

Revenues and Costs of a Borders National Park

Introduction

This paper briefly discusses the possible direct costs incurred and revenues accruing to a Borders National Park. As is usual with predictions about the future, they are based on assumptions and on statistics about the past, including assumptions based on the past experience of UK and Scottish National Parks. They should therefore be assessed in the light of the assumptions made, and the quality of the statistics which are cited and referenced.

There is abundant evidence, some of it discussed in the previous briefing "Tourism and the Proposed Scottish Borders National Park" posted on the www.borders-national-park.scot website, that the National Park (NP) designation gives a significant boost to visitor numbers and spend. This increased spend occurs both in the Parks and in the wider area around them. Tourism (which accounts for 7.1% of UK GDP - tourismalliance.com) leads to money spent locally on goods and services. It creates jobs and generates increased income tax and VAT revenue from the wider area. With the introduction of the Scotland Act (2016) the Scottish Government receives all the income tax and half of the VAT generated in Scotland. Additional income tax and half of additional VAT generated by a Borders National Park would thus accrue to the Scottish public purse. This boost to revenue should therefore be set against any setup and running costs covered by the Scottish Government.

To cover their direct costs the two Scottish National Parks receive annual funding grants from the Scottish Government. In addition the Scottish National Park Authorities (NPAs), in common with NPAs in the rest of the UK, raise significant funds from other sources which support a wide range of projects, some of which are briefly described in a later section of this paper.

Setup costs

How much public capital investment would be required initially if our Southern Borders area was designated as a National Park? The answer is highly dependent on a political choice. This would be between a low cost model, drawing on the extensive assets and skills already in the area, where the initial funding could be a moderate amount covered within the first year budget – e.g. legal and recruitment costs, setting up a good website, and other relatively moderate expenditures.

Alternatively, the setup cost could be as great as the Scottish Government decided it was worth to invest in a flagship project which signalled its commitment to the environment, to communities, and to sustainable economic activity beyond the Central Belt.

The low cost model

Considering first a low cost model, with maximum utilisation of services provided by others - one of the points which has already been made in previous reviews is that the area is already well-supplied with many of the facilities and services expected in UK National Parks. Some of these are privately provided, such as visitor accommodation, restaurants, Abbotsford, Floors Castle, Born in the Borders, and many more. Others are publicly supported, such as the Heritage Hub in Hawick, the Abbeys, Hermitage Castle, and others.

Some of the new functions of a National Park, such as administrative and visitor information centres, could be based in some of the fine, old, under-used, well-maintained and compliant public buildings in our towns. Rooms in these could be rented from SBC to mutual benefit, especially in those locations where SBC wish to attract tourists to their information centres, museums or other attractions. An alternative for general administrative functions would be to rent private sector accommodation. A number of specialist administrative functions such as recruitment (and planning if the NP had planning powers) could be supported under contract by private or public (SBC?)

providers. Rangers' vehicles could be provided through leasing arrangements and gain at least partial sponsorship from local businesses in return for appropriate advertising in the vehicle livery.

Either the private or the public sector could be encouraged to provide or extend paid car parking space at key visitor destinations, generating income to cover costs. For example, parking in Northumberland NP near Hadrian's Wall costs £4. Cheap or even free season tickets might be made available to local residents where appropriate.

Improved signage, maps and other information about hill tracks and rights of way could be provided inexpensively through partnership with volunteers – ScotWays, a charity, has organised such a project in the Lammermuirs, using volunteers and modest funding from a number of sources including SBC. Their free walking map of the area can be downloaded from their web site at www.scotways.com. Indeed, the creation of more walkways, bridleways and bicycle tracks to supplement the existing network would be a relatively low-cost enhancement which could be phased over the first ten years or so of the Park, depending on budget. It is even less expensive to identify appropriate and safe car-driving and motor-cycling routes on existing public roads and publicise these, connecting scenic views, eating venues and accommodation along the way, just as has been done in the Highlands with the new *North Coast 500* road trip.

