision is made on the renewal application.
- 8.3. A licence shall have effect-
  - for a period of 3 years from the date when it comes into force; or
  - for such shorter period as the licensing authority may decide at that time when they grant; or
  - for such longer period as the licensing authority may decide at the time when they renew a short-term let licence
- 8.4. The Scottish Government's guidance for licensing authorities on short-term lets has made it clear that licensing authorities are encouraged to renew licences for a period of 3 years, unless they have good reasons to do otherwise.

8.5. Whilst each application will be decided on its own merits, it is not anticipated that licences will be renewed for a period longer than three years

## 9. Licence conditions

9.1. The Act sets out a number of mandatory licence conditions which apply to all short-term let across Scotland. A list of these conditions can be found at **Appendix 2**.

9.2. In addition to the mandatory licence conditions which apply to all short-term lets, licensing authorities may impose additional conditions. These enable the licensing authority to respond to local challenges and concerns relative to specific types of short-term letting.

9.3. There are a number of additional conditions which will apply to all short-term let properties. There also some specific additional conditions which may only apply to certain types of short-term let properties or to properties following investigation of concerns. A list of the additional licence conditions which may apply to your short-term let licence can be found at **Appendix 3**.

## 10. Temporary exemptions

10.1. **The Council may, on application made to it, grant temporary exemptions to the requirement to hold a short term let licence in relation to a specified property or properties and during a specified period which must not exceed 6 weeks in any 12 month period.**

10.2 The Council will aim to determine temporary exemption applications from the requirement to hold a short term let licence within a two month period or less.

10.3 Due to the purposes of short term let safety requirements and to minimise the impact on communities and neighbours, the Council will only consider granting a temporary exemption in specific circumstances, for example:-

- To accommodate a large influx of visitors over a short period to support specific events such as local festivals and sports events such as the Melrose Sevens and the Jim Clark Memorial Rally.
- 

10.4 Licensing Authorities may attach conditions to an exemption. Conditions attached to a temporary exemption will include all mandatory conditions and if deemed high risk or necessary, further additional conditions may be added.

10.5 The Chief Constable and the Scottish Fire and Rescue Service will be consulted in respect of applications for temporary exemptions.

## 11. Temporary licences



- 11.1.** A licensing authority can also decide to grant temporary licences in limited circumstances. For example, to ensure that short term lets can continue as going concerns when being sold from one operator to another. . Details for the application process are set out in Section 3. Temporary licences may be granted for a duration of up to 6 weeks. A temporary licence cannot be renewed. However, if a host or operator applies for a full licence during the period of a temporary licence, the temporary licence duration will extend until their full licence application is determined.
- 11.2. A temporary licence number will be issued and conditions attached to the licence must be complied with. .**
- 11.3. The Council must consult with the Chief Constable and the Scottish Fire and Rescue Service in respect of an application for a temporary licence.**
- 11.4** The Council will aim to determine temporary licence applications within a two month period or less.

## **12. Compliance and enforcement**

### **12.1. Unlicensed short-term lets**

**12.1.1.** It is a criminal offence to carry on an activity for which a licence is required without having a licence and without reasonable excuse.

**12.1.2.** The Scottish Government has set out the following timescales for hosts and operators. Please note the rules are different depending on whether you are a new host/operator or an existing host/operator-

#### New hosts/operators

- From 1<sup>st</sup> October 2022 you **cannot** accept bookings until you have obtained a short-term let licence.
- From 1<sup>st</sup> October 2022, you **cannot** operate while your short-term let application is being determined.

#### Existing hosts/operators

- Existing hosts/operators must apply for a short-term let licence by 30<sup>th</sup> September 2023, at the latest.
- If you have been trading on or before 30<sup>th</sup> September 2023, you may continue to accept bookings after 1<sup>st</sup> October 2023 but only if you have made a licence application by 30<sup>th</sup> September 2023.
- You can continue to operate for the time it takes for your licence application to be finally determined.
- A provisional licence number will be provided once the application is duly made and the licence application has been validated.

- It will be an offence to offer short-term let accommodation after 1st January 2025 unless you hold a licence.

**12.1.3.** The Council will maintain a public register of short-term let licence applications and licences granted. This will allow members of the public to check the licensing status of a premises being used as a short-term let.

**12.1.4.** Complaints about suspected unlicensed hosts/operators should be directed to the Council's Licensing Unit details of which are available at Appendix 1. .

## **12.2. Licensed short-term lets<sup>3</sup>**

**12.2.1.** Hosts and operators must ensure that any advert or listing placed on or after they are granted a licence, or a provisional licence number, includes their licence number.

