

Finance Committee: Response to pre-budget scrutiny November 2020

Summary

Wales Environment Link (WEL) is a network of environmental NGOs, which each of a wide array of funding mechanisms, including membership fees; land management grants; grants from foundations; income from reserves and heritage properties; and various other innovative forms of fundraising. However, 2020 has been an incredibly difficult year for all of our members. In this response, we've answered the Committee's questions as far as we're able to and outlined how the backdrop of a pandemic, on top of dual nature and climate crises, has affected the environment NGO sector.

1. What has been the impact of the Welsh Government's 2020-21 budget including recent funding related to COVID-19?

Last year, WEL welcomed a proposed small increase to the Environment, Energy & Rural Affairs MEG, particularly capital funding of £15m to restore the Natura 2000 network; £4.5m for the National Forest and £1m for peatland restoration. However, it's unclear how much of this – if any – has been taken forward due to the pandemic halting most restoration work. The Environment MEG was also the only one to see a reduction in the Second Supplementary Budget¹, of £11m or 1.9%.

The Environmental Growth Fund was a very welcome idea that, unfortunately, wasn't developed fully prior to the pandemic. Some WEL members have noted that Natura 2000 funds were made available to be spent in this financial year, and whilst multi-year settlements were considered, nothing has yet been decided on this. In order for the funding to be truly effective, especially as on-the-ground programmes will have to drastically adapt to how restoration takes place, it needs to be sustained over multiple years.

The expected Natura 2000 funds have not been seen and anything on the other two projects must have only been spent by Welsh Government. We were pleased to see the National Forest to still be launched and that it remains an ongoing work programme², albeit, one that has had to quickly adapt and will likely have delayed rollout and delivery. The £1m of peatland restoration has been allocated to the Natural Resources Wales Peatland programme and we hope that carbon capture and nature restoration will go hand and hand. It's a positive nature-based solution; the kind we should be focused on for delivering an ecosystem-based approach.

The Welsh Government has demonstrated leadership on sustainability through its legislative programme in the last 5 years. There is now an urgent need to see this translated into action, on the ground, to meet targets for nature and climate change. With sustainable investment, including grant funding, the eNGO sector is well placed to support the action required across Wales. However, Covid -19 has hit the sector hard. It is largely

¹ Senedd Research, 2020. Blog: [Coronavirus: An early Second Supplementary Budget.](#)

² Business Wales, 2020. Farming Connect News: [National Forest Programme – An Introduction for Stakeholders.](#)

organisations who had diversified their businesses and started to generate their own income that have been hardest hit, although no one has escaped the impact. **Maintaining the expertise, knowledge and skills within the Welsh eNGO sector will require sustainable funding mechanisms that support recovery in the short term, as well as effective, long term action on the ground going forward.** Funding will need to be relatively easy to access and efficient to deliver as many organisations are struggling with capacity as a result of Covid-19.

The Welsh Government, along with other countries have missed their 2020 Biodiversity targets, and cannot afford to let the eNGO sector collapse. This sector will be needed even more than ever in the future to plan, develop and implement effective action to address the both the nature and climate crisis.

Aside from UK Government job retention schemes (i.e. furlough), there has been very limited funding targeted specifically to help eNGOs through Covid-19 provided through Welsh Government. For example,

- Local 'rates and rents relief schemes' delivered through councils have been accessed, but these are small scale and piecemeal.
- There was funding made available through NRW to help nature reserves open after the lockdown. Limited pots delivered through partners like WCVA – such as the Voluntary Services Emergency Scheme haven't been suitable for much of our work, were closed within a very short period of time due to demand from the wider sector and also seen to be risky and over complicated due to the loan element involved.
- The Economic Resilience Fund was supposed to be a way for small businesses and charities to access extra support, but unfortunately, not a single WEL member was able to benefit from this. The process seemed very much focused and aimed at businesses and those administering the scheme didn't have an understanding of how third sector organisations operate differently to SMEs.
- Environmental NGOs that don't own or manage land and don't have business premises have not been able to access any of the support available, except furlough, and even this has been limited for very small organisations.

