Funding Options for Protected Site Strategies








Decorative images (TL-DR): Hare in a meadow; Ponies on moorland; Goldcrest; Cattle in rush pasture; Ancient woodland with moss covered rocks; Wetland habitat with rushes; Bat box in a tree; Pair of fulmars.

Introduction to the toolkit

This toolkit provides guidance on how to secure funding for Protected Site Strategies (PSS). Opportunities for private funding should be considered throughout the stages of creating a PSS, rather than tagged on at the end of a project. This toolkit is particularly focused on private funding for land management change.

Why should we fund nature recovery?

1. The global economy's dependence on nature is clear. Pollinators underpin one in every three bites of food eaten on the planet and more than half of global GDP is dependent on nature.
2. Government funding is not sufficient to deliver nature recovery. Nature-based solutions to meet the UK's nature-related commitments face a £56 billion financing gap.
3. Protected Sites represent the best natural areas in England. They are an essential part of the ecological networks that support natural processes.
4. Unfortunately, these sites are often in a poor condition due to pressures outside site boundaries and lack of funding for land owners. In order to restore these sites, there is a need to explore alternative ways of funding management of Protected Sites and the surrounding landscapes.

What is the purpose of this toolkit?

This toolkit aims to educate and inspire! It is intended for a wide range of audiences to provide high-level guidance on how to secure funding for delivering a PSS.

It includes exciting and innovative case studies from across England to showcase different approaches to financing nature recovery.

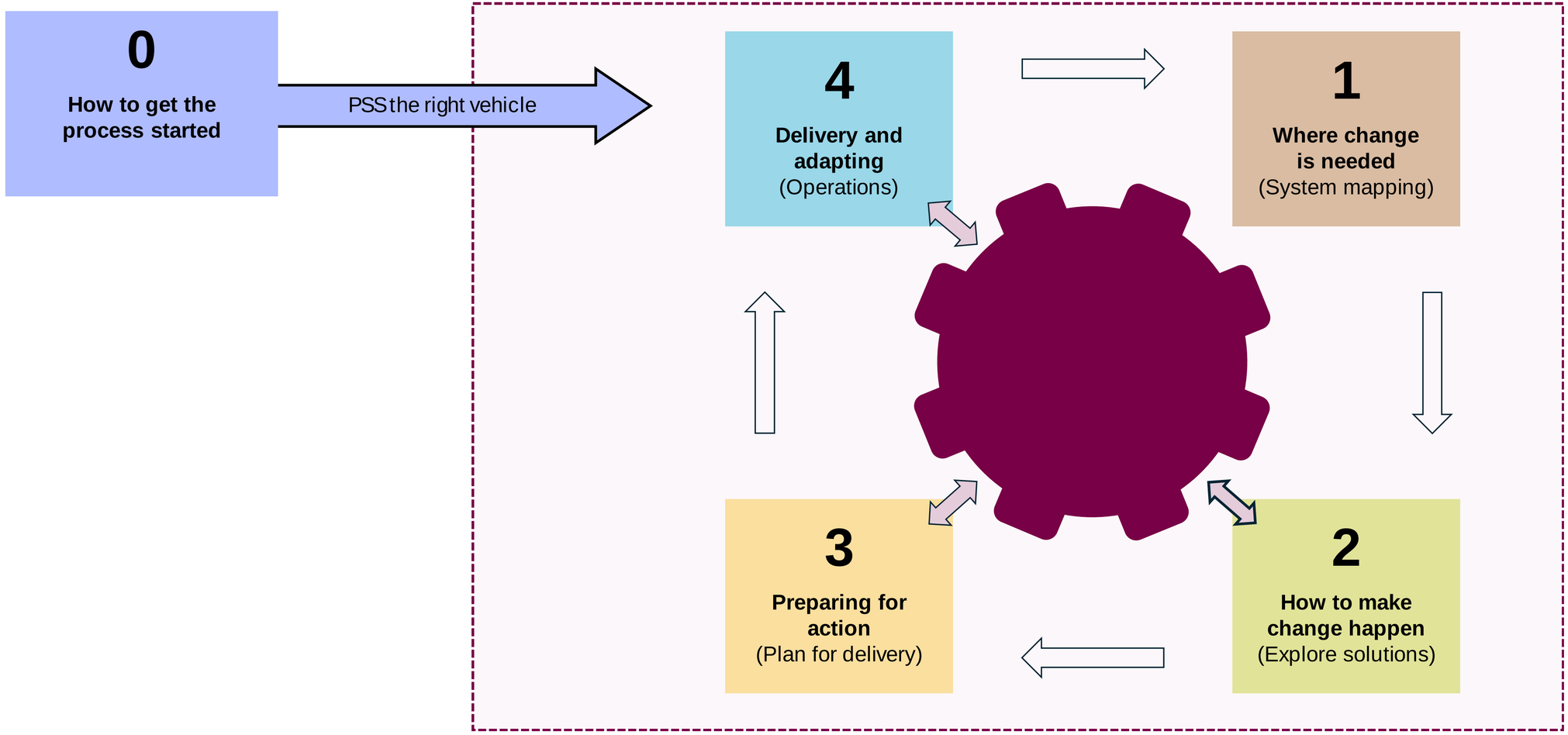
There is already a lot of good work being done and research to support this. Links to further resources and readings have been provided for if you wish to find out more.

This is the full accessible version of the toolkit. Additional versions of this toolkit aimed at project partner, business and community audiences are also available.

A glossary providing definitions of all key terms and acronyms used in this toolkit is provided at the end of the document.

The PSS journey

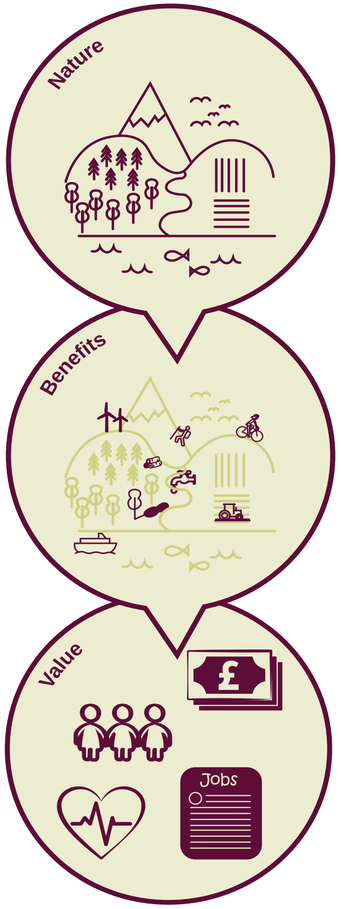
There are five key stages along the PSS journey. The diagram below shows the key stages from getting the PSS started to operations. The stages incorporate the key principles of being transformational, delivery focussed, adaptive and addressing the underlying drivers. Throughout all the stages cross-cutting tools for delivering the PSS include purposeful stakeholder engagement, building skills and communities of practice and project management.



0. How to get the PSS started

Understanding the terminology

This stage is about understanding if there is a need for a PSS and creating a project board to deliver this. It is important to identify how much knowledge members of the project board have in relation to natural capital, ecosystem services and nature-based solutions. These concepts will be important in forming the link between ecosystem restoration and funding opportunities.



Nature

Nature includes the land we live on, the air we breath and the waters and seas that support life, as well as all the plants and animals that live here. This can be thought of as natural capital. This idea treats nature as a stock of assets that provide benefits to people.

Benefits

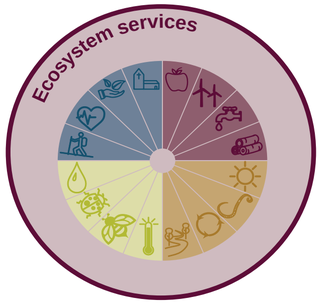
There are many different ways that nature benefits people. Some of these are obvious, including food, fibres and timber. Other benefits include access to nature, which can improve health and wellbeing. Being able to go into the hills or a woodland or a park can encourage physical activity. Connection with nature can also improve mental health.

Nature also provides benefits which historically have gone unnoticed. An example would be wetlands which store water. This reduces flow of water during rainy periods and storms and prevents flooding. Certain wetland plants also help filter water, removing any pollutants. Without these hidden benefits, many of the conditions we rely on to build our lives can be threatened.

Value

The benefits nature provides to people offers value. However, unless this can be measured, it is difficult for this value to be considered against other considerations. Some of nature's benefits (such as food or timber) can be sold and are already valued in a monetary way. But many other benefits are not currently valued in this way. Because of this, it is difficult to invest in these parts of nature. It is important to find ways of measuring or valuing all the benefits of nature to make a strong case for why they should be protected.