**12.2.2.** Hosts and operators must ensure that they comply with all the mandatory and any additional conditions on their licence. It is a criminal offence to fail to comply with a licence condition if a licence holder has not used all due diligence to prevent the offence.

**12.2.3.** It is also a criminal offence for a licence holder, without reasonable cause, to fail to notify the licensing authority of a material change of circumstances.

**12.2.4.** The Council may undertake premises site visits as part of the application process and throughout the duration of the licence to ensure compliance with licence conditions.

## **12.3. Complaints about licensed short-term lets**

**12.3.1.** In the first instance, guests should raise any concerns about their short-term let with their host/operator or letting agent/platform. If the issue is sufficiently severe, then the Council may become involved.

**12.3.2.** A complaint must be relevant to the matters that the Council can take into consideration. Frivolous or vexatious complaints will not be considered.

**12.3.3.** The Council can consider matters relating to the suitability of the licence holder, threats to public safety or public order or whether a condition of the licence has been contravened.

**12.3.4.** These issues would include a host/operator exceeding the number of people staying at the premises, serious disturbance or antisocial behaviour or concerns about the maintenance and safety of the premises. These complaints can be directed to the Council's Licensing unit details of which are available at Appendix 1.

**12.3.5.** Please note that the Council cannot consider complaints in relation to the quality of a guest's stay or specific contractual matters between the guest and the host/operator as this is outside the scope of the licensing scheme.

**12.3.6.** Complaints will aim to be acknowledged within 5 working days. A full response advising you of the outcome may take some time if the

complaint requires further investigation. The complaint may also need to be directed to other departments within the Council or other services such as Police Scotland or Scottish Fire and Rescue Service for input. Complainants will be kept up to date with progress if there is a delay in a full response being provided.

- 12.3.7. Premises site visits may be undertaken by the Council as part of an investigation into a complaint.

## **12.4. Enforcement**

- 12.4.1. It is possible that some complaints may require enforcement action from the Council.
- 12.4.2. The Act provides for several options for enforcement action if justified. This includes additional licence conditions being attached, enforcement notices or variation, suspension or revocation of the licence or in more serious circumstance pursuing a prosecution.
- 12.4.3. The Council recognises the importance of having compliance issues monitored in order to ensure licensed Short-term lets are complying with licence standards and not causing an unnecessary nuisance to the community, nearby residents or neighbours. As such it will carry out a risk-based approach to enforcement, using a range of escalating informal measures, prior to an Enforcement Notice being issued and subsequently a complaint being made to the Committee in relation to the STL licence.
- 12.4.4. An enforcement notice will set out the matters constituting a breach or likely breach, the action required to rectify or prevent the breach and the date by which the action must be taken.
- 12.4.5. If the matter is not addressed satisfactorily by the licence holder, the Council may then consider a variation, suspension or revocation of the licence.
- 12.4.6. You will not be charged a fee for a routine visit. However, you will be charged if a follow up visit is necessary because you have breached one of your licence conditions

## **13. Variation of a licence**

- 13.1. A licensing authority may, at any time, whether or not upon an application made to them by the holder of the licence, vary the terms on any grounds they think fit.
- 13.2. A variation application cannot, however, be used to substitute a new holder of the licence for the existing one i.e. effectively to transfer a licence.

## **14. Suspension or revocation of a licence**

- 14.1. A licensing authority may, whether upon a complaint made to them or not, suspend or revoke a licence.

- 14.2.** A licensing authority may order the suspension or revocation of a licence if in their opinion-
- the holder of the licence is no longer a fit and proper person to hold the licence
  - the licence holder is managing the property on behalf of someone who would have been refused the grant or renewal of the licence
  - the short-term let is causing or is likely to cause undue public nuisance or a threat to public order or public safety; or
  - a condition of the licence has been contravened
- 14.3.** The period of suspension can be the unexpired portion of the duration of the licence, or such shorter period as the licensing authority may fix. The effect of the suspension shall be that the licence shall cease to have effect during the period of suspension.

## **15. Third party accreditation**

- 15.1.** The Council will consider third party evidence, accreditation or certification from certain approved bodies provided they demonstrate compliance with the mandatory and any additional conditions of a licence.