Minimising costs in this way could be attractive, not only in budgetary terms but also through engaging individuals and communities in activities which energise and enhance community life and sustainability. It would also help to engage the NPA closely in constructive partnerships with other bodies, public and private, which would in any case be an important objective for the National Park. For example, a partnership with an environmental charity such as Borders Forest Trust might involve ranger cooperation, with knowledge-sharing involving educational and rural economic activities.

A higher cost model

It would of course be easy to allocate a large capital budget, if it were made available, to a new, lavishly furnished visitor centre and administrative offices, and other conspicuous assets. A higher running budget would facilitate a more ambitious programme of activities in support of the aims of the Park.

Although there are obvious attractions in minimising costs, there is a strong argument to be made that, at least for some specific expenditures, this would be a false economy:

Substantial expenditure on the public rollout of the National Park would be well worth consideration.

This would be an outstanding opportunity to gain national and international publicity for a major initiative by Scottish and local government, working hand in hand to deliver sustainable development, rural resilience, stronger communities and environmental objectives. It would also give an outstanding lift to tourism marketing of the whole of Scottish Borders.

Appealingly, the designation of a new National Park in Scotland would undoubtedly attract a high level of interest and **free** publicity in the UK and internationally which would leverage any investment made by the Scottish Government.

Apart from the public rollout, the case for expenditure above the low cost level on any items would have to be clearly justified with respect to the situation in the Borders and the aims of the Park. It is beyond the scope of this brief review to discuss a range of scenarios in order to provide a meaningful estimate of the setup costs of a higher cost model. That is not to suggest that the cheapest model is best. The key point is that the costs would be eminently controllable at the level deemed appropriate by the Scottish Government.

Running costs

Running costs include both the core cost of the day-to-day administration of the Park and the cost of running projects which have a finite lifespan. These might include, for example, a local archaeology mapping project, development of a guide to the Park's geological features, improvement of a major path, etc.

Core costs

The expectation is that core costs would be mainly covered by an annual grant from the Scottish Government, in line with the other two Scottish NPs, and NPs throughout the UK. The first two Scottish NPs have substantial core costs attributable to the breadth of their responsibilities and powers (for example as the planning authority for the area). Theirs is a high cost model.

It is suggested here that, at this point in time, and allowing for the unique characteristics of the Southern Scottish Borders, this high cost model would be unlikely to be the preferred model for a Borders National Park.

In the earlier review on "Governance, Powers/Responsibilities, and Management of a Borders National Park" downloadable from www.borders-national-park.scot, low and higher cost models as described by Barrow (SCNP, 2016) are considered. The only option considered in the present review is the slimmed-down model of NP responsibilities and management. In the context of a NP which worked in partnership with other public and private bodies and focussed on its key aims, running costs would be minimised. Accordingly the budgetary predictions made here are for such a low cost model.

Note : This does not preclude the possibility that further research will find that a significantly higher cost model might be the preferred option if it is found to be desirable that the NPA have a wider range of functions.

In addition to the annual grant from the Scottish Government, a small contribution would be made to core costs by project funds, to cover a proportion of the administrative costs of project application and management. Organisations and individuals who are sources of project funds usually have tight rules restricting which costs they will fund. For example some will not cover overhead costs and few will allow costs associated with making applications for funds. However wherever their rules allow, project funds should include some overhead funding to contribute to the administrative costs they necessitate.

Project costs

Project costs would be funded from a range of public and private sources, some of which are listed below in the section on "Revenues – project funding". NPAs typically enter into projects to further their objectives, e.g. outdoor learning programmes for young people (one such in partnership with John Muir Trust described at cairngorms.co.uk), community archival partnerships such as "Historic Kilmun" (Lochlomond-trossachs.org) etc. These may be undertaken in partnership with a range of other bodies such as those listed in the section on project funding.

Funding sources often require co-funding of a proportion of the project, sometimes in cash, sometimes in kind. In addition, as noted above, some sources will not cover overheads associated with the project. In such cases it is usually possible to seek co-funding of a project from several

sources such that all the project costs are covered. Nevertheless it would be prudent for the NPA to earmark some fund in its budget to fill possible gaps.

