



Nature Restoration Fund: Link briefing

Executive summary

- The Government is considering a 'Nature Restoration Fund' as a way for developers to pay a cash sum to discharge environmental requirements related to planning.
- A badly designed strategic fund approach could increase the risk of environmentally damaging development. Under no circumstances should a fund approach allow development proposals to circumvent the mitigation hierarchy or weaken legal protection for habitats and species.
- However, a well-designed strategic fund approach has the potential to increase the scale and added-value of nature-restoration efforts at the same time as speeding up planning and development. To be effective, a Nature Restoration Fund must be geared for mandatory contributions that go significantly beyond offsetting to support nature recovery.
- The Fund should be primed with public funding, with further funding from requirements for off-site mitigation and compensation and Biodiversity Net Gain for major infrastructure.
- Projects delivered through the Nature Restoration Fund must deliver additional, measurable local and lasting gains for nature and contribute to strategic nature recovery priorities, such as the 30x30 commitment and those identified in LNRs and/or Protected Site Strategies.

The 2024 Budget announced a Nature Restoration Fund to 'offset the environmental impact of development'.¹ Link understands that the Fund is intended to boost nature recovery and expedite development, channelling payments from developers' environmental obligations towards strategic nature projects with the intention of going beyond offsetting to boost nature's recovery.

The proposal is timely. With six years until the 2030 deadline for the Environment Act target to halt the decline in species, major interventions are needed.² A strategic approach could channel financial contributions from large-scale house-building and energy projects toward important nature-recovery projects, with more significant added benefits over market-led or small-scale mitigation projects. It could fund national and regional level projects to restore and connect habitats at scale and meet species' needs as identified in the Local Nature Recovery Strategy.³ Financial resources from development could both mitigate particular development impacts and drive nature's recovery across the country. The NRF could form a key contribution from the development sector to wider efforts to recover nature, constituting one of an array of interventions designed to meet nature recovery targets set under the Environment Act.

¹ [Autumn Budget 2024](#) p105

² [OEP Annual Progress Report 2023](#)

³ <https://www.cotswolds-nl.org.uk/looking-after/big-chalk/>
& <https://greatnorthbog.org.uk/>



The option to make a financial contribution towards a strategic solution instead of developing bespoke mitigation or compensation agreements for some environmental impacts could also speed up procedures for developers without undermining environmental rules.

To work effectively for nature, the Nature Restoration Fund (NRF) should include the following elements:

Public funding

The NRF should combine public money with developer contributions. There is a strong case for initial Government funding to pump prime the NRF in its early stages, on top of the £14 million allocated in the Budget. At least £50 million per annum for the remainder of the Parliament is needed to ensure that the NRF operates at a scale which distinguishes it from previous, small-scale, one-off nature restoration funds which failed to stop the decline of nature.⁴

Fees charged to developers once the NRF is up and running could partially recompense the Government for this initial outlay and support ongoing administration. This initial Government funding could come with a commitment to preserve the fund in perpetuity, to secure its long term future.

It is important to stress that the NRF would not be the sole 'nature recovery pot' in England, instead it would be one fund, linked to the development sector, amongst many. Given the size of the funding gap between what is currently being spent to recover nature and what is needed⁵, the NRF should represent just one funding stream amongst many, from current pots like the extended Nature and Climate Fund to proposed new initiatives like the Nature Recovery Obligation.⁶

Private funding

The majority of funding to the NRF should come from the private sector. Developers are under a variety of planning and legal requirements to avoid, mitigate and compensate for harm to nature, including requirements under the National Planning Policy Framework, the Environment Act 2021, and the Habitats Regulations.⁷ At the moment, requirements to mitigate or compensate for harm to biodiversity from development are often fulfilled on a case-by-case basis. Developers may invest directly in habitat or species work or pay into nature markets for habitat or nutrient "credits". This process can sometimes be slowed down by lack of planning capacity at the local level (for example to complete Section 106 agreements) or a lack of available credits. In some cases, this piecemeal approach does not always deliver the optimum results for the environment.

⁴ For more on the shortcomings of these previous funds, see Link [habitat restoration briefing](#)

⁵ [Green Finance Gap](#) report

⁶ See Link [Nature 2030](#) proposal

⁷ Para 186 of the NPPF applies to all developments and requires Local Planning Authorities to only grant consent if satisfied the mitigation hierarchy has been followed. Stronger legal rules apply to protected sites and species. When development would affect sites or species protected by the Habitats Regulations, consent requires effective mitigation. When mitigation falls short of preventing harm to protected sites, applications must be rejected unless grounds for derogation are met. Compensation must then be secured.



