Governance of Blended Finance

Governance structures and corporate entities for partnerships

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eunomia

Report For

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Executive Summary

The purpose of this report

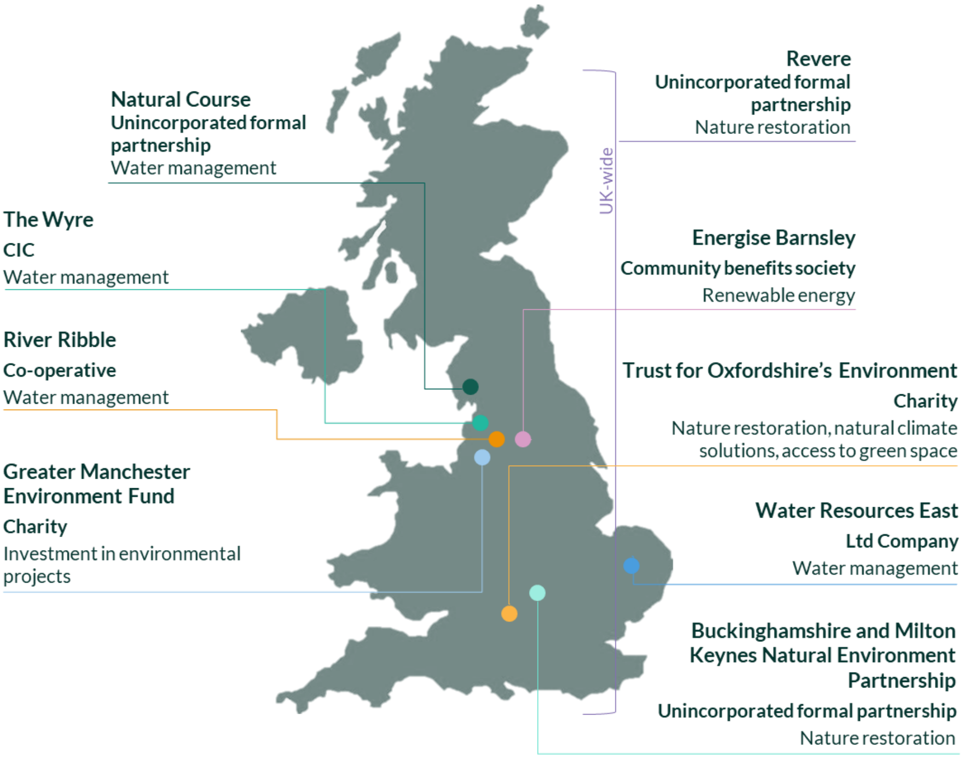
Nature-based solutions (NbS) which protect, manage and restore natural ecosystems can help address the huge societal challenges of climate and ecological crisis, but delivering these at scale, requires funding and clear governance.

Governance encompasses the systems, processes and structures which control how an organisation operates, providing a framework for how decisions are made and identifying who has authority and who is accountable. There is growing consensus that collaborative or partnership modes of governance are critical to address complex environmental issues. At the same time, there is increasing emphasis on the role of private sector capital, in addition to public and philanthropic funding, to help deliver nature-positive outcomes.

This report, commissioned by the Environment Agency, examines the governance structures and legal forms available to entities seeking to deliver nature-based solutions, and in particular the ability of different structures to blend funding from several sources.

Creating an effective governance structure enables long-term success but takes time and effort. The purpose of this report is to help partnerships considering this journey by bringing together advice from experts, academics and policy makers, and from those already operating partnerships to blend finance as case-studies. Many have kindly shared experiences and top tips which we hope will inspire, reassure and guide.

The case-studies, taken from across England and ranging in purpose and legal form, are outlined in the figure below. Further details on the case-studies, their aims, how they developed their structures, who was involved, the funding achieved and their personal reflections on the process, can be found in Appendix A 2.0.



Key Messages

Key messages have emerged from a combined analysis of literature review, expert interviews and the case-studies. These are:

1. **Creating a viable governance structure will take time and effort.** Typically, the case-studies presented here have been operating for 4-5 years (with a range of 2-5yrs.), but many started the initial partnership before the viable governance structure was agreed on and implemented.
2. **Action frequently takes place before a governance structure is decided upon**. Relevant parties often come together by creating a stakeholder coalition, or similar, to consider the potential project and objectives. This process leads to a discussion and decision on the best suited governance structure after "learning by doing". This allows the parties to review the functionality and roles various stakeholders may have and determine the most appropriate structure.
3. **Form must follow function.** The function of an entity must be determined before a governance structure is created or legal form decided upon. The choice of governance structure will be heavily influenced by the objectives of the initial partnership members/stakeholders and also the types of funding the partnership wishes to secure (see below).
4. **When considering objectives and partnerships, think big, identify allies/partners who can help you be creative** about new ways of working. This creates broader collaboration and wider land coverage. However, it can hinder quick decision making and speed of progress.
5. **Understand likely funding streams.** This was a key driver for selecting a structure suited to the specific funding streams the partnership anticipates accessing. The ability to secure funding and/or meet the conditions of a grant influences the governance structure and legal form.
6. **No "one-size-fits-all".** The governance structure should be decided on a case-by-case basis to ensure stakeholder cooperation and project success. The focus in this report is on governance that delivers environmental outcomes, attracts blended finance,[1] and encourages community engagement. A wide range of legal forms can be used to achieve these outcomes, but Companies Limited by Guarantee with Charitable Status are most commonly used. Table E.1 (below) summarises the questions to reflect on when deciding a governance structure, and outlines tips from case studies relating to the questions. Table E.2 illustrates the strengths and weaknesses of different structures.
7. **Funding to support collaborative working can be achieved without adopting a legal form.** Being a legal entity can bring credibility and many funding sources require a legal entity to transfer funds to. However, where a partnership does not have a legal form, the latter role can be provided by one or more partners, as achieved in the Natural Course case study. Partnerships without a legal form often use Memorandum of Understandings (MoU) to provide evidence of partnership commitment to attract funding.
8. **Projects can have multiple and evolving governance structures**. For example, a governance structure for a project with a buyer's group can have a community interest company (CIC) operating under it. Most structures have sufficient flexibility to allow them to evolve with time and adapt their structure or Articles of Association to new projects, objectives, and opportunities.

[1] Blended finance is a term widely used in developing countries to mean the strategic use of development finance for the mobilisation of additional finance towards sustainable development. For this project we use the term to mean an approach which brings together finance from philanthropic, government and private sector sources to support a common project. Funders will have different requirements, restrictions, and risk appetites. Some will be investors (a person or organisation who provides financial input and expect reliable financial returns) but other funders will seek returns in terms of services provided (e.g., costs of water treatment saved, risks of flooding reduced, carbon credits provided, etc.). It is important to invest time and effort into understanding these needs.

9. **The ability to attract blended finance does not rely on legal form** (although small charities without reserves may find it more difficult to achieve sufficient investor confidence). It is more important to have the vision and resources to build a viable business case. If you want to attract investors (rather than funders) this needs to be a clear, reliable, large-scale offer.
10. **Key factors underpinning success** are:
    - good scrutiny,
    - assessment and evaluation of projects,
    - bringing together experts and relevant stakeholders to identify locally strategic areas for environmental protection,
    - coordinating bids from many organisations to receive funding.
11. **Consider how you want to engage the community**. Some structures focus specifically on community engagement, e.g., cooperatives and community benefits societies can involve the community directly through membership, while others, like Water Resources East (a company limited by guarantee) is also a membership organisation in which community groups are involved as members. Involving the community brings value but takes time and resources, and may not be desirable, if quick, initial financing is your focus.
12. **Ensure landowners are fully aware** of the project and process. Using pre-agreements, or similar, can help prevent landowners becoming disengaged with the process and withdrawing further down the line.
13. **Despite the challenges, and slower process, all case-studies noted that multistakeholder engagement is essential** for the financial and wider success of a project, it increases the breadth of benefits and opportunities and creates increased value for all investors, buyers, and recipients.
14. **Legal forms share risk and liabilities in different ways**, even those without legal forms will tend to use a MoU or Terms of Reference to establish how this is shared amongst the partnership. Different methods can reduce risk, for example:
    - having a Board of Trustees or Directors, or a management group;
    - having clear links to significant partners such as LA, EA, etc. as they can take on risk via funding.
15. **Conducting a market analysis** will enable the partnership to identify the unique selling point (USP)/value added of a new organisation and consider a function and form to best add value.
16. **Review other more established sectors, such as the energy sector,** to obtain guidance on successful interactions with communities and generating wider benefit packages. Community fund models can be used as a mechanism for delivering co-benefits for communities via, e.g., using Companies Limited by Guarantee with Charitable Status, Co-operatives and Community Benefit Societies (CBS).

Table E1: Key Questions and Top Tips from Case Studies[2]

Questions	Top Tips
Consideration of the Stakeholders	
Who needs or wants to be involved, what is their preferred role in the project, what can they offer and what do they want in return?	Network early in the process of establishing an entity. Build links with the key stakeholders, such as the Environment Agency, Forestry Commission, the local authority etc. Get the right people involved. Ensure a cross-section of skills and profiles, and representatives from different organisations. Accounting, legal and financial expertise are key. Minimise vested interest but ensure there is ownership across the board in order to provide support. Be aware that a broad membership structure can make action more difficult. Have a board of trustees or grant making panel responsible for allocating funds.
Who will drive this forward and manage the set-up? How will this be funded (initially and longer-term)?	Get buy-in and commitments to leadership. Ensure it is a trusted, independent entity with enough flexibility and freedom to innovate.
How important is it to include the local community in the project?	This will depend on the focus and design of each project. The local community is most commonly included where a project has a wider steering group (as a member), and/or where the project can deliver funding to the community (the local community is often a recipient of funding from the financial success of a project).
Are all stakeholders on board? i.e., local communities and other stakeholders that have a bearing on project success.	It is important to have partnerships between the private, public and voluntary sectors. This brings different skillsets to the entity and helps build multisector consensus. Pre-existing groups and organisations may be suspicious of the new entity or see it as a threat. Be clear that the new entity is not competing with them, taking over or pushing them out. Emphasise where principles and values are aligned.
What are stakeholder priorities, needs & requirements with regards to outcomes, reassurances, and governance?	If the entity involves the third sector or community groups, it needs to be able to offer them support.
How can these outcomes be achieved together, and which business model will help achieve the outcomes?	Ensure good group dynamics to enable effective decision making (i.e., minimise power differences within the governance structure). Establish the principles, a vision and have a strong policy hook/political buy-in.
Consideration of the Project(s)	
What are you trying to achieve?	Create a 'new' organisation aligned to a specific purpose to avoid the constraints of existing entities. Establish what the local environmental needs/strategic priorities are. Set out an ambitious vision.

[2] These key questions serve as general guidance to deciding which governance structure is the best for the specific project, market, service provided, and stakeholders involved to contribute to project success and service delivery but are not used as legal advice. Further resources to help decide on a legal structure are listed in 4.3.

Questions	Top Tips
What actions are needed and how much will they cost?	For local projects it is important to get communities engaged. For larger projects (those covering a geographic area greater than the defined community and important to deliver change at scale) it is important to engage with several stakeholders. These larger projects will require more money and engagement with landowners.[3]
How can the actions be funded (from whom and how much) and is blended finance needed to make it viable?	Identify the opportunities for income generation. Establish how core resources will be funded, such as through a management fee.
What is the project's timescale and scheduling?	Allow time to fully develop the products/investment cases and to trial and test outcomes.
Consideration of the Services to be provided	
What are the ecosystem services that the land can provide? Have these been quantified and/or valued and what additional services can be sold?	This is a core element in defining any project. As part of this, it is vital you establish what the environmental needs/strategic priorities are in the relevant area and align to these. Natural capital approaches can be used to assess the existing natural capital benefit/value of the land and help to estimate additional benefits that can be derived from future improvements.
What are the key opportunities for land to meet multiple needs through mixed uses – i.e., provisioning, carbon sequestration and water quality improvement?	Conduct an analysis of the land in the project area in order to identify key areas that can provide multiple benefits or services such as improved water quality and flood risk reduction. This will enable you to receive the maximum potential benefits or services from the land and attract multiple funding sources.
Where can buyers and sellers be matched? How can you achieve the shared solutions?	Explore current ecosystem service trading platforms such as EnTrade, NatureBid and LENS, and networking communities through resources such as Natural England, land registries, local planning authorities and habitat banks. Shared solutions will come from aligning the goals of the sellers and the buyers. This can include bringing in wider stakeholders such as community groups, Natural England or the Environment Agency. It is also useful to learn from other projects (see Appendix 1) to establish what has/has not worked for partnerships in similar situations.
Consideration of the Market	
Has due diligence[4] been done to understand the project, buyers, sellers and potential pitfalls?	Conduct a market analysis to understand how the new entity will operate in relation to others already working in the area and transactions already taking place. Through this analysis, identify the value added/USP for the new entity in order to reduce competition.
What is the appetite for risk among different stakeholders?	Different stakeholders will accept different levels of risk. Take time to explore this with them and give businesses and investors the confidence to buy/invest in products. Buyer as well as supplier confidence can be increased through pilot schemes and examples, so it is sometimes helpful to start small to demonstrate what is possible.

[4] Due diligence is the investigation or exercise of care that a reasonable business or person is normally expected to take before entering into an agreement or contract with another party or an act with a certain standard of care. It takes different forms depending on its purpose but would include asking questions to investigate current practices of process and policies.

Questions	Top Tips
What are the red lines or limitation within the market? (i.e., What cannot be done for different stakeholders and what the governance structure should prevent from happening)	A market assessment enables the understanding of what can or cannot be done in a certain market as well as what benefits or involvement various stakeholder should have. For example, if the project focuses on biodiversity net gain (BNG), developers may not engage without clear contracts in place.
Buyers - Who will provide funding and what do they need in return? Can they be lined up in advance?	Ensure you have a pipeline of buyers to match the supply. The entity must be able to manage both restricted[5] and unrestricted funds. The entity needs the right skillsets to deal with transactional funders and to build relationships (e.g., major donor fundraising).
Are there opportunities to structure buyers to reduce risk? i.e., blending public/philanthropic funds alongside private investment.	Ensure the entity can manage funding from different sources, including equity funding. MoUs can be used where the entity is not fully developed to help structure funding to reduce risk. Use the governance of the entity to remove risk to buyers, e.g., CIC or Co-operative. Local Authorities can help reduce/devolve risk by being involved as funder.
Suppliers/Sellers - Who are the potential sellers (often landowners)?	Build a pipeline of suppliers/projects to balance with demand. Ensure landowners are fully aware of the project and process and if possible, use pre-agreements, or similar, to help prevent landowners withdrawing further down the line.
How do landowners want their land to be used? What would this deliver in terms of services or benefits to the buyer, what value does this have to the buyer? What income/funding would therefore be expected in return from those providing the funding?	Manage the expectations of landowners and ensure honest communication between all partners. Encourage feedback from landowners. Identify what needs doing in the project area to solve the environmental issue at the heart of the project (i.e., is it a flood risk reduction project or a biodiversity project / habitat bank?). This is an important factor that will influence which sellers are targeted by the project.

[5] Restricted funds refer to a reserve of money that can only be used for specific projects or purposes. The funds can be restricted because the donor wants the money to go to a specific program or the donor wants the money to be utilized after a specific time or event, such as an anniversary. Restricted funds give donors assurance that their money is being used in the manner they desire.

Table E.2: RAG Matrix for Legal Forms

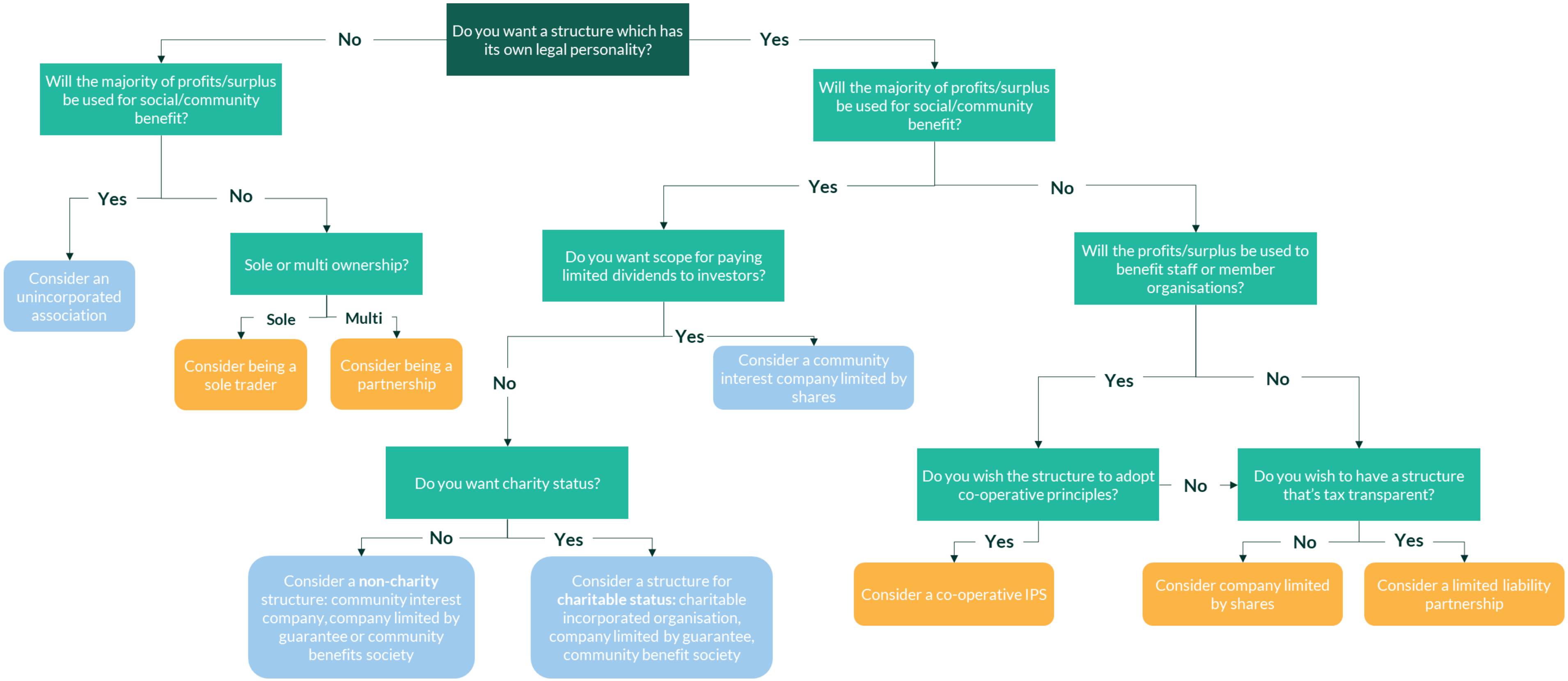
	Admin burden	Able to attract private finance	Able to attract public and philanthropic funding	Able to attract and manage blended finance	Transactions with environmental markets	Provides accountability	Provides independence	Flexible to operate at different scales	Flexible governance structure	Able to be influenced by the community	Enables Longevity[6]	Allows benefits to be stacked[7]
Community Interest Company (CIC)	Registered with Companies House and the CIC Regulator. Annual reporting.	Yes	Yes	Yes, CICs can receive funding from several different sources.	Yes	Yes, accountable to CIC Regulator as well as partners within the company	Yes	Limited flexibility to operate at different scales due to it being linked to a community, which implies a place/location.	Yes, can be operated for profit or structured as company limited by guarantee.	Yes, closely tied to the community	Yes	Yes
Registered Charity (company limited by guarantee)	Registered with, and regulated by, the Charity Commission. Annual reporting. Fee to set up.	Charities can receive loans and private finance but more typically rely on grants, funds and donations.	Yes	Yes- charities can receive funding from several different sources.	To some extent- trading ability is limited but flexibility to establish trading subsidiaries depending on funding source and/or project purpose.	Yes- accountable to the Charity Commission.	Yes	Yes	Yes, flexibility to create sub-groups and trading arms to manage funding and contracts.	To a limited extent- mainly through partners and projects	Yes	Yes
Community Benefits Society (CBS)	Registered with the FCA. Fee to set up.	Yes	Yes	Yes, they can receive funding from several different sources.	Yes	Limited ability as there are not always legal documents exchanged between parties	Yes	Limited flexibility to operate at different scales due to it being linked to a community	Limited to the Society's rules and members' votes.	Yes, closely tied to the community	Yes, due to its loose structure, it can evolve over time	Yes

[6] This is referring to the entity being able to deliver results, returns or benefits over a long period of time
[7] This is referring to various outcomes being stacked within one project such as carbon credits, BNG, etc. Therefore, it is alluding to the level of complexity that each structure can deal with.

	Admin burden	Able to attract private finance	Able to attract public and philanthropic funding	Able to attract and manage blended finance	Transactions with environmental markets	Provides accountability	Provides independence	Flexible to operate at different scales	Flexible governance structure	Able to be influenced by the community	Enables Longevity[6]	Allows benefits to be stacked[7]
Company limited by guarantee	Registered with Companies House. Annual reporting. Cheaper to set up.	Yes	Yes	Yes, they can receive funding from several different sources.	Yes	Yes, accountable to Companies House as well as partners within the company	Yes	Yes	Limited flexibility as constrained by aims memorandums and amendments	To a limited extent- mainly through partners and projects	To a certain extent as there are agreements in place	Yes
Unincorporated formal partnership	Registered with Companies House. Annual reporting. Cheaper to set up.	Could be difficult to obtain private funding as legal documents are not exchanged between partners	Limited ability to acquire public funding, philanthropic funding would be easier to acquire	Limited ability to blend funding as private finance may be hard to acquire	Yes	Limited ability as there are not always legal documents exchanged between parties	Yes	Flexibility limited to scale due to the partnership being unincorporated	Flexibility limited to project specific contracts and the specifications of any MoU* between partners.	To a limited extent- mainly through partners and projects	Yes, due to its loose structure, it can evolve over time	Yes
Co-operative	Registered with the FCA. Fee to set up.	Yes	Yes	Yes, they can receive funding from several different sources.	Yes	Yes, board must remain accountable to membership	Yes	Yes	Allows for flexible agreements between members that are not dictated by project specific contracts.	Yes, closely tied to the community	Yes, due to its loose structure, it can evolve over time	Yes

*MoU means Memorandum of Understanding.

Figure E1 General guidance on legal forms for social enterprises[8]



[8] Please note that this flow chart serves as general guidance only and is not a substitute for legal advice. The questions above are not the only questions you should ask yourself when choosing your legal form. If you follow the questions and end on a yellow box, perhaps consider whether a social enterprise is right for you. Source: DLA Piper. available at https://www.unltd.org.uk/uploads/general_uploads/DLA-Piper-Legal-Structures-for-Social-Enterprises-1.pdf

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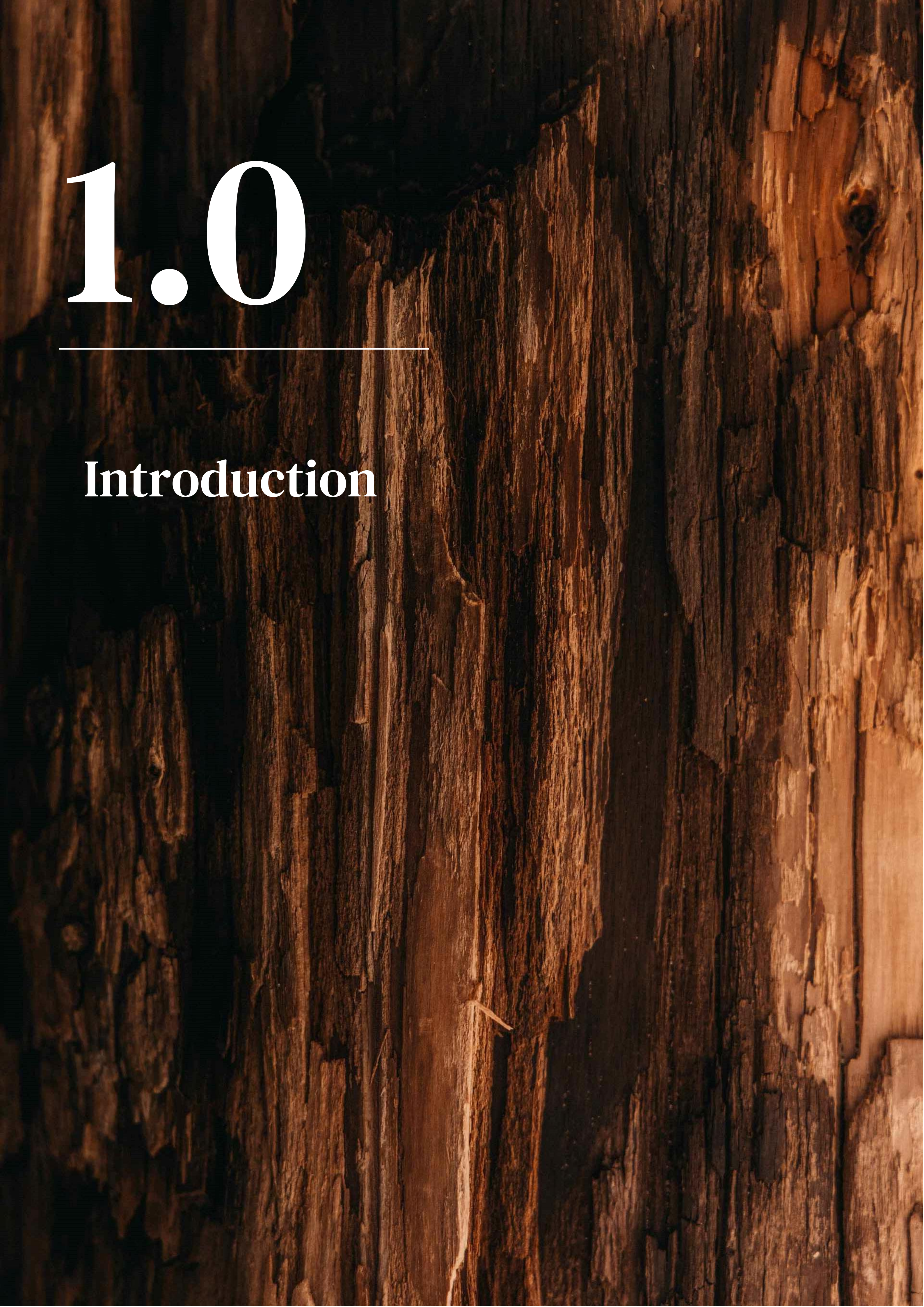
Glossary

Term	Meaning
Additionality	The requirement for an action that is being purchased through an ecosystem market to be over and above what would have happened without this finance.
Biodiversity Net Gain	An approach to development that requires developers to pay for biodiversity improvements at one site in order to mitigate biodiversity loss due to development, such that an overall increase in natural habitat and ecological features is achieved. Legally mandated at a 10% gain from 2023 onwards as calculated by the DEFRA biodiversity metric.
Blended Finance	Use of catalytic capital from public, philanthropic or private sources to increase investment in sustainable development.
Carbon credits	A carbon credit represents either the permanent removal of a tonne of carbon dioxide equivalent (CO_2e) from the atmosphere, or the avoidance of one tonne of CO_2e being emitted in the first place. (Carbon dioxide equivalents are a way of expressing the combined effect of different greenhouse gases in one measure.) An example of natural emissions avoidance is the restoration of peatlands, which release large volumes of greenhouse gases when they are in a degraded state.
Carbon market	The trading of carbon credits between buyers and sellers of goods and services.
Double dipping	Where the same environmental outcome or 'credit' is sold more than once to different buyers to provide compensation for separate environmental impacts.
Ecosystem services	The benefits that people obtain directly or indirectly from ecosystems – the goods and services provided by nature. These can be divided into provisioning services (food, water, wood, raw materials), regulating services (pollination of crops, flood and disease control, water purification, prevention of soil erosion, sequestering carbon dioxide), cultural services (recreational, spiritual and educational services) and supporting services (nutrient cycling, maintenance of genetic diversity).

