

Habitat Restoration Fund: Policy Note

Executive summary

A new fund for habitat restoration has the potential to accelerate delivery of nature recovery goals and net zero in a way that creates new jobs and improves public health. This note suggests ways in which a new capital expenditure Habitat Restoration Fund (HRF) could be structured to maximise its effectiveness, drawing on lessons from comparable funds. It proposes:

- A competitive fund administered by the National Lottery Heritage Fund with advice from Natural England.
- Core fund objectives of restoring priority habitats to recover nature and sequester carbon.
- A requirement on applicants to demonstrate their project will deliver one or more of the following – contribution to environmental targets, habitat restoration in protected sites, within protected landscapes, in urban and peri-urban spaces (to increase access to nature), implementation of a Local Nature Recovery Strategy.
- Targeted elements to encourage landowner participation.
- A funding pot of at least £2 billion for the whole UK over the course of the Parliament, with a further £3.6 billion set aside for maintenance payments over thirty years.

Introduction

Nature recovery and economic resilience rely on a network of varied, high-quality habitats. Ecosystems cannot exist as monocultures. Nature thrives on complexity, with the abundance and variety of wildlife linked closely to the diversity and condition of habitats. Habitat condition is also closely correlated with nature's ability to support services for people, such as carbon sequestration or pollination.

Unfortunately, across the UK, the variety and condition of habitats is in a parlous state. In England, just 38% of Sites of Special Scientific Interest are in favourable condition. In National Parks, that figure falls further to just 25%.¹ Outside the protected site network, the condition of habitats is unknown, but we do know that vast areas of complex ecosystems have been lost – 75% of wetlands² and 97% of wildflower meadows³ are gone – only to be replaced by infrastructure or monoculture.

In order to meet the legally binding target to halt the decline of wildlife by 2030, a rapid improvement in the diversity and condition of England's habitats will be needed in the next Parliament. The Government is already committed to protect 30% of land and sea for nature, but there is no credible plan for delivery.

Investment in habitats will be necessary in the next Parliament to deliver nature and climate goals.

¹ <https://www.cnp.org.uk/news/raising-the-bar>

² <https://pubmed.ncbi.nlm.nih.gov/36755174/>

³ <https://www.sciencedirect.com/science/article/abs/pii/S0006320787901212>

Fund size

Natural England has recommended restoration activities on 1.5 million hectares of habitat, outside of protected sites, over the next seven years, as a minimum for meeting 2030 nature goals.⁴ To this must be added the cost of restoration in two thirds of the protected sites network (covering 0.8 million hectares in England) not in good condition.⁵ In short, restoration in over 2 million hectares of land by 2030, is a minimum requirement for nature recovery in England.

There is good evidence for the scale of capital funding required to meet those needs. The Green Recovery Challenge Fund (GRCF) delivered £80 million for nature recovery in England between 2020 and 2022, split between two rounds. This note draws on the impact evaluation produced for each round, alongside experience of other funds, such as the Species Survival Fund and Nature for Climate Fund.⁶

The GRCF was significantly oversubscribed, leading the evaluation of round one to recommend *'increasing the scale of funding to better match the scale of demand.'* Demand far outstripping supply can be observed across all recent funds supporting habitat recovery, with early data suggesting the Species Survival Fund (2023) has been oversubscribed by a factor of four.

The evaluation of the first round of GRCF estimated average costs of all habitat restoration activities of approximately *'£340 per hectare for land'*, with a caveat that this number should be treated with caution due to variation in the costs for different habitats. Seagrass and other intertidal habitat restoration costs, amongst the most effective for carbon sequestration, are particularly expensive.⁷ To this must be added the need for fair reimbursement and an advice service to encourage landowner participation.

To stand a chance of meeting the minimum requirement in a way that prioritises carbon sequestration potential and ensures good take up amongst landowners, £1 billion over a five year Parliament is a minimum estimate of need for England.⁸ In line with the devolved settlements, the UK Government could make proportionate funding available to devolved Governments to allow them to set up their own versions of the HRF. This funding would roughly breakdown to £0.65 billion for Scotland, £0.2 billion for Wales and £0.15 billion for Northern Ireland, adding up to a total of £1 billion for the devolved nations.

