



The impact of the cost of living crisis on the nature sector

December 2022

Wildlife and
Countryside



CONTENTS

Introduction	page 2
The research	page 3
Key findings	page 4
Financial impacts	page 7
Membership impact	page 13
Staff impact	page 15
Impact on savings and investments	page 16
Impacts on delivery	page 17
Grant funding environment	page 21
Conclusion	page 24

INTRODUCTION

In our 2021 research into the impacts of the pandemic on the financial and organisational health of the environment sector, respondents said that it would take 2–5 years for their organisations to recover. We warned that the long tail of financial losses from the pandemic could mean that delivery of nature’s recovery and nature-based solutions to climate change could be set back by years.

Just one year on from our last survey we find ourselves in the throes of another financial crisis, which could potentially go deeper, and last longer, than the bleak financial situation in the pandemic. There will be no large-scale Government support to prevent job losses in this crisis and declining budgets across Government are likely to have serious implications for our already struggling natural world – from Local Authority cutbacks leading to declining parks and other natural spaces, to less money for monitoring, enforcement, and policy delivery.

Funding from Government to charities for nature restoration will be under pressure and grant funders are likely to see reductions in investment value that will reduce their philanthropic funding. Pair this with reduced donations, membership declines and lower spending at nature sites and we are looking at a sector under huge pressure, for at least the next few years.

Looming recession after an already huge financial downturn in the pandemic risks creating a weakened sector that simply cannot deliver the nature and wildlife restoration and protection needed to halt the decline of biodiversity.

In the midst of the pandemic, the Government acted swiftly to create the Green Recovery Challenge Fund, providing £80m of investment in nature’s recovery. Grant funders acted decisively and generously, with uplifts to funding in times of need. These important interventions supported the green economy and helped nature charities to continue contributing to the delivery of the 25 Year Environment Plan.

We hope this research will help make the case for renewed investment in nature restoration in the current turbulent financial times—both to ensure that the UK’s vibrant nature sector survives the short-term financial turmoil, and to maintain progress toward the long-term goal of nature’s recovery.

THE RESEARCH

Research was conducted by Wildlife and Countryside Link (Link) between 17 Oct - 11 November 2022 examining the current and expected future impact of the cost of living crisis on environment, animal welfare and access organisations.

Link worked with colleagues in NI Environment Link, Scottish Environment Link and Wales Environment Link, and our members across England and the rest of the UK, to produce this evaluation. The National Lottery Heritage Fund has also kindly allowed us to use insight from their most recent UK Heritage Pulse survey to feed into this analysis.

This research builds on Link's pandemic impact surveys and external surveys that have examined the cost of living crisis impacts, such as the Heritage Pulse survey by the Heritage Fund. Our research offers an in-depth insight into the practical impacts. We have delved into greater detail on the level of financial effects and have aimed to quantify some of the organisational, staffing and delivery impacts this crisis is causing and the implications this has for vital monitoring, conservation, nature restoration and animal welfare work.

We received survey responses from 39 organisations, from very small local charities to the biggest national environmental charities. These include three very large organisations with over £100m in annual income, three large organisations with an income of £18m-£100m, 14 medium organisations with an income of between £2m and £18m, six small organisations with an income of £1-2m and 13 very small organisations with income of under £1m.

It should be noted that national organisations are more heavily represented than local bodies in this research. This is in large part due to the make-up of the Wildlife and Countryside Link membership, which forms a large proportion of the response pool. However, in addition to some individual responses from smaller local organisations, national organisations that represent a federation of smaller bodies have also fed through input from the smaller-medium-sized organisations they represent. It is also worth noting that many of the small to very small national organisations have a lower income than many locally focused organisations.

Representation of organisations that operate solely in the devolved nations is not as high as we would like to see in this research. This stems in large part from ongoing capacity issues for many organisations in devolved nations that are with the Environment Link UK network, which have been exacerbated by the pandemic and cost of living crisis. Of the organisations surveyed three are both UK and international in remit, 20 are UK wide, one covers England Wales and Scotland, one covers England, Northern Ireland and Scotland, two cover England Wales and Northern Ireland, four cover England and Wales, two cover England only, five are Northern Ireland-specific, and one is Scotland specific.

Many organisations that operate across the whole or majority of the UK, have included input from parts of their organisation that operate specifically in Wales, Scotland or Northern Ireland. We have also included a section on anecdotal evidence from colleagues working in Links in the devolved nations.

The majority of the organisations surveyed are majority-funded by grants, donations, memberships or other organisational-generated revenue. None are predominantly or exclusively Government-funded. This research therefore focuses specifically on the environmental charity and not-for-profit sector.

KEY FINDINGS

Increased costs and reduced income:

- Costs have already increased for the vast majority of environment charities: more than three-quarters (76.9%) have increased running costs, 84.5% are experiencing increased staffing costs, and a further 56.4% are experiencing increased project costs
- At the same time income is already reduced:
 - A quarter (25.6%) of all nature organisations surveyed have already seen a noticeable decrease in overall income;
 - A third (33.3%) say they have already seen a reduction in donations;
 - Almost a third (30.8%) of all respondents have seen declines in their membership;
 - More than one in ten have seen visitor numbers reduced (10.3%)¹
- Some organisations are reporting income having already fallen by as much as 40%, with income streams such as donations and commercial revenue down by 50% for some

Future financial impact

- More than 9 in 10 organisations are expecting a notable negative financial impact from the cost of living crisis into 2023
- Two-thirds of those who were able to predict income changes say their income will fall further, with estimates ranging from a loss of income of under 4% to up to 49% into 2023
- On average environment organisations predict an income reduction of 13% going into 2023. This is on top of reductions to income during the pandemic (with organisations reporting reductions in summer 2021 detailing an average 20% loss). **Income in 2023 could therefore be substantially below pre-pandemic levels for many nature charities**

Impacts on membership

- 17 out of 31 membership organisations (54.8%) say they are currently experiencing declines in membership and/or are expecting declines in 2023
- Almost half (48.3%) of membership organisations have already experienced a fall in membership numbers
- Those already experiencing declines in the main expect to see membership numbers to continue to drop-off into 2023, with many expecting greater rates of membership decline

¹ Please note: not all organisations surveyed have donation, membership, or visitor income, so these percentages are likely to be an under-representation of the proportion of organisations with these income streams that are experiencing declines)

- This is reported as an area of very high concern by most membership organisations.

