

What can Natural Capital do for our urban environments?

Greater Manchester Natural Capital Group
Annual Conference

Wednesday 1st Feb 2017

The Lowry

9.30 – 16.30



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Natural Capital Group

Greater Manchester's Local Nature Partnership

Anne Selby

Chief Executive

Wildlife Trust for Lancashire, Manchester and North
Merseyside

BOLTON
BURY

MANCHESTER
OLDHAM

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SALFORD

STOCKPORT
TAMESIDE

TRAFFORD
WIGAN



Department
for Environment
Food & Rural Affairs

25 Year Environment Plan Pioneers



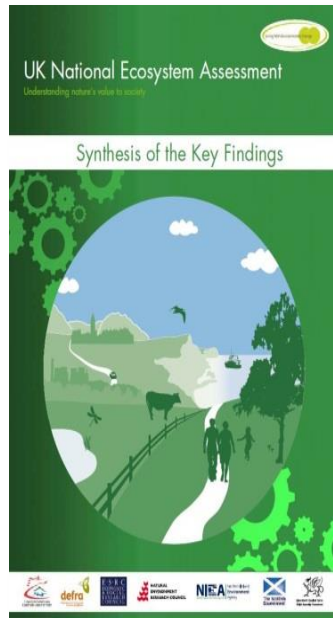
Andy Holden, Pioneer Programme Lead, Defra



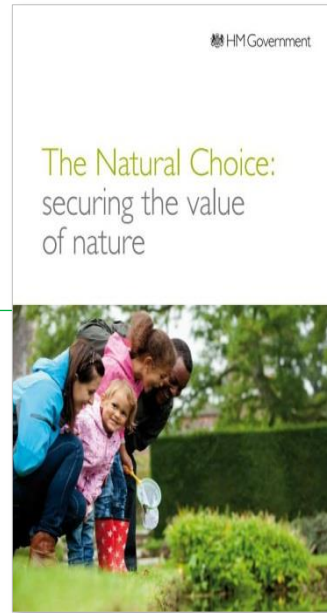
Pioneers - overview

- Provide context for the Urban Pioneer
- Talk about the purpose of the Pioneers in general
- Explain what Defra would like from them and how we see them working
- Link neatly into the following presentation on the Urban Pioneer

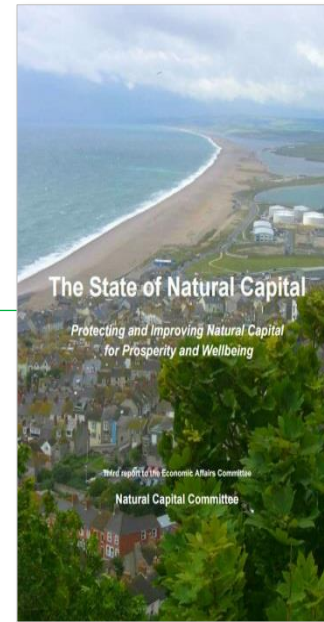
Some context for the 25 YEP...



The 2011 **National Ecosystem Assessment**



The 2011 **Natural Environment White Paper**.



The **Natural Capital Committee's** third State of Natural Capital report (2015) recommended that Government produce a clear 25 year plan to enhance the environment (natural capital).



“We set up the Natural Capital Committee to put hard economic numbers on the value of our environment, and we will extend its life to at least the end of the next Parliament. We will work with it to develop a **25 Year Plan** to restore the UK’s biodiversity, and to ensure that both public and private investment in the environment is directed where we need it most”.

Our Ambition - *A cleaner, greener and healthier environment to support a prosperous nation*



Our vision is that in 25 years' time, our country will have the healthiest environment and be the most beautiful place to live, work and bring up a family; driving wellbeing and prosperity. We want ours to be the first generation to leave the natural environment in a better state than we found it.

The Pioneers

- Natural Capital Committee proposed that Government create 4 Pioneer projects to:
 - “help us to identify good practice and innovative solutions as we develop and begin to implement the Environment Plan.”
 - “operate in four different settings so that they can test the best analytical tools, data and governance approaches in a range of situations”
- Defra SoS wrote back publicly to NCC to accept proposal and announce the locations Defra had selected...