Environmental public goods	Non-market goods or benefits which can be enjoyed and accessed by all in society. Examples include clean air, clean water and open green space and a stable climate.
Governance	The systems, processes and structures which control how an organisation or partnership operates. Governance provides a framework for how decisions are made, who has authority and who is accountable.
Nature-based Solutions (NbS)	Using natural (not man-made) techniques to either prevent, mitigate or adapt to the effects of climate change as well as other challenges such as biodiversity loss and food security. For example, taking advantage of the carbon-sequestering properties of forests to reduce atmospheric carbon dioxide concentrations, using green roofs to reduce the atmospheric heating effects of buildings or re-planting coastal areas with native plants to act as natural flood defence mechanisms.
Partnerships	For the purposes of this project, partnerships are defined broadly as a group of people who come together to work collaboratively to benefit the environment and are considering creating an entity to help attract funding for multi-benefit projects. This could include Catchment Partnerships, Flood Partnerships, groups of farmers focussed on environmental improvements, Local Nature Partnerships (LNPs), or partnerships initiated by local authorities, for example.
Service level agreement	A service level agreement (SLA) is a documented agreement between a service provider and a customer that identifies both the services required and the expected level of service.
Stacking	The use of multiple income streams to enable investment and deliver the optimum return to investors and outcomes for the project. OR the measurement and accreditation of multiple services provided by an action to improve environmental quality, followed by the sale of each service individually (to one or more buyers).



1.0

Introduction

1.1 Project Overview

The Environment Agency is participating in a joint Shared Outcomes Fund project called Nature-based Solutions (NbS) for Climate Change at the Landscape Scale. The project, which is led by Natural England, Environment Agency, RBG Kew and the Forestry Commission, will work with local partners and stakeholders in new pilot study areas to develop effective ways to integrate NbS with other land management objectives. These habitats will be researched and monitored, while new blended finance models will be developed and assessed. The project tests the efficacy of different NbS for carbon sequestration and to provide a pathway to large-scale implementation.

As part of the project, the Environment Agency commissioned Eunomia to undertake desk-based research to summarise the key attributes of the legal form and/or corporate structures that are available to partnerships seeking to deliver NbS. **The objective was to describe the features of a range of legal forms, including structure of governance, and their ability to blend funding from a variety of sources**, namely- to access public funding, raise capital investment, partake in ecosystems markets and stack or bundle benefits to generate revenue streams.

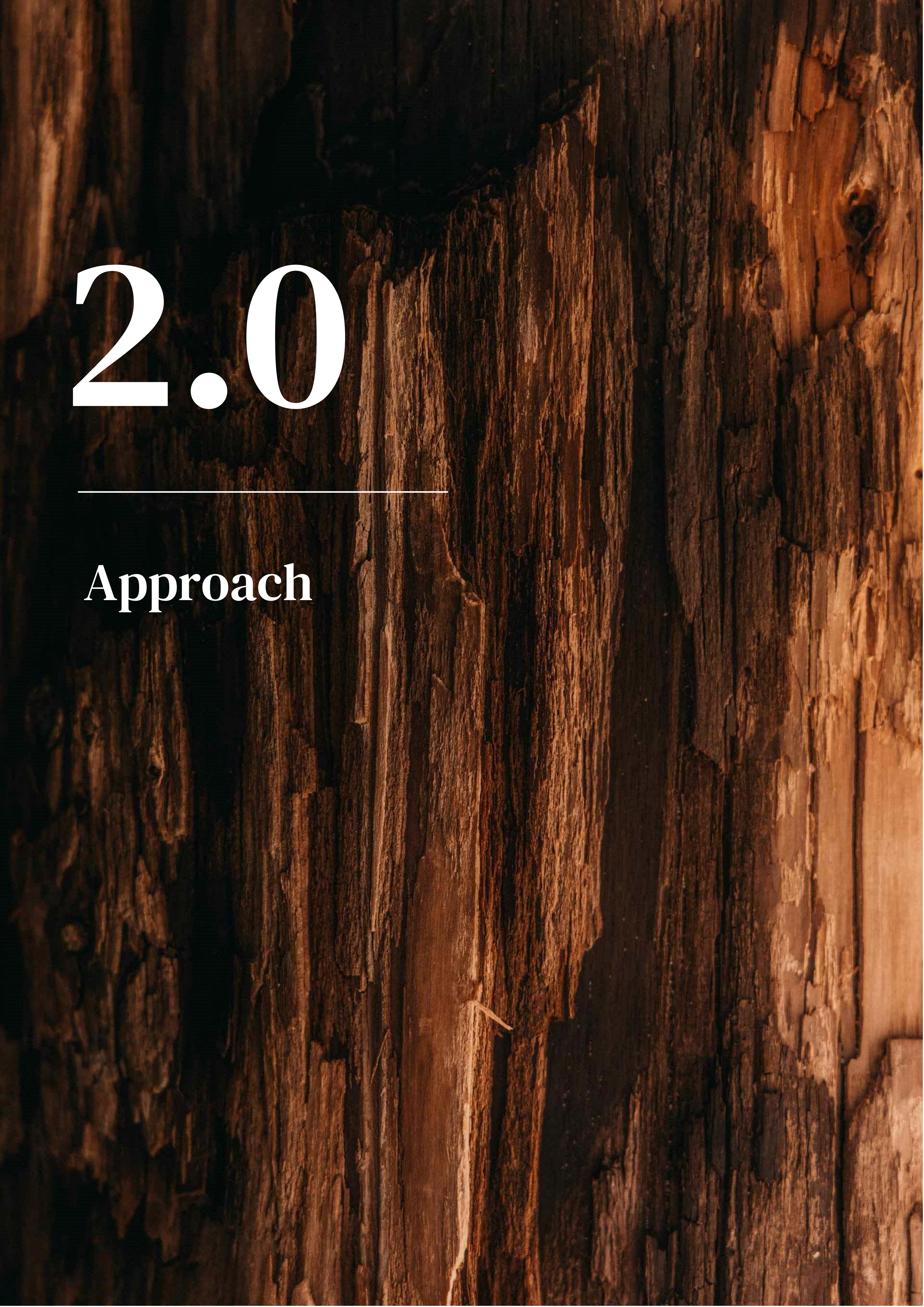
There has also been some concern that recent schemes to attract investment into nature have done so without proper consideration of local communities and social benefits. Thus, a further aim of this research was to investigate how different legal forms engage with, or can be influenced by, the communities where the land use change (or NbS) is happening. The ultimate focus of the project is to generate practical and useful guidance for partnerships piloting approaches under the Shared Outcomes Fund project, as well as for other partnerships considering setting up a governance structure or legal form to deliver NbS.

1.2 Structure of this Report

The report is structured as follows:

- **Section 2 Approach:** presents an overview of the methodology and the research questions;
- **Section 3 Governance structures and legal forms:** This section outlines what we mean by governance structure and legal form. The pros and cons of different legal forms are presented in a RAG analysis;
- **Section 4 Deciding on the right structure:** This section poses key questions to be reflected upon when deciding governance structure, including: 1) which legal form, 2) who should be involved in the governance and 3) when you need to establish it. Tips from the case-study practitioners are also provided.
- **Section 5 Learnings:** This section provides a broader reflection and answers each of the research questions posed as far as possible based on feedback from experts and national and local practitioners.

This report is accompanied by an Appendix which provides detail on the methodology and a profile of each of the case studies reviewed.



2.0

Approach

2.1 Approach

This section provides the research questions that are answered within this report as well as an overview of the evidence gathering method. The case studies analysed in this project are also introduced. A detailed methodology is provided in section A 1.0 along with a deeper dive into each case study in section A 1.4.

2.1.1 Research Questions

The project was designed to answer the following 10 specific research questions. The research questions were devised in order to investigate the suitability of different governance structures and legal forms for nature-based solutions and how different structures can allow a blend of public and private funding. The research questions are as follows:

1. Which different legal forms have seen the most successful outcomes?
2. What are the pros and cons of different legal forms relating to their ability to blend funding?
3. How does the success of different legal forms vary between partnerships of different sizes, scales and purposes?
4. Is membership across the public, private and third sector an essential factor of success?
5. How do the different legal structures share risk / liabilities and equity between sectors (public, private and third sector) and possibly partners?
6. Which structures work best for environmental public goods, and what lessons can be learnt from past failures?
7. What examples of debt-based / repayment models working for environmental public goods exist and what opportunities do these models provide;
8. What is the relationship between purpose and legal form?
9. What structures are used most frequently in common or community ownership models?
10. How could governance approaches used in other sectors (i.e., energy, digital) be transferrable to the environmental sector?

As mentioned, further detail of the research approach is provided in Appendix A 1.0.

2.1.2 Evidence Gathering

In order to answer the research questions, evidence was gathered through a literature review and expert and practitioner interviews. As the focus was on generating practically useful guidance based on learning from real-life examples, structured interviews were held with:

A. **Twelve practitioners, academics and experts in policy and governance to:**
   - Provide views on the broad research questions based on their experience of working nationally to support partnerships to develop blended finance;
   - Direct the review to unpublished material of relevance; and
   - Help identify the most relevant and informative case studies.

B. **Twelve selected case-study leaders with the first-hand experience of working regionally and locally to set-up and run such partnerships to capture details of:**

- The purpose and function of the initiative;
- The history of how and why the legal form was developed;
- The current governance structure, the relationships between those involved and how risks are managed;
- The main sources of funding, highlighting where blended finance has been achieved; and
- Their reflections on the main challenges and advice for others considering setting up a similar entity.

The practitioners and academics who were interviewed are listed in the Appendix A 1.2.2.

The selected case studies are presented in **Error! Reference source not found.** and with further c haracteristics listed in Table 1**Error! Reference source not found.** The case studies were selected to represent a broad range of situations and varied in terms of their maturity, the initial size of the partnership driving the project, the purpose/focus of the project and the type of governance structure and legal form adopted. The selection was made to ensure that the learnings were representative and in the hope that new partnerships starting their journey will find a case-study that resonates to their own particular circumstances. A detailed profile of each case study is provided in Appendix A 2.0.**Error! Reference source not found.**

Figure 1 Case Study Map

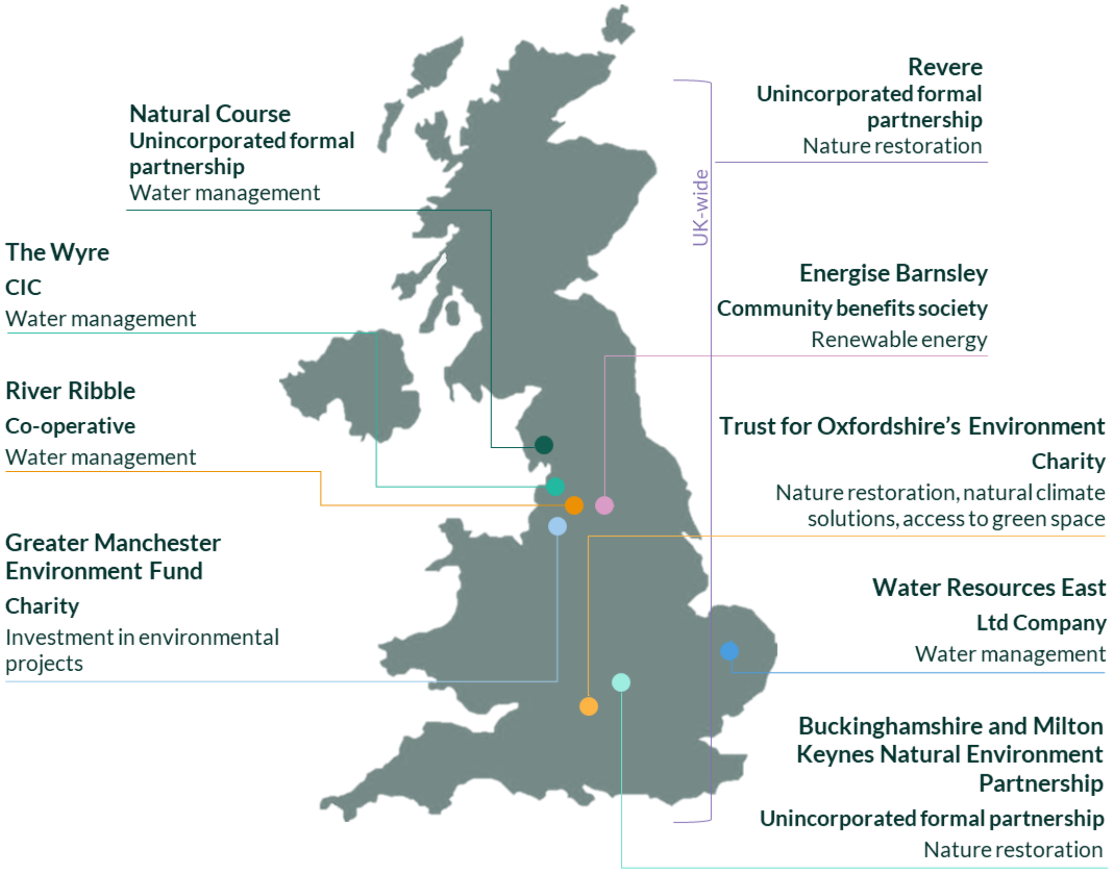
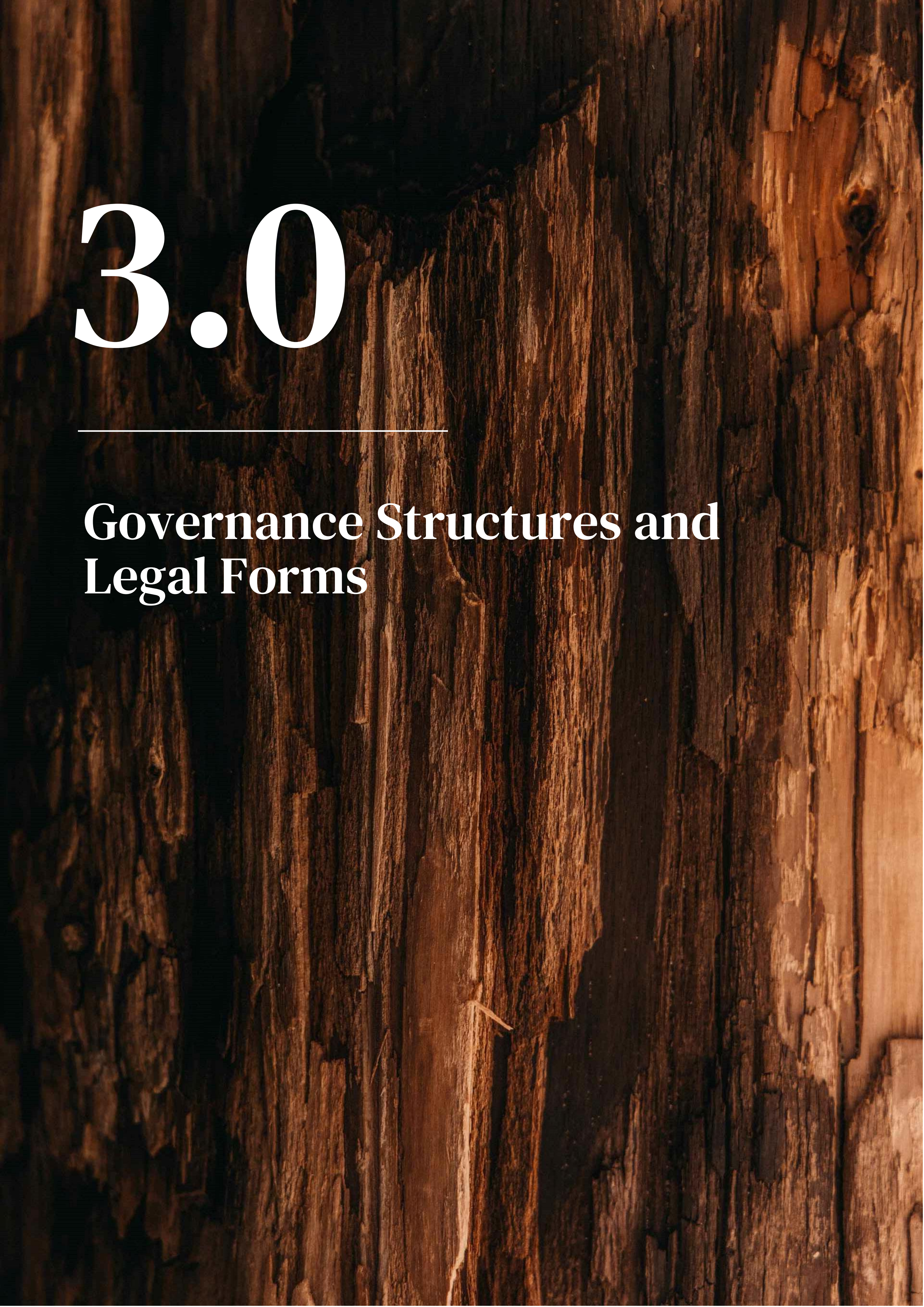


Table 1 Case Study Index

Case Study Name	Legal Form	Scale	Main partners	Purpose	Maturity
Buckinghamshire and Milton Keynes Natural Environment Partnership	Unincorporated formal partnership	Regional	About 20 partners including environmental and business groups and two local councils	Nature restoration	Mature
Energise Barnsley	Community Benefits Society (CBS)	Local	Community members, established contractor, and local authority	Distribute community benefit from low carbon technologies	Established
Greater Manchester Environment Fund (GMEF)	Charitable company limited by guarantee	Sub-catchment	Local authority, Local Nature Partnership, Wildlife Trust	Investment in environmental projects	Established
Natural Course	Unincorporated formal partnership	County	EA, NE, Local Authority, private entity, and Charity	Water management	Established
Revere	Unincorporated formal partnership	National	Palladium and National Parks Partnership	Nature Restoration	Emerging
Trust for Oxfordshire's Environment (TOE)	Charitable company limited by guarantee	County	Private companies, local authorities and individual funders	Nature Restoration	Established
The Wyre Rivers Trust	Community Interest Companies	Sub-catchment	Private companies, charities, and EA	Carbon credits, flood risk management etc.	Emerging
River Ribble	Cooperative	Catchment	Charities, business groups, individuals	Water management	Work in Progress
Water Resources East (WRE)	Company limited by guarantee	Regional	Over 150 members – private, charities, farmers, local authorities	Water resources	Established

3.0

Governance Structures and Legal Forms



This section provides a deep dive into governance structures and legal forms. This section also provides a definition of governance and how it fits into the pathway to attracting investment.

3.1 Legal Forms

An organisation's legal form is a category which is legally recognised in a given jurisdiction. The legal form determines how an organisation or partnership is set up and how it will function, including:

- Governance arrangements and governing documents;
- Entity regulations and the legal context in which the entity operates;
- Personal liability;
- Ability to employ staff or enter contracts in its own name;
- Ability to access different types of funding;
- Use of profit and financing; and
- Dissolution and ownership.

It should be noted that a partnership aiming to deliver social and/or environmental benefits can operate without a legal form, for instance as an unincorporated association. However, there are several reasons for becoming a legal entity. Chiefly, a legal form provides credibility, it can protect the personal liability of individuals and may be a requirement of the types of funding or activities which the entity intends to engage with. Having a legal form can also build resilience in a partnership and foster collaboration by providing a legal underpinning to the responsibilities of each partner.

There are multiple legal forms to choose from when setting up an entity, with some more commonly used for social/environmental enterprises. For the purposes of this project, six different legal forms were selected based on the case studies and selection criteria. These legal forms are presented and defined in Table 2 below.[9] [10]

[9] BIS. A guide to legal forms for business (2011) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/31676/11-1399-guide-legal-forms-for-business.pdf

[10] UnLtd. Determining the right legal structure for your social enterprise. https://www.unltd.org.uk/learn/determining-the-right-legal-structure-for-your-social-enterprise

Table 2: Selected Types of Legal Form

Legal Form	Description
Company limited by guarantee	A company that is limited by guarantee is usually set up for non-profit purposes. The company is owned by individuals or corporate bodies known as 'guarantors'. The guarantors do not have any shares in the company and, generally, do not take any of the profits. The owners of a company limited by guarantee will agree to pay a sum of money, known as a 'guarantee', if the company has any debts or becomes insolvent. All companies limited by guarantee must be registered with Companies House and require at least one director and one guarantor. Additionally, all registered companies require a memorandum of association and articles of association. The memorandum states the name of each owner (guarantor) and their agreement to set up the company and become members. The articles outline the rules and regulations the company must follow. The memorandum is provided by Companies House and the articles are supplied by 1st Formations.
Community interest company (CIC)	A company designed and set up to use assets and projects for public good. A CIC can be limited by shares or by guarantee. CICs need to follow certain rules and requirements, including having a community interest statement, an asset lock and a constitution. CICs must be registered with Companies House and are regulated by the Office of the Regulator of CICs.
Charitable company limited by guarantee	A charity operates to benefit the general public and must have exclusively charitable purposes. The purpose of the charity must meet the provisions of the Charities Act 2009. Charities are registered with and regulated by the Charity Commission and are typically run by a board of trustees. A charitable company is also registered with and regulated by Companies House. A charitable company is liable for its own debts, can conduct business with third parties and can own property.
Community Benefits Society (CBS)	A CBS conducts business that benefits the wider community. They are set up with social objectives, are run by their members and any profits are returned to the community. Normally, members hold shares and are run democratically based on one-member-one-vote. A CBS is registered with the Financial Conduct Authority (FCA) and can be established as a charity if it has an asset lock.
Co-operative Society	Co-ops are owned and controlled by their members with the purpose of delivering benefit and value for the members, and sometimes also for the wider community. Co-ops are run democratically based on one-member-one-vote. Co-ops are registered with the FCA and can enter into contracts, own property and take out loans.

Legal Form	Description
Unincorporated partnership	In an unincorporated partnership, two or more legal partners set up and run a business with a view to profit. The partners can be either people or companies. Each partner is self-employed and pays tax on their share of the profits. Partners have unlimited personal liability. Usually governed by a partnership agreement, which does not have to be in written form. The partnership has no separate legal form.

3.2 Definition of Governance and the GFI Pathway

Governance encompasses the set of structures, processes, controls, policies and resolutions put in place to provide direction to a specific entity or project.[11] Governance helps manage four main aspects[12]:

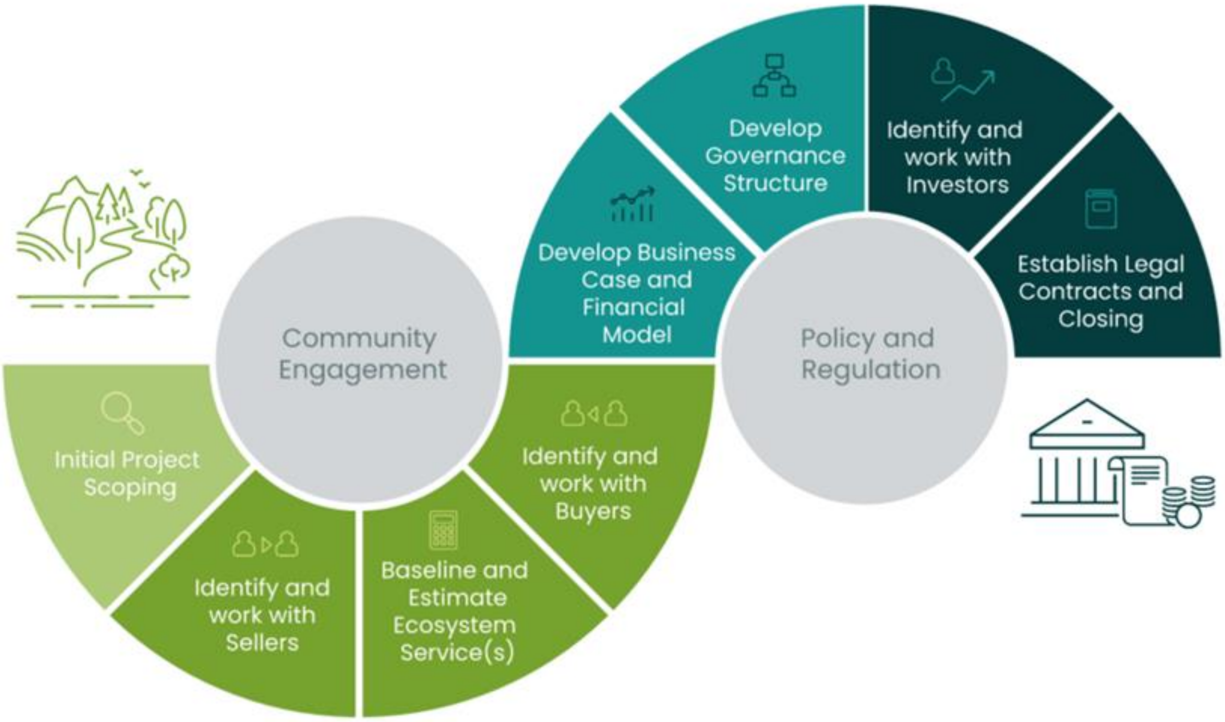
1. The relationship between project objectives and strategic or financial objectives of a project;
2. The decision-making process;
3. The relationships between stakeholders; and
4. The performance of the project.

Governance can take many forms and is usually made up of various levels which interact to support the project. Without being exhaustive, some examples of governance structures can include a Board of Directors, Steering Groups, partnerships, contractual transactional relationships and buyer's groups.

Moreover, governance is a crucial aspect to consider when setting up a project with the aim of gaining investment or funding. The Green Finance Institute has worked with the Natural Environment Investment Readiness Fund (NEIRF) to develop an Investment Readiness Project Toolkit to assist with guidance to gain funding for a project. The Toolkit is heavily focussed on the markets determining a potential project with the end-goal of a return on investment. Additionally, the Toolkit focuses on setting up a legal entity and it is important to note that this study focuses on figuring out a governance structure, which can be informal. The Toolkit is based on the following "Steps to Investment Readiness", provided in Figure 2 below, which provides key steps to preparing a project to obtain investment.

[11] Eunomia definition based on research and stakeholder engagement
[12] Beleiu, I., and Nistor, R. (2015). Project Governance and its Contribution to Projects' Success. Managerial Challenges of the Contemporary Society. Proceedings, 8(1), 82.