Savings and investments

- More than half (54%) of environment organisations said they have already seen the value of their savings and investments decline in the current crisis.
- Confidence is slightly higher for 2023 but 45.9% of organisations are still expecting to see falling values.

Staff impacts

- Almost three quarters of environment (74%) report that staff have concerns about the cost of living and rising bills and/or are experiencing financial difficulties.
- 41% of environment organisations have staff saying they are already experiencing financial difficulties and 1 in 10 eNGOs have already had to create a hardship fund.
- Already low wages in the environment sector are being exacerbated by sharp real-term declines as organisations struggle to afford pay rises that keep pace with the rising cost of living. This has potential to cause an exodus of skills and experience from the sector and to see it struggling to recruit new talent, including among people of colour
- **Almost 3 in 10 organisations (28%) already say that one or more members have staff have left or are considering leaving due to low wages.**
- Less than 9% of environment organisations say they will be implementing wage rises that meet inflation, and at least one of these organisations will have to go into reserves to do so.
- More than half (54%) said they would be implementing wage rises at less than half the rate of inflation (under 6%), with more than a quarter detailing a maximum rise of 3.5%.
- The pressure on income is also jeopardising jobs. One in ten organisations say they are, or are likely to be, making redundancies, with 10% also freezing recruitment currently.

Impacts on delivery

- Almost 8 out of 10 (79%) of environment organisations say their delivery capacity will be reduced in one or more ways into 2023.
- The top limitations that environment organisations surveyed say they expect to experience in 2023 are:
 - Unexpected and/or unaffordable project costs (51.3%)
 - A reduction in the projects able to be funded (53.8%)
 - Reduced staffing and/or internal capacity to deliver projects (56.4%)
 - A lack of resources to plan and develop new projects (53.8%)

- 41% of organisations expect their ability to fundraise to be reduced in 2023. This is higher even than during the pandemic and could see grant funding and other fundraising decline in these organisations, with ramifications for their ability to deliver on the ground.
- Around 1 in 5 say nature restoration projects will be paused, reduced or cancelled (the actual proportion will be higher as not all of those surveyed deliver such projects)
- Animal welfare and protection is also being impacted, with well-known organisations saying their functions are experiencing prolonged and significant challenges. This has the potential to generate shortfalls in provision of care for injured wildlife, for abandoned or mistreated domestic animals and farm animals, and also to limit the participation of these organisations in prosecutions against cruelty and wildlife crime cases.
- Tree-planting (2.6%) is the least likely project area to be postponed reduced or abandoned (probably given substantial Government-funding in this area). Community engagement (28%) is the most likely area to see reductions in capacity (but this may also reflect the higher proportion of organisations working in this area).
- Habitat restoration, tackling invasive species and monitoring are also key concern areas with 1 in 6 eNGOs expecting reductions in capacity (with proportional declines higher than this figure reflects due to the smaller number of organisations working in these areas).

Grant-funding environment

- More than two-thirds of nature organisations have yet to receive any additional help from funders either financially, through revised terms and requirements, or other assistance.
- The top ways in which they say that funders can help to support the sector include:
 - Providing longer-term grants (71.8%)
 - Uplifting current grants (64.1%)
 - Simplifying applications (46.2%)
 - Flexibility on outcomes to be delivered for approved grants (41%)
- Almost 4 in 10 organisations (38.5%) want a mix of small and large grants maintained. Multiple groups say the lack of open applications and reduced availability of small grants in the pandemic was highly problematic for them and are concerned this may be repeated.
- There was a clear message that a balance will be needed between longer, larger grants to give sectoral certainty, particularly for substantially sized projects, and keeping small-scale new grants available to avoid a crunch-point for smaller organisations.
- Almost 3 in 10 (28.2%) of organisations also said creating a substantial joint funding pot, which could be similar to the Green Recovery Challenge Fund, should be a priority. Multiple groups referred to the scheme's success and the need for something similar.
- A further 28.2% also said that reducing reporting requirements would be appreciated, again helping with the reduced capacity that organisations are experiencing

FINANCIAL IMPACT

The financial difficulties resulting from the cost of living crisis are already having a demonstrable impact across the environment sector. Costs are rising for projects, staffing and overheads. At the same time multiple income streams are diminishing, from membership and visitor revenue to donations.

Many organisations say they cannot be certain of the future impact of the crisis but expect a similar, or greater level of income reduction as in the pandemic.

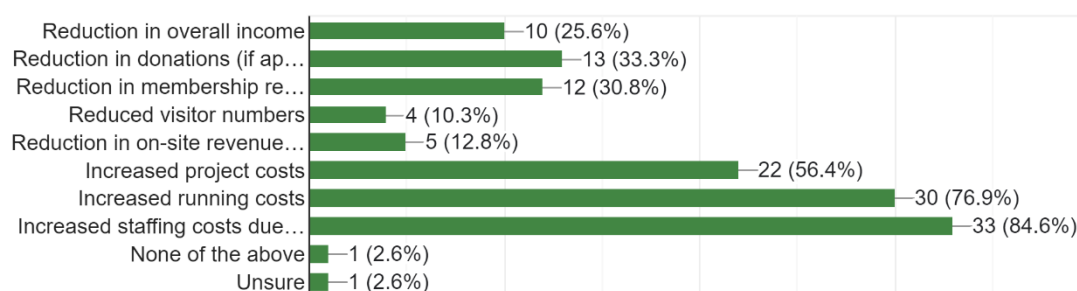
“We are very worried about the future, in particular the energy crisis, various supply chain issues, labour shortages and inflationary costs. These are each adding to our operational and project costs overall.”

Current cost rises and reductions in income

Increased costs are already hitting home for the majority of the sector, with more than three-quarters of organisations (76.9%) reporting increased running costs. Green groups are generally reporting energy costs rising by 50% plus, and respondents reference many other running costs increasing, including insurance, travel, and accommodation.