This was highly disappointing, but we understand that not all organisations will be able to benefit from all pots. It's just a shame there wasn't anything from Welsh Government, specifically targeted at environmental NGOs, which our WEL members could access.

It should be noted, however, that National Lottery Emergency Funds have been a lifeline during this time and have been easy to access, and focus on supporting organisations. Some Trusts and Foundations have also been very supportive. As time goes on and we continue to experience significant financial impacts from Covid-19 impacts. The Welsh Government needs to work with eNGOs to support the sector or else the sector could be irrevocably damaged. We very much welcome that the Natural Resources Wales-led task force³ – set up by the Minister, to develop ideas around the 'green recovery'– has also been looking at the stabilisation of the environmental NGO sector. If we can get through the crisis, then we will be more able to help deliver the recovery in a sustainable way, in partnership with the Welsh Government and public sector.

³ Natural Resources Wales, 2020. News: [NRW led taskforce set to accelerate a green recovery in Wales.](#)

1. How do you think Welsh Government priorities for 2021-22 should change to respond to COVID-19?

WEL members have fed into the aforementioned NRW Green Recovery Taskforce, which we hope to be published or finalised internally soon. Against this backdrop, we recommend that the Welsh Government should do the following to help eNGOs to survive and continue their work:

- **Flexibility on existing grants to allow outdoor projects to be delivered** – many environmental projects will not be delivered on time and it's essential this funding is not simply lost due to the original deadlines being missed. Organisations need to be able to move delivery across financial years and timelines should be extended for providing information for claims whilst staff are still furloughed. There needs to be a quick and easy process to make changes that does not take too much staff time and does not delay claims and payments.
- **Payment of existing Welsh Government grant funding for work already done** – for some organisations this has caused extreme difficulties with cash flow as Welsh Government staff have been unable to quickly assess claims or provide any clarity on progress with payments. This concern has been raised with the Welsh Government repeatedly but problems persist. WEL has been in discussions recently with Rural Payments Wales to discuss how to improve the claims process for grants; ideally, we would like to have grants paid as soon as possible and for clawback mechanisms to be used for anything that doesn't end up meeting the grant criteria. We have welcomed their willingness on working with us as this would make a big difference to eNGOs.
- **Fully reopen or expedite opening of new funds that were expected as part of the Environmental Growth agenda** – this must be done with full involvement of the sector and rapidly. There are concerns that initial budgets have reduced at a time when the sector needs funding, not due to budgetary cuts, but due to internal Welsh Government concerns on their ability to administer funds and risk-averse approaches to auditing. It is extremely frustrating to have funds allocated but not made available for much needed projects.
- **Core funding from Welsh Government** – it should be recognised that many organisations' traditional sources of core funding are much reduced due to loss of income from visitors, being unable to campaign or recruit members or apply for other sources of funding. Project funding only provides limited overheads and doesn't cover core costs. Therefore, all core posts such as management, advice, land managers, accounting, fundraising and communications are under threat. This puts the viability of organisations under threat and compromises the sector's ability to deliver, including on key government priorities like the Nature Recovery Action Plan. While accepting that organisations need to generate their own income, core funding can **expand** their reach. It enables organisations to respond to need and to offer their services to local communities for free, with the range of benefits this provides.
- **A realignment of how funds operate** – by recognising that we are in the grip of climate & nature emergencies that are not going away, alongside the reduction in delivery capacity by the eNGO sector, will make it more difficult to tackle these issues. Increased investment in nature recovery and a long-term commitment to this across 3-5 years is necessary, including revenue as well as capital grants. Recent additional spending on nature has been in the form of one-off capital grants that must be spent within a year – this makes it difficult to deliver anything meaningful for nature. Whilst revenue funds announced via NLHF (National Lottery Heritage Fund) in November to help instigate a green recovery are very welcome, and needed, these again are incredibly short term and short timescale for

turnaround to apply, meaning an already exhausted sector may not be able to maximise use and be able to apply due to having to firefight daily operations.