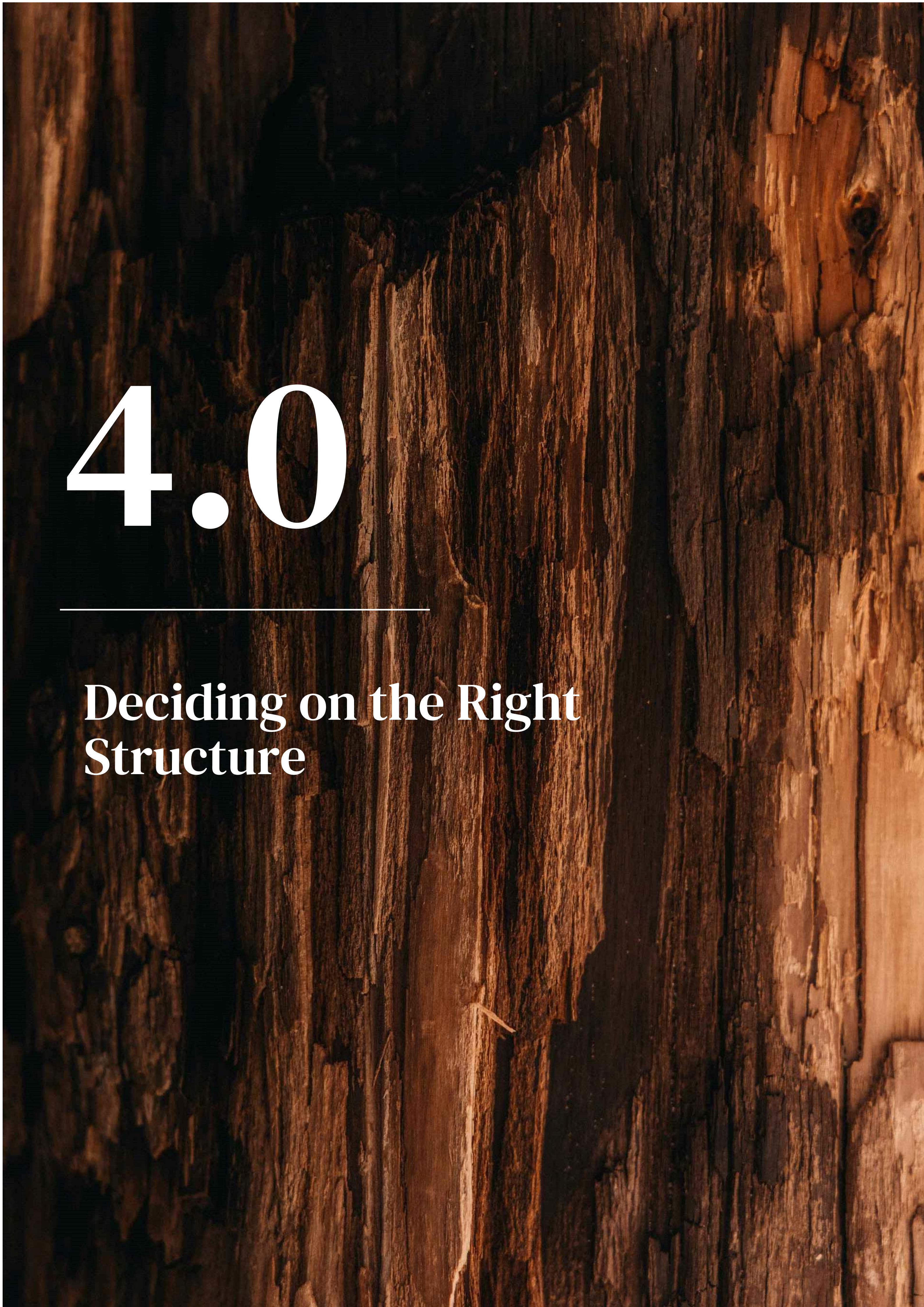
Figure 2 GFI's Steps to Investment Readiness



Source: Green Finance Institute (2022)[13]

As shown in Figure 2, Step six focuses on developing a governance structure. The diagram is useful as it demonstrates that the development of a governance structure is critical in obtaining investment. However, it is essential to emphasise that the development of a governance structure does not always fit within a linear process and can be done at any time.

[13] Green Finance Institute (2022). Steps to Investment Readiness. https://www.greenfinanceinstitute.co.uk/gfihive/neirf/



4.0

Deciding on the Right Structure

This section provides a Red, Amber, Green (RAG) matrix assessing the level of flexibility for each governance structure based on various characteristics. The section also notes key considerations when deciding a governance structure as well as top tips based on the case studies and literature review.

4.1 RAG Analysis

4.1.1 The RAG Rating System

The Red, Amber, Green (RAG) matrix displayed below in Table 3, provides an analysis of the six legal forms described in section 0 and their performance against a set of 12 criteria. The criteria were developed from the needs assessment where they emerged as important themes from the literature review and expert interviews. The criteria cover several aspects of how the legal forms operate and are listed below:

1. Administrative burden;
2. Able to attract private finance;
3. Able to attract public and philanthropic funding;
4. Able to attract and manage blended finance;
5. Transactions with environmental markets;
6. Provides accountability;
7. Provides independence;
8. Flexible to operate at different scales;
9. Flexible governance structure;
10. Able to be influenced by the community;
11. Enables longevity; and
12. Allows benefits to be stacked.

The RAG matrix assesses each legal form against these criteria on a scale of low, medium or high ability, or in the case of administrative burden, low, medium or high levels of administration. The legal forms are scored relative to each other, and the assessment draws on the evidence gathering and case study research to present the abilities of each structure in reality, as opposed to theoretical ability.

Table 3: RAG Matrix for Legal Forms

	Admin burden	Able to attract private finance	Able to attract public and philanthropic funding	Able to attract and manage blended finance	Transactions with environmental markets	Provides accountability	Provides independence	Flexible to operate at different scales	Flexible governance structure	Able to be influenced by the community	Enables Longevity[14]	Allows benefits to be stacked[15]
Community Interest Company (CIC)	Registered with Companies House and the CIC Regulator. Annual reporting.	Yes	Yes	Yes, CICs can receive funding from several different sources.	Yes	Yes, accountable to CIC Regulator as well as partners within the company	Yes	Limited flexibility to operate at different scales due to it being linked to a community	Yes, can be operated for profit or structured as company limited by guarantee.	Yes, closely tied to the community	Yes	Yes
Registered Charity limited by guarantee	Registered with, and regulated by, the Charity Commission. Annual reporting. Fee to set up.	Charities can receive loans and private finance but more typically rely on grants, funds and donations.	Yes	Yes- charities can receive funding from several different sources.	To some extent- trading ability is limited but flexibility to establish trading subsidiaries depending on funding source and/or project purpose.	Yes- accountable to the Charity Commission.	Yes	Yes	Yes, flexibility to create sub-groups and trading arms to manage funding and contracts.	To a limited extent- mainly through partners and projects	Yes	Yes
Community Benefits Society (CBS)	Registered with the FCA.	Yes	Yes	Yes, they can receive funding from several	Yes	Limited ability as there are not always legal documents	Yes	Limited flexibility to operate at different scales due to it	Limited to the Society's rules and members' votes.	Yes, closely tied to the community	Yes, due to its loose structure, it	Yes

[14] This is referring to the entity being able to deliver results, returns or benefits over a long period of time
[15] This is referring to various outcomes being stacked within one project such as carbon credits, BNG, etc. Therefore, it is alluding to the level of complexity that each structure can deal with.

	Admin burden	Able to attract private finance	Able to attract public and philanthropic funding	Able to attract and manage blended finance	Transactions with environmental markets	Provides accountability	Provides independence	Flexible to operate at different scales	Flexible governance structure	Able to be influenced by the community	Enables Longevity[14]	Allows benefits to be stacked[15]
	Fee to set up.			different sources.		exchanged between parties		being linked to a community			can evolve over time	
Company limited by guarantee	Registered with Companies House. Annual reporting. Cheaper to set up.	Yes	Yes	Yes, they can receive funding from several different sources.	Yes	Yes, accountable to Companies House as well as partners within the company	Yes	Yes	Limited flexibility as constrained by aims memorandums and amendments	To a limited extent- mainly through partners and projects	To a certain extent as there are agreements in place	Yes
Unincorporated formal partnership	Registered with Companies House. Annual reporting. Cheaper to set up.	Could be difficult to obtain private funding as legal documents are not exchanged between partners	Limited ability to acquire public funding, philanthropic funding would be easier to acquire	Limited ability to blend funding as private finance may be hard to acquire	Yes	Limited ability as there are not always legal documents exchanged between parties	Yes	Flexibility limited to scale due to the partnership being unincorporated	Flexibility limited to project specific contracts and the specifications of any MoU* between partners.	To a limited extent- mainly through partners and projects	Yes, due to its loose structure, it can evolve over time	Yes

	Admin burden	Able to attract private finance	Able to attract public and philanthropic funding	Able to attract and manage blended finance	Transactions with environmental markets	Provides accountability	Provides independence	Flexible to operate at different scales	Flexible governance structure	Able to be influenced by the community	Enables Longevity[14]	Allows benefits to be stacked[15]
Co-operative	Registered with the FCA. Fee to set up.	Yes	Yes	Yes, they can receive funding from several different sources.	Yes	Yes, board must remain accountable to membership	Yes	Yes	Allows for flexible agreements between members that are not dictated by project specific contracts.	Yes, closely tied to the community	Yes, due to its loose structure, it can evolve over time	Yes

*MoU means Memorandum of Understanding.

4.1.2 Discussion

As mentioned, the RAG Matrix displays how each legal form operates in practice based on our case studies, questionnaire and expert interviews. The analysis of the flexibility of governance structure confirms that there is no “one-size-fits-all” for legal form. Each legal form has different abilities, levels of administrative burden and degrees of flexibility.

According to the RAG matrix, the two most flexible governance structures are the Community Interest Company and the Registered Charity. However, those that are more restricted are limited by their members and/or their funders. Therefore, it is important to note that less flexibility is not necessarily considered negative and depends to some degree on the purpose of the partnership and the intended projects. There are also nuances for most of the governance structures, for example, the administrative burden may be high, but that can lead to an increase in trust that people have in the organisation or partnership due to contracts put in place.

When it comes to considering which structure is best for brokering environmental public goods, practitioners, academics and policy and governance professionals each mentioned (in the stakeholder interviews) that there is not one particular structure that is best. However, they all agreed that a CIC is the best structure for common or community ownership models. Nonetheless, the legal form associated with the most successful outcomes has yet to be determined as practitioners have mentioned that it is too early to assess the success of legal forms in the outcomes of blending finance.

4.2 Deciding on the Structure

This section will focus on deciding on a governance structure with some key considerations and top tips based on the case studies and literature review. Throughout the literature review, a few key messages arose.

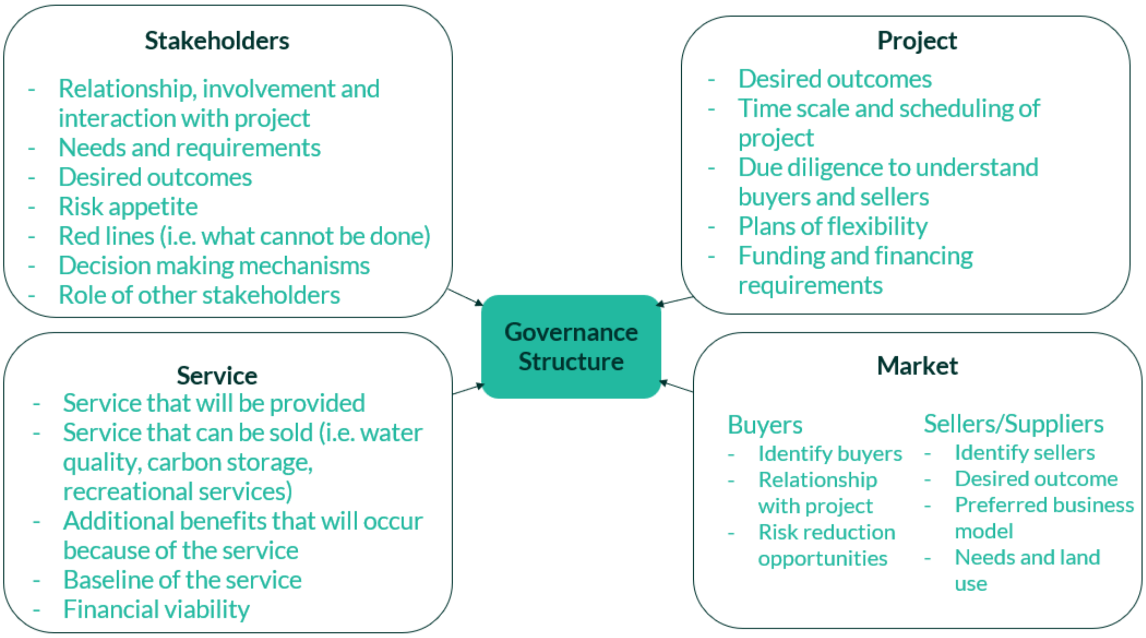
The first key message that is important to emphasise is that action frequently takes place before a governance structure is solidified. This is often done by bringing relevant parties together by creating a stakeholder coalition and considering the potential project as a necessary step to understand the best suited governance structure. The second key message is that projects could have multiple governance structures. For example, a governance structure for a project with a buyer’s group can have a community interest company (CIC) operating under it. The third key message is that when it comes to governance structures, there is no “one-size-fits-all” approach that can be used. The governance structure should be decided on a case-by-case basis to ensure stakeholder cooperation and project success. Lastly, the function of an entity must be determined before a governance structure is created. More specifically, the ability to secure funding and/or meet the conditions of a grant influences the governance structure. The choice of governance structure is also heavily influenced by the objectives of the initial partnership members/stakeholders.

4.2.1 Key Considerations and 'Top tips'

Given the overriding message that no "one-size-fits-all", governance structure must be decided on a case-by-case basis. As previously mentioned, most governance structures are decided after the project has started and "learning by doing" has happened in order to see the functionality and roles various stakeholders have. In some cases, the ability to secure specific funding was also a driver for selecting a specific structure.

Important things to consider when deciding a governance structure includes the stakeholder interests, the project objectives, the ecosystem service or nature-based solution provided, and the market which includes the buyers and sellers/suppliers within the ecosystem service or nature-based solution. Figure 3 illustrates key considerations falling under these themes.

Figure 3 Governance Structure Considerations



These considerations are posed as 'key questions to be reflected on' in Table 4 below alongside 'top tips' from previous and wider case studies relating to the questions. These key questions serve as general guidance to deciding which governance structure is the best for the specific project, market, service provided, and stakeholders involved to contribute to project success and service delivery.

Table 4: Key Questions and Top Tips from Case Studies

Questions	Top Tips
Consideration of the Stakeholders	
Who needs or wants to be involved, what is their preferred role in the project, what can they offer and what do they want in return?	Network early in the process of establishing an entity. Build links with the key stakeholders, such as the Environment Agency, Forestry Commission, the local authority etc. Get the right people involved. Ensure a cross-section of skills and profiles, and representatives from different organisations. Accounting, legal and financial expertise are key. Minimise vested interest but ensure there is ownership across the board in order to provide support. Be aware that a broad membership structure can make action more difficult. Have a board of trustees or grant making panel responsible for allocating funds.
Who will drive this forward and manage the set-up? How will this be funded (initially and longer-term)?	Get buy-in and commitments to leadership. Ensure it is a trusted, independent entity with enough flexibility and freedom to innovate.
How important is it to include the local community in the project?	This will depend on the focus and design of each project. The local community is most commonly included where a project has a wider steering group (as a member), and/or where the project can deliver funding to the community (the local community is often a recipient of funding from the financial success of a project).
Are all stakeholders on board? i.e., local communities and other stakeholders that have a bearing on project success.	It is important to have partnerships between the private, public and voluntary sectors. This brings different skillsets to the entity and helps build multisector consensus. Pre-existing groups and organisations may be suspicious of the new entity or see it as a threat. Be clear that the new entity is not competing with them, taking over or pushing them out. Emphasise where principles and values are aligned.
What are stakeholder priorities, needs & requirements with regards to outcomes, reassurances, and governance?	If the entity involves the third sector or community groups, it needs to be able to offer them support.
How can these outcomes be achieved together, and which business model will help achieve the outcomes?	Ensure good group dynamics to enable effective decision making (i.e., minimise power differences within the governance structure). Establish the principles, a vision and have a strong policy hook/political buy-in.
Consideration of the Project(s)	
What are you trying to achieve?	Create a 'new' organisation aligned to a specific purpose to avoid the constraints of existing entities. Establish what the local environmental needs/strategic priorities are. Set out an ambitious vision.
What actions are needed and how much will they cost?	For local projects it is important to get communities engaged. For larger projects (those covering a geographic area greater than the defined community and important to deliver change at scale) it is

Questions	Top Tips
	important to engage with several stakeholders. These larger projects will require more money and engagement with landowners.[16]
How can the actions be funded (from whom and how much) and is blended finance needed to make it viable?	Identify the opportunities for income generation. Establish how core resources will be funded, such as through a management fee.
What is the project's timescale and scheduling?	Allow time to fully develop the products/investment cases and to trial and test outcomes.
Consideration of the Services to be provided	
What are the ecosystem services that the land can provide? Have these been quantified and/or valued and what additional services can be sold?	This is a core element in defining any project. As part of this, it is vital you establish what the environmental needs/strategic priorities are in the relevant area and align to these. Natural capital approaches can be used to assess the existing natural capital benefit/value of the land and help to estimate additional benefits that can be derived from future improvements.
What are the key opportunities for land to meet multiple needs through mixed uses – i.e., provisioning, carbon sequestration and water quality improvement?	Conduct an analysis of the land in the project area in order to identify key areas that can provide multiple benefits or services such as improved water quality and flood risk reduction. This will enable you to receive the maximum potential benefits or services from the land and attract multiple funding sources.
Where can buyers and sellers be matched? How can you achieve the shared solutions?	Explore current ecosystem service trading platforms such as EnTrade, NatureBid and LENS, and networking communities through resources such as Natural England, land registries, local planning authorities and habitat banks. Shared solutions will come from aligning the goals of the sellers and the buyers. This can include bringing in wider stakeholders such as community groups, Natural England or the Environment Agency. It is also useful to learn from other projects (see Appendix 1) to establish what has/has not worked for partnerships in similar situations.
Consideration of the Market	
Has due diligence[17] been done to understand the project, buyers, sellers and potential pitfalls?	Conduct a market analysis to understand how the new entity will operate in relation to others already working in the area and transactions already taking place. Through this analysis, identify the value added/USP for the new entity in order to reduce competition.
What is the appetite for risk among different stakeholders?	Different stakeholders will accept different levels of risk. Take time to explore this with them and give businesses and investors the confidence to buy/invest in products. Buyer as well as supplier confidence can be increased through pilot schemes and examples so it is sometimes helpful to start small to demonstrate what is possible.
What are the red lines or limitation within the market? (i.e., What cannot be done for different stakeholders	A market assessment enables the understanding of what can or cannot be done in a certain market as well as what benefits or involvement various stakeholder should have.

[17] Due diligence is the investigation or exercise of care that a reasonable business or person is normally expected to take before entering into an agreement or contract with another party or an act with a certain standard of care. It takes different forms depending on its purpose but would include asking questions to investigate current practices of process and policies.

Questions	Top Tips
and what the governance structure should prevent from happening)	For example, if the project focuses on biodiversity net gain (BNG), developers may not engage without clear contracts in place.
Buyers - Who will provide funding and what do they need in return? Can they be lined up in advance?	Ensure you have a pipeline of buyers to match the supply. The entity must be able to manage both restricted[18] and unrestricted funds. The entity needs the right skillsets to deal with transactional funders and to build relationships (e.g., major donor fundraising).
Are there opportunities to structure buyers to reduce risk? i.e., blending public/philanthropic funds alongside private investment.	Ensure the entity can manage funding from different sources, including equity funding. MoUs can be used where the entity is not fully developed to help structure funding to reduce risk. Use the governance of the entity to remove risk to buyers, e.g., CIC or Co-operative. Local Authorities can help reduce/devolve risk by being involved as funder.
Suppliers/Sellers - Who are the potential sellers (often landowners)?	Build a pipeline of suppliers/projects to balance with demand. Ensure landowners are fully aware of the project and process and if possible, use pre-agreements, or similar, to help prevent landowners withdrawing further down the line.
How do landowners want their land to be used? What would this deliver in terms of services or benefits to the buyer, what value does this have to the buyer? What income/funding would therefore be expected in return from those providing the funding?	Manage the expectations of landowners and ensure honest communication between all partners. Encourage feedback from landowners. Identify what needs doing in the project area to solve the environmental issue at the heart of the project? (i.e., is it a floor risk reduction project or a biodiversity project / habitat bank?). This is an important factor that will influence which sellers are targeted by the project.

It is important to note that these key considerations and top tips are not used as legal advice. The legal form is different from the governance structure and will likely follow the decision and implementation of the governance structure. For resources on deciding a legal form please see the following section.

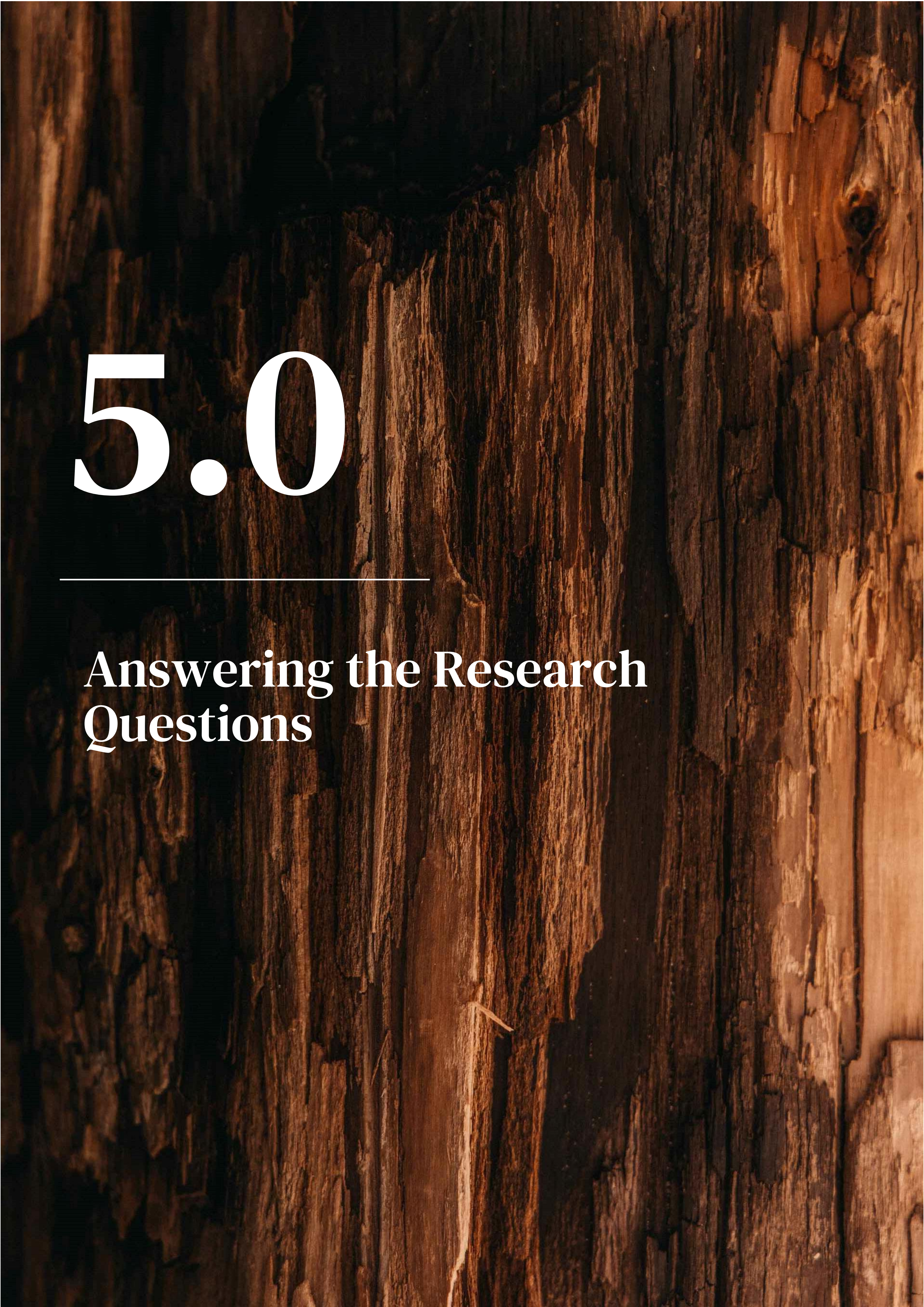
[18] Restricted funds refer to a reserve of money that can only be used for specific projects or purposes. The funds can be restricted because the donor wants the money to go to a specific program or the donor wants the money to be utilized after a specific time or event, such as an anniversary. Restricted funds give donors assurance that their money is being used in the manner they desire.

4.3 Deciding on the Legal Form

Deciding on the right legal form is an important challenge for many partnerships. There has been considerable thinking in this area and much written that can be referenced. This includes:

- **Generic guidance** on the pros and cons of different legal forms, including documents from the charities commission, HMRC and focused guidance[19]and many more as well as learning from the natural environment investment readiness fund (NEIRF) programme which has sought to stimulate private investment and market-based mechanisms to help projects get ready for investment.
- **Learning from similar recently developed schemes** (as case-studies) which offer a range of models to consider and provide insights from partnerships with similar objectives.
- **Learning from the Test and Trials,** for example the recent evidence review reported useful feedback from the National Trust and Green Alliance test. The test produced a toolkit for stakeholders seeking to establish blended finance schemes and have designed proposals through their Eden model to align private and public funding under the environmental land management schemes. Four tests and trials support the development of blended finance schemes governed by a local delivery board to manage and broker them in an equitable, transparent and locally accountable manner. Cuckmere and Pevensey highlighted that a local board could provide a robust governance framework to ensure that clear accreditation and monitoring systems for delivery of outcomes are in place.

[19] Examples include Morrison & Foerster (UK) LLP (2012). Which Legal Structure is Right for my Social Enterprise? – A Guide to Establishing a Social Enterprise in England and Wales [Accessed 15th March 2021]. https://www.trust.org/contentAsset/raw-data/171b5a61-eb36-43d9-8049-7cebe575491f/file; Charity Commission (2018) Guidance – Check if a new charity is the best option. [Accessed 15th March 2021]. https://www.gov.uk/guidance/check-if-a-new-charity-is-the-best-option?step-by-step-nav=3dd66b86-ce29-4f31-bfa2-a5a18b877f11#check-charity-restrictions; HMRC (2021). Guidance – Charities and Tax, Charitable Purposes and Eligibility, Local Authorities as Charity Trustees. [Accessed 15th March 2021] https://www.gov.uk/government/publications/charities-detailed-guidance-notes/annex-ii-non-charitable-expenditure



5.0

Answering the Research Questions

As discussed in the previous chapter, the project focussed on answering a clear set of research questions. The evidence review and case studies were used to collect information to answer these questions. The focus of the information collection was to identify learnings that can be shared with emerging or developing partnerships.

This section outlines the key learnings from the case study interviews in relation to each research question.

5.1 Research Question Findings

1. **Which different legal forms have seen the most successful outcomes?**
   a. How does the success of different legal forms vary between organisations or partnerships of different sizes, scales and purposes?
   b. Which structures work best for environmental public goods?

Success in the context of this project has been defined using three key performance indicators (KPIs), namely, the ability of legal forms to blend funding, deliver environmental outcomes and encourage community engagement. Blending finance is understood as attracting multiple different types of funding such as public, philanthropic and private investment, while environmental outcomes include environmental public goods such as clean air and water and access to green open space.

The interviewees were asked to indicate on a scale of one to four the success of their partnership at delivering each of the KPIs, one being fully/better than expected and four being not at all. Figure 4 displays the results as a heat map. The darkest shade represents highest success, and the lighter shades represent limitations. The grey rows indicate where a case study was unable to provide feedback, because, for instance, the partnership was at an early inception stage. It is important to note that the heat map reflects the interviewees' assessment of their own performance, and that each partnership has been operating for different lengths of time.

Figure 4 Case Study Success against KPIs

Case Study		Receiving blended funding	Delivering environmental outcomes	Encouraging community engagement	Overall Success
Charity	TOE				
	GMEF				
Cooperative	River Ribble				
Unincorporated partnership	Natural Course				
	Buckinghamshire and Milton Keynes				
	Revere				
Community Interest Company (CIC)	The Wyre				
Community Benefits Society (CBS)	Energise Barnsley				
Company Limited by Guarantee	WRE				

Overall, the responses indicate a range of success across a variety of legal forms. Success of course depends on many factors and the data does not explore a causal relationship between form and success. However, it does illustrate that all forms, for which feedback was given, have facilitated success, against all KPIs.

Receiving Blended Finance

With regards to receiving blending finance, success was rated against different understandings of blending finance. Three interviewees referred to 'genuine' blending finance as mixing two or more dissimilar forms of funding and finance for the same project, with all three stating that this type of blending finance had not been achieved. Reasons for this included not having appropriate resources required to build the business case to receive such funding.

Furthermore, one interviewee noted that landowner scepticism and reluctance was a barrier to blending multiple types of finance on one project, and that habitat banks might be more oriented towards such blending of finance. In relation to habitat banks, the same interviewee felt that while charities in theory can receive private investment, this is not typical practice unless the charity has a lot of reserves. Based on risk and investor perspective, the interviewee questioned whether charities were the best vehicles for habitat banks because of the need to invest in habitats, to create biodiversity value, before biodiversity units are sold. Charities are not trading organisations and, therefore, do not tend to have large capital or reserves which would facilitate the initial development to create biodiversity value.