In what ways is your organisation CURRENTLY being affected financially by the cost-of-living crisis? (Please tick all that apply)

39 responses



84.5% are experiencing increased staffing costs, with this referenced repeatedly as an area of stress on organisational costs. Many organisations seem to be caught in a precarious position of wanting, and needing, to meet the additional cost of living for staff through wage rises, but many are struggling to afford to do so. This issue is explored in more detail in our staffing impacts section (see p 15).

More than half of organisations (56.4%) are experiencing increased project costs, from materials and energy costs, through to contractor quotes and delivery. This is an area of increasing concern as rising costs outstrip grants and fundraising for planned projects, which could leave potential gaps in delivery and/or reduced ambition in projects that are completed.

“[There is] significant uncertainty around costs - for example budgeted project costs (which are often 'fixed') may not meet actual demands. Staff salary levels, running costs, contractor costs are all likely to rise, perhaps significantly, against an adverse, or at least highly volatile/ unpredictable environment for income generation.”

At the same time as experiencing rising costs many nature organisations are already seeing their incomes fall. A quarter (25.6%) have already seen a noticeable decrease in overall income, a third (33.3%) report a reduction in donations, almost a third (30.8%) detail declines in their membership and more than one in ten are seeing reduced visitor numbers (10.3%).

Please note that these percentages are likely to be an under-representation of declines being experienced among those with these income streams, as not all organisations surveyed have donation, membership, or visitor income. For example 20.5% of organisations surveyed say that they do not offer memberships, see p13 for more on membership impacts

Other additional current impacts reported included: membership retention rates dropping; pressures on operations; potential reductions in grant funding in the medium term; increased uncertainty in planning; and an impact on staff concerns and well-being.

“Our business model depends on many individual givers, as opposed to major donors or large corporates, and donors are having to make the decision on heating, eating or donations. Understandably donations will suffer.”

Quantifying current income reductions:

Around a quarter of respondents (9 organisations) quantified existing reductions in some areas of their income, others did not provide data to this optional question. The data is too small in scale to conclude trends, but the individual insights reveal worrying figures. **(NB: As these are largely year-on-year comparisons with the previous difficult financial year during the pandemic, they are likely to under-represent shifts from pre-pandemic funding levels.)**

- One very small organisation is already expecting a deficit for this financial year
- Another very small organisation details an overall reduction of around 20% in income
- Another details a 2% membership income decrease and 50% reduction in donations
- One medium-sized organisation is reporting a decrease in income for this year of 40%
- Another reports legacy income down a third, and fundraising income down by 20-25%
- A further medium national organisation is reporting a decrease of 43% in donations
- A large organisation detailed income being 11% down on expected levels
- A very large organisation reported its largest ever decline in commercial income with a 50% fall compared to the same 6 months of the previous year
- Another very large eNGO says income is down 2% on already reduced pandemic levels

Expected financial impacts into 2023

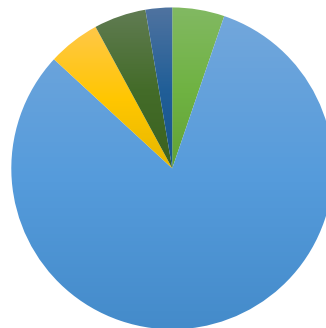
Although, as detailed, many organisations are already experiencing reduced income and increased costs, as a result of the financial crisis, the vast majority expect a deeper financial impact to be revealed over the winter and into next year.

More than 9 in 10 organisations are expecting a notable negative financial impact from the cost of living crisis into 2023. Of those surveyed 79.5% say they expect their financial situation to worsen, 5.1% said it would significantly worsen, and 5.1% expected a negative impact at the same levels that they are currently experiencing.

Only 3 organisations (7.7%) believe they will see either negligible or reduced financial impacts in 2023.

Anticipated future financial impacts of the crisis

(39 responses)



■ Significantly worsen ■ Worsen ■ Continued negative impacts ■ Continued negligible impact ■ Reduced impacts

This is reflective of concerns demonstrated by landscape and nature organisations in The National Lottery Heritage Fund's [UK Heritage Pulse](#) survey in August/September 2022. Nature organisations were the type of heritage organisation that anticipated the largest increases in salary costs and the second largest increases in supply costs over the next 6 months. On other overhead costs nature organisations were around average on expected cost shifts.

In the UK Heritage Pulse second wave survey, of 56 organisations that detailed cost expectations, 17 (30%) said they expected salary costs to rise a lot in the six month to February 2023, 23 (41%) said by a little, and 16 (29%) said they would not expect any change. On supply costs 64% expected supply costs to increase a lot, 32% a little and 4% expected no change.

Quantifying expected decreases in income this winter:

Just over a quarter of organisations (11) do not feel they have enough information or certainty at this point to try to estimate how negatively their organisational income may be impacted financially going into 2023.

Of those organisations that attempted to predict income changes two predict notably increased income into 2023 (20-29% for one group and 30-39% for another). For both this is as a result of already planned and long-term drives to increase fundraising revenue, with large pre-planned organisational investment of resources into achieving this via membership and

fundraising drives etc. One organisation says they would see a small increase of under 4% on last year's income, but that still represents a big decline on pre-pandemic income levels. Five further very small to medium organisations say they expect no further change in income.

The majority of organisations are predicting falls in income (two-thirds of those who predicted an income change - 20 organisations). Decreases in income are predicted in organisations of all sizes and scopes. But perhaps somewhat surprisingly, medium-sized organisations are estimating the biggest expected proportional decreases in income. Four out of the 5 organisations estimating the biggest proportional falls in income into early 2023 have incomes of between £2m and £20m currently. Though small and very small organisations make up 50% of those estimating decreases into 2023 even the very largest and most well-established organisations surveyed are all predicting further decreases in income.

Estimates of income declines ranged from under 4% up to 49%, using multiple choice options of: 4% or under (4 orgs), 5-9% (6 orgs), 10-19% (5 orgs), 20-29% (4 orgs), 30-49% (1 org). Using an average of the middle of the range for the estimated income decline among these 20 organisations, we can estimate an average predicted fall in income of 13% in 2023.

It is vital to bear in mind that in some cases the scale of decline in organisational income from pre-pandemic levels is much higher than these figures. This is because most compared their income to the previous financial year (2021), which was often significantly lower than 'business as usual' pre-pandemic levels.