⁴ <https://unearthed.greenpeace.org/2023/03/16/uk-environment-act-biodiversity-30-by-30/>

⁵ <https://jncc.gov.uk/our-work/ukbi-c1-protected-areas/>
<https://www.gov.uk/government/statistics/england-biodiversity-indicators/1-extent-and-condition-of-protected-areas>

⁶ Round 1 evaluation:

https://www.heritagefund.org.uk/sites/default/files/media/attachments/Green%20Recovery%20Challenge%20Fund%20Round%201%20Final%20Evaluation%20Report_1.pdf

Round 2 evaluation:

<https://www.heritagefund.org.uk/sites/default/files/media/attachments/Green%20Recovery%20Challenge%20Fund%20Round%202%20Interim%20Evaluation%20Report%20April%202023.pdf>

⁷ See <https://www.wwt.org.uk/news-and-stories/news/new-study-shows-allowing-the-sea-back-in-could-help-uk-meet-climate-goals/>

⁸ Calculated using GRCF evaluation figures for cost of restoration per hectare, applied to 2 million hectares to reach £680 million, with an extra £320 million to fund more expensive types of habitats and generous landowner payments.



£2 billion capital expenditure by the UK Government could be sufficient to equip the HRF to fund habitat restoration on the scale required to help meet nature and climate goals. This could be a one-off fund across the 2024-2029 Parliament.

It is important to stress that the capital fund proposed would only cover immediate restoration costs. Ongoing maintenance costs for that restoration, and the role the Government will need to play in helping to cover those costs, also needs to be considered. This covering could be secured by the Government providing a lump sum at the start of the project, for the landowner to draw down on across the years for maintenance costs, known as a commuted sum. A partnership agreement could govern the use of this commuted sum, for a defined period.⁹ Payments like this, designed to enhance the life of an asset, qualify as capital expenditure.¹⁰

A reasonable rule of thumb would be to allocate 6% of the capital investment in nature each year to cover maintenance.¹¹ A reasonable requirement for long-term maintenance would be 30 years. So, £2bn in capital investment in creating environmental assets by a Habitat Restoration Fund across the UK should be matched by £3.6bn in commuted sums to maintain the assets over thirty years. Maturing private sector markets (ideally driven by a Nature Recovery Obligation) and private sector match funding should be able to assist with any extra maintenance or enhancement costs incurred during that time period, as well as providing sources of revenue over the longer term.

Agreements on maintenance could also be formalised through a new tool, the conservation covenants enabled by the Environment Act. These have been designed to legally secure long-term land management in nature's interest, including payment for maintenance.¹² Use of conservation covenants in HRF could assure landowners that they are not suddenly going to be landed with large maintenance costs, further encouraging participation.

In this way, a £5.6bn capital expenditure Habitats Restoration Fund, over the course of a Parliament, could secure the creation and long-term maintenance of priority habitats needed to restore nature and support a resilient, net-zero economy.

A fund of this size would constitute an appropriate Government response to the Green Finance Institute estimate of a funding gap for biodiversity of £56 billion from 2022 to 2032.¹³

⁹ For examples of commuted sums in use, see <https://www.norfolk.gov.uk/-/media/norfolk/downloads/rubbish-recycling-planning/planning/commuted-sums-for-maintaining-infrastructure-assets.pdf> & [Highways Magazine - Exclusive: Councils charge commuted sums against themselves to boost revenue](#)

¹⁰ See for example guidance given to local authorities on what counts as capital expenditure: <https://www.gov.uk/government/publications/capital-payments-and-receipts-return/cpr4-capital-payments-and-receipts-return-guidance-notes-version-1#expenditure-and-receipts>

¹¹ [Microsoft Word - GFI Finance Gap Biodiversity spending final 011021.docx \(greenfinanceinstitute.com\)](#), Table 1

¹² <https://www3.rics.org/uk/en/journals/land-journal/conservation-covenants-benefit-public-good.html>

¹³ <https://www.greenfinanceinstitute.co.uk/news-and-insights/finance-gap-for-uk-nature-report/>



Fund delivery

The structures established to deliver the HRF should be informed by learnings from previous funds.

