Cyswllt Amgylchedd Cymru | Wales Environment Link

Impacts of Covid-19 on the eNGO sector

June 2020

Immediate financial impact on eNGOs

On 20th March a UK-wide survey was launched via Environment Links UK to quickly gauge the immediate impact of Covid-19 on the eNGO sector. The survey was only live for approx. 2 working days but 55 organisations across the UK responded, including organisations from Wales. The survey concluded a clear threat to:

- Frontline functions, including conservation and land management, access, visitor centres, cafés, shops and other tourist attractions, project, community and volunteer work;
- Scientific and policy work;
- The short and long-term viability of the sector, with 98% of respondents immediately affected and 27% at high risk within the next three or four months (by June/July).

The picture is extremely serious, with three quarters of respondents expecting to hit funding restrictions in the next three months and half already experiencing funding difficulties. For organisations that manage land or do outdoor project work (which make up a majority of WEL members) the Covid-19 crisis comes hot on the heels of severe flooding impacts and many are also dealing with the consequences of ash dieback. As the Environment Minister has acknowledged in recent meetings, the impacts of climate change, biodiversity declines and biosecurity issues are not going to go away.

eNGOs immediately identified that the main ways they needed support, both from environmental funders and government, are:

1. Flexibility with existing grant agreements, including an extension of deadlines for project work
2. Emergency funding support, including funding into the longer term to help charities recover as well as funding to cover the immediate crisis period

From government, eNGOs also need reassurance that they will receive the same level of protection and support as businesses, farming and fisheries, though this will need to be tailored to take into account the different ways that charities are constituted, their rules of operation and the complexity of their income streams.

Accessibility of current support mechanisms

The main Covid-19 emergency funds for eNGOs in Wales are:

Welsh Government Third Sector Covid-19 Response Fund

This WCVA administered fund is a mixture of 75% grant and 25% interest free loan (though repayments accrue 2% interest after 12 months interest-free). NGOs can apply for up to £75,000. Bridging loans of £25,000 are also an option to tide over organisations whilst waiting for furlough reimbursements. This funding is very helpful, but the requirement for 25% of the amount awarded to be repaid as a loan could be a significant barrier to some charities. Smaller charities that have no unrestricted revenue from visitor centres, cafes or shops may struggle to repay a loan as they are unable to use restricted grant funding to do this. Income from membership recruitment will be reduced for the foreseeable future, as the general public look to limit their own expenditure and much membership sign-up is face to face. Charity Trustees may see a loan as too high a risk. Some members have also found the application process very complex, particularly the requirement to prove that this application is the last resort. Although we appreciate that due diligence is required, all the risk and work has been given to a struggling sector.

Covid-19 Economic Resilience Fund

This £600m fund is another welcome additional line of support, which larger charities may be able to access, particularly those that have trade income. Due to the requirement for applicants to be VAT registered, however, this fund is also inaccessible to smaller charities. Not all charities meet the income threshold or provide services that are classed as business services that would require them to be VAT registered. Whilst the fund says that charities are eligible to apply, it is not clear whether UK-wide charities with operations in Wales are eligible to apply. This needs to be clarified, and we believe UK-wide charities should be eligible to apply for support with their Wales operations, as there is no UK-wide support scheme currently available. Members have been asked if they have accessed bank loans and other schemes and, again, told that this has to be the last resort: a status that it can take some time to prove.

Other funds and support mechanisms

Whilst there are also some emerging non-government funds that can assist certain parts of the third sector, or can assist with specific requirements, such as upgrading IT for remote working, many smaller charities will fall through the cracks in terms of the support available. We understand that the government cannot save every single business or charity and the demands for assistance are unprecedented. However, we do feel that the design of some of these schemes could be tweaked to remove barriers that affect charities disproportionately.

The Job Retention Scheme has so far been the most useful form of support for most of our members and over 50% of our 30 member organisations are using this scheme, to a greater or lesser degree. However, there are some significant issues with the principle of furloughing for environmental charitable organisations:

1. **By paying people not to work, the furlough system sacrifices the public benefits produced by environmental charitable activities.** Unlike many private sector organisations, many charities have furloughed staff due to the complex impacts of Covid restrictions on their operations, not

simply because of a lack of work. This is contrary to the ethos of charitable giving – where people expect their generosity to produce charitable benefits. Frontline conservation and public access work in large outdoor spaces can be managed to ensure the health and safety of the workforce so that social distancing is respected.