Pioneer locations

- Catchment Pioneer – Cumbria
 - Landscape Pioneer – North Devon
 - Marine Pioneer – North Devon & Suffolk
 - Urban Pioneer – Manchester
- Good geographic spread with lots of different environmental challenges
 - Areas where already lots of ongoing relevant activity and there are existing strong partnerships



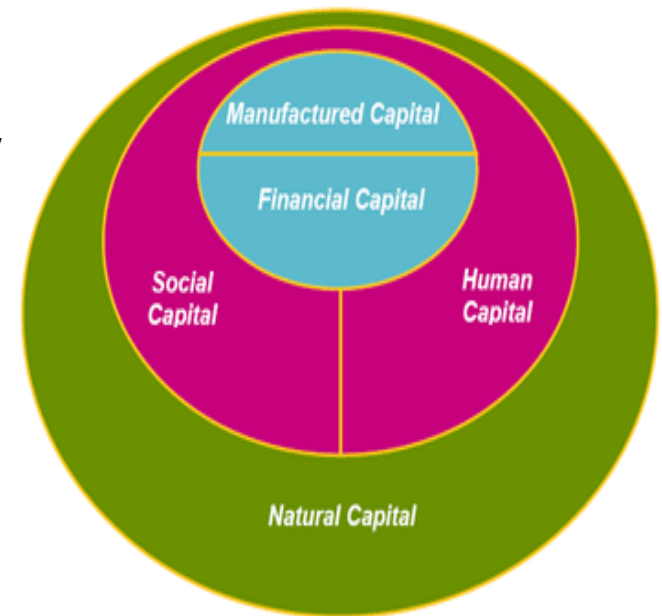
How the Pioneers will work

- Pioneers will run for 3 to 4 years
- Each Pioneer will have a lead from within the Defra Group:
 - Landscape = Natural England
 - Marine = Marine Management Organisation
 - Catchment & Urban = Environment Agency
- No new funding earmarked – want learning to be replicable; not dependent on increased budgets
- Essential that Pioneer leads work closely with local stakeholders & partners to get their support & assistance
- Defra have proposed 4 areas for the Pioneers to focus on
- Not all Pioneers will do everything & not everything will work

1 - Tools, analysis and applying a natural capital

approach in practice

- Apply an accounting framework to determine the current extent and state of natural capital in each locality, evaluating the usefulness of this method
- Undertake an assessment of key drivers and pressures likely to impact on the environment to build a picture of possible future environmental change
- Undertake an initial risk assessment to understand which natural assets and benefits are likely to be at greatest risk both now and in the future, considering long-term trends including climate change



2 - Demonstrating a joined-up, integrated approach to delivery

- Undertake a strategic objective setting exercise using a natural capital framework to plan activities in a more joined-up way to enhance the environment in order to deliver cultural, economic, health and wellbeing benefits
- Produce an integrated delivery strategy for each Pioneer focusing on priority issues for each locality
- Try out different engagement models so the broadest possible range of stakeholders are included in the strategic objective setting process
- Experiment /provide advice to Government on different governance models for implementation of the Pioneer plan



3 - Developing new funding opportunities for the environment

- Assemble picture of local environmentally related spending within Pioneer areas including both public & private sector
- Undertake an initial assessment of how current spending is being allocated given the natural capital assessment & strategic objectives in each area
- Work with partners to assess new sources of private sector funding that could be scaled-up where possible and appropriate
- Identify potential funding gaps and short falls in line with strategic objectives



4 - Grow our understanding of 'what works', sharing lessons and best practice

- Report back to Government regularly on progress including what is working well and equally what is not
- Advise on replicable/transferable activities with respect to implementing a natural capital approach in practice
- Advise (as well as learn from where appropriate) other areas and projects - part of the 25 YEP roll-out



What Defra wants to achieve & progress so far

- If all goes well, in 3 years from now we will know more about
 - applying a natural capital approach in practice;
 - the evidence base and analytical tools needed to do that;
 - the sorts of partnerships needed and how to make them operate efficiently and effectively;
 - how to develop large-scale, long-term priority investment plans for the natural environment
- Effort so far has focussed on
 - building links with local stakeholders and relevant initiatives to get Pioneer established
 - natural capital assessment to underpin future activity
 - identify issues, prioritise and make plans
 - capture learning and feedback



Urban Pioneer Greater Manchester

To make a clear and evident contribution to Greater Manchester's natural environment, engaging and connecting people with nature in their city, maximising their health and economic benefits through investment in the environment, creating sustainable growth and a good quality of life.