Another kind of value - **intrinsic value** - describes the value of nature in itself, without reference to its impact on people. This is an important and valid type of value, but in the past it has not always connected to financial support. Focussing on value in relations to the benefits nature provides people, or **instrumental value**, can help bridge this gap.



Ecosystem services

Ecosystem services refers to the benefits that the natural capital assets provide. They can be grouped into the following categories:

- Provisioning services: which provide tangible goods that can be harvested e.g. crops
- Regulating services: which includes benefits from natural processes and cycles that sustain ecosystems.
- Cultural services: which includes recreation, education and other health and wellbeing benefits.
- Supporting services: which keep ecosystems functioning and allows other services to be delivered.

Ecosystems services themselves are difficult to measure. Natural capital is often used as a proxy for estimating the ecosystem services delivered.

Nature-based Solutions

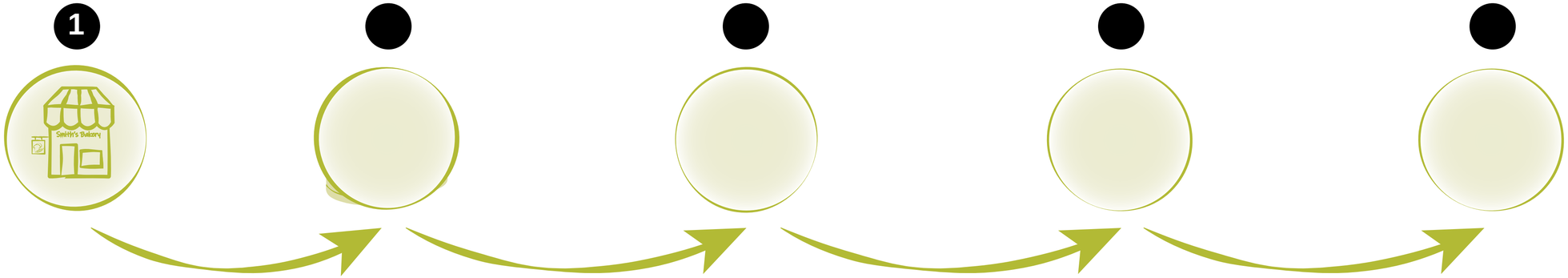
Nature-based solutions is an approach to natural capital where the conditions of ecosystems are enhanced to increase the value of the natural capital and the ecosystem services it provides.

Nature-based solutions highlight that restoring nature can be part of the solution to addressing wider social, economic and environmental challenges that we face. This includes challenges related to climate change, inequality, low growth and the health crisis.

Decorative images (L-R): Farmland at Westbury White Horse; Well established grassy meadow; Steep scrubby river valley; Heather backlit by setting sun.

Regenerative agriculture

Ecosystems are complex and connected. Understanding this complexity, along with complex social and economic processes is important to understand the PSS context. Short term solutions may increase risks in the long term - as demonstrated below.



1. **Business**: Small bakery business
2. **Key risk**: Unstable provision of wheat due to impacts of climate change reducing sales
3. **Ecosystem service**: Increase direct provisioning service by converting more land to wheat production
4. **Ecosystem service**: Wheat production relies on healthy soils, water regulation and good water quality
5. **Management intervention**: Regenerative agriculture can reduce erosion, restore soil nutrient availability, sequester carbon and enhance soil microbial dynamics creating a more resilient wheat supply.

Regenerative agriculture is an important concept. It aims to allow the soil, water, nutrients, and natural assets to regenerate themselves, as opposed to depleting natural resources. Key methods include minimising soil disturbance, maximising crop diversity, maintaining soil cover and integrating livestock and arable systems.

Case study - Wildfarmed

Wildfarmed formed in 2018 as a radical alternative approach to large-scale industrial food production. It aims to produce high quality flour and bread through regenerative farming and also achieve biodiversity and soil health improvements and reduced pollution. The Wildfarmed standards include:

- Use of species rich cover crops or diverse pasture mixes to keep the soil covered at all times.
- Cereals grown alongside companion crops;
- Integration of animals into the farming system wherever possible;
- No pesticides; and
- Efficient use of nutrient inputs.

Wildfarmed now works with growers across over 50 farms (in the UK and France) who meet their standards and actively share learning and innovation. They supply a range of retailers, including restaurants, bakeries and supermarkets.




Decorative images (L-R): Highland cattle grazing; Field of mustards and arable plants; Grass margin with rosebay willowherb; Arable margin for pollinators and birds

Checklist

The checklist below shows the key considerations that the Project Board and key professionals undertaking a PSS will be thinking about during the initiation stage.

- Have you read through this funding options toolkit in full, to understand how the concepts defined here will influence development of the PSS at every stage?
- Have potential project partners or stakeholders within local and large businesses been identified? (to contact at a later stage in the process)
- Is there any natural capital data mapping (or similar) available and if so has the project board been provided with this?
- Has the project board identified any external experts or collaborators who could be brought in provide guidance on funding mechanisms later in the project as required?

Key considerations particularly for businesses include:

- Do the project board have an awareness of the importance of the natural capital framework for understanding the links between nature, people and businesses?

Further resources

Dasgupta Review: Provides an overview of why nature should matter to people and businesses

State of Natural Capital Report: An important document pulling together the best available evidence on natural capital within England.

The Nature-based Solutions Blueprint: Guidance on how companies can build business cases for using NbS to address their challenges and opportunities while delivering positive climate and impacts.

1. Where change is needed (System mapping)

Key considerations and principles

This stage is about understanding the problems the PSS needs to address, and getting a full picture of the local context influencing the condition of the protected site. In order to set the context for funding options, it is also important to ensure social and economic context is understood, including key ways in which businesses depend on the landscape. This includes the people and businesses near the protected site, as well as those further afield that still benefit from the protected site in some way. We want to try to identify ‘win-win’ land use changes which benefit local businesses and the protected site.

It is important to think about scale and the spatial area that the stakeholders and businesses that are impacted by the PSS.

Creating a power map of these stakeholders which identifies their influence and motivators can help identify potential partners and collaborators who may be able to fund or support change.

Decorative images: Examples of stakeholder engagement

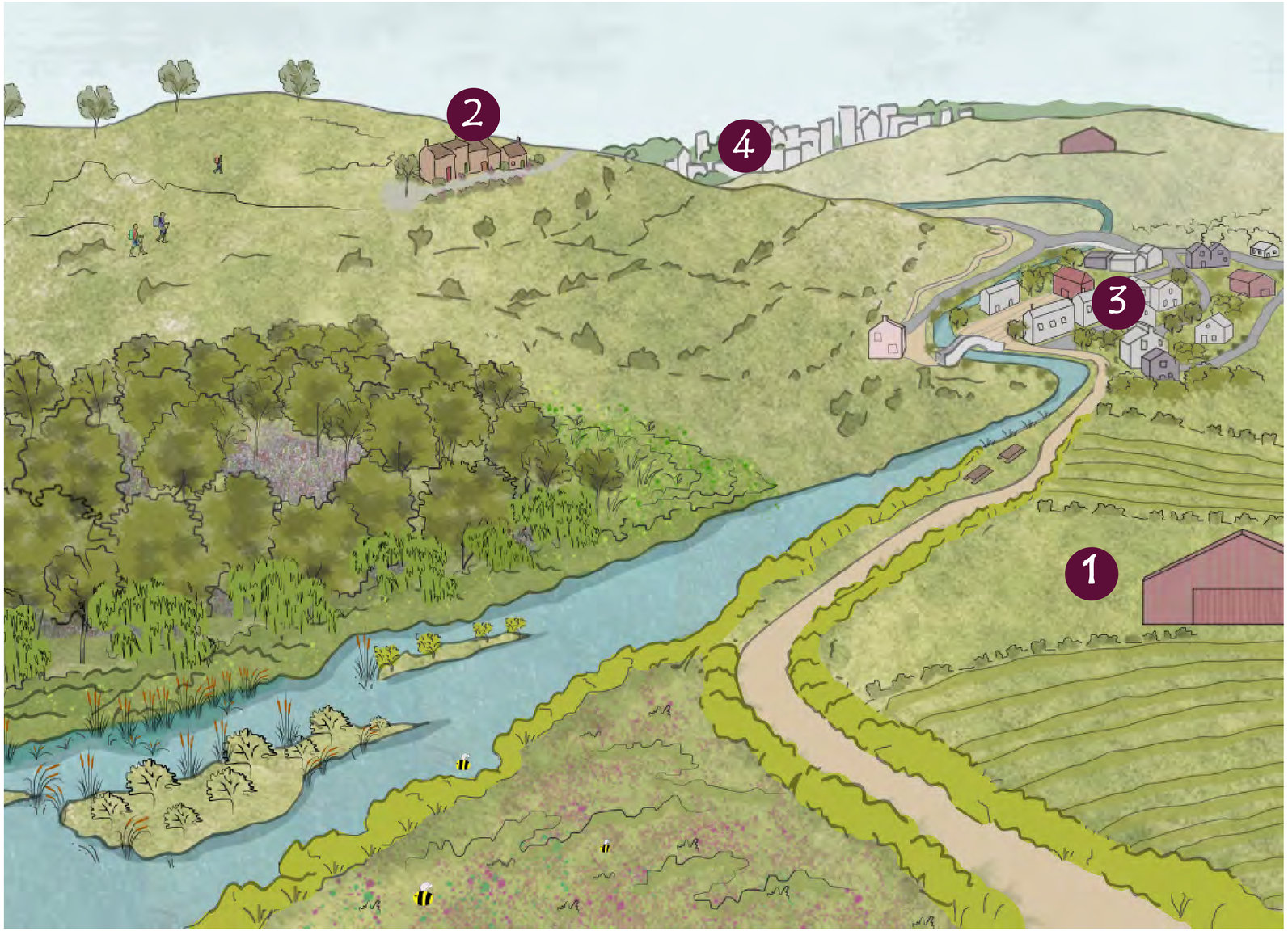
The image on the right identifies examples of some different potential beneficiaries of a fictitious PSS.