“Our revenue is up under 4% from this time last year. But our revenues for last Autumn/Winter were still significantly affected by COVID and are unrepresentative of a typical trading year. Based on our pre-COVID levels our revenues are expected to be down by 26% over this period.”

In our final survey on the costs of the pandemic crisis in summer 2021, average income falls of 20% were seen across many organisations, with some green groups losing up to half their income. While we don't know how well income rebounded from this, lost income into 2022/23 is likely to be on top of already substantial income falls for many in the pandemic.

Financial situation in the devolved nations

We do not have the representation of the devolved nation specific organisations within this survey that we would have liked in order to deliver a thorough picture of the situation across the UK. This is directly due to a lack of sectoral capacity in Northern Ireland, Scotland and Wales.

In addition to a number of responses from Northern Ireland-specific organisations, and one from Scotland, many organisations that have responded to our survey cover all, or several, of the four UK nations. But UK or GB-wide responses often fail to convey the particular problems faced in each nation. Below we have detailed some anecdotal evidence from representative bodies, that we believe helps to inform how the picture in other nations compares to that in England.

It is important to consider the devolved funding mix. There are far fewer active funders in Wales, Scotland and Northern Ireland, with a much heavier reliance on a smaller number of big funders and on Government funding. The impacts of the approach of these funders can therefore have a very profound effect on the shape and capacity of the environment sector, and it seems accurate to say the picture is even harder in the devolved nations than it is for the English environment sector.

Colleagues in the devolved nations describe a long-term over-stretching of the sector – being expected to do much more with much less. This is through, in large-part, a reduction in core-funding and long-term funding, combined with an increase in workload and expectations for the sector as environmental issues have progressed up the agenda. This has been exacerbated by the pandemic, and now by the cost of living crisis as energy, staffing and overhead cost rises hit, and donations, revenue, memberships and funding decline, bringing the sector to a near breaking point.

“As environmental issues have gained prominence the sector has become more and more busy, but without any real strategic increase in funding. I don't think I've ever seen the sector so stretched as we are at present. We can't keep on delivering project after project, without more investment in core capacity. This is being further exacerbated by difficulties around recruitment, and problems with short term funding.”

In addition to a more restrictive grant-funding environment, the pandemic and cost of living crises, have badly affected organisations with a mixed range of income streams - those with memberships, ticket sales, café sales, and events etc. There are major challenges across all income streams which has lead to a very precarious position for devolved nation eNGOs.

MEMBERSHIP IMPACT

One of the most widely expected impacts of the cost of living crisis for nature organisations is a decline in memberships, as consumer incomes become much more pressured. This anticipated effect is borne out in the findings of our survey. 17 out of 31 membership organisations that we spoke to (54.8%) say they are currently experiencing declines in membership and/or are expecting declines in 2023.

The picture on membership is varied. But one main takeaway fact is that, although declines are being experienced by charities of all sizes, many of the biggest names in nature restoration (for whom membership is often a high proportion of income) are among those experiencing membership declines already and who are predicting further declines into 2023. This has concerning potential implications for major nature restoration projects in the next few years.

One household-name organisation commented that:

“The very high lapse in membership rates will have a significant impact on income, we are currently working through calculations and scenario planning to account for this.”

Current impact on membership numbers:

Of those surveyed by Link, 20.5% say they are not membership organisations. Of the remaining 31 that do offer memberships these are a mix of memberships – those offered to members of the public and those offered to professional / sectoral organisations.

“We are seeing an increase in cancellations from supporters, and we anticipate that this will increase as we move into winter. Christmas is an important time for recruitment, and we will be monitoring this closely. If we don’t meet our Christmas recruitment targets this will impact negatively for the rest of the financial year and beyond.”

Almost half (48.3%) of the membership organisations surveyed have already experienced reductions in memberships. 45.1% of membership organisations (14/31) say membership has fallen somewhat with one further organisation saying membership has fallen significantly.

8 organisations (25.8%) say membership levels are stable, 5 organisations (16.1%) say their membership numbers have somewhat increased and 3 were unsure.

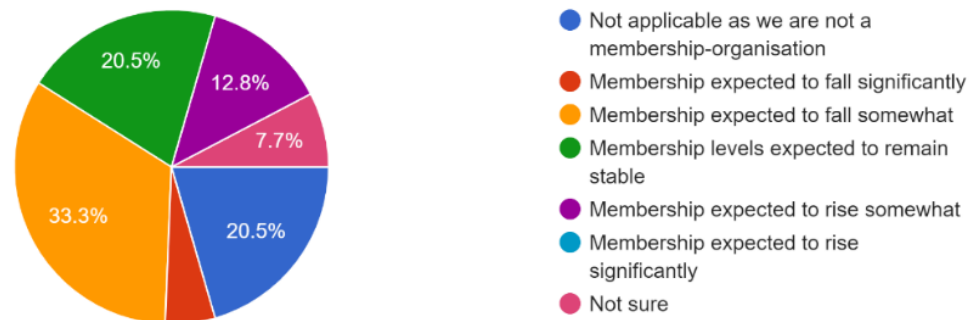
We’re entering a pivotal time of year for many public membership organisations, with recruitment, renewal and gifting of memberships around Christmas and New Year key to membership revenue. Yet we’re hearing from many organisations that they are expecting big declines in this area this year.

Future impact on membership numbers

The expected picture going into 2023 is that those that have stable or increasing membership numbers largely expect this picture to continue. Those already experiencing declines in the main expect to see membership numbers to continue to drop-off into 2023, with multiple organisations highlighting they expect rates of membership decline to be greater next year.

How do you expect FUTURE membership recruitment and retention will be affected this Autumn/Winter and into 2023?

39 responses



“We are seeing an increase in membership cancellations and almost all people say this is due to the cost of living crisis. Donations have been down for the last two quarters, and we expect that to continue.”

Of the 15 organisations who are currently experiencing declines or severe declines in membership levels, 12 (38.7% of membership organisations) predict memberships will continue to fall, or will significantly fall, into 2023. Two organisations seeing falling membership now think membership levels will stabilise in 2023 after an initial fall to the end of the 2022, and a further one organisation is not sure what the picture will be in 2023.