It was also reflected more generally, that there is a lack of skills and knowledge regarding habitat banking and that the market is underdeveloped and lacking the systems and regulations necessary to increase investor confidence.

Some of the partnerships we reviewed were not set up with the purpose of blending finance, for example, Natural Course, hence the low score for 'receiving blended finance'.

In relation to scale, two interviewees indicated an ambition to fund projects at a larger scale. A respondent from TOE felt that for real environmental change to happen, delivery needs to take place at a landscape scale. They reported success at blending finance on a micro/community scale, but that blending finance on a macro-scale i.e., whole farm, was more difficult/complex, and that the financing to do so was limited. Moreover, it was noted that larger and longer- scale projects have more imponderables, including more stakeholders, wider geographic scale, greater complexity of nature-based solutions etc., suggesting there are more ways in which the project could go wrong.

In contrast, Revere aims to have around six largescale projects with saleable ecosystem services and against which sizeable investment is raised, with the interviewee noting that smaller scale projects are hard to manage and sell, and that large areas of nature restoration are needed to attract significant investment. This contrast probably reflects the different starting objective of those involved.

Delivering Environmental Outcomes

Of the case studies which have already delivered environmental outcomes, most rated their success close to 'well/as expected'. Success factors included: good scrutiny, assessment and evaluation of projects and bringing together experts and relevant stakeholders to identify locally strategic areas for environmental protection. Interviewees from GMEF also referred to successfully coordinating bids from a number of separate organisations to receive funding. It was noted that this not only provided economies of scale, but also enabled environmental outcomes across the whole Greater Manchester region.

Encouraging Community Engagement

The extent to which the case studies engaged with the community varied, with purpose and legal form influencing community involvement to some degree. For instance, cooperatives and community benefits societies can involve the community directly through membership (discussed further in response to research question eight). WRE, although a company limited by guarantee, is also a membership organisation in which community groups are involved as members. For the other legal form interviewed, the community was involved and engaged primarily through project delivery partners and on a project-by-project basis. Some funds and grants for instance have criteria specifically for community benefit.

Purpose and size further played a role in the level of community involvement. A respondent from Revere for example, explained that working with local communities is not the focus of the partnership, and that collaboration was streamlined in order to progress more quickly. A third interviewee also felt that it was impractical to have multiple community organisations involved directly in the partnership while a fourth noted that their organisation has limited capacity to run public events and thus rely on their partners to conduct community engagement.

2. **Why was the legal form chosen? What other structures were considered and why were they not chosen?**

All case studies reported that the choice of legal form was predominantly based on the form's ability to secure funding and/or meet the conditions of eligible grants. This confirms the statement that form must follow function. The evidence also indicates that the function (e.g., initial project/idea/strategy/plan) influences the funding sources. The same evidence was reported for projects operating under legal agreements with no formal legal form.

Only one partnership (GMEF) reported having considered other forms before the final decision. They completed detailed market research before selecting form. This indicated a charity was the most suitable form for distributing community funds.

The themes listed in Table 5 also influenced the choice of legal form.

Table 5: Reasons for Chosen Legal Form

Legal Form	Justification of Selection
Charity with company limited by guarantee	• Ability to protect liability of trustees. • Charitable structure provides clear rules and regulations – ensures independence. • Charitable status provides specific reputation and messaging to external stakeholders. • Facilitates stakeholder interaction as perceived to be less bureaucratic. • Provides flexibility to access, and blend, different funding, i.e., not limited to funding for charities. • Provides flexibility to establish trading arms.
Cooperative	• Allows engagement with multiple stakeholders with flexible agreements between parties. • Avoids fixed (inflexible) project specific contracts. • Focusses on relationships between members, not contracts. • Relationships facilitates the stacking of services whereas contracts can make this challenging and create administrative burden. • Provide for equity funding.
Community Interest Company (CIC)	• Provides source to distribute loan funding. • Provides ability to raise private and public funding (latter if limited by guarantee). • Allows projects to generate profit for an investor, if required, even if attract public funding. • Asset lock ensures all benefit is spent within defined area.

Community Benefits Society (CBS)	• Raises funding for specific function directly from interested parties. • Funding raised from members limited to society's rules. • Ensures benefit lies investor community as has one member, one vote principle. • Ability to adopt an asset lock, known as a 'restriction on use' of the society's assets.

Some of the case studies were established partnerships but did not have a formal legal form. In these examples, the partnership and collaboration to deliver the function was steered by grant conditions. One of these partnerships (Buckinghamshire and Milton Keynes NEP) recognised that lack of legal form was not good if you want stability and longer-term funding. Partnerships without legal form applied the following governance solutions:

- Memorandum of Understandings (MoU) between parties. This provides evidence of partnership commitment to attract funding. MoUs also clearly define the operational boundary and/or project aim.
- Use steering groups to delivery specific projects.

3. Is membership across the public, private and third sector an essential factor of success?

All case studies noted that multistakeholder engagement is essential for the financial and wider success of a project. Multistakeholder engagement ensures the breadth of benefits and opportunities is increased. This can create challenges as in some instances both regulators and those being regulated are members and engaging with each other. However, such examples ensure success as it allows them to work together towards common goals. Broad membership also allows the delivery of a project to occur over a larger land area and creates broader collaborations.

To ensure this success, it is important to network with these sectors early so links with the key stakeholders, such as the Environment Agency, Forestry Commission, the local authority etc. are established at the outset. This is important to ensure the right people are involved, with a cross-section of skills and profiles, and that there are representatives from different organisations. Membership increases the opportunity for representatives of these sectors to 'buy-in' to the project, commit to delivering it, and build multisector consensus.

It should be noted that time from these key stakeholders will be limited so it is important to think hard about what will make 'your project' valuable to them, i.e., how will it fit with their priorities, and how can you engage them effectively. For example, it may be worth working with other local initiatives to present a coordinated, and potentially scaled, offering to interest busy organisations.

Several case studies noted that broad membership can hinder/slow decision-making and speed of progress, but that the mix of public, private and third sector membership ensures more success can be delivered and it creates increased value for all investors, buyers, and recipients.

4. How do the different legal forms share risk / liabilities and equity between sectors (public, private and third sector) and possibly partners?

As part of the research, it was important establish whether there is a difference between how risk and/or liability is shared within different partnerships. It was also important to determine how the involvement of different sectors (public, private, and third sector) in the partnership may impact on how this is shared. Section 3 references the requirement to consider risk and liability when choosing a legal form, so it was important to obtain information on the subject from the case studies.

Table 6 summarises how risk and liabilities are shared within different legal forms. It shows that legal forms share risk and liabilities in different ways, even those without formal legal forms will tend to use a MoU or ToR to establish how this is shared amongst the partnership. The table also outlines how different methods can reduce risk, for example:

- having a Board of Trustees or Directors, or a management group, clearly defines who holds the risk and liability;
- using a CLG provides a firm protection against risk;
- having clear links to significant partners such as LA, EA, etc. as they can take on some of the risk via funding grant schemes (?).

Table 6: Sharing of risk/liabilities within different legal forms.

Legal Form	Sharing of risk/liabilities
Charity with company limited by guarantee	• In the case of BNG, tend to use Local Authority funding to reduce risk. • Board of Trustees act as 'risk sponge' as not financially liable for risk. • Develop risk register and share with experts/steering group to plan resolution of these. • Ensure they have permanent staff to minimise risk.
Cooperative	• Use equity funding where possible. • Structure minimises risk by focussing on relationship between members, and ability of members to adapt, rather than having fixed contracts. Relies on members' vested interest in maintaining relationships and wider benefits to collectively reduce risk and share liabilities.
Community Interest Company (CIC)	• Reduces risk to partners by being limited by guarantee. • Liability is with CIC as has duty to ensure investment is returned to investors. • Asset lock ensures any profits are used in the specific 'community' area.

Community Benefits Society (CBS)	• All risk is shared by members at £1 each. • All CBS projects are completed at risk to the investor. • Risk is managed by ensuring any investment proposal is backed by an evidence base.

5. What lessons can be learnt from past failures? Were other structures tested before adopting final approach? If so, what was learnt from that process?

The case studies highlighted a range of challenges both specific to the legal form of the entity and more general operational issues.

Specific challenges relating to legal structure

- The limited ability of charities to raise and then manage investment money;
- With regards to a co-operative, members may have limited capacity to engage which can make it difficult to persuade potential members with long term benefits. It was also reported that there is a lack of awareness about the capability of co-operatives, with some prejudice that co-ops are not 'serious';
- The increased workload for a community benefit society due to required reporting on social and environmental benefits;
- Articles of Association- used by a company limited by guarantee- can be restrictive, inflexible and difficult to change; and
- Being a trust or a CIC could demonstrate competency and capability more than an unincorporated formal partnership. This change in legal structure would retain autonomy but bring more certainty on funding, particularly access to government and third sector funding.

Broader or more general challenges relating to operation of the entity

- Securing funding and managing the unpredictability of money in and money out;
- Sustainability of the entity with regards to resources (recruitment, staff and skills) and running costs;
- The legal aspects of, and general lack of knowledge around long-term contracts, such as over 30 years, and what this means for land ownership, succession and long-term governance;
- Managing the spending and procurement rules of individual organisations;
- Rapidly changing markets and policy;
- The pace of local authorities can be frustrating;
- Having to rely on the willingness of third parties, especially landowners, to be involved; and
- Challenges working with third-party consultants, such as ecological consultants hired by the landowner; and
- The additional expense of third-party technical reports required for bank due diligence on project finances.

As noted under research question two, only one case study (GMEF) considered other legal forms in a detailed way. From across the case studies, and following the challenges listed above, the lessons learnt relate to operational processes and managing risk, as well as things to consider when establishing a new entity. These included the following:

- Take time before establishing as a formal entity;
- Conducting a market analysis to identify the USP/value added of the new entity;
- More flexibility in the Articles of Association;
- Consider a brokerage fee;
- Ensuring landowners are fully aware of the process and potential to use pre-agreements in a smarter way to help prevent landowners pulling out further down the line;
- When dealing with BNG in particular, ensuring there is a balance between the pipeline of projects and available funding; and
- Be able to push back on funders and prepare them that the project might fail, that it might need to be changed or that more funding may be required.

6. What examples of debt-based / repayment models working for environmental public goods exist and what opportunities do these models provide?

The research attempted to establish how debt-based, or repayment models can be applied to benefit environmental public goods within different legal forms. The first step was to disregard any case studies with legal forms that do not have the ability to manage debt or repayment finance, i.e., those that were a charity (TOE and GMEF). Remaining case studies were then reviewed to determine what opportunities debt-based, or repayment models can provide to deliver the objectives of the partnership. Table 7 summarises the opportunities presented by these finance models for relevant legal forms.

Table 7: Opportunities associated with debt-based or repayment models.

Example	Opportunities
Co-operative	• Members investing in project for a specific deliverable or, in some cases, a return. • Funding ecosystem benefits for both direct and indirect return. • Farmers groups develop broader benefits for public goods by investing in land management and sustainable agriculture.
Community Interest Company (CIC)	• Asset lock of CICs ensure environmental public goods are directly invested in within the defined 'Community[20].' • Link investment in environmental public goods to ambitions and desires of 'Community' and Local Authority.
Unincorporated Partnership (Revere)	• Provide nature restoration. • Link land managers with investors to provide broader benefits to environmental public goods. • Deliver learnings to build into future debt-based/repayment models to create commercially viable habitat/land restoration.

It should be noted that the CBS case study (Energise Barnsley) provides an example of a debt-based/repayment model, however, it does not focus on environmental public goods and has, therefore, not been included above.

7. What is the relationship between purpose and legal form?

[20] The definition of a Community is outlined in section 35 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, and expanded in regulations 3, 4 & 5 of the CIC Regulations.

For most of the case studies reviewed, establishing the purpose of the entity preceded the creation of a legal form. From the literature review, expert interviews, and case study analysis the ability to secure certain types of funding emerged as a key factor in the choice of legal form. Crucially, the choice of legal structure is not only influenced by opportunities to secure different sources of funding but also the immediate, mid-term and future income opportunities.

Table 8 lists a variety of functions with the red, amber, and green traffic lights indicating the importance of each function when the legal form of the case study was chosen. The case studies capture each of the six legal forms discussed in this report. Red reflects low importance, amber is medium, and green is high importance. The grey represents no data, which is notably the case for River Ribble because the entity is still at inception stage.

As Table 8 illustrates, the functions most rated as highly important when deciding the legal form were **ability to attract funding from the public sector** and **ability to attract blended finance**. Attracting funding from the private sector and flexibility to operate at different scales were rated as the next most important functions. This focus is reflected to some degree in the purpose statements of the case study entities. For instance, the purpose of The Wyre is to use funding to enhance natural flood management and reduce the flood risk of local communities. GMEF also states that the Fund's purpose is to bring together public, private and philanthropic funders to tackle environmental issues, while the River Ribble's focus was to attract equity finance. The purpose of each case study is detailed in the appendix (0).

Some functions, such as ability to make a profit and providing offset certificates had low importance or were not considered applicable.

The case studies indicated a clear relationship between purpose and legal form, and that this was predominantly influenced by the ability to attract funding and meet the aim of the specific partnership, e.g., community benefit, environmental quality, aspirations of members etc.

Table 8: Functions considered when deciding legal form.

Function	TOE (charity)	GMEF (charity)	The Wyre (CIC)	WRE (co. ltd by guarantee)	Revere (un-incorp partnership)	Energise Barnsley (CBS)	River Ribble (Co-op)
Attract funding from private sector	🟢	🟠	🟢	🟢	🟢	🟢	🟠
Attract funding from public sector	🟢	🟢	🟢	🟢	🟢	🟢	🟠
Attract funding from charitable donations	🟢	🟠	🔴	🔴	🟢	🔴	🔴
Attract blended finance	🟠	🟢	🟢	🟢	🟢	🟢	🟠

Function	TOE (charity)	GMEF (charity)	The Wyre (CIC)	WRE (co. ltd by guarantee)	Revere (un-incorp partnership)	Energise Barnsley (CBS)	River Ribble (Co-op)
Facilitate trades	🔴	🟢	🔴	🟢	🟢	🔴	🟠
Deal with restricted and unrestricted funds	🟢	🟢	🔴	🟢	🟠	🟠	🟠
Provide independence	🟢	🟢	🔴	🟢	🟠	🟠	🟢
Provide accountability	🟢	🟢	🟠	🟢	🟠	🟢	🟢
Be sufficiently flexible to operate at a different scale (facilitate upscaling)	🟠	🟢	🟢	🟠	🟢	🟢	🟠
Provide offset certificates	🔴	TBC	🔴	n/a	n/a	n/a	n/a
Allow us to make a profit	n/a	🔴	n/a	n/a	🟢	🔴	🔴
Give us a not-for-profit status	🟢	🟢	n/a	🟢	🔴	🟢	⚪
Make us eligible for grant funding	🟢	🟢	n/a	🟢	🔴	🟢	⚪
Make us eligible for tax relief	🟠	🟢	🟢	🟠	🔴	⚪	⚪
Allow us to be governed by trustees	🟢	🟢	n/a	🟢	⚪	🟠	⚪
Protect our trustees through incorporation	🟢	🟢	n/a	🟢	⚪	⚪	⚪
Clear decision making across sectors	🟢	🟢	🟢	🟢	⚪	⚪	⚪

8. What structures are used most frequently in common or community ownership models?

The literature review and expert analyses indicated that common or community ownership models are best placed to ensure wider benefits from projects focussed on nature-based solutions. For most of the case studies reviewed, the ability to engage with the community was of importance but tended to be linked with providing a specific community fund, rather than ownership of a project. This involvement helped shape funding requirements/objectives of how to spend funding to deliver wider community benefit.

Most structures provided communities with the opportunity to be involved with influencing decision making on a voluntary basis, e.g., via a place on a steering or focus group. The only structures reviewed by this research that were used in common or community ownership models was a **CBS,** however, it should be noted that several other structures (Company Limited by Guarantee, Cooperative, and CIC) do have the ability to provide a community ownership model.

The function of the CBS was to provide low carbon technology that was owned by the local community. The CBS sells surplus electricity to the grid to earn revenue. The revenue is used to pay back investors, maintain the systems and invest in the community fund. Cost savings go to the occupiers of the buildings where solar panels are sited as they receive free electricity. The purpose of a community ownership model was to ensure that those investing in the organisation knew the ownership of the benefit(s) created by the function would lie with the community or general public within a defined area.

9. How could governance approaches used in other sectors (i.e., energy, digital) be transferrable to the environmental sector?

The energy sector has developed voluntary guidance that suggests how project developers interact with communities and, more importantly, suggest a fixed fee per installed megawatt to be delivered to communities. The guidance also considers wider benefit packages for communities. As a result of the guidance, the energy sector has facilitated the development of community fund models which are used as a mechanism for delivering co-benefits for communities. The most successful governance structures to deliver the community fund models from the energy sector have been via Companies Limited by Guarantee with Charitable Status, with a few examples of Co-operatives and Community Benefit Societies (CBS) being used.

This concept can be developed and transferred to the environmental sector to create, e.g., natural capital fund models with a focus on communities. Both the CIC model in the Wyre and the project specific deliverables identified as part of each Revere project identify the benefits of creating funds targeted at communities to help them develop environmental benefit projects. These two case studies indicate that several different governance approaches can result in positive environmental and wider benefits.

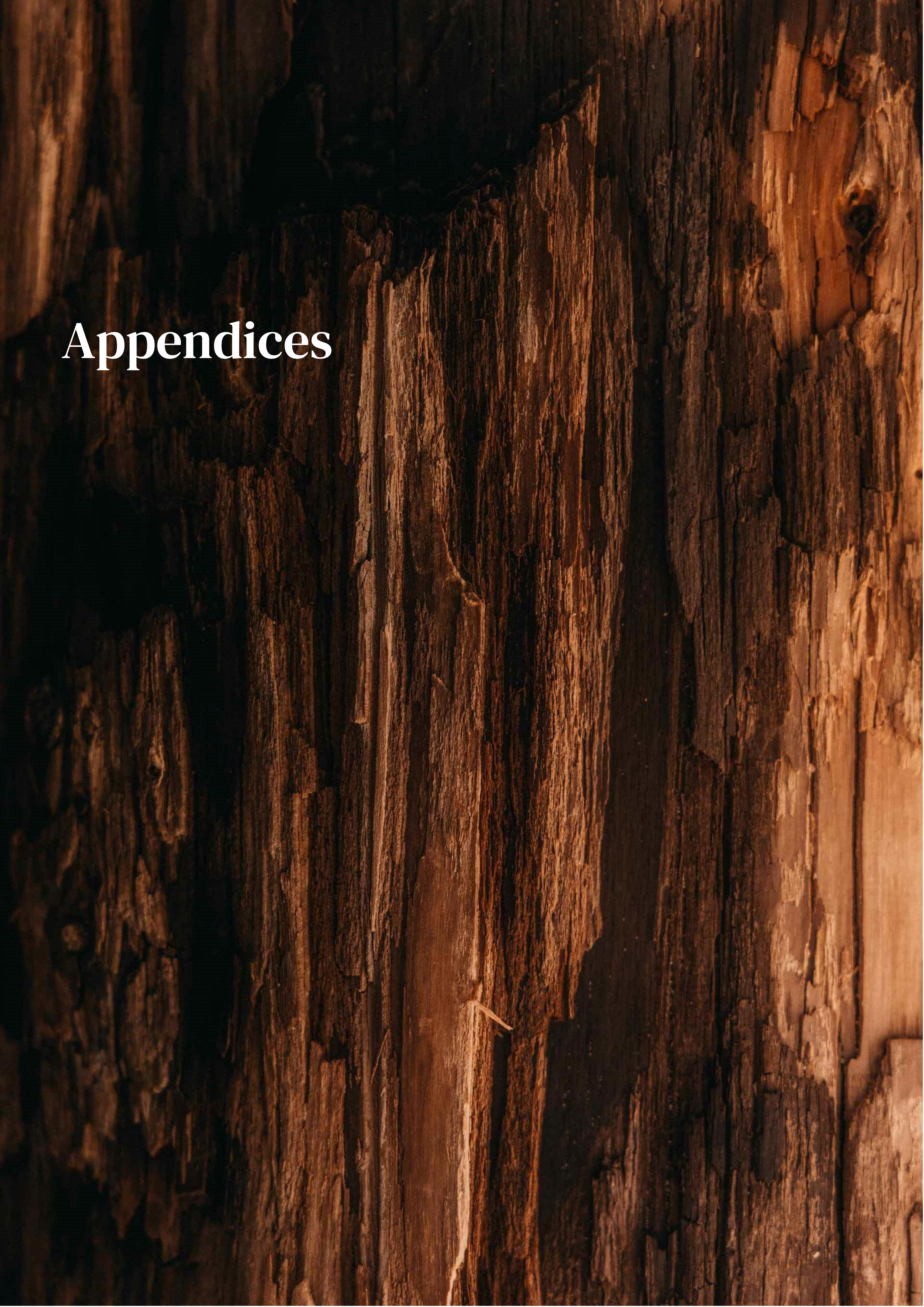
10. What legal forms can be flexible with regards to local government deadlines?

The case studies do not reveal specific legal forms that are flexible with regards to government deadlines. It can be noted that each legal form can manage different funding deadlines, they just need an accounting system that can manage complexity and resources (such as staff and management) that can be used to meet the deadlines.

11. What is the EA's involvement (can they support the project despite not being on the board)?

The case studies indicated that the EA's involvement is very useful in ensuring the successful outcome of partnerships. However, none of the cases studies indicated that the EA was a member of the Board associated with the entity. All case studies reported that the EA directly supported the project by being a member of a relevant advisory or steering group. In the Revere case study, the EA were also noted as a funder via their direct financial support of National Parks, however, this is seen as a unique example.

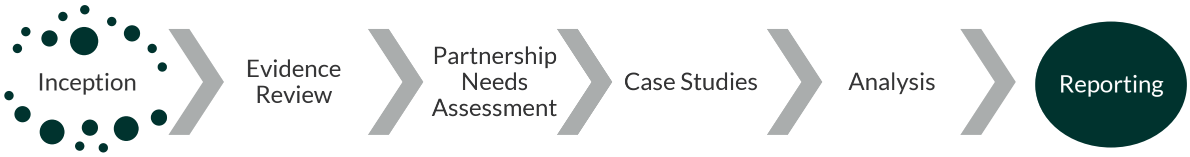
Appendices



A 1.0 Methodology

A 1.1 Overview

The key phases of the methodology were as follows:



Each step is described in more detail below.

A 1.2 Evidence Review

The evidence review was split into two sections, a literature review and a series of expert interviews. Both reviews provided evidence to identify potential case studies and shape the case study questions. The reviews are outlined in detail in the following sections.

A 1.2.1 Literature review

During the first phase of research, we reviewed and consolidated existing evidence. The review focussed on experience from the UK as this was the most relevant from the legal and contextual perspective. The research included academic literature and advice on legal forms contained in practitioner literature, and emerging learnings from programmes such as NEIRF and the Test and Trials, some of which were written up in previous work. As well as undertaking a search for material, we also approached experts who could direct us to unpublished material of relevance.

A 1.2.2 Expert interviews

Twelve interviews were conducted with a mixture of practitioners, academics and experts from the fields of policy and governance. This included completing a pilot interview with Dan Hird to finalise the questions. The purpose of these interviews was to:

- Provide views on the broad research questions;
- Help direct us to unpublished material of relevance; and
- Help identify further potential case studies.

The table below summarises the experts who we approached.

Table 9: Experts Interviewed

Academics	Ana Mijic	Bruce Howard	Harriet Bulkeley		
Policy/Governance	Al Megjhi	Helen Avery	Henry Leveson-Gower	Jyoti Banerjee	
Practitioners	Dan Hird	Chris Bowden	Phoebe Dunklin (Palladium/ Revere)	Rich Fitton & Elisabeth Beal (Finance Earth)	Tom Curtis (3Keel)

The interview questions are available on request.

A 1.3 Partnership Needs Assessment

It is largely accepted that 'form must follow function' so it was important, before analysing the form of the legal forms, that we fully considered the functions needed and the context in which the forms will operate. This is the approach we have successfully applied in supporting a number of local entities. In this task, we undertook a needs assessment of the legal forms to ensure that the work provides real value to partnerships by establishing key criteria which we used to assess the legal forms and case studies. In the future, these questions could be used by partnerships to help them self-evaluate which type of legal form is best for them.

Note it is important to consider which of these characteristics affects the choice of legal entity. We assessed the suitability of legal forms against these criteria. We also used the results from the case-study interviews to verify the assessment.

The criteria used for the partnership needs assessment are provided in a separate document.

A 1.4 Case studies

The evidence review identified several case studies. To identify which partnerships were relevant case studies for this project, we developed a selection criterion see below. The aim of the criterion was to ensure as broad a coverage of different structures as possible to provide different examples of governance structures for a diversity of Nature Based Solutions projects.

The key selection criteria were, in order of priority:

- **Maturity** – Emerging, established, mature

- **Size of organisation** – description of grouping that initiated and continues to run the project – note that this will shift over time, with additional partners potentially added over time.
- **Purpose/focus of the project** – ecosystem service outcomes that are being funded. Where there are multiple outcomes being funded, we can categorise by the 'anchor' ecosystem outcome which received initial funding/constitutes the majority of funding.
- **Structure type** – governance structures – e.g., CIC, co-operative, company limited by shares, community benefits society etc.

We then developed a list of possible options for each criterion – see Table 10.

Table 10: List of possible options

Structure Type	Purpose/project focus	Size of organisation	Maturity
Community interest company (CIC)	Carbon sequestration	Small	Emerging
Co-operative	Water management	Medium	Established
Company limited by shares	Biodiversity	Large	Mature
Company limited by guarantee	Air quality		
Community benefit society (CBS)	Nutrient neutrality		
Charity Incorporated Organisation (CIO)	Flood risk		
No formal governance structure			

Other noteworthy criteria that were considered but do not form the matrix were:

- **Scale** - Geographical scale - local/city/regional/landscape. (Could also be useful to consider other forms of scale – i.e., financial scale)
- **Area type** - city/ coastal/rural/urban/marine/distributed/contiguous
- **Single vs. multiple outcomes** - what structures facilitate different spreads of outcomes?
- **Stakeholders** - Who is included in the structure and what is their role? Which stakeholders exist outside of the structure? How do roles differ and how is this accommodated?

- **Geographical spread** – can it spread across the UK
- **Evidence for the business case**
- **Timescale/long-term objective –** how long is this set up for?

A long list of 30+ potential case studies was narrowed down to 12 case studies based, in part, on research undertaken by Eunomia in 2019 to support a local authority considering a governance structure for blending finance and following discussion and agreement with the Environment Agency. Information collected through the evidence review was enhanced through a series of interviews with partnership project managers. These were written up into a series of comparable case studies (see Appendix 2).

The case study questions are provided in a separate document.

A 1.5 Analysis

Evidence gathered from the evidence review and case studies were assessed both in terms of the broader pros and cons and also against the partnership needs assessment criteria developed in Phase 2.

For many of the criteria, this consisted of a yes/no response whilst for others, we undertook a qualitative assessment based on the findings from Phase 2 and leveraged our experience advising on financial, governance and legal models.

The assessment is presented in a clear and concise matrix, the format for which was agreed beforehand with the Environment Agency. The matrix is designed to help partnerships decide which structures fit best for their specific situations and can be seen in Section 4.

We also considered wider, often fewer tangible benefits gained by the case studies, for example, community and local benefits to health and wellbeing, improved air quality, recreational and educational provision, and a greater sense of place. Other wider benefits that were considered included local economic benefits such as increased tourism and employment, and habitat and environmental benefits such as habitat mosaics, increased pollination and noise reduction.

A 1.6 Reporting

The key findings from the partnership needs assessment and the case studies are summarised in this user-friendly report that can be readily digested by the intended audience. To this extent, significant focus is given to a concise executive summary. The body of the report focuses on the key pros and cons of each legal form, the learnings from the case studies and the questions for self/reflection (needs assessment). Further detail of the case studies is provided in Appendix 2.