2. **Many charitable activities include essential functions that cannot simply be mothballed.** Certain types of conservation action and functions, particularly maintenance necessary for public safety, mean that a significant proportion of staff cannot be furloughed. This means that the costs of conservation activity continue, even though significant proportions of income have been lost. Other types of activity, such as species monitoring and scientific work, and interventions to protect vulnerable species, have not been designated by government as essential, but their lack will have far reaching repercussions and impacts into the future. Surveys which would have been regularly carried out, such as collecting data on litter, fly tipping and other local environmental issues have not been able to proceed, leading to a significant data gap. Similarly, local authorities rely heavily on volunteers (supported by eNGOs) to provide services such as beach clean ups, and cleansing activity has decreased significantly as a result. The support given by eNGOs to volunteers and to the public sector, including Welsh Government officials, should not be underestimated.
3. **Many financial losses incurred by charities will continue long after furlough has ended.** The long-term challenges of climate change and ecological recovery remain, and the Coronavirus crisis has demonstrated the centrality of nature and outdoor access in our lives. On-going financial losses will hamper the ability of charities to deliver essential conservation and infrastructure improvement work. Many elements of the Welsh Government's Environmental Growth agenda will depend on the work of charities, and many conservation and community projects are partnerships between Government agencies and civil society. These contributions are at risk without on-going financial support.

Existing Welsh Government Grant Schemes: ENRaW, SMS and EMFF

There have been long-running issues with the two main environmental grant schemes, the Enabling Natural Resources and Well-being (ENRaW) grant scheme and the Sustainable Management Scheme (SMS), which we have previously raised with the Environment Minister. There are similar problems with the administration of the European Maritime Fisheries Fund. Our members are experiencing delays with grant payments, caused by administrative difficulties with claims systems and compounded by the difficulty of being able to access officials that can help solve these administrative problems. Those who were already experiencing financial difficulties due to delayed payments are now pushed to the edge of financial viability because they are still waiting for funding that is owed to them for work already completed. The necessary reallocation of Welsh Government officials into other roles to deal with the Covid crisis means that claims that are still in the system, or were just about to be submitted, may be delayed further. It is essential that payment of these outstanding funds is expedited and systemic faults with the claim system are addressed.

Natural Resources Wales Funding Schemes

At the time the Covid crisis hit, the new NRW funding schemes were not all fully operational and many of our members were already concerned that their existing NRW funding was coming to an end. NRW has now released some funds and has been working with some of the larger eNGOs, and is considering ways to extend this communication to all partners. An early start to their competitive grant scheme, which is anticipated for autumn, would be helpful to our members that are not eligible for strategic allocated grant funding. However, we are concerned about the large cut to NRW's budget due to Covid-19 and the impact this will have on their work and their ability support the work of the eNGO sector.

Future business continuity support: delivering environmental growth

We entreat the Welsh Government to remove some of the additional barriers to environmental charities accessing support that we have identified in this paper, and we have offered our expertise in charity constitution and financing to help design future packages of support that really complement the ways that charities operate, both in the short and long-term. Here are some initial thoughts.

Short-term

We recommend the following actions, which we feel would benefit both our members and other third sector organisations in Wales:

1. **Clear communication that existing grant agreements will be extended** so that work can be carried out when the lockdown ends, with organisations able to consult with a case manager to agree the new terms. Much environmental conservation and access improvement work is season and weather dependent and project timelines have already suffered due to the flooding this winter. If we come out of lockdown in the autumn this may mean work that should have been carried out this spring or summer might have to be delayed until next year.
2. **Expedite payments of grants already in arrears** with agreements signed to allow the Welsh Government to claw back funds if assessments subsequently reveal that grant conditions have not been met.
3. **Redesign existing emergency funds to remove barriers** that disproportionately exclude small charities from applying, such as exempting charities from the requirement for VAT registration, providing guidance on how non-trading charities can prove lost income, or income they are about to lose, and confirm access by the Welsh operations of UK-wide charities.
4. **Remove the requirement for 25% of the Third Sector Covid-19 Response Fund to be taken as a loan** as our members have told us that this is a serious barrier, because environmental charity trustees will not be willing to take on the risk of a loan at this time.

Medium and long-term

When the Covid crisis ends, the climate and nature crises will still be upon us. We wholeheartedly support the Welsh Government's Environmental Growth agenda and WEL members are important

partners in delivering these ambitions for Government. The sector has very specific needs in terms of recovery from this crisis, so that we are still here to deliver for the environment and, therefore, the people of Wales in the future.