Through a strategic fund like the NRF, developers could partially or fully discharge planning conditions for offsite mitigation or compensation for some types of nature impacts by paying a fee into the Fund. This would require less work and time than the current process of arranging and funding bespoke offsite mitigation and compensation measures. It could also deliver “bigger, better, more joined up” projects. A key test for a fund would be that fee requirements are set far above “offsetting”. Fees should make a significant contribution to nature restoration above and beyond the immediate footprint of the project.

There is also potential for some revenues from UK Emissions Trading Scheme to be paid into the Nature NRF to support carbon sequestration projects.

Note: There is potential for a win-win for development and nature, but care is required

To avoid weakening protections for nature, payments to the Nature Restoration Fund should only be an option for discharging requirements for those environmental impacts for which evidence shows that offsite mitigation and compensation will be better for nature. In line with the mitigation hierarchy, avoidance should be attempted first, often followed by effective site-specific mitigation

This is particularly important for species protected under the Habitats Regulations that are loyal to particular sites (usually because they have very precise habitat needs). For example, UK bat species are loyal to existing roost sites, meaning that a new replacement roost in a different location is unlikely to mitigate the damage caused when an existing roost is destroyed.⁸

Regulations introducing the NRF could prohibit its use to discharge obligations for specified protected species, for example all UK bat species and other site-loyal species, and confirm that development which cannot provide sufficient on-site mitigation for site-loyal protected species should always be refused by the local planning authority.⁹

In some cases however offsite mitigation and compensation will be better for nature. There will be specific circumstances when financial contributions are an appropriate way to discharge those off-site mitigation and compensation conditions. Nutrient neutrality cases are an example of circumstances where mitigation can be delivered off site, through interventions to reduce levels of nutrient pollution elsewhere in the catchment. A strategic approach has already been successfully applied in many catchments.¹⁰ This approach could be expanded to other environmental requirements where evidence shows that offsite approaches are appropriate.

The NRF could also loop in strategic schemes for some species. This includes existing District Level Licensing (DLL) for great crested newts in some areas. In these schemes, developers pay for creation or

⁸ See p41 of: <https://www.conservationevidence.com/synopsis/pdf/32>

⁹ In tandem, Defra should increase species-specific funding to support tailored actions for abundance and diversity.

¹⁰ For more on the NRF prototype created by nutrient neutrality strategic mitigation see September 2024 Link briefing: https://www.wcl.org.uk/docs/Accelerating_the_nutrient_neutrality_solution.pdf



enhancement of newt habitats in strategically chosen locations, and for newt populations to be translocated from a development site to the new habitat.¹¹ The NRF could apply this approach to other species where this could make a positive difference, such as fish species. The creation of new spawning and nursery habitats for fish species can boost populations, as adult fish can quickly utilise new freshwater spaces.¹²

The NRF could aggregate existing strategic mitigation and compensation schemes linked to the Habitats Regulations with new approaches, providing economies of scale, avoiding duplicating local systems and allowing the strategic concentration and deployment of contributions from developers. In such cases the legal and policy mitigation and compensation requirements of the Habitats Regulations should always be met following the like for like (or better) principle. Only after these have been discharged, should additional funds be deployed to take a robust, ecosystem-based approach, prioritising investment in environmental enhancements appropriate to boost the functioning of an ecosystem at catchment or landscape scale.

Across all development, the NRF fund should never be used as a positive to support the grant of planning permission, but to smooth the process of meeting obligations if permission is granted.

Biodiversity Net Gain for major infrastructure

Biodiversity Net Gain is a statutory requirement for developers to deliver an uplift in biodiversity relative to pre-development habitat. It currently applies to development under the Town and Country Planning Act 1991 and is due to be extended to the Planning Act 2008 regime (major infrastructure) in November 2025. There is an opportunity for BNG for major infrastructure to be delivered in part through the Nature Restoration Fund.