A set of PowerPoint slides will also be available for presentation to - and subsequent use by - the EA. These will be designed to share information in a primarily graphic manner, simplifying the technical analysis so that it is rapidly and readily understood by all stakeholders.

A stakeholder webinar will also be organised to share the key findings with a range of stakeholders representing the partnerships that are the target audience is intended.

A 2.0 Case Study Profiles

This section summarises information from others who have progressed on a partnership journey to attract funding from a range of sources to enhance nature to act as case-studies demonstrating what can be achieved, what others have done, and what advice they would give with hindsight. For each case study we summarise:

1. The purpose and function of the initiative
2. The history of how and why the legal form was developed
3. The current governance structure, the relationships between those involved and how risks are managed
4. The main sources of funding, highlighting where blended finance has been achieved
5. Reflections on the main challenges and advice for others considering setting up a similar entity.

The case-studies were chosen to represent a wide range of situations and are detailed in the following sections.

Table 11: Overview of the Case Studies by Structure and Purpose

Legal Form	Case Study	Purpose
Charity with company limited by guarantee	**TOE (see A2.1)**	To raise funds and allocate grants for projects which protect and restore nature, and which connect people to green spaces and healthier, sustainable ways of living in Oxfordshire and surrounding counties.
	GMEF (see A2.2)	To unite public, private and philanthropic funders to tackle air pollution, habitat degradation and climate change risks within the GM area.
Cooperative	River Ribble **(see A2.3)**	To promote access to local food production and help ensure food security through nature-based solutions, especially flood mitigation.
Community Interest Company (CIC)	The Wyre **(see A2.4)**	To use funding to enhance natural flood management and reduce the flood risk of local communities.
Community Benefits Society (CBS)	Energise Barnsley **(see A2.5)**	To support the local authority and community to produce energy, address fuel poverty and be more energy efficient.
Company limited by guarantee	WRE **(see A2.6)**	To develop a collaborative approach to water resource management in the East of England
Unincorporated Partnership	Natural Course **(see A2.7)**	To meet ecological targets, help create new ways of making decisions and mobilise more funds for investment in the water environment.
	Buckinghamshire and Milton Keynes **(see A2.8)**	To bring together a diverse range of individuals, businesses and organisations to drive positive change in the local natural environment.
	Revere **(see A2.9)**	To design and deliver nature restoration projects across UK national parks.

A 2.1 The Trust for Oxfordshire's Environment

A 2.1.1 Purpose and Function

The Trust for Oxfordshire's Environment (TOE) was established in 2011 in Oxfordshire as an independent county-based environmental funder. TOE aims to raise funds and allocate grants to support projects which protect and restore nature, and which connect people to green spaces and healthier, sustainable ways of living in Oxfordshire and the surrounding counties. The Trust's strategic priorities seek to address environmental needs in the county. As set out in their 2020-2023 Strategy, TOE's priorities are to:

- Restore the quality of natural resources;
- Improve conditions for wildlife and biodiversity;
- Support natural climate solutions; and
- Enable people to access green spaces and the countryside.[21]

Since starting, TOE has raised over £3 million and supported 350 projects across Oxfordshire.[22] The Trust operates at between a micro and macro scale, managing small community grants which may support projects less than a hectare in size, as well as biodiversity net gain (BNG) funds which can be up to 30 hectares in size.

A 2.1.2 Development of Legal Form

TOE is a charity and not-for-profit company limited by guarantee. The Trust is governed by its Memorandum and Articles of Association and is also an Environmental Body registered with ENTRUST.

Rationale

The legal form of a charitable company limited by guarantee was chosen for the following reasons (as reported by the interviewee):

- A charity is a recognised brand which conveys the right message and reputation;
- Under charity law, trustees have certain responsibilities which guides the charity, protects the trustees and protects the charity itself;
- There is a well-trodden path for setting up a charity;

[21] https://static1.squarespace.com/static/5ac530d64eddec97316119dc/t/5e6a509f6e95f72650b3b6e7/1584025763238/TOE+Strategy+2020-2023.pdf
[22] https://www.trustforoxfordshire.org.uk/

- Limiting the company by guarantee protects the liability of the trustees;
- The founder was very experienced with charities and did not look into alternatives. The founder noted that the majority of people in the community would not understand what a Community Interest Company (CIC) was; and
- The founder wanted to mimic the community foundation model used in the USA during the 1920s. Such community foundations pooled money from different sources including philanthropists, businesses and trusts, and decided which projects to support.

Online resources and support provided by the Charity Commission were used.

Table 12 presents the pros and cons of a charity model as described by the interviewees.

Table 12 Reported Benefits and Challenges of Chosen Legal Form

Benefits	Challenges
Flexible structure, e.g., ability to set up sub-groups of the board and special interest groups and ability to blend funding.	Inability to trade under a charity. For instance, to buy and sell land, a trading arm of the charity would have to be set up.
TOE is seen as a safe and independent pair of hands, without vested interest except full cost recovery.	Not as good at raising or managing investment money. Generally, charitable boards are used to raising philanthropic money rather than private sector money and are not as used to managing businesses.
Regulated by, and accountable to, the Charity Commission which encourages confidence in the Trust.	With regards to habitat banks, charities would be limited from a risk and investment perspective. Charities do not tend to borrow money or have vast reserves of funding to provide upfront capital. A social or private enterprise would be a better vehicle for a habitat bank.

Source: interview responses.

Background and Evolution

TOE originally existed purely as an Environmental Body registered with ENTRUST to process Landfill Communities Funds (LCF). TOE distributed LCF money to projects on behalf of Grundon Waste Management. The organisation was run as a business with a small group of board members who scrutinised projects every quarter. Funding was given to community/social projects as well as environmental ones.

When the original TOE was closing, the founder and ex-Chairperson of the current Trust, met with the board. The founder took the name and set it up as a charity focused only on environmental funding in order to meet what she saw as a need for a strategic and independent funding body in the county. TOE was already a well-known brand in the county and Grundon supported the idea, putting all their LCF through the new Trust and into TOE's Local Environment Fund.

Prior to TOE, there was no history of a similar collaborative body for environmental funding in the Oxfordshire. TOE's founder reported that it took about three years for her to become embedded in local authorities, the district and county council, with relevant MPs and planners. Once set up, the Trust was relatively quick to function due to the support from their initial funder Grundon.

Since becoming established, TOE has evolved from landfill funds to managing a broader range of funding types including from private, public and philanthropic sources. The Trust has never considered changing the charity model, despite receiving suggestions after 6-7 years that TOE should become part of the local authority to address financial challenges. However, the founder felt that TOE would be hampered by the local authority and that it needed to be independent from local government and decision making.

Running Costs and Resources

TOE employs four part-time members of staff. The annual running cost for TOE is around £120,000 per year. The CEO noted that this was not enough and felt that, for an organisation operating on a county level for BNG, £150,000-£250,000 would be needed to properly cover outreach, client management, legal advice and financial and accounting systems. He felt that TOE was bordering on the unsustainable scale and that balancing money in and out is challenging.

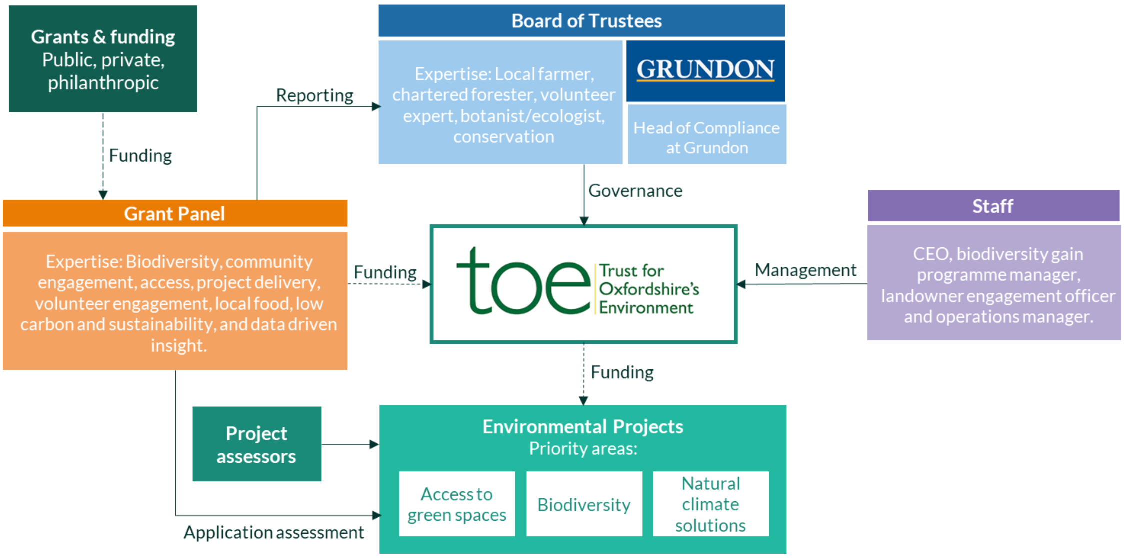
TOE's running and project monitoring costs- 'full cost recovery'- are funded from broker fees. The broker fee is a percentage applied on top of the base cost of the project/BNG offset. For BNG projects, a sliding scale is used. Up to £100,000 a certain percentage is applied and over that amount the percentage reduces.

Both interviewees felt that ultimately, the resources required depends on the income received and would be proportional to the group's ambition and to the funding and project opportunities available.

A 2.1.3 Governance Structure

TOE's governance structure is summarised below in Figure 5.

Figure 5 Diagram of TOE's Governance Structure



Key elements of TOE's governance structure are outlined in further detail below:

- **Board of Trustees:** TOE's Board of ten trustees has a wide range of experience, from farming (including a current landowner) to ecology and accounting. The Trust has always had someone from Grundon on the Board, as their initial and primary funder. The Board of Trustees changes over time in order to meet the skills required. The trustees are predominantly connected with the local environment or local charities. The founder felt that it was important to have an accountant on the board.

After the grant panel has made their recommendations, the project list goes to the Board for final approval. Sometimes the trustees give feedback to improve the projects. Ultimately under charity law, the Board has the legal responsibility for allocating funds. The Board meets quarterly and has a set of project selection criteria as dictated in the 3–5-year strategic plan. The criteria are reviewed annually at a meeting with the assessors and grant panel.

- **Grant Panel:** a group of experts from around Oxfordshire and key charities in the county who volunteer their time. The grant panel meets four times a year to consider grant applications to the Local Environment Fund. Through the grant panel approach, TOE aims to involve as many stakeholders as possible in decision making.

A specialist grant panel also convenes on an ad hoc basis to assess more complex funding applications such as BNG. On the BNG panel, there are representatives from each local planning authority which TOE works with, Natural England, the Environment Agency, an ecological consultancy and a number of the key conservation organisations including the Wildlife Trust and Wild Oxfordshire.

- **Project Assessors:** a network of 20-30 experts who scrutinise projects. The assessors initially evaluate the grants based on relevant work already happening in Oxfordshire, where it fits into broader strategies, what will be achieved on the ground and longer-term sustainability. The assessors' recommendations then inform the TOE Grant Panel and Board. The assessors are not paid; however, TOE is

discussing whether to pay assessors for BNG projects because of the added complexity.
- **Staff:** there are four members of part-time staff employed by TOE.

A 2.1.4 Partnerships

TOE works closely with a variety of stakeholders. The relationships with different types of stakeholders are summarised in Table 13.

Table 13 Summary of Stakeholder Relationships

Stakeholder	Relationship with TOE/Example
Local authorities	Oxfordshire County Council and South and Vale District Councils are key partners. TOE has Memorandums of Understanding (MoUs) with local government (e.g., South Oxfordshire District Council) for the processing of BNG funds.
Environment Agency (EA) & Natural England (NE)	Partnerships for specific project delivery. Well networked with both EA and NE local representatives. Representatives from both on the BNG grant panel.
NGOs	Representatives from key conservation organisations (e.g., The Wildlife Trust, Wild Oxfordshire) sit on the BNG grant panel. Connections with the RSPB and Woodland Trust to identify priorities in the county. Support and funding from the Woodford Trust, Adrien Swire Charitable Trust and the Thames Valley Environmental Records Centre (TVERC).
Landowners	A landowner sits on the Board of Trustees. TOE has agreement documents in place with landowners who are delivering projects. The payment schedule with landowners varies depending on the type of project e.g., a project requiring initial materials might need more upfront funding.
Private Sector	A representative from Grundon Waste sits on TOE's Board. Increasingly working directly and indirectly with ecological consultancies, particularly for BNG. For instance, a landowner can bring in an ecological consultant to design and deliver the BNG offset project. Ecological consultants are often engaged by developers to identify the biodiversity loss on a development site. Often it is then the consultants who get in touch with TOE on behalf of their client.

Stakeholder	Relationship with TOE/Example
	There is also one representative from an ecological consultancy on the BNG grant panel. Other private sector funding partners include Whittard Chelsea (from the 5 pence plastic bag charge) and Brakspear pubs.
Community	Local people help deliver local projects and can apply for community projects. TOE also works with representatives of community organisations such as Wild Oxfordshire.
Other: higher education and public bodies	Relationship with the Head of Nature Based Solutions at Oxford University. Working in partnership with Network Rail to make funds available to achieve no net loss to biodiversity from the electrification of the Greater West Line.

Source: interview responses and Trustees' Report & Unaudited Financial Statements for the year ended 31 March 2018.

The CEO noted that both landowners and the local community are critical partners for project delivery and that ecological consultants are almost their most important stakeholder after local government. The ecological consultants are seen as the 'gateway' to developers.

Overall, the relationships between TOE and funders and suppliers were described as both transactional and personal. Some funders want to build a relationship with the Trust and to identify a project they wish to support, whereas others, especially BNG, are more transactional.

Managing Risk

Funder Risk

In the case of BNG, the Trust takes on risk as an organisation rather than devolving it down the supply chain. TOE reduces risk and liabilities by engaging with the local authority who itself manages the agreements with developers. This prevents TOE having to spend extra resources on maintaining multiple different contractual relationships with developers over 30-year time periods. MoUs with local government for BNG allow TOE to pool smaller offsets which the CEO states allows for more effective risk mitigation. TOE is therefore held to account by the local authority not the developer directly.

Delivery Risk

TOE's policy is to manage risk as much as they can at a portfolio level. The landowners are required to deliver the plan which they have agreed to, otherwise TOE would take enforcement action. One interviewee highlighted the importance of pre-agreements with farmers in order to prevent the landowner pulling out further down the line.

Both interviewees further emphasised the inherent unpredictability of nature-based projects, in that as a project evolves over time, issues can arise, and biodiversity can change in ways which cannot be predicted. As a result, the CEO believed it was not in anyone's interest for the force majeure risk to sit with the landowner as they would not want to sign up to that. Instead, he described TOE acting like a 'risk sponge'; if part of a project does not work and there is a financial loss, then TOE would absorb that by having a broad and diverse portfolio. While the mechanics of this are still a work in progress, he described how they can look at their whole portfolio and overdeliver on their BNG commitments to mitigate risk. For instance, if 10% of a project will be lost due to factors outside of the landowner's control, then the project would have to overdeliver by at least that much.

In addition, TOE has MoUs with some partners for project delivery, such as the Wildlife Trust. It was noted that this can also reduce risk by establishing the rules of engagement, removing ambiguity, stating responsibilities and other details of the relationship such as intellectual property.

A 2.1.5 Funding

Blending Finance

TOE is not currently blending finance i.e., mixing two dissimilar forms of financing on the same site, in the same project. The CEO of TOE stated that while there is scope for blending finance, this has been challenging primarily because of landowner scepticism. From speaking with landowners, he reported the following reasons for landowner reluctance:

- Administrative complexity;
- Uncertainty around mixing and matching money. For instance, scepticism about their ability to mix environmental farming subsidies with BNG or carbon offsetting;
- Fear of being penalised e.g., for 'double dipping' or being seen as dishonest and damaging relationships because the money overlaps;
- Fear of not providing additionality; and
- Not enough certainty in the market.

For carbon offsetting specifically, the following reasons were reported:

- Uncertainty in the market- unconvinced that the offsetting market is predictable or stable; and
- The more environmentally conscious landowners acknowledge their own carbon emissions the need to address these before they start dealing with someone else's carbon.

Ultimately, TOE has found that landowners will look at the range of different potential financing available and then pick what they think is the best option, rather than trying to blend as many as they can together.

Environmental Markets

As previously outlined, TOE is processing BNG funds in partnership with local authorities. Managing BNG funding is reported to be very complex and requires careful pipeline management to ensure that offers of funding can realistically be made to landowners while at the same time building a pipeline of potential projects for developers.

The Trust is not currently managing carbon offsetting due to financial complexity and concern from wider sectors and landowners about doing it correctly. Moreover, both BNG and carbon offsetting can tie up the land for long periods of time- 30 years for BNG and potentially much longer for carbon offsetting. It was noted that this can raise issues around land ownership and succession.

Investments and Loans

TOE is looking into other forms of financing such as investments, but it was noted that the market for such investment is neither sufficiently developed nor regulated. The CEO felt that part of the challenge was validating the units which are sold in order to ensure buyer confidence.

A 2.1.6 Reflections

The interviewees from TOE provided the following advice to those seeking to set up a similar entity:

1. **Identify strategic priorities:** first establish what the environmental needs are in your area;
2. **Identify opportunities for income generation;**
3. **Network and build partnerships:** establish links with key stakeholders and work collaboratively. Build partnerships- or a consortium- between private sector, public sector and voluntary sector organisations.
4. **Build the right team:** get people together to be the initial board of trustees, and in doing so, avoid asking for long term commitment. Ensure the partnership has a cross-section of skills and profiles representing different organisations.

A 2.2 The Greater Manchester Environment Fund

A 2.2.1 Purpose and Function

The Greater Manchester Environment Fund (GMEF) was set up at the beginning of 2021 through a partnership between GMCA, The Wildlife Trust for Lancashire (LWT), Manchester and North Merseyside and Finance Earth. The Fund is still in the process of acquiring charitable status and has only had a 'soft', unofficial launch.

GMEF was established to support the aims of Greater Manchester's Five-Year Environment Plan (2019-2024), namely, to create a clean, carbon-neutral and climate resilient city region with a healthy natural environment. In addition, the 2019 Greater Manchester Natural Capital Investment Plan (NCIP) identified ways to motivate private investments with financial returns to enhance Greater Manchester's natural capital. The Plan recommended setting up an investment readiness fund and a vehicle to direct money and resources into developing business cases for carbon offsetting, BNG, sustainable urban drainage and place-making. At the same time, preparations for COP26 provided an impetus to consider how businesses could fund Greater Manchester environmental projects.

Within this strategic policy context, discussions at the combined authority level and within the Greater Manchester Environment Team resulted in the creation of GMEF. The chief purpose was to provide resources for the development of the four business cases outlined in the NCIP, with the aim to maximise the opportunity for engaging with potential buyers and investors.

Throughout 2020, the GMEF partnership engaged with a range of stakeholders across the city region to support the design of the Fund and to assess funding and investment opportunities. In response, over 50 local natural capital projects in development were put forward by key partners and a project funding gap of over £100m was identified. Biodiversity offsets, health and wellbeing and carbon credits were found to have the greatest project revenue opportunities.[23] Within the first 18 months, the Fund has brought in more than £4.6 million in funding, mainly philanthropic and grant based.

A 2.2.2 Development of Legal Form

GMEF is in the process of obtaining status as a charitable company limited by guarantee. This should be attained by the end of September 2022. The concept of a GMEF originated in 2018 after which partners worked together to scope out the idea and, in the summer of 2020, the GMEF entered into a partnership with the Lancashire Wildlife Trust to develop the Fund. Specifically,

[23] https://gmenvfund.org/sites/default/files/2021-02/2020-12-18%20GMEF%20Investment%20Strategy%20with%20GMEF%20branding_0.pdf

there is a service level agreement between the GM Environment Trust (the legal name of GMEF) and LWT to provide a 'back office' function for the foreseeable future.

Rationale

The legal form of a charitable company limited by guarantee was chosen for the following reasons:

- To ensure independence from the combined authority;
- To create a fund that was arm's length from GMCA but still enabling the authority to contribute and be involved as a board member;
- Flexibility to access different types of funding and to allow separate vehicles to be set up underneath when returns on investment are required to be paid (e.g., a special purpose vehicle); and
- Most appropriate model for a vehicle which deals mostly with community funds, and which represents the needs of Greater Manchester and its community groups.

Other models were considered, including a private fund, part of the combined authority, outsourced, at arm's length or a hybrid model. Ultimately however, the GM Environment Team wanted to either commission or to work jointly with a charity while maintaining key links with the combined authority. Moreover, the LWT already managed the Lancashire Environment Fund, which proved a track record, and which provided the model on which GMEF was based. LWT also spoke with other similar funds to ascertain how they worked and shared learning with other wildlife trusts and organisations involved in investment models.

The interviewee from LWT reported the following benefits of the charity model:

- There are perceived barriers with engaging with a statutory organisation, such as bureaucracy. A charity helps break these barriers down;
- It is easier to engage with people when no profit is being made; the messaging is easier;
- From consultation with corporates, there is more interest in supporting a charity rather than a more formal structure; and
- There is clear visibility and accountability with a charity.

Background and Evolution

The Fund was set up by the Greater Manchester Combined Authority (GMCA). Much of the initial thinking around natural capital approaches and blending finance was driven through discussions with other stakeholders as part of The Urban Pioneer[24] and NCIP projects, including the Local Nature Partnership (Natural Capital Group), Natural England, the Environment Agency and the public and private sectors. The GM Environment Team then set up a small working group which included other key funders. Once it was agreed to set up GMEF then governance structures were

[24] The Urban Pioneer is a three–year DEFRA Pioneer project designed to support and inform the development of Government's approach in its 25 Year Environment Plan.

looked in to. Through an Expression of Interest and a competitive tender process, the Wildlife Trust for Lancashire was chosen as the charity to run the Fund.

Under Greater Manchester's Five-Year Environment Plan, the GMCA committed to support the GMEF and utilise £15,000 - along with matched contributions from the Environment Agency, United Utilities and Peel Land and Property- to cover the initial set up costs of procuring a partner to establish the fund as a charity. The interviewee from the GM Environment Team referred to an initial 'shoestring budget' which allowed for a small piece of consultancy work which reviewed other similar examples and available models. At this stage, GMEF was driven by a small number of people from the combined authority.

The aim is for the Fund to become financially self-sustaining over five years by leveraging in further pump-priming investment. At present, GMEF has received predominantly philanthropic funding, pump-priming and grants/funding from central government. Funds secured to date, include:

- The Green Recovery Challenge Fund for Nature Recovery (£1.8m and £15.8m onwards funding secured as a result for partners);
- SUEZ Recycle for GM Community Fund (£220,000);
- Natural Environment Investment Readiness Fund Pilot (£100,000); and
- GM Green Spaces Fund (£2.6m).

Running Costs and Resources

The 2022 budgeted running costs for GMEF is £126,618. The GMEF programme team at LWT has three full time members, including a grants manager, grants support officer and a communications officer, and is led by the programme manager who has overall responsibility for the daily running of the Fund. The programme manager's time is split between LWT and GMEF. All staff members are funded from the GMEF budget.

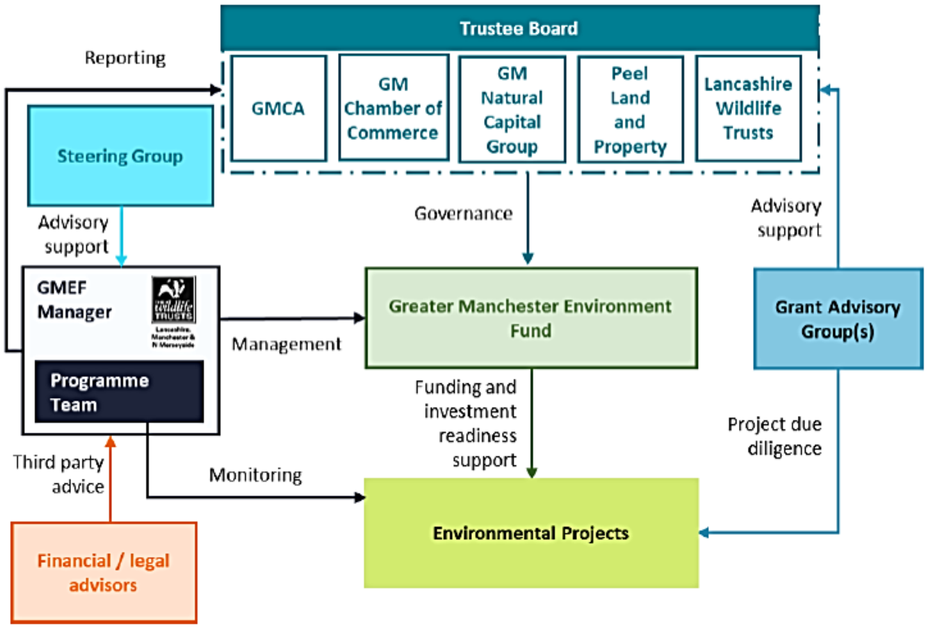
The size of the team matches the amount of funding currently received by GMEF. Although GMEF can currently run without subsidy, the interviewee from LWT noted that the current capacity limits growth; to develop GMEF further, more resource would be required to showcase the partnership's potential, on top of day-to-day grant management. Applications are currently being made to the National Lottery Heritage Fund and potentially the Esmée Fairbairn Foundation to secure funding for at least two extra staff.

Current running costs are covered by an admin fee applied to the funds. In the service level agreements between GMEF and the funder, the fee is presented as a percentage of the total fund. The fee is calculated by devising a work plan which outlines how much staffing is required to deliver the project and manage the fund.

A 2.2.3 Governance Structure

GMEF's proposed governance structure is summarised below in Figure 6.

Figure 6 Diagram of GMEF Governance Structure



Source: GMEF Briefing Paper Annex (2020).[25]

Key elements of GMEF's governance structure are outlined in further detail below:

- **Board of Trustees:** includes stakeholders with a range of knowledge and expertise. The Board has the ultimate responsibility for approving funding applications. The Board will monitor the Fund's progress and report quarterly to the GMCA and other partners;
- **Steering Group:** a wider collective of individuals/partners who oversee the delivery of the Fund and provide advice and direction on the growth of the Fund. The steering group includes representatives from Manchester Airport Group, Peel, United Utilities, Suez, GMCA, Natural England and the Environment Agency;
- **GMEF Programme Team (LWT):** four core team members. LWT is responsible for stakeholder engagement, outreach, direct liaison with strategic partners, project due diligence and managing funding agreements, monitoring projects and communication. The Programme Team produce reports for the relevant funds which go to GMCA and eventually the Mayor;
- **Assessment Panel:** a panel of assessors scores applications. They are independent and different for each fund based on their specific skillset or interest. For example, for the Green Spaces Fund, a representative from Natural England brings expertise in green infrastructure and a representative from a Manchester based university provides social expertise.

[25] https://democracy.greatermanchester-ca.gov.uk/documents/s9543/11%20GM%20Environment%20Fund%20Briefing%20Paper%20Annex.pdf

The selection criteria are devised in agreement with the funder and approved by the Board. A fortnightly task and finish group has also provided support to the process. Detailed guidance on how to score the application is provided to the panellists. The Programme Team are currently setting up an online grant management system which will streamline the process.

- **Advisors:** brought in as required to provide help and advice on project/application selection criteria.

A 2.2.4 Partnerships

The relationships between GMEF and different types of stakeholders are summarised below.