5 out of the 8 organisations seeing stable membership levels now expect numbers to remain stable into 2023, with a further two predicting they will see falls into 2023 despite stable levels now, and a further organisation is unsure whether memberships will decline next year or not.

All 5 organisations who have seen membership increase, are expecting to see continued membership rises. For context, we know that at least two of these organisations have had long-term plans for (and organisational investment into) increasing membership, and another organisation is experiencing a boost due to in-person events that have not been possible in the pandemic-period.

Factoring in all the above, we know that 17 out of 31 membership organisations say they are currently experiencing declines in membership and/or are expecting declines in 2023, with a further three saying they are unsure about the impact. If those three do also see declines, it will mean almost two-thirds (64.5%) of membership organisations have reduced membership as a result of the cost of living crisis.

IMPACT ON SAVINGS AND INVESTMENTS

37 of the 39 organisations surveyed say that they have savings and investments. More than half (54%) of these organisations say they have already seen the value of their savings and investments decline in the current crisis. At the same time 5 organisations (13.5%) say the value has risen, 8 organisations (21.6%) say that the value of savings and investments is stable and 4 (10.8%) were unsure.

We asked respondents to detail their expectations on how their savings and investments might be impacted in 2023, but, as one respondent noted, investments are notoriously volatile, and it is therefore very hard to predict.

Respondents' best guesses in this area suggested slightly increased confidence in how savings and investments may perform next year, though still with more negative than positive expectations. A large proportion of organisations (17 out of 37 – 45.9%) are expecting saving and investment values to start or continue to fall into 2023, and fewer organisations (only 3) expect values to rise next year. But 35.1% (13 organisations) were hopeful that values would stabilise or remain stable, a fairly big increase from perceptions on how savings are performing now.

Response	No. of organisations	Percentage
No savings or investments	2	5.1%
Not sure	4	10.3%
Current rise in value & further rise expected into 2023	2	5.1%
Current rise in value & expected stability into 2023	2	5.1%
Current rise in value but fall expected into 2023	1	2.6%
Values stable & expected to remain stable into 2023	5	12.8%
Values stable but expected to fall into 2023	3	7.7%
Current falls in value but expected to improve into 2023	1	2.6%
Current falls in value but expected to stabilise into 2023	6	15.4%
Current falls in value & further falls expected into 2023	13	33.3%

We did not ask about the inflationary impact on loans but several members also mentioned this is a big issue for them. See the quote below for an example of the concerns outlined.

“Inflationary pressures are significantly impacting [our] financial performance. Our costs [have] risen dramatically and we are not in a position to pass the full increase onto our customers. High inflation is affecting all of our cost bases.... Interest rate hikes are also a big problem - given our substantial levels of outstanding loans.”

STAFF IMPACT

Financial concerns of staff:

Of the 39 organisations surveyed almost three quarters (74%) report that staff have concerns about the cost of living and rising bills and/or are experiencing financial difficulties. This is a universal issue that is reported by organisations of all sizes, 9 of the 13 very small organisations (69%), 5 of the 6 small organisations (83%), 12 of the 14 medium organisations (86%), 2 of the 3 large organisations (66%) and 100% of the 3 very large organisations.

“Of special concern is the welfare of our staff. In these turbulent times we are seeing an impact on recruitment and retention, but the key challenge is how we can support staff further through salary increases and overall package/benefits enhancement, making those changes relevant and impactful for them and their families.”

Only 5 organisations – 12.8% - say that their staff are not reporting financial concerns or difficulties.

Across the board 41% of organisations say their staff are already experiencing financial difficulties and 1 in 10 eNGOs have already had to create a hardship fund.

Limitations in financial support for staff:

36 organisations detailed what wage changes are taking place to counteract the cost of living.

One of the 36 is a voluntary organisation with no employees. One organisation is not delivering wage increases as it says it cannot afford to do so.

Of the 34 organisations who say they are making wage increases: 8 gave no specific figures; 1 gave a one-off payment of £2,000 to all staff below head of level and 1 gave a one-off payment of £500 to all staff, 9 (26%) have given or will give a 1-3.5% increase, 8 have given or will give around a 4-6% pay rise, 4 are making around an 8-10% increase and 3 say they plan to make increases in line with inflation. .

Despite green organisations trying to do the right thing by their staff, with almost all organisations implementing pay rises, staff pay increases are not keeping pace with inflation in the vast majority of employers.

The Bank of England has determined that [inflation](#) was at 11.1% in October 2022 and 10.7% in November 2022. More than half of environment organisations are therefore planning to make below inflation wage increases, with more than 50% likely to make increases at or below around half the rate of inflation (under 6%).

Eight (23%) of the 35 organisations specifically referenced that they want to do more for their staff but simply cannot afford to do so.

The pressure on income is in fact also putting jobs in jeopardy. One in ten organisations surveyed said they are, or are likely to be, making redundancies, with 10% also having to freeze recruitment currently.

Exodus of skills and experience:

The inability of the sector to adequately respond to greater inflation pressures on staff means that the majority of people working in the sector will see a real terms decrease in the value of their wages this year and into next. This is particularly problematic because the sector's pay is already known to be relatively low, even compared to other charity sectors.

The worsening of the value of environment employment remuneration will almost certainly see staff leaving the sector. **Almost 3 in 10 organisations (28%) already say that one or more members have staff have left or are considering leaving due to low wages.** This risks an exodus of skills and knowledge from environment organisations and poses particular challenges in attracting new talent, including attracting the greater ethnic diversity we need in our work force.

“Salaries have increased by 8-10%. As we are largely reliant on project funding, this is problematic because many multi-year projects were set with inflation at 1.5%. Some can be renegotiated, and we can pick up some slack with unrestricted income, but on others, staff are going to have to work harder to deliver projects in less time.”

Staff who continue in our organisations are also going to be expected to do more with less, creating additional pressure on our employees and a greater risk of burnout. This is a particular problem due to project funding being set based on assumed inflation rates.

This picture is particularly worrying as we know there is a [green skills gap](#) generally in the environment sector, including for [nature conservation](#). Research on this issue in The National Lottery Heritage Fund's [UK Heritage Pulse](#) in August/September revealed very challenging conditions for recruitment in nature organisations, which will only have been heightened by a growing wage gap.