The GRCF was funded by Defra and delivered by The National Lottery Heritage Fund in partnership with Natural England, the Forestry Commission, and the Environment Agency. The evaluation of round two highlighted that the range of delivery partners inhibited some projects, with the consequent requirement to engage with several different public bodies causing delay and confusion.

To streamline delivery, the HRF should sit under Defra, with the National Lottery Heritage Fund being the primary delivery body, utilising the structures set up for GRCF. Natural England should advise the Heritage Fund on scheme design and grant decision making. This would apply in England. The devolved Government's would make their own arrangements for HRF equivalents in their nations.

A major drawback of the GRCF and other recent funds has been their short timeframes. Application windows have been extremely tight, and delivery requirements have been unrealistic, with projects completion expected in just one or two financial years. This has resulted in poor project design and a "stop and go" funding environment unsuitable for supporting jobs.

By creating a predictable funding backdrop for the course of a Parliament and beyond, the HRF should encourage a pipeline of project proposals, with more mature project design and more scope for job creation and retention over time.

Unlike the GRCF, the HRF should include provision for a public advice service, to allow landowners to understand what participation would mean for them. Access to such up-front advice and information will encourage landowner participation. An advice service could also highlight opportunities to use the HRF to further Local Nature Recovery Strategies recommendations.

Fund eligibility

The criteria used to assess HRF applications should be designed to maximise the environmental effectiveness of each pound spent, improving on the criteria used for previous funds.

Applicants

The GRCF was open to applications from environmental charities, or partnerships involving at least one environmental charity. Successful partnerships brought charities together with local authorities, universities and community groups. These criteria could be effectively carried across to HRF (with some expansion, see page 6).

Applications: Scoring

Applications must demonstrate that proposals for habitat restoration will contribute to the delivery of the target to halt the decline in species abundance set under Section 3 of the Environment Act 2021 and sequester carbon to contribute to net zero. Delivery up to and beyond the fixed points of 2030 and 2050 should be prioritised, addressing feedback that the partial, Covid-related 'emergency' aspect of GRCF saw short terms gains given undue weight.

All applications must also demonstrate that they would contribute to at least one of the below objectives¹⁴ (contribution to multiple objectives should be rewarded in scoring):

- Delivery of environmental targets set under section 1 of the Environment Act 2021.
- Delivery of biodiversity targets set under the Environmental Improvement Plan 2023.
- Restoration of a protected site/multiple sites
- Restoration in a protected landscape
- Restoration of an urban or peri-urban space, which will increase public connection to nature.
- Delivery of a Local Nature Recovery Strategy.

Contribution to job creation growth should not be mandatory but should be rewarded in scoring.

Applications: Habitats covered

Applications should be able to cover the full range of English priority habitats. Both rounds of the GRCF saw deciduous woodland and river habitats take the top and second spot respectively for the type of habitat covered. The HRF could encourage diversity of applications and, if necessary, apply a cap to popular habitat types, to ensure some habitats do not predominate at the expense of others. Heathland and grassland are particularly vulnerable to being overlooked, along with intertidal habitats such as saltmarsh. It will also be important to support the recovery of fuzzy boundaries between traditionally classified habitat types, which can be exceptionally rich in wildlife.

¹⁴ Important note to stress - there are a number of other sources of funding existent to further these objectives. Given the huge scale of nature recovery required in protected landscapes and protected sites (and the amount of extra funding needed to further LNRS recommendations) , these other sources must be retained, with the HRF forming a potential additional source of funding, rather than a replacement.

Tackling the land availability challenge

The availability of land is the most significant constraining factor for habitat restoration.

As reported by the evaluations of both GRCF rounds, '*securing landowner consent was the most common challenge identified by projects*'. If landowners fail to offer their land in sufficient numbers (on a much greater scale than occurred with GRCF), the HRF will not succeed.

