



Scottish  
Environment  
LINK

13 Marshall Place  
Perth  
PH2 8AH

T 01738 630804  
E: [enquiries@scotlink.org](mailto:enquiries@scotlink.org)  
W [www.scotlink.org](http://www.scotlink.org)

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Dear Mr Stewart

**Helping to mitigate the impact of Covid-19 on the environmental NGO sector in Scotland: some suggestions of mitigating mechanisms for the next 12 months.**

It was very interesting to meet you virtually at the ACOSVO workshop on Monday. I asked about support for charities with particular reference to the furlough scheme and possible extensions to it beyond October. This is part of an issue that has been raised with me by our members who have used the furlough scheme to save costs while income sources are severely limited owing to lock down and restrictions and who are now facing '3 winters' as you put it. You asked me to send you any suggestions from members of Scottish Environment LINK that would help them deal with the ongoing impact of Covid-19 and the projected impact on their ability to deliver on their charitable objects going forward.

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with 40 member bodies representing >0.5 million people in Scotland who support a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society. In late April LINK conducted a survey of its members to assess the impact of Covid-19 on them and their operations. This survey painted a clear picture of the severe impact of the covid-19 crisis on a significant proportion of the environmental NGO sector in Scotland. While major short-term shocks are impacting on member bodies, most have been dealing with these by cutting expenditure as much as possible, and through uptake of the furlough scheme. While this provided some short-term relief, not all expenditure can be halted and for organisations where costs continue for upkeep of land, premises and collections for example, members are now spending financial reserves.

The biggest concern however is the looming longer-term challenge in the next 6- 12 months, if current, severe reductions in funding, membership subscriptions, revenue and charitable giving are not quickly reversed. Because of this, all member organisations are expecting to have to utilise their financial reserves within the next 12 months. Following advice of OSCR Scottish Charity Regulator, and the Charity Commission, our sector tends not to hold large cash reserves. Income is instead invested directly into frontline delivery of charitable objectives. Nine (33%) members have less than 4 months of reserves. The percentage of members unable to operate past 6 months on current reserves rises to 46% of respondents. Drawing on those limited reserves now will have a significant and lasting impact on the ability of Scotland to deliver on our environmental and well-being ambitions, where in Scotland the environmental NGO's are a significant deliverer or agent of delivery for the UK and Scottish Governments, and on behalf of Scottish society.

Some of the measures, below, suggested to me by member CEOs fall within the remit of the UK, government and others in the remit of the Scottish Government. Some are arguably within both. I have included them all in the interest of transparency and the hope that between us all, some effective solutions can be found. For this reason, I have copied this letter to Kate Forbes MSP, Cabinet Secretary for Finance and Fiona Hyslop Cabinet Secretary for Economy, Fair Work and Culture in the Scottish Government.

## UK Government mechanisms:

**VAT relief:** backdated to the start of the 2020 financial year, on core outgoings that incur VAT, including office rent, would be very helpful. Some members can claim project related VAT back from donors.

**Gift aid:** a means to compensate for loss of gift aid this year by basing applications on 2019 figures rather than the depressed 2020 figures would be helpful for those able to claim it.

**Furlough:** an extension of the furlough scheme for targeted types of work into next year would be very helpful. This would ideally be up to Easter 2021, when the 'high' season starts again and income generation potential opens back up. This might help with those jobs that cannot start again, due to ongoing pandemic-related restrictions. These include those involved in volunteering and education, both of which require quite close contact among groups of people. In addition, some member bodies are unable to undertake volunteer weeks because of accommodation issues while trainee schemes are also on hold because recruitment has not been possible this year.

## UK and / or Scottish Government mechanisms, agreed and coordinated by both governments:

**Emergency / bridging fund:** there is an increasing gap in income from different sources that organisations need to manage to survive long enough for income generation to resume. These sources include next season's income generation activities of events and membership / entry fees / visitor spend and grant schemes that were closed during COVID and have not yet reopened. In addition, for organisations that rely on project funding to employ staff and deliver charitable objectives, there is always a gap between applying for funding for new projects and receiving funding. This situation is now becoming critical because funders have closed schemes, which will result in delays and gaps in project funding. This means project staff are at severe risk of redundancy.

An emergency fund could also be used to provide matched funding for projects that did not have a full income package in place, and are designed to meet the ongoing climate and nature crises and which now in the light of decreased income generation opportunities in place now have irreconcilable funding gaps. See also below in Green Recovery projects. Interest-free loans may help some charities, who are able to generate income to pay them off in future.

These pressures are impacting on UK and Scottish organisations. Depending on the nature of the fund, which would operate in devolved areas across the UK, it would need to be a jointly agreed measure, or parallel agreements operating at country level.

## Scottish Government mechanisms:

**Local Authority support for Ranger services:** ranger services have lost local authority support over recent years. These services are now in very high demand, as visitor management pressures have increased exponentially with lockdown easing but also when ability to invest on the ground has reduced further.

**Rural Tourism Infrastructure Fund:** an increase in investment in this fund would support those organisations delivering visitor experience, environmental impact and related infrastructure requirements, but who are also suffering income reduction as a result of the impact of Covid-19.

**Scottish Land Fund:** an increase in investment to this fund would enable communities (like Langholm) with a green focus to access additional funds to take on ownership and management of natural assets for the benefit of local communities, nature and climate.

**Land and Buildings Transaction Tax:** supporting voluntary payments, while the current exemption lasts, to fund the recovery of the natural environment. LINK members have a list of Green Recovery projects which would benefit from investment of this type.

**Investment into Green Recovery projects–** eNGOs have usually led large scale projects that deliver benefits for nature, climate and local communities on a wide geographic scale over several years. These have benefitted from eNGO ability to raise and match funding for a wide range of sources and then to underwrite such large projects and assume the financial risk.



Scottish Environment LINK the voice for Scotland's environment



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Our members now face two significant barriers to this usual approach:

- a. match funding is now extremely difficult to find given the limits in income available from grant programmes, many closed, or from income generation from philanthropic and charitable foundations, many of whom distribute profits
- b. our members are now eating into financial reserves which are no longer available to absorb financial risk.

This means that the planned large scale projects are not able to go ahead without commitment from government or other large funders to provide match funding and take on the financial risk. The benefits of these projects are not just to the environment but also to the communities with whom they create skilled work and training opportunities. New time limited funds, underwritten by government or a large funder, available to NGO partners to deliver and scale up their services such as sustainable farming advice (benefiting nature and food supply chains), habitat creation and enhancement, planning, surveying and monitoring, education and access (benefiting people's health and well-being) and improving natural capital (contributing to economic and social resilience), would release this blockage and provide value for investment in nature, climate and local communities.

More information on the impact of Covid 19 on our members is available in our member survey report, which we can share with you if helpful. Additional detail on the green recovery projects is currently being collated and will be shared with Scottish Government and other colleagues shortly.

Yours sincerely



Dr Deborah Long

Chief Officer

Scottish Environment LINK

cc Kate Forbes MSP, Cabinet Secretary for Finance, Scottish Government

cc Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture



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