Of the 43 landscape and nature organisations who detailed their ability to recruit for specialist roles in UK Heritage Pulse's second wave survey, 23 organisations (54%) said they were facing significant challenges in recruiting the specialist staff they needed. Only 4 organisations (9%) said they were able to fill specialist positions without difficulty. The remaining 37% said recruitment for specialist roles was challenging but without impact on their operations. Half of organisations who said they would be recruiting specialist staff in the following 6 months also said they expected it to be more challenging than previously to recruit.

For 29 organisations who commented on their ability to recruit for administrative roles, only 17% were able to easily fill roles with 59% saying recruitment was challenging and a further quarter (24%) said they were facing significant challenges.

IMPACT ON DELIVERY

Almost 8 out of 10 environment organisations say their delivery capacity will be reduced in one or more ways into 2023. This is very similar, and slightly higher than the 72% reported in the pandemic. It is a significant figure with worrying impacts for public engagement, nature restoration, protection, access and monitoring.

A reduced number and scale of environment projects being carried out by the charity sector is concerning when looking towards the Government’s 2030 targets to restore species and habitats, and to the carbon sequestration and storage needed to achieve net zero targets. This will also have knock-on implications for green jobs and local economies, particularly as investment in habitat creation and management can be a significant element of growth and job creation around the country and in less affluent areas.

The funding provided by the Green Recovery Challenge Fund was instrumental in sustaining eNGO habitat creation and restoration work through the difficult days of lockdown, as well as helping to maintain green jobs. The fund was over-subscribed with bids for cost-effective projects to sustain jobs and to deliver the 25 Year Environment Plan. However, as the Fund comes to an end, there is the risk of a cliff edge for projects that rely on on-going funding, and the stop and go nature of the funding has hampered the development of a project pipeline.

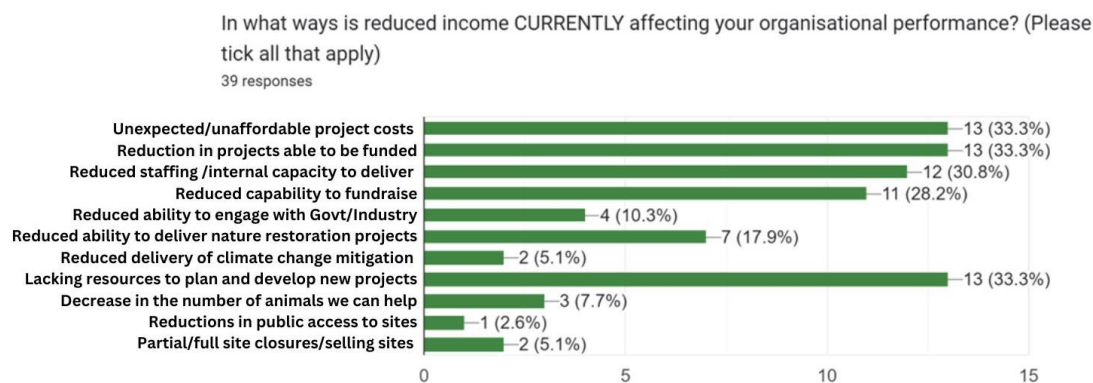
We recommend that the Government replenishes the Green Recovery Challenge Fund for another period ahead with a further £80m, with a commitment to revisit public funding for nature projects up to 2030.

Current impacts

Environment organisations are already reporting that reduced income is having an impact on their organisational performance.

About a third of the organisations surveyed said that they were experiencing:

- Unexpected and/or unaffordable project costs
- A reduction in the projects able to be funded
- Reduced staffing and/or internal capacity to deliver projects
- A lack of resources to plan and develop new projects



More than a quarter (28.2%) are finding their capability to fundraise has already been reduced. This follows a similar pattern to the experience of eNGOs during the pandemic when 1/3 of nature organisations saw fundraising capacity reduced. This is particularly affecting very small

to medium-sized organisation who have smaller fundraising teams or have no dedicated fundraiser roles, with this fitting into the remit of wider roles that are seemingly increasingly over-stretched.

Almost 1 in 5 (17.9%) are finding their ability to deliver nature restoration projects currently affected. This is an under-representation of the impact in this area as not all of the organisations interviewed work on nature restoration. A further 1 in 10 organisations (10.3%) say their ability to engage with Government and Industry is also already reduced.

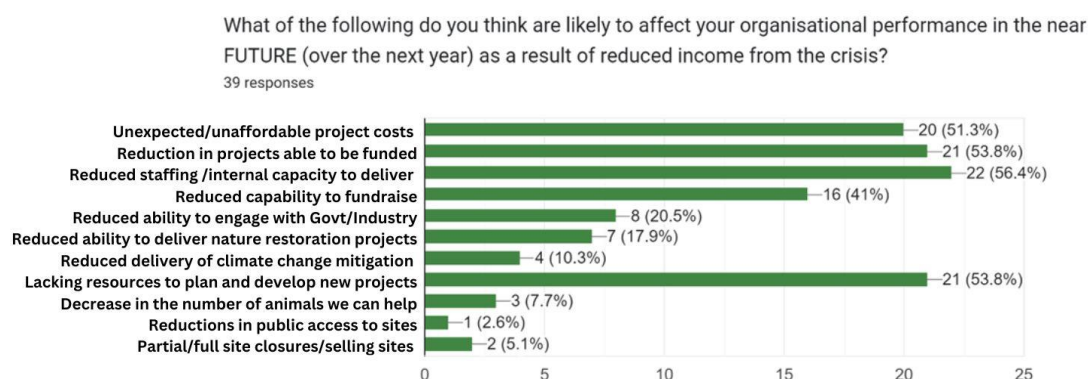
Animal welfare and protection is also being affected, with well-known organisations saying their functions are experiencing prolonged and significant challenges. Issues mentioned include increased abandonment of animals partly due to the pandemic pet-boom, a shortage of veterinary provision post-Brexit, and a reduction in shelter provision alongside increased demand. This has the potential to generate shortfalls in provision of care for injured wildlife, for abandoned or mistreated domestic animals and farm animals, and also to limit the participation of these organisations in prosecutions against cruelty and wildlife crime cases.