We suggest addressing this through two means:

Encouraging participation by local authorities and other public sector landowners

Local authorities own 4% of England.¹⁵ The legally binding biodiversity duty in the Environment Act 2021 and voluntary commitments made by many councils provide a clear policy incentive for their involvement in the HRF.¹⁶ The GRCF placed fairly onerous conditions on participating local authorities, including limits to how income could be spent. Local authority participation on the HRF could be encouraged by allowing income earned through participation to be spent on a wider range of local authority activities, becoming a revenue source as well as a tool to deliver duties and commitments. Other public bodies could also be encouraged to join HRF application partnerships, including the Forestry Commission, which manages 258,000 hectares of woodland habitat as the Public Forest Estate. Much of this land is in urgent need of restoration – HRF funding could help revitalise the Public Forest Estate for nature, climate and people.

Use of generous payments to encourage participation by private landowners

A generous return for landowners should be built into the HRF to encourage participation. An ample payment at the start, and an assurance that maintenance costs arrangements are in place for the duration (see more below), would attract private sector landowners consent for their land to be used for HRF projects, into the long term. This generosity is built into the £2 billion overall scheme estimate on page 2.

The HRF could also be extended to allow applications which include an element of land purchase. Such applications could see eNGOs and/or local authorities buy land, recover habitats on it, and manage it for nature, with the new ownership of the land securing a long-term future for nature-friendly management.

The provision of forward payment for maintenance costs through commuted sums (see above) should also help to encourage landowner participation.

¹⁵ <https://whoownsengland.org/2020/05/04/what-land-is-owned-by-councils/>

¹⁶ See for example: <https://www.horsham.gov.uk/news/2023/08/council-declares-climate-and-ecological-emergency>



Wider benefits

It is notable that the GRCF evaluations both identify a range of benefits that came from the scheme, in addition to nature and climate gains. These benefits include 957 FTE jobs (473 in the first round, 484 in the second) and increased public access to nature.

As an expanded, more effective version of the GRCF the HRF could deliver many more such benefits. The progress made by New Zealand's 'Jobs for Nature Fund', a commitment to spend \$1.2 billion on nature restoration and associated job creation, provides an international precedent for a large-scale habitat restoration scheme successfully unlocking significant economic and health benefits.¹⁷

In order to unlock these wider benefits, gaps in the skilled nature recovery workforce will have to be filled. As mentioned in the evaluation of the first GRCF round 'the availability of skilled contractors can hold back habitat restoration. Link's National Nature Service proposal has been developed alongside habitat restoration proposals¹⁸ as a solution capable of growing the nature recovery workforce.

Conclusion

£5.6 billion capital expenditure for the HRF (comprising £2 billion in grants and £3.6 billion in commuted sums for maintenance) could, if designed robustly, help achieve nature and climate aims. The focus on contributing to environmental targets, habitat restoration in protected sites and protected landscapes, habitat restoration in urban and peri urban areas to increase access to nature and on implementing Local Nature Recovery Strategies will ensure the funds are directed where they can pack the most environmental punch. Fund features designed to encourage landowner participation and provisions for ongoing maintenance will address the key factors that could limit impact.

'Habitat Restoration Fund' is an indicative name. The 'Wild Isles' BBC documentary broadcast in Spring 2023 generated significant enthusiasm for nature's recovery, this could be recognised in a related title for new nature funding, such 'Wilder Isles Fund'. The strong public desire to see a flourishing natural world¹⁹ can bet met by targeted capital expenditure, yielding significant nature, climate, health and economic benefits.

¹⁷ See 2023 evaluation: <https://environment.govt.nz/publications/jobs-for-nature-programme-interim-evaluation-2023/>

See more on the health benefits of increased access to nature here: <https://www.wcl.org.uk/docs/Improving%20public%20access%20to%20nature%20-%20Link%20briefing%20-%2002.05.2023.pdf>

¹⁸ See the fourth ask of the Nature 2030 campaign: <https://www.wcl.org.uk/nature2030.asp>

¹⁹ See YouGov polling: <https://www.wcl.org.uk/nature-2030-launch-research-and-report.asp>



[Wildlife and Countryside Link](#) (Link) is the largest nature coalition in England, bringing together 75 organisations to use their joint voice for the protection of the natural world.

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