Flexibility on budgets is particularly needed for Natura 2000 fund. The Welsh Government launched a much reduced budget for Natura 2000 restoration through grant funding in July⁴ – via the Sustainable Management Scheme, with £4m for 19 projects announced in late September and signed off at the end of October. Whilst much needed and welcomed, the short timeframe for spend and the timing of the year, as well as being a capital-only fund, means that the extent of the improvements that can be made are significantly reduced and restricted. Multiyear funding to enable multiyear planning is critical in this area for impact.

2. How financially prepared is your organisation for the 2021-22 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?

Wales Environment Link (WEL) itself stopped applying for Welsh Government funding when the grants were re-profiled away from the Environment & Sustainable Development Grants which could be used for general costs (i.e. not just projects) and to the Enabling Natural Resources & Wellbeing (ENRAW) project funding. This required new and innovative partnerships to be forged at short notice and the few WEL members that did manage to apply have found this a very difficult fund to get to grips with and haven't found it the best use of time or resource to grapple with the requirements.

WEL itself is financially prepared for the next financial year as our funders – a mixture of UK-wide foundations & small policy-related grants – have been extremely understanding and flexible when it comes to what WEL has been able to deliver and achieve over the last year

However, **many of our members have found it more difficult to absorb the impact of the pandemic and it has made usual operations impossible for many**, especially those who rely on tourism income. For example, the National Trust⁵ has had to make 514 compulsory redundancies across the UK, on top of 782 voluntary redundancies. This will affect the Trust for a long time and other NGOs are facing similar difficult decisions. Smaller organisations that depend on a mix of grants and business activities to survive (and have struggled to access Covid-19 support) are finding it difficult to maintain their staff and services. **In some cases, there is real concern over survival beyond the current financial year unless some support is made available to help them recover.**

In a survey on Covid-19's impact on WEL members earlier in the year, we found:

- The biggest impact was from loss of income from membership subscriptions, grants and from visitor, community, contract or trade income. Restrictions on certain types of work due to Covid-19 rules and lack of staff capacity (due to many being furloughed) are also important factors.
- Members report estimated income losses for this financial year (2020 – 21) as between 10% and 40% of their usual income.

⁴ Welsh Government, 2020. Press release: [£4m available for Natura 2000 sites to help Wales protect vital habitats and threatened species.](#)

⁵ The National Trust, 2020. News: [We've reduced compulsory job losses following consultation.](#)

- Most expect further financial hardship next year with some organisations reporting that they expect it to take 3-5 years for their operations to recover to pre-March 2020 levels.
- The majority of respondents assessed their organisational viability as being at a medium level of risk. They expect to be able to continue to operate, but need to mitigate their financial losses by reducing operational capacity and are having to consider redundancies.

Importantly, the lack of staffing, capacity or ability to take forward work has meant important tasks were cancelled or postponed, including: habitat management and creation, species monitoring, environmental monitoring and research, disruption to long-term data sets, campaigning, fundraising, face-to-face membership recruitment and community regeneration work (e.g. path maintenance, beach & river cleaning).

WEL members also reported (via the survey and anecdotally over the past three months) higher incidences of fly-tipping⁶⁷, littering, vandalism and wildlife crime during lockdown⁸, whilst enforcement has been reduced. On the positive side, they also report that many people have discovered a newfound interest in nature and outdoor recreation, which they believe should be positively harnessed. The pandemic has highlighted the importance of nature to all, against a backdrop of a nature crisis, so the Welsh Government should be more focused than ever on reviving our at-risk biodiversity. For the good of nature and people's enjoyment of it.

3. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

Although this is not the fault of the Welsh Ministers, both last year and this year, the UK Government has made late announcements on spending creating knock-on delays to the Welsh Government Budget process. For 2019 and now 2020, this means budget scrutiny has started a week before Christmas and committees have to wedge in as much analysis as they can over recess and in the first 2-3 weeks in January. To say the least, this is really not ideal and it would be helpful if planned or indicative budget plans could be announced earlier, and then any revisions from the impact of UK Government decisions could be embedded later on. This would mean that a lot of initial analysis could be conducted whilst stakeholders are available and not during the Christmas recess when most are on leave.

Last year, there wasn't even any type of formal consultation on the budget with stakeholders via Committees, as it was thought to be too short notice to ask so submissions were accepted on an ad-hoc basis to help Senedd Members with their scrutiny. Again, whilst the UK Government timings are beyond Welsh Ministers' control, this doesn't seem to be a pattern that's going away and it would greatly help our own scrutiny of our own Welsh budget.

We hope to see some alignment between Covid-19 reconstruction funds and the ideas coming through the NRW Green Recovery Taskforce, as a 'green recovery' will not be possible if eNGOs are too pre-occupied with trying to stabilise and still exist and find more funds, rather than deliver on restoring nature and developing effective climate change strategies.

⁶ WalesOnline, 2020. Article: ['The 'disgusting' fly-tipping in a Newport lane during lockdown'](#).

⁷ WalesOnline, 2020. Article: ['The massive piles of rubbish in Llanelli communities which people keep adding to'](#).

⁸ BBC Wales, 2020: Article: ['Coronavirus: Fly-tipping and wildlife cruelty 'up in lockdown''](#).

4. Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits to current Welsh Government borrowing within this Framework.

The Fiscal Framework has increased capital borrowing powers to £1bn, which is helpful for Welsh Government to be able to invest long-term in capital projects. We are concerned that, if the Internal Market Bill passes as is, the Welsh Government will have less flexibility over their current powers and they need to be able to have additional flexibility over spending decisions as we strategise for a post-pandemic green recovery. We think this principle should be extended to forthcoming funding streams, such as the Shared Prosperity Fund, so devolved nations can align funds according to their specific needs.

5. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2021-22 budget?

We have provided answers to the subjects relevant to the environment sector and green recovery below.

- **How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.**
- **To what extent alleviating climate change should be prioritised in supporting economic recovery**

The need for a green recovery globally

The economic recovery cannot be one that comes back as before. It was not sustainable and, whilst we are pleased that the Welsh Government are committed to a 'green recovery' from Covid-19, it is unclear at this stage how this will be implemented and financed.

The pandemic has made it more difficult to plan for the long-term, except that we know that we have failed our international biodiversity targets, and that we need to bring the global community together at COP 26 to refresh our approach to restoring nature. An economic pause means and we have an opportunity to build back with more sustainable thinking.

Ultimately, **we cannot have an economic recovery without nature's recovery.** WWF's Global Futures report⁹ has modelled the impact of nature's decline across 140 countries and all key industry sectors. It assesses the impact of dwindling ecosystem services - such as water supply, timber supply, fisheries, crop pollination, flooding, erosion and carbon storage - if we continue with 'Business As Usual' economic approaches. By 2050, if we continue with 'Business As Usual', the global GDP will drop \$9.87 trillion. However, if we adopt an approach embedding conservation principles - with sustainable consumption of materials, protecting habitats and ecosystems; stabilising land-use change; and slowing the rise of greenhouse gases - the global GDP could rise to +\$0.23 trillion. So, it is essential that the recovery truly is a sustainable, green one that looks to the long-term needs of the planet and people, not just going back to business as usual.