Adam Booth

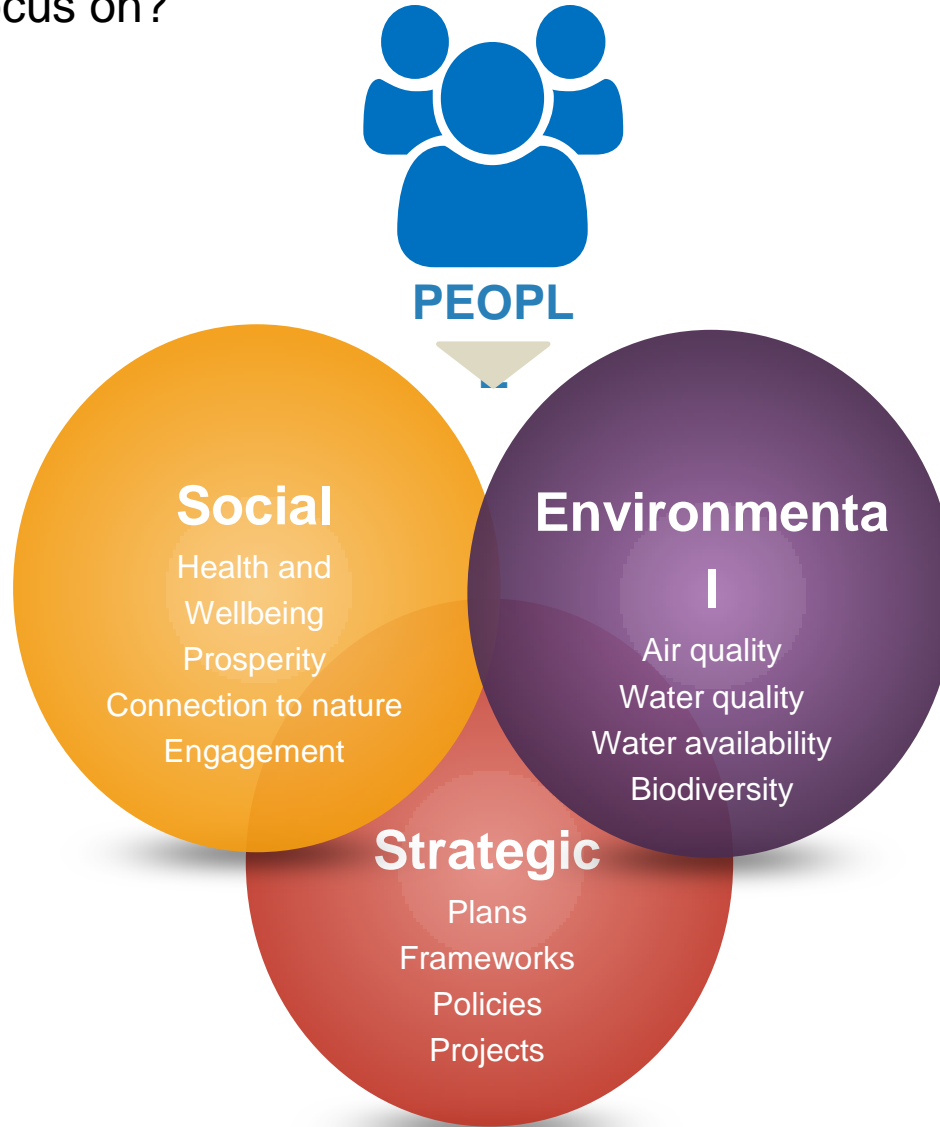
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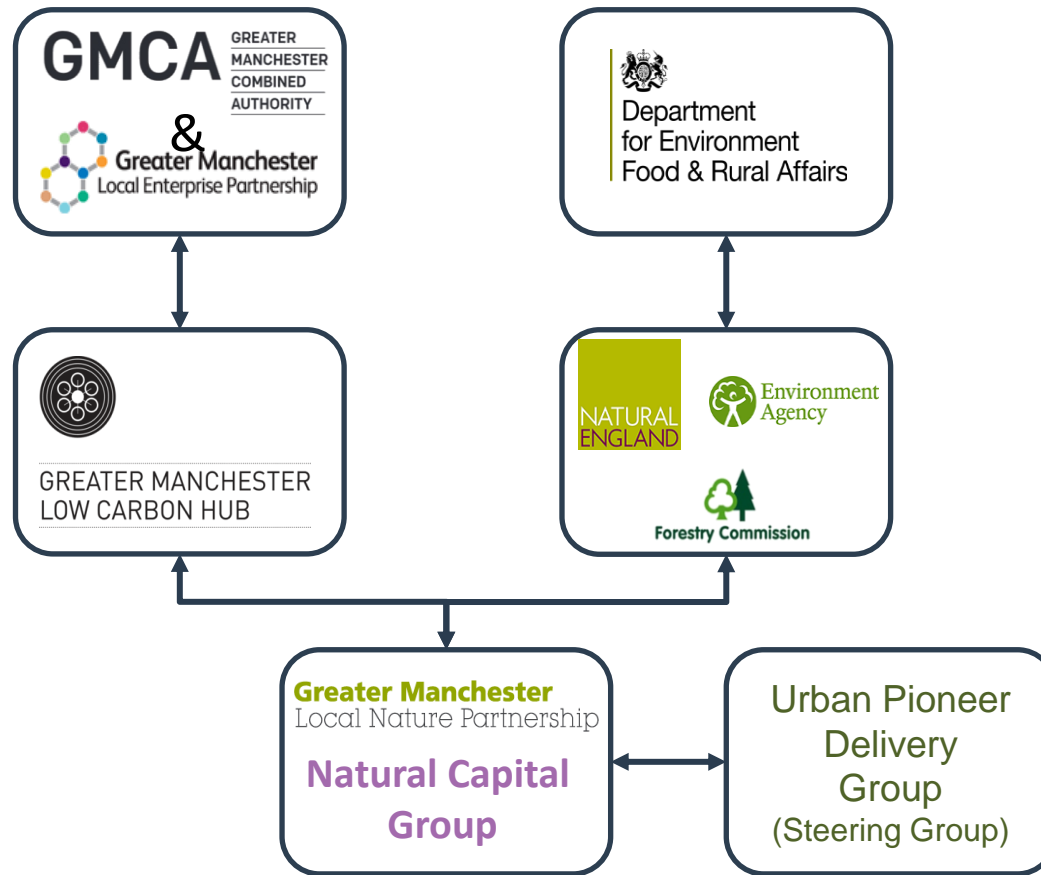
The Approach