1. Close to the protected site, agricultural businesses may benefit from increased habitat for pollinators which can build resilience in agricultural yield.

2. PSS enhances ecosystem services in the landscape around the protected site. This can attract more visitors and walkers, benefiting businesses and enterprises in local villages which experience increased footfall.

3. Downstream of the PSS, businesses benefit from changes to reduced flood risk from nature based solutions which slow water flow and store water

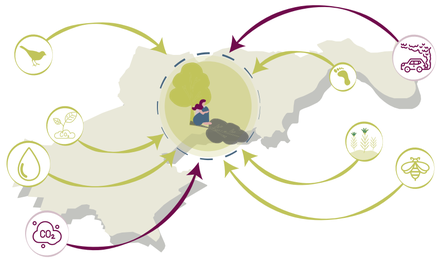
4. Further away, businesses in a larger town and in a separate catchment may benefit by reaching carbon net-zero targets by funding tree planting.



The landscape scale

Remember that natural processes and functions are connected, and often take place on a landscape scale. Different ecosystem services act at different scales, so the Protected Site landscape may be different for different services. Funding options enabling change in different parts of the landscape should be considered.

Understanding connectivity, and where interventions in certain locations may be most beneficial for nature, and where this overlaps with business needs. This should draw on the Lawton principles of ‘bigger, better, more and joined’.

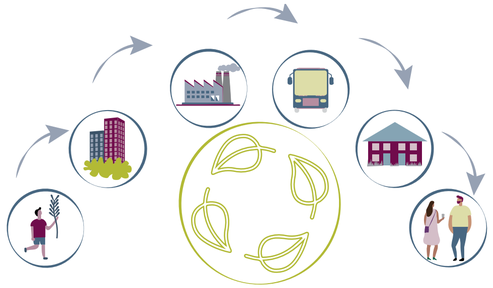


Supply chains

To understand the links between business operations and natural capital, it is important to understand all the ecosystem services which support business functioning, as well as all its supply chains.

An important supplier may themselves be reliant on their own supply chains for raw materials. Additionally secure energy supplies, safe premises, and health and wellbeing of staff is crucial for every business, and each of their suppliers.

Minimising the spatial size of supply chains can have further cost saving benefits, and reduce carbon emissions.



Decorative images: Snowy Peak District landscape; Moorland and coal mine chimney; Tree lined river bank

Non-monetary benefits

Natural landscapes can also provide intangible and relational values that are difficult to measure or quantify. It is important to consider how these wider benefits may feed into business success indirectly.

For example, some habitats or species may be locally recognisable and help inform an important sense of place. This could attract visitors and local populations who may be clients, or become a useful marketing tool.

Not all human behaviour is motivated by financial incentives. Additional intangible benefits can also motivate wider stakeholders to change their behaviour.

Connected thinking

Exploring the links between nature and business can be a complex process. Ecosystem services and business supply chains both feature many interconnected links. It is worth taking time exploring all of these connections to identify less obvious ways in which nature contributes to successful businesses. This allows more creative solutions to be identified.

In order to best explore all these options, strong communication and partnership between those with expertise on how ecosystems functions, and those with extensive business experience is encouraged.

During this stage of the PSS there is a lot of information gathering and understanding to be done. This itself represents an investment in time and money, but is crucial to ensure the right solutions are explored later on in the PSS journey.

Funding for this stage of the PSS is likely to be provided through philanthropic funding and/or public funding. You can find out more about these funding mechanisms by following the link to Stage 2. ‘How to Make Change Happen’.

Checklist

- Is there an understanding of the scale on which each of these benefits are delivered and has an area of influence been identified?
- Have groups, organisations and businesses within these areas of influence been identified?
- Have these groups, organisations and businesses been engaged (The Natural Capital Evidence Handbook provides guidance on working with stakeholders)?
- Are the specific needs of these groups, organisations and businesses understood?
- Have supply chains and other key links between businesses / organisations and the landscape been mapped?
- Has there been open and honest discussion between businesses and local land managers / decision makers?

Key considerations particularly for businesses include:

- Has the natural capital assets and associated ecosystem services of the protected site and surrounding landscapes been identified?
- Have indirect as well as direct benefits been identified?
- Is there an understanding of the non-monetary values which can help motivate change -including an appreciation for the landscape character?

Further resources

Natural Capital Evidence Handbook: A key resource for practitioners on how to ‘do’ natural capital in place. Stages 1: DEFINE; 2: ESTABLISH; and 3: FORECAST are most helpful for this stage of the PSS.

LEAP approach: This summary outlines the LEAP (Locate, Evaluate, Assess, Prepare) approach to integrate nature into business planning. More of there work can be found here.

Natural Capital Indicators for defining and measuring change in natural capital: Provides information on which indicates can act as effective, early-warning indicators of change and may highlight key threats to the Protected Site.

Natural Capital Atlases: These provide mapping for natural capital indicators for county and city regions

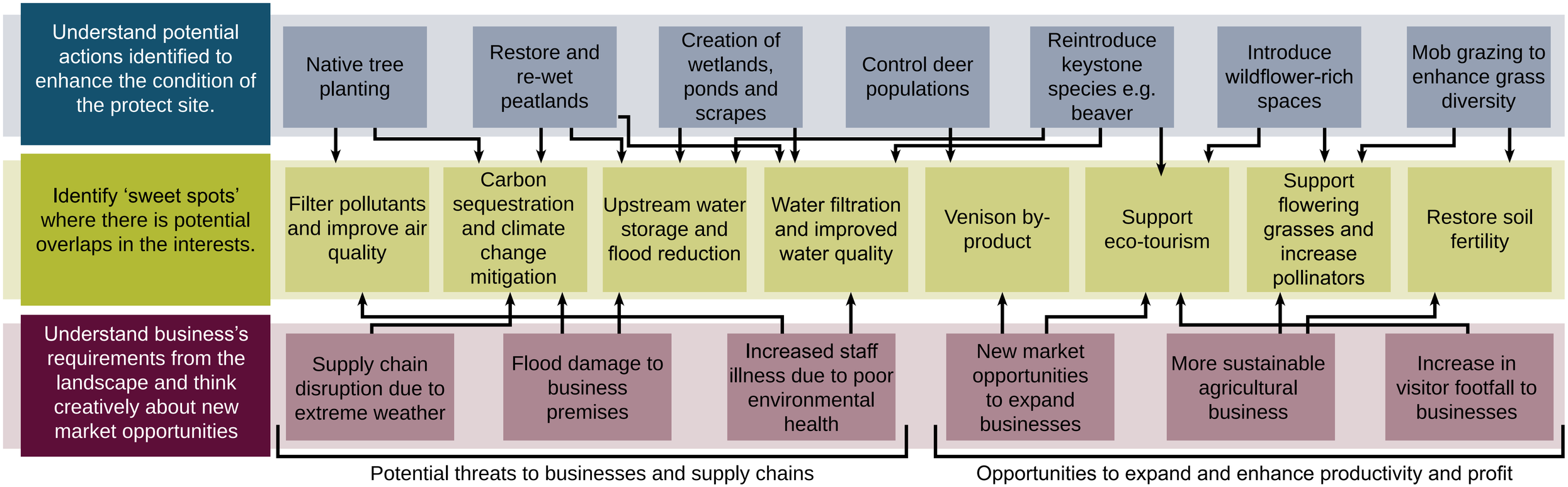
The Nature-based Solutions Blueprint: Guidance on how companies can build business cases for using NbS to address their challenges and opportunities while delivering positive climate and impacts.