## **16. Planning permission**

- 16.1.** There is a separate legislative process from licensing which allows the Council, as planning authority, to establish short-term let control area.
- 16.2.** The purpose of control areas is to help planning authorities manage high concentrations of secondary letting (where it affects the availability of residential housing or the character of a neighbourhood) and to restrict or prevent short-term lets in places or types of buildings where it is not appropriate.
- 16.3.** Outside of a control area, it is for the planning authority to consider whether any change of use of a dwelling house is material and, therefore, requires planning permission. This is determined on a case by case basis. The granting of a short term let licence application does not supersede the requirement for planning permission or a certificate of lawful use if it is required. If a short term let licence holder does not have any relevant planning permission(s) which may be required in place then Scottish Borders Council as the Planning Authority have the right to open an enforcement investigation.
- 16.4.** Within a control area designated by a planning authority, such a change of use will always require planning permission. The host or operator must make an application for planning permission or already have planning permission before they apply for a licence.
- 16.5.** It is a mandatory condition of the licence that a host or operator has planning permission or has made an application for planning permission where their premises is in a designated control area, they are using it for secondary letting and it is a dwelling house.
- 16.6.** The Council does not propose to designate any Short-term Control areas meantime but this will be reviewed on a regular basis.

- 16.7. Hosts and operators must comply with both planning and licensing law.
- 16.8. A host or operator who then subsequently obtains planning permission or a certificate of lawfulness of use or development can resubmit their licensing application provided the host or operator submits the licence application within 28 days of obtaining planning permission or a certificate.
- 16.9. Before 1st April 2023, the Council, as licensing authority, cannot determine a licence application on the basis that it breaches planning control unless they have given existing hosts a chance to submit an application for planning permission or for a certificate of lawful use or development. However, the Council, as licensing authority, can determine a licensing application before this date where planning permission or a certificate of lawful use or development has already been refused.
- 16.10. The applicant has 3 months to submit a planning application. If the applicant does not do so within 3 months, the licence application can be determined for these purposes and the applicant must cease providing short-term lets.
- 16.11. Please note that planning authorities could designate control areas after a premises has already obtained a short-term let licence. Licence holders would be given a reasonable opportunity to comply with the mandatory condition by submitting a planning application as soon as possible after the control area is designated. If planning permission is refused, this may result in the licence being refused, varied or revoked as appropriate.
- 16.12. Hosts and operators are, therefore, encouraged to engage with the Council's planning department **prior** to submitting a licence application to confirm whether they require planning permission or a certificate of lawful use of development.

## 17. Fees

- 17.1. Licensing authorities are required to charge fees in respect of processing and determining, the consideration of applications, the issue of duplicate licences and other matters. They must ensure that the fees are sufficient to cover their administrative expenses and are reviewed periodically.
- 17.2. Licensing fees are non-refundable. Whether or not a licensing application is granted, the Council incurs significant costs in processing the application.
- 17.3. The Council has considered the following criteria in the process of determining the fees:
  - The size of the premises
  - The number of rooms at the premises
  - The number of guests who can reside at the premises
  - The type of short-term let

### Application and renewal – full licence

Guest capacity (people)	Home sharing and home letting	Secondary letting
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1 to 3	£275	£300
4 to 6	£305	£335
7+ Occupants	£350	£385
<b>Other types of application</b>		<b>Fee</b>
Variation of Licence/ Change in circumstances		£75
Duplicate Licence		£35
Temporary Exemptions and Temporary Licences- 50% of full application fee		

#### ENFORCEMENT COSTS

A licensing authority may charge such reasonable fees as they may determine in respect of an inspection of premises following:

- (i) a failure to comply with a licensing condition, or
- (ii) a complaint relating to the premises (unless the complaint is frivolous or vexatious)

The decision to make such a charge will be taken in a proportionate in line with the Enforcement Policy for Environmental Health. Where such a charge is to be made, the Council will seek full cost recovery for such inspections based on the productive hourly rate for the grade of officer undertaking the inspection.

**\*\*Where a fee is charged for such a visit, a report must be provided to the host or operator within 28 days of the inspection. Otherwise, the fee must be refunded to the licence holder\*\*\***

## **Appendix 1 – Contact details**

Licensing Unit, Scottish Borders Council, Council Headquarters, Newtown St.Boswells, TD6 0SA

Telephone – 01835 826662

Email –[liquorandlicensing@scotborders.gov.uk](mailto:liquorandlicensing@scotborders.gov.uk)

## **Appendix 2 – Mandatory licence conditions**

### **Agents**

1. Only those named as a holder of the licence can carry out the day to day management of the short-term let of the premises.

### **Type of licence**

2. The holder of the licence may only offer the type of short-term let for which the licence has been granted.

### **Fire safety**

3. The holder of the licence must ensure the premises has satisfactory equipment installed for detecting, and for giving warning of—
  - (a) fire or suspected fire, and
  - (b) the presence of carbon monoxide in a concentration that is hazardous to health.
4. The holder of the licence must keep records showing that all upholstered furnishings and mattresses within the parts of the premises which are for guest use, or to which the guests are otherwise permitted to have access, comply with the Furniture and Furnishings (Fire Safety) Regulations 1988.