What should we focus on?



Urban Pioneer

Our Local Governance



The primary function of the Delivery Group; is to shape and take accountability for the feasibility, development, monitoring and achievement of the outcomes of the Urban Pioneer



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The role of Natural Capital accounting and valuation of ecosystem services



eftec

Ian Dickie

What is Natural Capital?

Natural Capital Accounting Tools

Urban Natural Capital Accounting

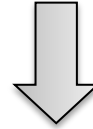
What is Natural Capital?



Natural Capital



- Analyses show high value of Ecosystem Services (MEA, TEEB)



What capacity is there to keep producing them in the future?

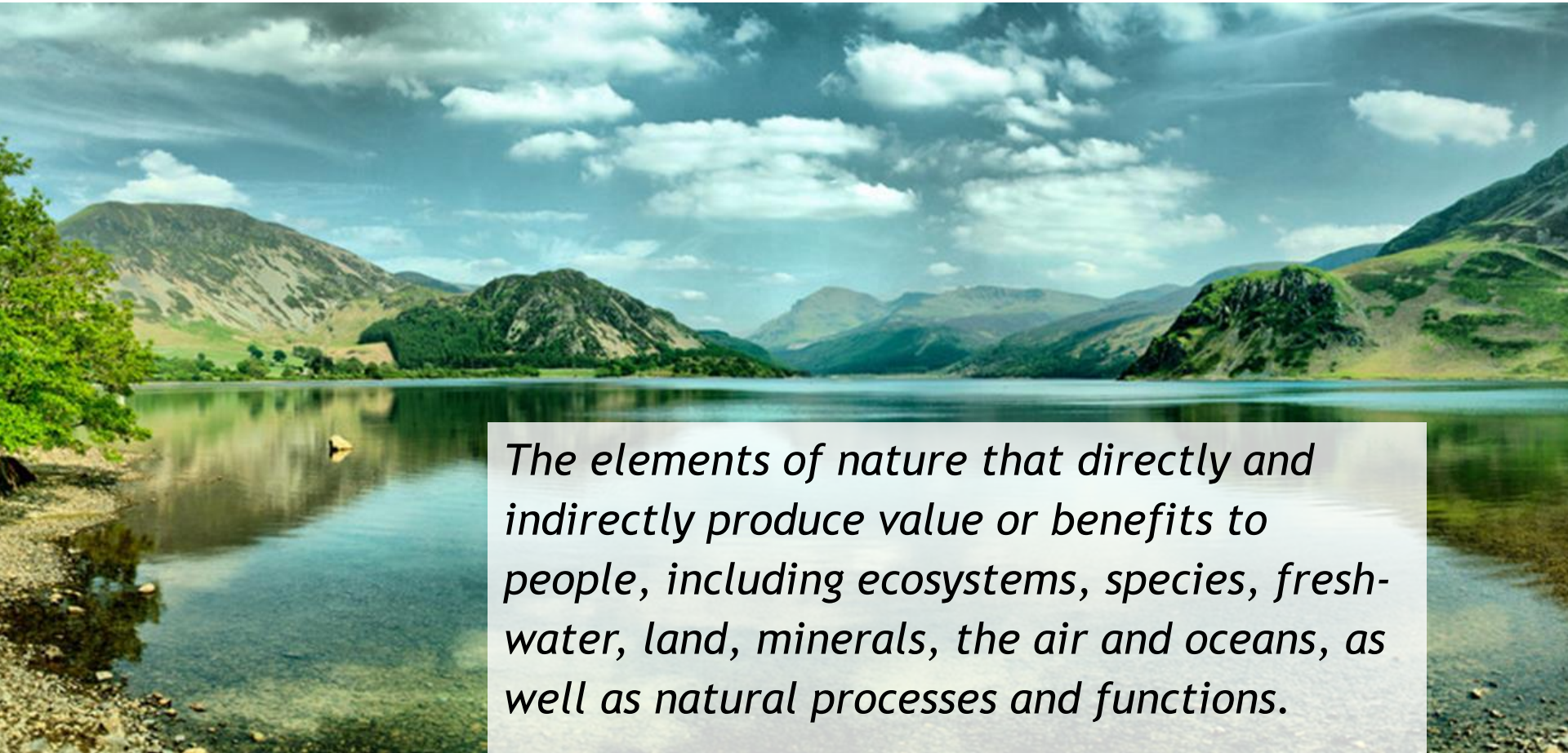


NATURAL CAPITAL

The stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people

- Use familiar concept/ language of 'capitals'
- Capture all strategic natural resource issues

