

## Source to Sea

Roadmap and next steps

April 2024

This project is supported by The Facility for Investment Ready Nature in Scotland (FIRNS). Delivered by NatureScot in collaboration with The Scottish Government and in partnership with the National Lottery Heritage Fund.

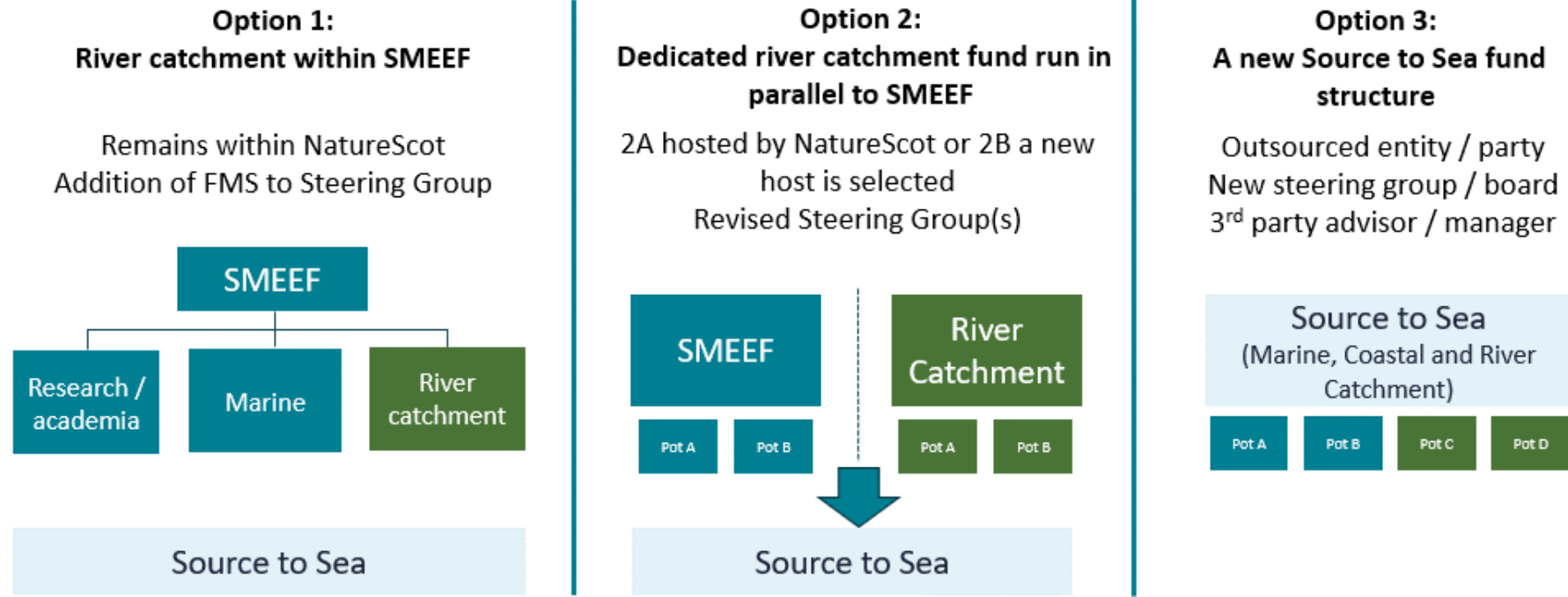


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# Summary of opportunities identified

The Project identified and assessed three distinct funding models targeting river catchment restoration opportunities in Scotland to support Source to Sea objectives



## Summary of Fund Options Assessment

The table below summarises the analysis and assessment that the options underwent during the Project. The assessment was informed by the stakeholder and corporate engagement, with key learnings and findings from the in-person workshop used to inform option development and analysis.

Criteria	Relative Attractiveness			
	Option 1	Option 2A	Option 2B	Option 3
Ability to attract different funding sources	Low	Medium	Medium	High
Costs & Complexity	High	Medium	Medium	Low
Focus & Flexibility	Low	Medium	Medium	High
Governance	High	High	Medium	Medium
Impact	Medium	High	High	High
Policy alignment	Low	Medium	Medium	High
Resourcing & Capacity	High	Medium	Medium	Low

The relative attractiveness score has been used to compare and contrast key criteria for the fund structure options. For 'Resourcing & Capacity', Option 1 is the most attractive of those presented as an addition to SMEEF's existing structure, while Option 3 is the least attractive option given the additional complexity and need to create a new structure.