### **Gas safety**

5. Where the premises has a gas supply—
  - (a) the holder of the licence must arrange for an annual gas safety inspection of all gas pipes, flues and appliances in the premises,
  - (b) if, after an annual inspection, any appliance does not meet the required safety standard, the holder of the licence must not allow a short-term let of the premises until the works necessary to bring the appliance to the required safety standard have been carried out.

### **Electrical safety**

6. Where there are electrical fittings or items within the parts of the premises which are for guest use, or to which the guests are permitted to have access, the holder of the licence must—
  - (a) ensure that any electrical fittings and items are in—
    - (i) a reasonable state of repair, and
    - (ii) proper and safe working order,
  - (b) arrange for an electrical safety inspection to be carried out by a competent person at least every five years or more frequently if directed by the competent person,
  - (c) ensure that, following an electrical safety inspection, the competent person produces an Electrical Installation Condition Report on any fixed installations,
  - (d) arrange for a competent person to—



- (i) produce a Portable Appliance Testing Report on moveable appliances to which a guest has access, and
  - (ii) date label and sign all moveable appliances which have been inspected.
7. In determining who is competent, the holder of the licence must have regard to guidance issued by the Scottish Ministers under section 19B(4) of the Housing (Scotland) Act 2006<sup>(2)</sup>.

### **Water safety: private water supplies**

8. Where the premises are served by a private water supply, the licence holder must comply with the requirements on the owners of private dwellings set out in the Water Intended for Human Consumption (Private Supplies) (Scotland) Regulations 2017

### **Water safety: legionella**

9. The holder of the licence must assess the risk from exposure to legionella within the premises, whether or not the premises are served by a private water supply.

### **Safety & repair standards**

10. (1) The holder of the licence must take all reasonable steps to ensure the premises are safe for residential use.
- (2) Where the premises are subject to the requirements of Chapter 4 of Part 1 of the Housing (Scotland) Act 2006, the holder of the licence must ensure that the premises meet the repairing standard.

### **Maximum Occupancy**

11. The licence holder must ensure that the number of guests residing on the premises does not exceed the number specified in the licence.

### **Information to be displayed**

12. The holder of the licence must make the following information available within the premises in a place where it is accessible to all guests—
- (a) a certified copy of the licence and the licence conditions, (b) fire, gas and electrical safety information,
  - (c) details of how to summon the assistance of emergency services,
  - (d) a copy of the gas safety report,
  - (e) a copy of the Electrical Installation Condition Report, and
  - (f) a copy of the Portable Appliance Testing Report.

### **Planning Permission**

13. Where the premises is in a short-term let control area for the purposes of section 26B of the Town and Country Planning (Scotland) Act 1997 (“the 1997 Act”), the holder of the licence must, where the use of the premises for a short-term let requires planning permission under the 1997 Act, ensure that either—
- (a) an application has been made for planning permission under the 1997 Act and has not yet been determined, or
  - (b) planning permission under the 1997 Act is in force.

## Listings

14. (1) The holder of the licence must ensure that any listing or advert (whether electronic or otherwise) for the short-term let of the premises includes—
- (a) the licence number, and
  - (b) a valid Energy Performance Certificate rating if an Energy Performance Certificate is required for the premises, in accordance with the Energy Performance of Buildings (Scotland) Regulations 2008
- (2) The holder of the licence must ensure that any listing or advert (whether electronic or otherwise) for the short-term let of the premises is consistent with the terms of the short-term let licence.

## Insurance

15. The holder of the licence must ensure that there is in place for the premises—
- (a) valid buildings insurance for the duration of the licence, and
  - (b) valid public liability insurance for the duration of each short-term let agreement.

## Payment of fees

16. The holder of the licence must pay any fees due to the licensing authority in respect of the licence on demand.

## False or misleading information

17. The holder of the licence must not provide any false or misleading information to the licensing authority.

## Interpretation

18. In this schedule—

**“Electrical Installation Condition Report”** means a report containing the following information—

- (a) the date on which the inspection was carried out,
- (b) the address of the premises inspected,
- (c) the name, address and relevant qualifications of the person who carried out the inspection,
- (d) a description, and the location, of each installation, fixture, fitting and appliance inspected,
- (e) any defect identified,
- (f) any action taken to remedy a defect,

**“Energy Performance Certificate”** means a certificate which complies with regulation 6 of the Energy Performance of Buildings (Scotland) Regulations 2008,

**“Gas safety report”** means a report containing the following information—

- (a) the date on which the appliance or flue was checked,
- (b) the address of the premises at which the appliance or flue is installed,