Figure 7 Summary of Stakeholder Relationships

Stakeholder	Relationship with GMEF/Example
Local authorities	A representative from Salford City Council sits on the GMEF advisory group. Local authorities can also feed into the Fund through the Natural Capital Group and the Green City Region Partnership which feeds into GMCA. GMEF reports back to the GM Natural Capital Group which feeds back to the Green City Region Partnership, then the Board of local authority leaders responsible for sustainable portfolios, which ultimately reports back to GMCA (who was an initial sponsor). The Director of the Environment at GMCA is a board member. Local Authorities are also engaged in project delivery as landowners.
Environment Agency & Natural England	Representatives from both sit on the GMEF Steering Group and the Natural Capital Group and have assisted on the assessment panel.
NGOs	The Lancashire Wildlife Trust manages the fund. GMEF has previously coordinated funding bids from multiple NGOs and has engaged with 11 local partners to secure funding to deliver the GM Local Nature Recovery Strategy through collaborative projects. The local partners included, among others, the Canal and River trust, Woodland Trust, Cheshire Wildlife Trust, Great Manchester Wetlands and the RSPB.
Landowners	Representatives from Peel Land and Property sit on the Board and the Steering Group.

Stakeholder	Relationship with GMEF/Example
Private Sector	The CEO of the GM Chamber of Commerce sits on the Board and representatives from United Utilities, SUEZ and the Manchester Airport Group sit on the Steering Group. In January 2020, GMCA contracted Finance Earth to support the development of an Investment Strategy and to create business cases for habitat banking and carbon offsetting investment models.
Community	LWT works on the ground with community groups. GMEF is engaged with the community through community focused funds such as the Green Spaces Fund and the SUEZ Recycle for GM Community Fund. For both these funds the Programme Team are looking at which communities to target and what the communities want. For the Green Spaces Fund, GMEF have appointed a consortium of organisations to help engage closely with community groups, enabling them to contribute ideas and shape where the funding is spent.

It was noted by the interviewee from LWT that the GMCA, Natural England and the Environment Agency have been key partners to date.

The relationship with project funders was described as transactional by one interviewee, but with the ambition to build relationships with funds. The relationships with landowners are governed by agreements rather than contracts. The agreement states what the landowner will do and for how long. Evidence of landowner permission is also often required by funders before projects can take place.

The payment schedule to landowners varies according to the type of project and partners involved. For instance, for the Green Spaces Fund, 50% of the fund is paid upfront because most of the work is delivered by community groups who do not have the resources to deliver and then recover the costs. Alternatively, the Green Recovery Challenge Fund (which ranged from £50k-£250k awards) was received by established partners who had cash reserves and could deliver the work then claim quarterly from GMEF who would in turn claim from the Recovery Fund.

A 2.2.5 Managing Risk

GMEF manages risk through a high-level risk register which is reviewed by the Board. The Programme Team meets fortnightly with GMCA and the chair of the Board to address those risks. There are also certain risks which might be taken to the Steering Group for support. Risks include:

- The continuation of the current grant programme, which relies on meeting given targets or conditions of the fund and demonstrating impact and value for money;

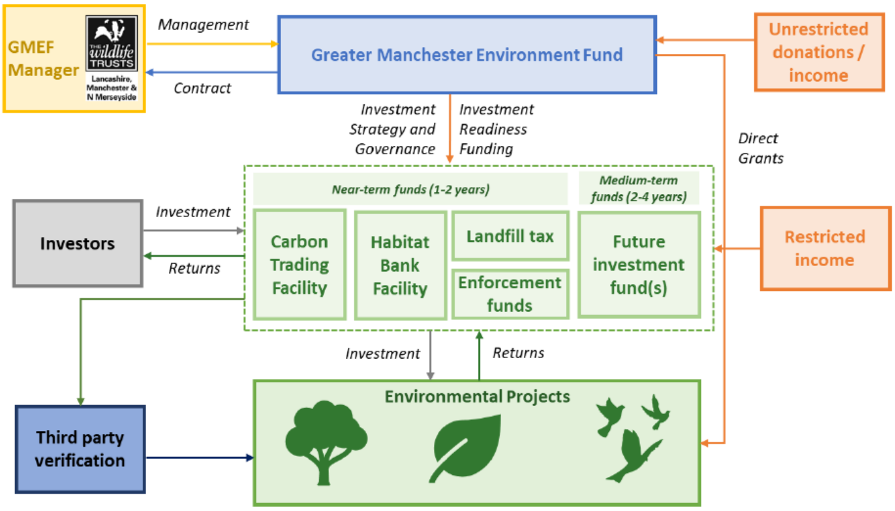
- Maintaining staff members to ensure there is no gap in delivery. This has been addressed in part by making the staff permanent rather than being on fixed term contracts, and by a fund-raising strategy to cover their time; and
- Awarding funding and delivering projects on time.

A 2.2.6 Funding

Blending Finance

GMEF has not yet delivered blended finance models, however this is something which they are looking in to. The ambition for the Fund in the long term is shown in Figure 8.

Figure 8 Diagram of GMEF Funding Ambition



Source: GMCA GM Environment Fund Update (2020).

As the above diagram shows, GMEF has set out near-term and medium-term funding opportunities. Restricted income covers grants and funds for specific outcomes as well as fines (enforcement funds) for pollution issued by the Environment Agency. Unrestricted, non-repayable funding includes public and philanthropic grants. The latter is used for strategic direct project support and creating specialist sub-funds. The carbon trading and habitat bank facilities are outlined in further detail in the following section (0).

Environmental Markets and Investment

At present, GMEF is still in the process of investigating how to best secure investment in environmental projects. The broad aim is to use investment to deliver projects, then to sell those units to developers and use those funds from developers to provide a return to investors. GMEF is starting to engage with corporates to build those relationships and to generate confidence in the products which the Fund proposes to sell.

Moreover, stakeholder engagement throughout 2020, identified likely demand for habitat banking and carbon mitigation facilities which GMEF is now progressing, supported by two grants from the Natural Environment Investment Readiness Fund. The proposed facilities are outlined below:

- **Habitat Bank Facility:** GMEF has proposed this facility in response to BNG policy and the emerging BNG market. The aim is to raise third-party finance which can be lent to habitat restoration projects within the city region. Local planning authorities would provide payments generated from developer contributions through S106, S41 or BNG. This finance would be repaid by habitat delivery agents from future cash flows from planning authorities. Repayments to the Habitat Bank Facility would enable a return to investors and cover the running costs.
- **Carbon Mitigation Facility:** the aim for the carbon mitigation facility is to provide funding for projects which restore habitat and sequester or reduce carbon emissions, such as peatland restoration and woodland creation. The facility would broker long-term carbon offtake agreements with corporates. Carbon credits would be verified by a third-party in line with recognised schemes such as the Peatland Code or verified according to a tailored to approach for Greater Manchester's habitats. The Facility would be responsible for selling the carbon credits. Alternatively, a revenue share agreement would allow the project agent to sell the credits and a portion of the revenue would be returned to the Facility which ultimately provides investors which a financial return. [26]

GMEF will test and develop these investment models further through a pilot investment scheme, for which the Fund is seeking a repayable grant of £175,000. The initial grant is intended to be recoverable and would support the design and implementation for the Habitat Bank and Carbon investment pilot. A pilot peatland restoration project at Chat Moss has already been identified to test the model for stacking BNG and carbon offsetting business models. The project will be developed and delivered through a partnership between Peel (who owns c.50% of the land area), Salford City Council, LWT, GMCA, GM Ecology Unit and Finance Earth. [27]

The interviewee from LWT noted that a current barrier to the pilot is ensuring that the land is acquired and that the organisation buying it is confident to take on the investment model. If not, the owner could set up a long-term lease with LWT who would take on the investment model on their behalf. It was noted that there are still lots of unknowns for landowners and that people are keen to see real life examples.

Other reported barriers to engaging with environmental markets were capacity and having the right people with the required skills on board.

A 2.2.7 Reflections

Respondents felt that the main immediate challenge is the financial sustainability of the Fund and its current capacity which will rely on increasing contributions from grants and other, non-grant

[26] https://gmenvfund.org/sites/default/files/2021-02/2020-12-18%20GMEF%20Investment%20Strategy%20with%20GMEF%20branding_0.pdf
[27] https://gmenvfund.org/sites/default/files/2021-02/2020-12-18%20GMEF%20Investment%20Strategy%20with%20GMEF%20branding_0.pdf

sources of funding and that national policy and regulation would be needed to support the development of markets for ecosystem services to create such opportunities locally.

The following advice was provided for those seeking to set up a similar entity:

1. Conduct a market analysis to identify how the entity will operate in relation to others already functioning in this space. This will help clarify where the value added/USP lies;
2. Set out an ambitious vision;
3. Ensure buy in and leadership to commit to the vision i.e., ensure there is ownership across the board and that support is available;
4. Make sure the group/organisation is a trusted entity;
5. Give businesses and investors the confidence to provide funding; and
6. Give yourself time to fully develop products and investment cases to become fully sustainably funded.

A 2.3 River Ribble

A 2.3.1 Purpose and Function

The purpose of the Ribble Catchment Project is to develop an institutional model to support stacking and bundling of ecosystem services to increase resources to deliver ecological regeneration. The project builds on extensive previous work by the Ribble Rivers Trust with farmer groups and funders and looks to increase the scale of action by using innovative institutional design to build transparency, credibility and trust. The institutional model will use co-operative law to formalise multi-party, adaptable agreements between ecosystem deliverers such as farmers, landowners and tenants, system beneficiaries such as water companies and other stakeholders. The project will look for ecological regeneration opportunities using holistic catchment interventions to deliver improved ecosystem services while looking for synergies with ecosystem product delivery e.g., net biodiversity gain and carbon credits. The project is currently in the development phase and will look to develop an agreed institutional model to agree funding from beneficiaries and raise finance in 2023.

A 2.3.2 Development of Legal Form

The legal form of River Ribble is still in development, but agreements formalised in a co-operative are likely to be preferred to contracts or grant agreements, where external institutional arrangements make this possible. Once the legal form is in place, stakeholders can become members and elect board members with the potential for different types of members to elect their own board members.

Rationale

A multi-stakeholder co-operative structure is preferred as this enables better risk management as it allows for adaptation and change within an ongoing long-term relationship involving multiple parties. Stacking benefits is simpler in co-operative law, with multiple parties committing to one agreement, facilitating transparency and the stacking of services, and so increasing the ability to upscale and mainstream quickly. A co-operative structure also allows multiple types of members, for example farming, community and expert members. Rules on decision making can reflect different types of members, with different member types party to different decisions.

Background and Evolution

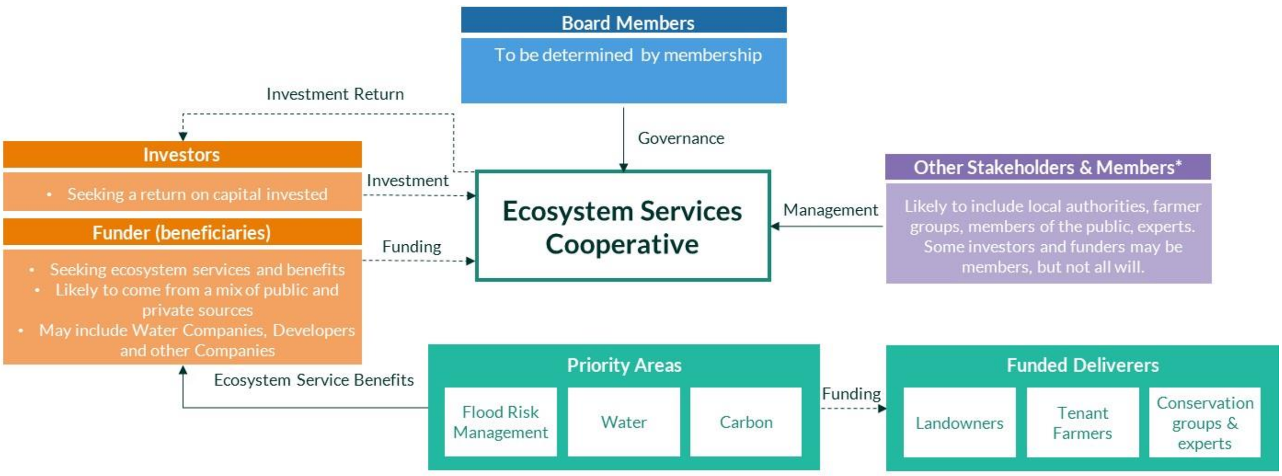
The River Ribble project is its early stages, but it is expected that the purpose and function will evolve over time. The development of the co-operative and projects delivering for all members will help build social capital between co-operative members and assist the development of other projects that depend on collective action, such as purchasing inputs, collective funding or collaborating to access funding from environmental land management schemes.

A 2.3.3 Governance Structure

The potential structure of the River Ribble co-operative is illustrated below in **Figure 9**. Investors and funders could be co-operative members, however not all will. It is anticipated that investors and funders that prefer a transactional relationship purchasing products such as net biodiversity will probably not be members, whereas as investors and funders that have an interest in the holistic ecosystem benefits of the specific local area and establishing a long-term relationship are more likely to be co-operative members.

It is important to note that all different interested parties can be members. The members will elect a board with a focus on ensuring the board provides a balanced representation of different stakeholders.

Figure 9 Diagram of River Ribble governance structure



*membership of the Coop is open to all interested parties, including investors, funders, deliverers and other stakeholders

A 2.3.4 Funding

Blending Finance

It is anticipated that core funders will be organisations with a connection to the local area that are interested in a long-term relationship as members of the River Ribble co-operative. The co-operative structure is well suited to blending finance and enabling the stacking of benefits and ecosystem services. A co-operative can enable multiple parties to collaborate, fund and work together for agreed outcomes in a transparent and mutually beneficial way, without the complexity of multiple contracts. An example could be a water utility company being a member of a co-operative to improve water quality, alongside other beneficiaries looking for outcomes such as biodiversity and carbon sequestration.

An intervention such as river side reforestation could provide biodiversity, carbon, water quality and flood risk benefits, with co-operative beneficiary members minimising their costs by funding these outcomes together. Where prices are not clearly set by a market, which is the case for bundled benefits, and there are multiple beneficiaries from interventions a multi-stakeholder co-operative has the advantage of enabling funders to be transparent in how services are funded, who receives benefits and acknowledge where contributions are more determined by capacity to pay than a market price or calculation of ecosystem service benefits. The co-operative will facilitate payments to providers and transparency and mutual agreement between parties will be key. This will also be available to beneficiaries, who are the receivers of the ecosystem service.

Environmental Markets

When engaging with environmental markets the co-operative could seek to work with an environment bank or other intermediaries. The cooperative models allow for funding to be agreed between members and for the coop to engage in markets where they are established. In effect member beneficiaries can receive benefits for free where ecosystem products are sold in single benefit markets. So, for instance woodland along rivers could be fully funded as ecosystem products either by net biodiversity gain or carbon sequestration while also potentially providing water quality, water resilience and flood risk management services for free to beneficiary members of the coop. It is hoped that such beneficiaries might be willing in return to assist with modelling and monitoring to improve evidence to quantify such benefits allowing them to be more easily monetised in the future.

A 2.3.5 Reflections

This project is still in the incubation phase, so it has yet to be successful to blend finance; however initial public and private sector interest is promising, and the institutional model provides potential for transparent and credible stacking and bundling. The project developers felt this model provides more transparent stacking and bundling when compared to other models.

A 2.4 Water Resources East

A 2.4.1 Purpose and Function

Water Resources East (WRE) was set up in 2014 by Anglian Water due to the scarcity of water in Eastern England and the vulnerability of the area to severe weather events, with the aim of developing a collaborative approach to water resource management. WRE is an independent membership organisation with over 180 members from a wide range of organisations. It has two tiers of membership and other groups to help run the organisation.

A 2.4.2 Development of Legal Form

WRE became a company limited by guarantee in 2019 and does not have charitable status.

Rationale

WRE looked into becoming a CIC before deciding on becoming a company limited by guarantee. This was because a CIC is a for-profit company, and WRE, as an independent organisation, wanted to:

- Raise money
- Have Articles of Association
- Set up bank accounts
- Have control over how spending and funding works

Background and Evolution

The organisation grew out of a loose collaboration and partnership between various organisations. In 2019, the Articles of Association were formalised, the Board and funding model was set up and WRE was established as a not-for-profit company limited by guarantee. WRE also appointed a new independent chair soon after the Articles were agreed.

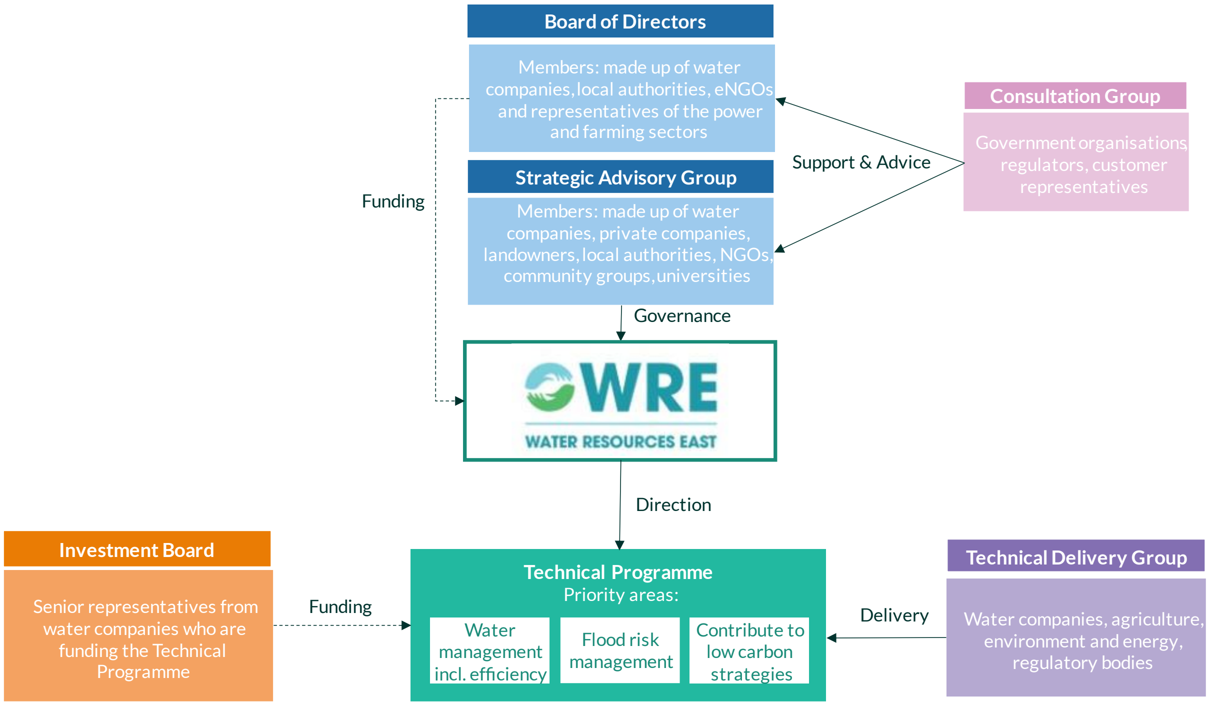
Running Costs and Resources

There are seven staff currently working for WRE, a mixture of directly employed staff and staff on secondment from Anglian Water. The running costs are covered by the Primary Funding Members (explained in more detail in Section A 2.4.5).

A 2.4.3 Governance Structure

The WRE governance structure is summarised in Figure 10.

Figure 10: Diagram of the WRE Governance Structure



Key elements of WRE's governance structure are outlined below:

- The **Board of Directors** is made up of Primary Funding Members who collectively fund WRE's activities, with an independent chair. They must financially contribute a minimum of 3% of the day-to-day running costs of the organisation, or, alternatively, an equivalent contribution. For example, this could be a support service that reduces day-to-day costs. The Board is multi-sector. The duties of the Board include:
  - Setting the overall strategy and vision
  - Approval of the budget, business plan, resources for the delivery of key workstreams and applications from Standard Members
  - Appointment of the Chairperson, Managing Director, sub-committees and specific working groups
- The **Strategic Advisory Group** is the second tier of membership, made up of Standard Members. The Group will support the Board to make informed decisions and co-create the Regional Plan. All members, whether they are part of the Board or the Strategic Advisory Group and irrespective of financial or other contribution, are entitled to a vote. Individual members of the Group will provide specific advice on their specialist areas.
- The **Consultation Group** exists as some entities cannot become official members of the organisation, for example, government bodies and regulators. However, as their views and specialist knowledge are important to the organisation, these entities can be represented in the Consultation Group. They do not have formal voting rights but support in decision-making.

- The **Technical Delivery Group** ensures the delivery of the Technical Programme and will make recommendations to the Investment Board.
- The **Investment Board** is formed of senior representatives from organisations who are funding the Technical Programme and makes decisions on which projects to invest in. They provide assurance to the Board of Directors that funds are available in each organisation.
- The **Audit and Risk Committee** signs off the annual accounts and approves budgets and contracts up to a certain threshold. If the project is over £150,000, the project gets approved by the Board of Directors.

A 2.4.4 Partnerships

Table 14: Summary of Stakeholder Relationships

Stakeholder	Relationship with WRE/Example
Local authorities	Representatives sit on the board.
Environment Agency, Forestry Commission & Natural England	The EA and NE are in the consultation group but are not formal members with voting rights.
NGOs	Representatives are members.
Landowners	Representatives are members
Private Sector	Representatives from energy companies, water companies and breweries are members.
Community	Community groups are involved as members of the partnerships through river groups. Individual members of the public are also members.
Other	

Managing Risk

Funder Risk

The Principal Funding Members are responsible for meeting their share of WRE's core costs and the liability rests with the membership to the degree of £1. Therefore, the members are on the hook for a low amount, and this manages risk.

A 2.4.5 Funding

WRE wanted to attract funding beyond the water companies and be seen as an independent entity, hence why they set up at a company. The Technical Programme is funded by the water companies with the amount being agreed on a rolling basis.

Blending Finance

When it comes to individual projects, WRE is seeking funding from multiple sources but is currently funded by the water companies. This makes it hard to justify spending money on work that benefits individual farm businesses. Trying to seek funding from other sources is a continuing challenge for WRE.

One of WRE's projects – Water for Tomorrow – has funding from the EU through Interreg. This has strict evidential requirements, audit trails and procurement processes. Funds are managed on a project-by-project basis to mitigate budget rules such as how and when money can be spent.

Environmental Markets

The interaction with environmental markets mainly occurs through the Norfolk Water Strategy Programme, which is one of WRE's flagship projects. It has a slightly different governance structure to the main body with its own Steering Group (made up of primarily funders but also people with wider interests). Part of the objective is to set up a stand-alone Water Fund to bring in different sources of income for investing in nature-based projects in Norfolk. Potentially, one of these sources of income could be carbon offsets such as credits under the Peatland Code or money that water companies or other business provide to the Fund to meet ESG requirements or commitments to net-zero.

Investments and Loans

The organisation has not made any investments or taken out any loans.

A 2.4.6 Reflections

WRE has had some notable achievements, including getting organisations from many different sectors to work together and developing the Regional Plan which will be published in November. Furthermore, getting the Norfolk Water Strategy Programme set up in order to secure more funding. The challenges WRE has experienced include recruiting, which is hard for a small non-profit and they have struggled with a shortage of skills.

The legal form was good for the Articles of Association but in order to change these, 75% of the members need to agree. This can cause issues as things written in good faith can become restrictive, inflexible and hard to change later down the line.

A 2.5 Energise Barnsley

A 2.5.1 Purpose and Function

Energise Barnsley installs low carbon technologies for the benefit of the community in Barnsley. Its aims include supporting the local authority, community and voluntary organisations to produce energy and be more energy efficient, with the explicit social objectives of addressing fuel poverty and strengthening the community alongside tackling climate change. Energise Barnsley was set up by Gen Community Ventures, which is now the management company employed to manage assets and develop projects. Key partners for Energise Barnsley include Barnsley Metropolitan Council which owns many of the buildings on which the solar is deployed and British Gas which has designed and installed many of the solar PV systems.

The initial project installed solar PV on 321 council owned homes, of which 75% were bungalows with elderly tenants. In addition to solar PV, homes were installed with energy monitors to enable tenants to prioritise energy use when the solar panels were generating energy. As of spring 2021 5,513MWhs of electricity has been produced, saving residents £278,844 and reducing carbon emissions by 2,922 tonnes. Energise Barnsley generates revenue by selling surplus electricity to the grid, while building occupiers save money through using the electricity generated by solar PV without cost. Subsequent to this Energise Barnsley has continued to develop and deploy low carbon technology across Barnsley, for example installing smart batteries and working with BEIS (Department for Business, Energy & Industrial Strategy) and other partners to develop demand side response technology which will enable flexibility in the local grid and to shift demand from peak times.

In addition to the social and environmental impacts of generating low carbon electricity, the Barnsley Solar Bond community fund supports projects that benefit the community, such as cooking courses, replacing playground equipment and providing funding the Community First Credit Union in Barnsley. Payments into this Fund are made from the revenue of selling electricity to the grid. The CBS Board and its members decide how much of the revenue is to be paid into the Fund on an annual basis.

A 2.5.2 Development of Legal Form

Energise Barnsley is a Community Benefit Energy Society registered in July 2016, with Barnsley Metropolitan Borough Council the custodian trustee.

Rationale

A community benefits structure was chosen for the following reasons:

- A co-operative structure was considered, but the FCA (Financial Conduct Authority) had stopped registering energy co-operatives on the grounds that energy co-operatives sell electricity to the National Grid rather than members, and in 2015 DECC recommended that community benefit societies could be more appropriate for community energy groups;

- The community benefits society structure enabled profits to be invested in activities that benefit the community, rather than society members;
- The focus on community benefit allowed Energise Barnsley to create a clear link with the local community and enable buy in.

Background and Evolution

The decision for Energise Barnsley to be a community benefit society was taken by Gen Community Ventures in partnership with Barnsley Metropolitan Borough Council when discussing Energise Barnsley's objectives, and the need to scale low carbon technologies and share the benefits of low carbon energy production. The governance structure of Energise Barnsley has been strengthened since it was initially set up to solidify the partnership with the local authority and to provide additional confidence as Energise Barnsley takes on larger projects. This includes updates to the management agreement with Gen Community Ventures, increasing the independence of the board and making sure that clear procedures are in place for any concerns such as potential conflicts of interest.

Running Costs and Resources

Energise Barnsley has no employees, which is a consequence of its establishment, with the main partner organisation and custodian trustee Barnsley Metropolitan Borough Council making no provision for employees at the time, although this may change in the future. As Energise Barnsley operates for the benefit of the local community and delivers social and environmental goods it has been able to attract volunteers to provide support. Gen Community Ventures is contracted as an arm's length management company which provides asset management and secretarial services. Gen Community Ventures also undertakes a wider range of activities to support the society, which go beyond the core services that it is employed to delivery and for which it is not directly compensated. Resources required to run Energise Barnsley include legal and financial advice as well administrative services such as minutes.

Projects are proposed and delivered by the management company, with delivery taking place often in partnership with other organisations, which have included British Gas, Northern Grid, Berneslai Homes, Age UK Barnsley and BEIS. This approach has been favoured rather than utilising consultants or placing all projects out to tender to make best use of relatively small income streams and reduce costs.