Around 5% of organisations say they are having to either partially or fully close sites and/or sell sites, which is worrying in terms of habitat and wildlife site protection and animal welfare provision.

Future impacts

The impact on organisational performance is expected to broaden considerably into 2023. More than half (up from about a third) of the organisations surveyed said they expect to experience the following limitations on projects in 2023:

- Unexpected and/or unaffordable project costs (51.3%)
- A reduction in the projects able to be funded (53.8%)
- Reduced staffing and/or internal capacity to deliver projects (56.4%)
- A lack of resources to plan and develop new projects (53.8%)



Similarly a higher proportion of organisations expect their ability to fundraise to be reduced in 2023, rising to 41% from 28.2% currently. This is higher even than during the pandemic and could see grant funding and other fundraising decline in these organisations, with ramifications for their ability to deliver on the ground.

The proportion of organisations expecting their ability to deliver nature restoration projects to be impaired is anticipated to remain at almost 1 in 5 (17.9%). But organisations referred to potentially more severe capacity restrictions next year.

One in ten expect climate mitigation related projects to be impacted in 2023, compared to 1 in 20 now.

Twice as many organisations expect their ability to engage with Government to be reduced next year – 1 in 5, compared to 1 in 10 currently. This is a similar level of reduced engagement as was experienced during the pandemic, where 3 in 10 said their engagement was hampered.

Around 8% of organisations expect their ability to help animals to be reduced in 2023, the same proportion currently affected.

“We are as lean and efficient as we can be. But in 2022 we will need to draw down from our reserves to fund our operating deficit. We cannot do that for 2 years consecutively. So, in 2023 we will have to start to make major cuts to our programmatic work in order to achieve a balanced budget.”

The impacts are being felt across organisations from very small to very large. With no discernible trends by size.

Projects likely to be affected

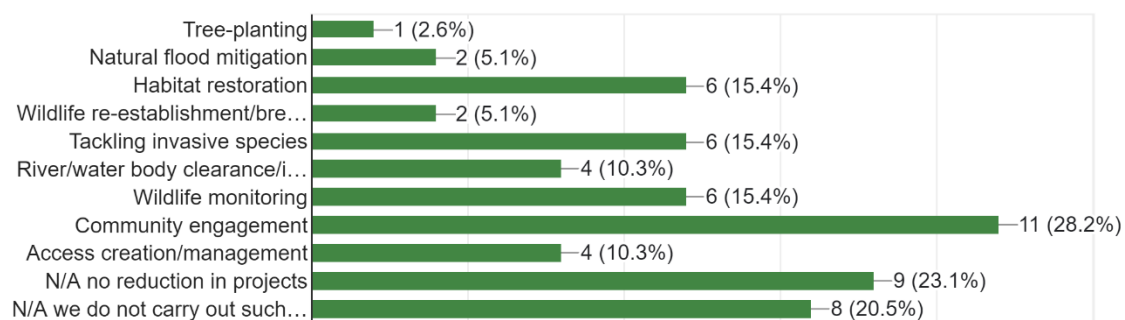
Tree planting is the least likely project area to be postponed reduced or abandoned, with only one organisation saying plans in this area will be reduced in 2023. This is perhaps unsurprising given the availability of Government-funding in this area.

Community engagement is the most likely to decline with almost 3 in 10 expecting their capacity in this area to be reduced. This is followed by around 1 in 6 organisations (15.4%) saying that they will have to reduce, postpone or abandon: habitat restoration projects, work to tackle invasive species, and wildlife monitoring.

This is concerning as monitoring capabilities declined notably during the pandemic and have only relatively recently recovered. Monitoring data is hugely important for evidencing progress and problems and is perhaps particularly important currently helping to measure against 2030 targets.

Will you have to postpone, reduce or abandon projects for 2023 which include any of the following measures, due to reduced income? (Please tick all that apply):

39 responses



Habitat restoration is clearly a top priority as we work towards 30x30 and the 2030 species abundance targets. It is therefore of concern that organisations from very large to very small are saying their work in this area is already stalled and will be affected further into 2023.

Invasive species are one of the top 5 drivers of nature loss. Keeping current invasive species in check is vital in tackling areas of poor biodiversity, and will need addressing to prevent further decline in biodiversity in affected areas, and to mitigate negative impacts for local businesses and recreation.

Respondents almost universally felt that they could not yet reliably estimate the extent of the funding shortfall they would have next year for these projects.

GRANT FUNDING ENVIRONMENT

Many environment organisations are concerned about a shrinking grant-funding environment and the impact that this will have for their organisation. It is widely expected that there will be less money available as fund investments are affected by the current financial situation, and as spending decreases from Government.

Many compared the situation to the pandemic and said that early intervention would be helpful. However the majority (more than two-thirds) of nature organisations are reporting they have yet to receive any additional help from funders either financially, through the revision of terms and requirements, or other assistance.

“The current volatility in financial markets may impact income from grants and trusts. Corporate funds may reduce as a result of economic uncertainty. We also expect available funding from Government will decrease. A more challenging grant funding environment will lead to a decrease in our main source of income”

Widely requested priority actions included:

- uplifting grants to help meet unexpected project costs
- increased core funding and flexibility on the outcomes expected given reduced resource
- providing longer-term grants to help with uncertainty of planning in the current climate
- and simplification of applications to help over-stretched fundraising staff.

Alongside this, a repeated high concern among smaller organisations was that there will be a similar situation to the pandemic, where longer term larger grants were given to existing recipients with fewer open applications and reduced amounts of small grants available. Many small organisations said this very negatively impacted them in 2020/2021.

There was a clear message that a balance will be needed between longer, larger grants to give sectoral certainty, particularly for substantially sized projects, and keeping small-scale new grants available to avoid a crunch-point for smaller organisations.

Additional help from funders:

We asked an optional question on whether grant funders had offered any additional help for a current grant – e.g. uplifting the grant amount and/or extending the length of the funding period. We had 25 responses. Of these, 17 (68%) say that no additional help has yet been offered.