# Recommendations (1)

**Further assessment and consideration is needed on the following aspects to properly inform the design of a governance and funding structure that efficiently and effectively channels much-needed investment into the restoration of Scotland's marine and river ecosystems.**

- **Mission, Objectives and Strategy**

- Define the strategy, objectives, and purpose (the 'what', 'why' & 'how') to inform the appropriate fund structure for a river catchment financing mechanism or single Source to Sea fund.

- **Understand the project pipeline and requirements**

- Undertake an assessment of project demand across marine and river catchment opportunities to understand the development stage of projects and enhance the understanding of the funding need. This will inform the selection of the optimal structure for a new funding model and is needed to understand the development stages of projects, their funding need, and the opportunity to generate returns on investment through outcome payments to corporates seeking to meet regulatory requirement.

- **Policy Alignment**

- Fund partners (FMS / NatureScot) should monitor and assess the implications of regulatory and policy developments in Scotland in relation to SMEEF and a river catchment investment programme.
- Collaborative engagement with the offshore development regulators and offshore developers should be undertaken to identify the opportunity for the existing SMEEF infrastructure and future extension to river catchments to be adapted or upgraded to serve the expected need for compensatory restoration.

## Recommendations (2)

**Further assessment and consideration is needed on the following aspects to properly inform the design of a governance and funding structure that efficiently and effectively channels much-needed investment into the restoration of Scotland's marine and river ecosystems.**

- **Governance**

- A detailed assessment should be conducted on the advantages and disadvantages of other public, quasi-public bodies, philanthropic and private sector hosts. This should take into consideration management costs, attractiveness for private sector investment, capacity, and capabilities and SPFM implications.
- Fund partners (FMS / NatureScot) should engage with non-governmental bodies to assess the appetite, capacity, and opportunity to act as host.

- **Branding and Communications**

- SMEEF, a river restoration fund and/or a single Source to Sea fund will require strong branding, communications, and marketing to retain position in the market (SMEEF) or establish a clear with both corporate partners and project partners. The optimal fund option can leverage SMEEF's brand platform but will require clear messaging and communication to retain and build corporate support.

## Recommendations (3)

**Further assessment and consideration is needed on the following aspects to properly inform the design of a governance and funding structure that efficiently and effectively channels much-needed investment into the restoration of Scotland's marine and river ecosystems.**

- **Fund Reporting Requirements**

- Additional corporate engagement should be undertaken to understand and assess fund reporting requirements. This should include engaging with both the CSR / sustainability representatives from financial institutions and investment teams to understand the anticipated reporting requirements for different capital (voluntary / investment).
- Further engagement should also be conducted with the renewable energy sector, covering both regulated and unregulated business divisions to assess differences in reporting requirements linked to voluntary contributions and compliance markets.

- **Resourcing and Capacity**

- A resources gap analysis should be conducted for each option, assessing the capacity and capability within NatureScot, a new host or a new fund structure to manage a fund with increased requirements. Indicative costs for resourcing could be collected for Options 1 & 2A / 2B and quotes for the management of Option 3 could be collected from suitably qualified not for profits organisations.

- **Risk Considerations**

- A risk register should be established and maintained. A detailed funding strategy should be designed that is fully aligned to a clearly defined mission and set of objectives, and a suitably qualified management team should be put in place to execute the funding strategy.

## Next steps

The findings and recommendations included in Source to Sea – Final Report could be undertaken by the fund partners (FMS /NatureScot) over a period 12 months to inform the design of a governance and funding structure that efficiently and effectively channels much-needed investment into the restoration of Scotland’s marine and river ecosystems.

Step	Action	<3 months	3- 6 months	6 - 12 months
1	Define the funding mission, objective and strategy			
2	Monitor policy to align funding mechanism			
3	Understand project pipeline			
4	Engage with funders (corporates & investors)			
5	Agree financing mechanism structure			
6	Define and formalise funding strategy			
7	Confirm fund reporting requirements			
8	Assess resourcing requirements and team capacity			
9	Conduct risk assessment and maintain a risk register			
10	Agree and implement a governance framework (including the selection of a host (Option 2B / 3)			
11	Marketing, engagement, branding and communications			
12	Launch financing mechanism			