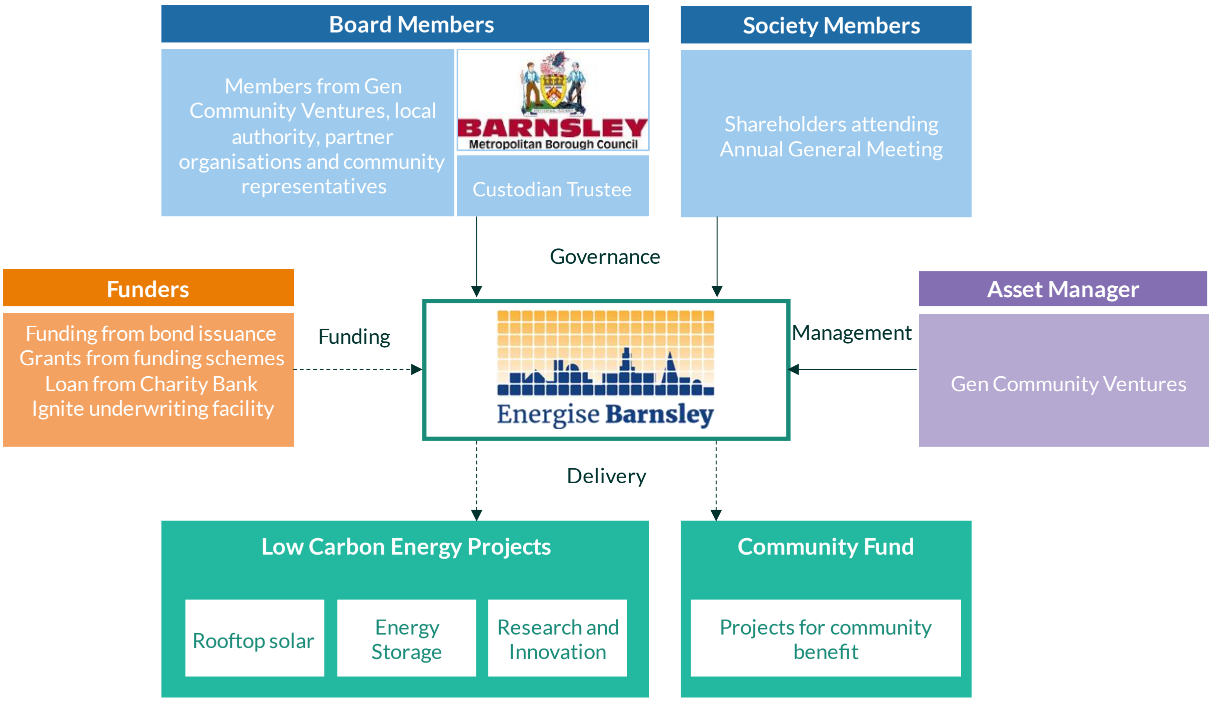
A 2.5.3 Governance Structure

The Energise Barnsley governance structure is summarised in Figure 11.

Society rules are set out in the registration document (available online on the mutuals public register site) and through the management agreement with Gen Community Ventures which sets out the terms and conditions between the asset manager and board members. The board meets quarterly and there is an annual general meeting of shareholders. The board includes Barnsley Metropolitan Borough Council as the custodian trustee as well as representative of Gen Community Venture, independent community representatives and past members of the council with local connections. Decisions are made by consensus, usually on proposals put forward by the management company on new projects and the delivery of projects with the custodian trustee board member having a veto.

Society members hold a £1 share in Energise Barnsley, which entitles members to a vote at the AGM, but not to equity in the organisation. Funds are raised through issuing bonds, although bond holders do not have a vote.

Figure 11: Diagram of Energise Barnsley Governance Structure



A 2.5.4 Partnerships

Energise Barnsley partners with a range of local companies and organisations on different projects, which has included British Gas, Northern PowerGrid, Moixa and Berneslai Homes. The community is involved as shareholding members, local investors in bonds, board representatives and beneficiaries of Energise Barnsley's through reduced bills and financial returns from investments. The community fund is used to provide a range of social benefits, which has included funding work delivered by the Community First Credit Union. Community fund projects are decided at the AGM, with groups able to apply for funding and guidance from the local authority on priorities.

Table 15: Summary of Stakeholder Relationships

Stakeholder	Relationship with Energise Barnsley
Local authority	Custodian trustee of Energise Barnsley with board membership
Gen Community Ventures	Asset management company with board membership
Independent members (local community/ex councillors)	Board membership
Shareholders	Able to vote at AGM
Bond holders	Support through investment, with around 40% of investors from local area
Community	Represented through board, shareholders and local authority. Direct beneficiary through Energise Barnsley activities and community fund.
Delivery partners (British Gas, Northern PowerGrid etc)	Work with Energise Barnsley and Gen Community Ventures to deliver projects

Managing Risk

Funder Risk

Bond holders take on a degree of risk as they depend on Energise Barnsley being able to fulfil its financial obligations. Bonds issued by Energise Barnsley are unregulated, which means that if Energise Barnsley is unable to meet its financial obligations bond holders cannot access the Financial Services Compensation Scheme.

Delivery Risk

Delivery risk is managed on a project-by-project basis between partners, with insurance in place to mitigate delivery risk and risk to Energise Barnsley and its partners.

A 2.5.5 Funding

Energise Barnsley is currently financed through a £1.75 million community solar bond issued in 2021, having repaid initial investment from Barnsley Metropolitan Borough Council in 2013 and

£2 million raised through an £800,000 issue of a ‘Barnsley Solar Bond’ (of which 60% of investors were local to the area) and a £1.2 million loan from the Charity Bank. The loan from the Charity Bank was facilitated by the social and environmental objectives of Energise Barnsley. Energise Barnsley also received support from the Ignite impact investment fund, which provided a £2 million underwriting facility.

A 2.5.6 Blending Finance

Operating as a community benefit society has enabled finance to be raised from a number of sources, including local residents, social and environmental investors and online platforms. Energise Barnsley issues bonds which provide a return to investors. These bonds provide a financial return and are registered with the FCA but are not regulated by them. The social and environmental benefits of projects are emphasised in bond offers and are able to attract additional funding, such as a commitment from CO2 Sense to provide £100,000 in match funding in the most recent bond issue. Over time Energise Barnsley has been able to build relationships with bondholders, with £876,400 of investment rolling over into the most recent bond issue. There are some limitations to finance raised through bonds, for example using the bonds for the purpose described in the bond offer and not using these funds to ‘cross pollinate’ other projects.

In addition to finance through loans and bonds Energise Barnsley has also applied for and received grant funding (such as the Energy Redress Fund), although at times this has been challenging as Energise Barnsley do not always fit with what grant organisations are looking for. Energise Barnsley has recent success with funds made available by Ofgem for renewable energy projects.

Attracting investment from different sources can create challenges, such as increasing reporting requirements but can lend credibility. The initial investment from the Charity Bank signalled that appropriate due diligence had been carried out on the project and was useful in attracting further investment. Energise Barnsley has an ethics policy in terms of who it will accept funding from, and this is an aspect of governance that is being strengthened to be consistent with what a local authority would expect of a partner organisation.

Environmental Markets

Energise Barnsley does not engage with environmental markets at present.

Investments and Loans

Energise Barnsley has been funded through bond issues and took out a £1.2 million loan with the charity bank.

A 2.5.7 Reflections

Energise Barnsley has taken significant steps to ensure that local community are involved and benefit from its work. These include beginning work ‘at risk’ and installing assets on local authority rooftop to demonstrate commitment to the local community, encouraging local investment through postcode preference.

Energise Barnsley has successfully repaid the finance it initially received while meeting its social and environmental objectives and secured new funding through further issue of bonds. It continues to deliver projects and is increasing in scale, with a project to deliver 1,000 new solar energy systems across Barnsley. A small frustration is the cost of 3rd party technical reports on projects which can be required for due diligence by lenders, as these are expensive without adding value to the project and reduce the surplus that can be retained for the community.

The community benefits structure has proved resilient and contributed to organisational longevity by providing clear aims and objectives that have helped the organisation develop and maintain its focus as some of the initial people involved, who had lots of expertise, have moved on.

A 2.6 Revere

A 2.6.1 Purpose and Function

Revere is a collaboration that designs and delivers nature restoration projects across UK national parks. These nature restoration projects are designed to attract investment private and public sources and generate revenues by selling ecosystem services. The two organisations that make up Revere are NPP (National Parks Partnerships) and Palladium.

NPP is a limited liability partnership that manages commercial and philanthropic partnerships, at the UK level, for the UK's 15 national parks which together cover about 10% of UK land. The Palladium Group works to achieve 'Positive Impact', where social and environmental benefits are achieved alongside commercial objectives and has extensive experience developing nature-based solutions that restore nature, provide economic and social benefits for local communities and offer opportunities for companies to fund ecosystem services. The partnership arose from NPP's ambition to access high levels of private funding to restore nature on a large scale within the National Parks and Palladium's experience of doing this in other countries and desire to enter the UK market.

Revere launched publicly in October 2021 after 10 months of development and is currently focused on research and development to test different financial models for delivering nature restoration and understand what the UK market will support. NPP (and the National Parks, through them) work as co-project developers and deliverers, with Palladium bringing their understanding of large scale and the impact investment space along with back of house project teams. National Parks provide ecological and project expertise as well as relationships with landowners and local authorities.

The ultimate aim of the Revere partnership is to restore large areas of nature in national park designated areas and contiguous land and provide wider benefits of biodiversity, water quality, social inclusion, tourism and job creation. They wish to raise £240 million by 2030 from private investment based on a model that enables existing landowners and managers to deliver ecosystem services through land restoration. Carbon is the lead viable ecosystem service at this point as this is the most mature environmental market with Revere carbon projects registered with the woodland and peatland codes. Some pilot projects have looked at combining and stacking ecosystem services. Revere's Innovation Portfolio seeks to fund projects that are testing more nascent but equally important ecosystem services (water, soil, BNG, nitrates).

The current research and development phase will develop financial models that fund nature restoration and provide a modest return for landowners, the National Parks and Palladium. The objective is to develop a pipeline of projects. Capital from the from the impact investment market will be used to deliver the projects and register carbon credits which can then sold to buyers which will fund the nature restoration and enable landowners and investors to be paid. The likely buyers are large corporations that meet the Revere Ethics Charter who wish to purchase an assured pipeline of UK carbon credits, for which there is strong demand and, at present, insufficient supply.

The Revere Ethics Charter, co-developed by NPP and Palladium, sets out suitable partners for Revere Projects, and excludes oil and gas companies as well as organisations that do not have credible net zero plans and are seeking to fund ecosystem services in order to continue pursuing business as usual. There is also due diligence carried out on an organisation’s broader activities, such as support for human rights.

A 2.6.2 Development of Legal Form

Revere is not a separate entity, but is the name given the partnership between Palladium and NPP. A light touch memorandum of understanding (MOU) was used at the beginning of the partnership to outline overall ambitions, revenue sharing, and budgeting for individual projects, as well as to provide clarity on roles.

Background and Evolution

The partnership began when the NPP developed a portfolio of 20 nature restoration projects across the national parks and began to look for commercial partners to mobilise funding for these projects. As part of this process NPP appreciated they had a knowledge and capacity gap to deliver the level of investment required and develop viable financial models. Palladium’s experience of managing nature-based solution projects in developing countries filled this gap, and they recognised that NPP would be a valuable partner to collaborate with and enter the UK market for ecosystem services.

Running Costs and Resources

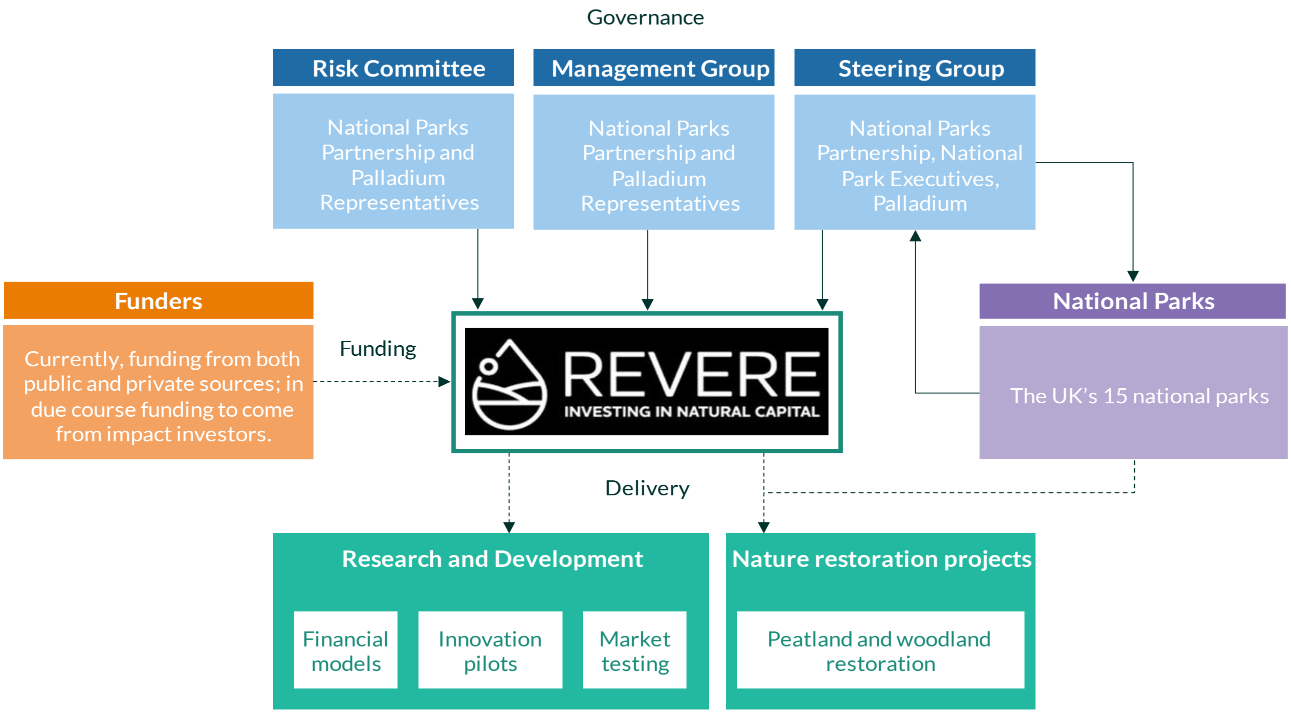
The Revere partnership has grown over time, with greater numbers of people involved. At present NPP has around 2.5 staff involved in Revere, while Palladium has around 13, although not all staff work exclusively on Revere projects. A range of roles are required to run Revere, including project managers with environmental knowledge, project associates, technical experts, partnership management, contracts and compliance management, communications and knowledge management, and business development roles.

A 2.6.3 Governance Structure

The principal decision-making mechanism is the Revere management group which agrees overall strategy, operational decisions, resourcing, budgets and selects projects and includes personnel from NPP and Palladium. A Working Group draws in expertise and insight from the wider National Parks family and considers strategic options. A risk committee meets monthly with a risk register jointly run by NPP and Palladium. At present projects are identified by NPP and Palladium or come from the National Parks themselves and then decisions are made on these projects by NPP, Palladium and the National Park in which the project is based.

The Revere governance structure is summarised in Figure 12.

Figure 12: Diagram of Revere Governance Structure



A 2.6.4 Partnerships

The Revere partnership itself involves Palladium, NPP and the individual National Parks however a much larger range of partners are involved across local projects. Partners includes landowners, local delivery partners, local organisations (such as local wildlife trusts or where an AONB is contiguous with where the project is taking place), the Forestry Commission, NGOs and local communities. Revere does not work with corporate landowners, with a principle to support existing landowners and managers to explore their options. There has been a tendency to work with larger owners on pilot projects as this can simplify projects and streamline decision making, although some projects have worked with small holder farmers to learn how to deliver viable projects with groups of landowners that stack services and create shared benefits. In future there will be more focus on working with groups of landowners and managers, to enable these groups to access impact investment capital or nature restoration and to increase the scale at which Revere can operate and the amount of land that can be restored. Local community involvement takes place on an individual project basis, and involvement can come through meetings, consultation and engagement through the relevant National Park. Individual projects include different arrangements for communities, with one example of a project that included funding for a community trust.

Partnership across public, private and third sectors is crucial and reflects that most land and nature in the UK is managed through collaborations. Collaboration is essential, but Revere has taken an approach which prioritises progress over working with every potential partner and potentially slowing progress, preferring to demonstrate their approach to nature restoration and sharing this learning with the wider sector.

Table 16: Summary of Stakeholder Relationships

Stakeholder	Relationship with Revere
Palladium	One of two organisations delivering Revere services, providing expertise on impact investment, financial modelling, as well as project development and management.
National Parks Partnership (NPP)	One of two organisations delivering Revere services, bringing local and ecological expertise as well as relationships with key project stakeholders.
National Parks (individual)	The group of 15 National Parks represented by the NPP that deliver projects in partnership with Palladium and have representatives on the steering group.
Landowners	The majority of land within the national parks is privately owned and delivering nature restoration projects requires the involvement of landowners and developing a legal agreement that sets out project objectives and the sharing of benefits and risks.
Funders (mix of public and private funders)	Funders provide capital to support project and enter into legal agreements to support projects for agreed outcomes

Local communities	Brought into projects through relationships with the National Park, the landowner and consultation conducted by Revere
Impact investors	This group is intended to provide finance for nature-based solutions projects for an agreed return
Ecosystem service buyers	Likely to be large companies that meet the Revere Ethics Charter and wish to purchase large amounts of high integrity UK based ecosystem services

Managing Risk

Funder Risk

Risk is shared through individual contracts for projects.

Delivery Risk

Risks and benefits are shared when delivering projects through individual contracts which define roles and responsibilities. The parties in these contracts are usually Palladium and the particular National Park delivering the project, rather than NPP.

A 2.6.5 Funding

The core partnership is supported by Palladium and NPP giving their time pro-bono to the development of the Revere collaboration. To date, projects have been funded directly by public and private sector organisations, with income used to cover resources for delivering projects rather than generate a commercial return. Palladium and NPP time is costed and added to projects to support full cost recovery and a minimal profit. The longer-term objective is to sell ecosystem services in environmental markets and achieve a modest commercial return for doing so, alongside the positive environmental and social impacts. There is an ethics charter, co-developed by NPP and Palladium which sets out criteria linked to their environmental and social performance that all partners must meet.

At present relationships with funders are transactional and similar to funding received from grants. Individual projects are funded from public or private sector sources, with projects delivered and outcomes reported to the funder, with promotion and collaboration where appropriate to meet funder needs. Revere aims to move away from this direct funding relationship and instead design larger project portfolios sequestering carbon in woodland and peatland which can be funded at scale. Finance for the projects will be obtained from the impact investment sector, with UK carbon credits and/or other ecosystem services then sold to large corporations. This funding structure will enable Revere to develop projects across the National Parks and find suitable buyers for ecosystem services at scale rather than requiring each individual project be directly funded by a particular organisation.

Blending Finance

Projects that blend finance from multiple sources have not yet been developed, although the objective is to develop a pipeline of projects that they can attract impact investors and blend finance. Individual projects have been funded from a range of sources which include private sector funders such as Santander, Estée Lauder, Capita and Southern Co-op as well as public funding from the National Lottery Heritage Fund and DEFRA.

Payments

All Revere projects to date, bar one, have been pilots and have not involved the selling of ecosystem services, therefore landowners are not yet receiving payments. Once projects that sell ecosystem services are set up, payments to all actors within the project, the vast majority of which will be to landowners, will be managed by bespoke agreements for each project.

Environmental Markets

Currently one project is registered with the Peatland Carbon Code and carbon credits will be placed on the Peatland Code Registry.

Investments and Loans

The primary investment to date has been from Palladium, which has created a team from across the organisation and provided a mix of pro bono and not for profit support in order to work alongside NPP and the National Parks to develop economic models to support nature restoration. Work to set up the collaboration and subsequent work on pilot projects has been provided pro bono, unless a funding bid allows for Palladium or NPP time to be covered. When Palladium or NPP time is covered by a bid this is provided on a non-profit basis, with full cost recovery and marginal profit generated. This is used to help bring in more resources and scale operations.

A 2.6.6 Reflections

The Revere project is still in the research and development phase, however progress has been rapid with 14 live projects with a Scottish peatland restoration project breaking ground. The expectation is that large scale nature restoration will begin in year three.

The initial collaboration between NPP and Palladium has been essential to enable time and space to collaborate and test things, rather than immediately locking into a formal entity. This has enabled significant learning and the development of a partnership that works for all parties involved.

The ecosystem services space is challenging, with the market and policy landscape rapidly developing. Commercial opportunities can be challenging, especially as they are dependent on the individual needs and requirements of landowners and land managers. Contracts can be very complex, taking into account the particular situation and the long-term delivery (often over a thirty-year period). As a result, significant legal and financial expertise is required to put these contracts in place and more learning needs to be done on how best to manage relationships for the long term.

A 2.7 Natural Course

Natural Course is an EU Life funded project, which brings together five organisations from the public, private and third sector, which work to overcome barriers to achieving 'good ecological status' under the ER Water Framework Directive in the North West River Basin district. The project will run for around eight and half years from (December 2015 to March 2024) and the five organisations are Environment Agency, Greater Manchester Combined Authority (GMCA), Natural England, the Rivers Trust and United Utilities.

The North West River Basin District covers an area of around 13,200 km2 with a mixture of landscapes. It is primarily rural, but also includes urban areas (Liverpool and Manchester), the Lake District and the Lancashire coastline. The North West River Basin has a range of issues that influence ecological status, including water quality, heavily modified water bodies, industrial heritage, agricultural impacts and diffuse pollution from big urban areas. This makes it an ideal setting to look for solutions to improve the ecological status of the water which can then be scaled up or transferred to other settings.

A 2.7.1 Purpose and Function

The aims of the partnership were to identify and overcome barriers to meeting good ecological status through partnership, help create new ways of making decisions and to mobilise more funds for investment in the water environment so that the most challenging issues can be tackled. It does this through identifying barriers to collaboration, enabling collaboration and developing solutions to deliver good ecological status in the North West River Basin. The delivery of Natural Course projects increases the capacity of organisations to improve water quality, increases available funding and improves the effectiveness of spend through projects delivering multiple benefits valued by different stakeholder groups.

Natural Course will deliver €20 million in funding over the project lifetime, with €12 million from the EU and €8 million from the five partner organisations. Between 20 and 35 projects are delivered over each phase of two and half years, with the grant providing 60% of funding for those projects at the end of the two- and half-year period.

A 2.7.2 Development of Legal Form

The legally blinding grant agreement with the EU Life Programme is the core legal form, with any changes to the legal form made by agreement or requests for amendment. The legal form is different to a normal partnership agreement and has limitations, such as it not being possible to transfer money between beneficiaries when it would simplify delivery. Where this is necessary alternative, and sometimes complex, legal agreements have been put in place to enable this to happen such as putting work between potential partners up for tender. The added complexity is a result of the grant agreement and the EU rules that govern the agreement.

Rationale

The grant agreement was entered into in order to access the grant.

Background and Evolution

The Natural Course grant agreement from the EU Life Programme took around two years to secure, with most of the application completed by the Environment Agency and the Rivers Trust, with input from the other organisations.

Running Costs and Resources

The Collaborative Team is made up of one representative from each of the five key organisations as well as additional support staff from those organisations. The PMO has four members of staff, and the Steering Group includes representatives from all five organisations, although only a small portion of their time is allocated to the steering group.

A 2.7.3 Governance Structure

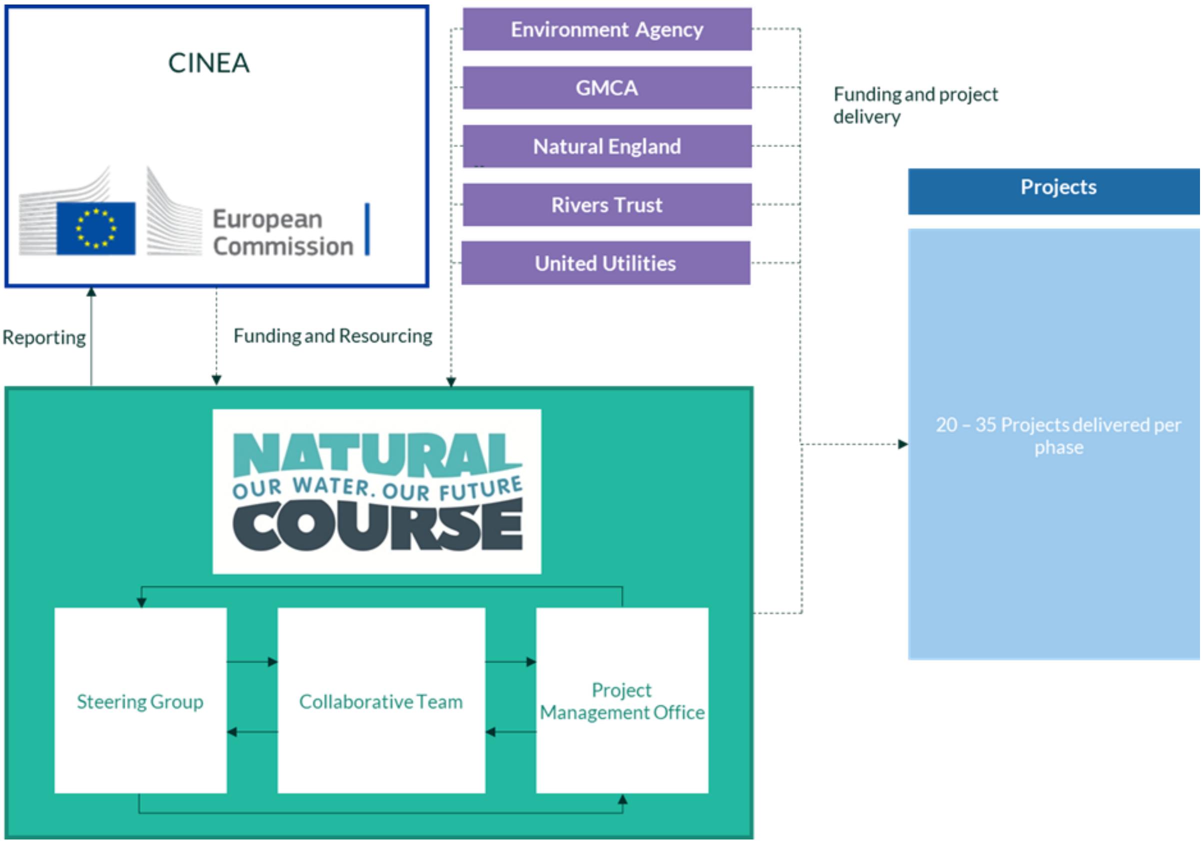
Natural Course has an executive Steering Group which includes key project sponsors and high-level managers from the five partner organisations. Sitting under this are the Project Management Office (PMO) and the Collaborative Team. The governance structure is illustrated in Figure 13. The PMO has responsibility for overall programme management, including managing finances, collating results, quality reviews and the delivery of final reports to the EU bodies. The Collaborative Team has representatives from the five key organisations who work together to deliver the Natural Course Programme and ensures that the programme is co-designed, co-funded and co-delivered in partnership. The Collaborative Team is where most of the technical expertise sits, and it plays a key role in bringing that expertise together and providing guidance to the steering group. Decisions are made through deliberation and consensus.

The Collaborative Team feeds into the PMO with project results, interim reports and cost statements as well as providing guidance to the Steering Group. The Collaborative Team also seek other sources of funding for projects and produce final reports for the European Climate, Environment and Infrastructure Executive Agency (CINEA). Responsibility for delivery sits with the collaborative team, however some projects are delivered by individual project teams.

The Collaborative Team and its role was not set out in the legal form but is the result of decisions made between partnership organisations on how best to work together. The Greater Manchester partnership has its own steering group and makes sure that Natural Course works in the Greater Manchester area.

Each two- and half-year project phase begins with the Collaborative Team developing a set of projects that fit the available budget and meet Natural Course objectives. These are then shared with the PMO and Steering Group for input and approval from the Steering Group. The structure has developed over time, with the Collaborative Team taking on more of a leadership role.

Figure 13: Diagram of Natural Course Governance Structure



A 2.7.4 Partnerships

The key partnership is between the five core organisations, with more limited involvement from outside organisations. The Greater Manchester Natural Course partnership tended to have the most involvement with outside organisations, in particular local authorities. Although there is no consistent set of project partners, catchment partnerships, universities and community forests have all been involved in project delivery. Communities have been engaged with on a project-by-project basis, and through the work of individual partner organisations.