2. How to make change happen (Explore solutions)

Part 1: Technical Solutions - Key considerations and principles

This stage of the PSS is about identifying where change can happen by understanding drivers of the current situation. This task includes identifying the main problems, understanding the landscape context, understanding drivers of the site condition and identifying who is in a position to make these changes. As part of this stage, it is important to understand commercial drivers in the landscape.

Understanding commercial drivers together with the technical solutions is crucial for identifying the sweet spots, where businesses or buyers benefits from nature overlap with the proposed opportunities for change that would benefit the protected site. The type of financial mechanisms explored should be led by the ecosystem needs. An approach that works in one place will not necessarily work somewhere else.



West Dean Case Study

A novel approach to funding nature restoration by creating local supply chains and connecting people to their local landscape.

The West Dean Estate, in the South Down, comprises over 2000ha of designed landscape, woodland and mixed farming. It incorporates four protected sites, including Kingley Vale Site of Special Scientific Interest (SSSI), Special Area of Conservation (SAC) and National Nature Reserve (NNR), and three other SSSIs, as well as 5 local wildlife sites and 410 ha of Ancient Woodland.

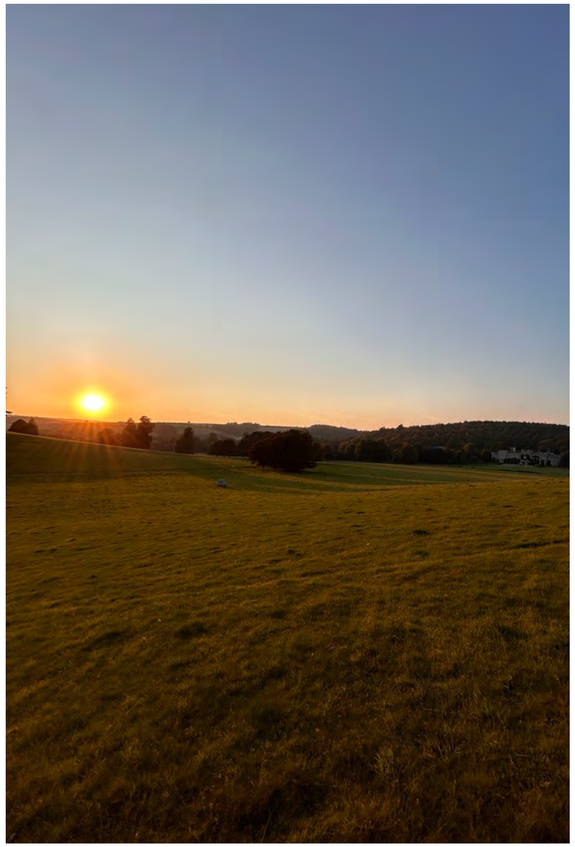
The Estate was selected as one of the pilot studies for creating a PSS, with an aim of transforming the management of the estate to prioritise biodiversity, climate resilience and community engagement. During the initial stages understanding the pressures on the protected sites, overgrazing by deer was highlighted as a key issue due to massive over population of deer on the South Downs.

Growing local venison markets has been explored as an opportunity for funding nature recovery in the estate. This has been achieved by working with tenant farmers (who act as suppliers) and local food businesses (who act as buyers). This funding initiative was pursued alongside agri-environment schemes. It was a preferred option as it was seen as being the ‘right thing to do’ in terms of utilising the entire deer carcass, and using this as a sustainable and healthy food source. Part of this initiative has included education with local communities to develop a local market for venison by addressing some public perceptions on eating venison and the role of deer in the landscape. Marketability of the venison products is based on ties to the local landscape and supporting local supply chains.

Additional financial benefits include the reduced costs of supplying meat from local sources (due to reduced miles travelled). Reduced carbon emissions are also associated with these local supply chains.

Non-monetary benefits include enhancing people’s connection to the land and creating supportive local initiatives.

The PSS was a useful mechanism for asking different questions about how land is managed. There have been challenges with education and bringing everybody on side. Whilst culling deer is often a necessary part of management it is not always something that it talked about so a change in mindset is needed.



Discover more	View the Whole Estate Plan to find out more about the vision for the Estate

Part 2: Delivery options - Key considerations and principles

This is about identifying solutions to deliver positive change to the protected site. The PSS guidance suggests that this should include identifying three potential options to create change. It is important that sustainable funding opportunities are considered within each of these options.

The first part of this process is formalising buyer demands by bringing together businesses or buyers who may benefit from investing in a PSS. At this stage, there is an opportunity to share evidence, build trust and define specifically what ecosystem services, products from the land or land management changes people are willing to buy and at what cost.

Following this, it is time to develop intervention options. This includes further engagement to work with landowners and farmers to design and cost interventions that meet the shared needs of the protected site and businesses.

Remember - solutions do not have to rely on just one type of funding, or based on the delivery of one kind of ecosystem service.

Blending

A blended funding approach includes private and public funding to deliver a PSS. Blended funding may be particularity important in the early stages of funding a PSS, to provide initial investment to explore options for building private markets.

Stacking

Payments for delivering a range of ecosystem services on the same parcel of land can be ‘stacked’ together. The government has set rules on what payments can be stacked. For example a land manager could sell both carbon and water quality units from the same woodland.

Bundling

Sometimes a single environmental credit can be sold which represents multiple different ecosystem services. This is known as bundling. Bundles can be explicit (where each different ecosystem service is quantified) or implicit (where only one is quantified but others are assumed to sold alongside it).

Regardless of whether units of environmental benefits are issued on their own, in a stack or in a bundle, if they are used to meet offsetting requirements or to claim progress against an environmental or climate target, they must be robustly quantified and each should be subject to the same standards of integrity.

Wendling Beck project case study

An innovative project incorporating a range of funding initiatives to create a flexible approach to restoring nature at scale.

The Wendling Beck project covers over 2000 acres of arable farmland in Norfolk, including three fragmented Sites of Special Scientific Interest (SSSIs). Land use was dominated by intensive cereal crop on the thin sandy soils.

In 2020, the end to Basic Payments after Brexit was a catalyst for neighbouring farmers to come together and seek a funding solution for farming that did not rely on subsidies. At the same time, there was a strong desire to do more to let nature thrive, bring back wildlife and support nature-based solutions.

The Wendling Beck project was a pioneer for financing nature recovery through Biodiversity Net Gain. More recently, phosphate and nitrate credits have been developed. These will help deliver nutrient mitigation across the River Wensum catchment. Biodiversity, nitrate and phosphate credits can be stacked together to increase the marketability of the credits-based funding within the project. Research into the amount of soil and above ground carbon storage is taking place. This may offer future opportunities for bundling credits. Bundled credits may be more attractive to investors, as they will help organisations address carbon offsets.

Credits-based funding is combined with traditional food production. This is still continuing, but there has been a shift towards regenerative agriculture. Grass-fed beef and blackcurrant produce is being explored.

Initial funding to set up to undertake baseline conditions audits, and for ongoing research and development, as been funded by public funding (as a pilot for the Natural Environment investment Readiness Fund (NEIRF)) as well as philanthropic funding from The Nature Conservancy (TNC). This provided a blended approach to funding.

Key challenges within the process have been sorting out legal contracts and company structure. The partners have come together to form a Limited Liability Partnership A Conservation Covenant has been put in place to allow credits to be sold.

The Wendling Beck project has created over 2,500 biodiversity units, and will sequester an estimated 250,000 tonnes of carbon, along with restoring almost 4,0000m of river. Since mandatory BNG came into force in February 2024, the market for selling these credits is growing.

Discover more

- Visit the Wendling Beck project website
- Listen to the Nature Markets podcast episode

Part 2: Delivery options - Funding options

The types of funding interventions that could be explored are listed below, with more information on the following pages. These funding options are particularly relevant if it is identified in Stage 1 that land management change is needed and that private funding is needed to enable that change.

- Voluntary payments for ecosystem services
- Compliance payments for ecosystem services
- Payments to supply chains
- Private investment
- Philanthropic funding
- Public funding

Decorative images (L-R): Rough grassland with improved grassland in the background; Bluebell woodland in spring; Shingle beach with coastal woodland

Delivery options - Voluntary payments for ecosystem services

What is voluntary payments for ecosystem services?