- (c) a description of and the location of each appliance or flue checked,
- (d) any safety defect identified,
- (e) any remedial action taken,
- (f) confirmation that the check undertaken complies with the requirements of an examination of—
  - (i) the effectiveness of any flue,
  - (iii) the supply of combustion air,
  - (iv) subject to head (iv), its operating pressure or heat input or, where necessary, both,
  - (v) if it is not reasonably practicable to examine its operating pressure or heat input (or, where necessary, both), its combustion performance,
  - (vi) its operation so as to ensure its safe functioning,
- (g) the name and signature of the individual carrying out the check, and
- (h) the registration number with which that individual, or that individual's employer, is registered with a body approved by the Health and Safety Executive for the purposes of regulation 3(3) of the Gas Safety (Installation and Use) Regulations 1998,

## **Appendix 3 – Additional licence conditions**

Short-term Lets: Proposed Additional Conditions

### **Introduction**

Scottish Borders Council considers that additional conditions should be applied to short-term let licences in its area. These derive from (a) the Part 2 Guidance for licensing authorities and (b) issues relating to guest safety which the Council has identified in its area and for which it considers additional licence conditions are necessary and appropriate.

The “Part 2” additional conditions, are based closely upon the examples provided by the Scottish Government. These conditions would be generally-applicable to all licences, although some, for instance those relating to impact noise are not necessary for detached premises with no party structures.

The guest safety conditions are intended for specific premises where certain facilities and amenities are provided for the use of guests (this would require a declaration on the application form). Alternatively, the conditions could be generally-applied with a conditional clause; the draft guest safety conditions are in the latter form.

### **Additional conditions based on Part 2 Guidance**

#### **Antisocial behaviour**

1. The licence holder shall must take reasonable steps to manage the premises in such a way as to seek to prevent and deal effectively with any noise nuisance or antisocial behaviour by guests to anyone else in the short-term let and in the locality of the short-term let.
2. The licence holder shall take reasonable steps to:
  - Ensure that no disturbance or nuisance arises within or from the premises, for example by explaining the house rules to the guests;
  - Deal effectively with any disturbance or nuisance arising within or from the premises, as soon as reasonably practicable after the licence holder is made aware of it; and
  - Ensure that any vehicles belonging to guests are parked lawfully, for example explaining where any designated parking spaces (if applicable) are to be found and highlighting any local rules.
  - Shall notify the Council as soon as reasonably practicable of the details of any incident of antisocial behaviour affecting or emanating from the premises which has required Police involvement.

#### **Privacy and security**

1. The licence holder shall take reasonable steps to manage the premises in such a way as to respect and protect the privacy and security of neighbours.
2. The licence holder shall take reasonable steps to ensure:
  - Guests know and understand any particular rules applying to any shared areas and entrances;

- Guests understand that shared doors should be properly and securely closed after use; and
- The provision of access codes or keys to guests cannot be used by guests to gain access to shared areas after they have finally departed.
- 

### **Littering and waste disposal**

1. The licence holder shall provide adequate information on, and the facilities for, the storage, recycling and disposal of waste.
2. The licence holder shall be responsible for advising residents of the refuse collection day and for making arrangements for the presentation of bins for collection at the appropriate time and day.
3. The licence holder shall advise guests of:
  - Their responsibilities;
  - The use of the bins etc. provided for the premises; and
  - The location of the nearest recycling area or recycling point.
4. The licence holder shall:
  - Clearly label bins as belonging to the premises;
  - Take reasonable steps to ensure that guests manage their waste in compliance with (2), including when they depart; and
  - Maintain any bins storage area and the exterior of the premises in a clean and tidy condition.

### **Damage to property**

The licence holder shall not affix a key box, or any other device to facilitate guest entry to the premises, to any public or jointly-owned private structure or infrastructure without the prior consent of the relevant authority or owner(s). The licence holder must be able to produce the evidence of the permission to the licensing authority on demand.

## **Additional Conditions for Guest Safety**

### **Legionella risk assessment – spa pools/hot tubs**

1. Where a spa pool, including any electric hot tub or wood-fired hot tub, is provided for the use of guests, the licence holder must install, maintain and operate it so it can be safely operated and used by guests.
2. The licence holder shall ensure:
  - That any such spa pool is installed and maintained in accordance with the guidance in HSE publication HSG282 *Control of legionella and other infectious agents in spa-pool systems*.