Table 17: Summary of Stakeholder Relationships

Stakeholder	Relationship with Natural Course
CINEA/EU Life Programme	EU bodies that support environment and climate action
Environment Agency	One of five core Natural Course organisations
The Rivers Trust	One of five core Natural Course organisations
GMCA	One of five core Natural Course organisations
Natural England	One of five core Natural Course organisations
United Utilities	One of five core Natural Course organisations
Delivery partners (Local Authorities, Universities, others)	Work with Natural Course delivering individual projects
Communities	Engaged with on individual projects and through organisation members

Managing Risk

Risk tends to sit with individual organisations as projects are, for the most part, carried out by a lead organisation, with an element of joint planning and delivery. There is an expectation that all partner organisations have broadly equivalent risk management and where the lead partner organisation utilises a contract, the other organisations sign up to that contract. Ultimately all work is completed under the umbrella of Natural Course, so financial risk and overall programme delivery risk sits with Natural Course.

A 2.7.5 Funding

One of the key objectives of the Natural Course programme is to secure other sources of funding for projects, but not for organisations to directly receive that funding. This complementary funding defined as influenced, mobilised and committed. Influenced funding is the overall pot of money that has been influenced by projects supported by the Natural Course, mobilised the funding that is put into delivery and committed the actual money that is put into schemes that are directly relevant to Natural Course objectives.

Blending Finance

Projects are funded 60% by the grant from the EU Life Programme and 40% by the five partner organisations. In one sense funding is not blended, as there is no requirement to source additional funding beyond the grant and partner organisations, however how the 40% is funded varies by organisation. The EA, for example, receives government funding, while the Rivers Trust has to look for additional funding to meet its 40% target and this funding can come from a variety of sources.

Environmental Markets

Natural Course has not engaged with Environmental Markets.

Investments and Loans

The Natural Course has not received loans or investment.

A 2.7.6 Reflections

Funding for Natural Course will end in 2024, and what happens next is still be decided. Recommendations on how to continue Natural Course objectives to achieve good ecological status and work collaboratively are being prepared, but the extent to which they are taken up depend on the five key organisations choosing to adopt the recommendations and continue working together.

A key enabler of the project was ensuing the alignment between organisations and developing successful ways of working together for shared outcomes. It took time to overcome the initial cultural challenge of working together, but this was necessary to get the best out of Natural Course projects and ensure that partner organisations were aligned around the same goals. This was necessary for organisations to focus on the broader aims of improving the ecological status of water in the North West and delivering multiple benefits rather than focusing on the priorities of individual organisations. The building of relationships and creation of alignment was not something that could be rushed, and something that has needed to be reflected on and returned to through the life of the Natural Course collaboration.

Natural Course has acted as a catalyst for water management and improvement in the North West and has had significant impact in helping projects get off the ground. Other projects which are now successes in their own right, such as the Greater Manchester Environment Fund, have stemmed from the Natural Course.

The conditions of the grant agreement were, at times, an obstacle to collaborative working. Transferring funding between partners could be complicated and could end up in increased complexity when delivery projects and increased use of resources to get around the stipulations of the grant agreement. In particular the “2% rule”, which limits the amount that organisations are able to invest in their own capacity has been challenging. A further challenge has been UK

Government cuts, which has impacted key EA teams that have been part of the Natural Course project and cuts in the funding from the EA that goes into managing and monitoring the water environment.

A 2.8 The Wyre Natural Flood Management Project

A 2.8.1 Purpose and Function

The Wyre Natural Flood Management Project was led by The Rivers Trust, Wyre Rivers Trust and Triodos Bank UK, and involved the establishment of the Wyre Catchment Community Interest Company as an independent entity intended to blend funding from multiple sources.

The project will deliver over 1,000 natural flood management (NFM) measures across 70 hectares, on more than 10 separate landholdings. These interventions will enhance NFM and reduce flood risk for 120 properties in Churchtown as well as providing cost savings for United Utilities, the Environment Agency, Wyre Council, insurance companies, local businesses and homeowners. The ecosystem services supported by these interventions will include flood risk reduction, water quality, improved biodiversity and carbon sequestration. Interventions include ponds, leaky dams, and river restoration as well as woodland creation, grassland conversion and bunded hedges. The project is intended to run for nine years, but contracts can be extended up to fifty years

The project is also intended to demonstrate the effectiveness of natural flood management solutions and financial instruments which enable private sector investment in nature-based solutions.

A 2.8.2 Development of Legal Form

Rationale

The entity which facilitates blending of finance is the Wyre Catchment Community Interest Company (CIC), which is a not-for-profit Special Purpose Vehicle. The CIC does not have charitable status, is limited by guarantee without share capital and has an asset lock to ensure that any profits that are retained are used for the benefit of the community. The CIC's role is to oversee the project, ensure that everything runs smoothly, reduce risk to partners and ensure that investors and buyers receive payments. The decision to utilise a CIC was led by advice from Triodos Bank.

Background and Evolution

The Wyre Natural Flood Management project came about following work by United Utilities which modelled the impact of NFM interventions over 70 hectares to manage the flood risk around Churchtown. The Rivers Trust and Wyre Rivers Trust then led the Wyre NFM Investment Readiness Project, which was funded by the Defra, the Environment Agency and the Esmée Fairbairn Foundation and delivered by The Rivers Trust, Wyre Rivers Trust, Environment Agency, United Utilities, Triodos Bank, Co-op Insurance and FloodRE. The partnership between organisations developed in an organic way, without a memorandum of understanding (MOU) used to set out roles and responsibilities although MOUs were used to set out roles and responsibilities for delivery at the early stage. These MOUs were used to demonstrate delivery partnerships to the investors but have now been superseded by contracts. The development stage took around two years and the setting up the CIC took around 6 months.

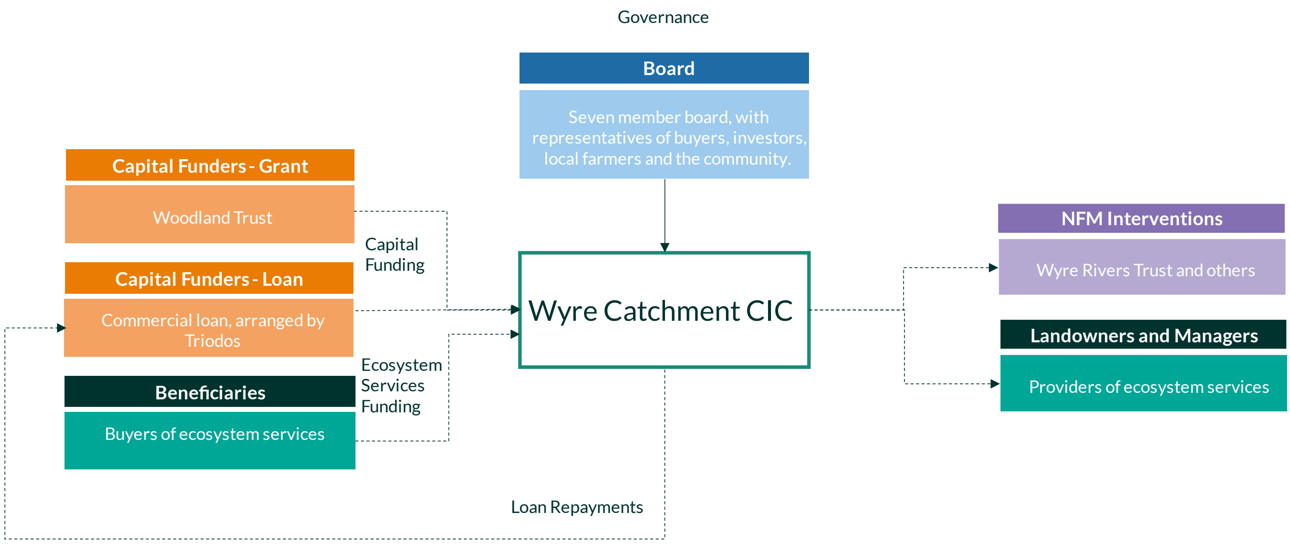
Running Costs and Resources

The CIC Running costs amount to £50,000 per year which includes payments to land managers and maintenance of NFM interventions. The CIC has no direct employees, and the board is voluntary. The day to day running of the project is undertaken by the Rivers Trust and Wyre Rivers Trust, with the Wyre Rivers Trust focused on project management and delivery and the Rivers Trust undertaking the administration. The Rivers Trust and Wyre Rivers Trust are paid for these services, however there is no brokerage fee paid for setting up the CIC or convening partners. The Woodland Trust does receive a facilitation fee for its involvement in woodland restoration.

A 2.8.3 Governance Structure

The CIC has a board with seven voluntary directors which has representatives of buyers, investors, local farmers and the community (illustrated in Figure 14). The first five years of the project is termed the ‘adaptive management phase’, with interventions monitored and potentially modified based on performance with no payment penalty to land managers or landowners. From the sixth-year buyer payments are outcome based, with land owners and managers potentially losing payments if NFM interventions do not perform as well they should. The project is in its early stages, and therefore the governance structure, funding and payment mechanisms and ways of working have not been fully tested and have had to develop alongside the project.

Figure 14: Diagram of Wyre Catchment CIC Governance Structure



A 2.8.4 Partnerships

Partners in the development of the Wyre Natural Flood Management project included the Rivers Trust, the Wyre Rivers Trust, Environment Agency, United Utilities, Triodos Bank UK, Co-op Insurance and Flood Re.

Agreements with landowners and land managers on NFM interventions were made through site visits which identify NFM interventions. These agreements were drawn into formal contracts between individual land owners and managers by Hogan Lovells, who provided some pro bono support to the project.

There are five buyers of ecosystem services, which include Flood Re, United Utilities, the Environment Agency, Wyre Council and Northwest Regional Flood and Coastal Committee. Different members of the partnership brought different capacities to the project, for example the Wyre Rivers Trust had established relationships with farmers and landowners as well as local knowledge. The proportion of funding provided by the five buyers is set out in a contract with each buyer organisation. The value is not set by a market but based on the value to that organisation which is a mixture of the natural flood management services as well as the perceived value of the other benefits of the project. The Wyre Rivers Trust is key to the relationships between partners, agreeing the NFM interventions and monitoring the effectiveness of the interventions.

Table 18: Summary of Stakeholder Relationships

Stakeholder	Relationship with Wyre Catchment CIC
Rivers Trust	Delivery partner

Stakeholder	Relationship with Wyre Catchment CIC
Wyre Rivers Trust	Local delivery organisation funded by the CIC to deliver NFM capital projects
Triodos Bank	Delivery partner and arranger of finance
Markerstudy	Delivery partner
The Co-Operative Insurance	Delivery partner
Hogan Lovells	Delivery partner
Woodland Trust	Funder and delivery partner
Local community	Represented through local action groups, a board representative and the Wyre Rivers Trust
Local farmers	Receive funds for hosting and maintaining NFM interventions
Landowners	Receive funds for hosting and maintaining NFM interventions
Flood Re	Buyer of ecosystem services. 16% contribution to total value
United Utilities	Buyer of ecosystem services. 23% contribution to total value
Environment Agency	Buyer of ecosystem services. 36% contribution to total value
Wyre Council	Buyer of ecosystem services. 5% contribution to total value
Northwest Regional Flood and Coastal Committee	Buyer of ecosystem services. 20% contribution to total value

Managing Risk

The CIC was set up to reduce the risk to partner organisations, by holding the risk as a limited company.

A 2.8.5 Funding

Blending Finance

Finance is blended, with a mix of private investment and grants. The Woodland Trust has provided £650,000, as part of DEFRA's Nature for Climate Fund, with an £850,000 commercial loan from high-net-worth investors arranged by Triodos Bank UK. Conditions attached to funding include that 80% must be spent in the areas that have been assessed as the most important for NFM intervention, with the other 20% allocated at the discretion of the Wyre Rivers Trust where they believe it will make the greatest contribution. The revenue payments total £2 million over 9 years, with payments from buyer's outcome based. Landowners receive an annual payment, with an additional payment when biodiversity targets are met.

Environmental Markets

There is some engagement with environmental markets, with carbon credits from woodland restoration in some circumstances retained by the landowner and potentially sold to the Woodland Trust.

Investments and Loans

A private loan of £850,000, alongside the grant funding covers the capital cost of the interventions and will be paid back over nine years through revenue from selling ecosystem services. Natural Course also contributed to the project by funding a natural flood management officer.

A 2.8.6 Reflections

The Wyre Natural Flood Management project emerged in the North West, which has had a mix of private and public partnerships managing nature and working on nature-based solutions for some time.

The project has had success in encouraging participants to consider NFM holistically, such as the Wyre Council investing in NFM interventions delivered outside of their district, but which delivers benefits within the district. Although in its early stages, the project has been performing at or expectations in terms of receiving blended finance, environmental outcomes and providing community benefits. As a pioneering project delivering NFM and providing payments to a range of landowners this was considered a significant success, with the potential for wide impact given that some of the landowners have d substantial land holdings across the UK. The scale of work funded and delivered by the project is considerable, with the current project developing relationships and a track record that could bring about further collaboration and nature restoration.

Some actions could have been sequenced better, such as collaborating with Natural England earlier in the project and spending more time to reviewing the interventions suggested by the initial model against the situation on the ground. Another key learning was the need to be transparent with landowners and managers and manage expectations. Examples of where this would be beneficial included clarity on the length of time required to develop and deliver the project and ensuring that land owners and managers understand that the NFM payments would not be as high those received under the Basic Payment Scheme.

As a pioneering project there were also significant challenges. Obtaining Social Investment Tax Relief took over six months and required significant effort to negotiate with HMRC, a consequence of this being the first environmental scheme approved for the tax relief. The project also encountered challenges when engaging with upland farmers who received payments from the Countryside Stewardship scheme, as NFM interventions on their land had the potential to change the stewardship agreement which could potentially lead to farmers having to repay multiple of years of Countryside Stewardship payments.

A 2.9 Buckinghamshire and Milton Keynes Natural Environment Partnership

A 2.9.1 Purpose and Function

The Buckinghamshire and Milton Keynes Natural Environment Partnership (NEP) is a loose partnership of principally public and third sector organisations which aims to "bring together a diverse range of individuals, businesses and organisations to drive positive change in the local natural environment."[28] The NEP was set up over ten years ago and was formally recognised by Defra as a Local Nature Partnership in 2012. It was originally set up to deal with concerns about biodiversity loss and loss of habitat in the county. At the beginning, the main members were organisations involved in the natural environment, then the NEP recruited members from other sectors through the councils and businesses (notably the Local Enterprise Partnership), and it now also encompasses farmers' groups.

The partnership sees its function to be to connect funders and delivers of environmental projects. If the NEP receives funds, it passes the money onto the delivery group to fund projects, or it contributes to the Community board's funding. It also contributes either staff time or money to the Chilterns Conservation board. It also co-funds partnerships to deliver overall biodiversity improvements. Recently, the partnership spent over a year developing a Biodiversity Net Gain (BNG) scheme for the Buckinghamshire Council. The work was undertaken by the partnership manager, with advice from Warwick County Council who have been successful in setting up their own BNG scheme. The project involved hours of consultation with partners and relevant parties in local authorities who were very reluctant to engage initially. Once Buckinghamshire Council has approved the scheme and implements the plan, the NEP will continue to provide support by

[28] Buckinghamshire & Milton Keynes Natural Environment Partnership – Local Nature Partnership (Biodiversity, Green Infrastructure, Planning & Development) (bucksmknep.co.uk)

creating an expert panel which will provide advice to the Council on where it could spend BNG funds to have most impact on BNG and nature recovery.

Another project that may develop will involve 3Keel using the LENs approach to fund nature restoration. If is progresses, it will match local businesses with farmers and land managers who are able to deliver nature-based solutions. Another is to work on the Local Nature Recovery Strategy. Key partners have set up an agricultural round table, which the NEP is keen to support as it believes agriculture and community engagement is a key part of LNRSs. For example, the NEP is looking at exploring with the Westcott Innovation Centre how drone or satellite technology could help farmers to understand areas to protect or plant trees or understand crop yield so they can target their fertiliser. Finally, the NEP also wants to work with the leading proponents of rewilding in the area, including the Chilterns where a cluster of farmers are trying to extend their rewilding work.

A 2.9.2 Development of Legal Form

The Buckinghamshire and Milton Keynes NEP is a loose partnership which does not – yet – have a formal legal form. They have Memoranda of Understanding with key partners, but equally members/people can join without necessarily going through that process.

The NEP has recently commissioned one of its staff to look into governance models.

Rationale

The partnership has operated successfully as a loose partnership for 10 years, but it is now considering adopting a formal legal form. What has motivated the desire to establish a structure is the need for stability and funding. It takes a lot of energy from the partners to generate enough funding to do all the things the partnership wants to do. With the current mode of funding, the partnership needs to approach principal funders every year or couple of years to ask for more funding. Because the funding hasn't always been forthcoming, they've had to cut back the amount of work they do, especially in the areas on liaison with businesses or the agricultural sector.

The hope is that a structure might enable the NEP to access government funding more easily. Funding bids sometimes need to demonstrate competencies and capabilities that becoming a trust, or a CIC would make easier to prove. The cooperative structure between partners has worked well, especially politically where it is seen to be a neutral body amongst the different councils, so the NEP hopes to maintain that approach in their new structure.

Background and Evolution

The NEP sees its role as being less about delivery, and more about motivating partners to do projects or pointing them towards opportunities. The partnership has just done a review of the role of the partnership, and it is likely that going forward it will hold more of a strategic and oversight role and get partners to do more of the delivery. This is part of the reason why it is focussing on the agricultural sector, as it sees huge potential in getting farmers involved in nature restoration and can see its role as being a facilitator of this coming about.

Running Costs and Resources

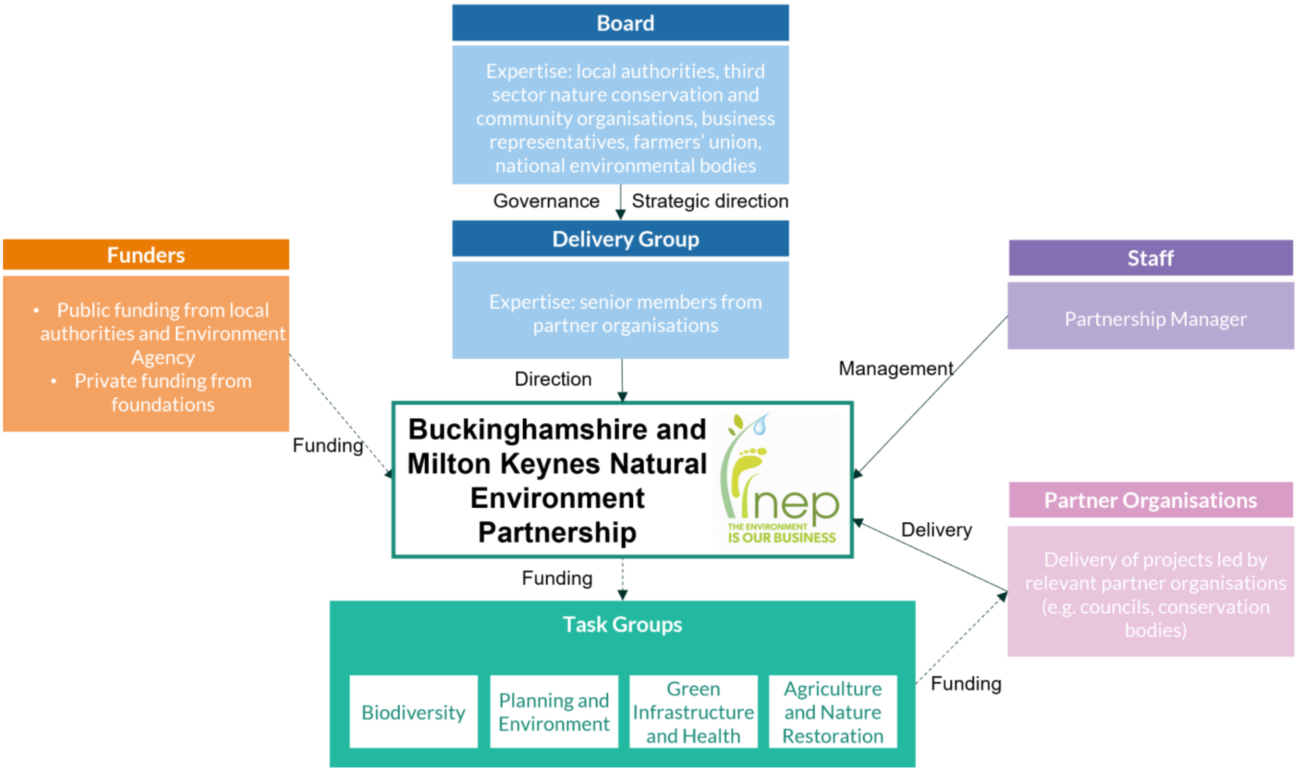
In terms of effort to run the partnership, discounting the chairman's and the chair of the delivery board's time, the NEP only employs the equivalent of one FTE position. There used to be two part-time members of staff, but there is currently only one part-time staff member (partnership manager), and they are looking to recruit and refill the other post. If funding becomes available from the Environment Agency, they are also hoping to recruit a new post for a programme manager for the LNRS.

Despite the small number of staff, the impact of the partnership is large, in part due to the active involvement of a range of partners and also thanks to the efforts of lots of willing volunteers.

A 2.9.3 Governance Structure

The Buckinghamshire and Milton Keynes NEP governance structure is summarised in Figure 15.

Figure 15: Diagram of the Buckinghamshire and Milton Keynes NEP Governance Structure



Key elements of the NEP's governance structure are outlined in further detail below:

- The **NEP Board** is made up of appointed members from the main partner organisations and provides strategic leadership. It is chaired by the chairman of the NEP and meets three times a year. The meetings are very open, and anyone is able to attend.
- The **Delivery Group** sits under the board and is chaired by a representative from the Parks Trust. The group is made up of senior officers from the member organisations and other stakeholders and supports the Board is carrying out its duties and providing the skills and resources to deliver its strategic work plan.
- The **Partnership Manager** is the only paid member of the partnership. Their role is to provide the link between the Board, Delivery Group and Task Groups and enhance the delivery of the NEP's objectives by communicating about and distributing opportunities to the NEP partners.
- The **Task Groups** are specific groups that are self-appointed to deliver key elements of the strategic work plan. It is recommended that a member of the Delivery Group sit on each Task Group to provide strategic directions and support. The groups meet on an ad hoc basis and work predominantly through the use of online tools. There are currently three Task Groups in operation working on Biodiversity, Planning and Environment, Green Infrastructure and Health.

A 2.9.4 Partnerships

The NEP works closely with a variety of stakeholders, most of which sit on its Board. The stakeholders are summarised in Table 19 with the most significant partners **in bold**. Of these most significant partners, only the local authorities are able to offer funding. The broad range of membership contributes to the success of the partnership. For example, one of the board members is both a county councillor and town councillor and is involved in the Conservative party's environmental work. So, through him, the NEP has links from local through to national.

The NEP doesn't have resources to do much direct community engagement. Despite that, through work with Buckinghamshire Council's Parish councils (16 of them), the partnership has reached out to engage them on the BNG plans and have done a video to explain their work. Some examples of projects which have been very popular with the community are BucksBuzzing – a project about planting pollinator-friendly plants by householders which was very successful locally. The partnership has also worked on a series of projects around rewilding verges, in partnership with council and parish councils. So, although the partnership does not itself engage with the community directly, they work through other partners to deliver community engagement and local communities are mostly represented through the partners.

Table 19: Summary of Stakeholder Relationships

Stakeholder	Relationship with Bucks and MK NEP/Example
Local authorities	**Buckinghamshire Council** and **Milton Keynes Council** are the two main local authorities involved with the partnership. They are the key funders, and two representatives sit on the Board who are also cabinet members for the environment.

Stakeholder	Relationship with Bucks and MK NEP/Example
Environment Agency, Forestry Commission & Natural England	Representatives sit on the Board.
NGOs	A representative from the **Parks Trust** chairs the Delivery Group. The main third-sector partners are: Be**rks, Bucks and Oxon Wildlife Trust**, Chilterns Conservation Board, Chiltern Rangers, Chiltern Society, **Bedford & Milton Keynes Waterways Trust**, other Local Nature Partnerships (e.g., Bedfordshire, Northamptonshire and Oxfordshire LNPs), local food partnership organisations.
Landowners	A representative from the National Farmers' Union sits on the Board.
Private Sector	A representative from the Buckinghamshire Local Enterprise Partnership sits on the Board.
Community	The local authorities and many of the NGO partners work on the ground with community groups.
Other	A representative from the Chiltern Clinical Commissioning Group (NHS) sits on the Board, and one from the Open University.

Managing Risk

No information

A 2.9.5 Funding

Initial resources came primarily from local authorities, which back then were the district councils of Aylesbury Vale, Chiltern, South Bucks, and Wycombe and the Milton Keynes City Council. Now the structure of the local authorities has changed, the principal funders are Buckinghamshire Council and Milton Keynes City Council. There is disparity in funding, which reflects the geographical extent of the county and the differing priorities between councils.

In terms of the financial rules for the partnership, these are limited. It is not tied into the financial year and has to keep a sufficient amount in the budget to cover redundancy costs. Otherwise, it can amass a bit of reserve to carry over into projects.

Blending Finance

The NEP has just applied to Buckinghamshire and Milton Keynes councils to increase their funding for next 3 years to enable work to continue, although they've already had to cut back drastically on what they could do. The NEP is also expecting the Environment Agency to fund a post for the delivery of the Local Nature Recovery Strategy in the area.

The partnership also receives grant funding from the Clare Foundation, a local trust which the chair has been involved with. It has promised a further grant on the assumption that the councils will increase their contributions. It is also approaching another local well-known charitable foundation for funds, the Rothschild's Foundation.

The NEP has not been successful at attracting private sector funding to the partnership. The LEP who sit on the NEP board cannot provide funding as a lot of their funding is for capital projects, whereas the partnership requires revenue funding to fund staff. A lot of the partnership's work is about communication and building relationships, which is often difficult to attract private sector funding for.

As part of its ongoing strategic review, the NEP wants to commission a review of the funding opportunities to help the partners bid for different pots of funding. So, they are envisaging stepping away from delivery, and rather focussing on helping partners access funding. The NEP has the advantage that it carries a lot of weight, partly because of its national reputation and because funders like its official structure as an LNP, so it can attract funding in a way that individual partners may not be able to. Another reason why it is moving away from delivery towards a position of facilitators/catalysts for the work is that the partnership doesn't have the staff resources to do the work themselves, and it takes the view that other partners are much closer to the ground and better placed to do the work.

Environmental Markets

The partnership has not engaged with environmental markets much. The only work it has done which touches on this area is the BNG strategy it has put together for Buckinghamshire Council

Investments and Loans

The partnership has not made any investments or taken out any loans.

A 2.9.6 Reflections

The chairman for the Buckinghamshire and Milton Keynes NEP felt that the partnership had been successful at receiving blended finance from public and third sector bodies, though it hadn't succeeded in attracting private sector funding. The partnership has delivered good environmental outcomes, exemplified by their involvement in coordinating four local partnerships to identify key areas to protect as part of the OxCamArc project. Another success was seen to be the BNG work the partnership had undertaken for Buckinghamshire Council, without which the council would not be as advanced in their understanding. The partnership structure was an advantage for this particular project, as the NEP was seen as an independent party whose interest was to bring out the best for the area and nature. Another area of success highlighted was the ongoing work on LNRS, in which the importance of farmers and community groups is being taken into account and seen as an essential part of the picture moving forward.

The benefit of the open structure the partnership has used until now was that it made it easier to get people involved when there were territorial council politics, especially in the early days when different parties were suspicious of each other. Having a loose partnership was very beneficial, as it helped to bring people in as they didn't have to pay a fee. The partnership also worked on aligning its values and principles with those of the partners, so it was not seen as a threat and not trying to take over but rather providing support.

The challenges have been around the funding. The chairman's view was that had the NEPs been set up like the LEPs, with government backing, the NEPs would be much further ahead. Yet the LEPs aren't particularly representative, as they mostly involve businesspeople and are far from the broad partnerships represented in the NEP. If one of the goals is to involve the third sector and community sector, the partnerships need to be able to offer them financial support.

In its future structure, the Buckinghamshire and Milton Keynes NEP is looking for a structure where it can retain its autonomy, the partnership model, but also gets more certainty on funding and access to funding, in particular from government and the third sector.

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