Land managers undertake actions that provide specific, quantified ecosystem services available for buyers to purchase. These sales fund land management.

How do voluntary payments for ecosystem services work?

- A transaction is arranged between beneficiaries (or “buyers”) who want to purchase the delivery of specific quantified ecosystem service benefits.
- Land owners or land managers provide these ecosystem services (i.e. the “sellers”). They are responsible for ensuring the management delivers the quantified output agreed.

What are the mechanisms?

- Ecosystem services (usually regulating ecosystem services) are quantified and sold as credits through nature markets.
- Provisioning ecosystem services are locally promoted and sold.

When might this work?

- A credit-based approach can be appropriate when there are non-supply chain related stakeholders.
- “Green business” can be stimulated when management of landscapes produces products which can be sold.




Decorative images (L-R): Flowering sea thrift in rocky coastal grassland; Primrose in woodland glade; Cowslip in a meadow; Harebells along a drystone wall.

The Wyre Natural Flood Risk Management project case study

Creation of a novel market for selling Natural Flood Management credits, based on robust modelling of the catchment.

The Wyre catchment covers most of North Lancashire, from the rugged upland fells of the Forest of Bowland National Landscape (adjoining the Bowland Fells Special Protection Area (SPA)) to the broad expanses of intertidal mudflats and sandflats at Morcambe Bay Special Area of Conservation (SAC) and Wyre Estuary Sites of Special Scientific Interest (SSSI). In the south, the catchment borders the urban environment, including around Preston.

The landscape has been modified over several centuries by humans- including diffuse pollution from agriculture, physical modifications to watercourses, and the spread of invasive non-native species which all threaten the resilience of functioning ecosystems across the landscape. Flooding is a particular challenge as it impacts communities, local businesses, and natural habitats. Flood events are likely to become worse due to the effects of climate change

The Wyre Rivers Trust, The Rivers Trust and partners have been developing an approach to securing investment for catchment scale delivery of Natural Flood Management (NFM) by selling NFM as an ecosystem service. Creation of a mechanism for these sales has been based on extensive modelling of the River Wyre catchment.

Five buyers of the flood management ecosystem service have been identified, including the Environment Agency, United Utilities and Wyre Council. Farmers and landowners act as the ‘sellers’ and are paid to host the NFM measures on their land.

A total of £2 million in ecosystem service payments is scheduled over the nine-year period. This will cover the cost of creating and maintaining NFM interventions, including leaky dams, river restoration, bunded hedges, woodland creation, grassland conversion and pond creation.

Discover more

- Find out more on the Wyre Rivers Trust website
- Listen to the Nature Markets podcast episode on the Wyre

Delivery options - Compliance payments to ecosystem services

What are compliance payments to ecosystem services?

Land owners are paid to undertake actions that provide a specific ecosystem service which the buyer is required to purchase to achieve policy compliance.

How do compliance payments for ecosystem services work?

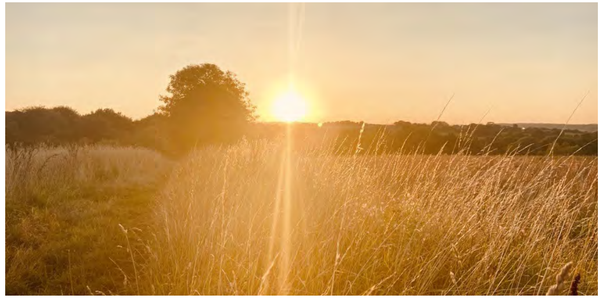
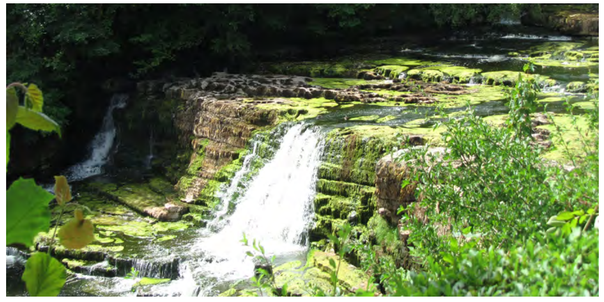
- Development (or land-use change) is permitted with the caveat that it must deliver a specific and measurable contribution to nature.

What are the mechanisms?

- Developers provide biodiversity uplift (on or off site) as part of development as part of mandatory Biodiversity Net Gain (BNG).
- Developers fund Suitable Alternative Natural Greenspace (SANG) and access management and monitoring to reduce pressure on the protected site.
- Development must demonstrate that it achieves nutrient neutrality be supporting mitigation measures reduce impacts on protected site.

When might this work?

- Most appropriate where significant development is expect around the protected site.
- Specific nutrient neutrality areas have been identified.
- SANG is an option where there is significant recreational pressure on an SPA.


Decorative images (L-R): Snow upland landscape; Fine grassland backlit by setting sun; Waterfall along shallow stream; Upland sphagnum and grass habitat

Thames Basin Heath case study

A groundbreaking compliance-based payments to unlock development without threatening protected sites.

The Thames Basin Heath Special Protection Area (SPA) is a network of sites extending over 8000ha across Surrey, Hampshire and Berkshire and incorporates heathland and woodland. It is one of the most important sites for wildlife in Europe. The heathland-woodland edge habitat supports breeding birds. The Heaths are also valued by local visitors, who enjoy the benefits of access to natural, open landscapes on their doorstep.

The proximity of the heaths to large populations of people, including on the edge of London, has created recreational pressures which threaten the ecological integrity of the SPA. New development is expected to make this worse. Research has highlighted the link between public access and the breeding success of the birds on the Heaths. However, development is needed in order to meet the housing needs of growing populations.

The relevant local authorities, along with natural environment focussed partners, came together to form the Thames Basin Heath Partnership. They set out a framework allowing development to take place within the visitor catchment of the Heaths, without increasing the recreational damage to these habitats. This was based on the idea of compliance-based payments. Developers were required to provide contributions to reduce damage to the heaths Heaths in order to receive planning permission. This was done through two mechanisms:

- Suitable Alternative Natural Greenspace (SANG) which involves the creation of new natural greenspaces with a similar public appeal, to draw recreation away from the SPA. Over 80 alternative greenspaces are now recognised.
- Strategic Access Management and Monitoring (SAMM) which supports work to engage and educate the public about the impact of their actions (particularly from dog walkers) on the Heath. There are now on-site wardens on the Heaths 7-days a week.

Since the initiative began in 2009, populations of woodlark have stabilised and nightjar and Dartford warbler have increased.

Discover more

- Find out more about the work of the Thames Basin Heaths Partnership
- Read about the success of the SANG and SAMM projects

Delivery options - Payments to supply chains

What is payments to supply chains?

Businesses pay land managers in their supply chains to incentivise them to change management practices. These changes may offer marketing opportunities, increase resilience or promote efficiency.

How do payments to supply chains work?

- Businesses and land managers agree between themselves what actions are needed in return for what payments.
- Typically, buyers are paying for a change in management, rather than the outcome.

What are the mechanisms?

- A business led approach - where buyers support their suppliers to invest in nature-based solutions that will increase the resilience of their supply chains.

When might this work?

- May be most appropriate when there is a cohesive supply chain, supplying large organisations.
- It will work best where there are sufficient buyers willing to incest in addressing environmental issues in their supply chains and where there is sufficient competition between willing sellers so the price they want to be paid is acceptable to buyers.

Decorative images (L-R): Beard lichen; Scarlet elf-cup fungi; Rust fungus

East of England case study

A collaborative approach to implement nature-based solutions at scale to improve the health, productivity and resilience of landscapes

The East of England covers 15% of England's land area, including a number of protected sites, such as extensive grassland and heath at Breckland Special Protection Area (SPA) and Special Area of Conservation (SAC), as well as a number of internationally protected wetlands and fens. In the north, the land drains into the North Sea at the Wash (SPA) and the north Norfolk Coast SAC. The landscape supports important arable agriculture and growing urban populations.

The predominantly low-lying region faces climate risks, notably flooding, sea-level rise and water scarcity. Agriculture is highly vulnerable to climate risks, requiring sustainable land management. In order to invest in these changes, financial incentives are required to support farmers to adopt regenerative practices.

Landscape Enterprise Networks (LENs) is a system for organising buying and selling of nature-based solutions to create resilience in supply chains. They have brought together a trading community of food manufacturers, water companies and the West Northamptonshire Council to implement nature-based solutions including carbon reduction and sequestration, flood risk mitigation, soil regeneration, biodiversity and habitat creation and water quality improvements. Funders invest in regenerative practices, and the outcomes are tracked by the LENs MRV (Measurement, Reporting, Verification) programme.

