
**BORDERLANDS INCLUSIVE GROWTH DEAL: NATURAL
CAPITAL PROGRAMME – SPECIES RICH GRASSLAND PILOT
BUSINESS JUSTIFICATION CASE**

Report by Director, Resilient Communities

SCOTTISH BORDERS COUNCIL

28 MARCH 2024

1 PURPOSE AND SUMMARY

- 1.1 This report provides an update to Council on progress with the Business Justification Case for the Species Rich Grassland Pilot Project within the Natural Capital Programme. A Business Justification Case is required to draw down funding from the Borderlands Inclusive Growth Deal.
- 1.2 The Business Justification Case is in the process of being approved by the Scottish Government and it is currently scheduled to be considered by the Borderlands Partnership Board for approval by written procedure in April. An advance final draft of the Business Justification Case is attached as Appendix 1 (a series of additional supporting documents are noted within this as appendices to the Business Justification Case and these can be accessed through officers). 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 Business Justification Case is one of a series of pilot project business cases comprising the Borderlands Scottish Natural Capital programme. The Programme Business Case was approved by Council in August 2023.

2 RECOMMENDATIONS

- 2.1 **I recommend that Council:**
 - (a) **Approves the Business Justification Case for the Species Rich Grassland Pilot project set out in Appendix 1.**

(b) Notes that there is no anticipated capital or revenue funding required from the Council.

3 BACKGROUND

3.1 The Programme Business Case for the Borderlands Scottish Natural Capital Programme was presented to Council in August 2023 and sets out the justification and objectives of the programme. The overall aim of the programme is to demonstrate 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; and
- innovative sustainable land management.

3.2 The Scottish Natural Capital 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. There is also a Natural Capital Programme being developed by the English local authorities that are part of the Borderlands Partnership. This programme is still being worked up.

3.3 The Species Rich Grassland pilot is one of two pilot projects being led by Scottish Borders Council; the Delivery Partner for the Grasslands Project is Butterfly Conservation, a national charitable organisation. The other pilot is a Woodland Creation pilot project, which will be brought to the Council for approval at a later date.

3.4 The full title of the Grassland project is 'Natural Capital Pilot Agri-Environment Project: Farmers, Landowners, Northern Brown Argus (NBA) and Species-rich Grassland (SRG)'. The overall objective 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.

3.5 The Project Business Justification Case (BJC) sets out the rationale, and objectives and benefits of the pilot project noting '*The proposal prioritises nature-based solutions whilst providing improved food quality, enhanced pollination, increased biodiversity and improved soil management and carbon storage. This will help enhance productivity, potentially adding value to the end-product, grass reared, sustainable, environmentally friendly meat, ensuring land management businesses are more economically viable, sustainable, and resilient.*'

- 3.6 The pilot aims to support the development of an effective Agri-Environment scheme that maintains, restores and creates flower-rich habitats using an outcome-based approach. These habitats are best maintained by light seasonal grazing. However, techniques to restore Species-rich Grassland are less well established or costed, so this will require trials to determine how best to convert rank (unmanaged) grassland or gorse dominated hillsides into flower-rich areas.
- 3.7 The project aims to heighten the importance of the region's Species-rich Grasslands and Northern Brown Argus populations and their reliance on High Nature Value (HNV) farming, and will provide opportunities for local involvement, through volunteering, student placements, training and working closely with landowners, farmers and their agents, local contractors and small businesses.
- 3.8 The project costs are set at £727,160 which is to be accessed from the Borderlands Inclusive Growth Deal, however, additional funding will be sought through the life of the project to add value where possible. It is not anticipated that the Council will provide any additional funding.

4 KEY ELEMENTS OF THE BUSINESS JUSTIFICATION CASE

- 4.1 The total project costs are below the Scottish Government £2m threshold to produce a HM Treasury Green Book Full Business Case, however, as good practice, the Business Justification Case has been structured around the HM Treasury guidance and is based on the five-case model: Strategic; Economic; Commercial; Financial; and Management. The Business Justification Case is set out in Appendix 1.

Strategic Case

- 4.2 The project contributes to each of the Borderlands Inclusive Growth Deal's three priorities:
 1. Narrowing the productivity gap
 2. Increasing Working Age Population
 3. Delivering inclusive growth
- 4.3 The Case for Change outlines how and why change is required and highlights several options for increasing farm wealth by enhancing their Natural Capital via associated clean, green investment opportunities and the prospect of scaling up activity and investment.
- 4.4 The Case for Change is summarised in 4 key strategic delivery objectives:
 - Undertake at least four management trials to better understand restoration techniques and costs over 10ha by the end of the project and disseminate the results to influence future Agri-environment policy.

- Provide advice to farmers/landowners to restore/enhance 400 ha of SRG over the course of the project.
- Recruit a minimum of 50 volunteers to enhance 10ha of SRG by establishing two local community liaison or volunteer groups.
- Increase survey and monitoring of the Northern Brown Argus butterfly by recruiting/training/co-ordinating 50 volunteers to monitor distribution and abundance trends.

Economic Case

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

- Strategic Fit.
- Business Need.
- Optimisation of Costs and Benefits.
- Capacity and Capability.
- Affordability.
- Achievability.

The Options Analysis considered three options: 'Business as Usual'; 'Do minimum'; and the full project proposal. These were tested in a workshop with regional and national stakeholders with overwhelming support for the full project proposal.

4.6 The Economic Case shows that the project is expected to deliver significant economic benefits for the South of Scotland across three main areas:

- Incidental (temporary result of the pilots).
- Direct (persistent).
- Downstream (scaled-up long term results of the pilots).