Natural Capital

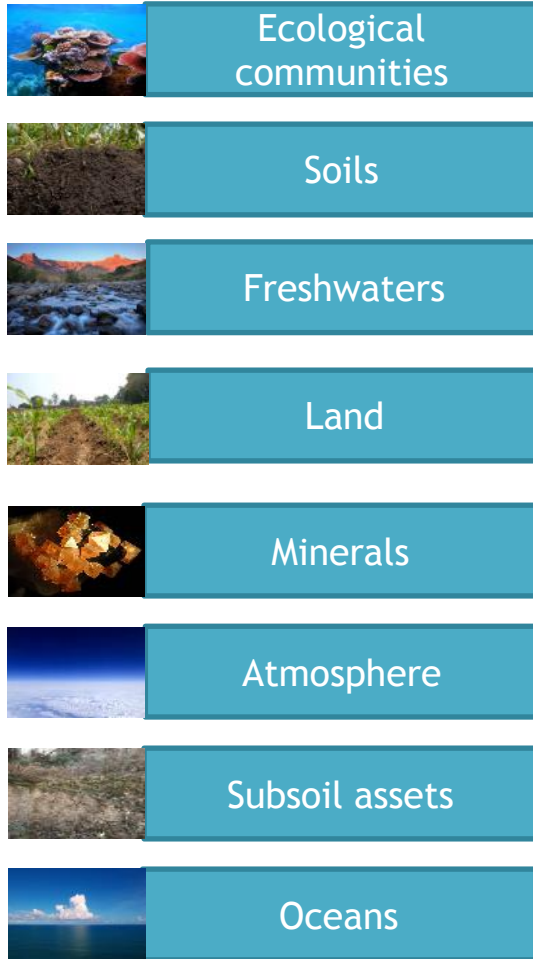


The elements of nature that directly and indirectly produce value or benefits to people, including ecosystems, species, fresh-water, land, minerals, the air and oceans, as well as natural processes and functions.

Natural Capital Committee (2014)

Natural Capital Concept

Natural capital stock



Ecosystem
Service Flows

Inputs from
other capital

Natural capital benefits



Why Natural Capital Accounting?



Share

- Within the organisation
- With customers/ society
- With funders/ investors

Save

- Identify risks
- Improve efficiency

Return

- Long term sustainability
- Beyond financial profit

Accounting for natural capital assets

Corporate natural capital accounting adapts how companies think about physical assets to their management of natural capital assets.

Conventional physical assets



- Benefits to the company (revenue streams)
- Benefits at a single, local, scale
- Depreciate in value over finite lifetime
- Exclusively owned and controlled by the organisation for entirety of useful life

Natural capital assets



- Benefits to the company and wider society
- Benefits at multiple scales (local, regional, global)
- Without intervention, value may decline or remain stable
- Value may appreciate over an infinite lifetime
- Often only partially 'owned' or controlled (e.g. certain use rights) for a defined period of time

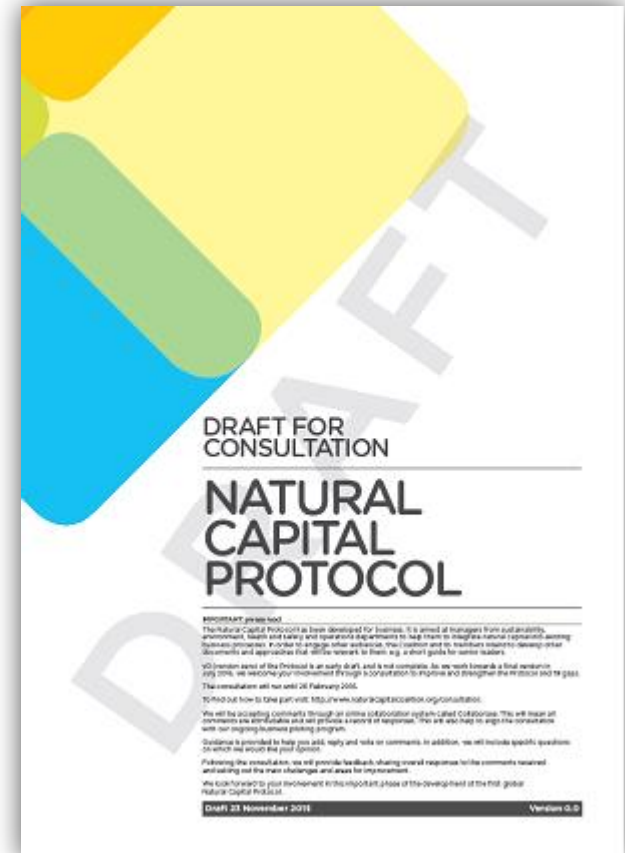
Natural Capital Accounting Tools

The government should actively promote corporate natural capital valuation, accounting and reporting