The first trade took place in 2021 with buyers from Nestlé Purina, Cereal Partners UK, West Northamptonshire Council and Anglian Water. This resulted in a £1 million investment. A further £3.9 million was invested in 2023, including from organisations such as Affinity Water, Frontier Agriculture, Cargill and Pepsico. Popular regenerative measures to invest in include reduced cultivated systems, farmer innovations and year-long fallow with cover crops.

Key to the success of this project has been working at scale, continued engagement with investors and farmers, and multi-stakeholder collaboration.

Discover more

- View the East of England LENs Fact File
- Discover more about the LENs approach
- Read more about how Nestlé are investing in regenerative agriculture

Delivery options - Private Investment

What is private investment?

Land owners are paid to undertake actions that provide a specific ecosystem which the buyer is required to purchase to achieve policy compliance.

How does private investment work?

- A loan or equity stake between a financial institution and land manager or project manager.
- Legal and financial implications will need to be agreed.

What are the mechanisms?

- Ecosystem services sold as credits or other income generation (e.g. ecotourism) can support repayment of loans to an investor in line with a funding agreement.

When might this work?

- A loan may be an important source of funding to support the set-up of a new project to build up longer-term funding operations which deliver nature restoration.
- May be appropriate where land is for sale and can be purchased by a private investment organisation to be managed for natural capital.




Decorative images (L-R): Small tortoiseshell butterfly; Hawker dragonfly; Banded demoiselle damselfly; Ladybird on a leaf

Oxygen Conservation case study

A private business investing in land acquisition with the specific goal of protecting and restoring nature at scale.

Oxygen Conservation, a subsidiary of Oxygen House Group (an investment group), invests in land to protect and restore natural capital. The company aims to scale conservation across the UK using capital through Oxygen House Group and external repayable finance, such as commercial loans.

In 2023, Oxygen Conservation acquired two estates in Scotland, Blackburn and Hartsgarth, and Invergeldie, which together cover 23,000 acres. These acquisitions were completed using a £20.55m loan facility (with a repayment period of 25 years) from Triodos Bank. Both sites are former grouse moors with low environmental baselines, creating opportunities for delivering natural capital gains to benefit local people and wildlife.

Across the two sites, Oxygen Conservation hopes to deliver 6,500 acres of new native woodlands and 7,000 acres of restored peatlands, storing over 1 million tonnes of carbon. Carbon credits will be sold, as defined and measured by the Peatland and Woodland Carbon Codes. Both estates also have operational farmland that will be transitioned to organic and regenerative agriculture, with the produce sold locally.

Wider income opportunities pursued across Oxygen Conservation's sites (with plans tailored to the specific landscape) include sale of biodiversity credits/units, renewable energy generation, property development and ecotourism.

Discover more

- Read more about what Oxygen Conservation are doing in Blackburn & Hartsgarth
- Read about Oxygen Conservation's vision for restoring nature
- Find out more about this case study on the Green Finance Institute Hive
- More on Triodos Bank finance for nature-based projects

Delivery options - Philanthrophic funding

What is philanthropic funding

Financial contributions from individuals, foundations or organisations are offered to projects, with no expected financial returns.

How does philanthropic funding work?

- Often initiated by the project or land managers who reach out to potential donors.
- Organisations and land / project managers agree between themselves what the funding will deliver.

What are the mechanisms?

- Corporate social responsibility (CSR) - where business support charities and groups to positively impact their local environment and communities. Support may include funding or voluntary time.
- Specific project - where large businesses or donors support a specific project, often with a project report summarising what was achieved expected.

When might this work?

- CSR is more appropriate when land is managed by a registered charity.
- Philanthropic funding may help support the initial stages of a PSS to build up longer-term funding operations.




Decorative images (L-R): Barn owl; Blue tit; Starling; Puffins

Nature North case study

A large-scale joined up approach to delivery nature restoration in partnership across landscapes.

The regions of the North West, North East and Yorkshire and Humber in England encompass some of England's most important habitats. This includes wild swathes of blanket bog (including the North Pennine Moors Special Area of Conservation (SAC) and Special Protection Area (SPA)), spectacular coastlines (including the Berwickshire & North Northumberland Coast SPA) and awe-inspiring mountains and lakes (including the Lake District High Fells SAC).

A report from the Institute for Public Policy Research highlighted that the condition of nature in the north of England is poor (70% of Sites of Special Scientific Interest (SSSIs) in the north are in unfavourable condition). Additionally, the under-valuation of nature was identified as having the potential to impact the resilience of the Northern economy (which in places is forecast to have low growth). The report recommended joint decision making and delivery was need between nature-related organisations in the North.

Senior leaders of these organisations came together at a Northern Nature Leaders workshop in 2019 and developed the concept of Nature North. In 2019 the Nature North Partnership Board was established, comprising environmental NGOs and quangos, as well as the Heritage Fund and Esmée Fairburn Foundation, who provided philanthropic financial support.

Nature North have established a number of investable propositions These are nature recovery projects which are delivering quantified benefits to people, climate and the economy. By demonstrating these benefits, the projects can bring a wider range of partners and investors on board to deliver recovery at scale.

The Great North Bog and Northern Forest programmes are already established. New investable propositions are being developed.

Discover more

- Visit the Nature North website
- Find out more about the Esmée Fairburn Foundation
- Find out more about the Heritage Fund

Delivery options - Public funding

What is public funding?

Funding provided by the government, often to deliver a specific type of project or manage land in a specific way.

How does public funding work?

- Land managers apply online for grant funding for undertaking a wider range of actions on the land. Examples include England Woodland Creation Offer, Natural Environment Investment Readiness Fund (NEIRF), Sustainable Farming Incentive and Countryside Stewardship.

What are the mechanisms?

- Funding to develop longer financial opportunities (e.g. Natural Environment Investment Readiness Fund (NEIRF))
- Agri-environment funding (e.g. Environmental Land Management (ELMs), Farming in Protected Landscapes (FiPL))

When might this work?

- A potentially important source of funding to help support the initial stages of a PSS and build up longer-term funding operations.

Decorative images (L-R): Belted galloway cattle; Rainbow over sheep grazed grassland in hilly landscape; Frosty grassland framed by mature hedgerow trees

Morridge Hill project case study

Ambitious approach to explore financing solutions for family farms as part of the Landscape Recovery Fund pilot.

The Morridge Hill project covers an area of over 2500ha in the Peak District. This intricate mosaic of habitats includes a patchwork of peatlands, rough pastures and grasslands and watercourses within the Staffordshire Moorlands. It is located within the south of the Peak District National Park, and within the Peak District Moors Special Area of Conservation (SAC) and Special Protection Area (SPA). The area is internationally designated for its heath, scrub and bog habitats, as well as breeding populations of merlin, European Golden plover and short-eared owl.

The project area includes over 15 private and public landowners, including the Peak District National Park Authority (PDNPA), Staffordshire Wildlife Trust (SWT), and the Ministry of Defence. A coordinated approach is needed to achieve landscape-scale recovery of nature and address local challenges related to biodiversity loss and climate change. The project aims to achieve Nature Recovery ambitions, whilst supporting sustainable food production and enhancing the historic environment features in the area.

The project applied for £749,000 in government funding through the Landscape Recovery Fund for a two-year development phase (starting in 2024). Work has begun on the co-creation of a long-term tailored management plan to support sustainable farming and biodiversity. Government funding is being used to deliver a development-phase which will build partnership working, and develop novel private finance solutions for family farms. Farmers look to build on their existing delivery of ecosystem services, and develop local sustainable food production, alongside accelerating positive impacts for Nature. The Morridge Hill Country team includes a Project Manager, Biodiversity Interventions Officer, and Technical Officer, with wider delivery support coming from staff at PDNPA and SWT.

The two-year development phase is expected to transition into a 20-30 year delivery phase funded by a blend of public and private finance. If successful, the project will secure a bespoke agreement with Defra to restore habitats and historic features, enhance biodiversity, sequester carbon, and promote sustainable farming.

Discover more

- Find out more about the Landscape Recovery Fund
- Find out more about the ambitions of the Morridge Hill Country Project

Checklist

- Have the key pressures impacting the condition of the Protected Site been identified (separate support for this is available as part of the PSS guidance)?
- Have potential management practices or land use changes to reduce these pressures been identified (separate support for this is available as part of the PSS guidance)?
- Have these practices and changes been mapped against the potential benefits they will provide?
- Have key risks or areas of opportunity for business been identified and mapped against the benefits nature can provide?
- Have ‘sweet spots’ where the protected site and businesses can benefit from a solution been identified?
- Have all the different funding mechanisms been explored? This may include talking to other practitioners delivering innovative approaches to funding nature recovery.
- Have potential solutions been considered against the different funding options – with pros and cons of each type identified?
- Have options for blending and stacking different finance options been explored?