Revenues

Annual grant

As stated above, the expectation would be that the NPA would receive core funding from the Scottish Government.

A dedicated charity

In addition, the NPA could receive funds from a dedicated charity :

Scottish National Parks are set up as Non-Departmental Public Bodies (NDPBs). NDPBs are limited in a number of ways. For example, although they can receive donations they cannot claim a proportion of this as GiftAid money from HMRC as charities can. However, emulating other NPs such as Loch Lomond and Trossachs (lochlomondtrossachs.org.uk), it would be possible to set up a charitable organisation with the purpose of raising funds for the NP through membership fees, donations, trading, and any other permitted fundraising activity. This “Friends of the National Park” would be able to claim GiftAid on moneys raised, and engage in a number of fundraising activities which could not be directly carried out by the NP. Funds could be raised for general purposes, or for restricted purposes – donors often prefer to fund a specific activity.

Project funding

Core funds are not sufficient to cover all the valuable activities that NPAs wish and are expected to undertake. Hence project funding has to be raised to support them. Some of this can be provided by the “Friends of the NP” charity described above. Where projects are carried out in partnership with other public or private bodies, they may contribute all or part of the funding. For example the £14.6m Sill project in Northumberland NP, which is a partnership with the Youth Hostelling Association, is being funded 50% by Lottery money, and 50% from other sources (northumberlandnationalpark.org.uk).

The non-core project funding of UK National Parks comes from a wide range of public and private sources, including Govt. Depts and agencies, charities and private Trusts, the Big Lottery and the Heritage Lottery Fund. Until now the EU has also been a contributor but this is now expected to cease in the near future. The expectation would be that the Scottish Govt would receive compensating funds. Whether it would choose to deploy them in the same way is a matter for speculation.

Non-core funds make a major contribution to the budgets of UK NPs. In 2011-12 England’s National Park Authorities (NPAs) received NP grants of £55m from the UK Government, and raised £24m 32% of their total income, from other sources (Valuing England’s NPs, 2013). The percentages varied between Parks. For example in 2011-12 the Broads received income of £4m in Govt grant and £3.8m from other sources, North York Moors received Govt grant of £5m and £2.2m from other sources. The two Scottish NPs have a lower percentage of funds from other sources. This may be due to the fact that they are relatively recently formed, and that they were set up and (at least initially) funded generously.

NPAs play a significant role in organising volunteering opportunities to local people and visitors. They can facilitate, fund and generally increase a wide range of educational and leisure activities. There is a demonstrable appetite for such projects in the Borders - Dr Chris Bowles, SBC's archaeologist, has led volunteers in a community archaeology project (pers.comm.), and Scotways' project to improve paths and signage in the Lammermoors is proving locally popular (Scotways, 2016). NPs can provide the support to extend the range and scale of volunteer projects.

A possible early years' "slimline" budget for a Borders National Park

A possible "slimline" budget for the early years of a Borders National Park is presented below.

Revenue in Year 1, the year of setting up the NP, would be just the Scottish Govt funding. In the slimline model which does not require significant capital outlays, the expenses would be mainly creation of a NPA and recruitment of a director and administrator, their expenses in putting together an initial NP plan, legal and other professional expenses associated with setting up the organisation and related contracts, creating a website, and towards the end of the year recruiting information centre and ranger staff. The Director would also have submitted bids for project funding from a number of sources in the early months. By the end of the first year the organisation would be ready to function and there would be a major, well-publicised inauguration ceremony.

Detailed break down of costs is not possible because they would be variable, mainly depending on whether staff were hired earlier or later in the first year. Given the lead time to apply for them, externally funded projects would not receive funding before year 2 at the earliest. It is assumed that non-core services would be purchased (some from SBC), vehicles would be leased, premises would be rented.