Natural Capital Committee (2017)

Natural Capital Accounting Tools for Business

- Many CSR/KPI/physical data approaches, e.g. GRI guidelines
- Environmental Profit and Loss - the balance of environmental impacts across a value chain
- Corporate natural capital accounting
 - Designed for land assets: where an organisation has management responsibility for natural capital within a spatial boundary
 - Large-scale studies for the Public Forest Estate in England and Duchy of Cornwall, published Summer 2016
 - Urban examples: Beam parkland, London; London Borough of Barnet (forthcoming)



Corporate natural capital accounting

1. What do we have?

Stocks of natural assets

2. What does it produce?

Flows of services

3. What is that worth?

Natural capital benefits

4. What does it cost to maintain these benefits?

Natural capital maintenance

Natural capital accounting - starter pack

Assets

Trend (qualitative)

**Maintenance
Costs (Liability)**

National Natural Capital Accounting

- Government objective to have national natural capital accounts by 2020
- Defra & ONS are building up evidence base of the value of different ecosystems (Woodland, National Parks), and services (recreation, air quality regulation)
- Urban account in progress
- Key benefits:
 - Recreation
 - Noise and heat regulation
 - Flood hazard regulation
 - Air quality regulation
 - Health

The ONS should further develop national natural capital accounts... in particular to cover more renewable natural assets...

Natural Capital Committee (2017)

Urban Natural Capital Accounting

Local authorities and major infrastructure providers should ensure that natural capital is protected and improved

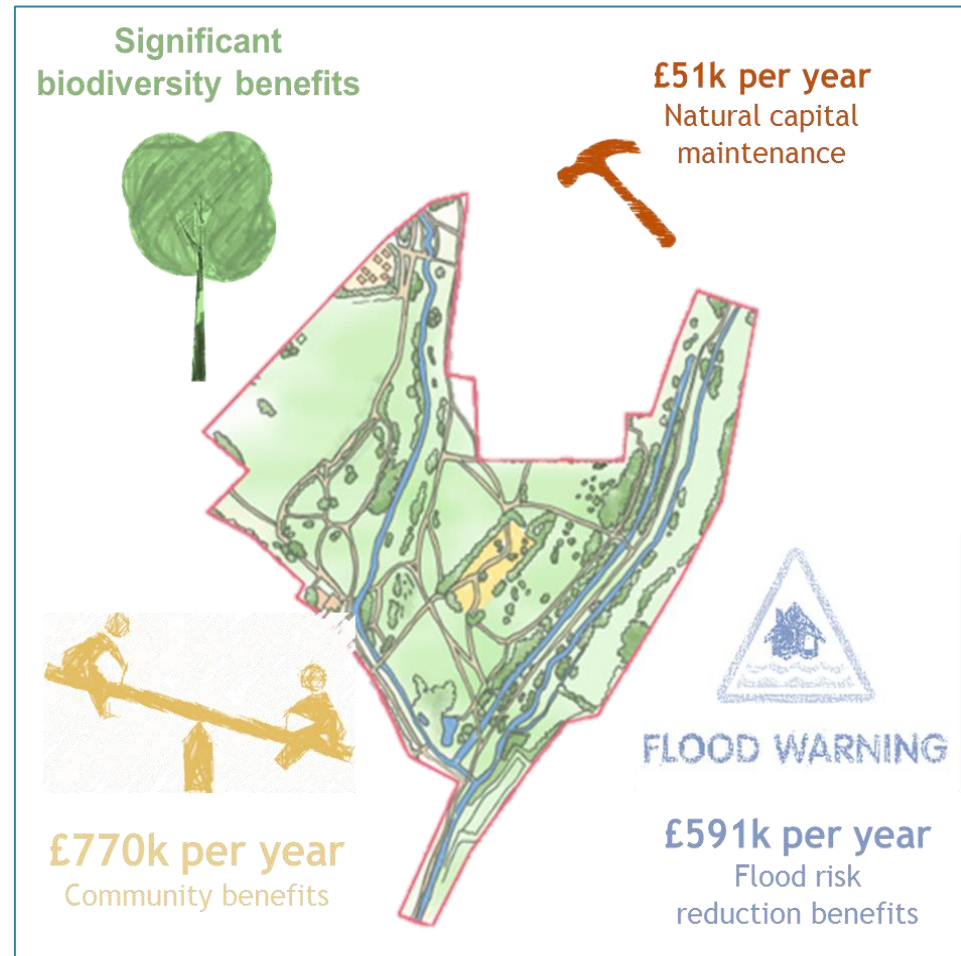
Natural Capital Committee (2017)