Further resources

Managing Ecosystem Services Evidence Review: A tool to show different management interventions affect provision of ecosystem services.

Nature Strategy Handbook: Supports businesses in developing a nature strategy.

Introduction to Nature Markets: A useful starting point to understand how nature markets work.

GFI Investment Readiness Toolkit: Steps 1 - 4 of the investment readiness toolkit provides important guidance and resources on how to start building funding solutions. Further resources and checklists are provided for each of these steps.

GFI Farming Toolkit: Steps 1 - 4 of the farmers toolkit provide similar information, with a focus on the supply side.

Natural Capital Evidence Handbook: Stage 4: DEFINE and 5: ACT.

3. Preparing for action (Plan for delivery)

Key considerations and principles

This stage incorporates the final preparation tasks before practical delivery. At this stage, the details of funding opportunities need to be developed in greater detail. This stage of the toolkit focusses on building delivery capacity for nature markets, but similar considerations will apply for other forms of funding.

There are two key steps involved:

- All potential buyers, investors and land managers need to come together to broker a deal.
- Establish governance structures and contracts.

Key roles

There are a number of important components that form a high quality nature market.

- Governance - The governance board of the market monitors and supports development of high integrity markets.
- Market place - This is a virtual space where ecosystem service units are issued and trades take place.
- Sellers - These are those producing ecosystem services from nature on the land they manage.
- Buyers - These are the people wishing to purchase units in nature markets.
- Supporters and facilitators - These are a range of organisations who support and facilitate market functioning. This can include private investors (e.g. banks and pension funds). Brokers, intermediaries and sales directors can also help facilitate trades. In addition, businesses and technical consultants can help advise buyers and sellers.

Decorative images (L-R): Chalk sea cliffs at Bempton; Series of rapids along a tree-lined river

Governance structures

Governance refers to the systems, processes and structures which control how an organisation operates, providing a framework for how decisions are made and identifying who has authority and who is accountable.

There is growing consensus that collaborative or partnership governance models are critical to address complex environmental issues. These modes of governance may include charitable trusts or community interest companies.

When selecting a governance model it is important to consider:

- What functions the governance model should have.
- Who needs (or wants) to be involved, and in what roles.
- The types of funding being targeted.
- How risk should be shared.

Examples of governance structures

- The Wendling Beck project set up a **Limited Liability Partnership** (LLP). A significant challenge was finding a solution that would work with the differing accounting and tax requirements of existing partnership and companies involved in the project. Finding the appropriate governance structure was a key challenge within the project and the LLP was deemed the ‘least worst’ option, rather than a perfect ‘silver bullet’.
- The Wyre NFM project set up a **Community Interest Company** (CIC), which is limited by guarantee. The CIC acts as a social enterprise. The board of directors is representative of all the different stakeholders. This model was preferred as it provided transparency and flexibility. The CIC allows the Wyre NFM project to act as its own entity to set up contracts with different groups and enable the flow of capital.
- The Bristol Avon Catchment Market is governed by the **Environmental Markets Board**. This is a voluntary governance mechanism that is established to be independent from the partners involved, to ensure that everyone adheres to a transparent set of rules. The Environmental Markets Board also approves the standards that are used to certify the nature based projects and quantify the ecosystem services provided.

Case Study - Bristol Avon Catchment Market

An innovative approach to nature restoration, joining up businesses and land owners in market rounds.

The Bristol Avon catchment includes landscapes around watercourses south east of Bristol and Bath, which flow into the River Severn Estuary Special Area of Conservation (SAC). The estuary contains important sandbanks, mudflats and salt meadows, and provides habitats for sea lamprey and river lamprey.

Water pollution impacting the protected site is a problem that needs to be addressed at a catchment scale. Flood events can increase pollutants entering the water course. Habitat creation including low-input grasslands, scrub, wetland, woodland and hedgerows can reduce flood risk.

The Wiltshire Wildlife Trust, Avon Wildlife Trust and EnTrade came together to develop the Bristol Avon Catchment Market using initial start-funding from the Government's Green Recovery Challenge Fund. The initiative allows benefits from nature based projects including woodland and wetland creation to be 'sold' at high-integrity markets. This offers an alternative funding mechanism to finance huge amount of work needing (and wanting) to be done across the catchment.

Sales are done at market rounds where buyers' bids and sellers' offers are matched up in a way that maximised the surplus generated. This surplus is then shared with successful buyers and sellers. There are several key partners / user groups within the project:

- Buyers – make bids at the market round, specifying the maximum they want to pay.
- Sellers – make offers to deliver projects to generate ecosystem services, specifying the minimum they are willing to be paid.
- Market Operator – responsible for establishing the market rules, registering participants for the online markets and sharing out surplus. This role is taken on by EnTrade.
- Independent Matching Service - responsible for matching buyers and sellers at the market. This role is taken on by the University of Exeter.

So far there have been two market rounds which have generated £286,000 worth of BNG trades to date.

Discover more

- Visit the Bristol Avon Catchment website to find out how it all works
- Explore the details of setting up this project on the Green Finance Initiative Hive
- Listen to the episode on the Nature Markets podcast

Advice and top tips

Establish a board with diverse members who all want to see the project succeed and are therefore willing to work hard to help find solutions when problems arise.

Remember to future-proof arrangements to meet the time-scales needed. BNG credits need to enhance nature for 30 years so legal agreements should be robust to deal fairly with any changes to ownership or political policies within this period.

Find philanthropic funders who are willing to offer the opportunity to experiment and sometimes fail during the initial stages of testing what works.

Build a strong relationship with government agencies and the Local Planning Authority.

Where catchments overlap with National Parks, National Park Authorities can play an important facilitator / enabler role by working with multiple partners and adding value through providing cost effective services (e.g. ecological advice)

Be aware that everyone is still learning and every PSS will be different! Building trust and creating a viable governance structure will take time.

Seek opportunities for pro bono support for legal assistance when developing collaboration agreements.

Remember that individuals are motivated by many different considerations. Understanding wider (non-monetary) benefits can be an important communication tool for bringing landowners together. This may include spiritual or emotional connections to the landscape.

Checklist

- Have all partners and stakeholders worked together to develop appropriate mechanisms for delivering long-term funding opportunities?
- Have you considered what functions the governance model should have, taking into account who will be involved, the types of funding targeted and how risk will be shared?
- Has legal advice been sought, to ensure that governance structures and any deals are appropriate, and all parties understand what they are agreeing to?
- Are governance structures and any legal arrangement robust enough to provide nature recovery over long timescales? Has there been consideration of how contracts may affect future generations of landowners?

Further resources

GFI Investment Readiness Toolkit: Steps 5 - 8 of the Investment Readiness Toolkit provides support on the policy and regulation of setting up nature markets and green commerce arrangements.

GFI Farming Toolkit: Steps 5- 8 of the farmers toolkit provide similar information, with a focus on the supply side.

Governance of blended finance: Explores the governance structures and legal forms available to entities seeking to deliver nature-based solutions.