Governance costs would be kept to a minimum. It is not anticipated that members of the NPA would receive remuneration, or any other compensation apart from minimal travel expenses and refreshment at meetings, and the kudos of the public service role they occupied. Tables 1 and 2 show predicted costs and revenues of a Borders NP from Yrs 2-5. Year 1 is omitted for the reasons given above.

Table 1. Predicted costs (including externally funded projects) of a "slimline" Borders National Park

Costs	Yr 2.	Yr 3	Yr4	Yr 5
Item	££000	££000	££000	££000
Staff	640	650	675	700
Marketing	100	100	100	100
Fundraising	50	50	50	50
Annual Report	20	20	20	20
Rental of Serviced Accom.	200	200	200	200
Vehicle leasing	80	85	90	95
Misc. services (probably most from SBC)	500	525	550	575
Project-associated o/heads	65	70	70	75
Project direct costs		360	360	405
Total	£1.97m	£2.06m	£2.12m	£2.22

Notes:

Amounts in 2016 ££.

Staff in Yr 2 – Director, two administrative staff, 12 info. centre staff and rangers. Does not include staff who are wholly funded by projects.

Costings assume several projects are being managed, with total external funding of £350k in Yr 2, £400k in Yr3, £400k in Yr 4, £450k in Yr 5.

Misc = planning, HR, governance, additional cleansing/recycling etc services

Project-associated o/head refers to costs of planning, application, setting up and administering projects, plus average 10% co-funding of projects..

Project direct costs refers to costs directly incurred by projects exclusive of o/head.

Table 2. Predicted revenues to a “slimline” Borders National Park

Revenue	Yr 2.	Yr 3	Yr 4.	Yr 5
Item	££ 000	££000	££ 000	£000
Membership Fees (individual)	5	15	25	30
Corporate Sponsorship	5	8	10	12
Donations, legacies etc	10	50	100	125
Advertising (website and Annual Report)	10	12	15	15
Franchises, merchandising etc.	50	60	100	125
Scottish Government	1209	1209	1209	1209
SBC		380	400	400
Project revenue (inc. o/head)	350	400	400	450
Total	£2m	£2.134	£2.259m	£2.366m

Notes:

Project revenue estimated to be £350K in Yr2 includes funded by HLF, Big Lottery, UK Res. councils, other UK and Scottish public bodies (excluding SBC), private trusts, private subscription etc.

SBC funding and co-funding for projects and activities managed on behalf of SBC by NPA.

Revenues presented here all as direct payments to the NPA. However, if a “Friends” charity was set up, some of these such as membership fees and donations, could be routed through the charity and Giftaid claimed, increasing total revenues – discussed in section on “Revenues – a dedicated charity”.

Direct financial returns from the Borders NP

The creation of a Borders National Park can reasonably be predicted to have positive economic consequences for local residents and businesses, for SBC, and for the Scottish Govt. Jobs would be created, both from the public funding obtained and from the increased tourist and project activity. This would lead to increased income to SBC (Council tax, fees etc) and for the Scottish Govt – (increased income tax receipts, VAT 10%, stamp duty etc); Private sector income would increase from higher charges, more transactions, sales, more businesses. Borders railways could expect increased passenger receipts.

Possible direct returns to the Scottish Govt

The Scottish Govt as of now receives 50% of VAT receipts and all of income tax generated in Scotland (Currently the amount due to Scotland is not calculated as a direct percentage of actual local receipts but this could readily be changed and no doubt will be as questions arise as to what precisely the amount should be).

SBC's estimate of Scottish Borders tourist spend in 2014 using STEAM methodology (STEAM 2014) is £187.44m. The UK Tourism Alliance estimates that 17% of visitor spend is VAT (tourismalliance.com). Hence the current tourist spend in Scottish Borders now yields approximately £16m/year VAT to the Scottish Govt.