Where protected sites or site-loyal species would be affected by major infrastructure proposals, effective on-site mitigation must be included in the environmental measures required for consent. After avoidance of harm and on-site mitigation for any affected site-loyal species, major infrastructure developments could be required to make a significant contribution to the restoration of nature through the NRF. This approach could support the most strategic projects for nature recovery at a national scale. This could also provide a smoother path delivery, requiring less time than a bespoke, site-by-site approach. This would aid the speedy delivery of critical infrastructure, in line with Government priorities.

Link supports the Government's ambition for rapid renewable energy infrastructure development, intelligently planned, and delivered in tandem with nature-recovery. With the scale and pace of development increasing, the Government should expedite the extension of BNG to major infrastructure to help ensure that nature and climate goals are aligned. Using the NRF approach could, if carefully applied, ensure energy infrastructure projects help drive the restoration of critical natural infrastructure.

¹¹[District Level Licensing for developers ; Surrey Nature Partnership, an eNGO perspective on DLL](#)

¹² See for example: <https://www.riverthame.org/our-work/chalk-streams>

Operation of the Fund

Projects funded by the NRF should always meet strict standards. NRF projects should be:

- **Additional:** gains for nature would not have happened without the intervention.
- **Beyond offsetting:** gains should go beyond mitigation, delivering major nature restoration. Funds should ensure like-for-like replacement where delivering mitigation and compensation, but go beyond replacement to invest in wider ecosystem enhancement.
- **Permanent:** should be in perpetuity with long-term guarantee such as Conservation Covenants.
- **Transparent:** Payments into the fund and gains secured must be measurable and open to scrutiny. A public register of NRF payments and projects would allow for effective monitoring.
- **Local:** NRF payments should be deployed by the Fund to support nature recovery projects in the same Local Nature Recovery Strategy Area.

Defra should be responsible for effective disbursement of NRF payments, with a steering board comprising Natural England, Environment Agency and eNGO representatives to inform allocation decisions. The Fund should allocate spending to projects on the basis of effectiveness for nature recovery, and on proximity to development. Whenever a payment to the NRF is made, the Fund should deploy NRF funds back to the same Local Nature Recovery Strategy area as the project that generated the payment. This will ensure that areas affected by development see a commensurate boost to local nature recovery through an NRF-backed project. Projects should be informed by the relevant Local Nature Recovery Strategy.

The fund should contribute to the achievement of strategic environmental priorities, such as the 30x30 commitment and delivery of the Environment Act target to halt the decline in species abundance by 2030, and priorities identified in LNRSs and Protected Site Strategies. NRF funding could also be deployed to bolster projects supported through the Landscape Recovery scheme within Environmental Land Management scheme, helping to progress the transition to nature friendly farming.

In supporting these national environmental priorities, the NRF would mark a sea-change from previous nature recovery funding from development. Incremental, project-specific funding offered on a one-off basis has failed so far to make a significant difference for nature. A national pot could provide the depth, certainty and strategic capabilities needed to increase the contribution made by development to achieving nature recovery.



Overall requirements on developers

The Nature Restoration Fund could fit neatly into a new landscape of improved nature recovery requirements for developers. Overall, the aim should be a shift in focus from seeing nature as a potential obstacle, with planning focused on minimising harm, to a planning system capable of actively contributing to nature's recovery. Developers of both new housing and new infrastructure should be subject to the following nature requirements within a reformed planning system:

- **Nature-friendly design:** All developments should be required by a National Development Management Policy or Building Regulations chapter to [incorporate](#) nature design measures.
- **Environmental assessment:** A more comprehensive system of Strategic Environmental Assessment, supported by more planning resource, should provide early notice of and planning for possible development impacts on sites and species protected by the Habitats Regulations.
- **Application of the mitigation hierarchy:** The mitigation hierarchy should always be closely adhered to, as a prerequisite for consent. When avoidance is not possible and mitigation does not have to be site-specific to be effective, offsite mitigation or compensation conditions could be discharged by developers paying into the Nature Recovery Fund.
- **Biodiversity Net Gain:** Developments in the Town and Country Planning Act 1990 regime should be subject to an [improved BNG system](#), with planning authorities taking BNG contributions into account when determining whether the mitigation hierarchy has been adhered to. Developers progressing infrastructure projects through the Planning Act 2008 regime could discharge BNG responsibilities by paying into a Nature Recovery Fund.



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Further briefings will follow from Wildlife & Countryside Link on how the NRF could be effectively applied for nature.

This briefing is also supported by:

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