Urban Natural Capital



Beam Parkland, London

- Financial accounting portrays Beam Parklands as a liability rather than an asset
- CNCA demonstrates the significant natural capital asset values from Beam Parklands that financial accounting does not capture
- Results enhance the case for financing management of similar sites and for adding new sites to the Land Trust's portfolio



Economic valuation of environment

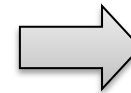
- Economic valuations reflect the relative importance or worth of natural capital to people in a particular context
- It is not
 - ‘putting a price on nature’
 - a moral judgement
 - ‘the cheapest’
- Economics = ‘the highest net benefit’

Economic valuation of environment

- Strengths: commensurate unit (money) allows tradeoffs between different sources of welfare, etc ...
- Weaknesses: difficulty of capturing complexity of environment
- Values of ***change*** against a baseline
- Only as accurate as underlying science



from this...



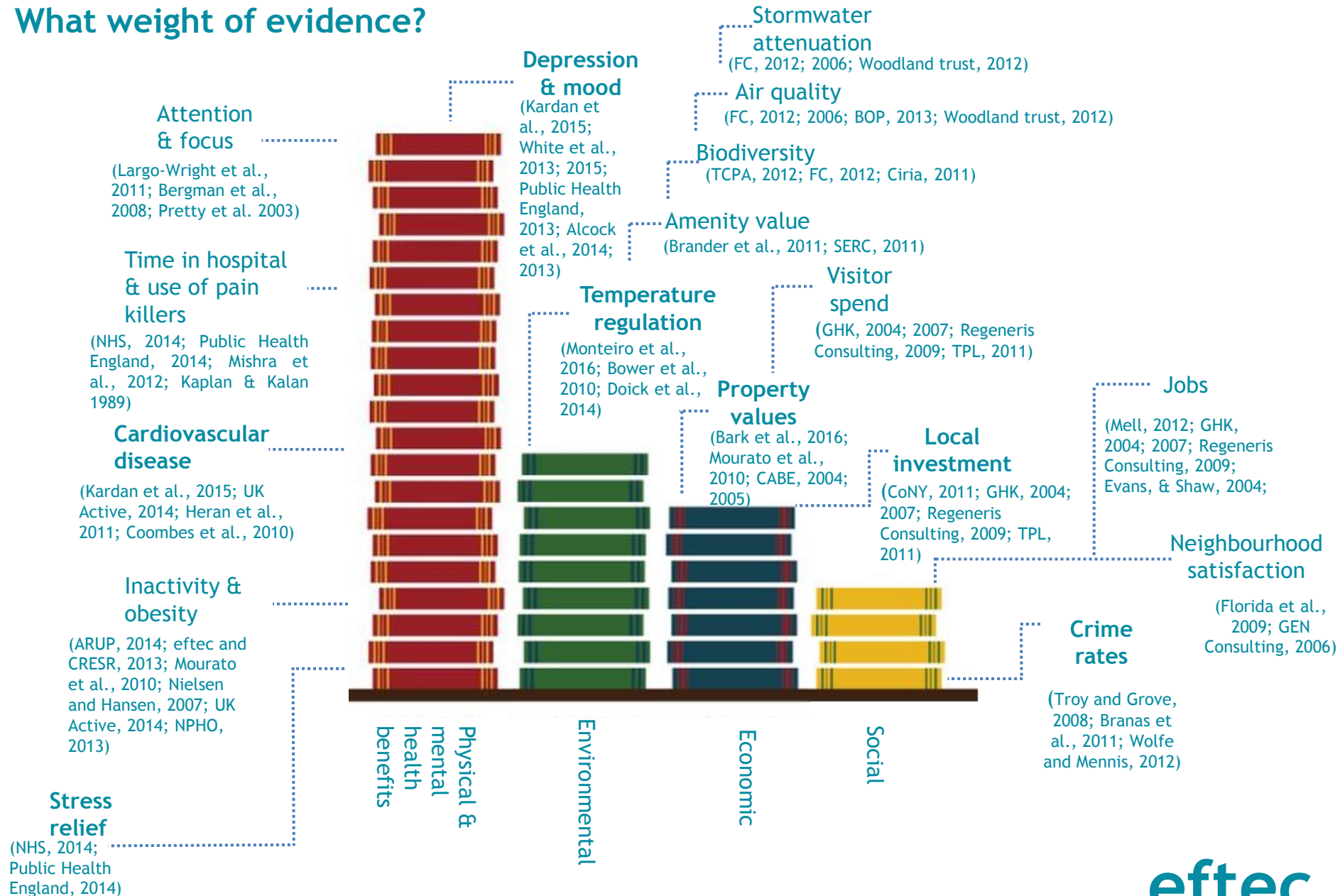
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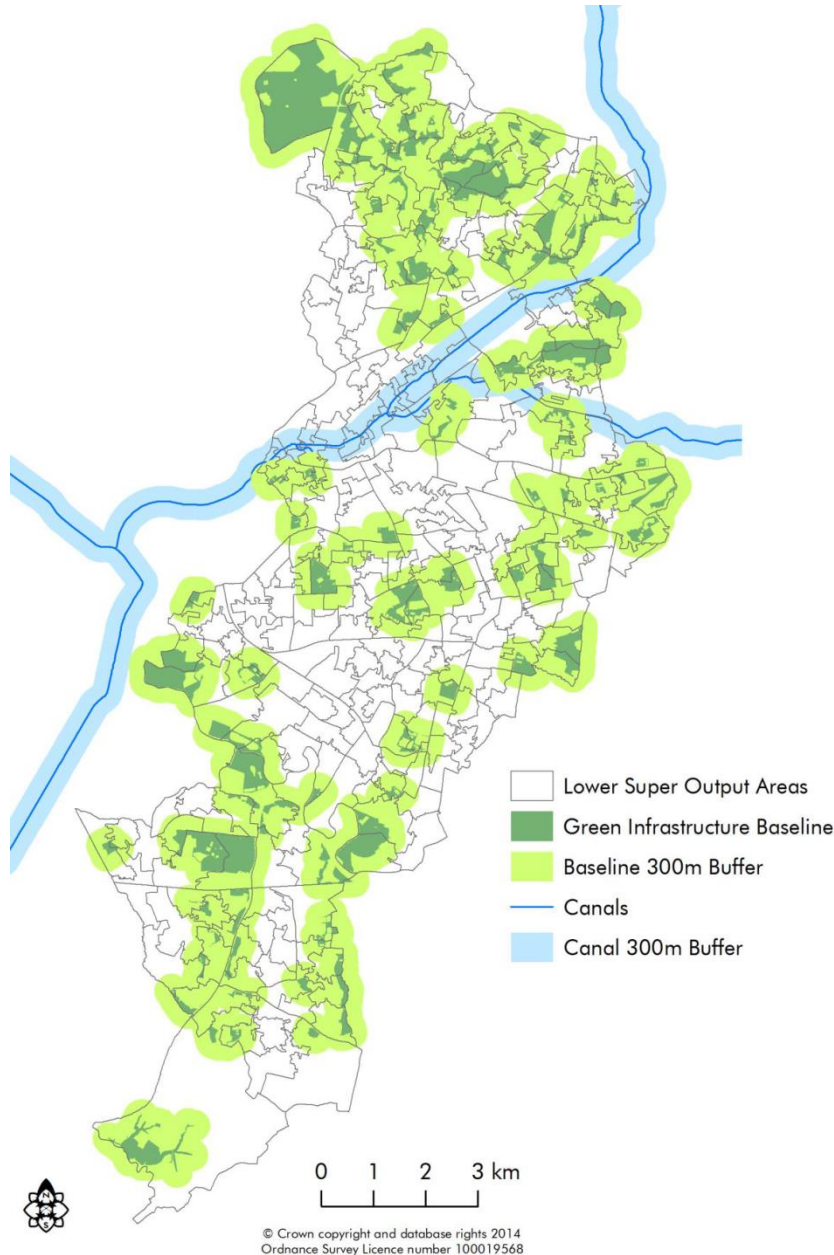


How much does individual's wellbeing change?

Evidence

What weight of evidence?





Manchester mental health illness: costs £500 - £800 million per year (NHS Manchester, 2015)

Innovation



The High Line © David Berkowitz

Experience of Corporate NC Accounting

“Natural capital is a positive concept - it is about the good things the natural environment gives us and how we maintain them”

Ece Ozdemiroglu, Director, eftec

“Capital maintenance is the reason accountancy was born: Have I created value, or just depleted my stock?”

Michael Izza, Chair Executive, ICAEW

“This is a new language but the concepts build on what we have been doing for decades; and improvements in evidence and computing mean this is the right time to apply it”

Sir Harry Studholme, Chair, Forestry Commission

“This approach allows us to recognise the significant value and importance of natural capital assets not captured in financial accounting”

Andrew Philipps, Rural Director of Finance, Duchy of Cornwall

economics for the environment consultancy (eftec)

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Natural capital accounting at the local and landscape scale

An introduction: Half day seminars in Bristol (28th February), Liverpool (8th March), Perth (9th March) and Peterborough (17th May)

<http://ecosystemsknowledge.net/events/local-accounting-2017>