⁹ WWF, 2020. Report: [Global Futures: Assessing the Global Economic Impacts of Environmental Change to Support Policy Making.](#)

UK approach to a green recovery

It's also welcome that the UK Government has recognised the value of Natural Capital and the Dasgupta Review¹⁰, which published its interim report in April 2020, is exploring *"the sustainability of our engagements with Nature – what we take from it; how we transform what we take from it and return to it; why we have disrupted Nature's processes; and what we must urgently do differently to enhance our collective wealth and well-being, and that of our descendants"*. The final report with recommendations is expected by the end of 2020.

Wales' approach to a green recovery

In Wales, we have been made aware of a newly allocated £920k fund for NGOs as part of a Green Recovery Capacity Building Scheme¹¹ (announced 23rd November by Welsh Government¹²). We welcome the set-up of this fund, but it is a comparatively small amount of money, when compared with England, which has put in the region of £80 million into a similar scheme¹³.

In terms of the Welsh Government's approach to a green recovery, we have embedded long-term sustainable thinking into the Wellbeing of Future Generations Act and the ecosystem-based approach in the Environment Act. We welcome that the Minister has recognised the urgent need to prioritise the environment, in declaring climate and nature emergencies and taking proactive work to gather experts at the NRW Green Recovery Taskforce, which is due to report shortly.

We also welcome the recent Welsh Government Covid-19 Reconstruction report¹⁴, however it is not clear yet what the allocation of funding will look like for policy priorities within this document. The Minister recognises that it has to be cross-portfolio so we hope an environmental perspective is embedded across portfolios. At a recent CCERA Committee meeting, the Minister said this herself: *"I remember when we first started looking at the Well-being of Future Generations (Wales) Act 2015 and people just think of 'sustainable' as the environment, and, of course, it isn't, and I don't think the green recovery is just environmental either; it has to be right across all parts of Government."*

The Minister also highlighted¹⁵: *"One of the things I asked Sir David Henshaw, the Chair of Natural Resources Wales, was to look at this from right across my portfolio, and I know there have been several meetings and I am awaiting a report around that. What we're looking at from a green recovery is around two areas. We're looking at stabilisation and reconstructing. So, I suppose we need to stabilise. We need to mitigate the direct effects of the pandemic, and then we need to ensure that the economy and our public services are strong enough going forward, and then, obviously, reconstruction will be the longer term challenge, and our desire to make sure that we take the public with us around this and what we want to do, and how we deliver better for*

¹⁰ UK Government, 2020 Independent report: [Interim report – The Dasgupta Review: Independent Review on the Economics of Biodiversity](#).

¹¹ The National Lottery Heritage Fund, 2020. Funding: [Green Recovery Capacity Building Scheme](#).

¹² Welsh Government, 2020. Press release: [Support for communities and organisations as Wales looks to tackle biodiversity crisis](#).

¹³ UK Government, 2020. Press release: [£80m fund for green jobs and new national parks to kick start green recovery](#).

¹⁴ Welsh Government, 2020. Report: [Coronavirus reconstruction: challenges and priorities](#).

¹⁵ CCERA Committee, 2020. [COVID-19: Scrutiny session with the Welsh Government. Transcript from 17/09/2020](#).

them." WEL thinks that report will be integral to advising on how to stabilise the environmental sector, which we enable us to be part of forming the green recovery.

Finally, we have also seen little reference or acknowledgment generally from Welsh Government civil servants as to how the green recovery will extend to the 'blue', to support management of the coast and seas surrounding Wales. The Welsh sea area managed by the Welsh Government is a third bigger than the land area that it manages, and has huge potential for both socio-economic and environmental recovery. We hope that the Welsh Government's draft budget - when published in December - will reflect the financial and social importance of our seas and coasts, and budget accordingly, for a green and blue recovery.

Wales Environment Link (WEL) is a network of environmental, countryside and heritage Non-Governmental Organisations in Wales. WEL is a respected intermediary body connecting the government and the environmental NGO sector. Our vision is a thriving Welsh environment for future generations.

This paper represents the consensus view of a group of WEL members working in this specialist area. Members may also produce information individually in order to raise more detailed issues that are important to their particular organisation.



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