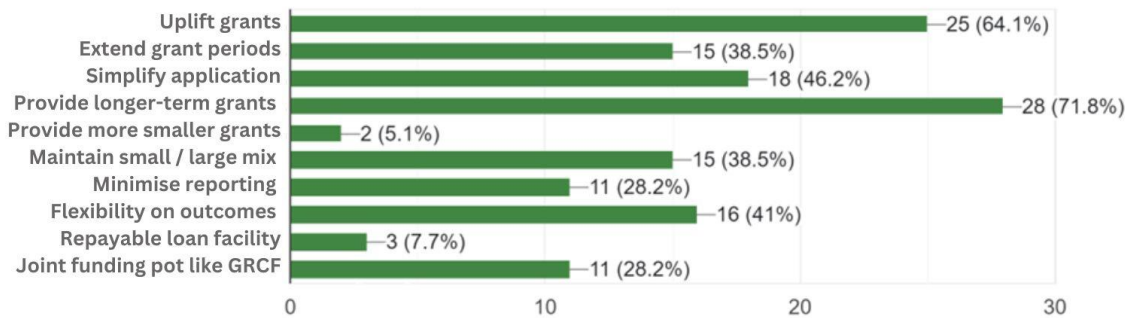
Of the 7 who have been offered additional help, 6 of these were financial and included:

- one organisation offered a 10% increase on a core funding offer; another had funding increased by 10%;
- one said that a fifth of their funders moved from annual to multi-year funding and/or increased funding overall;
- another has a few funders who offer uplifts on an annual basis;

- two eNGOs had a corporate partner provide an unsolicited cost of living grant;
- One green group said that some of funders have agreed to extensions to project timescales. No grants have been increased, however some additional funding has been granted for additional project outcomes;
- A further one organisation is still in discussions.

How can funders help most in the next 1-2 years around this crisis?

39 responses



The top ways in which nature organisations say that funders can help to support the sector at this time include:

- **Providing longer-term grants (71.8%)** – many organisations reported what a difference this made to them in the pandemic and the increased certainty and focus this would give to their work currently
- **Uplift current grants (64.1%)** – it was widely reported by respondents that current grants will not cover the rising costs of the projects that they were approved for, given the unexpected rate of inflation and cost of staff time etc. Without uprating approved grants many mentioned the scope or quality of their work may suffer, or projects may have to be abandoned
- **Simplify applications (46.2%)** – eNGOs detailed that simplified processes would reduce the application burden on overstretched teams and individuals, and make it more achievable to submit bids
- **Flexibility on outcomes to be delivered (41%)** – Higher costs will make meeting previously agreed outcomes difficult for many, flexibility on this was a key ask of many organisations
- **Maintain a mix of small and large grants (38.5%)** – Though providing longer-term (and therefore larger) grants was a top ask of funders, there was also a note of caution from respondents. Multiple groups said that the lack of open applications and reduced availability of small grants in the pandemic was highly problematic for them and they were concerned that this may be repeated

“During the pandemic, one of the big issues was funders supporting a smaller number of organisations with more support, with no open applications. And we are worried that there will be a return to this trend.”

Almost 3 in 10 (28.2%) of organisations also said creating a substantial joint funding pot, which could be similar to the Green Recovery Challenge Fund, should be a priority. Multiple organisations referred to the success of the scheme and the need for something similar.

A further 28.2% also said that reducing reporting requirements would be appreciated, again helping with the reduced capacity that organisations are experiencing.

Smaller proportions of organisations say a repayable loan facility would be helpful (7.7%) and 5.1% say that a funding mix with more smaller grants available would be beneficial.

Other issues that individual members highlighted included:

- Offering longer application periods that would help lower-resourced organisations
- The possibility of increasing unrestricted funding, allowing more fleet of foot and flexible action from organisations and less administrative burden
- Considering significant shifts in length of funding focus - extending grant periods from one year to three, or five, year funding.
- Considering how to offer more rapid-response and flexible funding that help organisations to capitalise on new opportunities and adapt to challenges. For example accelerator funding to enable benefits from nature finance and funding for projects that can generate sustainable income
- Concerns were raised over statutory and government funding. There are expectations that the focus of these funders will shift to statutory delivery, with a move away from investment in proactive and preventative programmes that invest to save, for example the investment in accessible green spaces

Funding lessons to learn from the pandemic

There is one word that came up time and time again in member responses to this question – flexibility.

Nature groups and funders are praised for the flexibility they offered in multiple ways throughout the pandemic and the support, and relief, that this gave to the organisations that they fund.

A repeat of this flexibility was called for in this crisis, by funders being flexible on:

- Outputs and outcomes to be delivered
- Project timeframes, which may need to shift
- More funding for core costs
- More upfront funding to cover organisational costs ahead of delivery aspects
- Open and accessible dialogue on shifts needed
- Changes in usage of grant
- Reduced need for match funding

NB the above have been ordered with the most frequently repeated messages at the top

Respondents to this survey also highlighted how well the Green Recovery Challenge Fund worked as a response to the pandemic and reiterated a similar scheme would be very welcomed.

Conclusion

The Government has set itself bold targets to halt the decline of species and to protect 30% of the land and sea by 2030. The Government is expected to sign a global deal with similar commitments at the COP-15 nature talks in Montreal. Achieving these targets will be critical for the future of nature, the strength of the economy, people's health and wellbeing and for tackling climate change.

To meet these ambitious goals, the UK needs a strong nature sector. Current economic challenges pose a significant threat to jobs in the environment charity sector, and to charities' ability to deliver their essential work, from policy to practical projects.

During the pandemic, funders and Government responded with financial and practical support to sustain the sector. The results have been evident in real benefits for nature and communities around the country. Projects like the Green Recovery Challenge Fund are demonstrating real value for money, as well as the huge potential for more nature recovery projects that will support biodiversity and enrich local communities.

With just seven years left to meet critical environmental targets, we hope that Government and funders will step forward not just to help environmental charities weather the current economic storm, but to help the sector step forward to deliver the huge potential for green recovery that can support a thriving economy for the future.

For questions or further information please contact:

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[Wildlife and Countryside Link](#) (Link) is the largest nature coalition in England, bringing together 68 organisations to use their joint voice for the protection the natural world.

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