Now, more than ever, the economic recovery in Wales needs to be green, and the positive direction of travel indicated in the most recent budget must not be traded when needing to address quick fix emergency measures for other sectors. Wales should seek to be a world leader and would have the support of the Secretary-General of the UN, António Guterres, who used Earth Day (22 April 2020) to call for countries across the world to pursue a Green Recovery in response to Coronavirus. We therefore welcome the new Covid Response work being led by the Counsel General following his commitments during the daily Covid press briefing (29th April) that the group would not be looking at a return to normal, but recovery aligned to Welsh Government's commitments on environmental, social and economic justice. We also welcome the inclusion of expertise in climate change and the inclusion of a representative from WWF, who will be able to bring biodiversity expertise to the table.

For many charities, whilst staff are furloughed the charity is surviving in stasis. However, this crisis comes at the most important time of the year for revenue for many of our members: a time when they would usually be gaining income from visitors to their sites, recruiting new members, and benefitting from community fundraising activities. They would also be getting the bulk of their fieldwork, conservation and infrastructure project work done and engaging, educating and inspiring new supporters and others, including decision-makers, to better understand and champion both the value of nature and its protection, and the importance of access to the outdoors. Additionally, there is a threat to membership retention in member organisations, with reports that a (presently small, but nevertheless significant and unusual) number of subscriptions are being cancelled.

The furlough scheme, whilst incredibly helpful to retain staff during the lockdown period, is less helpful to charities than to businesses, as charities undertake activities that, if not carried out, will impact on their charitable objects both now and in the future. Activities such as species monitoring, habitat management, maintenance of infrastructure, and interventions to benefit the recovery and protection of vulnerable species must continue or irreversible damage or loss could occur. These are also the sorts of outdoor activities than can, with careful management, be undertaken whilst practising social distancing and ensuring the health and safety of staff.

The proposed changes to the furlough scheme from August, allowing staff to be furloughed part-time and to work part-time, will be helpful to our sector in resuming their operations gradually. We are pleased that this will continue until at least October, and would value a continued tapering of support throughout the winter months.

In the longer-term, civil society organisations are essential partners in delivery of the Government's Environmental Growth and sustainability priorities. The long-term economic losses associated with coronavirus are expected to be in the order of hundreds of millions of pounds over the coming years. This represents a major delivery risk to the Welsh Government's environmental programmes.

For example, WEL members manage over 105,000 hectares of habitat, represent over 420,000 subscribing members and supporters and work with over 39,000 volunteers. They are important employers across Wales, with a combined annual turnover of over £47 million. Their work sequesters millions of tonnes of carbon, critical to net zero aspirations, and their species monitoring and conservation programmes are essential for the state of nature. They work hand-in-hand with Natural Resources Wales, as delivery partners in projects ranging from public access, to conservation programmes, to natural flood mitigation and climate change resilience.

The environment sector can be part of an "economic reset" or a Green Recovery that embeds new ways of working, new greener economic patterns, and more equitable access to a high quality environment as part of a broader economic and social recovery. We hope that the Welsh Government will recognise our sector as important delivery partners in tackling the climate and nature crises and carrying out activities that will restore nature and provide ecosystem resilience across Wales.

Until March 2019, the Welsh Government had a core funding offer, which was extremely beneficial for the sustainability of eNGOs. Core funding is increasingly difficult to find, with only a handful of large funders offering this type of funding. As we have seen with the Covid-19 crisis, and the recent flooding impacts, organisations that are mainly dependent on project funding are much more vulnerable to shocks and delays to their work as a result of external factors beyond their control. Project work will take longer to get back on track in the coming months as the Coronavirus crisis has hit at what would normally be the most productive time of the year for environmental and land management-based projects. Providing a **Welsh Government core funding** pot would be immensely helpful to allow organisations to recover provide enough flexibility to continue their operations into the future, to adapt and develop. In March 2019, the Esmee Fairbairn Foundation published an excellent report on the benefits of providing core funding, concluding that it allowed organisations to lever in more funds and focus on evolution of the organisation, which they see as being key to impact.

A green and sustainable recovery

WEL members are very keen to engage in discussions about a sustainable and socially just exit from the Covid crisis in order to develop some of the positive activities and community spirit that has developed over the last few months, from using digital technology to reduce people's need to travel, to building on many people's newfound interest in nature and the outdoors. We are pleased to see the launch of the ourfuturewales@gov.wales inbox and have set up a Green Recovery Task & Finish Group to contribute ideas and recommendations on this aspect of Wales' recovery from the Covid crisis.

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



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