Let us first consider the scenario predicted in the earlier review on "Tourism and the National Park" posted on the www.borders-national-park.scot website. There it was argued that, as has been shown in other areas of the UK, *tourism in a Borders NP and in the wider area around would be significantly enhanced by designation of a NP*. Designation of an NP in the Southern Borders, it was argued, could reasonably be predicted to lead over a number of years to a doubling of the very low figure for Borders tourism. (This is supported by the fact most recent figures on tourist spends from VisitScotland reveal that Dumfries and Galloway, a less accessible region to tourists than the Scottish Borders, attracts almost twice the level of spend that the Borders does). Here some of the financial implications of that prediction are considered, then also some more pessimistic scenarios. In Table 3 the increased revenue to the Scottish Govt which would accrue as a function of three possible levels of increased tourism in Scottish Borders is shown.

SBC's figures estimate that tourism directly for 3774 jobs and 4572 if indirect impact is included. Doubling tourism would not necessarily double jobs, because many facilities are underused or staffed at fixed levels regardless of visitor numbers, such as Hermitage Castle, museums, etc. Two thousand additional jobs is a more conservative estimate for a doubling of tourist numbers. The average UK wage outside London is £25K (monster.co.uk), of which on average £2800 is paid as income tax (incometaxcalculator.org.uk). Accordingly if 2000 additional jobs were created that would, on average, equate to £50m in wages and £5.6m/year **additional** income tax to the Scottish treasury. The increased income tax revenues to the Scottish Govt which would accrue as a function of three possible levels of increased tourism in Scottish Borders is shown in Table 3. Note that these figures do not included an estimated increase in stamp duty, which would be likely.

Table 3. Increase in VAT and income tax revenues to Scottish Govt from increased tourism in Scottish Borders

Increase in tourism %	Increased VAT revenue (8.5%) ££m	Increased Income Tax ££m	Total ££m
100	16	5.6	21.6
50	8	2.8	10.8
10	1.6	0.56	2.16

Hence taking these estimates as the possible increase in tourism within, say, ten years, the Scottish Govt would stand to gain between the very pessimistic figure of £2.16m and the more realistic figure of £21.6m/year direct income due to the designation of the Borders National Park. Even the most pessimistic prediction shows the NP more than returning to the Scottish Govt its direct cost to the Scottish public purse within a few years. And this does not take into account the income from the uplift in other taxes, such as stamp duty, and the indirect returns. Nor does it include the many

indirect returns and benefits to the local authority which are not assessed in this review. All this at no cost to the Scottish Govt and SBC other than that which would be incurred if the area was not designated.

The evidence from other UK NPs (discussed in previous review on tourism) suggests that the higher figure is more likely to be a realistic prediction, with rapid gains in the early years of the NP from the very low base level of Borders tourism, thanks to the high and favourable profile for the area generated by designation.

NPA's revenues

Apart from the grant from Government, a number of other sources of income are noted in Table 2. These predictions are based on figures shown in the Annual Reports of other UK National Parks, all available on the Web. They are all shown here as direct income to the NPA. However it would be more lucrative as discussed above if some were paid to a charitable organisation, "Friends of the NP", which would allow recovery of Giftaid from HMRC, and thence donated to the NP. Membership and donations raised through a general appeal would fall into this category.

Merchandising and other trading activities are now an important source of revenue to museums, galleries, National Trusts, etc and it is envisaged that these opportunities would be addressed through the visitor centres and other means including online marketing. The NP website and social media would be important communication and marketing platforms, not only for the NP but also for businesses within and beyond the NP in Scottish Borders.

Conclusion

Even under the most pessimistic predictions a Borders National Park would be a sound financial investment for the Scottish Government. It would speedily more than cover the setup and running cost, quite probably many times over. The gains to Scottish Borders Council would also be substantial. Communities and businesses in the Scottish Borders would gain from the increase in purchasing power and jobs in the area. This is looking at it purely in financial terms. The additional benefits in terms of resilience and sustainability of rural communities would be considerable although harder to quantify in financial terms. The environmental benefits, the contribution to the Scottish cultural heritage and the national and international commonweal are beyond the scope of this review, but will also in due course be evaluated in later reviews in this series.

The designation of a Borders National Park would have strongly beneficial impact locally and nationally, economically, socially and environmentally.

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