- That there is a risk assessment and written scheme of control for *Legionella* in respect of any such spa pool.
  - That the risk assessment and written scheme of control are lodged with any application for a licence and are to the satisfaction of the licensing authority.
  - That, prior to any spa pool being brought into use for the first time during the period of the licence, at least 28 days' notice shall be given to the licensing authority and the risk assessment and written scheme of control shall be submitted at the time of such notice.
3. The licence holder shall provide guests with information on the safe use of the spa pool in accordance with the written scheme of control.
  4. The licence holder shall not provide or install any inflatable hot tub for the use of guests without the prior written approval of the licensing authority. Note that the licensing authority will not give approval in respect of inflatable hot tubs not intended for commercial use and which cannot conform to the requirements of HSG282.

### **Guest safety – swimming pools and ponds**

1. Where a swimming pool or swimming pond is installed and provided for the use of guests, the licence holder must take reasonable measures to ensure water quality and bather safety.
2. The licence holder shall ensure:
  - In the case of swimming pools, that a pool safety operating plan is prepared and lodged with any application for a licence and is to the satisfaction of the licensing authority. The licence holder shall have regard to the guidance in HSE publication HSG179 *Health and safety in swimming pools*.
  - In the case of swimming pools and swimming ponds, that a bather safety plan is prepared and lodged with any application for a licence and is to the satisfaction of the licensing authority. The bather safety plan shall include measures to minimise the risk of bathers getting into difficulty, to facilitate the rescue of bathers in difficulty and to call for the assistance of emergency services where necessary.
  - That, prior to any swimming pool or pond being brought into use for the first time during the period of the licence, at least 28 days' notice shall be given to the licensing authority and the pool safety operating plan and bather safety plan shall be submitted at the time of such notice.
3. In this condition, "swimming pond" means an outdoor body of untreated water in natural ground which has been excavated or modified to provide a facility for swimming. It does not include natural watercourses, fresh-water lochs or coastal waters.
4. This condition does not apply to swimming pools which are staffed and operated with continuous poolside supervision by trained lifeguards.

### **Risk of Carbon monoxide – barbecue huts**

1. Where a barbecue hut is installed and provided for the use of guests, the licence holder must take reasonable steps to ensure that the risk from Carbon monoxide is minimised.

2. The licence holder shall:

- Install, maintain and operate the barbecue hut only in accordance with the manufacturer's instructions.
- Install and maintain in proper working condition a Carbon monoxide monitor and alarm within the barbecue hut.
- Provide guests with instructions on the safe use of the barbecue hut, the symptoms of Carbon monoxide poisoning and the actions to be taken in an emergency.
- Not permit the use of the barbecue hut by persons under the age of 18 except in the presence of a person over the age of 18.
- Not permit the use of a barbecue hut as sleeping accommodation.

### **Guest safety – additional services or equipment**

**Where additional services or equipment are provided that are ancillary to the provision of accommodation these must be provided and maintained in accordance with the manufacturers instructions, relevant national governing body advice and guidance as well as all relevant government guidance and legislation. The Licence Holder must take all reasonable measures to ensure safe use of any services/equipment by all guests.**

3.

### **Additional Conditions that may be applied following on from investigations of concern regarding noise.**

Note: These Conditions are published in accordance with Scottish Government Guidance that any proposed additional conditions should be published. These are not applied to all licences. They will be recommended to the Committee following specific case investigations by the Council's Environmental Health team and if the use of the condition is deemed appropriate and proportionate for the specific case by enforcement officers following the Enforcement Policy for Environmental Health.

(i) The licence holder must take reasonable steps to ensure that the bedrooms, living room and any hallway in the premises have a suitable floor covering in order to minimise impact and airborne noise affecting any properties below.(i.e carpet or vinyl floor covering with quality underlay). (Condition may be applied following investigation of concerns regarding noise and would be applied to properties located at first floor and/or above a residential property located below),

(ii) The licence holder must take reasonable steps to ensure that guests do not first arrive or finally depart from the property between the hours of 11pm to 7am. The licence holder must advise guests of this as part of their booking terms and conditions. (Note: "Reasonable steps" allows for exceptions such as delayed transport). (Condition would only be applied following investigations of concerns regarding noise where a property is located at first floor and/or above a residential property is located below, in close proximity to a neighbouring property or where there is a shared entrance/communal area).

(iii) The licence holder must take reasonable steps to ensure that guests do not play amplified music within the garden or external areas after 2300 hours where it would impact neighbouring residents. (Condition may be applied following investigation of concerns regarding noise associated with playing music in outdoor areas).