Across these areas, there are two main benefit categories:

- Economic (e.g. employment, GVA, cost savings/efficiencies).
- Environmental/natural capital (e.g. carbon sequestration/Greenhouse Gas emissions reduction, food provision).

4.7 Investment in this pilot will have multiple benefits and beneficiaries through the development of a costed, tiered, bespoke support package designed with and for farmers to reward them for the benefits in terms of Natural Capital they are providing to the public, including benefits to biodiversity. Additional market opportunities for farmers will be investigated, for example the establishment of a local "Butterfly Beef" and/or "Lepidoptera Lamb" scheme in partnership with Quality Meat Scotland, whereby local meat is sold at a premium marketed on its green, natural capital and enhanced biodiversity credentials.

4.8 Anticipated outputs from the project include:

- Influencing the post-2024 Rural Development Programmes and future Scottish Government Economic Strategy.
- Trialling innovative technology including use of drones, Apps, No Fence technology, remote-controlled Robocutters to restore SRG.
- Identify and publicise the most effective, efficient and costed SRG restoration techniques.
- 400ha of SRG under restoration management.
- Up to 50 jobs safeguarded.
- Local community liaison or volunteer groups established.
- Farmer-led Natural Capital groups established, including engaging with 50 farmers.
- 2 demonstration sites set up per region.
- 100 volunteers engaged with the project, contributing around 1000 days, worth £140,000.
- Novel Natural Capital finance packages investigated, including a feasibility study into developing a Biodiversity Metric.
- Potential for up to £4M in additional income generated through bringing in public/private investment in Natural Capital.
- Potential development of a local premium meat marketing scheme.

Commercial Case

4.9 The Commercial Case outlines the procurement procedures that comply with Butterfly Conservation, Scottish Borders Council, Dumfries and Galloway Council, and Scottish Government procurement policies. The project 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.

Financial Case

4.10 The Financial Case sets out the full cost of the project of £727,160, with a full breakdown of the project costs, split between revenue and capital funding (see Table 1 below). The project is entirely funded through Borderlands Inclusive Growth Deal investment; however, additional funding will be sought through the life of the project to add value where possible.

Table 1 – Financial Profile

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Totals
Revenue (£)	38,378	52,657	54,105	45,625	23,774	23,333	26,096	263,969
Capital (£)	61,684	94,799	75,759	76,767	64,825	45,936	43,240	463,190
Totals (£)	99,743	147,456	129,864	122,392	88,599	69,269	69,337	727,159

Management Case

4.11 The Management Case outlines that Scottish Borders Council will be the grant recipient with the project being delivered by Butterfly Conservation. The project will be overseen by an appointed Core Project Steering Group (CPSG) comprising key stakeholders.

4.12 The project will be managed and delivered by the lead delivery partner, Butterfly Conservation, via a Project Officer employed by Butterfly Conservation. The project will be overseen by a Core Project Steering Group (CPSG) which will meet at least twice a year though it is likely that the CPSG will need to meet more regularly during the initial stages of the project to provide the necessary steer and support to the pilot and to the Project Officer. Butterfly Conservation has been selected as the delivery partner as it was one of the first organisations to recognise the fragility of the hill livestock sector in the Scottish Borders.

4.13 It is expected that the pilot project will deliver some key benefits. Refocusing future rural support with a stronger emphasis on investing in Natural Capital can help to make land-based businesses more resilient, support jobs, and strengthen Scotland’s green brand. There is increasing scope for Natural Capital to support our economic recovery post-Covid, and to contribute to Scotland’s ambitions for a wellbeing economy that promotes the wellbeing of people and planet. Evidence suggests that a Natural Capital approach can result in greater public benefits, a stronger return on investment for public funds, and help land managers address the twin challenges of a warming climate and biodiversity loss through HNV (High Nature Value) farming.

4.14 The benefits which will be delivered by the pilot project are set out under the following six categories for each of the seven years of the pilot:

- Project Management.
- Develop an effective Result-based Agri-environment Payment Scheme (RBAPS) for Species- rich grassland and Northern Brown Argus.
- Local Northern Brown Argus populations.
- Outreach/Education/Research/Promotion.
- Habitat Management.
- Monitoring Habitat Restoration Trials.

5 IMPLICATIONS

5.1 Financial

- (a) Officers remain in discussions with Scottish Government officials regarding the overall Borderlands financial profile for 2024-25 and beyond, as set out in Table 1. Council will be updated on the financial position when this is confirmed.
- (b) Full costs for the project are to be provided by the Borderlands Inclusive Growth Deal with the grant funding coming to Scottish Borders Council via Dumfries and Galloway Council, the accountable body for the Deal in Scotland.
- (c) There is no direct financial contribution required from the Council, however support for project delivery will be provided by officers.

5.2 Risk and Mitigations

The Natural Capital 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 Natural Capital Working Group and will be updated to the Programme Board when it is operational. Project specific details will be included as project outputs are delivered.

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. An Integrated Impact Assessment for the Grassland project has been prepared and submitted to Council for approval to ensure that the project meets the requirements of the Equality and Fairer Scotland duties.

5.4 Sustainable Development Goals

The development and delivery of the Grassland project 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 project 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 Director of Finance & Procurement, Director of Corporate Governance, the Chief Officer Audit and Risk, the Director of People Performance & Change, 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 824000
Louise Cox	Sustainability and Climate Change Manager 01835 824000
Stuart Kinross	Economic Development Officer, 01835 826505

Background Papers: None.

Previous Minute Reference: Council – 31 August 2023.

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 Sam Smith, samantha.smith1@scotborders.gov.uk