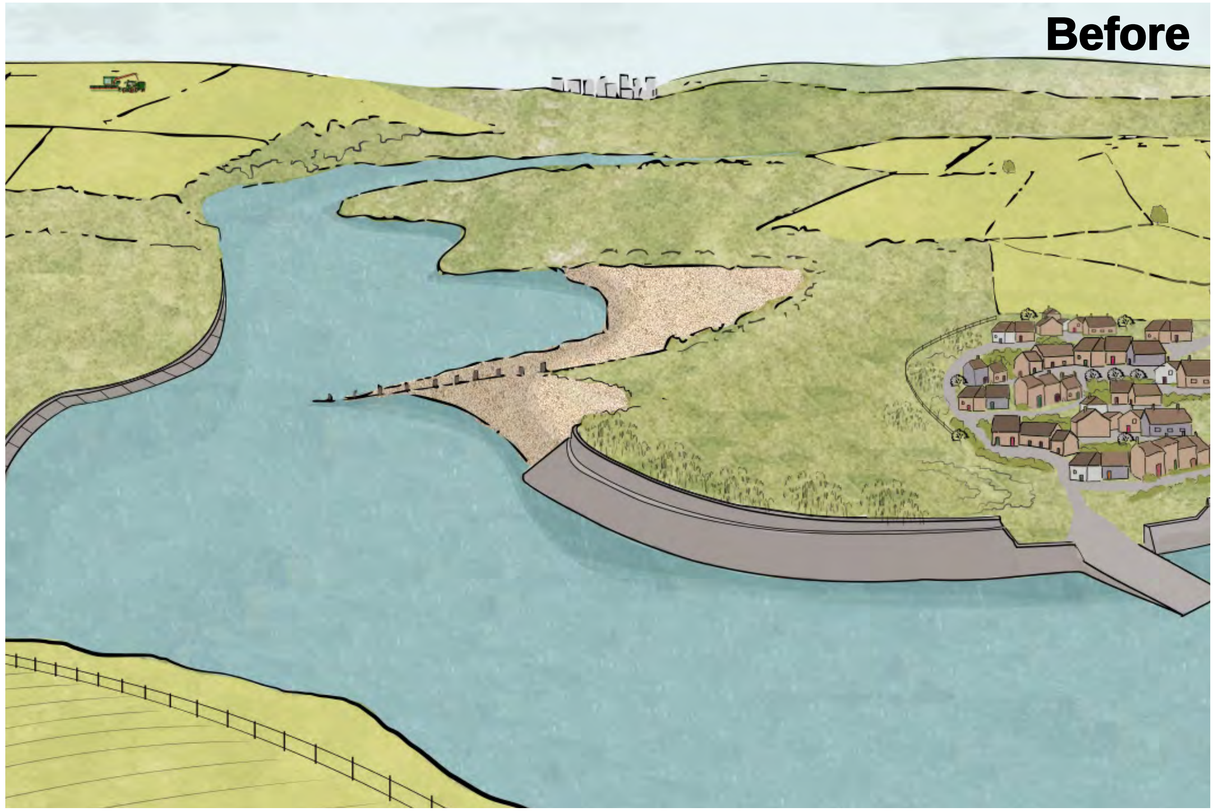
4. Delivery and adapting (Operations)

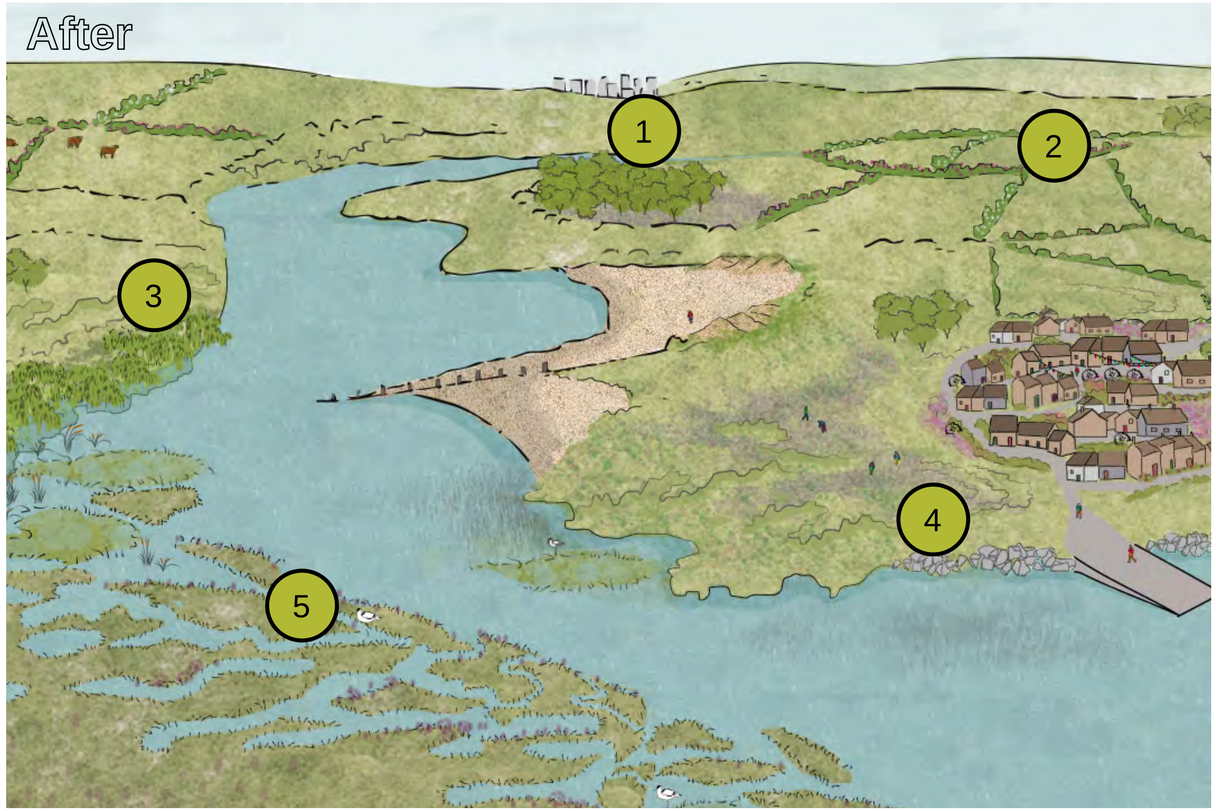
Key considerations and principles

When the PSS is in operation, it is important to ensure there is monitoring of the project outcomes. Often this may be a legal requirement to ensure that the purchased credits (including biodiversity and carbon) or supply chain enhancements are being delivered. Monitoring and evaluation can also help inform future management. Lessons on what works well and what could be improved can be taken forward and management adapted to meet these findings. Change may also occur from monitoring consumer preferences and policy changes.

There may also be opportunities to share success stories and learnings and inspire others! Talking to others and ongoing learning is an important part of the process.

Decorative images (L-R): View over woodland and farmland from Sutton Bank; Hawthorn tree; Established meadow





The sketch above shows a before and after of a restored estuary landscape, with the following key changes:

1. Woodland habitat providing shelter and foraging for numerous species, as well as carbon sequestration and water management
2. Regenerative agriculture and adaptive grazing
3. Riparian planting filtering water and improving water quality, whilst reducing flood risk
4. Wetland and wet grassland provide natural flood management, and an important habitat, especially for migratory birds
5. Saltmarsh restoration to create habitats and provide natural flood management

Glossary, acronyms and useful information

Biodiversity Net Gain (BNG) Requirement for all developments to delivery a positive impact on biodiversity through nature creation and enhancement to deliver at least a 10% uplift compared to the baseline. This can be delivered on or off-site. More information here.

Green Finance Institute (GFI) An independent advisory group providing research, advice and guidance on transitioning to a greener future. This includes the GFI Hive which is focussed on mobilising finance for nature. More information here.

Local Planning Authority (LPA) Authority responsible for planning, usually the planning authority of the relevant district or borough council. Within a National Park the national park authority acts as the LPA.

National Landscape A landscape designation for outstanding landscapes of beauty and tranquillity. These were previously referred to as Areas of Outstanding Natural Beauty (AONB). More information here.

National Nature Reserve A publicly accessible space offering visitors an opportunity to connect with important wildlife, habitats, geology and landscapes. They are identified by Natural England to protect important habitats, species and geology and provide 'outdoor laboratories' for research. More information here.

National Park A landscape designation comprising some of the best landscapes across the country. These are valued for their beauty and cultural heritage as well as wildlife. More information here.

Non-governmental organisation (NGO) A voluntary, non-profit independent organisation which operates outside government control. In this toolkit, use of NGO refers to environmental and nature-based NGOs. At a national level, this includes The Wildlife Trusts, the RSPB, the Rivers Trust, the Woodland Trust and the National Trust.

Nutrient Neutrality Regulations which apply to identified areas where phosphate and nitrate concentrations in rivers are threatening protected habitats and species. Within these areas development is required to mitigate nutrient pollution, including through restoring nature. More information here.

Protected Site Strategy (PSS) Protected Site Strategies (PSS) aim to bring together key stakeholders to address on and offsite pressures on protected sites (such as Sites of Special Scientific Interest) to help restore our most precious habitats, species, and geodiversity. Also termed as Nature Collectives, they describe a coming together of people and science (evidence gathering) in specified places to solve challenges to the natural environment. Each PSS/Nature Collective is underpinned by the PSS legislation in the Environment Act 2021.

Site of Special Scientific Interest (SSSI) A national designation protected when it is considered to have features of special interest because of its wildlife, geology or landform. More information here.

Special Areas of Conservation (SAC) A designation to protect areas of international importance for birds. More information here.

Special Protection Area (SPA) A designation to protect internationally important habitats and species. More information here.

Woodland Carbon Code (WCC) A voluntary standard for woodland creation project. It provides a quality assurance standard for UK woodland carbon projects. More information here.

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