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## **FUNDING APPROVAL FOR WORKS BY LIVE BORDERS AT THE GYTES LEISURE CENTRE PEEBLES AND EYEMOUTH LEISURE CENTRE**

### **Report by Director of Finance and Procurement EMERGENCY POWERS**

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**17 JULY 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report seeks approval to allocate funding to urgent works required at the Gytes Leisure Centre in Peebles and the Public Swimming Pool in Eyemouth Leisure Centre. The funding is part of the normal block allocation to Live Borders. The Council's Financial Regulations, however, require block programme within the capital programme to be reported to Executive Committee to provide approval to spend prior to expenditure being incurred. This report fulfils that requirement.**
- 1.2 The likely cost of the works to replace the boilers at the Gytes are in the order of £131,000. The main boiler at the Gytes is beyond economic repair and the back-up boiler system has recently been condemned following its scheduled safety inspection. Currently, therefore, the centre is without heating or hot water. The works required to the air handling system which regulates the temperature in the pool hall at the Eyemouth pool are £198,000. Responsibility for these works rests with Live Borders.

#### **2 STATUS OF REPORT**

- 2.1 This report is an emergency powers paper due to the urgency of these works, the anticipated lead in times to deliver and install the necessary plant and equipment, and the lack of an appropriate committee due to the summer recess.

#### **3 RECOMMENDATION**

- 3.1 It is recommended that approval is given to fund £131,000 of works from the capital grant allocation to Live Borders to replace the boilers at the Gytes Leisure and approval is given to fund further works totalling £198,000 to replace the air handling units and heating controls at the Eyemouth Leisure centre under emergency powers.**

## 4 ISSUES AT GYTES LEISURE CENTRE AND EYEMOUTH LEISURE CENTRE

- 4.1 Approval is required under the Council's financial regulations to allocate budget to fund urgent works at two major facilities operated on behalf of the Council by Live Borders. Council provides an annual capital grant to Live Borders to maintain sport, leisure and culture facilities operated by Live Borders in a useable condition. Live Borders receives an annual grant allocation of £185,000.
- 4.2 Urgent works are now required at the Gytes Leisure Centre in Peebles and the Leisure Centre in Eyemouth which contains the swimming pool. The funding is part of the normal capital funding block allocation to Live Borders. The Council's Financial Regulations however require block programme within the capital programme to be reported and agreed by Executive Committee to provide approval to spend prior to expenditure being incurred. This report enacted under the Council's Emergency Powers procedure, on the grounds of urgency fulfils that requirement.
- 4.3 The likely cost of the works to replace the boilers at the Gytes are in the order of £131,000. The main boiler at the Gytes is beyond economic repair and the back-up system has recently been condemned following its scheduled safety inspection. Currently therefore the centre is without heating or hot water. The works required to the air handling system at the Eyemouth pool are £198,000.

### GYTES LEISURE CENTRE

- 4.4 Of the two boilers at the Gytes, it has recently been confirmed that Boiler 1 has been out of operation for approximately 18 months and the recent gas safety test undertaken on Boiler 2 declared it as immediately dangerous. Neither of the Gytes boilers, therefore, remain currently operational.
- 4.5 The Gytes centre remains open but there is no hot water or heating. If a solution is not in place by October 2023, the centre will have to close because there will be no heating. This means the centre will not be available as a public venue nor as a changing venue for Peebles Rugby Club. Peebles Rovers are also in active discussion about sharing the pitch at the Gytes and a failure to keep the centre operational would potentially impact adversely upon both the Rugby and Football clubs to the significant detriment to club sport in the town. The lead in times for replacing the boilers is estimated at 4-6 weeks.

#### 4.6 Table 1

Gytes: Boiler & Pump replacement including pressurisation unit	70	Boiler & Pump replacement including pressurisation unit
Gytes: Calorifier replacement	32	Calorifier replacement
Gytes: Control works to facilitate £28,807	29	Control works to facilitate

**Total £131,000**

## EYEMOUTH LEISURE CENTRE

4.7 Eyemouth pool is served by 2x Air Handling Units. Both are in excess of 25 years old. Revenue was spent during 2022 to maintain and prolong life of the units but both have now failed and are not repairable. The facility remains open with workarounds but this is not a long-term solution. Failure to urgently replace the air handlers may result in the long term closure of the facility. Lead in times for the parts required are significant and instructing works now minimises the prospect of an unplanned closure. The costs of the works required are set out in table 2 below.

4.8 **Table 2**

Eyemouth Leisure Centre - air handling unit (AHU)	14	£13,500 being spent to retrofit changing area AHU
Eyemouth Leisure Centre - secondary and main pool pumps & inverters	20	Purchase Orders issued
Eyemouth Leisure Centre - actuators pool heating	2	
Eyemouth: Main pool AHU	100	Currently only supplying air into pool, no extract. supply fan is on last legs
Eyemouth: Controls Upgrade	49	Must be completed before the winter or no heating. New controls require new AHU
Eyemouth: EICR Remedials	1	C1, C2 failings identified by EICR must be rectified
Eyemouth: Pool plant Remedials	2	Replace leaking day tank and repair dosing unit, not dosing correctly at present
Eyemouth: Pool Cover	8	At end of 5 year life, cost to repair is £400 less so might as well replace
Eyemouth Removal of refrigerant plant	2	This will prevent the need of annual f-gas inspections and servicing, currently paying £598 per year

**Total £198,000**

4.9 Authorisation for Live Borders to issue the necessary works orders for both facilities was provided by the Chief Executive on the 12 July 2023 with orders confirmed on the 14 July.

## 5 IMPLICATIONS

### 5.1 Financial

The annual capital grant from the Council to Live Borders totals £185k per annum. Budget approved in previous years, but not yet expended, provides a further £206,000. It is recommended that both projects are prioritised to

ensure the facilities, which are at imminent risk of closure, remain open. The block for sports facilities for 23/24 would thereafter be substantially committed with £2k remaining and some further prioritisation of resources may be required. This leaves the Public Halls upgrade budget, also allocated to Live Borders through the Capital Plan, intact with a budget of £281k in 2023/24.

## 5.2 Risk and Mitigations

### **Eyemouth**

Currently, Eyemouth pool and changing area is using workarounds to keep the facilities open and operational. This is largely reliant on outdoor environmental temperatures. Humidity is being monitored and air-flow maximised via the use of fans. This is not however a long-term solution and failure to approve permanent works for Eyemouth will result in the inevitable closure of the facility from October 2023, because there will be no heating.

### **Gytes**

Currently the Gytes has no heating or hot water. Failure to approve the works for the Gytes will result in closure of the facility from October 2023, because there will be no heating. The Peebles Sevens tournament is scheduled for August 2023. There could be heating and showering facilities available if the decision to progress is made quickly. Lead times for the solution proposed is circa 4-6 weeks for boilers. Orders were placed on 14 July 2023.

The risk of not proceeding is that both facilities will close causing significant public concern and reputational damage to both Live Borders and Scottish Borders Council.

## 5.3 Integrated Impact Assessment

There are no direct implications associated with an Integrated Impact Assessment.

## 5.4 Sustainable Development Goals

There are no direct implications associated with an Integrated Impact Assessment.

## 5.5 Climate Change

The replacement of boilers and heating controls in both facilities will have a beneficial impact on costs and carbon output.

### **Eyemouth**

The proposed new air handling unit (AHU) for Eyemouth is a Dantherm DanX CF unit. Live Borders has noted that a similar unit is installed at the Citadel Leisure Centre in Ayr. This is a larger facility than Eyemouth, comprising a swimming pool, diving pool and teaching pool – but South Ayrshire Council has estimated an energy saving of £65,000 per annum as

a result of the Dantherm unit. Live Borders estimate that if a potential saving for Eyemouth were to be in the region of £30,000 per annum, then this would be a 3-4 year payback period against the cost of the unit. The actual overhead cost for Eyemouth Leisure Centre in 2022/23 (including utility cost) was £208,780. The proposed solution for the changing room AHU uses fans, which use approximately 60% less energy than the current units.

**Gytes**

Live Borders estimate that the proposed Gytes boiler replacement will deliver a 20% energy saving (in comparison to the old boilers) and the new boilers will also have a 2-year parts and labour warranty. In terms of the drive towards Net Zero this while not the ideal solution the new gas boilers will be a significant improvement on the previous aged boilers and the cost of a biomass solution is prohibitive (£300,000). The cost and time to convert the Gytes to an all electrical solution is considered, by Live Borders, to be prohibitive. This would require an SP Energy networks supply upgrade to a 250amp 3 phase supply and the cost of the subsequent heating/showering electrical conversion. The new calorifiers will be stainless steel, which retains heat more effectively and the new controls are estimated to save 4% on energy.

**5.6 Rural Proofing**

Ensuring the continued operation of these facilities will provide a more secure future for local access to leisure facilities in Berwickshire and Tweeddale assisting the health and well-being of the local population and the sustainability of local sports clubs.

**5.7 Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

**5.8 Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to the scheme of administration or the scheme of delegation proposed in this report.

**6 CONSULTATION**

6.1 The Chief Officer Audit and Risk, the Director of Corporate Governance, the Director People, Performance & Change, the Clerk to the Council and Corporate Communications have been consulted and any comments have been incorporated into the final report.

**Approved by**

**David Robertson**  
**Chief Executive**

**Signature .....**

**Author(s)**

Name	Designation and Contact Number
Suzy Douglas	Director, Finance and Procurement

**Background Papers:** None

**Previous Minute Ref:** N/A

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